



Chairman's word...



Dear Members,

The consultative process of inviting suggestions for next budget has commenced. A detailed communication from the Council has already been sent to all members. Members are requested to send their suggestions to the Council relating to Custom duties, Excise duties, Inverted duty structure, cess and levies etc., with justifications, in the prescribed format.

The economy is now showing signs of recovery. However, export figures for the first four months of the current fiscal year, compiled by the Council based on export returns submitted by the members do not show an encouraging trend. I urge all members to keep us updated on the current status of exports, future outlook and effect on employment in their industry.

I extend my best wishes to all the members for the festival season ahead.

A.G. Mukim

(A.G. Mukim)

Tech vs Tradition

Equipment makers push the envelope, sports forced to react

Baseball and softball bats have become rocket launchers, space-age swimsuits have led to the world record book being completely rewritten and weekend golfers everywhere are bombing 300-yard drives. That has executives of sports equipment companies smiling. When consumers play their games better, or see elite athletes reach new heights with high-tech gear, consumers play more and they buy more stuff.

On the other end of the spectrum, however, are the organisations that govern sports. While part of their mission is to promote their game, they also take a leading role in preserving the integrity of sports.

Fairness, safety and the game's traditions all must be considered when a product takes performance to the next level. The clash between the two sides was thrust back into the spotlight recently when the Federation Internationale de Natation, the governing body of competitive swimming, banned certain types of swimsuits. That conflict is at the heart of one of sports' greatest rivalries.

"Everything is new and improved from 20 years ago," says Mike May, Director, Communications, Sporting Goods Manufacturers Association. "Things are up to date and that's what consumers want. Manufacturers are challenged by the demands of the consumers and are restricted by the governing bodies of sports."

According to the Sporting Goods Manufacturers Association, sales of sporting goods equipment, fitness equipment, sports apparel, athletic footwear, and recreational transport items in the United States in 2008 totaled \$66.3 billion.

Companies from Nike to Wilson to Speedo spend millions each year researching and developing cutting-edge gear for athletes like Tiger Woods, Roger Federer and Michael Phelps, as well as fans who want the same equipment their heroes use.

Wilson's global tour equipment manager says, it can take up to three years for a tennis racket to hit the market after it is conceptualized. It is estimated that Wilson's research staff of 50 in Chicago spent almost \$1 million on building a new innovation center and developing 100 rackets last year. However, Rocchi always works with club players of all levels, testing rackets out on them in their Chicago facility.

Dick Rugge, the U.S. Golf Association's senior technical director, and his staff of 16, which includes six engineers, research all golf equipment. He recommends all manufacturers to bring new ideas to him first, to avoid having a piece of equipment shot down by the USGA or PGA Tour.

"We learned the hard way about 15 years ago," says Benoit Vincent, the chief technical officer for TaylorMade, the company that introduced metal woods to golf in the late 1970s. "We paid big bucks to develop something and the



USGA said no way. But now, we have heavy activity with them. We are sending them stuff once a week. The USGA is very accessible and are really connected to the golf industry. It's very open."

In baseball and softball, leagues and recreation departments everywhere have been forced to constantly monitor developments on the manufacturing front.

Joe Detz, the recreation director in Newburgh N.Y., keeps a list of non-approved bats and umpires in the Newburgh softball leagues check bats players use. The Newburgh league follows bat guidelines from the Amateur Softball Association of American and the United States Specialty Sports Association.

Detz also knows the latest methods being used by cheaters.

"You can have a bat repainted with the proper seal, even though the bat's not legal," he says.

Suspensions are the punishment for violators, but improved performance and sports glory tempt many to accept the risk.

The manufacturer will always find better technology, even with the rules that have been given. The manufacturer should learn from what has happened with swimming and do more collaborating with governing bodies. But technology will always be pushing sport because a manufacturer has to grow its business. ■

Source : SGMA

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South Africa's toys and sports goods market resilience in consumption patterns



Sports is the national religion in South Africa. Transcending race, politics or language group, sport unites the country - and not just the male half of it. When a South African team wins, the national adrenaline goes into overdrive. Maybe even the GDP goes up.

South Africa has an expanding consumer base and a growing disposable income, and South African consumers are prepared to pay a higher premium for international brand products. South Africans love almost all sport activities like rugby, cricket and soccer being the most popular sports. There are more than 400 golf courses in South Africa. Soccer is the most popular spectator sport in the black community.

The market for toys and games in South Africa has continued to experience growth across all sectors. This indicates a general resilience in consumption patterns in an environment that has been largely characterised by a record high debt/income ratio, persistently rising interest rates, rising inflation and a dampened economic outlook. Consumption patterns have not significantly changed despite unfavourable macroeconomic conditions.

The traditional structure of the toys and games market has been affected by the trend towards "age compression." Children are leaving behind traditional types of play at an earlier age, which has impacted on sales of children's toys and games as they begin to demand items such as mobile phones, DVD players, CD players, mp3 devices and other electronic products instead. There has been a tremendous increase in the interest rate and an increased demand for video games, resulting in an upward trend in sales.

The successful marketing of the PlayStation series of games, followed by the entry of Xbox 360 and the forceful arrival of Nintendo Wii, has resulted in phenomenal growth in the video games sector. While PlayStation 2 and PlayStation 3 may have been perceived as expensive boys' games, Xbox 360 and Wii are priced significantly lower and are being marketed as interactive family games, which has led to a massive increase in demand for video games hardware and software.

The environment remains characterised by high levels of competition and continues to exhibit features of market concentration because of the dominance of just a few players. The toys and games industry relies heavily on imports, and competition is confined to prices, product selection, advertising and promotion, product quality, service levels and the location of retail channels. Proactive distribution strategies are key success factors in a fast-growing market.

The toys and games market is expected to continue performing well. Growth in the video games sector is likely to be consolidated through launches of new products and new titles to compete in the software subsector. Sales of traditional toys and games will probably be rejuvenated by the development and marketing of eco-friendly toys, which will be marketed in a manner consistent with consumers' changing lifestyles in order to incorporate more environmentally friendly ideas and purchase more organic and natural products. ■

Source: Research & Markets and online resources

Global Specialty Retail strong growth rates since 2004

The global specialty retail industry generated total revenues of \$441.6 billion in 2008, representing a compound annual growth rate (CAGR) of 3.8% for the period spanning 2004-08. The top 10 specialty retailers recorded revenues of \$73.2 billion in 2008, an increase of 2.4% over 2007. The operating loss of these companies was \$1.0 billion in 2008, as compared with an operating profit of \$3.9 billion in 2007.

The net loss was \$1.9 billion in 2008, as compared with a net profit of \$2.2 billion in 2007. The operating margin of the top 10 companies was -1.4% in 2008 as compared with 5.4% in 2007. The net margin was -2.6% in 2008 as compared with 3.1% in 2007. Since 2004, the global specialty retail industry has posted strong growth rates. However, the industry is forecast to decelerate considerably in 2009 followed by a healthy recovery towards 2013. ■



Source: R&M



70% toy purchases in US pre-planned, reveals survey

Seven out of ten toy purchases in US were planned, with the first decision made being where to shop, according to Toy Purchase Decisions, a report from leading market research company, The NPD Group. According to the report, over three-quarters of toy buyers who made planned purchases knew where they wanted to shop.

While 90 percent of these retailer-driven shoppers actually made the purchase where they originally planned, when asked what they would have done if the toy they planned on buying was not available, just over 40 percent said they would look for the same product in a different store.

Of the unplanned purchases, nearly two-thirds were influenced by an item-related factor, with the primary reason being that the specific toy item was requested by the child. Two other competing factors include eye-catching packaging and product display. Analysis of the results also show that price point plays a significant role in making unplanned purchases, since the two categories with the most unplanned purchases also have the lowest average retail prices.

"As we head into the critical holiday season, during which approximately 50% of annual toy revenues are generated, it's important for manufacturers and retailers to understand just what it is that drives toy purchase decisions among parents and gift-givers," said Anita Frazier, industry analyst, The NPD Group. "Getting into the mind of the buyer provides crucial insight to drive key business decisions including packaging and pricing strategies, in-



store promotional plans, and many other elements of the marketing mix to optimize holiday sales."

Retailer Loyalty and Selection

Among all toy shoppers, a convenient store location and pricing are the most influential factors for choosing a retailer. The next set of most influential factors include assortment and selection. Results of the study also show that close to three-quarters of toy shoppers prefer one-stop shopping over visiting specialty stores, supporting an obvious advantage in the mass merchant channel.

The vast majority of toy buyers (78 percent) say they prefer to buy in stores versus online because they want the ability to see the products before purchasing them. "This identifies the need to provide those who shop online with even more user-friendly search options for online purchasing such as category listings, product reviews, recommendations and filtering options," said Frazier.

Once in the store, consumers are faced with the task of choosing a suitable toy for the intended recipient. As pricing is a key factor in choosing a retailer, it is also a key factor when it comes to choosing a specific toy. Seventy percent of toy buyers say they typically have a price in mind and then seek out a product that meets their criteria.

Among those who considered more than one toy during the purchase occasion there are a slightly different set of purchase drivers. The primary driver is not price or value, but whether or not product information was clearly included on the toy packaging. In other words, when comparing multiple products, consumers are turning to the product packaging to help them decide on the final purchase. ■

Source : NPD

Chinese Suppliers continue to target US and EU

Chinese toy and game suppliers continue to target the US and EU, despite stricter standards and the economic crisis. Most suppliers plan to continue strengthening exports to these markets. However, new product legislation is forcing suppliers to conduct a greater amount of testing and to use more expensive raw materials. Despite the higher costs of compliance, most manufacturers are keeping prices stable to boost demand and gain market share.

Among biggest challenges for next 12 months are stricter overseas compliance standards (47%); price competition (19%) and cost of raw materials (19%). For 51% manufacturers EU is expected to be their main market in the next 12 months, while 29% plan to boost shipments to the US. At the same time, many suppliers are fast-tracking efforts to strengthen their foothold in emerging markets such as Africa, the Middle East, Eastern Europe, and South and Central America. 81% suppliers are increasing investment in R&D and other capital expenditures, with about one-third increasing spending by more than 20%. Suppliers are upgrading product lines with the expectation that the market may recover in the next 12 months. ■

Source : Reuters



Americans are active says NSGA research

Americans are more active than one might think, according to data in the "Sports Participation: Series



I" report, published annually by the National Sporting Goods Association (NSGA). Among Americans aged seven and older, 78.7% (212.7 million Americans) participated more than once in the 23 sports and recreational activities. Sports included in the Series I report include team sports, fitness activities, outdoor recreation activities (except shooting sports and boating activities) and traditional individual sports.

Among the 56.9 million who "did not participate" in 2008, 60% were female; 40%, male. "The fact that nearly four out of five Americans participates in some sort of sport, recreation or fitness activity indicates a solid base of fitness in America," NSGA Vice President of Information & Research Thomas B. Doyle said. "However, that percentage has not changed appreciably for more than a decade. It is important for that number to increase, especially in the face of obesity trending upward across the nation."

By age, 55-64-year-olds represented the highest percentage of non-participants, 17%, while representing 12% of the US population. The 45-54-year-olds, 16% of the US population, represented 15% of non-participants.

America's youth had the lowest percentage of non-participants. Children age 7-to-11 represented 4.5% of non-participants; teenagers 12-to-17 years old, 7%.

Household income clearly has an impact on participation. Households with incomes of less than \$15,000, representing 10% of the US population, had a non-participation rate of 16%. At the other end of the economic spectrum, households with incomes of more than \$100,000 (22% of the US population) had a non-participation rate of only 13%.

Regionality seems not a significant factor in non-participation, at least in the 23 sports included in the Series I report. Non-participation rates are close to the percentage of population in each of the nine US census regions. ■

Source : NSGA

Revised Lacey Act Coverage most sporting goods avoid inclusion

USDA's Animal and Plant Health Inspection Service (APHIS) published a Federal Register notice on September 2 setting forth a revised implementation schedule for the troublesome Lacey Act amendment passed by Congress last year as part of an effort to help clamp down on illegal wood harvesting. As reported, the amendment requires importers to file declarations that specify the scientific name and species of any wood or plant material contained in a product and the country of harvest. Sporting goods and other HS Chapter 95 articles were to have been covered under the original plan but, as reported, were subsequently dropped in revisions announced in February 2009.

Phase III, which takes effect on October 1, now is limited to a select number of basic wood products.

While there were substantial revisions to Phase IV, which will take effect on April 1, 2010, only one Chapter 95 category was included: billiards articles and accessories (HTS 9504.20). As before, no athletic footwear or apparel categories are scheduled for inclusion in any of the scheduled phases, nor are they being considered as potential candidates.

Significantly, APHIS states that it recognizes that many of the headings listed in Phase IV of the phase-in schedule contain goods that are not composed of wood or other plant material and, with respect to those goods, APHIS clarifies that no declaration will be required. This bodes well in the event sporting goods are included at some future date. Also, APHIS has announced its decision to further delay enforcement of the declaration requirements with respect to composite and recycled or reused materials (e.g., medium density fiberboard, particleboard, and scrap wood).

APHIS makes clear that there will be no further additions to Phases III or IV. However, the agency is soliciting public comment on the inclusion of certain additional products "currently under consideration" for subsequent phases that will take effect on September 1, 2010 or later. The listed products include, inter alia, articles for arcade, table or parlor games (HTS 9504), which would include bowling equipment and perhaps certain other articles.

Finally, APHIS states "we continue to consider" the possible inclusion of other products and, in particular, to seek comment on the possible inclusion of the remaining headings under Chapter 95 (which would encompass most remaining sporting goods categories) and six other chapters. ■

Source : SGMA





VAT exemption on sports Goods FSPA supports UK Conservative's recommendation

Ever keen to support initiatives that aim to increase physical activity



in the UK, national trade body the Federation of Sports and Play Associations (FSPA) has recently written to David Lewis, Chairman of the Public Health Commission, and Andrew Lansley MP, Shadow Secretary of State for Health, in support of the UK Conservative Party's Public Health Commission's recommendation to cut VAT on sports goods to encourage the public to take up more exercise and thereby improve their health. The FSPA is in support of the Public Health Commission's report, 'We're All In This Together. Improving the Long Term Health of the Nation', as with over 80,000 avoidable deaths occurring each year in the UK due to poor lifestyles and lack of exercise the FSPA welcomes any initiative that encourages people to become more physically active.

The commission's recommendation to cut VAT on sports goods is particularly welcomed by the national trade body as it has the twin appeal of not only improving public health, but also boosting the UK's sports and leisure industry. The FSPA is now awaiting confirmation of a meeting to discuss how increasing sports participation in the UK can greatly assist in improving the health of the nation and how the FSPA might be able to work with the Conservative Party in this area of policy. ■

Source : FSPA

Triathlon one of the growing markets in UK

Triathlon is a multi-sport endurance event consisting of swimming, cycling, and running in immediate succession over various distances. Triathletes compete for fastest overall course completion time, including timed "transitions" between the individual swim, bike, and run components.

Triathlon races vary in distance. The main international race distances are Sprint distance (750m swim, 20km bike, 5km run), Olympic distance (1.5km swim, 40km ride, 10km run), Half Ironman distance (1.9km swim, 90km ride, 21.1km run), and Ironman triathlon distance (3.8km swim, 180km ride, 42.2km run).



Transition areas are positioned both between the swim and bike segments (T1), and the bike and run segments (T2), and are often just one checkpoint, especially in shorter courses. These areas are used to store bicycles, performance apparel, and any other accessories essential for preparing and gearing for the next stage of the race. The transition times (T1 and T2) are included in the overall time of the race. So speed during transition - removing the wetsuit, putting on the helmet, putting on the running shoes - is essential. In large races, transitions areas maybe up to a kilometer long, and be storing over 2000 entrants bicycles.

The demanding nature of the sport focuses primarily on persistent and often periodized training in each of the three disciplines, as well as combination workouts and general strength conditioning to ensure the highest levels of endurance, strength, and power possible come race day. Proficiency in swimming, cycling, and running alone is often not sufficient for success in triathlon.

The appeal of the sport is that it gives you a full body exercise, so swimming is upper body and chest orientated and running/ biking is lower legs, hips and waist. Triathlon has come a long way since its beginnings in 1974. While there are a number of clubs for men, options for women to participate are ever-increasing with a couple of high-profile women-only races opening up around UK. Due to the 'grassroots' growth of the sport in the UK attracting mass participation there is a larger range of more cost-effective equipment. This forms the 'fourth discipline', - the transition when competitors change from swimming to cycling, and from cycling to running as this is all part of the final clock time; so kit and a quick change is of vital importance to the Triathlete.

Retailers get in touch with local tri clubs to see what they want shops to stock. A race belt which is quickly fitted after the swim to show the competitor's number is vital; once people get to a decent level, they invest in all-in-one suits so they can do all the disciplines in one outfit. ■



Use of duty free raw material for capital goods manufactured within EOU for captive use

Copy of DGEP/EOU/57/2009, dated 19th August, 2009

An Export Oriented Unit has represented regarding difficulties faced in grant of exemption from Customs & Central Excise duty on raw materials common for manufacture of both finished goods and capital goods (e.g. jigs, moulds, dies etc) within the EOU for captive use.

2. The issue has been examined. It is viewed that there may not be any difficulty in allowing duty free import/domestic procurement of raw materials common for the manufacture/production of finished goods as well as for the manufacture of capital goods for use within the unit. The usage of inputs, imported or procured domestically, for manufacture of finished goods is allowed as per Standard Input Output norms (SION) [condition (d) (l) (ii) of opening paragraph of notification No. 52/2003-Cus dated 31.03.2003].
3. Raw materials for making capital goods for use within the unit is allowed vide Sl. No. 16 of Annexure-I of notification No. 52/2003-Cus dated 31.03.2003. Capital goods manufactured out of duty free inputs for use within the EOU are required to be accounted for and bonded as per the usual bonding procedure. While following the into-bond procedure, the value of such capital goods would be assessed by following the computed value method in terms of the Customs valuation Rules, which would inter alia account for the raw material captively consumed in manufacture of capital goods. Such goods would be liable to duty as applicable in case of clearance outside the unit or debonding or exit from EOU scheme. Exemption from payment of duty of excise leviable under section 3 of the Central Excise Act, 1944 vide notification No. 24/2003-CE dated 31.03.2003 shall not be applicable in such cases.
4. Hence, it is clarified that the capital goods manufactured for captive use should be accounted & bonded by following the usual procedure and shall be liable for payment of duty while making clearances outside the unit or debonding or exit from the EOU scheme.
5. This issues with the approval of Central Board of Excise & Customs.
6. Wide publicity may please be given to these instructions by way of issuance of Public/Trade Notice. Difficulties, if any, in implementation of these instructions, may be brought to the notice of the Directorate General of Export Promotion.
7. Receipt of this circular may kindly be acknowledged. .

Yours faithfully
(Praveen Mahajan)
Director General

F.No.:DGEP/EOU/57/2009

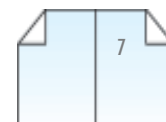
Exemption of Service Tax provided to any person in relation to transport of goods by rail

Copy of Service Tax Notification No. 33/2009 - Service Tax, dated 1st September, 2009

G.S.R. (E).- In exercise of the powers conferred by sub-section (1) of section 93 of the Finance Act, 1994 (32 of 1994), (hereinafter referred to as the Finance Act), the Central Government, on being satisfied that it is necessary in the public interest so to do, hereby exempts the taxable service provided to any person in relation to transport of goods by rail, as referred to in sub-clause (zzzp) of clause (105) of section 65 of the Finance Act, from the whole of the service tax leviable thereon under section 66 of the Finance Act, provided, nothing contained in this notification shall apply to any service provided or to be provided, by any person other than government railway, in relation to transport of goods in containers by rail.

Prashant Kumar
Under Secretary to the Government of India

F. No. 356/24/2009-TRU





Computation of entitlement is to be done on the FOB value of exports inclusive of Foreign Agency Commission

Modification of Policy Circular No. 51 (RE-2008) / 2004-2009 dated 6th January, 2009

Copy of Policy Circular No. 98 (RE-2008) / 2004-2009, dated 10 August, 2009

To
All Licensing Authorities
All Customs Authorities

Attention is invited to Policy Circular No. 51 (RE-2008)/2004-2009 dated 6th January, 2009 wherein it was clarified that 'the computation of entitlement is to be done on the FOB value of exports inclusive of commissions and discounts, if any'.

In this regard, it has been observed that discounts (offered to foreign buyers) do not form part of FOB value. Thus, FOB value on which the entitlement would be computed under Chapter 3 reward schemes would exclude 'discounts'. Hence the phrase 'the computation of entitlement is to be done on the FOB value of exports inclusive of commissions and discounts, if any.' in Policy Circular No. 51(RE-2008)/2004-2009 dated 6th January, 2009 is amended to read as 'the computation of entitlement is to be done on the FOB value of exports inclusive of foreign agency commission'.

This issues with the approval of the DGFT.

Sd/
(A K Singh)

File No: 01/91/180/1694/AM09/PC-3

Joint Director General of Foreign Trade

NIIFT at Jalandhar boon to sportswear manufacturing industry

The establishment of Northern India Institute of Fashion Technology (NIIFT) at Jalandhar would cater to the need of trained fashion designers for the present requirement and future expansion of the industry and also assure job opportunities to the youth of backward region.

Disclosing this, Mr. Manoranjan Kalia, Industry and Local Government Minister, Punjab said that NIIFT will be a boon to leather/sport wear industry in and around Jalandhar and will not only enable the leather/sports industry to represent an area of strength in the export sector but will also earn a higher status in domestic market for leather garments, sportswear and high quality sports goods.

Mr. Kalia said that Jalandhar is an important industrial town and an important supplier of quality sports goods to more than 130 countries including some of the most developed nations of the world. The Jalandhar based industry is rapidly embracing new technology and adapting its products to keep up with the changing global trends so as to become the most important center for manufacture. The Jalandhar cluster is a unique example where, with the passage of time, new items like sports wears have been added and traditional items continue to have a strong hold. Mr. Kalia said that proposed NIIFT Centre at Jalandhar is aimed to achieve objectives like conducting specialized programs on improving quality and productivity leading to better Exports as per international requirements and earning higher foreign exchange. Technical Consultancy on latest Management and Manufacturing processes and to help industry to pace fashion needs especially in sports wears and sports goods. ■



Source: Panjab Newslines

Editor: Tarun Dewan

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