Market Intelligence
& Analytics

CRISIL
An S&P Global Company

Assessment of textile industry with special focus on yarn manufacturing market in India

November 2024

Consulting

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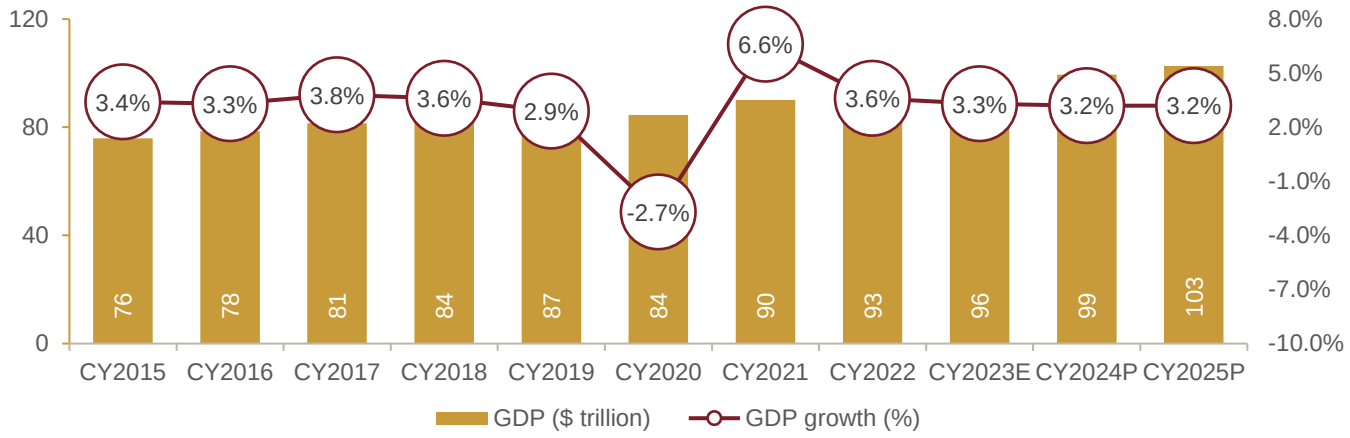
1 Global macroeconomic assessment

Global GDP is estimated to grow at 3.2% in CY24 and CY25 amid moderating inflation and steady growth in key economies

As per the International Monetary Fund's (IMF) October 2024 update, global gross domestic product (GDP) growth is projected at 3.2% in 2024 and 2025 respectively. The latest estimate for 2024 is in line with IMF's previous forecast in July 2024. This growth going forward is majorly propelled by the emerging and developing economies with regional differences on account of global economic tensions and extreme weather events.

With disinflation and steady growth, the likelihood of a hard landing hac receded, and risks to global growth are broadly balanced. Amid favourable global supply developments, inflation has been falling faster than expected with advanced economies leading the change. However, service inflation is holding up the progress on disinflation. On the upside, faster disinflation could lead to further easing of financial conditions. On the downside, new commodity price spikes from geopolitical shocks and supply disruptions or more persistent underlying inflation could prolong tight monetary conditions.

Global GDP trend and outlook (2015-2025P, USD trillion)



Note: E: Estimated, P: Projection

Source: IMF economic database, CRISIL MI&A

India among the world's fastest-growing large economies

Following the recovery from the COVID-19 pandemic, India exhibited a faster growth rate of 7.0% in FY2023, surpassing both advanced economies at 2.9% and emerging and developing economies at 4.0%. This trend is expected to continue, with India leading the growth compared to its key counterparts.

Real GDP growth by geographies

Regions	CY2018	CY2019	CY2020	CY2021	CY2022E	CY2023E	CY2024P	CY2025P
US	3.0	2.6	-2.2	6.1	2.5	2.9	2.8	2.2
Euro area	1.8	1.6	-6.1	6.2	3.3	0.4	0.8	1.2
UK	1.4	1.6	-10.3	8.6	4.8	0.3	1.1	1.5
China	6.7	6.0	2.2	8.4	3.0	5.2	4.8	4.5

Regions	CY2018	CY2019	CY2020	CY2021	CY2022E	CY2023E	CY2024P	CY2025P
India*	6.5	3.9	-5.8	9.8	7.0	8.2	6.8	6.7
Advanced economies	2.3	1.9	-4.0	6.0	2.9	1.7	1.8	1.8
Emerging market and developing economies	4.7	3.7	-1.8	7.0	4.0	4.4	4.2	4.2
World	**3.6**	**2.9**	**-2.7**	**6.6**	**3.6**	**3.3**	**3.2**	**3.2**

Note: E:Estimated, P: Projection as per IMF update
** Numbers for India are for financial year (2020 is fiscal 2021 and so on) and as per the MoSPI. CRISIL's GDP forecast for India: 6.8% in fiscal 2025 and 6.7% in fiscal 2026*

Source: IMF economic database, CRISIL MI&A

India's per capita GDP has been growing faster than the global average

Global GDP per capita clocked a CAGR of 3.1% between CY2018 and CY2023, as per the International Monetary Fund (IMF) data. Meanwhile, India's per capita registered a CAGR of 4.8% between CY2018 (fiscal 2019) and CY2023 (fiscal 2024).

GDP per capita, current prices (U.S. dollars)

Regions	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023 E	CY2024 P	CY2025 P	CAGR (CY2018 -23E)
Canada	46,618	46,431	43,573	52,521	55,613	53,607	53,834	55,890	2.8%
China	9,849	10,170	10,525	12,572	12,643	12,597	12,969	13,873	5.0%
Euro area	40,138	39,261	38,167	42,939	41,493	44,851	46,635	48,516	2.2%
India	**1,974**	**2,050**	**1,916**	**2,250**	**2,366**	**2,497**	**2,698**	**2,937**	**4.8%**
Japan	39,850	40,548	40,160	40,161	34,158	33,899	32,859	35,611	-3.2%
United Kingdom	43,275	42,713	40,231	46,731	46,103	49,648	52,423	54,280	2.8%
US	63,165	65,561	64,462	71,258	77,980	82,715	86,601	89,678	5.5%
Advanced economies	48,383	48,690	47,695	53,217	54,172	56,926	58,998	61,421	3.3%
Emerging market and developing economies	5,361	5,412	5,145	5,977	6,331	6,409	6,652	6,954	3.6%
World	11,484	11,530	11,126	12,566	12,976	13,400	13,898	14,450	3.1%

Source: IMF, CRISIL MI&A

Global trade was relatively flat in CY2023, likely to log moderate growth in CY2024

Weak demand in developed countries, fall in commodity prices and slow GDP growth in some developing nations, especially in East Asian economies, affected global trade in CY2023. However, the services sector trade grew in the first half of CY2023 as recovery from the pandemic took effect with a lag. Tensions between the US and China have led to modest realignment of trade and financial flows, keeping trade growth largely rangebound.

Outlook for global trade in the current calendar is marked by uncertainty, though support is expected from demand for services, especially in the information and communication technology and travel and tourism sectors. Recovery

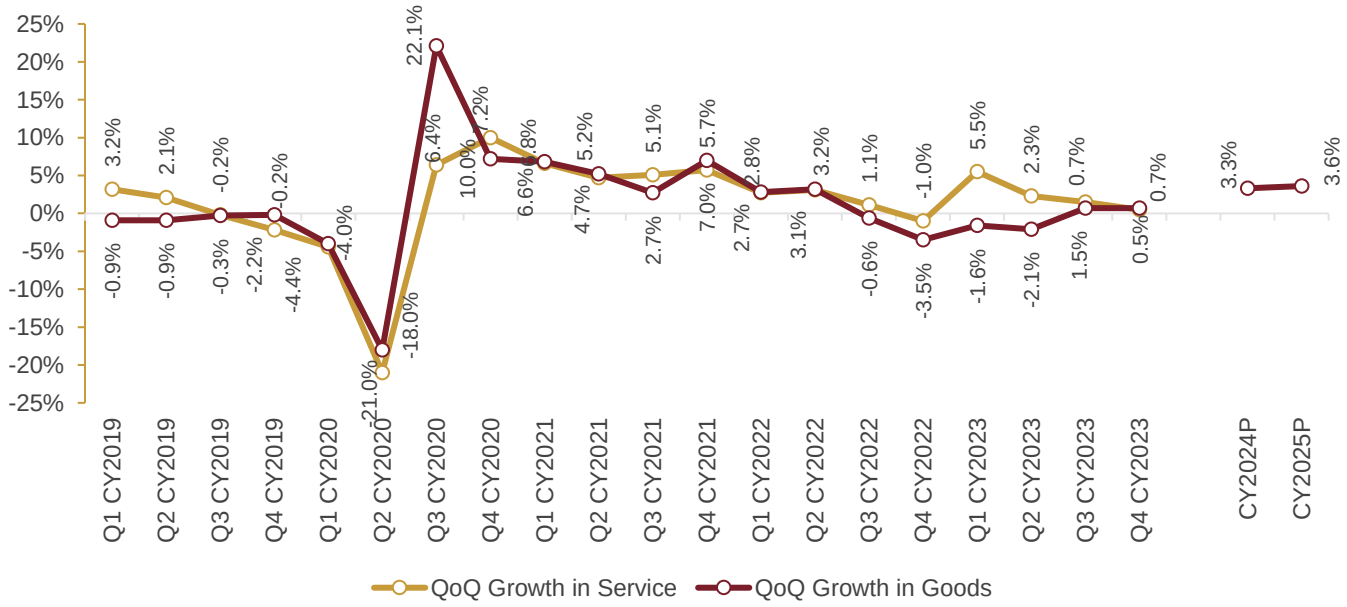
in consumer demand and increased trade of green goods on account of transition towards a greener global economy would also boost overall global trade in CY2024.

On the flip side, continuing geopolitical tensions; high interest rates, corporate and government debt, and commodity prices; inflationary pressures; and widespread economic fragility would potentially affect trade patterns.

The World Trade Organization expects goods trade to grow in CY2024, with Asia being the fastest-growing region and world merchandise (goods) volume growing 3.3%.

Overall, the world trade growth is projected at 3.3% in CY2024 and 3.6% in CY2025, below its historical average growth rate of 5.0%. Rising trade distortions such as Red Sea crisis and resulting high shipping cost and longer trade routes and geoeconomic fragmentation are expected to continue to weigh on the level of global trade.

Global quarterly trade of goods and services



E: estimated; P: projected

Source: World Trade Organization, UNCTAD Global Trade Update, CRISIL MI&A

2 Macroeconomic overview of India

2.1 Review of India's GDP growth

India GDP logged 5.9% CAGR between FY12 and FY24

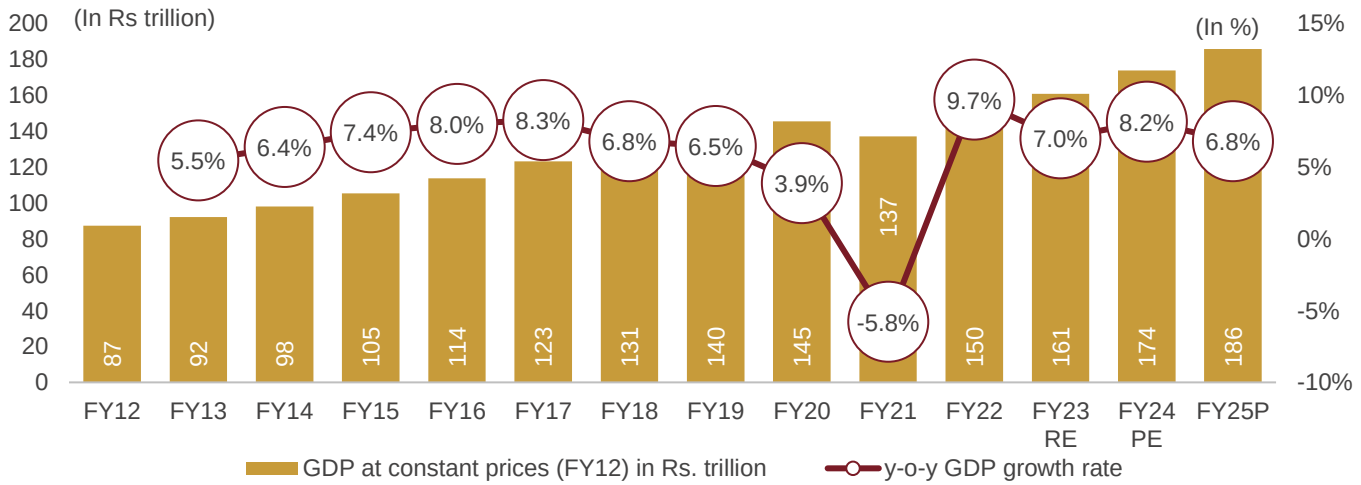
India's GDP grew at 5.9% compounded annual growth rate (CAGR) between FY12 and FY24 to Rs 174 trillion in FY24 from Rs 87 trillion in FY12. A large part of the lower growth rate was because of challenges heaped by the Covid-19 pandemic in FY20 and FY21. In FY22, the economy recovered with abating of the pandemic and subsequent easing of restrictions and resumption in economic activity. In fiscal 2023, GDP rose 7% on continued strong growth momentum, propelled by investments and private consumption. In fact, the share of investments in GDP rose to an 11-year high of 34.0% and that of private consumption to an 18-year high of 58.5%.

The National Statistics Office (NSO) in its provisional estimates of Annual Gross Domestic Product (GDP) for FY24, estimated India's real GDP growth to be 8.2% which is higher than its Second Advanced Estimate of 7.6%. Even as the agricultural economy slowed sharply following a weak monsoon, the surge in non-agricultural economy had more than made up for it. The government's investment push, along with easing input cost pressures for industry, had also played a major role in shoring up the growth. However, services have been slowing owing to waning pent-up demand (post the pandemic), with the exception of financial, real estate and professional services, which have powered ahead on the back of a robust growth in banking and real estate sectors.

An analysis of the fiscal 2024 growth reveals notable dichotomies. The growth was primarily fuelled by fixed investments, exhibiting a robust 9.0% expansion, while private consumption growth lagged behind at 4.0%, trailing overall GDP growth. On the supply side, the manufacturing sector experienced the most substantial growth at ~9.9%, while agriculture exhibited more modest growth rate of 1.4%. These trends underscore the varied performance across sectors, highlighting the nuanced dynamics shaping India's economic landscape in FY24. Overall, real GDP of India is estimated to have grown at 8.2% in FY24 compared with 7.0% in FY23.

In fiscal 2025, CRISIL MI&A expects the country's GDP to expand 6.8% on a Y-o-Y basis, driven by continued disinflation supporting the purchasing power of consumers, growth in agricultural sector coupled with gradual pick-up in the private sector capital expenditure. However, the growth is estimated to be slower than fiscal 2024, on account of continuing transmission of rate hike made by RBI, uneven economic growth for trading partner and escalation of on-going red crisis coupled with regulatory actions towards unsecured lending taming the credit growth.

Real GDP growth in India (new series) – constant prices



Note: RE – revised estimates, PE – Provision estimates, P – projection
The values are reported by the government under various stages of estimates
Actuals, estimates and projected data of GDP are provided in the bar graph
Source: Ministry of Statistics and Programme Implementation (MoSPI), CRISIL MI&A

Healthy growth of GVA in fiscal 2023 in line with GDP growth

On the supply side, gross value added (GVA) at current prices grew 14.0% in fiscal 2023, compared with 18.9% growth in fiscal 2022. In absolute terms, current GVA was valued at Rs 247 trillion in fiscal 2023, up from Rs 216 trillion in fiscal 2022. Additionally, in fiscal 2024, GVA is expected to reach Rs 268 trillion, up from Rs 247 trillion, registering a growth of 8.5%. Overall, GVA had registered a CAGR of 10.5% between fiscal 2012 and fiscal 2024.

Within GVA, i) financial, real estate & professional services, ii) agriculture, forestry and fishing, and iii) trade, hotels, transport, communication & services related to broadcasting are the top three contributors to the overall GVA in fiscal 2024(FAE) with the share of 22.7%, 17.7% and 17.5% respectively.

GVA at current prices

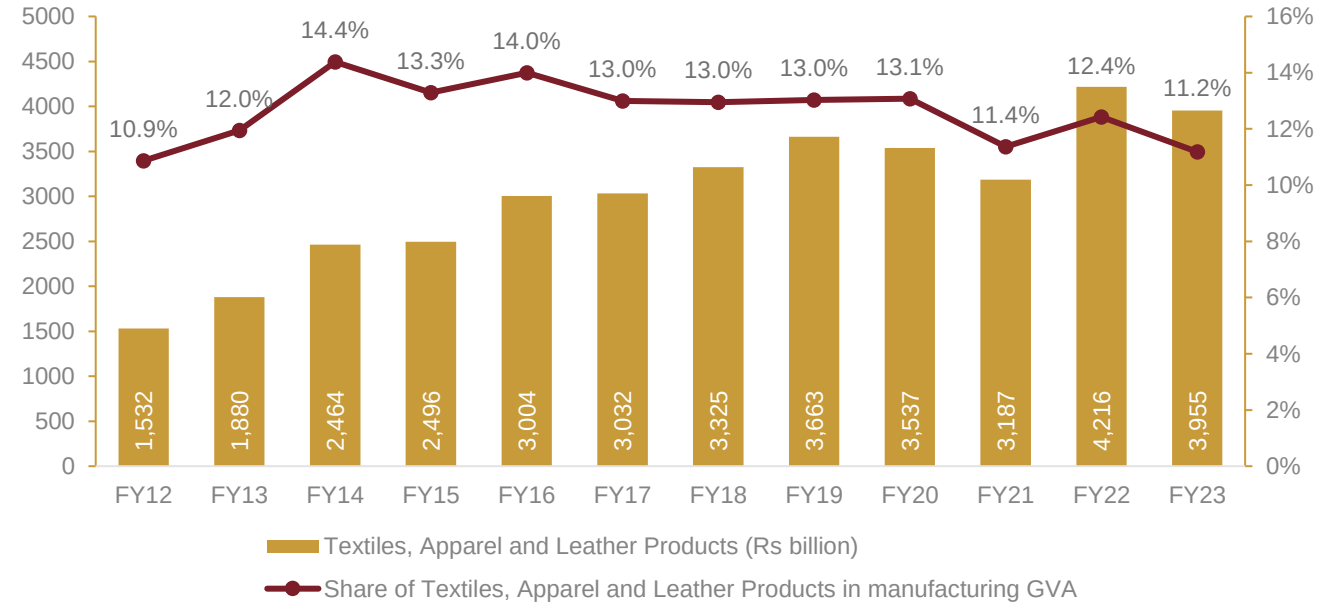
Rs trillion	FY12	FY19	FY20	FY21	FY22	FY23 (FRE)	FY24 (PE)	Share in GVA FY24	FY12 - FY24 CAGR
Agriculture, forestry and fishing	15	30	34	37	41	45	47	17.7%	10.0%
Mining and quarrying	3	4	4	3	4	5	5	2.0%	6.0%
Manufacturing	14	28	27	28	34	35	38	14.3%	8.7%
Electricity, gas, water supply & other utility services	2	4	5	5	6	6	7	2.5%	11.1%
Construction	8	14	14	13	18	22	24	8.9%	9.8%
Trade, Hotels, Transport, Communication & Services related to Broadcasting	14	32	35	29	37	44	47	17.5%	10.5%
Financial, Real Estate & Professional Services	15	35	39	40	46	55	61	22.7%	12.2%
Public Administration, Defence & Other Services	10	24	27	26	30	34	39	14.6%	11.8%
Total GVA at current prices	81	172	184	182	216	247	268		10.5%

Note: RE: revised estimate, PE: provisional estimate, FAE: First advance estimates
Source: MoSPI, CRISIL MI&A

Share of textile, apparel and leather industry improved in manufacturing GVA at current prices in India

The contribution of textile, apparel and leather industry in India in the overall manufacturing GVA of the country improved to 11.2% in fiscal 2023, up from 10.9% in fiscal 2012. In absolute terms, GVA of textile, apparel and leather industry at current prices grew to Rs 3,955 billion in fiscal 2023, on a base of Rs 1,532 billion in fiscal 2012, thereby registering a CAGR of 9.0%.

Textiles, Apparel and Leather products GVA (current price)



Source: Ministry of Statistics and Programme implementation, CRISIL MI&A

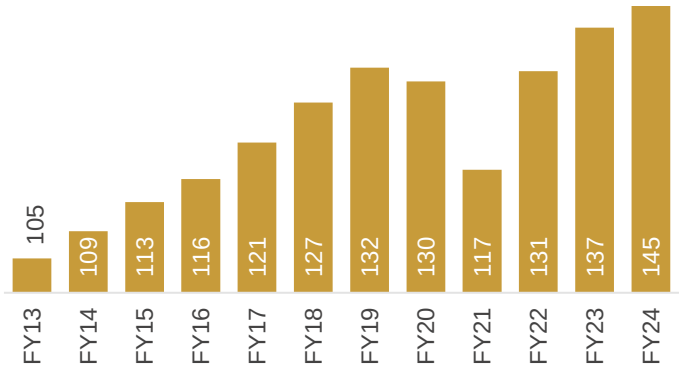
2.2 Fundamental growth drivers of GDP

Manufacturing IIP further improved in fiscal 2024 indicating increased commercial activities

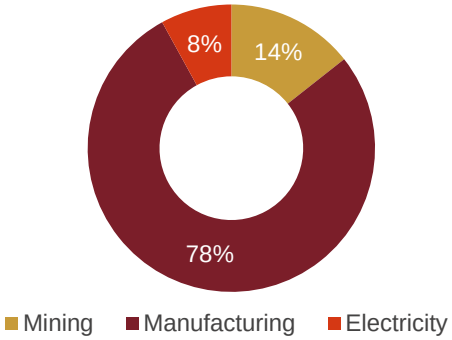
The Index of Industrial Production (IIP) for manufacturing saw steady growth from 105 in fiscal 2013 to 145 in fiscal 2024. The manufacturing sector is a significant contributor to the country's overall industrial growth, with 78% weightage in the overall IIP as of fiscal 2024.

Even though manufacturing IIP declined significantly to 117 in fiscal 2021 due to the pandemic, it recovered to 131 in fiscal 2022 because of various factors such as the easing of restrictions, government stimulus measures, increasing consumer demand and efforts to revitalise the manufacturing sector.

Manufacturing IIP (FY13-24)



Weight of manufacturing in IIP (FY24)



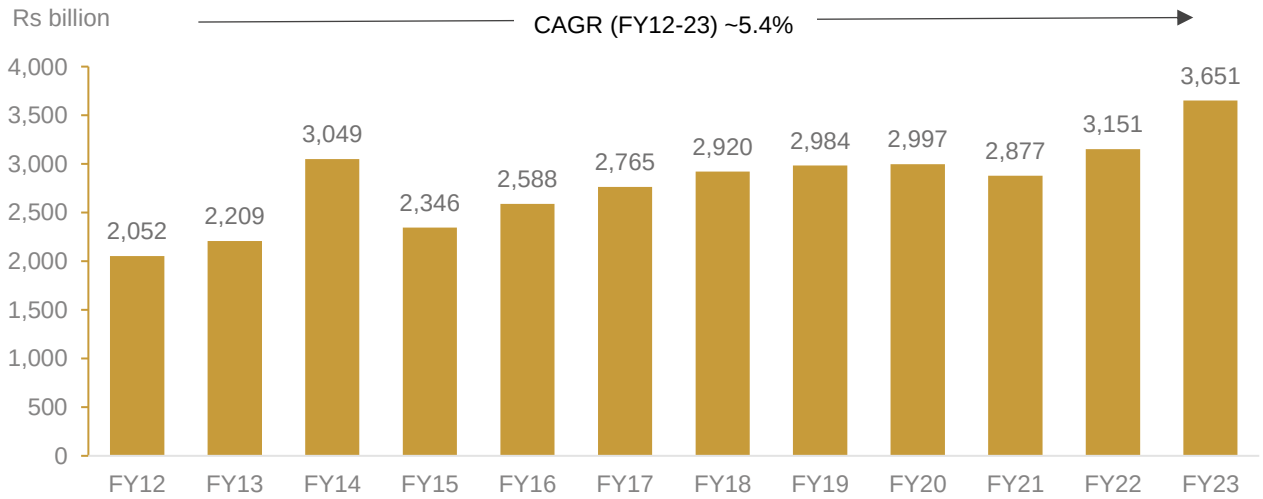
Note: FY12 is the base year for the Manufacturing IIP index (FY12=100)

Source: MoSPI, CRISIL MI&A

Investments in textile and wearing apparel segment have grown at ~5.4% CAGR between fiscals 2012 and 2023

The investments in the textile and wearing apparel segment in India increased from Rs. 2,052 billion in fiscal 2012 to Rs. 3,651 billion in fiscal 2023, growing at a CAGR of ~5.4%. The increase in investments had led to the total number of textile and apparel factories reaching the figure of 30,672 in fiscal 2023, increased from 27,958 in fiscal 2012. The Government of India had introduced several schemes for the textile and apparel sectors such as the Amended Technology Upgradation Fund Scheme (ATUFS), Scheme for Integrated textiles park (SITP), Samarth scheme, etc. ATUFS has the objective to modernize and upgrade the technology of the Indian textile industry. SITP provides world class infrastructure facilities. In addition to these, many other schemes specific to silk, jute, wool, handloom, and handicraft sectors are also being implemented.

Investments in textile and wearing apparel industries

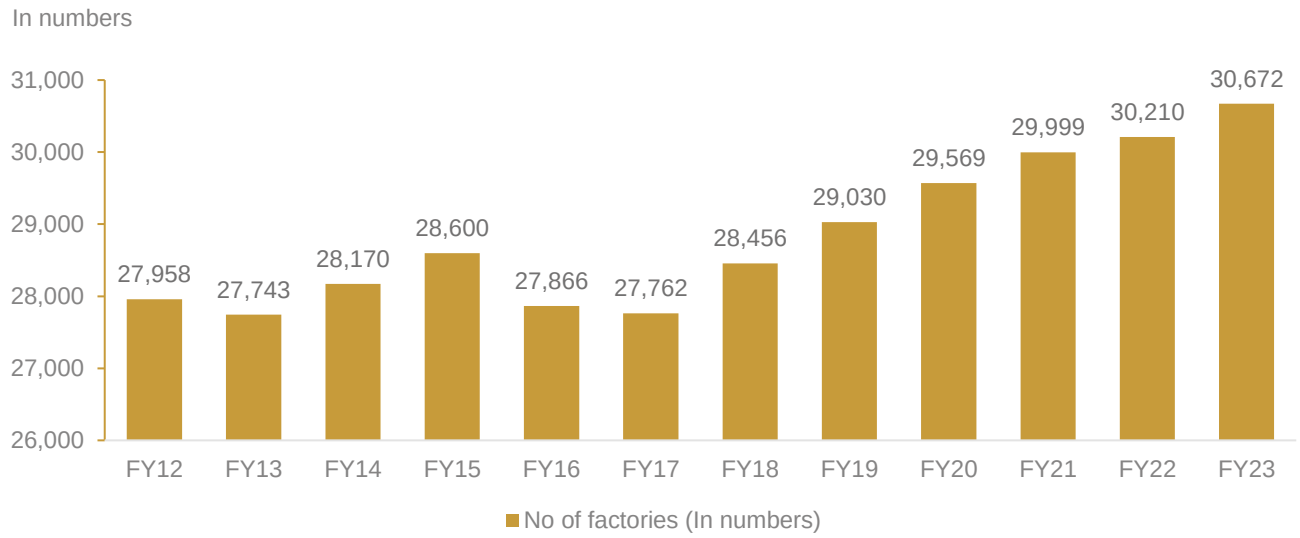


Note:

The above chart represents invested capital numbers, which is the total of fixed capital and physical working capital.

Source: ASI, MoSPI, CRISIL MI&A

Total number of factories for Textile and wearing apparel



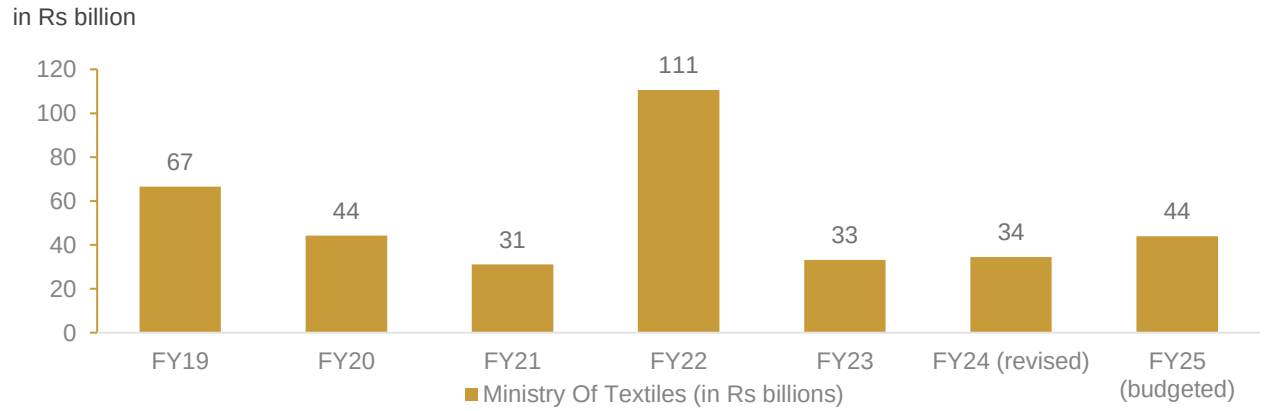
Note:

Source: ASI, MoSPI, CRISIL MI&A

For fiscal 2025, budget allocation to Ministry of Textiles increased by ~28%

Government of India increased the budget allocated to Ministry of Textiles by ~28% in fiscal 2025 to Rs 44 billion compared to the revised allocated budget to Ministry of Textiles in fiscal 2024 of Rs 34 billion. Out of Rs 44 billion, the major component will be of revenue nature, followed by capital expenditure. Few major schemes that will be benefitted from this budget includes Amended Technology Upgradation Fund Scheme (ATUFS) (~Rs 7 billion allocated), National Handloom Development Programme (~Rs 2 billion allocated), and National Handicrafts Development Programme (NHDP) (~Rs 2 billion allocated), National Technical Textiles Mission (~ Rs 4 billion allocated) and PM-MITRA (~Rs 3 billion allocated).

Demands for Grants



Source: Budget documents, CRISIL MI&A

Multiple government led schemes will support growth of textile sector in India

The Government of India announced multiple schemes to increase the economies of scale, export potential and competitiveness in the textile sector. The Government of India introduced several schemes for the textile and apparel sectors including Pradhan Mantri Mega Integrated Textile Region and Apparel (PM MITRA), Production Linked Incentive Scheme (PLI scheme), Kasturi Cotton Bharat, National Technical Textile Mission (NTTM), Amended Technology Upgradation Fund Scheme (ATUFS), and Scheme for Capacity Building in Textiles Sector (SAMARTH). If implemented well, both will boost MMF-based RMG exports, and drive demand for MMF and yarn. Further details about the schemes along with capital outlay are mentioned in the table below:

Scheme	Details
PM MITRA	PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks Scheme aims to develop world class infrastructure including plug and play facility with a capital outlay of Rs 44.45 billion up to 2027-2028. PM MITRA Parks Scheme are inspired by the 5F vision of Hon'ble Prime Minister - Farm to Fibre to Factory to Fashion to Foreign. Investments of nearly Rs.700 billion and employment generation of 20 lakh is envisaged.
PLI Scheme	The Government approved the Production Linked Incentive (PLI) Scheme for Textiles with an approved outlay of Rs 106.83 billion over a five-year period to promote production of MMF Apparel, MMF Fabrics and products of Technical Textiles in the country to enable Textile sector to achieve size and scale and to become competitive
Kasturi Cotton Bharat	Kasturi Cotton Bharat programme of Ministry of Textiles is a first of its kind branding, traceability and certification exercise carried out jointly by the Government of India, Trade Bodies and Industry to promote Indian Cotton. The Ministry of Textiles is driving this initiative in a mission-oriented approach, allocating budgetary support in alignment with Rs.150 million contribution from Trade & Industry Bodies. Spanning three years from 2022-23 to 2024-25, this collaborative effort anticipates a positive impact on the entire Indian Textile Industry, fostering an elevated global perception and value for Indian Cotton.
National Technical Textile Mission (NTTM)	The Government had launched a National Technical Textiles Mission (NTTM) with an outlay of Rs 14.8 billion, and a mission to develop usage of technical textiles in various flagship missions, programmes of the country including strategic sectors. The key pillars of NTTM include 'Research Innovation & Development', 'Promotion and Market Development', 'Education, Training and Skilling' and 'Export Promotion'. The mission got its extension until 31st March 2026, with a subsequent sunset clause applicable until 31st March 2028.
Amended Technology Upgradation Fund Scheme (ATUFS)	ATUFS was notified in January 2016 with an outlay of Rs.178.22 billion to incentivize mobilization of new investments of about Rs.950 billion and to create new employment for about 35 lakh persons by the 202. Under ATUFS, ratio of MSME: Non MSME is 89:11, while under previous versions of TUFS it was 30:70. Higher incentives of 15% (Rs 300 million) for entities for employment potential segments viz. Technical Textiles and garment/made ups.
SAMARTH	The Government, with a view to enhance the skills of the workforce in the textile sector formulated Samarth Scheme under a broad skilling policy framework with the objective of providing opportunity for sustainable livelihood. The implementation period of the scheme is up to March 2024. The programme is implemented through Implementing Partners (IPs) comprising Textile Industry/Industry Associations, State Government agencies and Sectoral Organizations of the Ministry of Textiles. Under the Scheme 2,47,465 persons have been trained as on 11.12.2023.

Scheme	Details
Advance Licensing Scheme	The Advance Licensing Scheme allows duty-free import of raw materials to be used in goods that are exported to encourage exports.
Export Promotion Capital Goods Scheme (EPCG)	The EPCG Scheme, initiated in the 1990s, aims to boost India's international manufacturing competitiveness by facilitating the duty-free import of capital goods which are require in pre-production, production, and post-production activities. Manufacturers can benefit from this scheme, importing these goods without incurring customs duty. To maintain this duty exemption, the importer must achieve an export value six times the duty saved on the imported capital goods within six years from the authorization date. This implies that the importer (being export-oriented) needs to have earnings in foreign currency equivalent of 600% of the customs duty saved in domestic currency, within 6 years of availing benefits of the scheme.
Duty drawback	The duty drawback scheme was introduced to promote exports from India. Under this scheme, exporters are allowed refund of the excise and import duties paid on raw materials so as to make the products more competitive in the international market. The duty drawback rates are prescribed for each product after considering the rate of excise and import duty on its raw materials. The textile sector is also covered under this scheme

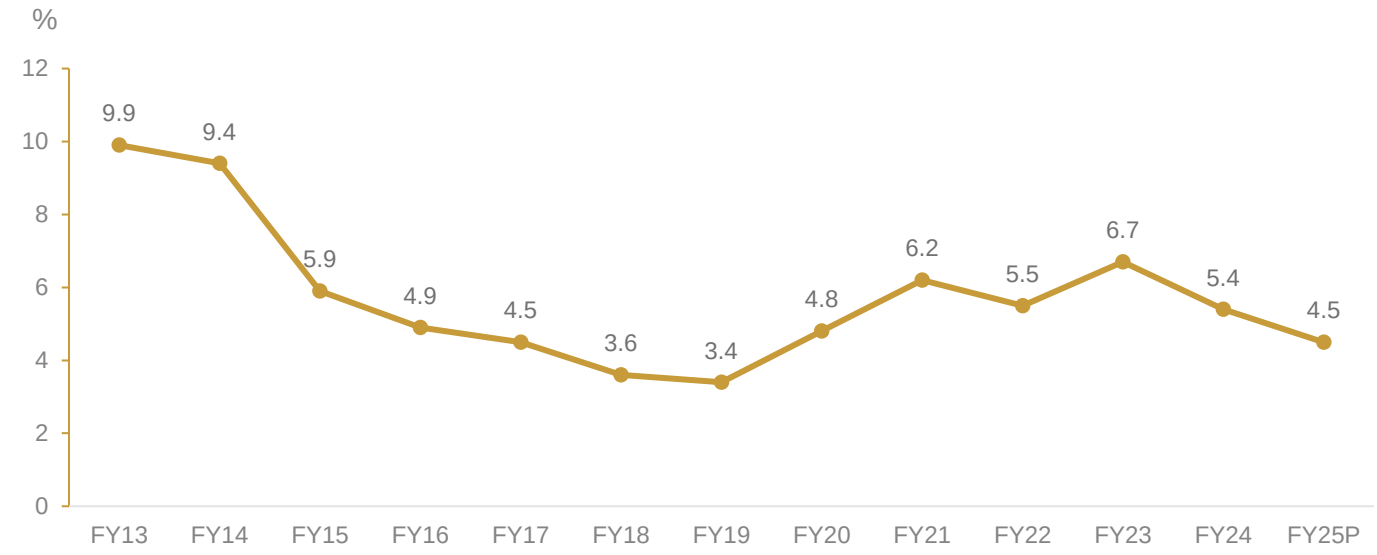
Source: PIB, Ministry of Textiles, CRISIL MI&A

CPI inflation to soften further in fiscal 2025

In May 2016, the Reserve Bank of India (RBI) adopted flexible inflation targeting (FIT), setting the numerical target for Consumer Price Index (CPI)-based inflation at 4% with a tolerance band of +/- 2%. Broadly speaking, CPI had eased from a high of 9.9% in fiscal 2013. Between fiscal 2016 to fiscal 2023, inflation was within the tolerance band, except in fiscal 2021 (CPI of 6.2%), owing to pandemic-led supply-side disruptions, and in fiscal 2023 (6.7%), because of rise in food inflation, supply disruptions on account of Russia-Ukraine conflict and capital outflows impacting India’s exchange rate and import bill.

In fiscal 2024, CPI eased to 5.4%, driven by normal monsoon and reducing food prices. In fiscal 2025, CPI inflation is expected to broadly ease to 4.5% on-year from 5.4%. Softer headline inflation forecast is primarily premised on lower food inflation assuming a normal monsoon and on the back of the high base of fiscal 2024.

CPI inflation trend



P: Projected
Source: CRISIL MI&A

PFCE has been occupying a dominant share in India's GDP

Private final consumption expenditure (PFCE) has been the largest component of India's GDP historically. In fiscal 2024, it is estimated to contribute 55.8% to the GDP. PFCE at constant prices clocked 5.8% CAGR between fiscal 2012 to fiscal 2024. Growth was led by wage revisions due to the implementation of the Pay Commission's recommendations, benign interest rates, growing middle age population and low inflation. The increasing share of discretionary spending from fiscal 2012 suggests rise in disposable income and spending capacity of households.

Consumption expenditure will continue to drive GDP growth led by discretionary spends

In the medium to long term, positive economic outlook and growth across key employment generating sectors (such as real estate, infrastructure, and automobiles) is expected to have a cascading effect on overall per capita income. This, in turn, is expected to drive discretionary spending.

Broad split of PFCE into basic and discretionary spending – at constant prices

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23 FRE	FY24 PE	CAGR FY12-FY24
PFCE (Rs trillion)	49	52	56	59	64	69	73	79	83	78	87	93	96	5.8%
Share of PFCE in GDP	56.2%	56.2%	56.7%	56.2%	56.1%	56.1%	55.8%	56.1%	56.8%	57.2%	58.1%	58.0%	55.8%	-
Share of discretionary spending in PFCE	53.4%	53.2%	52.7%	54.8%	57.1%	57.0%	58.3%	59.3%	59.6%	56.6%	57.6%	59.1%	N.A	-

RE: Revised estimates, PE: Provisional estimates, SAE: Second advance estimates

N.A – not available; PFCE data is from the latest available National Account Statistics 2024; discretionary items include education, healthcare, electricity, water supply, footwear, personal care products, processed foods, alcoholic and non-alcoholic beverages, tobacco, narcotics, fuel and gas, furnishing and household equipment, vehicle and personal transportation, spending

on recreation and culture, communication, restaurants and hotels, financial insurance and other financial services, and other items not elsewhere classified. The remainder is contributed by basic items which include food, clothing and housing.

Source: MoSPI, CRISIL MI&A

Expenditure in clothing & footwear logged a CAGR of 3.4% growth during fiscal 2012-23

Within PFCE, expenditure in clothing & footwear logged a CAGR of 3.4% between fiscal 2012 to fiscal 2023. During the same period, PFCE logged a CAGR of 6.0% Expenditure on clothing and footwear witnessed a decline during fiscal 2021, due to Covid-19 induced economic slowdown and change in consumers spending behavior. The decline in clothing and footwear expenditure was in line with the overall decline in discretionary spending in fiscal 2021, during which the share of discretionary spending decreased to 56.6% from 59.6% in fiscal 2021. However, expenditure on clothing and footwear saw major uptick in fiscal 2022 and stood at ~Rs. 4,946 billion compared to Rs 3,847 billion in fiscal 2021. As income levels improve and, consequently, discretionary spending increases, CRISIL MI&A expects spend on clothing to increase further in future.

Within clothing and footwear PFCE, clothing occupies the dominant share followed by footwear. As of fiscal 2023, the share of clothing PFCE in the clothing and footwear PFCE increased to 80% compared to 78% in fiscal 2021.

Breakup of clothing and footwear PFCE

PFCE	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
PFCE (Rs Billion)												
Clothing PFCE	2,504	2,609	3,098	3,038	3,255	3,336	3,406	3,521	3,428	3,003	3,938	3,598
Footwear PFCE	612	549	668	819	956	897	907	969	1,107	844	1,008	910
Clothing and Footwear	3,115	3,158	3,766	3,857	4,211	4,233	4,313	4,490	4,534	3,847	4,946	4,508
Percentage share in clothing and footwear PFCE												
Clothing (%)	80%	83%	82%	79%	77%	79%	79%	78%	76%	78%	80%	80%
Footwear (%)	20%	17%	18%	21%	23%	21%	21%	22%	24%	22%	20%	20%
Clothing and footwear share in PFCE	**6.3%**	**6.1%**	**6.7%**	**6.5%**	**6.6%**	**6.1%**	**5.8%**	**5.7%**	**5.5%**	**4.9%**	**5.7%**	**4.8%**

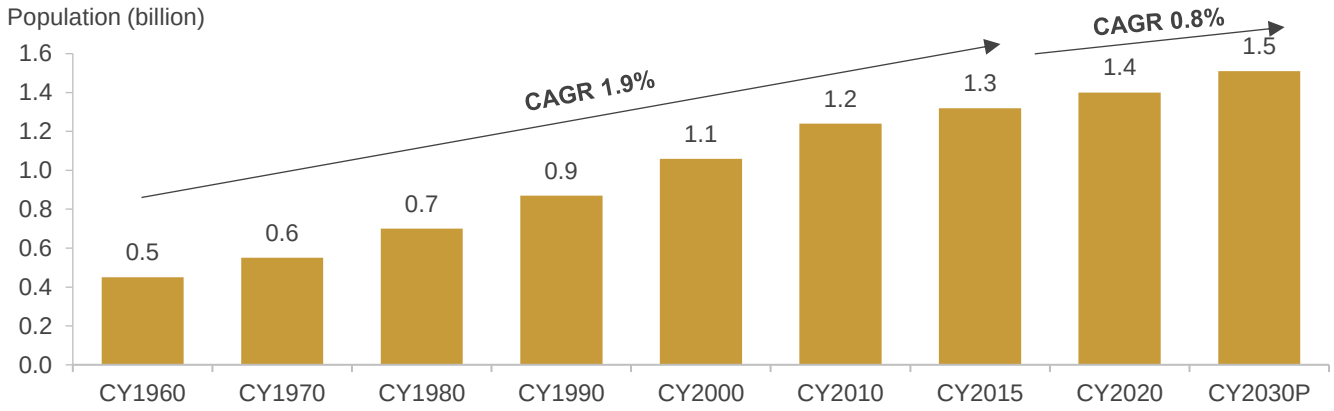
Source: National Account Statistics 2024, MoSPI, CRISIL MI&A

Growing population, increasing urbanisation and a young demographic profile to strengthen India's consumer base and consumer demand

India's population grew to ~1.2 billion according to Census 2011, at a CAGR of 1.9% between CY2001 and CY2011. As of 2010 census, the country had ~246 million households. Additionally, as per United Nations Population Fund's (UNFPA), "State of World Population Report" of 2023, India's population by mid-year of 2023 is estimated to have surpassed China by around ~2.9 million. This demographic expansion along with increasing per capita income will lead to increase consumer spending in India.

Also, India's urban population is expected to continue to rise on the back of economic growth. The share of urban population is projected to increase to nearly 40% by 2030, according to a UN report on urbanisation.

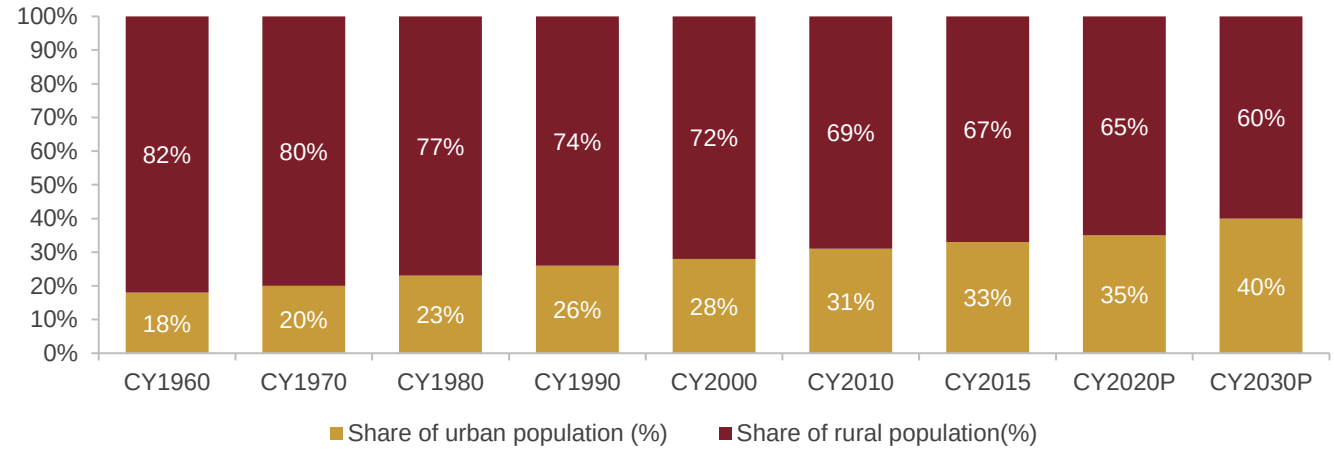
India's population growth



P: Projected

Source: UN Department of Economic and Social Affairs, World Population Prospects 2022, CRISIL MI&A

India's urban vs. rural population (in million)



P: projected

Source: World Urbanization Prospects: The 2018 Revision, UN, CRISIL MI&A

As per the United Nations' 2022 Revision of World Population Prospects, India's youth (0-24 years) accounted for nearly half its population in 2010, significantly higher than that for some of its peers (Brazil at 42.5%, China at 35.1% and the Russian Federation at 29.7%). The fact that ~31% of the population is aged below 15 indicates the high proportion of the country's young population is expected to remain so in the coming years.

This share is, in fact, expected to reach ~39% by 2030, and remain significantly higher than that of its peers (Brazil at 31.5%, China at 25.4% and the Russian Federation at 27.7%). This also indicates a higher proportion of population entering the workforce.

Age-wise population break-up (%) for key countries

Country	0-14 years	15-24 years	25-49 years	50-69 years	70+	Total
Brazil						
CY2010	24.8%	17.7%	37.6%	15.6%	4.4%	100%
CY2020	20.8%	15.6%	38.3%	19.5%	5.8%	100%
CY2030P	18.2%	13.3%	37.4%	22.6%	8.4%	100%

Country	0-14 years	15-24 years	25-49 years	50-69 years	70+	Total
China						
CY2010	18.5%	16.6%	40.3%	19.0%	5.7%	100%
CY2020	18.0%	11.4%	37.6%	25.5%	7.5%	100%
CY2030P	13.1%	12.3%	34.0%	28.6%	12.0%	100%
India						
CY2010	31.0%	19.1%	33.9%	12.9%	3.1%	100%
CY2020	26.1%	18.2%	36.2%	15.5%	3.9%	100%
CY2030P	22.3%	16.2%	38.0%	17.9%	5.5%	100%
Russian Federation						
CY2010	15.2%	14.6%	37.2%	23.2%	9.8%	100%
CY2020	17.7%	9.8%	37.4%	25.5%	9.7%	100%
CY2030P	15.4%	12.4%	33.8%	25.2%	13.3%	100%
UK						
CY2010	17.6%	13.1%	34.8%	22.9%	11.6%	100%
CY2020	17.8%	11.6%	32.5%	24.4%	13.7%	100%
CY2030P	15.4%	12.2%	31.9%	24.5%	15.9%	100%
US						
CY2010	19.9%	14.1%	34.1%	22.8%	9.1%	100%
CY2020	18.5%	13.1%	33.0%	24.7%	10.7%	100%
CY2030P	16.4%	12.5%	33.2%	23.0%	14.8%	100%

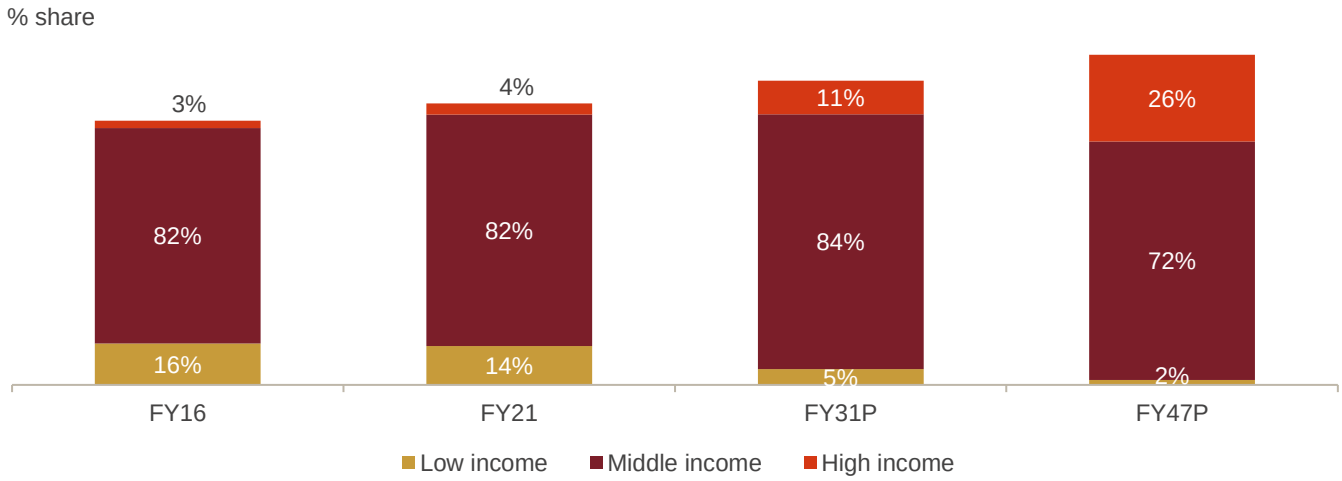
P: Projected

Source: United Nations, Department of Economic and Social Affairs, Population Division (2022); World Population Prospects 2022, CRISIL MI&A

Decline in poverty levels indicates rise in middle- and high-income group in India

The proportion of poor in India (defined as those living on Rs 125,000 per annum or less) declined from ~16% in fiscal 2016 to ~14% in fiscal 2021. Conversely, the proportion of those in the middle- and high-income groups increased from 85% to ~86%. By fiscal 2031, this share is expected to reach ~95%, supported by growth in per capita income.

Income-based split of the population



P: Projected

Note: Low-income group comprises those earning less than Rs 125,000 per annum; middle-income group comprises those earning between Rs 125,000 and Rs 3 million per annum, and high-income group comprises those earning more than Rs 3 million per annum; percent figures are rounded off

Source: People Research on India's Consumer Economy (ICE) 360° survey, CRISIL MI&A

Robust growth in per capita income over FY12-24

India's per capita income, a broad indicator of living standards, rose from Rs 63,462 in FY12 to Rs 99,404 in fiscal 2023, logging 4.2% CAGR. Growth was led by better job opportunities, propped up by overall GDP growth. Moreover, population growth remained stable at ~1% CAGR. Furthermore, according to fiscal 2024 provisional estimates, per capita net national income (constant prices) is estimated to have increased to Rs 106,774; thereby registering a year-on-year growth of ~7.4%.

Per capita net national income at constant prices

	FY12	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23RE	FY24PE
Per-capita NNI (Rs)	63,462	65,538	68,572	72,805	77,659	83,003	87,586	92,133	94,420	86,034	94,054	99,404	106,744
Y-o-Y growth (%)		3.3	4.6	6.2	6.7	6.9	5.5	5.2	2.5	-8.9	9.3	5.7	7.4

Note: RE: revised estimates, PE: provisional estimates,

Source: CSO, MoSPI, CRISIL MI&A

3 Assessment of global textiles industry

Textile is a term widely used for referring to woven fabrics, yarns and fibres made from jute, polyester, cotton, wool, etc. The textile market consists of sales of textiles by entities that produce fibre, yarn, threads, carpets, rugs, linens, fabrics, fibres, apparels and other textile items. The textile industry is based on three main principles: developing, manufacturing, and distributing various materials like yarn, fabric and clothing. Knitting, crocheting, weaving, and other methods are commonly employed to produce many types of completed and semi-finished goods in the bedding, clothing, garment, medical, and other accessory industries.

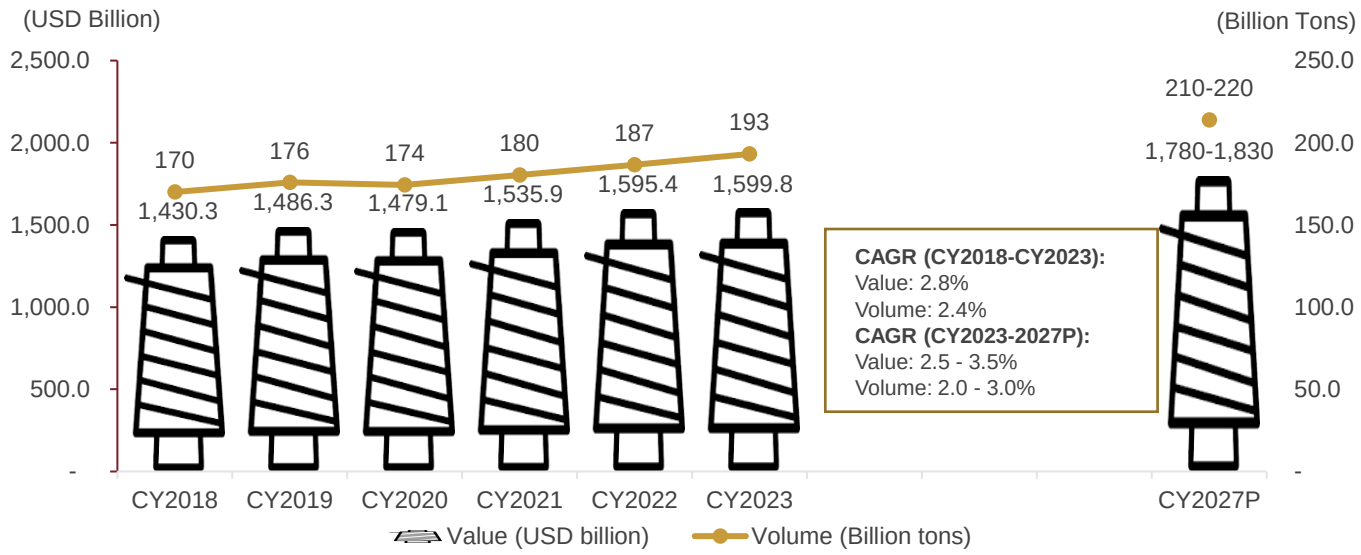
3.1 An overview of global textiles industry

Global textile market expected to grow at 2.5-3.5% CAGR between CY2023-CY2027 in value terms

The global textile industry had grown consistently between CY2018 to CY2023, barring CY2020, which saw a decline due to Covid-19. Global trade restrictions due to disrupted supply chain and decline in textile products consumption amid imposed lockdown had negatively impacted the market resulting in a decline of ~0.5% in CY2020 compared to CY2019. However, the market recovered in CY2021, registering a Y-o-Y growth of 3.8% due to the easing of Covid-19 restrictions and release of pent-up demand. The growth continued, with global textile industry registering a Y-o-Y increase of 3.9% in CY2022 and 0.3% in CY2023.

Going ahead, the industry is expected to grow at a CAGR of 2.5 - 3.5% between CY2023 to CY2027 to reach ~USD 1,780-1,830 billion in CY2027. Increasing demand for apparel from the fashion industry coupled with the growth of e-commerce platforms is expected to drive the market over the forecast period. Volume wise, the industry is expected to grow from 193 billion tons in CY2023 to 210-220 billion tons in CY2027, registering a CAGR of 2.0 - 3.0%.

Global textile market



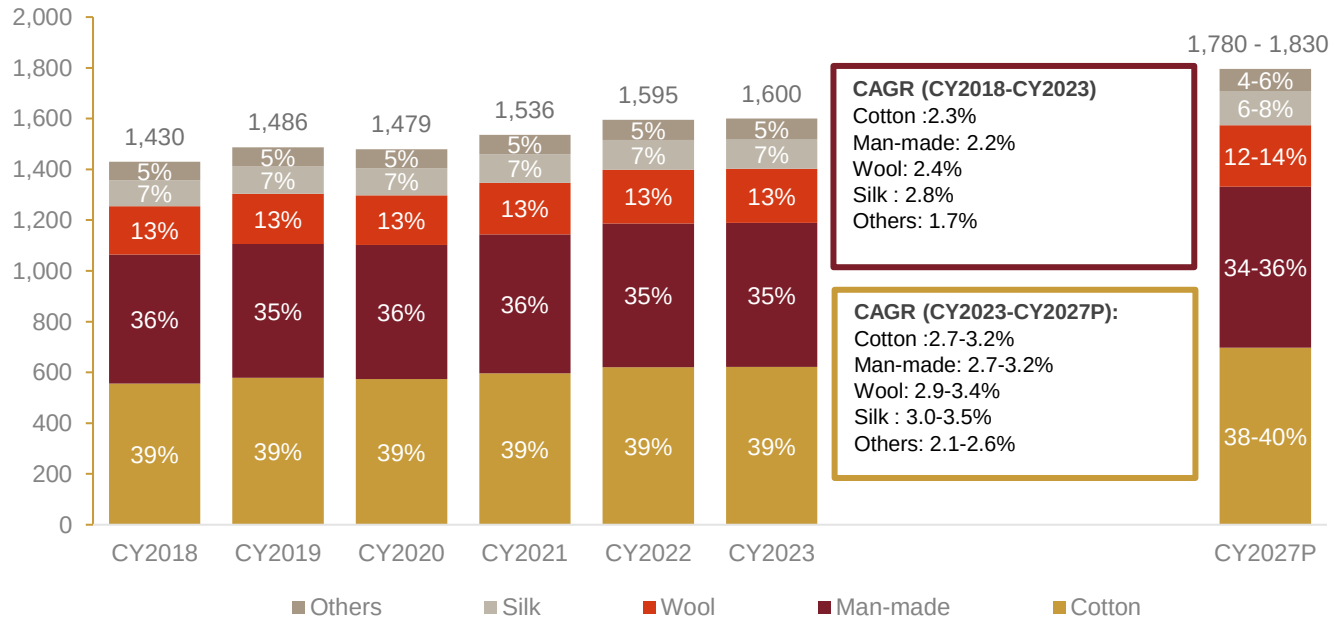
Source: Grandview Research, CRISIL MI&A

Cotton is expected to remain the largest contributor of textiles industry at ~38-40% share in CY2027

From CY2018-CY2023, cotton continued to dominate the textile market, accounting for around 39% of total textile sales. The high demand for cotton can be attributed to its exceptional qualities like strength, absorbency, and colour retention. Its share is expected to remain in similar range (38-40%) in CY2027 as well.

Man-made textiles had the second largest market share between CY2018-CY2023 and is expected to remain in similar range in CY2027 as well due to easy availability of raw materials, growing population and increasing demand of apparels in various textures and designs.

Global textile sales by raw material (value)

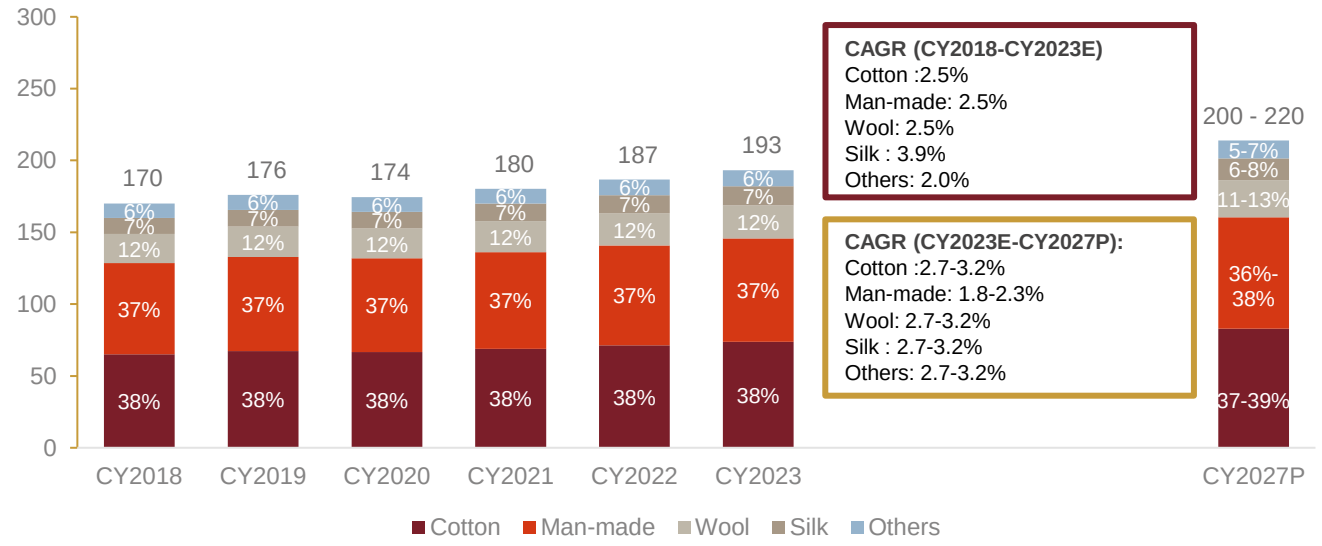


The values for % share mentioned in the above graph are rounded off to closest whole number
Source: Grandview Research, CRISIL MI&A

On volume basis also, cotton and man-made textiles had the highest share with 38% and 37% respectively between CY2018-2023. Overall, on volume basis, the industry is expected to register a CAGR of 2.0-3.0% in between CY2023-CY2027 compared to a CAGR of ~2.4% between CY2018-CY2023.

Global textile sales by raw material (volume)

(billion tonnes)



The values for % share mentioned in the above graph are rounded off to closest whole number
Source: Grandview Research, CRISIL MI&A

Natural fibres dominated the market with 44% share in CY2023, followed by polyester

Natural fibers dominated the textile market between CY2018-CY2023, accounting for ~44% share in value terms due to their wide range of applications in the fashion and clothing industry as well as increased environmental awareness, combined with a consumer trend toward sustainable products. Moving forward, natural fibres are expected to continue holding their dominant share.

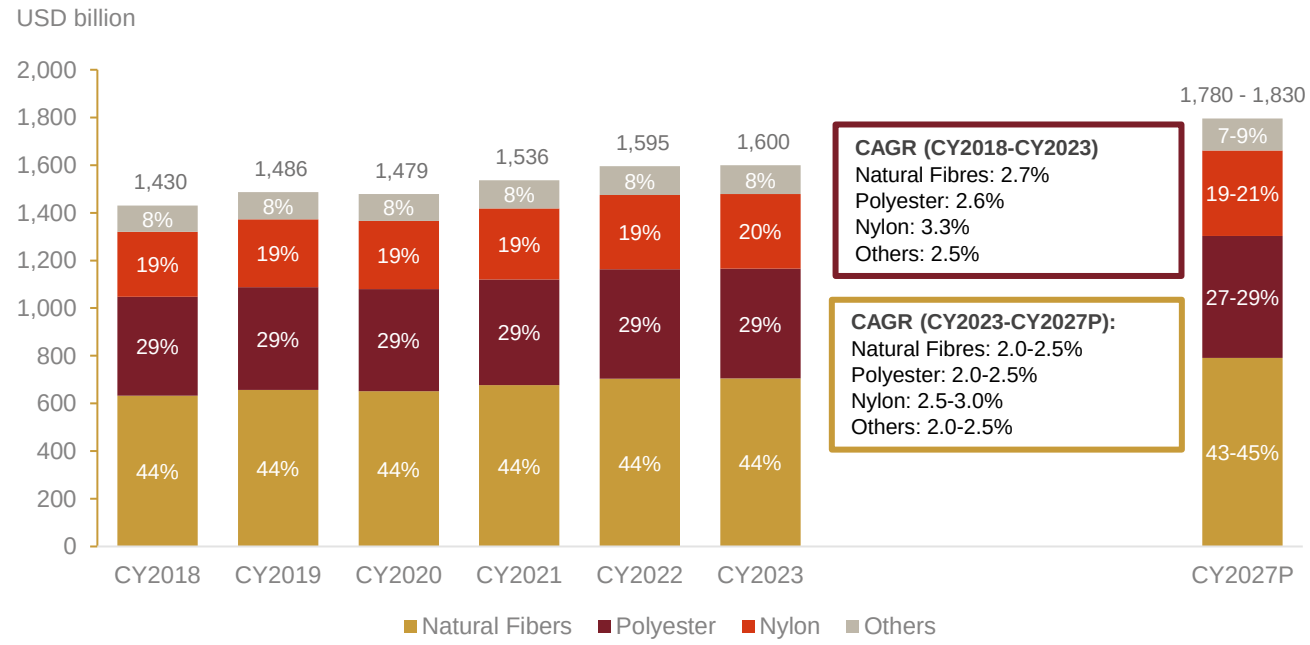
Polyester had the second highest market share between CY2018-CY2023 at 29%, owing to its various features such as high strength, chemical and wrinkle resistance, and quick drying. It is utilized in both households and industries as a cushioning and insulating material in pillows, as well as in the manufacturing of carpets, air filters, coated fabrics, and other products. They are used for packaging purposes as well in bottles and as films and sheets for food packaging. Additionally, it finds industrial applications in manufacturing conveyor belts, tires, wires and cables. Automotive industry also uses polyester in the manufacture of seat belts, interiors, airbags etc.

Nylon had the third largest share across the years at 20% due to its great durability, elasticity, and moisture-absorbing characteristics. It can also be used to make silk-based products like women's stockings, parachutes, flak vests, and other items. Additionally, Nylon is stronger and is more stretchable than Polyester due which its finding increasing application in the business. Due to the same reasons, Nylon is expected to register higher growth moving forward.

Polyethylene (PE), Polypropylene (PP), aramid, and polyamide are among the other product segments. Polyethylene's excellent resilience to acids and alkalis at high temperatures, as well as its low moisture retention, have raised its market demand.

Shares of various fibres are expected to remain in a similar range going forward in CY2027.

Fibre-wise segmentation of global textiles



Source: Grandview Research, CRISIL MI&A

3.2 International price trends of key raw materials in textile industry

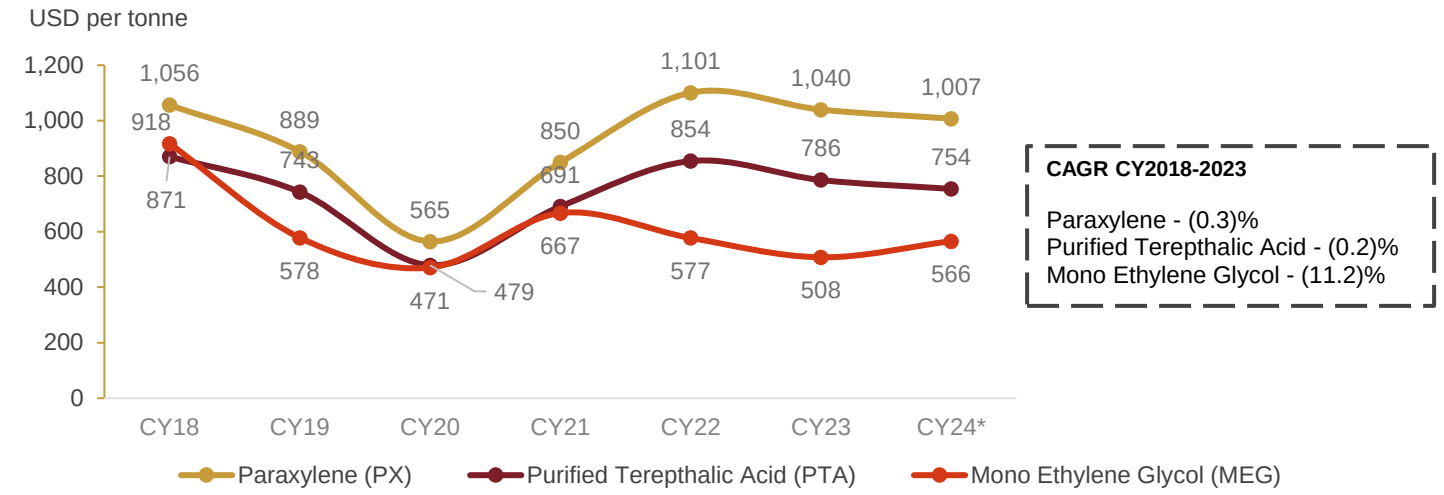
Polyester feedstock prices dipped in 2023 in tandem with crude oil

Paraxylene (PX), Purified Terephthalic Acid (PTA) and Mono Ethylene Glycol (MEG) are the major raw materials used in manufacturing of Polyester Stable Fibre (PSF) and Polyester Filament Yarn (PFY). Paraxylene is the primary raw material for both PTA and MEG, while Naphtha - a crude oil derivative - acts as a significant raw material for PX.

From CY2018-CY2020, the raw material prices have experienced a dip, however, post CY2020, the prices have seen a rise till CY2022 (except for MEG) aligning with the crude oil price trends. MEG witnessed a decline in CY2022, owing to the oversupply in international markets leading to a price decline of ~13%.

In CY2023, all the raw materials prices declined attributed to correction in crude oil prices amidst the global economic slowdown in major economies such as United States of America (US) and European Union (EU).

Trend of polyester feedstock prices CY2018-2023



CAGR CY2018-2023

Paraxylene - (0.3)%
Purified Terepthalic Acid - (0.2)%
Mono Ethylene Glycol - (11.2)%

Year	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CY2024*
Crude oil Price (USD per barrel)	71	64	42	70	100	83	**83**

Note:

CY (calendar year) period from January to December of that particular year

** CY24 is data as of September month*

Prices of PX, PTA and MEG are as per Cost and Freight (CFR) Southeast Asia

Price of crude oil is for dated brent

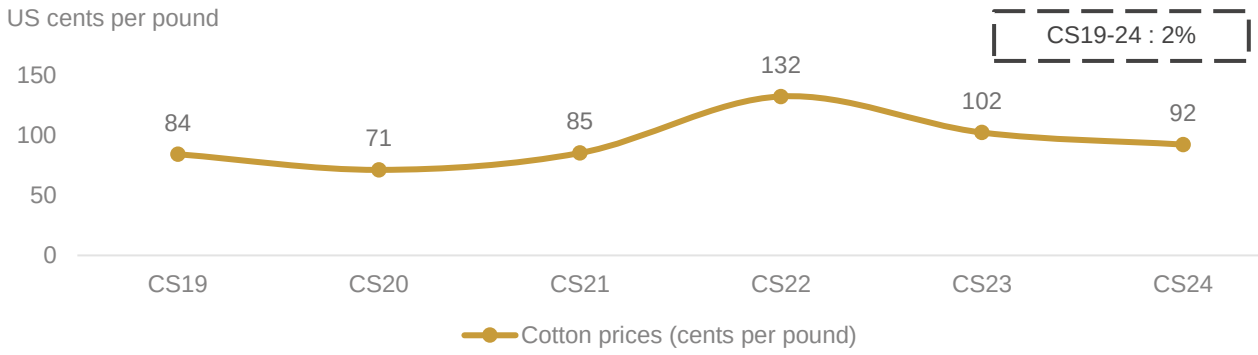
Source: Industry publication, CRISIL MI&A

Cotton prices further declined in CS2024

Cotton is one of the major raw materials in textile industry used for production of apparel and natural fibers. Internationally, cotton prices have seen a rise in prices at a CAGR of ~2% between CS19 and CS24 with prices estimated to be at 92 US cents per pound for CS24.

The cotton prices saw an uptick of ~55% in CS2022, owing to demand revival post Covid-19 coupled with global macroeconomic tensions involving Russia – Ukraine war. Going ahead, the prices saw a dip consecutively in CS23 and CS24. The dip in CS24 can be majorly attributed to slowdown of demand in end-use segments.

Trend of cotton prices CS19-24



Note: The price mentioned above is average price for given season (August 1 to July 31). For example, CS23 indicates August 2021 to July 2022.

Source: International Cotton Advisory Committee (ICAC), CRISIL MI&A

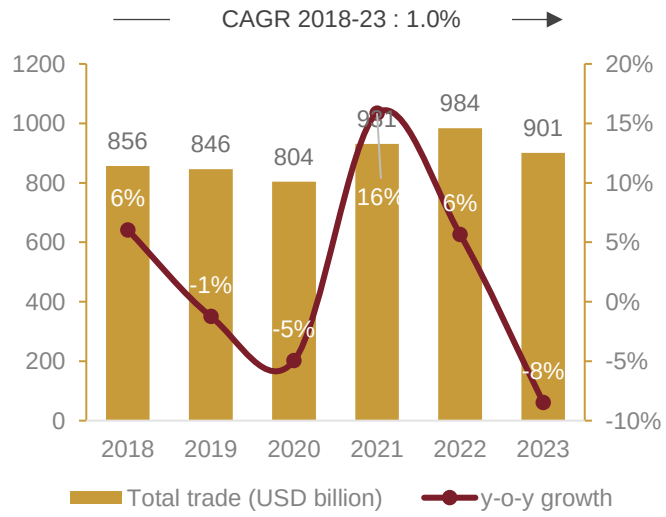
3.3 Overview of global textile trade

Apparels dominate global textile trade

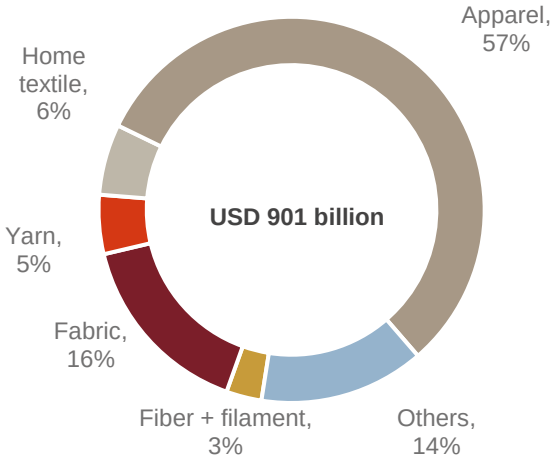
Global textile trade had grown at a CAGR of ~1.0% between CY2018-CY2023 and was valued at USD 901 billion as of CY2023. On Y-o-Y basis, CY2020 witnessed a decline in global exports due to Covid-19 pandemic and it had negative implication on global supply chains and overall consumer sentiment. However, the trade rebounded in CY2021, registering a y-o-y increase of 15.8% to USD 931 billion. This resurgence can be attributed to release of pent-up demand due to gradual opening up of the economy. In CY2022, global trade again witnessed a Y-o-Y increase of 5.7%, however inflationary pressures along with weak consumer sentiment in major export markets like US and EU restricted further growth in CY2023, leading the industry to see a decline of 8.5%.

Additionally, within textiles, apparels dominated the global trade with a share of 57%, followed by fabrics and home textiles at 16% and 6% respectively as of CY2023.

Global textile trade (CY2018-2023)



Breakup of global textile trade (CY2023)



Note: Trade numbers have been calculated on the basis of global export data; HS codes used for analysis include: 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 65, 4203, 4303, 4304

Source: ITU, CRISIL MI&A

India was the sixth largest exporter of textiles in CY2023

As of CY2023, China, Bangladesh and Vietnam were the top three exporters of textiles with a share of 33%, 6% and 5% respectively; compared to CY2019, when China, Bangladesh and Germany were top three exporters.

India's share in overall global trade remained constant at ~4% and stood at USD 35 billion in CY2023. Factors like comparatively high costs (raw material, labour, power) along with lack of free trade agreements have negatively impacted India's textile export outlook on the global front. Additionally, trend of near sourcing along with comparatively longer lead times of Indian manufacturers had also affected India's position. However, growing popularity of China-plus-one policy along with developing textile infrastructure in India is expected to benefit India's textile sector and its competitive position in the global textile trade.

Major textile exporters

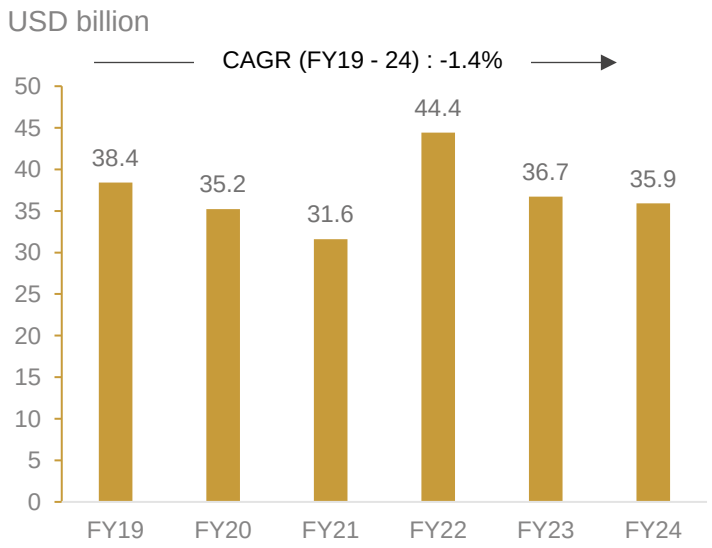
Exporters	CY2018		CY2023	
	USD Billion	% share in total trade	USD Billion	% share in total trade
China	276	32%	301	33%
Bangladesh	42	5%	50	6%
Italy	37	4%	48	5%
Viet Nam	40	5%	44	5%
Germany	39	5%	43	5%
India	38	4%	35	4%
Türkiye	28	3%	33	4%
U.S.A	28	3%	27	3%
Netherlands	19	2%	23	3%
Spain	17	2%	21	2%

Note: *HS codes used for analysis include: 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 65, 4203, 4303, 4304*
Source: ITU, CRISIL MI&A

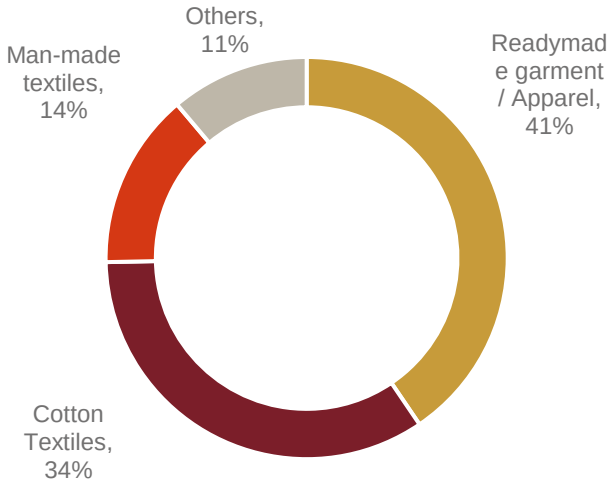
Readymade garments / apparel accounted for the highest share in Indian textile exports in fiscal 2024

India textile and apparel exports declined in fiscal 2020 and 2021, before registering a strong growth of ~41% in fiscal 2022 to reach USD 44.4 billion. Further, in fiscal 2023 and 2024, exports saw moderation driven by price and slowdown in global market demand. Similar to the global trend, apparel exports contributed the major portion of the Indian textile trade in fiscal 2024. Apparel sales accounted for 41% of the total Indian textile trade in fiscal 2024, followed by cotton textiles and manmade textiles at 34% and 14% respectively.

Textile and apparel exports from India (FY19-24)



Breakup of textile and apparel exports (FY24)



Note: Others include wool & woollen textiles, silk products, handloom products, carpets, jute products and handicrafts
Source: Ministry of Textiles, CRISIL MI&A

US and Bangladesh are major export destinations for Indian textile products

India's textile and apparel products, including handlooms and handicrafts, are exported to more than 100 countries across the globe. As of fiscal 2024, US, Bangladesh, UK are the top three importers of textile products from India with the combined contribution of ~41%. Additionally, India and UAE have recently signed a Free Trade Agreement (FTA) and the country is also in the process of negotiating FTAs with other countries/ regions as well, which is likely to boost exports of Indian textile and apparels in future by providing competitive edge over other exporting countries without an FTA.

Top 10 export destinations for Indian textile products (shares as a percentage of total value for that fiscal)

Export destinations for India	FY21	FY22	FY23	FY24	FY25 (Apr-Sep)
USA	26%	27%	29%	28%	29%
Bangladesh	7%	12%	7%	8%	8%
United Kingdom (UK)	5%	5%	6%	6%	6%
United Arab Emirates	7%	6%	6%	6%	5%
Germany	4%	4%	4%	4%	4%
Netherland	2%	2%	3%	3%	3%
Spain	2%	2%	3%	2%	3%
France	2%	2%	3%	3%	2%
Australia	NA	NA	NA	NA	2%
Sri Lanka	NA	NA	2%	NA	2%

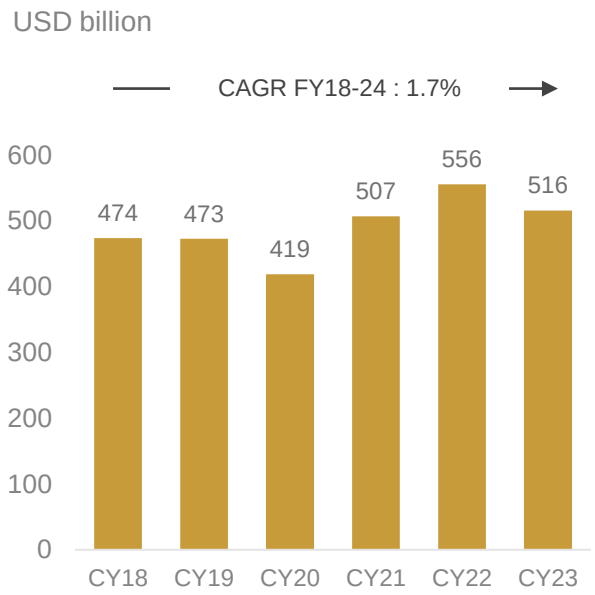
Note: The order of the countries considered is based on the top 10 export destinations for India in fiscal 2025 (Apr-Sep)
N.A: The country is not among the top 10 export destinations for India during the period considered
The percentages mentioned in the above table are rounded to nearest whole numbers
Source: Ministry of Textiles, CRISIL MI&A

India was among top 10 apparel exporters in the world in CY2023

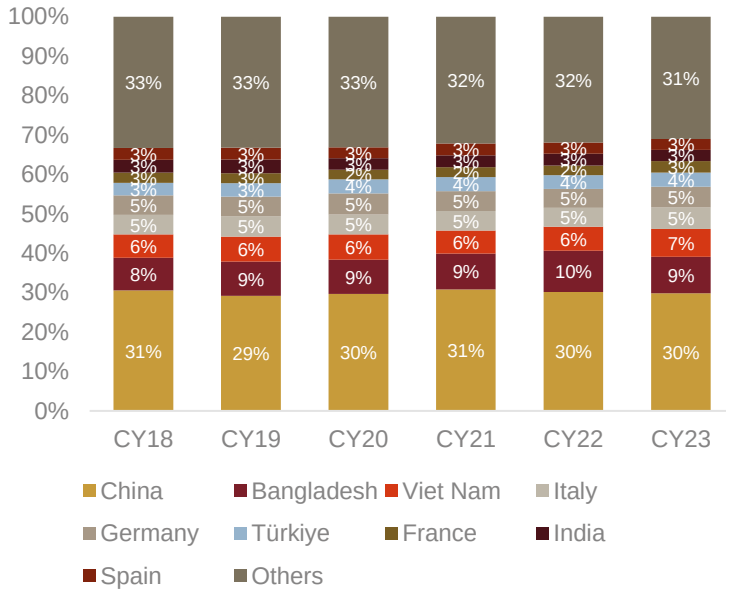
Global apparel trade had expanded at a CAGR of ~1.7% between CY2018 to CY2023 and was valued at USD ~516 billion as of CY2023. Historically, apparel held a dominant share in the total textile exports (~57% share in CY2023) and the same trend is expected in the near future as well.

Furthermore, China, Bangladesh and Vietnam were the top three exporters of apparels in CY2023 with a share of 30%, 9% and 7% respectively. Meanwhile, India was ranked eighth in CY2023 among the top apparels' exporters in the world with a share of ~3% in the global apparel trade.

Global apparel trade



Share of top apparel exporters

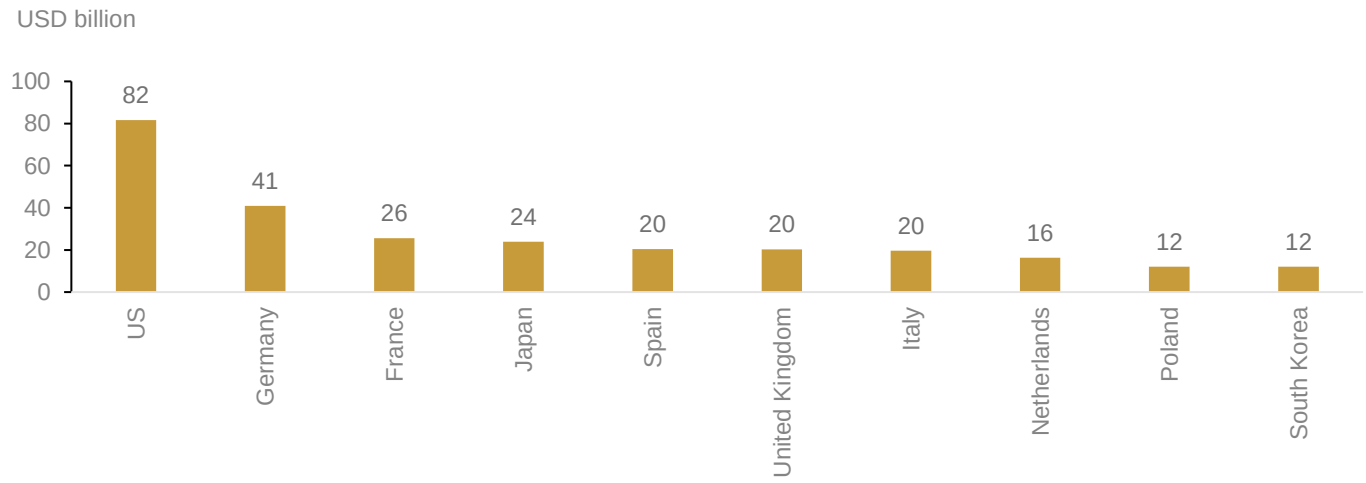


Note: Trade numbers have been calculated on the basis of global export data; HS codes used for analysis include: 61, 62
Source: ITU, CRISIL MI&A

US was the largest apparel importer in CY2023, Germany second largest importer in terms of value

In CY2023, US was the largest importer of apparels at USD 82 billion, followed by European Union (EU) countries like Germany and France at USD 41 billion and USD 26 billion respectively. The major countries which were exporting apparels to US in CY2023 where China, Vietnam, Bangladesh, India and Indonesia. Together, these countries formed ~59% of the total apparel imports to US in CY2023. Major countries exporting apparels to EU are China, Bangladesh, Türkiye, Germany and Italy. Together, these countries contributed to ~52% of the total apparel imports to EU in CY2023.

Top 10 apparel importers (CY2023)



Source: ITU, CRISIL MI&A

Major exporting countries to US and EU

US						EU					
Exporter	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**	**Exporter**	**CY2019**	**CY2020**	**CY2021**	**CY2022**	**CY2023**
China	30%	27%	25%	22%	22%	China	21%	21%	20%	20%	18%
Viet Nam	16%	19%	17%	18%	18%	Bangladesh	13%	13%	14%	16%	14%
Bangladesh	7%	7%	8%	9%	9%	Türkiye	7%	8%	8%	8%	8%
India	5%	4%	5%	6%	6%	Germany	6%	7%	6%	5%	7%
Indonesia	5%	5%	5%	6%	5%	Italy	5%	5%	5%	4%	5%

Source: ITC Trademap, CRISIL MI&A

Decline in China's export of apparel to US provides an opportunity to Indian exporters

China is the leading global exporter of apparel, with a market share of 30% in CY2023. Further, it occupies a highest share of apparel exports to US (22% in CY2023). However, there has been a decrease in China's market share as an exporter, from 30% in CY2019 to 22% in CY2023, with Bangladesh gaining share in CY2022. This is primarily due to wage increase and ban by US on imports of cotton and cotton products from Xinjiang region of China. US being one of the largest textiles consuming markets coupled with being the largest importer of apparel provides an opportunity for Indian exporters to serve as an alternate choice of exporter to the US, which had 22% share in global apparel imports as of CY2023.

This coupled with various government initiatives such as PLI Scheme for Textiles, Scheme for Integrated Textile Parks ("SITP"), Export Promotion Capital Goods Scheme, along with incentive packages by various state governments and set-up of mega textile parks, provides further support to Indian exporters.

Asian countries such as Vietnam, Bangladesh and India have benefitted from lower costs

Indian exporters are losing competitiveness to Asian rivals such as Bangladesh and Vietnam. The primary reason behind this is the trade agreements that these nations have in place with major importing countries. Further, these countries enjoy better operational efficiencies as compared to India. For example, countries like Bangladesh and Ethiopia fare better than India in terms of labour cost and power cost which account for a considerable portion in manufacturing cost. These factors coupled with availability of low lending rates provides cost competitiveness to these countries. Additionally, Vietnam being a developing member in WTO, cannot offer incentives directly to industries. Hence it offers low lending rates to lure investments in textile sector in country. China also offers very low financing rates to counter the higher wage rates, power cost and water cost.

However, India fares better in providing low water cost as well as higher production capacity. Further, the geopolitical tensions in Bangladesh (one of the major exporting nations to US and EU) can act as an opportunity for Indian apparel industry in providing an alternative for countries / regions importing from Bangladesh.

Further, to sustain and to regain the lost competitiveness, Indian apparel export needs support in terms of export incentives.

Country-wise comparison of various factors in textile industry

Country	Labour cost	Power cost	Water cost	Lending rate	Average production capacity	EDOB Rank (2020)
China	338	141	319	57	129	31
Vietnam	115	82	361	65	129	70
Bangladesh	68	95	117	113	95	168
Ethiopia	50	32	194	76	62	159
India	**100**	**100**	**100**	**100**	**100**	**63**

Note: India's costs are indexed to 100, and other countries are compared with India basis that
Source: Invest India, World bank, CRISIL MI&A

India faces stiff competition from Bangladesh and Vietnam

Bangladesh and Vietnam enjoy preferential treatment in major apparel export destinations such as US, Canada, Japan and UK because of trade agreements. It gives them cost competitiveness over Indian exporters. India is actively considering the possibility of Comprehensive Economic Partnership Agreements (CEPAs) and Free Trade Agreements (FTAs) with various countries which can enhance the market size and facilitate exporters in the Indian textile sector.

The ongoing geopolitical tensions in Bangladesh, a major supplier of apparel to the US and EU, creates a potential window of opportunity for India's apparel industry to position itself as a reliable alternative for importers seeking to diversify their sourcing. Additionally, any potential impact of these tensions on export tariffs levied on India may be another important factor to monitor.

Effectively applied tariffs in apparel trade (2024): HSN 61

Exporters	Canada*	Germany	Japan	United Kingdom*	US*
India	17.5%	9.4%	0.0%	9.4%	14.4%
Bangladesh	0.0%	0.0%	0.1%	0.0%	14.4%
China	2.1%	11.8%	7.1%	11.8%	14.4%
Vietnam	0.0%	1.4%	0%	2.6%	14.4%

**For Canada, United Kingdom and US the latest data available is as of 2023*
Source: ITU, CRISIL MI&A

Effectively applied tariffs in apparel trade (2024): HSN 62

Exporters	Canada*	Germany	Japan	United Kingdom*	US*
India	16.8%	9.2%	0.0%	9.2%	10.8%
Bangladesh	0.0%	0.0%	0.1%	0.0%	10.8%
China	16.8%	11.5%	6.6%	11.5%	10.8%
Vietnam	0.0%	2.4%	0.0%	3.9%	10.8%

**For Canada, United Kingdom and US the latest data available is as of 2023*
Source: ITU, CRISIL MI&A

Significant opportunity for India to pick up share in apparel trade

Supply chain

India could serve as the preferred destination for buyers looking for alternate production base outside China due to wage increase and shortage of workers in China and also to avoid the risk of US-China trade issues.

Additionally, owing to the pandemic, many countries across the globe realized the consequences of over-reliance on a single source in the manufacturing sector. In the textiles segment, global brands and retailers have started expanding their manufacturing horizon outside of China. Though the complete decoupling of China's manufacturing value chain may be a distant reality, this would act as an opportunity for India. India stands out to be an attractive option in terms of labour costs compared to China. This in conjunction with incentives provided by the Government of India, such as the PLI scheme where Government of India is providing incentives for greenfield and brownfield capacity expansion for both MMF and technical textile segments to propel exports, would prove attractive for foreign players in their path for diversification.

Opportunity in European Union (EU)

India seeking Free trade agreement (FTA) with EU, combined with the possibility that Bangladesh could lose Most-favoured-nation (MFN) status after graduating from LDC (Least developed Countries) in 2026, which could lead to an increase in exports from India to EU. India is working on getting an FTA with both the United Kingdom (UK) and European Union (EU). However, the FTA between Vietnam and the EU, which went into effect in August 2020, had strengthened Vietnam's position in the EU market and may prove to be a competitive barrier for Indian exports in the EU region.

Government incentives

New low-cost locations for textile manufacturing are emerging in India with support extended by some state governments. Besides, under the Set-up of Integrated textile parks (SITP) scheme, launched in 2005, the government is to provide the industry with state-of-the-art world-class infrastructure facilities for setting up their textile units.

Apart from this, the schemes like Export Promotion Capital Goods Scheme, facilitate import of capital goods with duty at a concession up to zero percent and appropriate export obligations. Textiles machinery is also covered under this scheme, thereby promoting textile exports.

In February 2024, the government had also approved the continuation of Scheme for Rebate of State and Central Taxes and Levies (RoSCTL) for export of Apparel/Garments and Made-ups up to 31st March 2026, which is expected to positively impact the textile exports. Additionally, events like BHARAT TEX, which is a global textile mega event being organised by a consortium of 11 Textile Export Promotion Councils and supported by the Ministry of Textiles,

are expected to increase the awareness of Indian textile sector in international space. Bharat Tex is scheduled from February 26-29, 2024, in New Delhi.

Furthermore, government had setup multiple export councils related to textiles and apparels which are expected to increase the awareness and promote Indian textiles. As of fiscal 2023, there are eleven Export Promotion Councils (EPCs) representing various segments of the textiles & apparel value chain, viz. readymade garments, cotton, silk, jute, wool, power loom, handloom, handicrafts and carpets. These Councils work in close cooperation with the Ministry of Textiles and other Ministries to promote the growth and export of their respective sectors in global markets.

3.4 Key growth drivers and trends for global textile industry

Growth drivers	Description
 **Increasing globalisation**	Increasing globalisation coupled with cross broader trade agreements had provided consumers with more options. This, in turn presented textile traders a boarder market to sell their products to a larger consumer base. Additionally, the influence of e-commerce is also fuelling the growth of cross broader textile sales
 **Rising per capita income**	Per-capita GDP of world is at ~USD 13,400 in CY2023, compared to USD 12,975 in CY2022 and is projected to improve further to ~USD 14,450 by CY2025. Increasing per capita income will translate to more demand of goods including textiles and apparels and is expected to positively impact the demand.
 **Changing consumer preference**	Changing consumer preference, especially in the younger age group adds to growth in textile demand, especially for apparels. In recent, rise of phenomenon like fast fashion, personalised clothing, limited edition fashion and increasing demand for outdoor clothing and “gorpcore” - is fashion trend where clothing designed for outdoor recreation is worn as streetwear - is also expected to bolster the industry demand.
 **Macro-economic recovery**	The European Union (EU) is among the key regions of exports in the global textile market. As per IMF estimates – October 2024, the GDP for EU is expected to see an upside from 0.4% in CY2023 to 0.8% in CY2024 and further 1.2% in CY2025. Economic recovery is expected to be supported by stronger household consumption and easing inflationary pressures among others. This recovery in the European economy led by an increase in consumption would aid in increasing the exports of textiles, in turn contributing to overall industry growth.
 **Susbtainability**	Sustainability emerged as one of the prominent trends in the textile industry indicating a transformative shift towards eco-friendly practices. Textile companies are increasingly adopting sustainable practices and supply chain processes to minimise environmental impact. Further, globally there is an increasing preference from consumers, is also promoting industry players to integrate sustainable practices in their business models.
 **Technology**	The textile industry is witnessing growing integration of technology to enhance overall customer experience as well as improve operational efficiency. Recent industrial use of technology such as nanotechnology, pleating, 3D printing and introduction of smart fabrics aid in improving fiber quality, provide customisation and reduce production costs.

Growth drivers	Description
 **Rise in technical textile Usage**	Technical textiles find their application in multiple end-use segments which include automotive, healthcare, construction, sports and outdoor, and protective clothing. For instance, in the automotive industry technical textile is used in the manufacture of lighter automotive components. With increasing usage of electric vehicles, the requirement of lighter automotive parts increases in turn leading to demand growth for segment. Further, with the growing population and requirement for better healthcare the demand for technical textiles is expected to rise.

Source: CRISIL MI&A

4 Assessment of Indian textiles industry

Indian textile and apparel industry plays an important role in development of economic activity in India. As of fiscal 2023, in terms of manufacturing gross value added (GVA) at current prices, Indian textile, apparel and leather products occupy a share of 11.2% which had seen an increase from 9.0% in fiscal 2012. As per Ministry of Textile data, Indian textile and apparel including handicrafts had contributed to 8.2% of overall exports during fiscal 2024. Based on ITU export trade data, Indian textile and apparel segment occupies a share of ~3% in global textile and apparel trade as of CY2023.

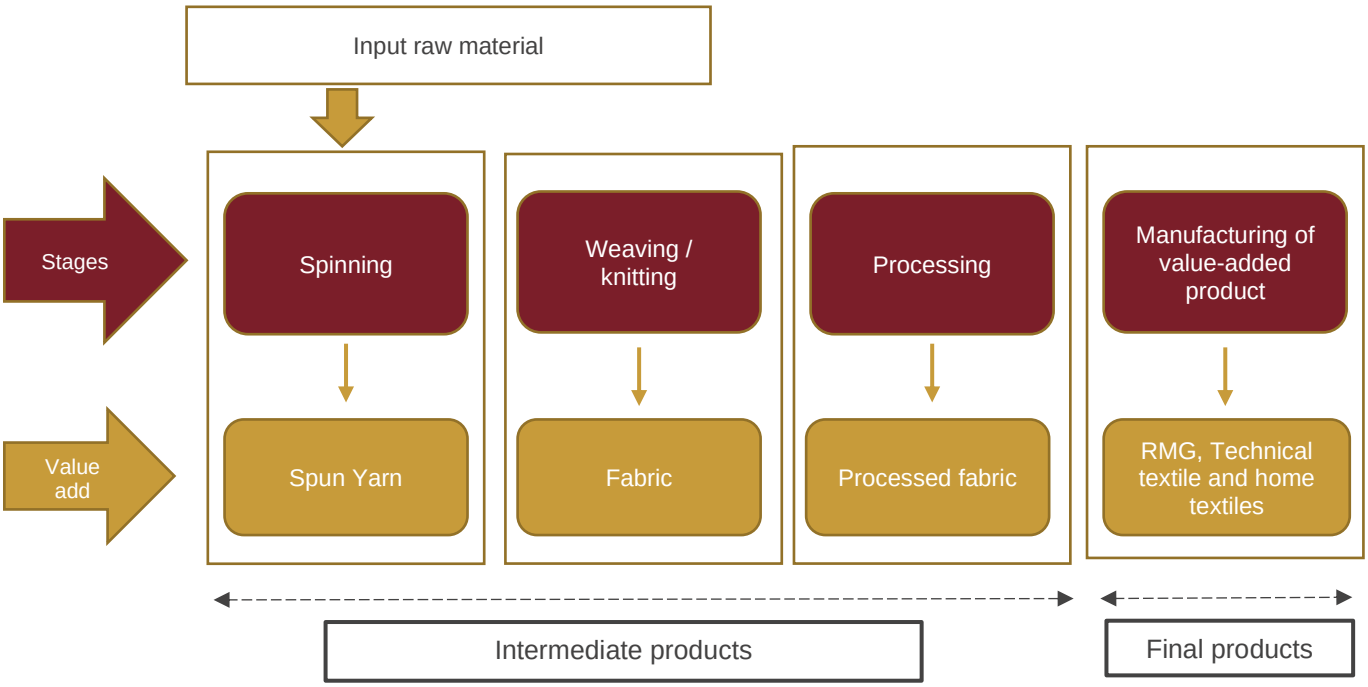
The key strength of Indian textile and apparel segment lies in large raw material base and manufacturing units present across the value chain. The industry caters to an employment of over 45 million individuals and 100 million individuals indirectly which includes employment for women and rural population. The textile and apparel segment finds alignment with the India's vision programs such as Make in India and Skill India.

India has a strong textile value chain

The textile industry in India is diversified with handwoven and hand spun textile at one end and sophisticated textile mills which are capital intensive on the other end of the spectrum. The spinning industry is organized when compared to weaving segment of the industry which is majorly dominated by the decentralized power looms, handlooms, and hosiery production units.

Presence of players across the value chain starting from production of raw material to production of yarn, fabric and garments in the country makes the Indian textile industry well placed at a global level in comparison to countries such as Vietnam and Bangladesh.

Indian textile value chain



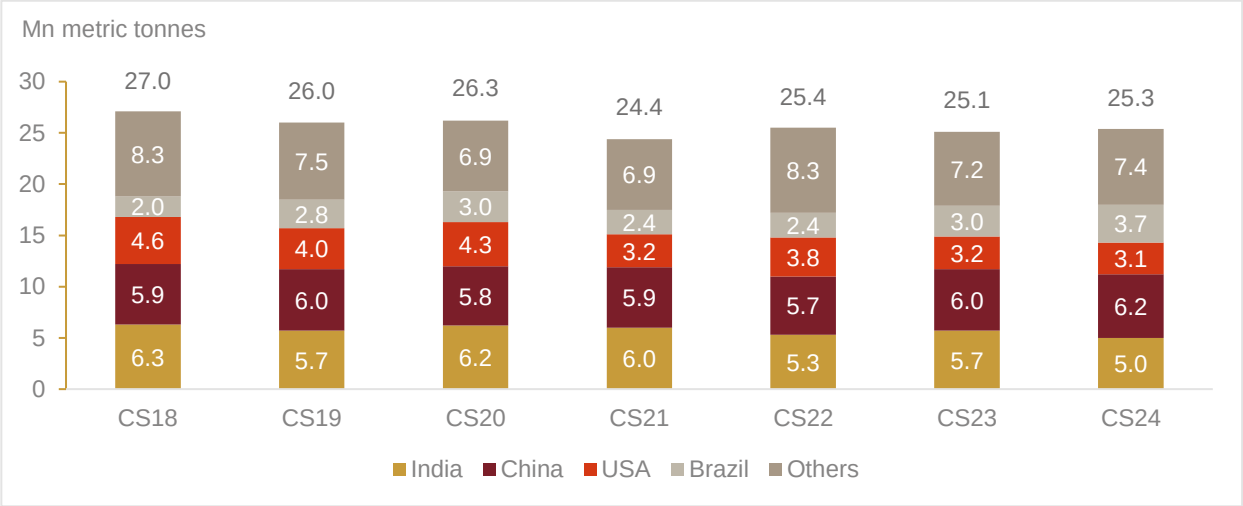
Note: In the below sections CRISIL MI&A has analysed the textile end use industry which encompasses readymade garments (RMG), technical textiles and home-made textiles. It has also analysed spinning industry for MMF yarn and cotton yarn, also assessed the cotton fabric industry

Source: CRISIL MI&A

India is the second largest producer of cotton with a share of ~20% among the global nations in CS24

India had the highest acreage for cotton compared with the other major cotton-producing nations with 12.5 million hectares in cotton season (CS; international cotton season is from August to July) 2023-24. In CS18, India was the largest producer with a production of 6.3 Million Metric Tonne (MMT) and was also the leading producer in CS20 and CS21. China surpassed India in CS22 to become the largest producer and produced 6.0 MMT in CS23 as compared to India's production of 5.7 MMT. Production of cotton remains volatile across the years and is highly vulnerable to change in climatic conditions.

Cotton production across the globe



Note: Years refer to Cotton Season (August-July)

Source: Cotton Association of India, International Cotton Advisory Committee (ICAC), CRISIL MI&A

In addition to this, as per Ministry of Textiles annual report, India is second largest producer of polyester and viscose both, and in turn the second largest producer of Man-Made Fiber (MMF) only next to China. India is also the second largest producer of silk in the world after China.

4.1 Overview of Indian textile and apparel industry

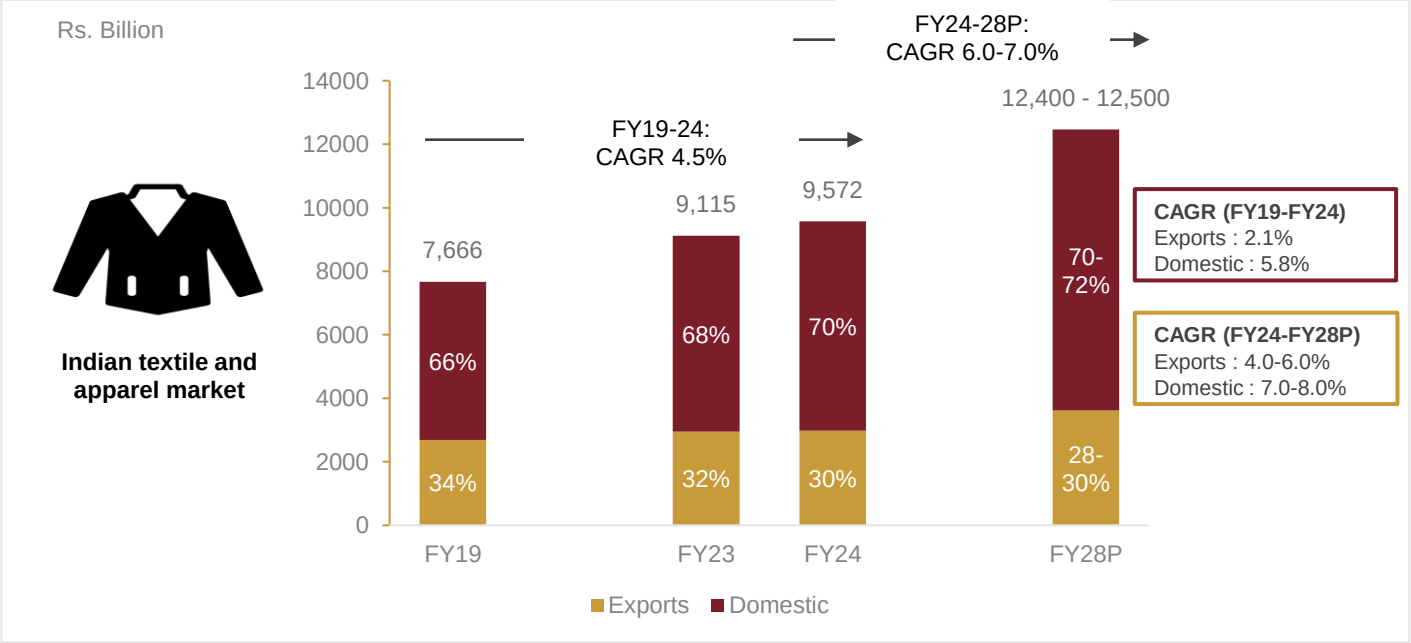
Indian textile and apparel market projected to grow at 6-7% CAGR between fiscal 2024 and 2028

Indian textile and apparel industry is projected to grow at a CAGR of 6.0-7.0% between fiscal 2024 and fiscal 2028, reaching a value of Rs. 12,400-12,500 billion in fiscal 2028. During this period, exports are expected to grow at a CAGR of 4.5-5.5% while domestic industry is expected to grow at slightly higher pace of 7.0-8.0%.

Between fiscals 2019 to fiscal 2024, the total Indian textile and apparel industry had grown at a CAGR of 4.5%. Within the total industry, the domestic Indian textile and apparel industry had grown at a higher pace of 5.8%, while exports have grown at a CAGR of 2.1%. The slower growth in exports is majorly due to decline in fiscal 2020 as a result of global slowdown which was further compounded by the Covid-19 pandemic leading to disruptions in supply chain and demand causing order cancellations. Also, high export tariffs levied on Indian exporters in countries like European Union (EU) when compared to zero import duty for other exporting countries such as Bangladesh have further dampened the export performance.

The future growth in Indian textile and apparel market will be led by various economic factors such as increase in discretionary income, rising urban population. Further, the demand is poised by increase in online retailing, shift from cotton to man-made fiber, robust growth of technical textiles segment. Additionally, global industry expanding outside of China would aid the Indian export markets in the growth trajectory.

Trend and outlook of Indian textile and apparel market



Note: Domestic Indian textile industry consists of Ready-Made garments, Unstitched Fabric, Technical textiles, and Home textiles

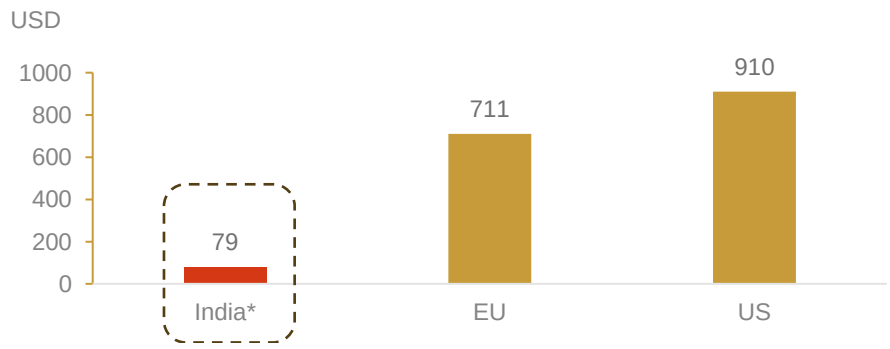
P stands for projected

Source: Ministry of textiles, DGCI&S, CRISIL MI&A

India's per capita consumption indicates an opportunity for growth

As of CY2022 (fiscal 2023), India's annual per capita consumption of clothing and footwear was at ~USD 79. Similarly, during CY2022, annual per capita consumption of clothing and footwear in developed economies of EU and US stood at ~USD 826 and ~USD 1,479 respectively, indicating a potential for growth in Indian textile and apparel industry.

Per capita consumption of clothing and footwear (CY2022)



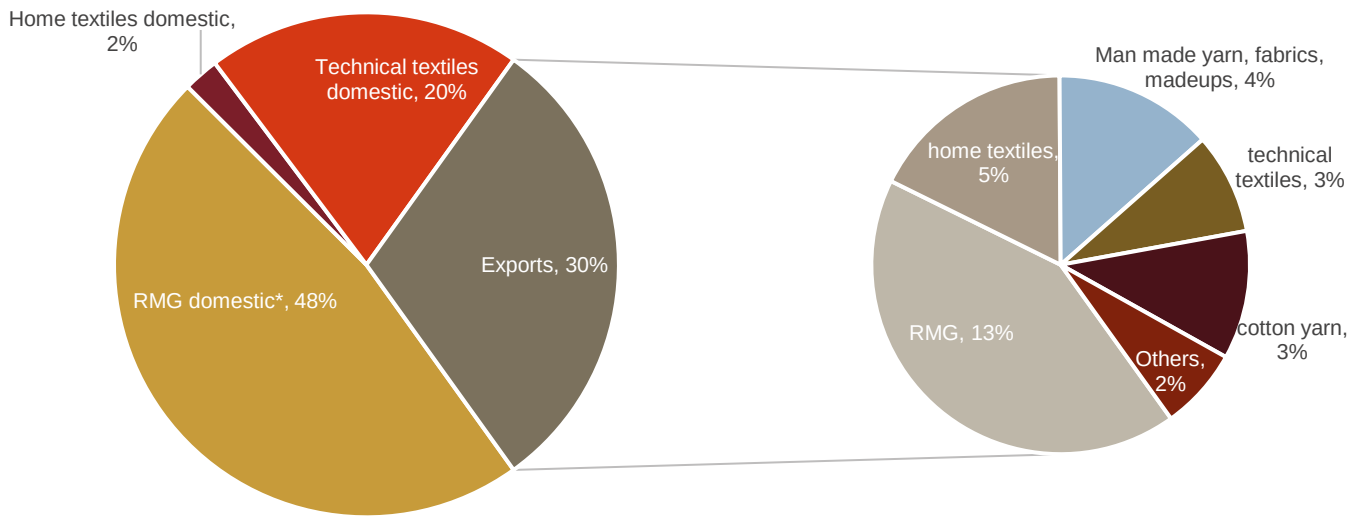
** Data for India is as of fiscal 2023*

Source: Eurostat, MoSPI, United States Census Bureau, CRISIL MI&A

Ready-made garments (RMG) was the largest contributor

As of fiscal 2024, domestic RMG segment contributed the highest revenue to the Indian textile and apparel market with 48%, followed by exports at 30%. Domestic technical textiles contributed 20% to the Indian textile and apparel market, while domestic home textiles completed the pie with remaining 2%. Within exports, RMG again was the largest contributor with 42% share followed by home textiles at 18%. Man-made yarn, fabrics and made ups came next with a share of 14%. Cotton yarn and technical textiles had a share of 11% and 7% respectively in Indian textile and apparel exports in fiscal 2024.

Segment break-up of Indian textile and apparel industry (FY24)



Domestic values mentioned above do not include imports

** Fabric considered above with RMG only includes unstitched fabric that is sold to end consumer. Others include raw cotton, any other textile yarn, fabrics, wastes etc.*

Source: CRISIL MI&A

India holds a competitive advantage in the textile industry



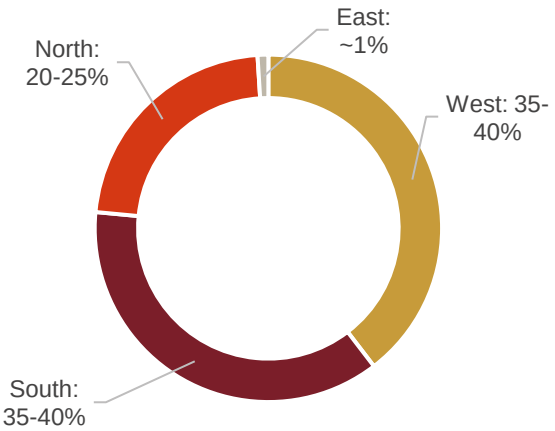
Source: CRISIL MI&A

South region dominates cotton textile supply, while West region dominates in terms of manmade textiles

Though the textile industry in India is regionally diverse, South India dominates in terms of cotton textiles with majority of the cotton textile supply coming from this region. Tamil Nadu is the largest exporter of textiles from India (~Rs 592 billion in fiscal 2024). Hubs such as Coimbatore, Chennai, Tirupur play an important role in cotton and knitwear production.

West India, particularly Maharashtra and Gujarat are known for manmade textile production. Hubs such as Ahmedabad, Surat and Mumbai are well known for their synthetic fabrics. Northern region, especially Punjab and Haryana are known for readymade garments. Eastern region of India is not a significant contributor to the overall textile industry in India.

Estimated region-wise share of India textile market (FY19-24 average)



Source: Ministry of textiles, DGCI&S, CRISIL MI&A

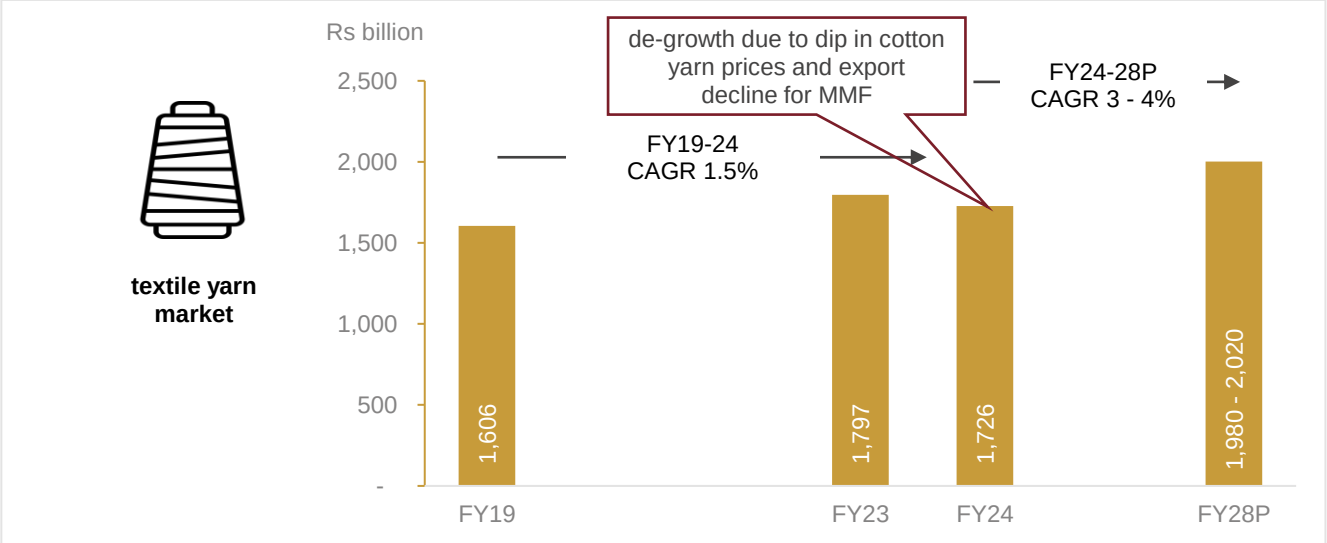
4.2 Overview of Indian textile yarn industry

Indian textile yarn market to clock 3-4% CAGR between fiscals 2024 and 2028

The Indian textile yarn market, which was valued at Rs 1,606 billion in fiscal 2019, grew at a modest rate of ~3.0% CAGR between fiscals 2019 and 2023 to reach Rs 1,797 billion led by demand recovery after the pandemic. However, during fiscal 2024, on a Y-o-Y basis, the market saw a decline due to sharp drop in prices of cotton yarn. Additionally, international demand had weakened for manmade fibers in fiscal 2024 which resulted in lower exports. As a result, Indian textile yarn market declined by 4% on a Y-o-Y basis to reach Rs 1,726 billion in fiscal 2024 (fiscal 2019 to fiscal 2024 CAGR: 1.5%).

In terms of outlook, the Indian textile yarn market is expected to increase at a 3-4% CAGR between fiscals 2024 and 2028 and reach Rs 1,980-2,020 billion due to steady growth in domestic demand led by improving discretionary spending and gradual recovery in demand from European Union and United States.

Overall Indian textile yarn market



P stands for projected
Source: Ministry of Textiles, CRISIL MI&A

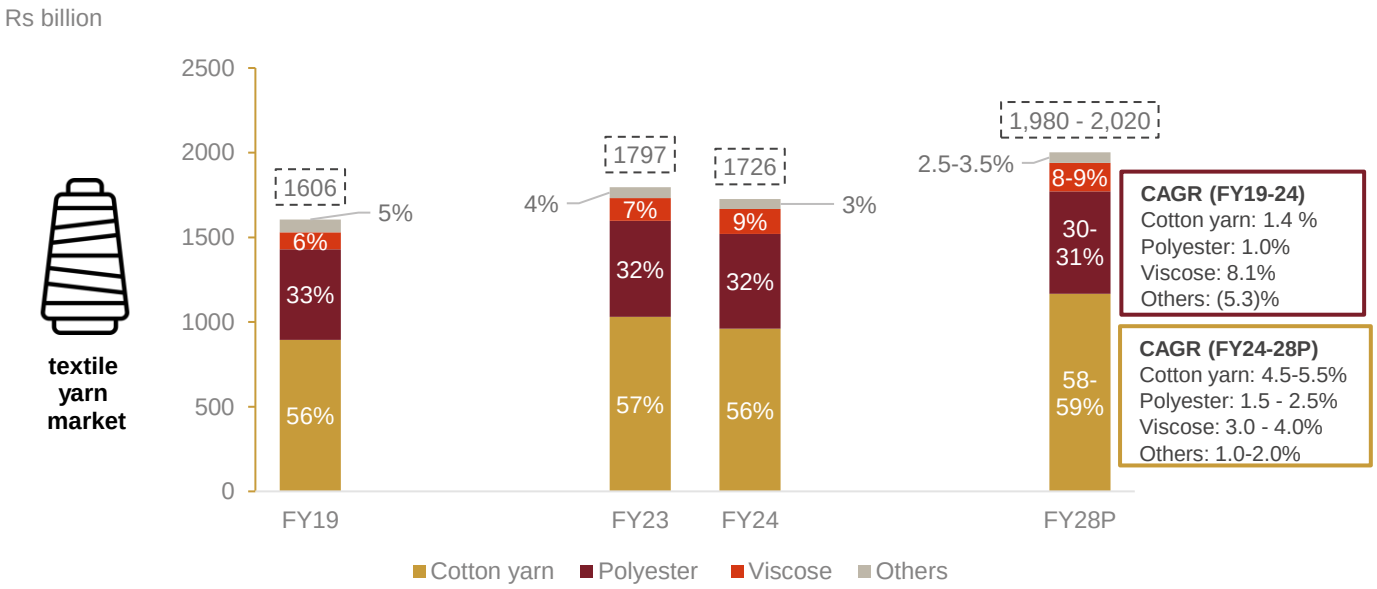
Growth in the long term expected to be driven by recovery in cotton yarn demand in domestic and international markets

In fiscal 2023, cotton yarn formed the major share of the Indian textile yarn market, accounting for 57% share in the market and was valued at Rs 1,030 billion. On a Y-o-Y basis, the cotton yarn market declined during fiscal 2024 by 4%, due to steep fall in yarn prices by ~25% compared to fiscal 2023. Cotton yarn market had registered a CAGR of 1.5% between fiscals 2019 and 2024 to reach Rs 960 billion in fiscal 2024 from Rs 895 billion in fiscal 2019.

The cotton yarn market is expected to grow at a 4.5-5.5% CAGR between fiscals 2024 and 2028 driven by recovery in global trade.

The market for manmade fibers (MMF), which includes polyester and viscose, account for ~41% of the total Indian textile yarn market in fiscal 2024. Polyester yarn market has grown at 1.0% CAGR till fiscal 2024 to reach Rs 561 billion from Rs 534 billion in fiscal 2019, while, viscose has grown at 8.1% CAGR till fiscal 2024 to reach Rs 147 billion from Rs 100 billion in fiscal 2019.

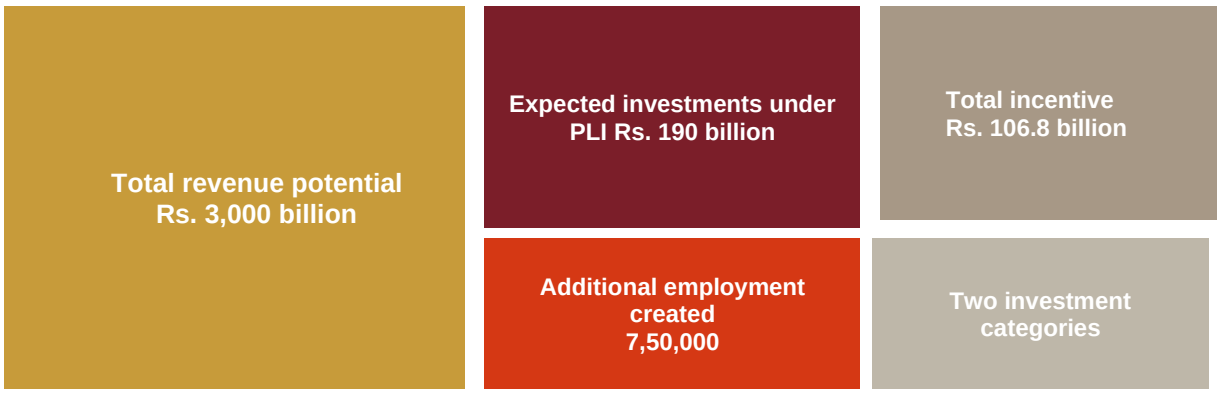
Fiber-wise breakup of Indian textile yarn market



P: projected; Others include silk, wool etc.
Polyester includes Polyester Staple Fiber (PSF) and Polyester Filament Yarn (PFY)
Viscose includes Viscose Filament Yarn (VFY) and Viscose Staple Fibre (VSF)
Source: Ministry of Textiles, CRISIL MI&A

The Government of India had announced two schemes to increase the economies of scale, export potential and competitiveness in the textile sector: These are the Performance-Linked Incentives (PLI) scheme and Mega Investment Textile Parks (MITRA). If implemented well, both will boost MMF-based RMG exports, and drive demand for MMF and yarn. PLI scheme is an opportunity to generate Rs 1,800 billion in revenue in MMF-based textiles. As per Quarterly Review Reports (QRRs) as on September 30, 2023, the eligible investment made under the scheme was Rs. 21.2 billion of 30 selected applicants, out of which 12 selected applicants started commercial production, turnover achieved was Rs 5.2 billion including export of Rs 0.8 billion, and employment generated was 8,214.

Opportunities in textile sector from PLI scheme



Source: CRISIL MI&A

Going ahead, CRISIL MI&A expects the MMF market to clock a CAGR of 2-3% between fiscals 2024 and 2028.

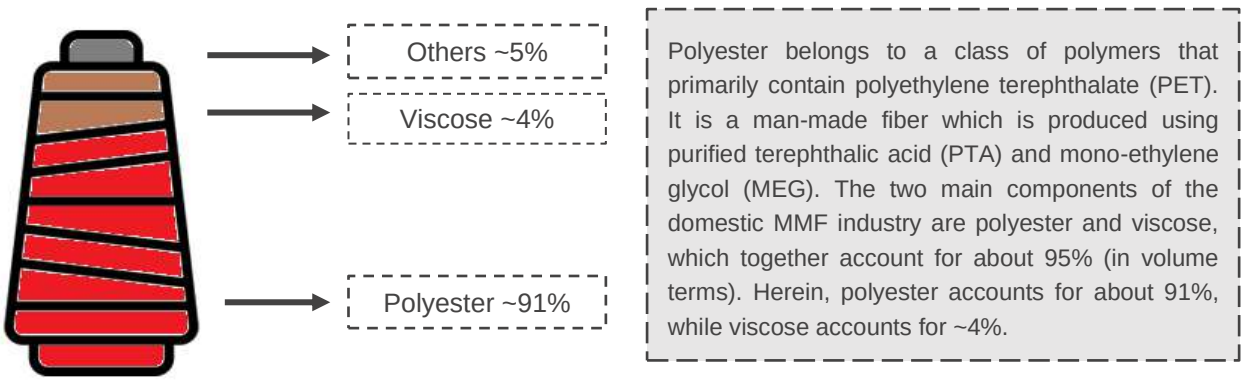
5 Assessment of yarn manufacturing, cotton fabric and technical textile industry in India

Yarn manufacturing consists of sequence of various processes where raw fibers are converted to yarn which can be further used in the manufacturing of various products such as fabrics and garments. The fibers are converted into yarn through a process called spinning, followed by weaving and knitting.

A yarn can either be made from natural fibers such as cotton and wool or from man-made fibers (MMF) such as polyester, viscose, nylon, acrylic, polypropylene among others. Raw material consumption in the Indian textile industry is in the ratio of 59:41 for use of cotton to man-made fibers or filament yarn.

In this section, CRISIL MI&A covers polyester yarn and cotton yarn manufacturing industry in India along with an overview of cotton fabrics and technical textiles.

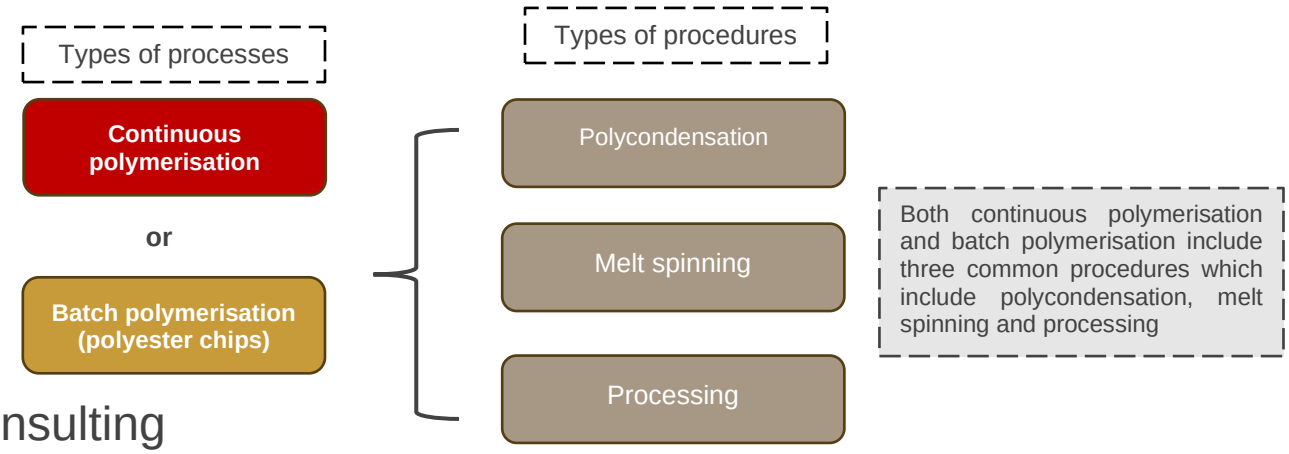
5.1 Polyester yarn industry in India



Others include nylon, acrylic, polypropylene among others
Source: CRISIL MI&A

In the domestic market, polyester is mainly consumed in the form of polyester filament yarn (PFY) / partially oriented yarn (POY), which accounts for 70-75% (in volume terms) of domestic polyester consumption in fiscal 2023 and rest includes polyester staple fiber (PSF), polypropylene filament yarn, and polyester industrial yarn among others. Polyester yarn is primarily used to produce blended fabrics and non-cotton fabrics, which are, in turn, used in production of readymade garments, home textiles and other industrial textiles.

Polyester mainly produced through continuous polymerisation



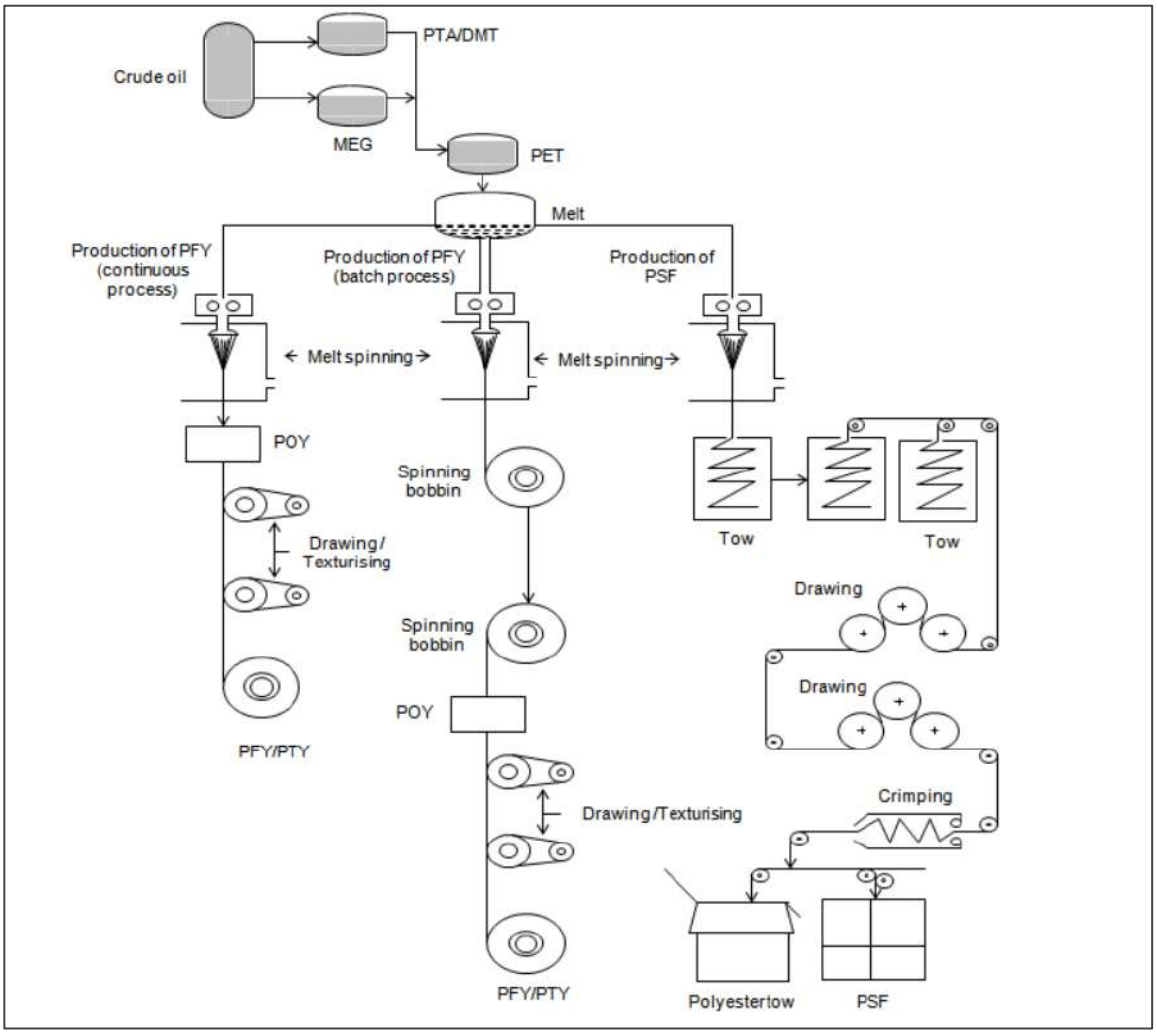
During polycondensation, the raw materials (DMT / PTA and MEG) are polymerised into polyethylene terephthalate (PET) chips. In the melt spinning stage, the melt obtained from polycondensation is converted into filament. In the third stage, the filament goes through processing activities such as drawing, crimping, heat setting, cutting, and baling.

In general, Polyester Staple Fiber (PSF) plants use any of these three combinations:

- Continuous polymerisation with direct melt spinning, where the polymer is spun without the intermediate step of chip formation
- Continuous polymerisation for manufacturing chips, and subsequent melting and extrusion of chips for spinning
- Batch polymerisation for manufacturing of chips and subsequent chip spinning

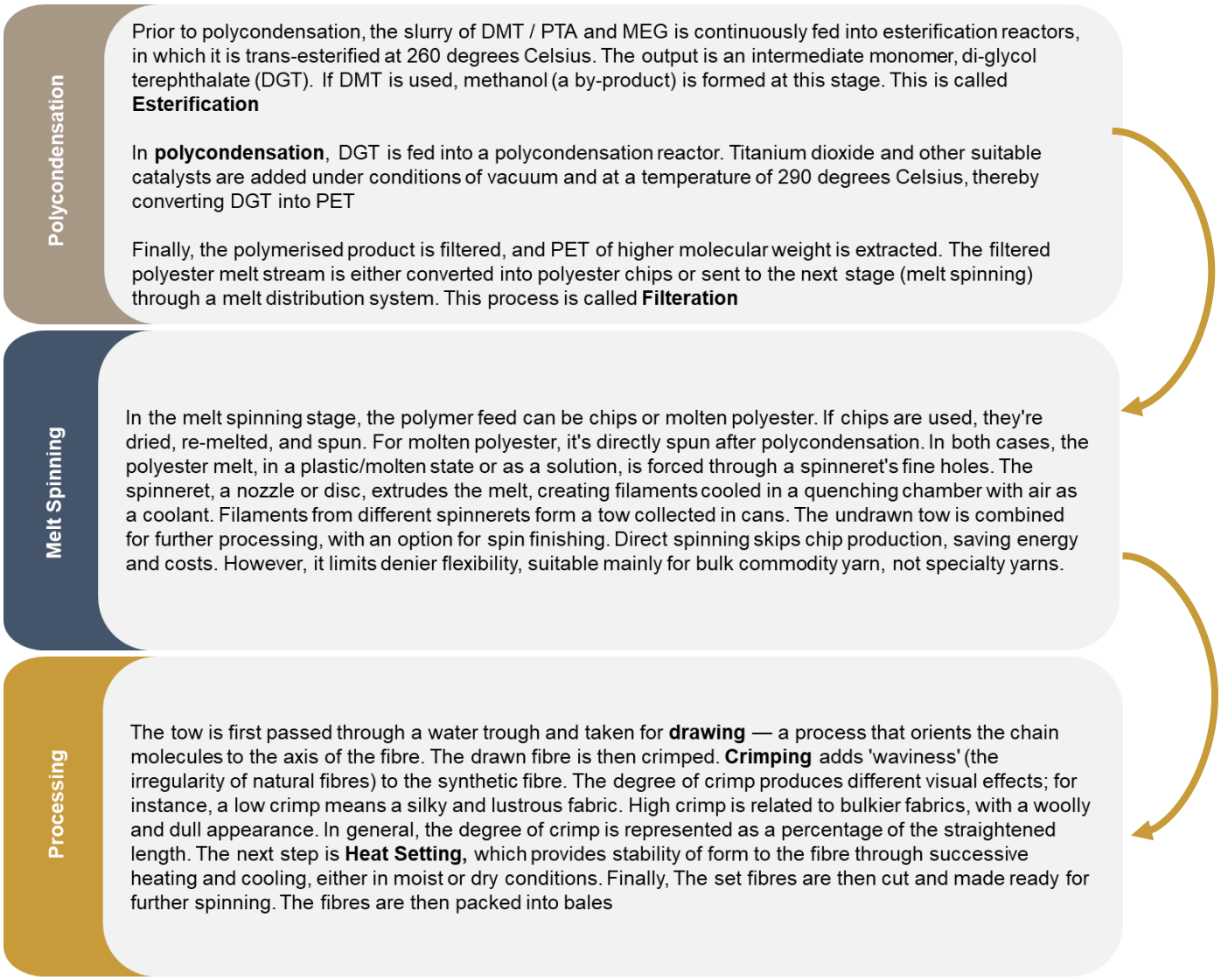
In addition, polyester can also be manufactured through recycling of plastic into PET chips . In case of recycling, the plastic is first converted to small flakes in the initial process. In the later stage, these plastic flakes undergo de-polymerisation and re-polymerisation after which they're converted to PET chips, further used in the production of polyester yarn.

Manufacturing process



Source: CRISIL MI&A

Overview of the manufacturing process



Source: CRISIL MI&A

5.2 Overview of polyester yarn industry in India

Economic revival in major exporting regions coupled with rise in consumption to lead long-term growth for PSF

Over the years from fiscal 2019 to 2023, the total production of Polyester Staple Fiber (PSF) – in volume terms – had grown from ~1.3 million tonnes in fiscal 2019 to ~1.4 million tonnes in fiscal 2023. This growth is majorly driven by the rise in demand for polyester yarn during the period.

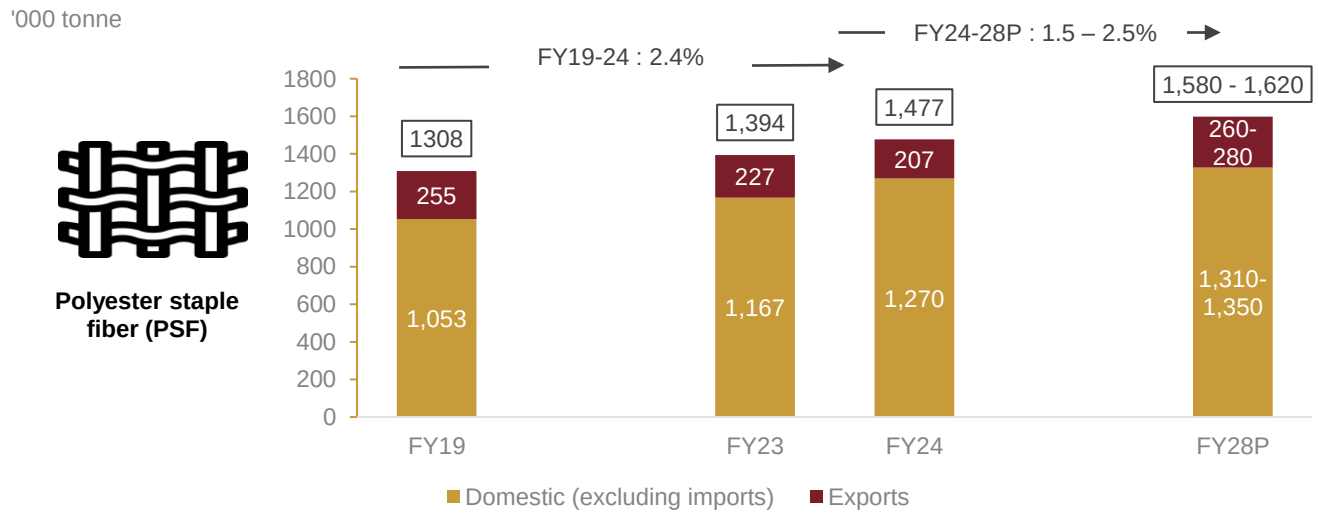
During fiscal 2023, the total production – in volume terms – of PSF saw a decline of 3.1% compared to fiscal 2022 majorly contributed by the fall in exports. For the year, though domestic demand of PSF (excluding imports) saw a Y-o-Y growth of 10.5% – the exports of PSF saw a steep decline of 40.7% on a Y-o-Y basis leading to the overall decline. The fall in exports is due to slowdown in international demand coupled with Covid-19 related disruptions in China.

In fiscal 2024, the domestic demand (excluding imports) of PSF saw a rise of 8.8% when compared to the previous fiscal due to low base effect. In contrast, the exports of PSF declined further for the same period, owing to slowdown in key importing regions such as European Union and United States.

As a result, from fiscal 2019 to 2024, the total production – in volume terms – of PSF had grown at a CAGR of 2.4% majorly driven by the domestic demand (excluding imports) of PSF during the period.

As of fiscal 2024, Turkey stands as the highest importer of PSF from India constituting a share of 32% followed by Brazil at 9%. Over the long-term, with the economic growth in these major importing nations, coupled with rise in consumption driven by growth in the blended and non-cotton segment of the industry, the overall production of PSF – in volume terms – is estimated to grow at a CAGR of 1.5 – 2.5% between fiscals 2024 and 2028.

Long-term demand outlook (production) – volume terms



The total values above the bar graph indicate overall domestic production
55012000, 55032000 and 55062000 HS codes have been considered
P: Projected
Source: CRISIL MI&A

PSF production in value terms

PSF	FY19	FY23	FY24	FY19-24 (CAGR)	FY28P	FY24 – 28P (CAGR)
Price (Rs/kg)	108	114	108	(0.1)%	110 – 115	0.5 – 1.0%
Production (Rs. Bn)	137	156	155	2.7%	170 – 180	2.5 – 3.5%

P: Projected
Source: CRISIL MI&A

The major raw materials of PFY which include PET and MEG are majorly dependent on crude oil. Going forward, it is vital to monitor, how PFY prices would act with change in crude oil prices.

Growth in non-cotton segment and economic revival in major exporting regions to lead long-term growth for PFY

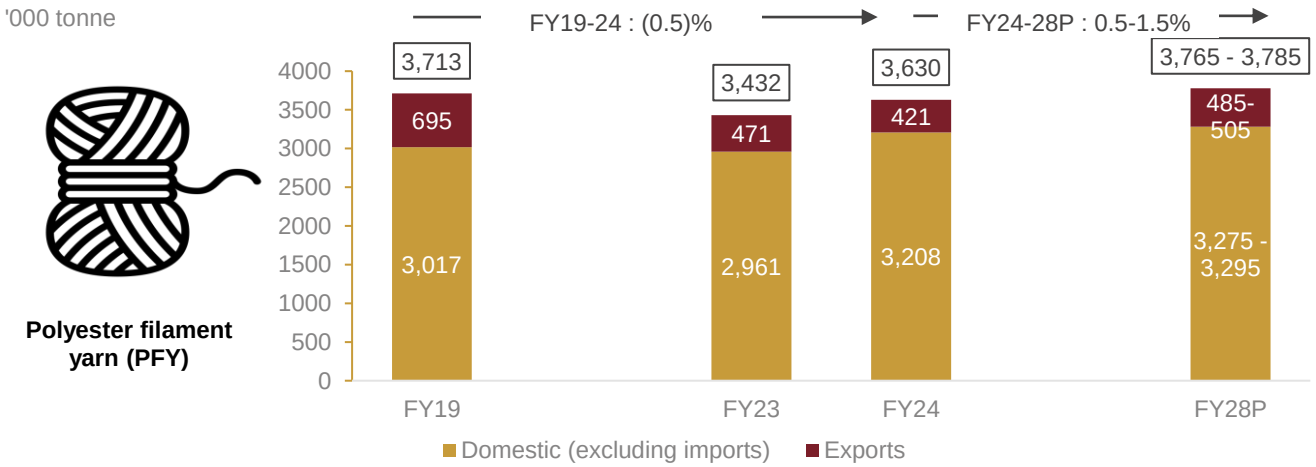
PFY production – in volume terms – had declined from 3.7 million tonnes in fiscal 2019 to 3.4 million tonnes in fiscal 2023, with exports majorly curtailing the growth. During this period, though the domestic demand (excluding imports) for PFY had seen decline of ~1%, the overall production is trimmed by 2% with exports declining due to economic slowdown in importing regions.

In fiscal 2024, the domestic demand (excluding imports) had grown by 8.3% over the previous fiscal driven by growth in non-cotton segments. However, the overall production during the same period is constrained by decline in exports (10.5%) due to slowdown in key consumption regions.

As a result, PFY production – in volume terms – had witnessed an overall decline of 0.5% CAGR between fiscals 2019 and 2024 with majorly exports curtailing the growth.

Going forward, the overall demand is expected to grow at a CAGR of 0.5 – 1.5% between fiscals 2024 to 2028, driven by growth in non-cotton segments coupled with revival in export demand globally.

Trend in PFY production – volume terms



The total values above the bar graph indicate the overall domestic production
540233, 540246, 540247, 540252, 540262 and 540220 HS codes are considered
P: Projected
Source: CRISIL MI&A

PFY production in value terms

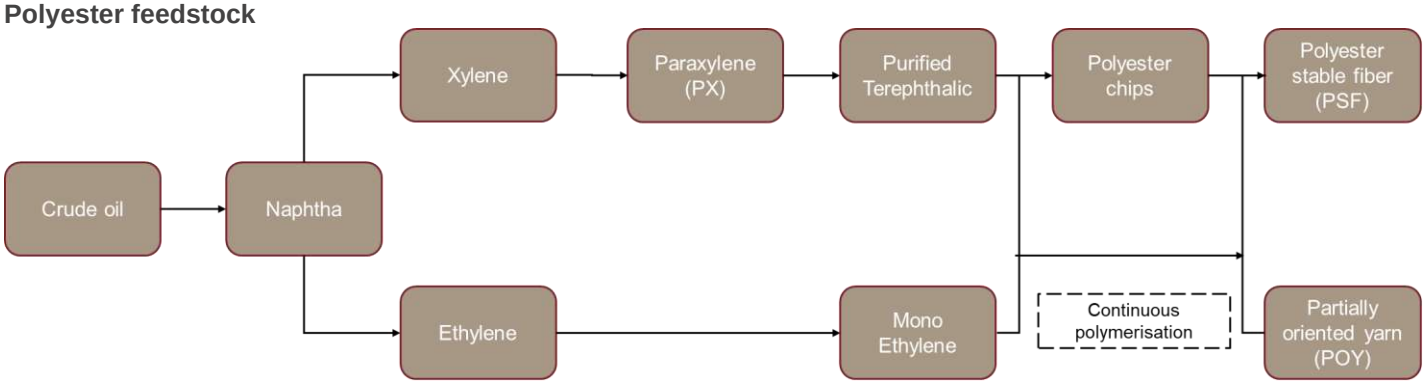
PFY	FY19	FY23	FY24	FY19-24 (CAGR)	FY28P	FY24 – 28P (CAGR)
Price (Rs/kg)	105	118	110	1.0%	110-115	0.3-0.7%
Production (Rs. Bn)	398	412	405	0.4%	425-435	1.4-1.8%

P: Projected
Source: CRISIL MI&A

The major raw materials of PFY which include PET and MEG are majorly dependent on crude oil. Going forward, it is vital to monitor, how PFY prices would act with change in crude oil prices.

Overview of raw material scenario in India

Polyester feedstock



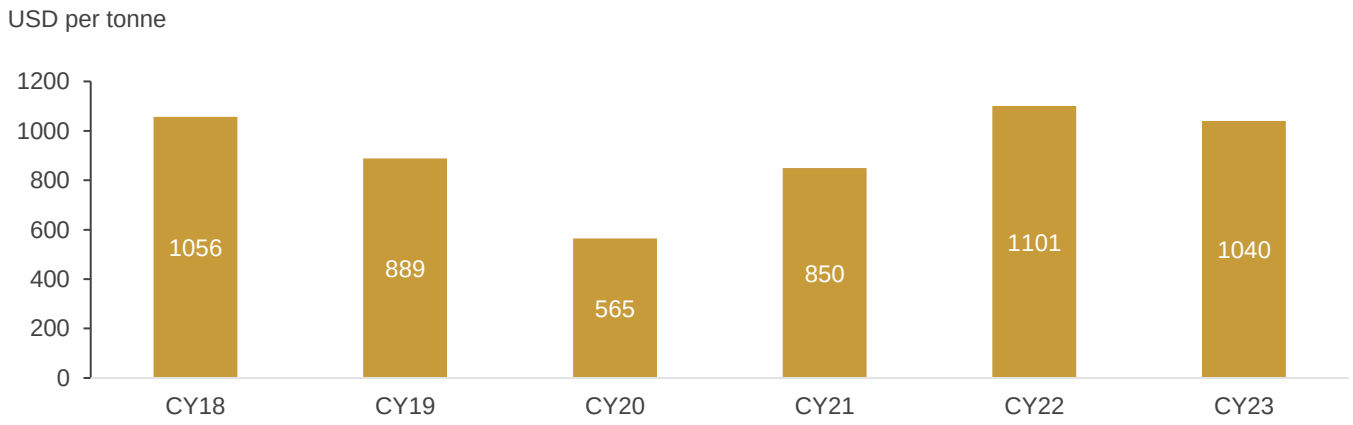
Source: CRISIL MI&A

Paraxylene (PX)

Decline in feedstock prices led paraxylene prices to settle in CY2023

In CY2022, PX prices had increased ~30% Y-o-Y to ~USD 1,101 per tonne, as feedstock prices (naphtha) rose by 22% Y-o-Y, in tandem with crude oil prices, despite healthy downstream demand. In CY2023, the PX prices declined ~6% vis-a-vis a fall of ~17% in feedstock prices.

PX price trend



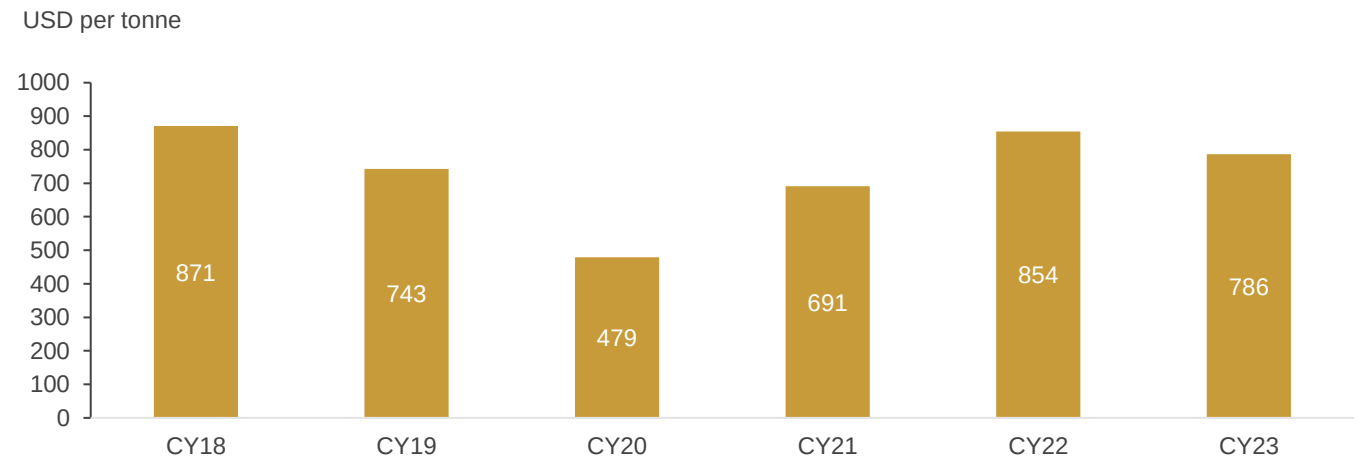
Prices of PX are as per Cost and Freight (CFR) Southeast Asia
Source: CRISIL MI&A

Purified Terephthalic Acid (PTA)

PTA prices declined in CY2023 owing to slowdown in global markets

In CY2022, PTA prices improved ~24% in line with surge in crude derived input (PX) prices, owing to the tight supply scenario globally. In CY2023, prices are declined by 8% on-year due to slowdown in the global market.

PTA price trend



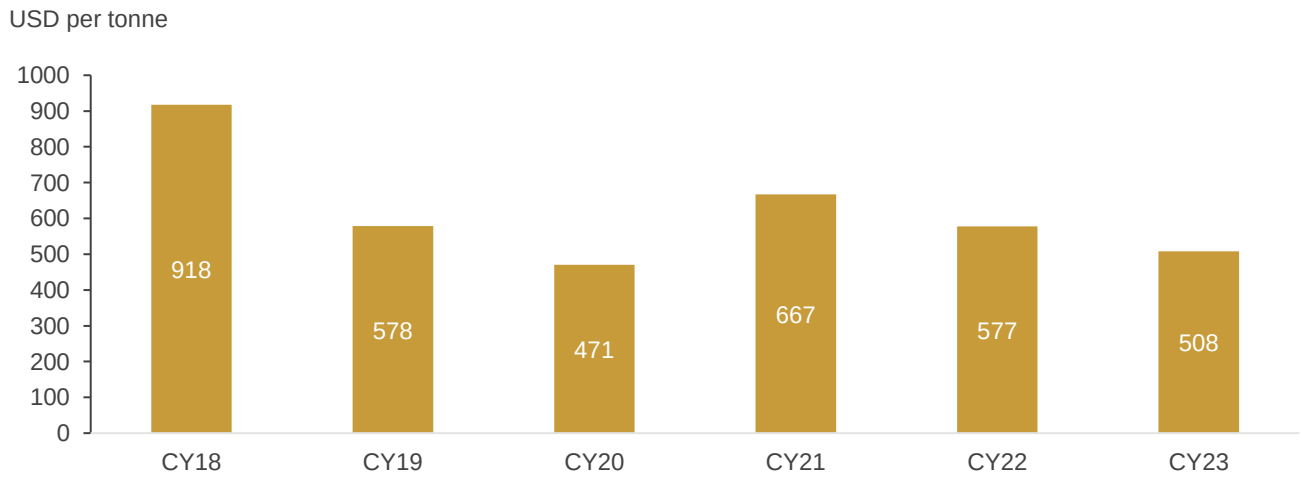
Prices of PTA are as per Cost and Freight (CFR) Southeast Asia
Source: CRISIL MI&A

Mono Ethylene Glycol (MEG)

MEG prices declined in CY2023 owing to decline in feedstock prices

In CY2022, MEG prices declined by 7% owing to lower global demand coupled with slowdown in key demand regions especially China resulting in oversupply in the market. In CY2023, the prices declined further due to decline in feedstock prices.

MEG price trend



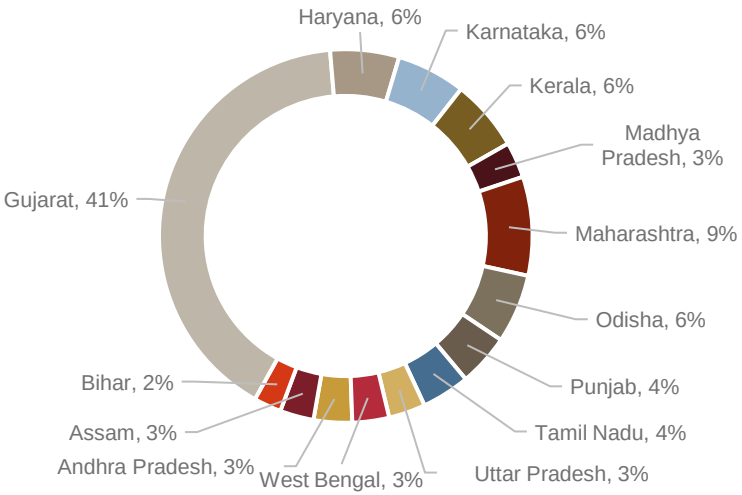
Prices of MEG are as per Cost and Freight (CFR) Southeast Asia
Source: CRISIL MI&A

West Gujarat cluster is among the major strategic locations for polyester yarn manufacturers in India

West Gujarat Cluster is amongst the major strategic locations for polyester yarn manufacturers in India due to availability of manufacturing facilities across supply chain of polyester segment. Presence of raw materials manufacturers, for MEG and PTA, such as Reliance industries provides a logistical advantage for manufacturers in

the location. This can be supported by Gujarat occupying a share of 41% in Indian crude oil manufacturing capacity – the major raw material involved in manufacturing of MEG and PTA. Adding to this advantage is the access to textile markets of Gujarat and Maharashtra. Having said that, the cluster is also well known for synthetic textile market and accounts for major share of man-made fiber processing in India. The cluster mainly caters to domestic demand from readymade garments and home textiles.

Share of Gujarat in Indian crude oil capacity as of fiscal 2022



Source: Ministry of Petroleum and Natural Gas, CRISIL MI&A

5.3 An overview of global and Indian polyester yarn trade

As of CY2023, globally a total of USD 9,192 million PFY had been exported. While China is largest exporter occupying a share of 58.1% in the overall exports, Turkey stands as the largest importer with a share of 11.2% as of CY2023.

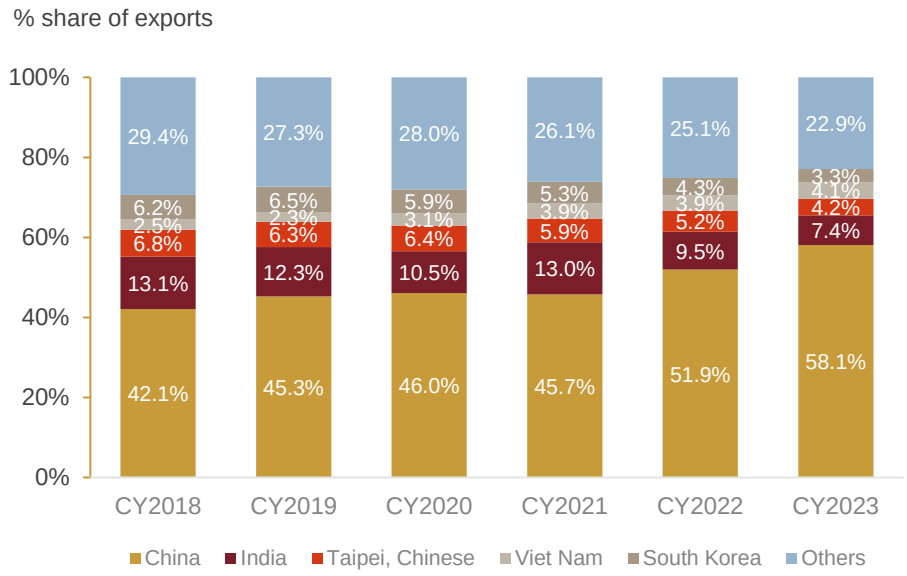
Trend of global export trade

	CY2018	CY2019	CY2020	CY2021	CY2022	CY2023	CAGR CY2018-2023
Global export trade (USD million)	**9,350**	**8,799**	**6,863**	**9,564**	**9,770**	**9,192**	**(0.3%)**

HS Codes 540233, 540246, 540247, 540252, 540262 and 540220 have been considered
Source: ITC Trademap, CRISIL MI&A

India stands second next to China in PFY yarn exports globally as of CY2023

Trend and share of top 5 countries in PFY global exports



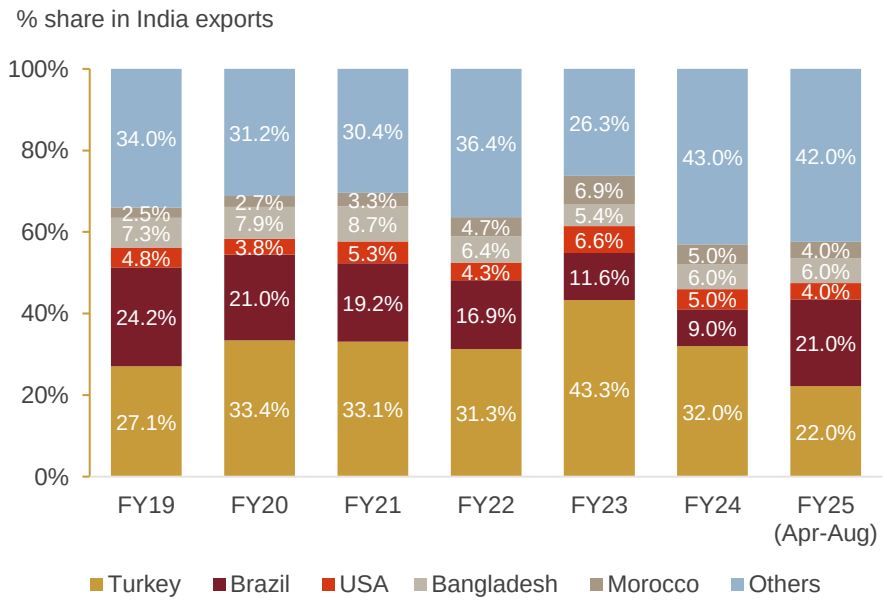
Over the years, from CY2018 to CY2023, China has been the leading exporter of PFY yarn followed by India. The share of China has increased from 42.1% in CY2018 to 58.1% in CY2023.

This gain in share by China is majorly on account of slowdown in domestic Chinese market, expanding scale of production over the years coupled with dumping of cheaper yarn into global markets by Chinese manufacturers.

Note:
Top 5 countries considered in the above graph are as per CY2023 data
HS Codes 540233, 540246, 540247, 540252, 540262 and 540220 have been considered
Source: ITC Trademap, CRISIL MI&A

Turkey is the top export destination for Indian PFY exporters as of fiscal 2024

Trend and share of top 5 countries in PFY exports from India



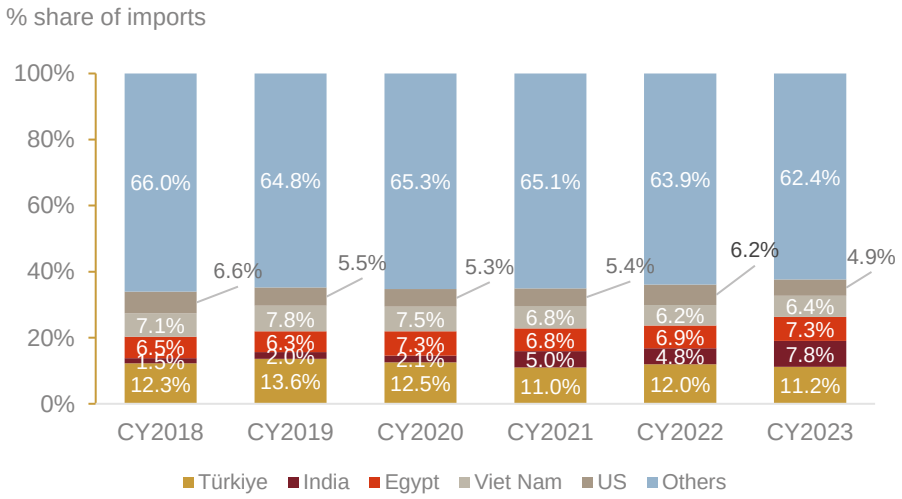
During fiscal 2024, Turkey has become a major export destination for Indian PFY yarn. It accounts for a share of 32.0%, followed by Brazil at 9.0%.

However, in terms of demand from these two countries, India faces stiff competition from China. Hence, competition from China will remain one of the key monitorable.

Note: Top 5 countries considered in the above graph are as per fiscal 2024 data
HS Codes 540233, 540246, 540247, 540252, 540262 and 540220 have been considered
Source: ITC Trademap, CRISIL MI&A

Turkey is also the largest importer of PFY yarn globally in CY2023

Trend and share of top 5 countries in PFY global imports



During CY2022, Turkey has accounted for the major share of imports in global PFY yarn market. Turkey garnered a 11.2% share in global PFY yarn market in CY2023. India stands fifth among the global importers of PFY yarn with an 7.8% share in CY2023.

Note:
Top 5 countries considered in the above graph are as per CY2023 data
HS Codes 540233, 540246, 540247, 540252, 540262 and 540220 have been considered
Source: ITC Trademap, CRISIL MI&A

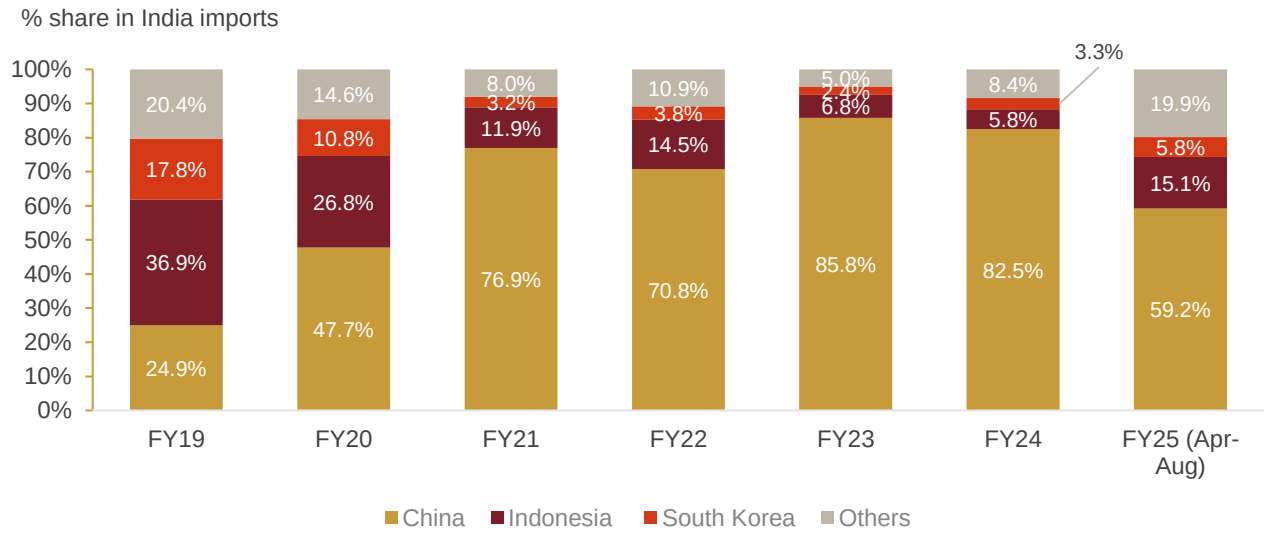
As of CY2022, with a share of 5%, India is among the top 5 countries to import PFY. China is major import partner of PFY to India. As of fiscal 2023, of the total domestic demand, imports occupy as share of 14.2%.

India's Polyester Yarn (PFY) imports from China augmented over the years, however implementation of QCO expected to bring it down

As of fiscal 2023, China (85.8%) is largest exporter of PFY to India followed by Indonesia (6.8%), and South Korea (2.4%). The share of China in India's PFY imports had seen a sharp increase over the years from 24.9% in fiscal 2020 to 85.8% in fiscal 2023. This sudden rise in imports from fiscal 2021, can be attributed to decline in Chinese domestic demand owing to Covid-19 related curbs such as zero-covid policy which consequently led to Chinese manufacturers dumping the products in India leading to higher imports to India.

Further, Government of India (GoI) on 5th October 2023, implemented Quality Control Order (QCO), on polyester yarn to curb the imports of low-quality products and maintain the quality standards. The Bureau of Indian Standards (BIS) is the agency which looks after the implementation of QCO. It is also to be noted that post implementation of QCO in October 2023, overall imports have seen a declining trend which can be observed in declining share of China among the overall imports to 59.2% during April – August 2024 compared to 84.7% during the same period previous year.

Trend and share of top 3 countries in PFY imports to India



Note: South Korea refers to Republic of Korea
HS Codes 540233, 540246, 540247, 540252, 540262 and 540220 have been considered
Source: Ministry of Commerce, CRISIL MI&A

5.4 Growth drivers of Indian polyester yarn industry

Affordability compared to cotton yarn

Polyester yarn offers a cost-effective alternative to cotton, driving its adoption across various segments of the textile industry. With cotton production fluctuating over the years, leading to volatility in cotton prices prompts manufacturers preferring polyester yarn over cotton. Further, inherent properties of polyester, such as resistance to wrinkles, shrinkage, and fading, further enhance its appeal as a practical and economical option for both mass-market and premium textile products in turn aids the industry growth.

Rise in demand from end-use industries

The increasing demand for polyester yarn is driven by its versatile applications across a wide range of end-use industries. Polyester yarn's attributes such as strength, durability, and resistance, make it well-suited for technical applications such as geotextiles, automotive textiles, medical textiles, and protective clothing. The growing automotive sector, infrastructure development projects, healthcare industry, and growing emphasis on personal hygiene post covid pandemic are fueling the demand for technical textiles, this consequently drives the consumption of polyester yarn in India. In addition to this, polyester yarn usage in performance wear segments such as athleisure and sportswear is also supporting the growth.

Emergence of sustainable fashion as a trend

Sustainable fashion is emerging as one of key trends in textile and apparel industry, with consumers prioritising environmentally friendly clothing. This shift in consumer behavior will drive the growth of the polyester yarn industry in India. With the aid of technology, the production of polyester yarns can be made from recycled PET bottles. Additionally, polyester yarn can be blended with natural fibers like cotton or produced using sustainable manufacturing practices to reduce its environmental impact. This shift towards sustainability not only protects the

environment but also presents a significant growth opportunity for the industry. As sustainable fashion gains momentum, driven by consumer demand, polyester yarn industry in India is poised to grow.

5.5 Key entry barriers in Indian polyester yarn industry

Economies of Scale: Established players in the polyester yarn industry often enjoy economies of scale due to their large production capacities which allows them to produce yarn at lower average costs compared to new entrants. Setting up large-scale manufacturing facilities requires substantial capital investment, which might deter new firms from entering the market.

Backward integration: Backward integration in India's polyester yarn industry, where key players produce raw materials like PTA and MEG, acts as a formidable entry barrier. Established firms benefit from economies of scale, control over supply chains, and lower production costs. The capital-intensive nature of setting up PTA and MEG facilities further deters new entrants**.**

Long lead time for vendor approval: India is one of the leading exporters of polyester yarn globally. Exporting to international brands necessitates a lengthy vendor lead time for approval, hindering entry for new players in India's polyester yarn manufacturing. New entrants may face challenges in meeting quality requirements set by global brands. Hence, companies with proven track record and large economies of scale hold an advantage over new entrants.

Access to Capital: Polyester manufacturing is capital intensive in nature. Adequate capital is necessary for setting up manufacturing facilities, purchasing equipment, hiring skilled labor, and covering operational expenses. New entrants may face difficulties in accessing capital, especially if they lack a track record or collateral to secure loans from financial institutions. Limited access to financing can impede the entry of potential competitors into the market**.**

5.6 Cotton yarn industry in India

India is among the major cotton producers in the world

Cotton is one of the most important commercial crops cultivated in India. As of CS2023 – as per ICAC estimates – India accounts for around ~23% of the total global cotton production only next to China. It plays a major role in sustaining the livelihood of an estimated 6 million cotton farmers and 40-50 million people engaged in related activities such as cotton processing and trade. However, production of cotton remains volatile across the years and is highly vulnerable to change in climatic conditions.

	CS18	CS19	CS20	CS21	CS22	CS23	CS24
Cotton production ('000 Tonnes)	6,290	5,661	6,205	5,992	5,290	5,722	5,529

Note:

CS: Cotton Season

The data for CS23 and CS24 is as per 2022-2023, 2023-24 provisional report respectively by Committee on Cotton Production and Consumption (COCPC) dated 24th June 2024 and 14th March 2024 respectively

Source: Cotton association of India, CRISIL MI&A

Cotton yarn industry relatively organized due to high capital intensity

The Indian cotton yarn industry is relatively organized, unlike the fabric industry. This is because setting up a yarn spinning mill needs huge investments (Rs 30,000-35,000 per spindle) to meet technological requirements. This limits

the entry of players into the industry. Cotton being the major raw material in the manufacturing of cotton yarn, its production in India also varies as per the availability of cotton.

.	FY18	FY19	FY20	FY21	FY22	FY23*	FY18-23 CAGR
Cotton yarn production ('000 Tonnes)	4,068.0	4,210.0	4,012.0	3,260.0	4,066.0	3,441.0	(3.3)%

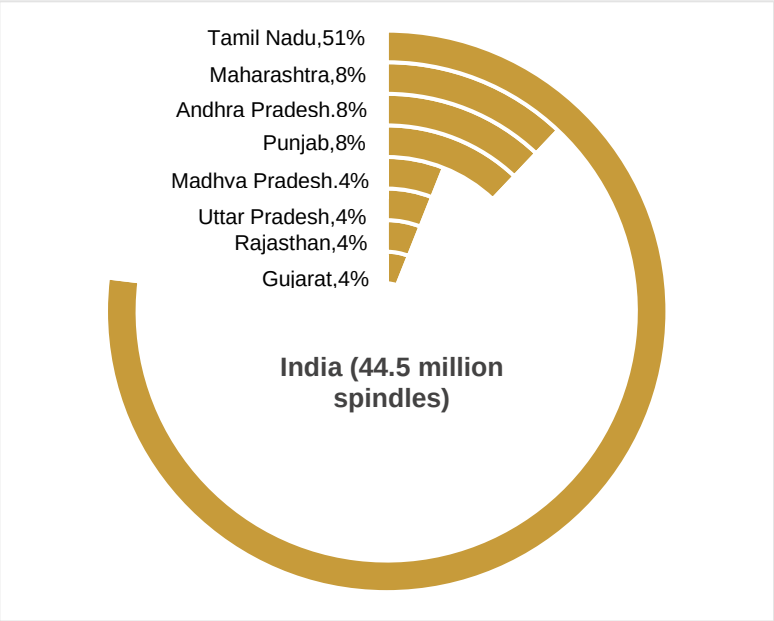
** Provisional estimates*

Source: Ministry of textiles, CRISIL MI&A

Small mill size and high level of fragmentation

The industry is fraught with a large number of small-sized spinning mills, leading to a high level of fragmentation. A spinning mill on average has 15,000-16,000 spindles. India has approximately 67 spindles per worker. As on February 17, 2021, the domestic yarn industry comprised of 3,369 spinning mills, with a total installed capacity of 52.5 million spindles.

Tamil Nadu contributes to major share in Indian yarn industry



Tamil Nadu is the major contributor to the domestic yarn industry with 51% of spindles, 62% of mills, and 38% of workers. The state government had constantly supported the spinning industry through various incentives. This had led to the state having more spinning mills than other regions. Proximity to fabric clusters such as Erode and Salem also helped the spinning industry in the state to prosper.

Note: Data is as of 17th February 2021

Composite spindles are not considered. Including composite, total spindle capacity is 52.5 million as on mentioned date

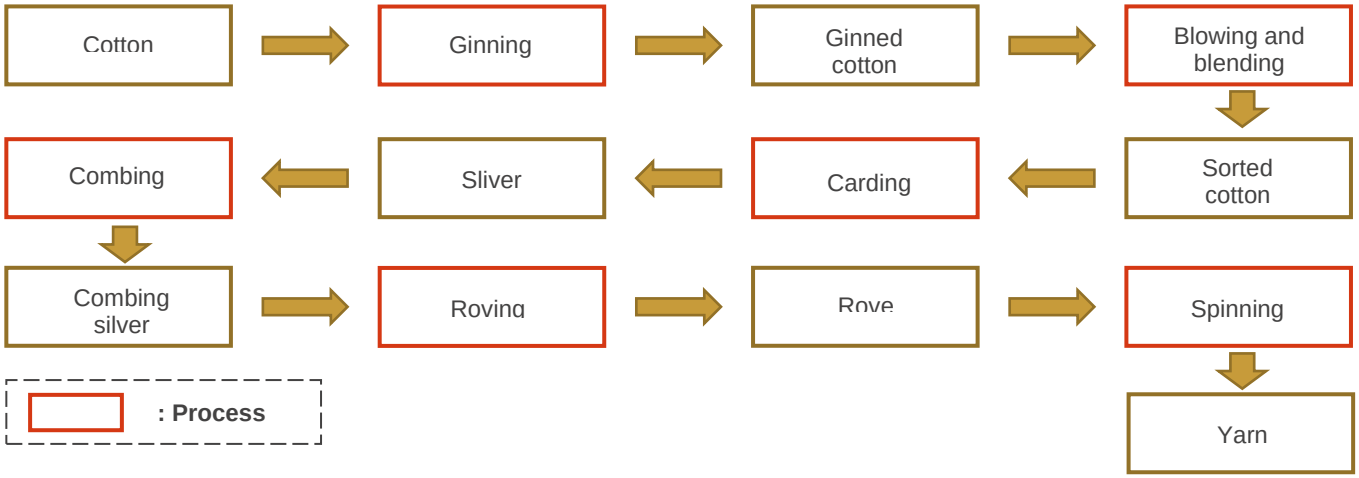
Source: Textile Commissioner's Office, CRISIL MI&A

Conversion of cotton to cotton-yarn involves multiple steps

The Indian spinning industry has been operating for several decades. Hence, mills are at different stages of modernisation. Technology is crucial to the operation of spinning mills. The more technologically advanced a mill is, higher is the productivity. These factors, in turn, determine the profitability of a spinning company. Spinning mills produce yarn, which is the primary component of any woven or knitted fabric.

Cotton goes through several processes before being converted into yarn. Total material loss in this process ranges from 18-22%. Raw cotton is converted to lap, which is then turned into roving and finally into yarn. The quality of yarn depends upon the staple length of the fiber.

Manufacturing process at a glance



Source: CRISIL MI&A

Process

Process	Overview
Ginning	Raw cotton from farms, with seeds and impurities, is taken to nearby gins where drying reduces moisture. Post this ginning follows, separating seeds and removing impurities. Then cotton passes through gin stands with saws, pulling lint while preventing seeds. Air blasts or brushes remove lint which is then compressed into 170 kg bales. This process enables further processing and enhances fiber quality.
Blowing and blending	Ginned cotton proceeds to the blow room for processing. The blow room's main goal is to deliver small, clean and uniformly mixed cotton to the carding machine, while preserving quality and minimising fiber breakage. Various cotton bales are opened and cleaned in the blender, ensuring consistency in grade by blending and removing impurities like sand and dust. Material loss during this stage may be 5% or more. The resulting blended cotton is then fed directly into the carding machine through tubes.
Carding	Cleaned cotton received from the blow room is then converted into a parallel sliver (which resembles a rope) through the process of carding. The carding machine is set with hundreds of fine wires, which separate the fibers and pull them into a relatively parallel form (total loss of material at the end of this process is 8-9%). A thin web of fiber is formed, which passes through a funnel-shaped device, producing a rope-like strand of parallel fibers. The sliver is then delivered into a tall can.
Combing	The combing process (although optional, depending on the end-use of the yarn) removes short fibers, improving the average yarn length, and removing any remaining impurities. Fibers are combed when a smoother, finer yarn is required. Combing provides more extensive cleaning than carding and produces the most uniform cotton yarn. A lap forming machine is used to combine a number of slivers into a wide ribbon of fiber, which is then presented to the comber. The total loss of material up to this stage can be as much as 10-12%, depending on the grade of cotton fed and the count of yarn required.
Roving	The sliver is then taken in a speed frame, wherein the fiber is further extended by converting it into a thin strand-like rove, thereby increasing the length of the sliver by 10-12 times. The roving process reduces the weight of sliver to a suitable size for spinning into yarn and inserts twist, which maintains the integrity of the draft strands. Cans of slivers, which have been combed are placed in the creel and individual slivers are fed through two sets of rollers, the second

Process	Overview
	of which rotates faster, thus reducing the size of the sliver from about 2.5 cm in diameter to about 5 mm. This rove is wrapped around bobbins and taken to the next stage to be spun into yarn.
Spinning	Spinning can be done in three methods - ring spinning, rotor spinning and compact spinning. In the **ring spinning** process, fibers from a roving bobbin are drafted to desired thickness through a drafting zone, followed by twist insertion through spindle and traveller action. The resulting yarn is wound onto a ring bobbin. **Roto spinning**, a newer method, achieves twist without package rotation, allowing higher speeds with lower power consumption. In this process, fibers are continuously supplied, deposited in rotor groove and the resulting yarn is wound into a package. **Compact spinning**, a recent advancement in ring spinning, reduces yarn hairiness, enhancing the fibers feel, strength and yarn elongation.
Post spinning	Unprocessed grey cotton yarn can be further mercerised, bleached and dyed to add value. In mercerisation, the cotton yarn or fabric is put through a series of processes to increase lustre. The yarn is generally stretched and washed with chemicals to give it strength, lustre, and dye-absorbing properties. The yarn is further bleached to remove the natural colouring matter and stains. Dyeing is an important function, as it imparts the required colour to the yarn. Various textile auxiliaries such as dye fixing agents, anti-foaming agents, and levelling agents are used for better results
Output	An important feature of cotton yarn spinning is the relationship between capacity, capacity utilisation, efficiency, and output. The capacity of a yarn-manufacturing unit is measured in terms of spindles (of ring spinning). Each spindle generates a particular length of yarn strand per hour, and a few of these strands are twisted together to form a yarn. The twist determines the yarn texture, and the number of strands determines the count. The output from a yarn-spinning unit is generally measured in terms of weight. The weight of a yarn produced by a spindle depends on the speed of the spindle, the count produced and the twist.

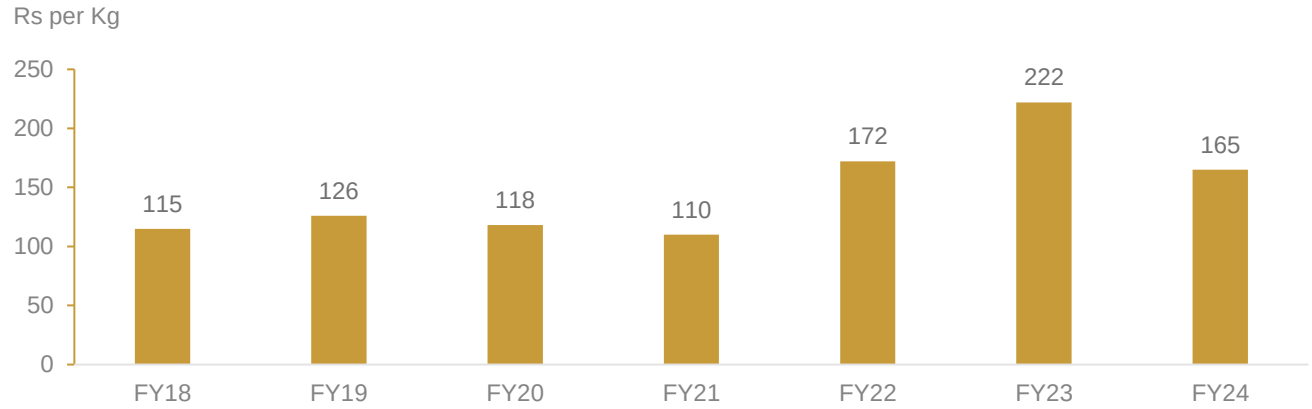
Source: CRISIL MI&A

Cotton prices decline in fiscal 2024 amidst weaker end user demand

Raw material cost, i.e. cost of raw cotton, is the largest cost component forming a share of ~60% for a spinning mill. As cotton is a seasonal commodity, procuring raw cotton at the right time and at the right price is crucial as it directly impacts the operating margin of a spinning mill.

Domestic cotton prices rose by 56.9% on a Y-o-Y basis in fiscal 2022. The revival in demand after the Covid-19-led fall in the previous year, unequal growth from different countries as well as logistics hurdles pushed up commodity prices, and cotton was no exception to this. While high demand ensured that yarn manufacturers could pass on the hike in raw material costs to an extent, the changed geopolitical situation and high inflation in developed economies called for anti-inflationary monetary actions and this watered down the growth prospects of discretionary items including readymade garments. However, amidst this, a lower cotton crop compared to expectations in India and import duty on cotton fiber ensured that cotton prices remained elevated. As a result, domestic cotton prices recorded a sharper Y-o-Y growth of 28.7% reaching a cost of Rs. 222 per kg in fiscal 2023. However, in fiscal 2024, the cotton prices saw a dip reducing to Rs. 165 per kg. This is majorly amidst the fall in international prices coupled with moderation of demand from end-use segments.

Cotton prices trend over the years



Source: Cotton Association of India, CRISIL MI&A

India has a pricing advantage when compared to global average cotton prices

In terms of cotton prices, India stands at an advantageous position when compared to the global average prices. Over the past years, from CY2019 to CY2023, (except for CY2022) Indian cotton prices are lower than global average. In CY2023, international average cotton prices stand at Rs. 173 per kg whereas Indian cotton prices stand at Rs. 168 per kg.

Comparison of cotton prices (International vs Domestic)



Note:
S-6 grade cotton prices are considered for Indian cotton prices
Source: Federal Reserve of Economic Data (FRED), CRISIL MI&A

Going ahead, cotton yarn industry (production) to be driven by growth in major end use segments such as RMG, fabric and home textiles

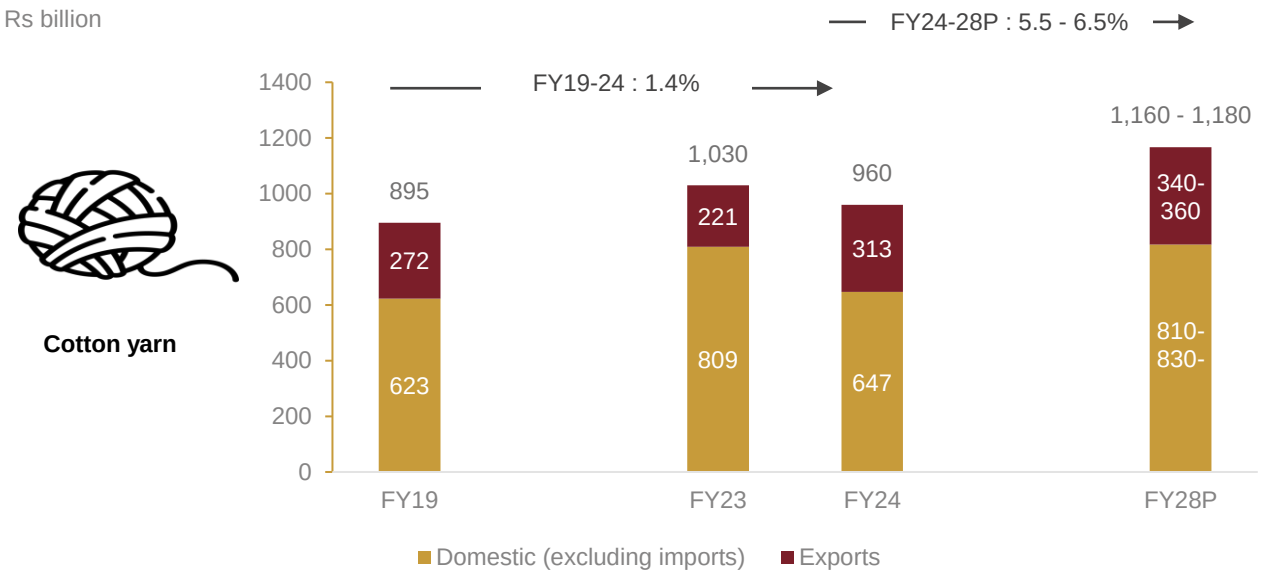
Between fiscals 2019 and 2023, overall cotton yarn industry in India registered a CAGR growth of 3.6% in value terms. Even though volumes declined during this period, price increase supported the growth of the industry.

In fiscal 2024, the industry declined by ~7% on a Y-o-Y basis, on account of decline in cotton yarn prices by 25% compared to previous fiscal. However, this degrowth is curtailed by the rise in exports at 2.9% supported by anticipation of RMG growth coupled with resuming of textile production in India.

As a result, between fiscal 2019 and 2024, overall cotton yarn production – in value terms – had grown at 1.4%. The growth is supported by exports in addition to domestic demand (excluding exports) growth of 0.8% during the same period.

Going ahead, the overall cotton yarn production – in value terms – is expected to grow at a CAGR of 5.5 – 6.5% from fiscals 2024 to 2028, with the domestic demand likely to be driven by steady growth in RMG segment along with higher demand for cotton fabric export and home textile products.

Cotton yarn production overview (in value terms)



Source: CRISIL MI&A

Increased volume and reduced prices drove the growth in cotton yarn exports in fiscal 2024

For the Indian textile sector, fiscal 2022 was a year of recovery due to the release of pent-up demand. Along with this, US' ban on cotton and derived products originating from China's Xinjiang region was imposed in January 2021, and this created more export opportunities for the Indian yarn industry. Post this, the demand for Indian cotton and cotton yarn increased in key garment manufacturing countries such as China, Bangladesh, and Vietnam.

The ban on Xinjiang cotton changed the export demand outlook for cotton yarn and resulted in exports to Bangladesh to grow for FY22 while exports to China were driven by the crisis in China which led to the shutdown of textile mills in China restricting supply, along with the imposed lockdowns in the country.

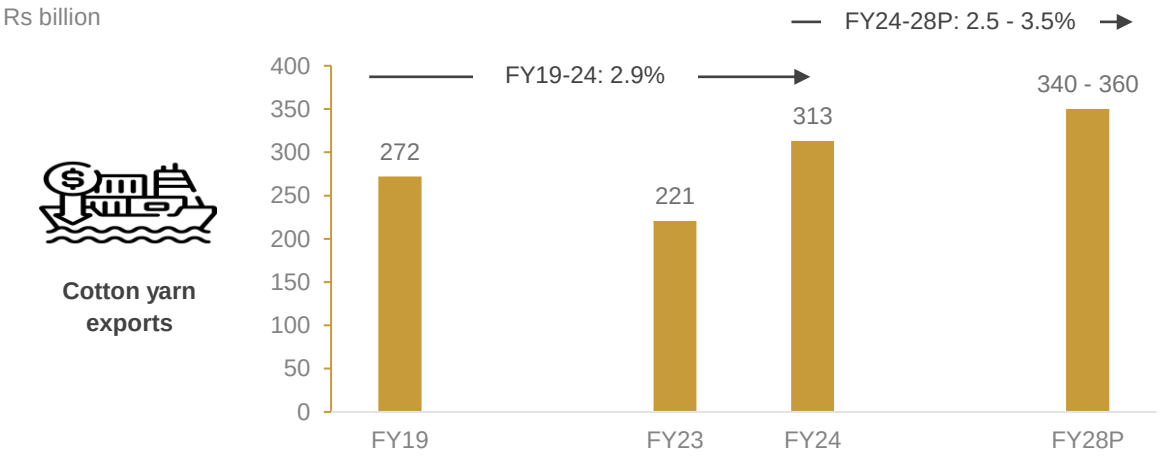
However, the momentum in export growth could not be sustained for long due to rising cotton prices and a reduction in cotton production in India. These factors resulted in exports contracting by 54% in volume terms and 47% in value terms during FY23.

In fiscal 2024, a sharp correction in domestic cotton prices brought back the competitiveness of India's yarn exports. This was complemented by two more factors. One, global RMG exporters anticipated recovery in RMG demand and bulked up purchases of Indian yarn at competitive rates. Secondly, China's textile production resumed operations after intermittent lockdowns seen earlier. Together, these factors culminated into cotton yarn exports rising by 88% in fiscal 2024.

Given this recovery in exports in fiscal 2024, the cotton yarn exports had grown at a CAGR of 2.9% between fiscals 2019 and 2024.

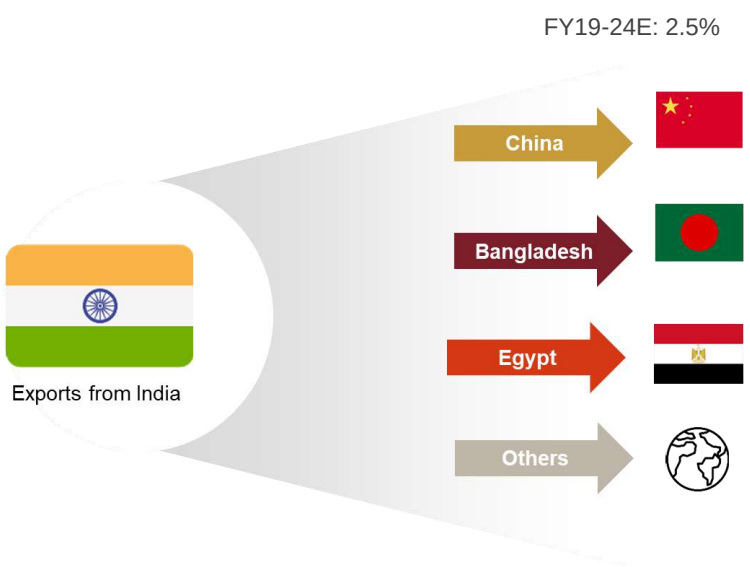
Going ahead, cotton yarn exports are expected to grow at a CAGR of 2.5 - 3.5% between fiscals 2024 and fiscal 2028 reaching Rs. 340 – 360 billion driven by demand recovery in end use countries coupled with growth in global RMG industry.

Cotton yarn export trend



Source: Ministry of Commerce, CRISIL MI&A

Bangladesh emerged as the largest importer of cotton yarn from India as of fiscal 2024



	FY18	FY22	FY23	FY24
China	25%	14%	8%	18%
Bangladesh	20%	42%	37%	36%
Egypt	5%	4%	6%	5%
Others	50%	40%	49%	40%

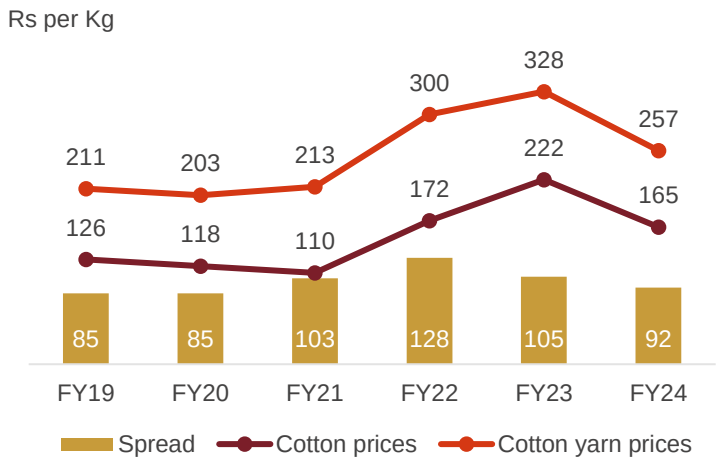
Source: Ministry of Commerce, CRISIL MI&A

Over the years, China has been the largest importer of cotton yarn from India accounting for 25% of total exports in fiscal 2018. However, the share declined to 14% and 8% in fiscal 2022 and 2023 respectively. This is majorly due to US ban on cotton products originating from Xinjiang provenance of China and thus effecting the Chinese cotton yarn demand. This in turn effected the India's export of cotton yarn to China.

Post this, Bangladesh had taken over the place of largest importer of cotton yarn from India with a share of 37% and 36% in fiscal 2023 and fiscal 2024 respectively.

Cotton yarn prices moderated in fiscal 2024

Trend in cotton yarn prices over the years



Cotton yarn prices reached all-time high levels as of fiscal 2023, driven by limited supply amid increase in downstream demand and higher domestic and international cotton prices. This had caused domestic yarn prices to reach an all-time high of Rs 328/kg in fiscal 2023. Further, in fiscal 2024, domestic yarn prices moderated to Rs 257/kg, with sluggishness in demand from end-use sectors.

Source: CRISIL MI&A

5.7 Overview of recycled yarn

Textile industry is one of the major consumer goods industry in India. With rising discretionary spends and growing trends such as online retail, the textile consumption has been increasing over the years. However, the growth in textile industry also causes a counter effect of environmental pollution caused by the waste generated. To reduce this waste generated, one of the methods adopted recycling of textiles in order to reproduce fibers which in turn are utilised to produce recycled yarn.

The waste generated are majorly of two types

- **Pre-consumer waste**: Pre-consumer wastes are those wastes which are generated when the material is discarded before the converting finished products that is during the manufacturing of yarns, fabrics and ready-made garments.
- **Post-consumer waste**: This kind of waste due of disposal of finished products by the end consumer as the reach end of their life or become undesirable. These majorly include products such as worn-out clothes, carpets, towels.
- Other than the above-mentioned, waste generated from PET bottles is used for recycling to produce recycled polyester yarn.

Types of recycling process:

Mechanical recycling

In this recycling process the textile fabric is converted to fiber without use of any chemicals. Shredding and carding are used in order to extract fiber from the fabric. In shredding the waste fabric is made into smaller pieces and sent to garnet machine for fiber extraction. These machines perform carding operation thus tearing the fabric pieces into fibers. These fibers are later used in the manufacturing yarn.

Chemical recycling

As the name suggest, in chemical recycling process various chemical processes are adopted wherein the fiber is either depolymerised or dissolved from the fabric into a monomer or a solvent. The major advantage of chemical recycling is that, output products produced are of the similar quality as the original product making the process superior when compared to that of mechanical recycling.

Major advantages

- It reduces the energy required when compared intensive process of making yarns from fresh materials
- Environmental benefits, as synthetic fibers don't decompose causing global warming and recycling avoids the same
- Usage of large volumes of water is reduced as the necessity of washing is reduced in the recycling process
- In addition to environmental benefits, recycled yarn manufacturing also provides economic benefits
- Through usage of recycled yarn low-cost clothing can be produced

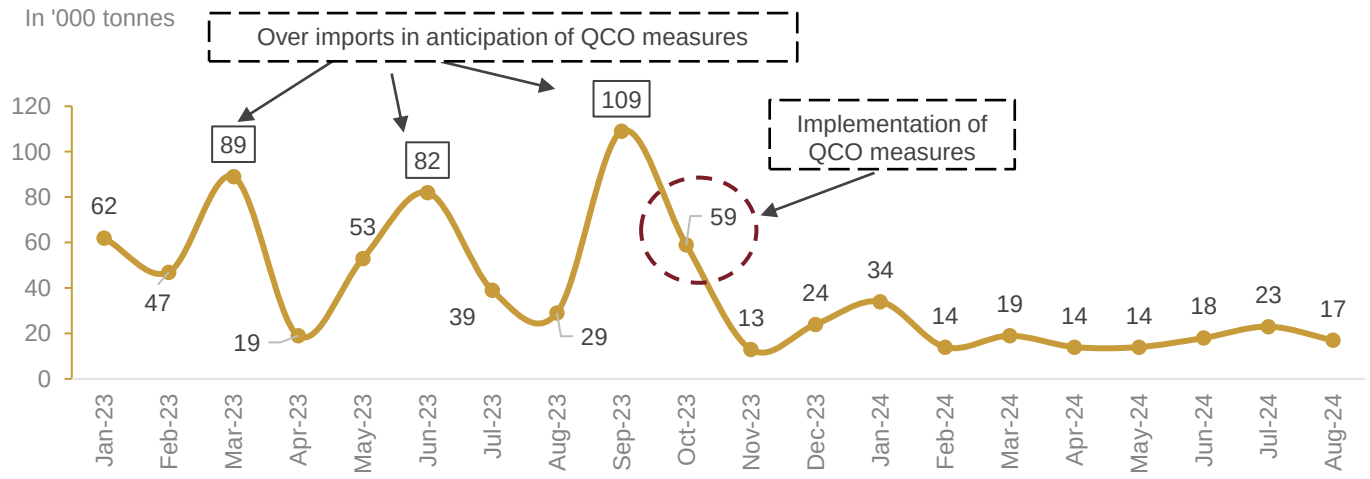
5.8 Growth drivers and opportunities in Indian yarn industry

Implementation of Quality Control Order (QCO), to aid domestic polyester yarn manufacturers

QCOs are regulatory measures introduced by the government to establish quality standards for specific products or product categories. The primary aim for setting QCOs is to control the influx of sub-standard items into the domestic market. The Bureau of Indian Standards (BIS) looks after the implementation and compliance of QCOs that are set forth.

On 5th October 2023, the GoI introduced QCO to curb low quality imports of polyester yarn into India. This would aid in reducing the recent dumping of polyester yarn into India. This can also be observed in the recent import data where in imports have declined drastically post the implementation of QCO by BIS in October 2023. Further, this would support the demand for domestic polyester yarn manufacturers.

Monthly PFY imports to India



HS Codes 540233, 540246, 540247, 540252, 540262 and 540220 have been considered
Source: Ministry of Commerce, CRISIL MI&A

Demand for polyester yarn to be driven by end use segments

The polyester yarn demand is driven by end use segments such as sport wear, quick dry clothing and other equipment such as waterproof liners, sleeping bags etc. The change in consumer preference for polyester yarn over the cotton due to higher strength and wrinkle free properties would further aid the segment. In addition, this segment is expected to attract opportunities from various from other industries such as automobile, hospitality which would growth opportunities. Overall, these factors support the demand for polyester yarn industry.

Cotton yarn to see revival owing to various factors

The growth in cotton yarn is driven by multiple factors which include demand arising out of easing of Chinese economy from the zero-covid policy aiding the exports of cotton yarn. Further, competitive pricing of Indian cotton when compared to international prices would support the growth in the industry. In addition, the demand from growth both domestic and global in end use ready-made garments would also support the growth in domestic demand as well as exports. India also is working on getting an FTA with both the United Kingdom (UK) and European Union (EU), once successful, these would further strengthen the demand for exports in the segment.

5.9 Challenges in the Indian yarn industry

Raw material price fluctuations

Raw material cost (raw cotton) is the largest cost component for the yarn-manufacturing industry, accounting for a major share in players' operating income. In case of cotton yarn, as cotton is a seasonal commodity, procuring raw cotton supplies at the right time and at the right price is crucial. Similarly, fluctuations in the price of naphtha would affect the polyester yarn manufacturers. These raw material price fluctuations impact yarn players, due to limited ability to fully pass on the price rise and inventory losses, when sharp price correction happens. Hence, the management of raw material price fluctuations, also possess as a key challenge for the industry.

India facing stiff competition from China in major export markets of polyester yarn

Turkey and Brazil are the key export regions for Indian polyester yarn, with a combined share of 41% in India's overall exports as of fiscal 2024. Having said that, India is expected to continue to face stiff competition in these major export countries from China. For Brazil, China occupied a lion's share in the country's import basket with 85% in CY2023 rising from 36% in CY2018. While the share of India in Brazil's import basket seen a reverse trend with a dip from 53% in CY2018 to 10% in CY2023. Further, for Turkey, the share of India in the country's import basket for CY2022 is about 25% when compared in 52% share of China.

This is mainly on account of large capacity coupled with strong backward integration of Chinese manufacturers in terms of raw material (PTA) in addition to higher polyester production capacity of China when compared to India.

In addition to this, despite Indian yarn facing similar tariffs as that of Chinese yarn, China continues to dominate the global trade.

Overview of tariffs in major importing nations for India and China

	Tariff by top importers					
		Turkey[1]	Vietnam[1]	Egypt[2]	USA[3]	Brazil[3]
Top exporters	China	4.0%	0.0%	5.0%^	7.5-8.8%	18.0%[#]
	India	3.2%	3.0%*	5.0%^	7.5-8.8%	18.0%[$]

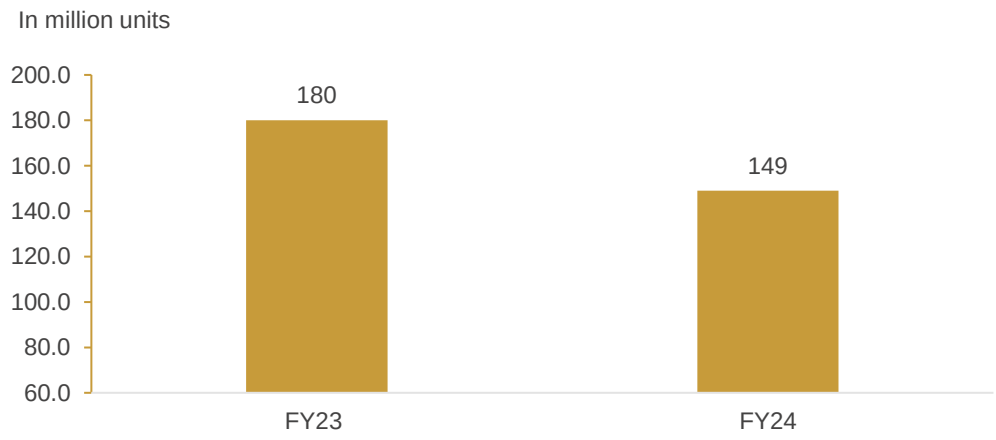
[1] *as of 2024*
[2] *as of 2019*
[3] *as of 2023*
** 0% for two traded categories*
^ 0% in one category
[#] *2% in one category*
[$] *10% in one category*
Source: ITC Trademap, CCFGroup; CRISIL MI&A

Currency risk

Exchange-rate fluctuations directly affect the exports as well as indirectly affect - as downstream segments (RMG and Home textiles) are export-oriented and price-competitive - the pricing power of yarn manufacturers. Hence, any sharp change in currency (both domestic currency as well as currency of export region) affects the pricing flexibility of mills catering to export-oriented units in favourable and unfavourable way for the manufacturers.

For instance, over the past two years, Turkish Lira had seen a depreciation of ~50% to that of USD. Turkey being largest importer of PFY from India, the reduction in currency reduced the attractiveness of Indian imports. This is further reflected in reduction in of export volume from India on a during fiscal 2023 and fiscal 2024.

India's polyester yarn export trend to Turkey



Source: Ministry of Commerce, CRISIL MI&A

5.10 An overview of Indian Cotton fabric industry

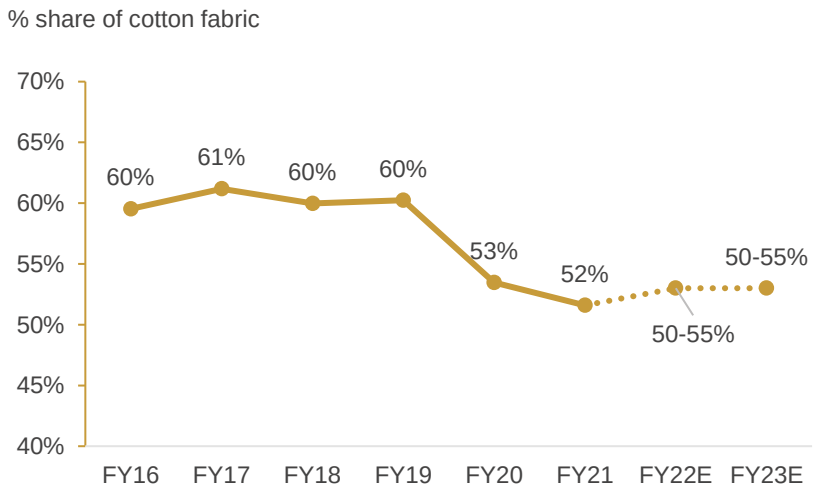
Structure of Industry

Cotton fabrics account for 55-60% of overall fabric production in India. The fabric industry is highly fragmented, with SME's occupying 75-80% share in the industry making it price competitive. The industry comprising of handlooms, power looms, composite mills and hosiery (knitting) units, can be further categorized into the organized and unorganized sectors. Composite mills make up the organized sector, while the unorganised sector includes decentralised power looms, handlooms, and hosiery production units. As power looms, handlooms, and hosiery account for 80% of the cotton fabric production, the industry remains unorganised.

The fabrics are inputs for the readymade garment (RMG) and home-textile industries. Weaving, knitting and processing (WKP) are the foremost differentiating parts of the textiles value chain, which gives its output a variety in terms of design and colour of fabric. In India, Bhiwandi, Bhilwara, Erode, Ichalkaranji, Madurai, Malegaon, Salem and Solapur act as the dominant clusters for fabric production.

Cotton has been the preferred fabric over the years

Share of cotton in overall fabric production

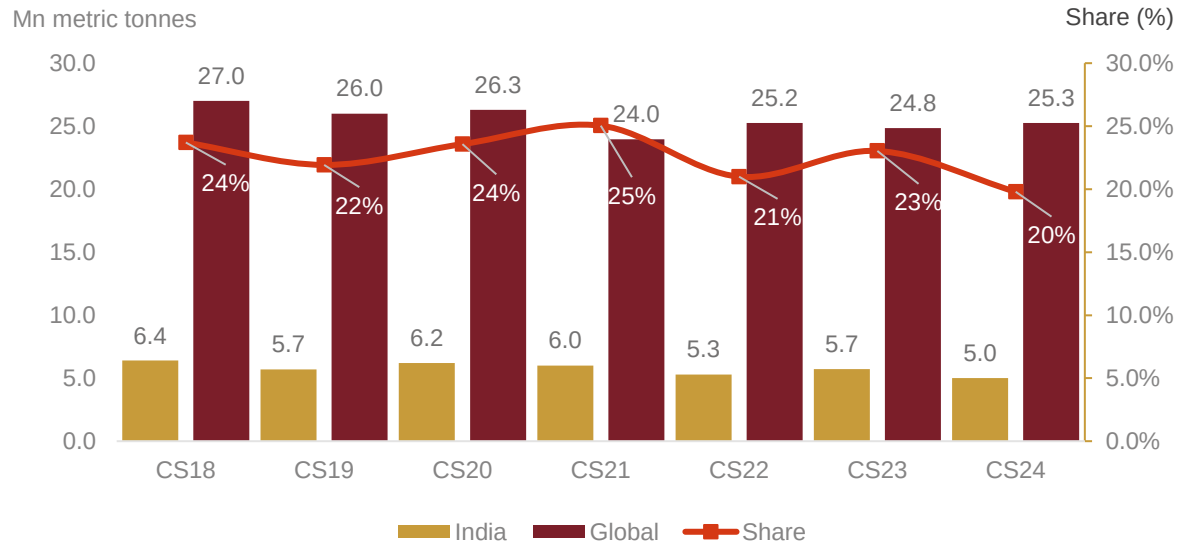


Due to advantages that the cotton fabric holds in the apparel manufacturing such breathability, better moisture absorption and being biodegradable it occupies the major share in the overall fabric production. Over the years share of cotton fabric remained over 50-60% in the overall fabric production with the rest being blended and man-made fabric.

E: Estimated
Source: PIB, CRISIL MI&A

India occupies a 20-25% share in global cotton production

Cotton production for India



Note: Years refer to Cotton Season (August-July)
Source: International Cotton Advisory Committee (ICAC), CRISIL MI&A

Over the years India had occupied a share of 20-25% share in global cotton production. As per CS24 estimates, India had a cotton production of 5.0 million metric tonnes and accounts for ~20% share globally.

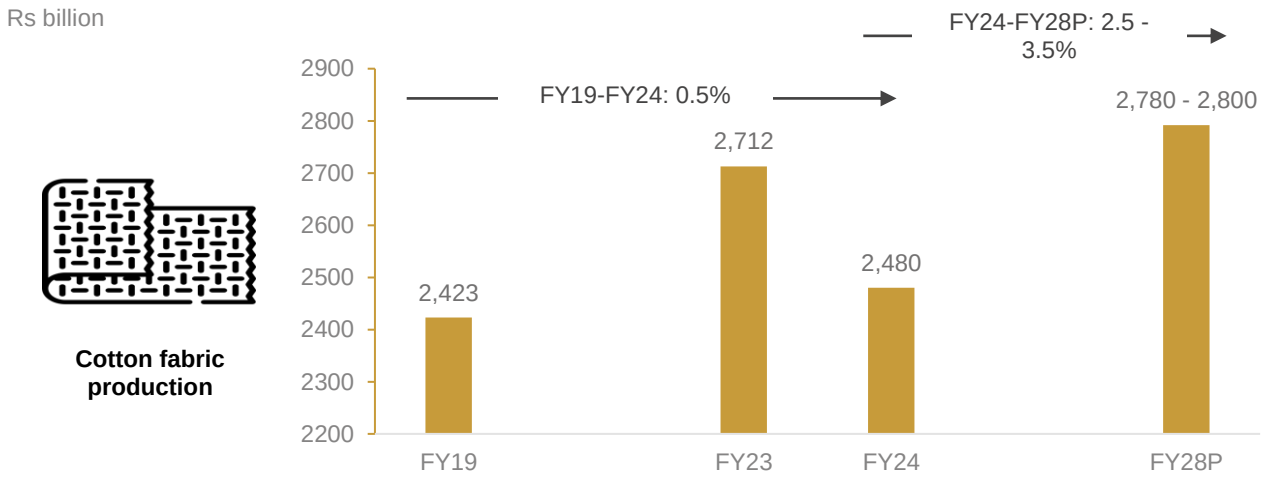
Driven by growth in end-use segments the cotton fabric industry is expected to grow at 2.5-3.5% between fiscals 2024-28

Cotton fabrics production – in value terms - is mainly determined by the demand for end-use textile products i.e. Ready-made garments (RMG) both in international as well as domestic markets and home textiles. As cotton yarn is the main raw material that is used in manufacturing cotton fabrics. Yarn production therefore has also a bearing on the production in cotton fabrics industry. Further, the cotton fabric industry in India is self – reliant with less reliance on direct import of cotton fabric. In addition, the export of cotton fabric from India of total produced is also limited, with value added products such as RMG and home textiles being export oriented.

Over the years, the production of cotton fabric – in value terms – from fiscal 2019 to 2023, had grown at a CAGR of 2.9% in-line with growth of domestic RMG production which had grown at ~2% CAGR during the same period. In fiscal 2024, cotton fabric production – in value terms – saw a decline of 8.6% majorly on account reduction in prices. As a result, the growth from fiscal 2019 to 2024 had been constrained at 0.5% CAGR.

Further going ahead, led by the demand in end use segments, cotton fabric production – in value terms – is estimated to grow at a CAGR of 2.5 – 3.5% between fiscal 2024 to fiscal 2028.

Cotton fabric production trend



P: Projected
Source: CRISIL MI&A

Government policies support cotton fabric industry in India

The government policies are supportive for growth in textile industry given its potential for employment generation. Schemes like Technology upgradation Fund Scheme (TUFS) have significantly reduced the capital cost for the industry with government providing both capital costs and interest subsidy. Some of the states such as Gujarat, Maharashtra, Madhya Pradesh, Rajasthan and West Bengal have also come up with their own policies over and above TUFS. Further to this, the government approved the 'Amended Technology Upgradation Fund Scheme (ATUFS),' a new scheme on January 13, 2016. The scheme provides a one-time capital subsidy for investments in the employment- and technology-intensive segments of the textile value chain. Under ATUFS, weaving units are provided with 10% capital investment subsidy up to a cap of 0.2 billion which will aid in modernization. An allocation of Rs 178.2 billion had been approved for seven years to meet the committed liabilities of Rs 126.7 billion and Rs 51.5 billion for new cases under ATUFS across segments.

Also, the government launched PowerTax India, a comprehensive scheme for power loom sector development, which is major contributor to cotton fabric production in India, includes assistance for upgradation of plain power looms. These government policies coupled with downstream demand is likely to boost the cotton fabric industry in India.

Organised retail to lead growth in global cotton fabric industry

The long-term growth in global cotton fabric segment is expected to be driven by growth of organised retail in developed economies. Organised retail provides cotton fabric players an established distribution network which would increase the reach of the products to wider range of consumers. In addition to this, growing reach e-commerce segment is also expected to support global industry as it provides a platform for the domestic manufacturers to cater to the global audience. Furthermore, changing consumer trends and demographics are also poised to increase demand in global cotton fabric industry.

5.11 Industrial and technical textile industry in India

Technical textile can be grouped into 12 segments depending on final product

Technical textiles are defined as textile materials and products used primarily for their technical performance and functional properties rather than their aesthetic or decorative characteristics. Other terms used for defining technical textiles include industrial textiles, functional textiles, performance textiles, engineering textiles, invisible textiles and hi-tech textiles. Technical textiles are used individually or as a component/part of another product. Technical textiles are used individually to satisfy specific functions such as fire-retardant fabric for uniforms of firemen and coated fabric to be used as awnings. As a component or part of another product, they are used to enhance the strength, performance or other functional properties of that product. Technical textiles have been slowly but steadily gaining ground due to one or more of the reasons such as: functional requirement, health & safety; cost effectiveness; durability; high strength; light weight; versatility; customization; user friendliness; eco friendliness; logistical convenience etc. Unlike conventional textiles used traditionally for clothing or furnishing, technical textiles are used basically on account of their specific physical and functional properties and mostly by other user industries. Depending on the product characteristics, functional requirements and end-use applications the highly diversified range of technical textile are grouped into 12 segments.

Segment wise details of technical textiles

Type	Description
Agrotech	Agrotech includes technical textile products used in agriculture, horticulture (incl. Floriculture), fisheries and forestry. The technical textile products covered under agrotech are shade-nets, mulch-mats, crop-covers, anti-hail nets and bird protection nets, fishing nets etc.
Meditech	Meditech products include textile material used in hygiene, health and personal care as well as surgical applications. The Meditech products are available in woven, knitted and non-woven forms based on the area of application. Increasingly, synthetic fiber is being used in the production of these products. The technical textile products covered under Meditech are baby diapers, incontinence diapers, sanitary napkin, surgical sutures, disposables, surgical dressing, contact lens, artificial implants etc.
Mobiltech	Mobiltech segment of technical textile products includes applications in automotive and automotive components (including aircrafts and railways). The Mobiltech products can be broadly classified into two categories – Visible components and Concealed components. The visible components include – seat upholstery, carpets, seat belts, headliners, etc. The concealed components include – Noise Vibration and Harness (NVH) components, tyre cords, liners, etc. The technical textile products covered under mobiltech are nylon tyre cord, seat belt webbing, airbags, car body covers, seat upholstery/fabric, automotive carpets, headliners, insulation felts, sunvisors/sunblind, helmets, airline disposables, webbings for aircrafts, aircraft upholstery, railways seating fabrics etc.
Packtech	Packtech includes several flexible packing material made of textile used for packing various goods for industrial, agricultural, consumer and other goods. It ranges from polymer based bags used for industrial packing to jute based sacks used for packaging food grains and packaging used for tea. This packaging (excluding jute) is also referred to as flexible packaging materials. The technical textile products covered under packtech are polyolefin woven sacks (excluding FIBC), FIBC, leno bags, wrapping fabric, jute hessian and sacks (including food grade jute bags), soft luggage products (TT component), tea-bags (filter paper) etc.

Type	Description
Sportech	Sportech segment comprises of technical textile products used in sports and leisure. The technical textile products covered under sportech are sports composites, artificial turf, parachute fabrics, ballooning fabrics, sail cloth, sleeping bags, sport nets, sport shoes components, tents, swimwear etc.
Buildtech	Buildtech segment comprises of textiles or composite materials used in the construction of permanent and temporary buildings as well as structures. The products covered under buildtech are architectural membranes, hoardings & signage, cotton canvas tarpaulins, HDPE tarpaulins, awnings & canopies, scaffolding nets, floor & wall coverings etc.
Clothtech	Clothtech segment of technical textiles comprises of all textile components used primarily in garment applications, which have some specific functional applications. These components are largely hidden. Various fabrics like umbrella cloth are also classified under the Clothtech segment. The technical textile products covered under clothtech are shoe laces, interlinings, zip fasteners, elastic narrow fabrics (tapes), velcro, labels, umbrella cloth, sewing threads etc.
Hometech	Hometech segment of technical textiles comprises of the textile components used in household applications. These products range from blinds used in the houses to the filter products used in the vacuum cleaners. They are an important component in the mattress and pillows as well. They are made of both natural and synthetic fibers. For example, carpet backing cloth is made from jute as well synthetic fibers. The technical textile products covered under hometech are fiberfill, mattress and pillow components, carpet backing cloth (jute & synthetic), stuff toys, blinds, HVAC filters, filter cloth for vacuum cleaners, nonwoven wipes, mosquito nets etc.
Protech	Protech is an ensemble of textile products and related material used in the manufacture of various protective clothing for personnel working in hazardous environment. The protective clothing includes garments and related paraphernalia for protection from harmful chemical environment, extreme temperature environments, low visibility, ballistic protection, etc. Defence is one of the largest consumers of protective textiles. The usage of protective textiles in defence includes bullet proof jackets, NBC suits, high altitude clothing, fire retardant apparel etc.
Geotech	Geotech segment comprises of technical textile products used in Geotechnical applications pertaining to soil, rock, earth etc. This class of products is loosely called Geotextiles. However Geotextiles specifically refers to permeable fabric or synthetic material, woven or non-woven, which can be used with geotechnical engineering material). The principal functions performed by Geotextiles are confinement /separation, reinforcement, filtration and drainage, and protection. Application areas include civil engineering (roads and pavements, slope stabilization and embankment protection, tunnels, rail-track bed stabilization, ground stabilization and drainage etc.), marine engineering (soil erosion control and embankment protection, breakwaters) and environmental engineering (landfills and waste management). Other specialized geotech products comprise geogrids (plastics filaments and tapes etc. formed into a very open, grid like configuration having large apertures), geonets (extruded polymer ribs set in net like fashion with small apertures), geomembranes (impermeable fabric as barrier) and geocomposites (products using two or more geotextiles e.g. pre-fabricated drains-PVD).
Oekotech	Oekotech segment refers to use of technical textiles in environmental engineering. The primary segment in this is landfill waste management. This refers to the use of geosynthetic products to secure landfills against leakage of municipal or hazardous waste. Other areas include secondary protection in chemical/oil industries (ground covers and the like around process tanks for secondary containment should the tanks leak).

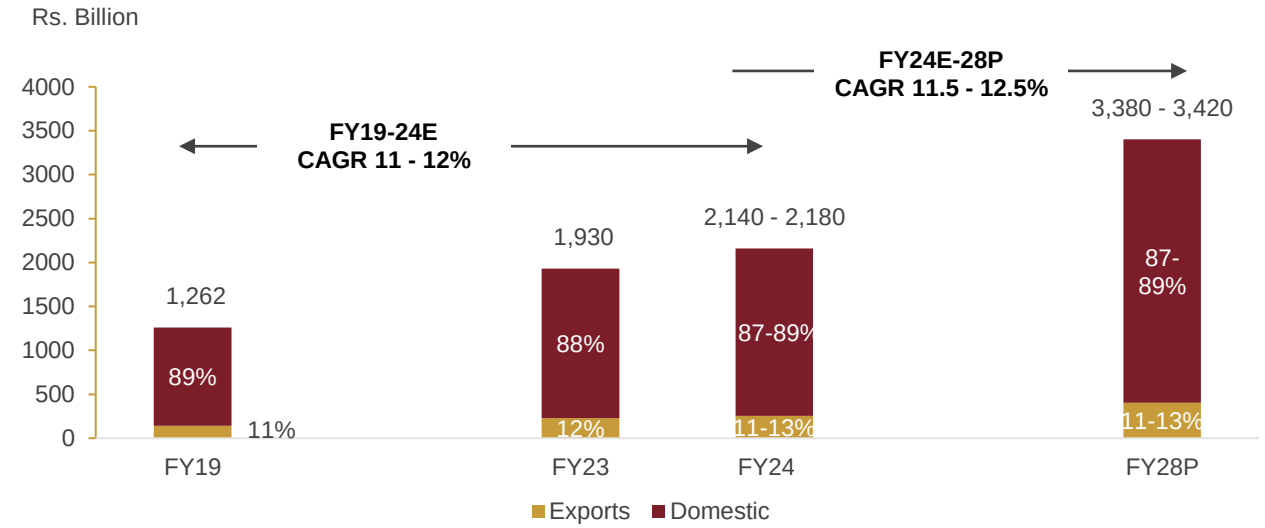
Type	Description
Indutech	Indutech includes technical textile products used in the manufacturing sector. The technical textile products covered under Indutech are conveyor belts (TT component), drive belts (TT component), cigarette filter rods, decatising cloth, bolting cloth, AGM glass battery separators, coated abrasives (TT component), ropes & cordages, composites (TT component), printed circuit boards (TT component), computer printer ribbon, paper making fabrics, filtration Products etc.

Source: CRISIL MI&A

Indian technical textile industry is expected to grow at 11.5-12.5% CAGR between fiscals 2024-28

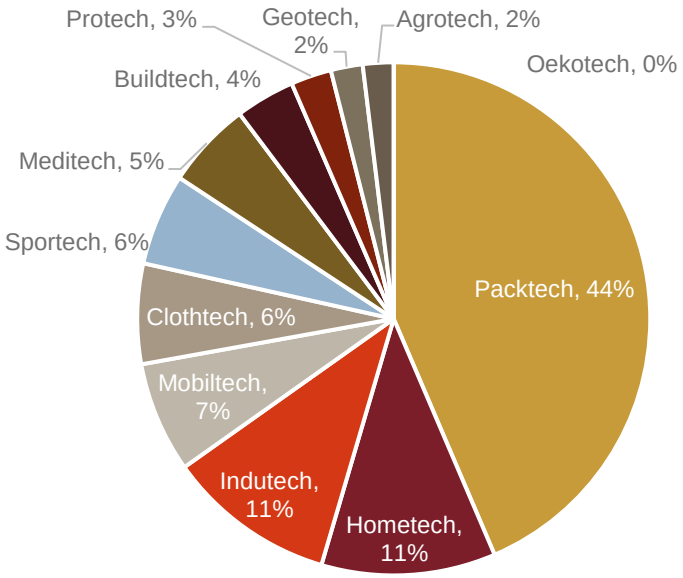
Indian technical textile market is spread across all the 12 segments with Packtech, Indutech, Hometech and Mobiltech comprising major chunk of the market. The industry had shown compounded annual growth of 11.2% between fiscals 2019 and 2023 to reach Rs 1,930 billion from Rs 1,262 billion. Favourable factors such as availability of raw materials and labour, and growing economy drove the growth in the past. The market had grown strongly in fiscal 2024 as well, reaching Rs 2,140-2,180 billion, thereby registering a 11-12% CAGR between fiscals 2019 and 2024. However, the demand for technical textile products is still in its nascent stages with low penetration level of technical textiles at 5-10% as of fiscal 2023, against 30-70% in advanced countries. The government, in a response to capture the potential posed by technical textiles, developed a number of policies aimed to promote the development of the domestic technical textiles market. The improvement in technology, rising demand from various industries and increasing support from government policies are anticipated to fuel the market growth in this sector. The Indian technical textile industry is expected to grow at CAGR 11.5-12.5% between fiscals 2024-28 and reach Rs 3,380-3,420 billion.

Indian technical textile market size



E: estimate, P: projected
Source: CRISIL MI&A

Share of 12 segments in total technical textile industry, FY24E



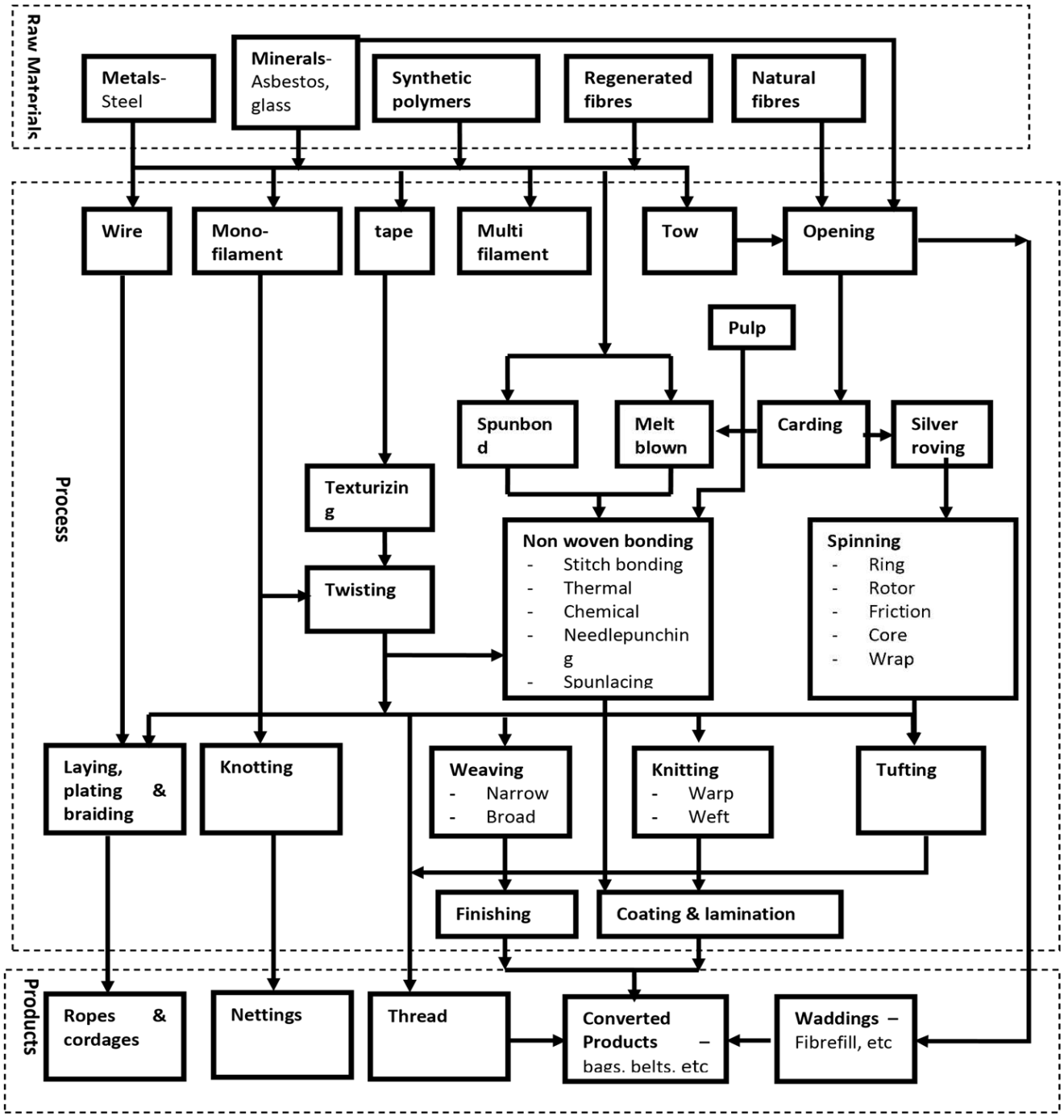
E : estimate

Source: National Technical Textiles Mission (NTTM), CRISIL MI&A

Production process varies according to final product

Technical textiles are manufactured primarily for performance or function. Natural fibers and synthetic fibers along with speciality fibers function as key raw materials for manufacturing of technical textiles. Depending on the final product, the composition of raw materials and manufacturing process changes. The different processes involved in the manufacturing of technical textiles have been illustrated in the figure below

Production process



Source: Baseline survey, CRISIL MI&A

Key raw material required for technical textile industry is fiber

Natural fibers and synthetic fibers are the key raw materials (~70% of the total fiber used) in technical textiles, speciality fibers constitute the remaining fiber requirement. India is one of the leading producers of both natural and man-made fibers in the world. Easy availability of fibers at a cheaper rate has been a major competitive advantage for Indian technical textile industry. While natural and man-made fibers are domestically available, the Indian technical textile industry mostly rely on imports for speciality fibers.

Natural fibers

Natural fibers used in technical textile industry are cotton, jute, silk, and coir. Cotton is the most important natural fiber being used in India. India is the largest producer of cotton in the world accounting for about 22% of the world cotton production. Gujarat, Andhra Pradesh and Maharashtra are the leading producers of Cotton.

Jute is a key raw material for making of sacking used in Packtech and Geotech. India had taken advantage of recent improvements in the cultivation of jute and surpassed Bangladesh to become the largest producer of jute in the world. West Bengal, Odisha, Assam, Meghalaya, Tripura and Andhra Pradesh are the leading jute producers. Silk is used to manufacture some varieties of blinds (Hometech), sutures (Meditech) and sewing threads (Clothtech), though the consumption is limited to high end products. India is the second largest producer of silk after China. The major silk producing centres of India are Karnataka, Tamil Nadu, Andhra Pradesh, West Bengal and Assam. However, the production of silk is not sufficient to cater to the national demand and India is an importer silk from China. Coir, the coconut fiber finds application in mattresses, ropes, cordages and floor coverings. India is world's largest producer of coir fiber accounting for over half of world coir production. The coir industry in India is concentrated in coconut growing states – Kerala and Tamil Nadu, which together account for 90% of Indian coir production.

Man-made fibers

India is second largest producers of man-made fibers globally. The key man-made fibers/filaments used as raw material in technical textile industry are Viscose, Polyester, Nylon, Acrylic/Mod-acrylic, and Polypropylene. Key Polymers used as raw materials are HDPE (High Density Polyethylene), LDPE (Low Density Polyethylene), LLDPE (Linear Low Density Polyethylene), and PVC (Polyvinyl Chloride). A major chunk of man-made fibers and filament production is clustered in Gujarat.

Usage of man-made fibers/filaments and polymers in technical textile

Fibers/filaments and polymers	Key segments
Viscose	Clothtech, Hometech, Mobiltech
Polyester	Buildtech, Geotech, Clothtech, Packtech, Meditech, Agrotech, Sportech, Hometech, Indutech
Nylon	Buildtech, Clothtech, Packtech, Mobiltech, Meditech, Agrotech, Sportech, Indutech
Acrylic/Mod-acrylic	Buildtech, Protech, Meditech, Hometech
Polypropylene	Buildtech, Geotech, Clothtech, Packtech, Mobiltech, Meditech, Agrotech, Sportech, Hometech, Indutech
HDPE	Buildtech, Oekotech, Packtech, Sportech, Indutech
Low density polythelene (LDPE) / Linear low density polythelene LLDPE	Packtech, Agrotech, Sportech,

Source: CRISIL MI&A

Viscose is an important raw material for Clothtech. Viscose also finds application in manufacturing of wipes (Hometech) because of high absorbent properties. A special variety of viscose i.e. Viscose High Tenacity Filament yarn called tyre yarn finds application in Mobiltech. Polyester is the one of the most widely used synthetic fiber, both, in textile and in technical textiles. Some of the unique features of polyester, making it more desirable in the technical textile industry, are shrinkage resistance, wrinkle resistance, mildew and abrasion resistance, etc. Polyester is used as a raw material either in form of Polyester Staple fiber (PSF) or Polyester Filament yarn (PFY). Acrylic fibers are majorly used for manufacturing Blinds and Stuff toys (Hometech). Majority of viscose and polyester consumed in India is indigenously produced.

Mod-acrylic fibers find application in manufacturing flame retardant apparel (Protech). Polypropylene is the most widely used raw material for the technical textile products because of its special properties. Nylon finds application in majority of the technical textile products.

Polyethylene (PE) is the most widely used polymer. It has three different varieties depending on the density - High Density Poly Ethylene (HDPE), Low density polyethylene (LDPE), and Linear low-density polyethylene (LLDPE). Different types of PE and Poly Vinyl Chloride (PVC) are the key polymers that find application in technical textile. HDPE/LDPE tapes are used in manufacture of variety of technical textile products. In addition the polymers are used as coating material for interlinings, etc. HDPE has a significant consumption in the packaging industry and variety of other products in technical textiles. PVC is majorly used as coating material for flex fabric, blinds, etc.

Speciality fibers

The technical textiles sector in India is dependent on import of speciality fibers. Their characteristics like light weight, durability and thermal stability have led to an increase in the overall demand for such composite materials. There are over 20 speciality fibers that are used in technical textiles. Aramids, FR fibers, carbon fibers, glass fibers, high tenacity and super high tenacity fibers are the key speciality fibers used in significant amount in Indian technical textile industry. In addition to these key speciality fibers, other speciality fibers like super absorbent fibers, alginate fibers, and conductive fibers are also used in the Indian technical textile and majority of them are imported.

Growth drivers for export demand

Growth of medical textiles post Covid-19

The pandemic situation had resulted in severe stress for healthcare industry globally in terms of medical supplies such as masks, protective clothing and single-use disposable clothing. To bridge the supply-demand gap, some of the manufacturers strengthened their production capacity to serve the domestic as well as international demands.

Also, the pandemic highlighted the importance of hygiene products, which is leading to a surge in demand for medical textiles.

Industrial growth in emerging markets

The growth of sectors such as construction, automotive, healthcare, packaging, etc., in emerging nations is driving the growth of these sub-segments in technical textiles. As per IMF, GDP of emerging economies have grown at 4.0% and 4.4% in the last two years and is expected to continue at 4.2% during the 2024 and 2025, which will further aid the growth in the sector.

Increasing adaptability and awareness of the products

Growing awareness about the superior functionality/technicality such as personal safety, high strength, light weight and application of technical textiles is driving higher consumption of technical textiles and related products.

Other factors driving global demand

Non-woven material now-a-days plays a significant role in renovation of existing buildings as well as construction of new homes. The ability of non-woven wipers to absorb more liquid in comparison to alternatives like towels and napkins resulted in a shift in demand to nonwoven wipers. Use of latest technologies such as Mulching, Vertical Farming, Aeroponics and Hydroponic farming technologies in agriculture significantly increased the demand for agricultural sheets and covers. With the issue of land degradation being faced globally, Geotextiles are increasingly being used to control soil erosion on hillsides and embankments. Additionally, rise in infrastructure projects in the developing economies is playing a key factors driving the market growth.

Domestic growth drivers

Availability of raw materials

India's textile value chain economy has abundant availability of raw materials such as natural fibers, synthetic fibers, chemicals for processing, etc and contributed to make India the second largest producer of cotton and manmade fibers.

Availability of young and affordable manpower

India has a significant share of young skilled workers at comparatively low wage rates compared to certain Asian countries, USA and Europe. This is expected to drive investments in technical textiles in India.

Investment promotion schemes by Government

The government has been promoting production of technical textiles and reduction on import dependence. The Government of India initiated several initiatives for investors establishing technical textile unit in India. Few of such initiatives are listed below:

- National Technical Textiles Mission
- Amended Technology Upgradation Fund Scheme
- Scheme for Integrated Textile Parks
- Technology Mission on Technical Textiles
- Scheme for promoting usage of Agro-textiles in North East Region
- Scheme for promoting usage of Geotechnical textiles in North East Region

Additionally, several states in India also offer incentives and assistance to investors, which can include electricity and stamp duty exemptions, concessions in land registration, and single window clearance facilities for investment project applications.

Government's Foreign Direct Investment (FDI) promotion initiatives

To facilitate higher integration of technology into manufacturing processes and end products, Government of India allowed up to 100% FDI under automatic route for the technical textiles segment. Leading global manufacturers of technical textiles products are able to establish manufacturing units in India, either alone or through partnerships with Indian industries. Several Central and State government agencies are working towards providing the necessary information to potential investors. These efforts have borne fruit, as several international technical textile manufacturers, like Ahlstrom, Johnson & Johnson, Du Pont, Procter & Gamble, 3M, SKAPS, Kimberly Clark, Terram, Maccaferri, Strata Geosystems have initiated operations in India.

Regulation and standardization across various sectors

With regulation and standardization across various sectors and industries, technical textiles sector is poised to witness significant growth in the coming years. A case in point is increase in demand for airbags and composites in automobiles sector, fire retardant/ resistant upholstery in railway coaches, bullet proof vests for defence/ police personnel etc.

Increase in consumer awareness about environmental issues and climate change

Owing to globalisation and social media, Indian consumers are increasingly evaluating products providing higher functionality along with environmental benefits. Environmental concerns along with a shift in consumer trends towards eco-friendly green buildings and materials, which is expected to increase usage of geotextiles.

Within the increasing awareness and extreme weather events, there will be growing need of protective textiles, such as those resistant to heat, moisture, chemicals, and UV radiation.

Additionally, as infrastructure development projects aim to adapt to climate change effects, there will be surge in demand for geotextiles and construction textiles.

Growth of end-use industries

A large number of technical textile products are consumed by different industries, like automotive, healthcare, infrastructure, oil & petroleum, etc. With increase in investments in these sectors, higher consumption and growing exports, the industrial sector is poised for considerable growth.

5.12 An overview of government policies and regulatory framework in the industry

Foreign Trade Policy for 2015-20

On April 1, 2015, the government announced the new Foreign Trade Policy (FTP) for 2015-2020. This policy provides a framework for increasing exports of goods and services with a target of USD 900 million by 2020. The policy introduced two new schemes:

- **Services Exports from India Scheme (SEIS)** to boost exports of notified services. The rates of rewards under SEIS will range from 3 - 5%, compared with 5 - 10% earlier
- **Merchandise Exports from India Scheme (MEIS),** targeting the export of specified goods to specified markets. The rates of rewards under MEIS will range in 2-5%, compared with 2-7% earlier

Some of the policy highlights are as follows:

- MEIS is the merger of five schemes – Focus Product Scheme, Market-Linked Focus Product Scheme, Focus Market Scheme, Agricultural Infrastructure Incentive Scrip, and VKGUY for rewarding merchandise exports.
  - The main objective of MEIS is to offset infrastructural inefficiencies and associated costs involved in the export of India-manufactured goods/products, especially those having high export intensity and employment potential, thereby enhancing India's export competitiveness
- The textile sector has been granted duty scrips of 2% for mainstream cotton textile products and 5% for handloom, carpet, and coir products. However, cotton yarn does not get any benefit
- Further, a 2% incentive for man-made fiber yarn as well as woven and knitted fabric is applicable only for exports to the EU, the US, Canada, and Japan.

Remission of Duties or Taxes on Export Product (RoDTEP)

The government of India introduced a new scheme, named RoDTEP, in September 2019 and released a budget allocation of Rs 500 billion by March 13, 2020, in a move to replace Merchandise exports from India Scheme (MEIS) (which ends in December 2019) and RoSL (only refunds state taxes). The new scheme is in terms with the conditions of the WTO, where incentives cannot be provided, but the taxes incurred during the process can be refunded. Hence, the government plans to refund all state (RoSL) and Central government taxes incurred by the export players during the manufacturing process of RMG. According to the government, this new scheme would "adequately compensate" for the current 6% (4% MEIS and 2% RMG) benefits being availed of by the RMG exporters and help them stay competitive enough in the international trade market.

The refunds under the RoDTEP scheme would be a step towards “zero-rating” of exports, along with refunds such as Drawback and IGST. Currently, GST and import/customs duties for inputs required to manufacture exported products are either exempted or refunded. However, certain taxes/duties/levies are outside GST, and are not refunded for exports, such as, VAT on fuel used in transportation, Mandi tax, and duty on electricity used during manufacturing. These would be covered for reimbursement under the RoDTEP scheme. As and when the rates under the RoDTEP scheme are announced for a tariff line / item, the MEIS benefits from such tariff line/item will be discontinued.

	FY19	FY20	FY21	FY22	FY24(May 1, 2023 onwards)
Duty drawback	~2%	~2%	~2%	~2%	~2%
MEIS	4%	4%	4%	4% till Sep 2021 only	--
RoSL	2%	--	--	--	--
RoSCTL / RoDTEP	-- /--	4%/--	4%/4%	4%/4%	~1-3.1% on certain line items
Total	~8%	~10%	~10%	~6-10%	~3-6%

Source: CRISIL MI&A

The National Textile Policy

Government policies have largely been favourable for the textile industry. The National Textile Policy (NTP) aims to ensure the industry is globally competitive in terms of manufacturing practices and exports. The last NTP announced in 2000 had the following objectives:

- Facilitate the textile industry's efforts to attain and sustain a pre-eminent standing globally in manufacturing and exporting garments
- Equip the industry to withstand import penetration pressures and maintain a dominant presence in the domestic market
- Liberalise controls and regulations to ensure different industry segments perform better in a competitive environment
- Enable the industry to build state-of-the-art manufacturing capabilities in conformity with environmental standards, and encourage foreign direct investment (FDI) for this purpose as well as research and development
- Develop a strong multi-fiber base with a thrust on product upgradation and diversification
- Sustain and strengthen traditional knowledge, skills, and capabilities of our weavers and craftsmen

To achieve these objectives, changes were made to fiscal and non-fiscal policies that affect the textile industry, and new incentives and initiatives were rolled out for the sector.

Earlier, the garment industry was reserved under the small-scale industrial sector, restricting its growth. Units could not bring in modern machinery due to a ceiling of Rs 30 million imposed on plant and machinery, resulting in poor economies of scale. However, the industry was de-reserved a few years ago with the woven sector liberalised in Union Budget 2003-04 and the knitwear sector in Union Budget 2004-05. This was an important step towards achieving the objectives of NTP 2000.

Technology Upgradation Fund Scheme

The textile industry is capital-intensive and high interest rates in India hindered investments in the 1990s. Hence, the Ministry of Textiles launched the Technology Upgradation Fund Scheme (TUFS) in 1999 to upgrade technology at textile units. The government set aside Rs 250 billion under TUFS to support textile projects. Commencing on April 1, 1999, the scheme initially provided a 5% interest subsidy on loans taken from specified institutions for all segments within the textiles value chain. However, spinning benefited the most through TUFS. As of June 2012, spinning mills received 29% of the total funds disbursed under the scheme. The government decreased the interest rate subsidy on spinning machinery from 5% to 4% in 2011 to channelise higher investments into weaving and processing, which

are important for the garment sector's growth. The interest benefit to standalone spinning units was further reduced to 2% in October 2013 under the updated scheme. Later, R-TUFS was updated and named the Revised Restructured Technology Upgradation Fund Scheme (RR-TUFS) with effect from April 1, 2012.

The government approved the 'Amended Technology Upgradation Fund Scheme (ATUFS),' a new scheme on January 13, 2016. The scheme provides a one-time capital subsidy for investments in the employment- and technology-intensive segments of the textile value chain. Every individual entity will be eligible for a one-time capital subsidy as per the rates and the overall subsidy cap is indicated below.

Sl no	Segment	Rate of capital investment subsidy	CIS per individual entity
1	Garmenting technical textiles	15% of eligible machines	Rs 0.3 billion*
2	Weaving for brand new shuttle less looms (including weaving preparatory and knitting), processing, jute, silk and handloom	10% of eligible machines	Rs 0.2 billion*
3 (a)	Composite unit/multiple segments -if the eligible capital investment with respect to garmenting and technical textiles category is more than 50% of eligible project cost	15% of eligible machines	Rs 0.3 billion*
3 (b)	Composite unit/multiple segments -if the eligible capital investment with respect to garmenting and technical textiles category is less than 50% of eligible project cost	10% of eligible machines	Rs 0.2 billion*

Note: In case the applicant had availed a subsidy earlier under RR-TUFS, he will be eligible for only the balance amount within the overall ceiling fixed for an individual entity*

Source: CRISIL MI&A

An allocation of Rs 178.2 billion has been approved for seven years to meet the committed liabilities of Rs 126.7 billion and Rs 51.5 billion for new cases under ATUFS. The scheme removed the interest subsidy for capital investments and placed a cap on capital subsidy. For apparel, garment, and technical textiles, a 15% subsidy is to be provided on a capital investment up to a cap of Rs 0.3 billion. The remaining sub-sectors would be eligible for a 10% subsidy, subject to a ceiling of Rs 0.2 billion on similar lines.

The ministry notified the Scheme for Production and Employment Linked Support for Garmenting Units (SPELSGU) under ATUFS to incentivise production and employment generation in the garment sector vide resolution dated July 25, 2016. The additional incentive of 10% will be provided to garment units that avail the 15% Capital Investment Subsidy (CIS) under ATUFS for the installation of eligible benchmarked machinery after a period of three years. The cap on CIS for eligible machinery in garment units has therefore been enhanced from Rs 0.3 billion, which was the cap under ATUFS, to Rs 0.5 billion. This additional subsidy of 10% will be provided when the projected production and employment generation targets are achieved.

As per fiscal 2025 Union budget, the scheme has been allocated the highest budget within the Textile Ministry at ~Rs 7 billion. A similar amount was allocated to the scheme in fiscal 2024 budget as well.

Special Package for Job Creation & Export Promotion in the Apparel Sector

The Ministry of Textiles on June 22, 2016, rolled out a special package of measures to support the apparel sector and enable it to improve its global competitiveness. Jobs for 1 crore people, mostly women; USD 30 billion in exports; and investment worth Rs 740 billion are the expected outcomes of the special package over the next three years.

The measures assume significance also due to their potential for social transformation through women empowerment. Since 70% of the workforce in the garment industry are women, the majority of the new jobs created are likely to go to women. The special package includes a slew of labor-friendly measures that would promote employment generation, enable economies of scale, and boost exports.

The salient features of the package are:

- Employee Provident Fund Scheme Reforms: The Government of India will bear the entire employer's contribution of 12% under the Employers Provident Fund Scheme for new employees of the garment industry earning less than Rs 15,000 per month for the first three years. Further, EPF will be made optional for employees earning less than Rs 15,000 per month.
- Increasing overtime caps: Overtime hours for workers not to exceed 8 hours per week in line with International Labour Organisation norms.
- Introduction of fixed-term employment: Considering the seasonal nature of the industry, fixed-term employment will be introduced for the garment sector.
- Additional incentives under ATUFS: The subsidy provided to garment units under Amended-TUFS is being increased from 15% - 25%, providing a boost to employment generation.
- Enhanced duty drawback coverage: In a first-of-its-kind move, a new scheme will be introduced to refund the state levies which were not refunded so far. A drawback at All Industries Rate will be given for domestic duty paid inputs even when fabrics are imported under Advance Authorization Scheme.
- Enhancing scope of Section 80JJAA of Income Tax Act: Looking at the seasonal nature of garment industry, the provision of 240 days under Section 80JJAA of Income Tax Act would be relaxed to 150 days for the garment industry drainage.

Scheme for Integrated Textile Parks

The Scheme for Integrated Textile Parks (SITP) was launched in 2005 to provide state-of-the-art infrastructure facilities for setting up textile units. This scheme provides textile units infrastructure, including power, water, roads, and drainage system, and assistance to meet environmental norms. It is expected to attract considerable investments to set up huge integrated textile facilities. This is a positive step towards making India a hub for textile products. As per union budget 2021-22, the government had allocated Rs 800 million (budgeted estimate) under SITP.

Customs duty

The customs duty on readymade garments is 20%. Home textiles is high at 20% for some HS codes, while it is 10% for some HS codes. Fabrics and cotton yarn is also high at 10%. These duties are high to protect the indigenous industry from imports. Consequently, there are hardly any imports of readymade garments in India.

Overview of customs duty on various textile and apparel imports

Duty	FY20	FY24 (May 1, 2023 onwards)
Natural fibers		
Cotton	0%	5%
Fiber intermediates		
PTA, MEG	5%	5%, 7.5%**
Para xylene	0%	0%
Fiber/Filament		
Polyester staple fiber	10%	2.5%, 5%**
Viscose staple fiber	10%	2.5%, 5%**
Yarn		
Cotton yarn	10%	10%
Partially oriented yarn	10%	2.5% , 5%**
Viscose filament yarn	10%	5%
Fabrics	*10%	10%
Garments	*10%	20%
Home textiles	*10%	10%, 20%**

Note:

**: Attracts ad valorem rate or specific rate whichever is higher, **varies based on HS codes*

Source: Industry, CRISIL MI&A

Key government measures in the textile sector

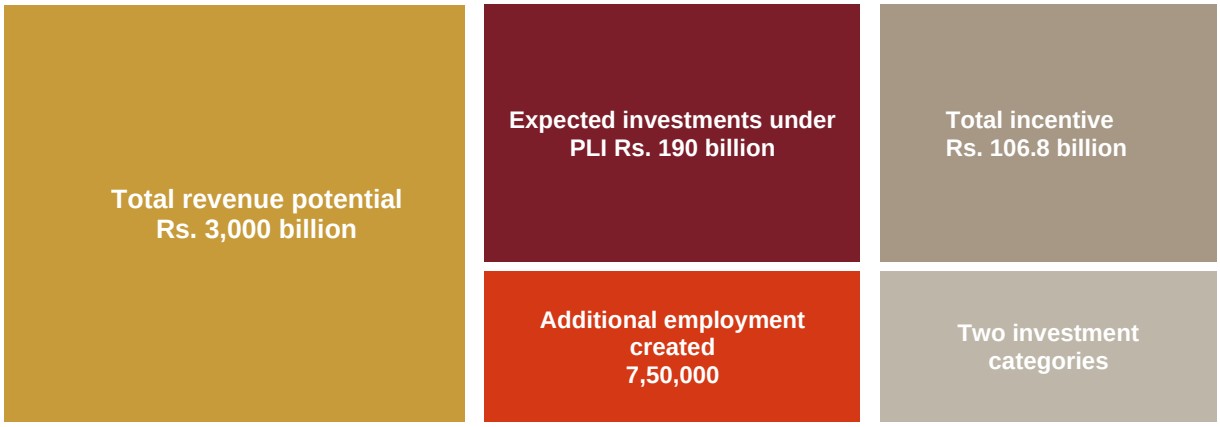
Performance-linked incentive (PLI) scheme

The PLI scheme, announced in Union Budget 2021-22, had an outlay of Rs 1.97 trillion. The government had given the textile sector, which is one of 13 sectors included under the scheme, Rs 106.8 billion in incentives. The scheme is estimated to generate a cumulative turnover of over Rs 3 trillion while attracting fresh investment of Rs 190 billion over the next five years. The scheme is also expected to generate more than 7.5 lakh jobs in the textile sector and supporting activities. The scheme will focus on promoting high-value MMF-based fabrics, garments and technical textiles in country. The scheme will also encourage the introduction of new capacities in India. Hence, it will help address the growing demand for the MMF segment by generating more employment and supporting India's share in global textiles trade by increasing the export potential of MMF-based garments.

The scheme will offer different incentives for two categories of investments in the textile sector. The first category includes investments of minimum of Rs 3 billion in plant, machinery, equipment, and civil works, excluding land and administrative building cost to produce MMF fabrics, garment and technical textile line-related products. The second category will include investment of minimum Rs 1 billion by any person, firm, or company to participate under the scheme.

Investments in tier 3 and 4, cities along with rural areas and aspirational districts, will be given priority under the scheme. As a result, there will be a positive impact for states such as Gujarat, Uttar Pradesh, Maharashtra, Tamil Nadu, Punjab, Andhra Pradesh, Telangana, and Odisha.

Opportunities in textile sector from PLI scheme



Source: CRISIL MI&A

MMF-based RMG exports account for ~19% of Indian RMG exports as of fiscal 2024; however, the share is higher at 55-60% globally.

PM- Mega investment textile parks scheme (PM-MITRA)

The Government of India announced the establishment of 7 mega textile parks in the next 3 years over 1,000 acre land to boost production and support export competitiveness. The Government had approved setting up of 7 (Seven) PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks in Greenfield/Brownfield sites with world class infrastructure including plug and play facility with an outlay of Rs. 44.5 billion. The scheme will help strengthen the Indian textile industry by through scale of operations, reduce logistics cost by housing entire value chain at one location, attract investment, generate employment and augment export potential. The scheme envisages to develop integrated large scale and modern industrial infrastructure facility for total value-chain of the textile industry for example, spinning, weaving, processing, garmenting, textile manufacturing, processing & printing machinery industry. Nearly Rs. 700 billion of investment is expected in these Mega Parks.

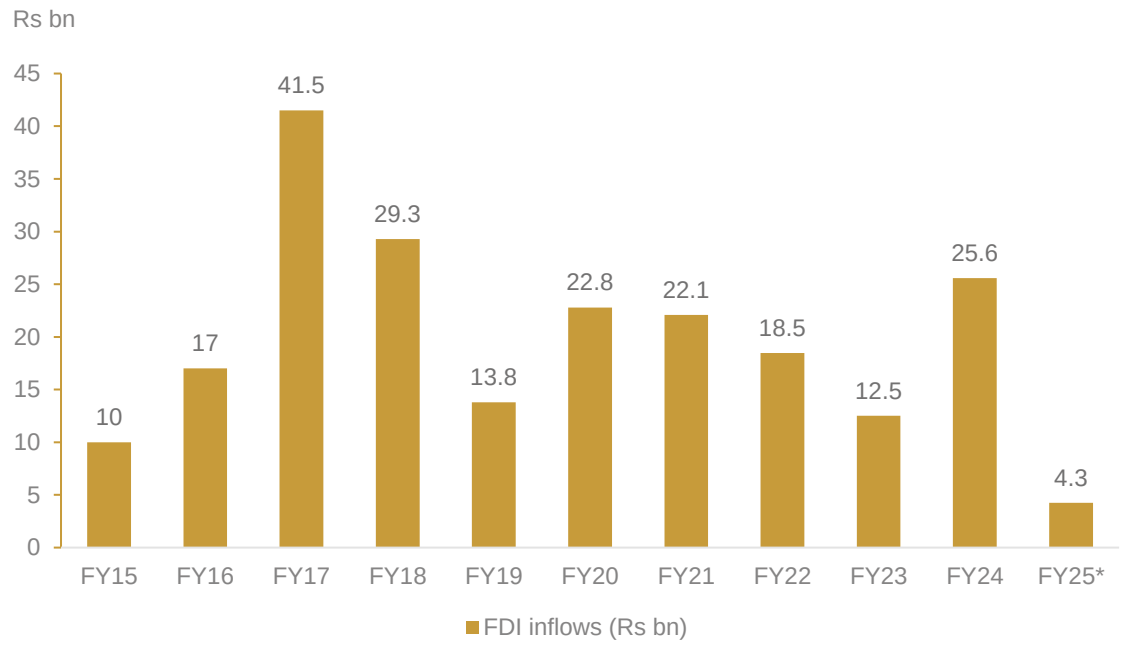
As of December 2023, 18 proposals from 13 States have been received including one from Rajasthan. The Government has finalised 7 sites viz. Tamil Nadu (Virudhnagar), Telangana (Warangal), Gujarat (Navsari), Karnataka (Kalaburagi), Madhya Pradesh (Dhar), Uttar Pradesh (Lucknow) and Maharashtra (Amravati) for setting up PM MITRA Parks. As of August 2024, Special Purpose Vehicles (SPV) in respect of all 5 Greenfield sites viz. Gujarat, Tamil Nadu, Karnataka, Madhya Pradesh and Uttar Pradesh have been incorporated. In respect of Brownfield sites viz. Maharashtra and Telangana, the existing implementation arrangements has been allowed to continue as per guidelines.

Liberalisation of FDI in textile sector

To enable investors to set up manufacturing plants in India, the government allowed 100% FDI in the textile sector under the automatic route. FDI in textile sector has grown over the years led by the collaboration between foreign players and Indian manufacturers. In recent times, policies introduced by the government such mega textile parks have also supported FDI inflows into the country.

Over the past few years, foreign players such as Hugo Boss, Liz Claiborne, Diesel and Kanz have started operations in India, boosting FDI investments in the sector. The industry attracted FDI of Rs 283.1 billion (USD 4,472.8 million) between April 2000 and March 2024, accounting for ~0.7% (In rupee terms) of the overall FDI flow into the country during the period.

FDI in textiles (including dyed and printed)



** FY25 data is from April to June*
Source: DPIIT, CRISIL MI&A

National technical textiles mission

Technical textiles are a niche segment with applications across agriculture, roads, railway tracks, sportswear, health on one hand and bullet proof jackets, fire proof jackets, high altitude combat gear and space applications on the other.

In fiscal 2020, the Government of India approved a proposal for creation of the National Technical Textiles Mission (NTTM) for a period of 4 years starting from fiscal 2021 to fiscal 2024 with an outlay of Rs 14,800 million. The outlay has been set aside for the following four components.

Research, innovation and development: This segment has a capital outlay of Rs 10,000 million to promote research at a fiber level, including carbon fiber, Aramid fiber, nylon fiber, and composites and an application level across geo-textiles, agro-textiles, medical textiles, mobile textiles and sports textiles and development of bio-degradable technical textiles. There is another important sub-component in the research activity that aims to

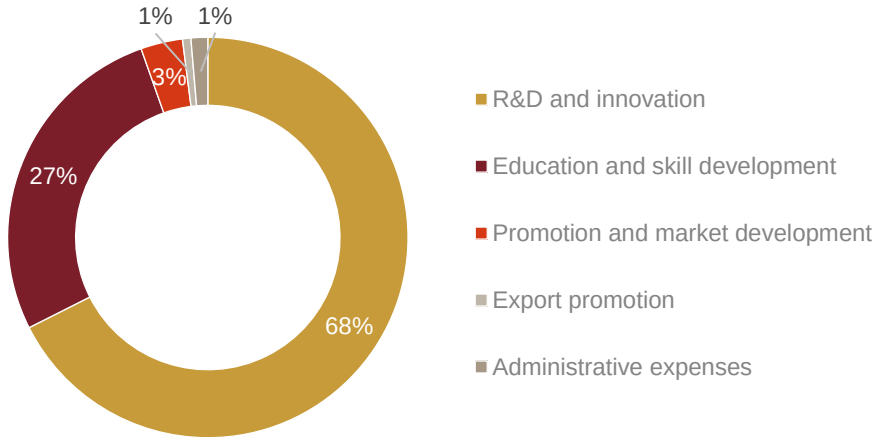
develop indigenous machinery and process equipment for technical textiles, promote 'Make in India' and enhance the competitiveness of the industry by reducing capital costs.

Promotion and market development: Through market development, market promotion, international technical collaborations, investment promotions and 'Make in India' initiatives, NTTM aims to achieve an annual growth rate of 15-20% and expand the domestic market size to USD 40-50 billion by 2024. An allocation of Rs 500 million has been under this component.

Export promotion: Under this component, NTTM aims to boost technical textile exports from Rs 140 billion in fiscal 2021 to Rs 200 billion by fiscal 2022 and grow at an annual rate of 10% up to fiscal 2024. To achieve this target, an Export Promotion Council for Technical Textiles has been envisaged for effective coordination and promotion activities in the segment. Rs 100 million has been allocated to achieve the objectives envisaged under this component.

Education, training and skill development: Skill development plays a major role in development and adoption of new technologies. Indian education, skill development and human resources are not at requisite levels to meet the technologically challenging and fast growing technical textiles segment. This mission aims to promote education at various levels related to technical textiles and cover application areas including engineering, medical, agriculture, aquaculture and dairy segments. In addition, skill development will also be promoted to create an adequate pool of highly skilled manpower to meet the needs at technical textile manufacturing units. Furthermore, an allocation of Rs 4,000 million has been made to achieve these targets.

Allocation under NTTM



Source: PIB, CRISIL MI&A

Additionally, this mission focuses on promoting the usage of technical textiles in various flagship missions such as Jal Jivan Mission, Swachch Bharat Mission and Ayushman Bharat and in strategic sectors such as agriculture, aquaculture, dairy, poultry, etc. The use of geo-textiles in highways, railways and ports will result in robust infrastructure, reduced maintenance costs and a higher life cycle of infrastructure assets.

Based on latest data available, an amount of Rs 3,750 million has been allocated to the National Technical Textile Mission for fiscal 2025, which is considerably high compared to fiscal 2024 (Rs 1,700 million). Additionally in January 2024, the Ministry of Textiles approved 11 project proposals, including 9 R&D projects, 1 project on machine development and 1 project on equipment development, worth ~Rs 1 billion. One of the projects is focused on development of high-strength carbon fiber for strategic applications and make India a key player in the field of technical textiles.

Free Trade Agreements (FTAs)

In a globalised economy, FTAs boost a country’s exports. FTAs boost export volumes, improve sectoral growth and increase business opportunities for small and large players. The major advantages of FTAs come in the form of reduced or zero tariffs between member countries, improved access to the global market, better competition and innovation among domestic players and technology transfer.

Although India has been part of many FTAs, the domestic textile sector has not been able to reap the benefits. This can be mainly attributed to lack of FTAs with the US and the EU, which account for a major part of Indian textile exports. For instance, Bangladesh enjoys an import tariff of 0% on RMG trade to UK due to FTAs, whereas India faces an import tariff of close to 10%.

That said, to improve incentives to export textiles, the government has been working on FTAs with the EU, the United Kingdom (UK), Australia and Canada. Free trade agreement talks with the UK are expected to resume in November 2024.

If signed, these trade agreements spanning various countries will boost India's textile exports.

6 Competitor analysis

In this section, CRISIL MI&A has analysed some key players operating in the Indian textile industry. Indian textile industry can be broadly segmented into yarns, fibers, fabrics and apparels. In this section CRISIL MI&A has focused on yarns.

Data in this section has been obtained from publicly available sources, including annual reports and investor presentations of listed players, regulatory filings, rating rationales, and/or company websites. Financials in the competitive section have been re-classified by CRISIL MI&A, based on annual reports and financial filings by the relevant players. The financial ratios used in this report may not match the reported financial ratios by the players on account of standardisation and re-classification done by CRISIL MI&A.

Note: The list of competitive landscape peers considered in this section is not exhaustive but an indicative list.

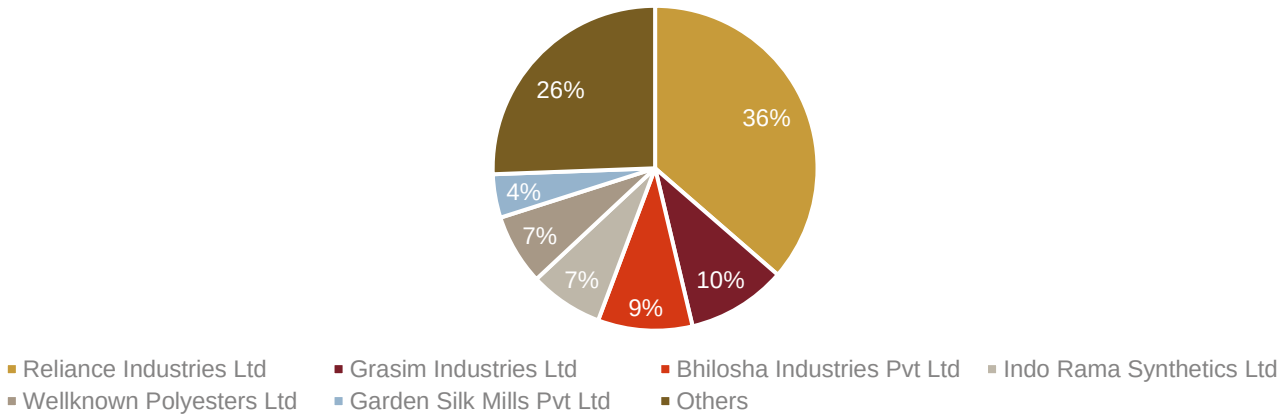
6.1 An overview of operational capabilities of key players

Key players in Manmade yarn industry

Within yarn, industry can be segmented into manmade yarns, cotton yarns, blended yarns and technical/ industrial yarns. In this section, CRISIL MI&A, has focused on manmade yarns, which include Polyester Filament Yarn (PFY), Polyester Staple Fiber (PSF), Regular Viscose Staple Fiber (VSF), Viscose Filament Yarn (VFY), Acrylic Staple Fiber, Polypropylene Filament Yarn, etc. However, PFY, PSF, and VSF forms a dominant share of the total manmade fibers segment, with combined capacity contribution of approximately ~85-90%.

The polyester yarn industry is fragmented in nature, with a few dominant large players and several mid to small size players. As per ASI survey 2023 there are ~354 factories registered under MMF manufacturing (NIC code 203), indicating high fragmentation. However, the installed capacity of the industry is concentrated within few players like Reliance Industries Ltd, Grasim Industries Ltd, and Bhilosa Industries Pvt Ltd to name a few. In the polyester industry, Reliance contributes to ~36% share in terms of installed capacity. The top three companies, in terms of installed capacities, cumulatively hold ~56% of the total installed capacity, the next three players contribute to another ~19% while the other players contribute to the remaining ~26%.

Share of installed production capacity



Note: Above chart is based on data published by Ministry of Textiles in January 2021 and captures major expansion announcements by mid-large players to indicate approximate structure of the industry capacity. PFY, PSF and VSF have been considered in the above graph to arrive at the capacities of the players. Total capacity is approximately ~8,000-8,500 Kilo tonnes per annum (KTPA) and includes Polyester Chips, PFY, PSF, VSF.

Alok Industries Ltd is part of Reliance Industries Ltd

Source: Ministry of Textiles, company websites, CRISIL MI&A

Key Operational Players

Company name	About company
Alok Industries Ltd	• Alok Industries Limited is an integrated player present in Indian textile industry • The company has presence across multiple sectors including cotton spinning, polyester yarn, apparel fabrics, home textiles, and garments. However, it's a **polyester** focused player, with polyester yarn accounting for ~60% of its revenue in fiscal 2024 • Pursuant to the approval of Resolution Plan by National Company Law Tribunal (NCLT), RIL holds a 40.01% equity stake whereas JMFARC (acting in its capacity as trustee of JMFARC-Trust) holds a 34.99% equity stake in AIL and the rest in held by the public
Bhilosa Industries Pvt Ltd	• Bhilosa Industries Pvt Ltd was incorporated in 1988 and is registered at Ahmedabad. The company is privately held and is mainly into the business of **polyester** yarn manufacturing in India. • Company has two manufacturing plants at Rakholi and Naroli in Silvassa
Century Enka Ltd	• Century Enka Limited was established in 1965, by Mr. B.K. Birla in collaboration with AKZO Nobel of Netherlands • The company is into the business of manufacturing of nylon and other man-made fibers and fabrics • Century Enka is one of the producers of NFY and NTCF in India with a capacity of 30,000 Tonnes per annum (TPA) and 32,000 TPA respectively
Filatex India Ltd	• Filatex India Ltd was incorporated in 1990 and is majorly in the business of manufacturing of **polyester** yarn along with Polyester chips, Polypropylene and Narrow woven fibre • As of fiscal 2024, the company has a net capacity of 4,01,040 MTPA spread across 9,000 MTPA of Polyester chips, 93,240 of POY, 1,30,320 of FDY, 1,63,080 of DTY, 3,240 of polypropylene and 2,160 MTPA of Narrow woven fibres
Garden Silk Mills Pvt Ltd	• Garden Silk Mills Private Limited (GSMPL) – formerly known as Garden Silk Mills Limited- is a player in Indian **polyester** textile industry. • Since February 2021, GSMPL is a wholly owned subsidiary of MCPI Private Limited (MCPI) and a part of The Chatterjee Group (TCG), led by Dr. Purnendu Chatterjee. • GSMPL Jolwa Unit has a production capacity of 1,700 tonnes/day of Polymers; 680 tonnes/day of Yarns; 156 tonnes/day of downstream variants.
Garware Technical fibers Ltd	• Garware Technical Fibers Ltd, was established in 1976 as Garware-Wall Ropes (GWRL) • The company provides multiple offerings in **technical textile** sector including polymer ropes, fishing nets, sports nets, safety nets, aquaculture cages, coated fabrics, agricultural netting and geosynthetics
Grasim Industries Ltd	• Grasim ventured into the textiles industry in 1949 by setting up Jaya Shree Textiles at Rishra, West Bengal. Jaya Shree Textiles is one of India's linen and wool manufacturers and has four strategic business units (SBUs) i.e., linen spinning, linen fabric, wool combing and worsted spinning • Grasim also entered the premium cotton fabrics business in 2019 by acquiring 100% equity shareholding of Soktas India Private Limited (SIPL) and has renamed as Grasim Premium Fabric ("GPF") • GPF's has a manufacturing facility is located at Kolhapur, Maharashtra, with plant capacity of about 10 million metres p.a of finished fabric. GPF sell premium cotton fabrics in India under the 'SÖKTAŞ', 'Giza House' and 'Excellence by SÖKTAŞ' brands and is a supplier to several Indian and global menswear brands
Indo count industries Ltd	• Indo count industries was incorporated in 1988 and is majorly **home textile** focused player. • The company has a manufacturing capacity of 153 million meters and spinning capacity of 1,40,000 tonnes as of fiscal 2024

Company name	About company
Indo Rama Synthetics Ltd	• Indo Rama Synthetics was incorporated in 1986 in Mumbai and is in the business of manufacturing of **polyester** yarn • The company exports to 34 countries across 5 continents and has cumulative production capacity of 672,000 TPA as of fiscal 2024
JBF Industries Ltd	• JBF Industries Ltd. was established in 1982 and is a **polyester** focused player. It has backward integrated into manufacturing Partially Oriented Yarn (POY), Polyester (BOPET) Film and various types of Bottle grade, Film grade and Textile grade Polyester chips • JBF became a public limited company in the year 1986
Reliance Industries Ltd (RIL)	• Reliance is one of the largest producers of **polyester** fibers and yarns, with a capacity of 2.5 million tonnes per annum (PA) • Recron is the flagship brand of Reliance Polyester • Additionally, Reliance is a major exporter of textured yarns from India and has presence in over 35 countries across Europe, Americas, Africa and the Middle East
SRF Ltd	• SRF Limited is a chemical-based multi-business entity engaged in the manufacturing of industrial and specialty intermediates • The Company has commercial interests in more than hundred countries and classifies its main businesses as its businesses as Technical Textiles Business (TTB), Chemicals Business (CB), Packaging Films Business (PFB), and Other Businesses • SRF Limited is a player in the **technical textile** industry. SRF's product basket for technical textiles contains tyre cord fabrics, belting fabrics, and industrial yarn
Vardhman Textiles Ltd	• Vardhman Textiles Limited (VTL) is part of Vardhman group. The Vardhman group has operations across various segments such as the yarn, fabric, sewing threads, fiber, special alloys, and garment sectors • The company offers a range of specialised greige and dyed yarns in **cotton, polyester, acrylic, viscose, specialized fibers** and a variety of blends
Wellknown Polyesters Ltd	• Wellknown Polyesters Ltd (Wellknown), was incorporated in 1996, and has a presence of over 30 years in the industry. • The company is primarily engaged in manufacturing and selling **polyester-based** yarns like polyesters filament yarn, polyester staple fiber and chips • The Company has its integrated manufacturing facilities located at Dabhel (Daman), Union Territory

Note: The above list of players mentioned is an indicative list and not exhaustive
Source: Company filings, company websites, CRISIL MI&A

Key players in cotton yarn industry

The Indian spinning industry primarily produces cotton yarn, primarily catering to domestic demand. The industry is technology-intensive and relatively organised. However, it is characterised by the presence of a large number of small players, with the top five players accounting for less than 5% of the total installed capacity. The average size of a spinning mill has ranged between 14,500-15,500 spindles per mill in the past 5 years, lower than the average size of ~20,000 spindles per mill in the decade prior to 2009-10. Share of MSME players in fiscal 2023 stands at 75-80% of the total revenue market size. Some major players in this segment includes Vardhman Textiles Ltd, Nahar Spinning mills Ltd, National Textile Corporation (NTC), etc.

Overview of key players in cotton yarn industry

Company name	About company
Ambika Cotton Mills Ltd	• Incorporated as a private limited company in 1988, ACML has more than 34 years of experience • The company is into the business of manufacturing of cotton yarns and knitted fabrics which accounted for 89% of the turnover in fiscal 2024
KPR Mill Ltd	• KPR Mill was incorporated in 2003 and is registered at Coimbatore • The company has diversified business spanning across yarn, fabrics, garments and white crystal sugar
Nahar Spinning Mills Ltd	• Nahar Spinning Mills is a company of the Nahar group, a business conglomerate that operates in the spinning, garments, and hosiery segments • The company is in the business of manufacture and exports of yarns and knitted garments
Nitin Spinners Ltd	• Nitin Spinners was incorporated in 1992 and is registered at Jaipur • The company is publicly held and is in the business of making cotton and blended yarn and fabric for both exports and domestic market
NTC*	• National Textile Corporation Limited, (NTC) is a schedule "A" Central Public Enterprise under the Ministry of Textile, Government of India, which was incorporated in April 1968 for managing the affairs of sick textile undertaking in the Private Sector, taken over by the Government • NTC is engaged in production of yarn and fabric through its 23 mills in operation, located all over India with ~0.8 million spindles and 408 looms producing around 50 million kgs of yarn and 20 million meters per annum (MMPA) of fabric. NTC also manufactures garments through its JV Companies
Sangam (India) Ltd	• Sangam (India) Limited was incorporated in 1984 and is in the business of spinning, weaving and finishing of textile products. The company is majorly into four verticals: yarn, synthetic fabric, denim fabric, and garments. • The company has global presence by exporting to more 60 key countries
Sutlej Textiles Ltd	• Founded by Dr. Krishna Kumar Birla, Sutlej Textiles and Industries is a textiles company under KK Birla Group • The Company is present in two segments- yarn and home textiles. Under the yarn segment the Company manufactures cotton melange and synthetic dyed yarn which includes polyester viscose yarn (PV) and polyester acrylic yarn (PA)
Vardhman Textiles Ltd	• Vardhman Textiles Limited (VTL) is part of Vardhman group. The Vardhman group has operations across various segments such as the yarn, fabric, sewing threads, fiber, special alloys, and garment sectors • The company offers a range of specialised greige and dyed yarns in cotton, polyester, acrylic, viscose, specialized fibers and a variety of blends

** Data is as per company website accessed during November 2024*

Source: Company filings, company websites, CRISIL MI&A

CRISIL MI&A has considered the following companies for competitive assessment for Sanathan Textiles Ltd

CRISIL MI&A has considered players with operating revenue ranging between Rs 15,000 million to Rs 75,000 million (in fiscal 2024) and having similar product portfolio and presence in polyester yarn, cotton yarn and industrial textiles. Companies like Ambika Cotton Mills Ltd, Rajapalayam Mills Ltd, and SRF Ltd have been considered because their revenue/ segmental revenue is within the comparable range. Companies such as DNH Spinners Pvt Ltd and Kejriwal

Geotech Pvt Ltd with revenue less than Rs. 15,000 million and operating in the polyester yarn segment are not considered for further analysis.

Players like Reliance Industries, Grasim Industries, Bhilosa Industries etc have not been analysed in this section as their revenues are beyond this revenue range and they may have a different product portfolio as well. However, the list of competitors is only indicative and not exhaustive in nature.

Operational overview (As of FY24)

Players	Geographical presence*	Exports %	Plants@	Manufacturing capacity^^
Ambika Cotton Mills Ltd	National: 3 states International: 5 countries	74%	5	Spindle capacity: 1,08,288 Knitting capacity: 40,000 kgs yarn/ day
Alok industries Ltd	National: Yes International: Yes	22%[1]	10+[2]	N.A.
Bombay Dyeing & Manufacturing Company Ltd	National: 29 states and Union Territories International: 24 countries	28%[$]	1	Polyester division: 1,82,000 TPA[$$]
Filatex India Ltd	National: 20 states/UT International: 17 countries	1%	2	Polyester chips: 9,000 TPA[3] POY: 93,240 TPA[3] FDY: 1,63,080 TPA[3] DTY: 1,30,320 TPA[3] Grey fabric: 2,160 TPA[3]
Garden Silk Mills Pvt Ltd[#]	National: Yes International: Yes	10%[##]	2	Jolwa Unit: Polymers: 1,700 Tonnes/day Yarns: 680 Tonnes/ day Vareli Unit: N.A.
Garware Technical Fibers Ltd	National: Pan India International: ~75 countries mainly in Europe and Americas	59%	2	N.A.
Indo Rama Synthetics (India) Ltd	National: 20 states/ UT[4] International: 34 countries	9%	1	Cumulative production capacity: 610,050 TPA[5]
KPR Mill Ltd	National: 15 States International: 60 countries	36%	11	Spindles: 3,54,240[5] Yarn: 1,00,000 TPA[5] Vortex Viscose Yarn: 10,000 TPA[5] Knitting: 40,000 TPA[5] ETP embedded Fabric Processing: 30,000 TPA[5] Garments: 157 million garments PA[5]

Players	Geographical presence*	Exports %	Plants@	Manufacturing capacity^^
Nahar Spinning Mills Ltd	NA	41%[11]	8[12]	Spindlage capacity: 5,73,408[5] Garment: 125,00,000 pieces Mercerising cum dyeing: 4.5 tonnes/ day
Nitin Spinners Ltd	National: Pan India International: 50+ countries	59%	2	Spindles: 434,832 Yarn: 1,10,000 TPA Knitted fabric: 11,000 TPA Weaving division: 40 MMPA
Rajapalayam Mills Ltd[6]	N.A.	N.A.	14	Spindles: 4,23,248
RSWM Ltd	National: 32 states/ UT International: 70+ countries	29%	12	Spindles: 4,79,696[5]
Sanathan Textiles Ltd@@	National: Yes International: 25+ countries[7]	4%	1	Polyester Yarn- 2,00,000+ TPA Cotton Yarn - 14,000 TPA Industrial Yarn- 9,000 TPA
Sangam (India) Ltd	National: 28 states[8] International: 58 countries[8]	33%	5	Spinning: 2,60,000 Spindles Yarn: 95,000 TPA Weaving: 30 MMPA of fabric Denim: 48 MMPA of fabric Processing: 72 MMPA Circular Knitting: 4,700 TPA Seamless Knitting: ~55,00,000 pieces PA
SRF Ltd	National: 28 states and 8 Union territories International: 86 countries	45%	10	Malanpur, Gwalior Plant: Chips: 29,200 TPA Yarn: 26,800 TPA Textile: 21,600 TPA Gummidipoondi, T.N. Plant: 35,300 TPA[5] Manali, T.N. Plant: 14,400 TPA (Nylon-6 Tyre Cord Fabric) Kashipur Plant: 7.5 million sqm of PVC laminated polyester fabrics
Shree Durga Syntex Pvt Ltd	National: Yes International: Yes	4%###	N.A.	N.A.
Sutlej Textiles Ltd	National: 11 states International: 60 countries	40%	5	Rajasthan plant: Current Capacity: 91,584 spindles for man-made fibers and 35,280 for cotton mélange yarns Jammu plant: 1,01,068 spindles for cotton mélange yarns and 112,388 spindles for man-made fiber yarns Himachal Pradesh plant: 28,938 spindles of PC mélange and 53,862 spindles for man-made fibers Sutlej green fiber: 120 tonnes/day Gujarat Plant: 9.0 MMPA and 118 shuttle-less looms

Players	Geographical presence*	Exports %	Plants@	Manufacturing capacity^^
Wellknown Polyesters Ltd	National: Yes International: 54 countries	8%	N.A.	Yarn: 5,85,200 TPA[10]

Note:

Latest capacity data for JBF Industries Ltd is not available and hence is not considered in the above operational analysis

POY: Partially Oriented Yarn; PSF: Polyester Staple Fiber; DTY: Drawn texture yarn; FDY: Fully Drawn Yarn; ATY: Air Textured Yarn; TPA: Tons per annum

**Indicated markets served as declared in annual report of fiscal 2024*

@As mentioned in the fiscal 2024 annual report

#Manufacturing plant and capacity as per the company's website accessed in November 2024

^^Manufacturing capacity related to yarn, fabric, textiles as of website accessed in November 2024

*** export percentage calculated using following formula: export sale manufactured goods/total revenue from sale of products, Details of plants and manufacturing capacity as mentioned on the respective company website*

@@Exports calculated on the basis of following formula: Revenue from operations outside India/ Total revenue from operations

Manufacturing plant and capacity as per rating rationale dated February 2024

$PSF division

$$ As per the company's website accessed in November 2024

export percentage calculated using following formula: (export sales)/ (overall sales)

export percentage calculated using following formula: (Total export turnover goods, gross)/ (Total revenue from sale of products + Total revenue from sale of services)

1 Exports calculated on the basis of following formula: (sale of product: export)/ total sales of products

2 As per rating rationale dated February 2024

3 Capacity mentioned is net of captive use

4 17 states and 3 Union Territories

5 As per fiscal 2024 annual report

6 Manufacturing plants and capacity as of website accessed in February 2024

7 Countries exported to/ global sales network

8 Includes domestic sales and export through dealers and distributors

9 Acrylic Staple Fiber and Tow production plant at Jhagadia, District Bharuch in the state of Gujarat, India

10 As per rating rationale dated January 2024

11 Export share is calculated as Sales (Export) / Total revenue from operations

12 Data as of fiscal 2023

Note: The above of list of players mentioned is an indicative list and not exhaustive

Source: Company filings, Company websites, Investor presentation, Rating Rationale, CRISIL MI&A

Segment-wise offerings by key players under review

Players	Yarn*		Fabrics**	Technical offerings[1]	Garments	Others **
	Cotton	Polyester				
Ambika Cotton Mills Ltd	✓	✗	✓	✗	✗	NA
Alok Industries Ltd	✓	✓	✓	✓	✓	Home textiles
Bombay Dyeing & Manufacturing Company Ltd	✗	✓	✗	✗	✓	Home textiles
Filatex India Ltd[2]	✗	✓	✓	✗	✗	PET chips, other specialty products

Players	Yarn*		Fabrics**	Technical offerings[1]	Garments	Others **
	Cotton	Polyester				
Garden Silk Mills Pvt Ltd	✗	✓	✓	✗	✗ #	Polyester Chips
Garware Technical Fibers Ltd	✗	✗	✗	✓	✗	Not applicable
Indo Rama Synthetics (India) Ltd	✗	✓	✗	✗	✗	Polyester staple fiber, Polyester chips, power
KPR Mill Ltd	✓	✓	✓	✗	✓	Green power, Sugar
Nahar Spinning Mills Ltd	✓	✓	✗	✗	✓	Sugar, Poly films, etc
Nitin Spinners Ltd	✓	✓	✓	✗	✗	Not applicable
RSWM Ltd[3]	✓	✓	✓	✗	✗	IT Services, Power Generation
Shree Durga Syntex Pvt Ltd	✗	✓	✓	✗	✗	Polyester Chips
Sanathan Textiles Ltd	✓	✓	✗	✓	✗	Not applicable
Sangam (India) Ltd	✓	✓	✓	✗	✓	Not applicable
SRF Ltd	✗	✗	✗	✓	✗	Specialty chemicals, Fluorochemicals
Sutlej Textiles and Industries Ltd	✓	✓	✗	✗	✗	Home textiles
Rajapalayam Mills Ltd.	✓	✗	✓	✗	✗	Not applicable
Wellknown Polyesters Ltd	✗	✓	✗	✓	✗	Not applicable

Note:

**Yarn manufacturing includes multiple processes including processing, texturing, drawing. For the purpose of analysis in above table, yarn includes everything, and players may have select process from this.*

*** non technical textile related*

****not exhaustive, only indicative ; # the company lists saris under its fabric business as per the website accessed in November 2024*

1 Including yarns, fabrics, and textiles

2 The company manufactures Polypropylene Yarn (PPY), which is used in the stitching of socks, undergarments, sports wear, woven sacks, geo textiles, sofa sets, safety belts, sewing thread and rope.

3 The Company is primarily producing the best quality of yarns like synthetic, blended, mélange, cotton, speciality and value added yarns suitable for suitings, shirtings, hosiery, carpet, denim, technical textiles and industrial applications and denim fabric, synthetic fabric for renowned brands.

NA: Not applicable

Source: Company filings, Company website, Rating rationale, CRISIL MI&A

6.2 Financial overview of key players

Operating Income

Operating Income (Rs Million)	FY22	FY23	FY24	Q1FY25	CAGR(FY22-24)
Alok Industries Ltd	73,095	69,373	55,096	10,063	(13.2%)
Ambika Cotton Mills*	9,086	8,475	8,608	2,091	(2.7%)
Filatex India*	38,286	43,042	42,876	10,543	5.8%
Garware Technical Fibers	11,894	13,055	13,256	3,363	5.6%
Indo Rama Synthetics (India) Ltd	42,187	43,226	41,092	9,443	(1.3%)
KPR Mills Ltd	48,582	61,859	60,924	16,097	12.0%
Nahar Spinning Mills Ltd*	35,965	28,206	30,543	8,209	(7.8%)
Nitin Spinners Ltd*	26,923	24,067	28,820	8,030	3.5%
Rajapalayam Mills Ltd.	6,916	8,652	8,626	2,180	11.7%
RSWM Ltd	38,174	37,889	40,579	12,079	3.1%
Sangam (India) Ltd	24,378	27,159	26,292	6,931	3.9%
Sanathan Textiles Ltd**	31,859	33,293	29,579	7,811	(3.6%)
Sutlej Textiles and Industries Ltd	30,765	30,852	27,131	6,581	(6.1%)
SRF Ltd[1]	124,337	148,428	131,260	34,641	2.7%
Wellknown Polyesters Ltd*	53,928	56,985	54,826	NA	0.8%

Note:

Operating Income= Net sales+ Other related Income

Net sales= Gross Sales-Traded Goods Sales-Total Excise and Other Indirect Taxes

**On standalone basis*

1 According to the company's annual report of fiscal 2024, SRF is present is four segments: Technical Textiles business, Chemicals business, Packaging Film business and others (includes coated fabric, laminated fabric and other ancillary activities). In fiscal 2024, technical textile business formed ~14% of company's revenue from operation.

Financial used in this report have been standardised and re-classified by CRISIL and may not match with the reported financials by the players

Source: Company filings, CRISIL MI&A

OPBDIT

OPBDIT (Rs Million)	FY22	FY23	FY24	Q1FY25	CAGR(FY22-24)
Alok Industries Ltd	5,650	(775.5)	579	208	(68.0%)
Ambika Cotton Mills Ltd*	2,694	1,758	1,082	339	(36.6%)
Filatex India Ltd*	5,481	2,342	2,393	609	(33.9%)
Garware Technical Fibers Ltd	2,229	2,295	2,719	644	10.4%
Indo Rama Synthetics (India) Ltd	3,107	431	(381.6)	290	NM
KPR Mills Ltd	12,568	12,748	12,715	3,147	0.6%
Nahar Spinning Mills Ltd*	8,130	2,355	1,034	525	(64.3%)
Nitin Spinners Ltd*	6,516	2,971	3,780	1,188	(23.8%)

OPBDIT (Rs Million)	FY22	FY23	FY24	Q1FY25	CAGR(FY22-24)
Rajapalayam Mills Ltd	1,315	1,350	966	160	(14.3%)
RSWM Ltd	4,352	2,481	964	487	(52.9%)
Sangam (India) Ltd	3,081	3,052	2,179	673	(15.9%)
Sanathan Textiles Ltd**	5,381	2,596	2,338	764	(34.1%)
Sutlej Textiles and Industries Ltd	3,786	2,709	(257.6)	184	NM
SRF Ltd[1]	31,874	35,056	25,759	6,207	(10.1%)
Wellknown Polyesters Ltd*	7,717	4,804	4,732	NA	(21.7%)

Note:

*OPBDIT= Operating Income- Cost of sales^*

^cost of sales = Cost of Sales= Material costs + traded goods purchased+|accretion| : decretion to Stocks + consumable stores + power and fuel + employee costs + other manufacturing expenses + selling expenses + other expenses + miscellaneous expenses written off - expenditure capitalised: excluding interest

**On standalone basis*

N.M. stands for not meaningful

1 According to the company's annual report of fiscal 2024, SRF is present is four segments: Technical Textiles business, Chemicals business, Packaging Film business and others (includes coated fabric, laminated fabric and other ancillary activities). In fiscal 2024, technical textile business formed ~14% of company's revenue from operation

Financial used in this report have been standardised and re-classified by CRISIL and may not match with the reported financials by the players

Source: Company filings, CRISIL MI&A

PAT

PAT (Rs Million)	FY22	FY23	FY24	Q1FY25	CAGR(FY22-24)
Alok Industries Ltd	(2,086)	(8,805)	(8,468)	(2,069)	NM
Ambika Cotton Mills Ltd*	1,799	1,119	630	215	(40.8%)
Filatex India Ltd*	3,027	899	1,107	323	(39.5%)
Garware Technical Fibers Ltd	1,648	1,722	2,082	468	12.4%
Indo Rama Synthetics (India) Ltd	2,691	(246)	(2,034)	(192)	NM
KPR Mills Ltd	8,418	8,141	8,054	2,033	(2.2%)
Nahar Spinning Mills Ltd*	5,022	1,108	(511)	66	NM
Nitin Spinners Ltd*	3,261	1,648	1,315	421	(36.5%)
Rajapalayam Mills Ltd	1,666	819	444	(69)	(48.4%)
RSWM Ltd	2,462	1,229	(211)	(147)	NM
Sangam (India) Ltd	1,407	1,305	408	143	(46.1%)
Sanathan Textiles Ltd	3,554	1,527	1,338	501	(38.6%)
Sutlej Textiles and Industries Ltd	1,502	373	(1,356)	(114)	NM
SRF Ltd[1]	18,889	21,623	13,357	2,522	(15.9%)
Wellknown Polyesters Ltd*	4,561	2,215	2,105	NA	(32.1%)

Note:

**On standalone basis*

NM stands for not meaningful

1 According to the company's annual report of fiscal 2024, SRF is present is four segments: Technical Textiles business, Chemicals business, Packaging Film business and others (includes coated fabric, laminated fabric and other ancillary activities). In fiscal 2024, technical textile business formed ~14% of company's revenue from operation.

Financial used in this report have been standardised and re-classified by CRISIL and may not match with the reported financials by the players

Source: Company filings, CRISIL MI&A

Key ratios (FY24)

Company	Operating margin	Profit Margin	RoCE	Gearing ratio	Interest Coverage ratio
Units	**%**	**%**	**%**	**Times**	**Times**
Alok Industries Ltd	1.1	(15.4)	(4.4)	(1.3)	0.1
Ambika Cotton Mills Ltd*	12.6	7.3	10.9	0.2	6.5
Filatex India Ltd*	5.6	2.6	11.5	0.2	8.7
Garware Technical Fibers Ltd	20.5	15.7	22.6	0.1	18.3
Indo Rama Synthetics (India) Ltd	(0.9)	(5.0)	(5.5)	3.6	(0.2)
KPR Mills Ltd	20.9	13.2	20.5	0.3	17.8
Nahar Spinning Mills Ltd*	3.4	(1.7)	0.4	0.8	1.4
Nitin Spinners Ltd*	13.1	4.6	11.1	1.2	4.6
Rajapalayam Mills Ltd	11.2	5.1	3.4	0.5	2.4
RSWM Ltd	2.4	(0.5)	3.1	1.5	2.1
Sangam (India) Ltd	8.3	1.6	6.3	1.5	2.8
Sanathan Textiles Ltd	7.9	4.5	11.5	0.6	8.6
Sutlej Textiles and Industries Ltd	(0.9)	(5.0)	(6.9)	0.9	NM
SRF Ltd[1]	19.6	10.2	12.9	0.4	9.1
Wellknown Polyesters Ltd*	8.6	3.8	7.4	0.6	7.0

**On standalone basis*

NM: Not Meaningful

1 According to the company's annual report of fiscal 2024, SRF is present is four segments: Technical Textiles business, Chemicals business, Packaging Film business and others (includes coated fabric, laminated fabric and other ancillary activities). In fiscal 2024, technical textile business formed ~14% of company's revenue from operation.

Financial used in this report have been standardised and re-classified by CRISIL and may not match with the reported financials by the players

RoCE: Profit before interest and tax (PBIT) and before extraordinary items / Average of [share capital + equity reserves + total debt + deferred payment liabilities] for fiscal 2022 and fiscal 2023

Gearing Ratio: Adjusted debt divide by adjusted networth

Interest Coverage Ratio: Profit before depreciation, interest, and tax (PBDIT) divide by interest and finance charges

Source: Company filings, CRISIL MI&A

Key ratios (Q1FY25)

Company	Operating margin	Profit Margin
Units	**%**	**%**
Alok Industries Ltd	2.1	(20.6)
Ambika Cotton Mills Ltd*	16.2	10.3
Filatex India Ltd*	5.8	3.1
Garware Technical Fibers Ltd	19.2	13.9
Indo Rama Synthetics (India) Ltd	3.1	(2.0)
KPR Mills Ltd	19.6	12.6
Nahar Spinning Mills Ltd*	6.4	0.8
Nitin Spinners Ltd*	14.8	5.3
Rajapalayam Mills Ltd	7.3	(3.2)
RSWM Ltd	4.0	(1.2)
Sangam (India) Ltd	9.7	2.1
Sanathan Textiles Ltd	9.8	6.4
Sutlej Textiles and Industries Ltd	2.8	(1.7)
SRF Ltd[1]	17.9	7.3
Wellknown Polyesters Ltd*	NA[2]	NA[2]

**On standalone basis*

NA[1] Not Available

NA[2] Not Applicable, Q1FY25 data for the company is not available

1 According to the company's investor presentation of Q1 fiscal 2025, SRF is present is four segments: Technical Textiles business, Chemicals business, Packaging Film business and others (includes coated fabric, laminated fabric and other ancillary activities). In fiscal Q1 fiscal 2025, technical textile business formed ~15% of company's revenue from operation.

Source: Company filings, CRISIL MI&A

Working capital days (FY24)

Company	Receivables**	Payables	Inventory^	Working capital days
Units	Rs Million	Rs Million	Rs Million	days
Alok Industries Ltd	46,473	48,866	94,157	49
Ambika Cotton Mills Ltd*	10,625	8,418	52,515	256
Filatex India Ltd*	11,908	39,072	41,767	8
Garware Technical Fibers Ltd	26,583	22,979	25,674	(16)
Indo Rama Synthetics (India) Ltd	16,473	105,593	59,068	(50)
KPR Mills Ltd	66,928	11,498	190,525	177
Nahar Spinning Mills Ltd*	42,838	2,715	111,976	187
Nitin Spinners Ltd*	32,138	7,401	56,397	109
Rajapalayam Mills Ltd	16,769	2,366	32,392	210
RSWM Ltd	64,492	19,994	82,297	109
Sangam (India) Ltd	44,840	6,888	66,942	152
Sanathan Textiles Ltd	12,568	6,180	40,550	60
Sutlej Textiles and Industries Ltd	34,426	15,592	51,778	86
SRF Ltd[1]	194,282	219,776	232,647	17
Wellknown Polyesters Ltd*	22,649	83,017	122,494	31

**On standalone basis*

1 According to the company's annual report of fiscal 2024, SRF is present is four segments: Technical Textiles business, Chemicals business, Packaging Film business and others (includes coated fabric, laminated fabric and other ancillary activities). In fiscal 2024, technical textile business formed ~14% of company's revenue from operation.

*Working capital days: ((Receivables** – Payables + Inventory^)*365)/(Operating income)*

*** Receivables = Total Receivables + Bills discounted*

^Inventory = Raw materials + Work in progress + Finished goods + stocks and spares

Financial used in this report have been standardised and re-classified by CRISIL and may not match with the reported financials by the players

Source: Company filings, CRISIL MI&A

- Sanathan Textiles Ltd with an operating income of Rs. 29,579 million, had a market share of 1.7% in the overall Indian textile yarn industry as of fiscal 2024.

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