LETTER

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Indian Home Textile Sector To Grow 8-10% In FY25 Amid Global Recovery

The Indian home textile industry is poised for a significant revival, with sales predicted to increase by 8 to 10 per cent in FY25 after a tough FY23. According to a CareEdge Ratings analysis, important drivers of this recovery are rising per capita income, rapid urbanisation, a thriving real estate market and greater hygiene awareness following COVID-19.

Globally, the home textile business was valued at USD 122 billion in 2023 and is forecast to reach USD 134 billion by the end of 2024, rising at a CAGR of 5 to 5.5 per cent, with a market value of USD 185 billion by 2030. China dominates the global market with exports of around USD 23 billion, followed by India at USD 5.7 billion and Turkey at USD 4.2 billion. The United States remains the top importer, accounting for 30 per cent of worldwide home textile imports, with India ranking second at 29 per cent, trailing only China.

India's domestic textile exports increased by 12.27 per cent between CY19 and CY23, establishing the country as a major player in the US market. Carpets, rugs, bed linen and kitchen linen remain popular export items. However, after peaking in FY22 with 26 per cent year-over-year increase driven by pandemic-induced demand, the industry encountered challenges. Cotton prices soared to Rs 1,00,000 per candy by mid-2022, while the Russia-Ukraine war increased freight expenses, reducing profitability. Exports fell by 12 per cent year on year in FY23, from Rs 14,200 crore in Q2 FY22 to Rs 11,200 crore in Q4 FY23.

Recovery And Outlook For FY25

Despite these losses, the industry began to recover in FY24, with exports trending upward, mainly to the US. Cotton prices have stabilised between Rs 160 to Rs 164 per kg, allowing manufacturers to re-establish profitability. Freight prices, while still high due to the ongoing Red Sea situation, have decreased from their peak levels, contributing to better financial performance, CareEdge Ratings stated.

The recovery is also aided by Indian home textile companies' robust bank sheets, with many investing in capacity development to meet rising worldwide demand. CareEdge Ratings predicts that the industry will sustain operating margins of 14 to 15 per cent in FY25, owing to stable raw material prices and growing demand from important countries such as the United States and Europe.

While freight prices continue to be an issue, the transition towards sustainable and eco-friendly products is projected to play an important part in the industry's growth. India continues to benefit from the China+1 strategy, which has seen multinational corporations diversify their supply chains away from China, creating possibilities for Indian exporters.

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India requires skill development to compete in the textile race: Ramraj Cotton Chairman KR Nagarajan

The political instability in Bangladesh has opened up immense opportunities for Indian textile companies. While these opportunities present a chance for growth, they bring in challenges that must be addressed. The textile industry needs to develop skills and gear up to tap these opportunities, said the Ramraj Cotton founder and chairman, KR Nagarajan.

In a conversation with *businessline*, he explained India’s challenges noting that the Indian textile sector needs to focus on talent development while addressing labour shortages.

“There is a significant gap in skills development in the textile industry. Tiruppur exported ₹30,000 crore worth of textiles last year, but to double that to ₹60,000 crore, we need to bridge these gaps. While automation has transformed functions like spinning, weaving, and dyeing allowing machines to handle much of the work, garment production which includes processes like designing, laying, marking, cutting, sewing, finishing, pressing, packaging, sampling, is still largely dependent on human hands,” he explained.

Nagarajan added, “We currently lack the skilled workforce necessary to meet this growing demand. Many of the workers in the garment sector are migrants who do not possess the required expertise, and while some manufacturers can train them, others do not. This disparity creates a challenge in scaling up production efficiently.”

He also highlighted the need for central government and state governments to significantly enhance investments in skill training to capitalise on the available opportunities fully.

In comparison, countries like Bangladesh and China have made impressive strides in the global textile market by prioritising workforce development and skills training. Nagarajan pointed out that India, too, can follow a similar path to empower its workforce, tackling both unemployment and labour shortages simultaneously.

Ramraj Cotton, a partnership firm under ENES Textile Mills, recently launched a store in Jayanagar, Bengaluru, and plans to add around 15 more stores by March 2025. Additionally, it plans to strengthen its foothold in North, East, and West markets while simultaneously expanding its international reach.

Currently, the company exports its products to Sri Lanka, Singapore, and Malaysia, and it will soon enter the UAE market.

“Our focus has primarily been on building a strong presence in the local market, but we are now gearing towards becoming a pan-India brand over the next two years. After that, we will actively pursue international expansion,” Nagarajan said.

With 304 stores across India, including 64 in Karnataka, the company’s manufacturing units in Tirupur, Erode, Salem, and Madurai continue to support its robust production. While the company plans to expand its manufacturing facilities, it has not confirmed any specific locations.

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India's annual growth to be 7-7.2% in FY25, 6.7-7.3% in FY26: Deloitte

Deloitte has projected India’s annual gross domestic product (GDP) growth to be between 7 per cent and 7.2 per cent in fiscal 2024-25 (FY25) and between 6.7 per cent and 7.3 per cent in the next as markets adapt to geopolitical uncertainties in their investment and consumption decisions.

The country is likely to experience improved capital flows, a boost in private investment and exports. Inflation concerns remain, but Deloitte expects them to ease in the latter half of the next fiscal, barring any surprises from rising oil or food prices, Rumki Majumdar, associate director and economist with Deloitte Shared Services India LLP, wrote in the company’s India Economic Outlook for August 2024.

Following a period of uncertainty in the first six months of the year, Deloitte believes India will see very strong growth in the second half. Some of the key contributing factors would be the continuity in domestic policy reforms, reduced uncertainties in the United States after elections, and a more synchronous global growth in a low inflation regime.

Improved global liquidity conditions would improve capital flows and drive higher investments, especially in the private sector, it noted.

Deloitte expects inflation to slowly revert to the central bank's target level of 4 per cent from early next year.

Policy push from the government will help address challenges being faced by the country, and reduced urban and rural spending gap is likely in the coming years resulting in a sustained growth in overall private consumption spending from a larger consumer base, Deloitte added.

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Indian nylon weavers oppose spinners' call for ADD on imports

The spinning and weaving industries of India's nylon sector are at odds and have presented conflicting demands to the government. The Nylon Spinners Association (NSA) has called for the mandatory implementation of the Quality Control Order (QCO), an increase in the basic customs duty to 10 per cent or the imposition of an anti-dumping duty and placing nylon yarn in the restricted category. They argue that the industry's poor condition is due to the large supply of imported nylon.
Conversely, the weaving and knitting industries oppose these demands, stating that several varieties of nylon yarn are either not produced domestically or suffer from quality issues. They have also accused the NSA of attempting to monopolise the market and exploit the situation by limiting imported supplies.

In a letter addressed to Union Textile Minister Giriraj Singh and other ministry officials, the NSA stated that the domestic nylon industry is suffering significant losses due to the influx of cheaper Chinese supplies that have captured the local market. The domestic production capacity for nylon yarn exceeds consumption, and production levels are sufficient to meet the country's demand. Over the past six years, the industry's capacity has increased by 15 per cent annually due to regular new investments.

The NSA cited trade data, noting that before the removal of the anti-dumping duty on nylon filament yarn, Chinese supply accounted for just 1 per cent of the market, but this figure has surged to over 85 per cent in the past six years. Chinese imports have increased more than 80-fold in the past seven years till 2023.

The NSA has claimed that China is dumping additional quantities of low-quality, sub-standard nylon yarn at cheaper prices in the Indian market. As a result, they believe it is urgent to implement corrective measures such as the QCO, anti-dumping duty, or a 10 per cent basic customs duty, as well as to restrict imports, to protect the domestic industry from further losses and potential closures. Two companies have already shut down due to unviability. Currently, upstream products, including nylon filament yarn and nylon industrial yarn, attract a 5 per cent basic customs duty, while nylon fabric and tyre cord fabrics are subject to a 20 per cent duty.

On the other hand, the weaving industry has expressed differing viewpoints in response to the ministry’s request for feedback from the downstream industry regarding the NSA's demands.

Gujarat’s Surat-based cooperative body, Pandesara Weavers Cooperative Society Limited, stated in a letter to the Minister Singh and other ministry officials, “Indian producers do not produce several varieties including 300/10 Round mother yarn, 250/10 round Bright mother yarn which are widely used in warp knitting sector. If these yarns are produced in limited quantity, its quality is very inferior. Fabric manufacturers are bound to face losses due to rejection of finished goods. Buyers reject consignments complaining variations in dyeing and other defects. Domestic manufacturers failed to solve the issue and abandoned their plans. They also import around 28 per cent yarn from China and supply at a premium in the local market.”

The cooperative body of weavers further claimed that domestic yarn supply does not meet international standards of quality. It alleged that the NSA’s primary aim is to form a cartel to raise nylon yarn prices, similar to what occurred in the polyester segment following the implementation of the QCO. As a result, members of the weaving and knitting industries are strongly opposed to the NSA’s demands. They have requested that these demands be rejected, as they would restrict competition and limit access to raw materials preferred by weavers and knitters.

Now, the final decision rests with the ministry, which must navigate these conflicting demands and arguments from the entire textile value chain.

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Why is the world so bullish on India's economy?

When the global economy is caught in geopolitical trends and slow growth and there is a lot of noise about recession, The world is cheering India's growth story. Jamie Dimon, chairman and CEO, JPMorgan, America's biggest bank, India can become a $7-trillion economy by the end of the decade as a "strong" Prime Minister Narendra Modi rolls out the digital and physical infrastructure that's drawing multinationals involved in manufacturing advanced products and services.

"To give you a bit of perspective, my first trip to India was in 2005," Dimon told ET in an interview. "I had just become the CEO of JP Morgan. And I went to a small building in the old financial district. And I think we did research on 15 or 20 companies. Today, we do research on close to 140 companies which helps educate the world about Indian companies. We bank 850 multinationals here. We've got close to 55,000 employees in the Corporate Centre supporting our global operations and our technology. It' s engineering, cyber, tech, data, AI. We are building out a robust payment systems here for clients . And all these things you're doing are gonna make you grow more. And it's achievable. And you need strong leadership, as you have with PM Modi."

How the world reads India's growth story

Dimon is not the only one to sound bullish about India's economic growth potential. Recent global commentary and analysis has been very positive for India's growth prospects. JPMorgan's Managing Director of Asia Pacific Equity Research, James Sullivan, expects a massive $100 billion of inflows coming into India over the next few years. “I would argue very strong long-term tactical drivers that make India a key overweight from a structural perspective from JPMorgan,” Sullivan said in an interview with CNBC-TV18.

John Chambers, who heads the India US Strategic Partnership Forum and is Chairman Emeritus of CISCO is highly optimistic about the future of the Indian economy, the current share market situation and the growth of innovation in the country. In an interview with ET last week, he said, "I always try to think far out. India will probably be 90 to 100% larger than China at the end of the century and (by a) 30 to 40% margin of the US. That is the most likely outcome. [Becoming the second largest economy] could happen somewhere in the 30-40 year type of window. I think it needs to be adjusted along the way, because it (India) has moved faster than anybody thought it would, by a lot."

An S&P Global report said last week that India is on track to becoming the third-largest economy by 2030-31. On Tuesday, S&P Global Ratings retained India's growth forecast at 6.8 per cent for the current fiscal and said it expects the RBI to start cutting interest rates in its October monetary policy review. In the economic outlook of Asia Pacific, S&P Global Ratings also retained its GDP growth forecast for the 2025-26 fiscal at 6.9 per cent and said solid growth in India will allow the Reserve Bank to focus on bringing inflation in line with its target. A few days ago, Deloitte said India continues to be a bright spot in an otherwise gloomy global outlook and the country could clock a 7 per cent growth in the current fiscal despite the headwinds.

Early this month, the World Bank raised the growth forecast for the Indian economy for FY25 to 7% from 6.6% projected earlier. A few days earlier, Moody’s Ratings had revised upwards India’s economic growth projections for 2024 to 7.2% from 6.8%. Earlier, the International Monetary Fund (IMF) and Asian Development Bank (ADB) had revised upward growth forecast for the Indian economy to 7% for FY25. In June, ratings firm Moody’s said India will remain the region's fastest-growing economy, sustaining last year’s domestically driven momentum and its policy momentum is expected to continue even though the new government took charge with a reduced majority.

Amid challenging global conditions, where is India headed?

Amid geopolitical uncertainties and relatively restrictive monetary policy, global economic activity experienced a deceleration in 2023 to 2.6% while India showed "extraordinary resilience against challenging external conditions" and grew at 8.2% in FY24, as the fastest-growing major economy in the world, the World Bank said in its latest India Development Update.

India's growth continues to be strong despite a challenging global environment, and a recovery in agriculture will partially offset a marginal moderation in industry with services expected to remain robust, according to the report.

Despite cyclical moderation this fiscal year, India is set to remain the fastest-growing large economy and expand its contribution to global growth, as per an S&P Global analysis. India is well positioned to improve its prospects by continuing its infrastructure buildout and accelerating growth-enhancing reforms. In the current environment, the private sector needs to take the lead on achieving a balanced and sustainable lift in the investment cycle, S&P Global says. Equally important is the limiting of food inflation by addressing structural bottlenecks and climate risks, as well as fostering conditions for supportive monetary policy. The Union Budget announcements reflect these imperatives. All eyes are now on execution.

As per a recent Moody's analysis, India finds itself in a macroeconomic "sweet spot" with solid growth and moderating inflation. It said household consumption is poised to grow as headline inflation eases toward the RBI's target. “Indeed, signs of a revival in rural demand are already emerging, on the back of improving prospects for agricultural output amid above-normal rainfall during the monsoon season,” it said. Moreover, non-financial corporate and bank balance sheets are significantly healthier than before the pandemic, and firms are increasingly tapping equity and bond markets to raise capital. Although manufacturing has gained limited traction over the past decade, underlying improvements in the domestic operating environment and broader global trends improve prospects for India's manufacturing sector going forward, according to the ratings agency.

Geopolitical strife can also distort FDI flows and influence investment decisions and India seems to be benefiting here, Moody's had said in June. The lack of recovery of FDI into China, particularly in strategic sectors like semiconductors, stems from US and EU policies to boost domestic production and mitigate risks from non aligned foreign suppliers.

The World Bank's latest India Development Update has highlighted the critical role of trade in boosting growth. "India can boost its growth further by harnessing its global trade potential," said Auguste Tano Kouame, World Bank's Country Director in India. "In addition to IT, business services and pharma where it excels, India can diversify its export basket with increased exports in textiles, apparel, and footwear sectors, as well as electronics and green technology products."

The World Bank update recommends a three-pronged approach towards achieving the $1 trillion merchandise export target by 2030: reducing trade costs further, lowering trade barriers, and deepening trade integration.

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Slowing Indian economy to drag APAC's growth in 2025: Moody's Analytics

Moody's Analytics on Tuesday said normalising growth in India would drag the Asia Pacific (APAC) region's performance in 2025 as India's economy is projected to slow down to 6.5 per cent in 2025 from an estimated 7.1 per cent for 2024.

"In developing Asia, growth will slow to 5.1 per cent in 2024 and 4.9 per cent in 2025. Sluggish momentum in China is one major factor. Weak domestic demand will weaken domestic growth in China to 4.7 per cent in 2024, well behind the official 5 per cent target. In 2025, growth will slow to 4.6 per cent," the sister arm of Moody's Ratings.

"Normalising growth in India will also drag on the region's performance. After a strong post-pandemic rebound of 7.8 per cent in 2023, Indian gross domestic product (GDP) growth will slow to 7.1 per cent in 2024 and 6.5 per cent in 2025," it said.

Moody’s Analytics revised India's growth forecast for 2024 to 7.1 per cent from 6.8 per cent estimated in June.

However, global credit ratings agency S&P Global on Tuesday retained India’s growth forecast at 6.8 per cent for 2024-25 and expressed optimism that the Reserve Bank of India (RBI) would start cutting interest rates beginning its October monetary policy review.

“The RBI considers food inflation a hurdle for rate cuts. It reckons that unless there is a lasting and meaningful decline in the rate at which food prices are increasing, it will be tough to maintain headline inflation at 4 per cent. Our outlook remains unchanged: we expect the RBI to begin cutting rates in October at the earliest and have penciled in two rate cuts this fiscal year,” S&P said in its latest economic outlook for Asia-Pacific.

Besides, the rating agency also retained its GDP growth forecast for FY26 at 6.9 per cent and said solid growth in India would allow the RBI to focus on bringing inflation in line with its target.

S&P expects inflation to average 4.5 per cent in FY25. Moody’s Analytics predicted better inflation outcomes as well, as it reduced India’s inflation forecast to 4.7 per cent from the 5 per cent predicted earlier.

The RBI's interest rate-setting monetary policy committee (MPC) is set to meet on October 7-9. The central bank has held the benchmark interest rate steady at 6.5 per cent since February 2023 to keep inflation under check.

The RBI has been mandated by the government to keep inflation at 4 per cent with a tolerance band of 2 percentage points on either side.

FY25 forecast (in %)

- IMF 7.0
- S&P 6.8
- World Bank 7.0
- RBI 7.2
- Moody's Analytics* 7.1

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India wants IPEF to address concentration of global supply chains

The action plan team set up under the Supply Chain agreement of the Indo-Pacific Economic Framework for Prosperity (IPEF) needs to address global concentration of supply chains in critical minerals, agro-chemicals, pharmaceuticals and medical devices , commerce and industry minister Piyush Goyal said Tuesday.

“The use of specific minerals is indispensable for the sectors including clean energy, electronics, defence, transportation, telecommunications, fertilisers, and pharmaceuticals. One of the key challenges in supply chains is risk on account of concentration of global capacities or resources, which can add to price volatility and supply uncertainty,” the minister said at the ministerial meeting of the IPEF.

The ministerial meeting focussed on IPEF Pillar II (supply chains), III (clean economy), and IV (Fair Economy).

Action plan teams were formed in the first in-person meeting of the supply chain council held in Washington last week for three critical sectors – semiconductors, critical minerals with a focus on batteries, and chemicals.

“Healthcare including pharmaceuticals and medical devices is an extremely relevant area due to over concentration of global production of APIs and Key Starting Materials (KSMs) which can severely impair supply chain resilience and impact our capacity to address the healthcare needs of our economies,” he said.

The growing population puts immense pressure on limited agricultural land for higher yields and in this context, the importance of resilient supply chains for Agro-chemicals has become extremely important. According to an estimate, the Global Agrochemicals Market (fertilisers, pesticides, adjuvants, and plant regulators) is projected to reach $ 282.2 billion by 2028 from $ 235.2 billion by 2023, at a CAGR of 3.7%.
India signed Pillar III and Pillar IV of IPEF on Sunday. It was already part of Pillar II of IPEF that deals with supply chain. The supply chain agreement entered into force in February.

India, however, has decided not to join the Pillar I of the framework that deals with trade. India has opted for observer status in the trade talks.

IPEF was launched in 2022 in Tokyo. It has 14 countries – Australia, Brunei, Fiji, India, Indonesia, Japan, Republic of Korea, Malaysia, New Zealand, Philippines, Singapore, Thailand, Vietnam and USA – as members.

The IPEF partners represent 40 percent of world GDP and 28 percent of global goods and services trade.

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Premium Indian cotton brand is branching out

Executives from Texprocil visited New York Home Fashions Market to share that latest news about the Indian government's large-scale initiative to put branding power behind its best home-grown cotton.

The Kasturi Cotton program was announced in October 2023 on World Cotton Day, establishing not only a brand but also a traceability platform to ensure the authenticity of the cotton's journey from the farm to the final product. Early adopters of Kasturi Cotton included major Indian textile manufacturers such as Trident Group, Indo Count, Arvind Ltd. and Vardhman, according to Texprocil, which oversees traceability and certification in association with the Cotton Corporation of India.

As the program approaches its first anniversary, Kasturi Cotton is exploring opportunities to further expand its offerings. Plans are underway to introduce new variations, in addition to the current 29 mm and 30 mm staple lengths, consisting of extra-long staple (ELS) cotton with fiber lengths of 31 mm and beyond.

"This expansion aims to cater to the growing demand for luxury cotton products, adding a new dimension to the brand," Texprocil announced.

Central to Kasturi Cotton's strategy is its blockchain traceability platform. Stakeholders, including consumers, can trace the cotton's path through every stage of production. The platform has been designed to adapt to evolving regulations within the global supply chain.

Kasturi Cotton's scope also includes sustainability and education. The program collaborates with Indian Farmer Producer Organizations (FPOs) to enhance awareness among farmers about best practices and sustainable farming techniques.

In addition, Kasturi Cotton partners with the Better Cotton Initiative, Regenagri Cotton and Organic Cotton, broadening the scope of sustainable cotton offerings.

" This innovation promises to elevate the standards of home textiles and apparel, ensuring that finished products are of the highest caliber," said Texprocil..

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S&P retains India's FY25 growth forecast at 6.8%, expects rate cut in Oct

The global credit ratings agency S&P Global on Tuesday retained India's growth forecast at 6.8 per cent for the current financial year and expressed optimism that the Reserve Bank of India (RBI) would start cutting interest rates in its October monetary policy review.

“In India, GDP growth moderated in the June quarter as high interest rates temper urban demand, in line with our projection of 6.8 per cent GDP growth for the full financial year 2024-2025,” said S&P in its latest economic outlook for Asia-Pacific.

Additionally, the rating agency retained its GDP growth forecast for FY26 at 6.9 per cent and stated that solid growth in India would allow the RBI to focus on bringing inflation in line with its target.

“The RBI considers food inflation a hurdle for rate cuts. It reckons that unless there is a lasting and meaningful decline in the rate at which food prices are increasing, it will be tough to maintain headline inflation at 4 per cent. Our outlook remains unchanged: we expect the RBI to begin cutting rates in October at the earliest and have pencilled in two rate cuts this financial year,” S&P said.

S&P expects inflation to average 4.5 per cent in the current financial year.

The RBI’s interest rate-setting monetary policy committee (MPC) is set to meet on October 7-9. The central bank has held the benchmark interest rate steady at 6.5 per cent since February 2023 to keep inflation under check.

The RBI has been mandated by the government to keep inflation at 4 per cent with a tolerance band of +/- 2 per cent.

After the US Federal Reserve cut its benchmark interest rate by 50 basis points, there have been expectations that the RBI may also go in for a 25 basis points cut in the policy review next month.

Meanwhile, Moody’s Analytics noted in its latest Asia-Pacific outlook released on Tuesday that the Indian economy will likely grow at 7.1 per cent in 2024, up from 6.8 per cent predicted earlier. It also kept the country’s growth forecast unchanged at 6.5 per cent for 2025, while it projected faster growth of 6.6 per cent in 2026.

“After a strong post-pandemic rebound of 7.8 per cent in 2023, Indian GDP growth will slow to 7.1 per cent in 2024 and 6.5 per cent in 2025,” Moody’s Analytics said.

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Bengal likely to get textile cluster as part of Modi-Biden trade talks for export boost

West Bengal is likely to get a textile cluster soon as part of the recent trade discussions held between Prime Minister Narendra Modi and US President Joe Biden where India has plans to set up 75 such textile clusters across the country to boost its export. In the recent Modi-Biden meeting, the leaders welcomed the signing of a Memorandum of Understanding (MoU) between the Ministry of Micro, Small and Medium Enterprises and Small Business Administration for promoting cooperation between U.S. and Indian small and medium-size enterprises by improving their participation in the global marketplace through capacity building workshops in areas such as trade and export finance, technology and digital trade, green economy and trade facilitation. Also Read - CM pledges houses for flood victims, Rs 2 lakh for families of 28 deceased Sources said that the decision to set up such textile clusters to boost exports also comes at a time when India is planning to strengthen its trade with the US. Experts view this as a strategy to tackle India's trade deficit with China. Amid such a situation, India has apparently decided to find an alternative. The Union government has plans to set up textile clusters across the country and Bengal is likely to be in the top five states which will have a contribution in this aspect. Several production units are to be set up for this purpose. The Ministry of Commerce and Industry will act as the nodal agency. Sources said that India's textile market is presently worth Rs 10 lakh crore and the target is to push it above 20 lakh crore in the next five years. The textile clusters will help establish a robust distribution and supply chain. Also Read - SC refuses to intervene in HC order on upper primary teachers' recruitment Experts in the sector said Kolkata already has a good market in terms of textile. State government officials think that Bengal has already been taking several measures in a bid to make the state into a textile hub. Sources said the Union minister of Commerce Piyush Goyal may soon visit Bengal to hold talks with the state government. The state government reportedly released Rs 32.50 crore for the financial year 2024-25 to facilitate the smooth functioning of infrastructure projects under SIDBI Cluster Development Fund (SCDF). Some well-known clusters are textile clusters in Metiabruz and handloom clusters in Nadia and East Burdwan. To promote and increase the sale of 'Banglar Saree' across the state, the MSME and Textiles department encouraged opening outlets in all the district headquarters.

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Organised apparel retailers to clock 8-20% revenue growth in FY25: Report

Festive and wedding season and increasing preference for fast fashion is expected to help the organised retail apparel sector log 8-10 per cent revenue growth this financial year, a report said on Tuesday.

The organised retail apparel sector will clock a revenue growth of 8-10 per cent this fiscal riding on higher demand stemming from a normal monsoon, easing inflation, festive and wedding season and increasing preference for fast fashion, which is inexpensive, trendy clothing that mimics high fashion designs and popular styles, Crisil Ratings said in a report.

"The mass market segment accounts for 60 per cent of total sales now, compared with 56 per cent before the pandemic, due to the rising popularity of fast fashion, which is expected to be the primary revenue driver this fiscal. The likely increase in demand for premium clothing during the upcoming festive and wedding seasons will also contribute to overall revenue growth of 8-10 per cent this fiscal," Crisil Ratings Senior Director Anuj Sethi said.

However, revenue growth will be slower than the compound annual growth rate of 11-12 per cent seen between fiscals 2018 and 2023, making retailers cautious at opening new stores, the report noted.

Instead, retailers will focus on enhancing efficiencies at existing stores, controlling costs and limiting reliance on external debt, which will help maintain their operating margin at 7.2-7.4 per cent despite continued high marketing expenses, thereby ensuring stable credit profiles, it added.

In the apparel retail business, the mass market is the largest segment, followed by premium and luxury.

Fast fashion, a growing subset of the mass market, offers the latest trends, frequently updated throughout the season with a shorter lead time to reach customers quickly.

The report said that retailers are adjusting business strategies, enhancing supply chain efficiency and focusing on new trends - particularly in fast fashion - to meet the evolving consumer behaviour.

With consumer spending shifting towards travel experiences and luxury goods in major urban locations, retailers will be cautious at store expansion there, while continuing to expand in tier II and III cities, which are transitioning towards organised retail.

The area addition will be lower year-on-year at 2.2 million square feet compared with 3.6 million square feet last fiscal as store sizes will be smaller, said the report.

Meanwhile, Crisil Ratings further said that revenue density is expected to remain flat at Rs 11,900 per square foot due to muted growth in same-store sales and will restrict significant improvement in profitability.

"The marginal increase in profitability this fiscal will be driven by apparel retailers streamlining existing stores and opening new stores only as necessary, given that demand has not fully recovered. Besides, the need to offer higher discounts and incur marketing spends to attract customers will limit the overall improvement in operating margin to 7.2-7.4 per cent against 7 per cent in fiscal 2024," Crisil Ratings Associate Director Anil More said.

According to the report better inventory management and stable input costs will prevent significant inventory write-offs, unlike last fiscal when sharp cost changes lowered profitability by 100-110 basis points.

Consistent cash flow and limited reliance on debt to fund store expansion will lead to adequate debt metrics.

Interest coverage and total debt/Ebitda (earnings before interest, taxes, depreciation, and amortisation) ratios of apparel retailers are expected to be 6.2 times and 1.7 times, respectively, in 2024-25, in line with last fiscal, it added.

However, changes in commodity prices, inflation trends, consumer spending behaviour, and retailers' ability to sustain the momentum in the fast fashion segment needs to be watched, added the report.

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FIEO seeks extension of interest subsidy scheme for 5 years

The Federation of Indian Export Organisations (FIEO) has urged the government to extend interest equalisation scheme or subsidy on loan for exports, which is slated to come to an end on September 30 after multiple extensions, by another 5 years in order to provide support to exporters who are struggling due to ongoing geo-political conflicts and subdued global demands.

Talking to reporters on the sidelines of an event FIEO Director General Ajay Sahai said some Indian exporters may not be able to service their overseas shipment demands if interest subsidies are not provided. “If there is no interest equalisation scheme, then we

will lose some markets and some orders,"
he said.

Sahai said the export body has requested the government for extension of the scheme. "The scheme will end on September 30. We have requested for it to be extended for five years," he added.

The interest equalisation scheme was introduced in April 2015, initially for five years. However, it has been extended multiple times. With effect from April 1, 2015 interest equalisation at 3% for labour intensive / MSME sectors was introduced. The rate was increased to 5% for MSME sectors with effect from November 2, 2018 and merchant exporters were covered under the scheme with effect from January 2, 2019.

Scheme seeks to remove cost disability of Indian exports because of higher credit cost. At present, the bank rate in India is 6.5% whereas in Japan (0.10%), China (3.45%), South Korea (3.5%), and Singapore (3.42%). Credit cost in India is generally 5-6% higher when compared with the other major exporting countries.

FIEO President Ashwani Kumar said another major challenge facing the Indian exporters is increased transportation cost due to the
ongoing disruptions in the Red Sea.

Meanwhile, FIEO signed an agreement with trade financing firm Stenn for supporting small and medium-sized businesses engaged in international trade.

"Our collaboration with FIEO represents a strong commitment to helping Indian exporters expand their global presence," said Noel Hillman, Chief Commercial Officer of Stenn.

"By providing flexible financing solutions and mitigating payment risks, we empower businesses to scale rapidly and compete effectively with larger players," he added.

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GLOBAL

Bangladesh secures $36 mn foreign investment in BEPZA economic zone

British-Irish company Deltaport Limited has committed to invest $36 million to establish a garment manufacturing facility in the Bangladesh Export Processing Zone Authority Economic Zone (BEPZA EZ).

Deltaport Limited, a sister concern of Eastport Limited, a company operating in Cumilla EPZ since 2013, plans to produce 20 million pieces of garments annually. These products will include protective clothing, workwear, PPE, hospital gowns, masks, bedsheets, and curtains. The factory is expected to generate employment for 5,980 Bangladeshi nationals, BEPZA said in a press release.

The agreement was signed on Sunday, September 22, 2024, at the BEPZA Complex in Dhaka by BEPZA's member (Investment Promotion) Md. Ashraful Kabir and Deltaport Limited's representative, Junaid Iqbal Umerani, in the presence of BEPZA executive chairman major general Abul Kalam Mohammad Ziaur Rahman, BSP, ndc, psc.

The BEPZA executive chairman expressed gratitude to Deltaport for their investment and urged them to begin construction promptly. Senior BEPZA officials, including member (Engineering) Mohammad Faruque Alam and member (Finance) A N M Foyzul Haque, were also present at the ceremony.

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Switzerland, China begin negotiations to upgrade bilateral FTA

Switzerland and China yesterday started talks to upgrade the Sino-Swiss Free Trade Agreement (FTA) and agreed to intensify consultations.
Chinese commerce minister Wang Wentao and head of the Swiss federal department of economic affairs, education and research Guy Parmelin announced the launch of talks through a livestream, the Chinese commerce ministry said in a statement.

Signed in July 2013 and coming into effect a year after, the FTA has played a positive role in promoting the growth of bilateral trade, and enterprises in both countries have benefitted, Wang noted.

Upgrading the FTA will help expand bilateral trade and boost two-way investment, and promote the upgrading of economic and trade cooperation between the two countries, he was cited as saying by a Chinese state-controlled media outlet.

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ICE cotton remains range-bound amid hurricane threats, demand concerns

ICE cotton remained range-bound amid a slight easing, due to a focus on weather conditions and the demand scenario. Another hurricane is heading towards the cotton-

producing belts of the US, which could damage the quality of the cotton. Other agricultural commodities were steady to up yesterday.
Yesterday, the ICE cotton December contract settled at 73.44 cents per pound (0.453 kg), down by 0.08 cents. The contract traded within a range yesterday.

The dollar index was slightly higher, which was also a negative factor for US cotton. NYMEX crude oil futures closed lower on Monday due to weak economic data from the Eurozone and China. However, oil prices remain high, making polyester more expensive.

The trading volume was 41,590 contracts yesterday, compared to Friday's higher volume of 55,158 contracts. Open interest stood at 232,086 contracts, reflecting a decrease of 969 contracts. Over the last four sessions, open interest has dropped by 4,603 contracts, though this decline has not fully offset the large increase of 7,125 contracts from the previous Monday.

ICE data showed that as of September 20, deliverable No. 2 cotton futures contracts remained at 265 bales.

A potential tropical cyclone, about 350 miles south-southeast of Cuba, is expected to develop into a hurricane. It may impact major cotton-growing areas in Alabama, Georgia, and Florida by Thursday, affecting the quality of cotton in the full boll stage.

The USDA's weekly crop report indicated that US cotton quality declined to 37 per cent, down from 39 per cent the previous week, though still higher than the 30 per cent rate seen at the same time last year.

The US cotton harvest rate progressed to 14 per cent this week, compared to 10 per cent the previous week and 12 per cent during the same period last year.

Currently, ICE cotton for December 2024 is trading at 73.86 cents per pound, up 0.42 cents. Cash cotton was traded at 66.94 cents (down 0.08 cents), the October contract at 71.70 cents (down 0.51 cents), the March 2025 contract at 75.63 cents per pound (up 0.44 cents), the May 2025 contract at 76.72 cents (up 0.46 cents), and the July 2025 contract at 76.89 cents (up 0.17 cents). A few contracts remained at the same level as the last closing, with no trading noted today.

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