

## Textile Index Grows Marginally Despite Unfavourable Macroeconomic Factors

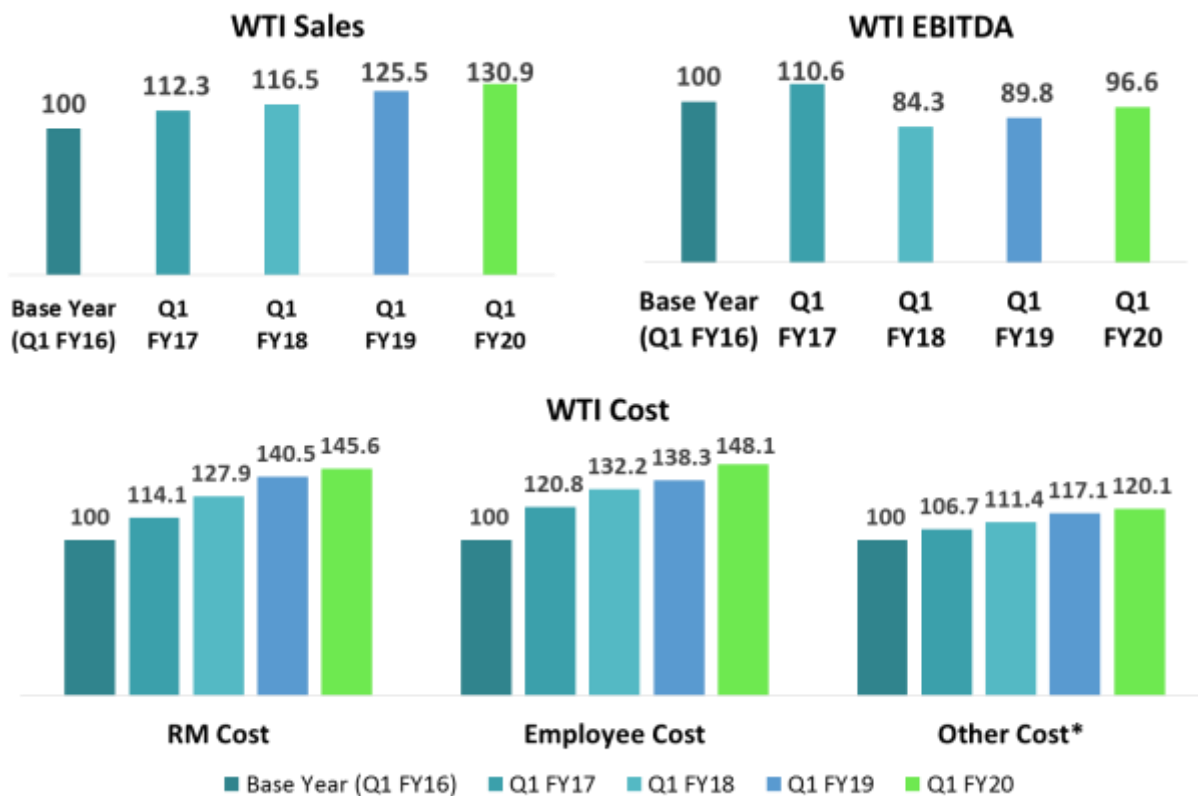
By Wazir Advisors

### Textile Index to assess the overall financial performance of the textile sector

The Wazir Textile Index (WTI) encompasses the highlights of the cumulative financial performance of the top Indian textile companies with respect to the market performance of the Indian textile sector for Q1 FY20.

WTI Sales was calculated to be 130.9 during Q1 FY20 (Base year FY16=100), which increased by 4% as compared to Q1 FY19. The WTI Cost for raw material (RM), employee and other expenses were 145.6, 148.1 & 120.1, respectively, in Q1 FY20. The WTI EBITDA was calculated to be 96.6 in Q1 FY 20, showing a notable growth of 8% from the value of 89.8 in Q1 FY19.

Figure 1: WTI Sales, WTI EBITDA, WTI Cost



The consolidated sales of the selected top 10 companies was Rs. 10,107 crore in Q1 FY20 as compared to Rs. 9,694 crore in Q1 FY19, growing by 4 per cent y-o-y. As compared to Q1 FY19, average EBITDA margin increased marginally by 0.4 percentage points in Q1 FY20. Average RM cost decreased slightly by 0.3 percentage points, while the average employee cost increased by

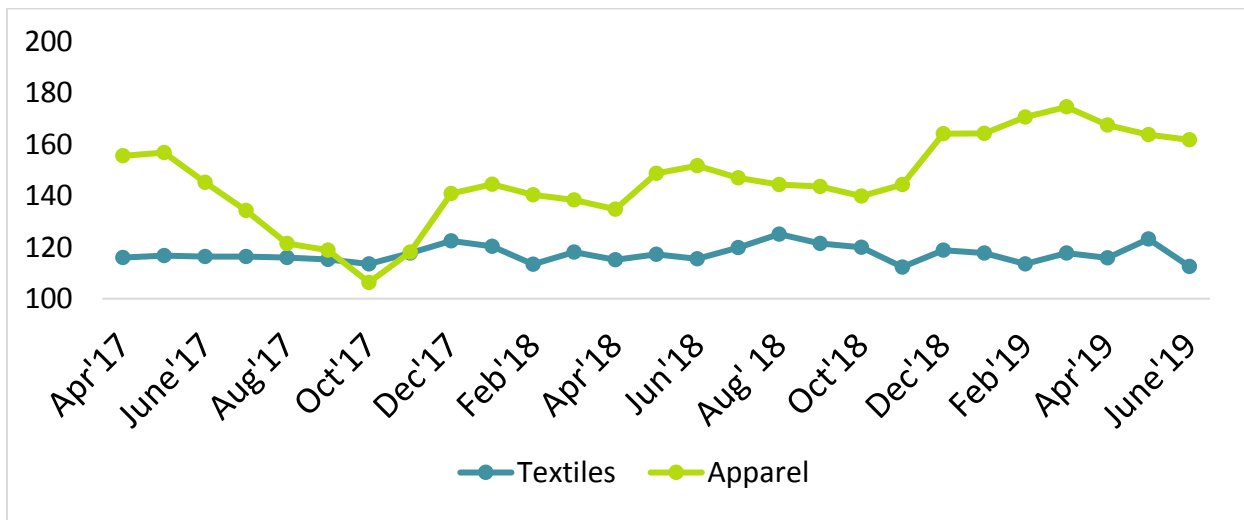
0.3 percentage points in Q1 FY20 as compared to the same period during the previous financial year.

### India's GDP growth slackens in Q1 FY20

India's Gross Domestic Product (GDP) was Rs. 35.85 lakh crore in Q1 FY20, as against Rs. 34.14 lakh crore in Q1 FY19, witnessing a growth of only 5 per cent.

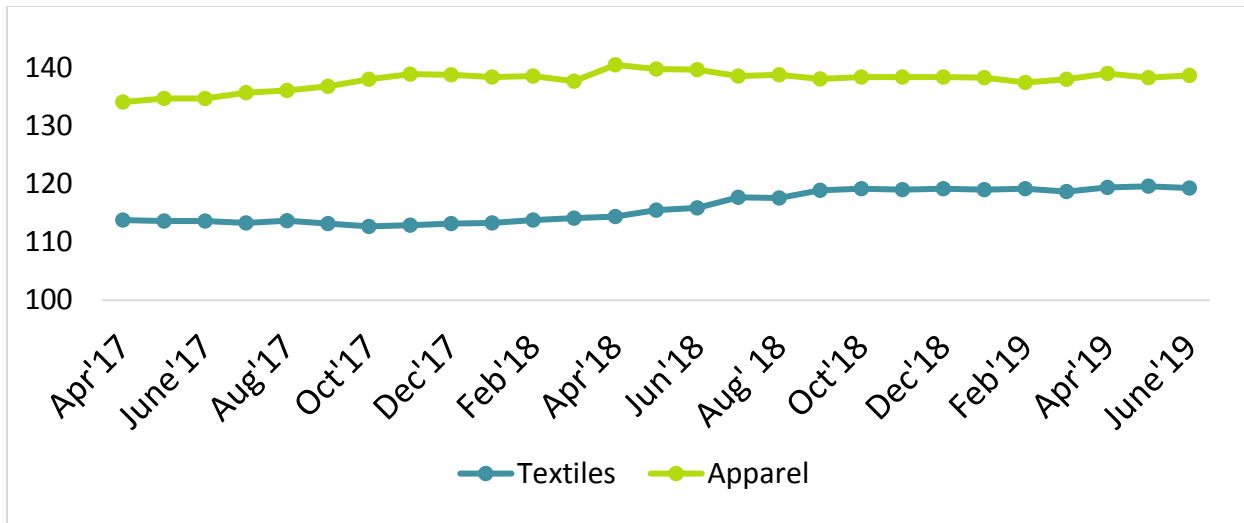
Average Index of Industrial Production (IIP) for apparel increased significantly by 13 per cent in Q1 FY20 as compared to Q1 FY19, while that of textiles showed a marginal increase of 1 per cent. In Q1 FY20, the Wholesale Price Index (WPI) for textiles and apparel registered an increase of 4 per cent and 1 per cent, respectively.

Figure 2: Index of Industrial Production (IIP)



Data Source: Ministry of Statistics and Program Implementation (Base Year 2011-12)

Figure 3: Wholesale Price Index (WPI)



Data Source: Ministry of Statistics and Program Implementation (Base Year 2011-12)

### Although apparel exports have started improving, India's overall textile & apparel exports are declining

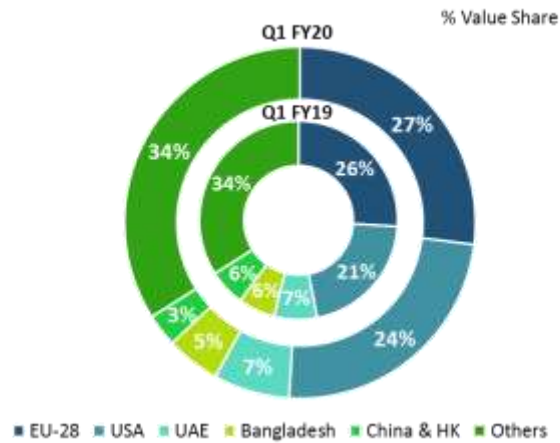
The textile & apparel exports in Q1 FY20 stood at US\$ 8.7 billion, showing a dip of 8 per cent from Q1 FY19. The exports of fibre and yarn have shown a significant decline of 56 per cent and 32 per cent, respectively. This is majorly due to the decline in exports to China (exports of fibre and yarn reduced by US\$ 110 million and US\$ 327 million, respectively). On the contrary, exports of fabric showed a growth of 4 per cent and that of apparel and home textiles showed a growth of 3 per cent each. EU and USA are the largest markets for India's textile & apparel commodities with their market share increasing by 1 per cent and 3 per cent, respectively. However, the share of China in India's markets has declined by 3 per cent.

Table 1: India's Textile & Apparel Exports (Values in US\$ Million)

Category	Q1 FY19	Q1 FY20	% change
Fibre	857	381	-56%
Filament	352	299	-15%
Yarn	1,298	886	-32%
Fabric	1,147	1,189	4%
Apparel	4,050	4,172	3%
Home Textile	1,294	1,327	3%
Others	491	449	-9%
<b>Total</b>	<b>9,488</b>	<b>8,703</b>	<b>-8%</b>

Data Source: DGCI&S

Figure 4: India's Top Textile & Apparel Export Markets



Data Source: DGCI&S

### India's textile & apparel imports increase by 6%

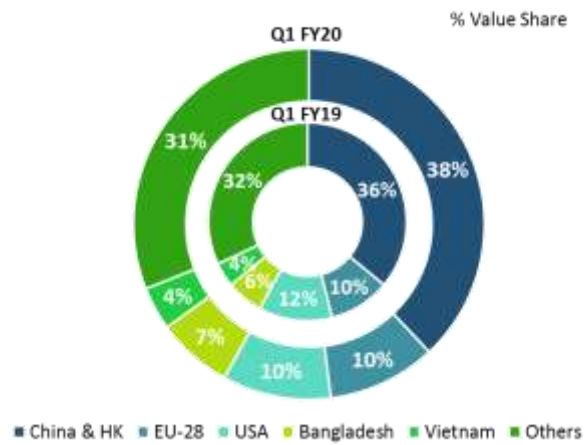
India's textile & apparel imports stood at US\$ 2.0 billion in Q1 FY20, recording a growth of 6 per cent over Q1 FY19. The imports of filament and apparel experienced the highest growth of 18 per cent each, followed by that of fibre with a growth of 15 per cent. China & HK is the largest supplier to India for textile & apparel commodities, with its share increasing from 36 per cent in Q1 FY19 to 38 per cent in Q1 FY20.

Table 2: India's Textile & Apparel Imports

Category	Q1 FY19	Q1 FY20	% change
Fibre	503	579	15%
Filament	167	197	18%
Yarn	114	112	-2%
Fabric	662	618	-7%
Apparel	196	232	18%
Home Textile	58	63	8%
Others	171	185	8%
<b>Total</b>	<b>1,871</b>	<b>1,985</b>	<b>6%</b>

Data Source: DGCI&S

Figure 5: India's Top Textile & Apparel Suppliers

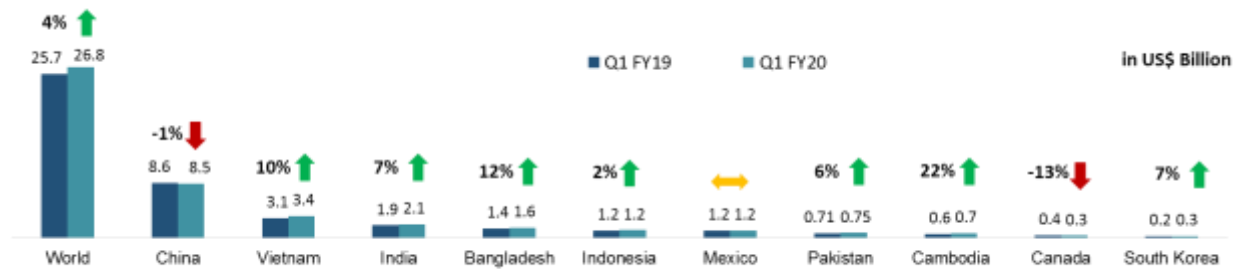


Data Source: DGCI&S

### Textile & apparel imports of USA increased by 4%, while that of EU remained stagnant

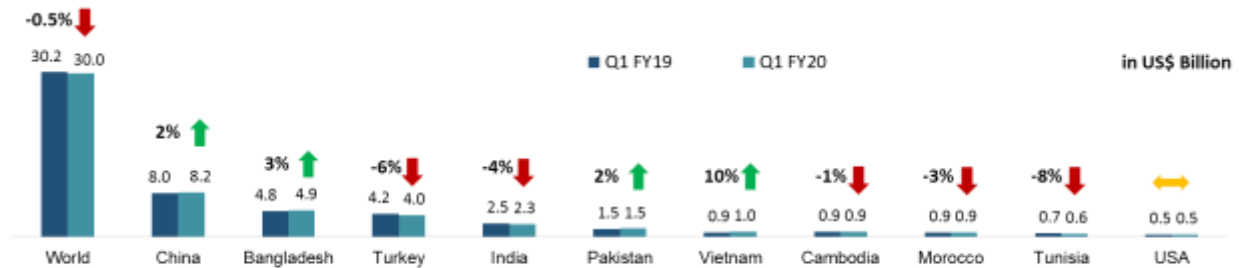
USA imported textile & apparel products worth US\$ 26.8 billion in Q1 FY20, growing by 4 per cent as compared to Q1 FY19. With a value of US\$ 30 billion in Q1 FY20, the textile & apparel imports of EU remained the same as compared to Q1 FY19. China is the largest supplier for both USA and EU. India's exports to USA stood at US\$ 2.1 billion in Q1 FY20, showing a growth of 7 per cent as compared to the previous financial year. For EU, India's exports stood at US\$ 2.3 billion in Q1 FY20, showing a decline of 4 per cent over the previous financial year.

Figure 6: Overall Imports and Top Import Countries of USA



Data Source: OTEXA

Figure 7: Overall Imports and Top Import Countries of EU

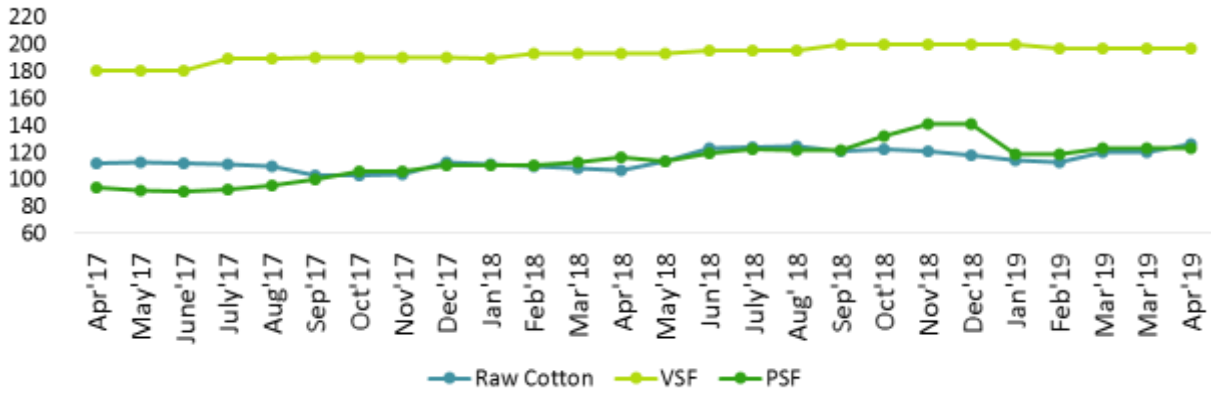


Data Source: Eurostat

### Average raw material prices have increased

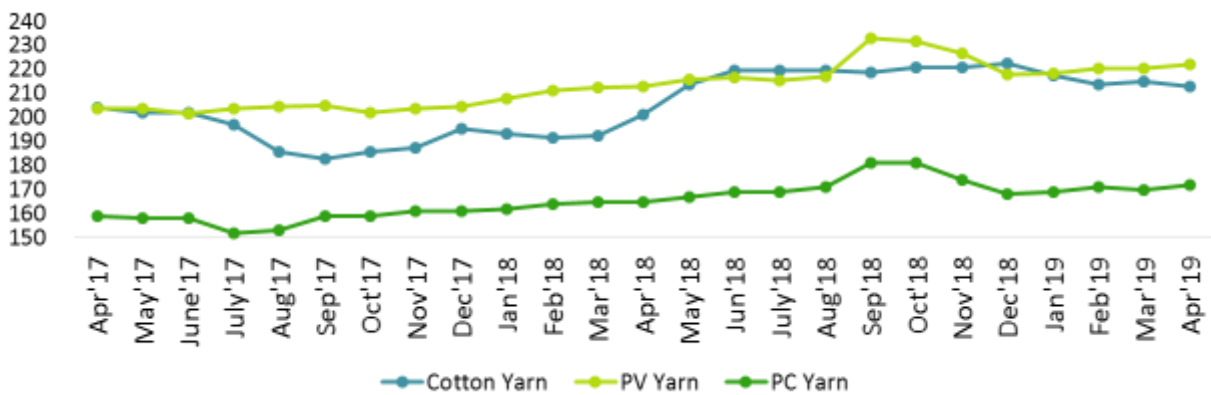
Majority of the raw material witnessed an increase in their prices in Jan-Apr 2019 as compared to Jan-Apr 2018. In terms of fibre, the price of raw cotton witnessed a rise of 8 per cent, while that of viscose staple fibre witnessed a decline of 8 per cent. In terms of yarn, there was an increase of 10 per cent in the average prices of cotton yarn, followed by an increase of 4 per cent each in the prices of polyester viscose blended yarn and polyester cotton blended yarn.

Figure 8: Fibre Prices (Rs. /kg)



Data Source: Ministry of Textiles

Figure 9: Yarn Prices (Rs. /kg)



Data Source: Ministry of Textiles

The Indian textile & apparel industry showed steady growth in terms of overall sales and EBIDTA levels in the first quarter of the financial year 2019-20. However, the sector is struggling in terms of exports with a decline of 8 per cent in Q1 FY20 as compared to Q1 FY19. The weakened performance of India's textile & apparel exports is an alarming situation, which needs to be addressed at the earliest. India also needs to take the required measures to leverage the global opportunities such as the ongoing trade tensions of China with USA, in order to increase its share in the global market.

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