

“China Plus One policy to give fillip to Indian home textile exports”

Estimated at \$ 5 billion, India’s home textile market is the third-largest market in Asia Pacific after China and Japan. China Plus One trend and ban on Xinjiang cotton are likely to benefit Indian textile industry. In this interview, **Pulkit Agarwal, Associate Director, CARE Ratings**, analyses the performance of Indian home textiles industry and the effect of the second Covid wave on the industry.



How do you see the performance of Indian home textiles industry in 2020 and 2021 (so far)?

India’s home textile market is estimated at \$ 5 billion. India is the third-largest home textile market in Asia Pacific after China and Japan. The Indian textiles were impacted due to the nationwide lockdown towards end of March 2020; however, home textiles industry has seen a quick rebound from the nationwide lockdown owing to increase in demand for home textiles as a result of increasing number of people working from home and growing emphasis on hygiene-based products.

India’s bed sheet and terry towel exports to the US increased in Q3FY21 with exports surpassing pre-covid levels. In last couple of years, India has been able to gradually increase its market share in home textile exports globally. This has become possible due to certain inherent advantages of India’s textile companies like abundant raw material, cheap labour, government’s support and integrated nature of business. This also got further boost with ‘China Plus One’ trend and ban on Xinjiang cotton.

What will be the effect of the second Covid wave on the Indian home textiles industry (domestic as well as exports)?

Given last year’s nationwide lockdown experience, the companies are better equipped to respond to restrictions, follow protocols and maintain business continuity. Home textile segment is less labour intensive as compared to some other segments of textile value chain and hence relatively insulated from labour movements and Covid-related health issues.

On the domestic front, with lockdowns in certain states, the demand for home textile products may be impacted in short term, however, as seen last year

e-commerce channel is expected to relatively insulate this demand impact.

On the export front, US and EU are the major export markets for home textile players. India’s bed sheet and terry towel exports to the US increased in Q3FY21 with exports surpassing pre-covid levels. In both US and EU, vaccination drive is in full swing and there has been gradual opening up of economies. The demand from export is expected to remain strong further boosted by ‘China plus one’ strategy.

Besides demand, what are the key challenges before the Indian home textile companies?

Cotton yarn is the major raw material for home textile companies. The prices of cotton yarn (40s combed spun yarn) hovered in the range of Rs 212 per kg to Rs 218 per kg during the period April-October 2020 which improved to Rs 220 per kg in November 2020 and continued to increase by 3%-4.5% on m-o-m basis during December 2020 – March 2021 backed by better demand for cotton yarn in domestic and international markets and higher cotton prices. On an average, the cotton yarn prices improved by 17% in the last 6 months from Rs 218 per kg in October 2020 to Rs 255 per kg in March 2021. Sustained increase in cotton yarn prices and inability to entirely pass on could impact margins of home textile companies.

The government announced new duty drawback scheme Remission of Duties and Taxes on Export Products (RoDTEP) from January 1, 2021, to replace Rebate of State and Central Taxes and Levies (RoSTCL). The government is yet to notify rates under RoDTEP. Any rate lower than RoSTCL can impact margins of home textile exporters.

What are some of the emerging trends in home textiles?

India’s home textile players are moving gradually from making institutional bedding (catering to hotels, resorts and cruises) to fashion bedding. This segment is more margin accretive. Fashion beddings are more customised and employ patented technologies. Within this segment, there is growing emphasis on value-added / innovative products such as anti-microbial, anti-bacterial fabric, etc.

Also, awareness about environmentally sustainable consumption is increasing the demand for sustainable products, eco-friendly raw materials and recycled products.