

Cotton & Blended Yarn

Industry Code (as per CMIE Prowess): 0101011501000000'

June 2022

Overall Industry Risk Score: **13/20 | Marginally Favourable**

Sample Size: 61 Companies

Median Rating Value of sample size: BBB-

Individual Parameters Contributing to the Score

Demand & Supply Balance  **12/20**

DS Equilibrium

The low capacity utilisation in textile sector due to the lockdown & labour migration caused the decline in yarn output during FY20 and the first half of FY21. Second quarter onwards was a period of gradual retracement on the back of domestic demand and exports. As per CMIE data, the industry witnessed growth in sales revenue by 52% from Rs. 75.11 billion in December 2020 quarter to Rs. 114.40 billion in the quarter ending December 2021. Export volumes increased by 38.3% from 85.7 thousand tonnes in January 2021 to 118.5 thousand tonnes in January 2022. A rapid recovery is expected due to pent up demand both in the domestic and export segment.

Extent of Competition  **8/20**

Fragmented Industry

The industry structure in India is characterised by a large number of small to mid sized spinners leading to intense competition. However, in cotton yarn segment players with a presence in higher counts (finer varieties of yarn) & captive power enjoy a competitive advantage.

Regulatory Risk



16/20

Stable Regulatory environment

The government has been historically supportive of the textile industry through capital, interest or even power subsidies or benefits to textile parks as the industry is labour intensive. We believe that such support through existing schemes like technology upgradation (TUF) will continue.

Input Related Risk



16/20

No supply disruptions / very narrow price band or fluctuations

Cotton or fibre availability in India is usually adequate for spinning mills though in case of a demand-supply gap, there can be raw material price volatility. The power tariff is another risk factor which is offset by many players through captive generation units.