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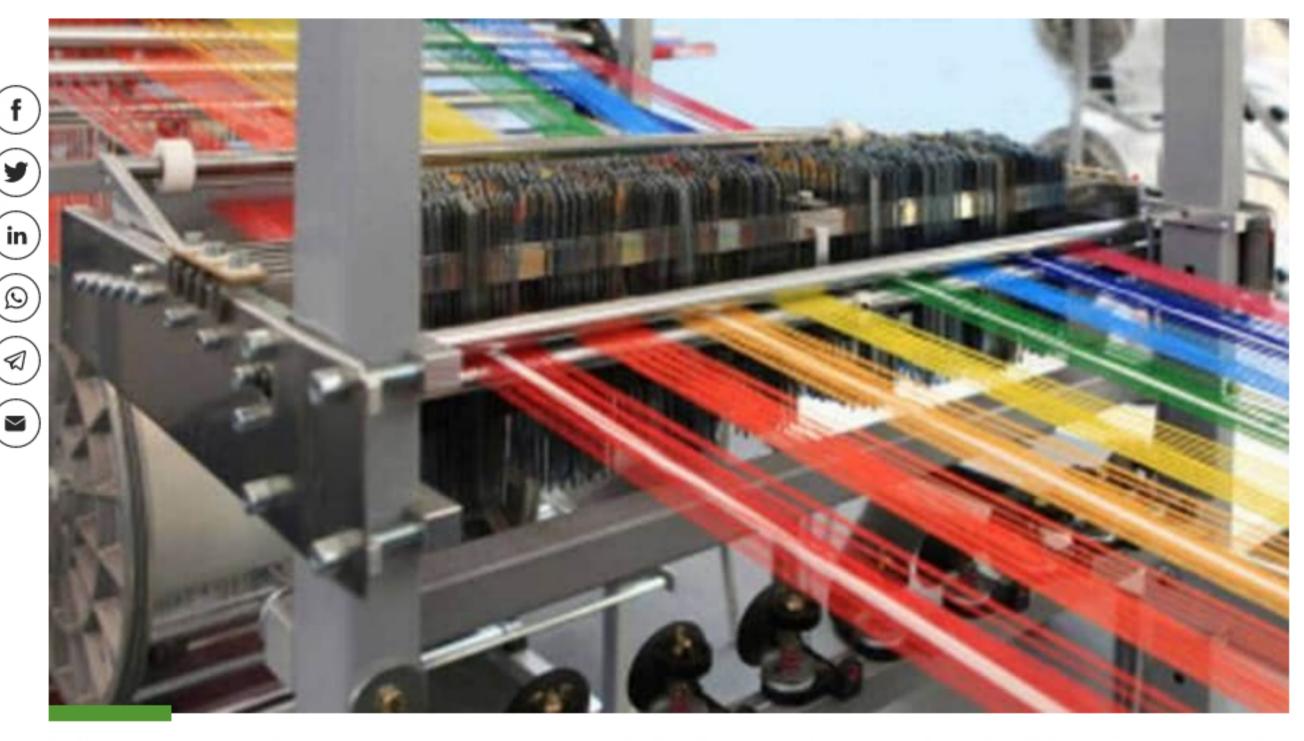
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Textiles industry to be stable in FY22, expected to touch pre-Covid level: ICRA

The recovery in the domestic textile sector, that picked up pace in Q3 FY2021, is likely to continue in the upcoming quarters, said ICRA.

JANUARY 14, 2021 / 08:14 AM IST



Trident | In 2021 so far, the stock gained 49 percent to Rs 14.74 as of January 11 from Rs 9.98 as of December 31, 2021.

Rating agency ICRA on Wednesday said the textile industry's performance will recover to pre-Covid levels in the next fiscal on account of boost in demands from domestic as well as export markets.

The agency assigned outlook for the sector as "stable" for FY2022.

The recovery in the domestic textile sector, that picked up pace in Q3 FY2021, is likely to continue in the upcoming quarters, said ICRA.

This will be supported by the opening up of economies and markets, improved consumer confidence levels and continued pick up in discretionary spending, it added.

Commenting on it, ICRA Senior VP & Group Head, Corporate Sector Ratings, Jayanta Roy said the textile sector appears to be on a firm footing with the worst of the pandemic impact behind us, and favourable progress on vaccination rollouts.

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"As demand continues to normalise in domestic as well as export markets, we expect the textile sector performance to recover to pre-Covid levels in FY2022 at a broader level. Accordingly, ICRA's textiles sector outlook for FY2022 is Stable," he said.

After witnessing a major setback in Q1 FY2021 following the Covid-19 pandemic and the ensuing lockdowns, the domestic textile sector started reporting a gradual recovery from Q2 FY2021 onwards.

This was supported by opening up of the markets and resumption of activity across the value chain.

"Based on an analysis for samples of large, listed players across segments, ICRA expects cotton spinning and apparel export segments to report relatively lower

contraction in FY2021 vis-a-vis other segments (including fabrics and domestic apparels), considering higher dependence of these segments on exports," it said.

Similarly, the recovery is slated to be faster for these segments in FY2022.

"Revenues for the cotton spinning and the apparel export segments in FY2022 are likely to grow by 15-20 per cent, following a contraction in mid-teens, estimated for FY2021," it added.

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While operating margins for spinners are likely to revert closer to pre-Covid levels, those for apparel exporters may remain marginally lower than the pre-Covid levels amid a competitive operating environment, wherein buyers could be expected to negotiate for steeper discounts.

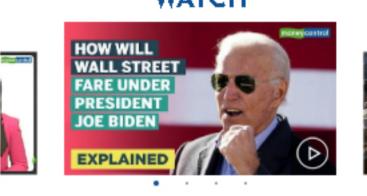
"For fabric and domestic apparel categories, the revenue growth in FY2022 is projected at 30-35 per cent and 35-40 per cent, respectively, with these segments estimated to report steeper contraction vis-a-vis other segments in FY2021," it said.

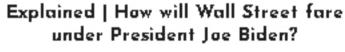
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