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## INDUSTRY OUTLOOK

### THREADING THE FUTURE: WEAVING INNOVATIONS AND SUSTAINABILITY IN THE TEXTILE INDUSTRY

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#### Introduction

India is the world's second largest manufacturer of textiles and apparel, after China. It is the world's third-largest cotton producer (after China and the United States) and second-largest cotton consumer after China. The essential strength of this business stems from its large production base of fibers and yarns ranging from natural fibers to synthetic fibers. India is diverse in nature and Indian textile industry represents the diverse culture of each state with its different type of apparel worn there. India's cultural landscape is beautifully adorned with a plethora of handloom traditions, each state contributing a unique fabric to the nation's rich tapestry, in terms of color, texture, raw materials, etc.

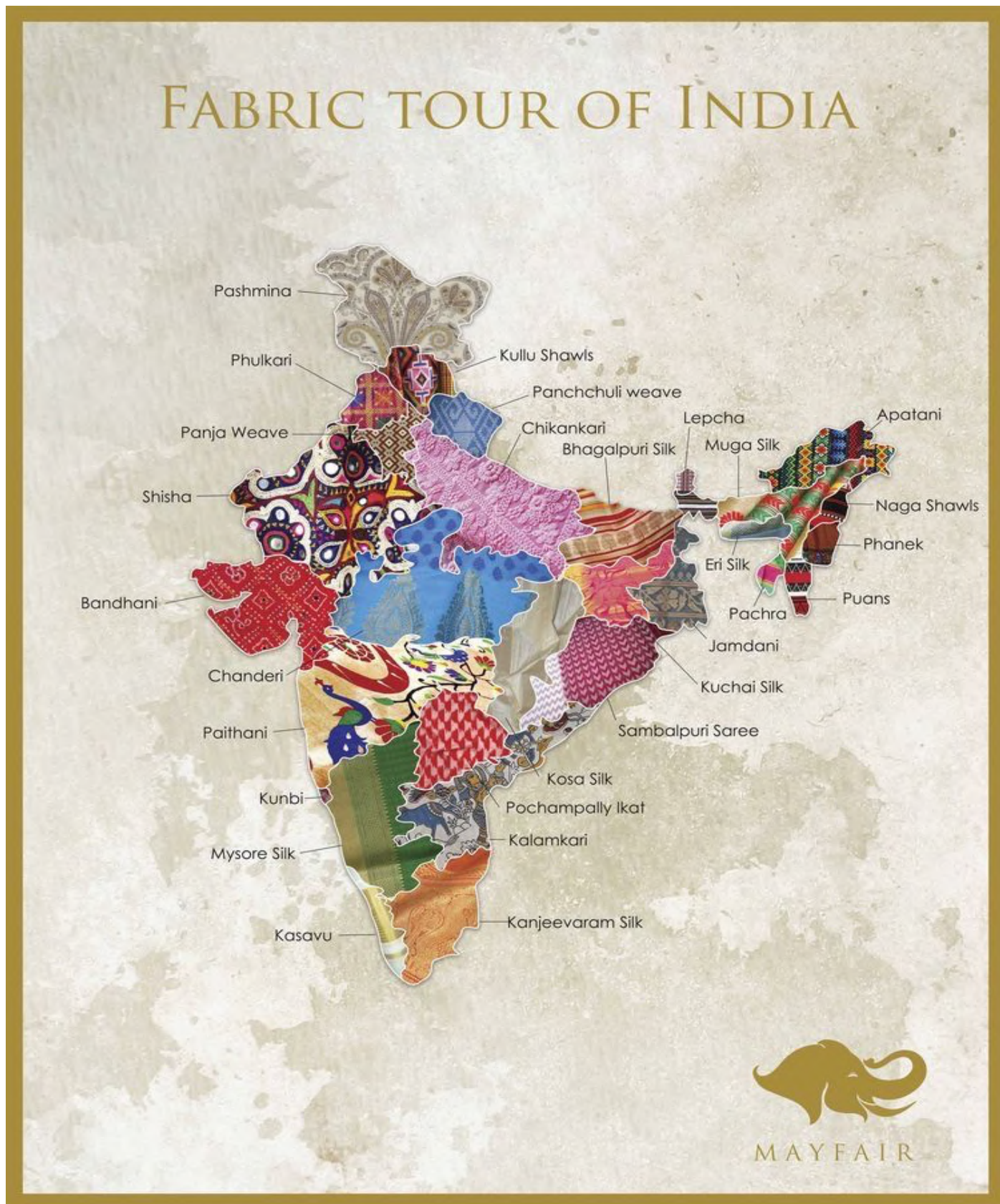


## Indian Textile Industry

The Indian textile industry is the second largest employment provider in India after agriculture, providing direct employment to 45 million people and 60 million people indirectly in the allied sector. Not only is the textile sector highly labour intensive, but it also employs unskilled and semi-skilled labour force. The role of women in the handloom sector is huge and ever increasing as 70 per cent of workers employed in the textile sector are women. In the next 7 years, industry's employment is going to grow at a compound annual growth rate (CAGR) of 2.29 per cent.<sup>1</sup>



The production in textile market is expected to grow at a CAGR of 2.41 per cent in the next six or seven years and the value addition will happen at the CAGR of 4.54 per cent.<sup>2</sup> This will be majorly driven by the lower cotton prices and coherent improvement in national and global demand, making way for the gradual revival of trade routes in the coming years. India offers a variety of textiles, from Kalamkari (Andhra Pradesh) to Muga Silk (Assam), from Bandhani (Gujarat) to Kunbi (Goa), etc. The image below explains the state-wise variety.



Nearly 5 per cent of total agricultural area planted in the country is cotton. The central cotton-growing zone produces two-thirds of the country’s output and includes the states of Maharashtra, Madhya Pradesh, Gujarat, and Odisha. According to the Ministry of Agriculture and Farmers Welfare (MOAFW), close to 45 per cent of total cotton area is under irrigation. The northern zone, which consists of the states of Punjab, Haryana, and Rajasthan, produces cotton under irrigated conditions, and accounts for approximately 12 per cent of production. In the south, the states of Andhra Pradesh, Karnataka, and Tamil Nadu account for 25 per cent of production. The central and southern zones typically grow long duration cotton that allows farmers to reap multiple harvests. While the number of pickings has declined as traditional varieties are replaced by biotech hybrids, farmers can still manage up to five pickings per plant depending on weather conditions. In contrast, irrigated cotton in the northern zone is mostly a short season crop that fits into a cotton-wheat cropping system.

Region	States	Cotton Grown	Planting season and irrigation status
North	Punjab, Haryana, Rajasthan	Medium and Short Staple	End April-May/Largely Irrigated
Central	Gujarat, Maharashtra, Madhya Pradesh	Medium and Long Staple	Mid-June-July (after onset of monsoon) /Largely Rain Fed
South	Andhra Pradesh, Karnataka, Tamil Nadu	Long and Extra Long Staple	August-September/ Largely Rain Fed

According to the Indian Meteorological Department (IMD), the March to May 2024 seasonal forecast suggests that rainfall during March is likely to be above normal (above fifty year-average) over most parts of the country. The IMD forecasts above-normal maximum temperatures during the upcoming hot weather season from March to May in most parts of the country. As cotton is tolerant of high temperatures and drought, the severity and length of the heat-wave in this year can lead to yield loss without adequate moisture. Farmers are expected to shift some cotton area to higher remunerative crops, such as, pulses (pigeon pea, green gram, black gram), paddy, and maize across various states.

### **Growth of Textile Industries in India**

As per the National Accounts published by the Central Statistics Office, textiles, including the wearing apparel sector, generated a gross value added (GVA) of ₹ 3.77 lakh Crore in FY23, which was about 10.6 per cent of the manufacturing GVA at current prices during the year. The sector also accounted for 29.3 per cent of the total non-corporate manufacturing GVA and 7.9 per cent of the corporate manufacturing GVA in FY23.<sup>3</sup> The textile industry grew at the rate of 11.2 per cent (YoY) in March 2024 with a CAGR of 7.3 per cent from March 2020.

As per the Confederation of Indian Textile Industry (CITI) report, the textile sector recorded private investment of about ₹ 10,000 crore in H1 of 2022-23, but the investment slowed down to around ₹ 7,000 crore in H2 of the current fiscal. The textile sector underperformed compared to other economic sectors like steel, electricity, chemical, auto, and pharma.

The production of textiles rose by 3 per cent. Apparel production fell, however, by 2 per cent in January 2024 (based on the Index of Industrial Production - Quick Forecasts of IIP January 2024) as compared to last year. Cumulatively (Apr-Jan) the production of textiles marginally improved by 0.4 per cent, but apparel production is still depressed and lagging by 17 per cent respectively, and any rise in consumption will only lead to recovery or offsetting of sizeable output losses of the past two seasons.<sup>4</sup>

<b>Table 2: IIP Index of Textiles</b>	
<b>Index nos.: Apr 2023 to Apr 2024</b>	
<b>Month</b>	<b>Index</b>
	<b>(Wt=3.29)</b>
<b>Apr-23</b>	105.6
May-23	107.4
Jun-23	107.8
Jul-23	108.5
Aug-23	107.1
Sep-23	108.4
Oct-23	110.2
Nov-23	102.7
Dec-23	112.3
Jan-24	109.7
Feb-24	105.7
Mar-24	106.5
Apr-24	105.9
<b>Cumulative</b>	<b>Apr-Apr</b>
<b>2020-21</b>	11
2021-22	114.6
2022-23	114.1
2023-24	105.6
2024-25	105.9

Source: CMIE/Infomerics Research

In the H1 of fiscal 2023-24 (FY24), the cumulative IIP for manufacturing of textiles dropped by 0.9 per cent YoY to 107.3, while the same for apparel manufacturing fell by 21.9 per cent YoY to 104.9. The overall cumulative IIP for textile industry for the period of Apr'23-Apr'24 fell to 105.9.<sup>5</sup> As per NSO's quick estimates, IIP with base 2011-12 stood at 147.7 in April this year against 140.7 in the same month last year.

India also hopes that the growth in fast fashion and e-commerce would help the country's home market reach US\$ 1.8 trillion from US\$ 110 billion in 2022. Additionally, it is projected that by 2030, exports would reach US\$ 100 billion, and the local market will reach US\$ 250 billion. Between 2018 and 2022, the world's textile and apparel exports increased at a CAGR of 3.4 per cent; however, India's exports increased by barely one per cent during this time. This segment's poor overall growth, unfavorable demographics, shifting spending toward other necessary and discretionary expenses, and geopolitical risks all contributed to its weak development.<sup>6</sup>



## Cotton

During the recently concluded season, more than 25 per cent of cotton, including desi Kapas, was sold by farmers below the MSP. This was mainly due to the subdued market conditions. As the world's largest producers of cotton and cotton-based products, i.e., China and India play major roles in the global market, which following a healthy 6.3 per cent CAGR, is projected to exceed USD 94.5 billion by 2028.<sup>7</sup>

To support cotton farmers, Cotton Corporation of India (CCI) procured 8.37 lakh bales under MSP operations. CCI has immensely supported the cotton farmers and with the above procurement under MSP operations have benefitted about 0.74 lakh cotton farmers in all cotton growing States. CCI has implemented QR code using Block Chain Technology from processing of cotton and warehousing till its e-auction sale to the buyers.<sup>8</sup> This will create a benchmark to the textile industry and will be a milestone for development of brand image of Indian cotton. But the farmers blamed the CCI for rejecting their stocks.

Cotton yields have plateaued over the last five years to an average of approximately 480 kilograms per hectare. Area under BT (*Bacillus thuringiensis*) cotton and other improved varieties is widely adopted and reached an estimated 90-93 per cent since its introduction in 2002.

<b>Table 3: Production, Imports, and Exports of Cotton Yarn</b>			
Year	Production	Imports	Exports
	Quantity '000 tonnes		
2011-12	3,126.30	5	752.4
2012-13	3,582.80	8.5	1,110.40
2013-14	3,928.30	8	1,313.40
2014-15	4,054.60	6.2	1,256.00
2015-16	4,137.70	5.7	1,309.20
2016-17	4,061.40	7.8	1,205.30
2017-18	4,068.00	6.6	1,099.60
2018-19	4,210.30	5.3	1,260.80
2019-20	4,012.40	5.5	959
2020-21	3,260.30	4.1	1,011.50
2021-22	4,066.40	4.5	1,389.10
2022-23	3,437.90	21.7	664.5
2023-24	3,756.20	8	1,215.90

Source: CMIE database

Cotton prices rose dramatically in 2022-23, the Wholesale Price Index (WPI) of cotton grew by 37.6 per cent in 2022-23. This made producing cotton yarn expensive, for which demand in the domestic markets was weak. The WPI of cotton yarn grew by 6.7 per cent in the year, limiting production, while Chinese export demand remained sluggish. Further, macro-economic conditions in the West worsened on account of Russia's invasion of Ukraine in early 2022. This impacted discretionary spends particularly in the United States and Europe. That left only a few buyers for India's expensive cotton yarn in the exports market.

As prices fell in 2023-24, the current year, yarn output increased, boosted by stronger international demand. Improved demand from both the domestic and foreign downstream industries, together with higher clothing and home textiles demand, is likely to boost domestic yarn output in the next fiscal year. Exports are predicted to increase by 6-8 per cent in 2024-25. Last year, cotton prices reached a record high of ₹ 1.10 lakh per candy (356 kgs). This year, prices have come down to an average of ₹ 60000 per candy. However, the Cotton Association of India (CAI) has released new forecasts that indicate a lower crop yield, which would increase price volatility for cotton.

**Table 4: Prices of Cotton yarn**

Index nos.: 2011-12 to 2023-24			
Year	Cotton yarn (Wt=1.34)	Cotton, Medium staple <sup>i</sup> Minimum support price	Cotton, Long staple Minimum support price
2011-12	100	2,800.00	3,300.00
2012-13	104.8	3,600.00	3,900.00
2013-14	116.8	3,700.00	4,000.00
2014-15	114.8	3,750.00	4,050.00
2015-16	106.7	3,800.00	4,100.00
2016-17	110.2	3,860.00	4,160.00
2017-18	113.3	4,020.00	4,320.00
2018-19	116.8	5,150.00	5,450.00
2019-20	114.6	5,255.00	5,550.00
2020-21	114.2	5,515.00	5,825.00
2021-22	140.3	5,726.00	6,025.00
2022-23	149.4	6,080.00	6,380.00
2023-24	130.1	6,620.00	7,020.00
2024-25		7,121.00	7,521.00

Source: Department of Agriculture, Co-operation and farmer welfare; Ministry of Agriculture and farmer welfare.

Exports to Bangladesh grew by 62.1 per cent in the first seven months. In fact, in the past few months, India's exports to Bangladesh surged. Exports to Bangladesh in October 2023 stood at 55,663 tonnes. This is an all-time high and also could be an early indicator of apparel demand rising in western markets. This is because Bangladesh utilizes yarn to manufacture garments and is one of the biggest garment exporters in the world.

**Table 5: Production of Fabrics: 2011-12 to 2023-24**

Year	Cotton woven fabrics	Polyester/Viscose - blended fabrics	Cotton knitted - fabrics
	'000 run mt	'000 run mt	Tonnes
2011-12	391,595.50	105,330.70	115,562.30
2012-13	419,085.10	117,082.70	193,396.60
2013-14	425,883.50	123,714.40	196,302.80
2014-15	440,452.00	119,093.10	203,320.30
2015-16	453,984.80	113,917.30	189,698.90
2016-17	457,534.90	94,922.30	158,863.90

<sup>i</sup> Short Staple - 20 mm & below. Medium Staple length cotton - 20.5 mm to 24.5 mm. Medium Long Staples - 25.0 mm-27.0 mm. long staple length – 27.5 mm - 32 mm. Extra-long staple (ELS) – 32.5 mm and above. The staple length is the average length of a group of fibers that make up a cotton yarn. The longer fibers of extra-long-staple cotton produce stronger and softer yarn, resulting in stronger and softer fabrics.

<b>2017-18</b>	457,906.30	92,124.20	157,478.20
<b>2018-19</b>	438,332.80	95,897.10	165,055.70
<b>2019-20</b>	406,287.40	92,451.60	162,199.70
<b>2020-21</b>	236,628.50	83,295.50	185,300.50
<b>2021-22</b>	377,209.20	104,494.70	196,104.00
<b>2022-23</b>	377,091.20	115,717.90	121,215.00
<b>2023-24</b>	384,343.30	123,342.50	113,779.40
<b>Source:</b> Central Statistics Office (CSO)			

High cotton prices have hurt the textile industry so much that industrialists are shifting to alternatives fabrics like polyester yarn or viscose for profitability. According to industry estimates, at least 5 per cent of textile players who were entirely into cotton have adopted man-made fibers (MMF).

## Silk

India is the only country that produces all 5 types of silk, i.e., Mulberry, Tropical Tasar, Oak Tasar, Eri, and Munga. In terms of non-mulberry silk or Vanya, silk production Assam leads the list. Karnataka contributes highest to the India's total silk production. Karnataka produces around 8400 metric tons of silk every year, followed by Andhra Pradesh with an average production of 5500 metric tons.<sup>9</sup> The country's sericulture industry employs around 9.2 million people in rural and semi-urban areas (as per 2022-23). Asia is the major producer of silk with 98.5 per cent of total global output and within this region India is the second largest producer.

In FY23, India produced 36,582 metric tons (MT) of raw silk. The total silk production in India during 2021-2022 was 34,903 MT, an increase of 3.4 per cent YoY (33,770 MT).<sup>10</sup> Raw silk production in NE States increased to 7,953 MT in 2022-23 from 4,601 MT in 2013-14. The production of 3A-4A grade import substitute Bivoltine raw silk has increased to 8,904 MT (2022-23) from 2,559 MT (2013-14). International grade quality silk production through automatic reeling machine (ARM) increased from 25 per cent to 35 per cent. Raw silk yield per hectare has increased to 109.23 kg during 2022-23 as compared to 95.93 kgs during 2013-14.<sup>11</sup>

## Jute

On 8th December 2023, the Cabinet Committee on Economic Affairs chaired by Hon'ble Prime Minister, Shri Narendra Modi, has approved reservation norms for mandatory use of jute in packaging for the Jute Year 2023-24 (1st July 2023 to 30th June 2024). The Mandatory packaging norms approved for Jute Year 2023-24 provide for 100 per cent reservation of the foodgrains and 20 per cent of sugar to be compulsorily packed in jute bags. The reservations norms under Jute Packaging Materials (JPM) Act<sup>ii</sup> provide for direct employment to 4 lakh workers and 40 lakh farmers in the Jute Sector.<sup>12</sup>

Besides, it will help protect environment because jute is natural, bio-degradable, renewable, and reusable fiber and hence fulfils all sustainability parameters. Jute Sacking Bags account

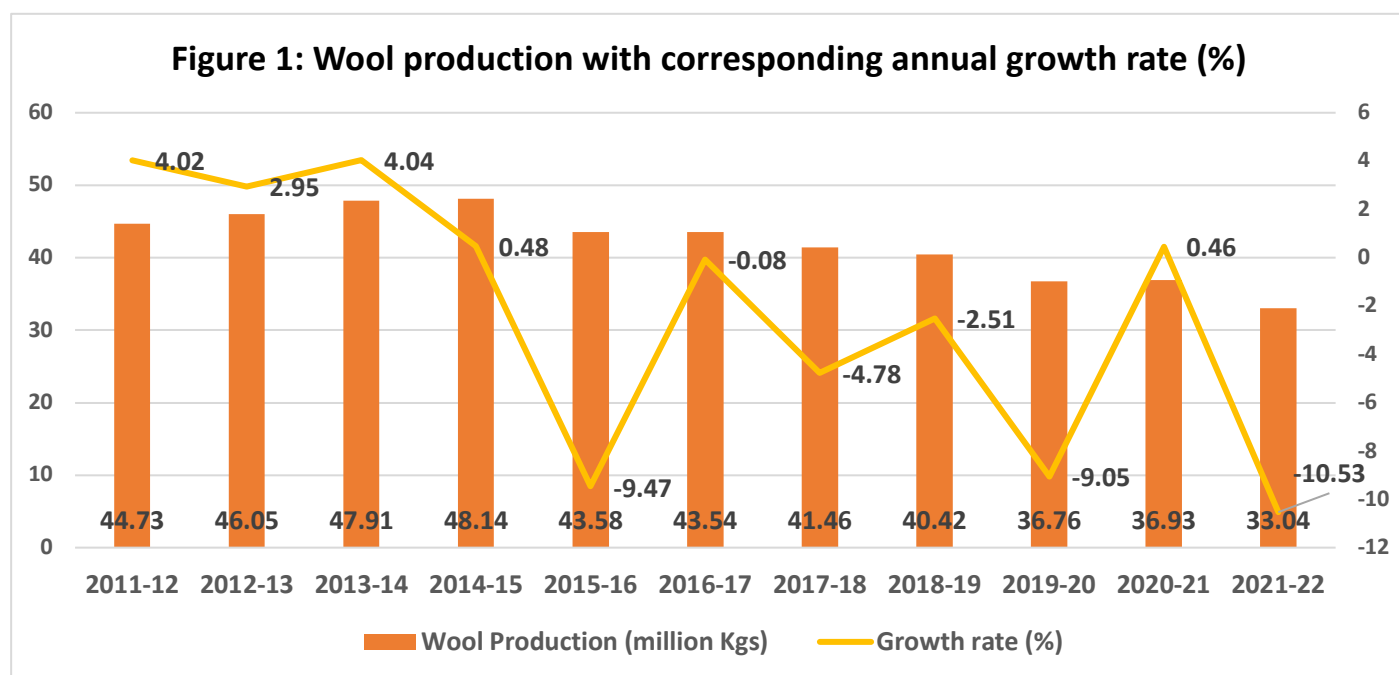
<sup>ii</sup> JPM Act, 1987 protects interest of Jute farmers, workers and persons engaged in jute goods' production.

for 75 per cent of the Jute Industry's total production; of these, 85 per cent are provided to State Procurement Agencies (SPAs) and the Food Corporation of India (FCI), with the remaining portion being exported or sold directly.

The Government of India purchases Jute sacking bags worth approximately ₹ 12,000 crore every year for packing of foodgrains, hence ensures guaranteed market for the produce of Jute Farmers and Workers.<sup>13</sup> Average production of Jute sacking bags is about 30 lakhs bales (9 lakh MT) and Government is committed to ensure complete off-take of the sacking production of the jute bags in order to protect the interest of Jute farmers, workers and persons engaged in the Jute Industry.

## Wool

The woolen industry in India is small in size and widely scattered. It is basically located in the states of Punjab, Rajasthan, Uttar Pradesh, Maharashtra, and Gujarat. The largest number of woolen units is in Punjab (40 per cent), then Haryana (27 per cent), Rajasthan (10 per cent) and others (23 per cent). Although India has the third largest sheep populations in the world, it imports fine quality wool for application in clothing mainly due to the quality and market access. The bulk of Indian wool is of course quality and is used mostly in the hand-made carpet industry. Since Indigenous production of fine quality wool required by the organized mills and decentralized hosiery sector is very limited, India depends almost exclusively on import.<sup>14</sup> In 2020-21, India's production of was 37 million kgs and imported 82 million kgs. In 2021-22, production fell to 33.04 million Kgs.<sup>15</sup> Wool currently accounts for 1.1 per cent of the world's global fiber production. China, India, and Australia have the largest number of sheep accounting for a quarter of the world's population. The production of wool has been stagnant at about 1200 million kgs for a while now. India still has the potential to be the largest wool producer and beat China, by dealing with the cost competition.



**Source:** Annual reports 2022-23, Department of Animal Husbandry and Dairying (DAHD), Ministry of Fisheries, Animal Husbandry, and Dairying, Government of India.



## SNAPSHOT

The textile industry grew at the rate of 11.2 per cent (YoY) in March 2024 with a CAGR of 7.3 per cent from March 2020.

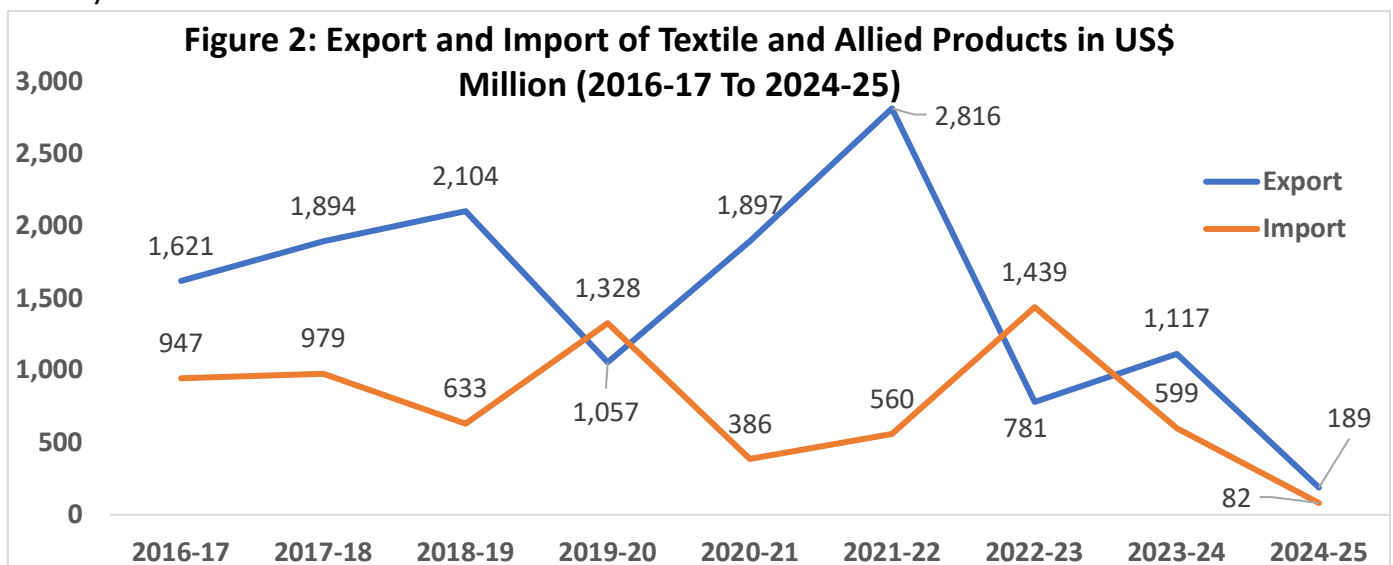
The role of women in the handloom sector is huge and ever increasing as 70 per cent of workers employed in the textile sector are women. In the next 7 years, industry's employment is going to grow at a compound annual growth rate (CAGR) of 2.29 per cent.

The production in textile market is expected to grow at a CAGR of 2.41 per cent in the next six or seven years and the value addition will happen at the CAGR of 4.54 per cent.

The textile sector witnessed a relative decline in their exports from USD 37.5 billion in FY19 to USD 34.8 billion in FY24, their share in total exports also dropped significantly from 11.4 per cent to 8 per cent during the same period.

## Trade

India is the world's sixth-largest exporter of textiles, with its contribution of about 2.3 per cent to the country's GDP, 13 per cent to industrial production, and 12 per cent to exports. As per reports, the Indian textile industry reached a noteworthy achievement by setting a record for its July 2023 exports, totaling an impressive 127.6 million kilograms of spun yarn. This marked a remarkable 108.4 per cent increase from the same month in the previous year and a 56.7 per cent rise from June 2023. In FY24, it contracted by 4.2 per cent YoY. India exported textiles worth US\$ 30.96 billion between April-February 2024, down from US\$ 32.33 billion in the previous fiscal year. Ready-made garment's exports fell 11.4 per cent (US\$ 13.05 billion from US\$ 14.73 billion), while jute exports dropped 22.5 per cent (US\$ 400 million to US\$ 310 million). Yarn exports also fell, but at a slower pace of 5.3 per cent (from US\$ 4.47 to US\$ 4.23 billion).



Source: Ministry of Commerce and Industry

As per the economic survey 2024, The textile sector witnessed a relative decline in prominence. Along with a decline in their exports from USD 37.5 billion in FY19 to USD 34.8 billion in FY24, their share in total exports also dropped significantly from 11.4 per cent to 8 per cent during the same period.

Overall, the Indian textile and apparel exports grew 9.84 per cent during May 2023 – May 2024. Experts believe that the Indian textile market will get back on track as it is going to take advantage of the demand coming from East Asian market for cotton fabric. As per a report by the CITI India, in May 2024, Indian textile exports grew by 9.59 per cent YoY, despite unfavorable economic conditions in major markets such as the European Union (EU), the US, and West Asian nations.

In FY24, the export of textiles and apparel, including handicrafts, increased by 1 per cent, reaching ₹ 2.97 lakh Crore. The sector is diversified, with readymade garments accounting for the largest share (41 per cent) in the total exports in FY24, with exports of ₹ 1.2 lakh Crore, followed by cotton textiles (34 per cent) and man-made textiles (14 per cent).

HS code	Commodity	2023-2024	%Share	2024-2025(Apr-Apr)	%Share
50	SILK	102,735.53	0.0284	11,177.69	0.0384
51	WOOL, FINE OR COARSE ANIMAL HAIR, HORSEHAIR YARN AND WOVEN FABRIC.	136,830.52	0.0378	9,018.93	0.031
52	COTTON.	5,614,548.90	1.5513	451,474.76	1.5527
53	OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YARN.	391,851.53	0.1083	41,304.32	0.142
54	MAN-MADE FILAMENTS.	1,760.98	0.4029	138.89	0.3984
55	MAN-MADE STAPLE FIBRES.	1,639.24	0.38	134.93	0.39
56	WADDING, FELT AND NONWOVENS; SPACIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF.	476,032.55	0.13	40,874.25	0.14
57	CARPETS AND OTHER TEXTILE FLOOR COVERINGS.	1,553,046.77	0.43	127,762.83	0.44
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY.	297,978.19	0.0823	24,099.39	0.0829
59	IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS, TEXTILE ARTICLES OF A KIND SUITABLE FOR INDUSTRIAL USE.	396,928.62	0.1097	33,555.59	0.1154
60	KNITTED OR CROCHETED FABRICS.	390,925.06	0.108	35,993.68	0.1238

61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CORCHETED.	5,579,809.79	1.5417	445,654.99	1.5327
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED.	6,461,282.42	1.7852	555,641.41	1.9109
63	OTHER MADE UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	4,625,032.95	1.2779	371,737.82	1.2784
Source: Department of commerce, Ministry of Commerce, and Industry					

The import duty (11 per cent)<sup>16</sup> came into effect in 2021. As the US is the major supplier of cotton to India, the US Agri Trade Body Cotton Council International is pushing for this removal. The removal of the import duty is likely to support textile exporters achieve their export targets during the remainder of the season and plan their sourcing requirements for the long term. Trade sources indicate that imports of long staple cotton may also witness an increase as the staple length specified (above 32 mm) can be inclusive of long staple cotton from some foreign origins.

On February 2024, the GOI published a notification (GAIN IN2024-0008) that rescinded the import duty of 10 percent, on cotton (HTS code 52010025) with a staple length above 32 mm.

**Table 7: Imports Commodity-wise (Values in ₹ Lacs)**

HS code	Commodity	2023-2024	% Share	2024-2025(Apr-Apr)	%Share
50	SILK	172,608.34	0.0309	10,297.20	0.0228
51	WOOL, FINE OR COARSE ANIMAL HAIR, HORSEHAIR YARN AND WOVEN FABRIC.	254,470.75	0.0455	19,724.13	0.0437
52	COTTON.	653,942.52	0.12	43,597.28	0.10
53	OTHER VEGETABLE TEXTILE FIBRES; PAPER YARN AND WOVEN FABRICS OF PAPER YARN.	517,815.08	0.09	48,540.67	0.11
54	MAN-MADE FILAMENTS.	1,371,160.70	0.25	79,352.02	0.18
55	MAN-MADE STAPLE FIBRES.	746,051.04	0.13	55,429.74	0.12
56	WADDING, FELT AND NONWOVENS; SPACIAL YARNS; TWINE, CORDAGE, ROPES AND CABLES AND ARTICLES THEREOF.	346,651.24	0.06	24,562.79	0.05
57	CARPETS AND OTHER TEXTILE FLOOR COVERINGS.	130,373.93	0.02	9,884.38	0.02
58	SPECIAL WOVEN FABRICS; TUFTED TEXTILE FABRICS; LACE; TAPESTRIES; TRIMMINGS; EMBROIDERY.	165,209.05	0.03	13,771.92	0.03
59	IMPREGNATED, COATED, COVERED OR LAMINATED TEXTILE FABRICS, TEXTILE	639,303.53	0.11	49,594.47	0.11

	ARTICLES OF A KIND SUITABLE FOR INDUSTRIAL USE.				
60	KNITTED OR CROCHETED FABRICS.	602,845.15	0.11	34,397.94	0.08
61	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CROCHETED.	528,319.18	0.09	29,159.22	0.06
62	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED.	704,498.28	0.13	46,476.11	0.10
63	OTHER MADE UP TEXTILE ARTICLES; SETS; WORN CLOTHING AND WORN TEXTILE ARTICLES; RAGS	531,362.68	0.10	33,476.25	0.07
Source: Department of commerce, Ministry of Commerce and Industry					

## Industry Risk

Domestic production has turned sluggish in recent months. While exports have suffered owing to preferential tariff treatment towards countries like Bangladesh and Vietnam, cheap imports from China and some other countries in certain segments are hurting the domestic industry.

Till October 2022, one industrial sector category that has stagnated and hasn't yet returned to its pre-Covid level of production is textiles. When the IIP (textiles) for the pre- and post-Covid periods are compared, it seems that the post-Covid period's average IIP is lower than the pre-Covid periods though it is recovering at faster pace for the past three years.<sup>17</sup>

The European Commission adopted the Corporate Sustainability Due Diligence Directive (CSDDD) in February 2022 with the goal of encouraging businesses to adopt sustainable and socially responsible practices. The regulation, which is anticipated to take effect in the middle of 2024, requires thorough due diligence in all supply chains and places a special focus on issues related to human rights and the environment in several industries, including apparel and textiles. However, persisting problems come from environmental trade restrictions, which are frequently established by Western governments such as the EU. These obstacles have hampered the Indian textile industry's expansion and global competitiveness, according to a Consumer Unity & Trust Society (CUTS) International report.

India's textile and apparel exports are still strong, with T-shirts made of cotton accounting for most EU exports. The introduction of the European Union's Carbon Border Adjustment Mechanism (CBAM) and the CSDDD could, however, create turbulence. Although CBAM initially targets carbon-intensive sectors, it may soon expand to include textiles, aiming to address emissions from imported goods, which constitute 20 per cent of the EU's carbon dioxide emissions.<sup>18</sup>



Due to the industry slump, workers' earnings have remained stagnant, and they have lost access to customary incentives, which may have forced thousands of them to explore opportunities for productive employment elsewhere. India's heavy dependence on imported machinery, except in the spinning segment, inadequate availability of skilled manpower, technological obsolescence, etc., also act as significant constraints.

Since many textile workers operate from home or in remote locations, it might be challenging to get data from these locations. The Ministry has a portal where migrant workers may register their details. It must, however, be connected to other programs to improve data collection. Furthermore, there is no consistent way to address labor conditions because the unorganized sector accounts for 90 per cent of production.

The garment industry in India is fragmented, with the majority of raw materials coming from Maharashtra, Gujarat, and Tamil Nadu, and the majority of spinning facilities being in the southern states. This results in increased transportation costs and delays.

### Government Initiatives

The textile and apparel industry also plays an important role in changing social dynamics because it employs the majority of women. The sector's backward links to the rural economy provide enormous opportunities for millions of farmers, artisans, handloom, and handicraft producers. The industry is well connected with the government's core initiatives, namely, Make in India, Skill India, Women Empowerment, and Rural Youth Employment.

The Government has taken several measures to promote the textile sector, including for capacity building, technology upgradation, and to boost employment generation. Infrastructure development is one of the seven priorities of the Union Minister of Finance as spelt out in her Union Budget 2023 speech in the Parliament. In 2024 interim budget speech, finance minister again made strong remarks about infrastructural development and hopefully it will work as a stepping-stone for the future of the textile sector.

The Government has launched **PM Mega Integrated Textile Region and Apparel (PM MITRA) Parks Scheme** to develop world class infrastructure including plug and play facility with an outlay of ₹ 4445 crore for up-to next four more years. It aspires to fulfil the vision of building an Atmanirbhar Bharat and to position India strongly on the Global textiles map. PM MITRA Parks Scheme are inspired by the 5F vision of Hon'ble Prime Minister – "**Farm to Fiber to Factory to Fashion to Foreign**"<sup>19</sup>. These parks will be developed in PPP mode. Some of the key features are as follows:

- PM MITRA Parks will offer an opportunity to create an integrated textiles value chain right from spinning, weaving, processing/dyeing, and printing to garment manufacturing at 1 location.
- Integrated Textile Value chain at 1 location will reduce logistics cost of Industry.
- Intended to generate ~1 lakh direct and 2 lakh indirect employment per park.
- Sites for PM MITRA Parks will be selected by a Challenge Method based on objective criteria.

- Proposals of State Governments having ready availability of contiguous and encumbrance-free land parcel of 1,000+ acres along with other textiles related facilities & ecosystem are welcome.
- Nearly ₹ 70,000 crore investment is envisaged.

### **Kasturi Cotton Bharat programme of Ministry of Textiles**

It is a first of its kind branding, traceability and certification exercise carried out jointly by the Government of India, Trade Bodies, and Industry to promote Indian Cotton. To encourage the Trade and Industry to work on the principle of self-regulation by owning complete responsibility of Traceability, Certification and Branding of Kasturi Cotton Bharat, MoU has been signed between CCI on behalf of Govt. of India, Ministry of Textiles and the Cotton Textiles Export Promotion Council, also known as TEXPROCIL.<sup>20</sup> Kasturi Cotton Bharat website has been launched on the occasion of world cotton day on 7th October 2023.<sup>21</sup> The Ministry of Textiles is allocating budgetary support in alignment with ₹ 15 crores contribution from Trade & Industry Bodies, spanning three years from 2022-23 to 2024-25. First Lot of certified Kasturi Cotton was produced in the month of November 2023 by the Cotton Corporation of India Ltd. To ensure total traceability of Kasturi Cotton Bharat across the supply chain, QR-based certification technology is being employed at each level of processing, and a blockchain-based software platform will enable end-to-end traceability and transaction certificates.

### **National Technical Textiles Mission (NTTM)**

The government has started the National Technical Textiles Mission (NTTM) with a budget of ₹ 1,480 crore. NTTM's core pillars are 'Research Innovation & Development', 'Promotion and Market Development', 'Education, Training, and Skilling', and 'Export Promotion'. The Mission's primary goal is to promote the use of technological textiles in the country's many flagship missions and programs, as well as vital sectors. The mission was extended to March 31, 2026, with a subsequent sunset clause that runs until March 31, 2028. As of now, 126 projects worth 371 crores have been sanctioned under the Specialty Fibers and Technical Textiles category.

The Ministry has issued Quality Control Order (QCOs) for 19 items of Geo-tech Textiles, 12 items of Protective Textiles items, 20 items of Agro Textiles and 06 items of Meditech Textiles. More than 100 BIS standards have been developed since inception of NTTM. The Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) [now MATEXIL] has been assigned the role of the Export Promotion Council for promotion of Technical Textiles.

The Government has formulated **Samarth Scheme**, to enhance the skills of the workforce in the textile sector under a broad skilling policy framework with the objective of providing opportunity for sustainable livelihood. The skilling programme under the scheme is implemented through Implementing Partners (IPs) comprising Textile Industry/Industry Associations, State Government agencies and Sectoral Organizations of Ministry of Textiles. Under the Scheme 2,47,465 persons have been trained as on December 2023.

For the holistic growth of the Wool Sector, the Ministry of Textiles has formulated a new integrated programme, i.e. Integrated Wool Development Programme, (IWDP) for implementation during the period of 15<sup>th</sup> Finance Commission, i.e., from FY 2021-22 to 2025-26 with total financial allocation of ₹ 126 Crores through approval of its SFC meeting held on 15th June 2021.

The Government of India has approved six biotech cotton events and more than 300 hybrids for cultivation in different Agro-climatic zones. Between 2017- 2022, a total of 84 non- Bt (*Bacillus thuringiensis*) and 99 Bt hybrids/varieties of cotton have been released for different cotton growing zones of India. One of the results of the adoption of BT cotton has been a significant shift in the varietal profile and share of different types of cotton being produced in India. Most Bt hybrids are of medium and long staple cotton (26 to 32 mm) which has resulted in declining production of short staple (below 22 mm) and extra-long staple (35 mm and above) cotton.

### **Production linked scheme (PLI)**

In 2022, The Centre has approved the Production Linked Incentive (PLI) scheme for textiles, with an approved outlay of ₹ 10,683 crore, to promote the production of man-made fiber (MMF) apparel, fabrics, and products of technical textiles. The Textiles Ministry is reviewing the scheme for an expansion, in which they will probably allow lower minimum investment and turnover criteria that will permit smaller entities to be eligible for that. Now, the scheme is divided into two parts, with a minimum investment of ₹ 100 crores and minimum turnover criteria of ₹ 200 crores for the first part and a minimum investment of ₹ 300 crores and minimum turnover criteria of ₹ 400 crores for the second. Initially, the proposed investment expected from applicants was ₹ 19,077 crore and projected turnover was ₹ 184,917 crore with a proposed employment of 240,134. It was just for MMF but now they are trying to include more product into the scheme, including the cotton. Investment window was opened two times already, unfortunately, it has not attracted much traction, hence the Review.

### **Way forward**

The textile industry in India is one of the largest and most important sectors of the Indian economy, contributing significantly to the country's GDP, employment, and export earnings. However, to ensure sustained growth and global competitiveness, the industry needs to address several challenges and leverage emerging opportunities.

The concept of sustainable development has broadened beyond the use of organic cotton and improved working conditions. Natural fibers are anticipated to be at the forefront of the market as demand for sustainable fashion rises. Notably, these natural fibers are praised for their environmentally beneficial qualities, which are distinguished by a special combination of toughness and light weight. Leading the charge in this trend to support natural fibers and maintain the expansion of the global textile industry are China, India, and the United States.

The novel textiles such as Nomex, Kevlar, and Spandex have wide-ranging uses in the automotive, healthcare, building, security, and other industries. The need for technical

textiles is predicted to rise sharply in the near future, especially for applications in the medical, green, industrial, sports, healthcare, automotive, and housing sectors. Artificial fibers, including polyester and viscose, have shown to be resilient to high-speed machines and flexible. As a result, synthetic fibers are now an essential component of India's textile industry, giving it the flexibility to adjust to shifting market conditions. Optimized material handling workflows, use of eco-friendly practices and the cutting-edge technologies will help to surmount efficiency, cost, credit, marketing and productivity challenges and thus significantly influence the direction and the pace of the textile industry.

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