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INDIAN APPAREL & FABRIC SECTOR

Bilateral benefits: Unravelling potential opportunities for India's textile exporters from the recently concluded UK-India FTA

MAY 2025

Highlights

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India's apparel and home textiles trade with the UK is expected to double from its current levels in the next 5-6 years, owing to the recently concluded FTA between India and the UK.

The FTA is expected to be operational in CY2026, subject to legal review.

- **India and the UK recently concluded trade talks, and an agreement was reached on May 6, 2025, after three years of negotiation.** The bilateral trade deal providing concessional duty / eliminating duty on select goods would lead to a significant rise in trade volumes and hence earnings. While the broad terms have been agreed upon, the Free Trade Agreement (FTA) between the two countries is expected to be operational in CY2026, subject to legal review.
- **India is currently the 12th largest trading partner of the UK and stands at fifth position as far as apparel and home textiles imports are concerned.** Apparel and home textiles imported by the UK from India stood at $1.4 billion in CY2024, representing a 6.6% share of textiles imported by the UK.
- **The US and the EU continue to be the major export markets for Indian apparel and home textiles exporters,** accounting for ~61% share in CY2024. While the UK's share had remained stable at ~7-8% over the past five years amidst flattish growth, the same is expected to reach 11-12% by CY2027, reflecting a 11% CAGR between CY2024 and CY2027.
- **Currently, an 8-12% duty is levied by the UK on apparels and home textiles imported from India.** With tariffs being eliminated on 99% of Indian goods, including textiles, incremental capacities are likely to be added in the next 4-5 years to execute orders.
- **In CY2024, China was the biggest apparel and home textiles exporter to the UK with ~25% share,** followed by Bangladesh (~22% share), Turkey (~8% share) and Pakistan (~6.8% share). Post implementation of the FTA, with zero-duty access on apparels and home textiles exported, India would have a level playing field compared to the existing duty-free access nation status like Bangladesh, Vietnam, and Pakistan.
- **ICRA expects India's textile export volumes to the UK to double from their current levels in the next 5-6 years post implementation of the revised tariffs,** leading to an addition of incremental capacities.

List of abbreviations

BPS: Basis points

CAGR: Compounded Annual Growth Rate

CY: Calendar Year; refers to the 12-month period starting from January 1 and ending on December 31

DCC: Double Contributions Convention

EU: European Union (excluding the United Kingdom)

FTA: Free Trade Agreement

HS Codes: Harmonized System Codes, are internationally standardized numerical codes used to classify traded products

UAE: United Arab Emirates

UK: United Kingdom

USA: United States of America

YoY: Year-on-Year

Milestones to Agreement: Key events leading to the UK-India FTA

May 2021

Launch of Enhanced Trade Partnership between India and the UK

Jan 2022

Start of Free Trade Agreement negotiations between India and the UK

Jan 2022 to Mar 2024

A total of 14 rounds of negotiations were held between officials of the two countries. Discussions were put on hold from March 2024, due to the General Elections

Feb 2025

Resumption of negotiations between India and the UK

May 6, 2025

Announcement of conclusion of around three years of negotiations for FTA between the UK and India. The FTA is subject to legal and legislative vetting

Textile trade terms between India and the UK

KEY TEXTILE TRADE PRODUCTS IMPORTED BY THE UK FROM INDIA

Articles of apparel and clothing accessories, carpets, made-up bedding, curtains, and other home textiles products

PRE-FTA IMPORT DUTY LEVIED BY THE UK

Prior to the FTA, textile products imported from India attracted an import duty of ~8-12% based on the product category

INDIA'S RANKING IN THE UK'S TEXTILE IMPORTS

India stands at fifth position in the apparel and home textiles imports by the UK, with a market share of ~6.6% in CY2024.

THE UK'S SHARE IN INDIA'S TEXTILE EXPORTS

The UK accounted for ~7.6% in India's apparel exports in CY2024

Key provisions of the FTA for Indian exports - Textile sector

Under the UK-India FTA, tariffs on almost 99% of Indian textile and apparel exports are eliminated.

The FTA is expected to boost manufacturing, open export opportunities for textiles sector.

Non-tariff barriers lowered by simplified and faster customs procedures and mutual recognition of standards, promoting enhanced market access, particularly for small and medium-sized exporters.

Alongside the FTA, the UK and India have agreed to negotiate a reciprocal Double Contributions Convention (DCC). Indian fashion industry service providers, including designers and design teams located in the UK, will benefit from a three-year exemption from the UK social security contributions.

The FTA is likely to enhance the competitiveness of Indian goods in the UK.

Note: Please refer ICRA's report on India-UK bilateral trade, financial flows, agreements, corporate presence and benefits expected from FTA on https://www.icra.in/Research/ViewResearchReport/6326

UK's share in India's apparel exports stood at 7-8%

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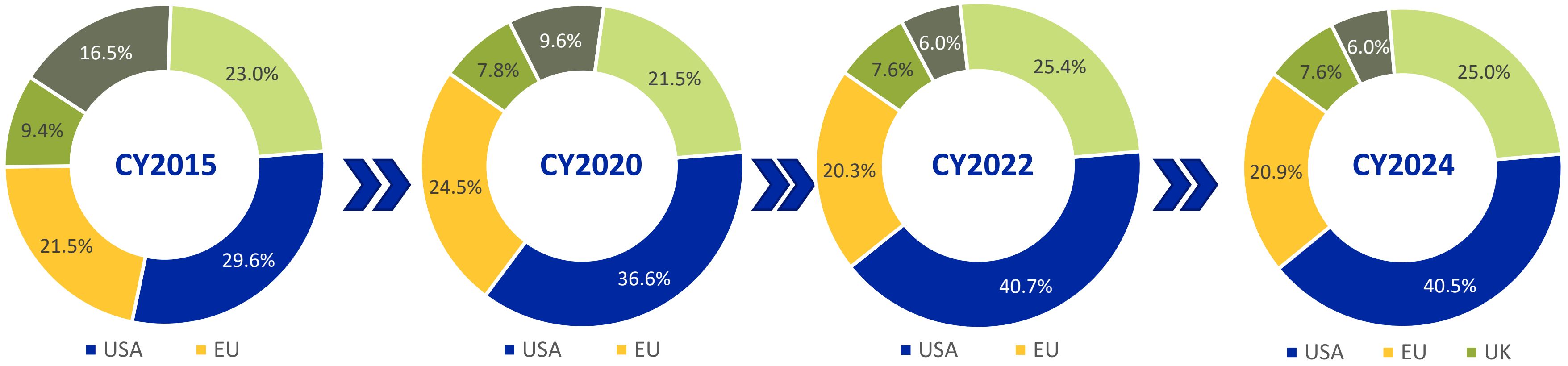
Exhibit 56: India's apparel and home textiles exports – Region-wise share



Source: Department of Commerce (Government of India), ICRA Research

The US and EU markets continue to be the major export markets for Indian apparel and home textiles exporters, accounting for ~61% share in CY2024. The UK's share had remained stable at ~7-8% over the past five years (ending CY2024) and has undergone marginal growth in volumes during this period.

Comparison of import duty rates of India vs other key exporting nations to the UK

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KEY TEXTILE PRODUCTS IMPORTED BY THE UK	CHINA	BANGLADESH	INDIA*	PAKISTAN	VIETNAM
Carpets and other textile floor coverings	0%	0%	0%	0%	0%
Articles of apparel and clothing accessories, knitted or crocheted	12%	0%	9.6%	0%	0%
Articles of apparel and clothing accessories, not knitted or crocheted	12%	0%	9.6%	0%	3%-4.8%
Made-up bedding, curtains, table linen, etc.	12%	0%	12%	0%	0%
Other furnishing articles, excluding those of heading 9404	12%	0%	12%	0%	0%

Duty free access to the UK market post operationalisation of the recent FTA would likely level the playing field for the Indian textile exporters.

**Pre-FTA rates*
Source: www.gov.uk, ICRA Research

Bangladesh emerged as key beneficiary in the UK's textile market, post Brexit; benefitting from duty-free access to the region

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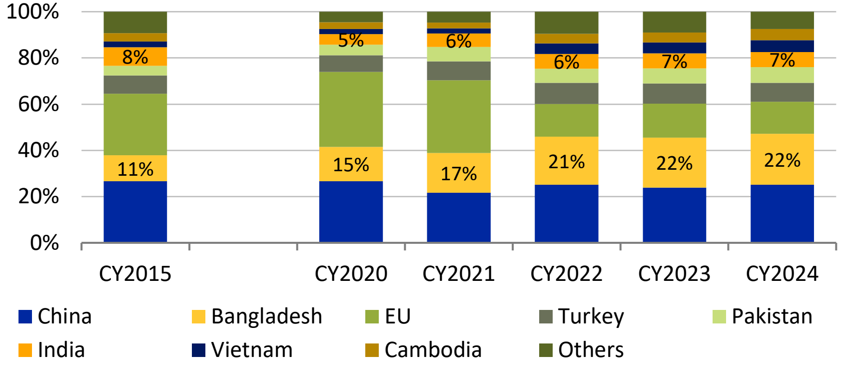
Exhibit: Share of key apparel exporters in the UK's apparel and home textiles imports



Source: UN Comtrade, Intracen, ICRA Research

- Bangladesh's share in the UK's apparel and home textile imports has increased significantly over the past decade, benefitting from the duty-free access to the country, coupled with the shrinking trade between the EU and the UK, post the UK losing seamless access to the EU's single market after Brexit. China has also lost its share marginally amid the China Plus One vendor strategy.
- India's share in the UK market remained stagnant at ~5-7% over the past few years. However, it is pertinent to note that India's share in the UK market has been growing marginally since CY2021.

Exhibit: Movement in the UK's market share for key exporters between CY2015 and CY2024

KEY APPAREL AND HOME TEXTILES EXPORTERS

Change (in bps)	UK
China	-161 ↓
Bangladesh	+1097 ↑
EU	-1284 ↓
India	-152 ↓
Pakistan	+265 ↑

Sensitivity Label : Public

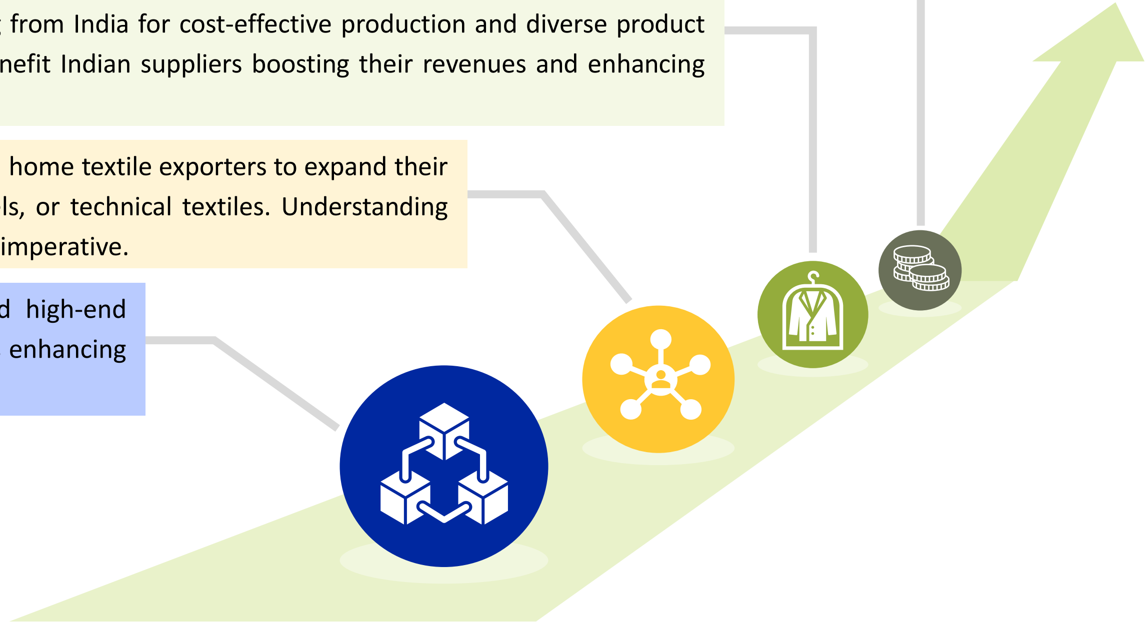
The UK-India FTA will pave way for new opportunities

Indian apparel exporters' competitive positioning would strengthen considerably with elimination of import duties by the UK. Exports from existing manufacturing hubs such as Tirupur, Surat, Delhi-NCR are likely to improve. Also, operationalisation of the FTA will aid Indian home textile exporters in augmenting their presence in the UK retail and commercial sectors, including hospitality and healthcare*.

The UK retail giants are likely to expand their sourcing from India for cost-effective production and diverse product offerings facilitated through the FTA. This shift will benefit Indian suppliers boosting their revenues and enhancing their reputation in the global apparel industry.

The FTA provides an opportunity for Indian apparel and home textile exporters to expand their product offerings, including more value-added apparels, or technical textiles. Understanding the UK market and the consumer trends will also be an imperative.

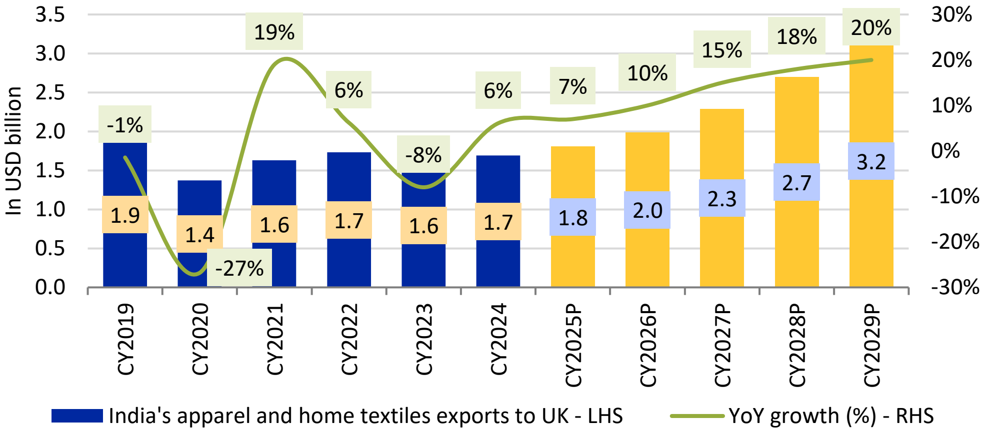
Lower tariffs on the UK-origin technical textiles and high-end fabrics will introduce advanced materials to India, thus enhancing India's domestic capabilities.



**home textile products like bed sheets, blankets, curtains, and towels have an end-use in hospitality and healthcare sector*

Textile exports to the UK likely to double in next 5-6 years

Exhibit: Projected India's apparel and home textiles exports to the UK




India's recently entered FTA with the UK will provide incremental opportunities to Indian textile players


Growing hospitality and healthcare industry to support demand


India likely to increase its share of exports to the UK substantially in the next 5 years

- In CY2024 and 2M CY2025 India's apparel and home textiles exports to the UK witnessed ~6% and ~7% YoY growth, respectively.
- The conclusion of the UK-India FTA is expected to encourage capital investments in the apparel and home textile sector, apart from generating employment opportunities and better earnings for the exporters with changing product mix.
- ICRA expects India's textile exports to the UK to grow by ~13% CAGR over the next five years post this development. India's textile export volumes to the UK are likely to reach 11-13% share from the current levels (~7-8%) in the next 5-6 years.
- To meet the additional demand, the industry is also expected to invest in incremental capacities in garmenting segment. On the other part of the value chain (namely spinning, fabric processing etc.), the spend is likely to be relatively lower given the inherent over-capacity situation in the country.

Source: Department of Commerce (Government of India), ICRA Research

Outlook: The UK-India FTA to fuel growth for Indian apparel and home textiles exporters in near to medium term

Level playing field for domestic exporters in the UK market against nations like Bangladesh and Pakistan.

Indian apparel and home textiles export volumes to the UK to double in the next five to six years.

Enhance operational efficiencies resulting from 'ease of doing business' with simplified and faster customs procedures.

Scope of margin improvement with increase in business opportunities, higher economies of scale and margin-accretive orders amidst preference for value-added apparels in the UK.

Increase in capacity spend in garmenting space although spend in the other parts of value chain will be relatively less given the over-capacity scenario.

Source: ICRA Research

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Thank You!