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INDIAN HOME TEXTILE INDUSTRY

Home textile players coping with slow demand, mounting costs

OCTOBER 2022

Highlights

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Even as sector fundamentals stay robust, headwinds have gathered pace in recent quarters. Home textile players coping with slow demand, mounting costs

- Companies had a strong run for nearly six quarters starting Q2 FY2021, reporting their all-time high revenues and profits in FY2022. Even as sector fundamentals stay robust, headwinds have gathered pace in recent quarters.
- ICRA expects the sample to report double-digit decline YoY in OI in Q2 FY2023, falling closer to the pre-pandemic levels. Sustained high raw material prices and reduced scale are likely to keep profitability subdued in Q2 FY2023.
- Amid the product categories, bed/table/toilet/kitchen linen became the fastest growing segment with a 49% growth in FY2022, followed by carpets and floor coverings with a 20% YoY growth.
- US remains the largest market for Indian home textile exports, with 59% share in FY2022 and 54% share in Q1 FY2023. Subdued demand scenario amid recessionary fears in the US has resulted in decline in exports to the US.
- In 7M CY2022, US retail sales for furniture and home furnishing stores have grown at a rate of 2% YoY, with a YoY de-growth of ~2% reported for the most recent month, viz. July 2022.
- Slower-than-expected sales have resulted in higher-than-average inventory levels in recent months (June and July 2022). This is corroborated by the slow offtake experienced by domestic exporters, despite healthy order book trends witnessed till a few months back.
- ICRA expects home textile companies to report a contraction in turnover in FY2023, as inflationary concerns, resultant slowdown in consumer discretionary spending, uncertainty on economic growth outlook and cautious buying by retailers to manage inventories are affecting sales.

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Thank You!