

INDIAN APPAREL & FABRIC SECTOR

**Meaningful recovery in apparel
exports unlikely before H2 FY2024**

August 2023



1. Emerging Trends in Global Apparel Trade



2. Performance Trends & Outlook



Q1/Q2/Q3/Q4: Quarter of a Year (Calendar or Financial)

UAE: United Arab Emirates

EU: European Union

UK: United Kingdom

US: United States of America

US\$: United States Dollar

YoY: Year on Year

CY: Calendar Year; refers to the twelve-month period starting from Jan 1 and ending Dec 31

FY: Financial Year; refers to the twelve-month period starting from April 1 and ending March 31

GSP: Generalized Scheme of Preferences

DCTS: Developing Countries Trading Scheme

16 listed companies considered comprises of Gokaldas Exports Ltd, S P Apparels Ltd, Celebrity Fashion Ltd, Pearl Global Industries Ltd, Arvind Ltd, Kewal Kiran Clothing Ltd, Loyal Textile Mills Ltd, Nandan Denim Ltd, Aarvee Denims & Exports Ltd, Mafatlal Industries Ltd, Orbit Exports Ltd, Siyaram Silk Mills Ltd, Zodiac Clothing Company Ltd, Kitex Garments Ltd, KG Denim Ltd and Jindal Worldwide Ltd.

5 Unlisted companies considered comprises of Richaco Exports Private Limited (erstwhile Richa & Company), Richa Global Exports Private Limited, First Steps Babywear Private Limited, K. M. Knitwear Private Limited and Texport Industries Private Limited.

After witnessing a robust growth in Q1 FY2023, India's apparel exports faced headwinds due to uncertain economic conditions in its main export destinations.

Consequently, export value in US dollar terms remained flat, although rupee depreciation helped in increasing INR earnings for major exporters in FY2023

Exports remain under pressure, and a meaningful recovery looks unlikely before H2 FY2024.



- Apparel exports grew only ~0.9% in US\$ terms to USD 16.17 billion in FY2023 on a YoY basis. However, depreciation of the rupee against the USD by ~8%, resulted in exports in domestic currency increasing by ~8.8%.



- The US and the EU (incl. UK) continued to be the largest export markets for Indian exporters, accounting for ~33% and ~32% share of total exports, respectively, in FY2023.



- Exports to the EU had increased by ~15% to reach USD 5.1 billion and those to the US rose by ~1.3% to reach USD 5.4 billion in FY2023 on a YoY basis. The overall share of the EU in Indian apparel exports improved to ~32% in FY2023 from ~28% in FY2022. India's exports to the UAE, however, witnessed a sharp 33% decline. The UAE acts as a re-exporting hub; difficult market conditions in its export markets had affected imports from India.



- ICRA expects its sample set to register a muted increase in total revenues (in INR) for FY2024, with apparel exports continuing to face headwinds. In ICRA's opinion, any material increase in apparel export volumes is unlikely before Q3 FY2024. Post this, an improvement is likely with the liquidation of inventory at the importers' end with the onset of festive demand.



- The aggregate revenues of ICRA's sample set improved by a mild 3% in FY2023 to Rs. 29,342 crore, led by a strong H1 FY2023, while H2 FY2023 saw a sequential drop in revenues. Operating margins (OPMs) of the sample entities dipped from 10.1% in FY2022 to 9.1% in FY2023, mainly due to volatile cotton prices. ICRA expects the operating margins for the companies to marginally improve to ~9.3-10% in FY2024, primarily on the back of stable raw material prices through this year.



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