

INDIAN HOME TEXTILE INDUSTRY

Home textile players pin hopes on
festive fervour in FY2024 for ride to
recovery

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Sector fundamentals stay comfortable, home textile players on road to recovery in FY2024 after facing strong headwinds in the last fiscal.



- Following a 25% growth in FY2022, India's home textile exports (in USD) reported a double-digit decline of 18% and 12% in FY2023 and 4M FY2024, respectively, amid high raw material expenses and energy inflation, coupled with a muted demand scenario in the key export markets.



- The dip in blankets and curtains product category was lower at ~12% compared to other categories where the reduction was ~18-19% in FY2023. In 4M FY2024, bed/table/toilet/kitchen linen witnessed ~16% decline compared to ~7-13% in other categories.



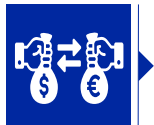
- The US remains the largest market for Indian home textile exports, with 56% share in FY2023 and 58% share in 4M FY2024. The growth impetus in the medium term would be on the back of the expected conclusion of the FTA talks with the UK and the EU, along with the FTA agreement signed with Australia and the UAE.



- In Q1 FY2024, revenues remained muted with a modest ~3% YoY growth for ICRA's sample set of four listed home textile companies, accounting for ~35-40% of India's home textile exports. ICRA expects its sample set to report ~10-12% YoY growth in Q2 FY2024 with festive orders (for thanksgiving and Christmas shopping) coming in and also a recovery in demand conditions in key export markets.



- Correction in cotton prices started from Q4 FY2023, which translated into an improvement in margins in Q4 FY2023 and Q1 FY2024 for the sample set. With relatively stable raw material prices, the margins are estimated to have remained at ~15-16% in Q2 FY2024.



- The US retail inventory levels for furniture, home furnishing, electronics, and appliance stores have dipped from CY2022 levels, with destocking being almost over for the big retailers. As a result, ICRA expects them to start buying in the subsequent months to restock their inventory, thereby improving the overall order book position for the home textile players.



- ICRA expects its sample to report ~7-8% increase in turnover in FY2024, following the ~10% decline in FY2023, with a recovery in demand conditions and restocking by big retailers from the US markets due to realignment of inventory levels.



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