

# INDIAN APPAREL & FABRIC SECTOR

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**Export volumes moderated on weak  
global demand; meaningful recovery  
expected in FY2025**

**March 2024**





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*India's apparel exports had witnessed a decline in the last four quarters (ending Q3 FY2024), primarily due to inflationary pressures and a tepid economic environment in key markets.*

*Apparel exports are expected to improve from FY2025, following the liquidation of inventory at the retailers' level.*



- The global apparel trade had increased by ~11% to USD 560 billion in CY2022. Nevertheless, the same is estimated to have declined by ~18% in CY2023 amidst inflationary pressures and destocking by customers/retailers. The imports by the EU and the US account for ~55% of the global apparel trade. It declined by ~17% on a YoY basis in 11M CY2023, following an ~16% increase in CY2022.



- Indian apparel exports declined by 13% to USD 11.6 billion in 10M FY2024 on a YoY basis compared to a growth of 1% registered in FY2023. However, the depreciation of the rupee against the USD by ~8%, resulted in exports in INR increasing by ~8.8% in FY2023 and declining by 9.9% in 10M FY2024.



- The US and the European (incl. UK) markets continue to be the major export markets for Indian apparel exporters, accounting for ~33% and ~31% share in FY2023 and 10M FY2024 respectively.



- Indian apparel exports to the EU had declined by ~11.2% and stood at USD 3.7 billion and those to the US declined by ~16.7% and stood at USD 3.8 billion in 10M FY2024 on a YoY basis due to inflationary pressures and tepid economic growth in the key international markets. In contrast, Indian apparel exports to the EU had gone up 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.



- Out of the approved 64 applicants for the PLI 1.0 scheme in April 2022, 56 completed the mandatory criteria for formation of a new company and approval letters have been issued to them and 12 more applications are under evaluation at present. Investment of ~Rs. 2,119 crore by 30 selected applicants, has been made till September 2023.



- PM MITRA Parks will offer an opportunity to create an integrated textiles value chain and would encourage capacity additions in the segment. Seven sites in seven different states (Tamil Nadu, Telangana, Gujarat, Karnataka, Madhya Pradesh, Uttar Pradesh and Maharashtra) have been chosen for the PM MITRA Parks.

# Highlights – Financial Performance & Credit Profiles

*Due to the Red sea conflict, no immediate effect is being felt by apparel exporters operating on an FOB basis, except for shipments getting delayed by ~15 days.*

*Large capex investments for most players were pushed back in FY2024. Capex spending expected to pick up in FY2025.*



- Despite the ongoing Red Sea conflicts, no immediate cost implication is being felt by apparel exporters operating on a FOB basis, except for their shipments getting delayed by ~15 days from its original transit time. Any sustained continuance of this face-off would have a direct impact on apparel export volumes and their realisations due to higher costs for the customers.



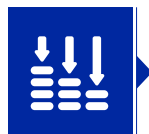
- ICRA expects the total revenues for its sample set to moderate ( by ~6% to Rs. 26,000 crore) in FY2024, as apparel exports contracted in 9M FY2024. A pick-up in volumes in FY2025 is likely. This improvement would be on the back of liquidation of inventory at the importers' end with the onset of the Summer 2024 orders.



- A difficult operating environment had pushed back large capex investments for most players. However, based on an expectation of demand revival in FY2025, industry players' strategies to take advantage of the China Plus One movement, ICRA expects a pick-up in capex spending in FY2025.



- Despite the projected decline in debt-funded capital investments, in comparison with FY2023 levels, on account of weaker profitability, the interest coverage ratio is expected to moderate (to 5.6x in FY2024 and 5.8x in FY2025, against 6.3x in FY2023) and Total Debt/ OPBDITA is expected to weaken (from 1.5x in FY2023 to 1.9x in FY2024 and 1.8x in FY2025).



- The trend of the number of upgrades exceeding the number of downgrades continued in FY2023, however, it weakened and remained flat in 10M FY2024 on account of weaker operating performance reported by certain fabric manufacturers and apparel exporters.

## 1 Performance Trends & Outlook



## 2 PLI Scheme and PM Mitra Park



## 3 Emerging Trends in Global Apparel Trade



## 4 Fabric Segment Performance



## 5 Credit Trends



## 6 Peer Comparison & Company Section





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