

# Indian Cotton Spinning Industry: Trends & Outlook

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Recovery in sight for cotton spinning  
industry

June 2026

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*After a flat performance in FY2026 caused by downstream demand disruptions due to US tariffs, cotton spinners are expected to witness a recovery in FY2027.*

*Revenues of cotton spinners are estimated to grow by 6-9% (YoY) in FY2027 and margins are likely to remain healthy. On the contrary, margins of MMF spinners are likely to moderate by 100-200 bps (YoY) in FY2027 due to West Asia conflict. Any positive developments around the ongoing West-Asia Conflict would avert a steeper margin decline for MMF spinners.*



- The Indian cotton spinning industry, after witnessing a 2% decline in domestic yarn consumption in FY2026 due to the US tariffs, is expected to recover in FY2027 driven by reduction in the US tariffs and a healthy export demand. Owing to the West Asia conflict and cotton being the closest alternative for MMF, both cotton yarn and cotton fibre prices had seen a sharp rise in Q1 FY2027. However, sustained higher yarn realisations could lead to some volume moderation.



- ICRA's sample set of 13 companies, which accounts for 25-30% of the industry's revenue, is expected to report a 6-9% recovery in revenues on a YoY basis in FY2027. Additionally, margins are expected to remain healthy in FY2027.



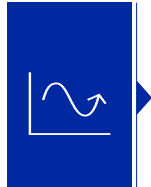
- Cotton prices rose sharply around 11% in 2M FY2027 due to the West Asia conflict. A moderation from current high levels is expected with resolution of the conflict. The import duty exemption available from June 2026 to October 2026 to an extent, supports spinners' margins.



- A sharper appreciation in yarn prices relative to raw cotton translated into a meaningful expansion in contribution margins for spinners by around 13% YoY to Rs. 118 per kg in May 2026. A moderation in contribution margins is expected in the remainder of FY2027 and ICRA expects the average contribution margins in FY2027 to stabilise at around Rs. 105 -110 per kg.



- Prolonged West Asia conflict could result in non-availability of key raw materials for MMF spinners apart from an increase in their prices, consequently impacting the profit margins of MMF spinners by 100 to 200 bps in FY2027.



- The industry had undertaken moderate debt-funded capex in FY2026, mainly relating to capacity additions by select players, maintenance capex and power generation capacities added by certain others, as a cost-saving measure. Given the available capacities, modest capacity expansion is expected in FY2027. Due to improvement in profitability, debt coverage metrics like interest coverage ratio and total debt/ OPBIDTA are likely to remain range-bound at 5.7-6.1 times and around 2.0 times, respectively, in FY2027, against 5.2 times and 2.5 times, respectively, in FY2026.



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