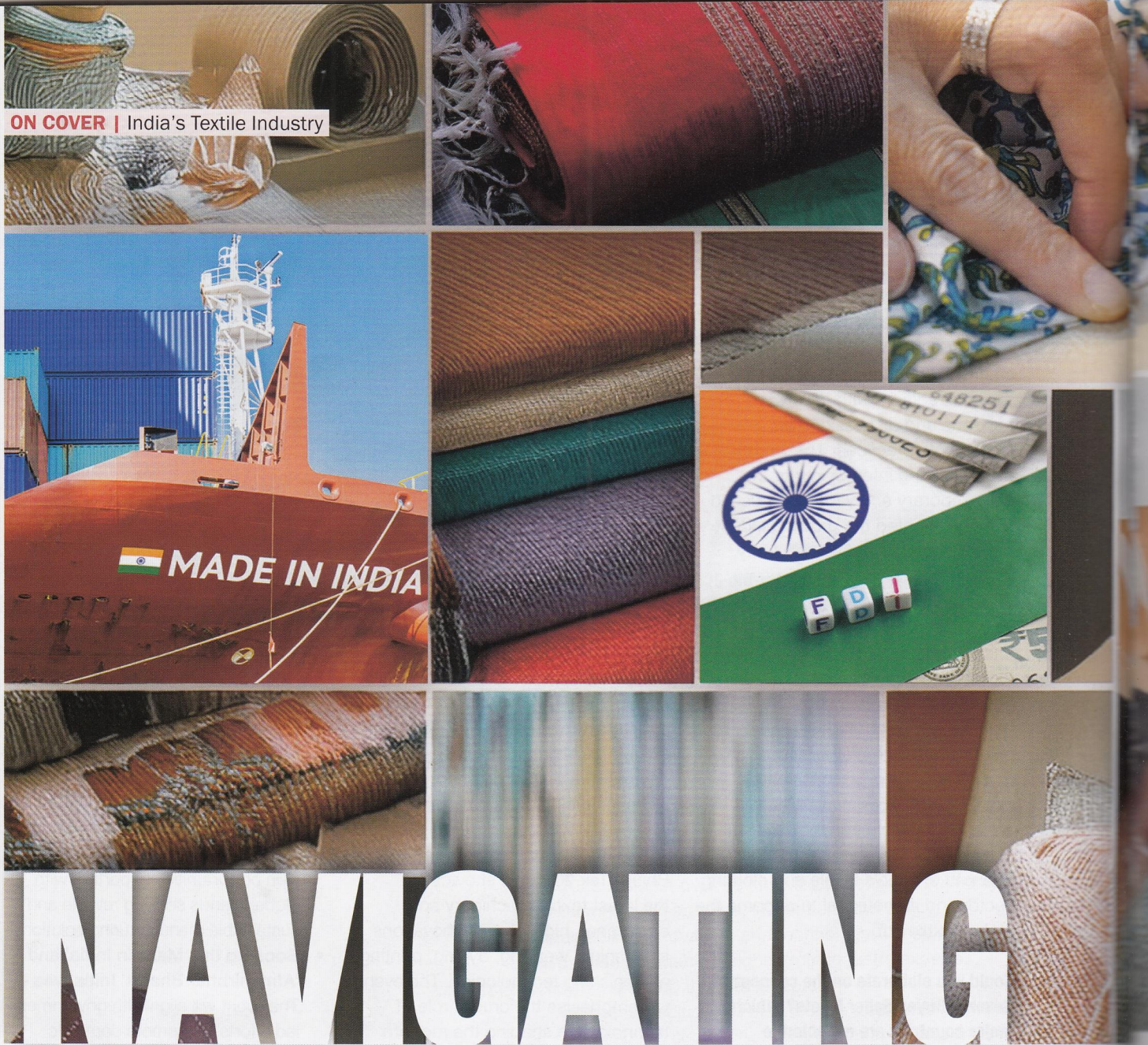


▶ ON COVER | India's Textile Industry



NAVIGATING THE FUTURE

India's textile industry, contributing 3 per cent to GDP and 9 per cent to exports, faces challenges like rising costs, outdated technology, and low FDI but holds vast potential through initiatives like PM MITRA, PLI, and sustainability reforms. Expanding technical textiles, synthetic fibres, and renewable energy can boost competitiveness. Strategic interventions in labour reforms, traceability, and infrastructure modernisation can drive inclusive growth and global leadership.



by **FIBRE2FASHION**

The Indian textile industry serves as a backbone of the nation's economy, ranking as the second-largest employer after agriculture. It directly and indirectly employs approximately 100 million people across various segments, contributing significantly to rural livelihoods and fostering growth in allied sectors. The industry also plays a crucial role in India's export landscape, enhancing foreign exchange earnings and strengthening global trade relations. Table 1 highlights key facts about the Indian textile industry.

TABLE 1: FACT SHEET OF THE INDIAN TEXTILE INDUSTRY (IN %)

Component	% share
GDP	3%
Exports	9%
Employment	16%

SOURCE: Press Information Bureau (PIB)

The textile industry's share in the country's GDP increased marginally from 2.3 per cent to 3 per cent in 2024, while its contribution to national exports has remained steady at 9 per cent. Post-pandemic, employment in the manufacturing sector has grown, yet a significant portion of jobs in the textile industry remains unaccounted for due to the prevalence of informal operations. Below are some notable aspects of the Indian textile sector:

Employment Generation: The Indian textile industry directly employs approximately 45 million people and indirectly supports 55 million individuals, making it a vital contributor to rural livelihoods. Small and medium enterprises (SMEs) involved in handloom production, a culturally significant and ancient craft, play an integral role in this employment ecosystem.

Export Contribution: Textile exports contribute approximately 9 per cent to India's total export earnings, making the sector the



JUNRONG | STOCK.ADOBE.COM

While India's spindle capacity has grown at a CAGR of 2 per cent from FY13 to FY24, achieving full potential requires addressing inefficiencies and leveraging opportunities arising from global supply chain diversification.

fourth-largest contributor to export revenue, following leather products, dairy products, and petroleum. This underlines its strategic importance in global trade.

Expansion Potential: The Indian textile industry is poised for robust growth, with the market size projected to expand at a compound annual growth rate (CAGR) of 4 per cent, reaching \$143 billion by FY27. This growth is driven by rising exports, increasing domestic demand, and a strengthened manufacturing ecosystem, bolstered by government investments.

Government Support: The Government of India actively supports the sector through initiatives such as the Sustainable Textiles Implementation Plan (STIP), PM-MITRA parks, the Technology Upgradation Fund Scheme (TUFS), the Amended TUFS (ATUFS), and the Production Linked Incentive (PLI) scheme. Dedicated budget allocations further enhance the sector's efficiency and global competitiveness.

Backward and Forward Linkages: The Indian textile sector operates across a vertically integrated value chain, from cotton cultivation to garment manufacturing. As the world's second-largest cotton producer after China, India processes raw cotton into fibre, yarn, and fabric through approximately 1,400 large textile firms and 1.5 million SMEs. Key exports include readymade garments, raw cotton, and cotton fabrics, with major destinations including the US, EU, UK, and the Middle East. Policy measures aim to strengthen global competitiveness and support sustained growth.

Capacity Prowess of the Textile Industry

The Indian textile industry, a key driver of employment and a significant contributor to national exports, boasts one of the highest production capacities globally, second only to China. Despite its vast capacity, the industry relies heavily on export orders from major textile

hubs such as China and Bangladesh, alongside robust domestic demand, to sustain growth.

TABLE 2: FABRIC PRODUCTION CAPACITY OF INDIA

Total	Number (in Mn)
Total Looms	4.93
Handlooms	2.30
Power looms	2.50
Shuttle less Looms	0.13

SOURCE: Office of the Textile Commissioner

Several states, including Maharashtra, Gujarat, Tamil Nadu, Uttar Pradesh, Karnataka, Madhya Pradesh, Rajasthan, and West Bengal, form the backbone of India's textile production. To remain competitive globally, the industry must modernise its production processes to meet international standards and demands.

India holds a 45 per cent share of the world's loom capacity, encompassing both power looms and shuttle looms. Additionally, it dominates the global handloom sector, accounting for 85 per cent of the world's capacity, cementing its position as a hub for traditional weaving. However, many loom operations in India fall under the small-scale industry category and lack advanced technology, limiting productivity and quality. Modernisation is crucial to enhancing global competitiveness.

Spinning and Loom Capacity

Tamil Nadu leads in spindle capacity, followed by Maharashtra and Gujarat. Despite Gujarat achieving the highest cotton yield in the country, its spindle capacity lags behind. On a global scale, India holds the second-largest spinning capacity after China. Anticipating a shift in global demand as nations diversify supply chains away from China, India is expanding its spindle infrastructure.

TABLE 3: STATE-WISE SPINDLE CAPACITY

State	Spindle capacity (in \$Mn)
Maharashtra	4.70
Gujarat	4.50
Madhya Pradesh	2.50
Andhra Pradesh	3.50
Telangana	1.00
Punjab	4.25
Tamil Nadu	19.00

SOURCE: Departments of Textiles of States

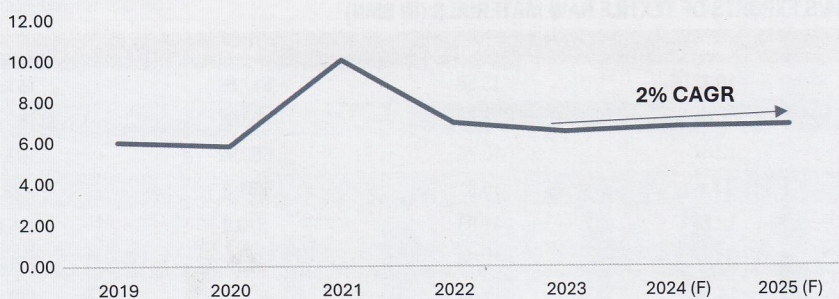
Post-COVID-19, global textile demand has surged, driven by economic recovery in developing nations. This has prompted Indian companies to expand capacities or modernise spindle operations to improve efficiency. Tiruppur,

TABLE 4: STATE-WISE COTTON PRODUCTION, CONSUMPTION, AND YEARLY YARN PRODUCTION

State	Cotton Production (in million bales)	Cotton Consumption (in million bales)	Yearly Yarn Production Capacity (in million kg)
Maharashtra	8.0	10.0	3100
Gujarat	9.0	1.5	4000
Madhya Pradesh	1.7	1.5	3441
Andhra Pradesh	1.15	1.15	687
Telangana	5.0	3.5	68
Punjab	0.48	2.5	665
Tamil Nadu	0.6	12.0	1360

SOURCE: Office of the Textile Commissioner

GRAPH 1 COTTON EXPORTS OF INDIA (IN \$BN)



SOURCE: ITC Trade map, F2F analysis

India's cotton knit capital, has seen heightened demand due to geopolitical tensions and challenges in Bangladesh, underscoring the need to increase production capacity.

To capitalise on current trade dynamics and meet evolving global demand, the Indian textile industry must significantly enhance its production capacity over the next two to three years.

Cotton Production Capacity

India is a major global cotton producer, with a 28.83 per cent share in global production, according to the Ministry of Textiles. Cotton is a vital commercial crop in India, where the cotton-to-non-cotton usage ratio is 60:40—higher than the global standard of 30:70. However, uneven patterns of production and consumption present challenges.

States such as Maharashtra, Tamil Nadu, and Punjab face a demand-supply imbalance due to the concentration of cotton processing industries and readymade garment (RMG) hubs. Gujarat leads in yarn production capacity, followed by Madhya Pradesh and Maharashtra. These states not only dominate cotton yarn output but also play a pivotal role in cotton exports.

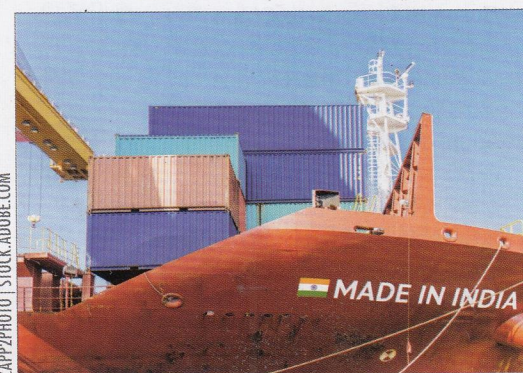
In November 2024, India's cotton exports were reported at approximately 18 lakh bales, reflecting a 10 per cent decline compared to the previous year. Nevertheless, the sector remains a vital

contributor to export earnings, generating \$6.49 billion in 2023. Projections indicate a compound annual growth rate (CAGR) of 2 per cent, with exports potentially reaching \$6.82 billion by 2025, underscoring its importance in global trade and foreign exchange earnings.

EXIM Scenario

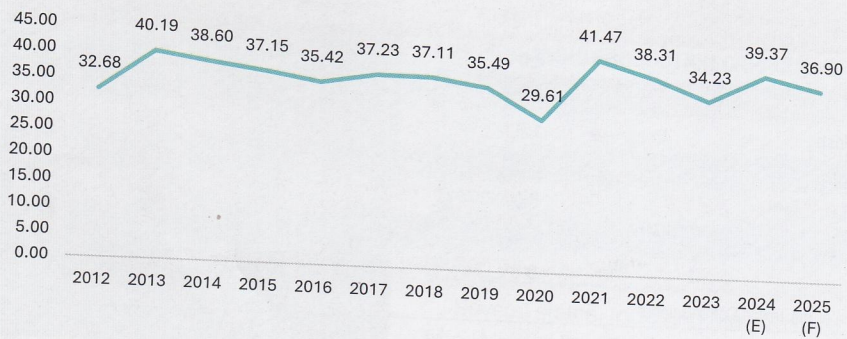
India's textile trade landscape has exhibited notable trends:

- **Apparel Dominance:** Apparel remains the leading textile export category, consistently securing a strong position in the global market.
- **Silk Export Growth:** Silk exports showed remarkable growth in 2023, increasing by 23 per cent. Since 2018, silk exports have expanded at a CAGR of 19 per cent, reflecting rising global demand.



Although textiles are among the top five exports from ports like Tuticorin, their overall share remains low, underscoring the need for sector-specific infrastructure enhancements.

GRAPH 2 INDIA'S TEXTILE EXPORTS (IN \$BN)



SOURCE: ITC Trade map

TABLE 5 INDIA'S EXPORTS OF TEXTILE RAW MATERIALS (IN \$MN)

Month	Silk	Wool	Cotton	Man-made filament
Jan-24	10.18	13.58	517.66	151.81
Feb-24	9.19	13.69	728.31	175.42
Mar-24	12.81	13.74	669.92	163.63
Apr-24	13.4	10.81	541.3	138.9
May-24	12.74	11.88	570.3	165.64
Jun-24	11.7	11.54	522.01	151.41
Jul-24	14.18	11.54	487.77	149.47
Aug-24	16.76	11.63	457.32	149.92
Sep-24	16.17	11.02	488.32	139.68
Oct-24	14.07	11.89	512.26	153.65

SOURCE: ITC Trade map

TABLE 6 INDIA'S EXPORTS OF INTERMEDIARY PRODUCTS (IN \$MN)

Month	Man-made staple fibre	Wadding, felt, and nonwovens; special yarn (56)	Special woven fabrics	Impregnated, laminated, coated textile fabrics
Jan-24	121.4	47.77	25.08	36.48
Feb-24	134.53	52.52	27.45	41.39
Mar-24	163.21	57.55	32.54	46.56
Apr-24	134.94	49.01	28.89	40.23
May-24	148.79	54.67	33.7	44.88
Jun-24	126.08	52.23	32.91	39.90
Jul-24	129.40	54.32	31.38	43.12
Aug-24	131.28	58.83	31.08	43.83
Sep-24	142.14	58.91	31.24	37.49
Oct-24	143.73	61.04	30.89	43.56

SOURCE: ITC Trade map, F2F analysis

- Surge in Exports to China:** India's textile exports to China experienced a dramatic increase, with CAGR rising from 1.1 per cent (2022) to 3.2 per cent (2023)—a growth of approximately 190 per cent. In comparison, exports to Mexico, a key raw materials market, grew by 22 per cent.
- Intermediary Product Growth:** Export of intermediary textile products showed consistent growth in 2024, with rates ranging between 5 per cent and 10 per cent.
- Rising Textile Imports:** India's reliance on

imports has also increased, with China's share in textile imports rising by 13 per cent and imports from Bangladesh growing by 12 per cent.

These dynamics underscore both expanding export opportunities and intensifying competition from global players.

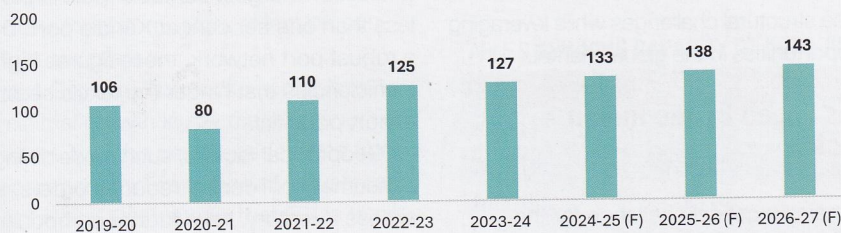
India's textile exports are projected to reach \$36.90 billion in 2024, a 6 per cent increase from 2023. Key export categories include RMG made from cotton, RMG of man-made fibres, and cotton fabrics. However, achieving the ambitious

TABLE 7 INDIA'S EXPORTS OF FINAL TEXTILE PRODUCTS (IN \$MN)

Month	Carpets	Knitted or crocheted fabrics	Articles of apparel knitted or crocheted	Woven apparel	Other made-up textiles, worn clothing
Jan-24	153.31	35.91	619.49	821.90	452.85
Feb-24	153.33	39.16	595.46	881.70	520.22
Mar-24	174.29	45.42	608.48	865.08	516.30
Apr-24	153.18	43.15	534.32	666.19	445.70
May-24	179.34	45.64	654.12	704.51	479.91
Jun-24	163.67	47.18	653.63	639.54	481.51
Jul-24	170.82	44.70	675.11	604.21	501.04
Aug-24	180.4	51.71	674.91	594.88	552.54
Sep-24	181.24	56.80	596.82	515.44	563.33
Oct-24	193.3	60.20	660.33	567.93	563.63

SOURCE: ITC Trade map, F2F analysis

GRAPH 3 MARKET SIZE OF THE INDIAN TEXTILE INDUSTRY (IN \$ BN)



SOURCE: Statista

target of \$600 billion in textile exports by 2047 will require substantial scaling up of production capacity, bolstered competitiveness, and strategic policy interventions.

Opportunities and Challenges

India remains a leading exporter of cotton, cotton fabrics, apparel, and carpets. However, in apparel exports, it faces stiff competition from Bangladesh, Vietnam, and China. Despite these challenges, several opportunities can support export growth:

- **Crisis in Bangladesh:** Economic instability in Bangladesh offers India a chance to capture a larger share of the global apparel market.
- **Global De-risking from China:** Many countries are diversifying supply chains away from China, creating opportunities for India to expand its exports.
- **Self-Sufficient Value Chain:** India's vertically integrated textile ecosystem, from cotton cultivation to finished apparel, minimises external risks.
- **Emerging Markets:** Rising demand from Africa, North America, and Australia presents new export avenues.
- **FDI Attraction:** India's textile sector holds significant potential to attract foreign direct

investment (FDI), boosting production capacity and employment.

However, to achieve the \$600 billion export target, the industry must address structural challenges:

- **Insufficient Capital:** Increased capital inflow is necessary for modernisation and capacity expansion.
- **Rising Input Costs:** High costs for raw materials and labour hinder competitiveness.
- **Infrastructure Inefficiencies:** Inefficient supply chain management and outdated infrastructure slow progress.
- **Complex Regulations:** Simplifying regulatory frameworks and addressing trade barriers is essential.
- **Global Tensions:** Geopolitical issues disrupt supply chains and trade relations.

Path to Growth

India's textile market, currently valued at approximately \$133 billion, aims to reach \$350 billion by 2030. This growth will be driven by government investments, recovering global demand, and shifting export orders as companies diversify supply chains away from China.

Despite these growth prospects, India's economic challenges—including a manufacturing

Apparel remains India's leading textile export category, consistently securing a strong position in the global market.



NURPHOTO | STOCKADOBEE.COM

slowdown, reduced consumption, and rising unsecured loans—could impact corporate profitability and sectoral progress. While most manufactured textile products are consumed domestically, exports play a crucial role in sustaining sectoral growth.

To achieve its ambitious targets, India must address these structural challenges while leveraging emerging opportunities in the global market.

Challenges Faced by the Indian Textile Sector

Logistics

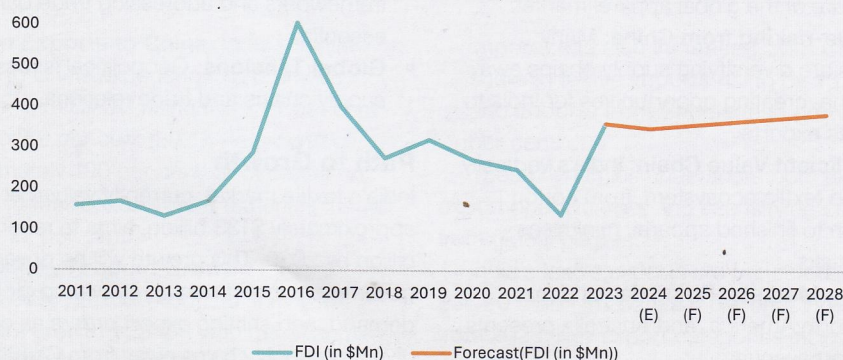
Logistics remains a critical challenge for the Indian textile industry. Timely transportation of stock to stores is essential, especially given the industry's reliance on seasonal trends. Efficient warehousing and real-time data tracking, though gradually improving, are still underdeveloped.

TABLE 8 LOGISTICS PERFORMANCE INDEX OF TEXTILE ECONOMIES IN ASIA

Country	Rank	Score
China	19	3.7
India	38	3.4
Vietnam	43	3.3
Sri Lanka	73	2.8
Bangladesh	88	2.6

SOURCE: World Bank LPI

GRAPH 4 FDI IN THE TEXTILE SECTOR (IN \$MN)



SOURCE: DPIIT, Ministry of Commerce, GOI

India ranks 38th in the World Bank's Logistics Performance Index (LPI), a notable improvement from 2018, second only to China among major textile economies. However, connectivity issues persist, particularly between textile parks and ports. According to the Comptroller & Auditor General (CAG) of India, many textile parks under the SITP scheme lack access to major ports and railway lines. For example, none of Maharashtra's textile parks are located near seaports, significantly affecting production costs and pricing.

The PM MITRA parks aim to address these challenges by integrating facilities with warehouses and improved logistics, enhancing port access. Ports, a cornerstone of export infrastructure, currently contribute marginally to textile exports. For instance, textiles account for just six per cent of exports at Nhava Sheva (the second largest container port in India), and less than one per cent at Kandla port. Despite a robust port network, these figures highlight inefficiencies that hinder the textile sector's export potential.

Geopolitical factors, such as declining consumer confidence, reduced orders, and excess inventory, have further compounded logistics challenges. Although textiles are among the top five exports from ports like Tuticorin, their overall share remains low, underscoring the need for sector-specific infrastructure enhancements.

Investments

The textile sector received 0.66 per cent of India's total foreign direct investment (FDI) in 2023, marking a 161 per cent increase from the previous year due to heightened government promotion under the 'Make in India' initiative. However, challenges persist:

- **Duty Structure:** Ready-made garments attract a GST of 12 per cent, while man-made fabrics and filaments are taxed at 18 per cent, discouraging FDI in these segments.