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Premium

Leader in fibre production, but growth, exports lagging: What ails India's textile

industry

In textile exports, India is behind countries like China, Vietnam, and Bangladesh, which be vertically integrated supply chains, lower production costs, and simpler regulations. What problems, and how can they be fixed?

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The story of community:

Written by Aggam Walia

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(7 min read









✓ NewsGuard



A cotton field in Sirsa, Haryana. After China, India is the second largest producer of cotton, accounting for 24% of global production. (Express photo: Praveen Khanna)

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India 2 hr ago

The Covid-19 pandemic has led to a change in passenger revenues for Indian Railways, with AC classes now surpassing non-AC classes. Though overall passenger traffic remains below pre-Covid levels, this trend is likely to continue in the coming years. Ticket prices have also...

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India's <u>textile industry is among the largest in the world</u>, spanning a vast value chain from cotton cultivation to high-end apparel manufacturing. However, despite its scale, India lags behind countries like China, Vietnam, and Bangladesh in textile exports, which benefit from vertically integrated supply chains, lower production costs, and simpler regulations.

Despite being a global leader in cotton and synthetic fibre production, India's textile and apparel industry has recorded sluggish growth in recent years. Now, with rising sustainability and compliance requirements, costs are expected to rise further, especially for smaller firms.

Fibre to fabric in India — an overview

After China, India is the second largest producer of cotton, accounting for 24% of global production. Cotton cultivation engages around 60 lakh farmers, mostly across Gujarat, Maharashtra, and Telangana. The entire cotton textile value chain—from processing raw fibre and spinning yarn to weaving fabric, dyeing, and stitching—employs over 4.5 crore people.

While fibre consumption in India tilts heavily towards cotton, the textile industry also consumes other natural fibres like wool and jute. India is also the world's second largest producer of man-made fibres (MMF), with Reliance Industries Ltd leading in polyester fibre and Aditya Birla Group's <u>Grasim Industries</u> Ltd as the only domestic producer of viscose fibre.

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Despite being a global leader in production, MMF consumption in India is just 3.1 kg per capita, compared to 12 kg in China and 22.5 kg in North America, according to a Ministry of Textiles note. Overall fibre consumption, including natural fibres and MMF, is also low at 5.5 kg per capita, compared to the global average of 11.2 kg.

Roughly 80% of India's textile value chain is concentrated in MSME clusters, each with its own specialisation. For instance, Bhiwandi in Maharashtra is a key hub for fabric production, Tiruppur in Tamil Nadu leads in t-shirts and undergarments, Surat in Gujarat specialises in polyester and nylon fabric, and Ludhiana in Punjab is known for woolen garments.

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Growth, exports in the red

The size of India's textile and apparel industry cannot be understated—it contributes 13% to industrial production, 12% to exports, and roughly 2% to GDP. However, manufacturing in the textile and apparel industry has slightly contracted over the past 10 years, according to the Index of Industrial Production (IIP).

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Between 2014-15 (FY15) and FY19, manufacturing in the textile sector, including home textiles, grew by a compounded annual growth rate (CAGR) of 0.4%, while the apparel sector grew by a CAGR of 7.7%.

However, between FY20 and FY24, the textile sector contracted by 1.8% each year and the apparel sector by 8.2%. The economic downturn after the Covid pandemic, caused by a combination of global and domestic headwinds, has taken a severe toll on the MSME clusters, especially in Tamil Nadu.

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While India runs a massive trade surplus in textile and apparel, growth in overall exports has been muted over the past few years. In FY24, exports stood at \$34.1 billion, just a little over \$33.4 billion in FY20. Almost half of the exports in the last financial year were to the United States and the European Union, supplying brands like JCPenney, Gap, and Decathlon.

The labour-intensive garment and apparel sector exported goods worth \$14.5 billion in FY24, down from \$15.5 billion in FY20. Companies like Shahi Exports Pvt Ltd, Gokaldas Exports Ltd, and PDS Ltd are leading players in this sector.

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The cotton textiles sector, which includes home textiles like bedsheets and towels, recorded higher exports in FY24 at \$12.3 billion compared to \$10.2 billion in FY20. Companies in this space include Welspun Living Ltd and Trident Ltd.

Low export competitiveness

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India lags behind China, Vietnam, and Bangladesh in textile exports, largely due to higher production costs. For instance, Vietnam exported apparel worth \$40 billion in 2023. These countries benefit from vertically integrated supply chains, allowing them to manufacture garments at far more competitive prices.

One key challenge for India is its fragmented cotton supply chain, spread across multiple states, driving up logistical costs and hindering large-scale production.

"A lack of localisation and the complexity of the value chain, in turn, results in higher costs relative to global competitors. In contrast, vertically integrated 'fibre-to-fashion' firms in competitor nations such as China and Vietnam export low-cost products, maintain consistent quality and are nimble enough to adjust to the fast-changing nature of the industry," the Economic Survey 2024-25 said.

STORY CONTINUES BELOW THIS AD

Beyond structural advantages like vertical integration and flexible labour laws, these nations also benefit from free trade agreements (FTAs) with consumer

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markets.

"Simple and liberal customs procedures further reduce regulatory costs and lend a competitive edge to the exports of global textile competitors such as China and Vietnam. On the other hand, in India textile exporters are constrained by complex procedures, which, for instance, require exporters to meticulously account for every square centimetre of fabric, buttons and zippers used," it added.

In the MMF sector, high raw material costs further erode India's competitiveness. With quality control orders (QCOs) restricting imports of polyester and viscose fibres, domestic yarn makers have to rely on significantly pricier local alternatives. In January, polyester fibre in India was 33-36% costlier than in China, while viscose fibre was 14-16% more expensive, according to data from the Confederation of Indian Textile Industry (CITI).

The sustainability angle

"Today, the world is increasingly recognising the importance of a sustainable lifestyle, and the fashion industry is no exception... I firmly believe that the textile industry must embrace the principles of maximising resource efficiency and minimising waste," Prime Minister Narendra Modi said at the textile trade fair Bharat Tex last week.

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Sustainability is set to pose a major challenge for India's textile industry, as global brands and markets tighten compliance norms. These include higher renewable energy use, water and material recycling, and stricter sourcing and traceability requirements.

"In general, the costs for the textile industry are likely to rise over the coming years. A global structural shift towards sustainable sourcing would drive this. Often, such a shift is necessitated by regulatory changes. The EU, for instance, has as many as 16 pieces of legislation spanning the entire fashion value chain, which came into force between 2021 and 2024. As the EU accounts for nearly 20 per cent of our exports, such a shift poses a challenge for small enterprises who need to shift to environmentally sustainable production methods," the Survey said.

In his speech, Modi highlighted that India's textile recycling market is projected to reach \$400 million, while the global recycled textile market is expected to touch \$7.5 billion.

"Today, crores of garments become obsolete every month worldwide, with a significant portion falling into the category of 'fast fashion waste'. This refers to clothing discarded simply due to changing fashion trends. These garments are

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dumped in various parts of the world, posing a severe threat to the environment and ecosystems.

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The story of community: dwindling

Estimates suggest that fashion waste will reach 148 million tonnes by 2030. Currently, less than a quarter of textile waste is being recycled," he said.

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