

Chairman's Message



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THE SHARE OF WOVEN GARMENT DURING THE SAME PERIOD OF 2020 WAS 50% IN TOTAL GARMENT EXPORTS, WHICH DECLINED TO 46% IN 2021, SO EVEN THOUGH THERE IS RECOVERY IN GARMENT EXPORTS BUT THE DEMAND FOR WOVEN GARMENTS CAME DOWN DIRECTLY IMPACTING THE DEMAND FOR WOVEN FABRIC.

Shri Paul Oswal

Chairman

Dear Shareholders,

A significant part of the financial year 2020-21 passed amidst uncertainty and despair due to lockdown in the different parts of the world owing to COVID-19 situation. As a result, different parts of various countries remained closed and then opened in phased manner. To a larger extent, government attention and resources also got diverted towards containing pandemic, saving lives and for vaccination drive. In such a situation, economic growth and trade concerns slipped down the priority pyramid as a natural consequence. This was reflected in the world economic growth which is estimated to record a negative growth rate of 4.4 percent during 2020. With partial opening-up of the economy in sync with successful vaccination drive in the developed and developing countries, the world economy is projected to grow at 5.6% in 2021 amidst downward biases.

Indian economy, which was firmly on the path of recovery in the second half of FY 2020-21, had been hit in recent months by a rather unexpected virulent second wave of Covid-19. It caused a severe strain on healthcare facilities in many parts of the country, leading to localised lockdowns and a fall in mobility to levels seen a year ago. However, disruptions to production and supply chains have been far less severe during the second wave than during the first wave. The Indian economy, which recorded negative growth rate of about 7.5% in FY 2020-21 is likely to do well in the current financial year FY 2021-22 and is expected to grow by more than 10%.

In textile sector, the performance of India has been impacted by three factors in the FY 2020-21. First of all, overall slowdown in economic activity especially in first two quarters of the FY 2020-21 led to significant stress upon

output, demand and earning of the industry. However, this pressure was eased in subsequent quarters leading to improvement in performance of the Indian textile industry.

Secondly, US-China trade tension especially related to products made of cotton grown in Xinjiang area has supported Indian textile industry. The industry has witnessed increased export demand for textile material especially cotton yarn mainly from China. The surge in demand for cotton yarn in China can be linked to its sustained exports of high value added textiles and clothing products despite of higher wages in sync with per capita income of beyond USD 10,000/year. This transitory positive impact of high demand of cotton yarn from India may continue for coming months also.

The third factor, which adversely affected the Indian textile industry is more permanent in nature and is related to cost incompetitiveness of Indian producers against its competitors like Bangladesh, Vietnam and of lately Myanmar and Cambodia. While China has seen reduction in clothing export by USD 38 bn during 2015-2020, the aforesaid countries have seen almost identical surge in clothing exports during the same period. China emerged as prominent textile material supplier to these countries by exporting USD 21 bn knit and woven fabric to these countries.

At organisation level, while yarn segment has performed well, the fabric segment could not fully recover out of COVID-19 situation and is still facing sub optimal capacity utilization, which is partly due to addition in fabric manufacturing capacity made just before COVID-19 period. Another reason was low demand of formal wears made of woven fabric in comparison to casual wears made of knitted fabric because of restricted movement of people during

this period. One illustration of reduced demand of woven fabric can be seen in the reduced share of woven garment in total garment exported by Bangladesh. Total garment exports from Bangladesh, during March-June 2021, increased by 107% as compared to corresponding period of previous year. The share of woven garment during the same period of 2020 was 50% in total garment exports, which declined to 46% in 2021, so even though there is recovery in garment exports but the demand for woven garments came down directly impacting the demand for woven fabric.

Nevertheless, the Company is well poised to gain from the opportunities in global market as well as in domestic market with normalization of economic activities with increased sense of security associated with rapid pace of vaccination and other efforts made by government. At organisation level, we have given utmost priority to necessary safeguards to prevent spread of COVID -19 and our work force has been working with full of confidence amidst safety measures and hopeful to record improved performance on all parameters.

We have received immense support and encouragement from our business partners, financial institutions and customers – not just this year, but continuously over a period of time. I would like to take this opportunity to thank all of them for their faith, advice and guidance. As I conclude my message for this Annual Report, I look forward to the same support for the coming future.

Warm Regards,

Shri Paul Oswal

Chairman