

Management Discussion & Analysis



Global Textile Industry

COVID-19 pandemic has severely affected all sectors of global economy especially those, where physical social interaction have significant influence upon demand factors. Textiles and clothing is one such industry, where lockdowns, social distancing norms and travel regulations announced by the government have impacted a lot in terms of demand for textile and clothing products on one side and created serious supply side challenges on other side. Sharp decline in USA's textiles and clothing imports by about 20% in 2020 over 2019 well captured this trend. USA's textile and clothing imports from China declined by 30%, from India's by 15%, Vietnam's by about 8% and Bangladesh by more than 10% in 2020 over 2019. The overall exports of aforesaid leading textiles and clothing exporters to world has shown similar negative trends. It is estimated that Global textile & apparel market shrunk by 22%, coming down from US\$ 1,635 billion in 2019 to US\$ 1,280 billion in 2020. The consumption is expected to reach to pre-Covid levels in coming years and till that time, the recovery is likely to uneven linked with COVID-19 pandemic management by World community.

Amidst COVID-19 challenge, the restructuring of global textile industry has been taking place. This restructuring seems to be more pronounced in apparel manufacturing for exports. During 2019 and 2020, China, which is largest exporter of apparels lost about USD 38 bn worth clothing exports to competing countries namely Bangladesh, Vietnam and Cambodia. Though, India could not garner any significant

share in relocation of apparel manufacturing. Further, the direction of world textile material export like fabric and other textile material also shows that China emerged as largest supplier of fabric and other textile material to these apparel exporting countries in Asia.

The shipment of textile machinery like spindles and shuttleless looms also confirms this trend where China and India are prominent destinations of such machinery while knitting machines seems to be going to Cambodia, Vietnam and Bangladesh prominently. Taken together, global textile industry is restructuring but within Asia primarily.

Another important feature of world textile industry is growing use of Manmade Fibre (MMF) in textile manufacturing linked with its cost competitiveness over natural fibre and China has edge over its competitors in MMF manufacturing capacities as well as cost competitiveness. Accordingly, China's dominance in textile fibre processing in world is likely to be continued in coming years on this account and world may see increased use of MMF based textile and clothing products in years to come.

Indian Textile Industry

The Indian textile industry is about USD 120 bn presently comprising of about USD 35 bn exports (pre-Covid 19 year) and about USD 85 bn domestic market. Besides cotton yarn, India's performance in export sector has not been promising as India could not take any significant share in relocation of

apparel exports. The domestic market has traditionally been growing by 6-8% in pre-Covid years but may take some more years to achieve same level of growth. Nevertheless, the gap created in supply pipe line due to Covid-19 has given some push to the textile manufacturing, which has made quick recovery in manufacturing of textile materials like yarns and fabrics for domestic and exports market. However, any significant and sustainable growth in the textile industry hinged upon restoration of normal social and economic conditions in the world including India.

Exports focus

Exports will be performing a critical role in making Indian economy a USD 5 trillion economy which is visible in the initiatives taken by our Hon'ble Prime Minister in accelerating exports. We are quite hopeful that the textile sector will get its due share of emphasis in the policy framework of the Govt. designed to achieve the exports target of USD one trillion by 2028. Among others, Rebate of State and Central Taxes and Levies (ROSCTL) Scheme for apparels and Made-ups, which may get further extended, along with Remission of Duties and Taxes on Exported Products (RoDTEP) Scheme for other textile products and Production Linked Incentives (PLIs) Scheme are likely to go a long way in addressing cost disadvantages hurting textile and clothing exports and will make them globally competitive. Buoyed by the Indian Government's export facilitation measures, textile and clothing exports are well set to grow substantially in the coming years.

World Cotton Outlook

World cotton production is expected to rise by 6 percent in the cotton year 2021-22 (26 million tons) from the last year 2020-21 (24.5 million tons), with harvested area rising in some cotton producing countries. Global cotton consumption is expected to grow by 3.8% in the year 2021-22 from last year, as the world economy continues its recovery from the severe downturn in 2020. Global cotton consumption is projected at 26.8 million tons in the year 2021-22 against 25.8 million tons in the year 2020-21. Closing stocks will also come down from 19.9 million tons in 2020-21 to 19.1 million tons in 2021-22.

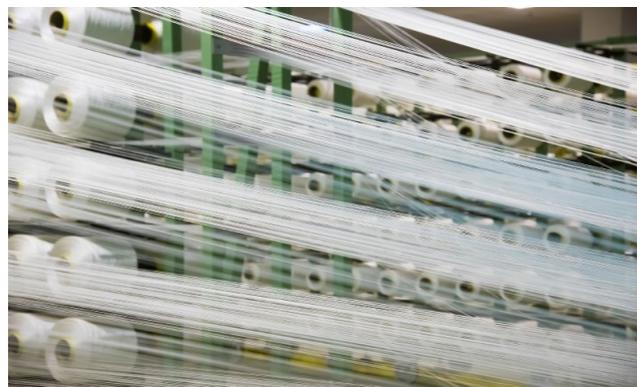
Indian Cotton Outlook

India's textile industry is mainly cotton based; therefore, it plays a major role in the Indian Economy. The area under cotton cultivation in the year 2020-21 in India was about 13.3 million hectares which is likely to remain more or less same at 13 million hectares in the year 2021-22.

India's 2020-21 production is estimated at 360 lac bales (Indian Size 170 kg), down roughly 2 percent from the preceding year primarily because of lower yield. Nonetheless, India's crop matched the level witnessed three years ago, and is tied for the fourth largest on record. Harvested area is estimated at 13.3 million hectares, the second highest level and down marginally from 2019-20's record of 13.4 million hectares. India's 2020-21 yield is estimated at 475 kg/hectare, down roughly 1 percent from the previous season.

The estimation for production of cotton crop for the 2020-21 season is at 360 lac bales of 170 kgs each. The cotton consumption in the year 2020-21 was earlier projected to be at 330 lac bales of 170 kgs each¹. However, it has now been revised to 315 lac bales considering the lower demand in domestic market amidst the prevailing second wave of the COVID in the country.

Import of cotton is estimated to be 11 lac bales of 170 kgs each in 2020-21 against 15.50 lac bales of 170 kgs each in 2019-20. Export of cotton is estimated to be 65-70 lac bales in 2020-21.



¹ As per Cotton Association of India (CAI)

Financial Review

Particulars	FY 2020-21 (₹ in crore)	FY 2019-20 (₹ in crore)	Change (%)
Revenue from Operations	5,788	6,325	-8.49
Operating Profit (EBITDA)	929	1,055	-11.94
Finance Cost	111	133	-16.54
Depreciation Cost	350	319	9.72
Profit Before Tax	467	603	-22.55
Profit After Tax	350	545	-35.78

Financial Ratios

Particulars	2020-21	2019-20	Change (%)
Debtors Turnover Ratio (Days)	62	46	34.78
Inventory Turnover (Days)	165	145	13.79
Interest Coverage Ratio (Times)	7.41	6.98	6.16
Current Ratio (Times)	9.21	7.17	28.45
Debt Equity Ratio (Times)	0.35	0.39	-10.26
EBIDTA Margin (%)	16.05	16.68	-3.78
Net Profit Margin (%)	6.05	8.62	-29.81
Return on Net Worth (%)	5.81	9.63	-39.67

The Financial ratios for the FY 2020-21 are not comparable with that of FY 2019-20 as the business of the Company remained affected due to pandemic.

Human resources/Industrial relations

Human resource is considered as the most valuable of all resources available to the Company. The Company continues to lay emphasis on building and sustaining an excellent organisation climate based on human performance. The Management has been continuously endeavouring in fostering high performance culture in the organisation. During the year the Company employed around 20916 employees on rolls. Further, industrial relations remained peaceful and harmonious during the year.