

Domestic cotton spinning to grow 6-8%, says ICRA

New Delhi, July 17: The domestic cotton spinning industry will recover in FY25, growing 6-8 per cent, rating agency ICRA said on Wednesday.

The recovery will be aided by 4-6 per cent volume growth and mild-realisation gains, the rating agency said.

The estimated recovery would follow two consecutive years of de-growth on the back of subdued domestic demand and falling yarn realisations.

Over two-thirds of total cotton yarn produced is consumed domestically, where green shoots of recovery are visible from downstream segments, such as ready-made garments and home textiles.

According to ICRA, cotton yarn exports, which rebounded in FY24 on a lower base, are likely to normalise in FY25.

"While exports will remain exposed to headwinds from sluggish global demand, a shift in sourcing preference away from other countries will offset this impact to an extent," the rating agency said.

It shared that domestic cotton prices, which



peaked sharply in H1 FY23 and reached a lifetime high of ₹284 per kg, have been declining over the last two years.

The average prices, which fell approximately 26 per cent year-on-year in FY24 amid a moderation in global prices and weak demand from the end-user segments, are likely to marginally increase in the near-term with a recovery in demand, ICRA said.

"The gross contribution margins for spinners, which contracted by 20 per cent year-on-year in FY24 amid weak domestic demand, recovered by an estimated 5 per cent in Q1 FY25 and the recovery trend is likely to continue in FY25," K Srikumar, senior vice-president and Co-Group head, Corporate Sector Ratings, ICRA, said. — PTI