

Cotton yarn realisation to touch 20% this fiscal: ICRA

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After hitting a multi-year low last fiscal, cotton yarn spinning companies' profit margins have improved in the December quarter due to revival in export and rupee depreciation. However, sustainability of profit is already threatened by rising cotton prices and competitive pressure from Vietnam and Bangladesh.

Over 90 per cent of increase in exports to China in first seven months this fiscal helped Indian spinners regain a part of the export market lost to competing nations such as Vietnam over the past few years, said the rating agency ICRA.

However, the difference between domestic and international cotton prices have fallen to eight per cent in the quarter ended December quarter from 16 per cent logged in June quarter, adding to competitive pressures from Vietnam.

Besides, incremental developments on the US-China trade row can play a key role in influ-

encing India's export prospects, ICRA added.

After growing at a strong pace of 50 per cent in five months of FY'19, India's cotton yarn exports have normalised to 34 per cent in October.

ICRA expects the annual cotton yarn exports to grow at 18-20 per cent this fiscal supported by a strong beginning.

Jayanta Roy, Senior Vice-President, ICRA, said healthy demand and higher cotton prices have shifted cotton yarn realisation into a higher trajectory this year, with realisations averaging 13 per cent higher against an 11 per cent increase in cotton prices from last year.