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Apparel firms pin hope on festival boost

OUR BUREAU

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After witnessing a major setback in the past two quarters due to Covid pandemic, apparel companies are banking on the coming festival season for a recovery from an all-time low phase.

Demand in the second half of this fiscal is expected to gain strength from extended online festival sales and further easing of lockdown

Export orders

Apparel exporters have already received encouraging orders on expectation of a spike in the festival season sales in the international markets. However, turnover is expected to decline 20-25 per cent this fiscal compared to 40 per cent fall in revenues of companies focussed on the domestic market in first half of this fiscal, said ICRA in a report.

Jayanta Roy, Senior VP, ICRA Ratings, said though the recovery trajectory so far has been relatively better for exporters, the second wave of the pandemic gathering pace across countries remains a key risk. The faster opening up of economies and better recovery in retail sales in the international markets facilitated a relatively higher uptick in sales for apparel exporters in the last few months, he said.

Demand in second half of this fiscal is expected to gather support from extended online festival sales and further relaxations under Unlock-5 guidelines. This apart, developments such as a rollback of the previously announced pay cuts by some corporate entities and the Government's festival-advance scheme are also expected to result in improved cash flows in the hands of consumers, thereby supporting discretionary spending, Roy added.

Domestic market

However, the contraction in revenues projected for FY21 is likely to translate into at least two per cent fall in operating profitability of apparel exporters in the current fiscal. The drop for the domestic-market focused companies would be much higher at six per cent as these companies have relatively higher fixed costs.