

# INDIAN COTTON YARN

*- demand & supply dynamics*



Sanjay K Jain  
Managing Director  
TT Limited, India



你好

热烈欢迎各位来宾

# Highlights of Indian yarn...



- 2nd largest producer in the world
- Largest exporter of cotton yarn (24% share)
- 51 million spindles capacity (2 mln being added every year)
- 20% of world spindles & 9% of rotors.
- Produces 5400 million kgs
- 75% yarn is cotton, balance is blended and synthetic
- 30% cotton yarn is exported, 70% domestic use
- Cotton yarn exports in 2014-15 was about 1220 mln kgs

# Indian cotton yarn...



## COUNTS



- Below 20s - 34%
- 21 – 40s - 51%
- Above 41s - 15%

## PRODUCTION



- South India (44%)
- North India (26%)
- West India (20%)

## WORLD SHARE



- 72% domestic
- 28% exports (China, Bangladesh, Korea, Egypt, Peru etc)

# Indian yarn production...



## Financial Year-wise, Variety-wise Production of Yarn

(Qty. in Million Kgs.)

Financial Year	Cotton Yarn			Blended Yarn			100% Non-Cotton Yarn			Total Qty.	Growth rate
	Qty.	Growth rate	% Share	Qty.	Growth rate	% Share	Qty.	Growth rate	% Share		
2007-2008	2948	4%	74%	677	7%	17%	378	6%	9%	4003	5%
2008-2009	2899	-2%	74%	655	-3%	17%	361	-5%	9%	3914	-2%
2009-2010	3079	6%	73%	707	8%	17%	407	13%	10%	4193	7%
2010-2011	3491	13%	74%	796	13%	17%	427	5%	9%	4713	12%
2011-2012	3127	-10%	72%	789	-1%	18%	457	7%	10%	4373	-7%
2012-2013	3583	15%	74%	828	5%	17%	457	0%	9%	4868	11%
2013-2014	3935	10%	74%	898	8%	17%	484	6%	9%	5316	9%
2013-2014 (Apr-Feb)	3594	10%	74%	822	9%	17%	443	6%	9%	4859	10%
2014-2015 (Apr-Feb)	3707	3%	74%	835	2%	17%	471	6%	9%	5013	3%

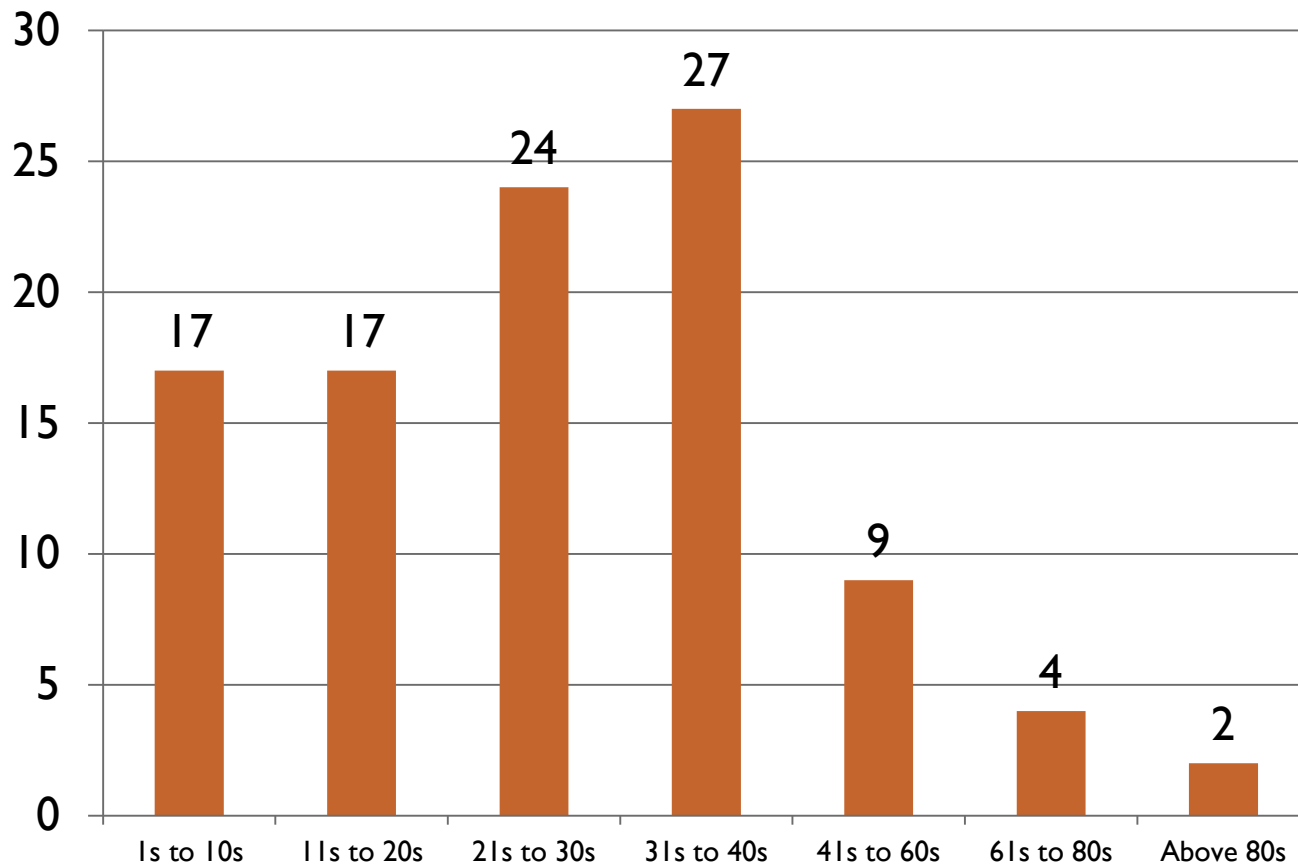
Note : Growth Rate is calculated w.r.t. same period last year

Data Source : O/o Textile Commissioner, Mumbai

... due to bearish trend, yarn production just grew at 3% last year  
 ... cotton yarn share being maintained

# Production of cotton yarn

## - Count wise

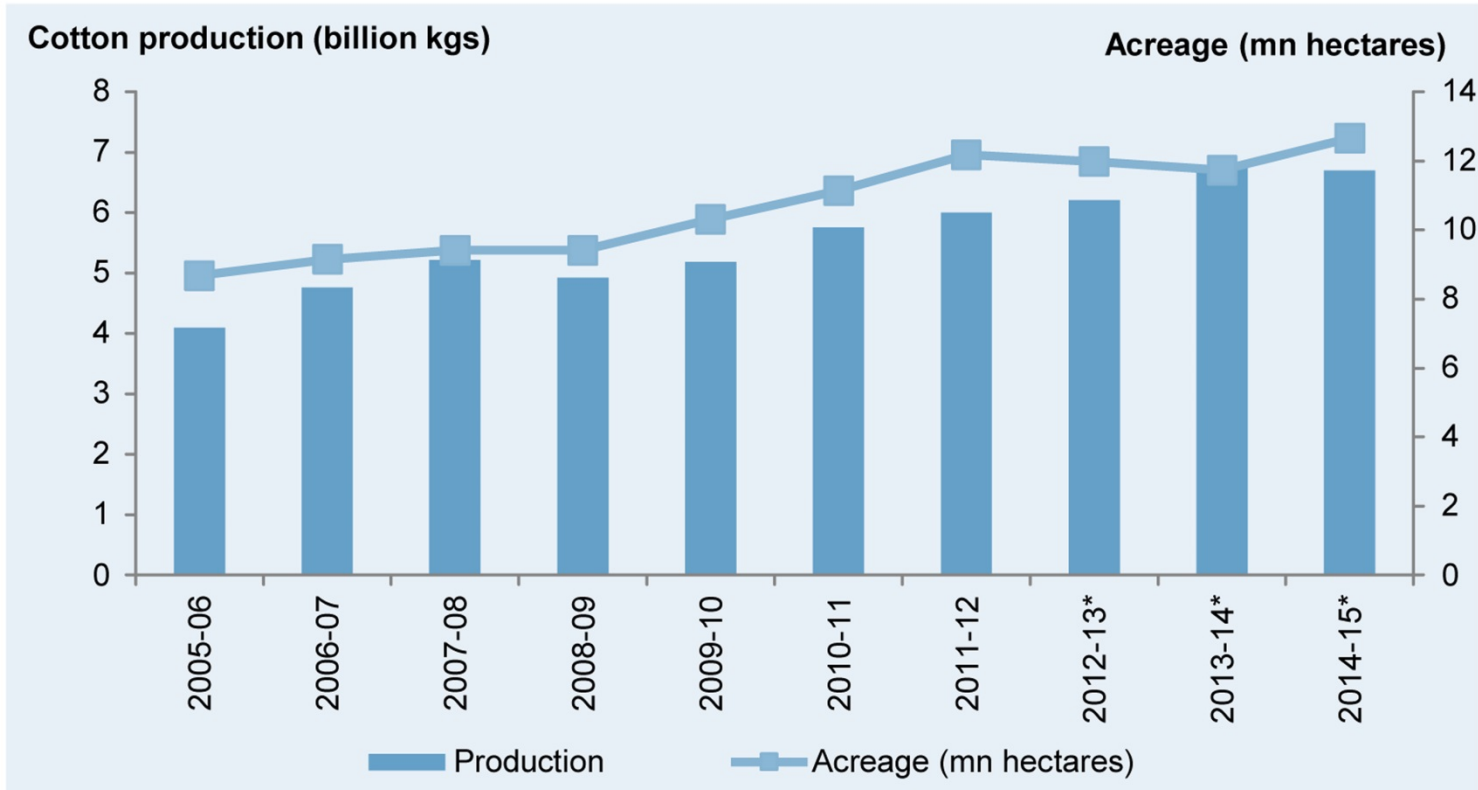


*Note: Figures below indicate percentage to total. Source: Textile Commissioner's Office, Mumbai (2013-14)*

# Cotton production...



Cotton production has zoomed in the last decade



Note: \* = Provisional

Source: Cotton Corporation of India, Crisil Research

# Global cotton yarn trade...



*Top 10 exporters of cotton yarn (Quantity Mn Kgs)*

Country	2012	2013	2014
Total	3913.59	4590.39	4417.57
India	1003.15	1260.39	1255.82
Pakistan	727.58	748.75	653.69
Vietnam	234.12	331.60	474.11
United States	404.59	449.89	461.53
China	441.57	517.19	425.61
Hong Kong	324.99	376.52	284.05
Indonesia	119.24	190.27	185.83
Turkey	133.18	130.41	136.61
Taiwan	138.00	136.03	127.57
South Korea	70.47	76.90	78.01

Source: GTIS, Geneva (Calendar year that is, January to December)

*Top 10 importers of cotton yarn (Quantity Mn Kgs)*

Country	2012	2013	2014
Total	3538.80	4353.59	4248.44
China	1526.48	2098.48	2010.52
Hong Kong	356.49	393.50	281.27
Bangladesh	181.62	188.57	215.64
Vietnam	67.14	113.45	156.57
Turkey	96.87	128.85	151.16
South Korea	152.43	167.72	137.70
Russia	113.15	114.70	120.99
Portugal	73.19	94.74	93.88
Italy	74.22	76.98	75.51
Egypt	62.65	59.86	75.07

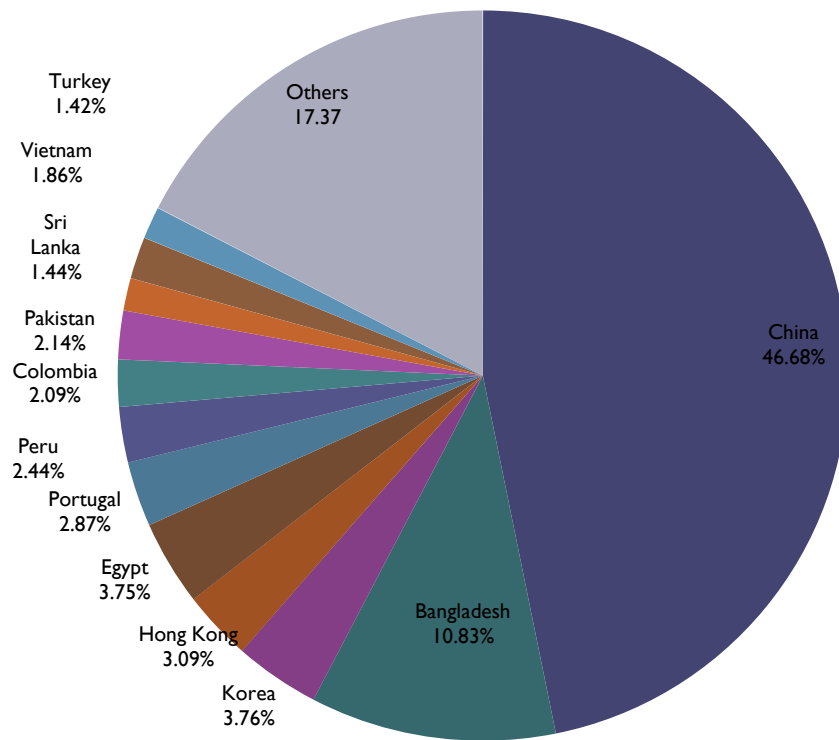
Source: GTIS, Geneva (Calendar year that is, January to December)

- ... global trade has shrunk last yr due to bearish cotton trend*
- ... china is the largest importer & india the largest exporter – natural marriage*
- ... china's exports are declining*

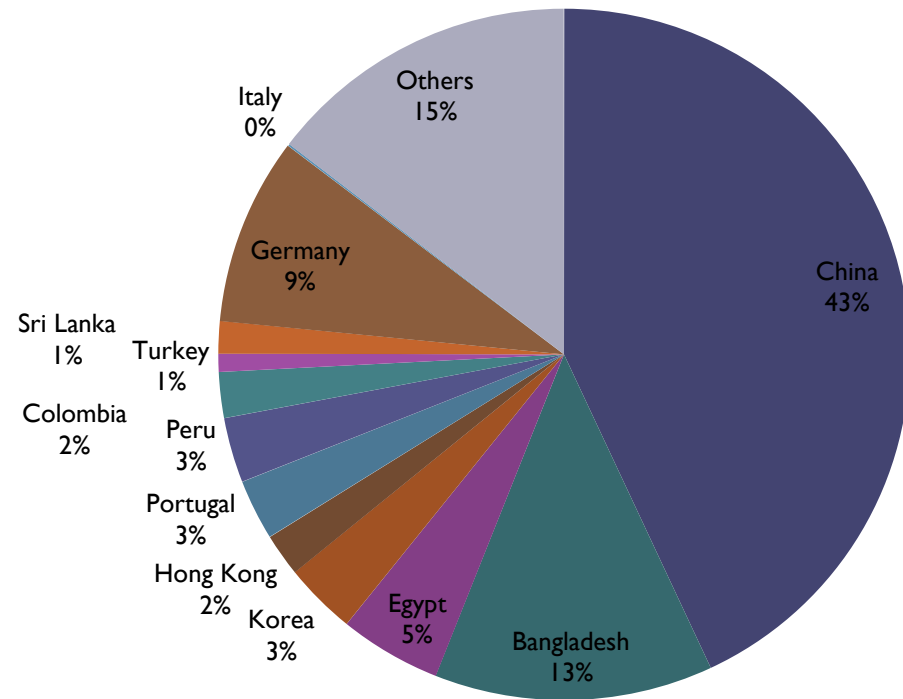


# Indian cotton yarn export

## - Country wise



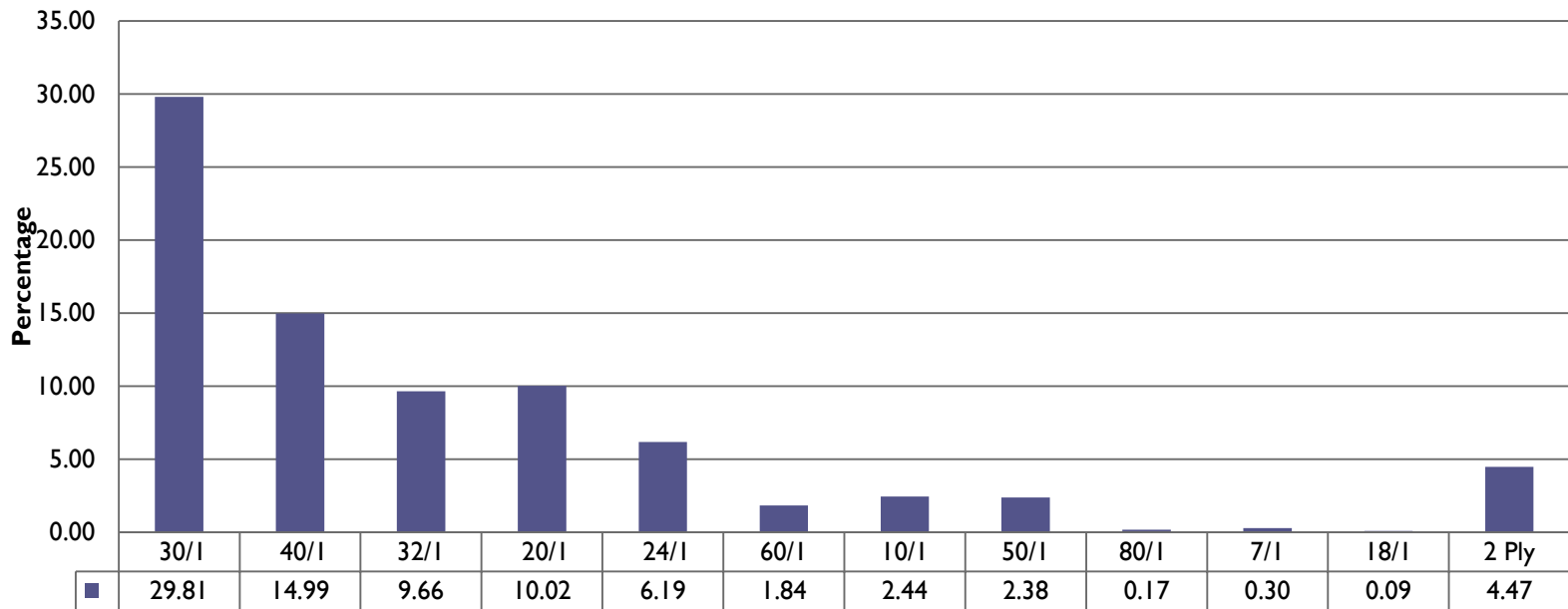
2013-14



2014-15

... China's share has fallen – been reason for fall in absolute qty  
 ... Other nations are almost constant

# Cotton Yarn Exports - Countwise

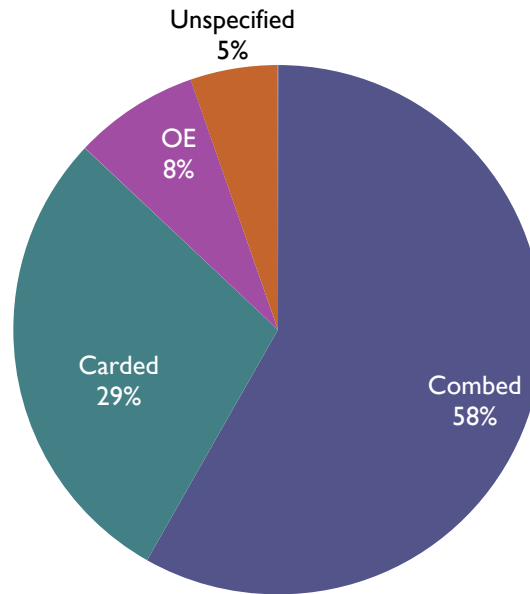


Source: YnFx Report

*.... 72% exports are Ne 20/1- 40/1, though it is only 60% of production*

# Cotton Yarn Export

- *Carded, combed & open end*



2013-14

Source: YnFx Report

*... primarily combed yarn is exported, however due to china demand carded exports have grown*

*... 15 % of carded production and 33% of combed production is exported*

# India's category wise exports...



(In Mln USD)

COMMODITY	COUNTRY	Apr 13 – Feb 14	Apr 14 – Feb 15	% Change 2015/2014
Combed Single, Cotton Yarn	China	690.97	477.45	-30.9
Combed Double, Cotton Yarn	China	7.54	9.95	32.1
Carded Single, Cotton Yarn	China	1046.13	858.52	-17.93
Carded Double, Cotton Yarn	China	17.85	16.54	-7.32
Carded/Combed Not Specified, Cotton Yarn	China	0.68	0.45	-34.05

Source: Ministry of Commerce

... value wise fall is more substantial due to price correction of 15%  
 ... combed yarn worse hit

# Points to be kept in mind...



- India is a big spinning country (2<sup>nd</sup> only to China)
  - Different mills produce different qualities of same counts
  - Hence quality & price variance is there mill wise
- India has many types of fibre hence quality of yarn would vary - evenness, neps, contamination, strength, dye absorption etc
- Prices of different fibres create differential costing and pricing
- Important to match buyer requirement with supplied quality to ensure low prices don't lead to quality disputes later
- There is no “good” or “bad” yarn – there is just the “right” yarn

*... in a nutshell India offers a boutique of cotton yarn – diversity isn't just on basis of count, but on finer points like evenness, contamination, strength, dye absorption – FOR BEST RESULTS NEED TO MATCH REQUIREMENTS*

# Why India + in cotton yarn ?



- India has a very strong machinery base for spinning – LMW, Reiter, Kirloskar Toyada etc
- Has 8 to 10 million surplus bales i.e. 1.5 mln mt approx
- Consistently has 20 - 25% cotton yarn surplus for exports
- Largest area under cotton in world – 11.5 mln hectares
- Largest producer of raw cotton fibre (mainly medium staple length – 28 to 30mm)
- One of the lowest cotton productivity - 500kg/hectare
  - ✓ Tremendous scope to increase cotton production

*... Today India is the most competitive country for counts Ne 20 to 50 of cotton yarn*

# Market analysis...



Market Categories	Countries	Remarks
Largely import based	Peru, Colombia, Egypt, Portugal, Malaysia, Sri Lanka	Always a market
Price sensitive	Brazil, Turkey, Pakistan, Korea	Seasonal markets based on local yarn price parity
Demand > Supply	China, Bangladesh, Vietnam	Always a market, but qty based on price parity
Conversion markets	Honduras, Guatemala, El salvador etc	Buying based on origin of owner's nation

*... different strategies are needed for each category*

# Competitive analysis...



Countries	Advantage	Remarks
Pakistan	Cotton	Mainly focussed till 20s
Indonesia	Tariff, Power & Contamination free	Growing value added segment and lack of cotton
Vietnam	Proximity & Neighbour investment	Growing value added segment & TPP would reduce its exports
Uzbekistan	Cotton	Quality is a ? Mark plus production not stable
USA	Cotton & Power	Mainly open end

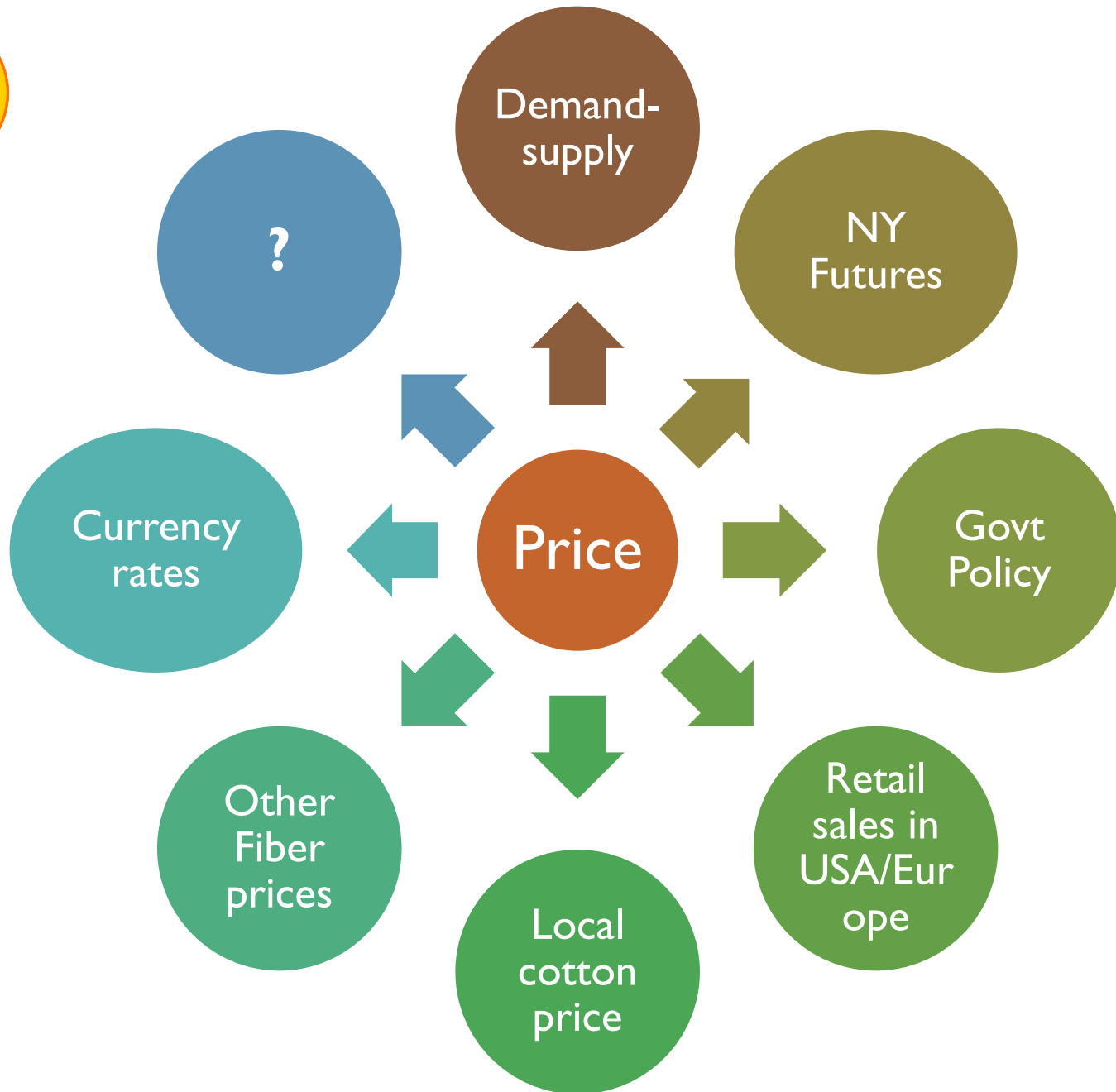
*... India has a clear advantage due to cotton, spinning efficiency etc*



# Price dynamics of yarn...

- Everyone is busy determining
  - future prices of cotton yarn
  - should one sell or buy or hold ?
- Common question being asked today is
  - “what do you expect the prices to be...”







# So do we have...

- Capability to forecast all these factors ?
- Or the capacity to speculate ?
- Or should we focus on our business and just hedge our costs against sales and let market decide prices as per demand-supply at a point of time

*... leave it for you to decide your yarn buying strategy*

# Some pertinent questions...



- Will El Nino happen - Very low closing stock of cotton in India – Delay in Pak crop ?
- Fall in global crop – impact on cotton prices ?
- Is reserve cotton quality good for quality yarn ?
- Have prices bottomed out ? Is it good time to start building stocks – how long will it be stable ?
- Does China have better sourcing options ?
  - ✓ Does any other country have cheaper cotton than India ?
  - Does any country have surplus capacity ?
- Crude prices have gone up again – competing fibre no more at it lowest level

# Where will Indian yarn go...



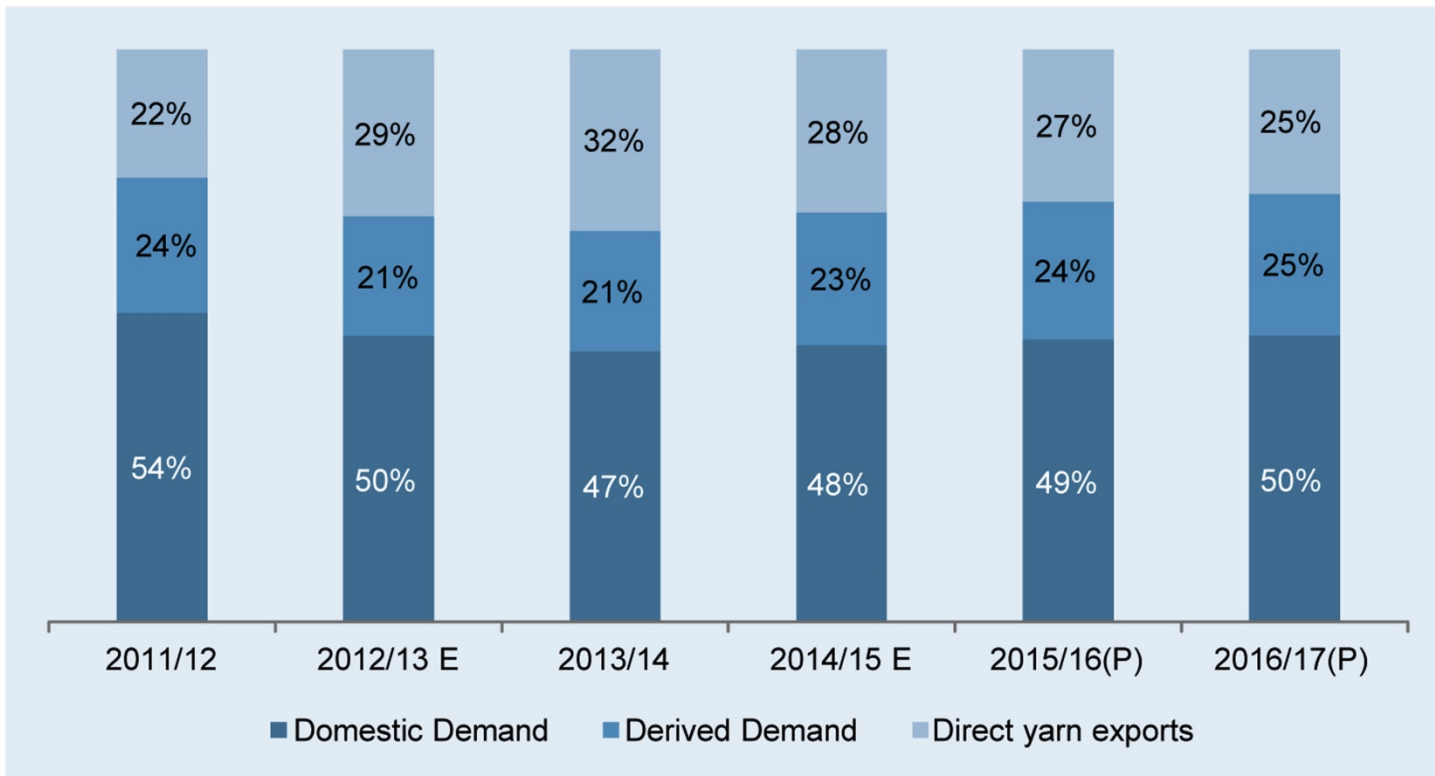
(in mln kgs)	2014-15	2015-16E	% change
Cotton yarn prodn	4057	4125	1.60
Local use	2650	2825	6.60
Exports	1220	1320	8.20
- China	520	580	11.50
- Non china	700	740	5.60
Stock levels change	187	-20	
Imports	negligible	negligible	No change

- Last yr we had a bearish trend which lead to low buying & inventory squeezing
- This year stability and bullish fears will lead to normal to plus buying
- Low profit/losses forcing mills to shift to blends/man made fibres or curb production

# Cotton yarn demand flow..



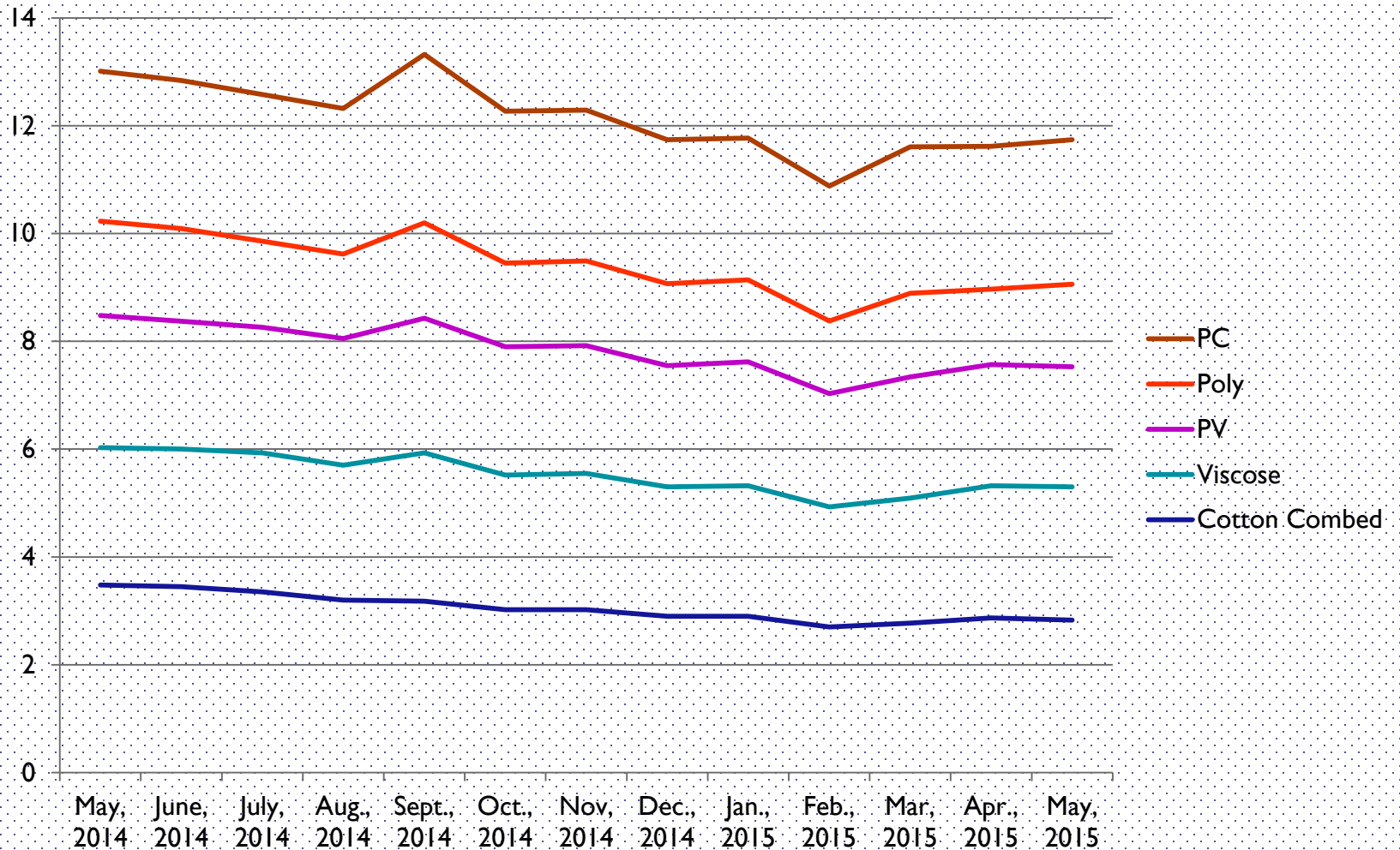
## Composition of cotton yarn demand



E: Estimated; P: Projected

Source: Textile Commissioner's Office, Ministry of C&I, CRISIL Research

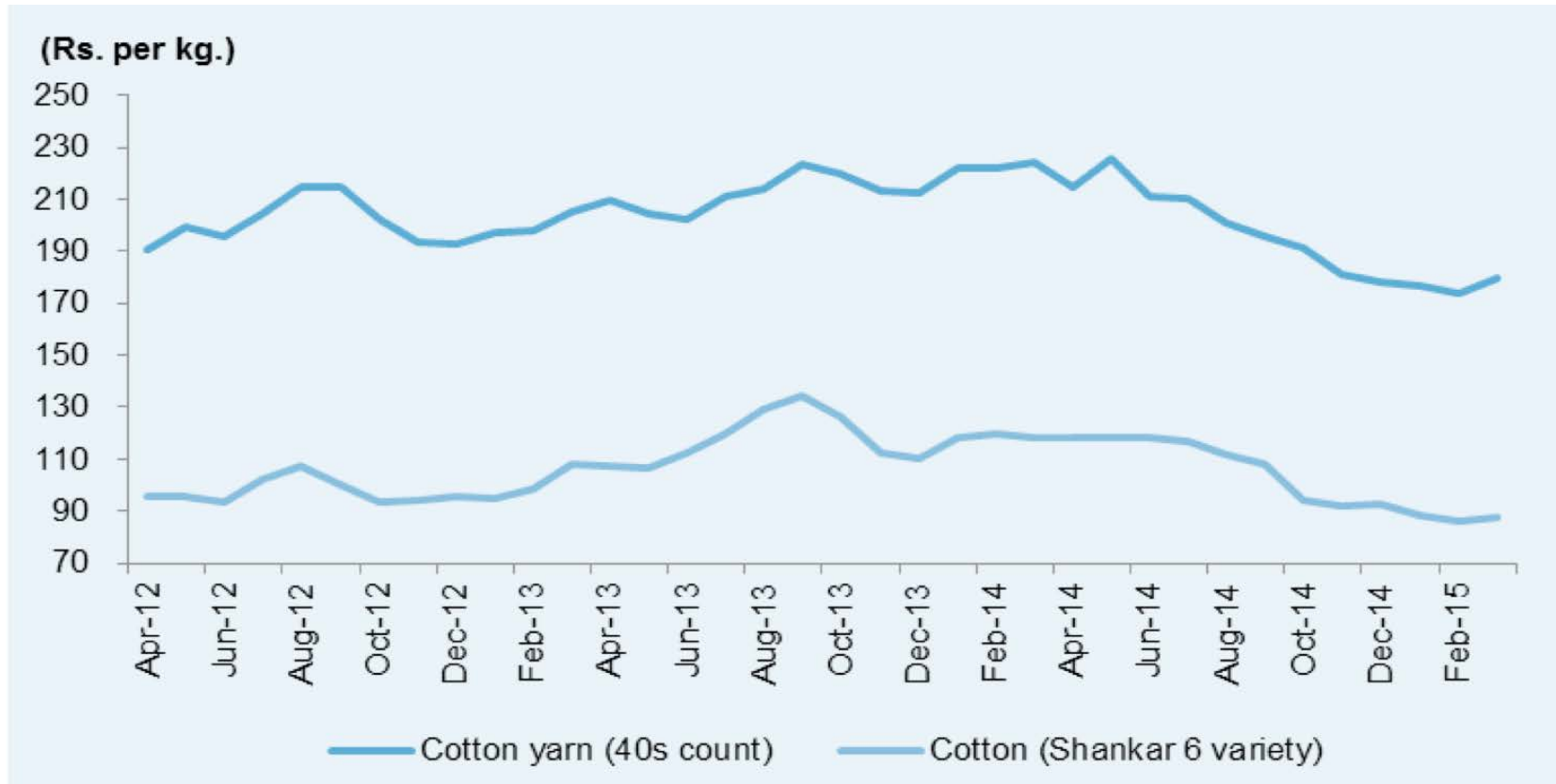
# Yarn price trend over one yr...



Source: Emerging Textiles

*... Downtrend in all types of yarn, however except cotton all seen an improvement in last few months*

# Yarn – cotton price connect...



Source: Cotton Association of India, Industry, CRISIL Research

*... yarn prices follow cotton with a lag*





# Future price outlook...

- Wish I could find out what would be the future prices of cotton yarn !!!



- However we still need to have a view !!!
- Based on all factors and to the best of my knowledge:  
***Feel cotton yarn prices (in USD) would be stable to mildly positive – no room for prices to fall***

# Game changers...



- Europe FTA – negotiations are on, the same would put India at par with Pakistan/Bangladesh
- Tariff in China for Indian yarn coming at par with ASEAN countries i.e. 0% from 3.5% (under APTA)
- Tariff in China for Indian fabric coming at par with Pakistan i.e. 0% from 8.5% (under APTA)
- India's recent bilateral agreement with China talks of reviewing tariffs to improve trade in textiles

*... any such move would change the Balance Sheet in a big way, as India would get a level playing field in major markets*



**LETS CO-OPERATE &  
COLLABORATE FOR MUTUAL GAIN**

**谢谢**

**FOR DETAILS CONTACT AT: [sjain@tttextiles.com](mailto:sjain@tttextiles.com)**