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Textiles

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Textiles ▸ Sector Report ▸ **November 25, 2026**

NIFTY 50: 25,819

The resilient performance of Indian textile companies—despite several headwinds (US tariffs, ME tensions, etc) in the past 6M—only strengthens our bullish stance on the space. Above mentioned unfavorable macros could cause just a 140/200bps loss in market share in apparels/home textiles, respectively, in CY26TD, in the US market. Meanwhile, India has protected its turf in EU-27 over CY26TD, in both the segments. We believe key factors such as 1) US tariff normalization (the potential deal could be a gamechanger), 2) implementation of EU FTA by 1HCY27, 3) narrowing wage gap with Bangladesh, 4) benign PTA prices, etc will amplify India's global competitiveness and place the country on the same start-line as peers, going ahead. The Sep/Oct-26 trade data validate our argument, as Indian apparel exports have grown at a scorching pace of ~14%/20% yoy in Sep/Oct-26, outpacing Bangladesh. Among our coverage, we favor Arvind, Kusumgar, and Sanathan Textiles, basis valuations. Though we do not have active coverage on the domestic Home Textiles space, we believe EU-27 countries will see rapid market-share gain – here, India's immediate competition is with Pakistan, which has a 12% duty advantage and is grappling with higher retail inflation. *Caveat Emptor*: Extension of the RoSCTL/RoDTEP incentive schemes and cotton import duty waiver beyond 31-Dec-26 is a key monitorable and we expect status quo in at least one above-stated policy.

Worst seems to be behind for apparel exporters; India better placed vs peers

India RMG exports saw market-share loss of ~140bps to 5.4% (gained by Vietnam, Indonesia, and Bangladesh) in the US, while share was maintained in the EU-27 (at ~5%) over CY26TD. We believe this loss is due to levy of US penal tariffs (till 1HCY26) and logistics-related challenges (ME tensions). However, with normalization of US tariffs, ramp-up of UK FTA, implementation of EU FTA (1HCY27), and the likely narrowing of wage gap with Bangladesh, we see Indian exports outpacing peers' over coming 1Y. The Sep/Oct-26 trade data validate our argument, as Indian apparel exports have seen rapid growth of ~14/20% yoy in Sep/Oct-26 vs Bangladesh's export growth at ~9/5% yoy. US apparel demand is stable and reported growth of ~5% yoy in 9MCY26, while retailers still choose to maintain a lean inventory (Exhibit 7) owing to assumptions on inflation.

Home textiles – Picture similar to Apparels; EU FTA, the game-changer

Basis aforementioned factors, Indian home textiles companies faced market-share loss (of ~2pps to 25%) in US markets due to 8% yoy lower exports in 8MCY26. Meanwhile, China continues to witness market-share erosion in US, with share now at 34% (in 8MCY26) vs 43% in CY24. India's exports to the EU have seen 5% yoy growth, with the country having protected its turf (market share: ~10%); China improved its share by ~3pps to 41%, while that for Pakistan stood at ~19%. We believe the EU FTA will put Indian home textiles companies on the same footing as Pakistan (immediate competitor) and expect market-share gains in the mid-term. In the domestic home textiles space, Welspun Living has the highest exposure, at 15-20% of overall revenue.

Cotton prices to be firm; better days ahead for polyester yarn

As highlighted in our June report, **'Time to Light the Cannons'**, global cotton production for Cotton Season-27 (CS27) should be lower owing to unfavorable climatic conditions. The US Department of Agriculture (USDA) sees global cotton production falling ~4% yoy to ~118mn bales vs consumption of ~123 bales. Also, per Cotton Association of India (CAI)'s latest estimate, India's total cotton production should be ~7% lower yoy at ~35mn bales against consumption of 36.5mn bales (flat yoy). Hence, we reiterate our stance of firm cotton prices and elevated yarn spreads (which is above >Rs100/kg since 2 quarters) for CS27. Further, given the production shortfall, we expect the cotton import duty waiver to be extended beyond 31-Dec-26, despite Indian cotton being at par with international prices. We believe any supply-related issues in cotton would be compensated by higher usage of polyester yarn. Further, with crude oil price turning benign, we expect moderation in polyester yarn prices but believe spreads will be strong.

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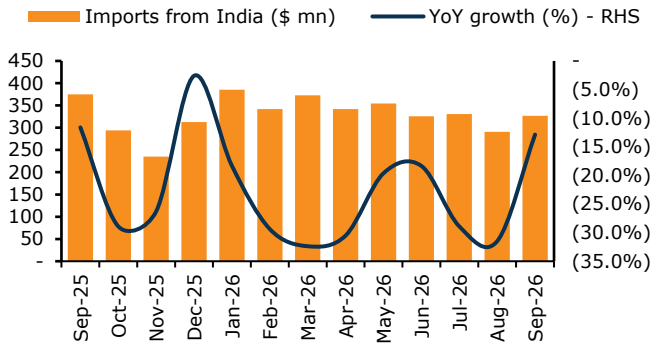
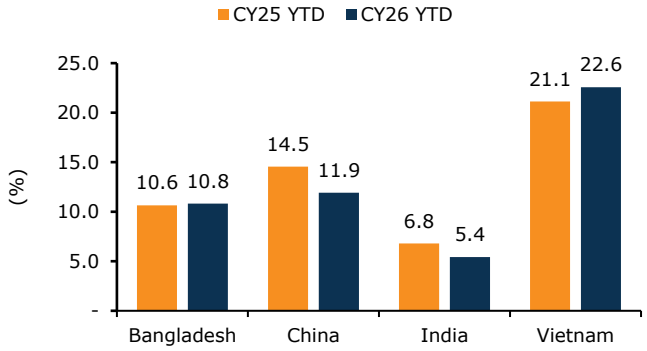
Key Charts

Exhibit 1: US apparel imports from India declined ~13% yoy in Sep-26, narrowing from the 9M decline during Jan-Sep 2026



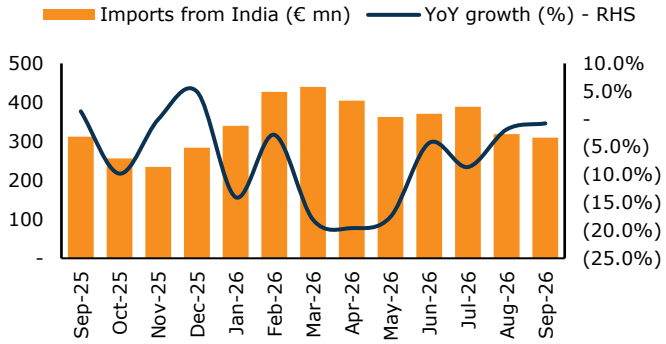
Source: OTEXA, Emkay Research

Exhibit 2: India lost ~140bps share in US apparel imports in CY26 YTD (to 5.4%), while Vietnam gained ~150bps



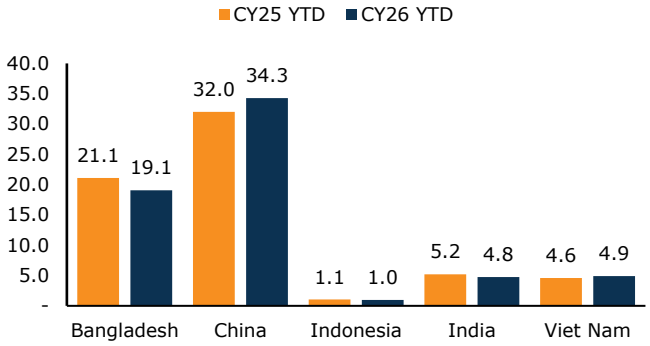
Source: OTEXA, Emkay Research

Exhibit 3: EU-27 apparel imports from India were nearly flat yoy in Sep-26, after a ~8M decline



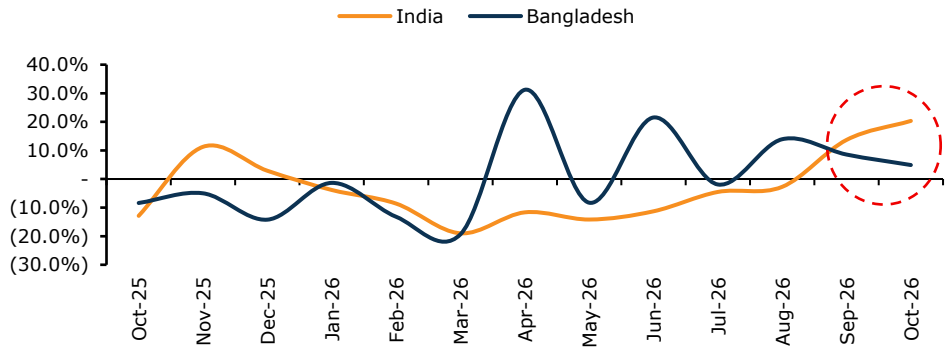
Source: Eurostat, Emkay Research

Exhibit 4: India's share of EU-27 apparel imports slipped by ~40bps to 4.8% in CY26 YTD, while China gained ~230bps



Source: Eurostat, Emkay Research

Exhibit 5: Indian apparel exports outpaced those of Bangladesh during Sep/Oct-26, growing ~14%/20% yoy vs Bangladeshi export growth of ~9/5% yoy



Source: Industry, Emkay Research

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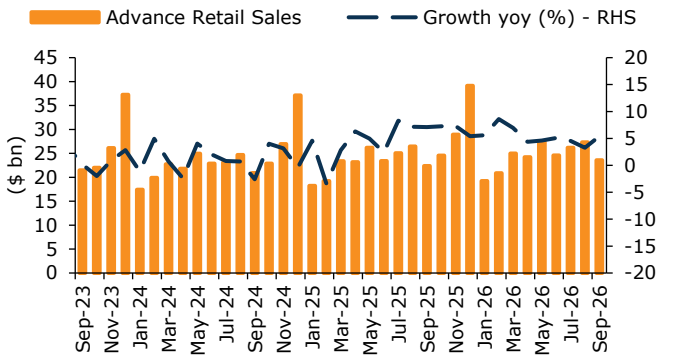
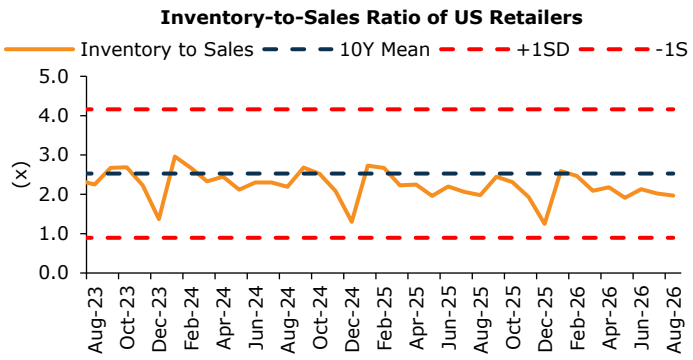
Exhibit 6: US clothing retail sales grew ~5% yoy in 9MCY26, indicating stable demand



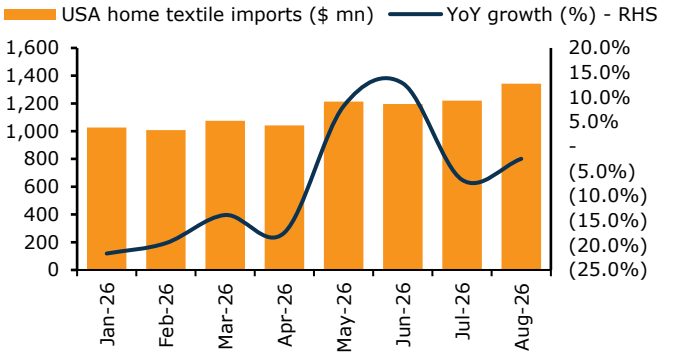
Source: US FRED, Emkay Research

Exhibit 7: US retailers' inventory-to-sales at 1.97x (Aug-26), below the long-term mean of ~2.5x



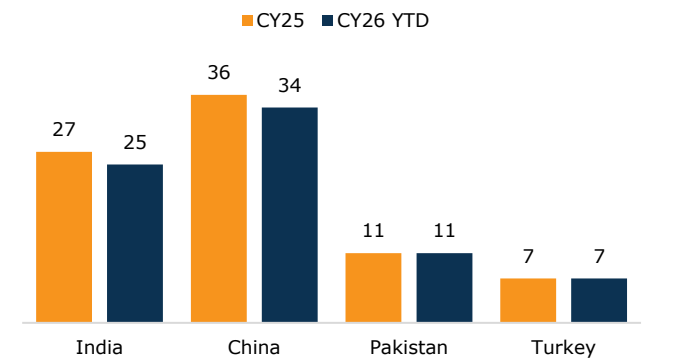
Source: US FRED, Emkay Research

Exhibit 8: US home textile imports fell ~8% yoy in 8MCY26, though the decline eased from ~18% in 4QFY26 to ~2% in Aug



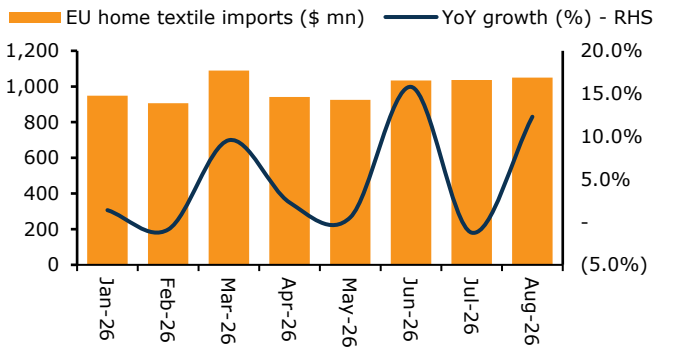
Source: Industry, Emkay Research

Exhibit 9: India's share of US home textile imports slipped by ~2pps to ~25% in CY26 YTD, while Pakistan and Turkey held steady



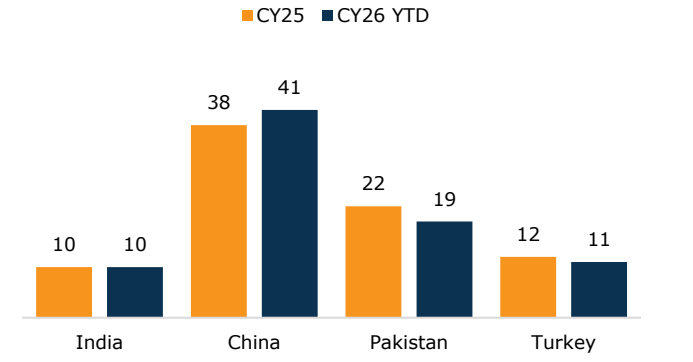
Source: Industry, Emkay Research

Exhibit 10: EU home textile imports rose ~5% yoy in 8MCY26, led by ~16%/12% growth in Jun/Aug-26



Source: Industry, Emkay Research

Exhibit 11: India held its ~10% share of EU home textile imports in CY26 YTD, while China gained ~300bps at Pakistan's expense



Source: Industry, Emkay Research

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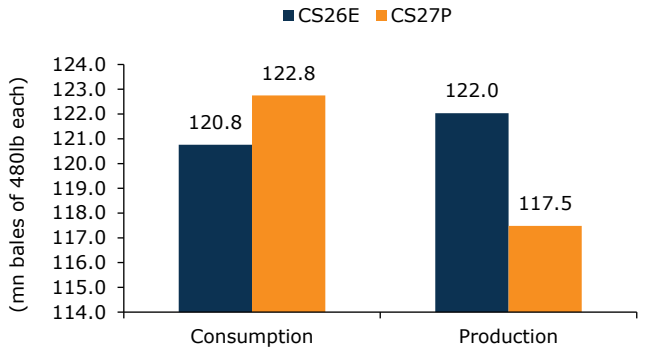
Exhibit 12: FTA status with major countries

Sr no	FTA partner (country)	Updated status	Apparel market size ($ bn)
1	UAE	In force; implemented in May-22	10-15
2	Australia	In force; implemented in Dec-22	30-40
3	UK	In force; implemented on 15-Jul-26	50-60
4	New Zealand	In force; implemented on 20-Oct-26	2-4
5	Canada	**Signing estimated by Dec-26**	35-40
6	EU-27	**Implementation estimated by 1HCY27-end**	370-400

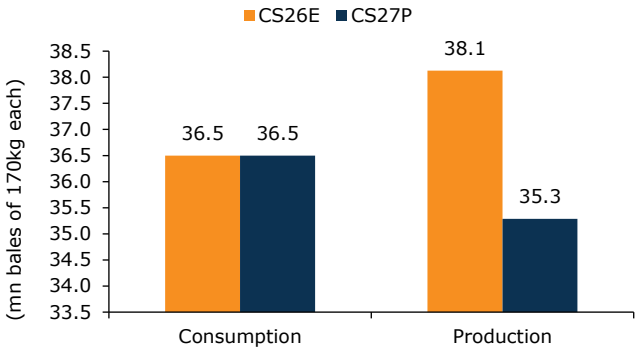
Source: Industry, Emkay Research

Exhibit 13: Global cotton deficit widens, driving inventory drawdown despite upward supply revisions



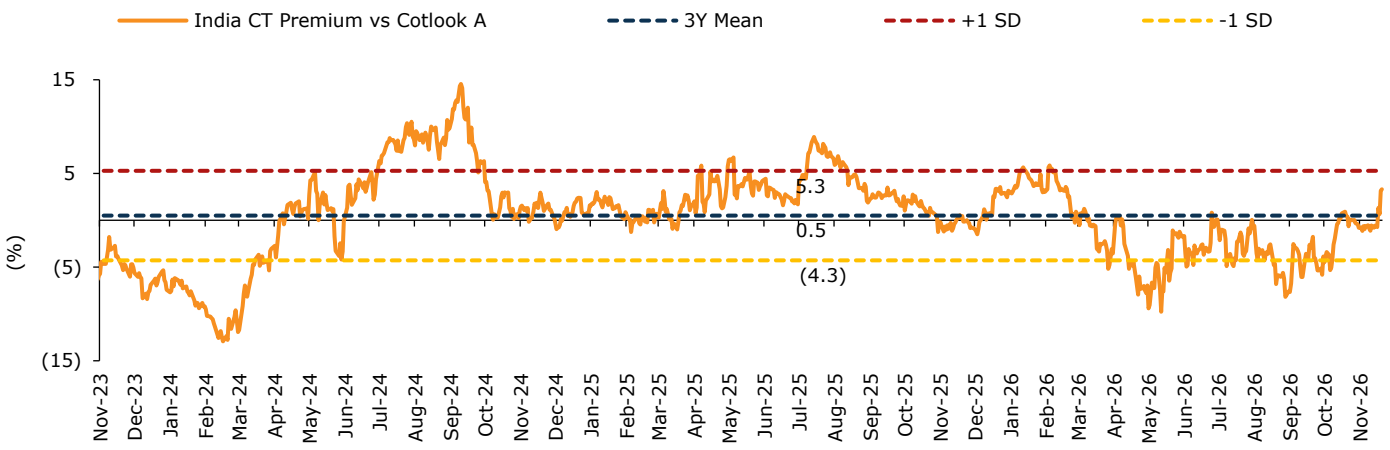
Source: USDA, Emkay Research

Exhibit 14: India's cotton production contracts sharply, while consumption is flat



Source: CAI, Emkay Research

Exhibit 15: Indian cotton is at parity with global prices (Cotlook A)



Source: Industry, Bloomberg, Emkay Research

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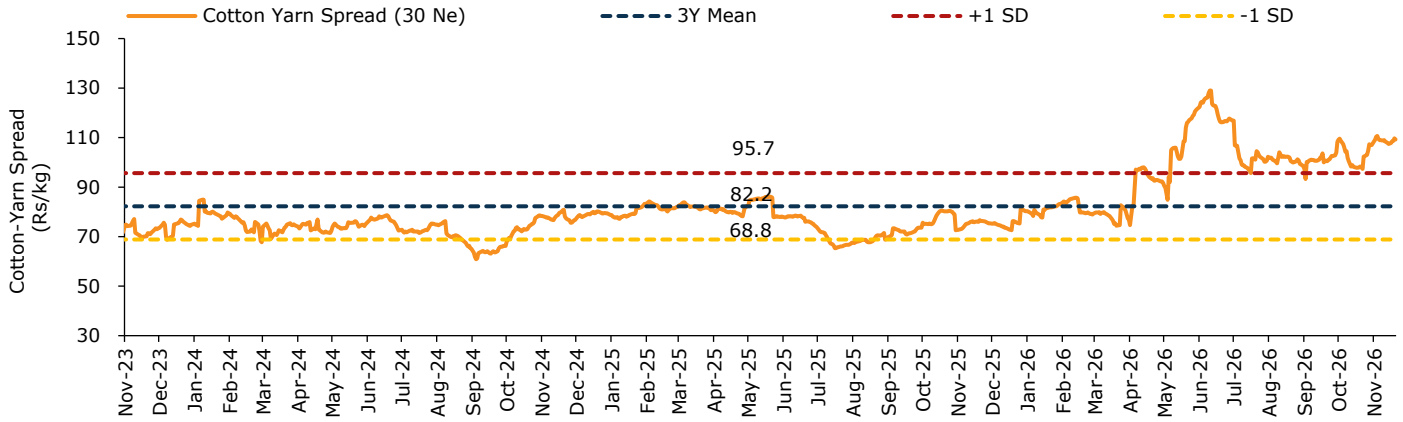
Exhibit 16: Count 30 yarn spread is trading at ~Rs109/kg (up 1.5% vs the 2QFY27 average) and is above its 3Y +1SD of ~Rs96/kg



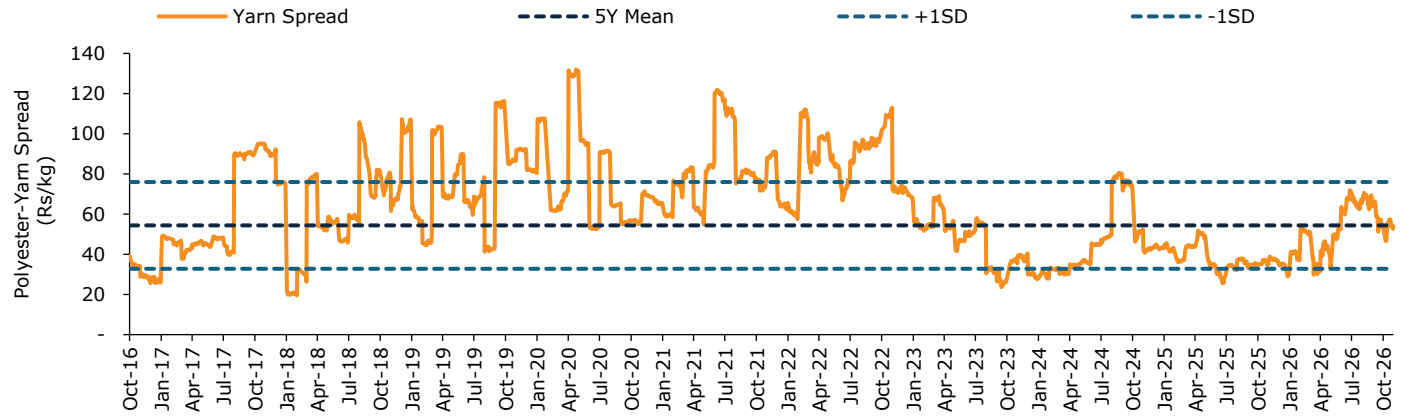
Source: Industry, Bloomberg, Emkay Research

Exhibit 17: Upcoming PTA capacities

Particulars	Location	Capacity (mtpa)	Timeline
GAIL	Mangalore (Karnataka)	~1.3	Commissioned (Nov-26)
IOCL	Paradip (Odisha)	~1.2	2HFY27E
Reliance Industries	Dahej (Gujarat)	~3.0	FY28E
Total		**~5.5**	

Source: Company, Emkay Research

Exhibit 18: Polyester yarn spread is trading near its 5Y mean of ~Rs55/kg



Source: Industry, Bloomberg, Emkay Research

Exhibit 19: Coverage snapshot

Particulars	Rating	CMP (Rs)	TP (Rs)	Upside (%)	EBITDA margin (%)		EV/EBITDA (x)		PER (x)	
					FY28E	FY29E	FY28E	FY29E	FY28E	FY29E
Arvind	BUY	521	700	34	12.3	12.5	9.6	8.5	19.9	17.7
Kusumgar	BUY	537	800	49	24.7	24.9	19.2	15.1	30.7	23.7
Nitin Spinners	BUY	689	800	16	17.4	16.5	6.4	5.9	10.3	10.5
Pearl Global Industries	BUY	1,445	1,450	0	10.6	11.6	16.3	12.7	27.2	20.7
Sanathan Textiles	BUY	559	700	25	9.6	10.2	7.0	5.9	11.3	9.8

Source: Emkay Research

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ADD	5-15% upside
REDUCE	5% upside to 15% downside
SELL	>15% downside

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