

Quote by Kanishk Maheshwari, Co-Founder & Managing Director, Primus Partners

Published in The Economics Times
April 01, 2026 | 11:03 AM IST

\$174 billion on the brink: India's textile industry reels under West Asia war shock, braces for 'huge crisis' in April



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Synopsis

India's massive textile sector is grappling with a severe crisis with the ongoing West Asia conflict driving up oil and raw material costs. This situation is threatening the industry's ambitious growth targets.

The \$174-billion Indian textile industry, one of the largest in the world, is reeling from the impact of the West Asia conflict involving the US-Israel and Iran, which has been ongoing for over a month. Surging crude oil prices, increasing raw material costs, sluggish demand, and a fresh wave of migration of workers have intensified the sector's challenges, similar disruptions witnessed during the outbreak of the Covid-19 pandemic.

The current scenario follows a challenging period for exporters, caused by a series of inconsistent tariff impositions by the US, which squeezed profit margins and created prolonged uncertainty for the industry.

For an industry projected to reach \$350 billion by 2030, this disruption amid the war is creating nothing short of a crisis on multiple fronts. The textile industry is also one of the largest sources of employment in the country, employing more than 45 million people.

The cracks are visible. Ashish Gujarati, former President of the Southern Gujarat Chamber of Commerce and Industry (SGCCI) and MD of Aditya Textile Solutions, anticipates that April will bring a "huge crisis" of mammoth proportions. "Till now, we were executing the pipeline orders. So, during March, there was a good flow of payment. However, in April, there will be a sudden crisis of payments, demand gaps, and also migration of workers to their native place due to the shortage of LPG cylinders," he says

In Surat, often celebrated as the “Silk City” of India and the heart of Gujarat’s textile economy, the strain is evident, with key clusters like Navsari and Palsana feeling the impact. As per estimates, Surat is home to over 400 textile processing units, producing almost 40% of India’s synthetic fabric. Since last month, there have been voluntary production cuts, with production going down by around 40% in this textile cluster.

Tiruppur, another textile cluster which is known as the “Knitwear Capital of India”, has also been at the receiving end of the West Asia conflict. Kumar Duraiswamy, Joint Secretary, Tiruppur Exporters’ Association (TEA), says that the current geopolitical tension has triggered a sharp escalation in operational costs. Duraiswamy points to an increase in logistics costs by up to 400%, coal prices by up to 80%, and chemicals and MMF by up to 20%. Besides this, a critical concern is the labour welfare, as 400,000 workers are housed in Tiruppur hostels, which have a heavy dependence on commercial LPG. “Rising fuel costs may disrupt basic living conditions if not regulated,” he says.

Drawing a comparison with competitors like China, Bangladesh, and Vietnam, Duraiswamy notes that these nations are performing better despite global challenges, largely due to their shorter lead shipping times. “In the case of China, for example, shipping to the US takes 15-20 days, whereas for India it is 45-70 days. Hence, there is a higher inventory-holding burden for buyers,” he says.

He advises various measures to safeguard the industry during this crisis, which include deferment of loan repayments, restructuring of stressed accounts, enhanced working capital limits based on past performance and reduction of interest rates to minimum viable levels.

A Sakthivel, Chairman of the Apparel Export Promotion Council (AEPC), highlights that geopolitical tensions and economic uncertainties have impacted order flows, particularly from major markets, such as the US and parts of West Asia. These developments have resulted in cautious sourcing patterns among global buyers. “Going forward, the elevated freight rates and the increased cost of inputs will put additional pressure on exporters, affecting overall margins and operational planning for manufacturers and exporters across the value chain,” he states.

According to industry experts, the outlook for the textile sector remains cautiously optimistic. Kanishk Maheshwari, Co-founder and Managing Director of Primus Partners, believes that market diversification holds the key in such a scenario. “While global volatility continues to pose challenges, recovery is expected to be driven by export market diversification through new free-trade agreements (FTAs), along with a growing focus on the domestic market and technical textiles. Textile manufacturers and exporters should focus on diversifying beyond vulnerable markets and strengthening their presence in domestic and FTA-linked markets,” he says.

TEA’s Duraiswamy also supports this view, emphasising that India remains poised for significant growth over the next two decades despite current adversities. “Textile and apparel manufacturing holds immense global potential; FTAs and policy direction are steps in the right direction. The immediate priority is clear—preserve and protect the existing industry ecosystem until stability returns,” he says.

With the sector aiming for \$100 billion in exports by 2030, experts emphasise the need to capitalise on current strengths while tackling the limitations posed by ongoing geopolitical tensions.