

FEATURED VOICES

Dr. Sumita Kale

Principal Economist, Jocata

Guest Speakers

N. Thirukkumaran

General Secretary, TEA

Narasimhan V.

Principal Advisor, Jocata

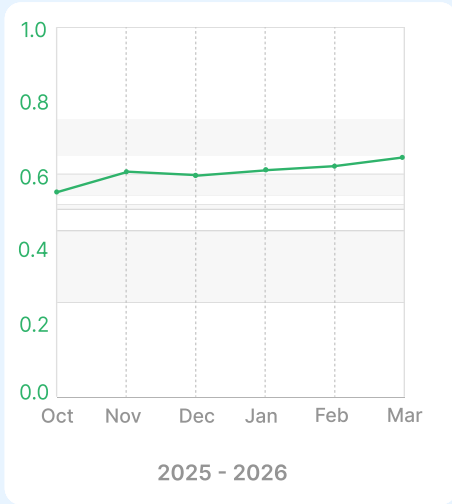
Prabhu Dhamodharan

Convenor, ITF



INDIA'S NEW SILK ROUTE

TEXTILES IN FOCUS





Dr. Sumita Kale
Principal Economist,
Jocata



Mr. Narasimhan V.
Principal Advisor,
Jocata

Mar'26 SIDBI-Jocata Sumpoorn 0.65

SIDBI-Jocata Sumpoorn moved up to 0.65 in March, its highest level in 45 months, indicating a moderate pace of expansion in sales activity of credit-seeking MSMEs.

Beyond the Gulf Storm: MSME Sales Momentum Holds at 45-month High

SIDBI-Jocata Sumpoorn moved up to 0.65 in March, up from 0.63 in February, at its highest level in forty-five months, continuing a moderate pace of expansion in sales activity of credit-seeking MSMEs.

MSMEs have kept up the overall sales momentum, with the Sumpoorn index clocking 0.65, its highest level since July 2022. Contrary to initial apprehensions, the conflict in the Gulf that began on 28th February has not dented sales activity in March. As the Finance Ministry's April Monthly Economic Review state, India's strong domestic demand, policy support, a resilient financial system, and public investment have protected the overall economy from a substantial hit. So, despite the high uncertainty and risks on the energy and fertiliser fronts, the near term macro-economic outlook is looking stable.

The Sumpoorn index trend is in line with the numbers coming in from the IIP data – which registered growth of 4.3% YoY in March, compared to 4.0% last year. However, within the manufacturing segment, the growth has been uneven, with 14 out of 23 sectors registering positive growth. The four sectors with strongest growth are Manufacture of other transport equipment at 20.8%, Manufacture of motor vehicles, trailers and semi-trailers at 18.1%, Manufacture of machinery and equipment n.e.c. at 11.2% and Manufacture of basic metals at 8.6%. This supports the resilient sales for the MSMEs in the supply chain for these sectors.

The vibrant production registered in March for the transport sector is reflected through strong auto sales in April – two-wheeler sales increased by 14% YoY, while Passenger Vehicles segment grew at 11% YoY. Commercial vehicles have done well, with tractor sales recording a 20%+ growth in April.

Even as overall the manufacturing activity has been good, there are sectors which are under stress. We would like to highlight three sectors in the IIP data that have underperformed, not just in March but for the whole of FY26. These are Manufacturing of wearing apparel (-14.6% and -5.3% respectively), Manufacture of Textiles (-3.6% and -1.2% respectively) and Manufacture of leather and related products (-5.0% and -4.1% respectively). As these sectors are dominated by small businesses, they have been called out for special attention.

On the exports front, the global situation has had a clear impact, with aggregate exports of merchandise and services falling to \$74.11 billion, a negative growth of -4.58% YoY in March. Non-petroleum and non-gems and jewellery exports were down to \$31.69 billion from \$34.25 billion last year. However, some sectors like engineering goods and handicrafts did register positive growth, once again revealing the uneven impact across segments.

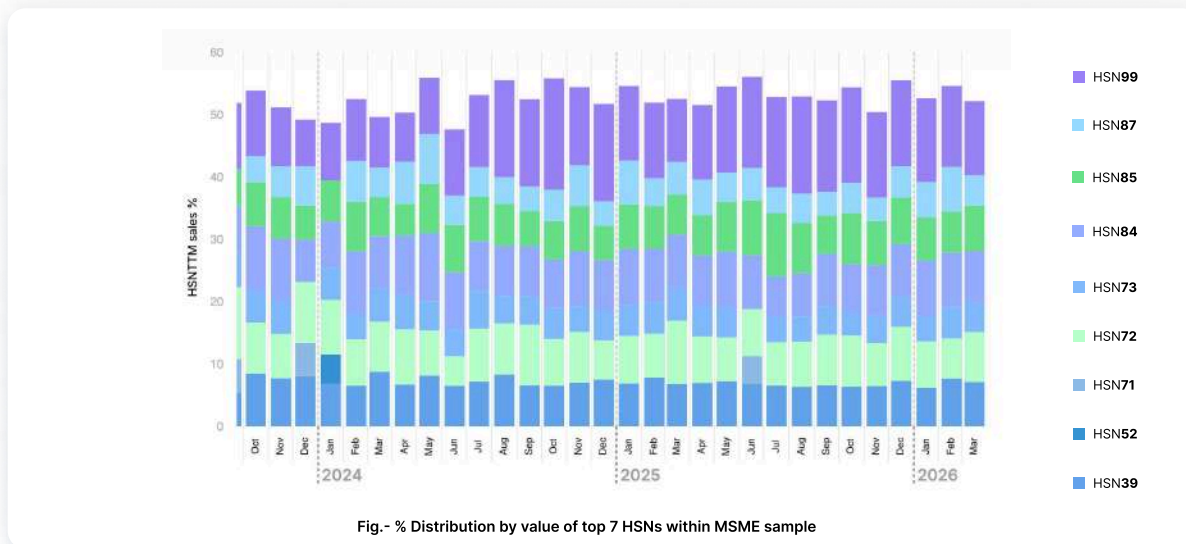
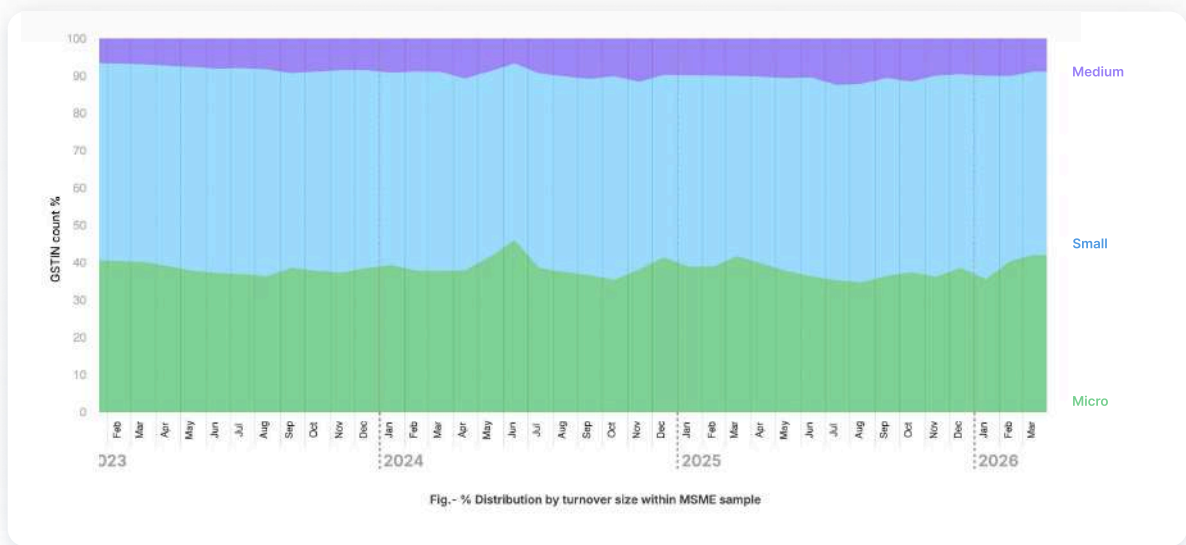
That there are risks to growth is clear through the data on the core sector whose output fell marginally by 0.4% per cent in March, which shows the impact of the conflict in the Gulf on our energy and input supply chains. Fertilizer sector production dropped by 24.6%, and though the stocks appear comfortable for the kharif season, the uncertainty with the supply going forward for the rabi season is a concern. This will naturally reflect on the rural incomes, demand for small businesses in rural India could be impacted by the year-end. Again, this is just calling attention to the possible risks ahead.

The government has been proactive in supportive measures through a multi-layered approach that includes direct support (RELIEF scheme for exporters, especially MSMEs), liquidity support through credit guarantee expansion and collateral-free loans, trade facilitation through export relaxations and insurance support, cost mitigation through fuel duty cuts and specific export incentives and system stability through the Inter-Ministerial monitoring group and continued public capex. Bank credit to MSMEs has been extremely strong, growing at more than 20% y-o-y for micro and small firms in March. Nevertheless, there is need for more targeted support and recently the Finance Ministry has reached out to lenders to assess the specific impact on MSMEs hit by the conflict in the Gulf. A fresh initiative aimed at war-affected MSMEs appears to be on the cards. All in all, the outlook for small businesses overall looks fairly stable, though certain segments will need special support.

What is SIDBI-Jocata Sumpoorn?

SIDBI-Jocata Sumpoorn is an MSME-specific high frequency indicator built using consent-led and anonymised sales data of 1 lakh+ MSMEs seeking credit from financial institutions.

The sample is well-distributed across geography, turnover size and sectors.



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sumpoorn@jocata.com



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www.sumpoorn.in



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MSME Conversations



N. Thirukkumaran

General Secretary, Tiruppur
 Exporters' Association



Prabhu Dhamodharan

Convenor, Indian
 Texpreneurs Federation



Dr. Sumita Kale

Principal Economist, Jocata



Mr. Narasimhan V.

Principal Advisor, Jocata

A Stitch in Time: India's New Silk Route

A conversation with Mr. Prabhu Dhamodharan of the Indian Texpreneurs Federation, Mr. N. Thirukkumaran of the Tiruppur Exporters' Association, Mr. Narasimhan Venkatesan and Dr. Sumita Kale.

Every fashion season has its moment – the one look that stops the room, reorders the conversation, makes everyone recalibrate. For India's textile industry, that moment is now. A cluster of trade agreements concluded in quick succession, a competitor's structural advantage quietly expiring, and the world's largest retail buyers quietly moving sourcing decisions eastward. The runway is set. The question is whether India walks it.

Thread Count

The SIDBI-Jocata Sumpoorn Index for March 2026 came in at 0.65 – its highest reading in 45 months. And this was, in fact, a surprise to us, because we did see that there were a lot of constraints with the market not being so very favourable, given the rumblings of the war, etc. But nevertheless, the index came through very, very positive. The textile sector, which accounts for nearly 27% of India's total merchandise exports and employs over 45 million people, should have been celebrating. Instead, the people who run it were watching crude oil prices, tracking the West Asia conflict, and wondering what the next quarter would bring.

Prabhu Dhamodharan convenes the Indian Texpreneurs Federation, whose 292 member companies span the entire textile value chain – spinning, weaving, processing, and garmenting. N. Thirukkumaran is the General Secretary of the Tiruppur Exporters' Association, representing 1,400 members in the city that produces 68% of India's knitwear exports and, by its own account, the world's only fully ESG-compliant textile cluster. Between them, they hold a view of the sector that runs from the cotton field to the shop floor in Primark.

Disclaimer

This article is based on a discussion recorded on 13th May 2026, featuring Mr. Prabhu Dhamodharan, Mr. N. Thirukkumaran, Mr. Narasimhan Venkatesan and Dr. Sumita Kale. The conversation has been edited for clarity, coherence, and length. While every effort has been made to preserve the substance and intent of the discussion, this edited version may not capture the full scope of the original exchange. The views expressed are those of the individual speakers.

The Runway Ahead

Narasimhan Venkatesan: *March is over, April is done. From the textile industry's perspective, what do you see as the beginnings of growth that set the pace for this year?*

Prabhu Dhamodharan: *Even bank credit numbers are signalling bullish momentum –MSME credit is up 30% for small enterprises, 21% for medium. We expected FY26-27 to be a turnaround year, possibly the first real export growth year we've seen in the better part of a decade. But commodity price increases, the effect of the war, the creeping fear of inflation, these are slowly pulling that initial momentum down. Uncertainty is the basic enemy of business. Sentiment was so much better last quarter. Now, simply put, we are in wait-and-watch mode.*

N. Thirukkumaran: *Once we had the FTA with Europe, and the agreement framework with the US, the momentum was clearly with India, everything pointed in a positive direction. But then this disruption came, unexpected, from the West Asia conflict. Raw material is volatile every single day. Cotton prices are up 25% post-conflict. Dyeing, printing, everything – these are byproducts of petroleum, so when crude spikes, the entire input cost chain moves. We are worried about recession in Europe and the US. If buying power comes down there, it affects the complete textile chain here. We are waiting, with positive feeling, for the conflict to end.*

Threading the Needle

Narasimhan Venkatesan: *India's textile exports grew 2.1% in FY26 to ₹3.16 lakh crore. When you look at the FTA pipeline – EU, UK, UAE– what is the realistic prognosis for growth?*

Prabhu Dhamodharan: *For the past ten to fifteen years, our apparel exports have been stuck in a band. The monthly run rate has stayed between \$1.2 and \$1.4 billion. Year after year. In dollar terms, cotton RMG has grown at a CAGR of just 1.2% over five years. Man-made fibre garments have actually degrown – minus 5.6% CAGR. Net to net, we are not growing. The FTA changes that equation. Take the European Union, they import 95 billion euros of apparel annually. Bangladesh and China together hold 51% of that market. India holds 5 to 6%. The game-changer is the level playing field. After the FTA, we can compete. We can't do magic, but a 10% monthly run rate growth, from \$1.4 billion to \$1.6 or \$1.7 billion, is a reasonable aspiration. If the war resolves, if inflation does not spike further.*

N. Thirukkumaran: *The FTA with Europe is the mother of all these agreements. And then the UK deal – we are hoping it comes into force by the end of this month or the beginning of next. Oman, UAE, the Gulf countries, New Zealand. The government's focus on textiles is real. The Textile Enhancement and Employment Scheme is a good scheme, though still awaiting full policy implementation.*

As for Tiruppur specifically, we did ₹45,000 crore in FY24-25, and up to February of this year, we were tracking around ₹40,000 crore. Even if we don't cross last year's number, we should reach it. And our association has projected \$10 billion by 2030 – roughly double where we are today. That is not optimism for its own sake. That is a number we believe the FTAs make achievable.

The Fit

Narasimhan Venkatesan: Bangladesh had a very substantial export position. With the disruption of 2024 and the political transition, one expected a large chunk of those orders to quickly shift to India. Did Tiruppur actually benefit?

N. Thirukkumaran: Not much, honestly. We did not have a level playing field. European buyers were not willing to pay 10% more. Vietnam was duty-free into Europe; we were not. That is why Vietnam benefited, not India. And over and above that, we had the US tariff situation hitting us simultaneously. The third and fourth quarters were very difficult. We tried to ship what we had by giving discounts to US buyers. The last six months have been the hardest.

Prabhu Dhamodharan: One important clarification on Bangladesh. They maintained their volumes last year - the disruption happened at the political level, but most factories managed to keep operating. The real contraction for Bangladesh has happened only in the last six months. Their run rate, which was tracking toward a \$40 billion annual target, is now closer to \$37-38 billion. And their challenges are compounding - energy costs are rising sharply, availability is a problem, some sectors are genuinely in trouble.

Narasimhan Venkatesan: The LDC status expires in 2027. Is that a game-changer for India?

Prabhu Dhamodharan: They are requesting an extension. The Western world may well grant it - it depends on political equations. We should not assume that 2027 is automatically a turning point.

The Loom

Narasimhan Venkatesan: Is India actually geared to take on the opportunity? Is capacity being added at all levels, including MSMEs?

Prabhu Dhamodharan: We have the capability to manage 10-15% growth. Beyond that, the ecosystem will invest once opportunity is clear. But let me be precise about where investment is and is not happening.

In spinning, roughly 20% of India's spindlage has closed in the last three years. Older technology cannot compete with the new generation of machinery - productivity differences of 20-25% are not small. At the same time, investments in modernisation are happening. In weaving, for the first time, we are crossing \$1 billion in machine imports. State-of-the-art looms, ₹8,000-9,000 crore worth, are coming in. That will lift the apparel and spinning ecosystems both.

But here is the bigger picture that India is missing. An apparel maker should not be buying yarn, knitting, processing, compacting, and finishing all by himself. That produces inefficiency at every stage. Look at Vietnam - an apparel maker there sources dyed fabric and concentrates entirely on efficient stitching. That is how they achieve a 10% margin. The trick India needs to learn is to develop a dyed fabric ecosystem. Any policy intervention, state or central, should push more spinners and weavers toward dyed fabric manufacturing. India's top three spinners have already figured this out. One company's dyed fabric business is now 40% of its total turnover. Another from Tamil Nadu has declared that by 2028-29, 60% of its turnover will come from dyed fabric. That transformation is what brings growth, efficiency, and cost advantage together.

N. Thirukkumaran: I echo that completely. A fabric mill has to do fabric. A garment exporter has to do garmenting. He has no business doing both - that is where energy efficiency leaks, where attention is divided, where you cannot be truly innovative. China succeeded at scale precisely because of this separation. Vietnam followed the same model, with large Chinese investment behind it. India has to go that way.

On technology within the cluster, we are investing. IoT devices on every sewing machine, tracking every operator's efficiency in real time. My own company has developed a device and software we are preparing to bring to the ecosystem. Digital printing, automated screen-making, the latest embroidery machines. And there are German engineers - eight countries visited, forty-five factories - developing an AI tool specifically for the textile industry, in partnership with IIT and IIM graduates. It is in trial at two or three companies. It will take another five years for meaningful adoption across the industry. Indians adopt technology only after it is proven, not before. But once the ecosystem moves, it moves.

Sumita Kale: Given everything you've described, will the benefits of these FTAs go largely to the larger players - or will the smaller players, the MSMEs, be able to get something out of it?

Thirukkumaran: There will be a shift from Bangladesh, and some from China. That will benefit the whole ecosystem, not only the big players. Capacity is distributed - it is not only with the large players. Large players can expand to a certain extent, not fully. So smaller players will come in and they will also be able to directly benefit. What we think is, MSMEs have to become large format. And large format has to become corporates. That is where we can have a big chunk of what China or Bangladesh has.

Also, last week we had a discussion with the government on housing - which is very, very vital and critical for the apparel and textile sector. We have given some suggestions. We hope it comes out as a policy very soon.

The Fabric

Narasimhan Venkatesan: What are the supply chain constraints that stand in the way of Tiruppur maintaining its position?

Prabhu Dhamodharan: Two structural challenges, and they are significant.

First, man-made fibres. The US imports roughly ₹7 lakh crore of apparel - half cotton, half MMF. In cotton apparel, India holds 10-12% market share. In MMF apparel, we have 2%. And the real global growth is happening in MMF, not cotton. We are culturally a cotton country. Tiruppur is innovating - Thirukkumaran mentioned that 15-20% of his own company's production is now man-made, but this is selective, and still small volumes. For the broader MSME sector, differentiated products in MMF may be the smarter strategy than trying to compete at the commodity end.

Second, manpower. Wherever strong apparel clusters exist today - Tamil Nadu, Karnataka, the local economy has transformed. High school and college attendance rates are up. People do not want traditional manufacturing jobs. High-tech industries are competing for the same population. Yet however much we automate, we still need people in apparel. The question is how to enable healthy migration, how to build housing near clusters, how government and larger companies can share the cost of that infrastructure. China solved this with fast rail - manpower could reach clusters from wherever it was available. We need our own methodology. Tamil Nadu holds 35-37% of India's garment exports after everything, and the reason a developed cluster holds its position is simple: no buyer will abandon an ecosystem built over forty or fifty years. It is nearly impossible to replicate. Maintaining that requires keeping people.

Tiruppur's Edge

Narasimhan Venkatesan: Will Tiruppur's environmental credentials give it a competitive advantage with European buyers?

N. Thirukkumaran: Tiruppur recycles 130 million litres of water every day - 96% is reused. Zero Liquid Discharge is practised here not just by individual companies, as in Vietnam, China, or Bangladesh, but as an entire cluster. We produce 1,950 megawatts of renewable energy; only 350 megawatts is consumed by the cluster itself, and the rest goes to Tamil Nadu's grid.

And the Digital Product Passport - the European Union's requirement to track a product from water source to end consumer via QR code - we are ready for it. We are actually pushing for it. Two MoUs have been signed: one with Reverse Resources for tracking textile waste, and one with Surplex for textile and non-textile waste accountability. We have the certifications, the infrastructure, and the documentation. The reason our \$10 billion target for 2030 is not just aspiration - it is grounded in the knowledge that any new governance requirement that comes from Europe will find Tiruppur already compliant.

The Ask

Narasimhan Venkatesan: What is the ask from institutions like SIDBI as technology adoption accelerates?

N. Thirukkumaran: The industry has begun asking, but proof must come first. Technology adoption will be gradual, picking up pace only on the back of success stories. Indians buy only after something is proven, not before. With the next generation taking over family-owned businesses - far more adaptive to new technology - I give it another year for the ecosystem to start moving. Once those early movers prove it out, the ask from MSMEs will follow. That is when an institution like SIDBI needs to be ready to pitch in. It has already shown the way with renewable energy - most companies here went to SIDBI for solar and wind. The technology wave will work the same way.

Narasimhan Venkatesan: So, a very specific question - taking off on what both of you have said about modernisation and technology adoption, is there a specific ask that the industry would have from an institution like SIDBI?

Prabhu Dhamodharan: The two structural asks are clear - technology adoption support, and easing the housing and migration constraint. These are not separate problems. You cannot grow the cluster without solving both.

Narasimhan Venkatesan: The FTA does seem to indicate the opportunity in textiles at a very, very large sum - ₹268 lakh crore, or 22 lakh crores in apparel alone. And we are still, at an India level, at ₹3.16 lakh crore in textile exports. Within that, the knitwear segment contributes around ₹1.5 lakh crore. The gap is so huge - and therein lies the largest opportunity that is presenting itself, virtually through the scrapping of tariffs across thousands of product lines. It is this opportunity that associations such as yours, and federations working together and in harmony, have to harness - to realise the ambition for Tiruppur to stay ahead of the curve and contribute to the growth of Viksit Bharat. I think it is really fantastic having the two of you provide us with these insights.

Sumita Kale: Thank you both so much for sparing the time to talk to us today. We really learned a lot.