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Excess capacity prompts Northern India spinning mills to shut down once a week

Textile spinning mills are considering cutting back production and shutting down their mills once a week against the current trend of operating a mill 24x7.

The decision to take this extreme step has come as a result of excess spinning capacity in the country and poor demand for yarn from overseas markets leading to accumulation of yarn stocks and poor liquidity.

China which has been a major importer of Indian yarns for the past few years, has cut-down imports in the past few months, thus worsening the situation, leading to accumulation of yarn stocks in Indian spinning mills.

The spinning industry is under crisis and the situation is moving from bad to worse and spinners are making losses. Industry is therefore considering various options to reduce daily production, including closing the plant for one day in a week or more.

Some textile units are considering of lowering the capacity to even 50% in the wake of unsafe market situation and to have less borrowing / outstandings & stocks. Weather & quality of inputs also seem unfavorable at present.

Textile industry is also raising fingers on MSP being above than prevailing global prices by 25% approximately.

As a concluding remark, this downward trend might continue for next 3-4 months with slack demand & market situation will improve as soon as demand & supply balance gets restored.