



Investment Opportunities in India's Viscose Staple Yarn (VSY) Industry - Foxnangel



The **Indian Viscose Staple Yarn (VSY) industry** is experiencing rapid growth, with revenue projected to reach an all-time high of over \$2.5 billion in fiscal year 2023. Despite declining yarn prices, the industry's profitability is expected to improve by 200-300 basis points due to continued strong demand. VSY's appeal lies in its lower prices and comparable features, which have led to a compound annual growth rate of 13 per cent over the last three fiscal years, outpacing cotton yarn's growth rate of 5 per cent.

Competitive Prices: VSY's lower prices compared to cotton yarn have made it a popular choice among manufacturers and consumers alike. This cost advantage has contributed to the industry's sustained growth.

Steady Pricing: VSY prices have remained relatively stable, ranging between ₹200–₹250 per kg, providing confidence to stakeholders and fostering sustained demand.

Removal of Anti-Dumping Duty: The removal of anti-dumping duty on imports of viscose staple fibre (VSF) in FY2022 has further supported the stability of VSY prices.

The promising growth prospects of the VSY industry present attractive [investment opportunities in India](#). As manufacturers' revenue improves and spreads between VSY and VSF expand, operating margins are expected to rise to 11-12 per cent. This creates opportunities for investors seeking lucrative sectors to invest in.

Furthermore, VSY makers have consistently expanded their capacities, with a 50 per cent increase in the past three fiscal years. They plan to add another ~15 per cent capacity in the current fiscal year, indicating their confidence in the industry's future. The capital-intensive nature of the VSY segment has resulted in regular debt-funded capacity expansion, but strong balance sheets have ensured that credit risk profiles remain comfortable, enhancing the industry's attractiveness for potential investors.

While the VSY industry is on a growth trajectory, it is essential to be mindful of potential challenges:

Anti-Dumping Duty Impact: Any reimplementing of anti-dumping duty on VSF could lead to higher input costs for viscose spinners, affecting profitability.

Demand Fluctuations: A decline in domestic demand for VSY or a slowdown in global demand could potentially impact the industry's growth prospects.

The Indian Viscose Staple Yarn (VSY) industry presents promising **investment opportunities** for those seeking to tap into the country's thriving textile sector. With a projected revenue growth of 10-12 per cent and improved profitability, the industry offers attractive returns for investors. As VSY continues to gain market share and outperform cotton yarn, the sector's growth prospects appear robust. However, investors must remain vigilant about potential challenges, such as changes in import duties and fluctuations in demand. Overall, the VSY industry demonstrates resilience and growth potential, making it an appealing investment option in India's dynamic economy.

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