

Reliance the world's largest yarn producer to benefit immensely from the change in business cycle

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New Delhi, Delhi, July 30, 2007 /[India PRwire](#)/ -- Rising cotton prices along with falling area under sowing for cotton is further expected to result in improved margins for the polyester business. This along with rejuvenation of downstream textile industry and a greater thrust towards value added exports will improve margins for the polyester business.

In the last one year global cotton prices have moved up by 23% to US\$1574 per tonne and expected to rise further. Higher cotton prices, historically have resulted in a shift in consumption pattern towards polyester, resulting in better margins for the latter.

Also in the last few years there has been a greater thrust on increasing exports from countries like India and China. Both the countries are looking at increasing high value added exports of textiles and here too they will have to rely on polyester exports as rising cotton prices will make it uncompetitive.

What will work in Reliance's favour is a slow down in the Chinese addition of polyester capacity. Since RIL is an integrated player and virtually controls the entire value-chain and hence costs.

Interestingly US which is the world's largest cotton grower and consumer has seen a 28% fall in acreage under cotton production. Most of the farmers have shifted to corn which is currently yielding better returns on account of demand from the bio fuel industry

Besides world's cotton stock has also seen a 13% decline in which will further fuel hike in cotton prices. China too has started using its stock as it has seen higher capacity addition in the downstream processing, which will put additional pressure on global demand – supply scenario for cotton.

In India we are seeing a divergent trend where acreage under plantation as the sowing season is currently under progress. Indian textile industry has, spurred by concessional rate of loans from government, is likely to see a spurt in cotton exports from India.

These factors will drive polyester demand and push up prices of polyester further, thus improving RIL's margins in the polyester business.

Notes to Editor

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