

The Fourth
Business Confidence Survey report

A Textile Industry Perspective
(January – March 2006)

January 2006

by

Yarns *and* Fibers.com

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Executive Summary

Post WTO, India was predicted to be only second to China in terms of gains from global textile trade. China has retained its *numero uno* position in the first year of quota-free textile trade. India is clearly at distant second but faces intense competition from countries like Pakistan, Bangladesh and Sri Lanka. The YarnsandFibers' fourth consecutive survey on Business Confidence of Indian textile companies reveals mixed experience in the first year. Three scenarios emerge. First, the ignorance about opening up of trade and its benefits. Second, complacent with imposition of limits by US and Europe on China. And third, those tuned-in reaped the benefits of this development.

A sizeable 37% of the respondents to the survey said that they did not experience any change in their businesses during the year. While 10% felt that they had worse experience during the year. Together 47% of the respondents are of the opinion that they did not benefit from the opening of trade from 1 January 2005. The reasons are diverse. Some felt that China was better prepared for non-quota regime, but this was not the case in India. Competition from China came unexpectedly. China in desperation to gain WTO membership had agreed to let importing countries to impose special safeguard measures against Chinese textile exports till 2008.

Few companies indicated that they were unable to take advantage of the opportunities while a few had bad experience as they had no direct relation with global trade. Among the few who had bad experience blamed inadequate infrastructure impeding them to take advantage of the opportunities. Nevertheless, these companies are hopeful to see some better changes in the coming quarters. Developed economies have started placing initial orders and it will take a while to fully derive the benefits.

The remaining 53% of the respondents had a good experience in the first year of quota-free textile trade. These companies saw orders trickling and exports increasing. The orders were better than quota regime and gains from Europe were more pronounced in the first year. Capacities were fully utilized but there was some price cutting. In the first year, Indian textile companies also experienced changes in demand pattern and they were able to price their products better.

The Business Confidence Index for the quarter January to March 2006, computed by Yarnsandfibers based on the fourth survey is at 87.5. On the scale of 0 to 100, where the highest is 100, at 50 the confidence is same as today and below 50 implies lower than the current level. The March 2006 index is the peak of all the four surveys conducted hitherto by YarnsandFibers. It is higher than the 81.6 of December quarter. The optimism can be attributed to taking forward the better than expected performance of October-December 2005 quarter and overall economic growth. The Indian economy is poised to growth over 8% this year, thus clocking an annual GDP growth rate of 7.5% for three successive years on an average. This in itself would provide major thrust to the textile industry. However, the upheaval in global oil price is the only prospective dampener to this euphoria.

Of the respondents, 75% were of the opinion that their performance would be better in the January–March 2006 quarter. The remaining 25% respondents believe that their performance would remain unchanged compared to the preceding quarter. Significantly, none of the respondents see their performance turning worse in coming quarter.

Chapter 1: The Indian Textile Industry

The textile industry is one of the most important part of the Indian economy. It contributes 4% to GDP and around 35% to gross foreign exchange earnings in merchandise trade. The Rs.1,300 billion (US\$ 25 billion) industry accounts for 20% of the country's industrial output and provides direct employment to about 35 million people, the second largest after agriculture. It also provides indirect employment to another 47 million people.

India has 19% of World's spindleage with 34 million spindles, 395,000 rotors and 2 million looms. In terms of output, India accounts for 10% of World's cotton yarn production and 15% of cotton fabric.

Indian textile industry spans across all processes including several sub-sectors like spinning, weaving, knitting and garmenting. It is a multi-fibre based industry using cotton, jute, wool, silk, manmade fibres. From organizational point of view, the textile industry is divided into organized mill sector, powerloom sector, independent processors and unorganized handloom sector. A major part of this lop-sided development has been the outcome of Government policies.

The powerloom sector with 428,600 units has 1.91 million looms. In terms of output, the powerloom sector produces over 60% of all cloth produced in the country. The mill sector produces only 3% of cloth while the hosiery sector's output accounts for 20% of total cloth production. The handloom sector with 3.89 million looms produces 13% of all cloths. Of the total cloth production in India, about 45% is made of cotton and only 13% in weaved with blended yarn. The rest, 40% is made up of 100% non-cotton yarn.

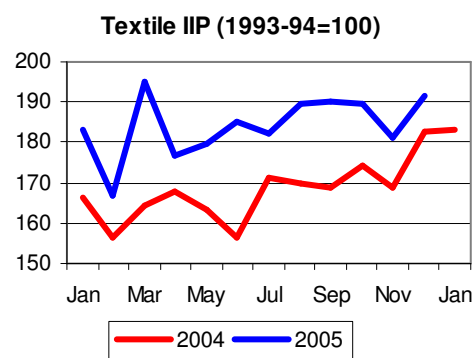
During 2004-05, textiles production increased by 9% (measured in terms of Index of Industrial Production, Central Statistics Organization). This growth was led by 19% increase in the other textile product group, including apparels. During the past 5 years, the performance of cotton textile segment was dismal. Production declined on three occasions, while the entire period saw production grow by a mere 0.5% per annum. On the other hand, production of other textile products, including apparels, increased significantly by 14% in 2002-03 and repeated the feat in 2004-05 by increasing at 19.1.

Size and Structure

No. of mills	1,783
Spindles	33.99 mln
Rotors	395,000
Looms (Mills)	137,000
Powerloom units	428,631
Powerlooms	1.91 mln
Handlooms	3.89 mln
Share in world (spindleage)	19%

Man-made fibers, wool and silk segment grew by modest 4.5% per annum during the 5-year period 2000-01 to 2004-05.

During the first year of quota-free global trade production increased leaps and bounds. Textiles production increased 10% over 2004. The growth was fuelled by a 22% rise in production of other textiles (including apparels). Cotton textile also posted an increase of 9%.



Textiles Production

	Fiber Production (Mln kgs)			Spun Yarn Production (Mln kgs)			Cloth Production Mln sq.mtrs
	Cotton	MMFs	Total	Cotton Blended	100% N-cotton	Total	
1999-00	2652	835	3487	2204	621	221	39208
2000-01	2380	904	3284	2268	644	246	40233
2001-02	2686	834	3520	2212	609	280	42034
2002-03	2312	914	3226	2177	584	319	41973
2003-04	3009	953	3962	2121	589	342	42383
2004-05	3944	1023	4967	2272	585	366	45653
2005-06 Apr.Nov	4200	636	4836	1650	389	236	31761

Trends in Textiles Exports

	1994-95		2004-05		CARG (% p a)	
	Rs. Mln	\$ mln	Rs. Mln	\$ mln	Rs. Mln	\$ mln
Cotton yarn	26,116	832	51,380	1,145	7.00	3.24
Cotton fabrics	28,913	921	41,646	928	3.72	0.08
Cotton made-ups	17,348	553	77,233	1,720	16.11	12.02
Total	72,377	2,306	170,259	3,793	8.93	5.10

Chapter 2: About YnFx Textile Business Confidence Survey

YarnsandFibers conducted the fourth consecutive quarterly survey to assess the aspirations of Indian textile businessmen for the ensuing quarter January 2006 to March 2006. The survey also assessed the performance of Indian textile companies for the preceding quarter ended December 2005. Three basic indices emerged from this survey: the **YnFx Textile Business Confidence Index**, the **YnFx Current Business Status Index** and the **YnFx Textile Business Margin Expectation Index**. While the first and last measures the future expectations, the current status index is the measure of current performance for the quarter-ended (October-December 2005) vis-à-vis the previous quarter-ended July-September 2005).

The Fourth Consecutive Survey

For the first time, the survey has assessed the experiences of textile companies in the first year of quota-free World trade. YarnsandFibers' survey also brings to fore major economic constraints to growth faced by textile industry in India. Five major economic hurdles are listed which we believe are beyond the control of a textile unit. Many of them need to be addressed by the community in general and the Government in particular. The bottlenecks are demand, labour, power, finance and infrastructure.

The YnFx Textile Business Confidence Index has been serving as a barometer sensing the health of the industry. It has become an information backbone on the latest development on a quarterly basis. The index, based on the perceptions of CEO/leader, is valuable for corporate strategy and business planning.

The questionnaire and the index computing methodology are appended at the end of this report. Being the fourth survey, YarnsandFibers is delighted by the overwhelming response of textile companies. **The sample size has grown from 5% in the first survey of June 2005 to 20% in this fourth survey.** We are confident that the size will increase as we progress into the next survey to be held in early April for business expectations for the quarter April to June 2006.

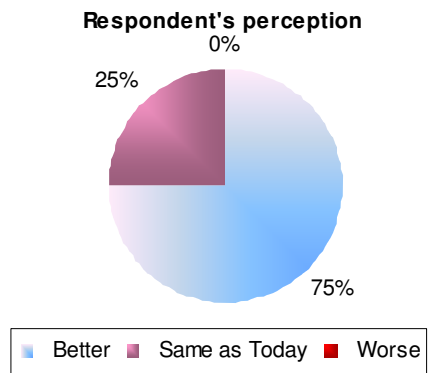
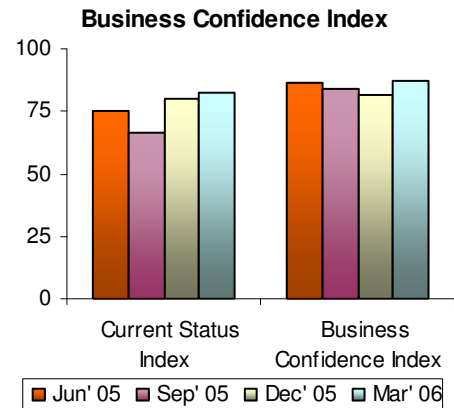
Chapter 3: Ready for the Next Leap

The YnFx Business Confidence Index (a measure of future prospect) for the ensuing quarter - January 2006 to March 2006, stands at 87.5 on the scale of 0 to 100, where the highest is 100, at 50 the confidence is same as today and below 50 implies lower than the current level. The question posed was "What do you envision about your company's performance over the next three months (January to March 2006). The respondents were asked to select one of 3 options: Better, Same as today, or Worse.

The March 2006 index is the peak of all the four surveys conducted hitherto by YarnsandFibers. At 87.5 the index is higher than the 81.6 of December quarter. The optimism can be attributed to taking forward the better than expected performance of October-December 2005 quarter and overall economic growth. Indian economy is poised to growth over 8% this year, thus clocking an annual GDP growth rate of 7.5% for three successive years on an average. This in itself would provide impetus to textile industry. However, the upheaval in global oil price is the only prospective dampener to this euphoria.

Of the respondents, 75% (65% in previous survey) were of the opinion that their performance would be better in the January-March 2006 quarter. The remaining 25% respondents believe that their performance would remain unchanged and would be a roll-over of preceding quarter. Significantly, none of the respondents see their performance turning worse in the coming quarter. This signifies a high level of confidence the textile companies have despite of the fact that China is a ferocious competitor on one side and the upheavals in crude prices on the other would hamper performance. Both these issues have been a bone of contention among many Indian textile companies in recent past.

The YnFx Business Confidence Index



This survey has assessed the companies' experience in the first year of quota-free textile trade. India post WTO was predicted to be only second to China in terms of gains of global textile export. However it is only distant second and faces good competition from countries like Pakistan, Bangladesh, Sri Lanka.

Experience in the First Year of Quota-free trade

The experiences are mixed. A sizeable 37% of the respondent did not witness any change in their businesses during the year. About 10% felt that they were adversely affected during the year.

Together 47% of the respondents believe that they did not benefit from the opening of trade from 1 January 2005. The reasons are diverse. Some are of the opinion that China was better prepared for non-quota regime, but this was not the case in India. Competition from China came unexpectedly. China in desperation to gain WTO membership had agreed to let importing countries to impose special safeguard measures against Chinese textile exports till 2008. This made textile companies complacent, but China's preparedness was unnoticed.

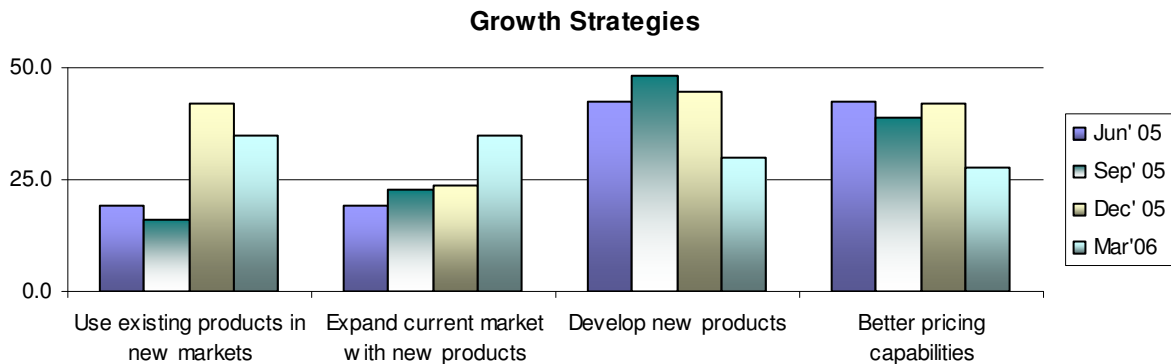
Few companies indicated that they were unable to take advantage of the opportunities thrown up by opening of trade. While a few said that since they had no direct relation with global trade in the past they were not prepared to take advantage. Among the few who had bad experience blame infrastructure bottleneck impeding them to take advantage of the opportunities. They believe that major improvement is required in infrastructure.

Companies not able to derive benefit from free trade are hopeful to see some better changes in the coming quarters. Developed economies have started placing initial orders and it will take a while to fully derive the values.

Nevertheless, the remaining 53% of the respondents had a good experience in the first year of quota-free textile trade. These companies saw orders trickling in India and exports increasing. The orders are better than quota regime. Gains from Europe were more pronounced in the first year. Capacities were fully utilized but there was price cutting. In the first year, Indian textile companies have also witnessed demand pattern changing and they were able to price their products better.

The major strategy for growth in coming quarter for Indian textile companies is expanding markets and introducing new products in their existing markets. About 35% of respondents indicated that they will use existing products to enter new and introduce new products in existing market.

In the earlier three surveys, more than 40% of the respondents had indicated developing new products would enhance their performance. Better pricing capability was also the key to success. Now, these two aspects are less important. It could be said that during the initial period of 2005, Indian textile companies were focused on developing new products and better pricing capabilities.

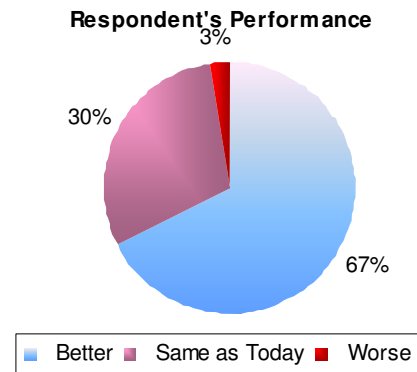


The current business status index stands at 82.5 for the quarter ended December 2005 marginally higher than the 80.3 for the quarter ending September 2005. The question posed was "From your perspective how is your business today (October to December 2005) vis-à-vis 3 months ago (July to September 2005). The respondents were asked to choose from 3 alternatives: Better, Same as today, or Worse. On the scale of 0 to 100, where the highest is 100, at 50 the confidence is same as today and below 50 implies lower than the current level.

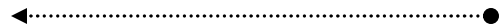
For the quarter ended December 2005, as many as 67.5% of the respondents indicated that their business performance was much better than that in the earlier quarter (July-September 2005). While 30% saw their business to be at the same level, only 2.5% respondent witnessed worsening of their businesses compared to earlier quarter. This was the lowest proportion of companies indicating downtrend in the last one year period.

In the last two successive quarters, Indian textile companies have witnessed significant growth in their businesses.

YnFx Current Business Status Index



In the last four surveys conducted by YarnsandFibers, textile companies' performance matched their pre-conceived expectation on two occasions - in September and December quarter. The only occasion they failed to predict their performance was in the June quarter. In that quarter, the business confidence index - a measure of future business expectation, was at 86.5 while the actual performance index - the current business index, turned out to be only 66.1, the lowest in the 2005.



The business margin expectation index stands at 51.3 for the quarter January to March 2006, the highest of all the past four surveys of YarnsandFibers.

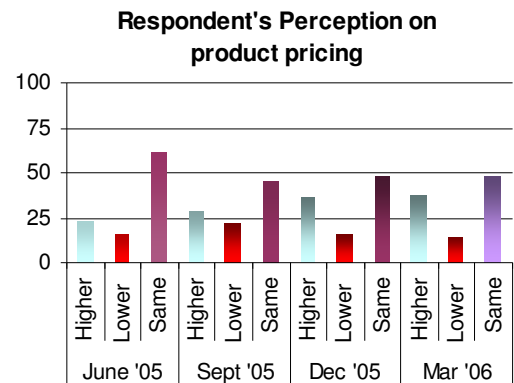
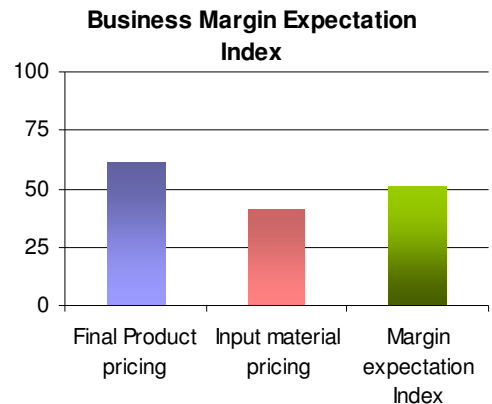
The index is based on responses to two questions; "In the next 3 months, do you foresee that you will be able to price your products", and "In the next 3 months, do you see that your suppliers' price you pay will be" with the options: Higher, Lower, or Same as Today. Index lower than 50 implies that the companies expect squeeze on their operating margins while above 50 implies above average margins.

Such confidence apparent points out that Indian textiles industry has now become resilient to the volatility in global crude oil prices that has adversely affected input cost of man-made fibres. In the last two years, prices of fibre intermediates - PTA, MEG, caprolactum, acrylonitrile, in Asia have increased significantly by 30-80% due to the burst in crude prices. However, cotton textile is spared by this volatility as cotton fibre prices have declined 15% in the last two year in Asian market.

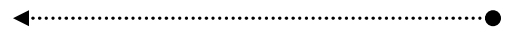
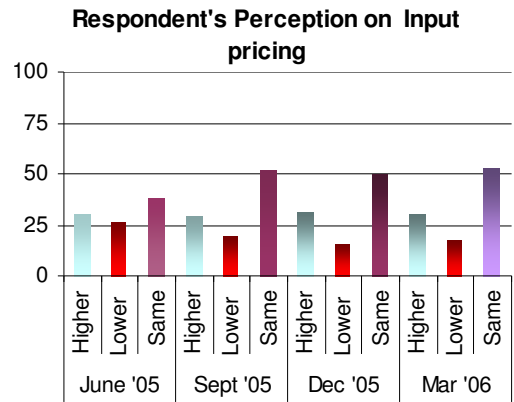
For the quarter January to March 2006, about 48% of the respondents indicated that their end-product price would remain same as in the previous quarter while 38% believe that they would be able to sell their products at higher price. Only 15% respondents feel that their product prices would decline in the next quarter.

On suppliers' or inputs pricing, 53% respondents felt that input prices will remain the same and 30% expect them go up. Only 17% believe that inputs prices may fall.

YnFx Business Margin Expectation Index



Few respondents have claimed that they have already hiked their prices which are accepted in their markets. Still many are unsure about the market situation in coming quarter but are confident that final product prices would go up. Nevertheless, competition from China and recent uptrend in cotton prices will affect performance of many textile companies.

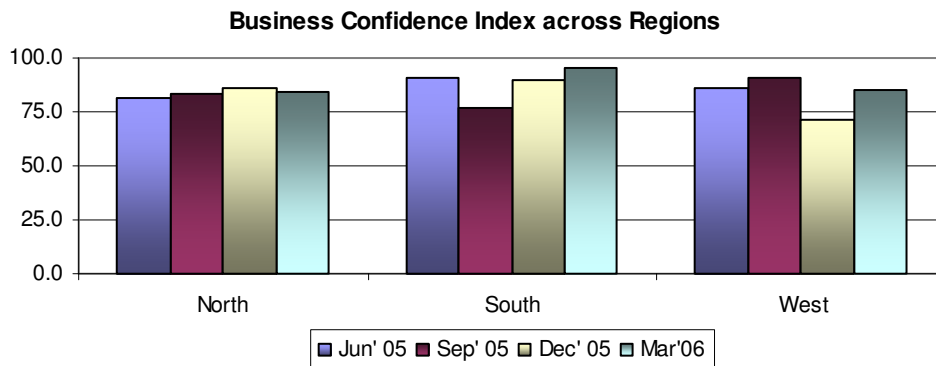


The optimism of a better performance in coming quarter was seen across the country. Textile companies in South are the more optimistic than other regions. The Business Confidence Index for the next quarter stands at 84.6 for North India and 95.0 for South India. Companies in Western India who were a bit pessimist in the previous quarter are confident now. The Index for West stands high at 85.3, much higher than 71.4 of previous quarter.

Business Confidence across Regions

In the first year of quota-free textile trade, about 70% of respondents from Western India had a good experience while the same was in case of 50% of South based companies and 30% of Northern India.

Most of the companies in west India witnessed increase in demand and better price realization during the year. About 60% of respondents from North did not see any change in their business in the first year and many of them indicated that better infrastructure would help them take advantage of free trade world.



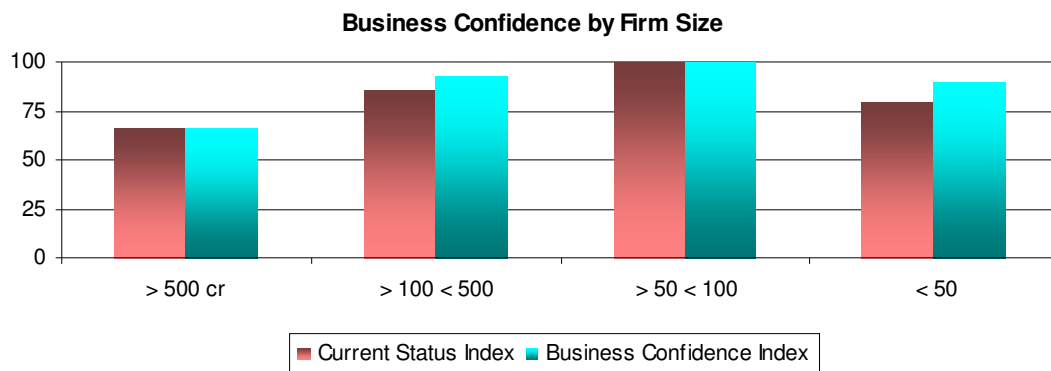
Medium size companies with sales turnover between Rs.1 billion to Rs.5. billion are more optimistic over their performance in coming quarter. The Business Confidence Index of medium size companies has been seen rising every survey. For March 2006 quarter, the Business Confidence Index stands tall at 92.9 up from 86.1 for December quarter. Companies of smaller size with turnover less than Rs.1 billion are even more optimistic as their Business Confidence Index touched 100.0.

Business Confidence across firm size

The larger firms with sales over Rs.5 billion have been taking realistic view on their future performances in recent quarters. The Business Confidence Index has tumbled from 100.0 for September 2005 quarter to 87.5 for December and has now fallen further to 66.7 for the March 2006 quarter. Two possibilities emerge. One, these large companies are running at full capacity, hence leaving no scope for increasing output, and two, they have no investment plans on hand.

Large companies have indicated that using existing product to enter new markets would give them better growth in next quarter. About 55% of respondents have indicated this option to give them growth.

Infrastructure bottleneck continues to impede growth of large companies. About 44% of large companies have indicated that these bottlenecks are constraint to growth. About one-third of companies with sales between Rs.1 billion to Rs.5 billion have pointed out that lack of infrastructure facilities would hamper their growth prospect in coming quarter.



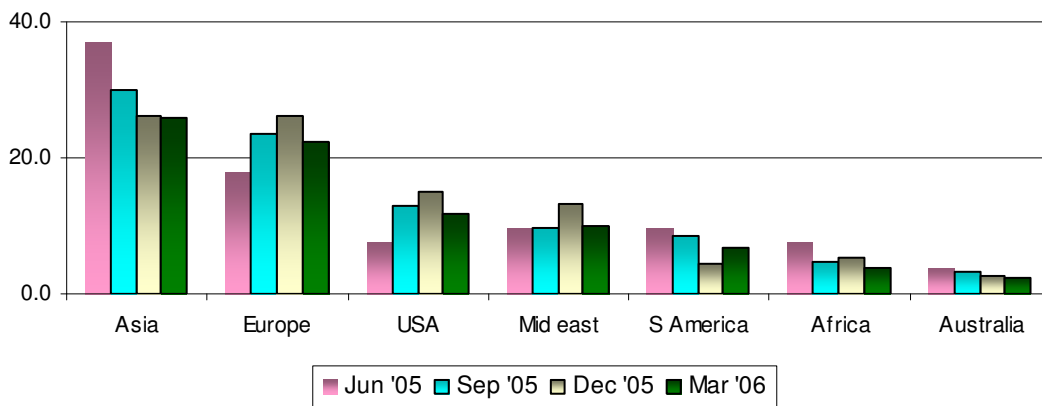
Indian textile companies will be looking at export opportunities in markets of USA and Europe as China is restricted to fully explore free trade until 2008. China, being the late entrant in WTO in 2002 had agreed for trade restrictions on its exports till 2008.

Where is the export market

The January – March 2006 quarter survey indicate that 23% of the respondents will be targeting Europe as one the top destinations for export growth after Asia. The next preferred destination is USA with 12% respondent looking for export growth. This is, however, lower than the responses of December survey wherein 26% and 15% respondents were looking at EU and USA as growth centres. About 26% of the respondents have indicated Asian markets, like Korea, China and Taiwan to be the key export destination in coming quarter.

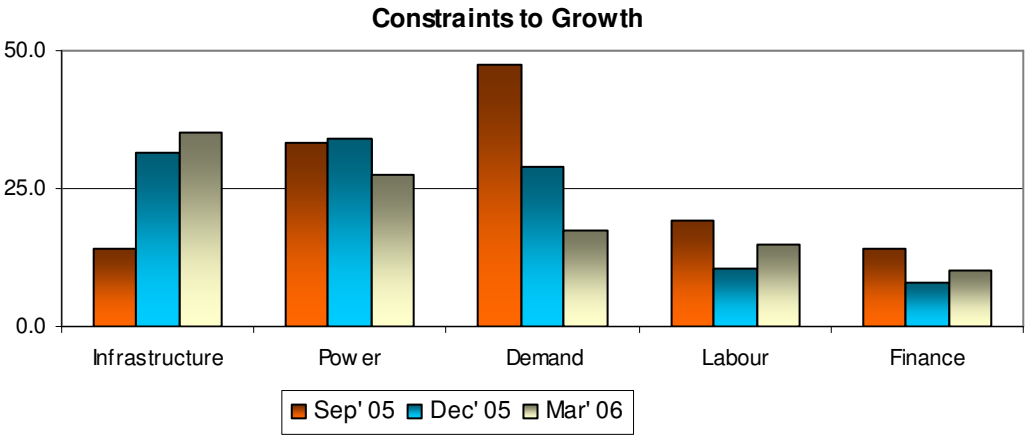
Thus, over the past four quarters, Indian companies exports have been spreading across the globe as companies are exploring newer markets apart from USA and Europe. Past two surveys have seen Middle East and South America being dotted as export destination.

Prospects for Export Growth



The survey for quarter ending March 2006, indicate that firms would be facing power and infrastructural bottlenecks for growth in coming quarter. About 35% of the respondents feel that infrastructure, basically transport, is the major constraint. Power follows as the next impediment with 28% of the respondent claimed that insufficient supply is hampering growth. Demand to be a constraint is seen by only 17% of the respondents. In the September survey, demand was a constraint to 48% of the respondents. Labour and finance constraints are likely to hamper growth of 15% and 10% of the respondents in the March quarter

Constraints to Growth



Chapter 4: Conclusions

Indian textile companies are upbeat over their performance in the quarter ended December 2005 and expect to repeat the feat in the ensuing quarter with increased vigour. The YnFx Business Confidence Index, computed by YarnsandFibers through surveys, stands at 87.5 for the quarter January-March 2006, the highest in the last four surveys conducted hitherto. The YnFx Current Business Status index for the quarter ending December 2005 also stands tall at 82.5. These indices are measures of actual performance in quarter ended December and the expectations in the March 2006 quarter vis-à-vis the preceding quarters.

In the first year of quota-free textile trade, many companies were able to reap the benefits of the environment. However, an equal number of companies were unable to take advantage of quota-free trade. A sizeable 37% of the respondents did not see any change in their businesses performance during the year and about 10% had worse experience during the year. Together, these 47% of the respondents believe that they did not benefit from the opening of trade in early 2005. The reasons are diverse. Some opine that China was better prepared for non-quota regime, but this was not the case with India. Competition from China came unexpectedly. China in desperation to gain WTO membership had agreed to let importing countries impose special safeguard measures against Chinese textile exports until 2008. This made Indian textile companies complacent, but China's preparedness went unnoticed.

The upheaval caused by oil prices and an imminent flare up in cotton prices was a cause of concern to many Indian companies. However, with booming domestic economy and increasing export demand companies are confident that they can pass on the increased cost to consumers. This is evident from the YnFx Business Margin Expectation Index, which stands at 51.3. The index measures the firms pricing capabilities for their end product as well as for the inputs. On a scale of 0 to 100, index at 50 implies that companies' increased cost is compensated by increasing output prices. Index above 50 indicates that the increase in output prices is higher than the increase in input cost.

About 35% of the respondents indicated that introducing existing products in new markets and expanding current market with new products would be enhance their performance in coming quarter.

The earlier three surveys had indicated that a large number of companies were focusing on developing new products to expand their businesses. However, only 30% of the respondents now indicate that developing new products would give them growth in coming quarter. Better pricing capability was one of the key strategies to growth for many companies in the past. This survey shows only 28% of the respondents feel that this strategy was important for growth. Thus, it can be concluded that textile companies, over the past one year, had expanded their product base as well as fine tuned their pricing structure and are now focusing on markets.

For exports, Europe and USA are the key growth areas, while the spread is much wider now. Many firms will be exploring markets of South America, particular Brazil and Columbia for exports.

Infrastructure, particularly transport and power supplies are indicated as major hurdles for growth in coming quarter. About one-third of respondents feel that these two would impair their growth. Demand constraint and finances remain as key hurdles for many small size companies.

Appendix I: Statistical Tables

Table 1

YnFx Textile Business Indices					
	Mar' 05	Jun' 05	Sep' 05	Dec' 05	Mar' 06
	qtr	qtr	qtr	qtr	qtr
YnFx Textile Business Indices					
Current Status Index	75.00	66.13	80.26	82.50	
Business Confidence Index		86.54	83.87	81.58	87.50
Margin Expectation Index		50.00	48.39	50.66	51.25

Table 2

Respondent's Perception (% Distribution)					
	Mar' 05	Jun' 05	Sep' 05	Dec' 05	Mar' 06
	qtr	qtr	qtr	qtr	qtr
Business Confidence					
Better		76.92	74.19	65.79	75.00
Same as Today		19.23	19.35	31.58	25.00
Worse		3.85	6.45	2.63	0.00
Current Status					
Better	65.38	51.61	68.42	67.50	
Same as Today	19.23	29.03	23.68	30.00	
Worse	15.38	16.13	7.89	2.50	
Margin Expectations					
Higher		26.92	29.03	34.21	33.75
Same as today		50.00	48.39	48.68	50.00
Lower		21.15	20.97	15.79	16.25

Table 3

Respondents Perception on Growth Strategies (% Distribution)				
	Use existing products in new markets	Expand current market with new products	Develop new products	Better pricing capabilities
Jun' 05	19.23	19.23	42.31	42.31
Sep' 05	16.13	22.58	48.39	38.71
Dec' 05	42.11	23.68	44.74	42.11
Mar' 06	35.00	35.00	30.00	27.50

Table 4

Region-wise YnFx Textile Business Indices								
	Current Status Index				Business Confidence Index			
	Mar' 05	Jun' 05	Sep' 05	Dec' 05	Jun' 05	Sep' 05	Dec' 05	Mar'06
North	62.50	66.67	71.43	76.92	81.25	83.33	85.71	84.62
South	77.27	63.64	90.00	90.00	90.91	77.27	90.00	95.00
West	85.71	68.18	82.14	82.35	85.71	90.91	71.43	85.29

Table 5

Size-wise YnFx Textile Business Indices								
Sales value Rs.crore	Current Status Index				Business Confidence Index			
	Mar' 05	Jun' 05	Sep' 05	Dec' 05	Jun' 05	Sep' 05	Dec' 05	Mar' 06
> 500 cr	100.0	100.0	93.8	66.7	100.0	100.0	87.5	66.7
> 100 < 500	56.3	53.8	75.0	85.7	87.5	88.5	86.1	92.9
> 50 < 100	90.0	75.0	83.3	100.0	90.0	75.0	83.3	100.0
< 50	72.2	50.0	75.0	80.0	77.8	62.5	58.3	90.0

Table 6

Respondent's Choice of Export Destination (%)				
	Jun '05	Sep '05	Dec '05	Mar '06
Asia	37.2	30.1	26.3	25.8
Europe	17.9	23.7	26.3	22.5
USA	7.7	12.9	14.9	11.7
Mid east	9.6	9.7	13.2	10.0
S America	9.6	8.6	4.4	6.7
Africa	7.7	4.8	5.3	3.8
Australia	3.8	3.2	2.6	2.5

Table 7

Distribution by Constraints to Growth			
	Sep' 05	Dec' 05	Mar' 06
Infrastructure	14.3	31.6	35.0
Power	33.3	34.2	27.5
Demand	47.6	28.9	17.5
Labour	19.0	10.5	15.0
Finance	14.3	7.9	10.0

Appendix II: Methodology

The data for the construction of **YnFx Textile Business Confidence Index** is derived from the responses sent by the business firms across the country in early January 2006. The survey questionnaire comprised 8 questions which are variables used as index components. The Questionnaire is appended at the end of this report.

In answering these 8 questions, the respondents have option to choose one of the 3 alternatives: Better, Same as today, and worse and in some cases the alternatives are: Higher, Same as today, and Lower. The respondents are also asked the prospective product and pricing strategies and regions/countries, which they perceive would provide growth to their company.

These questions focus on the forecasting of business conditions over the period of next three months and current status compared to those in the previous quarter.

This survey assessed the experience of Indian companies in the first year of quota-free global textile trade.

The sampled firms were selected from listed companies and those privately held. The respondents were mostly the business leaders, business owners themselves, or corporate executives who understood the purposes of the questionnaire and could give full co-operation. These representative firms covered a wide range of textile businesses like fiber manufacture, spinning, weaving, garmenting.

In the assessment process of the responses received, the qualitative data (business views) is converted to quantitative data (numbers) before the sentiment index is constructed through

the application of an indexing approach called diffusion index.

The index finally derived will be an indicator of the business and economic sentiment. Highest index is 100 while the lowest is 0.

Reading of index is as follows:

1. Index of 50 means business sentiment remains stable.
2. Index above 50 means business sentiment has improved.
3. Index below 50 means business sentiment has worsened.

Computation of index comprises the following procedures:

1. Converting the qualitative data into quantitative data by scoring the responses received within the criteria below:
 - The score of 1 are assigned to the answers that show +ve sentiment
 - The score of 0.5 is given to "no significant change" answer.
 - The score of 0 are assigned to "Worse or lower" responses.
2. Adding all the scores obtained then dividing the total score by the number of respondents and multiplying the final figure by 100.
3. There are three types of indexes constructed:
 - the current status - the index derived from the current performance surveyed data
 - the Business Confidence index- the index derived from the data surveyed one three months in advance
 - The Business Margin index - the index derived from the data surveyed on product and raw material pricing.

Appendix III: Questionnaire

Business Confidence Index Survey: March 2006

1. From your perspective how is your business today vis-à-vis 3 months ago?

- Better
- Worse
- About the same

Comments, if any: _____

2. What do you envision about your company's performance over the next 3 months?

- Better
- Worse
- About the same

Comments, if any: _____

3. Where do you see the greatest source/s of growth in the next 3 months?

- Use existing products to enter new market
- Expand current market with same product
- Develop new products
- Better pricing capabilities

Comments, if any: _____

4. Which top 3 regions / countries do you see export growth to come from for your company in the next 3 months?

1. _____
2. _____
3. _____

Comments, if any: _____

5. In the next 3 months, do you foresee that you will be able to price your products?

- Higher
- Lower
- Same as today

Comments, if any: _____

6. In the next 3 months, do you see that your suppliers' price you pay will be?

- Higher
- Lower
- Same as today

Comments, if any: _____

7. What are the constraints, in your opinion for your company's growth in the next 3 months?

- Demand
- Labour
- Power
- Finance
- Infrastructure

Comments, if any: _____

8. How was your experience in the first year of quota-free textile trade?

- Good
- Worse
- No change

Comments, if any: _____

Appendix IV: About YarnsandFibers

Launched in 1998, YarnsandFibers has emerged as a leading provider of Market Intelligence and Market Development.

Members range from over a 150 countries and include all major companies in the segment. With this global footprint, YarnsandFibers is in an ideal position to understand business needs and help the transition beyond the expiry of the quota regime in 2005.

Since inception, YarnsandFibers.com has focused on delivering relevant Market Intelligence & assisted Market Development. YarnsandFibers has successfully combined the online & offline mechanism to deliver maximum value to its users.

In a world of information overload, YarnsandFibers has worked relentlessly to pursue its belief that effective Market Intelligence is the **right** information reaching the **right** person at the **right** time.

In pursuit of this, YarnsandFibers.com has three primary services

1. The PriceWatch Channel
 - Price trends covering 20 products of the Fiber Value Chain
2. The Industry News Channel
 - Daily news updates from around the world
3. The Industry Reports & Statistics Channel
 - Well researched reports on current topics and statistical data on production, consumption, demand-supply, etc

This encompasses all that a businessman would ever want to know about the goings on in the Textile Business.