

# Exporting yarn to China: Total control and price-competitiveness

The mill report contributed by Uster Technologies highlights the story of the successful Indian yarn supplier.

This article was actually initiated by Uster customers. The author during a visit to Indian customers was asked to know what kind of yarn is mainly produced in China, whereas the Chinese customers asked the same question about Indian spinners. This article answers these questions to a certain extent and focusses on yarn trade between both countries. Vrajesh Kikani, Managing Director of Kikani Exports provides insights regarding this challenging business of selling yarns.

Exporting yarn to China is a massive opportunity and yet a tremendous challenge. The market is huge and diverse, the rewards can be worthwhile – but the risks are great, and increasing. The key success factors are the same as for any other market area: control of sourcing, quality and costs. Above all else in China, price competitiveness is essential. One of India's leading yarn suppliers, Kikani Exports, has 12 years' experience in exporting to China, firstly as a yarn trader sourcing from Indian mills and later as a spinner.

Vrajesh Kikani, Managing Director explains that the biggest difference between China and other export markets is the volume of business available: "In China the volumes are huge. We started selling there in 2004, with about 60 tonnes per month. That increased over time to as much as 4,000 tonnes per month by 2014, but in the past year the market has been more or less depressed, so we have recently been at a level of around 2,000 tonnes."

Despite the volatility, China remains a crucial customer for Kikani and other suppliers from India, together with Bangladesh representing about 60% of total exports in some cases. "If China stops buying Indian yarn, it is a disaster. The domestic market cannot take the big volume of Indian spinning mills, and the textile industry and especially cotton spinning employs a lot of people," says Mr. Kikani.

### Quality strategy and in-house spinning

Kikani's experience in yarn trading has provided a valuable overview of the requirements spinners must fulfil to survive in the China. Quality management is right at the top of the list, and Kikani has put in place a carefully-planned strategy to ensure consistent control of every aspect.

It begins with sourcing – the right yarns at the right price from reliable spinners. The company has a fully-equipped testing laboratory, with latest USTER technology for fibre and yarn quality assurance. "We rely on USTER guidelines, ensuring our quality consistency within defect tolerances below 5%. Staff training for quality management is also a priority, and we implement both routine quality checks and random audits."

It was this quality-minded approach that led Kikani to invest in its own spinning mill operation, to extend the options beyond its yarn trading business. The new mill, in the Ahmedabad District of Gujarat, started in 2015, expanding to 29,376 spindles and 4,320 TFO drums by the end of the year.

"As a trader, we were not always able to convince the quality conscious customer. This prompted us to look into backwards integration, focusing only on value-added yarn for niche markets," Mr. Kikani says.

Overall, Kikani has a customer base of almost 100 companies, about 50% of which is based on long-term stable relationships. The company's in-house yarn production is combined with yarns from other spinners in India. Kikani uses experience gained over several years to identify appropriate sources for each specific count range and quality level. A special advantage for knitting yarn is Kikani's focus on a Gujarat cotton type known as Shankar 6, which is said to have the lowest contamination rate.

### Indian cotton: Tackling contamination

Competing in China is a double-edged problem, facing both local yarn producers and other exporters. Kikani has a major advantage here, with its access to Indian cotton growers and its detailed knowledge of the characteristics of the raw cottons. The contamination by foreign matter is a serious issue, and although it is generally 'expected' by spinners and their customers, there is a constant and growing need to monitor and control this aspect. Kikani achieves this in its own spinning mill by a combination of the latest USTER® JOSSI MAGIC EYE detection in the blow room and USTER®QUANTUM 3 (PP option) clearers on its winders.



Mr. Kikani says: "Quality is one of our main advantages over local Chinese yarn producers. In fact, we find that quality requirements from most world markets are increasing, so there is very little difference in that respect between Chinese and other markets."

### Trading houses mean volume business

Kikani sells to major trading houses in China, as well as to individual weaving and knitting companies and yarn dyers. The yarn range includes both carded and combed varieties, across a count range of Ne 16 to Ne 40 ring spun, including compact, and Ne 6 to Ne 24 in OE-spun. Most yarns are 100% virgin cotton or blends with waste cotton. Although the Chinese export business is large and extremely important to Kikani, it is not usually as lucrative as sales to the domestic Indian market, where prices are generally higher. However, the China trade offers greater volumes and is mainly financed through letters of credit (LCs), which provides for quicker payments compared to locally-negotiated deals with Indian customers. Selling directly to mills in China can also attract better prices, but many Chinese weavers and knitters are unable or unwilling to work through LCs, preferring to pay in currency or to hand the purchasing over to traders.

For the future, Mr. Kikani is expecting the current tough market environment to become even tougher. "Our volumes into China will come down for sure, because of increasing competition from Vietnam and other countries, as they have preferential duty structures. Hence, unless Indian suppliers are extremely competitive, yarn sales to China will be an even greater challenge in the days to come," concluded Mr. Kikani. ♦