

Report on

Golden Decade for India's Textile and Apparel Industry

Dec, 2014



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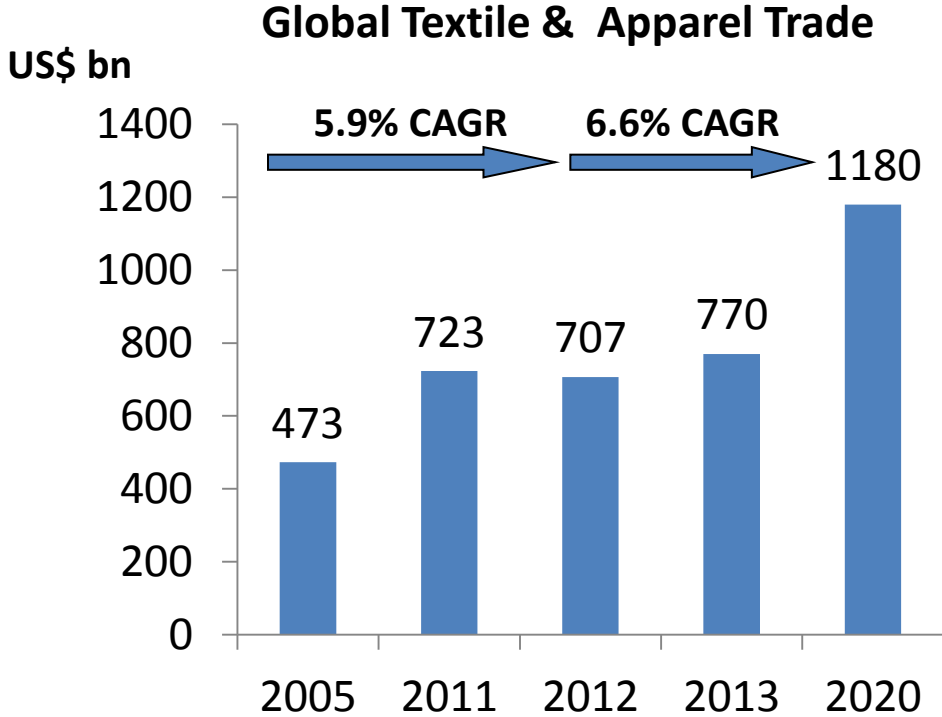
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Section 1: Global Textile & Apparel Industry Overview & Market Trends

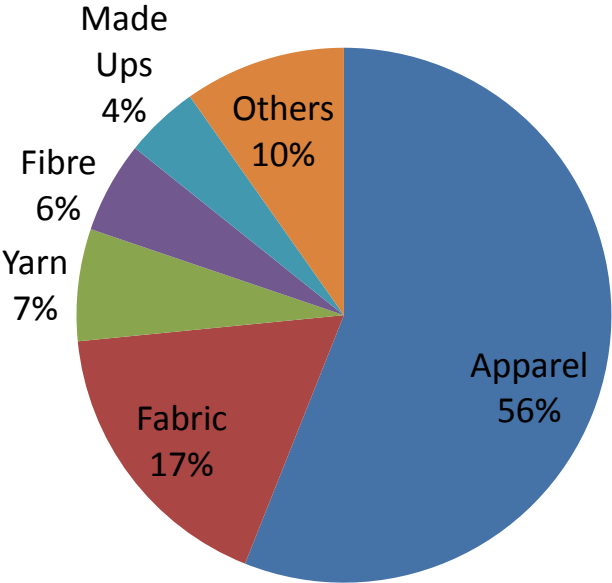
- Global consumption and trade trends
- Major exporting and importing countries
- Slowdown of China's growth
- India's strengths in global market

Global Textile and Apparel Trade Continues to Grow

Global textile and apparel trade recovered in 2013 and is expected to grow @ 6.6% for next 7 years and reach a size of US\$ 1.18 trillion by 2020



Category wise Share of Global Trade (2013)



Source: UN Comtrade, CII Knowledge report and Wisedge Analysis

Major Categories Traded Globally

Top Traded Categories : Value and Growth

Categories	2005 (US\$ bn)	2013 (US\$ bn)	Growth 2005-13
Fabrics	96	132	4.1%
Apparels	255	432	6.8%
Home (Made-ups)	21	34	6.4%
Yarn	35	52	5.1%
Fibre	22	45	9.4%
Others	45	53	5.1%
Total	473	770	6.3%

Source: UN Comtrade, Wisedge Analysis

Fibre trade has witnessed the highest growth @ 9.4% in the past eight years followed by apparels and made-ups.

Global Apparel Market Constituting 1.8% of the World GDP is Estimated to Cross US\$ 2.1 Trillion by 2025

Global Apparel Market size projections (US\$ Bn)

S No	Region	2013	2025	CAGR
1	EU-27	355	440	2%
2	US	230	285	2%
3	China	165	540	10%
4	Japan	110	150	2%
5	Brazil	60	100	5%
6	India	46	200	12%
7	Russia	45	105	8%
8	Canada	30	50	4%
9	Australia	25	45	5%
10	Rest of the world	80	195	8%
	Total	1,146	2,110	5%

Source: FICCI, Knowledge paper on Driving growth through innovation

EU27, US, China and Japan constitute almost 75% of the total market

Sweaters, Jerseys, Jeans & Trousers Are The Most Globally Traded Sub-categories

Top Traded Sub-categories

Categories	2013 (US\$ bn)	Growth 2005-13
Sweaters	49	6%
Jeans & Others	47	5%
T-Shirts	40	6%
Trousers	39	9%
Made-ups	34	6%
Jackets	35	10%
Women's dresses	25	23%
Special Woven Fabrics	22	4%
Cotton Fibre	23	14%
Blouses	17	3%
Shirting Fabric	17	4%
Cotton Yarn	15	7%
Woven Shirts	16	5%
Polyester Filament Yarn	9.5	11%
Polyester Staple Fibre	4.3	8%
Polyester SF Spun Yarn	0.08	10%

Top and High Growing Exporters: Asian Countries Dominate

Top exporting countries with their growth in Textile & Apparel Exports since 2005

Countries	2005	2010	2011	2012	2013	CAGR 2005-13
China	107.5	198.9	239.8	245.0	283.9	12.9%
India	17.0	27.1	33.4	32.7	40.2	11.3%
Bangladesh	7.7	17.9	23.8	23.8	25.5	16.2%
Vietnam	5.3	13.5	17.4	18.0	19.3	17.5%
Spain	8.3	11.3	13.3	13.4	15.5	8.2%
The Netherlands	7.6	10.2	13.6	12.3	13.1	7.1%
Australia	3.0	3.3	5.5	5.8	5.4	7.7%
Poland	3.6	5.2	5.9	5.4	6.0	6.4%
Cambodia	2.2	3.1	4.0	4.3	4.6	9.5%
Sri Lanka	2.9	3.6	4.3	4.1	4.4	5.3%
Pakistan	10.3	11.6	13.6	12.9	13.7	3.6%
Indonesia	0.0	0.0	13.3	12.5	12.7	-
Turkey	18.7	21.5	24.5	25.1	27.2	4.8%
South Korea	13.7	13.5	15.5	15.1	15.4	1.5%
Rest	265	258	295	277	283	0.8%
Total	473	598	723	707	770	6.3%

Vietnam is the most promising exporter in terms of growth amongst top exporters

Top Textile & Apparel Importing Countries

Top textile & apparel importing countries since 2005 (US\$ bn)

Country	2005	2010	2011	2012	2013	CAGR (2005-13)
USA	97	100	108	108	131	4%
China & Hong Kong	55	57	65	67	69	3%
Germany	36	48	57	50	62	7%
Japan	27	33	41	42	54	9%
The United Kingdom	31	33	37	31	39	3%
France	25	28	31	28	31	3%
Italy	21	26	30	25	29	4%
Spain	14	18	20	17	20	5%
The Netherlands	9	12	15	14	16	8%
Russian Federation	2	9	11	13	12	25%
Rest	154	235	308	313	308	9%
Total	473	598	723	707	770	6%
* EU27	196	233	269	235	270	4%

Source: UN Comtrade, Wisedge Analysis

Developed Countries Continue to be the Major Importers Although Several New Markets are Emerging

Top 5 Importing Countries for major apparel categories

Categories	1	2	3	4	5	Combined Share
Woven Shirts	USA	Germany	Japan	UK	France	54%
Men's Trouser	USA	Japan	UK	Germany	France	56%
Women's Trousers/skirts	USA	Japan	Germany	UK	France	58%
Women's Dresses	USA	UK	Japan	Germany	France	53%
T-Shirts/Knits	USA	Germany	UK	Japan	France	50%
Jeans & related garments	USA	Germany	UK	France	Japan	54%
Suits	Japan	USA	Germany	Italy	France	55%
Sweaters & jerseys etc.	USA	Japan	Germany	Hong Kong	UK	61%
Outerwear (Jackets / overcoats)	USA	Germany	Japan	UK	France	49%
Men's innerwear	USA	Japan	Germany	UK	France	58%
Lingerie	USA	Japan	Germany	France	Hong Kong	52%

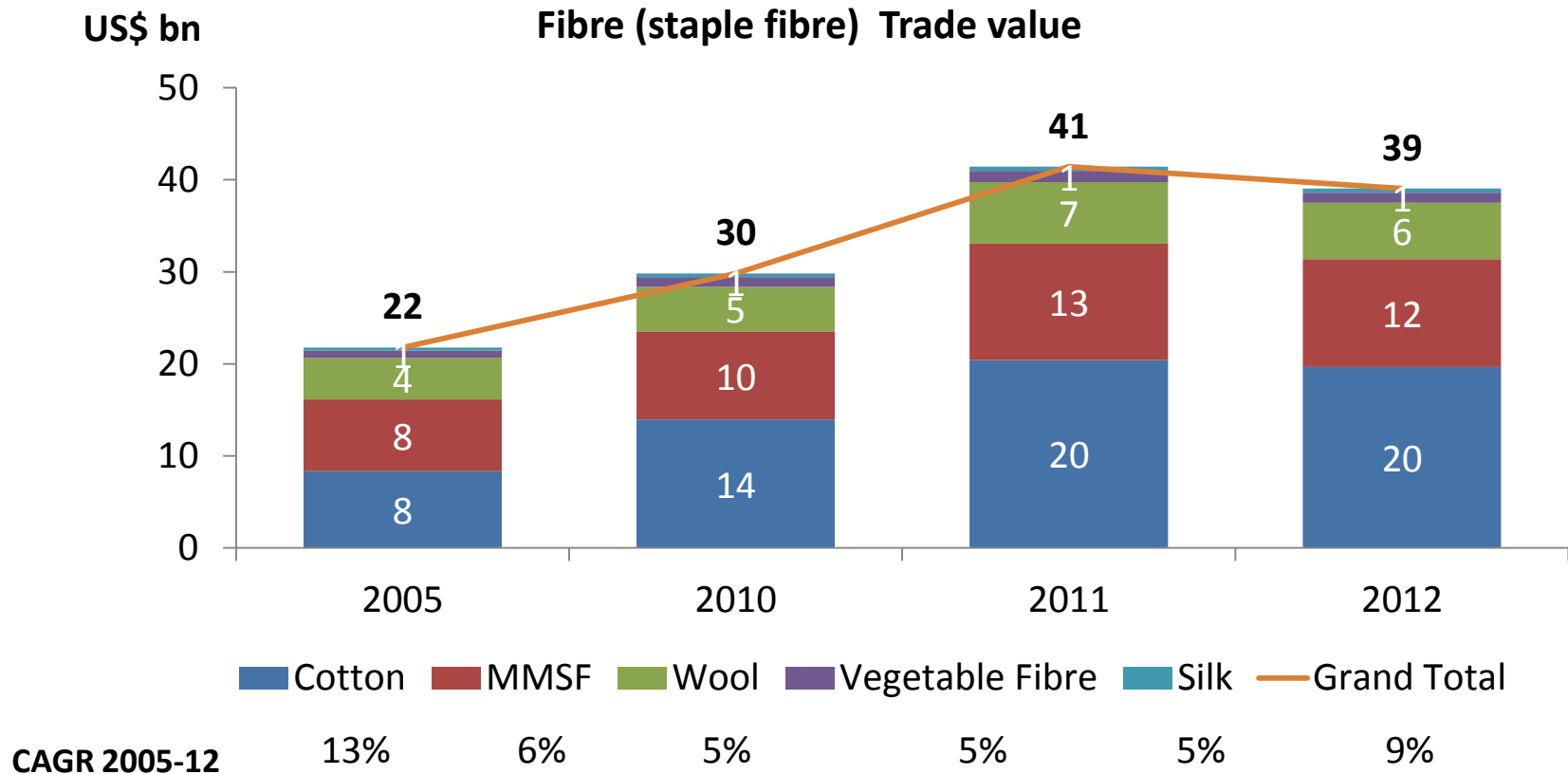
Countries with High Apparel Imports Growth

Countries	2012 Imports (US\$ bn)	CAGR 2005-12
Russian Federation	8.2	43%
Brazil	2.2	44%
Turkey	2.3	23%
Poland	3.6	22%
Chile	2.5	21%
China	4	20%
Rep. of Korea	5.9	16%
Australia	5.6	15%

Source: UN Comtrade

Russia and Brazil also growing as an Import destination for apparel

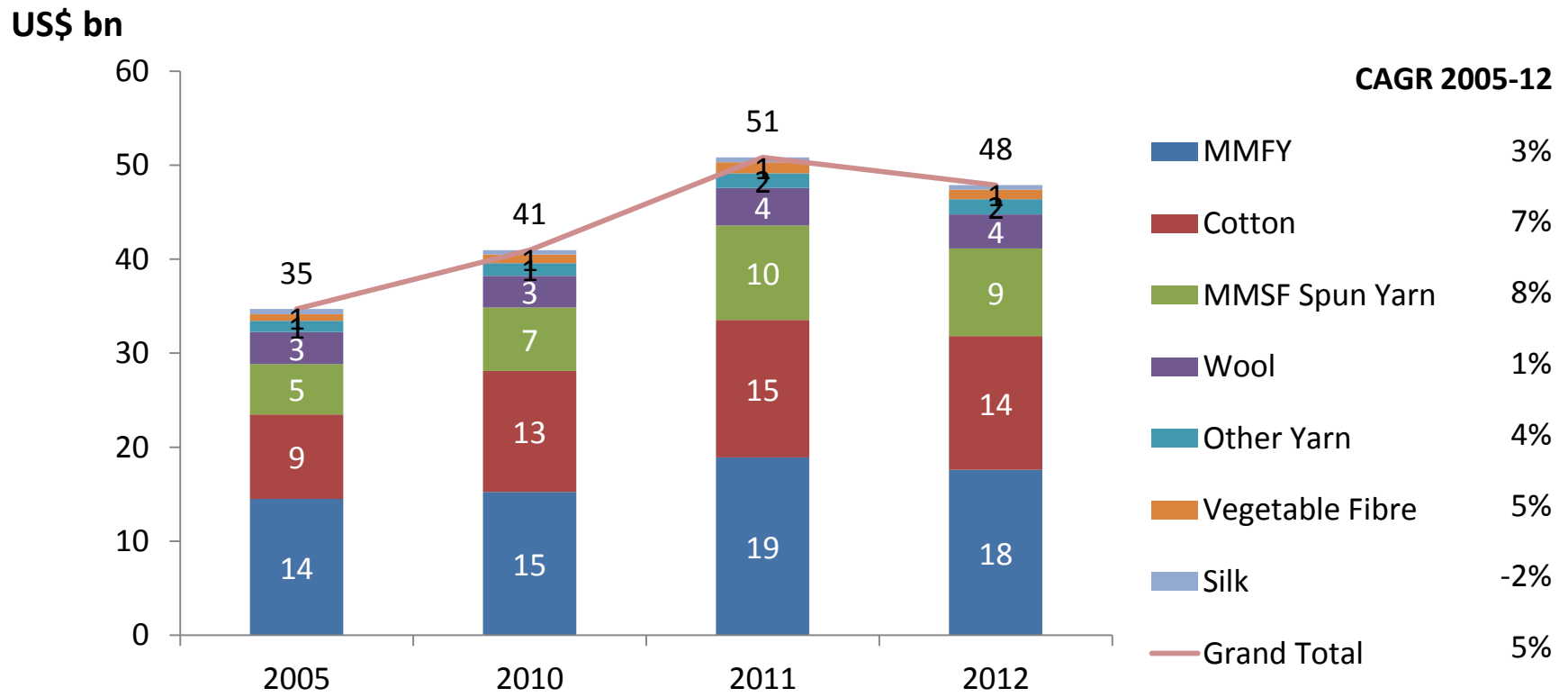
Fibre Trade has Grown Significantly



Fibre trade has grown at 9% CAGR since 2005 and strongly driven by growth in cotton trade largely due to China's cotton policy in recent years

Yarn Trade has also Grown, but at a Slower Pace

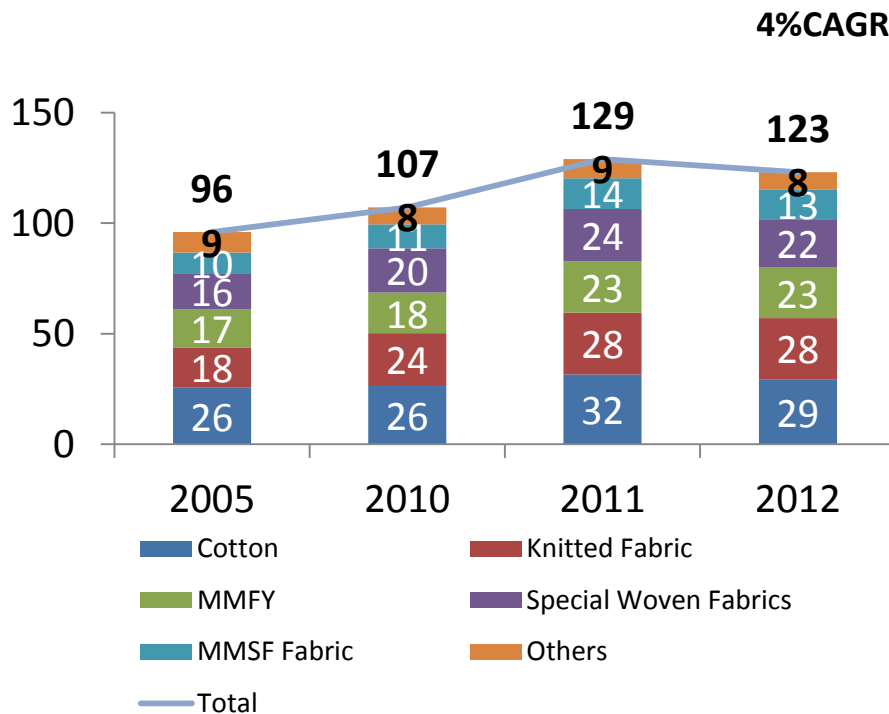
High growth in trade of cotton and manmade spun yarn has driven the overall yarn trade. Overall growth in trade of yarn is less than fibre trade



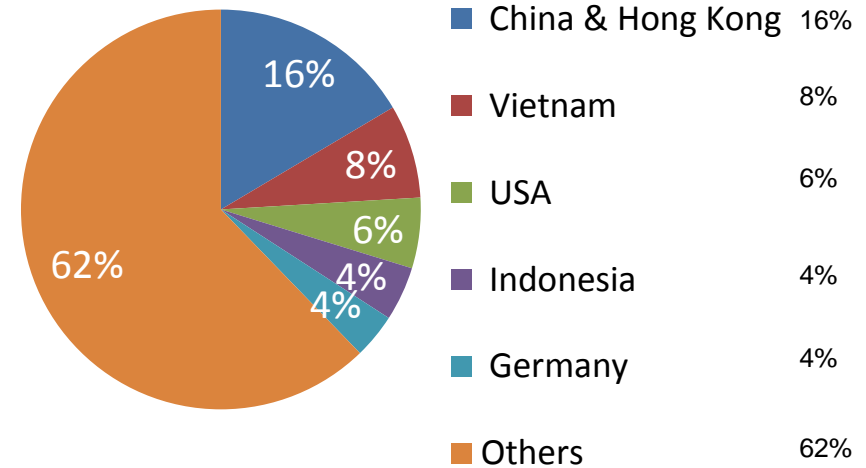
Fabric Trade Growing Slowly Due to Consolidation of Textile Manufacturing Base

Global Fabric Trade by Type

US \$bn



Top Fabric Importers (% share)



Fabric trade has grown at a slower pace primarily due to consolidation of textile manufacturing base within Asia. Despite being a major fabric producer China also imports significant quantity of fabric contributing to the trade

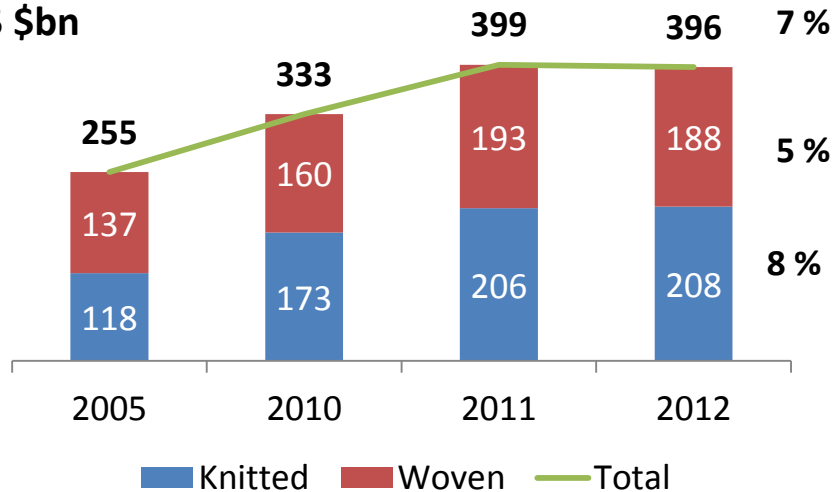
Apparel Trade has Grown Over the Years @ 7% CAGR

Knit apparel trade has grown at a faster rate than woven apparel

Global Apparel Trade Trend (value)

CAGR 2005-12

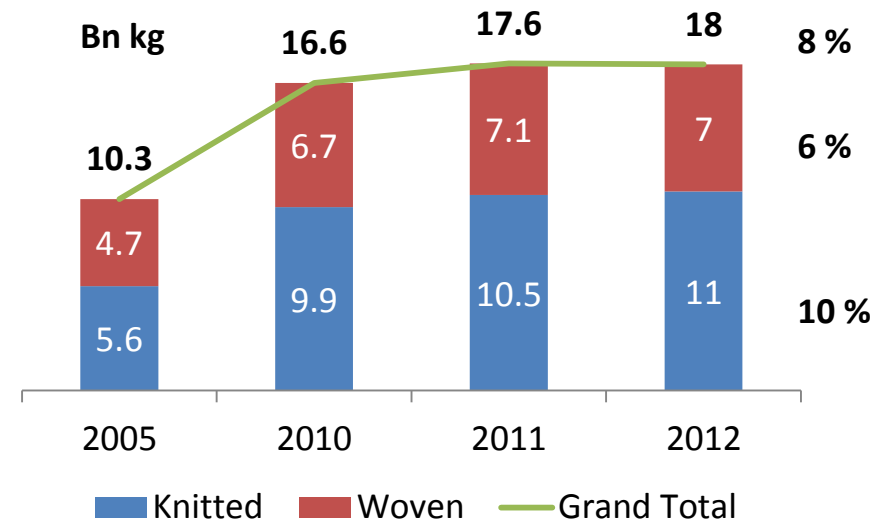
US \$bn



Global Apparel Trade Trend (volume)

CAGR 2005-12

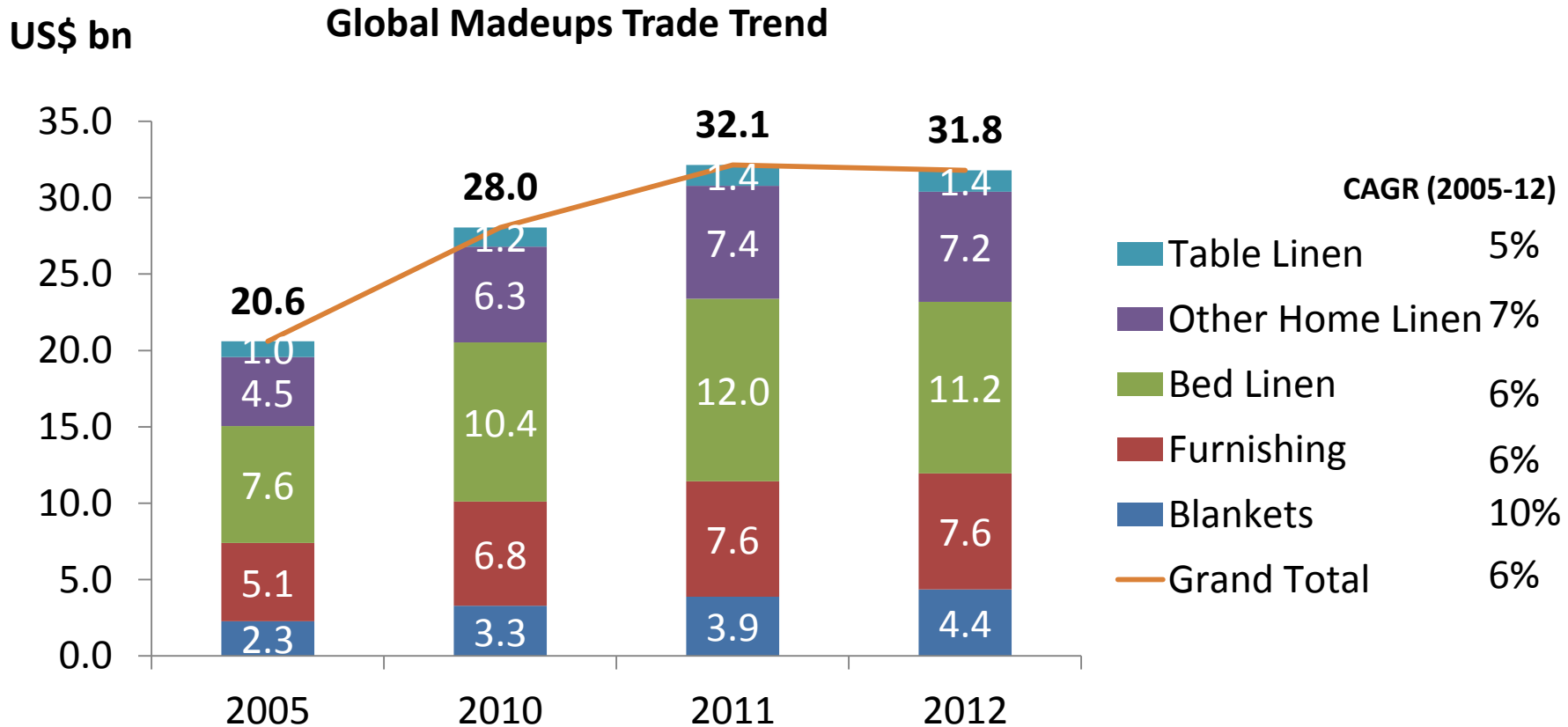
Bn kg



Key reasons for higher growth of knitted apparel trade :

- Increasing fashion / design element in knitted garments for outdoor activities especially for women and kids apparel
- Improving comfort quality of knit garments over the years

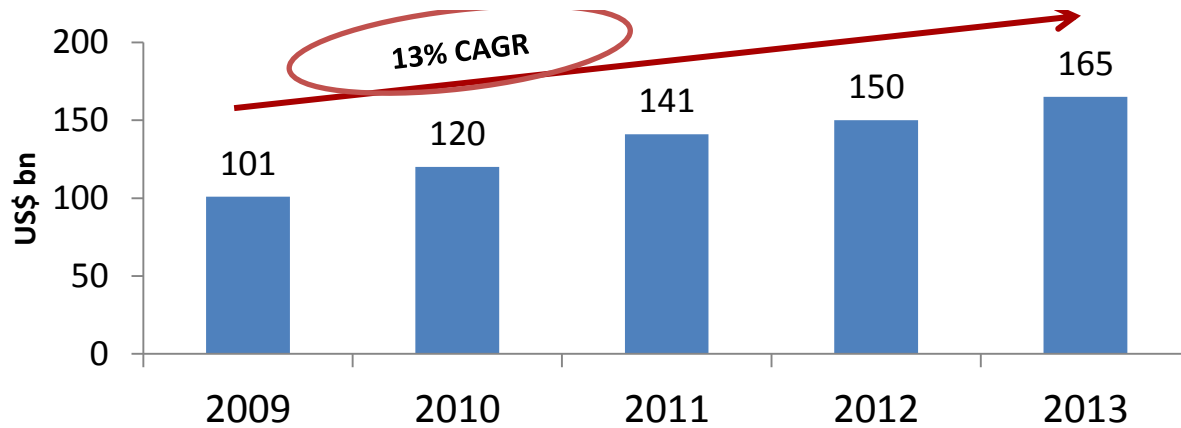
Made-ups has also Seen Steady Growth in Trade



Home textiles / made-ups trade has grown at a steady pace with bed linen having the highest trade share and higher growth in Blankets

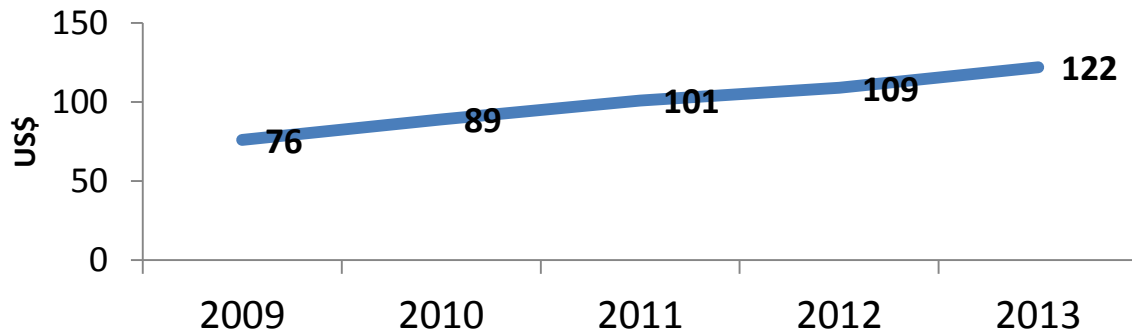
Increased Growth in China's Domestic Demand Likely To Slow Down Export Growth

Growth in Chinese Apparel Market



With the growth in the per capita spend on apparel in the Chinese market by 13% the overall growth in the domestic market for apparel is likely to surpass the growth of apparel exports for China

Change in per capita spend on Apparel by Chinese consumers



Source: CII Report

China's Dominance Set to Come Down in Future Which in Turn Will Benefit Other Major Producers

- Increased focus on catering to the domestic demand leading to stagnation in exports. And rising demands leading to an increase of textile import to 13.5%
- Increased concentration on the heavy engineering industries taking the sheen off the textile sector
- Higher cost increment compared to other nations (on an average annual cost increment basis)
- Appreciation of Chinese Yuan against the Dollar created an adverse effect on the costs for Chinese exports
- Rising labour and wage costs in China

India Holds a Dominant Position in the World of Textiles

India's position in the World Textile Economy

- 2nd largest producer of raw cotton
- 2nd largest producer of cotton yarn
- 2nd largest producer of cellulosic fibre / yarn
- 2nd largest producer of silk
- 4th largest producer of synthetic fibre / yarn.
- Largest producer of jute

Importance of Textile Sector to India

T&A industry accounts for:

- 26% of the manufacturing sector,
- 14% of the total industrial production
- 18% of industrial employment
- Direct employment is 45 million
- 17% of the total export earnings
- 4% to the GDP.

Overall India has Medium Competitiveness in Parameters Related to Factor Cost

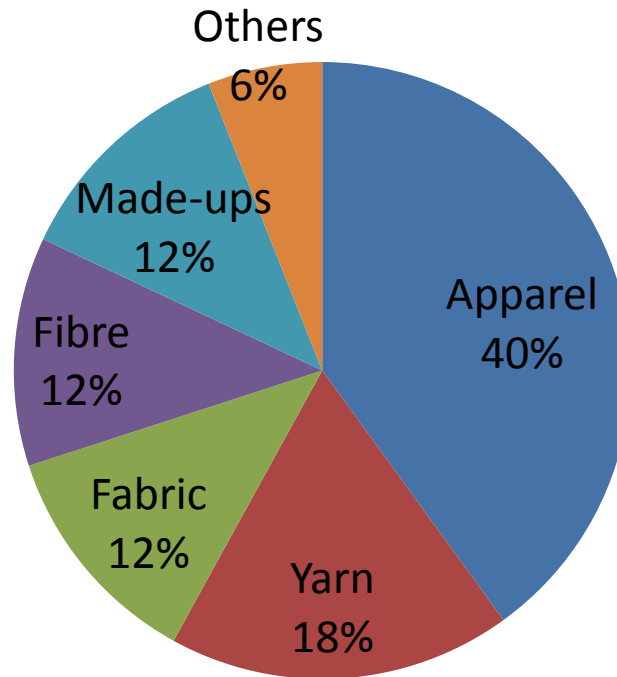
Comparison with Competitors in 2012

Parameters	India	Bangladesh	Indonesia	Egypt	China	Pakistan	Turkey
Labour wages (US\$ / month)	135	87	226	226	328	127	839
Power rate (US cents / Kwh)	11.29	8.13	8.51	3.49	12.29	10.62	10.24
Raw Water Cost (US cents / m3)	39.57	29.26	49.19	10.48	53.26	25.67	30.73
Steam (US cents / kg)	1.44	1.3	1.16	1.75	1.64	1.24	2.1
Capital interest rates %	8	13	9	11.5	5 to 6	7	10

 Most competitive

Apparel and Yarn are the Largest Export Categories

Break-up of India's Textile & Apparel exports 2013-14 (%)



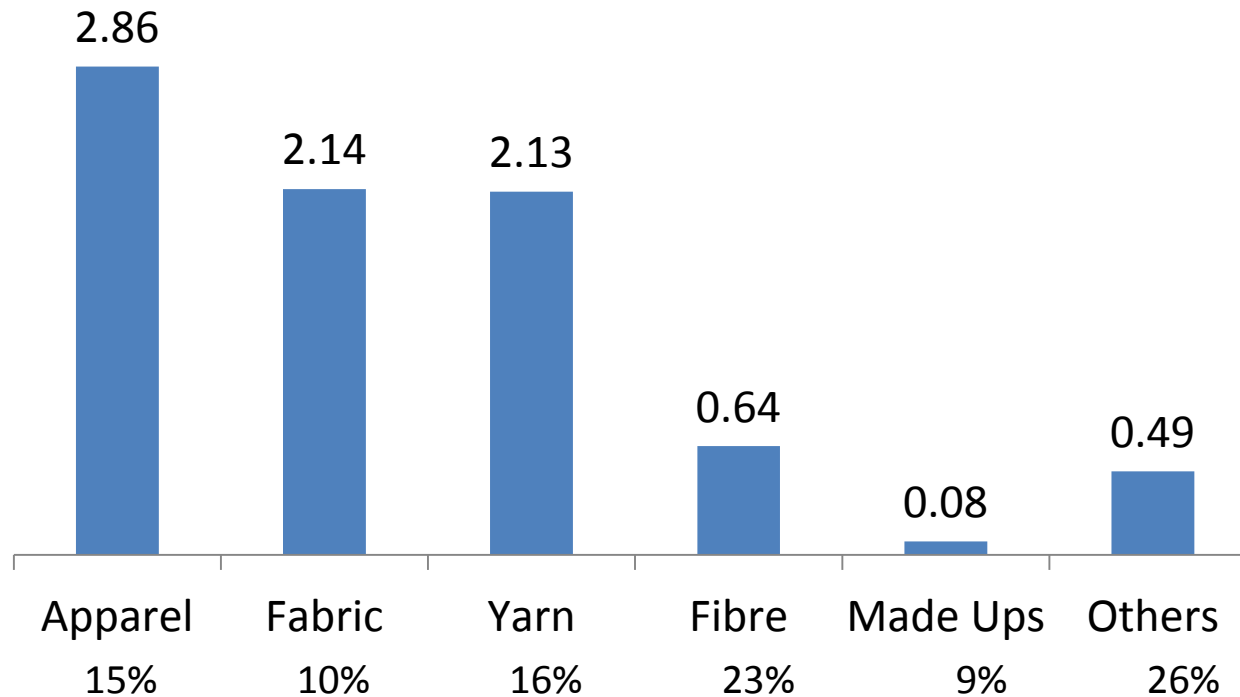
Source: Office of Textile Commissioner

Apparel constitutes about 40% of India's textile exports, followed by yarn at 18%

Apparel Constitutes Majority Portion of Synthetic Textile and Apparel Exports from India

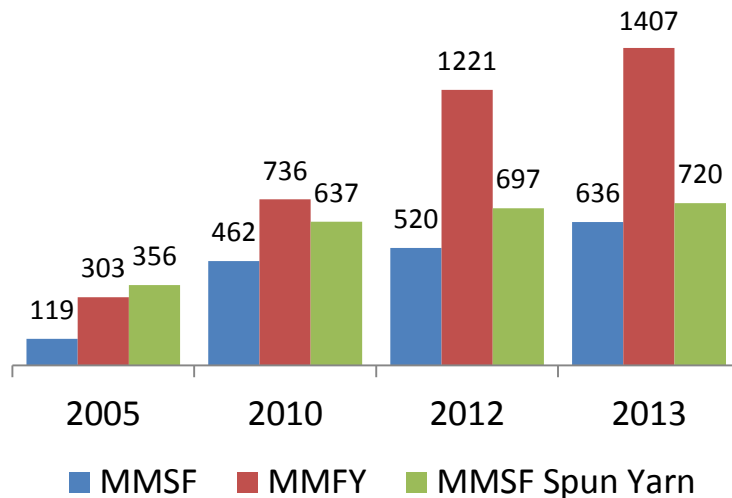
India MMF textiles & apparel exports break up-
2013

US\$ bn



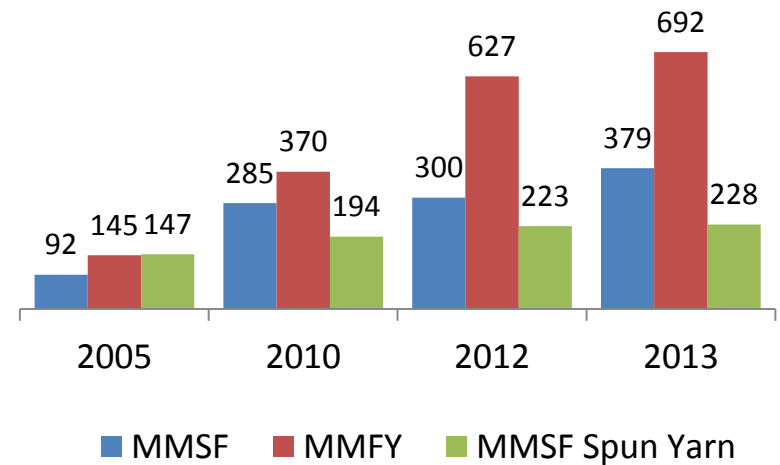
Synthetic Staple Fibre and Filament Yarn Growing Much Faster than Spun Yarn Exports

**India MMF Fibre & Yarn
Export value (US\$ mn)**



CAGR 2005-12 23% 21% 9%

**India MMF Fibre & Yarn
Export volume (mn kg)**

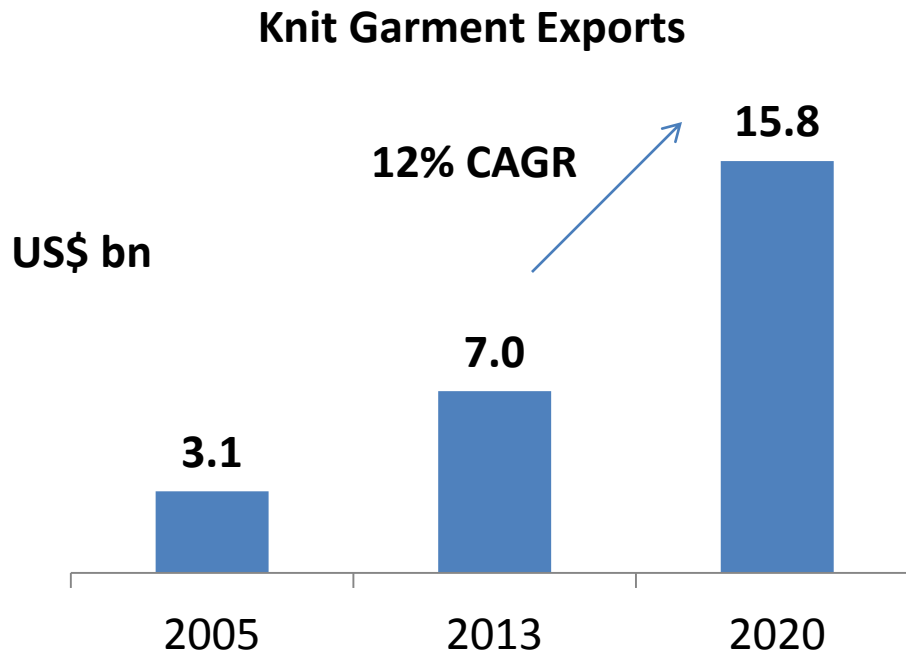


19% 22% 6%

Knit Garment Exports also Growing Faster than Woven Exports

Knit shirts & T-shirts, Dresses, kidswear and innerwear are the key categories driving knitwear export growth

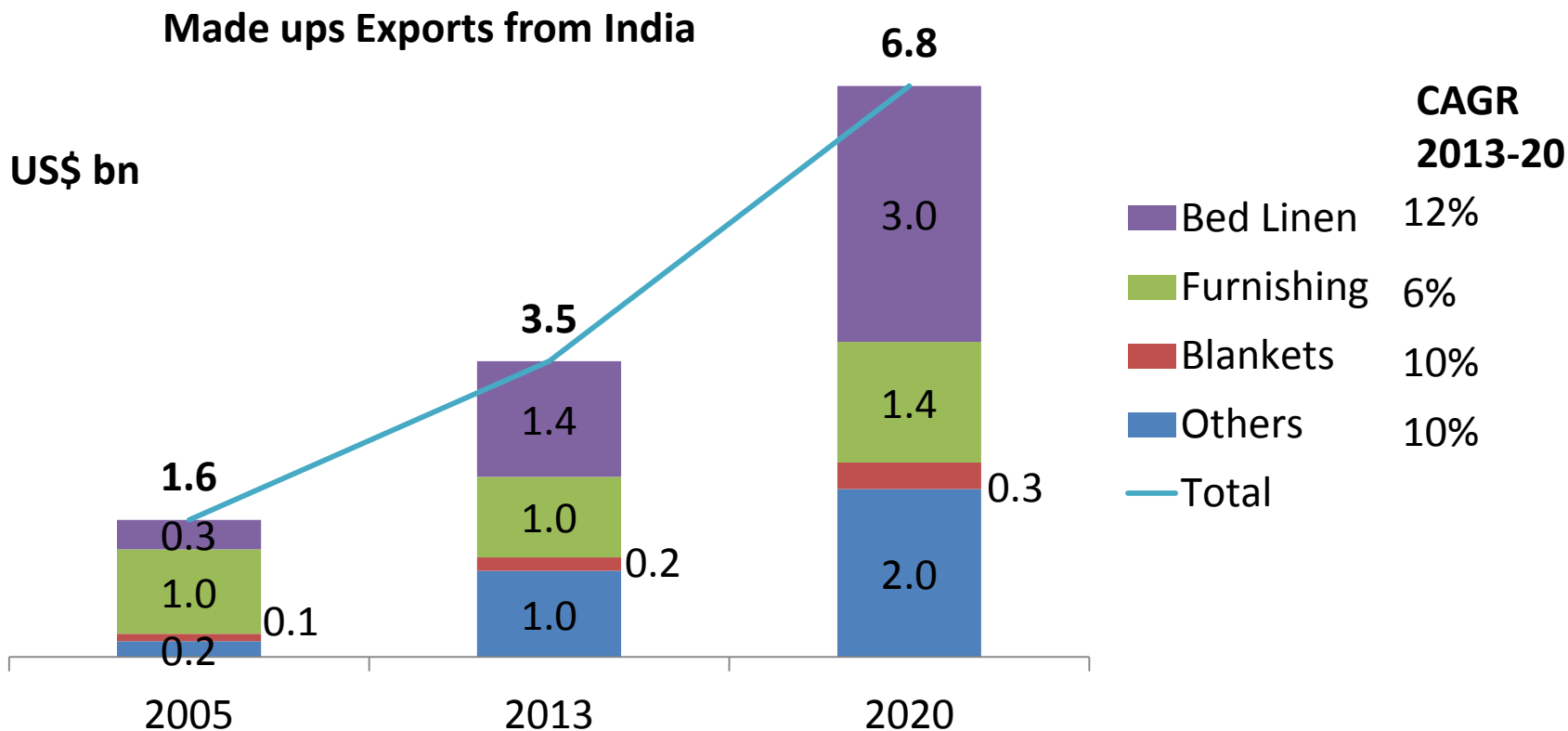
Top knit categories exported



Categories	2013 (US\$ bn)	CAGR – 2013-20
T-Shirts	2.6	14%
Knitted Shirts	0.7	12%
Babies Garments	0.7	16%
Trousers	0.3	10%
Nightdresses & Pyjamas	0.3	7%
Dresses	0.3	16%
Sweaters	0.3	6%
Blouses	0.3	4%
Underpants	0.3	13%
Briefs	0.2	10%
Others	1.2	10%
Total	7.0	12%

Made Ups Exports - Bed Linen is the Largest Category and Expected to Grow Significantly

Bed linen exports growing with increasing quality & design capabilities of Indian manufacturers

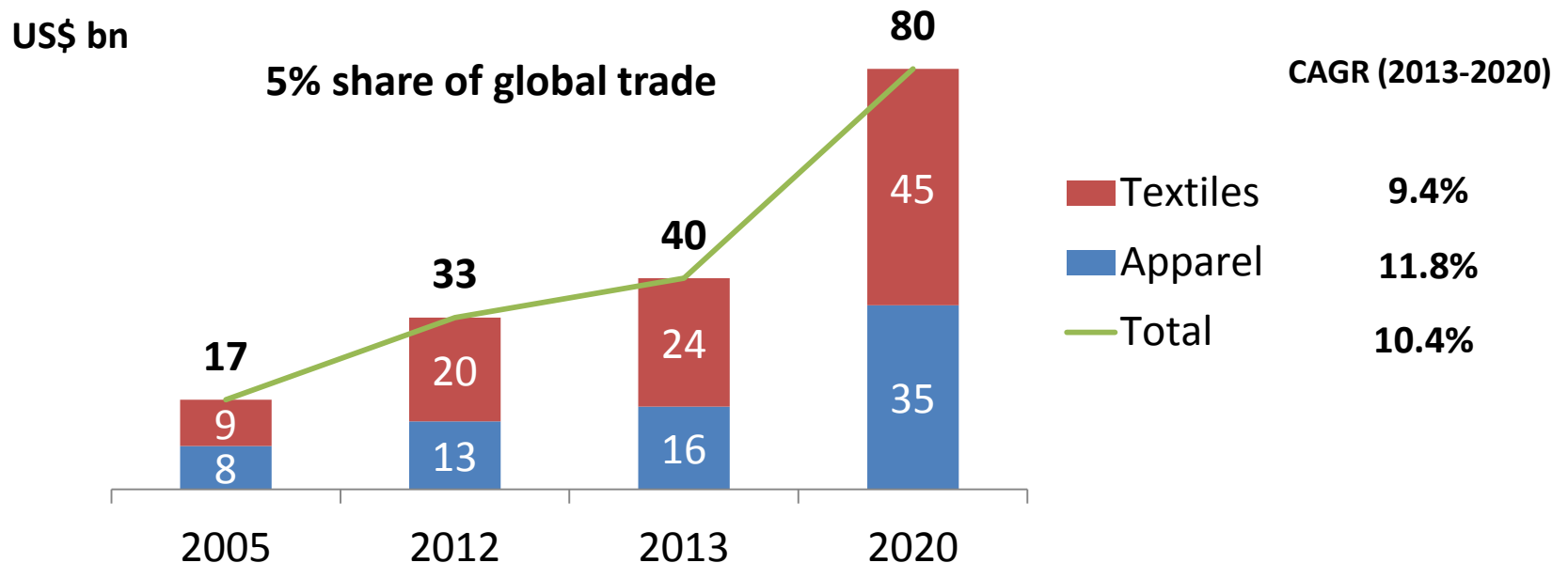


Textile & Apparel Exports will reach USD 80 Bn by 2020

Textile & apparel exports are expected to grow @ 10.4% CAGR and almost double by 2020

India has also emerged as the second largest exporter of textile & apparel in the world in 2013, with 5% share of global textile and apparel trade

Textile and Apparel Exports of India



Summarizing

- Global textile and apparel trade recovered in 2013 and is expected to grow @ 6.6% for next 7 years
- Trade of fibre has been the highest growing category with growth over 9%
- Apparel trade has been growing at 7% and is expected to grow higher @ 10% and 12% in the developing markets of China and India respectively
- Asian countries dominate the apparel and textile exports, China leading with 37% share and India is a distant second with export share of 5%
- However, with the increasing cost pressures and domestic demand in China, its export growth is expected to come down
- This gives countries like India, Vietnam & Cambodia a good market opportunity as buyers look to diversify their sourcing
- Textiles and Apparel Exports from India expected to reach USD 80 Bn by 2020

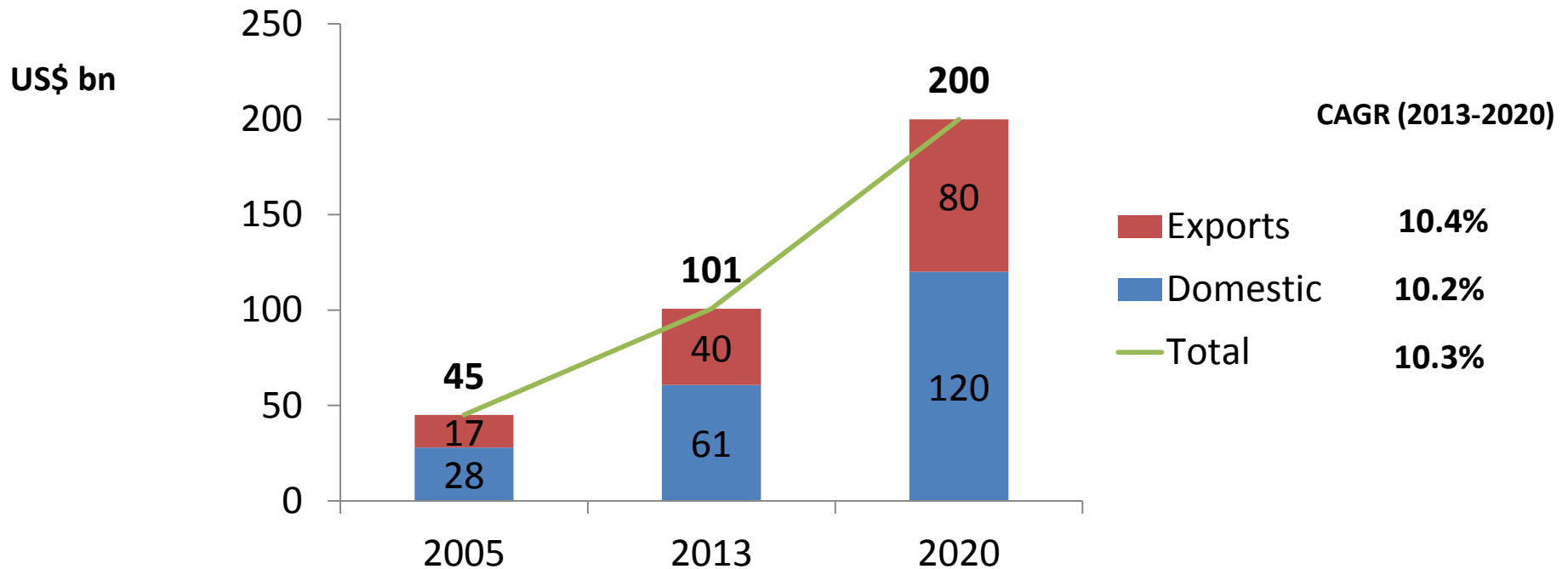
Section 2: Domestic market Growth story

- **Future projections for domestic market**
- **Domestic market growth drivers**

Indian Textile and Apparel Industry is expected to reach USD 200 Bn by 2020

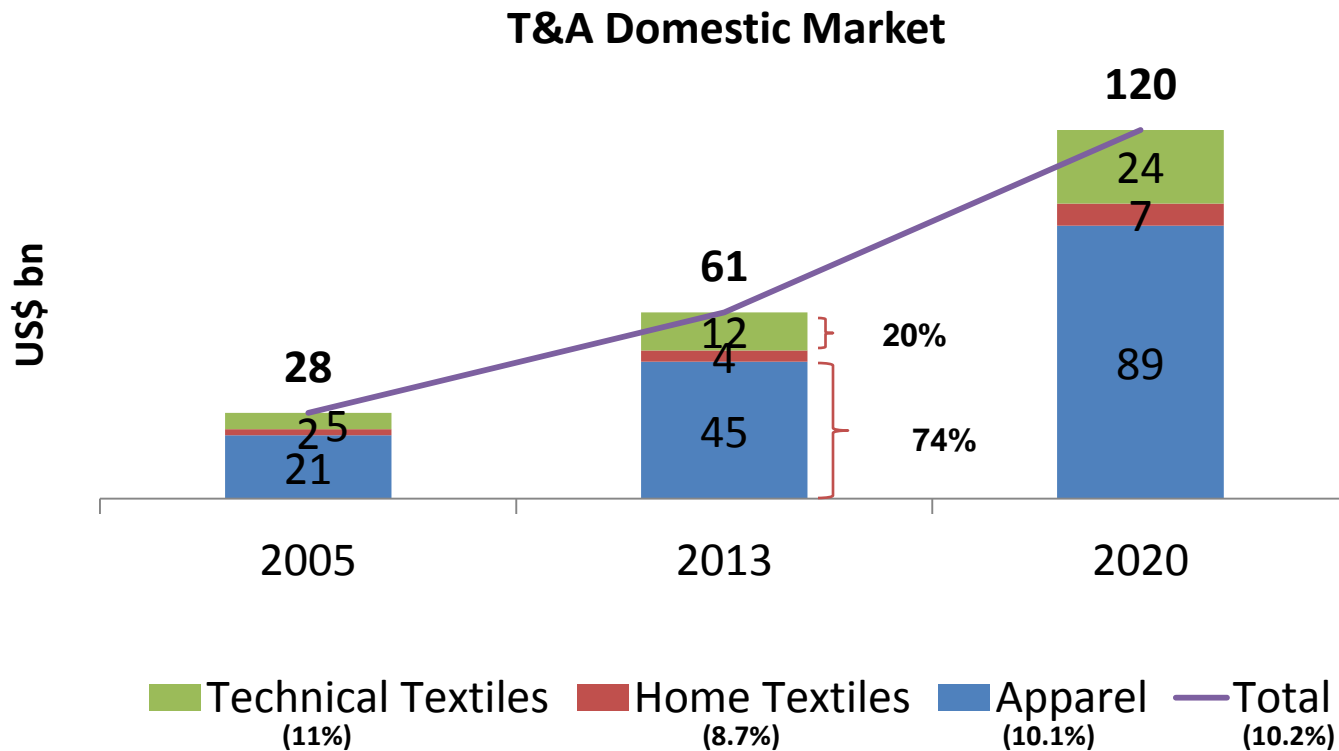
India's total textile and apparel industry size is estimated to be US\$ 101 bn (~Rs 5,88,500 Crore) in 2013 and is expected to grow @ 10.25% CAGR in the next 7 years

Indian Textile and Apparel Industry Size & Projections



Domestic Market expected to reach USD 120 Bn by 2020

The current domestic textile and apparel market is estimated to be US\$61 bn (~Rs 3,54,650 crores). Apparel constitutes majority share of the market

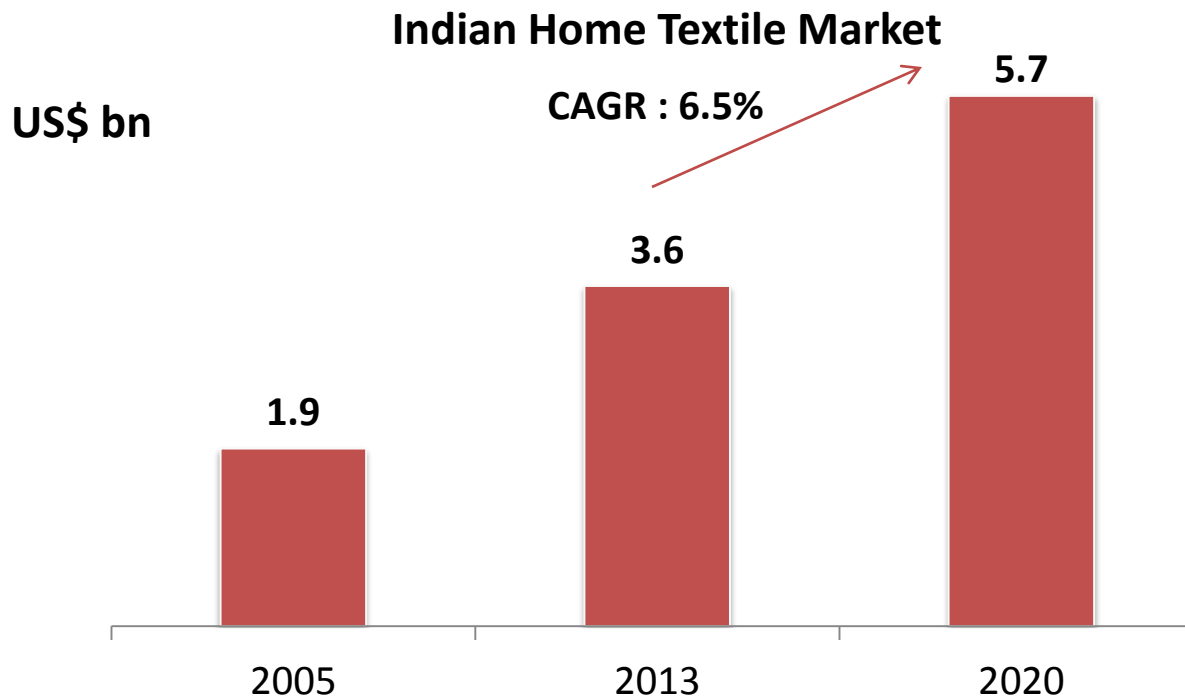


Note: Figures in brackets indicate CAGR from 2013 to 2020

Source : Ministry of Textiles, UN Comtrade & Wisedge Analysis

Domestic Home Textiles Market is Growing

India's home textiles market is estimated to be around US\$3.6 bn (~ Rs 21,300 crores) and growing @ 6.5%. Key drivers of growth are the increased nuclear families, modernization of households, hospitals, offices, hotels, airports etc.



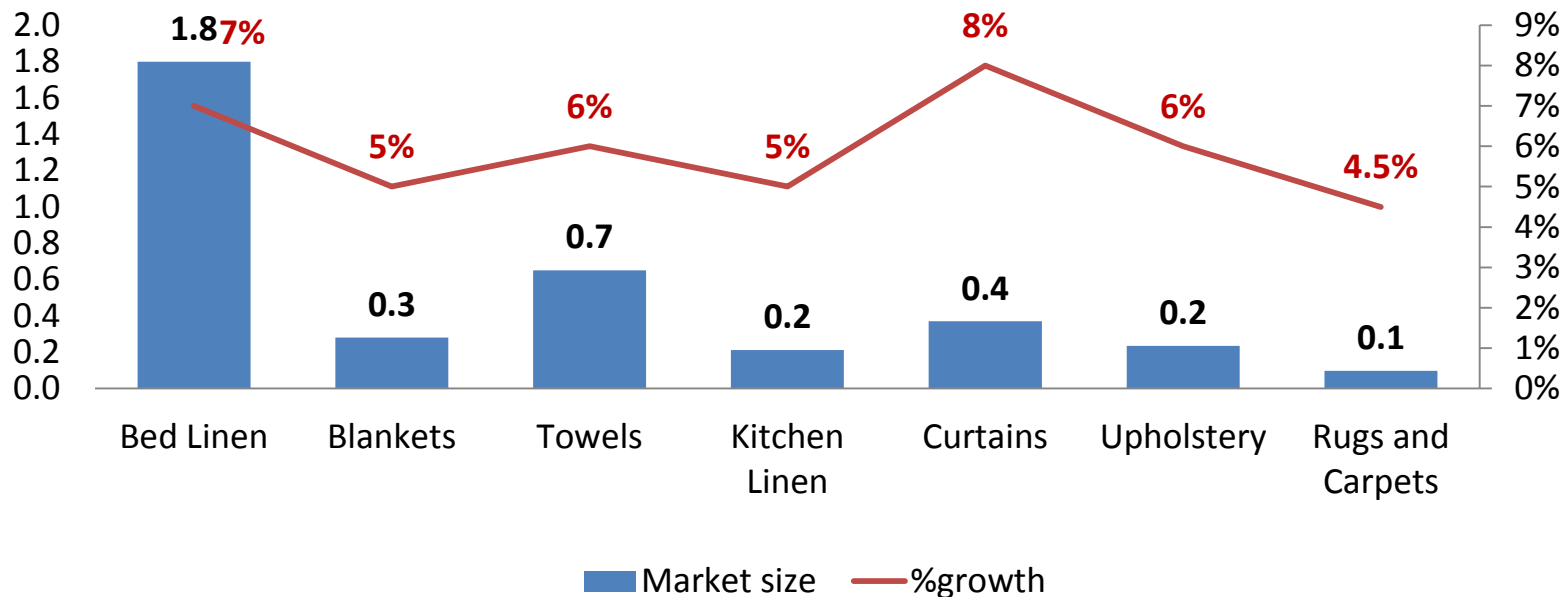
Source : Ministry of textiles, secondary sources & Wisedge Analysis

Bed Linen, Curtains and Towels are the Most Attractive Categories in the Domestic Market

Bed linen & curtains, being the more fashion sensitive categories, are growing faster than others

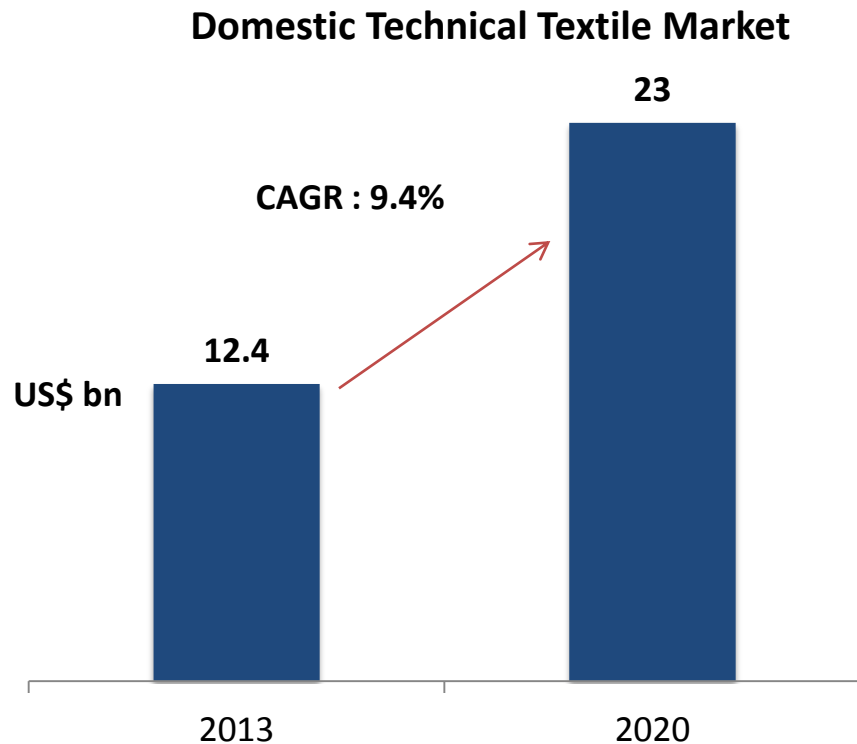
Category wise market size (2013) & growth (CAGR 2013-20)

US\$ bn



Domestic Technical Textiles Market Is Growing Significantly

Packtech, Sportech, Meditech, Oekotech, are the more attractive categories



Source : Ministry of textiles, secondary sources & Wisedge Analysis

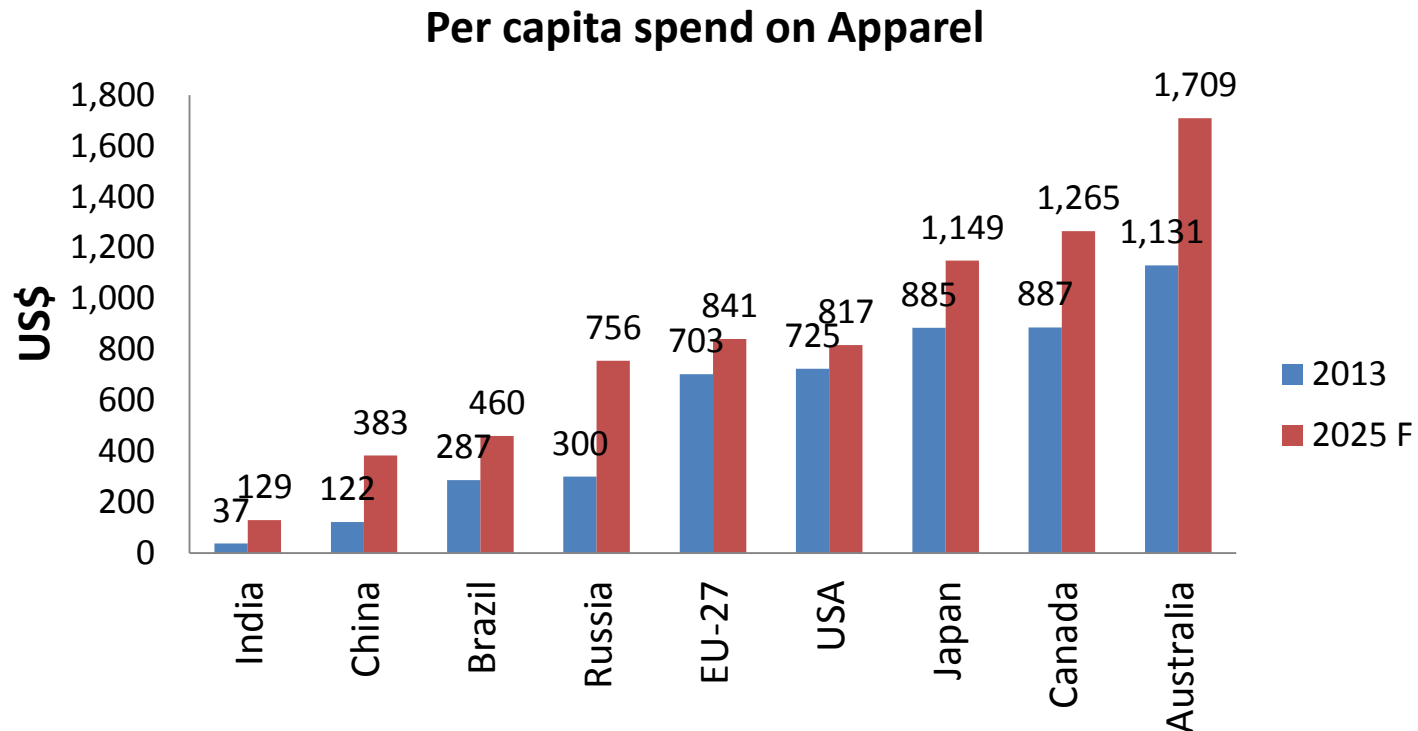
Categories	2013	2020	CAGR 2013-20	US\$ bn
Packtech	4.9	9.5	10.0%	
Clothtech	1.8	2.9	7.0%	
Homotech	1.6	3.1	10.0%	
Mobiltech	1.0	1.8	9.0%	
Sportech	0.8	1.7	11.5%	
Indutech	0.8	1.5	9.0%	
Buildtech	0.5	0.9	8.0%	
Meditech	0.4	0.8	10.0%	
Protech	0.4	0.7	9.0%	
Agrotech	0.1	0.2	7.0%	
Geotech	0.03	0.0	6.0%	
Oekotech	0.03	0.1	13.0%	
Total	12.4	23.2	9.4%	

Key Growth Drivers for Indian Market

Key growth drivers	Woven Shirts	Men's Trouser	Wmen's Trousers /skirts	Wmen's Dresses	Denim	Jackets / overcoats	Sweaters	Suits	Men's innerwear	Lingerie	T-shirts/K nitted Shirts	Ethnic wear
Increasing population	●	●	●	●	●	●	●	●	●	●	●	●
Growing incomes	●	●	●	●	●	●	●	●	●	●	●	●
Increasing urbanization	●	●	●	●	●			●		●	●	
Growing working women	●		●	●				●		●		
Growing fashion consciousness	●		●	●	●	●				●	●	●
Increasing casualization					●	●					●	
Increasing travel					●						●	
Growing sporting / fitness culture										●	●	

Source : Wisedge Analysis

India has the Least Per Capita Spend on Apparel but the Highest Potential to Grow at 11% yoy Till 2025

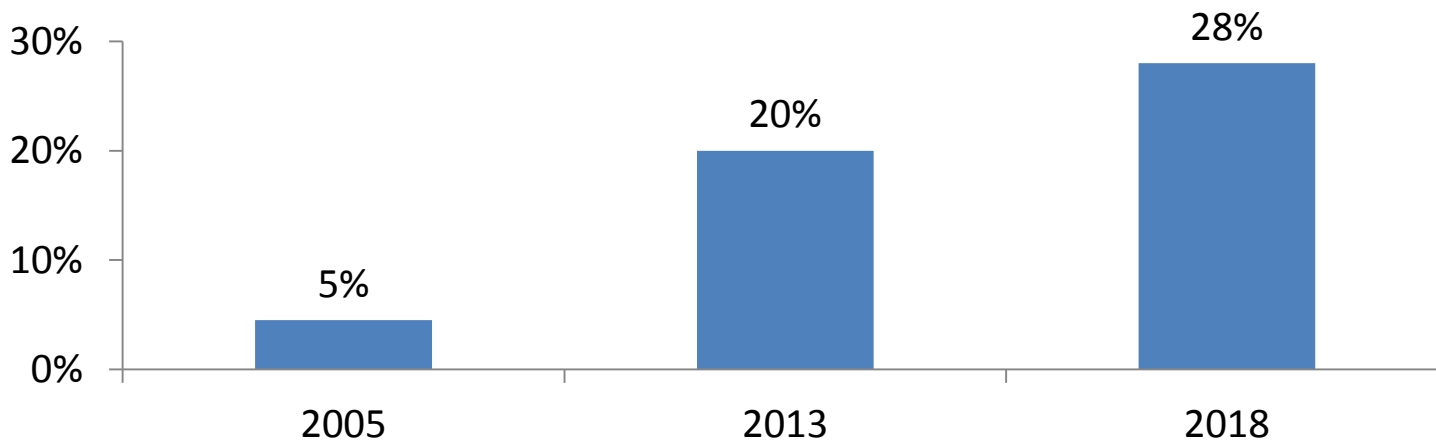


Source: FICCI, Knowledge paper on Driving growth through innovation

Among the above countries the lowest per capita spend on apparel is of India (US\$ 37) which is only 4% of the highest Australia (US\$ 1,131)

Shift from Unorganised to Organised Retail

Share of Organised Retail in Apparel Market in India



Source: Technopak data in Financial Chronicle

- Organised retail of textiles in India is set to double by 2018 growing from \$8 billion in 2013 to \$18 billion in 2018
- The growth of the organised retail has been over 20% y-o-y
- The current share of organised retail in India is very low compared to over 80% in developed regions like US and EU

Section 3: Factors Affecting the Growth of the Industry

- **Investment trends**
- **Government support including “Make in India”**

Overall New Investments Have Increased in the Last Few Years

Spinning, fabric manufacturing and denim have attracted most investments from listed companies in the last few years

Investments by listed companies in the last few years

Segments	No of Companies	2009-10	2010-11	2011-12	CAGR - 2 yr	US\$ mn
Spinning	19	137	228	274	42%	
Apparel Fabric	15	140	310	779	136%	
Home Tex	6	79	172	114	20%	
Composite	2	396	277	280	-16%	
RMG	1	2	4	1	-20%	
Denim	3	3	7	13	122%	
Embroidery	2	1	4	0	-100%	
MMF	1	24	60	0	-100%	
Tech Tex	3	75	33	34	-33%	
Weaving	1	1	1	1	28%	
Total	53	857	1,095	1,496	32%	

Potential Investments Required by 2020

Additional investments worth US\$ 63 bn would be required in the Indian textile value chain to fulfil the market demand by 2020

Category	Additional Production Required by 2020	Additional Investment required by 2020	
		Rs Crore	US\$ bn
Yarn manufacturing (spun + filament)	11900 mn kg	91000	16
Fabric manufacturing + processing	22500 mn sq mtr	180000	31
Garmenting +made ups	9300 mn pcs	53000	9
Technical textiles	-	40000	7
Total		364000	63

*Estimations based on market projections

Government has Provided Good Policy Support to the Textile Industry

- **Technology Upgradation Fund Scheme (TUFS)**
 - Government gives interest and capital subsidy for new investments across the textile value chain
 - Total investments around Rs 2,40,000 Cr have been attracted through the TUFS
- **Scheme for Integrated Textiles Parks (SITP)**
 - Government's Scheme for Integrated Textile Park has attracted investments worth Rs 18,425 Cr across 40 textile parks sanctioned
- **Other schemes**
 - Cluster development
 - Skill development
 - 100% FDI through automatic route
 - Power loom schemes etc.

Government Impetus Towards the Sector

Make In India Campaign

- 'Make in India' campaign was launched in Sep, 2014 by the Honorable Prime Minister 'Shri. Narendra Modi'
- Textile amongst the 25 thrust sectors that have been identified under this campaign
- Low overheads compared to other industries, lean manufacturing practices, and the sector having the youngest machinery will work in favour of the sector
- Significant step to displace imports with exports. Exports have already thrived. India can look at exploiting this advantage further.

Challenges faced by the Indian textile sector

- Technological backwardness especially in weaving, processing and garmenting segments
- Lower productivity and cost competitiveness
- Low share in global exports despite being the largest producer
- India has scale disadvantages vis-a-vis competing countries
- Slow pace of development of infrastructure, availability of power etc.
- High interest cost and low availability of finance to SME sector
- Rigid and archaic labour laws
- High cost of meeting strict environmental standards
- Unfavourable exchange rate situation
- Preferential tariff regimes for close competitors in certain major markets

Summarizing

- India's total textile and apparel industry size is estimated to be US\$ 101 bn in 2013 and is expected to grow @ 8.7% CAGR in the next 7 years
- Textile & apparel exports are expected to grow @ 9.3% CAGR and almost double by 2020 to reach USD 80 bn.
- India is the second largest exporter of textile & apparel in the world in 2013, with 5% share of global trade
- Indian domestic apparel market is expected to grow at a CAGR of 10% in the next 7 years.
- Additional investments worth US\$ 63 bn would be required in the Indian textile value chain to fulfil the market demand by 2020
- Government has also provided good policy support to the textile industry through successful schemes like TUFS, SITP etc.
- There are still various challenges that the Indian textile industry needs to overcome quickly in order to seize the opportunities in the international market

Section 4: Performance of Leading Indian Textile Companies

Performance of Leading Textile Companies in India

Company Name	Segment	Turnover 2010 (US\$ million)	Turnover 2014 (US\$ million)	CAGR
Alok Industries	Home textiles, woven and knitted apparel fabric, garments and polyester yarn	719	2,506	36.7%
Aditya Birla Nuvo	Apparel retail	805	1,325	13.3%
Vardhman Group	Yarn, fabric, sewing threads, acrylic fiber	461	862	16.9%
Arvind	Spinning, weaving, processing and garment production (denims, shirting, khakis and knitwear)	386	806	20.2%
JBF	Polyester chips, polyester yarn	449	797	15.4%
Trident	Yarn, Terry towels	301	645	21.0%
Welspun India	Home textiles, bathrobes, terry towels	311	549	15.3%
SEL	Yarns, terry towels, garments, knitted fabric	157	493	33.1%
Bombay Rayon	Fabrics of Cotton, Polyester, Tencel, Modal, Lycra, Wool and various blends	269	485	15.8%
Bombay Dyeing	Bed linen, towels, furnishings, fabric for suits, shirts, dresses and saris in cotton and polyester blends	279	435	11.7%
Raymond Ltd.	Worsted suiting, tailored clothing, denim, shirting, woollen outerwear	226	364	12.7%
Nahar Ent	Woollen products, Cotton/ Blended Knitted apparel, all yarns, woven fabric for shirts, trousers, denims	170	304	15.8%

Performance of Leading Chinese Textile Companies

Company Name	Revenue 2013 Mn Yuan (US\$ mn)
Jiangsu Hengli Group	135 billion yuan (\$22.05 billion)
Shangtex Holding Co Ltd	43.5 billion yuan (\$7.113 billion)
Lu Thai Textile Co Ltd	6.47 billion yuan (\$1.058 billion)
Huafu Top Dyed Melange Yarn Co Ltd	6.24 billion yuan (\$1.02 billion)
Weiqiao Textile Co Ltd	5.97 billion yuan (\$976 million)
Shijiazhuang Changshan Textile Co Ltd	5.85 billion yuan (\$956 million)
Jiangsu Sunshine Co Ltd	2.34 billion yuan (\$382.7 million)
Huafang Textile Co Ltd	1.34 billion yuan (\$219.1 million)
Shandong Demian Incorporated Company	870 million yuan (\$142.3 million)
Shandong Jining Ruyi Woolen Textile Co Ltd	588 million yuan (\$96 million)

Revenue of the top Textile company in China is ten times that of a leading company in India. Hence, Indian players can still grow to a larger scale

Conclusion: This will be India's Decade in Textile and Apparel

India will become bigger destination for sourcing of Textile, Apparel, Home products

- Global textile trade will keep growing @ 6.6% to reach USD 1180 bn in 2020
- China's share in global trade will keep reducing due to focus on their domestic market, focus on other manufacturing industries in China and rising costs
- India's share in global exports is expected to increase from 5% currently to 8% in 2020
- India is expected to export USD 80 bn in 2020 as compared to USD 41 bn in 2013.

Domestic market will grow @ 10% CAGR to reach USD 120 bn in 2020

- Growing population, increase in per capita consumption due to growing Indian economy will drive the growth of Indian domestic market for apparel, home textiles.
- Further support from government is expected to fuel this growth with campaigns like "Make in India".
- Indian textile and Apparel companies have been growing @ 10% or more and will grow at even faster rate in next 7 years with the overall increase in demand

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Abbreviations

- CAGR : Compound Annual Growth Rate
- CAFTA-DR: Central American Free Trade Agreement – Dominican Republic
- FTA : Free Trade Agreement
- MMF: Man Made Fibre
- MMFY: Man Made Filament Yarn
- MMSF: Man Made Staple Fibre
- NAFTA: North American Free Trade Agreement
- US: United States
- UK: United Kingdom
- UN: United Nations
- TUFS: Technology Upgradation Fund Scheme
- SITP: Scheme for Integrated Textiles Parks