TEXTILES AND APPAREL
December 2008
The Indian Textile Industry

Covers a Gamut of activities

• From production of raw materials like cotton, jute, silk and wool to providing high value-added products such as fabrics and garments

Wide range of raw fibres

• Natural fibres like cotton, jute, silk and wool to man made fibres like polyester, viscose, acrylic and multiple blends of such fibres

Plays a key role in the economy

• Provides direct employment to an estimated 38 million people and contributes five per cent to GDP
The Indian Textile Industry

Significant contributor to trade

• Accounts for eight per cent of global trade in textiles

Poised for growth

• Exports growing at 11.8 per cent estimated to grow at 15 to 18 per cent
The industry is dominated by small scale players across the value chain

- Abundant availability of raw materials – largest cotton acreage
- One of the largest polyester yarn producers

- Highly fragmented, small-scale and labour-intensive
- Highest loomage in the world and contributes about 61 per cent to the world
- Dominated by small scale fabricators
- Most units fare reasonably well on the technology count

Raw materials ➔ Spinning ➔ Weaving/ Knitting ➔ Processing ➔ Garment Manufacture

- Accounts for about 22 per cent of the world’s spindle capacity
- Second highest spindlage

- Largely decentralised and marked by hand and independent processing units

Presence of capabilities across the entire value chain within the country reduces lead time for production and cuts down the intermediate shipping time
The industry has seen steady growth across segments over the past decade, helped by a few key advantages

India’s advantages

• Ample availability of a variety of raw materials at low costs
• Availability of skilled labour and low labour costs
• Growing demand in domestic market
• Government support

![5 year CAGR in production chart](Source: www.texmin.nic.in (2006-07))
Favourable factor conditions present a key competitive advantage for India

Abundant & Low cost availability of raw materials

- India has availability of a variety of raw materials – cotton, silk, jute and wool
- In terms of cost, India has an advantage over comparative countries
- This inherent strength in availability of raw materials prevents any supply-side shocks
Favourable factor conditions present a key competitive advantage for India
Favourable factor conditions present a key competitive advantage for India

Labour advantage

- India has abundant availability of manpower with skillsets across all activities of the textiles value chain
- India’s cost advantage over comparative countries has been well established and is applicable for this sector as well

Labour cost per hour (US$)

<table>
<thead>
<tr>
<th>Country</th>
<th>Labour Cost per Hour (US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>15.13</td>
</tr>
<tr>
<td>Hongkong</td>
<td>6.15</td>
</tr>
<tr>
<td>South Korea</td>
<td>5.73</td>
</tr>
<tr>
<td>Coastal China</td>
<td>0.69</td>
</tr>
<tr>
<td>India</td>
<td>0.57</td>
</tr>
<tr>
<td>Pakistan</td>
<td>0.34</td>
</tr>
</tbody>
</table>

Textile India: Set to spin better. Angel broking industry reports. May 2005
Consumer demographics and supportive initiatives from the Government have been other factors propelling growth

**Growing domestic demand**

- Disposable income of consumers has been rising steadily in India
- The consuming class is expected to constitute 80 per cent of the population by 2010
- Change in consumer mind set has led to an increasing expenditure on consumption, including textiles
Consumer demographics and supportive initiatives from the Government have been other factors propelling growth

**Government Support**

- Encouraging institutes such as NIFT (National Institute of Fashion Technology) and ATDC (Apparel Training and Design Centre’s) and also engineering colleges to offer courses in textile engineering
- TUFS (Technology Upgradation Fund Scheme) for textile sector has been extended till 2011-12
- Revival of sick mills by National Textile Corporation
- Encouraging public-private partnerships in textiles
The sector is competitive and likely to see increased investment from global players

**Threat of New Entrants**
- Fragmented industry
- Supportive policies
- Growing domestic and exports opportunities

**Supplier Power**
- Abundant supply of raw materials
- Well established supplier base

Source: KPMG Analysis
The sector is competitive and likely to see increased investment from global players

**Competitive Rivalry**
- Dominated by unorganised sector
- Highly fragmented
- Entry of MNC players

**Customer Power**
- Growing domestic and exports demand
- Wide range and variety of products

**Threat of Substitutes**
- No significant threat

*Source: KPMG Analysis*
Almost all segments present opportunities for growth

- Based on a combined assessment of the growth opportunity and supporting policy,
- Raw material sourcing, weaving and processing appear attractive segments for investment
MNCs in India have adopted different business models

1. Producer model
   • The MNC invests in processing and weaving segments of the value chain

Example of this model: Zeiglertex-Cheslind Textile Ltd, an Indian JV between Zeiglertex of Switzerland and Cheslind Textiles of India

Source: KPMG Analysis
MNCs in India have adopted different business models

2. Garment manufacturing model
   • The MNC invests in designing and manufacturing of garments

Example of this model: DCM Benetton India Ltd

Source: KPMG Analysis
State-wise attractiveness for investing in textile sector

- Some of the states that appear attractive from the availability of factor conditions, as well as various fiscal as well as non-fiscal initiatives include

<table>
<thead>
<tr>
<th>Attractiveness of the state on the key parameters</th>
<th>Andhra Pradesh</th>
<th>Gujarat</th>
<th>Tamil Nadu</th>
<th>Kerala</th>
<th>Haryana</th>
<th>Karnataka</th>
<th>Himachal Pradesh</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor Conditions</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Moderate</td>
<td>High</td>
<td>Moderate</td>
<td>Moderate</td>
</tr>
<tr>
<td>Government Incentives-Fiscal</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Mode-</td>
<td>High</td>
<td>Mode-</td>
</tr>
<tr>
<td>Government Incentives - Non Fiscal</td>
<td>High</td>
<td>High</td>
<td>Mode-</td>
<td>High</td>
<td>High</td>
<td>High</td>
<td>Mode-</td>
</tr>
<tr>
<td>Overall attractiveness</td>
<td>Very high</td>
<td>Very</td>
<td>Very high</td>
<td>High</td>
<td>High</td>
<td>Mode-</td>
<td>Mode-</td>
</tr>
</tbody>
</table>

Source: KPMG Analysis
Critical Success Factors for the Textile and Apparel industry

Based on trends impacting the industry and experiences of industry players, the following key success factors emerge:

• Scale of operations
• Integrated, lean supply chain
• Collaboration with local players
• Brand strength and reach (For Apparels)
Profile of Players

Arvind Mills Ltd

- World’s largest exporter of Denim and Asia’s largest Denim Producer
- Ranks amongst the top denim manufacturers of the world
- Also in the garment and men’s shirt business under names such as ‘Newport’
- ‘Flying Machine’, ‘Lee’ and ‘Arrow’ besides textiles, the company also has an EPBAX unit
Profile of Players

Raymond Ltd.

• Businesses in Textiles, Readymade Garments, Engineering Files and Tools, Prophylactics and Toiletries.

• Leader in textiles and apparel in India and enjoys a prominent position internationally

• Produces pure wool, wool blended and polyester viscose fabrics, blankets and furnishing fabrics
Profile of Players

Alok Industries

• Began as fabric traders and suppliers to the garment industry
• Expanded into weaving, knitting, processing, home textiles and readymade garments
• Diversified manufacturer of world-class apparel fabrics selling directly to garment manufacturers and exporters
Profile of Players

Vardhman Spinning & General Mills Ltd.

- One of the largest textile business houses in India
- Vardhman Threads is the second largest producer of sewing thread in India
- Quality producer of Grey poplin/sheeting/shirting in the domestic as well as foreign market
Profile of Players

Indian Rayon (IRIL)

• Aditya Birla Group’s most diversified conglomerate
• Second largest producer of viscose filament yarn and the largest branded apparel in India
• Focus areas are viscose filament yarn, carbon black, branded apparels, textiles and insulators
Profile of Players

**Century Textiles & Industries**

- Has Asia’s largest composite 100 per cent cotton textile mill
- The trendsetter in cotton textiles, with a presence in yarn, denim, viscose filament, rayon yarn, tyrecords, caustic soda, sulfuric acid, salt, cement and pulp & paper.
Profile of Players

Welspun India

• Has interests in terry towels, LSAW pipes, pipe coating, cotton yarns, PFY, bathrobes and buttons

• Has ties with 12 out of top 20 retailers in the world namely Wal-mart, K-mart, JC Penny and Target

• Majority of earnings from exports
Profile of Players

Himatsingka Seide Ltd

• Manufactures natural silk fabrics under a 100 per cent export oriented unit scheme

• Produces a wide range of regular and fancy 100 per cent silk and silk blended yarns

• Its weaving division offers yarn dyed decorative, bridal and fashion fabrics

• The entire operation of winding, doubling, twisting, dyeing, weaving and finishing is integrated under one roof
Profile of Players

Bombay Dyeing

- One of India’s largest producers of textiles
- Manufactures cotton and blended textiles
- Product mix comprises suitings, shirtings, sarees, towels and bed linen
- Manufactures ‘Vivaldi’ brand of mens clothing. It is also a manufacturer of DMT
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