



# TEXTILES AND APPARELS

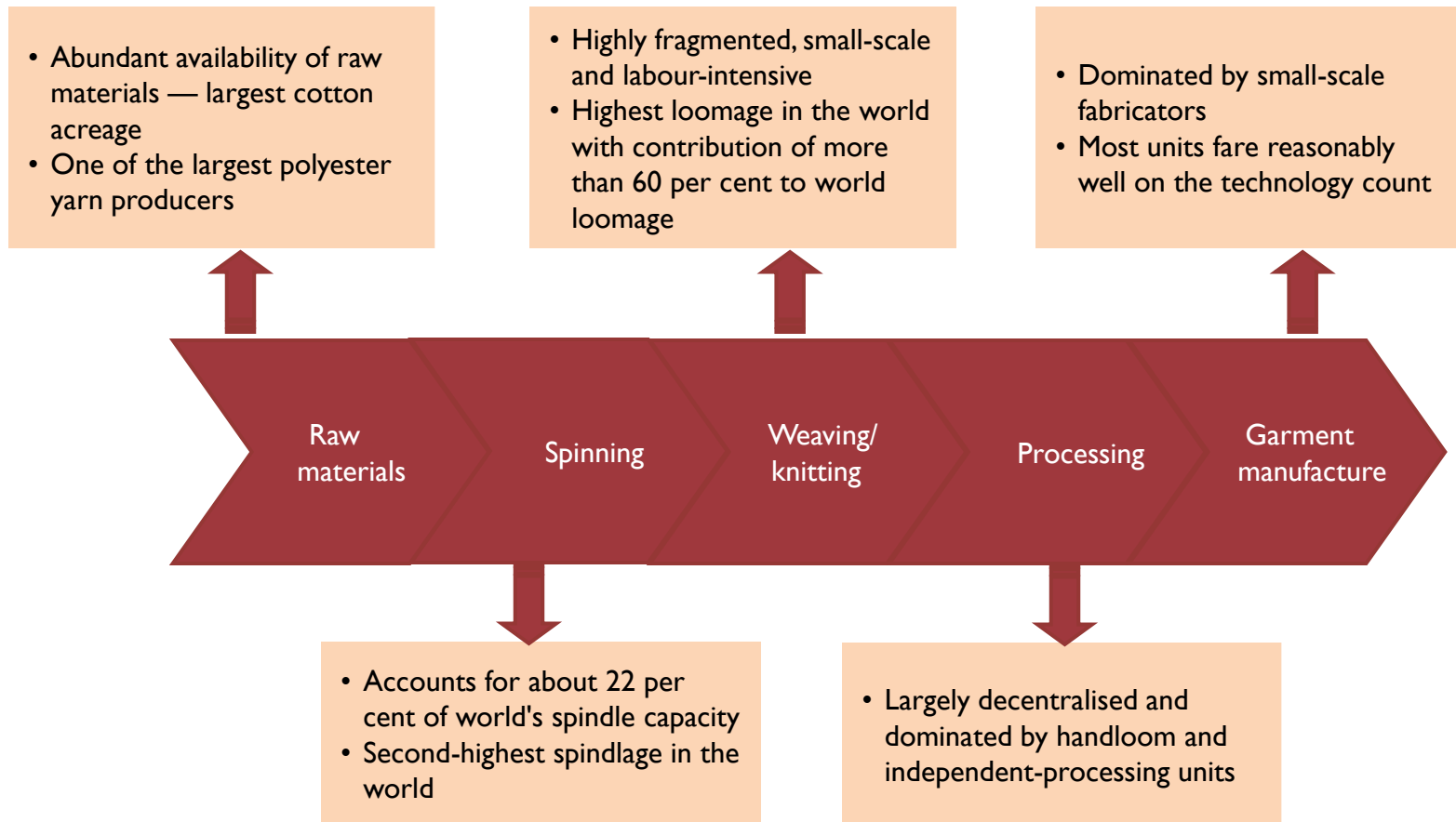
September 2009

## Overview of the Indian textile industry

Covers a gamut of activities	From production of raw material such as cotton, jute, silk and wool to providing high value-added products such as fabrics and garments
Wide range of fibres	Natural fibres such as cotton, jute, silk and wool to man-made fibres such as polyester, viscose, acrylic and multiple blends
Plays a key role in the economy	Provides direct employment to an estimated 35 million people; contributed 4 per cent to gross domestic product (GDP) in 2008–09
Significant contributor to trade	Accounted for 4 per cent of global trade in textiles in 2008–09
Poised for growth	Exports growing at 15 per cent in US dollar terms, estimated to grow at 12 to 14 per cent in 2008-09.

Source: Ministry of Textiles, Annual Report 2008–09

## Industry is dominated by small-scale players across the value chain



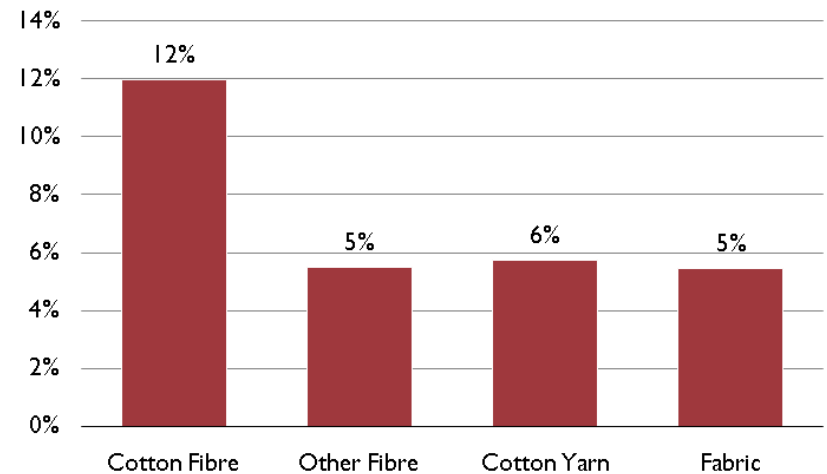
The presence of capabilities across the entire value chain within the country reduces lead time for production and cuts down the intermediate shipping time.

## Steady growth across segments over last decade, helped by a few key advantages

### India's advantages

1. Availability of a variety of raw materials at low costs
2. Availability of skilled labour and low labour costs
3. Growing demand in domestic market
4. Government support

Production CAGR over the period 2003-08



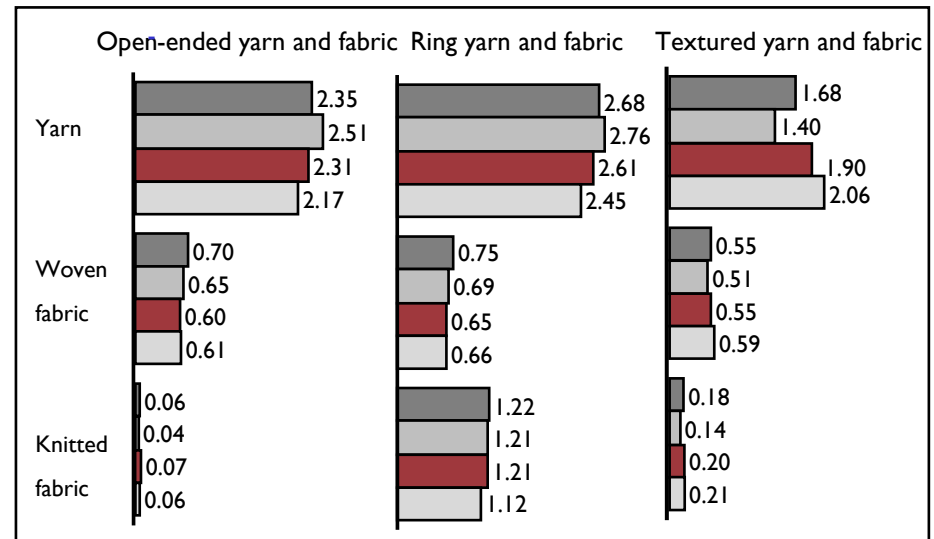
Source: www.texmin.nic.in (2007-08)

# Favourable factor conditions present a key competitive advantage for India

## Abundant and low-cost availability of raw materials

- A variety of raw materials — cotton, silk, jute and wool — are available in the country.
- This inherent strength in availability of raw materials prevents any supply-side shocks.
- In terms of cost, India has an advantage over comparative countries.

Cost competitiveness



Source: www.texmin.nic.in - statistics

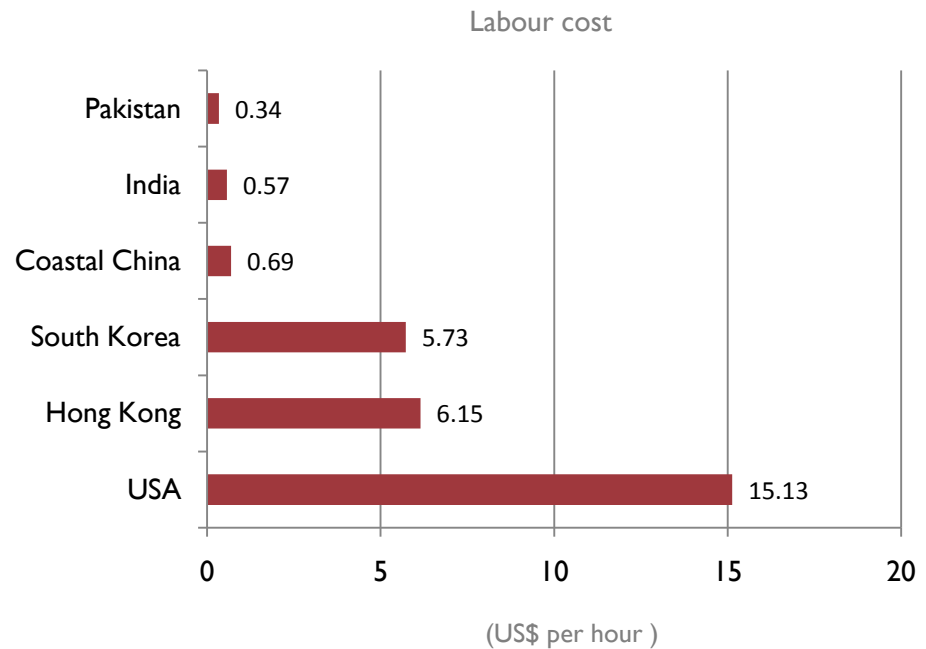
Yarn: US\$ per kg of yarn  
Fabric: US\$ per yard of fabric

South Korea  
 China  
 Brazil  
 India

# Favourable factor conditions present a key competitive advantage for India

## Labour advantage

- India has abundant availability of manpower with skill sets 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.

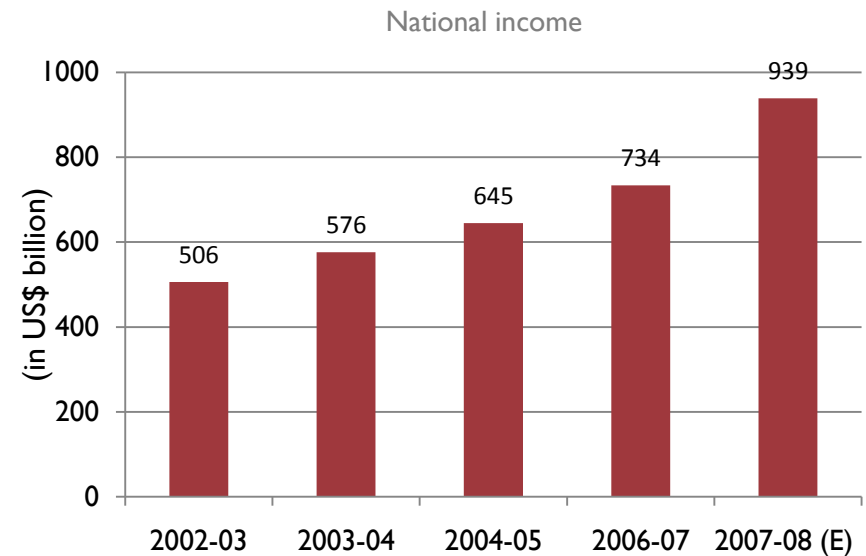


Source: www.texmin.nic.in - statistics

## Consumer demographics and government initiatives are also propelling growth...(1/2)

### Growing domestic demand

- Disposable incomes have been rising steadily in India.
- The consuming class is expected to constitute 80 per cent of the population by 2010.
- Change in consumer mindset has led to an increasing spend on consumption, including textiles.

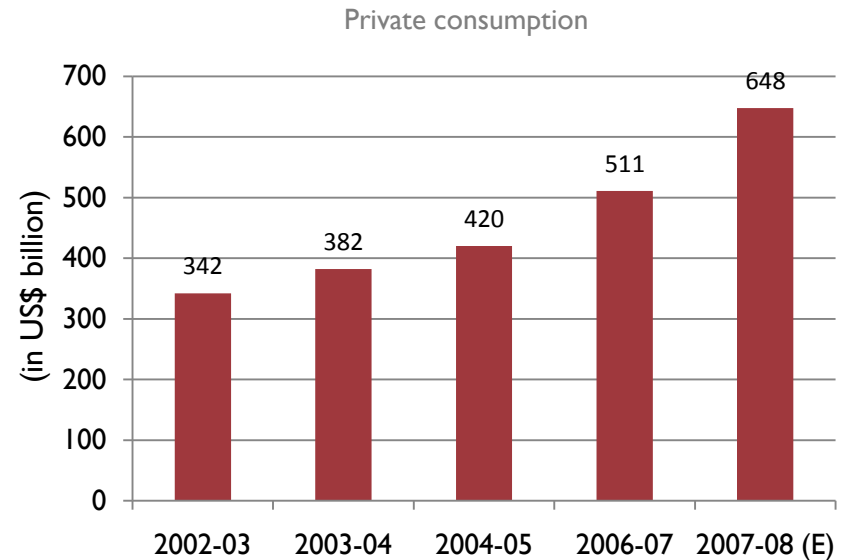


E=Estimate

## Consumer demographics and government initiatives are also propelling growth...(2/2)

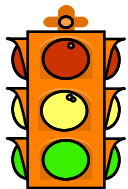
### Government support

- The government encourages institutes such as National Institute of Fashion Technology (NIFT), Apparel Training and Design Center (ATDC) and engineering colleges to offer courses in textile engineering.
- The Technology Upgradation Fund Scheme (TUFS) for the textile sector has been extended until 2011–12.
- Revival of sick mills by the National Textile Corporation.
- Encouraging public-private partnerships in textiles.



E=Estimate

# The sector is competitive and is likely to see increased investment from global players



High  
Medium  
Low

### Threat of new entrants

- Fragmented industry
- Supportive policies
- Growing domestic and exports opportunities



### Supplier power

- Abundant supply of raw materials
- Well-established supplier base



### 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



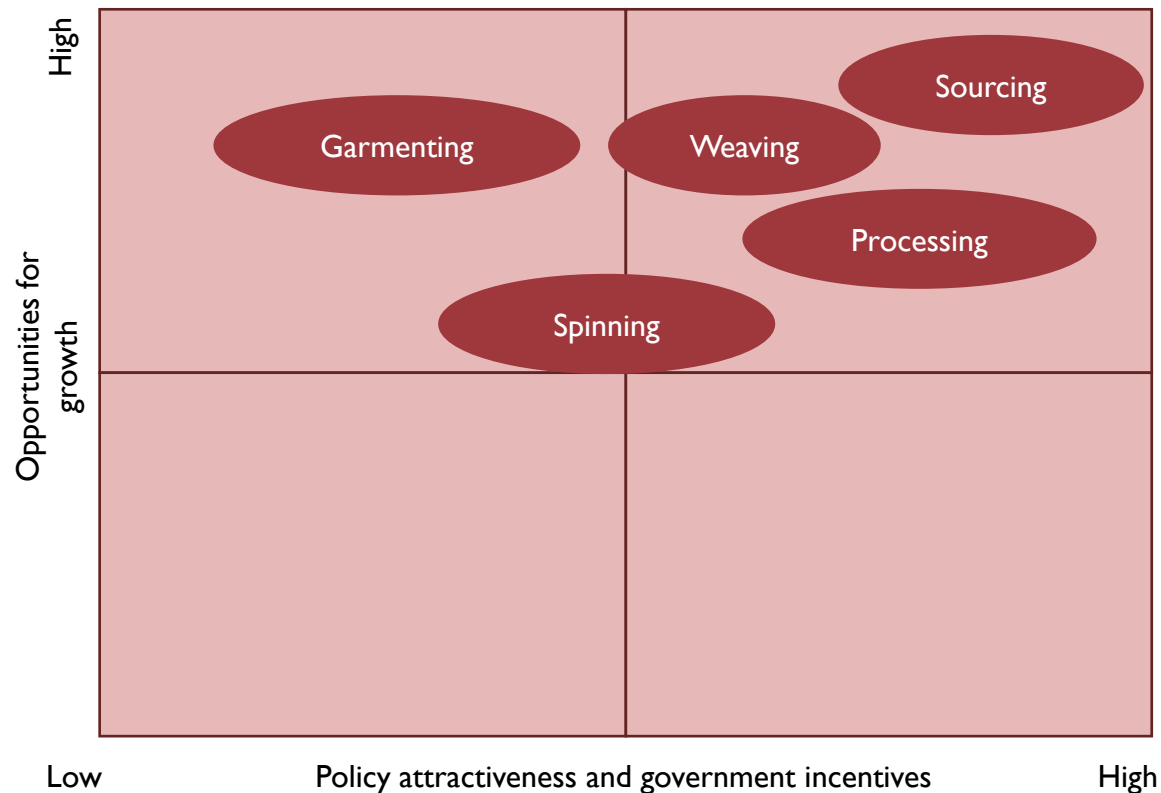
### Threat of substitutes

- No significant threat



## Almost all segments present opportunities for growth

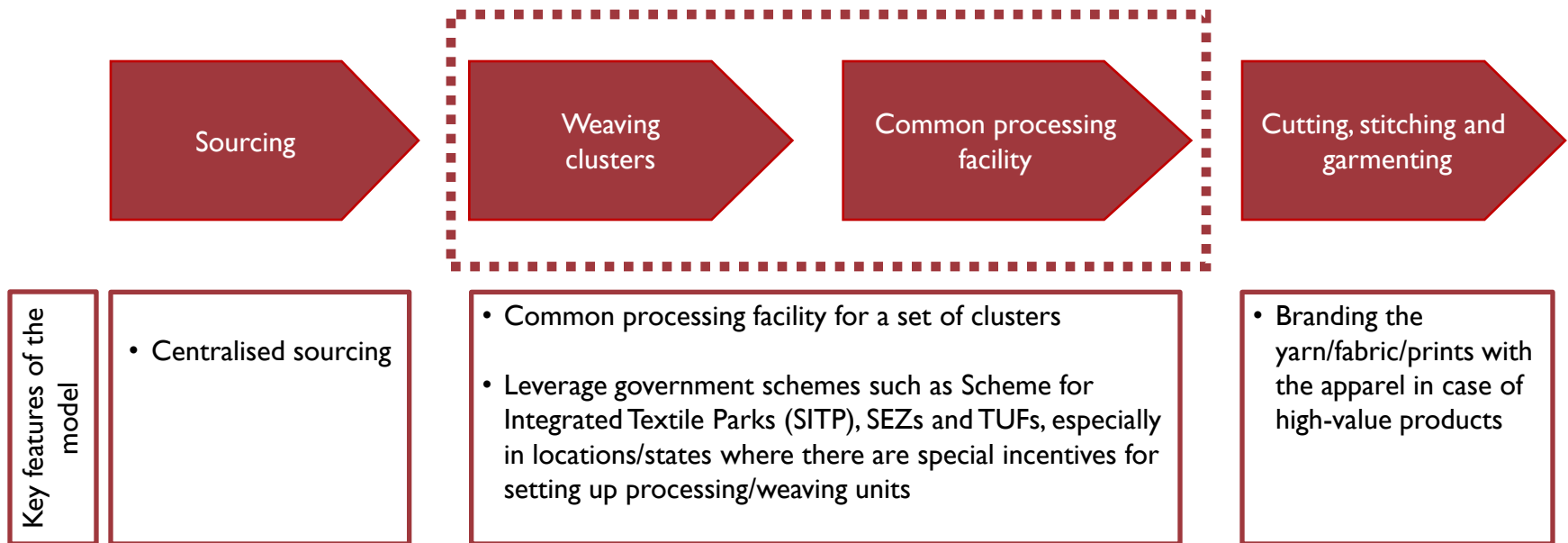
Based on a combined assessment of growth opportunities and supporting policies, raw material sourcing, weaving and processing appear to be attractive segments for investment.



# MNCs in India have adopted different business models ... (1/2)

## I. Producer model

The MNC invests in the processing and weaving segments of the value chain.



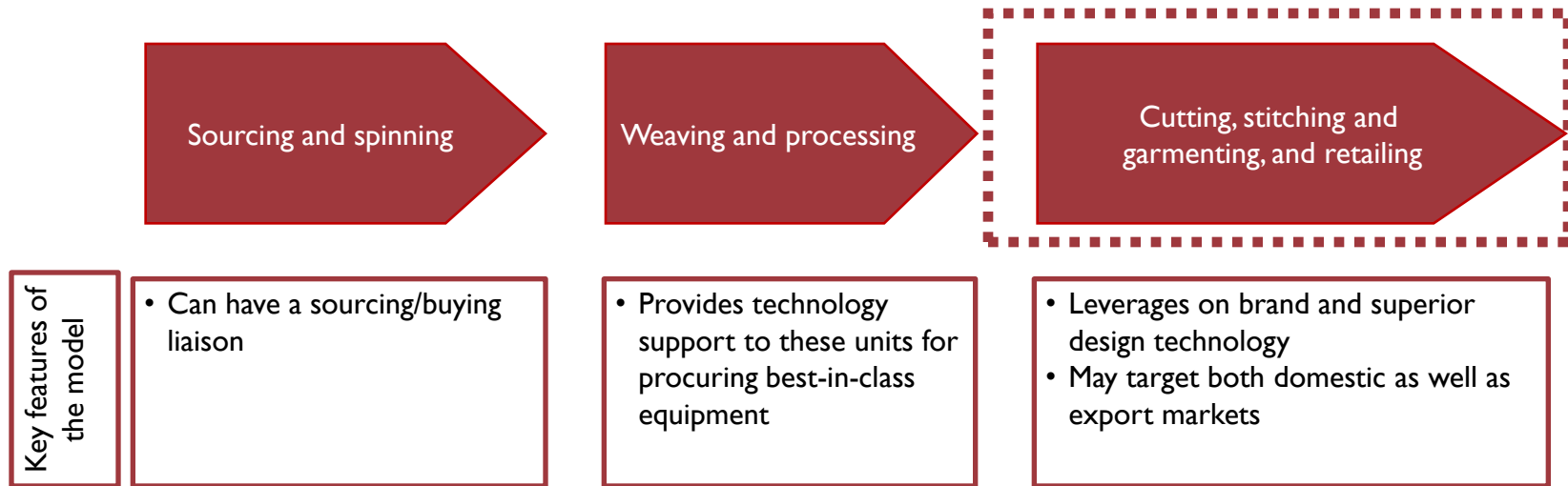
Example of this model: Zeiglertex-Cheslind Textile Ltd, a joint venture between Zeiglertex of Switzerland and Cheslind Textiles of India

Source: KPMG analysis

# MNCs in India have adopted different business models ... (2/2)

## 2. Garment manufacturing model

The MNC invests in designing and manufacturing of garments.



Example of this model: DCM Benetton India Ltd

## State-wise attractiveness for the textile sector

Some of the states that appear attractive vis-à-vis factor conditions, as well as various fiscal and non-fiscal initiatives, include:

Attractiveness of the state on key parameters	Andhra Pradesh	Gujarat	Tamil Nadu	Kerala	Haryana	Karnataka	Himachal Pradesh
Factor conditions	High	High	High	Moderate	High	Moderate	Moderate
Government incentives — fiscal	High	High	High	High	Moderate	High	High
Government incentives — non-fiscal	High	High	Moderate	High	High	High	Moderate
Overall attractiveness	Very High	Very High	Very High	High	High	Moderate	Moderate

## Critical success factors for the textiles and apparel industry

The following key success factors emerge based on the trends impacting the industry and experiences of industry players:

- Scale of operations
- Integrated, lean supply chain
- Collaboration with local players
- Brand strength and reach (for apparels)

## Key players in the textile industry ... (1/3)

Arvind Mills Ltd	<ul style="list-style-type: none"> <li>• World's largest exporter of denim and Asia's largest denim producer</li> <li>• Ranks amongst the top denim manufactures of the world</li> <li>• Also in the garment and men's shirting business through the brands 'Newport', 'Flying Machines', 'Lee' and 'Arrow'</li> </ul>
Raymond Ltd	<ul style="list-style-type: none"> <li>• Businesses in textiles, readymade garments, engineering files and tools, prophylactics and toiletries</li> <li>• Leader in textiles and apparels in India and enjoys a prominent position internationally</li> <li>• Produces pure wool, wool blended and polyester viscose fabrics, blankets and furnishing fabrics</li> </ul>
Alok Industries	<ul style="list-style-type: none"> <li>• Began as a fabric trader and supplier to the garment industry</li> <li>• Expanded into weaving, knitting, processing, home textiles and readymade garments</li> <li>• Diversified manufacturer of world-class apparel fabrics selling directly to garment manufacturers and exporters</li> </ul>

## Key players in the textile industry ... (2/3)

<p>Vardhman Spinning &amp; General Mills Ltd</p>	<ul style="list-style-type: none"> <li>• One of the largest textile business houses in India</li> <li>• Vardhman Threads is the second-largest producer of sewing thread in India</li> <li>• Quality producer of grey poplin/sheeting/shirting in the domestic as well as foreign market</li> </ul>
<p>Indian Rayon (IRIL)</p>	<ul style="list-style-type: none"> <li>• Aditya Birla Group's most diversified conglomerate</li> <li>• Second-largest producer of viscose filament yarn and the largest branded apparel firm in India</li> <li>• Focus areas are viscose filament yarn, carbon black, branded apparels, textiles and insulators</li> </ul>
<p>Century Textiles &amp; Industries</p>	<ul style="list-style-type: none"> <li>• Has Asia's largest composite 100 per cent cotton textile mill</li> <li>• Trend setter in cotton textiles, with a presence in yarn, denim, viscose filament, rayon yarn, tyrerecords, caustic soda, sulfuric acid, salt, cement, and pulp and paper</li> </ul>

## Key players in the textile industry ... (3/3)

<p>Welspun India</p>	<ul style="list-style-type: none"> <li>• Has interests in terry towels, LSAW pipes, pipe coating, cotton yarns, PFY, bathrobes and buttons</li> <li>• Has ties with 12 out of the top 20 retailers in the world, namely Wal-Mart, K-mart, JC Penny and Target</li> <li>• Majority of earnings from exports</li> </ul>
<p>Himatsingka Seide Ltd</p>	<ul style="list-style-type: none"> <li>• Manufactures natural silk fabrics under a 100 per cent export-oriented unit scheme</li> <li>• Produces a wide range of regular and fancy 100 per cent silk and silk-blended yarns</li> <li>• All operations — winding, doubling, twisting, dyeing, weaving and finishing — integrated under one roof</li> </ul>
<p>Bombay Dyeing</p>	<ul style="list-style-type: none"> <li>• One of India's largest producers of textiles</li> <li>• Manufactures cotton and blended textiles</li> <li>• Product mix comprises suitings, shirtings, sarees, towels and bed linen</li> <li>• Manufactures the 'Vivaldi' brand of men's clothing; it is also a manufacturer of dimethyl terephthalate (DMT).</li> </ul>

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