



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

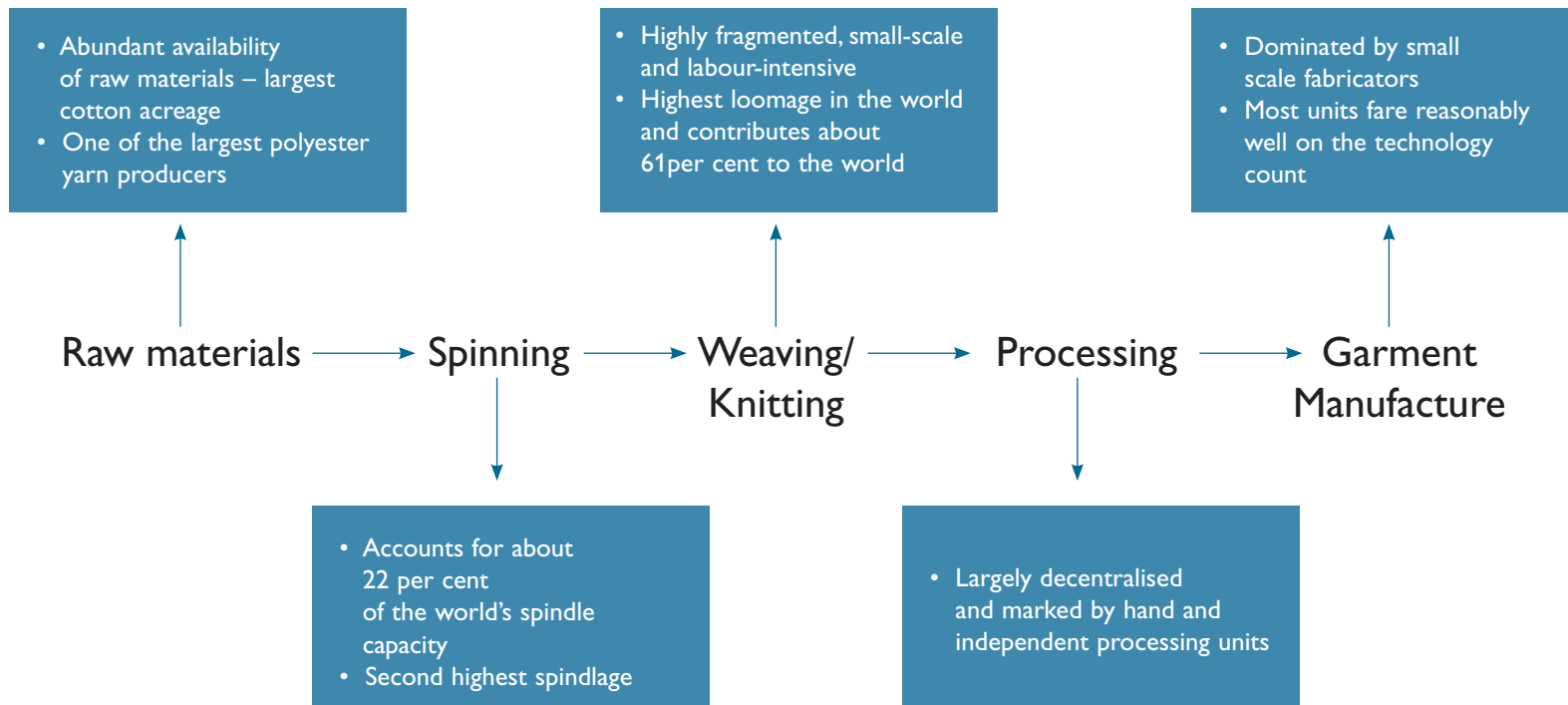
Significant contributor to trade

- 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



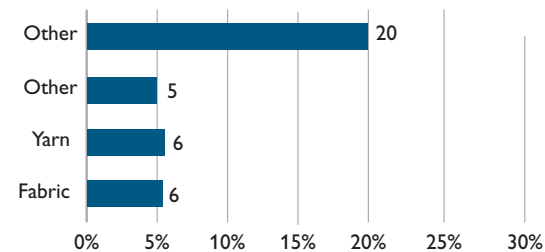
Presence of capabilities across the entire value chain within the country reduces lead time for production and cuts down the intermediate shipping time

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



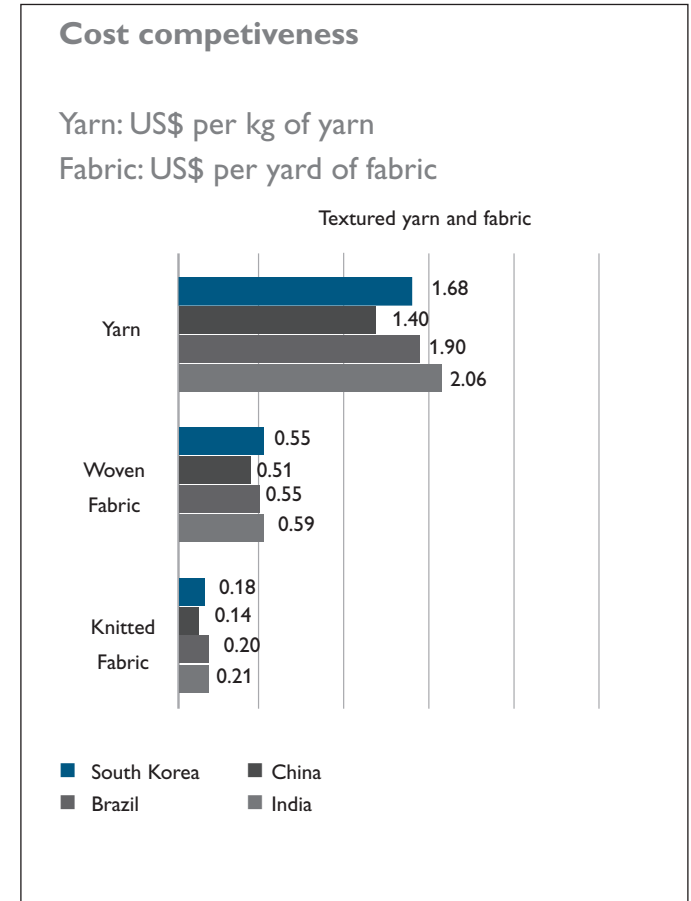
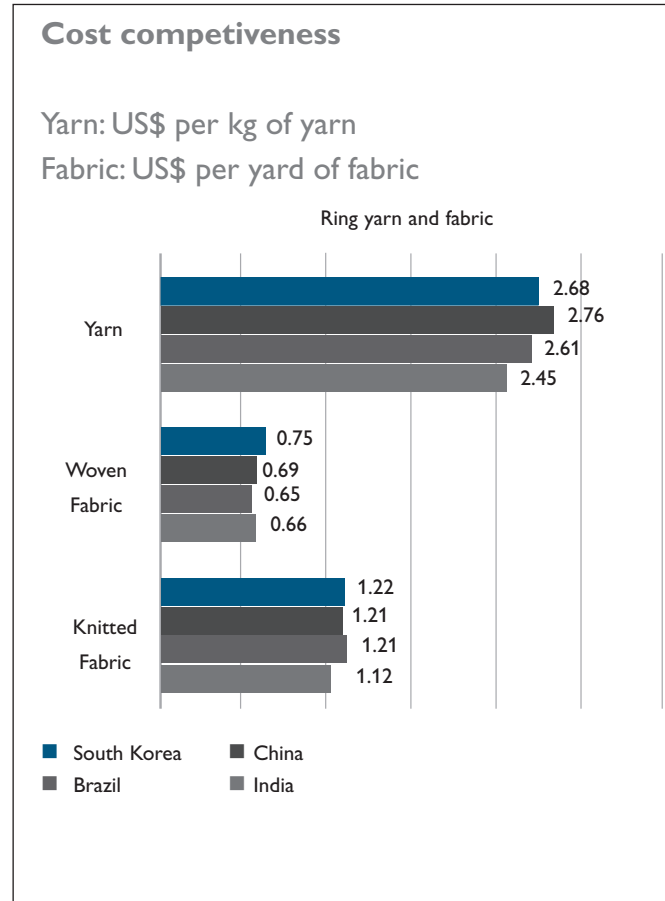
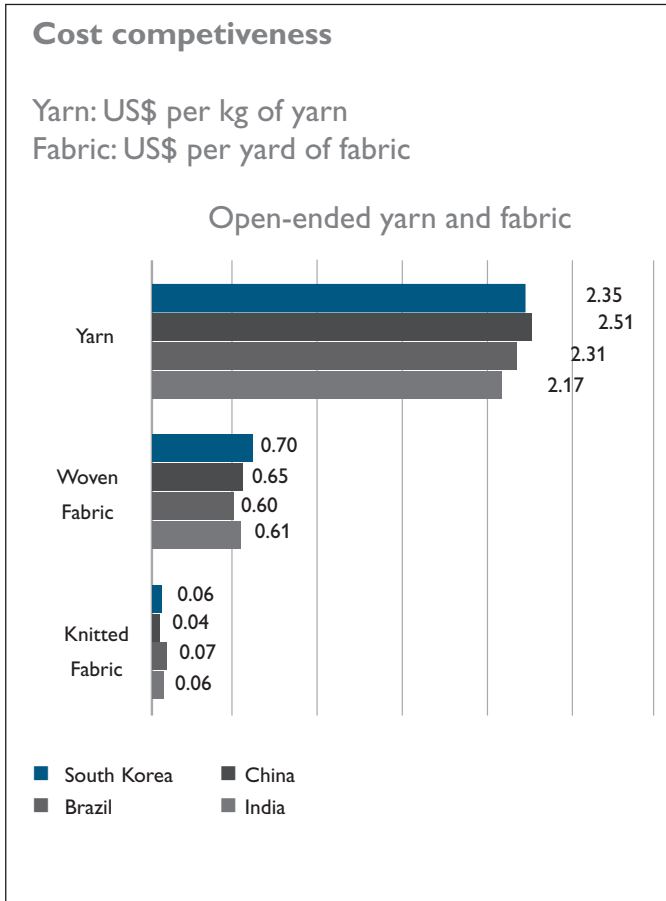
Source: www.texmin.nic.in (2006-07)

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

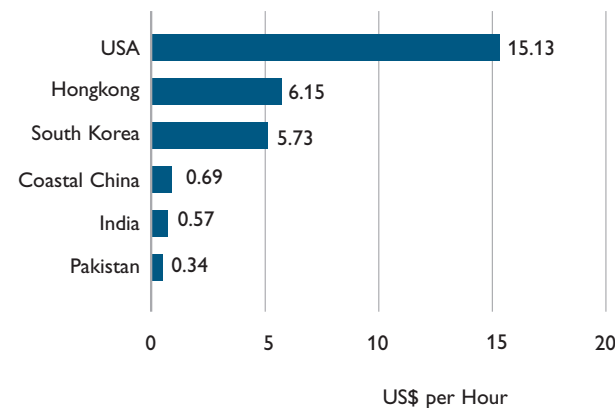


Favourable factor conditions present a key competitive advantage for India

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\$)



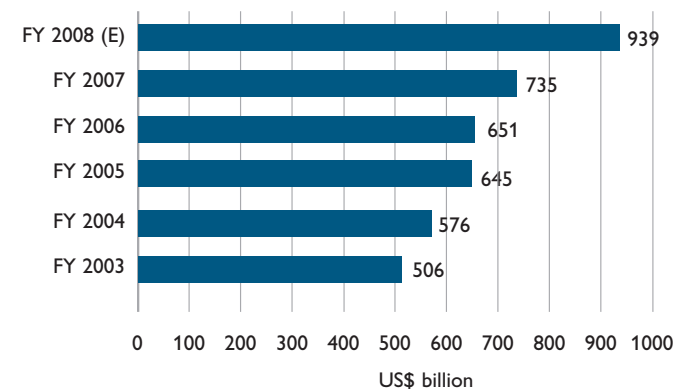
Source : <http://www.ibef.org/> Textile sector presentation.
 October 2000
 Textile India: Set to spin better. Angel broking industry reports. May 2005

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

National Income (at current prices)

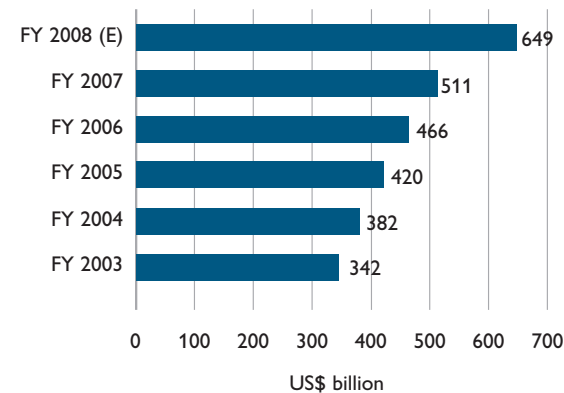


Consumer demographics and supportive initiatives from the Government have been other factors propelling growth

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

Private consumption (at current prices)



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

HIGH	
MEDIUM	
LOW	

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

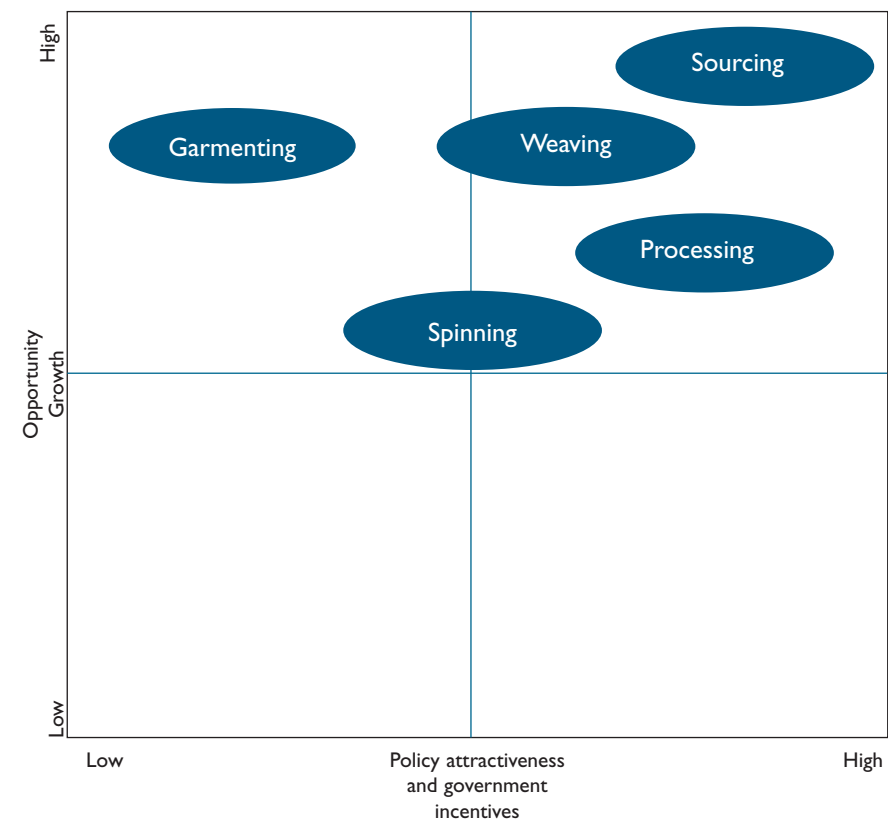
Threat of Substitutes

- No significant threat

HIGH	
MEDIUM	
LOW	

Almost all segments present opportunities for growth

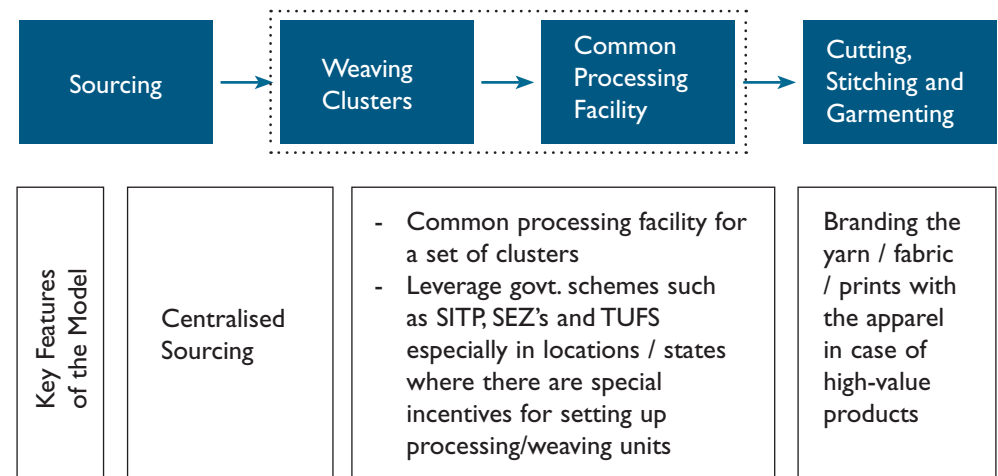
- Based on a combined assessment of the growth opportunity and supporting policy,
- Raw material sourcing, weaving and processing appear attractive segments for investment



MNCs in India have adopted different business models

1. Producer model

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



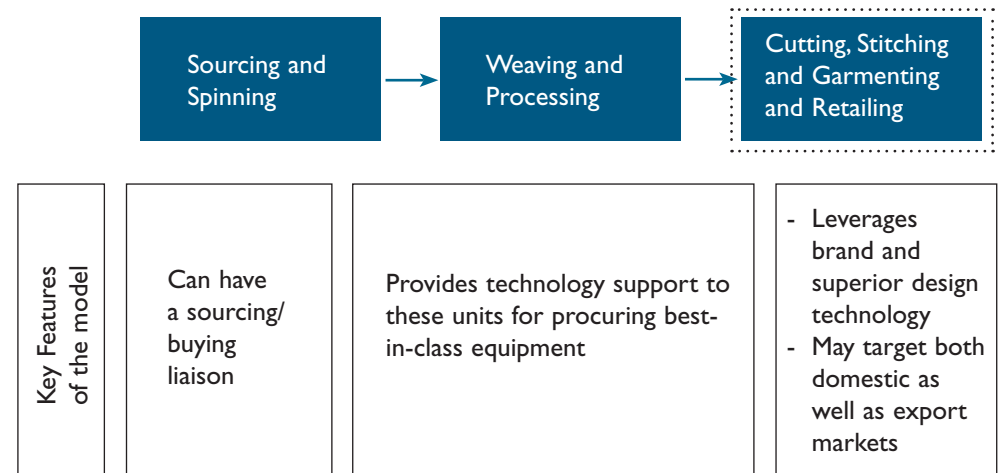
Example of this model: Zeiglertex-Cheslind Textile Ltd, an Indian JV between Zeiglertex of Switzerland and Cheslind Textiles of India

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

Attractiveness of the state on the 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

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 trend setter in cotton textiles, with a presence in yarn, denim, viscose filament, rayon yarn, tyre records, 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

DISCLAIMER

This presentation has been prepared jointly by the India Brand Equity Foundation (“IBEF”) and KPMG Advisory Services Private Limited (“Author”).

All rights reserved. All copyright in this presentation and related works is owned by IBEF and the Author. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this presentation to ensure that the information is accurate to the best of the

Author’s and IBEF’s knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

The Author and IBEF neither recommend or endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed in this presentation.

Neither the Author nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.