TEXTILES AND APPAREL

APRIL 2017 (As of 28th April 2017)

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TEXTILES AND APPAREL

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The domestic textile and apparel industry in India is projected to reach USD223 billion by 2021. The domestic textile industry stood at USD137 billion in 2016, witnessing growth from USD108 billion in 2015.

Textile & apparel exports from India is expected to increase to USD82 billion by 2021 from USD39.66 billion in 2016.

Total cloth production in India is has grown to 53.5 billion square metres in FY17 from 64.6 billion square metres in FY16.

Source: Ministry of Textiles, Make in India, Technopak, TechSci Research
Notes: CAGR - Compound Annual Growth Rate, E – Estimate, P – Provisional;⁽¹⁾, up to January 2017

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Rising government focus and favourable policies to support the industry

In the 12th Five Year Plan, the Government plans to provide a budgetary support to textiles of USD 4.25 billion against USD 4.18 billion in the 11th Five Year Plan.

**Source:** Ministry of Textiles, Technopak, TechSci Research

**Note:** CAGR - Compound Annual Growth Rate
TEXTILES AND APPAREL

Robust Demand
- Increased penetration of organised retail, favorable demographics & rising income levels to drive textile demand
- Growth in building & construction will continue to drive demand for non-clothing textiles

Increasing Investments
- Huge investments are being made by Government under Scheme for Integrated Textile Parks (SITP)-(USD184.98 million) & Technology Upgradation Fund Scheme (TUFS)-(term loan sanctioned in Feb, 2015-USD2198.45 million) to encourage more private equity & to train workforce.

Competitive Advantage
- Abundant availability of raw materials such as cotton, wool, silk and jute
- India enjoys a comparative advantage in terms of skilled manpower & in cost of production relative to major textile producers

Policy Support
- 100% FDI (automatic route) is allowed in the Indian textile sector
- Under Union Budget 2016-17, the government has allocated USD7.43 million for setting up integrated parks in India
- Free trade with ASEAN countries & proposed agreement with European Union will boost exports

Source: PHD Chamber of Commerce; Federation of Indian Chambers of Commerce and Industry, TechSci Research
Notes: SITP - Scheme for Integrated Textile Park; FDI - Foreign Direct Investment, ASEAN - Association of Southeast Asian Nations, E – Estimate; F–Forecasted

MARKET VALUE:
2016: USD137 billion
2023F: USD226 billion

ADVANTAGE INDIA

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MARKET OVERVIEW AND TRENDS

TEXTILES AND APPAREL
1854-1900
- The first cotton textile mill of Mumbai was established in 1854.
- The first cotton mill of Ahmedabad was found in 1861; it emerged as a rival centre to Mumbai.
- Number of mills increased from 178 in 1901 to 417 in 1945.
- Out of 423 textile mills of the undivided India, India received 409 after partition and the remaining 14 went to Pakistan.

1901–1950
- In 1999, TUFS was set up to provide easy access to capital for technological upgradation.
- TMC was launched to address issues related to low productivity and infrastructure.
- In 2000, NTP was announced for the overall development of the textile and apparel industry.

1951-2000
- SITP was implemented to facilitate setting up of textile units with appropriate support infrastructure.
- After MFA cotton prices are aligned with global prices.
- Technical textile industry will be a new growth avenue.
- Free trade agreement with ASEAN countries and proposed agreement with EU under discussion.
- Restructured TUFS was launched attracting a subsidy cap of USD420.65 Million.

2000-15
- Make in India campaign was launched to attract manufacturers & FDI.
- Technology Mission for Technical Textile has been continued.
- Under Union Budget 2017-18, Government of India allocated around USD926.66 million for textile industry. Major focus of this budget is to attract manufacturers, initiate technology upgradation & setup Integrated textiles parks, etc.
- Measures were also announced to be taken to foster faster clearance of import & export cargo.

2016-Onwards
- Technology Mission on Cotton, EU - European Union, Source: Union Budget 2015-16, Make In India

Notes: NTP - National Textile Policy; NTC - National Textiles Corporation; ASEAN - Association of Southeast Asian Nations, TUFS - Technology Upgradation Fund Scheme; TMC - Technology Mission on Cotton, EU - European Union, Source: Union Budget 2015-16, Make In India
The textile and apparel industry can be broadly divided into two segments:

- Yarn and fibre (include natural and man-made)
- Processed fabrics (including woollen textiles, silk textiles, jute textiles, cotton textiles & technical textiles), Readymade Garments (RMGs) & apparel

**Key segments of the textile industry**

1. **Process**
   - Raw material
   - Ginning
   - Spinning
   - Weaving/knitting
   - Processing
   - Garment/apparel production

2. **Output**
   - Cotton, jute, silk, wool
   - Fibre⁽¹⁾
   - Yarn
   - Fabric
   - Processed fabric
   - Final garment/Apparel

- Woollen textiles
- Silk textiles
- Jute textiles
- Technical textiles

**Source:** TechSci Research

Note:⁽¹⁾ Including cotton, jute, silk, wool and manmade fibres
The fundamental strength of the textile industry in India is its strong production base of wide range of fibre/yarns from natural fibres like cotton, jute, silk & wool to synthetic/man-made fibres like polyester, viscose, nylon & acrylic.

India accounts 63 per cent of the market share of textiles and garments.

With production of 6,106 million kg, India was the largest producer of cotton in 2016-17.

Indian textile industry accounts for about 24 per cent of the world’s spindle capacity and 8 per cent of global rotor capacity.

India has the highest loom capacity (including hand looms) with 63 per cent of the world’s market share.

India accounts for about 14 per cent of the world’s production of textile fibres & yarns (largest producer of jute, 2nd largest producer of silk and cotton; & 3rd largest in cellulosic fibre).

India is the 2nd largest producer of Manmade Fibre & Filament, globally, with production of around 2,11 million kg in 2016-17.(1)

Source: Textile Ministry, Make in India, TechSci Research
(1) Figures as of April-January 2016-17
Note: Figures are as per latest data available.
The sector has been posting strong growth over the years

- Textile plays a major role in the Indian economy
  - It contributes 14 per cent to industrial production and 4 per cent to GDP
  - With over 45 million people, the industry is one of the largest source of employment generation in the country
  - The industry accounts for nearly 15 per cent of total exports
- The size of India’s textile market in 2016 was around USD137 billion, which is expected to touch USD226 billion market by 2023, growing at a CAGR of 8.7 per cent between 2009-23E

Source: Technopak, Make in India, News articles, Ministry of Textiles, TechSci Research
Notes: CAGR - Compound Annual Growth Rate, E – Estimated,
Textile exports from India were valued at USD40 billion in 2015-16.

To improve technical skills in apparel industry government established 75 apparel training & design centres across India

National Institute of Fashion Technologies played pioneering role in growth of apparel industry & exports

To promote apparel exports 12 locations have been approved by the government to set up apparel parks for exports

The government is planning to conduct roadshows to promote the country’s textiles in non-traditional markets such as South America, Russia & select countries in West Asia

As of November 2016, the Central Board of Excise and Customs has extended draw back facility for textiles industries from 7.3 per cent to 7.5 per cent. This would improve the competitiveness of textile exporters based in India
COTTON PRODUCTION OVER THE PAST FEW YEARS HAS BEEN VOLATILE

- Production of raw cotton in India grew from 28 million bales in FY07 & further increased to 35.2 million bales in FY16.
- During FY07-16, raw cotton production expanded at a CAGR of 2.6 per cent.
- During FY16(1), of the overall amount of raw cotton produced in the country, domestic consumption totaled to 30 million bales, while in FY15(1), the domestic consumption of raw cotton stood at 30.4 million bales.

Production of raw cotton (million bales)

Source: The Cotton Corporation of India Ltd, TechSci Research
Notes: CAGR - Compounded Annual Growth Rate, (1) Projected Data
One Bale - 170 kilogram

- Raw cotton and man-made fibres are major segments in this category.
- Raw wool and raw silk are other components – their production levels are much lower.
Production of man-made fibre has also been on an upward trend.

Production stood at 1.347 million tonnes in FY16 with the figure reinforcing a recovery from 2009 levels.

During FY17 (April-January 2017), production of man-made fibre in India stood at 1.12 million tonnes.

Production of man-made fibre (million tonnes)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (million tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY07</td>
<td>1.14</td>
</tr>
<tr>
<td>FY08</td>
<td>1.24</td>
</tr>
<tr>
<td>FY09</td>
<td>1.07</td>
</tr>
<tr>
<td>FY10</td>
<td>1.27</td>
</tr>
<tr>
<td>FY11</td>
<td>1.29</td>
</tr>
<tr>
<td>FY12</td>
<td>1.23</td>
</tr>
<tr>
<td>FY13</td>
<td>1.26</td>
</tr>
<tr>
<td>FY14</td>
<td>1.31</td>
</tr>
<tr>
<td>FY15</td>
<td>1.34</td>
</tr>
<tr>
<td>FY16</td>
<td>1.347</td>
</tr>
<tr>
<td>FY17*</td>
<td>1.12</td>
</tr>
</tbody>
</table>

*Source: Ministry of Textiles, TechSci Research
Note: FY17⁽¹⁾ - Data is for April-January 2017
COTTON IS THE MAJOR SEGMENT IN YARN AND FABRIC … (1/2)

- Production of yarn grew to 5665 million Kgs in FY16 from 4712 million Kgs in FY11, implying a CAGR of 3.75 per cent.
- Production of yarn between April to January’17 stood at 4727 million Kg.
- Cotton yarn accounts for the largest share in total yarn production; in FY17⁽¹⁾, the segment’s share amounted to 71.44 per cent.

Production of yarn (Million kg)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17⁽¹⁾</th>
</tr>
</thead>
<tbody>
<tr>
<td>Production</td>
<td>4712.00</td>
<td>4372.00</td>
<td>4867.00</td>
<td>5309.00</td>
<td>5488.00</td>
<td>5665.00</td>
<td>4727.00</td>
</tr>
</tbody>
</table>

Source: Ministry of Textiles, TechSci Research
Note: FY17⁽¹⁾ - Data is for April-January 2017
Fabric production in the country rose to 64,584 million square metre in FY16 from 52,665 million square metres in FY07, implying a CAGR growth of 2.53 per cent. In addition, fabric production in India stood at 53,513 million square meter in FY17(1).

Cotton yarn, a major segment in FY15, accounted for more than 57 per cent share in fabric production, with the share reaching to 60.29 per cent in FY17(1).

Fibre production in India is expected to reach 10 million tonnes by 2017-18, growing from 9 million tonnes in 2015-16.

Source: Ministry of Textiles, TechSci Research
Note: Figures mentioned are as per latest data available
(1) Till January 2017
Exports have been a core feature of India’s textile & apparel sector, a fact corroborated by trade figures.

Exports in textile and apparel sector stood at USD26.91 billion in FY17 in comparison with USD27.9 billion in FY16.

As of November 2016, the government has extended the duty drawback facility on all textile products & increased the rates in some cases for 1 year to boost exports in the sector.

Source: Ministry of Textiles, Budget 2015, TechSci Research
Note: FY17 (3) Data for April-December 2016
The domestic textile & apparel industry was the largest contributor to total textile & apparel exports from India in FY16, with a share of 91.4 per cent. This segment includes ready-made garments, jute, cotton, and silk, etc.

The handicrafts segment accounted for 8.60 per cent of the total exports in FY16.

Source: Ministry of Textiles, TechSci Research
Notes: Others include coir & coir manufacturers and jute.
### KEY PLAYERS IN THE INDUSTRY

<table>
<thead>
<tr>
<th>Company</th>
<th>Business areas</th>
</tr>
</thead>
<tbody>
<tr>
<td>Welspun India Ltd</td>
<td>Home textiles, bathrobes, terry towels</td>
</tr>
<tr>
<td>Vardhman Group</td>
<td>Yarn, fabric, sewing threads, acrylic fiber</td>
</tr>
<tr>
<td>Alok Industries Ltd</td>
<td>Home textiles, woven and knitted apparel fabric, garments and polyester yarn</td>
</tr>
<tr>
<td>Raymond Ltd</td>
<td>Worsted suiting, tailored clothing, denim, shirting, woollen outerwear</td>
</tr>
<tr>
<td>Arvind Mills Ltd</td>
<td>Spinning, weaving, processing &amp; garment production (denims, shirting, khakis &amp; knitwear)</td>
</tr>
<tr>
<td>Bombay Dyeing &amp; Manufacturing Company Ltd</td>
<td>Bed linen, towels, furnishings, fabric for suits, shirts, dresses, saris in cotton &amp;d polyester blends</td>
</tr>
<tr>
<td>Garden Silk Mills Ltd</td>
<td>Dyed and printed fabric</td>
</tr>
</tbody>
</table>

Source: Annual Reports, TechSci Research

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### Notable Trends in India’s Textile Sector

**Increasing investment in TUFS**
- Ministry of Textiles is encouraging investments through increasing focus on schemes such as Technology Up-gradation Fund Scheme (TUFS) & cluster development activities.
- TUFS for the textile sector to continue in the 12th Five Year plan with an investment target of USD24.8 billion. The Ministry of Textiles released a subsidy of US$259.79 million in FY17.

**Multi-Fibre Arrangement (MFA)**
- With the expiry of MFA in January 2005, cotton prices in India are now fully integrated with international rates. In 2014, the government has cleared 13 proposal of new textile parks in different states.

**Public-Private Partnership (PPP)**
- The Ministry of Textiles commenced an initiative to establish institutes under the Public-Private Partnership (PPP) model to encourage private sector participation in the development of the industry.

**Technical textiles**
- Technical textiles, which has been growing at around twice the rate of textiles for clothing applications over the past few years, is now expected to post a CAGR of 20 per cent over FY11-17.
- USD70.83 million has been allocated to promote the use of geotechnical textiles in the North East states.

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*Source: Ministry of Textiles, Geotechnical, TechSci Research*

*Note: TUFS - Technology Upgradation Fund Scheme*
TEXTILES AND APPAREL

PORTER FIVE FORCES ANALYSIS
**PORTERS FIVE FORCES ANALYSIS**

**Competitive Rivalry**
- Intense competition between established brands and private label brands
- Industry is highly fragmented with organised sector contributing only 31 per cent in 2011

**Threat of New Entrants**
- 100 per cent FDI (automatic route) is allowed in the Indian textile sector
- A few large suppliers are focusing on forward integration

**Substitute Products**
- Low cost substitute products from countries like Pakistan and Bangladesh
- Threat from unorganised sector

**Bargaining Power of Suppliers**
- Significant presence of small suppliers has reduced the bargaining power

**Bargaining Power of Customers**
- Major clothing brands have better bargaining power over textile manufacturers, as the product differentiation is low and number of players are high and fragmented

Source: PricewaterhouseCoopers, Techopak, TechSci Research

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STRATEGIES ADOPTED
Focus on high growth domestic market

- As of November 2016, the Ministry of Textiles signed MoUs with 20 e-commerce firms to engage with various handloom & handicraft clusters. This would also provide them a direct marketing platform.
- In March 2017, Amazon India Fashion Week (AIFW), is set to feature “Golden Threads of Assam,” with a view to preserve & promote Muga culture. The show will be held at the National Rail Museum in New Delhi.
- In strategic alliance with importers from UAE, the 1st ever exhibition of, “Incredible Indian Textiles” was held in Dubai in February 2017. The event was organized by Synthetic & Rayon Textiles Export Promotion Council (SRTEPC) of India & witnessed participation of 19 Indian companies.
- In March 2017, Welspun India Ltd opened a new plant - Needle Entangled Advance Textile Plant in Anjar, Gujarat, to manufacture multi-layer composites for various applications. The plant is worth USD23.35 million.

Focus on backward integration

- Welspun India said in a BSE filing that 3 MoUs are being signed with the state government at the ongoing Vibrant Gujarat Summit 2017. The group, which has presence in home textiles, line pipes & infrastructure, will invest USD307 million in setting up an integrated textile manufacturing zone.
- Welspun India will invest around USD153 million on capacity enhancement of its technical textile business, while a similar amount has been earmarked for its advanced textile arm that makes specialised materials for aerospace, defense & automobiles.

Focus on forward integration

- Vardhman Textiles Ltd has entered into garment manufacturing business through a collaboration with Nisshinbo, a Japanese manufacturer of yarns
- In February 2017, Future Retail, entered into an agreement with UK based home furnishing brand - Laura Ashley, to operate and own stores & websites in India
- The Indian fashion retailers online market is poised to grow to USD30 billion by the 2020, currently the online market is valued at USD7-9 billion.

Diversification

- Raymond group under its group company J.K. Helene Curtis is looking to ramp up male grooming segment by unleashing new variants of shampoos & deos

Source: Annual Reports and Company Presentations, TechSci Research
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GROWTH DRIVERS
**TEXTILES AND APPAREL**

**STRONG FUNDAMENTALS AND POLICY SUPPORT AIDING GROWTH**

- **Growing demand**
  - Rising demand in exports
  - Increasing demand in domestic market due to changing taste & preferences
  - Growing population driving demand for textiles

- **Policy support**
  - 100 per cent FDI in textile sector
  - Government setting up SITPs & Mega Cluster Zones
  - Increasing loans under TUFS

- **Increasing investments**
  - Growing domestic & foreign investments
  - Commitment of USD140 billion of foreign investments
  - Government investment schemes (TCIDS & APES)

**Source:** Ministry of Textiles, TechSci Research

**Notes:** TCIDS - Textile Center Infrastructure Development Scheme, APES - Apparel Park for Exports Scheme

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Textiles and Apparel

Continued support to textile sector by the government in FY16 budget

- USD24.8 million has been allocated for National Handloom Development Program
- USD33.34 million has been allocated for Human Resource Development

Some of the key tax reliefs in Budget FY17:
- Excise duty has been relaxed, and is expected to encourage manufacturing, under the “Make in India” campaign

Stress on mechanisation

- Under Union Budget 2016-17, USD226.1 million has been allocated for ATUF scheme for FY2016-17
- USD701.9 million has been allocated to the Ministry of Textiles in order to support various schemes covering the textile industry

Union Budget

- Allocation of USD39.8 million for apparel parks under SITP
- USD26.05 million have been allocated for NER Textile Promotion Scheme
- USD1.33 million has been allocated to Trade Facilitation Centre & Craft Museum

Tax sops and financial package

Infrastructure support

Source: Union Budget FY15-16, Ministry of Textile
Notes: SITP - Scheme for Integrated Textile Parks, TUFS - Technology Upgradation Fund Scheme, ATUF - Amended Technology Upgradation Funds Scheme, NER – North East Region

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CHANGING DEMOGRAPHICS HAS ALSO CONTRIBUTED SIGNIFICANTLY TO THE SECTOR

* By 2014, India’s population had almost doubled compared to figures 30 years before
  * The IMF expects India’s population to touch 1.34 billion by end-2019 as compared to 1.28 billion in 2015
* India’s growing population has been a key driver of textile consumption growth in the country
* Moreover, according to World Bank, urban population accounts for 32.7 per cent of the total population of India. This also works as demand driver due to changing taste & preferences in the urban part of India
* It has been complemented by a young population which is growing & at the same time is exposed to changing tastes & fashion
  * Complementing this factor is rising female workforce participation in the country
RISING INCOMES AND A GROWING MIDDLE-CLASS HAVE BEEN KEY DEMAND DRIVERS

- Rising incomes has been a key determinant of domestic demand for the sector; with incomes rising in the rural economy as well, the upward push on demand from the income side is set to continue.
- Rising industrial activity would support the growth in the per capita income.

Trends in per-capita income in India (USD)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17E</th>
<th>FY18F</th>
<th>FY19F</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita, current prices</td>
<td>1430.2</td>
<td>1552.5</td>
<td>1641.6</td>
<td>1504.7</td>
<td>1595.7</td>
<td>1702.1</td>
<td>1832.8</td>
<td>1978.6</td>
<td>2128.8</td>
<td>2302.5</td>
</tr>
<tr>
<td>Growth Rate</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Changing economic fortunes by income segments

<table>
<thead>
<tr>
<th>Year</th>
<th>FY15</th>
<th>FY20</th>
<th>FY2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income segment (USD)</td>
<td>244</td>
<td>273</td>
<td>322</td>
</tr>
<tr>
<td>Million Household, 100%</td>
<td>30%</td>
<td>26%</td>
<td>15%</td>
</tr>
<tr>
<td></td>
<td>43%</td>
<td>40%</td>
<td>32%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>25%</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>6%</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: IMF, Mckinsey Global Institute, TechSci Research
Notes: E - Estimates, F - Forecasts

For updated information, please visit www.ibef.org
Capacity built over years has led to low cost of production per unit in India’s textile industry; this has lent a strong competitive advantage to the country’s textile exporters relative to key global peers.

The sector has also witnessed increasing outsourcing over the years as Indian players moved up the value chain from being mere converters to vendor partners of global retail giants.

The strong performance of textile exports is reflected in the value of exports from the sector over the years. Textile exports witnessed a growth (CAGR) of 8.56 per cent over the period of FY06 to FY16.

In the coming decades, Africa & Latin America could very well turn out to be key markets for Indian textiles.

In April 2017, the government will soon unveil Textiles India 2017, its 1st ever global B2B handicrafts & textile event, in Delhi. It is to promote “farm to foreign” policy which is aimed at strengthening the supply chain of textile & apparel industry in India. The event will showcase a 1000 stalls, and there will be participation from 2500 international agents, buyers, retail chains, designers across the globe, and 15,000 domestic buyers.

The major service offerings of the technical textile industry include thermal protection & blood-absorbing materials, seatbelts & adhesive tapes.

The technical textile industry is expected to expand at a CAGR of 9.6 per cent during FY14–23 to USD32 billion in FY23.

The targeted market size would be achieved by targeting non-woven technical textiles.

Healthcare & infrastructure sectors are major drivers of the technical textile industry.

India is expected to be a key growth market for the technical textile sector due to cost-effectiveness, durability & versatility of technical textiles.

The government has supported the technical textile industry with an allotment of USD1 billion for SMEs & an exemption in custom duty for raw materials used by the sector.

Technical textile industry (USD billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY17E</td>
<td>23.58</td>
</tr>
<tr>
<td>FY23E</td>
<td>32</td>
</tr>
</tbody>
</table>

Source: Chamber of Commerce, Indian Technical Textile Association, TechSci Research

Notes: SME - Small and Medium Enterprises, E – Estimates;
Figures mentioned are as per latest data available.
HOME TEXTILE INDUSTRY – GAINING ON DEMAND FOR EXPORTS

- India’s home textile industry is expected to expand at a CAGR of 8.3 per cent during 2014–21 to USD8.2 billion in 2021 from USD4.7 billion in 2014.
- India accounts for 7 per cent of global home textiles trade. Superior quality makes companies in India a leader in the US & the UK, contributing two-third to their exports.
- Indian products has gained a significant market share in global home textiles in the past few years.
- The growth in the home textiles would be supported by growing household income, increasing population & growth of end use sectors like housing, hospitality, healthcare, etc.
- In 2016, Indian home textile industry is estimated at USD5.5 billion.

Source: Ministry of Textiles, Welspun Presentation, Technopak, TechSci Research
Note: E - Estimates
POLICY SUPPORT HAS BEEN A KEY INGREDIENT TO GROWTH

**Technology Up-gradation Fund Scheme (TUFS)**

- Investment was made to promote modernisation & up-gradation of the textile industry by providing credit at reduced rates
- US$0.23 billion has been allocated for ATUFS scheme for FY16-17, under Union Budget 2016-17

**National Textile Policy - 2000**

- Key areas of focus include technological upgrades, enhancement of productivity, product diversification & financing arrangements
- New draft for this policy ensures to employ 35 million by attracting foreign investments. It also focuses on establishing a modern apparel garment manufacturing centre in every North Eastern state for which Government has invested an amount of USD3.27 million

**Foreign Direct Investment**

- FDI of up to 100 per cent is allowed in the textile sector through the automatic route

**Scheme for Integrated Textiles Parks (SITP)**

- SITP was set up in 2005 to provide necessary infrastructure to new textile units; under SITP, 40 projects (worth USD678 million) have been sanctioned
- Out of these 40 projects, 27 have started production. 16 projects has been completed in November 2014. Government has invested a total of USD21.96 million for 21 new textile parks & the remaining 13 textile parks has been given the in-principle approval under SITP. In 2015, textile parks set up under the Scheme for Integrate Textile Park (SITP) attracted an investment of USD4.58 billion.

**Technical textile industry**

- Government of India has planned an increase in the fund outlay for technical textiles industry to more than USD117 million during the current 12th Five Year Plan (2012-17)
There are in total 55 SEZs pan India for textiles and apparel industry.

<table>
<thead>
<tr>
<th>Name of SEZ and status</th>
<th>State</th>
<th>Area (hectares)</th>
<th>Sector</th>
<th>Details</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mahindra City SEZ (Functional)</td>
<td>Tamil Nadu</td>
<td>607.1</td>
<td>Apparel &amp; fashion accessories</td>
<td>Mahindra City is India’s 1st integrated business city, divided into business &amp; lifestyle zones. It is a cluster of 3 sector specific SEZs in Tamil Nadu, for apparels &amp; fashion accessories; IT &amp; hardware; &amp; auto ancillary. The business zone provides plug-n-play working spaces. This zone comprises a SEZ (primarily for exporters) &amp; Domestic Tariff Area (DTA) for companies targeting domestic market</td>
</tr>
<tr>
<td>Surat Apparel Park (Functional)</td>
<td>Gujarat</td>
<td>56.0</td>
<td>Textiles</td>
<td>Key industrial units include Safari Exports, Venus Garments, Benchmark Clothings, P. K. International, Tormal Prints, J.R. Fashion &amp; Ganga Export</td>
</tr>
<tr>
<td>Brandix India Apparel City (BIAC) (Functional)</td>
<td>Andhra Pradesh</td>
<td>404.7</td>
<td>Textiles</td>
<td>BIAC is an integrated apparel supply chain city, managed by Brandix Lanka Ltd. It aims to be a end-to-end apparel solution provider</td>
</tr>
<tr>
<td>(KIADB) (Functional)</td>
<td>Karnataka</td>
<td>16,129.0</td>
<td>Several sectors</td>
<td>Karnataka Industrial Areas Development Board (KIADB) is a wholly owned infrastructure agency of Government of Karnataka. Till date, KIADB has formed 132 industrial areas spread all over the state</td>
</tr>
</tbody>
</table>

Source: SEZ India invest.com, TechSci Research
Notes: KIADB - Karnataka Industrial Areas Development Board, SEZ - Special Economic Zone
TEXTILES AND APPAREL

KEY TEXTILES AND APPAREL ZONES IN INDIA

- North: Kashmir, Ludhiana & Panipat account for 80 per cent of woollens in India
- East: Bihar for jute, parts of Uttar Pradesh for woollen & Bengal for cotton & jute industry
- West: Ahmedabad, Mumbai, Surat, Rajkot, Indore & Vadodara are the key places for cotton industry
- South: Tirpur, Coimbatore & Madurai for hosiery.
- Bengaluru, Mysore & Chennai for silk

Source: TechSci Research,
Note: 2011-12 As Per Latest Available Information

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M&A ACTIVITY UP IN THE SECTOR

* M&A activity in the sector has been picking up pace over the years.
* Some of the major M&A deals\(^{(1)}\) are listed below:

### Prominent M&A deals
Period: January 2000 to February 2017

<table>
<thead>
<tr>
<th>Date</th>
<th>Acquirer name</th>
<th>Target name</th>
<th>Deal size (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 2011</td>
<td>M C Spinners</td>
<td>Maxwell Industries</td>
<td>8.5</td>
</tr>
<tr>
<td>May 2012</td>
<td>Madura Garments</td>
<td>Pantaloons Retail</td>
<td>333.3</td>
</tr>
<tr>
<td>June 2012</td>
<td>Himachal Fibres</td>
<td>Balmukhi Textiles Pvt Ltd.</td>
<td>NA</td>
</tr>
<tr>
<td>July 2012</td>
<td>Grasim Industries</td>
<td>Terrace Bay Pulp</td>
<td>360.0</td>
</tr>
<tr>
<td>June 2014</td>
<td>Future Lifestyle Fashions Ltd</td>
<td>Unico Retail Pvt Ltd</td>
<td>NA</td>
</tr>
<tr>
<td>October 2014</td>
<td>Biba Apparels Pvt Ltd.</td>
<td>Anjuman Brand Designs Pvt Ltd</td>
<td>NA</td>
</tr>
<tr>
<td>May 2015</td>
<td>Oasis Procon Pvt Ltd.</td>
<td>Bombay Dyeing &amp; Manufacturing Company Ltd</td>
<td>37.67</td>
</tr>
<tr>
<td>NA</td>
<td>BR Machine Tools Pvt Ltd.</td>
<td>Bombay Rayon Fashions Ltd</td>
<td>721.1</td>
</tr>
<tr>
<td>March 2016</td>
<td>Sutlej Textiles &amp; Industries Ltd</td>
<td>Birla Textile Mills</td>
<td>NA</td>
</tr>
<tr>
<td>January 2017</td>
<td>Soch</td>
<td>L Catterton, Westbridge &amp; CX Partners</td>
<td>200</td>
</tr>
<tr>
<td>February 2017</td>
<td>Saks &amp; Company</td>
<td>Aditya Birla Group</td>
<td>NA</td>
</tr>
<tr>
<td>April 2017</td>
<td>Myntra</td>
<td>InLogg</td>
<td>NA</td>
</tr>
</tbody>
</table>

\(^{(1)}\) The value for 290 deals were not disclosed.

Source: “M&A,” Thompson ONE Banker, Grant Thornton, CMIE, TechSci Research; Note: (1) The value for 290 deals were not disclosed.

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FOREIGN INVESTMENTS FLOWING INTO THE SECTOR

* 100 per cent FDI is approved in the sector

* Indian textile industry experienced noticeable growth in FY17, as FDI in the sector increased to USD2416.21 million in FY17 from USD1852.47 million in FY16

* During FY10-17, FDI in textiles & apparel industry grew at a CAGR of 16.7 per cent

* The textiles industry in India is experiencing a significant increase in collaboration between global majors & domestic companies

* International apparel giants, such as Hugo Boss, Liz Claiborne, Diesel & Kanz, have already started operations in India

Trends of FDI in Textile Industry (USD million)

Source: Ministry of Commerce and Industry, DIPP, TechSci Research

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TEXTILES AND APPAREL

OPPORTUNITIES … (1/2)

Immense growth potential

• The Indian textile industry is set for strong growth, buoyed by both strong domestic consumption as well as export demand
• The sector is expected to reach USD226 billion by FY2023
• Population is expected to reach to 1.34 billion by FY2019
• Urbanisation is expected to support higher growth due to change in fashion & trends

Private sector participation in silk production

• The Central Silk Board sets targets for raw silk production & encourages farmers & private players to grow silk
• To achieve these targets, alliances with the private sector, especially major agro-based industries in pre-cocoon & post-cocoon segments has been encouraged

Proposed FDI in multi-brand retail

• For the textile industry, the proposed hike in FDI limit in multi-brand retail will bring in more players, thereby providing more options to consumers
• It will also bring in greater investments along the entire value chain – from agricultural production to final manufactured goods
• With global retail brands assured of a domestic foothold, outsourcing will also rise significantly
TEXTILES AND APPAREL

OPPORTUNITIES ... (2/2)

Retail sector offers growth potential

- With consumerism & disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with several international players like Marks & Spencer, Guess & Next having entered Indian market

- The organised apparel segment is expected to grow at a Compound Annual Growth Rate of more than 13 per cent over a 10-year period

- India & Bangladesh plans to increase their cooperation in order to increase promote the investment & trade of jute & fabrics

- Future Group plans to expand with 80 stores in order to reach the target sales of 80 million units. This would add to their portfolio of 300 stores spread across the country

Centers of Excellence (CoE) for research and technical training

- The CoEs are aimed at creating testing & evaluation facilities as well as developing resource centres & training facilities

- Existing 4 CoEs, BTRA for Geotech, SITRA for Meditech, NITRA for Protech & SASMIRA for Agrotech, would be upgraded in terms of development of incubation centre & support for development of prototypes

- Fund support would be provided for appointing experts to develop these facilities

Foreign investments

- The government is taking initiatives to attract foreign investments in the textile sector through promotional visits to countries such as Japan, Germany, Italy & France

- According to the new Draft of the National Textile Policy, the government is planning to attract foreign investments thereby creating employment opportunities to 35 million people

- FDI inflows in textiles sector, inclusive of dyed & printed textile, stood at USD2.41 billion from April 2000 to December 2016

Notes: BTRA - The Bombay Textile Research Association, SITRA - South India Textile Research Association, NITRA - Northern India Textile Research Association, SASMIRA - Synthetic & Art Silk Mills Research Association
SUCCESS STORIES

TEXTILES AND APPAREL
RAYMOND: A LONG JOURNEY OF SUCCESS

1925: Vertical integration in multi-fibres
1964: Organic growth in textiles
1964: Capacity of 40 MM -1996
1980: Transformed into industrial conglomerate
FY08: USD595 million turnover
FY16: USD854.7 million turnover
FY16: USD854.7 million turnover
Acquisition of ColorPlus - 2002
JV with GAS in India - 2007
Launch of the Makers brand - 2011
In 2016, Raymond invested USD68.74 million for a new textile unit, having an annual production capacity of 20 million metres of cotton fabric
On December 06, 2016, Raymond & KVIC joined together to introduce a new clothing line, under the brand name of ‘Khadi’

Notes: JV - Joint Venture, MM - Million Meters, KVIC - Khadi and Village Industries Commission
Source: Company Presentation, TechSci Research
For updated information, please visit www.ibef.org
ALOK INDUSTRIES: INTEGRATED TEXTILE SOLUTIONS

- **Polyester yarn**
- **Home textile**
- **Garments - woven & knitted**
- **Embroidery**
- **Apparel fabric**
- **Cotton and blended yarn**

**1986**
- Organic growth in textiles

**1988**
- 1995 (1)
  - Financial and technical collaboration through JV

**1992**
- Acquisition of QS to gain retail holding in the UK - 2007

**1993**
- Focus on specialty fabrics; plans to enter in technical textiles

**1995**
- JV with NTC - 2008

**1998**
- Tie-ups With Global Retail Giants

**2003**
- FY05 USD272 million turnover

**2007**
- 2007 ISO 9001, 2000 & 3 other international accreditations

**2008**
- FY16 (1)
  - ~USD1.51 billion turnover

**2009**
- FY05 USD272 million turnover

Notes: NTC - National Textile Corporation (1) In 1995 Alok industries had set up financial and technical collaboration with Grabal, Albert Grabher GmbH & Co of Austria to make embroidered products through a joint venture company, Grabal Alok Impex Ltd; (1) - Data is for nine months ended December 2015

Source: Company Annual Reports and Presentation, TechSci Research
Welspun India was incorporated in 1985, with presence in more than 50 countries. The company is the world leader in a range of home textiles products.

**Growth strategy**
- **Global brand**
- **Focus on innovation**
- **Wide distribution network**
- **Focused approach on home textiles**
- **Association with top brands and clients**

**Terry towels**
- Capacity – 60,000 MT/Year
- Location - Anjar/Vapi
- Capacity utilisation - 102%

**Bed linen products**
- Capacity – 72 million metre/Year
- Location - Anjar
- Capacity utilisation - 97%

**Rugs**
- Capacity – 8,000 MT/Year
- Location - Vapi
- Capacity utilisation - 58%
WELSPUN INDIA: WORLD’S LARGEST HOME TEXTILE COMPANY … (2/2)

- Welspun ranked 1st in home textile supplies to US in FY16 by Home & Textiles Today, a leading industry magazine
- During FY10-16, revenue of Welspun increased at a CAGR of 10.8 per cent, in USD terms
- During FY10-16, EBITDA of Welspun increased at a CAGR of 21.8 per cent, in USD terms

**Revenue (USD million)**

<table>
<thead>
<tr>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>495</td>
<td>537</td>
<td>612</td>
<td>672</td>
<td>725</td>
<td>880</td>
<td>913.5</td>
</tr>
</tbody>
</table>

CAGR: 10.8%

**EBITDA (USD million)**

<table>
<thead>
<tr>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
</tr>
</thead>
<tbody>
<tr>
<td>77</td>
<td>65</td>
<td>100</td>
<td>118.54</td>
<td>170.09</td>
<td>227.12</td>
<td>251.91</td>
</tr>
</tbody>
</table>

CAGR: 21.8%

Source: Company Presentation, TechSci Research
Note: EBITDA - Earnings Before Interest, Taxes, Depreciation and Amortization

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**TEXTILES AND APPAREL**

**TIRUPUR: TEXTILES HUB OF INDIA**

- The city has more than 5000 garment manufacturing & job work units & is one of the most organised processing & finishing garment clusters in India
- Its hosiery hub became the 1st textile cluster in India to comply with zero liquid discharge guidelines

- The textiles industry in Tirupur contributes about 80 per cent to India’s hosiery exports & around 3 per cent to total export trade
- Exports from Tirupur increased at a CAGR of 8.4 per cent from USD1.4 billion in FY05 to USD3.4 billion in FY16
- Exports are expected to reach USD6.5 billion by 2018
- The city, Tirupur, plans to overtake Bangladesh, China in apparel exports in future
- The Government of India granted the city the status of Town of Export Excellence
- To diversify from cotton, firms in Tirupur is evaluating the process to manufacture swim wear & sports wear

---

**Exports from Tirupur (USD billion)**

<table>
<thead>
<tr>
<th>FY</th>
<th>1.4</th>
<th>1.9</th>
<th>2.4</th>
<th>2.5</th>
<th>2.5</th>
<th>2.7</th>
<th>2.6</th>
<th>2.4</th>
<th>3.0</th>
<th>3.4</th>
<th>3.4</th>
<th>5.9</th>
<th>6.5</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY05</td>
<td>FY06</td>
<td>FY07</td>
<td>FY08</td>
<td>FY09</td>
<td>FY10</td>
<td>FY11</td>
<td>FY12</td>
<td>FY13</td>
<td>FY14</td>
<td>FY15</td>
<td>FY16</td>
<td>FY17E</td>
<td>FY18E</td>
</tr>
</tbody>
</table>

Source: News articles, TechSci Research  
Note: E-Estimate
The Textile Association (India) (TAI)
72-A, Santosh, Dr M B Raut Road, Shivaji Park, Dadar,
Mumbai- 400 028
Telefax: 91 22 24461145
Website: www.textileassociationindia.org

The South India Textile Research Association (SITRA)
13/37, Avanashi Road, Coimbatore - 641 014, Tamil Nadu
Phone: 91 422 2574367, 6544188, 4215333
Fax: 91 422 2571896, 4215300
E-mail: sitraindia@dataone.in
Website: www.sitra.org.in

Northern India Textile Mills’ Association (NITMA)
121, Gagandeep Building (First Floor), 12, Rajendra Palace,
New Delhi- 110 008
E-mail: nitma@vsnl.net, nitma@airtelmail.in
Website: www.nitma.org
GLOSSARY … (1/2)

*BTRA*: Bombay Textile Research Association

*CAGR*: Compound Annual Growth Rate

*FDI*: Foreign Direct Investment

*FY*: Indian Financial Year (April to March)

*GOI*: Government of India

*INR*: Indian Rupee

*NITRA*: Northern India Textile Research Association

*NTC*: National Textiles Corporation

*NTP*: National Textile Policy

*SASMIRA*: Synthetic & Art Silk Mills Research Association

*SEZ*: Special Economic Zone

*SITP*: Scheme for Integrated Textile Park
**GLOSSARY … (2/2)**

- **SITRA**: South India Textile Research Association
- **TUFS**: Technology Upgradation Fund Scheme
- **TMC**: Technology Mission on Cotton
- **USD**: US Dollar

Wherever applicable, numbers have been rounded off to the nearest whole number.
### EXCHANGE RATES

#### Exchange rates (Fiscal Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004–05</td>
<td>44.81</td>
</tr>
<tr>
<td>2005–06</td>
<td>44.14</td>
</tr>
<tr>
<td>2006–07</td>
<td>45.14</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.27</td>
</tr>
<tr>
<td>2008–09</td>
<td>46.14</td>
</tr>
<tr>
<td>2009–10</td>
<td>47.42</td>
</tr>
<tr>
<td>2010–11</td>
<td>45.62</td>
</tr>
<tr>
<td>2011–12</td>
<td>46.88</td>
</tr>
<tr>
<td>2012–13</td>
<td>54.31</td>
</tr>
<tr>
<td>2013–14</td>
<td>60.28</td>
</tr>
<tr>
<td>2014–15</td>
<td>61.06</td>
</tr>
<tr>
<td>2015–16</td>
<td>65.46</td>
</tr>
<tr>
<td>2016-2017E</td>
<td>66.95</td>
</tr>
</tbody>
</table>

#### Exchange rates (Calendar Year)

<table>
<thead>
<tr>
<th>Year</th>
<th>INR equivalent of one USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>43.98</td>
</tr>
<tr>
<td>2006</td>
<td>45.18</td>
</tr>
<tr>
<td>2007</td>
<td>41.34</td>
</tr>
<tr>
<td>2008</td>
<td>43.62</td>
</tr>
<tr>
<td>2009</td>
<td>48.42</td>
</tr>
<tr>
<td>2010</td>
<td>45.72</td>
</tr>
<tr>
<td>2011</td>
<td>46.85</td>
</tr>
<tr>
<td>2012</td>
<td>53.46</td>
</tr>
<tr>
<td>2013</td>
<td>58.44</td>
</tr>
<tr>
<td>2014</td>
<td>61.03</td>
</tr>
<tr>
<td>2015</td>
<td>64.15</td>
</tr>
<tr>
<td>2016 (Expected)</td>
<td>67.22</td>
</tr>
</tbody>
</table>

Source: Reserve bank of India, Average for the year

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