

# TEXTILES AND APPAREL



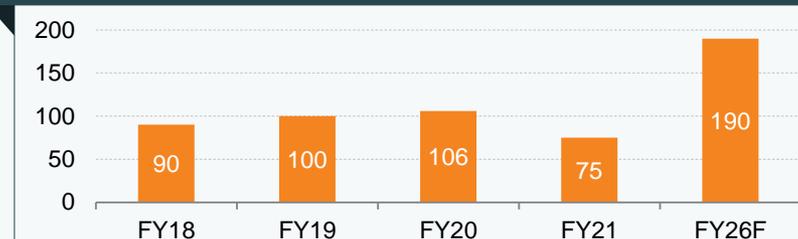
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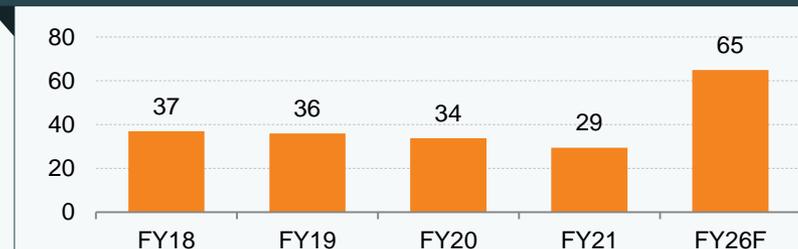
# Executive summary

- India is the world's second-largest producer of textiles and garments. It is also the fifth-largest exporter of textiles spanning apparel, home and technical products.
- The textiles and apparel industry contributes 2.3% to the country's GDP, 13% to industrial production and 12% to exports.
- The textile industry has around 45 million of workers employed in textiles sector, including 3.5 million handloom workers.
- India's textile and apparel exports stood at US\$ 33.80 billion in FY20. COVID-19 has impacted the Indian textile and apparel exports and the total exports is expected to reach US\$ 65 by FY26.
- The Indian textile and apparel industry is expected to grow to US\$ 190 billion by FY26.
- The Indian apparel market was US\$ 40 billion in 2020 and is expected to reach US\$ 135 billion by 2025.
- India is working on major initiatives to boost its technical textile industry. Owing to the pandemic, the demand for technical textiles in the form of PPE suits and equipment is on the rise. The government is supporting the sector through funding and machinery sponsoring.
- In January 2021, the Indian Texpreneurs' Federation (ITF) suggested a six-pronged strategy to achieve double-digit growth in the textiles and apparel sector. ITF published the strategy under the theme '2021-A year of progress for Indian Textile & Apparel Sector'.

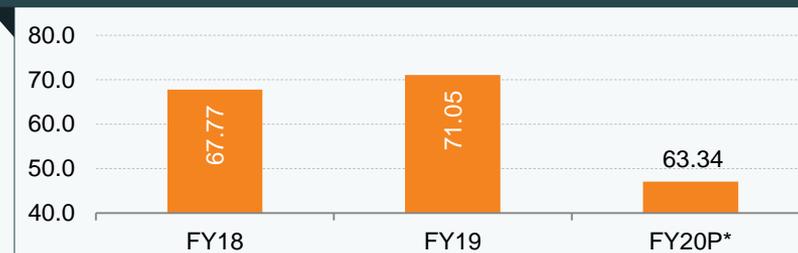
**Domestic textile and apparel industry in India (US\$ billion)**



**Textiles and apparel exports from India (US\$ billion)**



**Total cloth production in India (billion square meters)**



*Notes: F - Forecast, P - Provisional, \* - Until January 2020*

*Source: Ministry of Textiles, Make in India, Technopak, Annual Report on Indian textile and Apparel industry- Wazir Advisors*



# Advantage India

## 1. Competitive Advantage

- ▶ Abundant availability of raw materials such as cotton, wool, silk and jute.
- ▶ India enjoys a comparative advantage in terms of skilled manpower and in cost of production relative to major textile producers.
- ▶ In March 2021, Minister of Textiles Smriti Irani announced that India will be fully self-reliant in silk production in the next two years.

## 2. Policy Support

- ▶ 100% FDI (automatic route) is allowed in the Indian textile sector.
- ▶ Under Union Budget 2020-21, a National Technical Textiles Mission is proposed for a period from 2020-21 to 2023-24 at an estimated outlay of Rs. 1,480 crore (US\$ 211.76 million).
- ▶ Production-linked Incentive (PLI) Scheme worth Rs. 10,683 crore (US\$ 1.44 billion) for manmade fibre and technical textiles over a five-year period.
- ▶ To support the handloom and handicrafts sector, the government has taken steps to onboard weavers/artisans on Government e-Marketplace (GeM), provide a wider market and enable them to sell their products directly to various government departments and organisations.



## 4. Robust Demand

- ▶ Increased penetration of organised retail, favourable demographics and rising income level will drive demand for textiles.
- ▶ The Indian technical textiles market is expected to expand to US\$ 23.3 billion by 2027, driven by increased awareness of goods and higher disposable incomes.
- ▶ Additionally, the pandemic has led to increased demand for technical textiles in the form of PPE suits and equipment. The government is supporting
- ▶ The sector through funding and machinery sponsoring.

## 3. Increasing Investments

- ▶ In order to attract private equity (PE) and employee more people, Government introduced various scheme such as Scheme for Integrated Textile Parks (SITP), Technology Upgradation Fund Scheme (TUFS) and Mega Integrated Textile Region and Apparel (MITRA) Park scheme.
- ▶ Industrial Entrepreneur Memorandum (IEMS) filed in textiles industry stood at 15 of worth Rs. 1,241 crore (US\$ 176.05 million) in January 2020.



# Evolution of the Indian textile sector



- 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
  - In 1999, TUFS was set up to provide easy access to capital for technological up gradation
  - 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
- 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 US\$ 420.65 Million
- Make in India campaign was launched to attract manufacturers and FDI
  - Technology Mission for Technical Textile has been continued
  - Under Union Budget 2021-22, the Government of India allocated ~Rs. 3,631.64 crore (US\$ 497.70 million) to the Ministry of Textiles
  - The Mega Integrated Textile Region and Apparel (MITRA) Park' scheme was launched to establish seven textile parks with state-of-the-art infrastructure, common utilities and R&D lab over a three-year period.

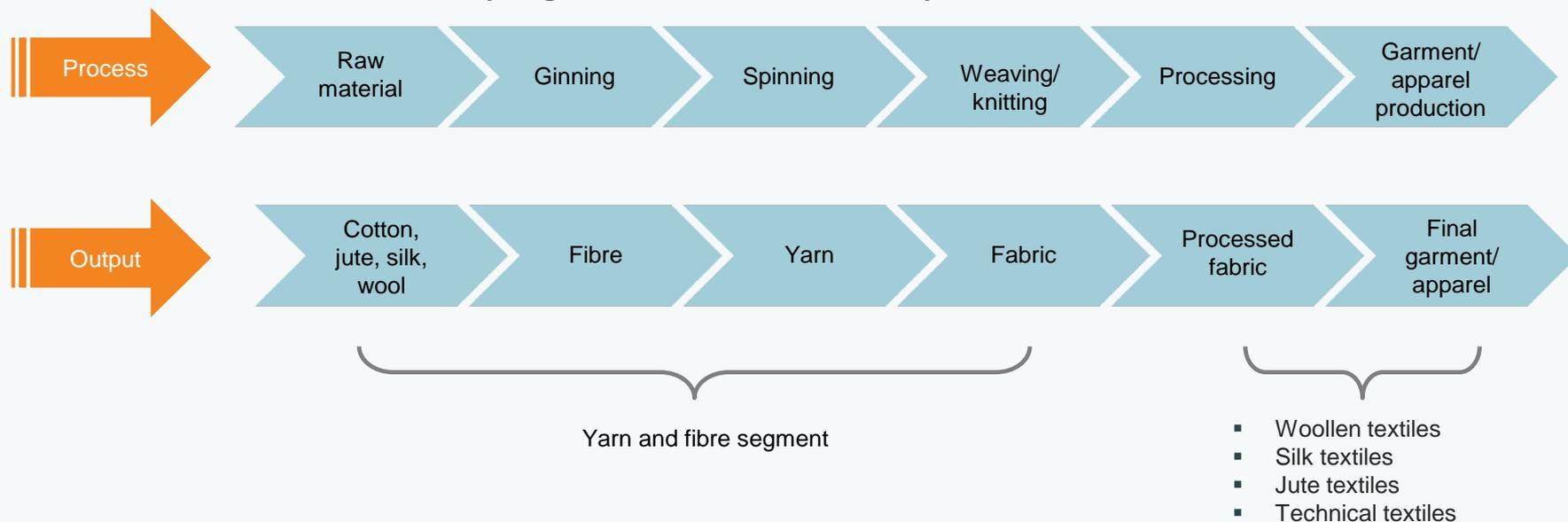
**Note:** NTP - National Textile Policy; ASEAN - Association of Southeast Asian Nations, TUFS - Technology Upgradation Fund Scheme; TMC Technology Mission on Cotton, EU - European Union

**Source:** Union Budget 2021-22, News Articles

# Key facts

- 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 and wool to synthetic / man-made fibres like polyester, viscose, nylon and acrylic.
- India's textiles industry contributed 7% to the industry output (by value) in 2018-19.
- The Indian textiles and apparel industry contributed 2% to the GDP, 12% to export earnings and held 5% of the global trade in textiles and apparel in 2018-19.

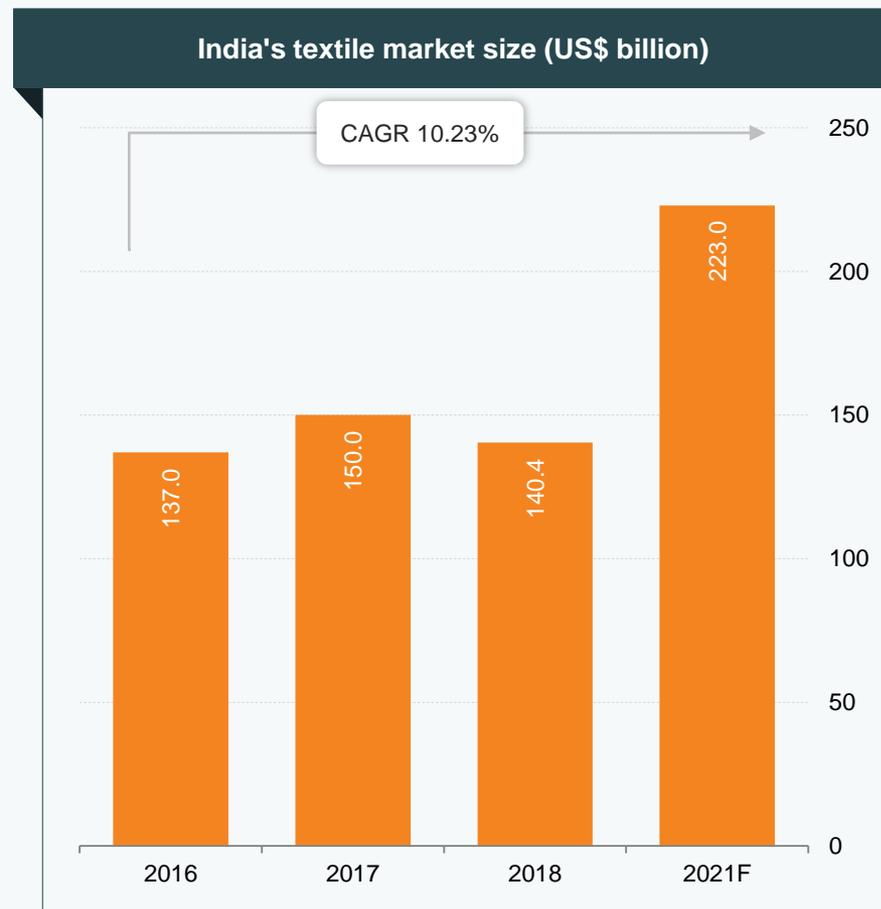
## Key segments of the textile industry



Source: Textile Ministry, Make in India

# The sector has been posting strong growth over the years

- The size of India's textile market is expected to touch US\$ 223 billion by 2021, growing at a CAGR of 10.23% over 2016.
- Indian apparel market is expected to reach US\$ 85 billion by 2021.
- The new textile policy aims to create an additional 35 million jobs. By 2022, the Indian textile sector will require additional 17 million workforce.
- In April 2021, Union Minister Smriti Irani has assured strong support from the Textile Ministry to reduce the industry's dependence on imported machine tools by partnering with engineering organisations for machinery production.
- She also stated that the PLI scheme for the textile industry is almost ready. The scheme aims to develop Man Made Fibre (MMF) apparel and technical textiles industry by providing incentive from 3% to 15% on stipulated incremental turnover for five years.

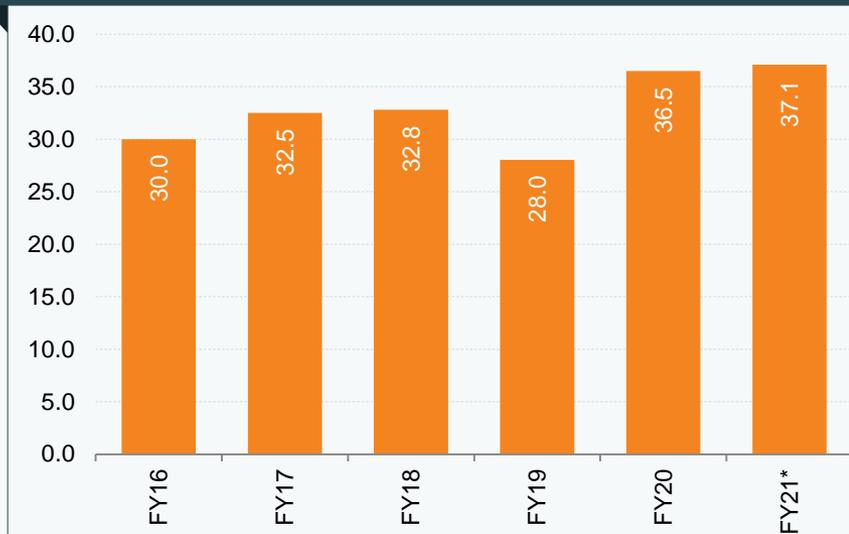


*Note: F - Forecasted*

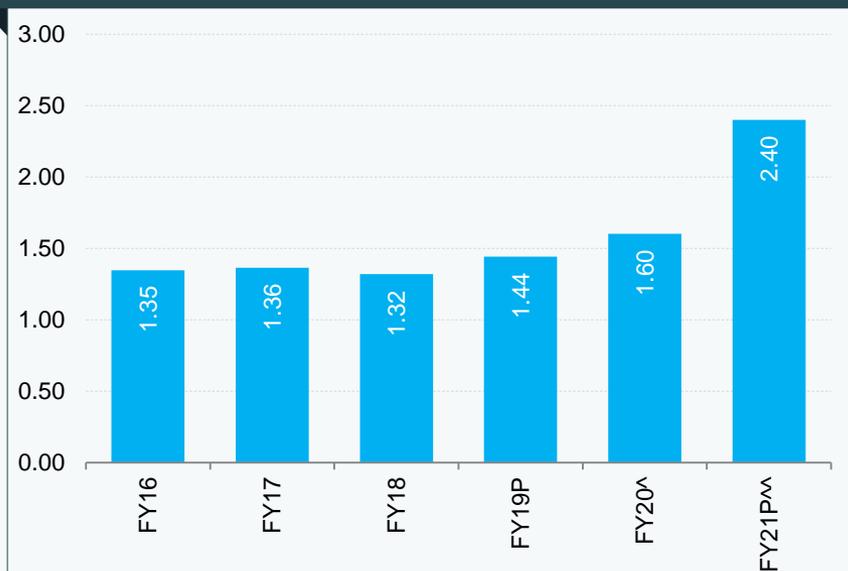
*Source: Make in India, News Articles, Ministry of Textiles*

# Raw cotton and man-made fibre production increasing

Production of cotton (million bales)



Production of fibre (million tonnes)



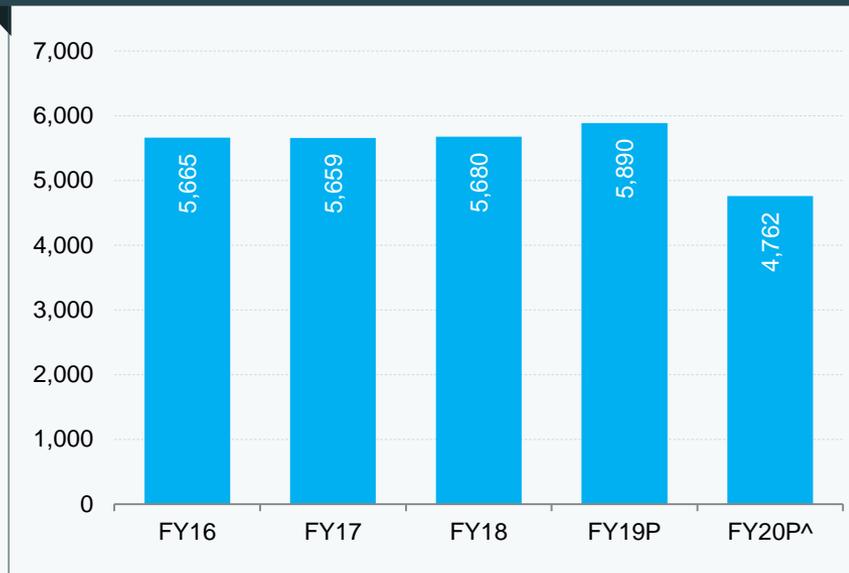
- India is the world's largest producer of cotton. Production grew from 30.0 million bales in FY16 to 37.10 million bales in FY21\*.
- Cotton consumption is expected to reach 114 million bales in FY21—13% growth over the previous year.
- Cotton and fibres are the two major segments in this category. Production of man-made fibre has also been on an upward trend.
- In FY19, the production of fibre in India stood at 1.44 million tonnes, which reached 2.40 million tonnes in FY21 (until January 2021).
- In CY2020, Cotton Corporation of India made a record procurement of ~ 151 lakh bales under MSP operations, which is ~ 290% higher than 38.43 lakh bales procured during the corresponding period last year.

**Note:** P - Provisional, ^ - April 2019-January 2020, ^^ - April 2020-January 2021, \*- Until January 2021

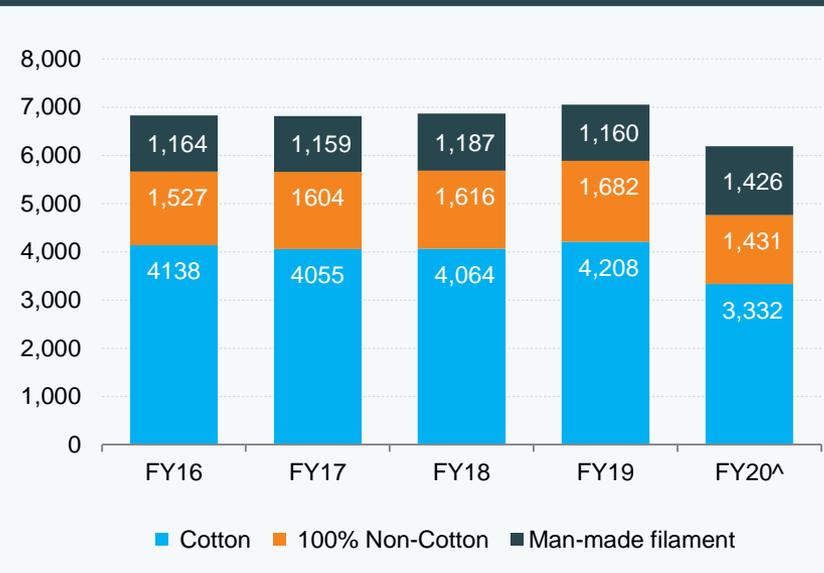
**Source:** The Cotton Corporation of India Ltd, BusinessLine, Department of Agriculture Cooperation & Farmers Welfare

# Cotton is the major segment in yarn and fabric

Production of yarn (million kgs)



Yarn Production (million square metre)

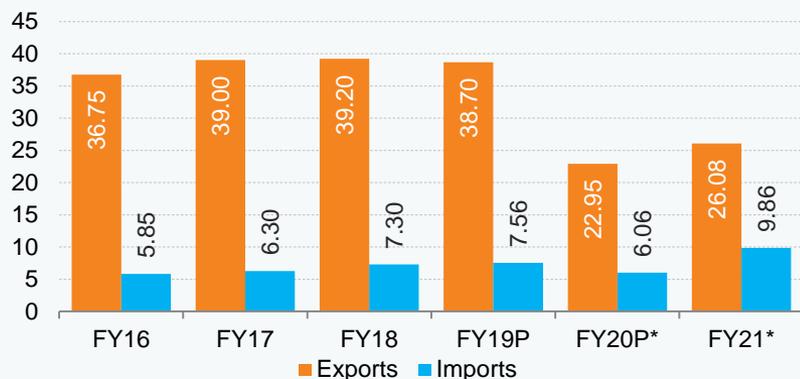


- Production of yarn grew to 5,890 million kgs in FY19 from 5,665 million kgs in FY16.
- Cotton yarn, a major segment in FY20^, accounted for more than 54% share in yarn production.
- In March 2021, Natco Pharma announced its expansion into pheromone-based technology in order to provide Indian farmers with an integrated pest control solution. The company is planning to introduce its first green-label pheromone product to control 'pink bollworm' in cotton fields. For the pheromone-based mating disruption technology, its Crop Health Science (CHS) division will collaborate with ATGC Biotech Pvt. Ltd. (ATGC).

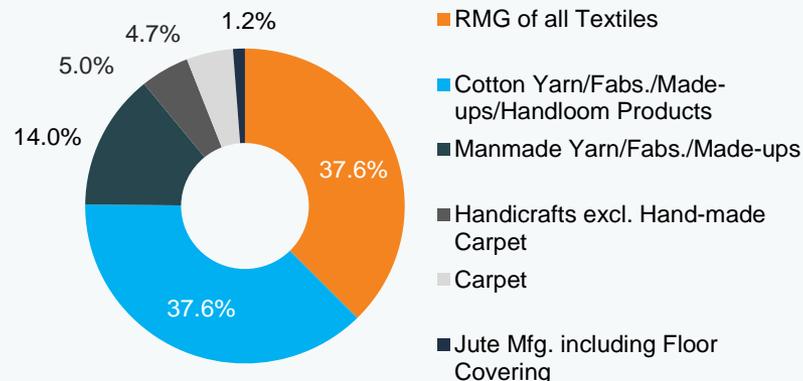
*Note: P - Provisional, ^ - Until January 2020*  
*Source: Ministry of Textiles*

# Export have posted strong growth over the years

India's textile trade (US\$ billion)



Shares in India's textile export (May 2021)



- Export have been a core feature of India's textile and apparel sector, a fact corroborated by trade figures.
- Exports of textiles (RMG of all textiles, cotton yarn/fabs./made-ups/handloom products, man-made yarn/fabs./made-ups, handicrafts excl. handmade carpets, carpets and jute mfg. including floor coverings) stood at US\$ 2.94 billion, as of May 2021.
- In April 2021, RSWM Limited, flagship company of the US\$ 1.2 billion LNJ Bhilwara Group, has been recognised for achieving the highest textile export turnover in 2020 by the Ministry of Industries & CSR, Government of Rajasthan.

Textile Commodities Exports in India (May 2021)

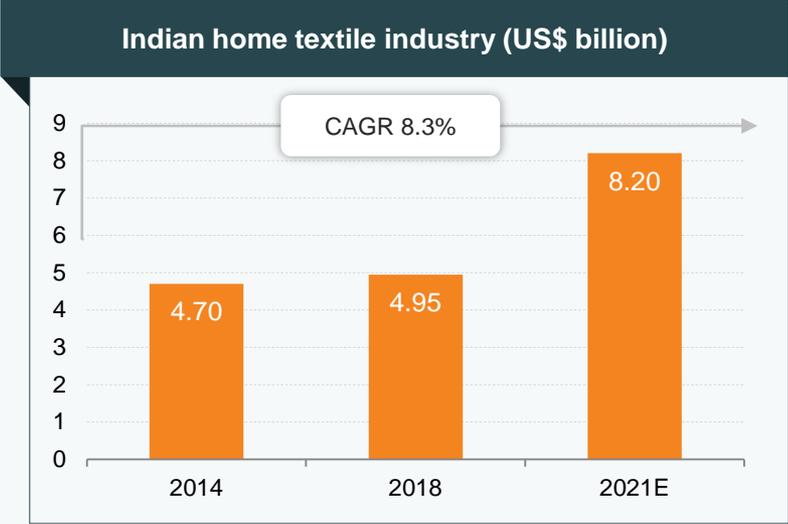
Commodities	Value (US\$ million)
RMG of all Textiles	1106.69
Cotton Yarn/Fabs./Made-ups/ Handloom Products	1106.10
Manmade Yarn/Fabs./Made-ups	411.00
Handicrafts excl. Hand-made Carpet	146.10
Carpet	138.95
Jute Mfg. including Floor Covering	35.38

**Note:** P - Provisional, \* - Until November 2019, RMG – Readymade Garments ; \*\*Until February 2021, imports include textile yarn fabric and made-up articles; Exports include RMG of all textiles, cotton yarn/fabs./made-ups/handloom products, man-made yarn/fabs./made-ups, handicrafts excl. handmade carpets, carpets, jute mfg. including floor coverings

**Source:** Ministry of Textiles

# Home textile sector – racing on favourable economic conditions

- India's home textile industry is expected to expand at a CAGR of 8.3% during 2014-21 and reach US\$ 8.2 billion in 2021 from US\$ 4.7 billion in 2014.
- India accounts for 7% of the global home textiles trade. Superior quality makes companies in India a leader in export - almost two-third of India's export of textiles is to US and UK.
- The growth in the home textiles would be supported by growing household income, increasing population and growth of end use sectors like housing, hospitality, healthcare, etc.
- Indian textile players have undertaken various initiatives to boost textile sales
  - In March 2021, BRFL Textiles Private Limited (BTPL) increased its workforce from 1,300 to >2,000 employees, within two months of raising private equity funding. The company plans to achieve an annual production capacity of 144 million metres (400,000 metres per day).
  - In April 2021, SGS, the world's leading inspection, verification, testing and certification company opened its new textiles and jute testing laboratory in Kolkata, West Bengal.
  - In April 2021, Bella Casa Fashion & Retail Ltd. (BCFRL), announced that it is expanding the two existing plants and adding one new facility to offer employment opportunities to 1,000 people. The expansion would involve a total investment of Rs. 65 crore (US\$ 8.63 million).



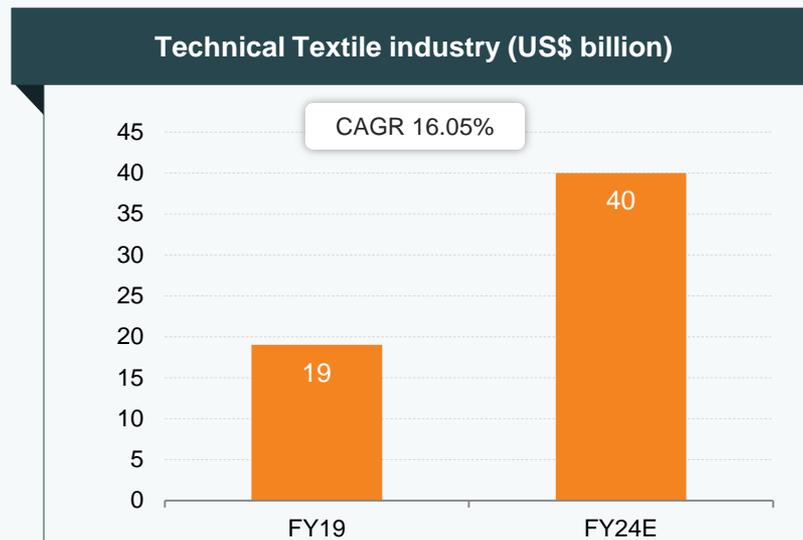
- In March 2021, GHCL, an Indian leading chemical & textile company, launched fashion bedding and top of the bed (ToB) line. The beddings are made using sustainable materials such as eco cotton, eco corn cotton, decomposable CVC fabrics and vegetable dyes.
- In May 2021, Indo Count Industries Ltd. (ICIL), announced an investment of Rs. 200 crore (US\$ 26.9 million) to expand its production capacity.

*Note: E - Estimates*  
*Source: Ministry of Textiles, Welspun Presentation*

# Technical textile industry - a new arena of growth

- Technical textile industries major service offerings include thermal protection and blood-absorbing materials, seatbelts and adhesive tapes.
- India is expected to be a key growth market for the technical textile sector due to cost-effectiveness, durability and versatility of textiles.
- The Government has assigned 207 Harmonized System Nomenclature (HSN) to promote India's technical textile industry.
- The industry, supported by various flagship schemes initiated by the Government, is forecast to grow 20% y-o-y and is expected to reach Rs. 200,823 crore (US\$ 29.96 billion) by FY21.
- As of 2019, 348 technical textiles products were developed according to Bureau of Indian Standards (BIS).
- Government introduced six additional courses for technical textiles in its skill development programme called Samarth.
- In April, while addressing a webinar organised by the Swarajya Magazine in association with Vedanta Resources, Union Textiles Minister Smriti Zubin Irani outlined her vision for India's technical textiles industry under the Atmanirbhar Bharat Abhiyan.
  - The minister applauded the government for supporting the Indian textile manufacturers in making end-to-end PPE suits by installing the necessary machinery and creating labs.
- Healthcare and infrastructure sectors are major drivers of the technical textile industry. The Indian defense sector has also expressed support towards the Indian technical textile sector.

**Note:** SME - Small and Medium Enterprises, E - Estimates; Figures mentioned are as per latest data available  
**Source:** Chamber of Commerce, Indian Technical Textile Association, Baseline Survey



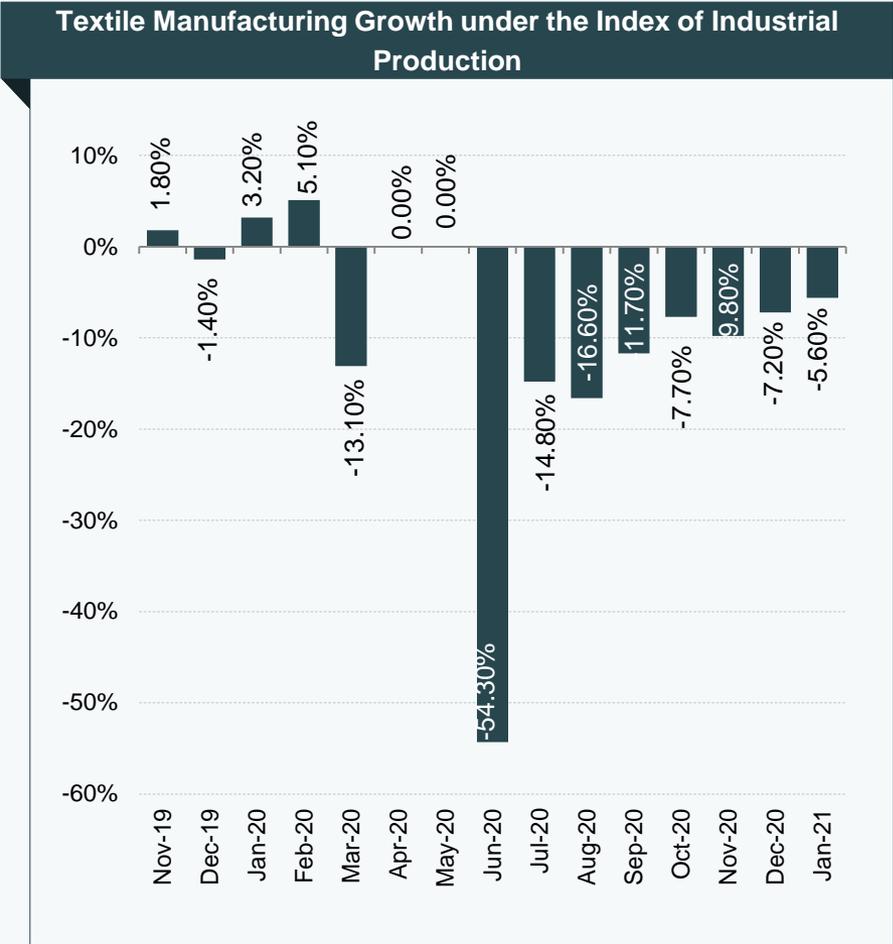
- In March 2021, while addressing the 9th edition of TECHNOTEX 2021 organized by FICCI, General Bipin Rawat, the Chief of Defence Staff, appreciated innovations in the Indian technical textile and stated that the armed forces will reduce imports and procure technical textiles from Indian industries as a part of the Atmanirbhar Bharat initiative.
- The production-linked incentive (PLI) scheme for man-made fibre and technical textiles will help boost manufacturing, increase exports and attract investments into the sector.

# Recent Trends and Strategies



# Steady recovery in textile manufacturing is likely to aid growth

- Textile manufacturing in India has been steadily recovering amid the pandemic.
- The size of India’s textile industry is expected to touch US\$ 223 billion market by 2021.
- The seven mega textile parks announced in the budget should attract investments.
- While the government is working towards upliftment of technical and MMF textile companies by upscaling its infrastructure, it is also interesting to note that textile will be added to the educational curriculum in the near future.
  - In April 2021, India's ministry of textiles announced that the National Institute of Fashion Technology (NIFT) will work towards introducing technical textiles as an academic subject in the near future.
- The pandemic brought some opportunities for the sector due to rise in PPE products. Union Minister Smriti Irani has pointed out that about 1,100 companies make PPEs in India now compared with none before the pandemic.



*Note: Index of Industrial Production (IIP) is a composite indicator of the changes in the volume of production in a chosen base period (say 2011-2012).  
Source: Ministry of Statistics and Program Implementation*

# Notable trends in the Textiles sector... (1/4)

## 1

### Textile Parks

- Since 2014, 59 textile park projects have been sanctioned under SITP and PPP with 40% Government assistance of up to Rs. 40 crore (US\$ 6 million). 22 textile parks out of these have been operational as of December 2019.
- Under Union Budget 2021-22, Finance Minister Nirmala Sitharaman launched a 'Mega Integrated Textile Region and Apparel (MITRA) Park' scheme to establish seven textile parks with state-of-the-art infrastructure, common utilities and R&D lab over a three-year period.
  - Under Union Budget 2021-22, the Telangana government has been allocated funds for setting up the Kakatiya Mega Textile Park (KMTP) at an estimated cost of Rs. 1,552 crore (US\$ 212 million).
  - In March 2021, the Gujrat government announced to set up two mega textile parks to enable forward and backward integration in the sector. In the same month, the state-run Odisha Industrial Infrastructure Development Corporation (IDCO) and Indian Oil Corporation Limited (IOCL) signed an MoU to establish a plastic park in Paradip, Odisha.

## 2

### Incubation in apparel manufacturing

- The objective here has been to promote entrepreneurs in apparel manufacturing by providing them an integrated workspace and reducing operational and financial cost for establishing and growing a new business.
- As of July 2019, three projects were sanctioned by the Government, one each in Madhya Pradesh, Odisha and Haryana.

## 3

### Technical textiles

- Increased awareness of goods, higher disposable incomes, changing customer patterns and some sector-specific growth drivers are estimated to bolster the Indian technical textiles market to US\$ 23.3 billion in 2027, up from US\$ 14 billion in 2020 in Asia-Pacific.
- The technical textiles market for automotive textiles is projected to increase to US\$ 3.7 billion by 2027, from US\$ 2.4 billion in 2020. Similarly, the industrial textiles market is likely to increase at an 8% CAGR from US\$ 2 billion in 2020 to US\$ 3.3 billion in 2027.

## Notable trends in the Textiles sector... (2/4)

### 4

#### Public Private Partnership (PPP)

- The Ministry of Textiles commenced an initiative to establish institutes under PPP to encourage private sector participation in the development of the industry.

### 5

#### Promotion of khadi

- In January 2021, the Indo-Tibetan Border Police (ITBP) signed an MoU with Khadi and Village Industries Commission (KVIC) for supplying 1.72 lakh cotton khadi durries every year for the Central Armed Police Forces (CAPF).
- On August 10, 2020, KVIC inaugurated the first of its kind Training cum Production Center of Silk in the tribal village of Chullyu in Arunachal Pradesh
- In June 2021, KVIC recorded a 7.71% growth in gross annual turnover to Rs. 95,741.74 crore (US\$ 12.85 billion) from Rs. 88,887 crore (US\$ 11.93 billion) in FY20.

### 6

#### 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 and deodorants.
- In October 2020, Aditya Birla Fashion and Retail Limited approved issuance of equity shares on a preferential basis to Flipkart Investments Private Limited aggregating to Rs. 1500 crore (US\$ 203.66 million). The company also entered into a commercial agreement in relation to the sale and distribution of its various brands.
- In May 2020, the Ministry of Textiles urged textile entrepreneurs to reorient themselves and diversify their manufacturing skills to suit the global demand amid the coronavirus pandemic

*Source: Annual Reports, Company Presentations, News Articles*

# Notable trends in the Textiles sector... (3/4)

## 7

### R&D

- Defence Research and Development Organisation (DRDO) is helping the Indian textile industry to produce yarns and eliminate dependence on import of Chinese and other foreign clothing for military uniforms.
- On February 04, 2021, the South India Textile Research Association (SITRA) inaugurated a laboratory at the South India Spinners' Association (SISPA), in Coimbatore, to test cotton and yarn.

## 8

### Focus on high growth domestic markets

- In 2019, Synthetic and Rayon Textile Export Promotion Council (SRTEPC) organised a roadshow in collaboration with the Indian Mission.
- The Government of India has increased the basic custom duty to 20% from 10% on 501 textile products to boost Make in India and indigenous production.
- Gorakhpur is on track to become a major garment manufacturing centre, boosting the economy in eastern Uttar Pradesh. The Gorakhpur Industrial Development Authority (GIDA) will provide four acres of land for construction of a flattened factory and will enable accessible to entrepreneurs.

## 9

### Focus on backward integration

- On July 17, 2020, Khadi and Village Industries Commission (KVIC) inaugurated the first-of-its-kind footwear training center in Delhi to train the marginalized community of leather artisans.
- In August 2019, Ministry of Textiles signed MoUs with 16 state governments to impart skill training and covering the entire value chain of the textiles sector except spinning and weaving.

*Source: Annual Reports, Company Presentations, News Articles*

# Notable trends in the Textiles sector... (4/4)

10

## Focus on forward integration

- In October 2019, Asahi Songwon Colors Limited entered into joint venture (JV) with Tennants Textile Colours (TTC) Limited to set up a state-of-the-art red and yellow pigments plant.
- On July 10, 2020, Flipkart Group bought a minority stake in Arvind Youth Brands, a subsidiary of Arvind Fashions Ltd. (AFL), for Rs. 260 crore (US\$ 36.88 million).

11

## Scaling-up organic cotton industry

- Despite being the world's largest producer of cotton, only 2% of the total amount of cotton produced in India is organic.
- In March 2021, Inditex partnered with DBS Bank in Singapore to launch a pilot programme, which will finance >2,000 Indian farmers to grow/produce organic cotton. DBS will leverage the network of local Farmer Producer Organisations (FPOs) to reach >2,000 farmers in Inditex's supply chain to evaluate their financing needs.

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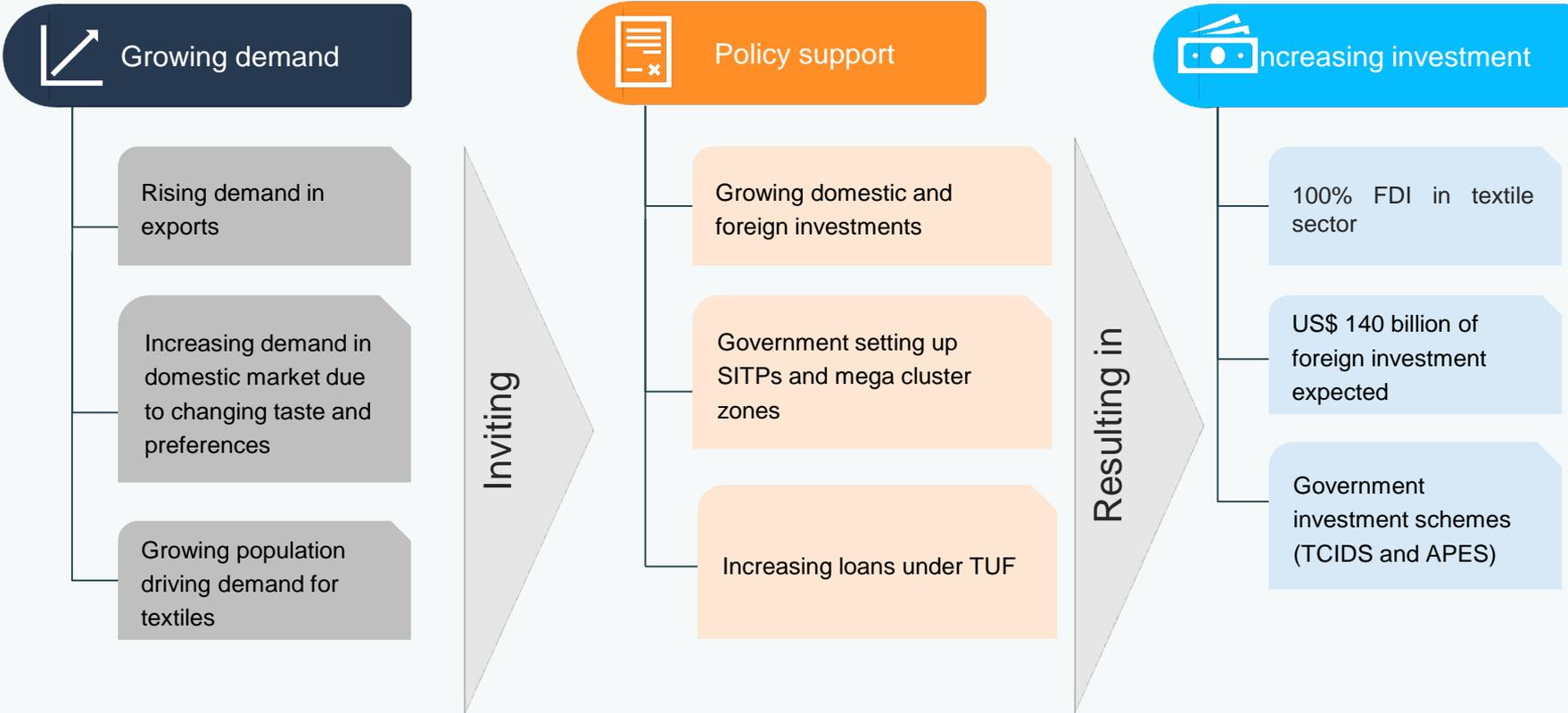
## Innovations to create sustainable textiles

- Many Indian textile players are now opting for sustainable production. BRFL Textiles Private Limited (BTPL), India's largest fabric processing facility, has introduced a new sulphur dyeing process involving continuous dyeing without requiring water. BTPL is the first company in the textile sector to implement this new process of dyeing, making it the pioneer of this innovative sustainable process.
- Another leading Indian chemical & textile company, GHCL, launched fashion bedding called Erthology that uses decomposable CVC fabrics made from renewable resources and vegetable dyes.

*Source: Annual Reports, Company Presentations, News Articles*

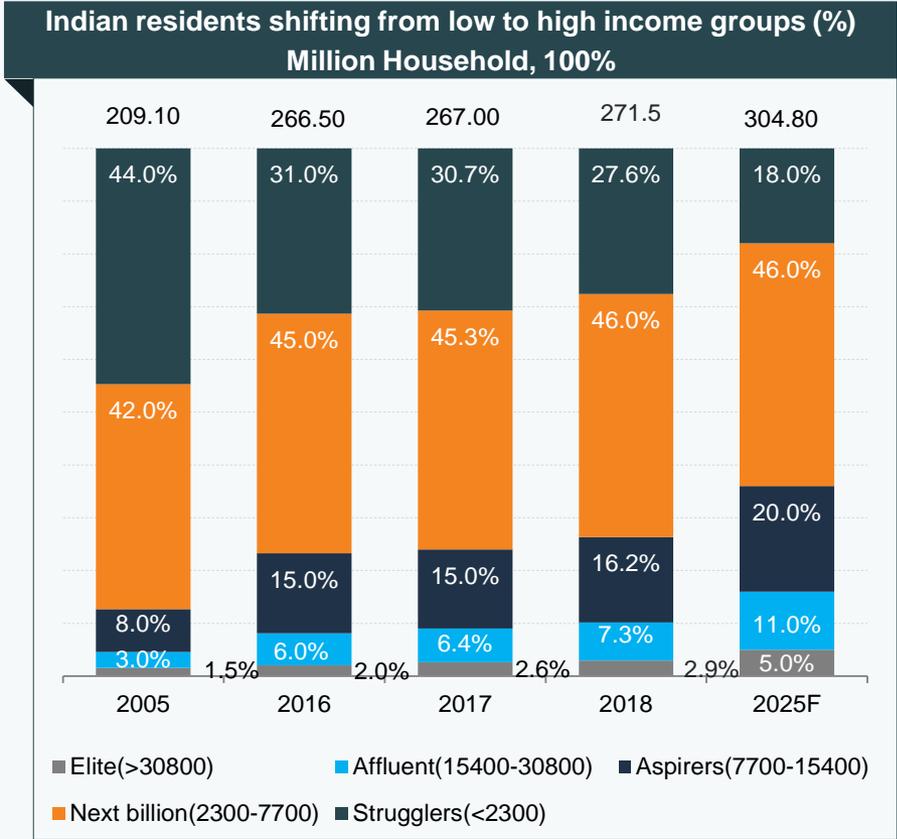
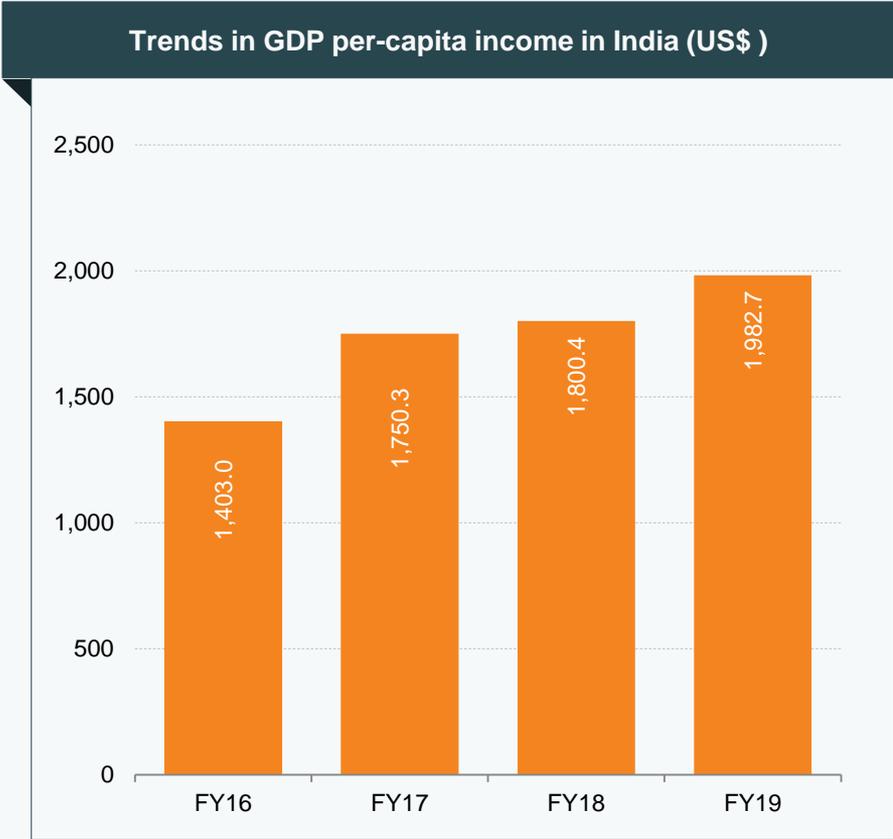


# Strong fundamentals and policy support aiding growth



**Note:** TCIDS - Textile Center Infrastructure Development Scheme, APES - Apparel Park for Exports Scheme  
**Source:** Ministry of Textiles

# Rising incomes and a growing middle-class drive the demand



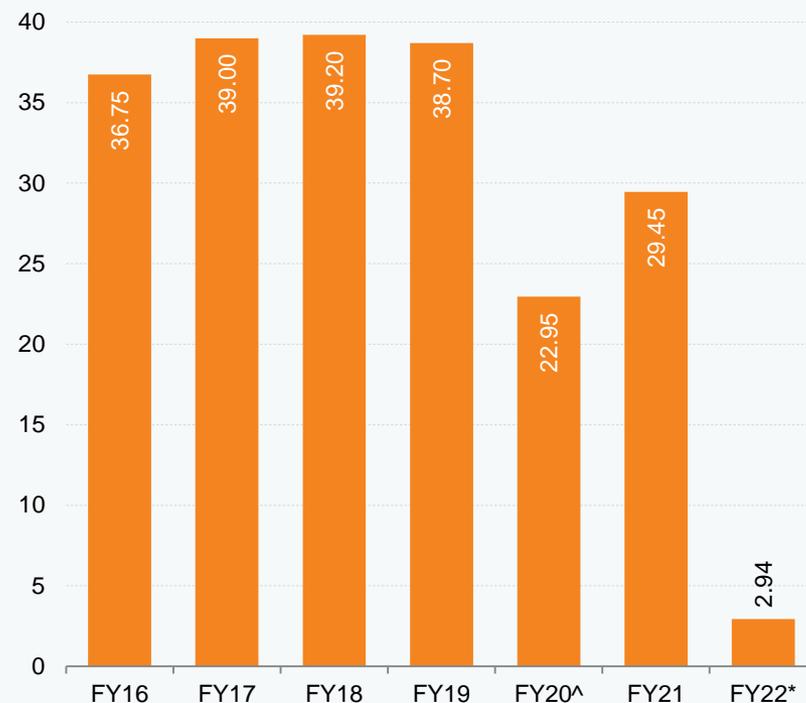
- Rising income has been a key determinant of domestic demand for the sector; with income rising in the rural economy as well. The upward push on demand from rising income is set to continue.
- Rising industrial activity would support the growth in per capita income.

Source: IMF, Mckinsey Global Institute

# Exporters gaining from strong global demand

- India is the world's second-largest textile exporter. 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 country's textile exporters over key global peers.
- The strong performance of textile export is reflected in the value of export from the sector over these years. Textile export increased to US\$ 38.70 billion in FY19 at a CAGR of 4.22% over FY16. It reached US\$ 29.45 billion in FY21.
- In May 2021, textile exports (RMG of all textiles, cotton yarn/fabs./made-ups/handloom products, man-made yarn/fabs./made-ups, handicrafts excl. handmade carpets, carpets and jute mfg. including floor coverings) stood at US\$ 2.94 billion.
- In July 2021, exports of cotton yarn/fabrics/made-ups, handloom products, etc., from India increased by 50.86% in June 2021 over June 2019.
- In the coming decade, Africa and Latin America could very well turn out to be the key markets for Indian textiles.
- In March 2021, The Ministry of Textiles favoured limited deal for the India-UK free trade agreement that could boost the garments sector.
  - In 2020-21, the UK is India's fourteenth largest trading partner, accounting for US\$ 8.7 billion in exports and US\$ 6.7 billion in imports.
  - Under the proposed trade agreement, the Textile Ministry expects more market access for the Indian textiles and clothing sector in order to achieve its full potential.

**Growing textile and clothing export from India  
(US\$ billion)**



FY21, exports include textile yarn fabric, made-up articles; exports include RMG of all textiles, cotton yarn/fabs./made-ups/handloom products, man-made yarn/fabs./made-ups, handicrafts excl. handmade carpets, carpets, jute mfg. including floor coverings

*Note:* <sup>^</sup>- between April- November 2019, <sup>\*</sup>Till May 2021

*Source:* Ministry of Textiles, Budget 2019-20, News Articles

# Textile SEZs in India

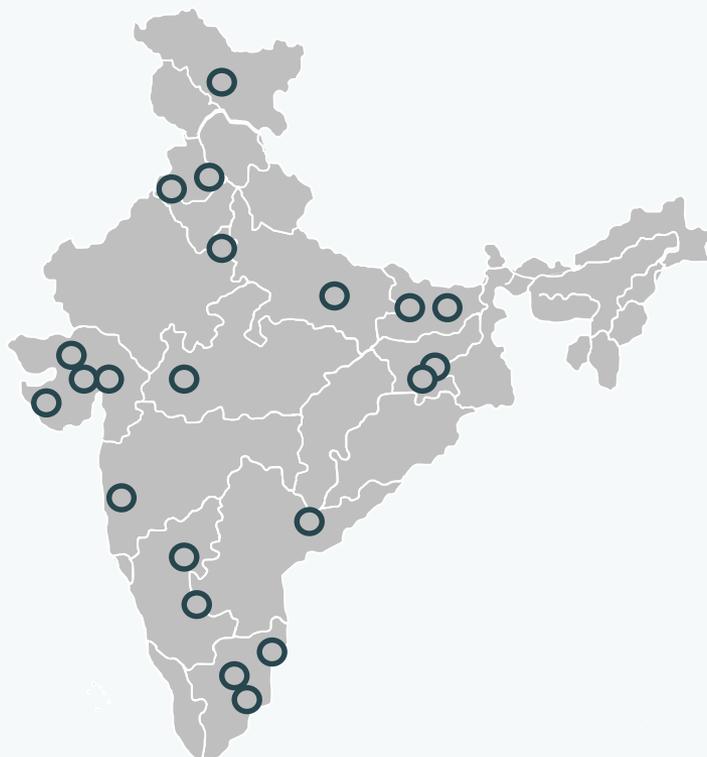
- As of September 30, 2020, India had seven exporting SEZs for textiles, apparel and wool.

Name of SEZ and status	State	Area (hectares)	Sector	Details
Mahindra City SEZ (Functional)	Tamil Nadu	607.1	Apparel and fashion accessories	Mahindra City is India's first integrated business city, divided into business and lifestyle zones. It is a cluster of 3 sector specific SEZs in Tamil Nadu, for apparels and fashion accessories; IT and hardware; and auto ancillary. The business zone provides plug-n-play working spaces. This zone comprises a SEZ (primarily for exporters) and Domestic Tariff Area (DTA) for companies targeting domestic market.
Surat Apparel Park (Functional)	Gujarat	56.0	Textiles	Key industrial units include Safari Exports, Venus Garments, Benchmark Clothings, P. K. International, Tormal Prints, J.R. Fashion and Ganga Export.
Brandix India Apparel City (BIAC) (Functional)	Andhra Pradesh	404.7	Textiles	BIAC is an integrated apparel supply chain city, managed by Brandix Lanka Ltd. It aims to be a end-to-end apparel solution provider.
(KIADB) (Functional)	Karnataka	16,129.0	Several sectors	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.

*Note: SEZ - Special Economic Zone*  
*Source: SEZ India, invest.com,*

# Key textiles and apparel zones in India

- **North:** Kashmir, Ludhiana and Panipat account for 80% of woollens in India



- **West:** Ahmedabad, Mumbai, Surat, Rajkot, Indore and Vadodara are the key places for cotton industry

- **East:** Bihar for jute, parts of Uttar Pradesh for woollen and Bengal for cotton and jute industry

- **South:** Tirupur, Coimbatore and Madurai for hosiery.
- Bengaluru, Mysore and Chennai for silk

○ Major textile and apparel zones

*Note: As Per Latest Available Information*  
*Source: Sutherland Research*

# Policy support has been a key ingredient to growth... (1/4)

## Amended Technology Up-gradation Fund Scheme (A-TUFS)

- Investment was made to promote modernisation and up-gradation of the textile industry by providing credit at reduced rates. A subsidy of Rs. 6,717.18 crore (US\$ 952.93 million) was released under this scheme between FY16 and FY20.

## National Textile Policy - 2000

- Key areas of focus include technological upgrades, enhancement of productivity, product diversification and financing arrangements.
- New draft for this policy ensures to employ 35 million by attracting foreign investment. It also focuses on establishing a modern apparel garment manufacturing centre in every state in the Northeast for which the Government has invested an amount of US\$ 3.27 million.

## FDI

- Foreign direct investment (FDI) of up to 100% is allowed in the textile sector through the automatic route.

## SAATHI Scheme

- The Union Ministry of Textiles, Government of India, along with Energy Efficiency Services Ltd. (EESL), has launched a technology upgradation scheme called SAATHI (Sustainable and Accelerated Adoption of Efficient Textile Technologies to Help Small Industries) for reviving the power loom sector of India.

## Merchandise Exports from India Scheme

- The Directorate General of Foreign Trade (DGFT) has revised rates for incentives under the Merchandise Exports from India Scheme (MEIS) for two subsectors of textiles Industry - readymade garments and made-ups - from 2% to 4%.

Source: Press Releases

# Policy support has been a key ingredient to growth... (2/4)

## Scheme for Capacity Building in Textiles Sector (SCBTS)

- The Cabinet Committee on Economic Affairs (CCEA), Government of India, has approved a new skill development scheme called 'Scheme for Capacity Building in Textile Sector (SCBTS)' with an outlay of Rs. 1,300 crore (US\$ 202.9 million) from FY18 to FY20.
- The scheme is aimed at providing a demand driven and placement-oriented skilling programme to create jobs in the organised textile sector and to promote skilling and skill up-gradation in the traditional sectors.

## Textile Incentives

- The Textile Ministry of India earmarked Rs. 690 crore (US\$ 106.58 million) for setting up 21 readymade garment manufacturing units in seven states for development and modernisation of Indian Textile Sector.

## Government Incentives

- The Government of India announced a special package to boost export by US\$ 31 billion, create one crore jobs and attract investment worth Rs. 800.00 billion (US\$ 11.93 billion) during 2018-2020.
- The Government of India has taken several measures including A-TUFS. The scheme is estimated to create employment for 3.5 million people and enable investment worth Rs. 950.00 billion (US\$ 14.17 billion) by 2022.
- The Ministry of Textiles announced outlay of Rs. 690 crore (US\$ 106.58 million) for setting up 21 readymade garment manufacturing units in seven states for development and modernisation of Indian textile sector.
- In August 2020, the Department of Promotion of Industry and Internal Trade (DPIIT) proposed incentives for the textiles sector for product diversification of the top 40 apparel and home textile goods and the top 10 technical textile goods that are traded globally. The long-term suggestion is to have an Rs. 40,000 crore (US\$ 5.47 billion) textile fund to encourage investments in the identified textile segments. The proposal is also to build coastal mega textile parks with plug and play facilities. Moreover, suggestions are also made to bring direct benefit transfer for cotton farmers—a move also suggested by the government think tank NITI Aayog.

Source: Press Releases

# Policy support has been a key ingredient to growth... (3/4)

## SAMARTH

- In 2019, Ministry of Textiles signed a pact with sixteen states for skilling around 400,000 workers under the SAMARTH scheme.
- Six additional courses were added for technical textiles in its skill development programme.

## Production-Linked Incentive Scheme

- Under this scheme, incentives will be provided to manufacture and export specific textile products made of man-made fibres.
- The government approved Rs. 10,683 crore (US\$ 1.44 billion) for man-made fibre and technical textiles.

## Mega Integrated Textile Region and Apparel (MITRA) Parks Scheme

- Under Union Budget 2021-22, Finance Minister Ms. Nirmala Sitharaman launched a Mega Integrated Textile Region and Apparel (MITRA) Park scheme to establish seven textile parks with state-of-the-art infrastructure, common utilities and R&D lab over a three-year period.
  - Under Union Budget 2021-22, the Telangana government has been allocated funds for setting up the Kakatiya Mega Textile Park (KMTP) at an estimated cost of Rs. 1,552 crore (US\$ 212 million).
  - On March 03, 2021, the Gujarat government announced to set up two mega textile parks to enable forward and backward integration in the sector.

## Government Announcements

- In March 2021, under the ongoing sub-mission on agroforestry (SMAF) scheme, the Ministry of Agriculture and Farmers Welfare signed a memorandum of understanding (MoU) with the Central Silk Board, under the Ministry of Textiles, on a convergence model to implement agroforestry in the silk sector.
- In March 2021, toys were identified as one of the 24 primary sectors listed under the self-reliant India initiative. The Department for Promotion of Industry and Internal Trade (DPIIT) has developed a 'National Action Plan' for toys that calls on several central ministries, including textiles, MSME, I&B, Education, DPIIT (under the Ministry of Commerce) and other departments, to nurture and promote the industry.

Source: Press Releases

# Policy support has been a key ingredient to growth... (4/4)

## Government e-Marketplace

- To support the handloom and handicrafts sector, the government has taken steps to onboard weavers/artisans on Government e-Marketplace (GeM), provide a wider market and enable them to sell products directly to various government departments and organisations.
- As of March 31, 2021, 175,749 weavers/artisans/handloom entities have been registered on the GeM portal.

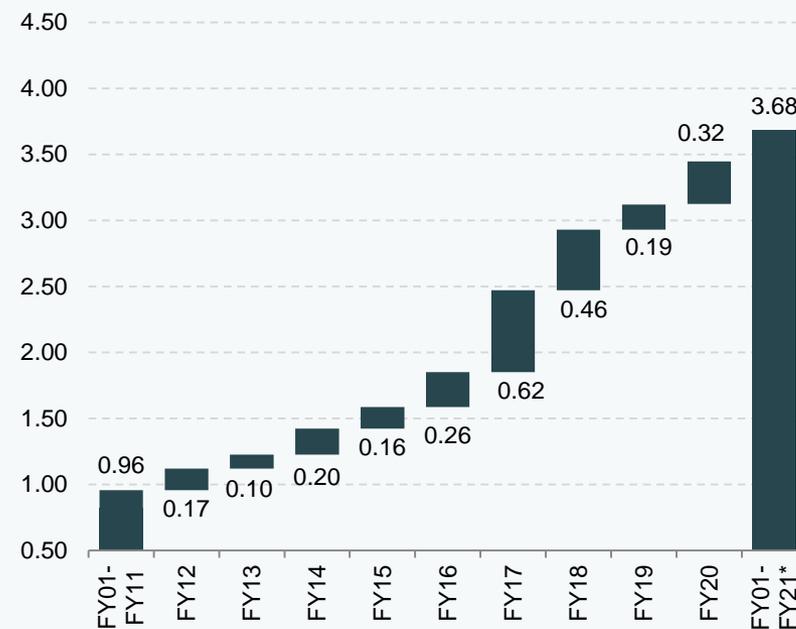
## Weavers MUDRA Scheme

- To support the handloom weavers/weaver entrepreneurs, the Weavers MUDRA Scheme was launched to provide margin money assistance at 20% of the loan amount subject to a maximum of Rs.10,000 per weaver. The loan is provided at an interest rate of 6% with credit guarantee of three years.

# Foreign investment flowing into the sector

- 100% FDI is permitted in the sector. Cumulative FDI inflows in the textiles sector stood at >US\$ 3.75 billion between April 2000 and March 2021.
- The textiles industry in India is experiencing a significant increase in collaboration between global majors and domestic companies.
- International apparel giants like Hugo Boss, Liz Claiborne, Diesel and Kanz, have already started operations in India.
- In April 2021, South Korea's textile major Youngone announced that it will start its operations within six months at Kakatiya Mega Textile Park in Warangal, providing employment to 12,000 people in the region.

**FDI in textiles (including dyed, printed) sector (US\$ billion)**



*Note:*, Textiles sector FDI includes Dyed and Printed, FDI - Foreign Direct Investment. \*- Until December 2020  
**Source:** Ministry of Commerce and Industry, DPIIT

# 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 are listed below:

## Prominent M&A deals

Date	Acquirer name	Target name	Deal size (US\$ million)
July 2021	Reliance Industries Ltd.	Portico (home styling brand of Creative Group)	NA
September 2020	Reliance Industries Ltd.	Future Group (Consumer Business)	3,400
February 2020	Reliance Industries Ltd.	Alok Industries	35.47
June 2019	Aditya Birla Fashion and Retail Ltd. (ABFRL)	Jaypore E-Commerce Pvt Ltd.	15.74
March 2019	Reliance Industries Ltd.	(ITC) John Players	21.79
March 2019	Grasim Industries Ltd.	Soktas India Pvt Ltd (SIPL)	22.87
July 2018	Future Lifestyle	Koovs (29.9% Stake)	19.40
November 2017	Donear Industries Limited	OCM Woolen Mills	NA
October 2017	Sutlej Textiles and Industries Ltd. (STIL)	Design, sales and distribution (DS&D) business and brand of American Silk Mills (ASM) LLC	NA
July 2017	Advent International	Dixcy Textiles Pvt Ltd.	NA
April 2017	Myntra	InLogg	NA
February 2017	Saks and Company	Aditya Birla Group	NA
January 2017	Soch	L Catterton, Westbridge and CX Partners	200

Source: M&A, Thompson ONE Banker, Grant Thornton, CMIE

# Opportunities



## 1

### **Immense growth potential**

- The Indian textile industry is set for strong growth, buoyed by both strong domestic consumption as well as export demand.
- The textile and apparel industry is expected to grow to US\$ 190 billion by FY26.
- Urbanisation is expected to support higher growth due to change in fashion and trends.

## 2

### **Private sector participation in silk production**

- The Central Silk Board sets target for raw silk production and encourages farmers and private players to grow silk.
- To achieve these targets, alliances with the private sector, especially major agro-based industries in pre-cocoon and post-cocoon segments, are being encouraged.
- The total raw silk production increased by 1% (35,820 MT) in FY20 over the previous year FY19 (35,468 MT) despite COVID-19.

## 3

### **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 investment 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.

## 4

### Union Budget 2020-21

- Under Union Budget 2020-21, the Government has allocated around Rs. 3,515 crore (US\$ 502.93 million) to the Ministry of Textiles.
- Rs. 223 crore (US\$ 31.91 million) is allocated to Textile Infrastructure.
- Rs. 761.90 crore (US\$ 109.01 million) is allocated for A-TUFS.
- Rs. 159.08 crore (US\$ 22.76 million) allocated towards schemes for powerloom units.
- Rs. 80 crore (US\$ 11.45 million) allocated for scheme targeted towards Integrated Textile Parks.
- The National Handloom Development Programme will get Rs. 388.21 crore (US\$ 55.55 million) and the Integrated Processing Development Scheme will get Rs. 50 crore (US\$ 7.15 million).

## 5

### Union Budget 2021-22 highlights

- Under Union Budget 2021-22, the Government of India allocated ~Rs. 3,631.64 crore (US\$ 497.70 million) to the Ministry of Textiles
- Positive measures in the budget 2021-22 for textile sector are as follows:
  - Mega Investment Textiles Park (MITRA) scheme, in addition to production-linked incentive (PLI) scheme, to establish seven textile parks over a three-year period.
  - Uniform reduction of basic customs duty (BCD) rates to 5% on caprolactam, nylon chips and nylon fibre & yarn to spur textile industry, MSMEs and exports.
  - Customs duty on cotton from 0 to 10% and on raw silk and silk yarn from 10% to 15% to benefit domestic cotton and silk growers.

Source: News Articles

## 6

### Centers of Excellence (CoE) for research and technical training

- The CoEs are aimed at creating testing and evaluation facilities as well as developing resource centres and training facilities.
- Existing 4 CoEs, BTRA for Geotech, SITRA for Meditech, NITRA for Protech and SASMIRA for Agrotech, would be upgraded in terms of development of incubation centre and support for development of prototypes.
- Fund support would be provided for appointing experts to develop these facilities.

## 7

### Foreign investments

- The Government is taking initiatives to attract foreign investment in the textile sector through promotional visits to countries such as Japan, Germany, Italy and France.
- According to the new Draft of the National Textile Policy, the Government is planning to attract foreign investment and creating employment opportunities for 35 million people.
- FDI inflow in textiles sector, inclusive of dyed and printed textile, stood at US\$ 3.68 billion between April 2000 and December 2020.
- In December 2019, online clothing brand, Henry & Smith, raised US\$ 1 million from WEH Ventures and Rukam Capital.
- India can become the one-stop sourcing destination for companies from Association of Southeast Asian Nations (ASEAN) as there exist several opportunities for textile manufacturing companies from 10-nation bloc to invest in India.

## 8

### Bilateral relations

- In March 2021, Pakistan approved reinstatement of cotton and sugar imports from India, indicating softening of bilateral relations.

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

**Source:** Department for Promotion of Industry and Internal Trade (DPIIT)

# Key Industry Contacts



# Key industry contacts

Agency		Contact Information
 <p><b>The Textile Association (India)</b> Founded in 1939</p>	The Textile Association (India) (TAI)	Address: 72-A, Santosh, Dr M B Raut Road, Shivaji Park, Dadar, Mumbai- 400 028 Telefax: 91 22 24461145 E-mail: <a href="mailto:taicnt@gmail.com">taicnt@gmail.com</a> Website: <a href="http://www.textileassociationindia.org">www.textileassociationindia.org</a>
 <p><b>TEXPROCIL</b> THE COTTON TEXTILES EXPORT PROMOTION COUNCIL (Sponsored By Government of India) AN ISO 9001 : 2015 CERTIFIED COMPANY</p>	The Cotton Textiles Export Promotion Council (TEXPROCIL)	Address: Engineering Centre, 5th Floor, 9 Mathew Road, Mumbai 400 004 Phone: 91 22 2363 2910 to 12 / 49444000 Fax: 91 22 2363 2914 E-mail: <a href="mailto:info@texprocil.org">info@texprocil.org</a> Website: <a href="http://www.texprocil.org">www.texprocil.org</a>
 <p><b>Northern India Textile Mills' Association</b> (NITMA)</p>	Northern India Textile Mills' Association (NITMA)	Address: PHD House, Sector 31-A, Chandigarh Phone: 91 8146400264, +91 7087412828 E-mail: <a href="mailto:nitma@vsnl.net">nitma@vsnl.net</a> , <a href="mailto:nitma@airtelmail.in">nitma@airtelmail.in</a> Website: <a href="http://www.nitma.org">www.nitma.org</a>
 <p><b>SITRA</b> Service for Excellence</p>	The South India Textile Research Association (SITRA)	Address: 13/37, Avanashi Road, Coimbatore - 641 014, Tamil Nadu Phone: 91 422 2574367, 6544188, 4215333 Fax: 91 422 2571896, 4215300 E-mail: <a href="mailto:sitraindia@dataone.in">sitraindia@dataone.in</a> Website: <a href="http://www.sitra.org.in">www.sitra.org.in</a>



# Glossary

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- 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
- Rs.: Indian Rupee
- NITRA: Northern India Textile Research Association
- NTC: National Textiles Corporation
- NTP: National Textile Policy SASMIRA: Synthetic and Art Silk Mills Research Association
- TUFS: Technology Upgradation Fund Scheme
- TMC: Technology Mission on Cotton
- US\$: US Dollar
- Wherever applicable, numbers have been rounded off to the nearest whole number

# Exchange rates

## Exchange Rates (Fiscal Year)

Year	Rs. Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49
2020-21	73.20

## Exchange Rates (Calendar Year)

Year	Rs. Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89
2020	74.18
2021*	74.50

*Note: As of July 2021*

*Source: Reserve Bank of India, Average for the year*

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