



TEXTILES AND APPAREL

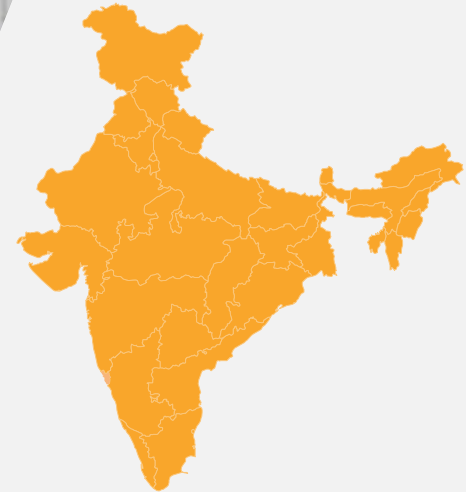
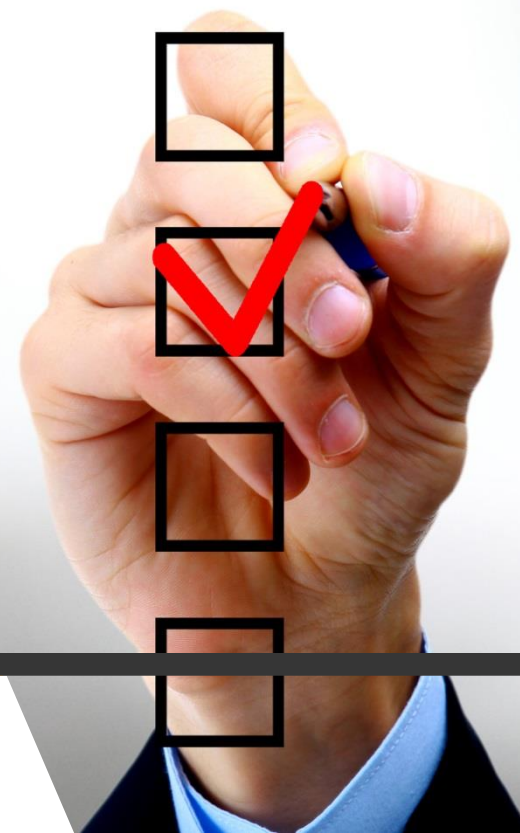


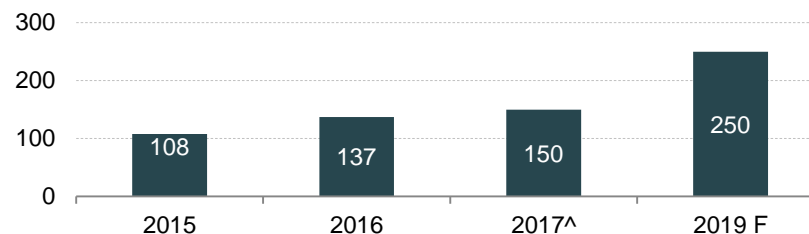
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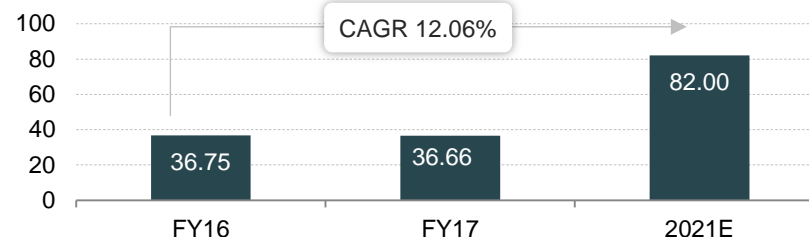
- Rising per capita income, favourable demographics and a shift in preference to branded products to boost demand
- The domestic textile industry in India is projected to reach US\$ 250 billion by 2019 from US\$ 150 billion in July 2017.

Textile and apparel industry in India (US\$ billion)



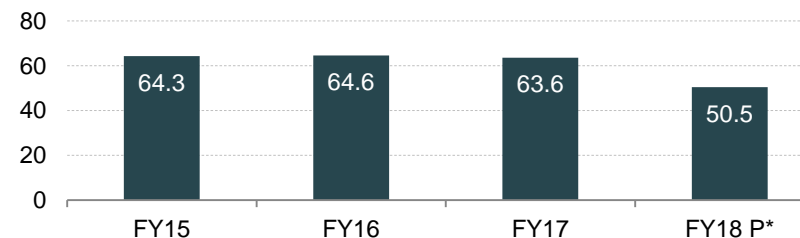
- Favourable trade policies and superior quality to drive textile exports
- Textile and apparel exports from India is expected to increase to US\$ 82 billion by 2021 from US\$ 36.66 billion in FY17

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



- Increase in domestic demand set to boost cloth production
- Total cloth production in India in FY17 was 63.6 billion square metres.
- Cloth production between April-December 2017 stood at 50.47 billion square metres (provisional).

Total cloth production in India (billion square metres)

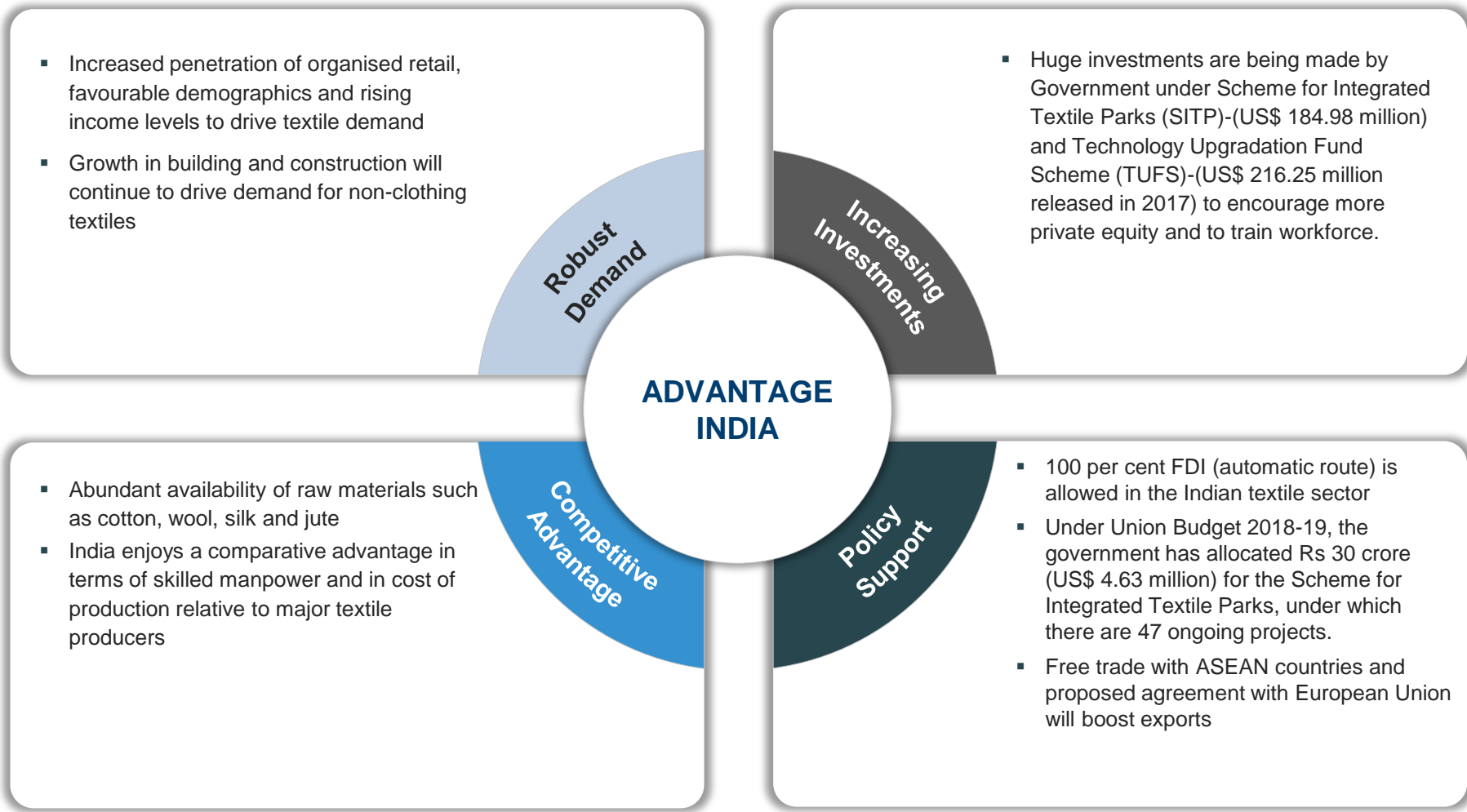


Notes: CAGR - Compound Annual Growth Rate, E – Estimate, P – Provisional, ^ - as of July 2017, * - data between April- December 2017

Source: Ministry of Textiles, Make in India, Technopak, Aranca Research

ADVANTAGE INDIA

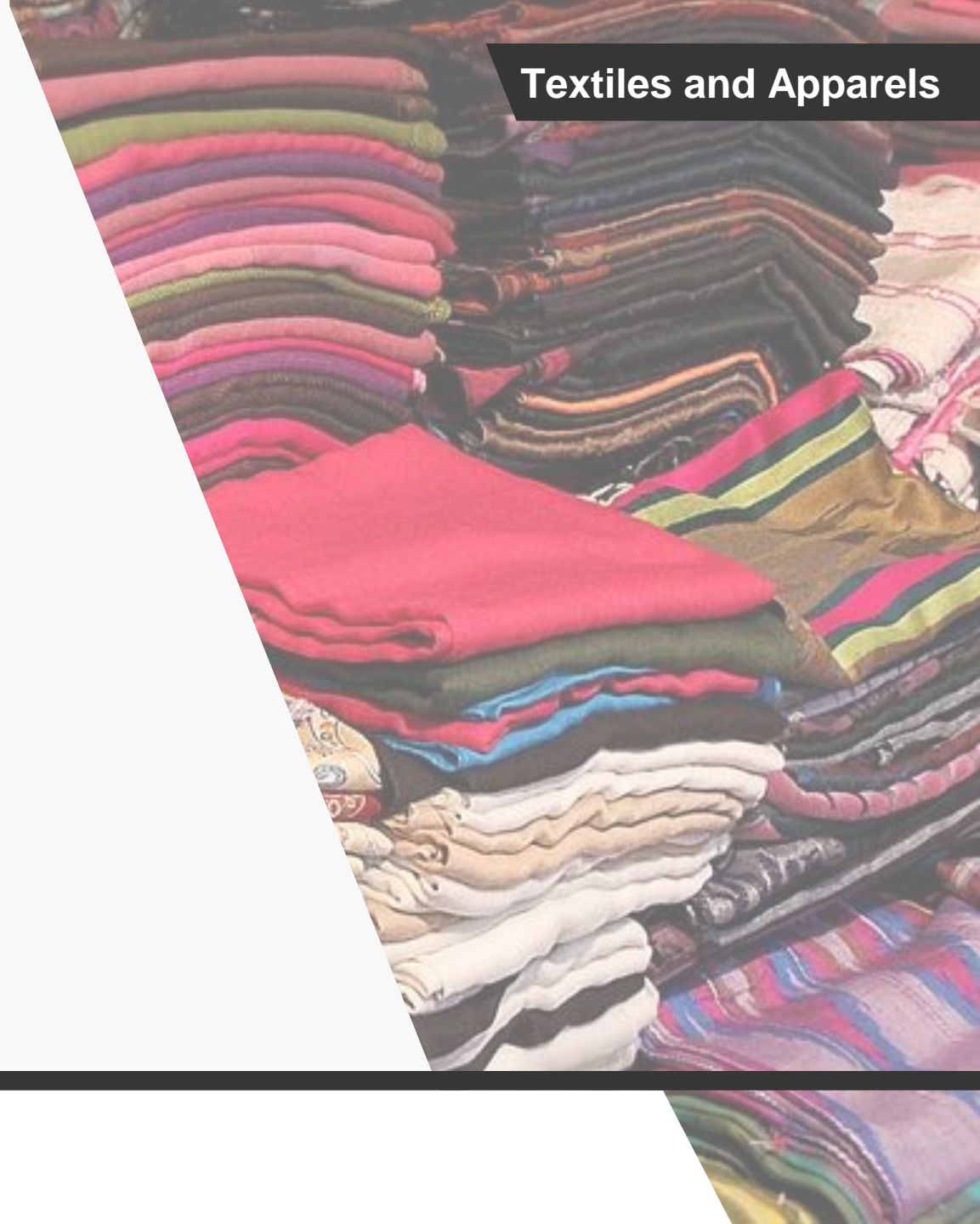




Note: SITP - Scheme for Integrated Textile Park; FDI - Foreign Direct Investment, ASEAN - Association of Southeast Asian Nations, E – Estimate; F-Forecasted

Source: PHD Camber of Commerce; Federation of Indian Chambers of Commerce and Industry, Aranca Research

MARKET OVERVIEW



EVOLUTION OF THE INDIAN TEXTILE SECTOR

Pre 1990s

- The 1st cotton textile mill of Mumbai was established in 1854
- The 1st cotton mill of Ahmedabad was found in 1861; it emerged as a rival centre to Mumbai

1901–2000

- 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

2000-2015

- 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

2016 onwards

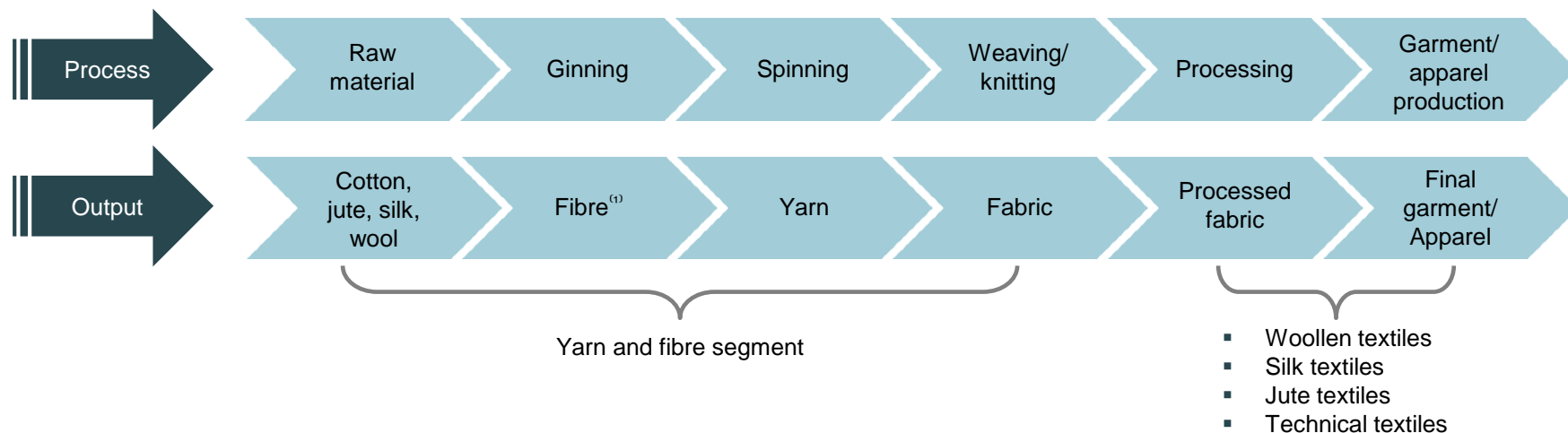
- Make in India campaign was launched to attract manufacturers and FDI.
- Technology Mission for Technical Textile has been continued.
- Under Union Budget 2018-19, Government of India allocated around Rs 7,148 crore (US\$ 1.1 billion) for the textile industry.
- 1,399 operational textile mills (Non-Small Scale Industry) in the country in 2017*.

Note: 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, * As on 30.06.2017

Source: Union Budget 2015-16, Make In India

- 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 contributes 10 per cent to the manufacturing production of India.^
- It contributes 2 per cent to the GDP of India and employs more than 45 million people.^
- The sector contributes 13 per cent to the export earnings of India.^
- With production of 6,106 million kg, India was the largest producer of cotton in 2016-17.
- India is the 2nd largest producer of Manmade Fibre and Filament, globally, with production of around 2,11 million kg in 2016-17¹.

Key segments of the textile industry

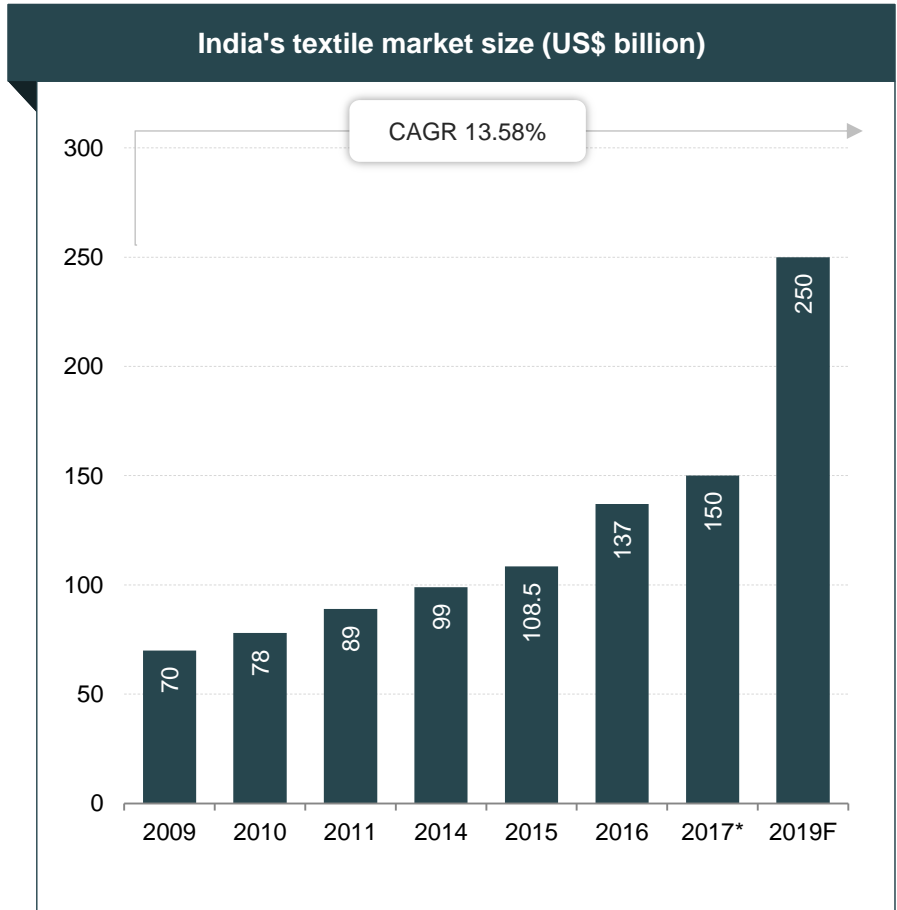


Note: Figures are as per latest data available, ^ - as of 2016-17

Source: Textile Ministry, Make in India, ¹ - Figures as of April-January 2016-17

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. Exports of textiles from India reached US\$ 26.91 billion during April – December 2017.
- The size of India's textile market as of July 2017 was around US\$ 150 billion, which is expected to touch US\$ 250 billion market by 2019, growing at a CAGR of 13.58 per cent between 2009-2019.
- The central government is planning to finalise and launch the new textile policy in the next three months¹. The policy aims to achieve US\$ 300 billion worth of textile exports by 2024-25 and create an additional 35 million jobs.

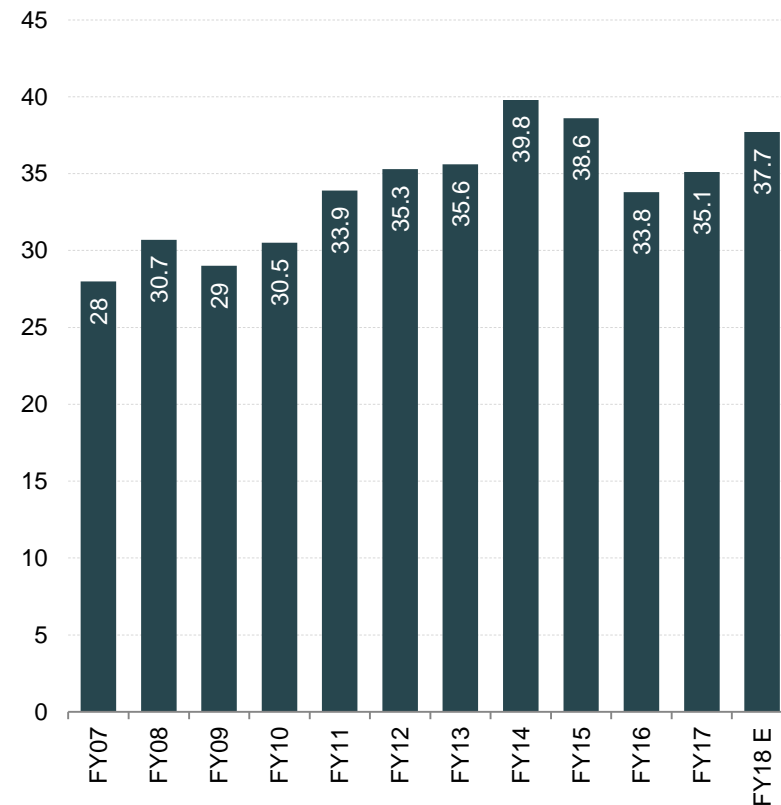


Note: CAGR - Compound Annual Growth Rate, E – Estimated, * as of July 2017, ¹ As of June 2017
Source: Technopak, Make in India, News articles, Ministry of Textiles, Aranca Research

COTTON PRODUCTION OVER THE PAST FEW YEARS HAS BEEN VOLATILE

- Production of raw cotton in India grew from 28 million bales in FY07 and further increased to 35.1 million bales in FY17
- During FY07-17, raw cotton production expanded at a CAGR of 2.3 per cent
- Cotton production in India is expected to reach 37.7 million bales in FY2017-18.
- 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 raw cotton (million bales)

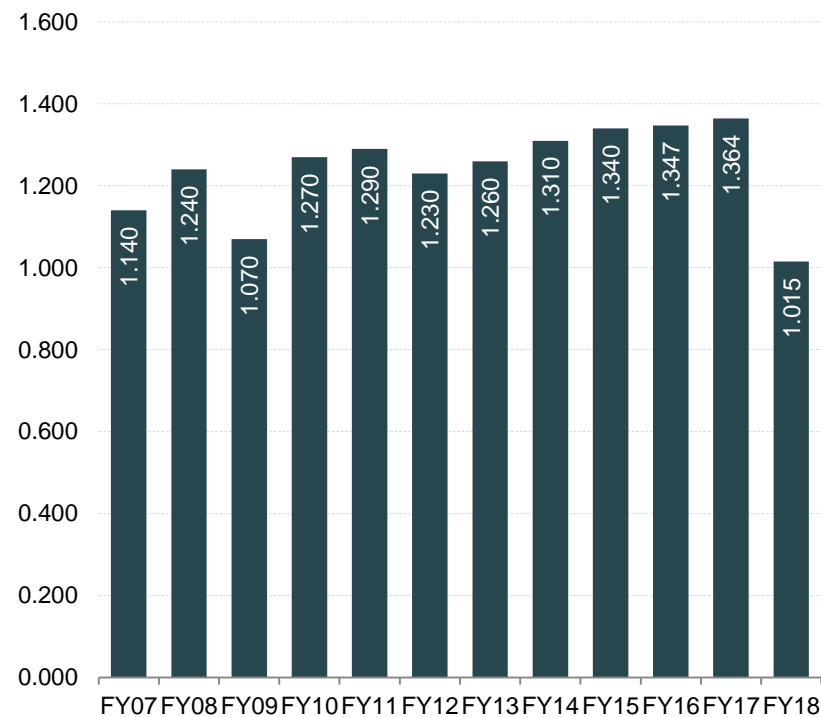


Note: CAGR - Compounded Annual Growth Rate; One Bale - 170 kilogram
Source: The Cotton Corporation of India Ltd, Aranca Research, BusinessLine

PRODUCTION OF MAN-MADE FIBRE HAS BEEN RISING

- 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 FY17¹, production of man-made fibre in India stood at 1.364 million tonnes and the production until December 2017 in FY18 has been 1.015 million tonnes

Production of man-made fibre (million tonnes)

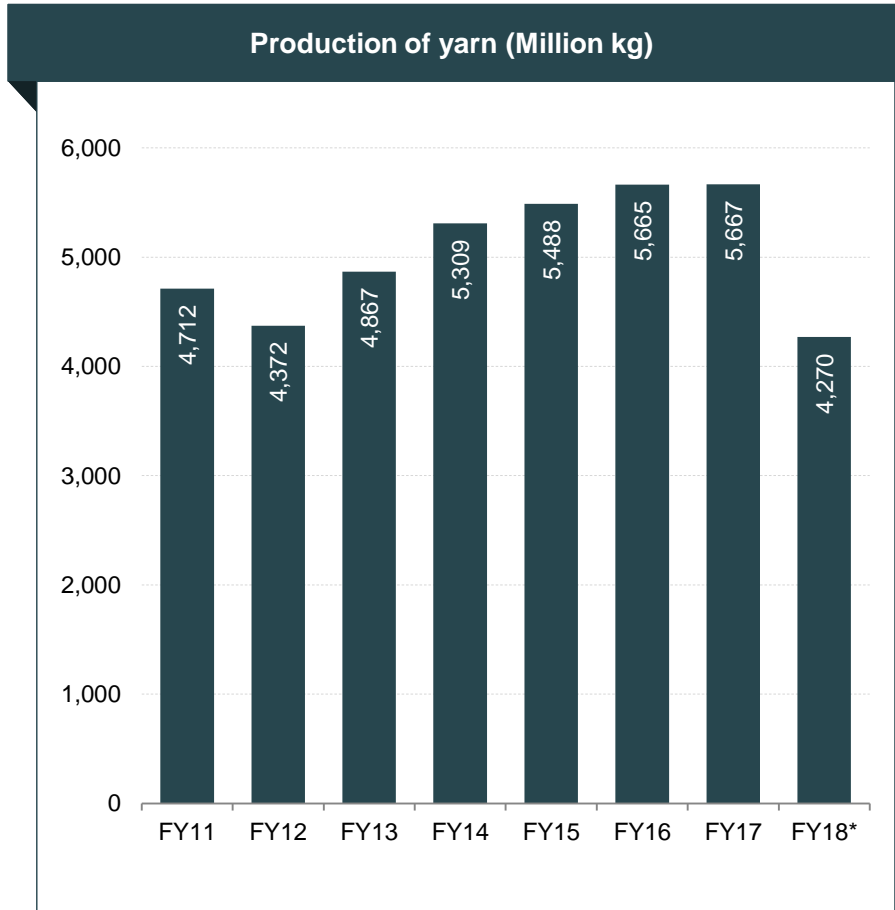


Note: ¹ - Provisional figures; * - Data as of December 2017

Source: Ministry of Textiles

COTTON IS THE MAJOR SEGMENT IN YARN AND FABRIC ... (1/2)

- Production of yarn grew to 5,662 million Kgs in FY17 from 4712 million Kgs in FY11, implying a CAGR of 3.11 per cent.
- Cotton yarn accounts for the largest share in total yarn production; in FY17, the segment's share amounted to 71.64 per cent.
- Production of yarn between April to December 2017 stood at 4269.57 million kg.



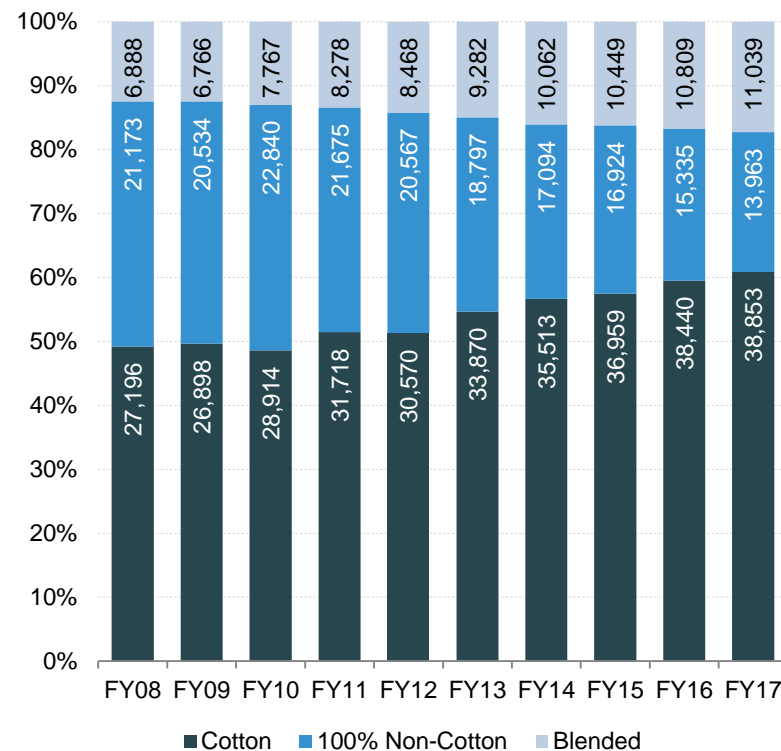
*Note: * - Provisional figures as of December 2017*

Source: Ministry of Textiles

COTTON IS THE MAJOR SEGMENT IN YARN AND FABRIC ... (2/2)

- Fabric production in the country rose to 64,775 million square metre in FY17¹ from 52,665 million square metres in FY07, implying a CAGR growth of 2.09 per cent.
- Cotton yarn, a major segment in FY15, accounted for more than 57 per cent share in fabric production, with the share reaching to 59.98 per cent in FY17¹
- Cotton's high prices in 2016-17 will encourage farmers to grow more cotton in 2017-18. The area under cotton cultivation will increase by 7 per cent to reach 11.3 million hectares in 2017-18, due to better returns on improved crop yield in 2016-17.

Fabric production (million square metre)

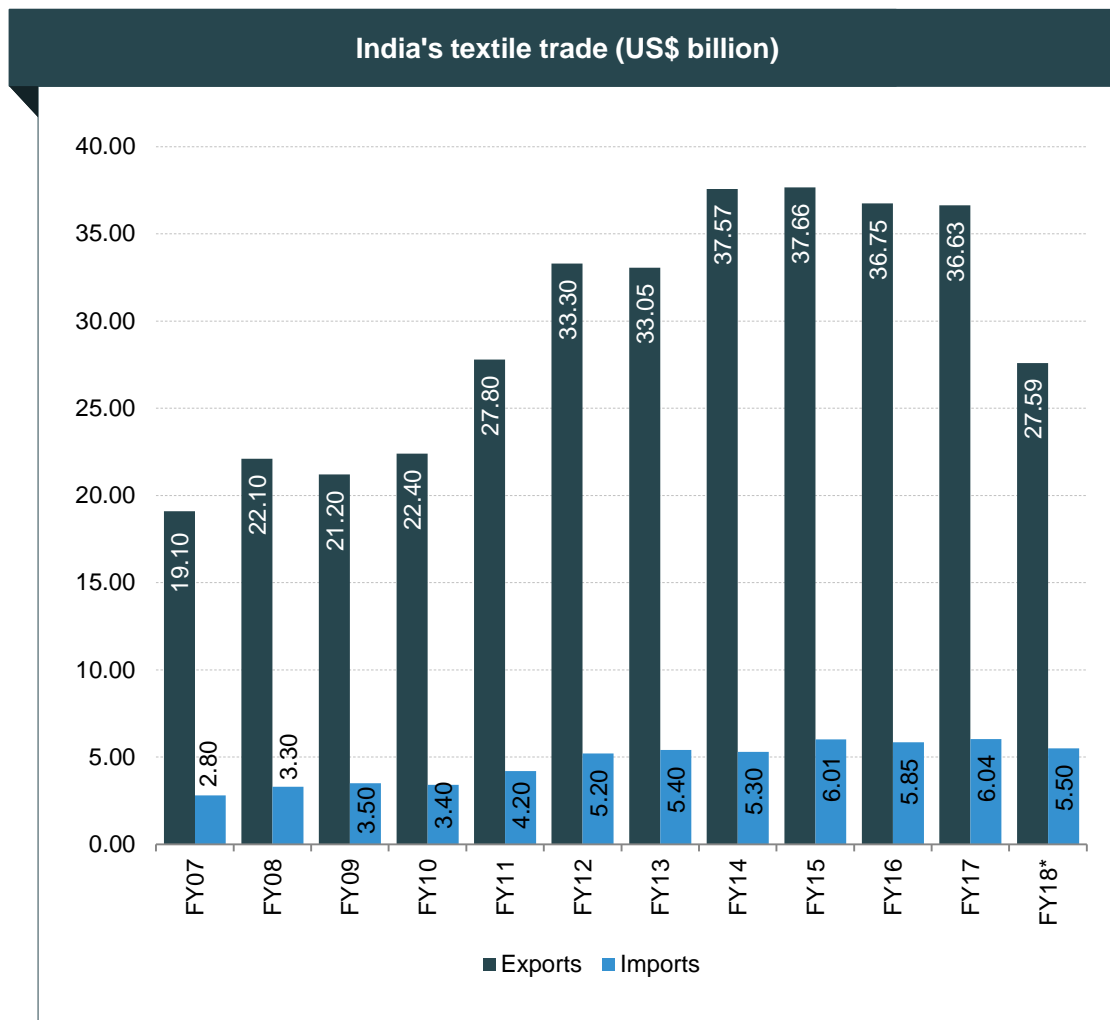


Note: Figures mentioned are as per latest data available, 1 - Provisional figures till March 2017

Source: Ministry of Textiles

EXPORTS HAVE POSTED STRONG GROWTH OVER THE YEARS

- Exports have been a core feature of India's textile and apparel sector, a fact corroborated by trade figures
- Exports in textile and apparel sector stood at US\$ 36.63 billion in FY17. Exports of textiles from India reached US\$ 27.85 billion during April – December 2017.
- As of November 2016, the government has extended the duty drawback facility on all textile products and increased the rates in some cases for 1 year to boost exports in the sector
- The Goods and Services Tax that rolled out in July 2017 is expected to make imported garments cheaper by 5-6 per cent, as the GST regime will levy 5 per cent tax for both domestic textile manufacturers and importers.
- India took the top spot in market share in the men/boys knitwear shirts cotton' category with respect to garment exports to the US between January-June 2017, ^



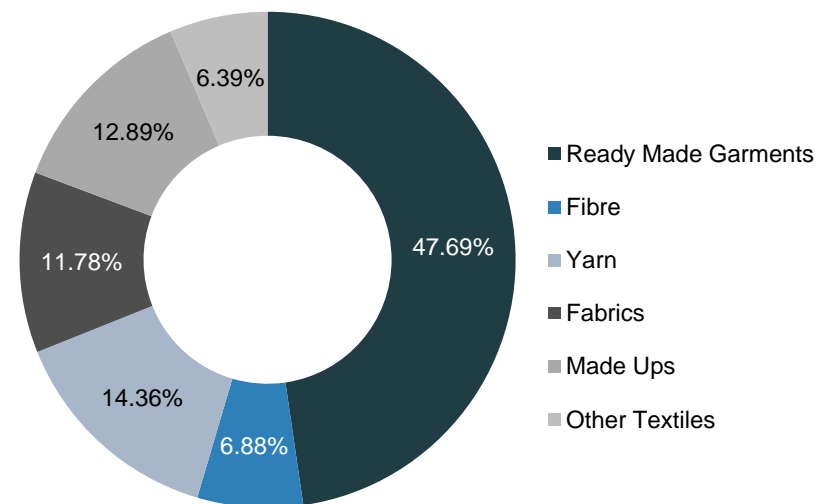
Note: ^ - as per data released by the Office of Textile and Apparel, US department of commerce., FY18* - up to December 2017

Source: Ministry of Textiles, Budget 2015

READYMADE GARMENTS AND COTTON TEXTILES DOMINATE EXPORTS

- The domestic textile and apparel has been one of the largest contributors to India's exports.
- During FY17, India exported textile items worth US\$ 36.6 billion.
- Ready made garments had a share of 47.7 per cent in these exports and reached US\$ 17.5 billion. During the same period, fibre, yarn, fabric, and made ups exports reached US\$ 2.5 billion, US\$ 5.3 billion, US\$ 4.3 billion, and US\$ 4.7 billion, respectively





Shares in India's textile exports (FY17)



Note: Others include coir and coir manufacturers and jute

Source: Ministry of Textiles, Aranca Research, Office of the Textile Commissioner, Government of India

KEY PLAYERS IN THE INDUSTRY

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

Source: Annual Reports, Aranca Research

Porter's Five Force Framework Analysis

Threat of Substitutes



- **High** – Low cost substitute products from countries like Pakistan and Bangladesh
- Threat from unorganised sector

Bargaining Power of Suppliers



- **Low** – Significant presence of small suppliers has reduced the bargaining power

Competitive Rivalry



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

Bargaining Power of Buyers



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

Threat of New Entrants



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

- Positive Impact
- Neutral Impact
- Negative Impact

Source: PricewaterhouseCoopers, Techopak

RECENT TRENDS AND STRATEGIES



NOTABLE TRENDS IN INDIA'S TEXTILE SECTOR

Textile Parks

- As of September 2017, the Government of Maharashtra is planning to set up nine textile parks in the northern cotton producing parts of the state, in an attempt to supplement farmers' income via value-added products.
- As of October 2017, the foundation stone for Kakatiya Mega Textile Park, India's largest textile park, was laid in Warangal district of Telangana. The park will be spread across 2,000 acres and is expected to generate 22,000 direct and 44,000 indirect jobs. 14 companies have already planned to set up units in the textile park worth total investments of Rs 3,000 crore (US\$ 463.39 million).

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

Expansion

- In January 2018, Grasim Industries received approval for the expansion of its VSF (Viscose Staple Fibre) plant in Bharuch, Gujarat with an investment of Rs 2,560 crore (US\$ 395.43 million).

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 estimated to post a CAGR of 20 per cent over FY11-17
- US\$ 70.83 million has been allocated to promote the use of geotechnical textiles in the North East states.

Note: TUFs - Technology Upgradation Fund Scheme

Source: Ministry of Textiles, Geotechnical

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 and handicraft clusters.
- 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 organised by Synthetic and Rayon Textiles Export Promotion Council (SRTEPC) of India and 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 US\$ 23.35 million.

Focus on backward integration

- During Textiles India 2017, the Ministry of Textiles signed 65 memorandum of understandings (MoUs). MoUs were signed between various domestic and international organizations from industry and government; three of the MoUs signed are G2G MoUs. The MoUs signed relate to exchange of information and documentation, Research & Development, commercialization of handloom products and silk production, cooperation in Geo textiles, skill development, supply of cotton and trade promotion with overseas partners, etc.

Focus on forward integration

- In February 2017, Future Retail, entered into an agreement with UK based home furnishing brand - Laura Ashley, to operate and own stores and websites in India
- The Indian fashion retailers online market is poised to grow to US\$ 30 billion by the 2020, currently the online market is valued at US\$ 7-9 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 and deodorants.

Promotion of Khadi

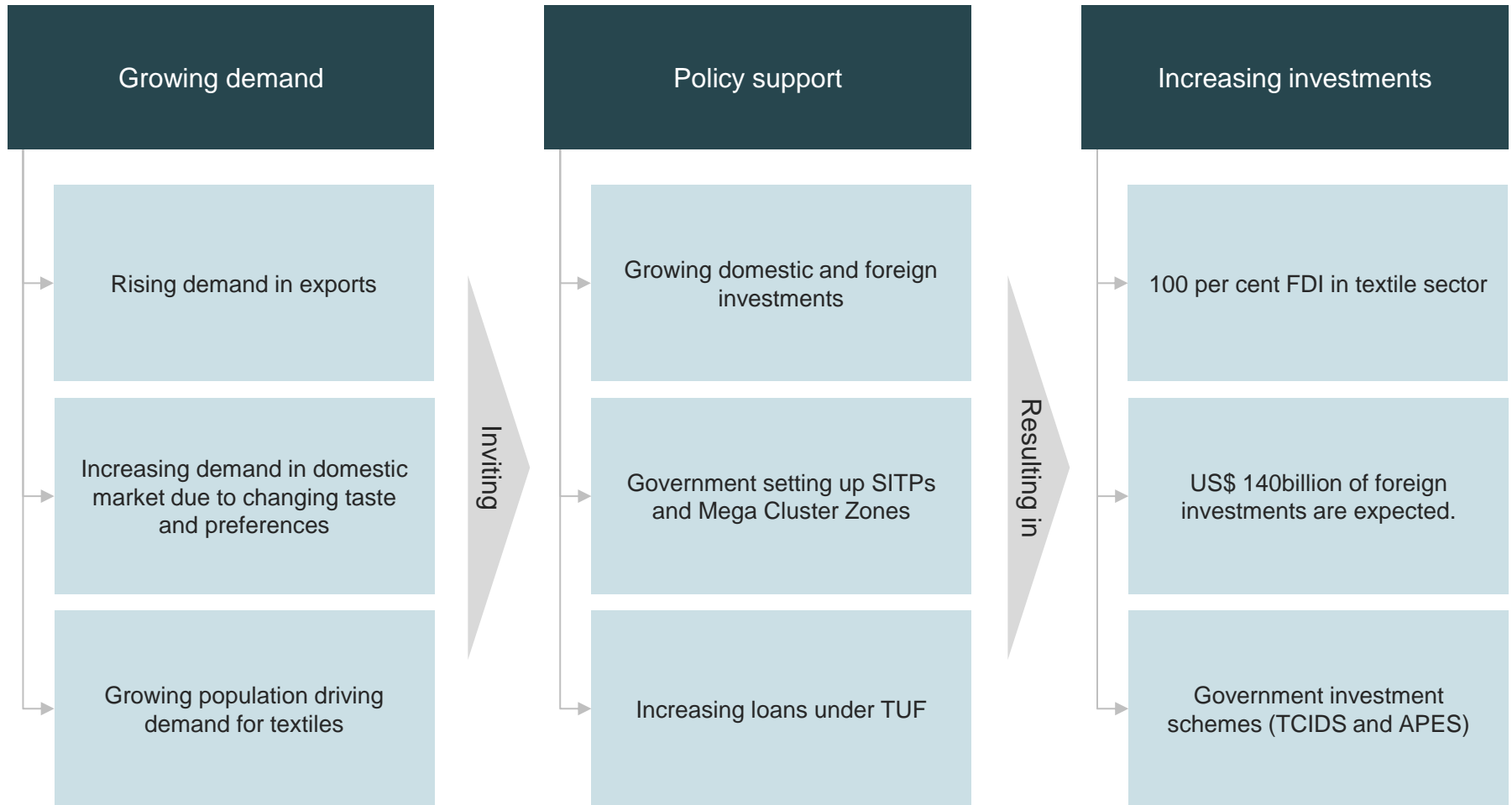
- The Government of India plans to connect around 50 million women in Indian villages to charkha (spinning wheel) in the next five years with the aim of providing employment and promoting the khadi brand.

Source: Annual Reports and Company Presentations, Aranca Research

GROWTH DRIVERS



STRONG FUNDAMENTALS AND POLICY SUPPORT AIDING GROWTH

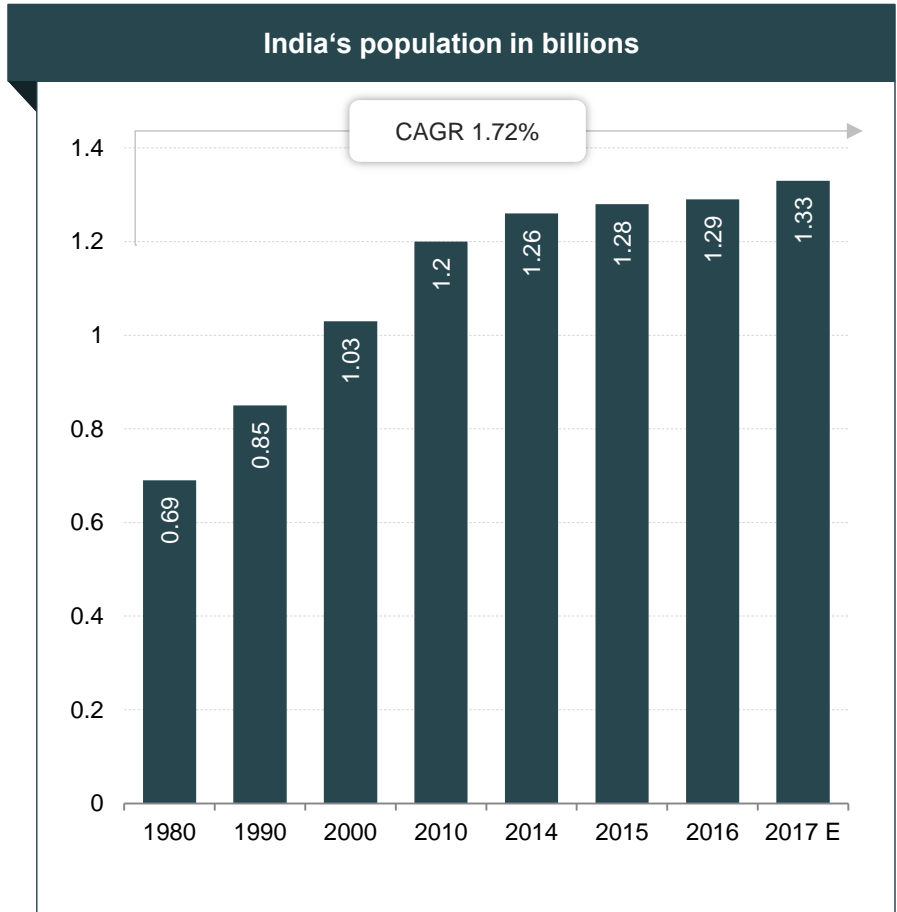


Note: TCIDS - Textile Center Infrastructure Development Scheme, APES - Apparel Park for Exports Scheme

Note: Ministry of Textiles, Aranca Research

CHANGING DEMOGRAPHICS HAS ALSO CONTRIBUTED SIGNIFICANTLY TO THE SECTOR

- By 2014, India's population had almost doubled compared to figures 30 years before
- 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 and preferences in the urban part of India
- It has been complemented by a young population which is growing and at the same time is exposed to changing tastes and fashion
 - Complementing this factor is rising female workforce participation in the country



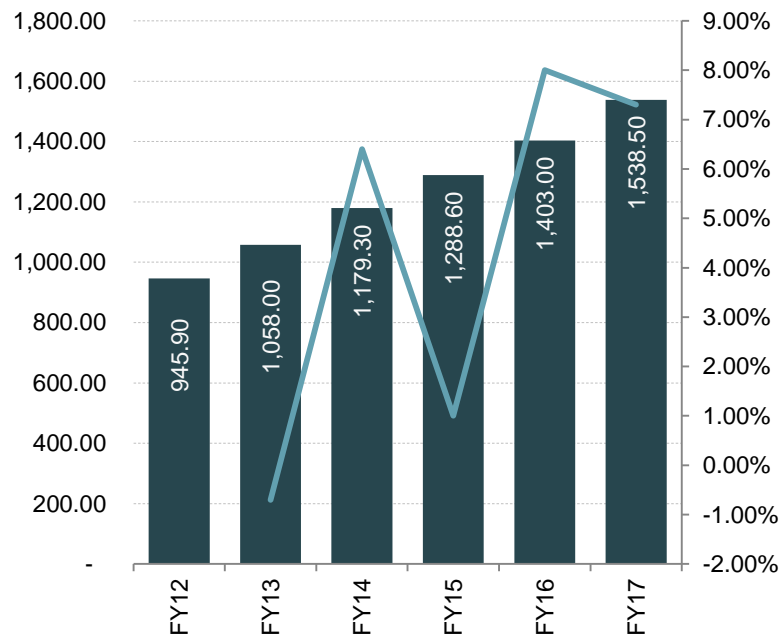
Note: E – estimated

Source: World Bank

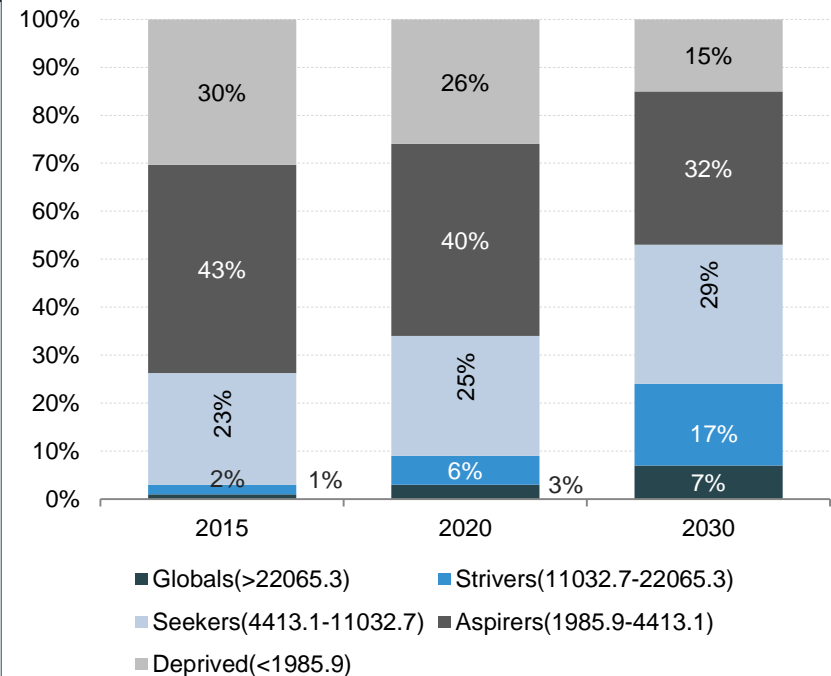
RISING INCOMES AND A GROWING MIDDLE-CLASS HAVE BEEN KEY DEMAND DRIVERS

- 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 (US\$)



Changing economic fortunes by income segments



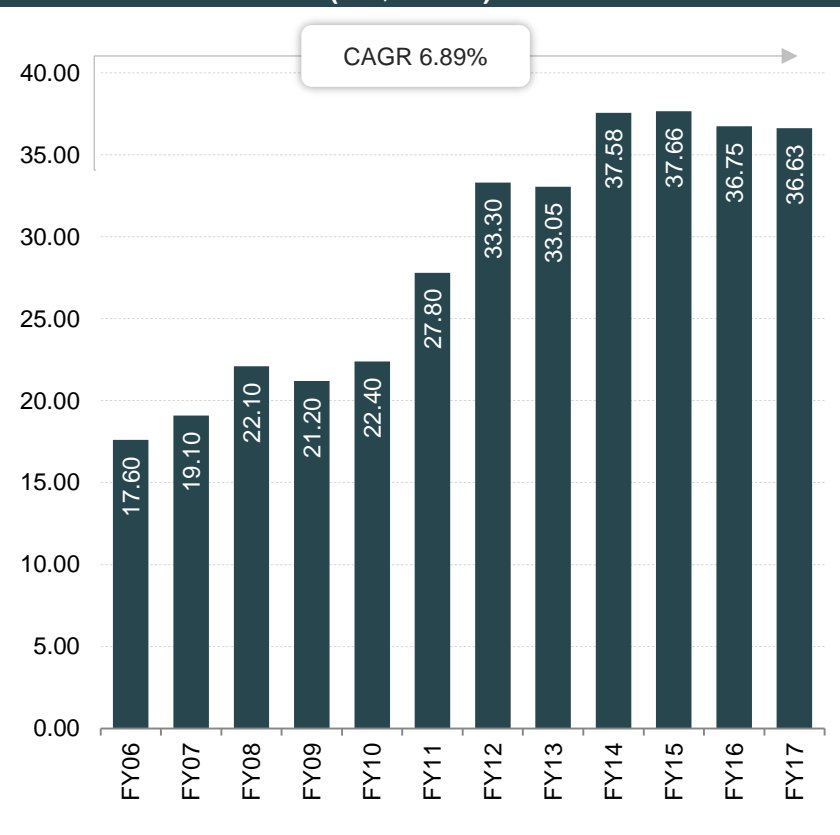
Notes: E- Estimate, F - Forecasts

Source: IMF, Mckinsey Global Institute, Aranca Research

EXPORTERS GAINING FROM STRONG GLOBAL DEMAND

- 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 6.89 per cent over the period of FY06 to FY17
- In the coming decades, Africa and Latin America could very well turn out to be key markets for Indian textiles
- In April 2017, the government unveiled Textiles India 2017, its 1st ever global B2B handicrafts and textile event, in Delhi. The event showcased a 1000 stalls, and saw about 1,600 buyers from more than 100 countries. Around 1,300 exhibitors and 2,000 delegates had registered for the event and total participation, including domestic buyers, artisans and visitors, crossed 6,000. During the second day of the event, the Ministry of Textiles signed 65 MoUs.

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

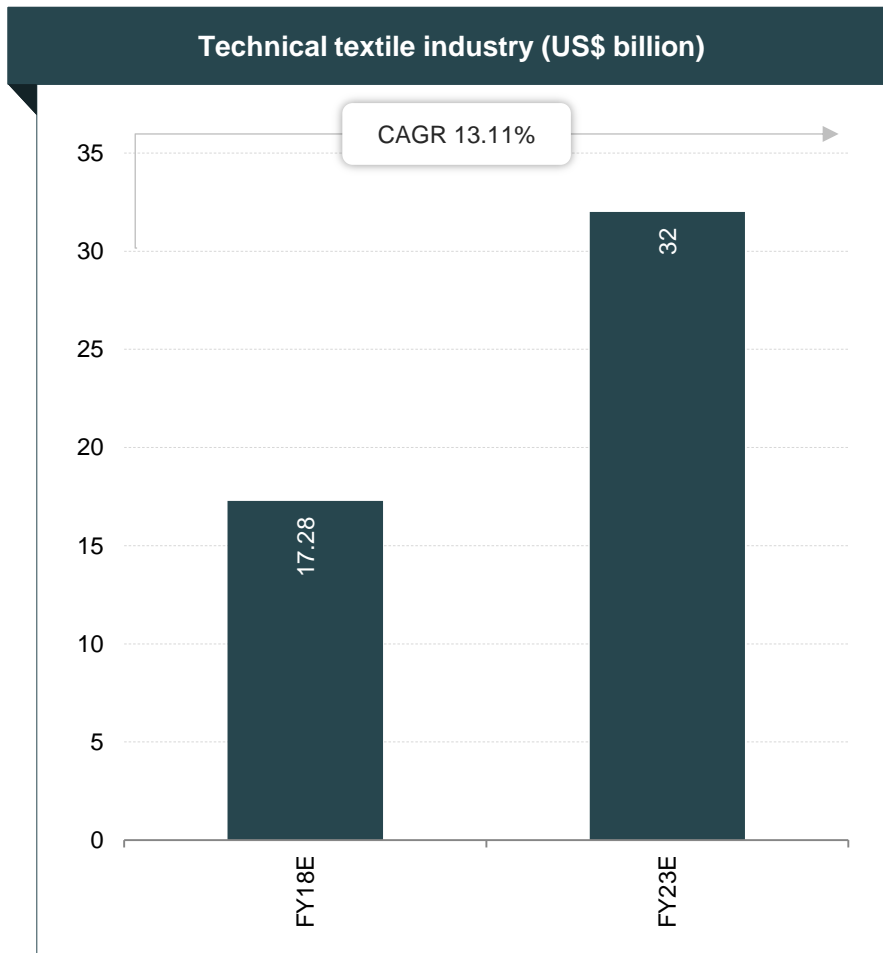


Notes: MoUs- Memorandums of Understanding

Source: Ministry of Textiles, Budget 2015

TECHNICAL TEXTILE INDUSTRY – A NEW ARENA OF GROWTH

- The major service offerings of the technical textile industry include thermal protection and blood-absorbing materials, seatbelts and adhesive tapes.
- The technical textile industry is expected to expand at a CAGR of 13.11 per cent during FY18–23 to US\$ 32 billion in FY23.
- The targeted market size would be achieved by targeting non-woven technical textiles.
- Healthcare and 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 and versatility of technical textiles.
- The government has supported the technical textile industry with an allotment of US\$ 1 billion for SMEs and an exemption in custom duty for raw materials used by the sector.



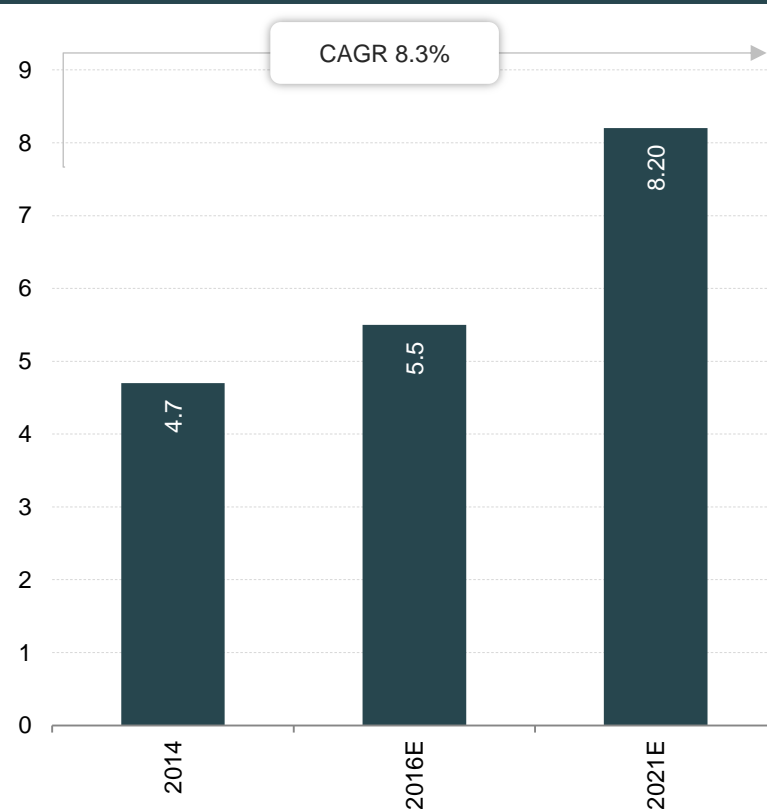
Notes: SME - Small and Medium Enterprises, E – Estimates; Figures mentioned are as per latest data available

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

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 US\$ 8.2 billion in 2021 from US\$ 4.7 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 and 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 and growth of end use sectors like housing, hospitality, healthcare, etc.
- In 2016, Indian home textile industry is estimated at US\$ 5.5 billion.

Indian home textile industry (US\$ billion)



Notes: E – Estimates

Source: Ministry of Textiles, Welspun Presentation, Technopak, Aranca Research

POLICY SUPPORT HAS BEEN A KEY INGREDIENT TO GROWTH

Technology Up-gradation Fund Scheme (TUFS)	<ul style="list-style-type: none"> Investment was made to promote modernisation and up-gradation of the textile industry by providing credit at reduced rates. A subsidy of Rs 1,400 crore (US\$ 216.25 million) was released under this scheme in 2017. Under the Union Budget 2018-19, Rs 2,300 (US\$ 355.27 million) crore have been allocated for this scheme.
National Textile Policy - 2000	<ul style="list-style-type: none"> 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 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 US\$ 3.27 million
FDI	<ul style="list-style-type: none"> Foreign direct investment (FDI) of up to 100 per cent is allowed in the textile sector through the automatic route
SAATHI Scheme	<ul style="list-style-type: none"> 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 powerloom sector of India.
Merchandise Exports from India Scheme	<ul style="list-style-type: none"> 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 per cent to 4 per cent.
Scheme for Capacity Building in Textiles Sector (SCBTS)	<ul style="list-style-type: none"> The Cabinet Committee on Economic Affairs (CCEA), Government of India has approved a new skill development scheme named 'Scheme for Capacity Building in Textile Sector (SCBTS)' with an outlay of Rs 1,300 crore (US\$ 202.9 million) from 2017-18 to 2019-20. 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	<ul style="list-style-type: none"> The Textile Ministry of India earmarked Rs 690 crore (US\$ 106.58 million) for setting up 21 ready made garment manufacturing units in seven states for development and modernisation of Indian Textile Sector.

Source: Company website, Business Standard

- As of December 2017, India had 7 exporting SEZs for textiles, apparel and wool.

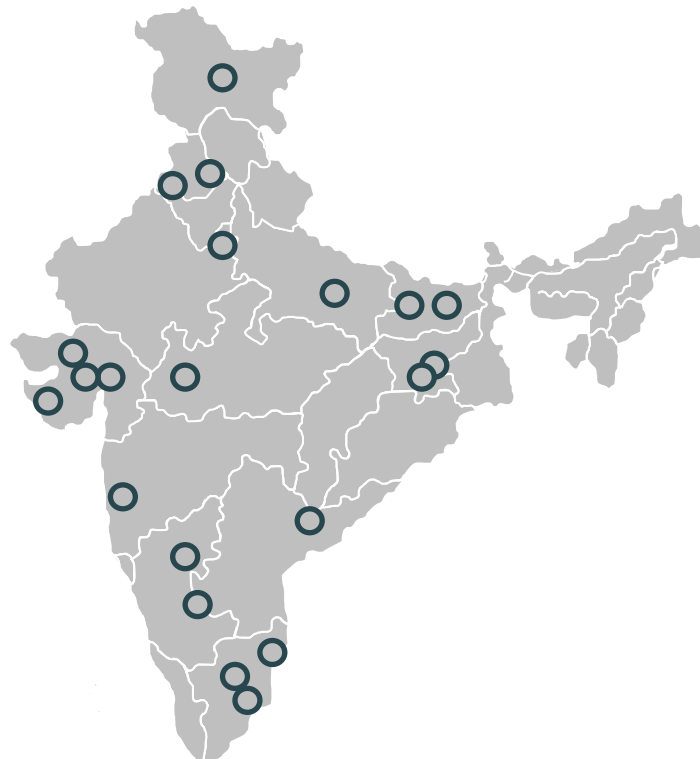
Name of SEZ and status	State	Area (hectares)	Sector	Details
Mahindra City SEZ (Functional)	Tamil Nadu	607.1	Apparel and fashion accessories	Mahindra City is India's first integrated business city, divided into business and lifestyle zones. It is a cluster of 3 sector specific SEZs in Tamil Nadu, for 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

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

KEY TEXTILES AND APPAREL ZONES IN INDIA

North: Kashmir, Ludhiana and Panipat account for 80 per cent 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: 2011-12 As Per Latest Available Information
Source: Aranca Research

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

Period: January 2000 to November 2017

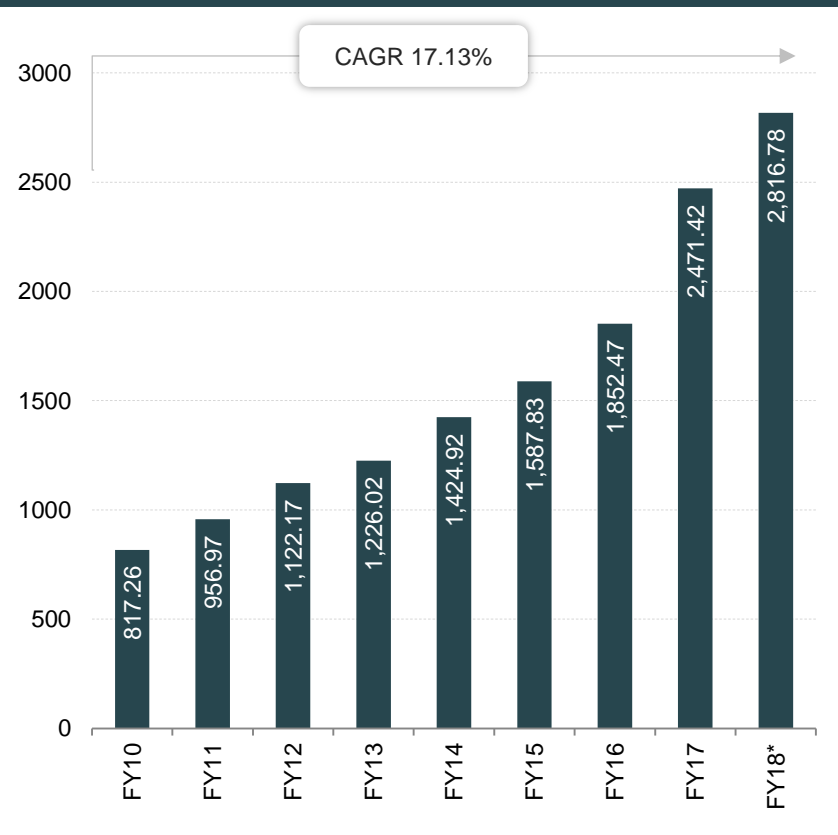
Date	Acquirer name	Target name	Deal size (US\$ million)
June 2014	Future Lifestyle Fashions Ltd	Unico Retail Pvt Ltd	NA
October 2014	Biba Apparels Pvt Ltd.	Anjuman Brand Designs Pvt Ltd	NA
May 2015	Oasis Procon Pvt Ltd	Bombay Dyeing and Manufacturing Company Ltd	37.67
NA	BR Machine Tools Pvt Ltd	Bombay Rayon Fashions Ltd	721.1
March 2016	Sutlej Textiles and Industries Ltd	Birla Textile Mills	NA
January 2017	Soch	L Catterton, Westbridge and CX Partners	200
February 2017	Saks and Company	Aditya Birla Group	NA
April 2017	Myntra	InLogg	NA
July 2017	Advent International	Dixcy Textiles Pvt Ltd	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
November 2017	Donear Industries Limited	OCM Woolen Mills	NA

Source: MandA, Thompson ONE Banker, Grant Thornton, CMIE, Aranca Research

FOREIGN INVESTMENTS FLOWING INTO THE SECTOR

- 100 per cent FDI is approved in the sector
- Indian textile industry experienced noticeable growth in FY17, as the cumulative FDI in the sector reached US\$ 2,816.78 million in December 2017 from US\$ 1,852.47 million in FY16
- During FY10-18*, FDI in textiles and apparel industry grew at a CAGR of 17.13 per cent
- The textiles industry in India is experiencing a significant increase in collaboration between global majors and domestic companies
- International apparel giants, such as Hugo Boss, Liz Claiborne, Diesel and Kanz, have already started operations in India
- Furthermore, the Government of Gujarat expects that the extension of its textile policy by a year will attract investments worth Rs 5,000 crore (US\$ 774.89 million) in various sectors across the value chain.

Cumulative FDI in Textile Industry (US\$ million)



Source: Ministry of Commerce and Industry, DIPP, * - Data as of December 2017

OPPORTUNITIES



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 US\$ 226 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 and trends

Private sector participation in silk production

- The Central Silk Board sets targets 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 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

Union Budget 2018-19

- Under Union Budget 2018-19, Government of India allocated around Rs 7,148 crore (US\$ 1.1 billion) for the textile Industry.
- Rs 2,300 crore (US\$ 355.27 million) have been allocated for the Technology Up-gradation Fund Scheme (TUFS).
- The allocation for Remission of State Levies (ROSL) is Rs 2,163.85 crore (US\$ 334.24 million), which is expected to be beneficial for exporters of made-ups and apparels, as backlog will be cleared and working capital will be released.
- The government has also proposed to contribute 12 per cent of the new employees' wages towards Employee Provident Fund (EPF) over the next three years, which is expected to boost hiring in the apparel segment and has also extended fixed-term employment to all sectors.
- The government has allocated Rs 112.15 crore (US\$ 17.32 million) towards schemes for powerloom units.
- The government has allocated Rs 30 crore (US\$ 4.63 million) for the Scheme for Integrated Textile Parks, under which there are 47 ongoing projects.
- The handloom clusters under the National Handloom Development Programme will get Rs 396 crore (US\$ 91.17 million) and the Integrated Processing Development Scheme will get Rs 3.8 crore (US\$ 0.59 million).

Retail sector offers growth potential

- With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with several international players like Marks and Spencer, Guess and 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 and Bangladesh plans to increase their cooperation in order to increase promote the investment and trade of jute and 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 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

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 and 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 and printed textile, stood at US\$ 2.68 billion from April 2000 to September 2017
- In April 2017, StalkBuyLove, an online fashion brand, has raised US\$ 1 million venture debt from Trifecta Capital, to expand its team and strengthen the supply chain technology.
- 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.

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

CASE STUDIES



RAYMOND: A LONG JOURNEY OF SUCCESS

1900-1950

- Setup of The Raymond Woollen mill in the area around Thane creek.
- Setup of a new manufacturing activity for making indigenous engineering files known as JK Files and Tools. This has now become the largest facility of its kind in the world.

1951-2000

- The first exclusive Raymond Retail showroom, King's Corner, was opened in 1958 at Ballard Estate in Bombay.
- Raymond setup a readymade garments plant at Thane.
- A new manufacturing facility was set up at Jalgaon.
- Launch of "Park Avenue", the premium lifestyle brand for men
- The first showroom abroad for Raymond in Oman.
- Set up new manufacturing facility was at Chhindwara, near Nagpur.
- Launch of "Parx", a premium casual wear brand
- Launch of "Be:" - line of ready-to-wear designer clothing

2001-2010

- Acquisition of ColorPlus.
- Setup of 'Silver Spark Apparel Ltd.'
- Super 220S fabrics under the Chairman's Collection.
- Set of Raymond's third worsted unit at Vapi in Gujarat.
- Launch of design studio in Italy
- Launch of Zapp! - kidswear brand
- Joint Venture to retail premium brand 'GAS
- Launch of 'Raymond Finely Crafted Garments
- Launch of 'Neckties and More

2010 onwards

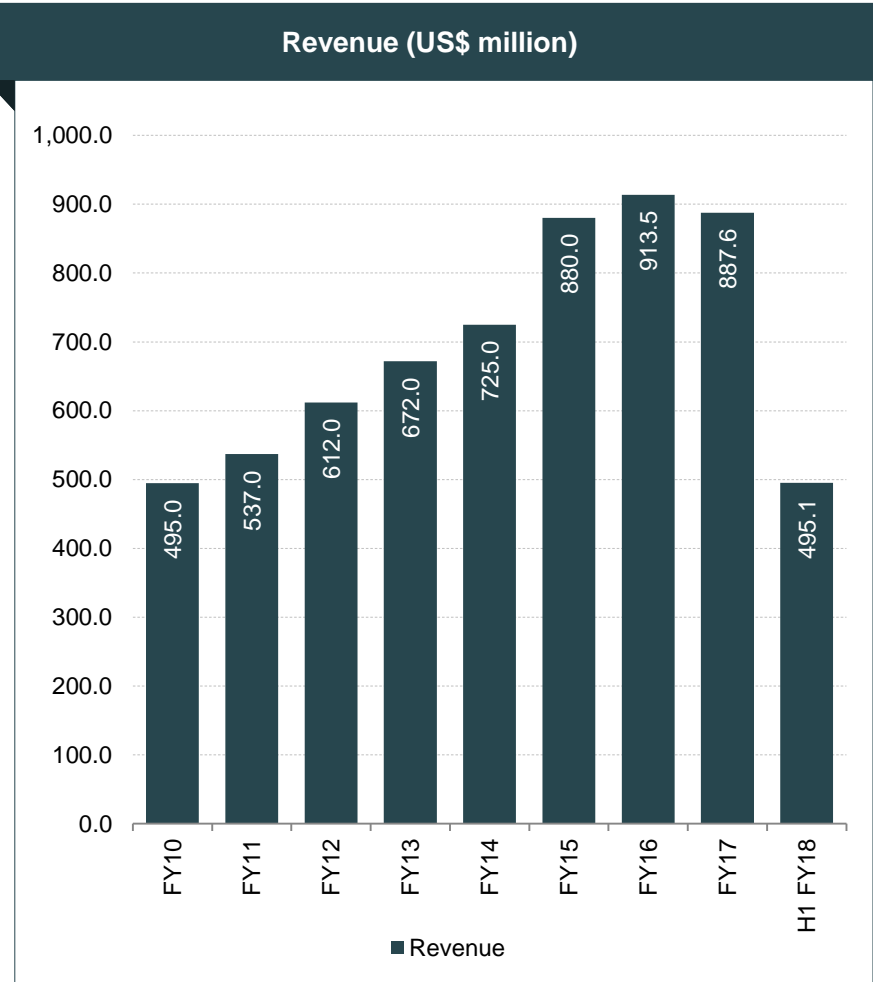
- Launch of 'Makers' brand in the value for money fabric segment.
- 600th The Raymond Shop outlet opened.
- Raymond Premium Apparel crossed Rs. 1 bn mark.
- Pan-India launch of 'Makers' brand.
- In December 2017, Raymond set up its first ever linen manufacturing facility worth Rs 250 crore (US\$ 38.62 million) at Amravati, Maharashtra.

Source: Company website

WELSPUN INDIA: WORLD'S LARGEST HOME TEXTILE COMPANY

- 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.
- Welspun ranked 1st in home textile supplies to US in FY16 *.
- During FY10-17, revenue of Welspun increased at a CAGR of 8.7 per cent, in US\$ terms. Total income of the company reached Rs 3,182.9 crore (US\$ 495.1 million) in the first half of FY18.

Terry towels	<ul style="list-style-type: none"> Capacity – 60,000 MT/Year Location - Anjar/Vapi Capacity utilisation - 102%
Bed linen products	<ul style="list-style-type: none"> Capacity – 72 million metre/Year Location - Anjar Capacity utilisation - 97%
Rugs	<ul style="list-style-type: none"> Capacity – 8,000 MT/Year Location - Vapi Capacity utilisation - 58%

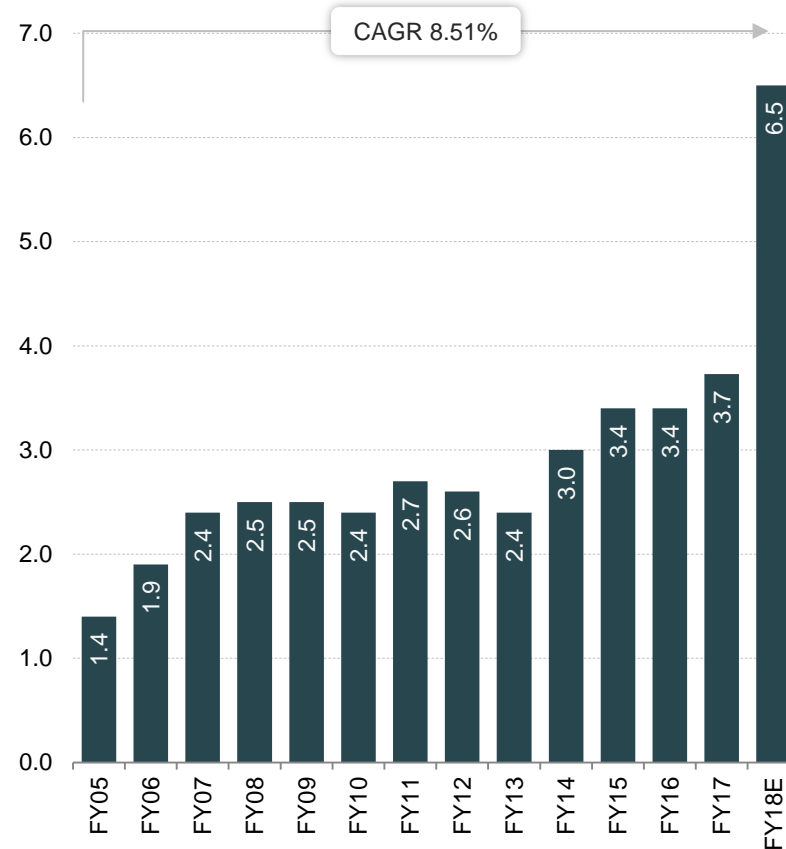


Note: EBITDA – Earnings before interest, tax, depreciation and amortisation, * - Home and Textiles Today
Source: Company website, Annual Report, Media sources

TIRUPUR: TEXTILES HUB OF INDIA

- The city has more than 5000 garment manufacturing and job work units and is one of the most organised processing and 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 and around 3 per cent to total export trade
- Exports from Tirupur increased at a CAGR of 8.51 per cent from US\$ 1.4 billion in FY05 to US\$ 3.7 billion in FY17.
- Exports are expected to reach US\$ 6.5 billion by FY18.
- 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 and sports wear

Exports from Tirupur (US\$ billion)



Note: CAGR upto FY17

Source: Company website, Annual Report

KEY INDUSTRY ORGANISATIONS



The Textile Association (India) (TAI)

Address: 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)

Address: 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)

Address: 121, Gagandeep Building (First Floor), 12,
Rajendra Palace,
New Delhi- 110 008
E-mail: nitma@vsnl.net, nitma@airtelmail.in
Website: www.nitma.org

USEFUL INFORMATION



- 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 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 INR	INR Equivalent of one US\$
2004-05	44.81
2005-06	44.14
2006-07	45.14
2007-08	40.27
2008-09	46.14
2009-10	47.42
2010-11	45.62
2011-12	46.88
2012-13	54.31
2013-14	60.28
2014-15	61.06
2015-16	65.46
2016-17	67.09
Q1 2017-18	64.46
Q2 2017-18	64.29
Q3 2017-18	64.74

Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	43.98
2006	45.18
2007	41.34
2008	43.62
2009	48.42
2010	45.72
2011	46.85
2012	53.46
2013	58.44
2014	61.03
2015	64.15
2016	67.21
2017	65.12

Source: Reserve bank of India, Average for the year

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