TEXTILES AND APPAREL

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TEXTILES AND APPAREL

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Rising per capita income, favourable demographics and a shift in preference to branded products to boost demand

Favourable trade policies and superior quality to drive textile exports

Increase in domestic demand set to boost cloth production

The domestic textile and apparel industry in India is projected to reach USD123 billion by 2021. The domestic textile industry stood at USD108 billion in 2015, witnessing growth from USD67 billion in 2014

Textile and apparel exports from India is expected to increase to USD82 billion by 2021 and to USD65 billion by 2017 from USD40 billion in 2016

Total cloth production in India is expected to grow to 112 billion square metres by FY17 from 64.3 billion square metres in FY15

Source: Ministry of Textiles, Make in India, Technopak, TechSci Research
Notes: CAGR - Compound Annual Growth Rate, E – Estimate, P – Provisional;⁽¹⁾ - up to Oct’ 15

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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
Robust demand
- Increased penetration of organised retail, favourable demographics, and rising income levels to drive textile demand
- Growth in building and 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) and Technology Upgradation Fund Scheme (TUFS) - (term loan sanctioned in Feb, 2015-USD2198.45 Million) to encourage more private equity and 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 and in cost of production relative to major textile producers

Policy support
- 100 per cent FDI (automatic route) is allowed in the Indian textile sector
- Under Union Budget 2015-16, government has allocated USD39.81 million for integrated parks in India
- Free trade with ASEAN countries and 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 OVERVIEW AND TRENDS
EVOLUTION OF THE INDIAN TEXTILE SECTOR

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
- 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

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

2000-14

- Make in India campaign was launched to attract manufacturers and FDI.
- Technology Mission for Technical Textile has been continued.
- Under Union Budget 2016-17, Government of India allocated around USD701.9 million for textile Industry. Major focus of this budget is to attract manufacturers, initiate technology upgradation, and setup Integrated textiles parks, etc.
- Measures were also announced to be taken to foster faster clearance of import and export cargo

2014-Onwards

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- Technology Mission for Technical Textile has been continued.
- Under Union Budget 2016-17, Government of India allocated around USD701.9 million for textile Industry. Major focus of this budget is to attract manufacturers, initiate technology upgradation, and setup Integrated textiles parks, etc.
- Measures were also announced to be taken to foster faster clearance of import and export cargo

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 and technical textiles), Readymade Garments (RMGs) and 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

**Yarn and fibre segment**

- 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 and wool to synthetic/man-made fibres like polyester, viscose, nylon and acrylic.

According to UN Comtrade data released in June, 2014:

- India was announced as the world’s second largest exporter of textiles and clothing in the world
- And 6th largest exporter of clothing only

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

India is the 2nd biggest producer of silk and cotton

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 and yarns (largest producer of jute, second largest producer of silk and cotton; and third largest in cellulosic fibre)

Source: Textile Ministry, Make in India, TechSci Research
Note: Figures are as per latest data available.
**TEXTILES AND APPAREL**

**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 13 per cent of total exports

* The size of India’s textile market in 2015 was around USD108.5 billion, which is expected to touch USD226 billion market by 2023, growing at a CAGR of 8.7 per cent between 2009-23E

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**India’s textile market size (USD billion)**

- 2009: 70
- 2010: 78
- 2011: 89
- 2014: 99
- 2015: 108.5
- 2023E: 226

**CAGR: 8.7%**

*Source: Technopak, Make in India, News articles, Ministry of Textiles, TechSci Research*

*Notes: CAGR - Compound Annual Growth Rate, E – Estimated*
In 2014, textiles had a share of 60 per cent of the export market; apparels contributed the remaining 40 per cent.

To improve technical skills in apparel industry, the government established 75 apparel training and design centres across India.

National Institute of Fashion Technologies played a pioneering role in the growth of the apparel industry and 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, and select countries in West Asia.

Shares in India’s textile and apparel exports in 2014

- Textiles: 60%
- Apparels: 40%
COTTON PRODUCTION OVER THE PAST FEW YEARS HAS BEEN VOLATILE

- Production of raw cotton in India grew from 28 million bales in FY07 to 38 million bales in FY15 and 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)]

CAGR: 2.6%

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 BEEN RISING

* Production of man-made fibre has also been on an upward trend

* Production stood at 1.34 million tonnes in FY15 with the figure reinforcing a recovery from 2009 levels

* During the period of FY07-15, production increased at a CAGR of 2.0 per cent

* During FY16 (April-October 2015), production stood at 0.77 million tonnes

Production of man-made fibre (million tonnes)

Source: Ministry of Textiles, TechSci Research
Note: FY16⁽¹⁾ - Data is for April-October 2015
COTTON IS THE MAJOR SEGMENT IN YARN AND FABRIC … (1/2)

* Production of yarn grew to 673.60 Lakh Kgs in FY15 from 626.30 Lakh Kgs in FY11, implying a CAGR of 1.8 per cent

* Production of yarn between April to October'15 stood at 399.30 Lakh Kg

* Cotton yarn accounts for the largest share in total yarn production; in FY15, the segment’s share amounted to 61 per cent

Production of yarn (lakh kg)

<table>
<thead>
<tr>
<th>Year</th>
<th>Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY11</td>
<td>626.30</td>
</tr>
<tr>
<td>FY12</td>
<td>583.50</td>
</tr>
<tr>
<td>FY13</td>
<td>623.90</td>
</tr>
<tr>
<td>FY14</td>
<td>660.20</td>
</tr>
<tr>
<td>FY15</td>
<td>673.60</td>
</tr>
<tr>
<td>FY16¹</td>
<td>399.30</td>
</tr>
</tbody>
</table>

Source: Ministry of Textiles, TechSci Research
Note: FY16¹ - Data is for April-October 2015
**TEXTILES AND APPAREL**

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

- Fabric production in the country rose to 64,332 million square metre in FY15 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 37,986 million square meter in FY16\(^{(1)}\)

- Cotton yarn, a major segment in FY15, accounted for more than 57 per cent share in fabric production, with the share reaching to 58.4 per cent in FY16\(^{(1)}\)

![Fabric production (million square metre)](image)

*Source: Ministry of Textiles, TechSci Research*

*Note: Figures mentioned are as per latest data available

\(^{(1)}\) Data is from April – October
Exports have been a core feature of India’s textile and apparel sector, a fact corroborated by trade figures.

Exports grew to USD41.4 billion in FY15 from USD17.6 billion in FY06, implying a CAGR of 9.97 per cent.

Exports during FY16 (between April-September 2015) touched USD19.1 billion.

However, in FY15, India’s textile exports surpassed FY14 exports, reaching USD41.4 billion.

Exports in textile and apparel sector stood at USD40 billion in FY16 in comparison with USD41.4 billion in FY15.

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

Source: Ministry of Textiles, Budget 2015, TechSci Research
Note: FY16 (3) Data for April-September 2015
FY15 (2) Import (April-Oct’14)
FY14 (1) Import (April-Oct’13)
**Textiles and Apparel**

**ReadyMade Garments and Cotton Textiles Dominate Exports**

- Readymade garments was the largest contributor to total textile and apparel exports from India in FY15, the segment had a share of 41 per cent.

- Cotton and man-made textiles were the major contributors with shares of 31 per cent and 16 per cent, respectively.

**Shares in India’s textile exports (FY15(1))**

- Readymade Garment: 41%
- Cotton Textiles: 31%
- Man-made textiles: 16%
- Handicrafts (Excl. Handmade Carpets): 9%
- Others (Silk, Wool, Jute): 4%

*Source: Ministry of Textiles, TechSci Research*

*Notes: Others include coir & coir manufacturers and jute*

*FY15(1) - Data is for April-December 2014*
## TEXTILES AND APPAREL

### 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 and garment production (denims, shirting, khakis and knitwear)</td>
</tr>
<tr>
<td>Bombay Dyeing &amp; Manufacturing Company Ltd</td>
<td>Bed linen, towels, furnishings, fabric for suits, shirts, dresses and saris in cotton and 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*
TEXTILES AND APPAREL

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) and cluster development activities
- TUFS for the textile sector to continue in the 12th Five Year plan with an investment target of USD24.8 billion

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.

Source: Ministry of Textiles, Geotechnical, TechSci Research
Note: TUFS - Technology Upgradation Fund Scheme
TEXTILES AND APPAREL

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

- Welspun India is currently focusing on setting up a shop-in-shop strategy, where it will open shops in large retail stores, curtailing capex and risk, to focus on the domestic market.

Focus on backward integration

- Welspun India plans to increase its internal supply of yarn and greige from ~35 per cent in February 2014 to 70-75 per cent by June 2014, through its backward integration strategy.

Focus on forward integration

- Vardhman Textiles Ltd has entered into garment manufacturing business through a collaboration with Nisshinbo, a Japanese manufacturer of yarns.

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 deos.

Source: Annual Reports and Company Presentations, TechSci Research
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GROWTH DRIVERS
STRONG FUNDAMENTALS AND POLICY SUPPORT AIDING GROWTH

Growing demand

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

Inviting

Policy support

- 100 per cent FDI in textile sector
- Government setting up SITPs and Mega Cluster Zones
- Increasing loans under TUFS

Increasing investments

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

Source: Ministry of Textiles, TechSci Research
Notes: TCIDS - Textile Center Infrastructure Development Scheme, APES - Apparel Park for Exports Scheme
CONTINUED SUPPORT TO TEXTILE SECTOR BY THE GOVERNMENT IN FY16 BUDGET

Some of the key tax reliefs in Budget FY16:
- Zero excise duty for the cotton products
- Structure of the excise duty on Man-Made Fibre has been same

Union Budget

- 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

- 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 and Craft Museum

- USD252 million has been allocated for TUFS scheme
- USD24.8 million has been allocated for National Handloom Development Program
- USD33.34 million has been allocated for Human Resource Development

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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NOVEMBER 2016
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 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

Source: World Bank, TechSci Research

Note: F - Forecasts

CAGR: 1.72%
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>GDP per capita, current prices</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY10</td>
<td>1430.2</td>
<td></td>
</tr>
<tr>
<td>FY11</td>
<td>1552.5</td>
<td></td>
</tr>
<tr>
<td>FY12</td>
<td>1644.6</td>
<td></td>
</tr>
<tr>
<td>FY13</td>
<td>1504.9</td>
<td></td>
</tr>
<tr>
<td>FY14</td>
<td>1595.7</td>
<td></td>
</tr>
<tr>
<td>FY15</td>
<td>1702.1</td>
<td></td>
</tr>
<tr>
<td>FY16</td>
<td>1832.8</td>
<td></td>
</tr>
<tr>
<td>FY17</td>
<td>1978.6</td>
<td></td>
</tr>
<tr>
<td>FY18</td>
<td>2128.8</td>
<td></td>
</tr>
<tr>
<td>FY19</td>
<td>2302.5</td>
<td></td>
</tr>
</tbody>
</table>

**Changing economic fortunes by income segments**

<table>
<thead>
<tr>
<th>Year</th>
<th>Globals(&gt;22065.3)</th>
<th>Strivers(11032.7-22065.3)</th>
<th>Seekers(4413.1-11032.7)</th>
<th>Aspirers(1985.9-4413.1)</th>
<th>Deprived(&lt;1985.9)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2015</td>
<td>30%</td>
<td>3%</td>
<td>23%</td>
<td>1%</td>
<td>4%</td>
</tr>
<tr>
<td>2020</td>
<td>26%</td>
<td>6%</td>
<td>25%</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>2030</td>
<td>15%</td>
<td>32%</td>
<td>29%</td>
<td>17%</td>
<td>7%</td>
</tr>
</tbody>
</table>

**Source:** IMF, Mckinsey Global Institute, TechSci Research

Notes: E - Estimates, F - Forecasts

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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 8.56 per cent over the period of FY06 to FY16.

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

Growing textile and clothing exports from India (USD billion)

Source: Ministry of Textiles, Budget 2015, TechSci Research
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 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 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 USD1 billion for SMEs and an exemption in custom duty for raw materials used by the sector.

USD70.83 million has been allocated to promote the use of Geotechnical textiles in the North East states in FY14.

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.
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 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 2014, the home textile industry at global level was valued at USD45 billion. Of these, India’s share was 11 per cent against China’s share of 34 per cent.

Indian home textile industry (USD 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 and up-gradation of the textile industry by providing credit at reduced rates
- USD0.23 billion has been allocated for ATUFS scheme for FY16-17, under Union Budget 2016-17

National Textile Policy - 2000

- The policy was introduced for the overall development of textile industry
- 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 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 and as on November 2014, Government has invested a total of USD21.96 million for 21 new textile parks and 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 and fashion accessories</td>
<td>Mahindra City is India’s first integrated business city, divided into business and lifestyle zones. It is a cluster of three 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</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 and 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
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
- South: Tirpur, Coimbatore and Madurai for hosiery. Bengaluru, Mysore and Chennai for silk
- East: Bihar for jute, parts of Uttar Pradesh for woollen and Bengal for cotton and jute industry

Source: TechSci Research, Note: 2011-12 As Per Latest Available Information
M&A activity in the sector has been picking up pace over the years. During 2014, the number of M&A deals in the textiles and apparel industry stood at 19.

Some of the major M&A deals\(^{(1)}\) are listed below:

<table>
<thead>
<tr>
<th>Acquirer name</th>
<th>Target name</th>
<th>Deal size (USD million)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oasis Procon Pvt Ltd</td>
<td>Bombay Dyeing &amp; Manufacturing Company Ltd</td>
<td>37.67</td>
</tr>
<tr>
<td>Sutlej Textiles &amp; Industries Limited</td>
<td>Birla Textile Mills</td>
<td>NA</td>
</tr>
<tr>
<td>Biba Apparels Pvt Ltd</td>
<td>Anjuman Brand Designs Pvt Ltd</td>
<td>NA</td>
</tr>
<tr>
<td>Future Lifestyle Fashions Ltd</td>
<td>Unico Retail Pvt Ltd</td>
<td>NA</td>
</tr>
<tr>
<td>Grasim Industries</td>
<td>Terrace Bay Pulp</td>
<td>360.0</td>
</tr>
<tr>
<td>Madura Garments</td>
<td>Pantaloons Retail</td>
<td>333.3</td>
</tr>
<tr>
<td>Himachal Fibres</td>
<td>Balmukhi Textiles Pvt Ltd</td>
<td>NA</td>
</tr>
<tr>
<td>BR Machine Tools Pvt Ltd</td>
<td>Bombay Rayon Fashions Ltd</td>
<td>721.1</td>
</tr>
<tr>
<td>Group of investors</td>
<td>Provogue (India)Ltd</td>
<td>526.9</td>
</tr>
<tr>
<td>M C Spinners Pvt Ltd</td>
<td>Maxwell Industries</td>
<td>8.5</td>
</tr>
</tbody>
</table>

Source: “M&A,” Thompson ONE Banker, Grant Thornton, CMIE, TechSci Research
Note: \(^{(1)}\) The value for 290 deals were not disclosed.
FOREIGN INVESTMENTS FLOWING INTO THE SECTOR

- 100 per cent FDI is approved in the sector
- Indian textile industry experienced noticeable growth in FY16, as FDI in the sector increased to USD1852.47 million in FY16 from USD1587.83 million in FY15
- During FY10-16, FDI in textiles and apparel industry grew at a CAGR of 14.6 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

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 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
TEXTILES AND APPAREL

OPPORTUNITIES … (2/2)

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 & Spencer, Guess and Next having entered Indian market
• The organised apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period

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 four 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 USD1.85 billion from April 2000 to March 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
TEXTILES AND APPAREL

RAYMOND: A LONG JOURNEY OF SUCCESS

1964 Vertical integration in multi-fibres
1964 Organic growth in textiles
Capacity of 40 MM -1996
1980 Transformed into industrial conglomerate
FY08 USD595 million turnover
FY16 USD854.7 million turnover
Launch of the Makers brand - 2011
JV with GAS in India - 2007
Acquisition of ColorPlus - 2002
1996 Capacity of 40 MM -1996
1980 Vertical integration in multi-fibres
Organic growth in textiles
1964 Vertical integration in multi-fibres

With a retail presence of 956 stores across all formats at the end of FY14 the company is looking to modernise and aggressively expand its store network.

Source: Company Presentation, TechSci Research
Notes: JV - Joint Venture, MM - Million Meters

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NOVEMBER 2016
ALOK INDUSTRIES: INTEGRATED TEXTILE SOLUTIONS

- Organic growth in textiles
- Acquisition of QS to gain retail holding in the UK - 2007
- Tie-ups with Global Retail Giants
- Focus on speciality fabrics; plans to enter in technical textiles
- JV with NTC - 2008
- 2007 ISO 9001, 2000 and three other international accreditations
- FY05 USD272 million turnover
- FY16(1) ~USD1.51 billion 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%

Source: Company Presentation, TechSci Research
Welspun ranked 1st in home textile supplies to US in FY16 by Home & Textiles Today, a leading industry magazine

* The company exported 97 per cent of the production in FY15
* 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)

FY10: 495
FY11: 537
FY12: 612
FY13: 672
FY14: 725
FY15: 880
FY16: 913.5

CAGR: 10.8%

FY10: 77
FY11: 65
FY12: 100
FY13: 118.54
FY14: 170.09
FY15: 227.12
FY16: 251.91

EBITDA (USD million)

CAGR: 21.8%

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

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TIRUPUR: TEXTILES HUB OF INDIA

- The city has more than 5,000 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 first 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 9.27 per cent from USD1.4 billion in FY05 to USD3.4 billion in FY15
  - 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 and sports wear

Exports from Tirupur (USD billion)

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports (USD billion)</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY05</td>
<td>1.4</td>
</tr>
<tr>
<td>FY06</td>
<td>1.9</td>
</tr>
<tr>
<td>FY07</td>
<td>2.4</td>
</tr>
<tr>
<td>FY08</td>
<td>2.5</td>
</tr>
<tr>
<td>FY09</td>
<td>2.5</td>
</tr>
<tr>
<td>FY10</td>
<td>2.4</td>
</tr>
<tr>
<td>FY11</td>
<td>2.7</td>
</tr>
<tr>
<td>FY12</td>
<td>2.6</td>
</tr>
<tr>
<td>FY13</td>
<td>2.4</td>
</tr>
<tr>
<td>FY14</td>
<td>3.0</td>
</tr>
<tr>
<td>FY15</td>
<td>3.4</td>
</tr>
<tr>
<td>FY16E</td>
<td>4.7</td>
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<tr>
<td>FY17E</td>
<td>5.9</td>
</tr>
<tr>
<td>FY18E</td>
<td>6.5</td>
</tr>
</tbody>
</table>

CAGR: 12.6%

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
**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

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### 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>
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<td>2006–07</td>
<td>45.14</td>
</tr>
<tr>
<td>2007–08</td>
<td>40.27</td>
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<td>2008–09</td>
<td>46.14</td>
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<td>2009–10</td>
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<td>2010–11</td>
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<td>46.88</td>
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<td>2012–13</td>
<td>54.31</td>
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<td>2013–14</td>
<td>60.28</td>
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<tr>
<td>2014–15</td>
<td>61.06</td>
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<td>2015–16</td>
<td>65.46</td>
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<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>
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<tr>
<td>2007</td>
<td>41.34</td>
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<td>2008</td>
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<td>2009</td>
<td>48.42</td>
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<tr>
<td>2010</td>
<td>45.72</td>
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<tr>
<td>2011</td>
<td>46.85</td>
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<tr>
<td>2012</td>
<td>53.46</td>
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<td>2013</td>
<td>58.44</td>
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<tr>
<td>2014</td>
<td>61.03</td>
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<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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