

# Indian Textile & Apparel Industry Business Confidence Survey - December 2017

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Better Days Ahead for the Industry





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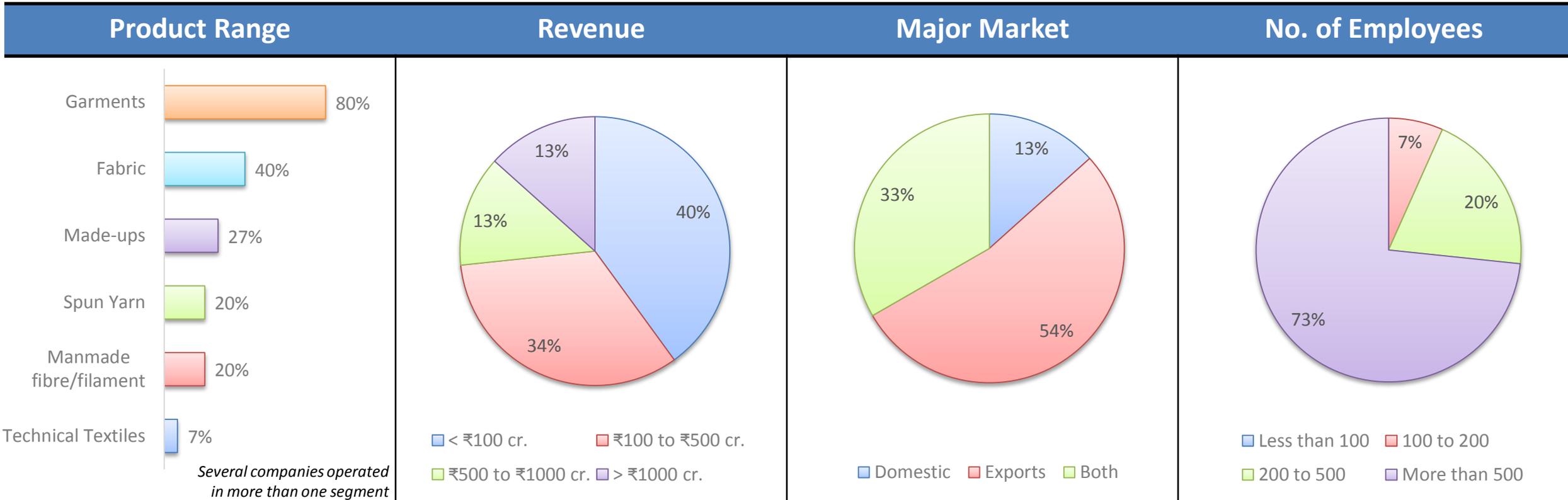


# 1. Preface

- **Business Confidence Index** is a barometer of what businesses think is going to happen in the near future. In India, so far there has been no textile and apparel sector specific confidence index which could provide forward looking data set or 'lead indicators' about the sector's anticipated performance.
- With an aim to fill this gap, Wazir Advisors has commissioned a biannual Business Confidence Survey for the Indian textile and apparel industry. The first survey was undertaken in the month of November 2017 wherein responses from companies across size, sub-segment and geography were obtained using a structured questionnaire.
- This document summarizes the **performance expectations of firms over the next 6-months for Indian economy, textile & apparel industry; and their own organization**. The outcome presents an overall idea of business sentiment which would be useful for investors and policymakers alike.



## 2. Respondents' Profile



- 80% of the respondents were involved in garment manufacturing
- 40% of the respondents had less than ₹100 cr. of revenue
- 54% of the respondents were export oriented
- 73% of the respondents employed more than 500 persons

### 3. Survey Findings



## i. Economy - Current Scenario and Future Expectations

How would you rate the **CURRENT** Indian economic conditions vis-à-vis the **LAST** six months?



What are your expectations from the overall Indian economy over the **NEXT** six months?

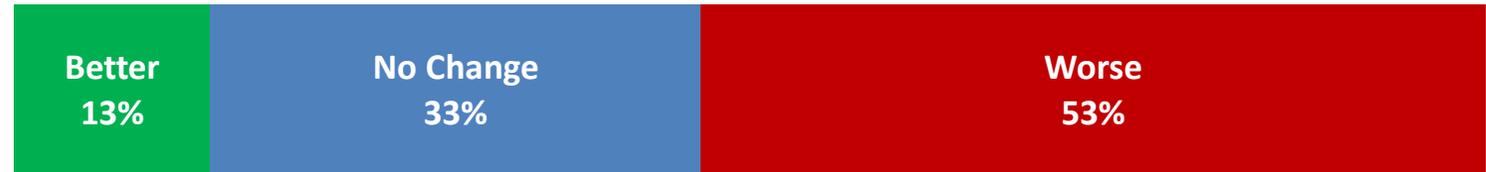


- 40% of the respondents said that the current overall economy is worse relative to the last six months.
- However, 80% of the respondents said that they are expecting a better overall economy in the next six months.



## ii. Industry - Current Scenario and Future Expectations

How would you rate the Indian textile & apparel industry's **CURRENT** performance vis-à-vis the **LAST** six months?



What are your expectations about Indian textile & apparel industry's performance over the **NEXT** six months?



- 53% of respondents have shown a negative sentiment for the industry's current scenario, somewhat similar to the feedback received for current economic scenario.
- **However, almost two-thirds of the respondents expressed that conditions will be better in next six months.**



## ii. Industry - Effect of GST on Textile & Apparel Industry

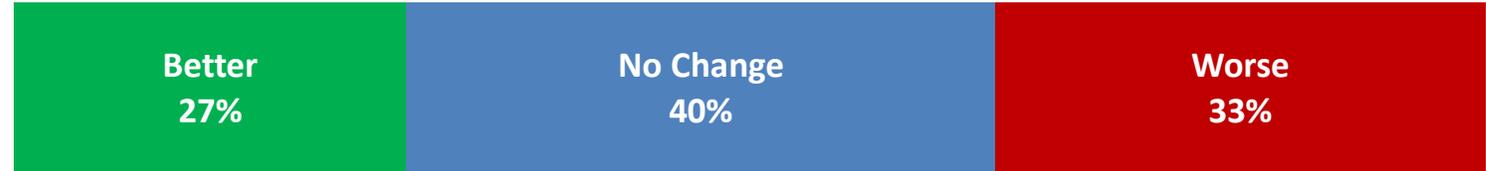
Impact on	Decrease	No Change	Increase
Demand	73%	20%	7%
Profits	73%	20%	7%
Unemployment	0%	33%	67%
Input costs	33%	20%	47%

- 73% of the respondents said that the **demand as well as profits have decreased** because of GST while almost two-thirds reported **increase in unemployment**.
- Lower demand during initial months of GST implementation was a procedural issue rather than an economic one. The consumer demand got postponed in certain instances, but never decreased. Manufacturers reporting lower demand thus indicate depletion of stocks in the supply chain. Eventually, the supply chain will look to replenish the stock levels and that would mean a much stronger demand from the suppliers in next 6 months.
- The impact of GST on input cost did not have a clear cut trend as 33% said it has decreased while 47% said that the input costs have increased.

### iii. Firm Level - Current Scenario



How would you rate the **CURRENT** performance of your firm vis-à-vis the **LAST** six months?



What is the status of your **CURRENT** order book volume vis-à-vis the **LAST** six months?



- At the firm level the current scenario seems **neutral to negative** as 40% respondents said there is no change compared to the last six months while one-third said that they are negatively impacted.
- However, **40% of the respondents reported higher orders** than last six months while one-third reported status quo.

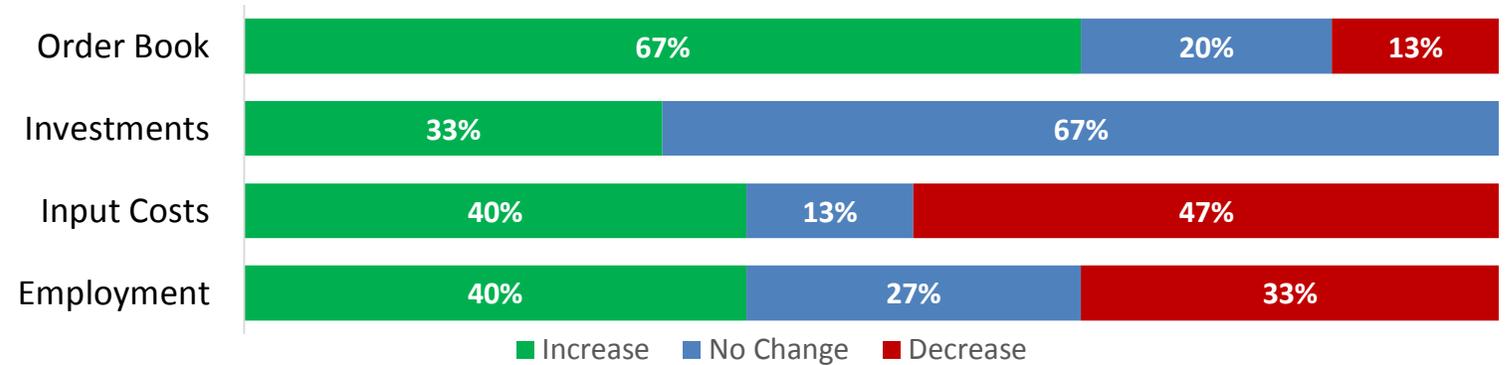
### iii. Firm Level - Future Expectations



What are your expectations of your firm's overall performance over the NEXT six months?



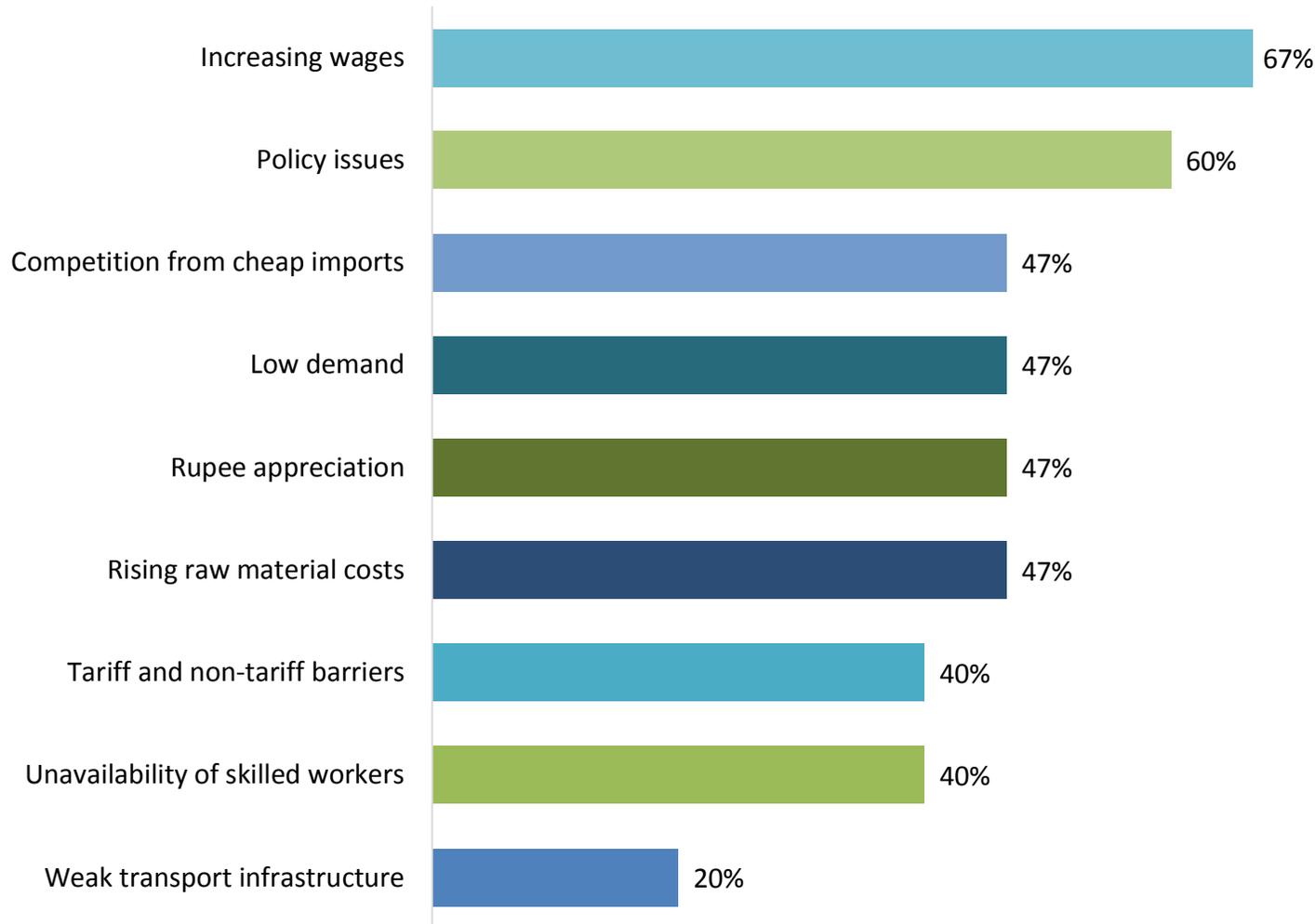
What are your expectations over the NEXT six months on the following parameters?



- Majority of the respondents - 73%, held an **optimistic outlook** for the next six months with respect to the firm's performance.
- For the order book volume, 67% expect that it will increase further but a same number of respondents reported no change in investments in the next six months.
- Almost half of the respondents expect the input costs to reduce in next six months but 40% expect them to increase.
- On the employment expectations, the answers were again mixed with 40% expecting increase while 33% expecting decrease.



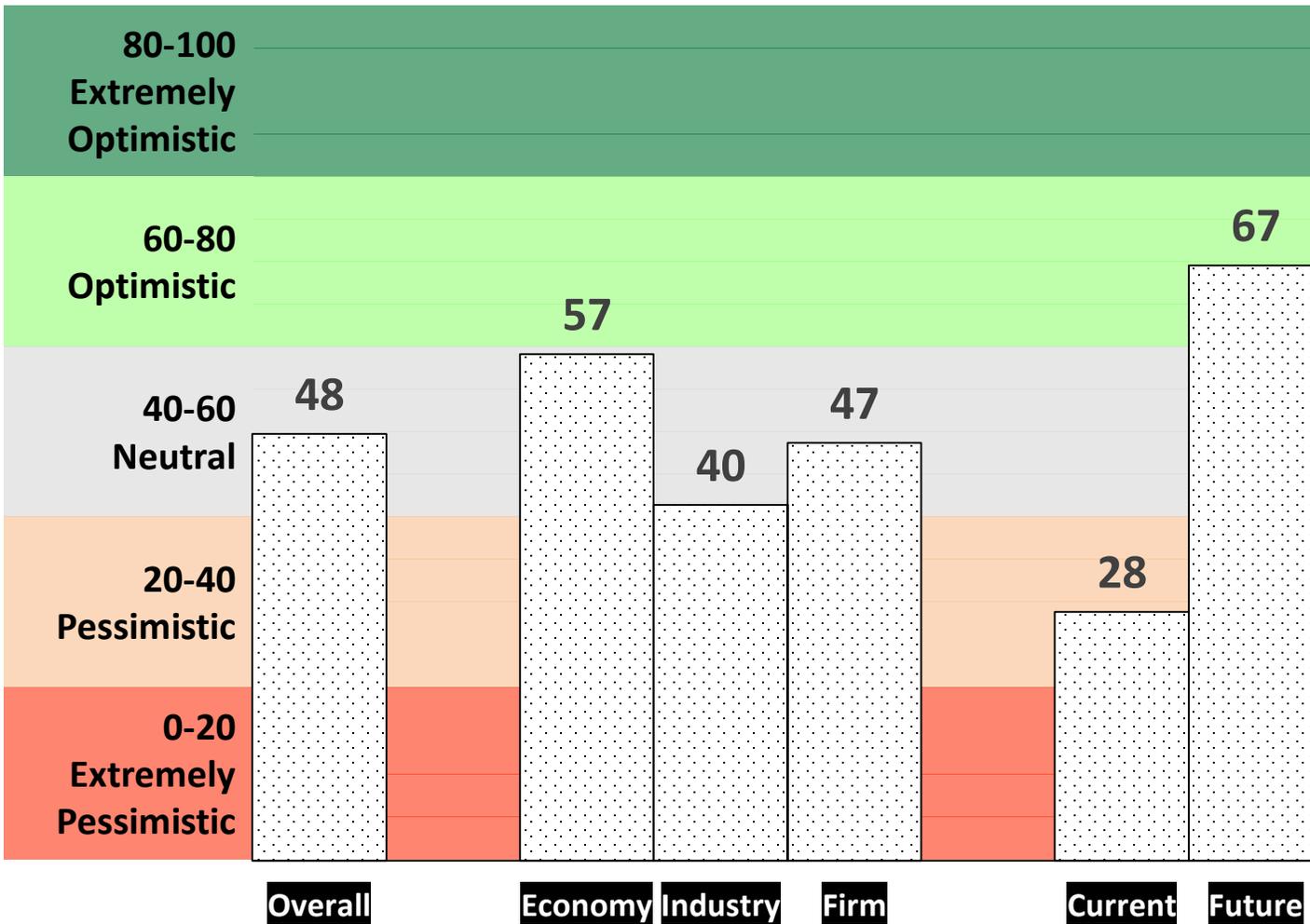
### iii. Firm Level - Major Business Growth Constraints



- 67% of the respondents view **increasing wages** as the major constraint to business growth.
- This is followed by **policy issues** as 60% view it as a major constraint.
- Polled equally, competition from cheap imports, low demand, rupee appreciation and rising raw material costs were cited by 47% of the respondents as a key constraint.
- **Unavailability of skilled labour** was cited as a major challenge by 40% of the respondents.



# 4. Indian Textile & Apparel Industry Business Confidence Index



Business Confidence Index =  $\frac{\text{Number of positive responses} \times 100}{\text{Total responses}}$

- The overall business confidence index at 48 falls in a **neutral zone**. Indices specific to **economy, industry as well as firm** are also in **neutral zone**.
- The **current business condition** index at 28 indicates **negative sentiments** due to constraints such as policy issues and increasing wage rates.
- However, the **future expectation index** at 67 shows that the companies expect a **positive turnaround** in short to medium term.



## 5. Summary

- **The survey findings point out that Indian textile and apparel industry is at a inflection point today. The responses received indicate that on one hand the firms are feeling a lot of pain because of recent policy changes but on the other hand they are extremely hopeful of the turnaround.**
- The key takeaways of the survey are:
  - Industry finds the current economic scenario worse than last six months, but **for next six months there is a strong positive expectation.**
  - A similar trend is reported for the overall textile and apparel industry performance, wherein most of the respondents have shown a negative sentiment about the current scenario but are **positive about the next six months.**
  - Industry's response to impact of GST was negative in terms of demand, profits and employment. But the responses were mixed on the impact on input costs.
  - At firm level, the current performance was reported majorly neutral to negative but majority respondents indicated **higher order book volumes.**
  - In next six months, majority of the **respondents expect a better performance of their firms.** The order books are expected to grow but the investments are not.
  - Increasing wages and policy issues are cited as the major constraints to the growth of firm's business.
- **The overall business confidence index stands in the neutral zone (at 48); but the future expectations index is in a optimistic zone (at 67).**



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