

Opportunities for Intimate Wear Manufacturing in India with Government Focus on Make in India

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MAKE IN INDIA LAUNCHED BY THE HONOURABLE PRIME MINISTER SHRI NARENDRA MODI IN 2014 HAS CONTINUED TO BE ONE OF THE MOST IMPORTANT INITIATIVES IN MODERN INDIA. IT AIMS TO TRANSFORM INDIA INTO A MANUFACTURING HUB FOR THE WORLD. THE MAKE IN INDIA PROGRAMME HOLDS SPECIAL IMPORTANCE FOR THE TEXTILE AND APPAREL INDUSTRY, ONE OF THE 25 PRIORITY SECTORS IN THE MAKE IN INDIA CAMPAIGN. THIS INDUSTRY IS HIGHLY LABOR ORIENTED AND IS THE SECOND LARGEST EMPLOYER OF LABOR AFTER AGRICULTURE. AS PER THE ANNUAL SURVEY OF INDUSTRIES, AN INVESTMENT OF APPROXIMATELY RS. 12 CRORE IN FIXED CAPITAL IN APPAREL MANUFACTURING GENERATES EMPLOYMENT FOR AROUND 70 PEOPLE. THIS IS WAY ABOVE WHEN COMPARED WITH OTHER INDUSTRIES WHERE THE AVERAGE IS AROUND 10 PEOPLE AND FALLS DIRECTLY IN LINE WITH THE AIM OF MAKE IN INDIA CAMPAIGN OF CREATING EMPLOYMENT OPPORTUNITIES IN THE COUNTRY.





15% since 2010. The share of intimate wear in the total apparel market has also increased from 6.4% in 2010 to 7.4% in 2015. The innerwear market is estimated to continue at the same growth rate over the next five years and expected to become a Rs. 47,000 crore market which is nearly 8% of the total estimated apparel market, by the year 2020.

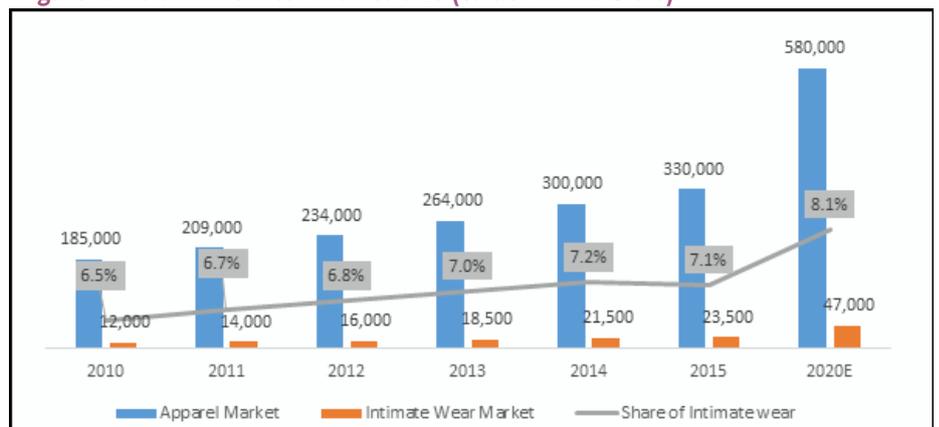
Indian intimate wear market is dominated by women's segment which currently forms over 60% of the overall market and is valued at Rs. 14,500 crores. This segment has outperformed the overall market as well as men's segment, which currently holds ~ 35% of the total market. Kid's intimate wear market merely has a 4% share in total market.

Intimate wear falls under the big umbrella of apparel sector. It is estimated that approx. 10% of the consumer expenditure on apparel is on intimate wear. Intimate wear manufacturing in India is still at a nascent stage. This article further explores the current status of intimate wear market and potential for growth in India.

INTIMATE WEAR MARKET IS GROWING RAPIDLY

The Indian intimate market size is currently estimated to be Rs. 24,300 crore and has grown at a CAGR of

Figure 1: Indian Innerwear Market Size (Values in Rs. Crore)



Data Source: Wazir Advisors



SEVERAL CONSUMER AND RETAIL TRENDS ARE DRIVING THE GROWTH STORY

The sudden boost in intimate wear can be mainly attributed to the changing lifestyle of the new age customer and the increase in disposable income with the people. The customers mainly belong to the aspirational class striving for a better lifestyle and the upper class with high disposable income. They are well educated, well-groomed, fashion conscious and highly aware of their needs. Today, intimate wear is not only a bare necessity but also a piece of fashion item. Today's consumer is in a continuous process of up-gradation for different aspects of life. They are willing to spend more if given better quality, better comfort, and better brand.

The consumers have also understood the importance of intimate wear in providing support to the body parts and keeping the body in the right shape. Consumers have moved on from possessing just the basic pieces like bra and panty to occasional wears like beachwear, and functional pieces like swimwear and shapewear. The apparel and lingerie basket of the people has also increased over the years. An average Indian women used to have 4-5 pieces of bras in her wardrobe few years back which has now increased to 7-8 pieces. Similarly, the intimate wear items with Indian men have also increased. The Indian men have become brand conscious and spend comparatively more time and money in keeping themselves groomed with the right products.

Apart from the increase in the demand for the products, entry of big and established international brands in the Indian market has also boosted the production of these items in the country. Government policy of 100% FDI in retail further gave a boost to not only the retail segment but also the manufacturing segment as the brands now need to source the products from local vendors as well.

UNTAPPED OPPORTUNITIES LIES IN SHAPEWEAR AND SWIMWEAR CATEGORIES IN INDIA

The rising awareness and consciousness of Indian consumer to choose the right outfit for themselves for every purpose has led to increase in the demand of specialized

categories on intimate wear like shapewear, sleepwear, and swimwear. Whereas the sleepwear have already occupied the shelves in the branded as well as unbranded stores, there still exists untapped opportunities in shapewear and swimwear categories in India.

With the Indian consumer becoming more and more aware and conscious about choosing the right attire and outfit for every purpose, the intimate apparel market in India is seeing an emergence of new categories like sleepwear, shapewear, active wear, swimwear etc. Some of these new categories which have a huge untouched potential include sleepwear, loungewear and thermals.

a. Sleepwear

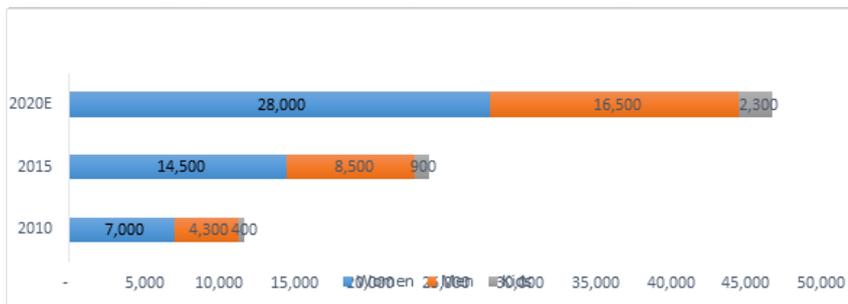
The sleepwear market is emerging quickly as an essential fashion segment, and has, over the last decade, observed organized players entering this segment. The segment is growing fast with manufacturers investing heavily in R&D to raise the range and functions of designs. From the basic kurta pajamas, the category is moving towards fashionable sleepwear like stylish shorts, tees, capris etc. The fabrics used include cotton blends in varied prints like geometrical, superhero prints, camouflage, stripes etc. However, still a large part of this segment is catered by unorganized players who sell sleepwear through

Unlike the past scenario which was dominated by women consumers, men have also started to make significant purchases and own stylish, better quality sleepwear.

b. Loungewear

Nightwear is now becoming more cozy and multi-functional. This has led to nightwear moving to the next higher level with the extension of nightwear to loungewear which has taken space in

Figure 2: Category wise market size (Values in Rs. Crore)



Data Source: Wazir Advisors





some households due to its extended functionalities of usage like workouts, morning walks, etc. This fashion awareness amongst consumers is increasing in every part of the country and there is still a lot of unexploited potential in cities other than the metros. The growth in this segment is leading to an increased demand for man-made fibers such as modal fiber. Loungewear brings with it a great potential in the segment as consumers want to relax in luxury dressing. Some global brands which have already marked their presence in this segment are Calvin Klein and Gap.

c. Thermals

Thermals is an emerging segment with national and international brands diversifying their products in this range. The presence of various key players like Jockey, Monte Carlo, Rupa, Chromozome, Hanes and Dixcy in this segment shows the potential in this emerging category.

The product categories in thermals are half/ full sleeved T-shirt and full skinny pants. Several large players have already entered the category and are looking at strengthening their presence in the category.

INDIA IS COMPETITIVE AS A MANUFACTURING DESTINATION

India enjoys several advantages when it comes to apparel manufacturing.

India's manufacturing excellence can be mainly attributed to the abundant availability of raw material and labor and large existing manufacturing set-ups.

a. Abundant availability of raw material:

India is the largest producer of cotton and second largest producer of polyester in the world after China. Large scale availability of important textile fibres has helped the development of downstream manufacturing value chain- yarns, fabrics and garments. Many other apparel exporters like Bangladesh and Vietnam do not possess such kind of raw material security and thus have a higher business risk.

b. Manpower availability, quality and cost:

India's current population is 1.27 billion and around 66% of the total population falls under the working age bracket at present with around 12 million youth joining the workforce every year. Under the Make in India campaign, the Government has also put a lot of focus on increasing the skill level of the workforce to not only ensure the quantity but also the quality of the workforce. Integrated Skill Development Scheme (ISDS) is a flagship programme of the Ministry of Textiles under which a target to train 15 lakh candidates have been set. Other skill development programmes are Deen Dayal Upadhyaya Grameen Kaushalya Yojana (DDU-GKY), Pradhan Mantri Kaushal Vikas Yojana (PMKVY), Recognized Prior Learning (RPL), etc.

c. Large existing manufacturing set-up:

India also has well established production facilities in the textile value chain from fiber to the finished products (apparel, home textiles and technical textiles). India has the best and the largest state-of-the-art spinning capacities in the world.

There are around 40 Integrated Textile Parks dedicated to the manufacturing of textile items and Special Economic Zones (SEZs).

There are two SEZs specially dedicated to the manufacturing of intimate wear – Brandix Indian Apparel City (BIAC) in Visakhapatnam and Mas Fabric Park India in Nellore. These SEZs enjoy special incentives some of which are given below.

- 100% Income Tax exemption on export income for first 5 years, 50% for next 5 years thereafter and 50% of the ploughed back export profit for next 5 years.
- External commercial borrowing by

SEZ units up to US \$ 500 million in a year without any maturity restriction through recognized banking channels.

- Exemption from all Central and State Government taxes and duties.
- Single window clearance for Central and State level approvals.
- Drawback on goods brought or services provided from the Domestic Tariff Area into a SEZ.
- Simplified compliance procedures and documentation with an emphasis on self-certification

CENTRAL GOVERNMENT IS VERY SUPPORTIVE TO TEXTILE INDUSTRY

Major central government schemes that are exclusively available for textiles sector are delineated below:

a. Amended Technological Upgradation Fund Scheme (ATUFS):

ATUFS provides capital subsidy to eligible weaving, processing, garmenting, technical textiles machinery in the range of 10-15% with a capital subsidy cap of Rs.

Table 1: Installed Capacities in Indian Textile Sector

Description	Capacities
Spindles	490 lakhs
Rotor	8 lakhs
Shuttleless looms	1.2 lakhs
Powerloom	23 lakhs
Handloom	24 lakhs
Man Made fibre	1.8 million tons
Man Made Filament	2.3 million tons

Source: Official Indian Textile Statistics, Office of the Textile Commissioner



20-30 crores. For garmenting and home textiles units, the range has been increased to 25% with a cap of Rs. 50 crore.

b. Scheme for Integrated Textile Parks (SITP):

It provides support in PPP mode to address infrastructure gap in the Textile industry by creation of textile parks with suitable infrastructure for textile manufacturing such as ETPs, uninterrupted power supply, road and connectivity, etc.

c. Integrated Processing Development Scheme (IPDS):

IPDS aims to facilitate the textiles

sector to become globally competitive using environmentally friendly processing standards and technology, to create new processing clusters/ centers specifically in the area of water and waste management and to encourage research and development work in textiles processing sector. The key features are:

- Grant up to 50% of the project cost (excluding land cost) is provided with a ceiling of Rs. 75 crores for projects with Zero Liquid Discharge Systems and Rs. 10 crores for projects with conventional treatment systems.
- Support for marine discharge projects is also available, but on a case to case basis with a maximum

ceiling of Rs. 75 crores.

- The project cost is borne by the Center, State, Beneficiary, Bank loan in the ratio of 50:25:15:10 respectively

STATE GOVERNMENTS ARE EQUALLY SUPPORTIVE

Apart from Central Government support, several State Government including Gujarat, Maharashtra, Karnataka and West Bengal have implemented their own textile policies that provide additional support in form of incentives and subsidies. Many other State Government are working towards the formation of Textile Policy to boost investments in the state. Key among them are given ahead:

State	Gujarat	Maharashtra	Madhya Pradesh	Rajasthan	Karnataka
Capital Subsidy	Nil	25%-35%	10%	Nil	*15-20% of the Fixed Assets
Interest Subsidy	5-7%	Nil	2%-7%	5-7%	50% of the Credit Linked Capital Subsidy amount as interest subsidy over 5 years
Power Subsidy	Power tariff subsidy @ Rs.1 per unit for a period of 5 years.	Nil	Nil	50% exemption from payment of electricity duty for 7 years.	Reimbursement of cost of power paid @ Rs.1/ unit
Stamp Duty Reimbursement	100% exemption for new industrial park	Nil	Nil	50% exemption	50-100% reimbursement
VAT/ Entry Tax Reimbursement	Remission up to 100% of fixed capital investments in plant & machinery.	Nil	Assistance amount equivalent to CST and/or VAT paid by different units.	Reimbursement of 50% of VAT for purchase of yarn.	Full reimbursement of Entry Tax on Plant & Machinery and Capital Goods.
Environment Related Schemes	Rs. 50,000 or 50% for water/energy/ environment audits 20% or 20 Lacs for cost of equipment.	Nil	50% upto a maximum limit of Rs. 25 lakh	Capital Subsidy equivalent to 20% of the amount subject to maximum Rs. 1 crore for ZLD based ETP	50% - 80% of project cost subject to maximum Rs. 1 – 5 crore for common ETP and hazardous waste disposal; Rs. 50,000 or 50% for water/energy/ environment audits
Common Infrastructure/ Textile Park/ Cluster Development	50% with maximum limit of Rs.10-30 crore of total project cost	Nil	15% of the expenditure on industrial park subject to maximum Rs. 5 crore	Nil	20-40% with a maximum cap of Rs. 15 - 20 crores in different zones
Technology Acquisition and Upgradation Assistance	Assistance up to 50% or Rs. 25 lakhs, whichever is higher, for acquiring new technology with specialized application	Nil	Assistance of 30% of existing investment with a cap of Rs. 50 crore	Nil	15% - 20% subject to maximum Rs. 75 lakhs – Rs. 1 crore

Skill Development/ Training	Financial assistance for setting up training institute. Allowance to weavers & trainees of powerloom sector.	Nil	25% subsidy subject to maximum Rs. 25 lakhs	Nil	For Existing/New Project Implementation Agencies (PIAs) / Institutes - Financial assistance for Strengthening of Existing Skill Development Institutes/ Centres
Capacity Building Support	Nil	Nil	Nil	Nil	Reimbursement of 50% of the cost of proposed interventions subject to a cap of Rs. 5-50 lakhs.
Others	Nil	Nil	Nil	Nil	Rs. 10 crores for setting up of CoE; Special incentives for Mega projects upto Rs. 50 crores



Despite the advantages that India enjoys in apparel manufacturing, intimate wear manufacturing in India is still in infancy. India's share in global exports of intimate wear is only 4%. Manufacturing for domestic market is limited to basic, low-end products. The industry is also largely unorganized with low focus on product development and design. Currently, the organized segment is estimated at Rs. 16,000 crore out of the total market of Rs. 24,300 crores (~66%). Market demand of quality products is only catered by handful of Indian brands and few imported brands.

GOVERNMENT AND INDUSTRY TO PLAY AN IMPORTANT ROLE IN MAKING 'MAKE IN INDIA' WORK

The call for Make in India is most relevant for intimate wear sector – not as an option but perhaps a compulsion to help it move towards



growth and maturity. The Central & State Governments and the industry together can work to make this initiative successful.

Focus on product development is an immediate must for the industry today. Indian intimate wear demand is moving from plain cotton white sets to designers sets with advanced

fabrics. Product development in terms of design of the product is also gaining ground with products like weighted vests, biker vests, cowboy vests becoming increasingly popular among the customers.

Another area where the industry and Government should focus on is on technological improvement and upgradation. Men's underwear category is fast fusing innovation into its articles of clothing like use of stretchable fabrics, quick dry fabrics, armored underwear and many more. With more technological innovation and incorporation into the products, the industry can tap the market of advanced protection and health tracking through clothing.

Joint venture options can also be explored by the industry to bring the requisite technology to the country and make better use of the infrastructural and policy support being provided by the Government. Such collaborations will help the industry upgrade in terms of skill sets, manufacturing capacity, design and operational efficiency as they get an access to the partner company's valuable resources.

With synchronized efforts of the industry and the Government, this sector can enter a state of accelerated growth and achieve Make in India in true sense.