



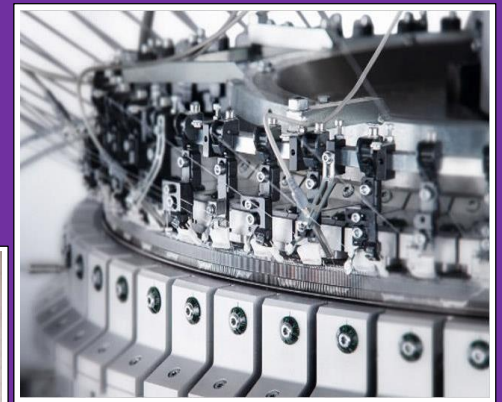
Knowledge Paper on

# Fuelling Growth and Creating Employment

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wazir  
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# 1. Current & future scenario of global textile sector

## 1.1 Global industry overview

### Global Apparel Market

The global apparel consumption in 2016 is estimated to be US\$1.7 trillion, which formed around 2% of the world GDP of US\$73.5 trillion. EU-28 was the largest apparel consumer market worth US\$400 billion, which was followed by markets of the USA, China and Japan. These top four markets together constituted approximately 62% of the global apparel consumption. The next four largest markets were India, Brazil, Russia and Canada, accounting for an additional 11% share while the rest of the world held a 28% share.

Table 1: Global Apparel Market (US\$ Bn.)

Country/region	Value 2016	Share 2016	Value 2025 (P)	Share 2025 (P)	CAGR
EU-28	397	24%	435	17%	1%
USA	326	19%	389	15%	2%
China	212	13%	500	19%	10%
Japan	99	6%	109	4%	1%
India	63	4%	180	7%	12%
Brazil	61	4%	94	4%	5%
Russia	25	1%	39	2%	5%
Canada	31	2%	37	1%	2%
RoW	470	28%	794	31%	6%
<b>World</b>	<b>1,684</b>		<b>2,576</b>		<b>5%</b>

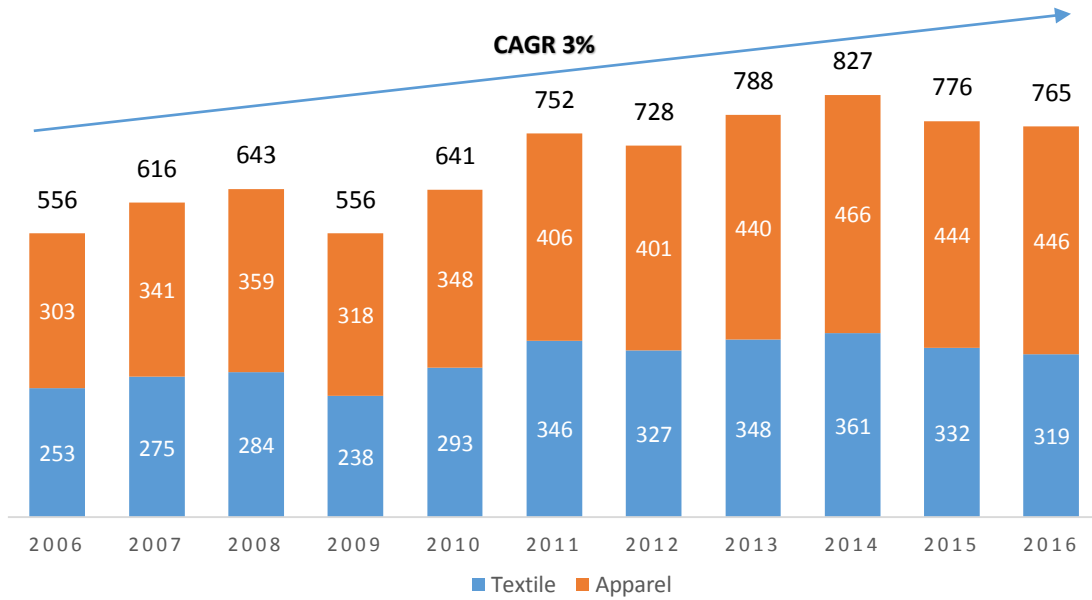
Data Source: Wazir Analysis

The apparel consumption is forecast to grow at a CAGR of 5% and reach US\$2.6 trillion by 2025. It is expected that the market growth rate of developed countries will slow down whereas large emerging economies will be the key drivers of growth. China and India, with a large population base, will be the fastest growing markets in the segment.

### Global textile and apparel trade

Global textile and apparel trade in 2016 was US\$765 bn, which has been increased overall at a CAGR of 3% since 2006, despite year wise fluctuations in demand.

Figure 1: Historical Growth of Global T&A Exports (Values in US\$ Bn.)



Data Source: UN Comtrade

**Key Importers**

EU-28 and the USA are the largest importing nations accounting for approx. 46% of global imports (approx. US\$352 bn). Vietnam and the UAE emerged as the fastest growing import markets from 2006 to 2016.

Figure 2: Key Import Nations 2006 (% share in value terms)

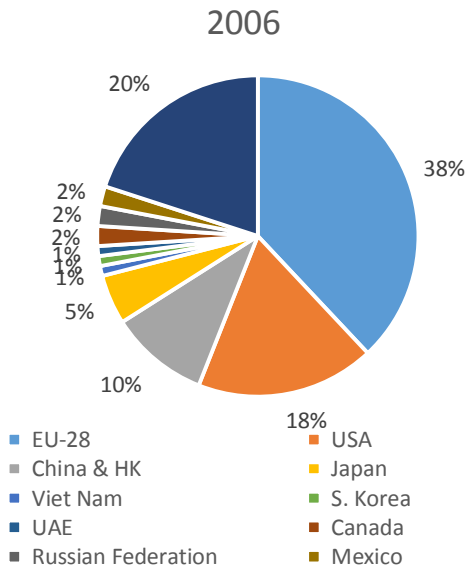
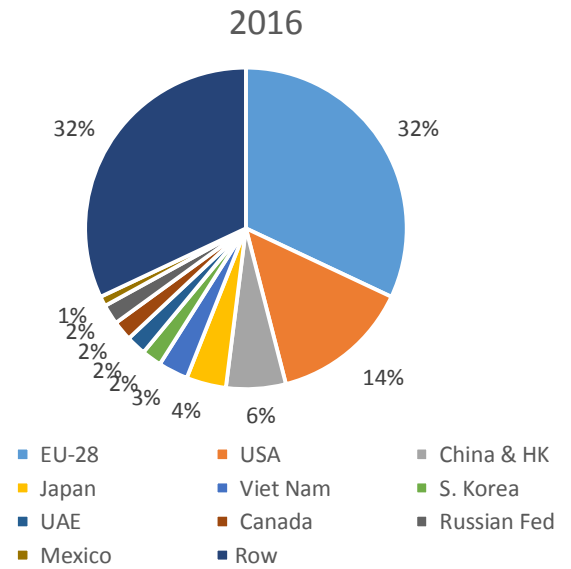


Figure 3: Key Import Nations 2016 (% share in value terms)



Data Source: UN Comtrade

It is worthwhile to note that the share of the top 10 global markets has reduced from 80% in 2006 to 69% in 2016, which indicates faster growth of imports of new markets.

## Key Exporters

China has remained the undisputed leader in the global textile and apparel exports. It accounted for around 37% share in global textile and apparel exports in 2016, which was substantially higher from the value of 32% in 2006. India maintained its second largest exporter position with 5% share, which has increased from 4% in 2006. India is followed by Bangladesh, Italy and Germany with 4% share each.

Figure 4: Key Export Nations 2006 (% share in value terms)

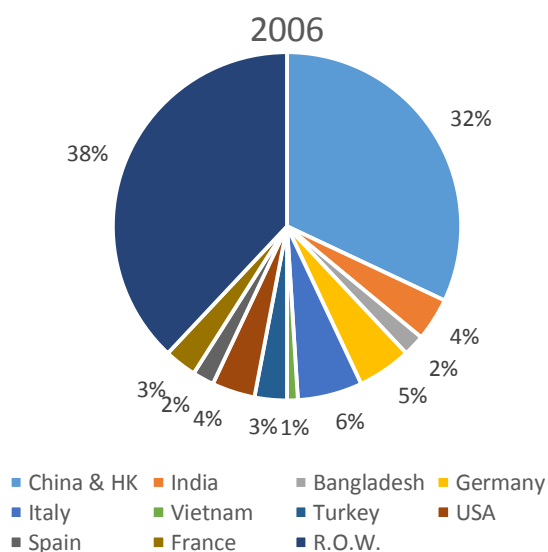
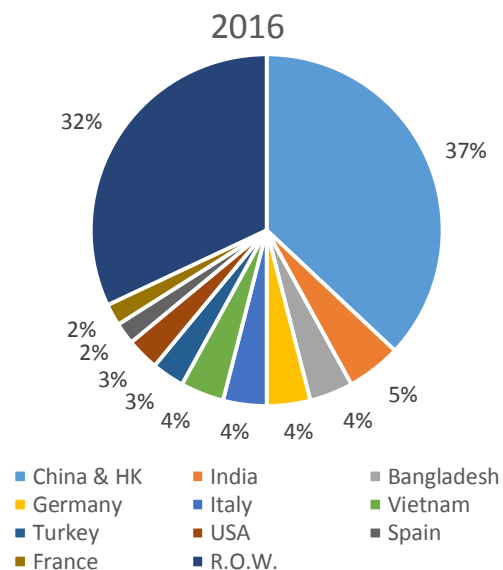


Figure 5: Key Export Nations 2016 (% share in value terms)



Data Source: UN Comtrade

Over the past decade, the share of the top 10 global textile and apparel exporters has increased from 62% in 2006 to 70% in 2016, which indicates that there has been a consolidation of global sourcing of textile and apparel products from these countries.

## 1.2 Trends impacting the global textile sector

### Growing Domestic Market of India and China

It is expected that over the next decade, domestic apparel market of India & China will attain high growth rates of 12% and 10% respectively, to add a cumulative market size of US\$ 405 bn. by 2025.

Table 2: Market Size Growth of India & China (US\$ Bn.)

Markets	2016 Market Size	Expected Growth Rate (2016 -2025)	2025 Market Size	Market Addition by 2025
India	63	12%	180	117
China	212	10%	500	288
<b>India &amp; China</b>	<b>275</b>		<b>680</b>	<b>405</b>

Data Source: Wazir Analysis

High economic growth will be a major factor behind increasing apparel market size in both these countries.

Other trends facilitating the growth in India are increasing youth population and high purchasing power, shift from need- based purchase to aspiration- based purchase, growing urbanization increasing the market demand, increased penetration of technology and greater access to internet resulting in significant growth in online retail sales.

Trends which will catalyze growth in Chinese market demand are boosting demand of outdoor wear and fast fashion categories, end of the one- child policy fostering demand of kid’s wear segment, gradual increase in spending of Chinese customer from offline to online retail channel.

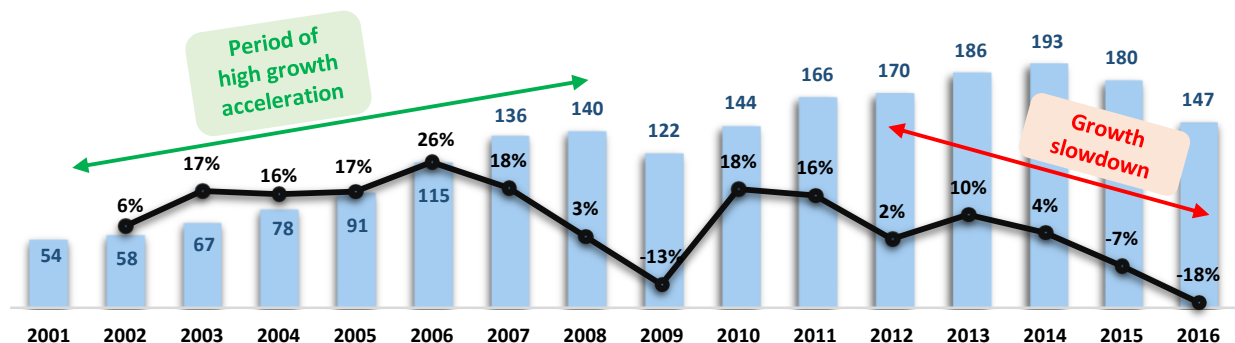
Growth in retail front will lead to a trickle- down effect in the local manufacturing value chain benefitting national manufacturers the most. Huge growth will make domestic market more attractive than exports in many cases for manufacturers.

### Slower Expected Export Growth of China

China dominates the global apparel trade with a share of approximately 36%. However in the recent years, a continuous decline in China’s textile and apparel exports has been observed. Between 2014 and 2016, apparel exports from China reduced by ~24% to reach a level of US\$ 147 bn (2016). Also, the overall share of China in global textile and apparel has fallen from ~39% share in 2013 to a current ~36%.

In future, China’s share is expected to further reduce because of gradual shift of global buyers from China due to rising manufacturing costs in China and availability of other lower cost destinations in the region. Apart from this, China is also shifting from a cost driven to innovation driven manufacturing destination. Also the focus of Chinese manufacturers is expected to increase towards their fast growing domestic market. While China’s exports will continue to grow, its global share is likely to reduce and this is expected to create export market vacuum of around US\$ 50 bn by 2025.

Figure 2: Slowdown in China's Export Growth (Export values in US\$ Bn.)



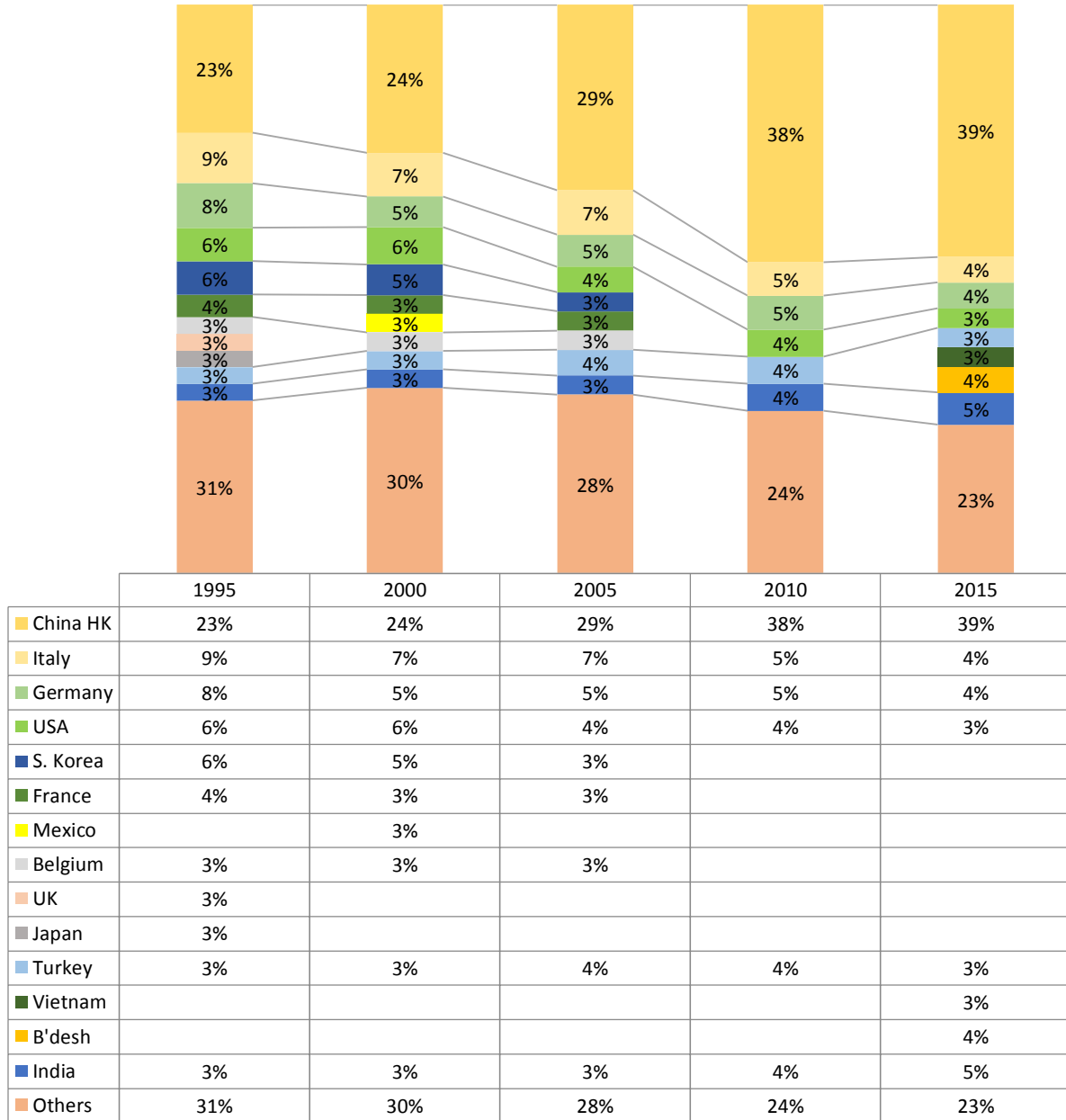
Data Source: UN Comtrade

China’s loss of share in global apparel trade will throw up opportunities for emerging exporters including Vietnam, Ethiopia, Kenya, Myanmar, Bangladesh and India.

## Increasing Consolidation of Global Sourcing

From 1995 to 2015, there are only fewer countries left, which are having some significant share in total trade. This implies that buyer is now seeking for long term arrangement with fewer suppliers.

Figure 3: Increasing Consolidation of Global Sourcing



Data Source: UN Comtrade

These trends favor India as a textile and apparel manufacturing and sourcing destination for global markets and hence provide good opportunity for Indian textile and apparel companies to take advantage of the huge opportunity.

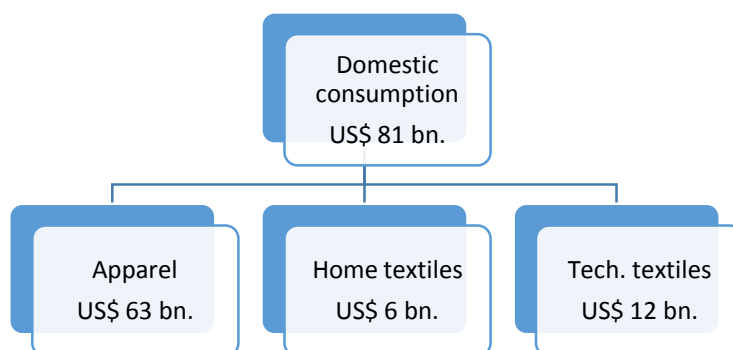
### 1.3 Indian industry overview

#### Domestic Textile and Apparel Market

Indian textile and apparel market is estimated at US\$ 118 Bn., 69% of which is domestic consumption while exports constitute the rest 31%.

The overall domestic market of India stood at US\$ 81 bn. in 2016. Within this, apparel retail contributes US\$ 63 bn., technical textiles contribute US\$ 12 bn. and home textiles contribute US\$ 6 bn.

Figure 4: Indian Domestic T&A Consumption (2016)

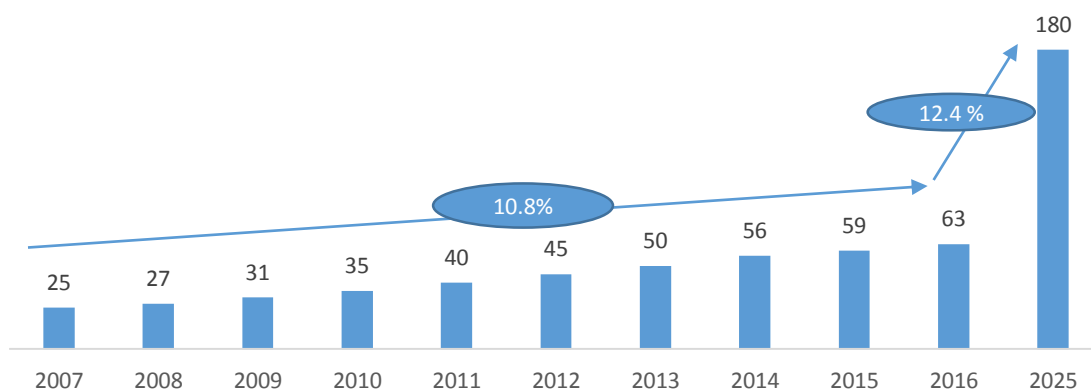


Data Source: Wazir Analysis

**Domestic Apparel Market:** In recent times, Indian domestic market has performed better than the largest textile consumption regions like US, EU and Japan, registering a healthy CAGR of 10% between 2007 & 2015.

Domestic apparel market size of India is expected to maintain this growth & reach a level US\$ 180 bn. in 2025 by growing at a CAGR of 12.4%.

Figure 5: Domestic Apparel Market Size (US\$ Bn.)

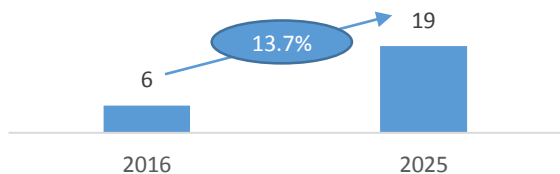


Data Source: Wazir Analysis



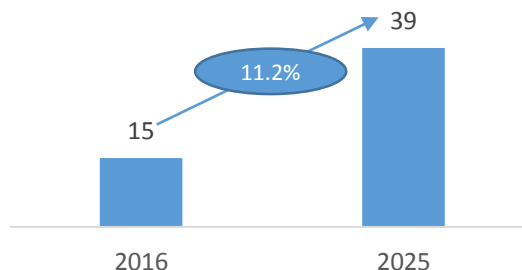
**Home Textiles & Technical Textiles:** Domestic home textiles & technical textiles market stood at US\$ 6 bn. & US\$ 15 bn. in 2016. Domestic home textiles market will also grow at 13.7% CAGR to reach a level of US\$ 19 bn. in 2025. While, the technical textiles market is expected to grow by 11.2% CAGR over the same period to reach a level of US\$ 39 bn.

Figure 6: Domestic Home Textiles Market (US\$ Bn.)



Data Source: Wazir Analysis

Figure 7: Domestic Technical Textiles Market (US\$ Bn.)

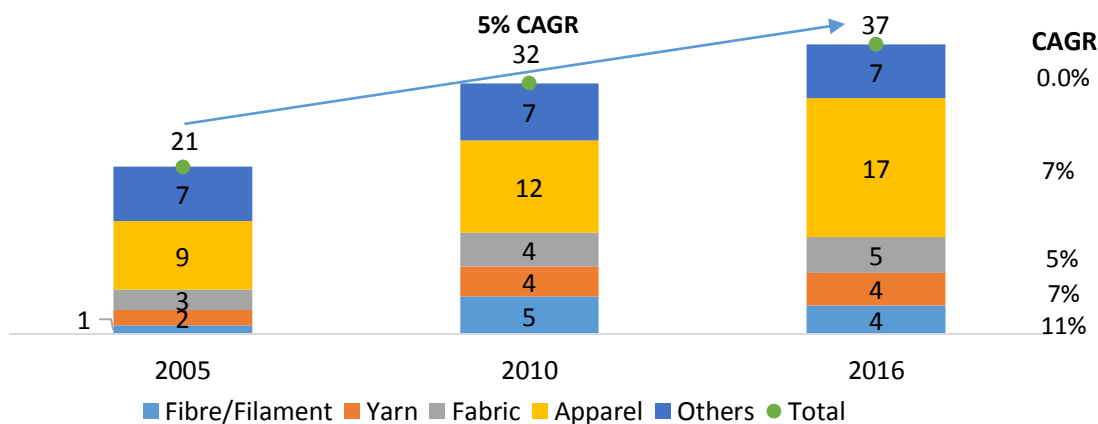


Data Source: Wazir Analysis

### India is the second largest exporter of textiles & apparel in world

India is the second largest exporter of textile commodities in the world with an export value of US\$ 37 Bn. in 2016. India’s textile & apparel exports registered a CAGR of 5% over the last decade illustrating a higher rate of growth as compared to the global textile industry of 4% during the same period indicating that Indian textile industry is performing better in the export front also.

Figure 8: India's Textile and Apparel Exports (US\$ Bn.)



Data Source: DGCIS, Ministry of Commerce

Apparel is the largest exported category in India’s exports with a dominant share of 46%. It is followed by the exports of “others” category which includes home textile products, made- ups etc. with a share of 19%. Fibre/Filament category has registered the highest growth in India’s export of textile and apparel with a CAGR of 11% over the last decade. EU and USA are the largest markets for Indian textile and apparel

exports with shares of 19% & 18% respectively. The other major export markets for India are UAE, China & Bangladesh which have a share of 9%, 8% and 5% respectively.

#### 1.4 Growth trends for Indian textile sector

As mentioned in the previous section, domestic textile and apparel market of India is large and it has grown at a robust pace over the last decade. This market is expected to grow at an even higher pace in the coming years owing to the following growth drivers:

##### **Changing Demographic Dividend:**

India has the largest youth population in the world and as this population joins the workforce, gets more money in their hands, their spending power will increase. Apparel category will be the prime beneficiary of this increase in purchasing power. Also, since 2000s, India has witnessed a demographic shift in terms of increase in the urban population. Urban areas are expanding and large number of people are moving from villages to cities. This increasing urbanization in turn will have a major growth impact on apparel consumption.

##### **Increasing Consumer Prosperity:**

Over the last decade, India's per capita income has grown from US\$ 749 in 2005 to US\$ 1,723 in 2016<sup>1</sup>. The growing income of people in the country has reflected in the increase of aspirational buying. Nowadays people are becoming more fashion conscious and are spending more on clothing. Judging by the GDP growth of the country, this trend is expected to rise in the coming years.

##### **Emerging Categories for Consumption:**

Increasing spending power of people along with the changing social scenario of the country has led to the emergence of certain new consumption categories in India such as active wear, sportswear, women's wear, protective wear etc. These categories have emerged substantially only in the last five to six years and they are expected to attain high growth in the coming years

##### **Increasing Penetration of Organized Retail**

India has become a very attractive and large market for international brands owing to the above mentioned features. Many top international fashion brands such as H&M, Zara, Aeropostale etc. have entered in the Indian market in the recent years. The presence of top brands in the country will lead to higher consumption of fashion apparel.

##### **Growth of Technical Textiles**

Technical textiles is one of the most promising segments of the industry. Technical textile is expected to become of the fastest growing segments in the industry based on the following factors:

- a. Growth of end use industries such as medical industry, automobile industry, protective wear industry, construction industry etc.

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<sup>1</sup> GDP per Capita at Current Prices – World Economic Outlook Database, 2017 (IMF)

- b. Increasing consciousness of health, hygiene & safety amongst consumers
- c. Introduction of regulatory norms such as mandatory usage of seatbelts & airbags in automobiles, flame retardant fabrics in commercial places, use of geotextiles for construction etc.

On the export front also, there are several trends which indicate a bright future for Indian textile and apparel industry which are given below:

### Slowdown in China's exports

In the recent years, China's growth in the global textile and apparel trade has slowed down. Chinese exports of textile and apparel have shown de-growth continuously for the last two years. This slowdown in growth is expected to remain over the next decade which will result in reduction of China's share in the global textile and apparel trade in the coming years. This reduction in China's share will serve as an opportunity for the competing nations to increase their share in the global trade by filling it. Textile manufacturing nations like Vietnam, Ethiopia, Kenya, Myanmar, Bangladesh and India etc. have an opportunity to fill this gap. As compared to all the nations mentioned above, India is the largest and more resourceful country which has the capability to take maximum advantage because of its huge textile base, manpower availability and infrastructure.

### Increasing exports to USA

USA is the biggest market for India's export of textile & apparel products. In 2016, 21% of the textile and apparel products exported from India were shipped to USA. Apparel and home textiles occupied almost 88% share of the US\$ 7.5 Bn exports to USA. Fibre and other categories have shown an impressive growth of 16% & 14% respectively in the last five years.

Table 3: T&A Exports from India to USA (US\$ Mn.)

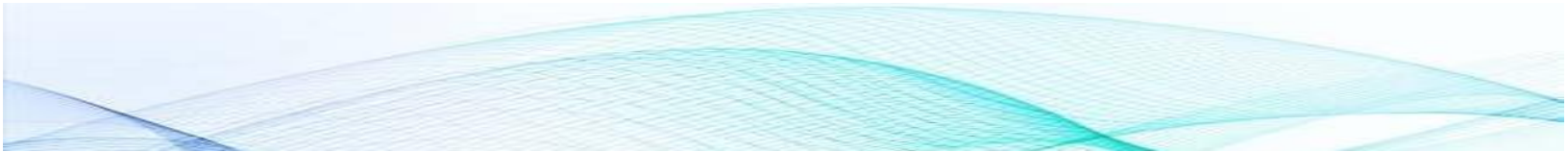
	2012	2013	2014	2015	2016	CAGR
<b>Fibre</b>	65	98	79	84	118	16%
<b>Yarn</b>	87	101	96	98	84	-1%
<b>Fabric</b>	277	311	307	320	321	4%
<b>Apparel</b>	3,051	3,661	3,586	3,774	3,820	6%
<b>Made Ups</b>	2,270	2,719	2,631	2,821	2,786	5%
<b>Others</b>	240	339	333	338	411	14%
<b>Total</b>	<b>5,990</b>	<b>7,228</b>	<b>7,033</b>	<b>7,437</b>	<b>7,540</b>	<b>6%</b>

Data Source: UN Comtrade

The top 5 categories exported to USA in 2016 comprise of apparel and home textiles. These categories occupied 88% share of the total exports to USA in 2016.

### Implications of GST on Indian Textile & Apparel Industry

As per its defined objectives, GST will have a positive influence on the textile industry in terms of eliminating distortions in the tax system, reducing compliance for industry, facilitation of input tax credit etc. However, GST has failed to resolve the issue of differential duty structure in the industry as well as



the issue of fibre neutrality. Duty accumulation was an issue for the MMF industry earlier also, however, with the increase in the duty rates, it will become more prominent and it will lead to a likely increase in the prices of finished goods. The exact nature of impact of GST on the industry still remains to be seen and will be evident in the near future.

## 2. India's manufacturing capabilities in textiles and apparel sector

### 2.1 Installed capacities across segments

A sustainable growth can only be achieved if that growth is supported by a strong base. Indian textile industry is one such kind of an industry which can attain this sustainable growth owing to its strong manufacturing competence. Textiles is one of the oldest industry in the country and over the span of nearly 150 years of its existence, textile sector of India has developed significant manufacturing capacities. This capability of the sector has led it to not only cater to the demands of a large domestic market but also in becoming a major sourcing destination for other countries.

Table 4: Installed Capacities of Indian Textile Sector

Description	Installed Capacity
<b>Spindles</b>	524 lac
<b>Rotor</b>	8.8 lac
<b>Power loom</b>	25 lac
<b>Handloom</b>	24 lac

Data Source: Office of Textile Commissioner

### 2.2 Segment wise analysis

#### Fibre

Indian textile industry enjoys the presence of a large raw material base covering all types of natural and synthetic fibres. It is the largest cotton producer in the world<sup>2</sup> with a share of approx. 27% of the global cotton production. India is also the second largest producer of polyester (8% share in the world)<sup>3</sup> and the third largest producer of Viscose.

The total fiber production in India decreased from 9,590 Mn. kg in 2011-12 to 9,188 Mn. kg in 2016-17 at CAGR of -1%. Cotton production has declined by 2% while other natural fibres maintained positive growth rates during the five year period. Manmade fibre have maintained status quo as their production marginally increased from 1,263 Mn. kg in 2012-13 to 1,364 Mn. kg in 2016-17.

Table 5: Fiber Scenario of India (Mn. Kgs)

Fibre Type	2012-13	2016-17	2012-13	2016-17	2012-13	2016-17	5 Yr. CAGR		
	Production		Imports		Export		Prodn. Growth	Imports Growth	Exports Growth
<b>Cotton</b>	6,290	5,865	220	481	1,954	918	-2%	22%	-17%
<b>Silk</b>	24	30	5	4	0.01	0.03	6%	-5%	32%
<b>Wool</b>	46	46	77	87	5	3	0%	3%	-12%

<sup>2</sup> Source: National Cotton Council of America

<sup>3</sup> Source: PCI Fibres

Others (Jute, flax)	1,967	1,883	158	155	563	887	-1%	0%	12%
Natural Fibre	<b>8,327</b>	<b>7,824</b>	<b>460</b>	<b>727</b>	<b>2,522</b>	<b>1,808</b>	<b>-2%</b>	<b>12%</b>	<b>-8%</b>
Viscose staple fibre	337	365	15	34	99	158	2%	23%	12%
Polyester staple fibre	848	899	30	100	170	214	1%	35%	6%
Acrylic staple fibre	74	96	29	32	7	27	7%	2%	40%
Other MMF fibre	4	4	0.3	2	2	10	0%	61%	50%
MMSF	<b>1,263</b>	<b>1,364</b>	<b>74</b>	<b>168</b>	<b>279</b>	<b>409</b>	<b>2%</b>	<b>23%</b>	<b>10%</b>
Total fibre	<b>9,590</b>	<b>9,188</b>	<b>534</b>	<b>895</b>	<b>2,801</b>	<b>2,217</b>	<b>-1%</b>	<b>14%</b>	<b>-6%</b>

Data Source: Office of the Textile Commissioner

On the trade front, overall imports of fibres grew by 14% CAGR with manmade fibres growing by 23% CAGR and natural fibres growing by 12% CAGR. Exports of manmade fibres have also registered a positive growth of 10% CAGR whereas exports of natural fibres declined primarily due to the decline in the cotton exports (-8% CAGR).

## Yarn

India has the second largest installed spinning capacity in the world with approximately 52 million spindles 0.9 million rotors. The production of spun yarn has been growing at a CAGR of 4% over the last 5 years. Imports of spun yarn declined by 1% CAGR while exports grew by 2% CAGR between 2012-13 & 2016-17 to reach a value of 159 Mn. kg & 1,486 Mn. kg respectively.

Table 6: Yarn Scenario of India (Mn. kgs)

Yarn	2012-13	2016-17	2012-13	2016-17	2012-13	2016-17	5 Yr. CAGR		
	Production		Imports		Export		Prodn. Growth	Imports Growth	Exports Growth
100% cotton spun yarn	3,583	4,061	8	8	1,110	1,205	3%	0%	2%
Cotton blend spun yarn	828	1,034	71	88	60	22	6%	6%	-22%
100% non-cotton spun yarn	457	572	88	63	212	259	6%	-8%	5%

<b>Total Spun Yarn</b>	<b>4,868</b>	<b>5,667</b>	<b>167</b>	<b>159</b>	<b>1,382</b>	<b>1,486</b>	<b>4%</b>	<b>-1%</b>	<b>2%</b>
<b>Viscose Filament Yarn</b>	43	46	9	7	6	5	2%	-6%	-4%
<b>Polyester Filament Yarn</b>	1,288	1,060	30	16	394	616	-5%	-15%	12%
<b>Nylon Filament Yarn</b>	23	41	1	3	2	2	16%	32%	0%
<b>Other MMFY</b>	17	11	2	1	2	2	-10%	-16%	0%
<b>MMFY</b>	<b>1,371</b>	<b>1,159</b>	<b>42</b>	<b>27</b>	<b>404</b>	<b>625</b>	<b>-4%</b>	<b>-10%</b>	<b>12%</b>
<b>Total yarn</b>	<b>6,239</b>	<b>6,826</b>	<b>209</b>	<b>186</b>	<b>1,786</b>	<b>2,111</b>	<b>2%</b>	<b>-3%</b>	<b>4%</b>

Data Source: Office of the Textile Commissioner

MMFY production stood at 1,159 Mn. kg. in 2016-17 witnessing a decline of 4% from 2012-13 to 2016-17. Imports of MMFY stood at 27 Mn. kg in 2016-17 declining at a CAGR of 10% while exports increased from 404 Mn. kg in 2012-13 to 625 Mn. kg in 2016-17 growing at CAGR of 12% over the five year period.

### Fabric

Fabric production has grown at a marginal rate of only 1% (CAGR) from 2012-13 to 2016-17. Woven fabrics constitute the majority share of overall fabric production with 73% while knitted fabrics had a 27% share.

Imports of fabrics have grown at high rate of 10% (CAGR) over the five year period to reach a level of 2,149 sq. mtrs. This growth is primarily attributed to the higher growth of synthetic woven fabrics (29% CAGR). On the export side, overall exports of fabric declined sharply at a rate of 14%. Major decline in exports was observed in woven fabric (-16% CAGR).

Table 7: Fabric Scenario of India (Mn. Sq. Mtrs)

Fabrics	2012-13	2016-17	2012-13	2016-17	2012-13	2016-17	5 Yr. CAGR		
	Production		Imports		Export		Prodn. Growth	Imports Growth	Exports Growth
<b>Knitted fabric</b>	14,541	17,537	835	1,188	431	535	5%	9%	6%
<b>Woven fabric</b>	48,251	46,884	614	1,007	6,831	3,470	-1%	13%	-16%
<b>Cotton Woven</b>	21,878	24,347	157	74	994	1,393	3%	-17%	9%

<b>Synthetic Woven</b>	18,086	12,601	253	710	1,463	1,643	-9%	29%	3%
<b>Other Woven</b>	8,287	9,936	219	223	4,374	433	5%	0%	-44%
<b>Total Fabric</b>	<b>62,792</b>	<b>64,421</b>	<b>1,449</b>	<b>2,149</b>	<b>7,263</b>	<b>4,005</b>	<b>1%</b>	<b>10%</b>	<b>-14%</b>

Source: Office of the Textile Commissioner

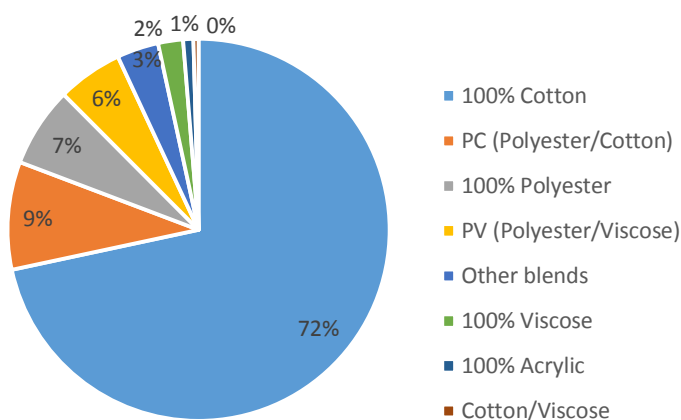
## 2.3 Major manufactured products

### a) Yarn

- Fibre-wise

Cotton yarn was the highest produced spun yarn with 72% share in total yarn production in 2016-17 followed by blended and MMF yarn with 19% & 9% share respectively.

Figure 9: Fibre-wise Spun Yarn Production (2016-17)



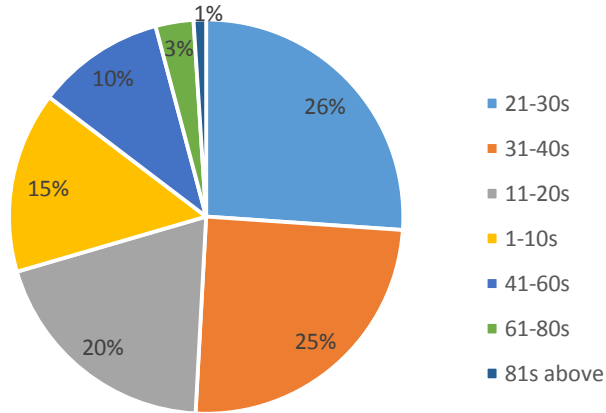
Data Source: Office of Textile Commissioner

- Count-wise

More than 50% of the spun yarn in India was produced in the count range of 21s-40s which falls under coarse and fine count range during 2016-17. This was followed by yarn production in the count range of 11s-20s and 1-10s with 20% and 15% share, respectively in the total spun yarn production in India.



Figure 10: Count-wise Spun Yarn Production (2016-17)



Data Source: Office of Textile Commissioner

### b) Fabric

More than 70% of the fabric production in India was of woven fabric while knitted fabric comprised 27% of the fabric production in 2016-17. Further, cotton woven comprised 52% of the woven fabric production followed by synthetic woven and other woven with 27% and 21% respectively.

Figure 11: Category-wise Fabric Production (2016-17)

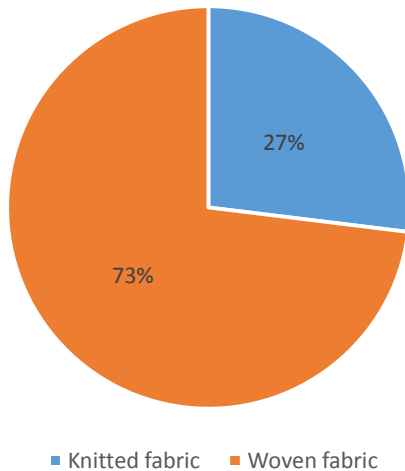
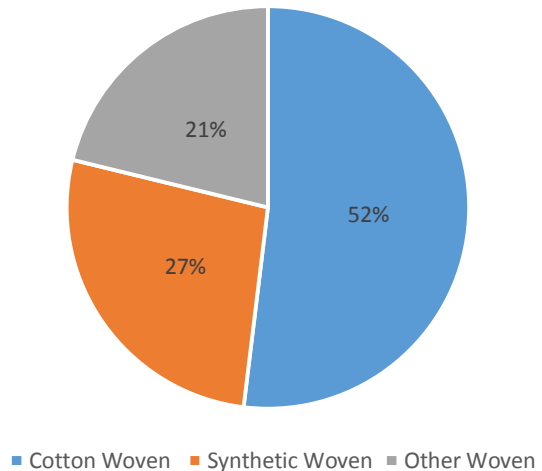


Figure 12: Woven Fabric Production (2016-17)



Data Source: Office of Textile Commissioner

This indicates that there is lack of product diversification in the Indian textile industry as majority of the production is occurring in a limited number of product segments. These products are primarily commodity items and have low value addition opportunities. Also, Indian textile industry exports these intermediate products i.e. fibre, yarn and fabric in large quantities to its competing nations which further convert these intermediate products into finished goods i.e. garment etc. and take advantage of value addition.

This is occurring due to the presence of a comparatively weaker value chain after fibre and yarn manufacturing. As mentioned earlier, India is among the largest producers of fibre and yarn in the world, however, when it comes to finished goods manufacturing, there is a significant gap in the industry in terms of both scale and quality of manufacturing. Hence, international buyers don't prefer to buy finished goods from India mainly because of concerns in quality and service levels.

## 2.4 Innovative products manufacturing in India

In this ever changing scenario, global market demand is continuously evolving. Buyers are looking for newer and more innovative products owing to their better performance and quality. Textile commodities have become more aesthetically appealing as well as more functional in their usage. This is a result of continuous innovation, research and development happening in the global textile industry especially in countries which have moved from commodity product manufacturing to value added product manufacturing. Japan, Korea, Taiwan are examples of such nations which have focused in developing innovative products especially in the field of synthetic textiles. China is also increasing its focus on innovative products considering the increasing manufacturing costs.

India also has strong product development niche capabilities especially in specific value added designs involving embroidery etc. However on a larger level India is still primarily specializes in basic designs and products. Focus on research and development has been low in the industry. Segment wise current scenario of innovative product manufacturing is given below:

**a) Fibre/Filaments:** India has a strong synthetic fibre manufacturing base with large polyester and viscose fibre production capacities. However, even within these product categories, India has not been able to penetrate the specialty or functional fibre/filament market. Given below is a list of fibre/filaments which are globally manufactured and have a growing demand because of their high functional properties, while India's presence is low in such categories:

- Nylon based filaments
- Mono/micro filament yarns
- Antimicrobial filaments
- Flame retardant filaments
- Bi-component filaments
- Conjugated filaments
- UV resistant filaments
- High tenacity filaments

The above mentioned products are used in various applications like sportswear, outdoor wear, underwear, casual wear, travel wear, home textiles, kids wear, non-woven products, protective wear, industrial products and other technical applications as well. This indicates that there is a huge demand and opportunity in such products. However, since India has not specialized in these products, they have to be largely imported in order to fulfill domestic demand.

**b) Spun Yarn:** India has huge capacities of spun yarn manufacturing in the country. Continuous innovation and modernization has led Indian spinning sector to gain a competitive edge over other competing nations. The landscape of value added yarns is changing in India as more and more manufacturers are putting up capacities for value added yarn manufacturing. Although, this

change is still in its nascent stage as the demand of such products is gradually increasing in the domestic market. Currently following value added yarns are being manufactured in the country:

- Slub yarn
- Siro yarn
- Eli Twist yarn
- Core Spun yarn
- Triblend/Tetrand yarn
- Metallized yarn
- Zero twist yarn
- Bamboo yarn
- Coffee yarn

c) **Fabric:** Fabric manufacturing and processing are the two segments where India is significantly lagging behind the global competition, especially in synthetic textiles. Since the weaving sector is largely unorganized and modernization levels are very low, manufacturing of innovative products is very difficult. Also quality processing of fabrics has been a continuous issue for the industry. These issues have led to significant loss in export opportunity as India is not able to make the quality of fabric that international buyers demand. Following are the type of fabrics wherein Indian textile industry is lagging behind:

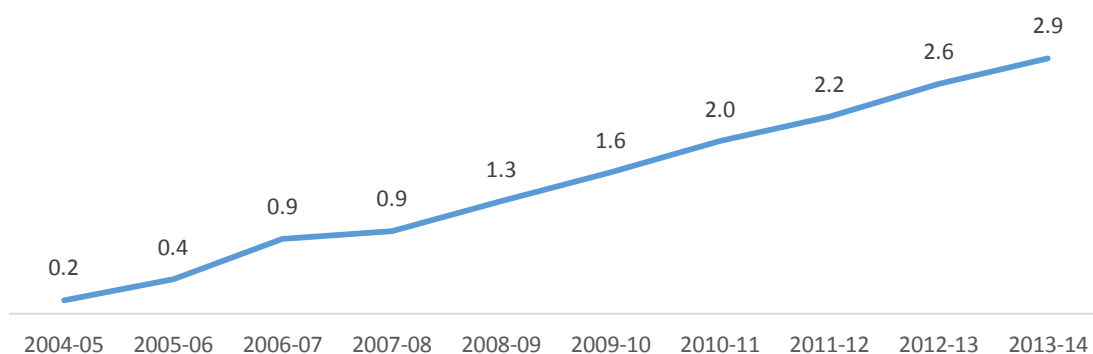
- Synthetic knit fabrics with spandex
- Synthetic woven fabric of microfilaments
- High performance fabrics
- Technical fabrics
-

## 3. Attracting investment & developing India as a preferred manufacturing destination

### 3.1 Historical investments done in the textile sector

Over the last decade, the factory sector of the textile & apparel industry has attracted an overall investment of Rs. 2.9 lakh crores with an average of ~Rs. 29,000 crores of yearly investment.

Figure 13: Overall Cumulative Investment in the Textile and Apparel Factory Sector (Rs. Lakh Cr.)



Data Source: Annual Survey of Industries, 2013-14

Many big textile names have announced their investment plans in recent years, some of them are mentioned below:

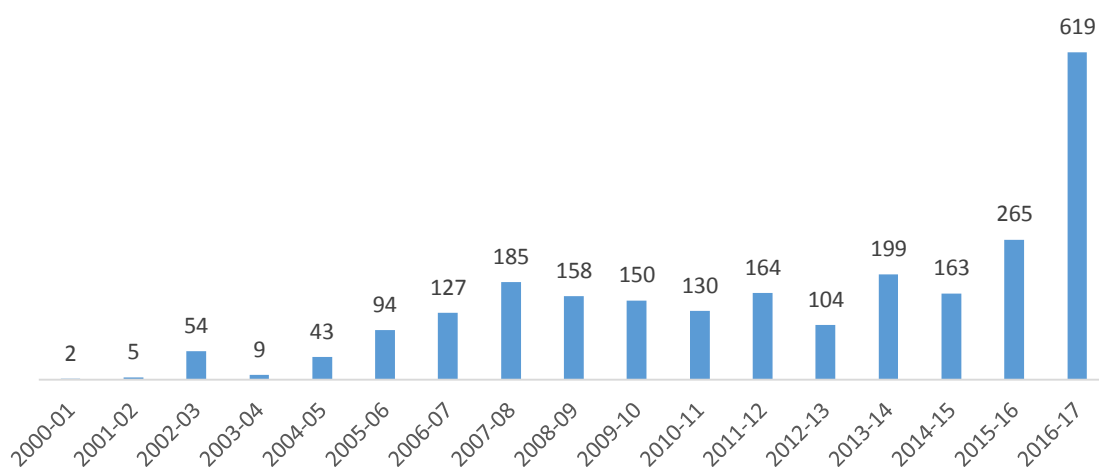
Table 8: Investment Plans of Textile Companies

Company	Area of Investment
Vardhman	Printing & yarn dyeing
KPR Mills	Garmenting
Welspun	Flooring & carpets
Raymond Limited	Garmenting, Spinning
SRF Limited	Across the value chain

### 3.2 FDI inflow in the sector

The cumulative FDI in Indian textile sector from 2000-01 to 2016-17 is approx. US\$ 2.5 billion. During the initial years, the FDI inflow in textiles was very low. Growth has been seen immediately after MFA phase-out in 2005. FY 2016-17 attracted the largest amount of FDI in Indian textiles industry with an unprecedented growth of 134% over the last year. This is a clear indication that investors are looking at India as a favorable destination for investment. India needs to continuously undertake these measures to attract more FDI across the textile value chain.

Figure 14: FDI Inflow in Textile Sector of India (US\$ Mn.)



Data Source: Department of Industrial Policy & Promotion (DIPP)

### 3.3 Current modernization levels in value chain

Modernization has been a big issue for textile industry. Since the industry is primarily unorganized and constitutes of a large number of small players, continuous investment on technology and infrastructure becomes a challenge. This has been the main reason behind low modernization levels in the industry wherein more than one third of the total installed capacity is more than 15 years old. However, government of India has taken a substantial step to check this issue with their flagship 'Technology Upgradation Fund Scheme' which is aimed specifically to upgrade the existing technology in the industry.

With the help of this scheme, textile industry has been able to invest in modern technology over the years:

- a) **Spinning:** India's spinning sector is the key strength of the textile industry with large installed capacities, presence of big and organized players and continuous modernization happening over the years. Approximately ~75% of the installed machinery in the spinning is modern (less than 15 years old). Spinning companies have invested in automatic bale plucking and chute feed technology in blow room /card, Auto leveler carding and draw frame machines, Automatic doffing with link coner in ring spinning, Compact spinning, hi-tech rotor and air vortex open end spinning machines, etc. These modern technology have helped India to become the most competitive yarn manufacturing country in the world in terms of manufacturing cost and quality making the country to achieve 27 to 30 percent global cotton yarn trade share).
- b) **Weaving:** Weaving has a large presence of unorganized players within multiple fabric clusters spread across the country. Majority of these players have very small installed capacities and they use outdated machineries for production of fabric. Weaving sector has the highest share of obsolete machineries in the entire value chain with ~50% of the installed capacity being more than 15 years old. However, over the last decade, the situation has changed and investments have

been made in the sector for upgradation of weaving technology such as Hi-tech warping, Sectional warping, sizing and other weaving preparatory machines, High Speed Shuttleless looms.

- c) **Knitting:** Similar to weaving, knitting sector is mostly unorganized with only a handful of organized players. Majority of the knitting capacities are based in clusters like Tiruppur, Ludhiana, Kolkata, NCR etc. with small players. But unlike weaving, the evolution of knitting in India happened quite later with fresh investments happening in this segment. Manufacturers have invested in new technologies like electronic circular knitting machines, hi-tech flat bed and socks knitting machines, warp knitting machines
- d) **Processing:** Processing is considered as a weak link in Indian textile industry mainly due to the absence of requisite technical knowhow. Majority of the processing machinery (~more than 80%) in the industry is less than 15 years old which indicates that new investments have happened in this sector as well. New technologies like Continuous Process Machines (CBR, CDR etc.), rotary printing machines, hi-tech finishing machines, water frugal and energy conservation technologies, environment friendly textile effluent treatment technologies such as zero liquid discharge technology, marine discharge technology, caustic and heat recovery technologies, water recycling technology, etc. are being used in the sector.
- e) **Garmenting/made-ups:** Garmenting is a technology sensitive sector with technology making considerable impact on production, efficiency, quality of operations. Manufacturers have started to invest in new technologies such as automatic fabric laying and cutting with CAD/CAM, high speed and multiple needle and stitching and fabric making machines, automation in material handling, etc. in order to improve their productivity and efficiency levels.

### 3.4 Investment in modern technologies in the textile sector

Investment in the textile sector has helped the industry in product development, innovation and value addition over the years. Following are some of the examples of modernization of textile value chain done over the years and introduction of newer technologies.

#### a) Spinning

- Growth of newer technology for spinning like compact spinning, airjet spinning etc.
- Increased automation such as auto doffer systems, integrated transport systems, splicers
- Better quality monitoring system such as individual head monitoring, online quality systems, app based systems, auto levelers, contamination controllers
- Increasing ability of companies to make specialty yarns including core spun yarn, slub yarns, siro spun yarn etc.

#### b) Knitting

- Growth of modern high speed circular knitting machines and electronic flat knitting
- Increasing penetration of auto-striper machines & jacquard knitting machines, which give higher design flexibility and value addition
- Investments in warp knitting machines to produce new knit products like laces, net fabrics etc.

### c) Weaving

- High growth in installation of shuttle-less looms with a large number of modern shuttle-less looms replacing the shuttle looms
- Higher weft insertions in modern looms have increased design flexibility and value addition

### d) Processing

- Increase in capacity of modern technology machines including continuous dyeing/bleaching machines which have replaced traditional batch process machines like Jigger
- Increasing capacities of polyester dyeing lines including HTHP machines
- Computer controlled auto-dozing systems in dyeing machines have reduced dye wastage, improved product quality and consistency and improved process efficiency
- Growth in printing technologies from block printing to screen and rotary printing and digital printing
- Modern technology in finishing machines including stenters, singeing machines, compacting machines etc.
- Improved technology in yarn and fibre dyeing machines which has reduced color variations and improved quality
- Modern testing & computerized colour matching equipment have improved product standards
- Modern garment washing and dyeing machines have increased and improved product value.
- Various finish application attachments in modern machines have helped in value added products like anti-microbial, wrinkle free, stain resistant, non-flammable fabrics

### e) Garmenting

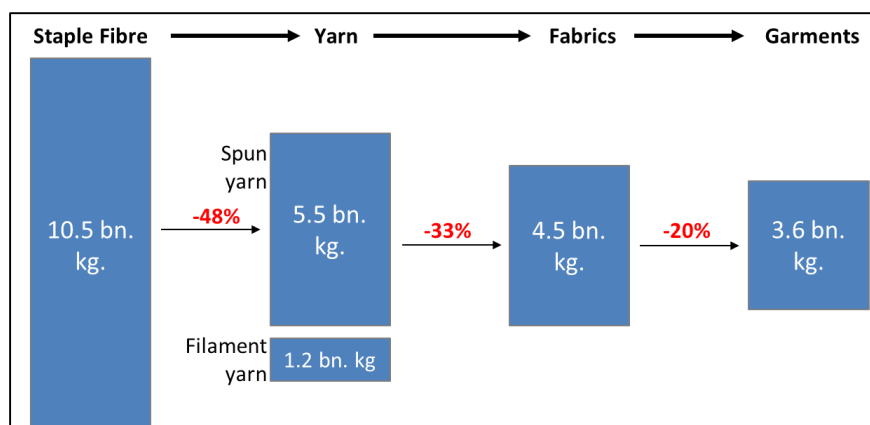
- Upgradation from manual cutting to automatic cutting
- Modern sewing machines, Multi head high speed embroidery machines have improved product standards
- Various support machines like pocket setter, belt loop making, fusing machines, CAD systems etc., have improved productivity, flexibility, precision and overall quality

## 3.5 Developing India as a preferred manufacturing destination

### a) Developing scale in manufacturing in the textile and apparel sector

One of the key challenges faced by the industry today is structural weakness in the manufacturing value chain. As we proceed downstream in the value chain, the manufacturing capacities continue to reduce thereby losing out on the opportunity of value addition. Significant amount of value addition opportunity is lost because of exports of unfinished goods viz. raw fiber, yarn and greige fabrics.

Figure 15: Production across the Textile Value Chain



Source: Wazir Analysis

The fundamental issue within the chain lies with the fabrics manufacturing and processing sector, which suffers from lack of capacity and use of obsolete technologies, to an extent that the upstream and downstream processes are not able to utilize their full potential.

It is important to realize that in order to make strong positioning in the global market, there is a need bring about structural transformations and focus on creating large capacities in the Indian textile industry. This will not only help in capitalizing value addition opportunities but it will also help in positioning India as an end to end manufacturing destination.

#### b) Modernization and innovation in the sector

As detailed earlier in this segment, over the last decade, levels of modernization have significantly improved depicting an increasing focus on technology improvement. Modern and efficient machineries, integrated manufacturing systems etc. are being incorporated in the industry. However, this wave of modernization has still not penetrated throughout the industry, again due to its unorganized and fragmented state. Majority of small scale units operating across various clusters in the country still rely on age old machineries for their production.

Unawareness about schemes, technologies and newer systems is a big reason for the underdeveloped nature of our industry along with the required capital investment. Low modernization reflects in poor productivity and poor quality and in turn lowers our manufacturing potential. To compete with an established manufacturing powerhouse such as China, India needs to raise its manufacturing levels and bringing in newer technology is the first and foremost way of doing it.

Indian textile industry's core competence lies in manufacturing of common products such as cotton yarn, cotton fabric etc. Our industry has grown comfortable in manufacturing these common commodities and have not taken up newer challenges. Countries like China, Korea, Taiwan etc. have worked relentlessly in the direction of innovation. They have come up with newer products and hence have set themselves apart in the global textile landscape. For India to become the go to destination for global buyers, our industry must focus on diversifying itself and offer more innovative products. Innovation comes from research and development and a continuous focus is required in order to gain competitive advantage. Bringing new



ideas into action is of importance as it can lead to finding new manufacturing methods to improve performance, producing better quality and designs and streamlining of the entire process flow.

#### **c) Achieving operational excellence**

Another important step towards becoming a preferred manufacturing destination is operational excellence. Better productivity, higher efficiency etc. can only be achieved if all the systems and processes are working in a synergy. Apart from a handful of the top companies, majority of textile industry lack operational excellence. This leads to generation of higher waste, poor quality and low efficiency and productivity levels.

Operational excellence include streamlining manufacturing operations, quality & process improvement, capacity improvement, and information systems for operations & control. Thus, an ideal production process would be where throughput time is minimal, inventory is balanced, bottleneck in operation is none, changeover time is negligible, defects are zero, and critical path is well defined. To remain competitive in the international market it is important to continuously improve quality and productivity through operational excellence.

#### **d) Environment friendly development approach**

Textile manufacturing is an energy, chemical & resource intensive industry. Right from the growth of fibres i.e. cotton (agriculture) or synthetic (chemical synthesis) to the manufacturing of garments, textile industry consumes a large amount of resources (land, water, coal, other fuels, chemicals etc.). Consumption of all these resources means the release of large amounts of harmful emissions, solid and liquid chemical waste. It is a double edged sword as it impacts the environment by both depleting natural resources and by releasing harmful byproducts in the environment. Indian textile industry has been on the wrong end of this subject as many companies do not comply with rules & regulation for environmental protection.

This creates a negative impact on international buyers as they look for suppliers who follow strict environmental compliance norms. Future development of our industry cannot be based on a model where no regards is given to the impact that it has on environment. Hence for Indian textile industry, it becomes much more important to adapt the sustainable way of growth. Government of India has now stricken the norms about environmental compliance and has started taking firm actions against defaulters. Companies from their end have also started taking positive steps towards achieving more cleaner and greener ways of manufacturing. Government of India has now stricken the norms about environmental compliance and has started taking firm actions against defaulters. Companies from their end have also started taking positive steps towards achieving more cleaner and greener ways of manufacturing.

### **3.6 Measures for attracting investment in the Indian textile sector**

#### **a) Improving Ease of Doing Business**

Government's flagship initiative of 'Make in India' emphasized on the importance of 'Ease of Doing Business'. This has resulted in a fruitful outcome as India recorded its highest ever jump in the "Ease of Doing Business Ranking" (World Bank) to reach a rank of 100. As depicted earlier, Indian textile and

apparel industry recorded the highest FDI inflow in history. All these things show a growing positive sentiment amongst international companies towards India. To further strengthen and improve India's attractiveness as an investment destination, Indian government has taken multiple measures:

- Easier and simpler registrations & approvals (ESIC, EPFO, PAN, TAN etc.)
- Reduction of processes for construction permits
- Hassle free access to electricity
- Simpler import & export procedures
- Easier contract enforcement
- Digitization process for registering property
- Creation of an E-Biz platform (One stop access for investors about investment opportunities and information on number of licenses/approvals required from government agencies.

All these initiatives will help improve India's 'Ease of Doing Business' even further and thus bring in more investment in the sector.

#### **b) FTAs with major markets**

FTAs have played a significant role in shaping the global textile and apparel industry. They act as a gateway for manufacturing nations for the development and investment in their industry. FTAs work towards bringing down trade barriers between countries and drive investments. Countries like Bangladesh, Vietnam, Ethiopia etc. have leveraged their FTAs with US & EU to bring in large scale investments over the last decade.

India has failed to achieve the same result owing to the absence of such FTAs which makes it a less attractive destination for investments as it faces tariff barriers in major international markets. Therefore an early finalization of FTAs with major textile and apparel markets will help drive investments in the country.

#### **c) Creation of world class manufacturing infrastructure**

The lack of sufficient infrastructure across the industry creates apprehension in the minds of entrepreneurs who seek to invest in the sector. Development of mega textile parks, research and development facilities, integrated set ups etc. along with lucrative government incentives will help in encouraging new investments in the sector.

## 4. Fuelling growth in export market

### 4.1 Exploring untapped markets of global textile and apparel industry

India being the second largest exporter of textile and apparel commands 5% share in global textile and apparel exports. However, most of the global textile and apparel markets still remain untapped by Indian exporters. Out of top twenty T&A global markets, India's exports are skewed towards six markets viz. EU, USA, UAE, Bangladesh, Germany and China & HK. While in rest of each fourteen markets, India has less than 2% share in its total T&A exports. These untapped markets offer a tremendous opportunity to our exporters for increasing India's T&A exports. Untapped markets are listed in the table below:

Table 9: India's Markets with <2% in T&A exports

S. No.	Global Rank	T&A Market	2016 (USD bn)	% Share in India's Exports
1	4	Japan	32.1	1.1%
2	5	Viet Nam	21.3	1.0%
3	6	Rep. of Korea	14.9	1.0%
4	8	Canada	13.4	1.2%
5	9	Russian Federation	11.6	0.3%
6	10	Mexico	10.8	0.7%
7	12	Australia	8.9	1.1%
8	13	Turkey	8.8	1.7%
9	14	Indonesia	8.7	0.6%
10	16	Saudi Arabia	6.7	1.5%
11	17	Thailand	4.9	0.5%
12	18	Brazil	4.6	1.0%
13	19	Chile	4.0	0.3%
14	20	Egypt	3.7	0.9%

Source: UN Comtrade & Wazir Analysis

Almost every untapped market has good demand for all or some of the top ten traded T&A commodities. Eight out of ten India's top exported commodities coincides with top ten imported commodities of the untapped markets. However, India either does not export or has minuscule exports of these commodities to these markets. Below table presents list of potential commodities in which India has competitive edge and potential markets where these commodities can be supplied to:

Table 10: Potential Commodities in Untapped Markets

Potential Commodities	Category	Detailed Description	Untapped Markets
5205	Yarn	Cotton yarn	Egypt
6109	Apparel	Knitted T-shirts, singlets, vest	Japan, Chile, Rep. of Korea, Australia, Saudi Arabia, Mexico
6203	Apparel	Men's suits, ensembles, jackets, blazers, trousers etc.	Canada, Turkey, Rep. of Korea, Japan, Australia, Saudi Arabia, Russian Federation, Brazil

6204	Apparel	Women's suits, ensembles, jackets, dresses, trousers etc.	Russian Federation, Turkey, Mexico, Brazil, Japan, Canada, Australia, Saudi Arabia, Chile, Thailand, Rep. of Korea
6205	Apparel	Men's shirts	Canada
6211	Apparel	Track suits, ski suits and swimwear	Japan, Saudi Arabia
6302	Home Textiles	Bed linen, table linen, toilet linen and kitchen linen	Canada, Australia, Russian Federation, Japan, Chile

Source: Wazir Analysis

It is understood that there are specific apprehensions related to the untapped markets like quality concern & cultural mismatch in Japan, high tariff incidences in Australia/ Canada/ Brazil/ Egypt/ Mexico/ South Korea/ Russia and tariff barriers in Turkey. However, with manufacturing excellence Indian manufacturers & exporters can position themselves distinctively to compete in these markets.

## 4.2 Diversification of product portfolio

An analysis of globally top 10 traded commodities show that 8 out of 10 commodities fall in the apparel category and India's share in all those commodities is significantly low (less than 8%). For certain categories share in trade is as low as 0.3%.

Table 11: Top Ten Traded T&A Commodities in the World & India's Share (US\$ Bn.)

HS Code	Description	Global Trade	India's Export	Share
620342	Trousers & shorts of cotton for men's & boys'	24.9	0.4	1.7%
610910	T-shirts of cotton	24.0	1.7	7.2%
611030	Jerseys of man-made fibres	22.1	0.1	0.3%
620462	Trousers and shorts of cotton	21.6	0.2	0.9%
611020	Jerseys of cotton	19.3	0.1	0.6%
610990	T-shirt of other textile materials	15.2	1.0	6.7%
620520	Men's or boys' shirts of cotton	11.5	0.9	7.7%
630790	Other made up articles	9.4	0.5	5.5%
621210	Brassieres	9.2	0.1	1.3%
520100	Cotton, not carded or combed	9.1	1.4	14.7%

Source: UN Comtrade

Also analyzing India's top exported commodities, it can be observed that India's top ten commodities include commodities like fibre, yarn, garment and home textiles as well.

Table 12: Top Ten Exported T&A Commodities from India (US\$ Bn.)

HS Code	Description	India's Export
610910	T-shirts of cotton	1.7
520100	Cotton, not carded or combed	1.4
630260	Toilet linen and kitchen linen, of terry toweling	1.1
610990	T-shirt of other textile materials	1.0

620520	Men's or boys' shirts of cotton	0.9
630419	Other bedspreads	0.8
520524	Single yarn of combed fibres measuring (125 dctx)	0.7
540233	Textured yarn of polyesters	0.7
520523	Single yarn of combed fibres measuring (< 232.56 but >=192.31 dctx)	0.7
611120	Babies' garments of cotton	0.7

Source: UN Comtrade

This analysis shows that India's exports are not very much aligned towards global demand. There are various product categories wherein there is a large potential demand and due to lack of product diversification, India's share in those categories is negligible.

Indian textile industry needs to understand and capitalize on this potential market opportunity by investing into different products. Also, Indian textile industry needs to keep an eye on emerging product categories such as technical textiles, functional textiles, non-wovens etc. and target their growing markets as well. Keeping pace with the requirements of buyers in export markets and responsiveness to it can also help exporters to have better competitiveness.

### 4.3 Improving service and quality levels

One of the most prominent issues that has loomed over Indian exporters are their poor service and quality levels. These shortcomings not only adversely impact India's image in the global textile industry but it also discourages existing buyers from continuing their relationship with Indian exporters.

Issues faced in terms of quality & quantity:

- a) Dispatching of faulty products
- b) Poor packaging of products
- c) Inability to cater large order quantities
- d) Non adherence to compliances and norms

Issues faced in terms of service levels:

- a) Delay in lead times
- b) Poor communication between merchandizers and buyers
- c) Infrastructural & procedural delays in shipment

Export competitiveness can only be achieved if Indian exporters provide superior product quality and admirable service levels to their buyers on a constant basis. For achieving, Indian exporters need to incorporate robust client management systems which will keep them in level with the requirement of their buyers and help them in providing good quality and service levels in an efficient manner. Also, merchandizers need to be well trained in handling international clients in order to win their confidence and to build market reputation.

## 5. Facilitating growth in domestic market and fuelling employment generation

### 5.1 Exploring avenues of growth in the domestic market

As explained in the first segment, domestic market of India is large and has is growing at a high rate. This growth can be only be sustained if India makes some integral structural changes in its industry. If Indian textile industry focuses on achieving manufacturing excellence and build a sustainable model of growth, Indian textile and apparel market could aspire for a growth of 9% and reach US\$ 400 bn. by 2030.

Table 13: India's T&A Vision 2030

Market (US\$ bn.)	2016	2030	CAGR
Domestic	81	300	10%
Exports	37	100	7%
<b>Total</b>	<b>118</b>	<b>400</b>	<b>9%</b>

Source: Wazir Analysis

Exploring newer areas in the domestic market becomes more essential for the growth of industry. With influencing factors like growth in consumer purchasing power, rising awareness about health and hygiene, inclination towards fashion and leisure wear etc., a large number of potential product categories have emerged in the domestic market. Given below are some of the attractive categories which need to be further developed for accelerating growth in domestic market.

#### Apparel Segment:

Domestic apparel stood at US\$ 63 bn. in 2016 and has registered double digit growth over the last decade. However, up till now domestic apparel market of India was largely dominated by the ethnic wear segment and other cotton based common product categories.

- a) **Women's Western wear:** in the recent years, there is a growing demand for western wear & work wear in the Indian market especially in the womenswear segment because of the following reasons:
  - Increasing women participation in workforce
  - Favorable policies for women such as flexi timings, work from home, increased maternity leaves
  - Increasing influence of western culture and awareness about fashion
- b) **Active wear or Athleisure wear:** Sports & fitness culture is catching up in India. It is anticipated to grow at very high rates in the coming years owing to its rising popularity in India. Indian consumers are moving beyond the traditional apparel and are trying new things. Sports and fitness apparel demand stood at Rs. 6,000 cr. In 2016 and is anticipated to grow to Rs. 34,000 cr. by 2025 with a growth rate of 25%. Amongst this, a new category has also emerged i.e. athleisure which is a combination of athletic and leisure wear. Consumers have shown great interest in this category as they get both the functional as well as the aesthetic aspect from these clothes.

- c) **Work wear/Uniform:** As Indian service and industry sector becomes more and more organized. The demand of professional and industrial work wear will increase. With stricter government regulations regarding healthcare and safety of working professionals, industries are now opting for standard working wear and uniforms (including accessories) for their employees. Consciousness of corporates towards their image is also likely to increase usage of corporate uniform. Also, consumption of uniforms in the education sector is set to grow with increasing focus of government on education. India's education budget has grown at a CAGR of 15% from Rs 31,036 crores in 2010 to 72,394 crores in 2016. This sector has received very less attention from Indian manufacturers. However, with changing industry dynamics, it offers huge possibilities of growth for domestic manufacturers.

With such a large population base, Indian domestic apparel market pose seemingly endless opportunities for domestic manufacturers. Apparel manufacturers need to identify these opportunities and scale up their capacities in order to tap this potential demand.

#### **Fabric Sector:**

Indian fabric is primarily cotton dominated with 60% share in overall fabric production. 100% synthetic fabric production has been limited in the country. Surat is the main cluster of synthetic woven fabrics, however, they produce low quality fabrics used in ethnic wear and for export use. Presence of good quality synthetic fabric manufacturers (woven and knit) is negligible in the industry. For meeting the demand of such fabrics, domestic market of India relies heavily on imports from countries like China, Korea, Taiwan, Thailand, Indonesia, Sri Lanka etc. India imported more than US\$ 600 mn. worth of fabric from these countries in 2016. This indicates that there is a large opportunity of import substitution for Indian fabric manufacturers if they venture into production of such fabrics.

#### **Yarn and Fibre/Filament Sector:**

India has set up large spinning capacities in terms of cotton yarn and polyester filament. Newer avenues of growth lie in value added yarns and filaments. Countries like China, Korea and Taiwan have developed capabilities of manufacturing highly functional fibres and filament. Indian manufacturers have focused on common product like spun yarn, high denier filaments, basic value added yarns etc.

Indian manufacturers need to build capabilities in these areas to stay at par and further gain competitive edge against competitors

#### **Technical Textiles:**

Technical textiles offers vast arrays of opportunities for the domestic market of India. This segment is still at a nascent stage in India and has the capability to grow at unprecedented rates in the future. This is due to the growing awareness about the benefits of technical textiles not only on industrial front but also in household usage. With applications in fields like healthcare, automobile, construction, agriculture, apparel, sports & fitness etc. Technical textile market is posed to reach a size of US\$ 73 bn. in 2030 from a level of US\$ 12 bn. (2016) registering double digit growth rate of 13%. Hence, this sector becomes is one of the most important areas for growth for Indian textile and apparel sector.

## 5.2 Investment requirement for sustaining domestic market growth

Indian textile and apparel market will add US\$ 282 bn. in its market size by 2030 as per current estimations. To sustain this market growth, large scale investment will be required in the sector. The below given table represents segment wise investment requirement by the year 2030.

Table 14: Investment Requirement in T&A Sector by 2030 (US\$ Bn.)

Segments	Total Investment Requirement (US\$ Bn.)
MMF & Spun Yarn	41
Fabrics	53
Processing	37
Garments	62
<b>Total</b>	<b>193</b>

In terms of technology addition, following requirement will be there by 2030:

Table 15: Technological Requirements in T&A Sector by 2030

Technology	Numbers
Spindles	46,019,119
Rotors	1,180,931
Looms	479,689
Knitting Machine	15,853

An overall investment of ~US\$ 193 bn will be required by 2030 to reach the goal of a US\$ 400 bn. market size. This would require large scale local as well as foreign investments in the sector.

## 5.3 Creating employment opportunities through expansion

This estimated market expansion will create massive employment opportunities in the Indian textile and apparel sector. Textiles being one of the most labour intensive industries will greatly benefit the goal of job creation of the Government of India. Segments like garmenting will contribute to the largest employment addition. Following will be the segment wise employment creation by 2030 to facilitate the demand growth:

Table 16: Employment Generation Opportunities in T&A Sector by 2030

Segments	Total Employment
MMF & Spun Yarn	8,13,302
Fabrics	2,453,844
Processing	1,445,427
Garments	24,265,463
<b>Total</b>	<b>28,978,035</b>

Textile and apparel industry of India holds a potential of generating employment for approximately 29 million people by 2030.



## 5.4 Improving manpower skills

Even though India boasts the presence of largest youth population in the world, availability of skilled manpower remains a big challenge. Current skill levels in the textile sector are not good enough to provide maximum productivity and efficiency. This shortage of talent calls for recruitment of right people and further training them to continuously upgrade their skill levels to meet the need of time. Also, it becomes important for the businesses to bring a change in the working environment successful retention of their employees.

Continuous skill development is the key for improvement of manpower in textile and apparel industry. High performance training is important as manpower involvement is more than any other industry. It includes components such as:

- a. **Foundation training:** Once the operator is selected through aptitude test he/she undergoes induction process where he/she is given awareness about basic machines. Machine training is given to achieve variable speed pedal control, loop exercise, control of machines in high/low speeds
- b. **Intermediate training module:** The training is customized based on operator performance in the foundation module and handling different products
- c. **Advanced module:** The trainee is prepared for real life industry situation through soft skill training and visual training. The new recruits have to be placed in real time production lines and need effective monitoring so that they are able to handle mass production

Apart from technical skills, it is important to provide operators with soft skills which includes motivation, health & hygiene, social security, group behavior, personal finance, self-management, time management, team management, etc.

## 5.5 Government initiatives for promotion of domestic textile industry and boosting employment

Government role in achieving these goals will be of utmost importance. A collaborated effort from the industry and the government is required in order to implement the growth plans for the textile sector. Government has been constantly putting forth efforts to introduce schemes & policies for the development of industry. Various schemes like Technological Up gradation Fund Scheme (TUFS), Scheme for Integrated Textile Parks (SITP), Integrated Skill Development Scheme and others have been launched for promoting investments in the textile industry, upgrading technology and setting up integrated manufacturing setups.

Apart from Central Government schemes, several State Governments have also launched their textile policies under which several incentives are provided for investments in textile sector. The announcement of ₹6,000 Cr. garment package last year came as a very positive boost for the garment industry of the country. All this support from government has helped the industry to grow over the years and become more competitive in manufacturing and exports. This support has to be continuously enhanced and focused on the target areas by creating a catalyst scheme to develop an ecosystem for enhancing manufacturing competitiveness in order to provide a strong base for the future development of the Indian industry. With the aim of supporting Indian textile and apparel industry achieve its deserved state, it is important that State and Central Government agencies provide special thrust in specific areas, as mentioned below:

### a. R&D Support

The Indian textile and apparel sector is known for its traditional products but very limited innovation has taken place in the sector so far. Even for several home grown technologies and process, commercial acceptability and adoption is not there in the sector. When compared to other competing countries, the efficiency and productivity levels of Indian textile sector is quite low. The government can have a R&D fund, which could be used for deploying state-of-art modern technologies.

### b. Credible mechanisms for assessing levels of quality and productivity

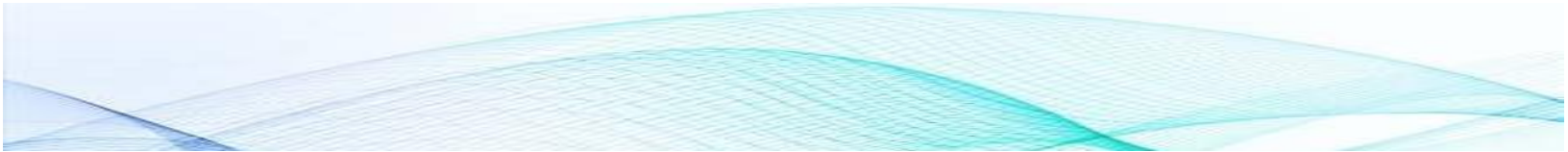
There is a need to develop a credible mechanisms for assessing levels of quality and productivity in segments of the supply chain as well as in individual enterprises. Government should work together with the Quality Council of India and the National Productivity Council for achieving this objective.

### c. Attracting Foreign Direct Investment (FDI)

Owing to various initiatives taken by the Government, the FDI in textile sector has increased considerably. In the fiscal year 2016-17, the sector received an FDI of US\$ 619 million. However, this is not enough to get the desired technical know-how, and marketing network required to produce and sell high-end products competitively. Hence, Indian textile industry needs to focus on investing in latest technologies and developing world-class manufacturing infrastructure.

### d. Attracting Large Scale Investment

To be globally competitive, it is required to promote large scale manufacturing set-ups. These set-ups will gain an edge because of economies of scale and will also be able to cater to large buyers.



For attracting investments in the sector, it is required that good incentives should be given to investors. Incentives focused on technology up-gradation, capacity addition and long term development of the sector are crucial at this point of time. The incentives need to be attractive enough for Indian as well as international investors. Improved investment environment will stimulate investments, provide technical know-how and develop state-of-the-art set-ups required for the sustainable development of the sector.

### **Conclusion**

Indian economy is going through a transforming phase right with high economic growth, large investments, government's bold initiatives and a building entrepreneurial mindset is shaping up an exciting future ahead for the country. Textile industry lies in the core of this development, owing to its importance to the economy of the country as well to various other social facets like employment. With growing year on year investments, growing domestic market and exports, textile industry is poised for high growth in the years ahead. However, in order to achieve this long term goal, development of the industry must happen in a sustainable manner.

This whitepaper has focused on the current situation of the Indian textile & apparel industry, opportunities present in the future and the road map to tap those opportunities. Modernization, technology, innovation, opportunities, employment etc. are the key words around which the development goals of the textile industry revolves. Currently, Indian textile industry lacks on majority of these fronts owing to certain inherent structural issues present in the industry. However, in order to attract more investments, to increase exports and in order to cater to world's biggest markets & buyers, Indian textile industry need to overcome these challenges. A joint effort between industry & the government will be the biggest facilitator towards the development of Indian textile sector.



## About FICCI

The Federation of Indian Chambers of Commerce and Industry (FICCI) is an association of business organizations in India established in 1927. FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs. The chamber has an indirect membership of over 2,50,000 companies from various regional chambers of commerce. It is headquartered in the national capital New Delhi and has presence in 12 states in India and 8 countries across the world.

FICCI is a non-government, not-for-profit organization involved in sector specific business policy consensus building, and business promotion and networking. It provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community. It organizes conferences, forums, exhibition, trade fairs, etc. bringing the industry insight forward.

## About Wazir Advisors

Wazir Advisors is a Management Consulting assisting its clients in strategy formulation and implementation, forming alliances and joint ventures, investments and market understanding, sector analysis and due diligence-thereby providing end to end solution spanning the complete business cycle in textile value chain.

Having worked with leading Indian and International companies, public sector organizations, Government departments, development agencies, trade bodies etc., Wazir has a deep understanding of global textile sector dynamics and right connect with the people who matter.

Wazir’s team of textile experts possess experience across function – projects, operations, sourcing and marketing in the sector. The team members have worked on strategy and implementation assignments in all major textile and apparel manufacturing and consumption base. Wazir leverages its body of knowledge, contact and combined expertise of its team to deliver value to clients.

Scope of Our Operations		
Strategy	Implementation	Alliances
<p>Wazir delivers practical, implementable strategies for clients to meet their objectives.</p> <p>Be it corporate strategy intending to enhance profitability or sector growth strategy to support MSMEs or evaluating Government scheme to access its impact, we are geared to advise our clients efficiently and effectively. Our services include:</p> <ul style="list-style-type: none"> <li>• Sector Mapping and Growth Strategy</li> <li>• Policy Formulation Support</li> <li>• Government Scheme Evaluation</li> <li>• Corporate Strategy</li> <li>• Market Opportunity Assessment</li> <li>• Market Entry Strategy</li> <li>• Location Analysis</li> <li>• Business Performance Enhancement</li> <li>• Product Diversification</li> <li>• Marketing and Distribution Strategy</li> </ul>	<p>Wazir provides implementation services to textile and apparel sector entities to convert the plans into reality. Whether it is to manage a Government scheme or to improve productivity in apparel factories or to identify the most suitable technology; we have in-house competence to cover all the critical elements of implementation. Our services are:</p> <ul style="list-style-type: none"> <li>• Project Management and Monitoring</li> <li>• Re-modeling of Manufacturing Plant</li> <li>• Process Re-engineering</li> <li>• Productivity Improvement</li> <li>• Supply Chain Optimization</li> <li>• Feasibility and Techno-Economic Viability (TEV) Study</li> <li>• Investment Promotion</li> <li>• Cluster and Industrial Park Development</li> </ul>	<p>Partnerships and collaborations are ways to achieve accelerated growth, expand market reach and attain technical advancement. Realizing the importance and need of inter-organization alliances in textile and apparel sector, Wazir has developed broad range of services to support companies and organizations looking for inorganic growth globally. Our services include:</p> <ul style="list-style-type: none"> <li>• Company Due-diligence</li> <li>• Joint Venture</li> <li>• Marketing Tie-up</li> <li>• Technology Transfer</li> <li>• M&amp;A Execution</li> <li>• Strategic and Financial Funding</li> </ul>



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