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ADVISORS

# Indian Textile & Apparel Industry Business Confidence Survey

December, 2018



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## DISCLAIMER

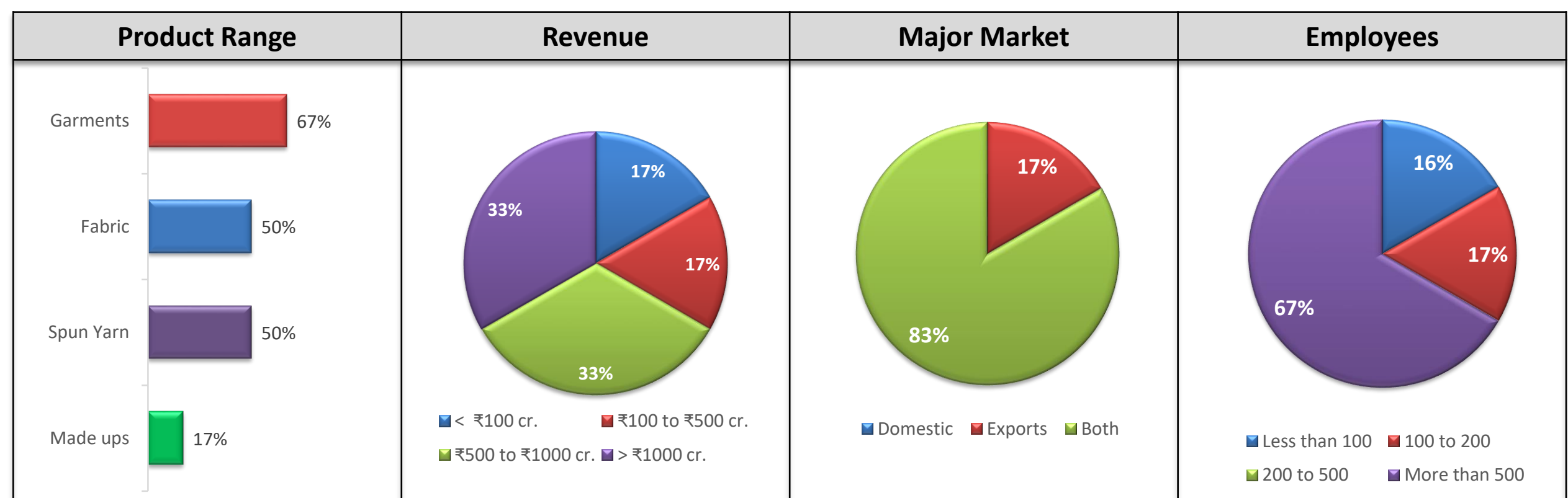
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# 1. Preface

- Business Confidence Index is a barometer of what businesses think is going to happen in the near future. In India, so far there has been no textile and apparel sector specific confidence index which could provide forward looking data set or 'lead indicators' about the sector's anticipated performance.
- With an aim to fill this gap, Wazir Advisors started a biannual Business Confidence Survey last year for the Indian textile and apparel industry. Its 1<sup>st</sup> and 2<sup>nd</sup> editions were published in Jan 2018 and June 2018, respectively and received an overwhelming response from the industry.
- Wazir is now publishing the finding from its 3<sup>rd</sup> edition based on responses received from top industry leaders.
- This document summarizes the present and future performance expectations of firms about the economy, textile and apparel industry and their own firm. The outcome presents an overall idea of business sentiment which would be useful for investors and policymakers alike.



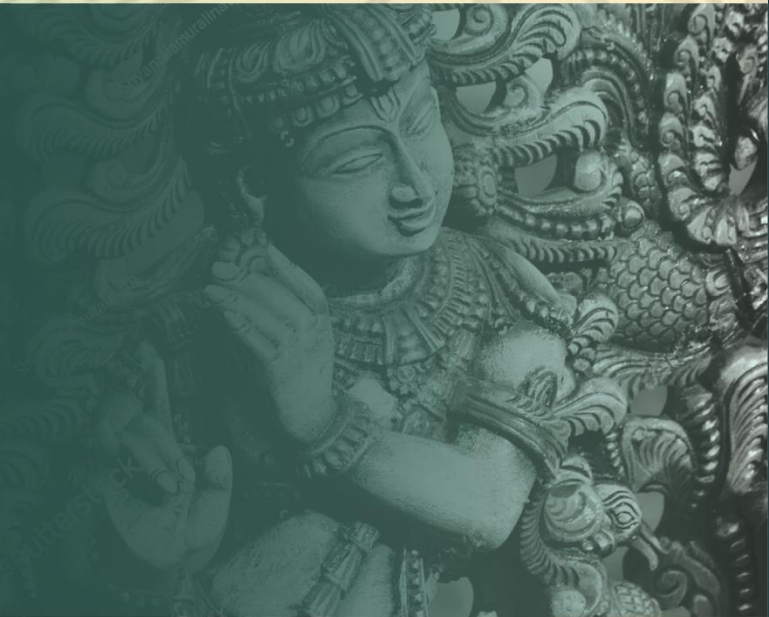
## 2. Respondent's Profile



- 67% of the respondents were involved in garment manufacturing.
- 33% of the respondents have a revenue greater than ₹ 1000 cr.
- 83% of respondents caters to both domestic and export market.
- 67% of respondents have greater than 500 number of employees.



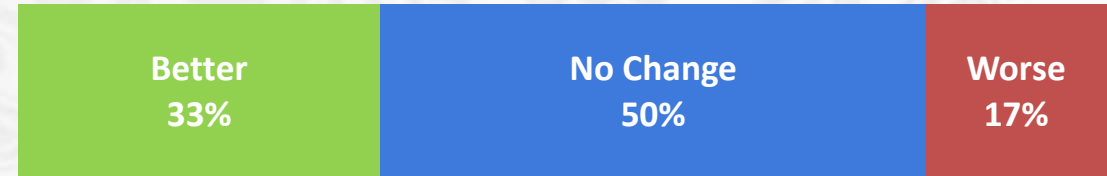
## 3. Survey Findings



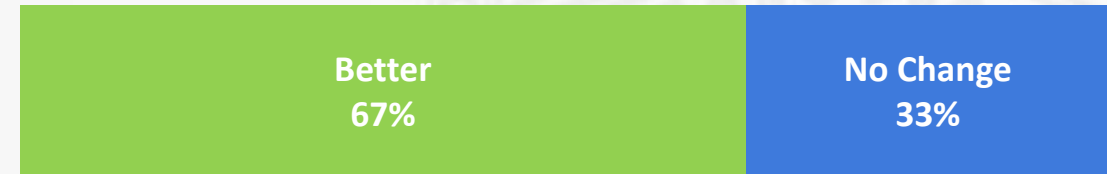
## a. Economy

# Current Scenario and Future Expectations

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



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

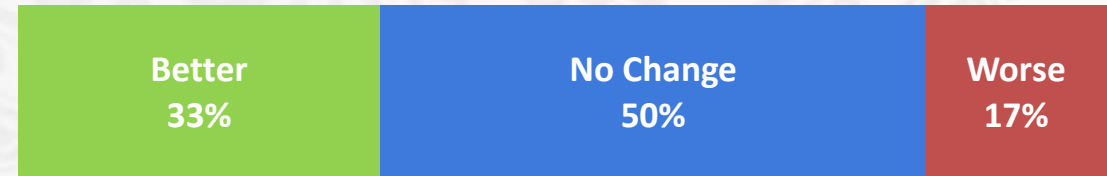


- 50% of respondents said that there is no change in current overall economy relative to last six months.
- However, 67% of respondents are expecting a better overall economy in next six months.

## b. Industry

### Current Scenario and Future Expectations

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



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



- 50% of respondents think that there is no change in the industry's current scenario, similar to the feedback received for current economic scenario.
- However, about 83% of respondents are expecting better days in next six months.



## b. Industry

### Current Scenario and Future Expectations

It has been almost 1.5 years since GST was rolled out. What do you think has been the overall effect of GST on textile & apparel sector?

Positive  
17%

Negative  
83%

Recently many States have come up with new textile & apparel policy. What do you think has been the overall effect of these policies?

Positive  
67%

Neutral  
33%

- 83% of respondents think that GST has adversely affected the Indian T&A industry. The industry is yet to gain benefit under the GST regime.
- However, 67% of respondents think that the industry has been benefitted from recent T&A policies of various states.



## c. Firm Level

### Current Scenario

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

Better  
67%

No Change  
33%

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

Better  
50%

No Change  
17%

Worse  
33%

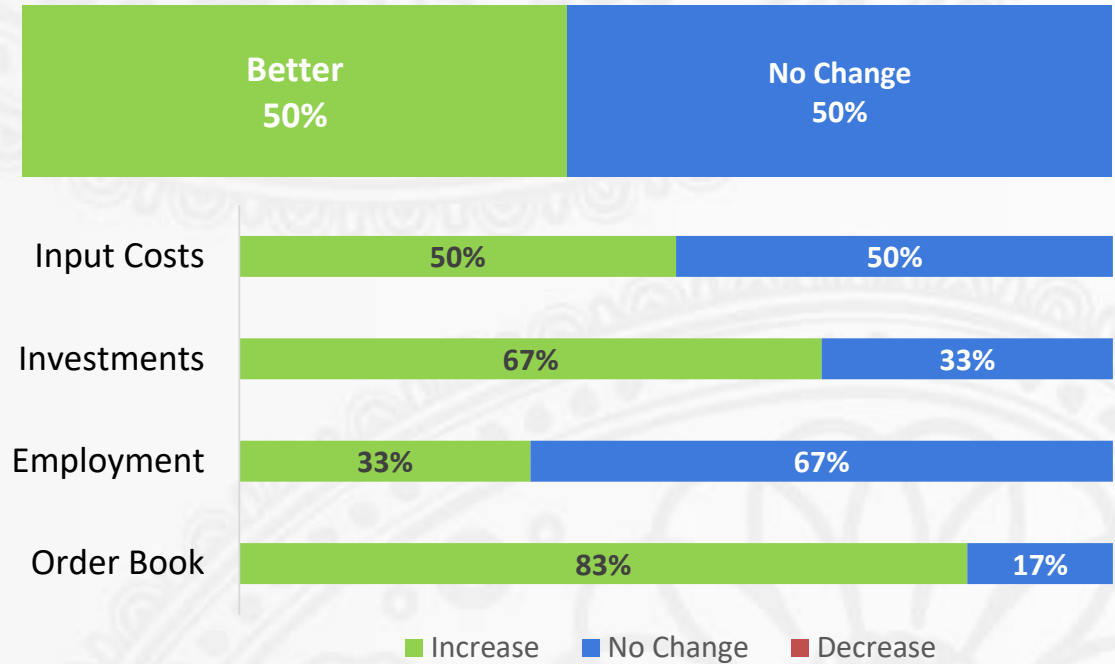
- At firm level, the effect seems to be positive as about 67% of respondents said that their current business performance has increased.
- 50% of respondents reported an improvement in their business orders over last six months.

## c. Firm Level

### Future Expectations

**What are your expectations from your firm's performance over the NEXT six months?**

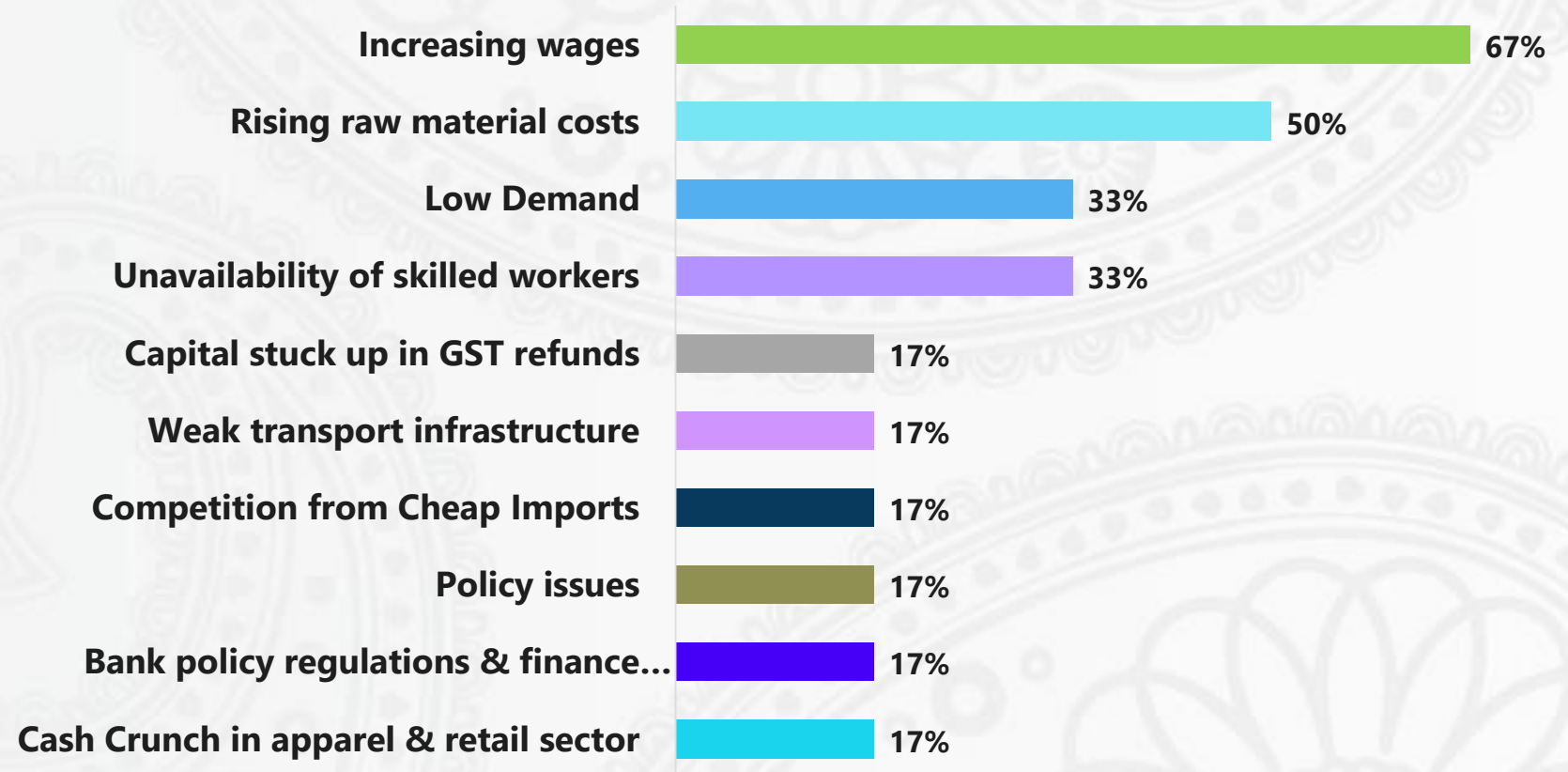
**What are your expectations for your firm over the NEXT six months on the following parameters?**



- 50% of respondents are optimistic about future performance of their business over next six months.
- 50% of the respondents expect increase in input costs over next six months.
- 67% of respondents expect increase in investments and while only 33% expects increase in employment over next six months.
- In case of order book, 73% expects an increase over next six months.

## c. Firm Level

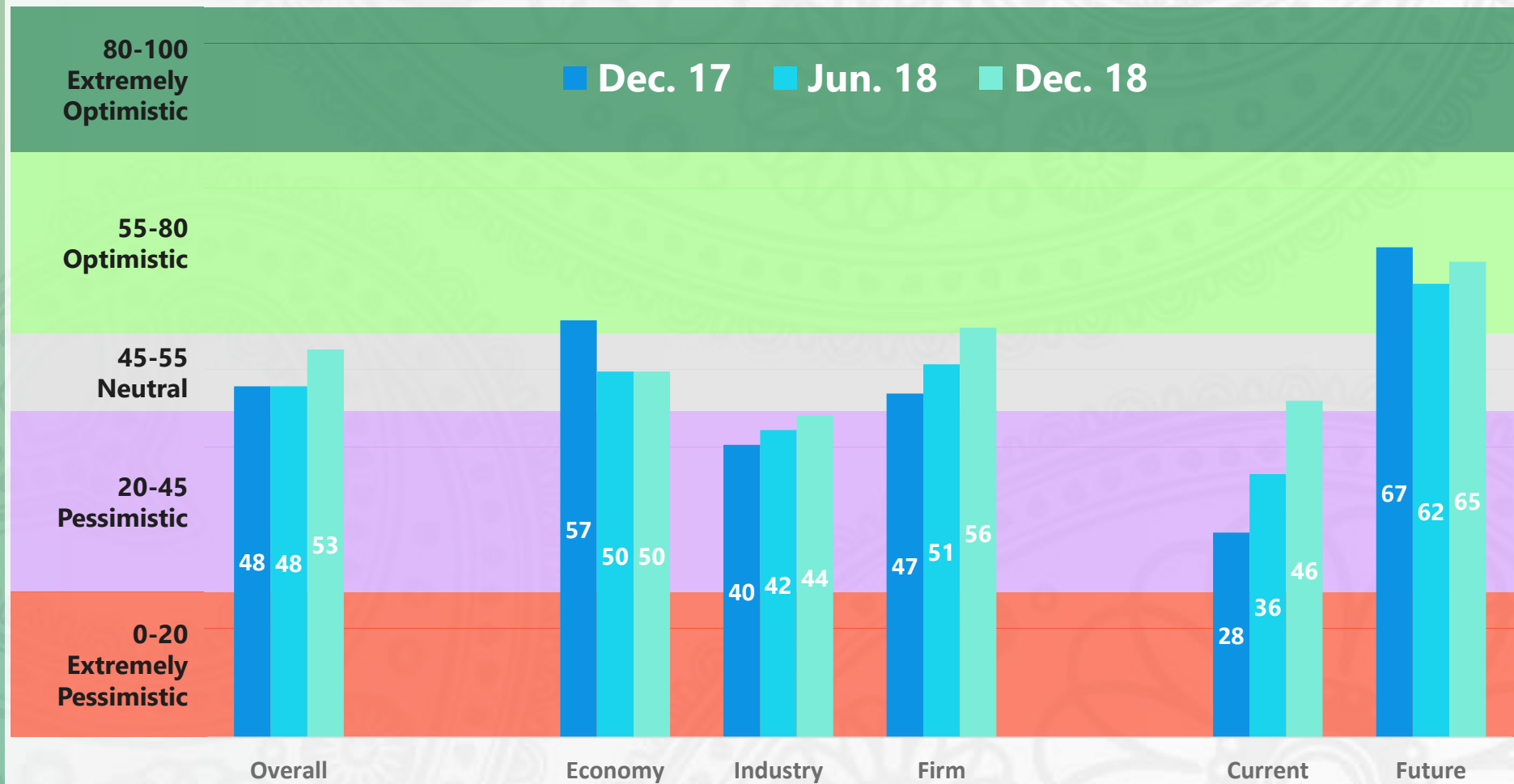
### Major Business Growth Constraints



- 67% of the respondents view increasing wages as the major constraint to business growth while 50% attribute to rising raw material costs.
- 33% said low demand, and unavailability of skilled workers as key constraints.
- 17% cited capital stuck in GST refunds, weak transport infrastructure, competition from cheap imports, Government & Bank policy issues and cash crunch as another constraints in business growth



# 4. Indian Textile & Apparel Industry Business Confidence Index



- The overall business confidence index at 53 has remained in neutral zone, similar to last 2 surveys, indicating a little improvement in overall business environment. Economy expectation index remained similar to last survey as well.
- Indices specific to industry and firm shows an improvement compared to last six months. Firm level index crossed neutral zone to optimistic one.
- Current business index showed significant improvement, moving from pessimistic to neutral zone. Future expectation index also showed some improvement compared to last six months.

## 5. Summary

- Survey findings indicate improvement in most of the confidence indices in the last 6 months, including the future growth expectations.
- The key takeaways of the survey are:
  - The **overall business confidence** has **improved marginally** in this 6-month period
  - Industry finds **economic scenario unchanged in last 6 months**, but there is strong **future expectation**.
  - Similarly, performance of the industry remained similar to last 6 months but is expected to improve in next 6 months.
  - Majority of the respondents opined that **GST is yet to show positive results** for the sector.
  - About 67% of respondents replied that industry is **significantly benefitted from recent state textile and apparel related policies**.
  - At the firm level, the **current performance is reported better than last 6 months** with about 50% of respondents reporting an increase in order book in last six months.
  - Over next six months, about 50% of respondents **expect a better performance** of their firms with an increase in order book and investment.
  - **Increasing wages and rising raw material costs** are cited as major constraints in the growth of firm's business.
- The overall business confidence index stands in the neutral zone (at 53) similar to last six months; but there is an increase in future expectations index (at 65) as compared to last six months.

## CONTACT

### **Prashant Agarwal**

**Jt. Managing Director**

prashant@wazir.in  
+91 9871195008

### **Varun Vaid**

**Associate Director**

varun@wazir.in  
+91 9899985979

**Wazir Advisors Pvt. Ltd**

3rd Floor , Building #115, Sector 44, Gurgaon - 122 002 Haryana- India

Tel : +91 124 4590 300