



SYNTHETIC TEXTILES INDUSTRY IN INDIA AND OPPORTUNITIES AHEAD



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The current global fiber demand is split into about 26% for cotton and 56% for polyester. In 2000, this share was about 35% for both cotton and polyester. Global demand for cotton fiber witnessed a continuous decline since then. Further, by 2030, it is expected that Polyester will be covering ~60% share of the total fiber demand on global level while cotton will account for about 1/4th share. Impressive growth and volume of polyester fiber consumption is driven by the trends in the global market. The changes in the consumer lifestyle and attitude drive trends in the end products and impact of such trends is passed along the value chain through combination of requirements centered on cost, performance and availability.

This article talks about the dynamics of synthetic textile industry and how India can focus on untapped investment opportunities in this sector. Key advantages enjoyed by the Indian players and the gaps to be fulfilled are also discussed in detail.

Popularity of synthetic textiles is rising worldwide

Global textile and apparel industry is going through a drastic shift from cotton to synthetic. There are a number of reasons behind this trend. Low cost, demand-supply gap in cotton, and versatility design and application are some of the reasons. For instance,

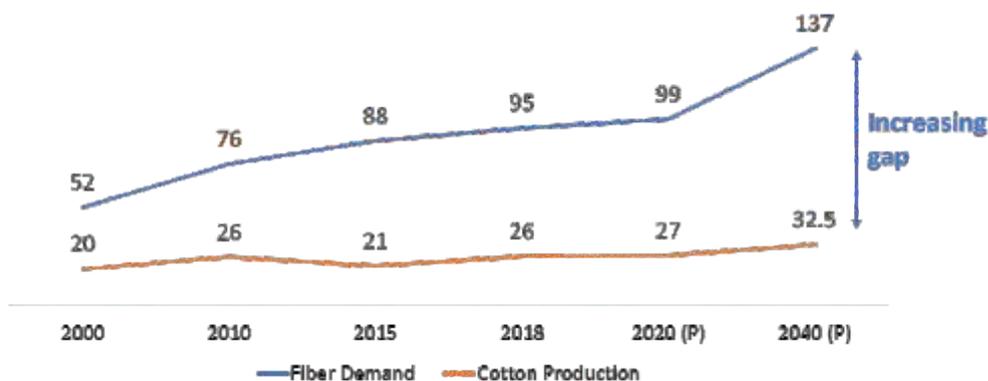
global cotton supply is not increasing in line with overall fibre demand growth. With increasing world population and consumer prosperity in developing nations, the fibre demand is continuously increasing. However, the land under cotton cultivation is decreasing because of competing land use which are more attractive (other cash crops, food crops, industrialization, urbanization).

Numerous factors driving growth of synthetic textiles

The impressive growth and volume of polyester fiber consumption is driven by the trends in the global market. Other synthetic fibers gaining importance are recycled nylon, lyocell, and viscose. However, polyester remains the dominant fiber in synthetic category. The changes in the consumer lifestyle and attitude drive the trends in the end products. Following key trends have been identified:

- Increasing focus on health and fitness
- Sustainable fashion in trend
- Emergence of sportswear, performance wear and athleisure as major end-use categories
- Increasing cost competitiveness has caused focus to shift on low-cost fibers for clothing manufacturing

Figure 1: Global Fibre Demand and Cotton Production (Bn. Kg)

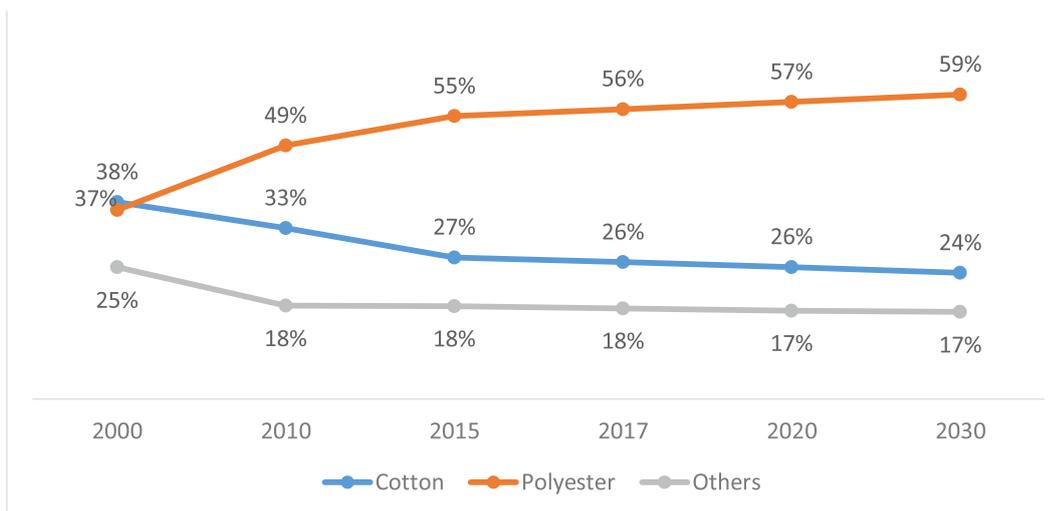


Data Source: PCI Fibers, International Cotton Advisory Committee, OECD-FAO Agricultural Outlook 2016-2015, Wazir Analysis

On the other hand, global share of polyester is projected to increase from current level. Before 2000, cotton held a majority share in global fibre consumption. By 2030, it is expected that consumption of polyester will be approximately three times to that of the cotton fibre.

Owing to the above trends in the global market, polyester has proved to be one of the most cost-effective and adaptable fiber types, and has increasingly picked up the bulk of new business growth. It is recyclable and can be blended with other fibers like cotton and spandex for performance

Figure 2: Global Fibre Consumption Trend



Data Source: PCI Fibers, Wazir Analysis

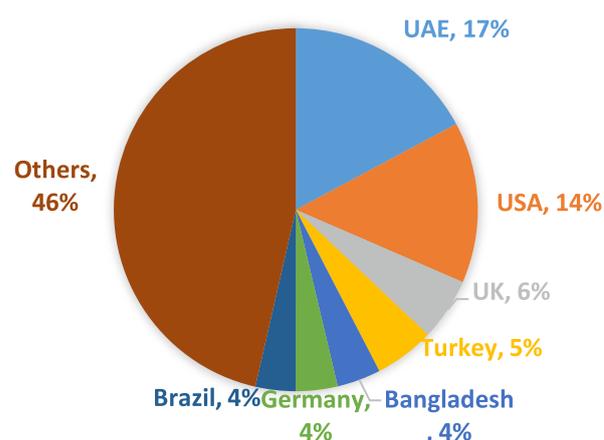
requirements. Recycled polyester has achieved pride of place as a green textile option today. Plastic bottles are recycled and transformed into fibres. This was, the bottles are saved from going into landfills. Many global companies like H&M, Nike, The North Face are incorporating recycled polyester in their manufacturing process and attracting the customers who are environment conscious. Demand for polyester continues to result in market share

gains and the current athleisure fashion trend has resulted in very strong opportunities for growth. Athleisure is a recently emerged category in fashion business in which clothing designed for workouts and other athletic activities is worn in other settings, such as at the workplace, school or casual/social occasions.

A glimpse of India's synthetic textiles industry

a. Production

Man-made fibres production in India has increased marginally from 1,307 Mn. Kg. in 2013-14 to 1,319 Mn. Kg. in 2017-18 registering a CAGR of 0.2%. Production of MMF filament yarn declined at a CAGR of 2% during the same period to reach 1,187 mn. kg in 2017-18. Production of MMF fabric declined at a CAGR of 3% to reach 15,236 mn. sq. meter in 2017-18.



Data Source: UN Comtrade

witnessed a growth of 11%, 5% and 11% respectively; exports of fibre, fabrics and apparel

Figure 3: Production of Man-made textile items in India

Category	Unit	2013-14	2014-15	2015-16	2016-17	2017-18	CAGR
MMF	Mn. Kg.	1,307	1,344	1,347	1,363	1,319	0.2%
MMF Filament Yarn	Mn. Kg.	1,293	1,248	1,164	1,159	1,187	-2.1%
MMF Fabric	Mn. Sq. Mtr.	17,049	16,924	15,335	13,563	15,236	-2.8%

Data Source: Compendium of Indian Textile Statistics 2016-17, Office of Textile Commissioner

b. Exports

Exports of MMF based textile and apparel declined from US\$ 11,025 mn. in 2016-17 to US\$ 10,969 in 2017-18, indicating a decline of 1%. While exports of filaments, yarn and home-textiles have

declined by 1%, 2% and 7% respectively. In the Indian MMF textile and apparel exports, apparel contributes to a maximum share of 47% followed by Fabric at 19%, Filament at 11%, Yarn at 6% and Home-Textile at 1%

Table 1: India's Exports of MMF textiles and apparel (Values in US\$ Million)

Category	2016-17	2017-18	y-o-y Change
Fibre	594	587	-1%
Filament	1,106	1,231	11%
Yarn	673	705	5%
Fabric	2,112	2,069	-2%
Apparel	5,521	5,155	-7%
Home Textiles	92	102	11%
Others	926	1,120	21%
Total	11,025	10,969	-1%

Data Source: DGCI&S

UAE, USA and UK were the top three destinations for Indian exports of MMF based textiles. Others major markets include Turkey, Bangladesh, Germany, Brazil etc.

c. Imports

India imported Man-made textiles and apparel worth US\$ 2,987 mn. in 2017-18 which has grown at 16% y-o-y. Man-made yarn imports have almost doubled from US\$ 117 million in 2016-17 to US\$ 227 mn in 2017-18, witnessing an increase of 94% as compared to previous year. Moreover, imports of MMF based Apparel and Fabric have also witnessed high growth of 30% and 19% respectively.

Investment opportunities in Synthetic textiles for India is huge

With the growing textile and apparel market of India and improving export competitiveness, there are significant opportunities across all fiber types and products. However, MMF based textile products are expected to lead the demand globally. India's MMF based textile manufacturing is largely focused towards low-value added and commodity products. However, the demand for value added synthetic fabrics is growing worldwide rapidly. Countries like China, Taiwan and Korea are already into manufacturing of high end MMF based textiles. To keep up with the current needs, Indian companies need to invest and

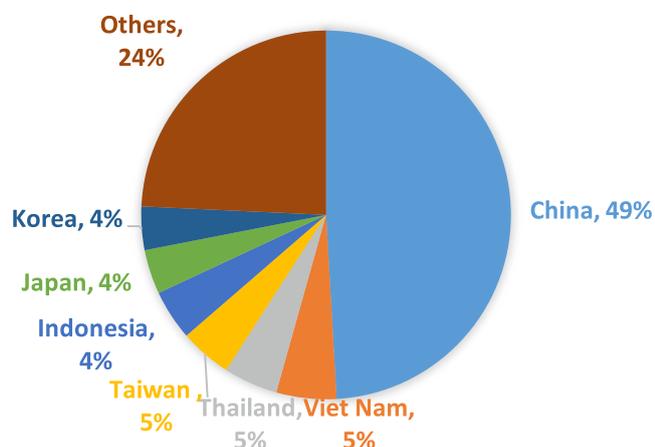
Table 3: India's Imports of MMF textiles and apparel (Values in US\$ Million)

Category	2016-17	2017-18	y-o-y Change
Fibre	370	336	-9%
Filament	553	638	15%
Yarn	117	227	94%
Fabric	1,017	1,209	19%
Apparel	194	252	30%
Home Textiles	77	64	-17%
Others	253	261	3%
Total	2,580	2,987	16%

Data Source: DGCI&S

China, Vietnam and Thailand were the top suppliers of MMF based textiles to India. Others major suppliers include Taiwan, Indonesia, Japan, Korea etc. Import from all these nations, except for Taiwan and Japan have increased in 2017 when compared y-o-y.

develop capabilities in MMF textile and apparel products to tap the value added segment. Performance based MMF fabrics, which are currently not being manufactured in India sufficiently offers huge potential for future investments. Potential investment opportunities in Synthetic textiles are discussed below:



Data Source: UN Comtrade

Boosting exports

India's presence is still insignificant in global trade of manmade fibre based textile products. Amongst the top 10 traded MMF based categories, India share is very low (<10%), except for Blouses, dresses and Sportswear. However countries like China and Vietnam have comparatively larger share. India needs to invest and develop capabilities in MMF textile and apparel products to penetrate the market.

Table 5: India's trade share in top traded MMF based apparel categories globally (2017)

Category	Global Trade-2017 (US\$ Bn)	India's share-2017	China's share -2017	Vietnam's share-2017
Trousers	26	3.8%	37%	14%
Sweaters	20	0.4%	53%	8.4%
Dresses	14	6.4%	40%	5.3%
Jackets	14	2.0%	62%	4.6%
Hosiery	12	1.0%	46%	1.3%
Brassieres	10	1.0%	51%	7.2%
Overcoats	8	0.5%	34%	11%
Blouses	7	10%	16%	7.7%
Gloves	5	1.1%	49%	6.8%
Sportswear	4	7.2%	21%	18%
Others	69	4.1%	46%	8.9%
Total	188	3.4%	44%	8.5%

Source: UN Comtrade & Wazir Analysis

- **Import Substitution**

India imported synthetic woven and knitted fabric worth US\$ 640 mn. and US \$390 mn. respectively in the year 2017. India nearly has no presence of significant players in high end segment and hence majority of the high quality fabric is being imported by India from countries like China, Korea & Taiwan. Production of such categories should be promoted in India.

- **Tapping the future demand**

According to PCI, global demand for Polyester stands ~52 Mn Tonnes in 2017 and is expected to grow to ~65 Mn Tonnes by 2025. Currently, Polyester demand in India currently stands at 4 Mn Tonnes and is expected to grow to 6.7 Mn. Tonnes by 2025. A detailed analysis of demand-supply scenario of Polyester depicts that there will be a capacity deficit for the same from 2022 onwards. Existing Polyester manufacturers in India have opportunity to cater approximately 5 Kilo Tonnes Polyester demand by 2022. Global and Indian trade data analysis shows that India needs to increase its Market share in synthetic fabric & apparel trade. Main focus needs to be given on manufacturing of top traded and the fastest growing fabric and garment categories.

- **Capacity building for manufacturing major imported products**

Share of polyester fibre/ filament import from China in India's total polyester consumption has increased from 35 mn kg (1%) in 2012-13 to 105 mn kg (2.5%) in 2016-17. Understanding product demand by India's import analysis guides us to shortlist major product categories which should be targeted for manufacturing in India.

Global MMF based textile manufacturing is largely dominated by countries like Korea, Taiwan, Japan and China. Each one of these has developed its own USP to grow and occupy a distinct position in the industry. Indian textile industry can learn a lot from the following strategies of these global leaders: (see table 6 on next page)

Good days are ahead for the synthetic textiles industry in India

- **Government hikes import duty to boost man-made textiles manufacturing**

Last year, Government doubled import duties on 196 man-made fabric categories at HS 8 digit level to 20% from existing 10%. The objective of this move was safeguarding the interest of domestic fabric manufactures and attract investments in the sector. It is worth mentioning that the import

Table 6: Key Growth Strategies of Leading MMF Players Globally

Country	Key Growth Strategy
China	<ul style="list-style-type: none"> ÷ Large scale of operation (Knit capacity ~100 Tonnes Per Day) ÷ High level of Integration ÷ Large order size
Korea	<ul style="list-style-type: none"> ÷ Strong coordination across the value chain ÷ Ability to manufacture High performance products ÷ Robust Research & Development ÷ Strong marketing network
Taiwan	<ul style="list-style-type: none"> ÷ Robust Research and Development ÷ Focus towards Niche segment ÷ Innovation focus
Japan	<ul style="list-style-type: none"> ÷ High automation and innovation focus ÷ Sophisticated branding

value of these products was approximately US\$ 900 Million in 2017-18, growing by 62% y-o-y as compared to 2016-17. Major imported fabric categories have witnessed double digit y-o-y

growths. Thrusting upon manufacturing of these products will give an edge to the domestic fabric manufacturers.

Table 7: Import growth of major categories on which import duty got doubled (Values in US\$ Million)

HS Code	Commodity	2016-2017	2017-2018	% growth
60063200	Synthetic Knit Fabric-Dyed	167	210	26%
59021090	Tyre Cord Fabric of Nylon/other Polyamides	99	120	21%
54076190	Synthetic woven fabric of non-textured polyester filament	70	86	22%
59021010	Tyre Cord Fabric of Nylon/other Polyamides with Rubber	61	75	24%
60064200	Knit fabric of Artificial Fibres-Dyed	16	39	137%
59022090	Tyre Cord Fabric of Polyester	29	36	23%
60053600	Other, Unbleached Or Bleached	0	30	-
58063200	Synthetic Narrow Woven Fabric	21	28	29%
60053700	Other, Dyed	0	28	-
60063400	Synthetic Knit Fabric-Printed	20	23	12%
	Others	139	226	44%
	Total	623	900	62%

Data Source: DGCI&S

- **Indian Players are investing aggressively in synthetic textile industry**

Reacting to rising popularity of Polyester textiles across the globe, many Indian players have announced recent expansions in this segment. India's largest Textile and apparel giant, Arvind has recently added polyester knitted fabric to its portfolio and currently offering 100% Polyester, Poly Spandex etc. In line with the global trend, majority of the textile players are orienting themselves towards synthetic fiber based active wear/sportswear and performance wear fabrics. Bhilosa Industries, Mumbai which is a major Polyester texturized yarn, is also planning to double its capacity to produce 3,000 Tonnes per day in the near future. Gimatex Industries, Mumbai has added Tencel modal and Cotton modal yarns in its product offerings. Earlier they were producing mélange yarn, viscose yarn, cotton compact yarn etc.

Indian textile players need to gear up to attain competitiveness in this sector

In spite of the tremendous opportunities available in synthetic textiles sector, Indian players need to master know-how of processes involved in synthetic textiles manufacturing. Major problem existing with the Indian manufacturers is the lack of scale, low manpower efficiency and lesser focus on research and innovation activities. Challenges are also being faced during processing of synthetic textiles. Following interventions should be taken by the various stakeholders in order to strengthen the synthetic textile industry of India:

- Developing Exhibition and Display Centres similar to China, Korea & Taiwan

- Alignment/coordination with buyers to understand product requirements and support innovation
- Enhancing focus on sustainability within the textile and apparel chain
- Government's role:
 - Right blend of policies for both exports as well as domestic consumption
 - Better coordination between the Government and industry agencies
 - Promotion of Indian manmade textile sector in the global arena
 - Thrusting R&D and Educational institutions to take responsibility in the industry development
 - Introduction of fibre neutral policies

In a nutshell, polyester is the fibre of future and global textile players have already started aligning their businesses accordingly. Indian textile industry remains largely cotton focused and needs to improve its positioning in synthetic textiles trade on global level. India's MMF production remained almost stagnant during last few years. Comparing y-o-y, MMF exports also declined slightly while imports saw double digit growth. However, opportunities in this sector are huge for India. Overall business sentiment of synthetic textiles in India seems improving and the sector is expected to witness notable growth in future. With increasing government supporting and changing mindsets, many textile companies have done capacity expansion in this sector and many others are planning to do so. Hence, it can be expected that India may enhance its export competitiveness and supplier image of its synthetic textiles sector in the near future.

