Confederation of Indian Industry

Texcon '18

TOWARDS USD 300 BILLION INDUSTRY BY 2025

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Knowledge Partner

Wazir Advisors

Contents

Foreword

India is one of the fastest growing economies of the world, a significant exporter of services with a large and growing consumption demand. Recent policy initiatives and programs have given a further impetus to growth, directing the world's attention to India. Falling inflation, and rising GDP numbers are also reinforcing this optimism.

The Indian textiles and apparel industry is one of the oldest industries in Indian having evolved from a domestic small scale industry to one of the largest in the world with massive raw material and textiles manufacturing base. It is also one of the largest and most important sectors of the Indian economy in terms of output, foreign exchange earnings and employment thus contributing greatly to the exchequer.

The Indian textile industry, currently at USD 127 billion, is poised to reach USD 300 billion by 2025. It is one of the major contributors to India's exports with approximately 13% of the total exports worth USD 37 billion, thereby emerging as the 2nd largest employer in the country. With abundant availability of raw materials such as cotton, wool, silk, and jute as well as skilled labour, India offers a favorable market for global retail brands. India, based on its cost-advantage, diverse traditions in textiles and robust supply chain, is capable of delivering high-quality packaged products across the world.

For India to reach a value of USD 300 Bn globally, it has become imperative for bringing reforms in the Indian textile & apparel industry. It involves focus on achieving manufacturing excellence upgrading technology and skill development which will help to sustain the growth India has achieved.

This conference aims to provide a common platform for various industry stakeholders and policy makers for having a detailed discussion on achieving our vision of USD 300 bn Indian textile industry by 2025. The discussions and deliberations in the conference will lead to the output of various ideas, recommendations, intervening measures which will benefit industry stakeholders across the value chain in the long run.

Kulin Lalbhai
Conference Chairman &
Co-Chair – CII National Committee on Textiles & Apparel
and Executive Director – Arvind Ltd

Prashant Agarwal
Partner & Co-Founder
Wazir Advisors Pvt Ltd

Chapter 1: India's positioning in global industry

Textile and apparel sector is one of the leading segments of the Indian economy and one of the largest sources of foreign exchange earnings. It accounts for about 5% of the gross domestic product (GDP), and around 13% of the total exports earnings. The sector also provides direct employment to 52 million people and indirect employment to an additional 69 million people.

India's key strengths in this sector lies in availability of all types of natural and manmade fibres, large pool of manpower across the levels of hierarchy, presence of complete value chain and a large and growing domestic market. Indian exporters are also well supported by Government Schemes such as Duty Drawback, Rebate of State Levies (ROSL), Merchant Export from India Scheme (MEIS), Advanced Authorization, etc. Several state governments like Gujarat, Jharkhand, Maharashtra, etc. are additionally offering sector specific incentives like capital subsidy, interest subsidy, wage subsidy, etc. These support initiatives allow Indian exporters to overcome a large part of duty disadvantage they face in markets of EU and US where some of the competing nations get a zero duty access. These factors make India a preferred destination for textile investments as compared to its competing nations like Bangladesh, Vietnam, and Sri Lanka etc.

India Production Scenario

India has large manufacturing capacities across the complete manufacturing value chain viz. natural and manmade fiber production, spinning, weaving, knitting, processing, garmenting, made-ups and technical textiles.

Table 1: Installed Capacities in Indian Textile Sector (2016-2017)

Description	Capacities
Spindles	52 Mn.
Rotors	0.9 Mn.
Man Made Fiber	1.8 Bn. kg
Man Made Filament	2.2 Bn. kg
Looms (Including power looms)	2.6 Mn.

Table 2: India's Textile and Apparel Production

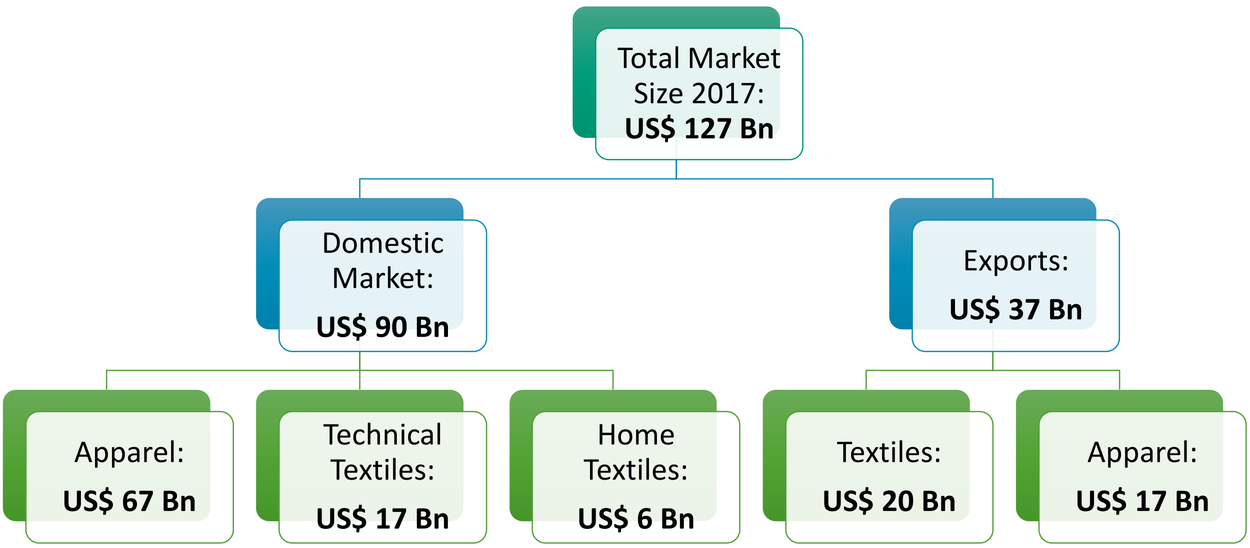
Commodity	Production (2013-14)	Production (2017-18) (P)	CAGR (2017-18)
Fiber (Mn. kg)	9,851	9,321	-1.4%
Natural Fiber	8,544	8,002	-1.6%
Manmade staple fiber	1,307	1,319	0.2%
Yarn (Mn. kg)	6,602	6,863	1.0%
Spun yarn	5,309	5,676	1.7%

Manmade filament yarn	1,293	1,187	-2.1%
Fabric (Mn. sq. m)	63,500	67,455	1.5%
Woven fabric	46,451	49,785	1.7%
Knitted fabric	17,049	17,670	0.9%
Garments (Mn. pcs)	12,600	18,500	10.1%
Made-ups (Mn. kg)	1,800	2,100	3.9%

Data Source: Office of Textile Commissioner and Wazir Analysis

Indian textile and apparel sector has double advantage of being export competitive as well having large domestic consumption which is growing. Indian textile and apparel market is currently estimated at US$ 127 Bn. The domestic consumption of textiles and apparel constitutes approximately 70% of the total market size while exports constitute the rest 30%.

Figure 1: Indian Textile and Apparel Market 2017 (US$ billion)

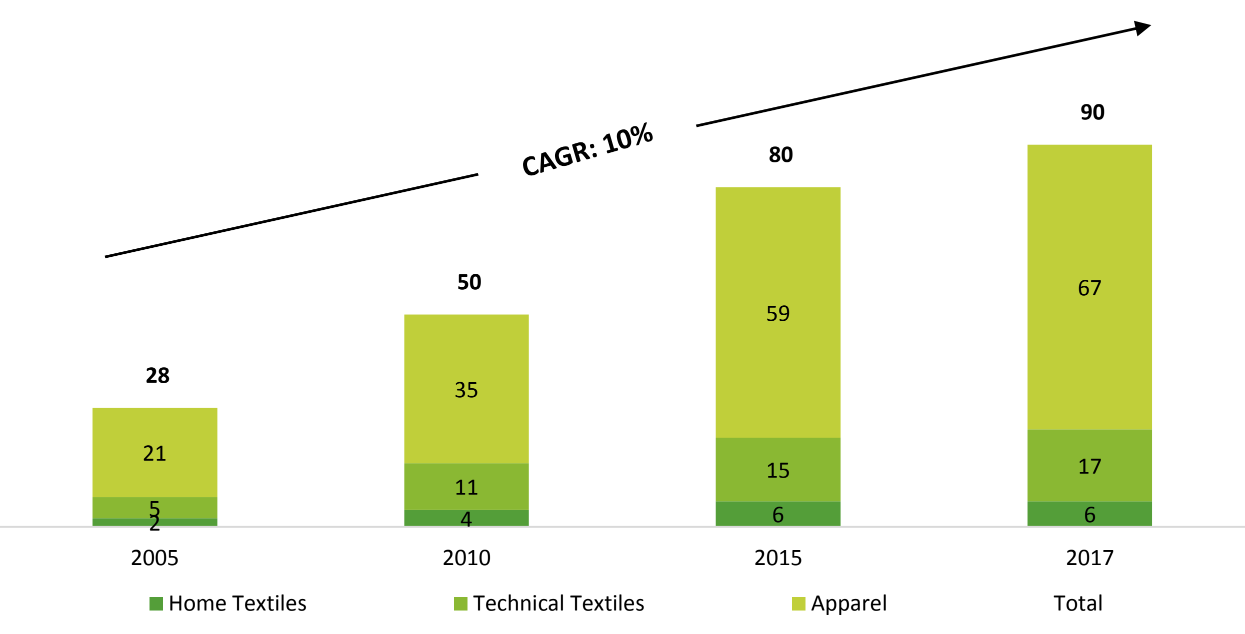


Data Source: Ministry of Textiles, DGCI&S and Wazir Analysis

Domestic Market Overview

The current domestic textile and apparel market is estimated at US$ 90 billion, with apparel having ~75% share. With growth of disposable income, favorable demographics and changing lifestyle, consumption of products and services is expected to grow continuously in the foreseeable future, including textiles and apparel.

Figure 2: Indian Textile and Apparel Market Size (US$ billion)



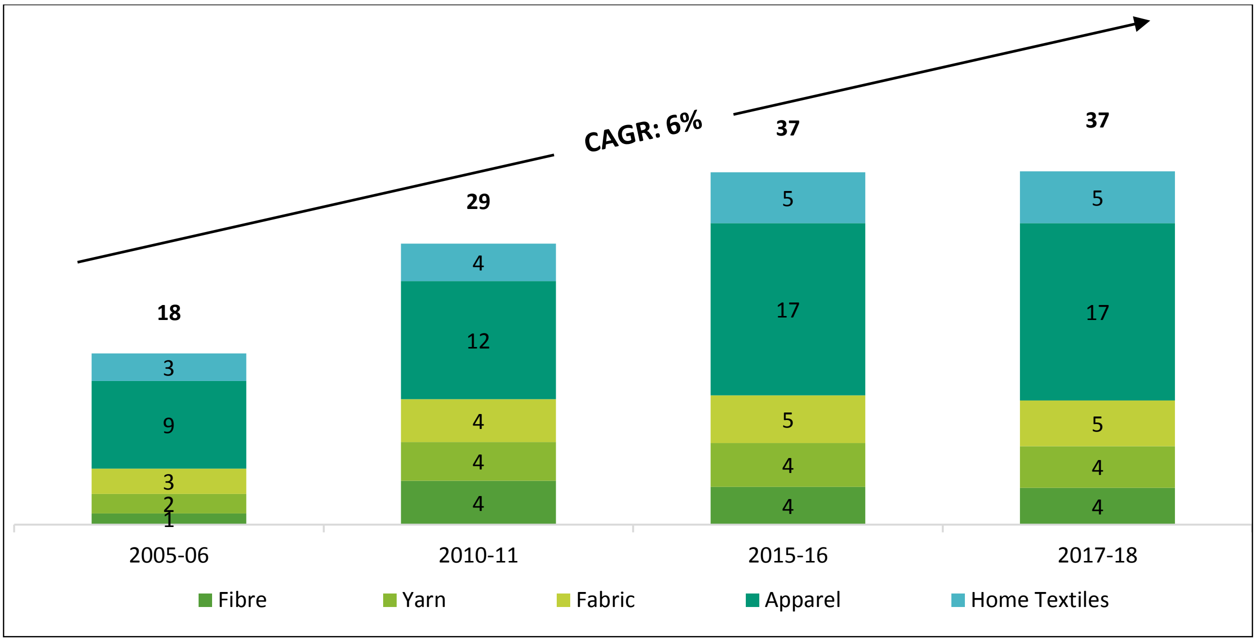
Data Source: Ministry of Textiles and Wazir Analysis

Indian consumers' affinity towards brands and organized retailing is increasing, which is helping the consumption growth of all products, including textile and apparel. Organized retailing in India currently stands at only 8% of the overall retail market of US$ 600 Bn. Within this, apparel has a share of approximately 8%. With growth of disposable income, favorable demographics, changing lifestyles and a high potential for penetrating non-urban metro markets; the share of organized markets in India is expected to reach 31% by 2025. India is also witnessing growth of its aspiring middle class who tend to seek value and consume premium products. This shift in number of households within different income brackets will improve the consumption of products and services, which will definitely include textile and apparel as a lifestyle choice to enhance fashion. The vast population base and growing economy has caused global retailers and brands to enter the Indian market, either on their own or through local partners.

Indian Exports Overview

In terms of global ranking, India is ranked 2nd in textile export with 6% share and 5th in apparel export with 4% share. Overall, India holds second position with 5% share of global exports. India's textile and apparel exports were US$ 37 billion in 2017-18 and have grown at 6% CAGR since 2005. Availability of raw material, skilled manpower and favorable central & state government schemes would further help Indian exporters increase their market share and global competitiveness.

Figure 3: Indian Textile and Apparel Trade (US$ billion)



Data Source: DGCI&S and Wazir Analysis

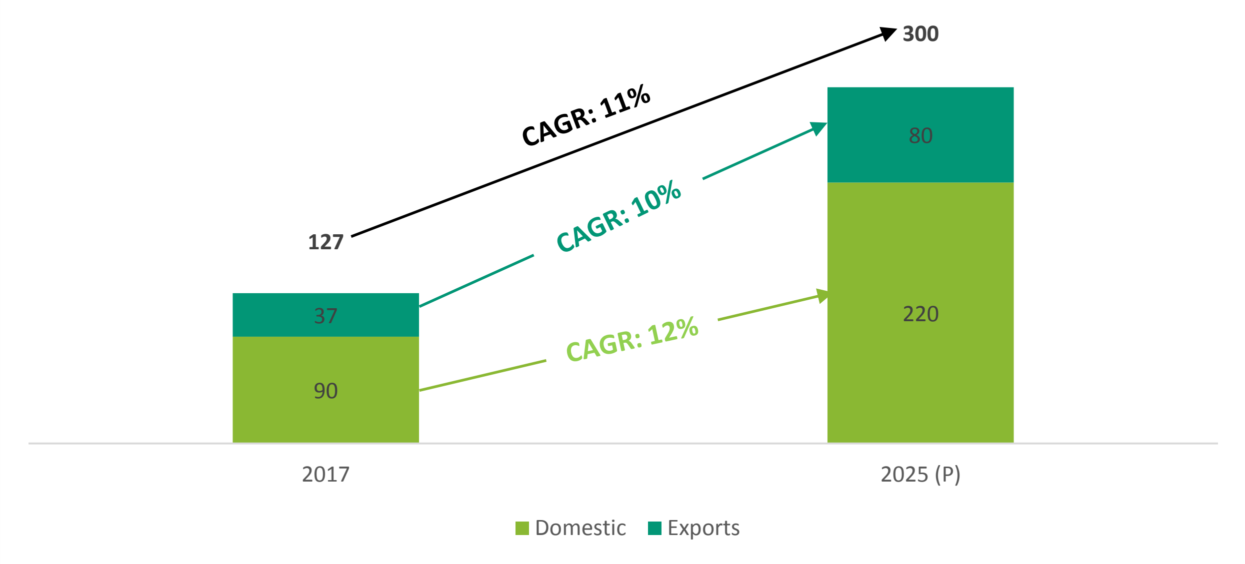
Target for 2025

The Indian textile industry has strength across the entire value chain from natural to man-made fiber to apparel to home furnishings. However, India's export performance has been below expectations. The global trade for the year 2017 stood at a value of US$ 750 bn, where for India the total exports were US$ 37 Bn having a share of mere 5%. China has successfully leveraged its low manufacturing cost and large scale infrastructure to achieve notable share of 36% in global textiles and apparel trade followed by India. It is then followed by Bangladesh and Germany with a share of 5% each and Italy & Vietnam each having a share of 4%.

It is worth noting that many major exporting nations do not have presence of the entire value chain. Bangladesh and Vietnam having 3rd and 6th position in global trade, respectively, have negligible presence in textiles trade and are major apparel exporters. Similarly, Korea is more focused on exports of textiles.

Through policy measures by the Government in partnership with the industry, India could achieve US$ 80 billion textile and apparel exports by 2025 at a CAGR of 10% from the current value of US$ 37 Bn. The domestic market is expected to grow at a CAGR of 11% from the value of US$ 90 Bn. to reach US$ 220 bn by 2025.

Figure 4: Indian T&A Market Projections (Values in US$ Billion)



Data Source: Wazir Estimates

Government Support

Various schemes like Technological Up gradation Fund Scheme (TUFS), Scheme for Integrated Textile Parks (SITP), cluster development and others have been launched for promoting investments in the textile industry, upgrading technology and setting up integrated manufacturing set ups. Apart from this, support is provided to the industry through export promotion schemes / incentives like Merchandise Exports from India Scheme (MEIS), Market Development Assistance (MDA), Duty drawback etc.

Table 3: Central Government Schemes for Textile Sector

Scheme / Policy	Key Features
ATUFS	• 15% capital subsidy on eligible machinery in garmenting and technical textile sector with a cap of Rs. 30 Cr. per individual entity. Additional incentive of 10% for the installation of benchmarked eligible machinery total cap of Rs. 50 crores (Rs. 30 crores for 15% CIS and Rs. 20 crores for additional 10% CIS) • 10% capital subsidy on eligible machinery in weaving for brand new shuttle less looms (including weaving preparatory and knitting), processing, jute, silk and handloom sector with a cap of Rs. 20 Cr. per individual entity • 15% capital subsidy on eligible machinery for composite units with a cap of Rs. 30 Cr. per individual entity (*if the eligible capital investment in respect of garmenting and technical textiles is **more** than 50% of the project cost) • 10% capital subsidy on eligible machinery for composite units with a cap of Rs. 20 Cr. per individual entity (*if the eligible

	capital investment in respect of garmenting and technical textiles is **less** than 50% of the project cost)
Scheme for Integrated Textile Parks (SITP)	• Grant/Equity up to 40% of the textile park development project cost subject to a ceiling of Rs. 40 Crores. • GOI support under the Scheme will be generally in the form of grant to the SPV unless specifically decided by the PAC to be equity. However, the combined equity stake of GOI/State Government/State Industrial Development Corporation, if any, would not exceed 49%. • Grant at 90% of the project cost subject to a ceiling of Rs. 40 Crores for first two projects in the States of North East Region of India.
Integrated Skill Development Scheme (ISDS)	• Assistance up to 75% of the cost of the project, within an overall ceiling of Rs. 10,000 per trainee.
Integrated Processing Development Scheme (IPDS)	• Grant up to 50% of the project cost (excluding land cost) with a ceiling of Rs. 75 Crores for projects with Zero Liquid Discharge Systems and Rs. 10 Crores for projects with conventional treatment systems. Support for marine discharge projects would be analyzed on a case to case basis with a maximum ceiling of Rs. 75 Crores. • The project cost shall be borne by the Center, State, Beneficiary, Bank loan in the ratio of 50:25:15:10 respectively.
Merchandize Exports from India Scheme (MEIS)	Rewards for export of products shall be payable as percentage of realized FOB value: • For handloom, jute and coir based products - reward rate is 5% for all countries • For all other eligible textile categories, the reward rate is 2% and for apparel, it is 4%
Duty Drawback	Drawback rates for key textile and apparel categories: • Cotton yarn: 1% to 1.2% • Cotton fabric: 1.3% to 1.6% • Apparel: 2-2.5%
Rebate on State Levies (ROSL)Scheme	Provision of remission of State Levies on export of garments. The amount will be calculated on the F.O.B value The ROSL rate for apparels is– 1.4% to 1.7%
Market Development Assistance (MDA)	Financial support to exporters for conducting export promotion activities abroad
Market Access Initiative (MAI)	Financial assistance for carrying out marketing projects abroad

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. Other states like Maharashtra, Karnataka, and Andhra Pradesh etc. have also realized the potential of development of textile industry in their states for which they have taken initiatives to provide assistance to textile& apparel manufacturing companies. Some of the attractive existing subsides provided by states are listed below:

Capital Subsidy on Plant & Machinery

Jharkhand

20% of investments up to Rs.50 Cr.

Credit Linked Interest Subsidy

Gujarat

7%

Power Subsidy

Jharkhand

100% duty exemption; 50% power tariff re-imbursement for 7 yrs.

Stamp Duty Reimbursement

Maharashtra, Jharkhand and Orissa

100% exemption

VAT/ Entry Tax Reimbursement

Jharkhand

100% VAT refund for 7 yrs., 40% for next 3 yrs.

Skill Development/Training

Jharkhand

Rs 13,000 per trainee

EPF/ESI Reimbursement

Orissa

100% reimbursement for 5 years

Employment Cost Subsidy

Jharkhand

Rs. 5,000/month/worker for 7 yrs.

Chapter 2: Upcoming structural changes and emerging trends

Today's textile and apparel sector is again at the cusp of some major structural changes. The demand pattern is governed by the economic growth of regions, which indicates a slowdown in developed countries while strong growth in China and India. The export growth rate of China has already slowed down, a trend that will lead China to lose some share of global market while still being the largest exporting nation. The opportunity arising because of China's export growth slowdown can help countries like India, Bangladesh, Vietnam, etc. to increase their trade share. FTAs of these suppliers with major markets of EU, USA and Japan will be of special importance. On the supply side, lack of growth in cotton output will help synthetic to gain share continually. These are some of the mega trends that will impact the industry structure over the next decade. Some of these trends are discussed in details ahead.

China and India: Big market opportunity

China and India have successfully leveraged their large human resource base, low manufacturing costs and large scale infrastructure to achieve leading position in the world trade. While China has been at the forefront of attracting investments across the sectors, India is also catching up fast. As a matter of fact, India replaced China as the largest FDI recipient nation in 2015. The growing apparel market of China and India are expected to surpass several developed markets representing a significant portion of the global apparel consumption. Despite global uncertainties, Chinese market grew at 15% annually while Indian market grew at 11% from 2007 to 2015. This can be attributed to the growing consuming class and continuous growth in the spending power in these two countries.

It is expected that over the next decade, domestic apparel market of India & China will attain high growth rates of 11% each, to add a cumulative market size of US$ 393 bn. by 2025.

Table 4: Market Size Growth of India & China (US$ Bn.)

Markets	2017 Market Size	Expected Growth Rate (2017 -2025)	2025 Market Size	Market Addition by 2025
India	67	11%	160	93
China	210	11%	500	290
India & China	**277**		**660**	**393**

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.

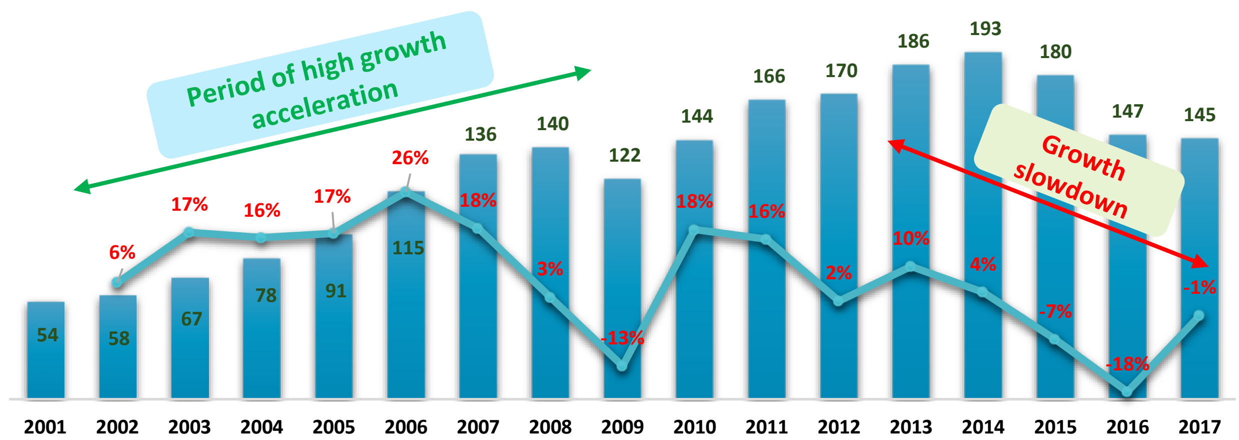
Growth in retail front will lead to a trickle- down effect in the local manufacturing value chain benefitting national manufacturers the most. Huge growth will make domestic market more attractive than exports in many cases for manufacturers.

Rising Chinese Domestic Market will create opportunity for other countries

China dominates the global apparel trade with a share of approximately 34%. However in the recent years, a continuous decline in China's textile and apparel exports has been observed. Between 2014 and 2017, apparel exports from China reduced by ~33% to reach a level of US$ 145 bn (2017). Also, the overall share of China in global textile and apparel has fallen from ~39% share in 2013 to a current ~34%.

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.

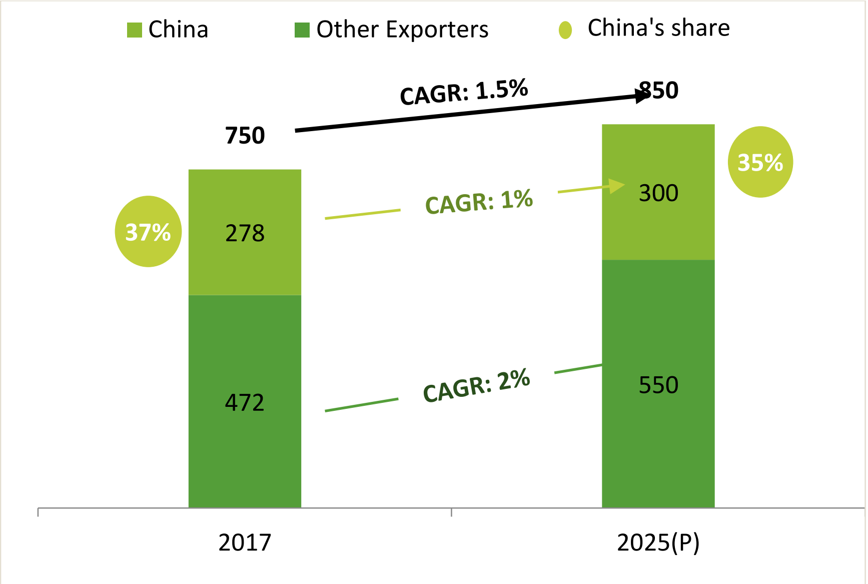
Figure 5: China's Apparel Trade (US$ billion)



Data Source: UN Comtrade database & Wazir Analysis

High growth of domestic demand, wage increase, movement of manufacturing towards more value added segments and relocation of manufacturing to neighboring countries will cause China's export rate growth to slow down. However, China with its vast land base, plentiful resources, manpower strength and large manufacturing setup will continue to be the single largest apparel global manufacturer in foreseeable future. Exports will only slowdown to the extent that China's domestic market will become increasingly attractive for local manufacturing.

Figure 6: Global Apparel Trade Projections until 2025 (In US$ bn)



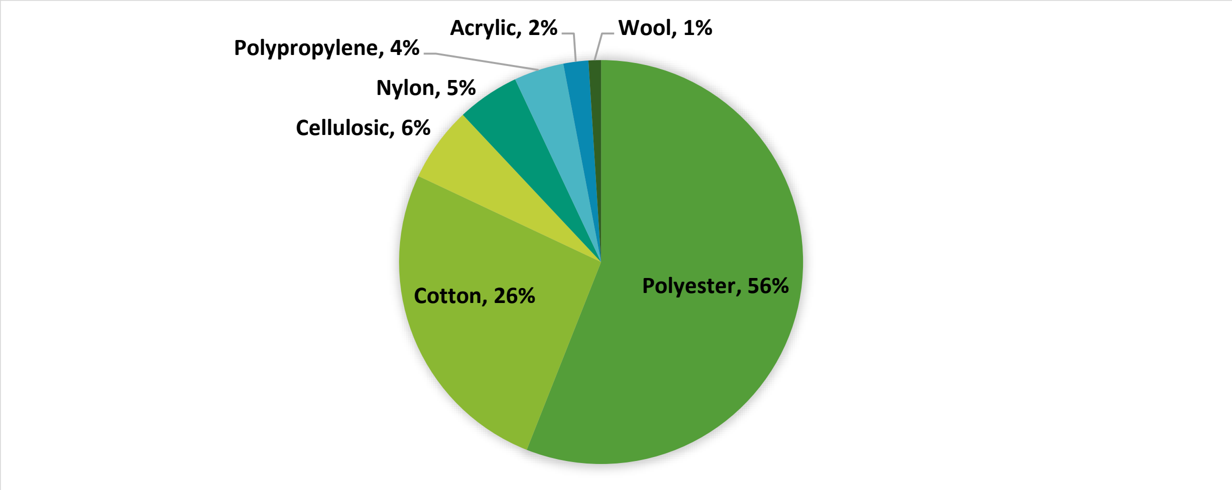
Data Source: Wazir Advisors

Reduction in share of China in global exports in 2025 corresponds to a value of US$ 50 billion for which other apparel exporting nations will compete. The beneficiary nations of this opportunity would be the ones that have competitive manufacturing cost, FTA advantage with key markets, and good export infrastructure. But, the main issue to be addressed would be development of textile capability and scale of manufacturing comparable to that of China. Beyond these productivity, service and product development will be important for filling the void created by China. FTAs with USA and EU will be an added advantage but it is important to note that China thrived without them. None of the top 5 garment suppliers to US – China, Vietnam, Bangladesh, Indonesia and India today have any preferential access to US. On the contrary, exports from countries in CAFTA, AGOA, etc. have continued to shrink in last many years. Nations which can benefit most from Chinese growth slowdown include Vietnam, Ethiopia, Kenya, Myanmar, Bangladesh and India; but not necessarily in that order.

<u>Consumption of man-made fibers will grow globally</u>

In 2017, the global fibre consumption was around 93 Mn tons out of which polyester and cotton had a share of 56% and 26%, respectively. Rest 18% was contributed by other fibers.

Figure 7: World fibre consumption in 2017 (volume share)



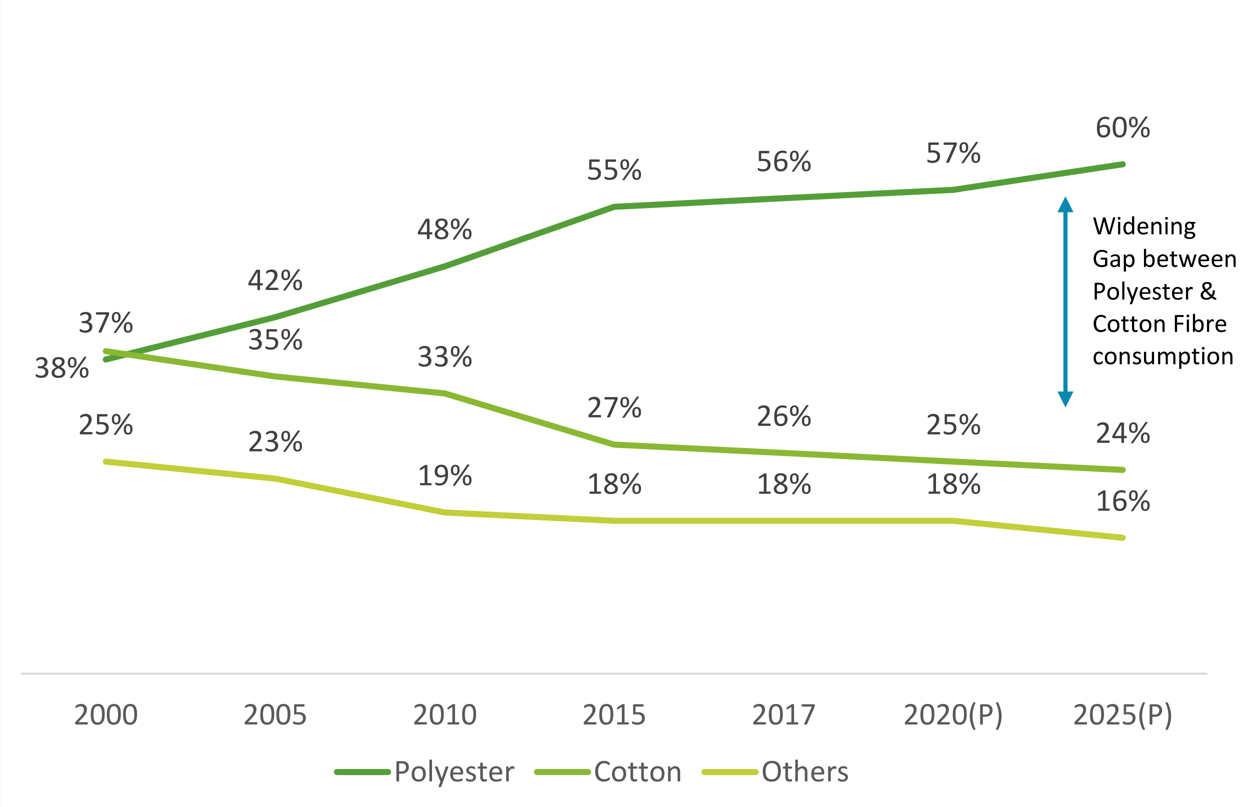
Data Source: PCI Analysis

Cotton has always been and will continue to be a crucial raw material to the textile industry, but due to supply side pressure it may struggle to satisfy growing demand in the future. It is expected to stagnate around the current level of 25 Mn tons over the next years. On the other hand, the global fibre demand is continuously growing. The global fibre demand is expected to grow at a CAGR of 2.5% reach 115 Mn tons by 2025. This supply demand mismatch will lead to increase in consumption of polyester fibre and to some extent by cotton-like fibre viz. Viscose.

Changes in consumer lifestyle like increasing emphasis on fitness, rising brand consciousness, fast changing fashion trends, increasing women participation in workforce and hygiene consciousness are driving the trends in the end products. Impact of such trends is passed along the textile value chain which in turn has resulted in high demand of the fibres that can fulfil these requirements at affordable price. In this context polyester has proved to be the most cost effective and adaptable fibre. As a result, polyester is expected to dominate the global textiles in foreseeable future in almost all end use categories while cotton will slowly loose its share.

Wide acceptance of MMF in end use categories like sportswear, leisurewear, women dresses, home textile, automotive, carpets and other industrial sectors has increased the market demand of manmade fibers. As a result, polyester is expected to dominate the global textile in future in almost all end use categories while cotton will slowly lose its share.

Figure 8: Global Fibre Consumption Trend



Data Source: PCI Analysis

FTA will drive trade and investments in the sector

Textile and apparel industry is a labor intensive industry because of which several nations adopt a protected regime by imposing high duties to safeguard the interest of domestic manufacturers.

Table 5: Average and Peak Tariff rates on textile and apparel products in USA, EU and Japan

	USA		EU		Japan	
	Avg. Tariff	Peak Tariff	Avg. Tariff	Peak Tariff	Avg. Tariff	Peak Tariff
Textiles	7.9%	34%	6.6%	12%	5.4%	25%
Apparel	11.6%	32%	11.5%	12%	9.0%	13%

Data Source: World Tariff Profile 2015, WTO

Key apparel markets EU, USA and Japan have multiple market access arrangements with several key manufacturing nations. They have either entered into different types of trade arrangements or provided special status to certain countries thereby lowering or eliminating tariff rates. Nations such as Bangladesh, Turkey, Sri Lanka, Pakistan, etc. have emerged as major apparel exporters mainly because of preferential duty access they have to one or more of these markets. In fact, China is the only large manufacturer of textile and apparel which does not have any special market access to US, EU or Japan. India though has CEPA with Japan, but the Indian textile and apparel exports to Japan is insignificant.

FTAs are gaining vital importance in global textile and apparel industry. The US and the EU have begun negotiations on the Transatlantic Trade and Investment Partnership (TTIP); Trans-Pacific Partnership (TPP) involving US and 11 other countries has been signed and India, China, ASEAN nations & four others have initiated negotiations to establish the Regional Comprehensive Economic Partnership (RCEP). These three mega FTAs have the potential to change the global trade and investment flow owing to their cumulative economy size as well as population.

Apart from these mega FTAs, there are other bilateral agreements under various stages of implementation which will impact the global trade and investment flow in textile and apparel sector. For example, Vietnam-EU Free Trade Agreement (VEFTA), which will come into effect from 2018, is expected to boost the Vietnam's apparel exports to EU at the expense of other large exporters to EU like China, Bangladesh, Turkey, India and Morocco.

Chapter 3: Challenges faced by the Indian industry

The Indian textiles and apparel industry plays a crucial role in contributing to employment generation, industrial output and export earnings. Though Government has taken various initiatives to boost investment in the textile and apparel sector in India, the industry has not exploited its full potential. However, in the race of towards a being a USD 300 Billion nation for textiles and apparel in the world, it has faced several challenges and continues to battle them to not only retain its position in the global sector but also to improve it. The key challenges faced by the industry today are as follows:

- **a. Obsolete Technology**
- **b. High Cost of Capital**
- **c. Low Focus on Technology and Product Development**
- **d. Fragmented Nature of Industry**
- **e. Lack of FTAs**
- **f. Low Efficiency Levels**
- **g. Raw Material Challenges**
- **h. Limited Skill Availability**
- **i. Levy of Anti-dumping Duties**

a. Obsolete Technology

The lack of domestic machinery manufacturers has left the textile industry grappling with the inability to replace old and worn out machinery for production. The paucity of domestic producers of shuttle-less looms and spindles greatly affects the industry with the waiting time per order being as much as 2 to 3 years.

Though India is the second largest T&A manufacturer in the world, it is worthwhile to note that most of the machinery used in the industry is outdated in terms of technology advancement. This creates an impact on the efficiency and quality levels. A significant portion of this capacity is with the unorganized sector which lacks economies of scale. In the information age, where machines are being improvised with IT integration, India lacks in this development thus posing challenge for Indian manufacturers and reducing their competitiveness.

b. High Cost of Capital

India has one of the highest costs of capital compared to most competing countries which affects the cost of production and thus its competitiveness. The present lending rate in India is 11.0% to 12.5% while that in other competing countries like China, Turkey, Vietnam, etc. ranges from 5 to 7%. Also, the power cost in India is much higher compared to competing nations.

	India	China	Vietnam	Ethiopia
Lending rate (%)	11-12%	5-6%	6-7%	6.5-7.5%
Power Cost (US$/KwH)	0.10-0.12	0.15-0.16	0.08-0.10	0.03-0.04

c. Low Focus on Technology and Product Development

The Indian textile sector is one of the largest installed production base in the world, still the industry suffers from the use of outdated technology especially in the power loom sector, processing, etc. as well as lack of amalgamation between Information Technology and machinery. Additionally, design and product development is a key area, which is yet to receive significant attention from the Indian textile & apparel industry. In general, spending on R&D, product development etc. by textile companies in India is quite low. As a result, India has a nominal presence in high value added segments and innovation driven technical textile segment.

d. Fragmented Nature of Industry

The Indian textile industry operates largely in small, medium and unorganized clusters, especially the fabric manufacturing, fabric processing and garment manufacturing segments. On the other hand, global competing nations like China, Bangladesh etc. work on the principal of large scale production with large manufacturing set-ups. These segments suffer from lack of capacities and use old technologies. Capacity expansion or technology upgradation is a big challenge for these small and medium scale units with limited resources because of higher risks perceived by lenders and also because of lack of awareness.

e. Lack of FTAs

India's competing nations like Bangladesh, Turkey, Cambodia, Pakistan, etc. have duty free access to the major textile markets of US and/or EU. Exporters from these countries enjoy duty advantage ranging from 10% to as high as 34%, depending on the product. However, India till date does not have any trade agreement with a major textile and apparel consumption base which could have helped in exponential growth of India's textile and apparel exports. This differential duty makes India less competitive in the global market.

f. Low Efficiency Levels

The overall productivity levels in the sector, especially in garment manufacturing is low as compared to its competing nations like China, Turkey, etc. One of the reasons is that the training infrastructure is not geared to meet the demand of skilled labour in the country.

Figure 9: Apparel Factory Productivity Levels in Selected Countries

Data Source: Industry Feedback

g. Raw Material Challenges

Cotton remains the major textiles base in India even though there has been a shift in consumer preferences in recent years towards man-made fibres. Globally, India is the largest producer of cotton with a share of 25% of the global cotton production. It also has 43% share of the world's cotton harvested area which is the largest in the world. However, India has the lowest yield amongst the top 10 cotton producing nations i.e. 550 Kg/hectare, which is even lower than the world average of 603 kg/ hectare. Also, the contamination in cotton has remained a big challenge for Indian cotton. There is a shortage of raw materials especially good quality cotton to meet growing demand. This is due to the fact that processing facilities at picking and ginning stages are not completely mechanized. Fluctuating prices and uncertainties in the availability of raw materials leads to low production and sickness of mills. According to ITMF's Cotton Contamination Survey 2016 "The most contaminated cotton descriptions originate in India (India-Others, J-34, MCU-5, Shankar, DCH), Pakistan (Pakistan Others) & Ivory Coast (Ivory Coast), etc.

h. Limited Skill Availability

In order to achieve global competitiveness, availability of productive and skilled manpower is very important. Along with modernization, there is a need for skilled workers in the industry, who can run the machinery efficiently and understand modern production processes. Thus the skill requirement increases with technological upgradation. In India, due to the fear of increase in requirement of skilled labour, many firms in the industry are hesitant to expand their scale of operations or enter into high end segments with cutting edge technology. Currently, there is a massive gap between the availability of skilled manpower and the requirements of the industry, particularly in the weaving, dyeing, processing and garment segments. At present, the education and training infrastructure is not geared up to meet the demand of skilled labour. Investment in improving the skills and productivity of the workforce, by both private industry as well as the Government in genuine partnership is missing.

i. Levy of Anti-dumping Duties:

Indian MMF textile manufacturers face the challenge of higher fibre prices as against their global counterparts on account of levy of anti-dumping duties on imports of majority of manmade fibres. This in turn affects the availability of fibres to MMF textile manufacturers at competitive prices. Recently, USA has put anti-dumping duty on PSF imports from India. Whereas, India has not put any anti-dumping duty on PSF imports from China which doesn't boost domestic businesses and cheaper imports dominate the market.

Chapter 4: Way forward for achieving high growth

Future opportunity in textile and apparel is beyond question but for businesses to gain market share overall competitiveness will be the key in terms of cost, quality, compliances, logistics, services and product development. Manufacturers across the globe has to confront four major challenges:

- Buyers command a strong control over manufacturing value chain
- Low entry barriers lead to intense competition from unorganized players
- National as well as bilateral/international policies have the potential to make or break an entire business model
- Maximum trade is concentrated in price-sensitive commodity business lacking product differentiation

In view of the immense untapped potential in the textile sector, it is important for both industry and Government to work towards the growth of the industry. While the industry needs to achieve organizational excellence, the government can act as a catalyst to make the Indian textile and apparel industry more competitive in manufacturing and exports.

Industry Initiatives

Few thrust areas where the industry should focus have been mentioned below:

a. System and Process Improvement	**b. Improve focus on IT**
c. Market Intelligence	**d. International Partnerships**

a. **System and Process Improvement:** The textile and apparel industry is a labour intensive industry which lacks standardized systems and processes resulting in organizations operating on lower efficiency level. Removing the repetitive and ambiguous operations from the system and defining the processes is the key to improvement. Standard procedures optimize the process flow and streamline the operations. This brings in productivity improvement which makes manufacturing cost competitive and improves lead time, enabling organizations to execute larger and more number of orders hence, benefitting the company.

b. **Improve Focus on IT:** Globally, influx of data and information is driving the growth in all businesses. However, owing to obsolete technology and orthodox mindset of the management, focus on IT is majorly missing in the Indian textile industry. Efforts to increase the competitive strength of the industry will depend on how fast it can integrate various information technology (IT) solutions including ERP solutions, CAD/CAM and other IT based tools for improving the speed and quality of production, reducing time lag in deliveries, marketing and cutting down overall time overrun. IT solutions for small and medium enterprises will help in boosting production significantly.

c. **Market Intelligence:** Market Intelligence enables the organization to bring the right product at the right time in the market. Having a pro-active approach while doing market research on buyers, competitors and other trade aspects facilitates a strategic decision making. Continuous tracking of global and domestic trends is an essential component of any business decision. The Indian T&A companies have to make this aspect a major thrust area and establish such systems in-house.

d. **International Partnerships:** Establishing partnership with international players would not only enhance financial investments but also enable knowledge and technology partnership into the country. With India being an attractive destination for international investments, the time is appropriate to take a step forward and showcase the benefits that international partners will gain in terms of access to a growing domestic market by involving a local partner. Strategic partnership goes beyond investments involving strong management level discussions and is mutually beneficial to both the parties. International cooperation enhances the quality and the global footprint of the organization.

Government Support

Policy support required to achieve the desired target is given below:

a. R&D Support

b. Scheme to Enhance Quality and Productivity

c. Attracting FDI

d. Training Support

e. Attracting Large Scale Investment

f. Labour Law Reforms

a. **R&D Support:** Innovation drives growth and is an important determinant of global competitiveness. While India is known for its traditional products, very limited innovation has taken place so far. There is a need to provide impetus to innovation and R&D which can help in developing products with high commercial acceptability. When compared to other competing countries like China and Bangladesh, the efficiency and productivity levels of Indian textile sector is quite low. To improve this, the sector needs to be supported for deploying state-of-the-art modern technologies and adopting processes which are more efficient than the traditional ones. Also, there is a need to create Centers of Excellence (CoEs) and support them for initial years for industry participation.

b. **Scheme to Enhance Quality and Productivity:** There is a need to develop a scheme to support companies to work towards improvement in quality and productivity level in the sector. In order to achieve the desired objective, the Government may work with the Quality Council of India and the National Productivity Council.

c. **Attracting FDI:** In order to get the desired technical know-how, and marketing network required to produce and sell high-end products competitively, special efforts should be made to attract FDI into the textile sector.

d. **Training Support:** For a labour intensive industry such as this, human capital is an important facilitator of growth. The industry currently suffers from a huge skills gap. Training and skilling the workforce therefore will help the industry to smoothen its path to growth. Availability of skilled and productive manpower is very crucial to achieve global competitiveness. The initiatives on skill development through the Textile Skill Sector Council in partnership with Industry may be scaled up. Also, there is need to implement a program for assisting individual firms for providing qualitative training support at all levels in the organization.

e. **Attracting Large Scale Investment:** The textile and apparel sector of India is highly fragmented and dominated by MSME sector. To be globally competitive, it is required to promote large scale manufacturing set-ups for economies of scale. 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.

f. **Labour Law Reforms:** Labour Laws and regulations should be more liberalized and investor & labour friendly for sustained growth of the industry.

Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has around 9000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 300,000 enterprises from around 265 national and regional sectoral industry bodies.

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With 65 offices, including 9 Centres of Excellence, in India, and 10 overseas offices in Australia, China, Egypt, France, Germany, Singapore, South Africa, UAE, UK, and USA, as well as institutional partnerships with 355 counterpart organizations in 126 countries, CII serves as a reference point for Indian industry and the international business community.

Confederation of Indian Industry
The Mantosh Sondhi Centre
23, Institutional Area, Lodi Road, New Delhi – 110 003 (India)
T: 91 11 4577 1000 / 24629994-7 • **F**: 91 11 2462 6149
E: info@cii.in • **W**: www.cii.in

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ADVISORS

Wazir Advisors is a management consulting firm with a special focus on textile value chain assisting clients in strategy formulation and implementation, forming alliances and joint ventures, investments, market understanding, sector analysis and due diligence – thereby providing end to end solution spanning the complete business cycle in textile sector.

Having worked with leading national and international companies, public sector organizations, Government departments, development agencies, trade bodies etc., Wazir has a deep understanding of business dynamics and right connect with people in the sector.

Wazir's team of sector experts possess experience across functions – projects, operations, sourcing and marketing. The team members have worked on strategy and implementation assignments in all major textile and apparel manufacturing and consumption bases across the globe.

Wazir leverages its body of knowledge, contacts and combined expertise of its team to deliver value to the clients. Wazir offer services in following areas:

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