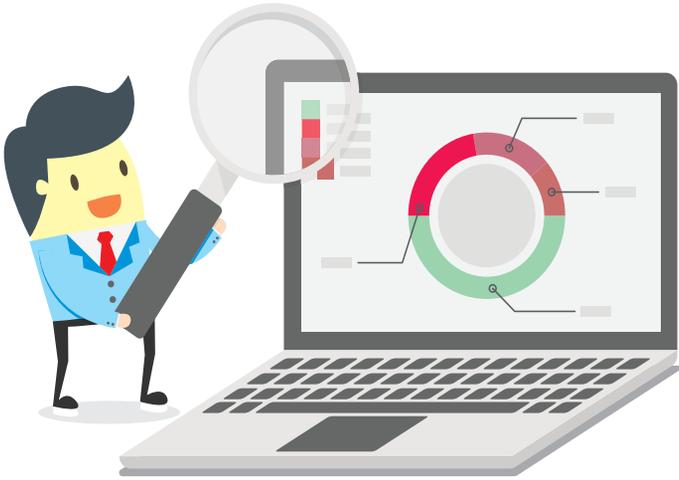


# SURVEY ON APPAREL & TEXTILE INDUSTRY

## CURRENT STATUS



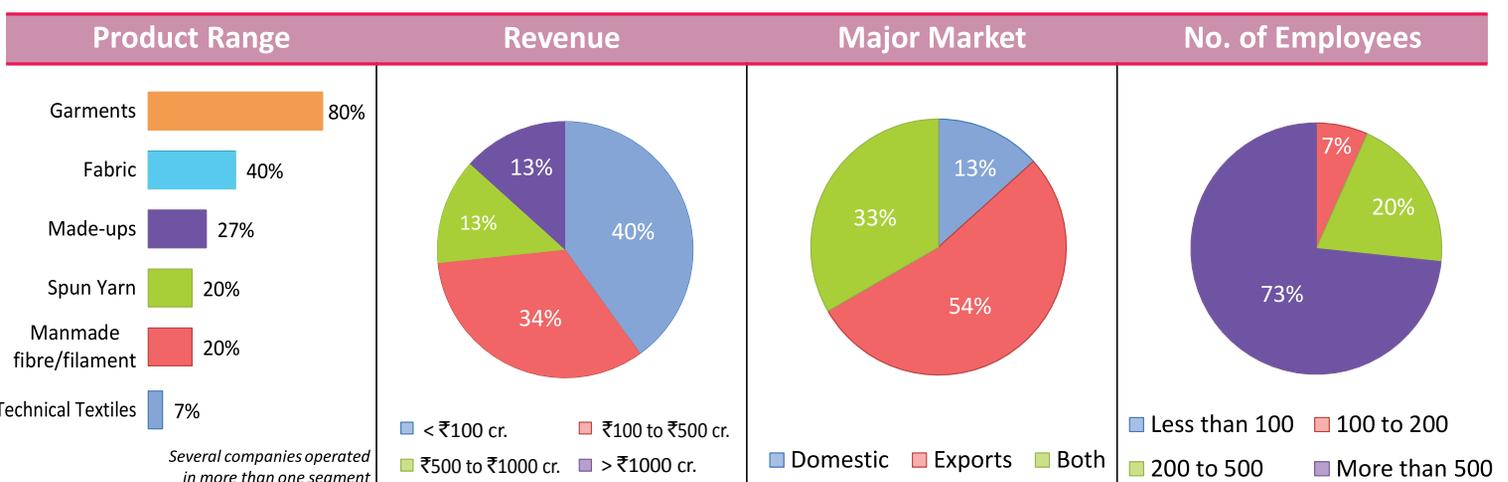
- Industry optimistic about good days in the coming year
- GST & policy changes make a deep impact on industry sentiments

On the employment expectations, the answers were again mixed with 40% expecting increase while 33% expecting decrease 67% of the respondents view increasing wages as the major constraint to business growth.

**B**usiness 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 has commissioned a biannual Business Confidence Survey for the Indian textile and apparel industry. The first survey was undertaken in the month of November

2017 wherein responses from companies across size, sub-segment and geography were obtained using a structured questionnaire. The survey summarizes the performance expectations of firms over the next 6-months for Indian economy, textile and apparel industry; and their own organization. 80% of the respondents were involved in garment manufacturing.

In the survey undertaken 40% of the respondents had less than ₹ 100 cr. of revenue; 54% of the respondents were export oriented; 73% of the respondents employed more than 500 persons and

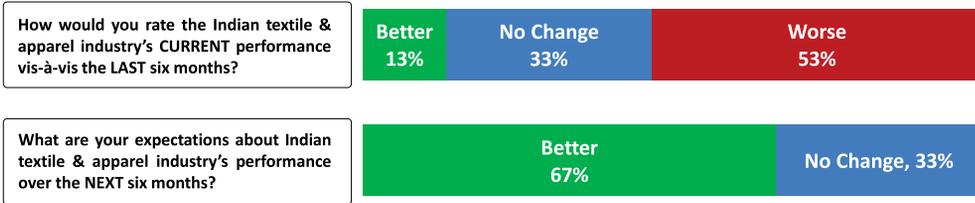


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## Economy - Current Scenario and Future Expectations



## Industry - Current Scenario and Future Expectations

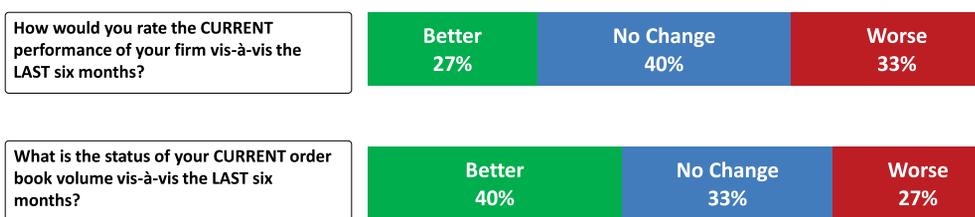


## Industry - Effect of GST on Textile & Apparel Industry

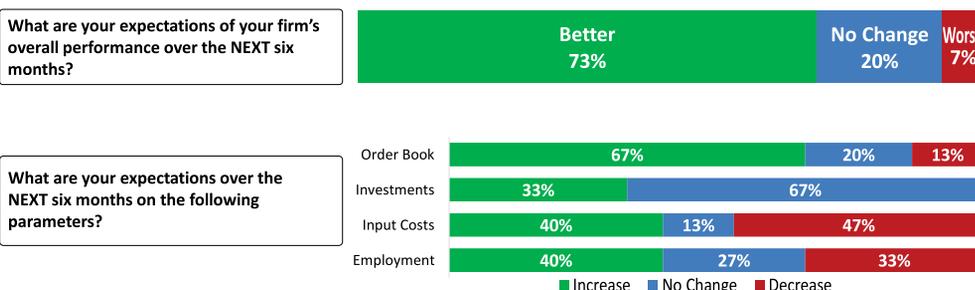
Demand	73%	20%	7%
Profits	73%	20%	7%
Unemployment	0%	33%	67%
Input costs	33%	20%	47%

- 73% of the respondents said that the **demand as well as profits have decreased** because of GST while almost two-thirds reported **increase in unemployment**.
- Lower demand during initial months of GST implementation was a procedural issue rather than an economic one. The consumer demand got postponed in certain instances, but never decreased. Manufacturers reporting lower demand thus indicate depletion of stocks in the supply chain. Eventually, the supply chain will look to replenish the stock levels and that would mean a much stronger demand from the suppliers in next 6 months.
- The impact of GST on input cost did not have a clear cut trend as 33% said it has decreased while 47% said that the input costs have increased.

## Firm Level - Current Scenario



## Firm Level - Future Expectations



40% of the respondents said that the current overall economy is worst relative to the last six months.

However, 80% of the respondents said that they are expecting a better overall economy in the next six months. 53% of respondents have shown a negative sentiment for the industry's current scenario, somewhat similar to the feedback received for current economic scenario. However, almost two-thirds of the respondents expressed that conditions will be better in next six months.

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At the firm level the current scenario seems neutral to negative as 40% respondents said there is no change compared to the last six months while one-third said that they are negatively impacted. However, 40% of the respondents reported higher orders than last six months while one-third reported status quo. Majority of the respondents 73%, held an optimistic outlook for the next six months with respect to the firm's performance.

For the order book volume, 67% expect that it will increase further but a same number of respondents reported no change in investments in the next six months. Almost half of the respondents expect the input costs to reduce in next six months but 40% expect them to increase.

On the employment expectations, the answers were again mixed with 40% expecting increase while 33% expecting decrease 67% of the respondents view increasing wages as the major constraint to business growth.

This is followed by policy issues as 60% view it as a major constraint. Polled equally, competition from cheap

## The key takeaways of the survey are:

- Industry finds the current economic scenario worse than last six months, but for next six months there is a strong positive expectation.
- A similar trend is reported for the overall textile and apparel industry performance, wherein most of the respondents have shown a negative sentiment about the current scenario but are positive about the next six months.
- Industry's response to impact of GST was negative in terms of demand, profits and employment. But the responses were mixed on the impact on input costs.
- At firm level, the current performance was reported majorly neutral to negative but majority respondents indicated higher order book volumes.
- In next six months, majority of the respondents expect a better performance of their firms. The order books are expected to grow but the investments are not.
- Increasing wages and policy issues are cited as the major constraints to the growth of firm's business.

The overall business confidence index stands in the neutral zone; but the future expectations index is in an optimistic zone (at 67)

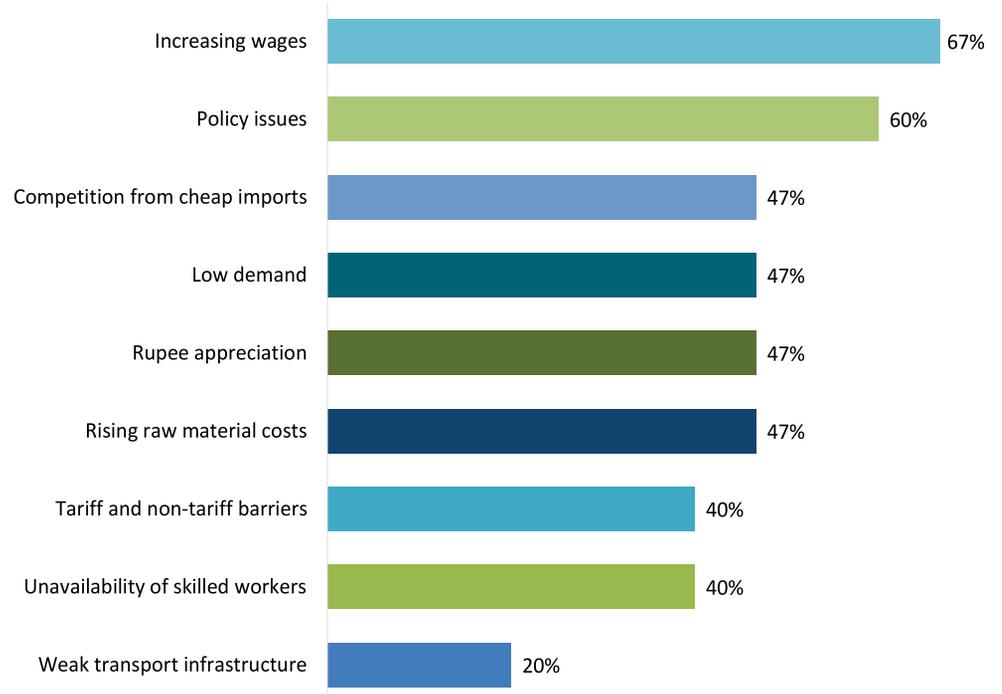
imports, low demand, rupee appreciation and rising raw material costs were cited by 47% of the respondents as a key constraint.

Unavailability of skilled labour was cited as a major challenge by 40% of the respondents. The survey findings point out that Indian textile and apparel

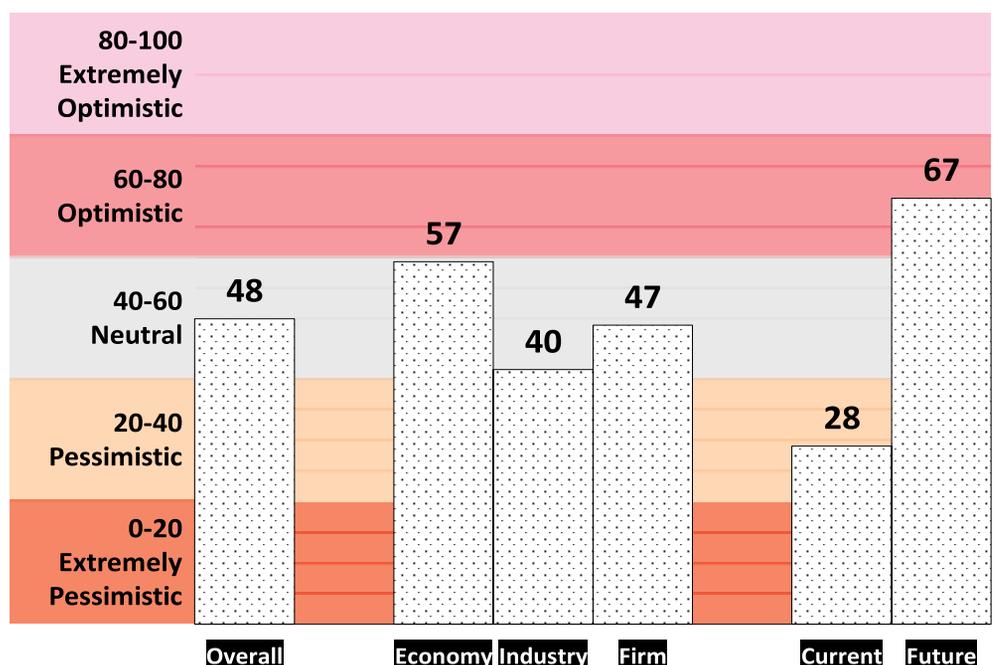
industry is at an inflection point today. The responses received indicate that on one hand the firms are feeling a lot of pain because of recent policy changes but on the other hand they are extremely hopeful of the turnaround.

*The figures, analysis and survey is done by Wazir Advisors.*

### Firm Level - Major Business Growth Constraints



### Indian Textile & Apparel Industry Business Confidence Index



Business Confidence Index =  $\frac{\text{Number of positive responses} \times 100}{\text{Total responses}}$