

## Manufacturing Excellence: Key to Penetrate Untapped Global Textile & Apparel Markets

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Since 2006, global trade of textile and apparel (T&A) has grown at a CAGR of 3.2% which has remained cyclical in nature where one year's decline is followed by two years' growth.

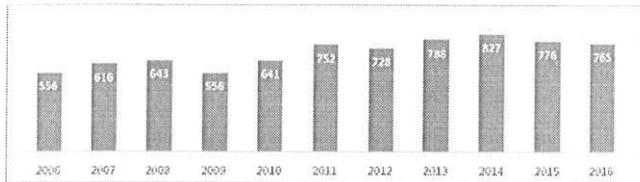
However, in 2016, trade continuously declined for two years on the back drop of weak global demand, economic slowdown in China, fluctuations in forex rates and financial volatility driven by divergent monetary policies in developed countries.



are the largest markets of apparel, have grown at a CAGR of 2% & 1%, respectively while import of China & HK has declined by 2%. Among top twenty markets of T&A accounting for 77% share in global T&A imports, Vietnam and UAE have emerged as the fastest growing markets with a CAGR of 16% and 13%, respectively in the last decade. A snapshot of top twenty global

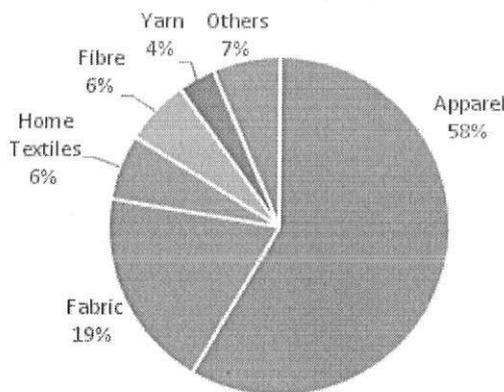
markets of textile and apparel trade is presented in the table below:

Global textile and apparel trade (in US\$ bn)



Source: UN Comtrade and Wazir Analysis

Category-wise share in global trade (2016)



Source: UN Comtrade

A closer look at the T&A traded categories in 2016 reveals that apparel which accounts for more than half of global T&A exports (58%) registered a marginal growth. While all textile categories viz. fabric, home textiles, fibre and yarn having share of 19%, 6%, 6% and 4%, respectively in global T&A export declined.

EU-28, USA and China have remained top three markets of textile and apparel in 2016 accounting more than half of the world T&A imports. Since last decade, imports of EU-28 and USA, which

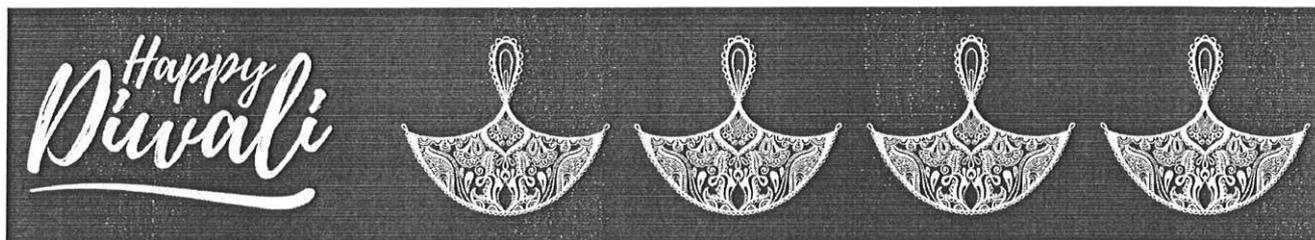
TOP20 GLOBAL TEXTILE AND APPAREL MARKETS

Global Rank	T&A Market	2016 (USD bn)	% Share in World T&A Imports
1	EU-28	246	32.1%
2	USA	110	14.4%
3	China & HK	48	6.2%
4	Japan	32	4.2%
5	Viet Nam	21	2.8%
6	Rep. of Korea	15	2.0%
7	UAE	13	1.8%
8	Canada	13	1.8%
9	Russian Fed	12	1.5%
10	Mexico	11	1.4%
11	Bangladesh	9	1.2%
12	Australia	9	1.2%
13	Turkey	9	1.1%
14	Indonesia	9	1.1%
15	India	7	0.9%
16	Saudi Arabia	7	0.9%
17	Thailand	5	0.6%
18	Brazil	5	0.6%
19	Chile	4	0.5%
20	Egypt	4	0.5%
	Rest of world	176	23.1%
	<b>Total</b>	<b>765</b>	

Source: UN Comtrade and Wazir Analysis

India being the second largest exporter of textile and apparel commands 5% share in global textile and apparel exports. India's textile and apparel has been growing at a CAGR of 8% since last decade. 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

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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:

### 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 Fedn	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 and Wazir Analysis

A deeper look into these markets reveals that there are various commodities where India has a competitive edge. Top ten T&A commodities exported by India include fibre, yarn, home textile as well as apparel products as mentioned in the Table No. 3. 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

TABLE-3

### INDIA'S TOP EXPORTED T&A COMMODITIES (2016)

HS Code	Category-Detailed Description	Value (US\$ bn.)	% Share
5205	Yarn- Cotton yarn	3.2	9%
6109	Apparel- Knitted T-shirts, singlets and vests	2.8	8%
6204	Apparel- Women's ensembles, jackets, dresses etc.	2.5	7%
6304	Home Textiles- Other furnishing articles	1.5	4%
6302	Home Textiles - Bed, table, toilet and kitchen linen	1.5	4%
6206	Apparel- Women's blouses, shirts etc.	1.4	4%
5201	Fibre- Cotton, not carded or combed.	1.3	4%
6205	Apparel-Men's shirts.	1.3	4%
6203	Apparel -Men's, ensembles, blazers, trousers etc.	1.2	3%
6211	Apparel-Track suits, ski suits and swimwear	1.1	3%

Source: UN Comtrade

markets.

Table No. 4 on following page presents list of potential commodities in which India has competitive edge and potential markets where these commodities can be supplied to:

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.

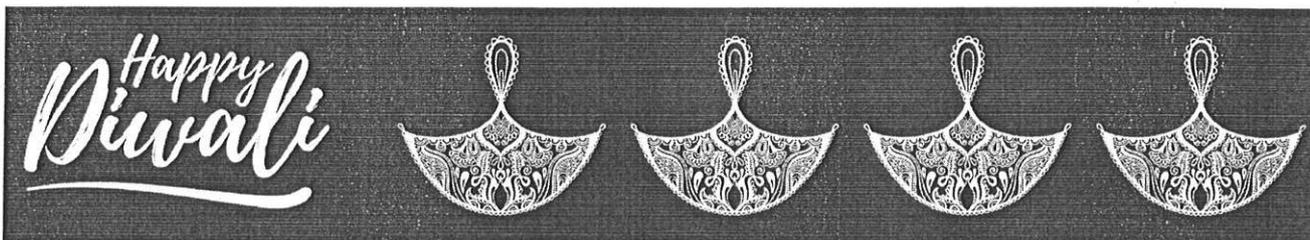
Manufacturing excellence includes operational effectiveness, market intelligence and continuous improvement in the entire manufacturing process. Indian exporters across the

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### 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 & 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



## Mfg. Excellence: Key to Penetrate Untapped Mkts

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textile value chain can save manufacturing cost significantly thereby making their exports price competitive in the export markets. Spinning, weaving and processing industries can save up to 20% of its overheads while garment industry has potential to save up to 50% of its overheads by productivity improvement.

Keeping pace with the requirements of buyers in export markets and responsiveness to it can also help exporters to have better competitiveness. This can be done by first understanding the demand pattern through market intelligence and then executing orders with superior product quality, innovative design, customization and finally admirable after sales service. Exporters should keep on improving their operations by taking a vigilant approach towards productivity improvement, product development and skill up-gradation. Further to it, Indian Central as well as State Governments are also providing various incentives which can help exporters to cope up with the high tariff incidences in few markets.

Future projections of China vacating space in the global T&A trade will add to the existing export opportunities in the untapped markets. India has already missed one opportunity in 2005 when quotas was phased out to other competing nations like Bangladesh and Vietnam. This time, Indian exporters should take proactive approach by first targeting low hanging fruits in the existing markets where India already has a competitive advantage and simultaneously scale up their capacities, service levels and product diversity to grab bigger share in global T&A market.

## Let us accept ... We are "Followers"

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developed across value chain by Grasim and Reliance. So innovative products need to be launched looking at market demands.

At the same time we need to do our own R & D which is totally lacking in our country. We need to assess ourselves by developing newer products and create our product portfolio. Our Indian textile ministry has not done a good mapping of its own industry since 1995.

We need to understand how we can do our own analysis of our industry. Then the entrepreneurs should understand that they need to have their own vision and mission statement, own business module without following someone else.

While doing this they need to keep in mind that entire world is their market and not just the area or city which they are located in. But yes, they should definitely look for whatever advantages of that particular location.

Mapping of our existing resources within country or outside needs to be explored. If other countries having small resources can excel in their business or can do very good contribution to global economy of Textile Industry then why not India???

Yes we are slow learners and at same time we are followers then why not follow the innovative ideas and come out with our own business model which will give rise to growth for our entire country???

Let us begin for a new thing this Diwali...

Let us carve out... A better tomorrow!!!

## Bt cotton should be selectively and judiciously grown

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**R.** The Indian cotton institutions including cotton associations must take up many proactive steps to converge various activities in making cotton use wider, sounder, more economic and more profitable.

**S.** The total economics of cotton chain needs to be utilized. The unginnet cotton is 66% cotton seed and 34% is cotton lint. Though we have somewhat explored the researches on the 34% of cotton lint for use and application, we have not applied ourself sufficiently and efficiently in the use of the 67%.

**T.** We must therefore simultaneously commission the study application and focus in the backward integration of cotton chain.

**U.** In essence if we utilize total economics of cotton which is essentially the total economics of cotton chain, the farmers' income will double, the cotton industry will become empowered

and profitable and for make India and job creation, this industry is the foremost potential industry for our policy makers to tap and utilize.

**V.** Somehow or the other we have to learn also to take the low hanging fruits which is primarily in textile. Textile is already the second largest industry after agriculture and has an ability to double itself all around. The value chain can give multiple results to the nation.

**TT: What is your long term outlook of Indian cotton? Can India reach the level of 1000 kgs. Per hectare?**

**Mr. SURESH KOTAK:** Certainly it is not difficult, possible and obtainable with the sound technology mission for which some blue print is already on the way and the measures can definitely bring the required revolution.

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