



The Great Lockdown: Indian Apparel Industry to Shrink by 35%

April 29th, 2020

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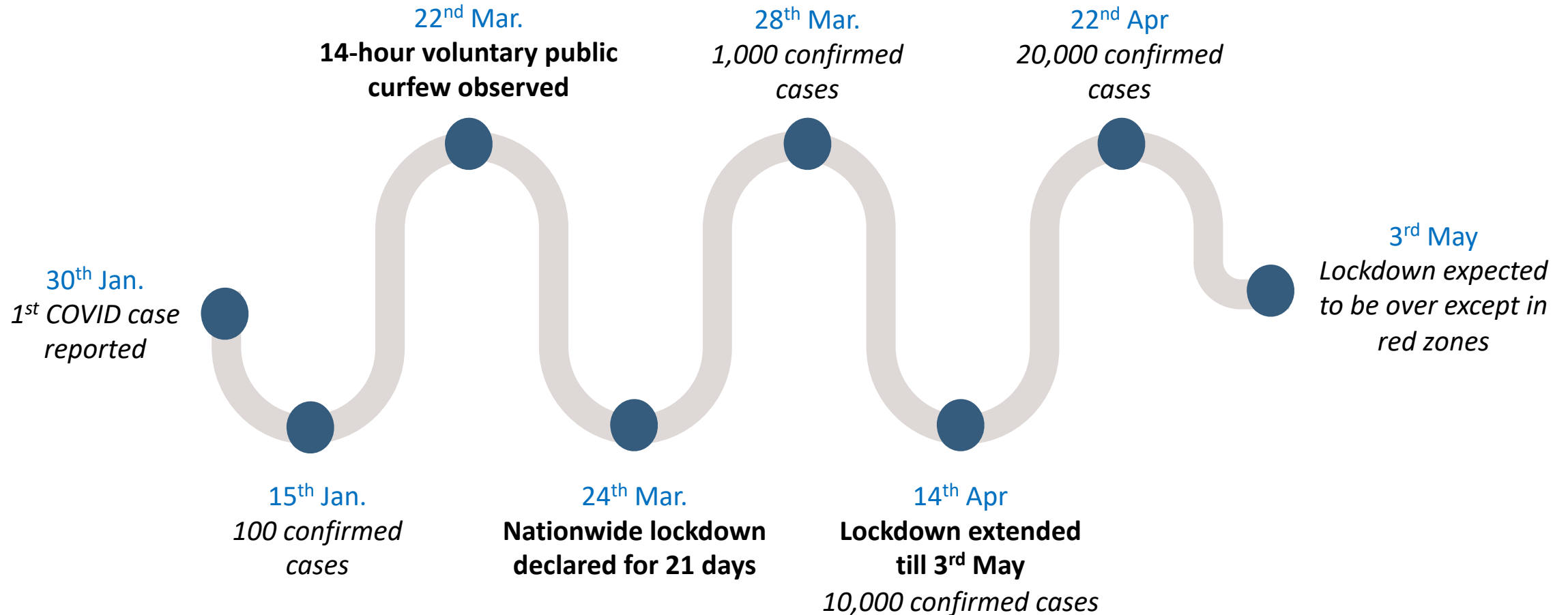
- Domestic Market Scenario
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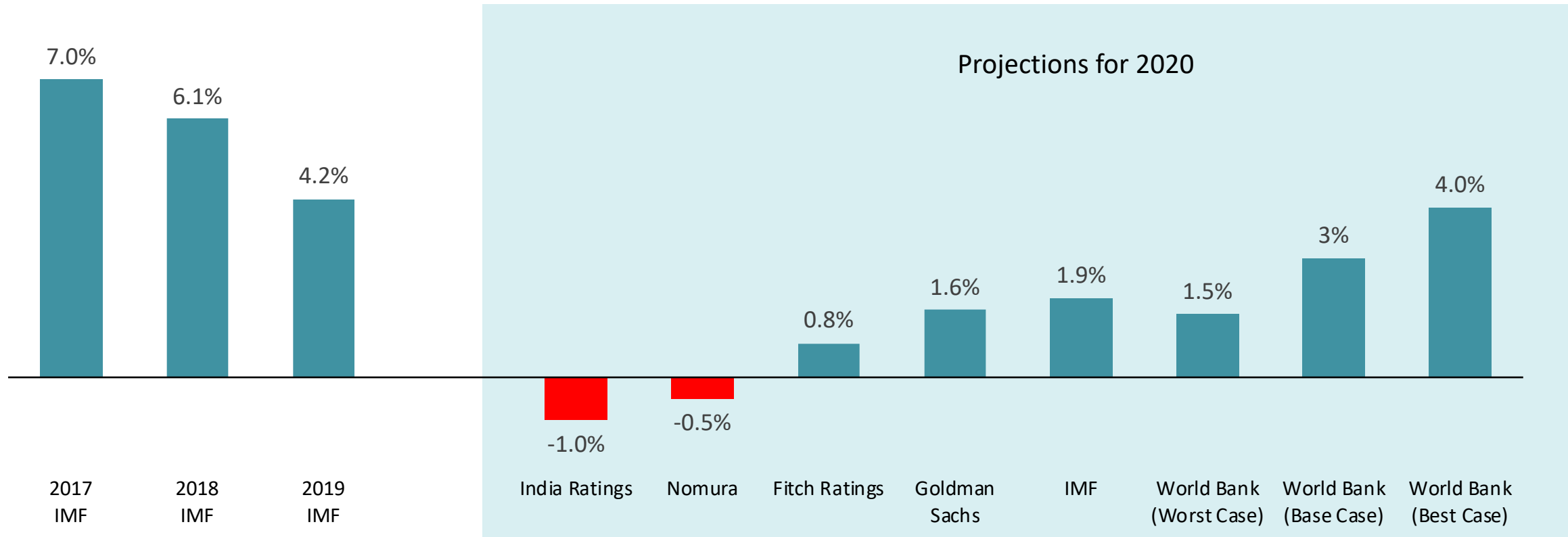
Domestic Market Scenario



40-Day National Lockdown Is Nearly Over



COVID Battered GDP Projections For India



Data Source: Respective agencies

After slowing down in last few years, the Indian economy was expected to recover in the last quarter of FY20. However, the coronavirus pandemic has made the recovery extremely difficult in the near to medium term.

3 Factors Will Drive The Consumption Change

- Duration of Lockdown
- Pace of Market Recovery
- Demand Seasonality

3 Probable Scenarios Of Lockdown Duration

Expected Consumer Response
to Lockdown

Expected Consumption Behavior
post Lockdown



LD40

Scenario 1
Lockdown for 40 days
till May 3rd

Jaan Bachi Lakho Paye
(Happy to be alive)

Optimistic



LD70

Scenario 2
Lockdown for 70 days till
May 31st

Jaan Hai Jahan Hai
(Thank God, am alive and have
a job)

Realistic



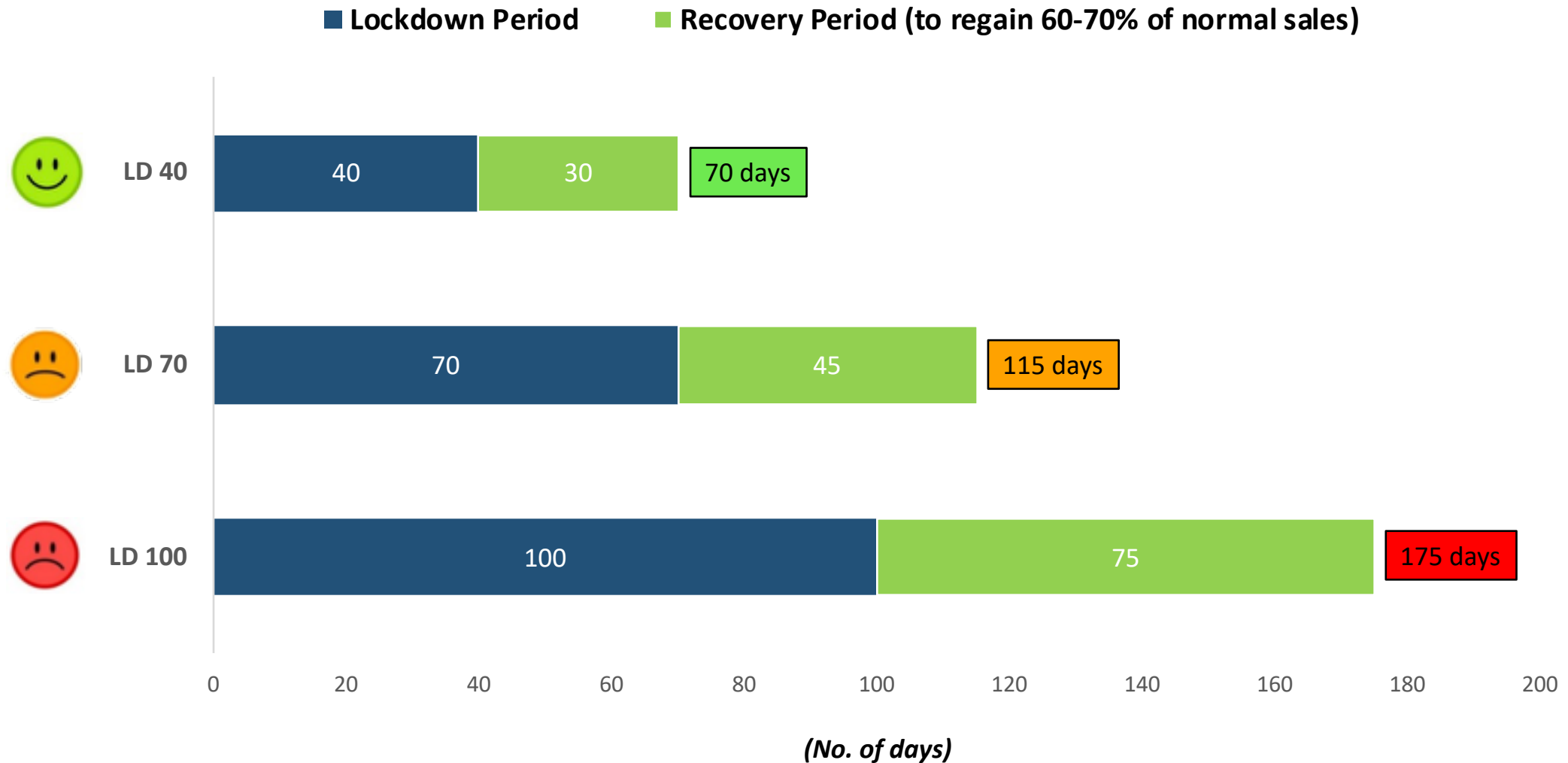
LD100

Scenario 3
Lockdown for 100 days
till June 30th

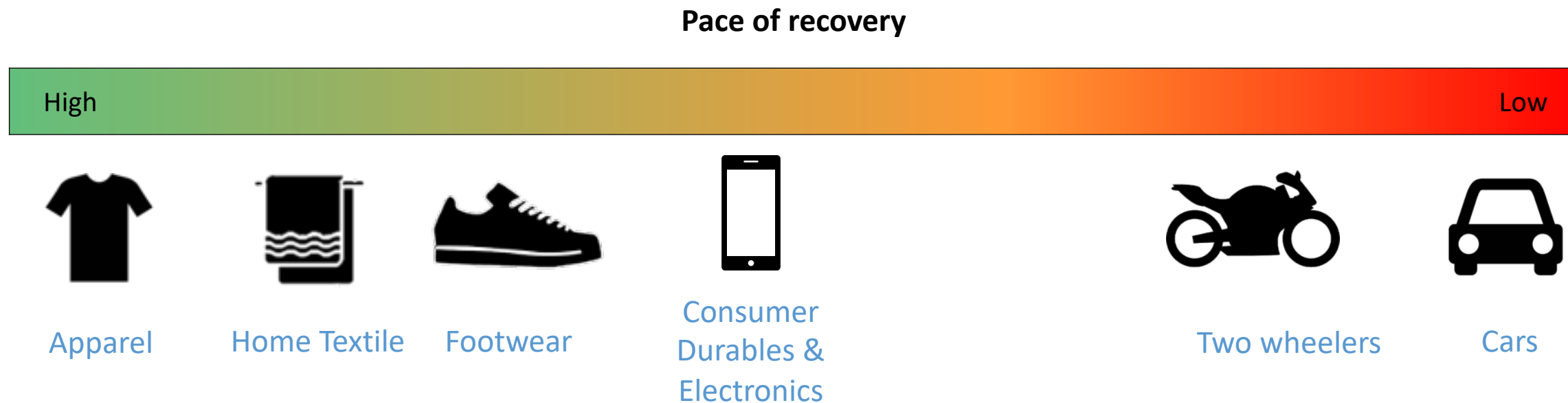
Jaan Nikal Gayi
(Am as good as dead)

Pessimistic

Longer The Lockdown, Slower Would Be The Recovery



Recovery Pace Will Vary Across Segments

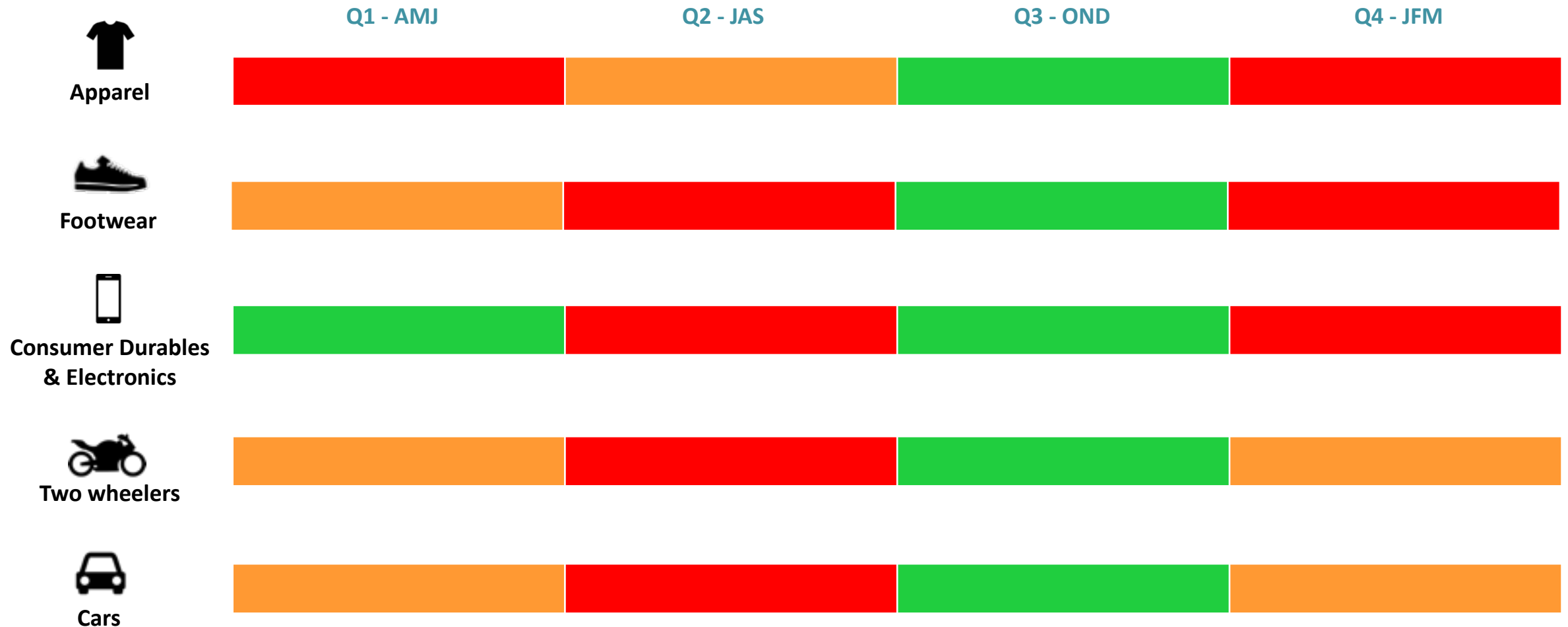


While all consumer market segments will be affected badly, it is expected that some will recover faster than the others depending on:

- Utility : Requirement on a regular basis for basic needs
- Durability : Need to replace due to wear and tear
- Unit Cost : Could be a deterrent to spend large sums

Seasonality Will Have Different Impact Across Segments

(Q1-AMJ : April, May, June 2020 and so on)



Categories where sales velocity is higher in Q3 and Q4 will be impacted least

(Sales Velocity during normal times)



Recovery Will Also Vary Category-wise

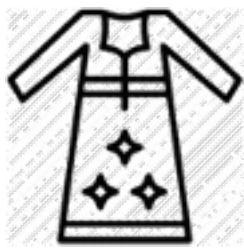
Pace of recovery of various apparel categories

High

Low



Casual wear



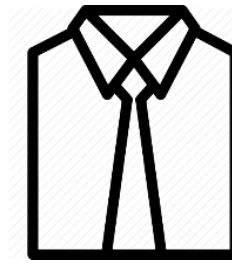
Ethnic Wear



Kids wear



Jeans



Formal wear



Party, Evening &
Occasion wear

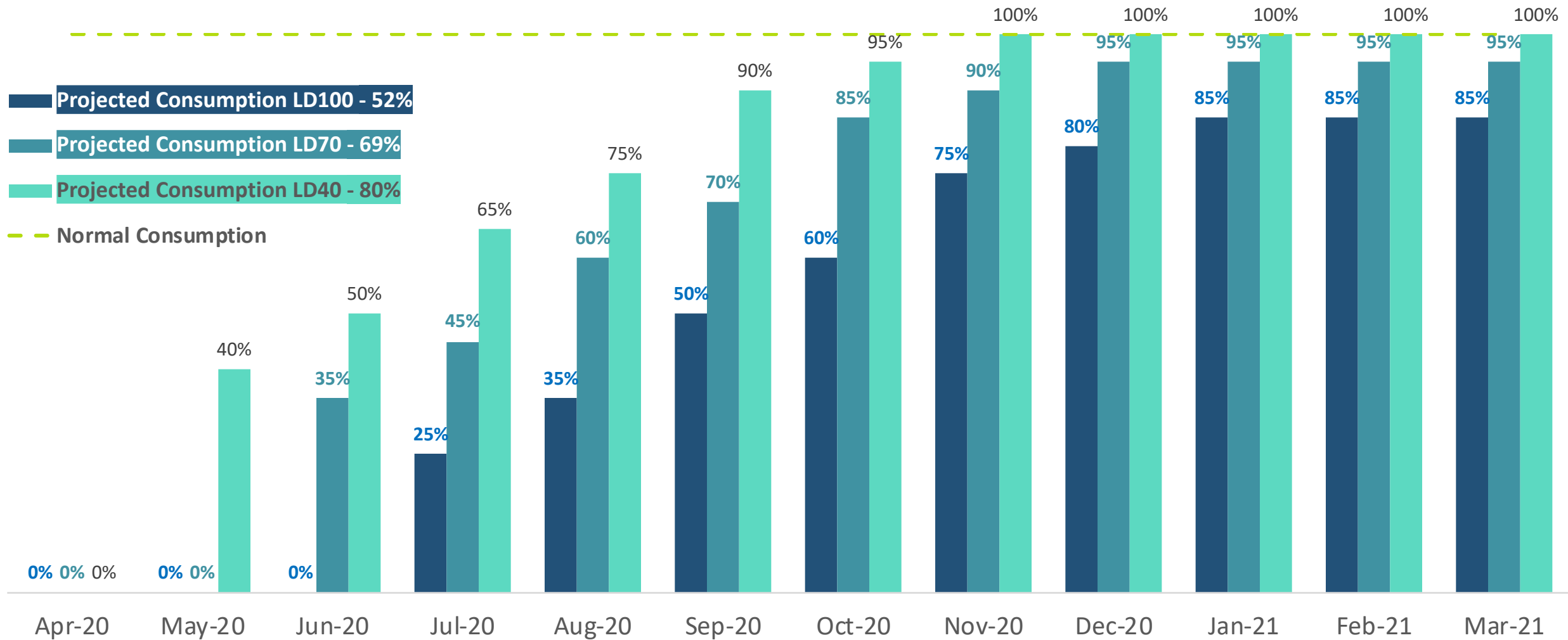


Loungewear



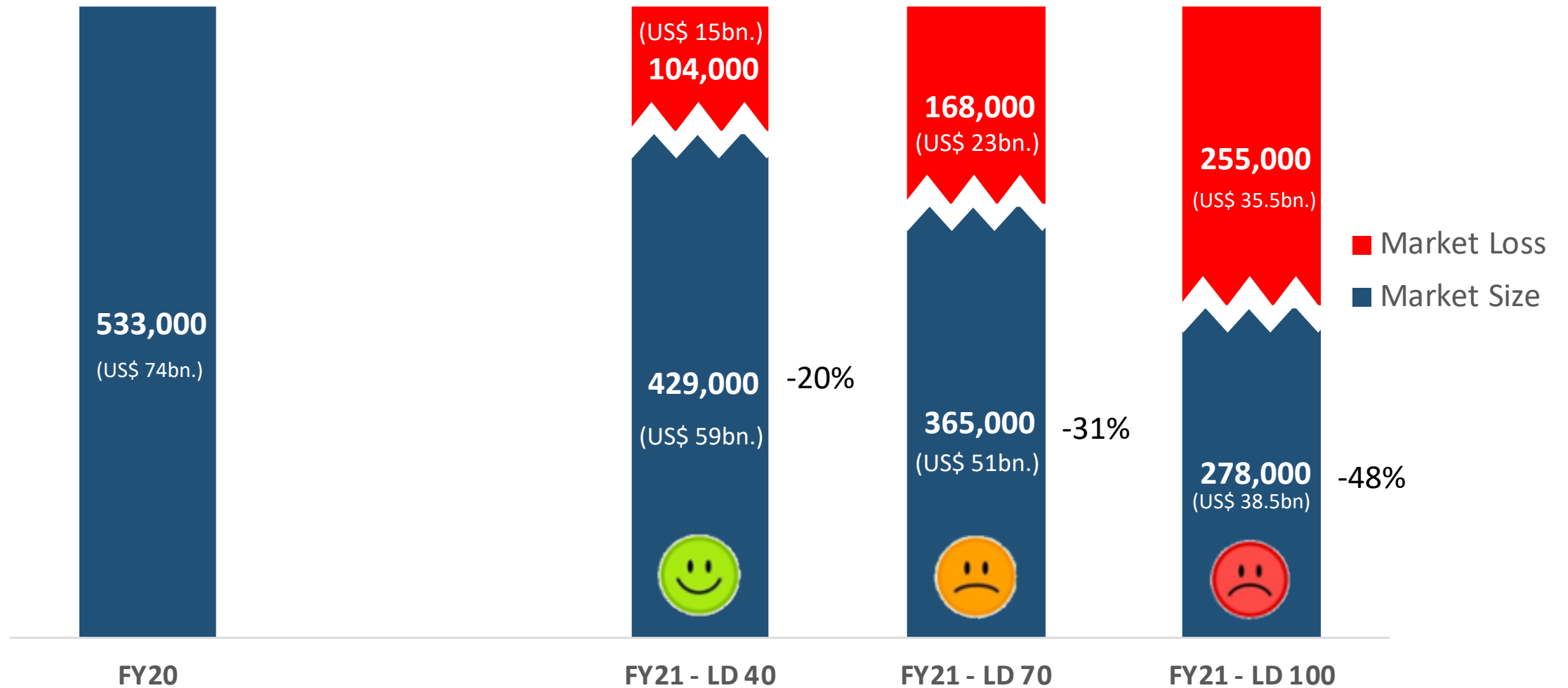
Innerwear

Monthly Consumption Will Vary With Length Of Lockdown



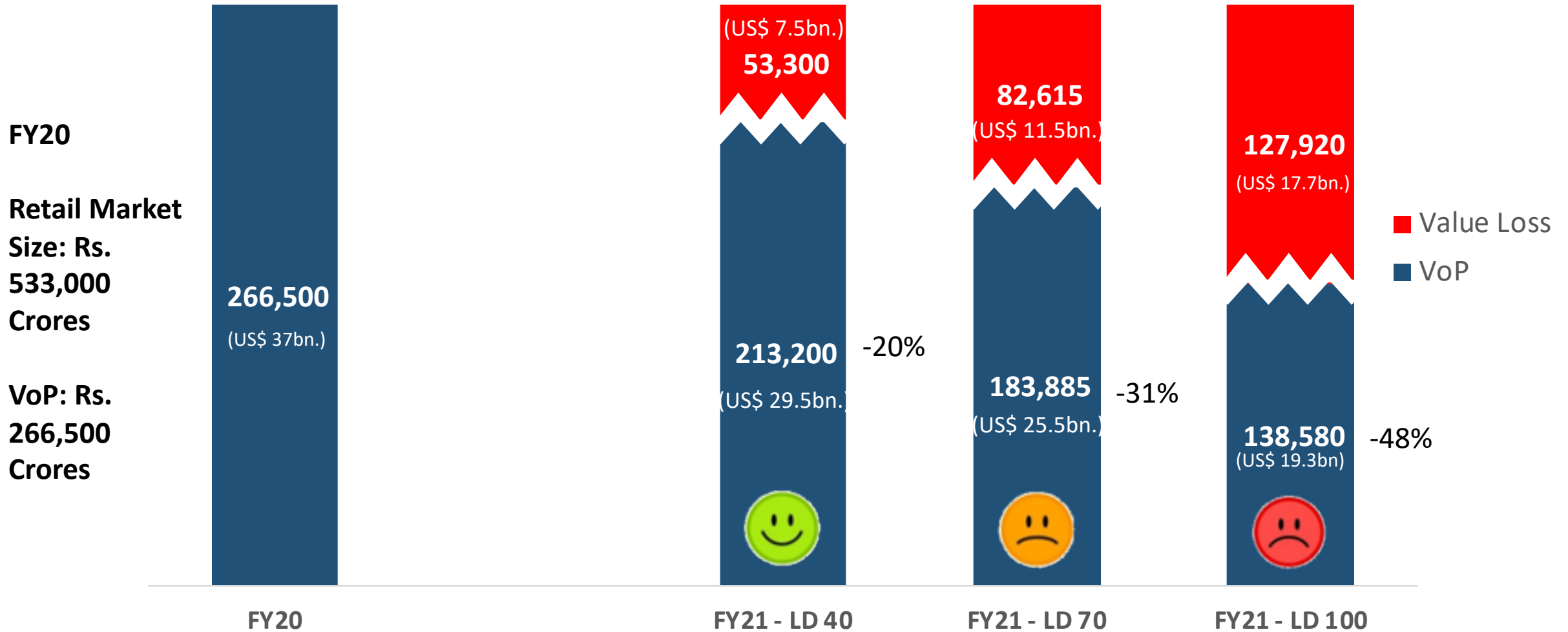
Apparel Retail Will Reduce From 20% to 48%

Values in Rs. Crores



Value of Production (VoP) Will Reduce Proportionately

Values in Rs. Crores





Apparel Export Scenario



2 Major Factors Will Impact Global Apparel Trade

- Duration of Lockdown in Key Markets*
- Economic Situation in Key Markets

* US and EU are the key markets that account for 60% of global apparel imports. Also, 60% of Indian apparel exports are to these two markets.

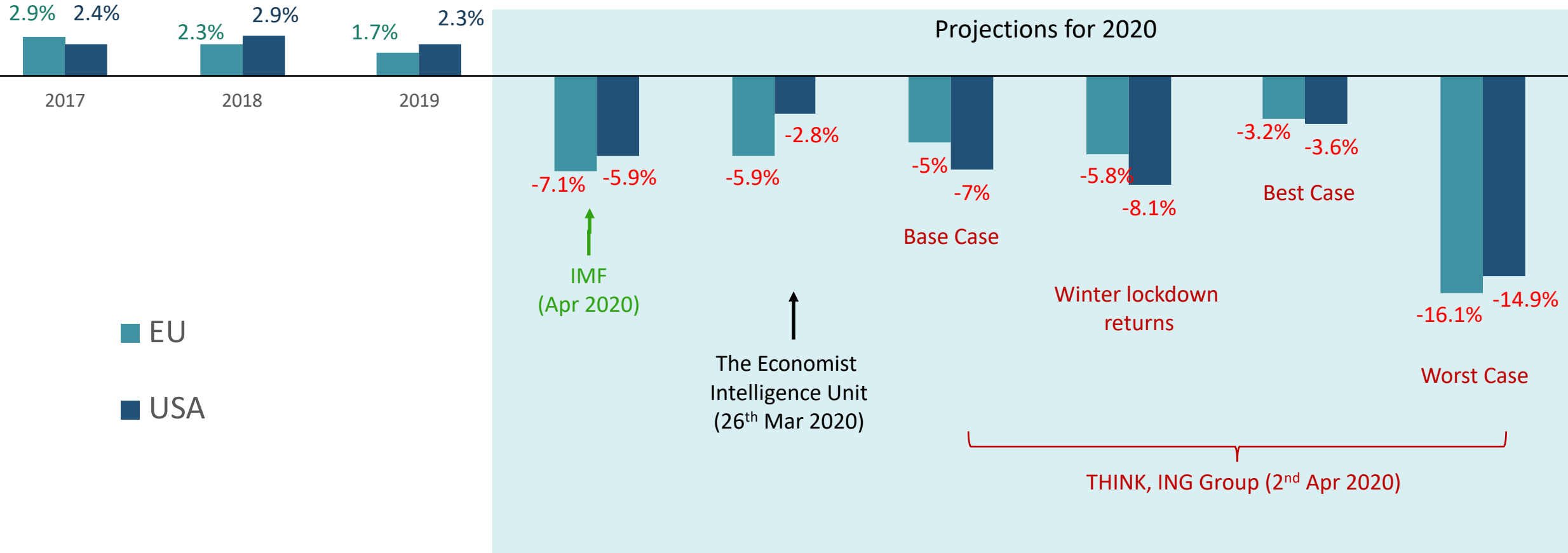
Stores In The US And Europe Will Remain Closed For 3-4 Months

Country	Lockdown Start Date	Peak New Case Date	Short Potential Lockdown End Date	Long Potential Lockdown End Date
US	W1 April (latest states)	W1 May	W2 June (earliest states)	W3 July (earliest states)
Germany	22 nd Mar	W1 May	W2 June	W1 July
UK	24 th Mar	W3 May	W3 June	W4 July
France	17 th Mar	W3 May	W2 June	W4 July
Italy	10 th Mar	W3 April	W2 June	W1 July
Spain	14 th Mar	W4 April	W1 June	W3 July
Poland	24 th Mar	W4 April	W3 June	W1 July
Belgium	17 th Mar	W3 May	W2 June	W4 July
Sweden	11 th Mar	W4 Mar	W1 June	W3 June

Source: Epidemic Projection by BCG, Mar 26, 2020

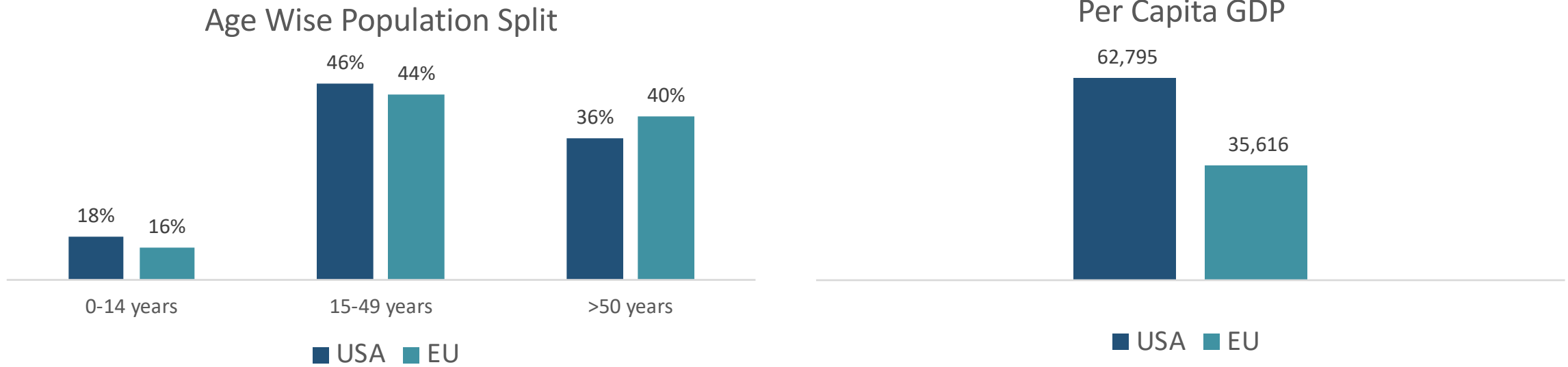
4 To 6% GDP Reduction Is Expected

Real GDP Growth Rate



Data Source: International Monetary Fund, April 2020 except stated otherwise

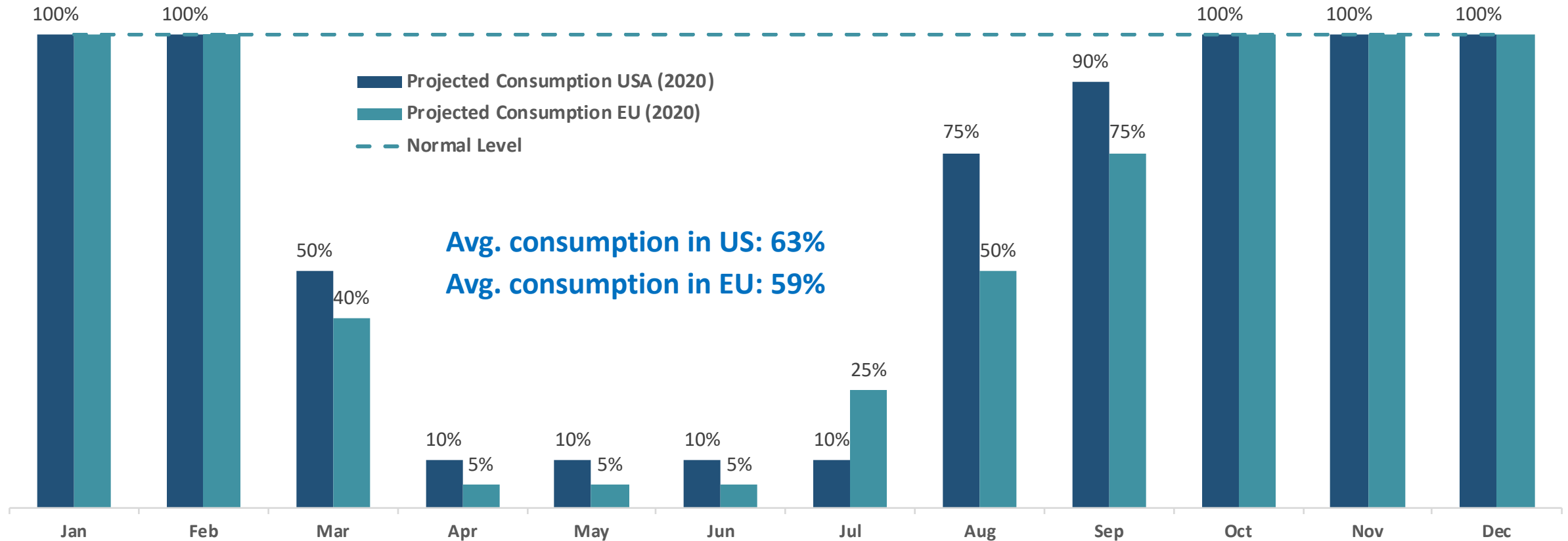
US Market Will Recover Faster Than EU



- **US consumers are younger and more affluent compared to those in EU; and also have compulsive buying habit**

Data Source: UN Population Database and World Bank

40% & 45% Market Reduction Expected in US & EU, Respectively



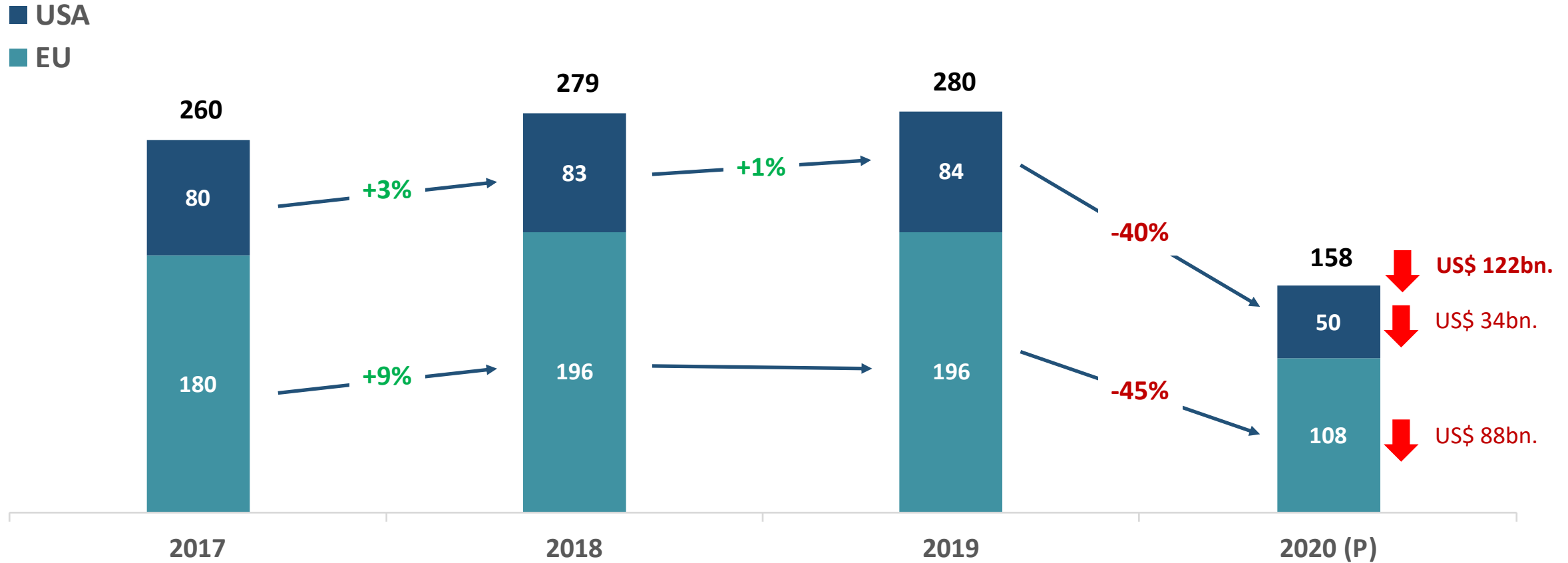
Market reduction in 2020:

US Market – 40% (37% reduction due to store closures and 4-6% GDP shrinkage)

EU Market – 45% (41% reduction due to store closures and 4-6% GDP shrinkage)

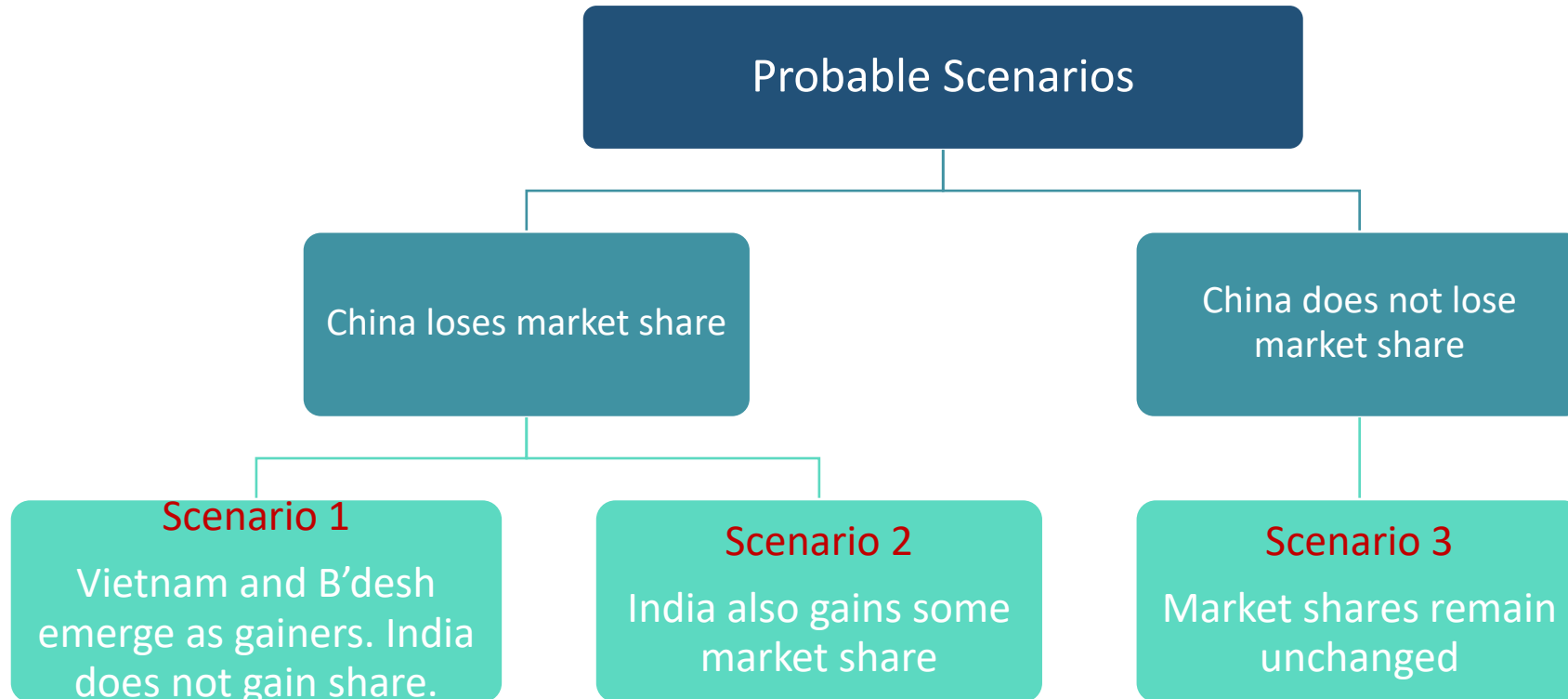
US\$ 122bn. Apparel Imports Will Vanish From These Markets

Values in US\$ bn.



Data Source: US Office of Textile & Apparel, Eurostat and Wazir Estimates

Buyers Will Increasingly Look to Replace China



- For H2 2020, buyers will place orders for autumn-winter season products where India's expertise is missing.
- Scenario 2 can occur only when Indian exporters improve their competitiveness in core categories and focus on product diversification (winter wear and synthetic garments)

Indian Apparel Export Will Reduce From 25% to 45%

Values in US\$ bn.

	2019 CY			Scenario 1		Scenario 2		Scenario 3	
SCENARIO:			Expected reduction in market in 2020	China loses share but India is not able to gain		China loses share and India is able to gain		No change in share	
Market	Export Value	Market Share		Export Value	Value Change	Export Value	Value Change	Export Value	Value Change
EU	5.60	34%	-45%	2.5	-55%	4.0	-30%	3.1	-45%
USA	4.06	25%	-40%	2.0	-51%	3.0	-26%	2.4	-40%
Others	6.59	41%	-25%	4.6	-30%	5.5	-17%	5.0	-25%
Total	16.25			9.1	-45%	12.5	-25%	10.50	-35%

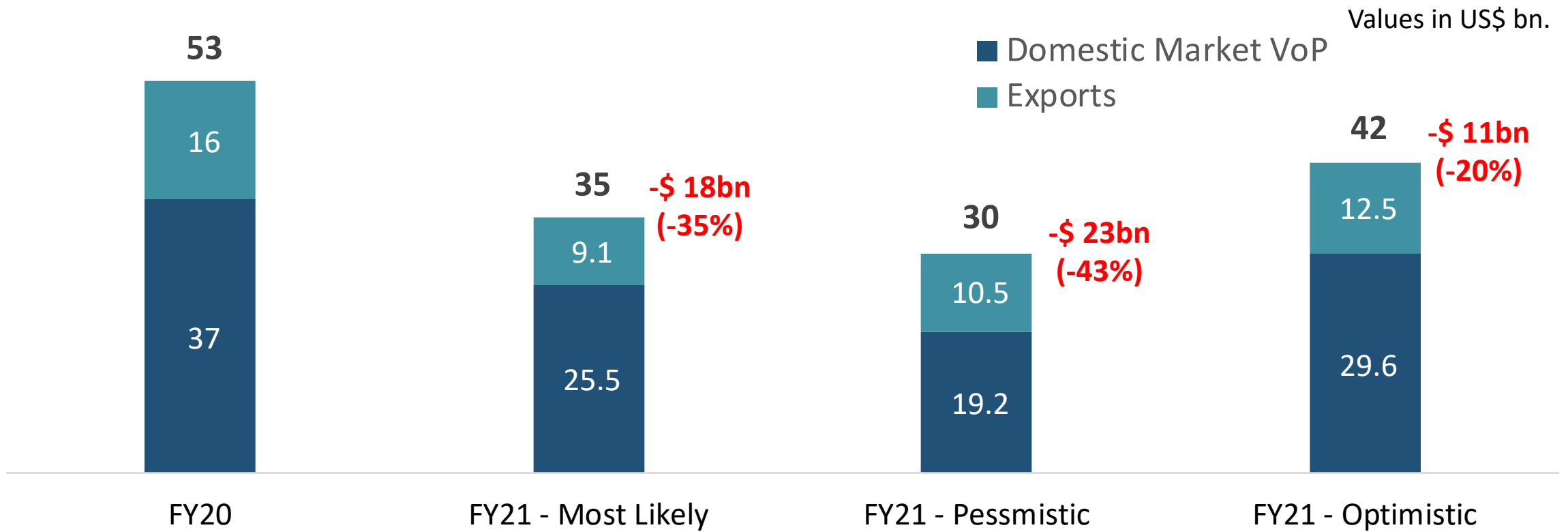
Values are rounded off



Summary & Way Forward



Indian Apparel Industry Is Likely To Shrink 35%



	Most Likely	Pessimistic	Optimistic
Exports	India will lose worse than market averages	India's share remains unchanged	India will gain share vacated by China
Domestic market	LD70	LD100	LD40

Emerging Changes in Global Textile and Apparel Landscape

Consumer Trends

- Health, Hygiene and Safety is the top concern
- More online presence
- Cutting down on discretionary expenditure

Retail Trends

- Rapid growth of e-commerce
- Direct to Consumer brands
- From 'Fast Fashion' to 'Slow Fashion'

Sourcing Trends

- Relocation of factories from China
- Buyers to aid development of new bases such as Ethiopia

Product Trends

- Anti-microbial finishes
- Disposable but circular products

Focus Areas for Indian Textile and Apparel Industry

- 1. Share Consolidation in Core Categories**
- 2. Product Diversification**
- 3. Export Market Diversification**
- 4. Business Consolidation with Existing Buyers**

Focus Areas for Indian Textile and Apparel Industry

1. Share Consolidation in Core Categories

- a) Focus on **manufacturing excellence incl. smart factories** to improve **productivity and cost competitiveness**

Categories Where India Has Appreciable Global Market Share

Values in US\$ bn.

HS Code	Description	Global trade	India's Exports	India's share
610910	T-shirts of cotton	32,142	1,781	6%
620520	Men's or boys' shirts of cotton	11,786	788	7%
620443	Dresses of synthetic fibres	8,085	566	7%
620640	Women's tops of manmade fibres	7,759	577	7%
611120	Babies' garments etc. of cotton	6,599	646	10%
610510	Men's/boys' knitted shirts of cotton	5,962	398	7%
620630	Women's tops of cotton	4,371	565	13%
610711	Underpants & briefs of cotton	4,328	204	5%
620442	Dresses of cotton	3,452	489	14%

Data Source: UN Comtrade, Data for 2018

Focus Areas for Indian Textile and Apparel Industry

1. Share Consolidation in Core Categories

b) 3-way virtual integration model

- with a garment company to whom one was supplying fabric, or
- with a knit fabric company to whom one was supplying yarn and
- with the garment manufacturer who was finally exporting.

One of the entities takes the lead and works with partners to ensure timely delivery of goods and everyone shares the gains. For example:

- **Crew neck, polo shirts and men's innerwear** are big categories already but there is even bigger market out there, India can easily capture couple of billion dollar business easily.
- **Denim jeans** in another possibility. We have the fabric as well as jeans making capacity for domestic demand. Through virtual integration one can offer large quantities of jeans for export.

Focus Areas for Indian Textile and Apparel Industry

2. Product Diversification – for investment in medium term

Categories Where India Has Minimal Share In the Market

Values in US\$ bn.

HS Code	Description	Global trade	India's Exports	India's share
620342	Men's & boys' trousers & shorts of cotton, woven	27,250	441	1.6%
611030	Knitted Pullovers of man-made fibres	26,817	72	0.3%
611020	Knitted Pullovers of cotton	23,864	174	0.7%
620462	Women's & girls' trousers & shorts of cotton, woven	22,933	199	0.9%
621210	Brassieres	11,468	107	0.9%
620293	Women's & girls anoraks etc. of manmade fibres, woven	10,426	2	<0.1%
620193	Men's & boys anoraks etc. of manmade fibres, woven	10,316	5	<0.1%
620343	Men's & boys' trousers & shorts of synthetic fibres, woven	7,932	89	1.1%
610463	Women's & girls' trousers & shorts of synthetic fibres, knits	7,830	18	0.2%
610462	Women's & girls' trousers & shorts of cotton, knits	7,600	108	1.4%

Data Source: UN Comtrade, Data for 2018

Focus Areas for Indian Textile and Apparel Industry

3. Export Market Diversification

Values in US\$ bn.

Market	Apparel Imports	Imports from India	India's share
Japan	28.0	0.3	1%
Rep. of Korea	10.2	0.1	1%
Canada	9.7	0.3	3%
Switzerland	7.1	0.3	4%
Russia	7.1	0.2	3%
Australia	6.7	0.2	3%

Data Source: UN Comtrade, Data for 2018

4. **Business Consolidation with Existing Buyers** - Increasing share with customers like **M&S, H&M and Zara**, who are already buying from India and can buy even more.

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