

Textiles and Apparel

NOVEMBER
2011



IBEF 
INDIA BRAND EQUITY FOUNDATION
www.ibef.org

Textiles and Apparel

NOVEMBER
2011

Contents

- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Raymond, Alok Industries
- ❖ Opportunities
- ❖ Useful information

For updated information, please visit www.ibef.org

Advantage India

Robust demand

- Increased penetration of organised retail, favourable demographics and rising income level to drive textile demand
- Growth in building and construction will continue to drive demand for non-clothing textiles

Increasing investments

- Over USD35 billion of investments have been made in the textile & clothing sector during the last four years, with the cotton textile segment accounting for around 75 per cent

2020E

Market Value:
USD220 billion

Advantage India

Competitive advantage

- Abundant availability of raw materials such as cotton, wool, silk and jute and skilled workforce has made India a sourcing hub

Policy support

- 100 per cent FDI through the automatic route is allowed in the Indian textile sector
- SITP was approved in July 2005 to facilitate setting up of textiles parks with world class infrastructure facilities

2009

Market Value:
USD70 billion

Notes: SITP - Scheme for Integrated Textile Park
FDI- Foreign Direct Investment

2020 E – Estimated figure for 2020; Source: Technopak

Textiles and Apparel

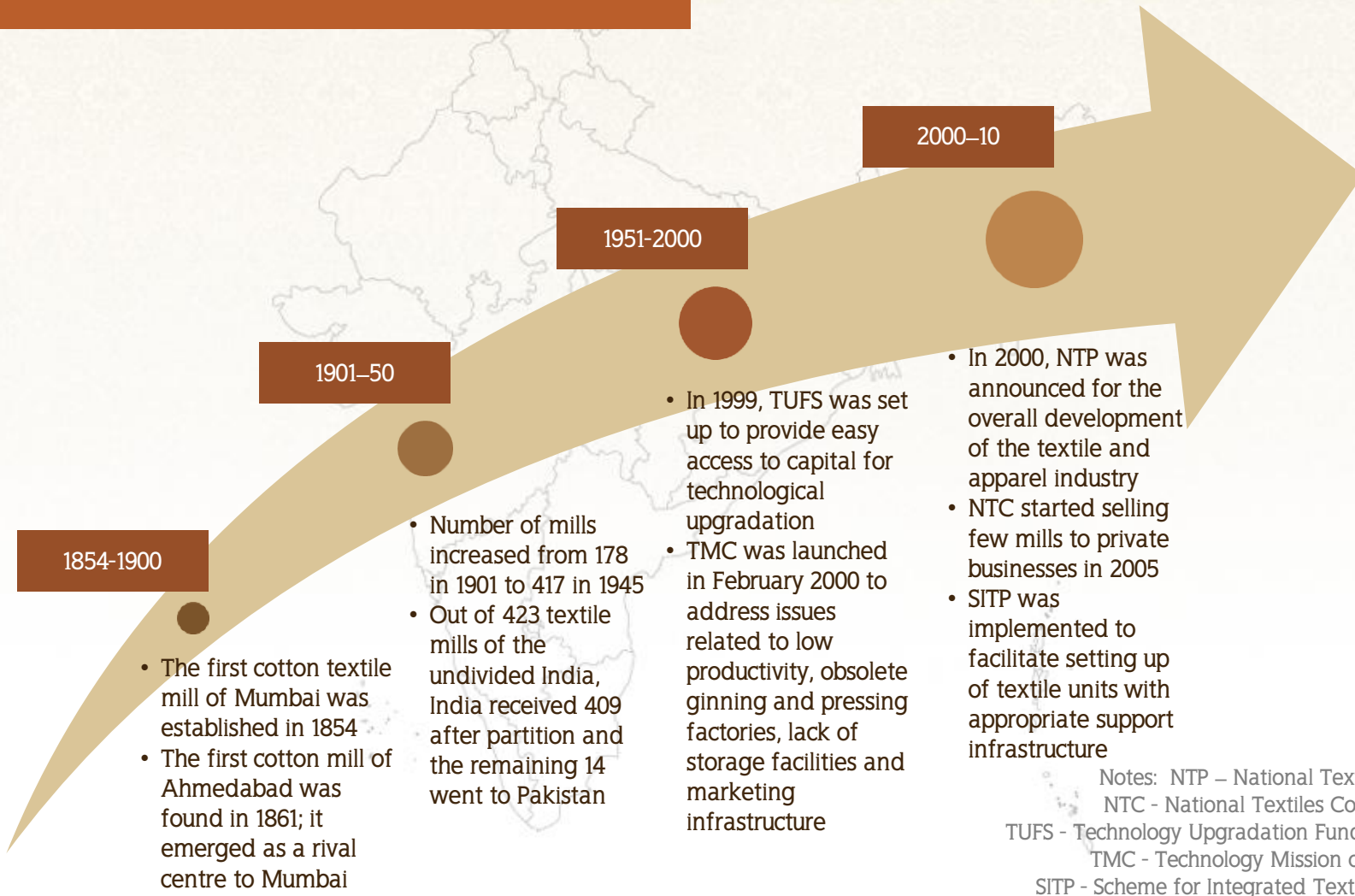
NOVEMBER
2011

Contents

- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Raymond, Alok Industries
- ❖ Opportunities
- ❖ Useful information

For updated information, please visit www.ibef.org

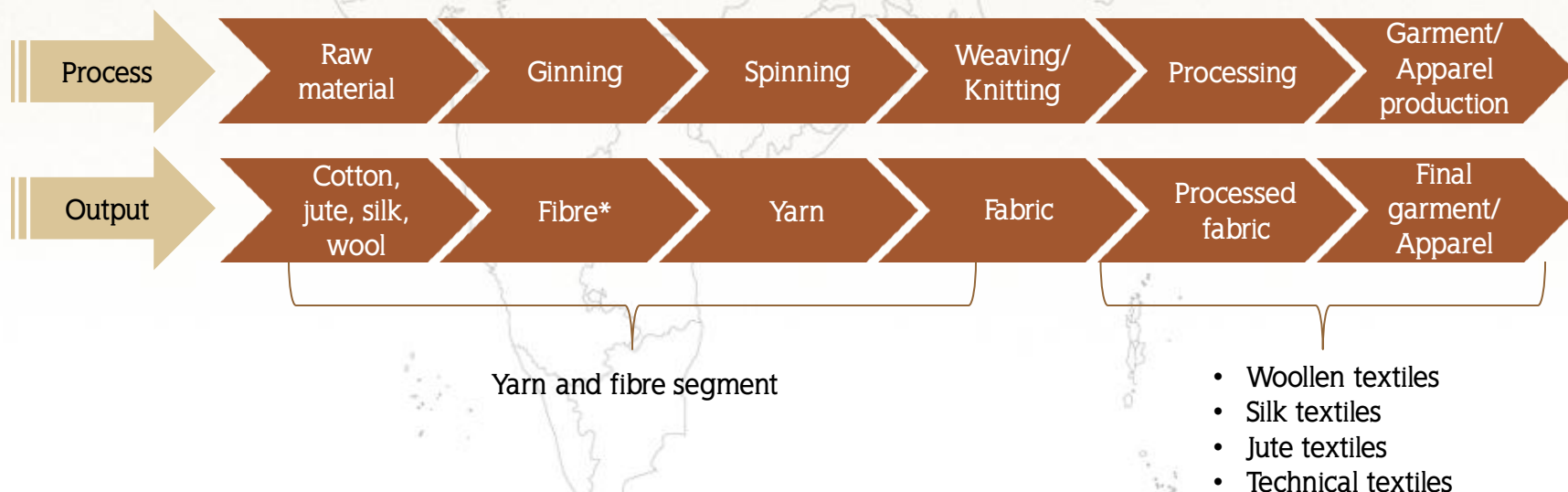
Evolution of the Indian textile sector



Segments in the textile and apparel sector

- The textile and apparel industry can be broadly divided into two segments:
- Yarn and fibre (including natural and man-made fibre as well as yarn)
- Processed fabrics (including woollen textiles, silk textiles, jute textiles, cotton textiles and technical textiles), readymade garments (RMGs) and apparel

Key segments of the textile industry



Note - * Including cotton, jute, silk, wool and manmade fibres

Source: Aranca Research

Market size recording healthy growth ... (1/2)

- Indian textile market size grew to USD70 billion in 2009 from USD46 billion in 2005
- CAGR of the Indian textile market size during the period was 11.1 per cent

Note – CAGR - Compounded Annual Growth Rate

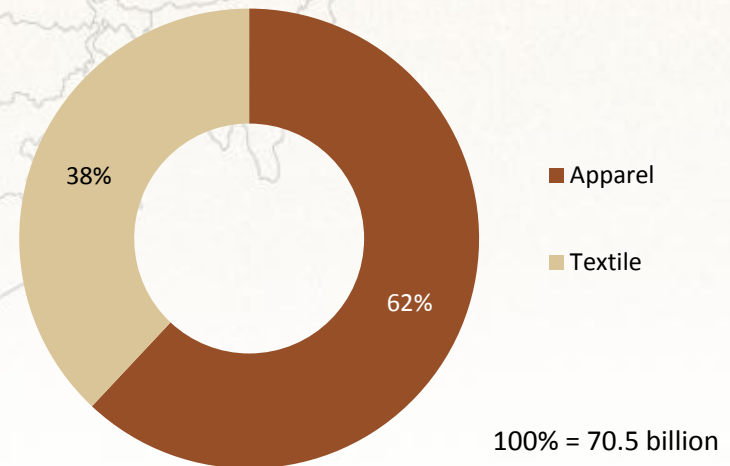


Source: Technopak, Aranca Research

Market size recording healthy growth ... (2/2)

- Apparel, the largest contributor to textile market share, accounted for 62 per cent of the total market share in 2009
- Textile contributed 38 per cent to the total share

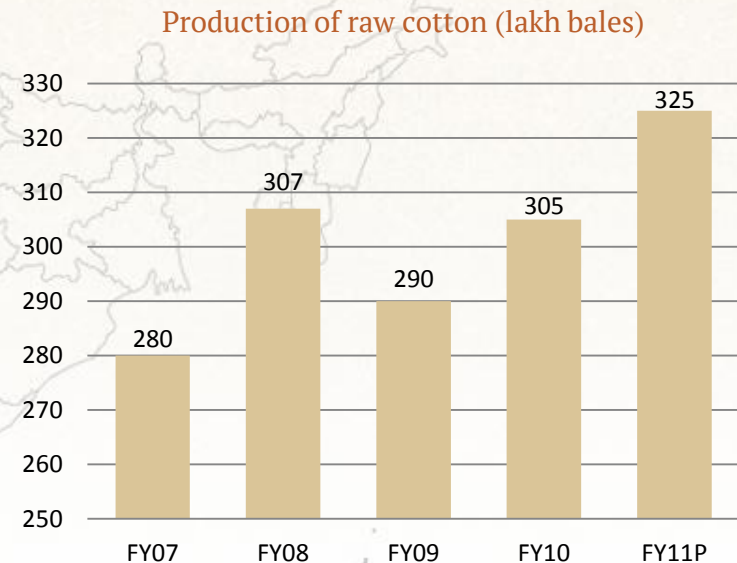
India's textile market share (%) – 2009



Source: Alok Industries Limited, Aranca Research

Production of manmade fibre outpaced production of cotton ... (1/2)

- Production of raw cotton grew to 325 lakh bales in FY11 from 280 lakh bales in FY07
- CAGR of raw cotton production was 3.8 per cent during the period



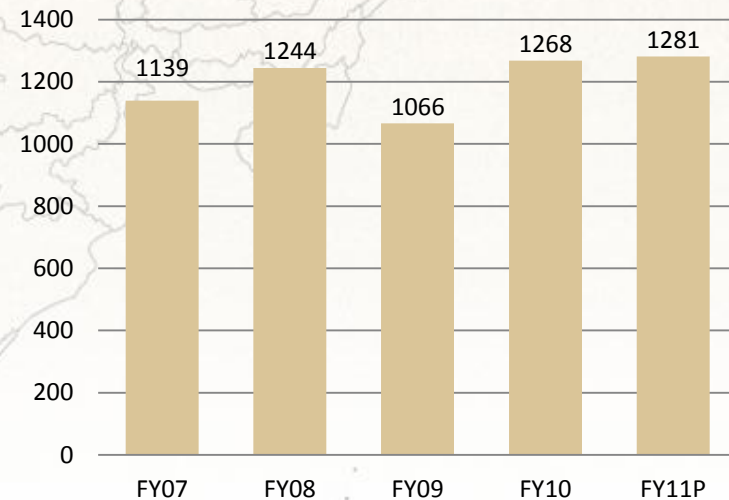
Source: Ministry of Textiles, Aranca Research

- Raw cotton and man-made fibres are the major segments in this category
- Raw wool and raw silk are the other components – their production levels are much lower

Production of manmade fibre outpaced production of cotton ... (2/2)

- Production of man-made fibre rose to 1,281 million kgs in FY11 from 1139 million kgs in FY07
- CAGR of production of man-made fibre during the period was 3 per cent

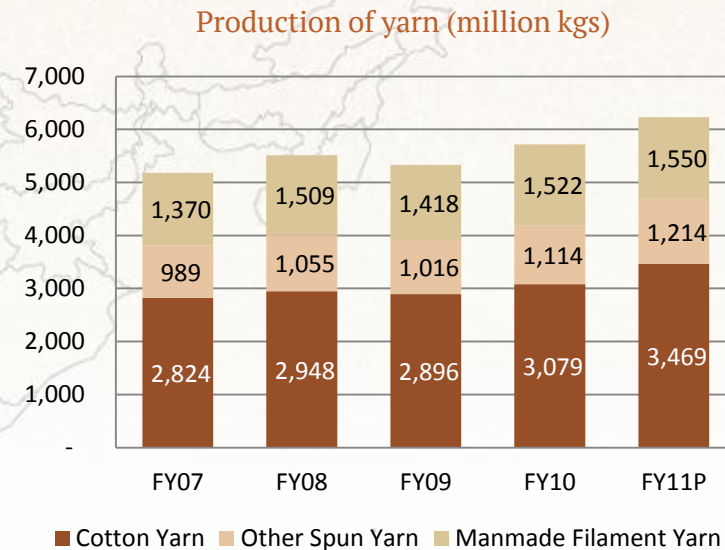
Production of man-made fibre (million kgs)



Source: Ministry of Textiles, Aranca Research
Note: P = Provisional

Cotton is the major segment in both yarn and fabric ... (1/2)

- Production of yarn grew to 6,233 million kgs in FY11 from 5,183 million kgs in FY07
- Cotton yarn, the major segment, accounted for 55 per cent in FY11

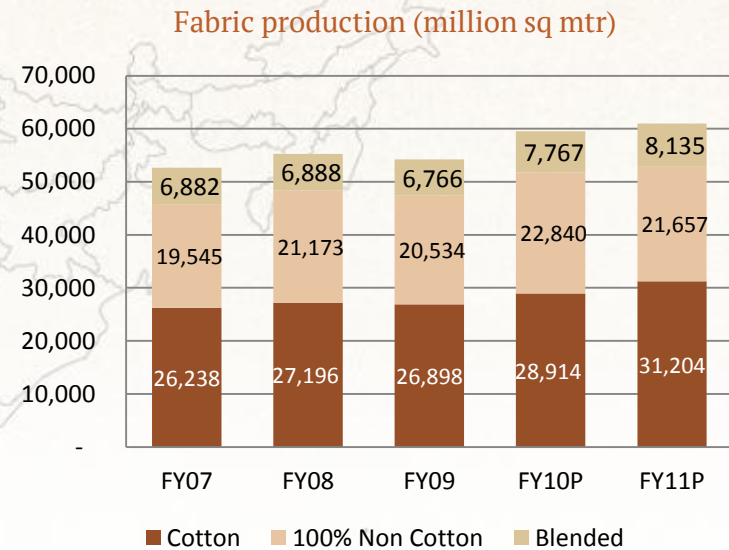


Source: Ministry of Textiles, Aranca Research

Cotton is the major segment in both yarn and fabric ... (2/2)

- Fabric production rose to 60,996 million sq mtr in FY11 from 52,665 million sq mtr in FY07
- Major segment is cotton yarn which accounted for 51 per cent in FY09

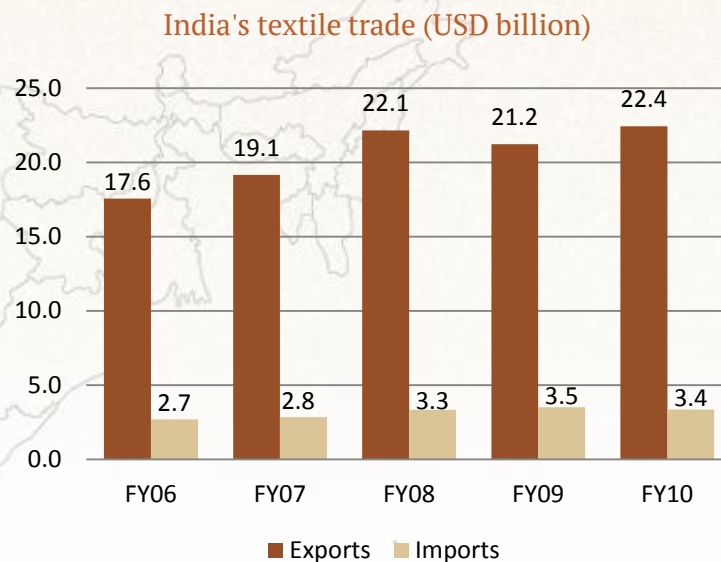
Notes: Sq Mtr is Square meter



Source: Ministry of Textiles, Aranca Research

Exports have posted strong growth over the years ... (1/2)

- Exports grew to USD22.4 billion in FY10 from USD17.6 billion in FY06
- India's textile trade is dominated by exports with a CAGR of 6.3 per cent during the same period



Source: Ministry of Textiles, Aranca Research

Exports have posted strong growth over the years ... (2/2)

- Readymade garments, the major contributor to exports, accounts for 45 per cent
- Cotton and man-made textiles contributes 25 per cent and 18 per cent of exports, respectively



Source: Ministry of Textiles, Aranca Research
Note: Others include coir & coir manufacturers and jute

Key players in the industry

	Company	Business areas
	Welspun India Ltd	Home textiles, bathrobes, terry towels
	Vardhman Group	Yarn, fabric, sewing threads, acrylic fiber
	Alok Industries Ltd	Home textiles, woven and knitted apparel fabric, garments and polyester yarn
	Raymond Ltd	Worsted suiting, tailored clothing, denim, shirting, woollen outerwear
	Arvind Mills Ltd	Spinning, weaving, processing and garment production (denims, shirting, khakis and knitwear)
	Bombay Dyeing & Manufacturing Company Ltd	Bed linen, towels, furnishings, fabric for suits, shirts, dresses and saris in cotton and polyester blends
	Garden Silk Mills Ltd	Dyed and printed fabric

Notable trends in the Indian textile sector

Increasing investment in TUFS

- The Ministry of Textiles is encouraging investments through increasing focus on schemes such as TUFS and cluster development activities
- Investments under TUFS increased to USD43 billion in FY10, with spinning accounting for the largest share of 33 per cent

Multi-Fibre Arrangement (MFA)

- With the expiry of MFA in January 2005, cotton prices in India are now fully integrated with international rates

Public-Private Partnership (PPP)

- The Ministry of Textiles commenced an initiative to establish institutes under the public-private partnership (PPP) model to encourage private sector participation in the development of the industry

Technical textiles

- Technical textiles, growing at around twice the rate of textiles for clothing applications, now account for more than half of total textile production

Textiles and Apparel

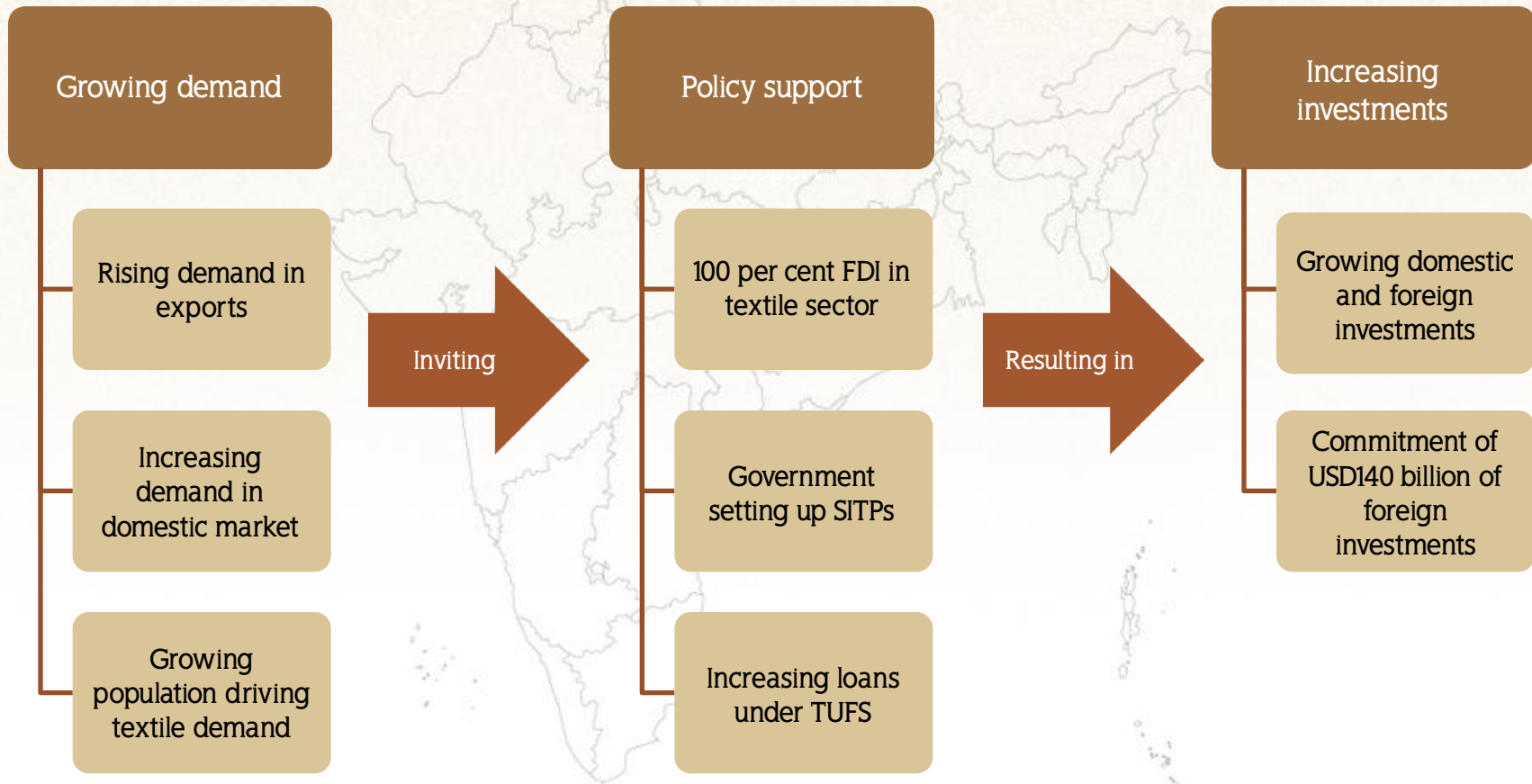
NOVEMBER
2011

Contents

- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Raymond, Alok Industries
- ❖ Opportunities
- ❖ Useful information

For updated information, please visit www.ibef.org

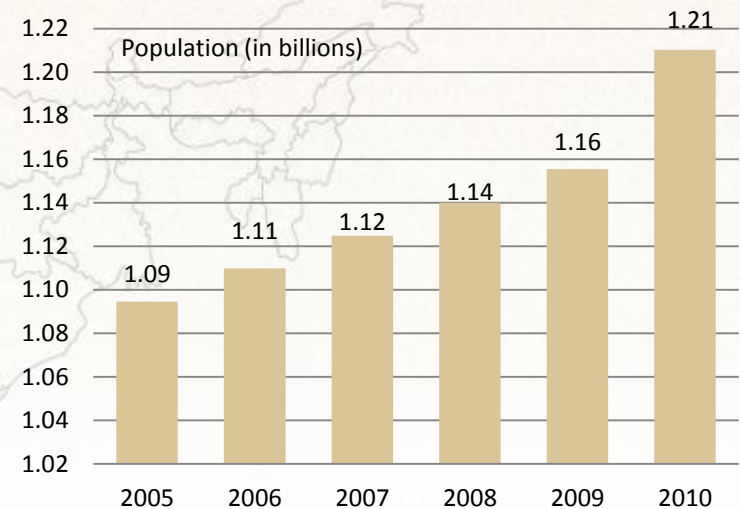
Strong demand and policy support driving investments



Demographics, rising incomes driving domestic demand ... (1/2)

Favourable demographics

- Growing population is driving textile consumption growth
- A young population is behind the growing demand for readymade garments
- Increase in female working population

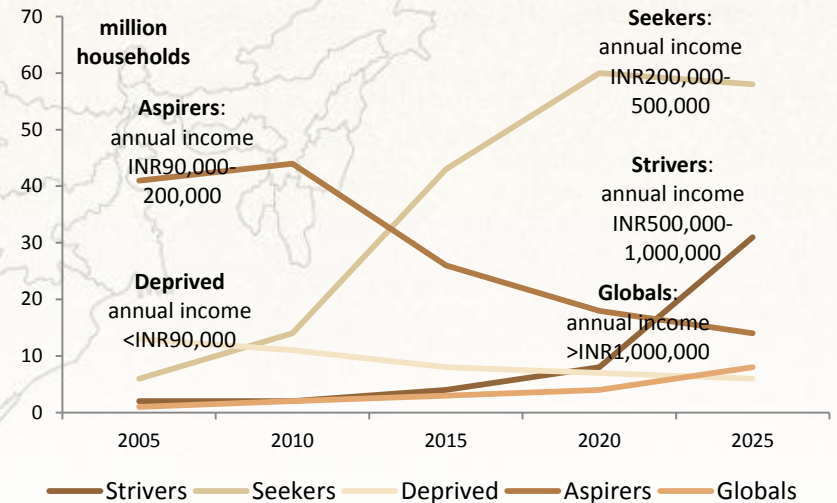


Source: WTO Report 2010, Aranca Research

Demographics, rising incomes driving domestic demand ... (2/2)

Rising incomes, growing middle class

- Growing per-capita incomes
- Increasing rural incomes
- Rising middle class: Size of the middle class is forecasted to rise to 550 million by 2025 from 50 million in 2010

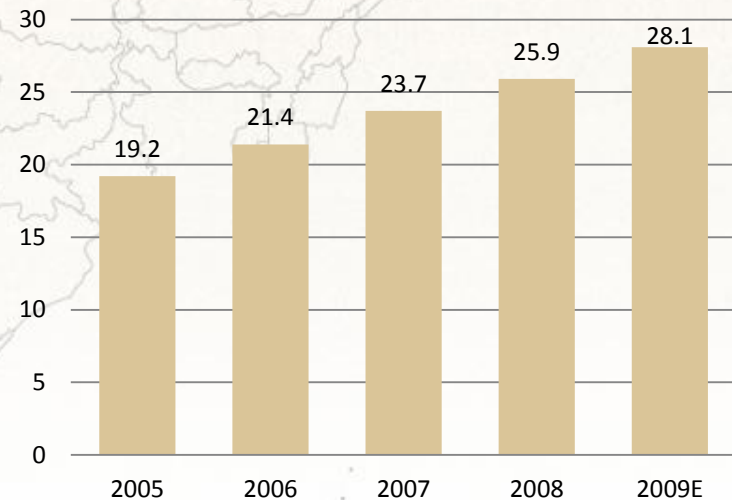


Source: McKinsey Quarterly, Aranca Research

Exporters gaining from strong global demand ... (1/2)

- Indian apparel industry grew from USD19.2 billion in 2005 and was estimated to grow to USD28.1 billion in 2009
- CAGR of the Indian apparel industry during the period was 10 per cent

India apparel retail industry value (USD billion)

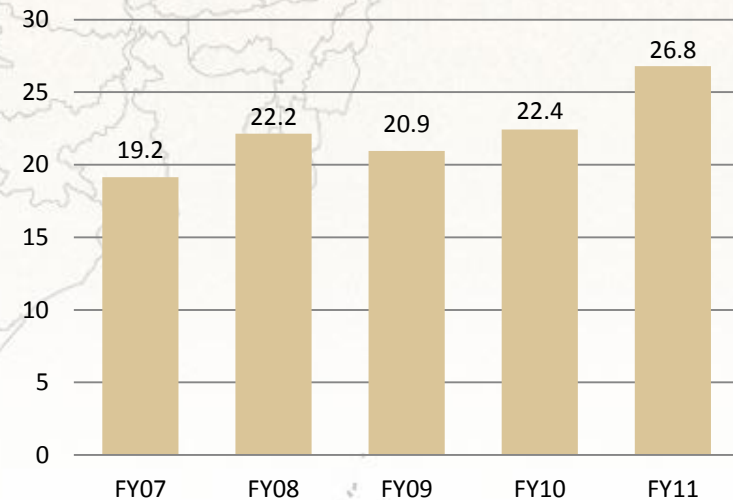


Source: Datamonitor, Aranca Research

Exporters gaining from strong global demand ... (2/2)

- Capacity built over years led to low cost per unit that made Indian players more competitive
- Increasing outsourcing was experienced over years as Indian players moved from converters to vendor partners of global retail giants

Growing demand in Exports (USD billion)



Source: Ministry of Textiles, Aranca Research

Policy support has been a key ingredient to growth

Technology Upgradation Fund Scheme (TUFS)

- TUFS infused an investment of more than USD43 billion until June 2010
- Investment was made to promote modernisation and upgradation of the textile industry by providing credit at reduced rates to organised and unorganised players

National Textile Policy - 2000

- The policy was introduced for the overall development of textile industry
- Key areas of focus include technological upgrades, enhancement of productivity, product diversification and financing arrangements

Foreign Direct Investment

- FDI of up to 100 per cent is allowed in the textile sector through the automatic route

Scheme for Integrated Textiles Parks (SITP)

- SITP is established in order to provide necessary support infrastructure to new textile units
- The 11th Five Year Plan (2007–12) outlay for the textile and apparel sector has been fixed at USD2.9 billion

Textile SEZs in India

Name of SEZ and status	State	Area (hectares)	Sector	Details
Mahindra City SEZ (Functional)	Tamil Nadu	607.1	Apparel and fashion accessories	Mahindra City is India's first integrated business city, divided into business and lifestyle zones. It is a cluster of three sector specific SEZs in Tamil Nadu, for apparels and fashion accessories; IT and hardware; and auto ancillary. The business zone provides plug-n-play working spaces. This zone comprises a SEZ (primarily for exporters) and domestic tariff area (DTA) for companies targeting domestic market.
Surat Apparel Park (Functional)	Gujarat	56.0	Textiles	Key industrial units include Safari Exports, Venus Garments, Benchmark Clothings, P. K. International, Tormal Prints, J.R. Fashion and Ganga Export.
Brandix India Apparel City (BIAC) (Functional)	Andhra Pradesh	404.7	Textiles	BIAC is an integrated apparel supply chain city, managed by Brandix Lanka Ltd. It aims to be a end-to-end apparel solution provider.
(KIADB) (Functional)	Karnataka	16129.0	Several sectors	Karnataka Industrial Areas Development Board (KIADB) is a wholly owned infrastructure agency of Government of Karnataka. Till date, KIADB has formed 132 industrial areas spread all over the state.

Source: Aranca Research
 Note – KIADB - Karnataka Industrial Areas Development Board
 SEZ – Special Economic Zone

Foreign investments flowing in; M&A activity up ... (1/2)

- From January 2000 to June 2011, 482 M&A deals have taken place
- The top five M&A deals* are listed below

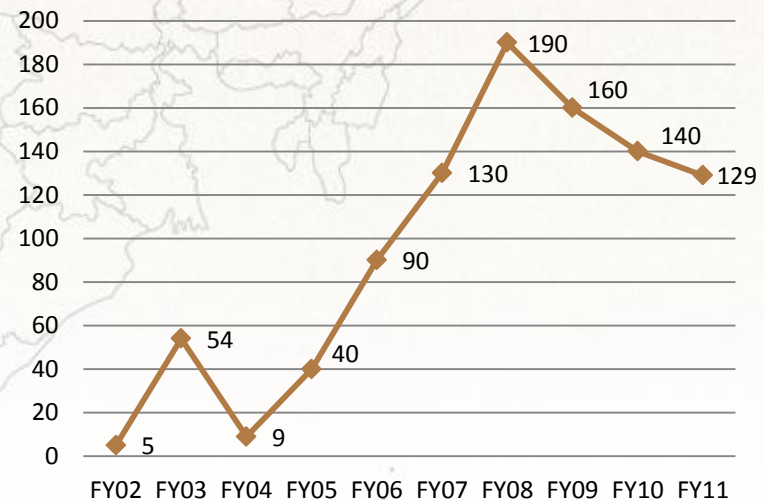
M&A scenario — details Period : 1 January 2000 to 30 June 2011			
Top 5 deals	Acquirer Name	Target Name	Largest deal (USD mn)
1	Krishnaa Glass Pvt Ltd	Soma Textiles & Inds Ltd	6001.5
2	AAA United BV	Bombay Rayon Fashions Ltd	968.0
3	BR Machine Tools Pvt Ltd	Bombay Rayon Fashions Ltd	721.1
4	Group of investors	Provogue (India)Ltd	526.9
5	Spentex Industries Ltd	Indo Rama Textiles Ltd	447.6

Sources: "M&A," Thompson ONE Banker, Aranca Research
Notes - * The value for 290 deals were not disclosed

Foreign investments flowing in; M&A activity up ... (2/2)

- FDI in the textile industry stood at USD 129 million in FY11
- CAGR of FDI in the sector during the period was 60.3 per cent

Growing FDI in textile industry (In USD million)



Source: Ministry of Commerce and Industry, Aranca Research

Textiles and Apparel

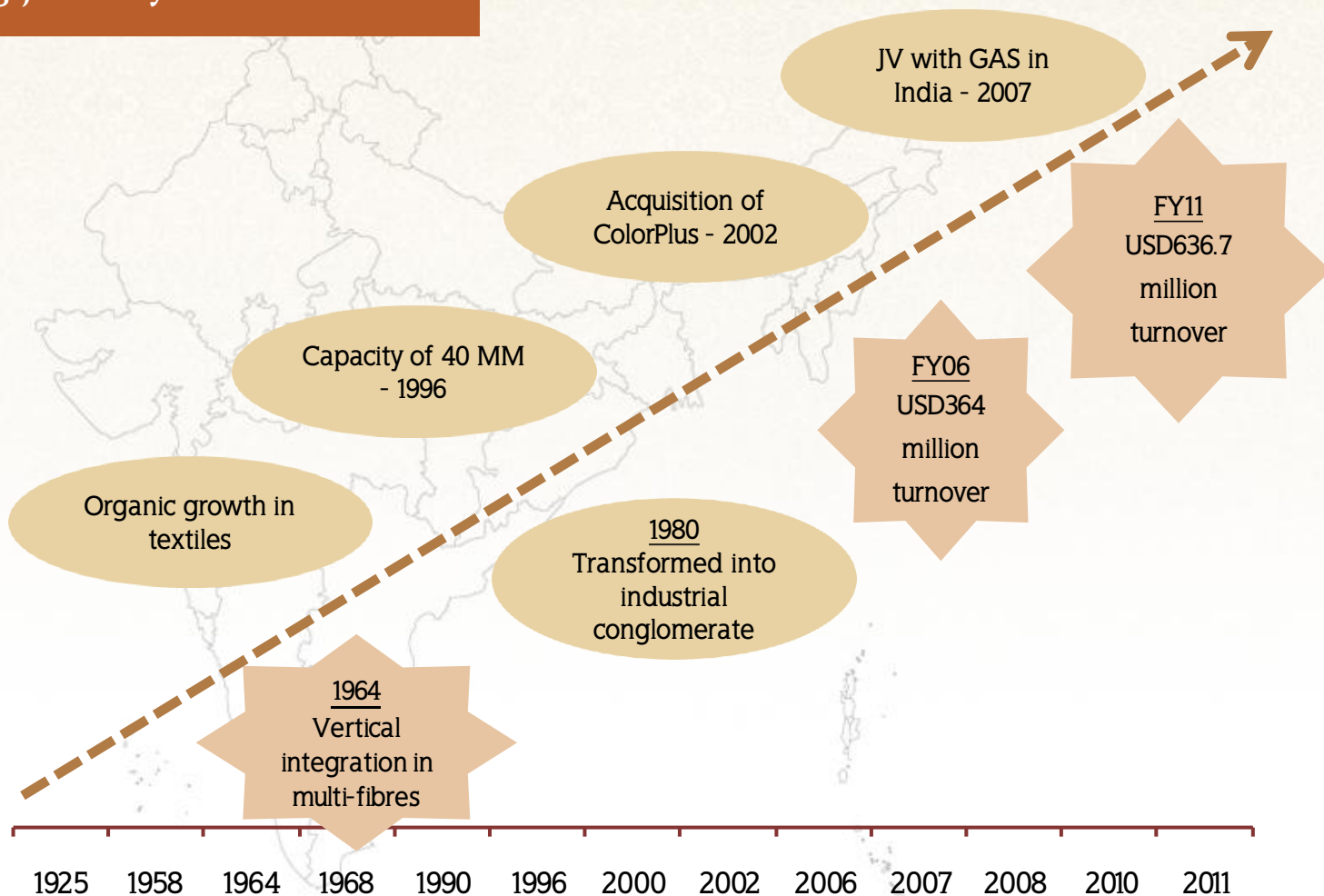
NOVEMBER
2011

Contents

- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Raymond, Alok Industries
- ❖ Opportunities
- ❖ Useful information

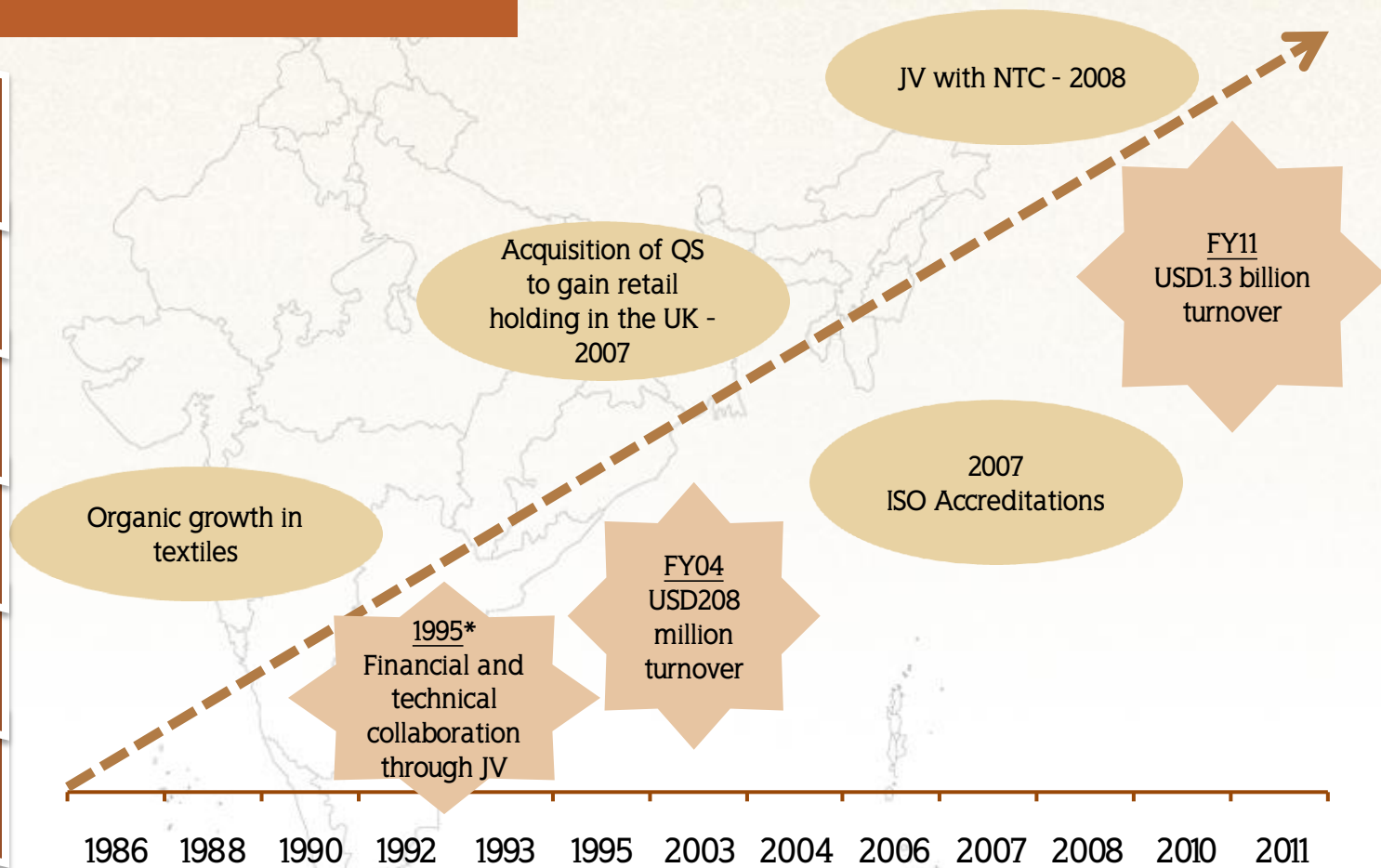
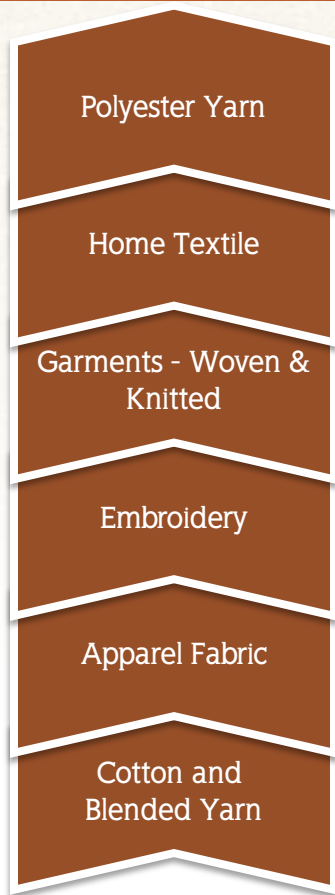
For updated information, please visit www.ibef.org

Raymond: A long journey of success



Notes: JV – Joint Venture
MM – Million Meters

Alok Industries: Integrated textile solutions



Notes: NTC - National Textile Corporation

*In 1995 Alok industries had sets up financial and technical collaboration with Grabal, Albert Grabher GmbH & Co of Austria to make embroidered products through a joint venture company, Grabal Alok Impex Ltd

Textiles and Apparel

NOVEMBER
2011

Contents

- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Raymond, Alok Industries
- ❖ Opportunities
- ❖ Useful information

For updated information, please visit www.ibef.org

Opportunities ... (1/2)

Immense growth potential

- The Indian textile industry is set for strong growth, buoyed by both strong domestic consumption as well as export demand
- For the near term (2012), the sector is valued at USD110 billion by the Confederation of Indian Textile Industry (CITI)
- Estimates by the Alok Industries Ltd put the sector market value at USD220 billion by 2020

Private sector participation in silk production

- The Central Silk Board has set a target of 26,000 tonnes of raw silk production by 2011–12
- To achieve these targets, alliances with the private sector, especially major agro-based industries in pre-cocoon and post-cocoon segments, is being encouraged

Technical textiles

- Technical textile market was estimated at USD10.5 billion in 2009
- India's technical textile industry is mainly dominated by unorganised players. However, it is an emerging area for investment with good growth potential
- The market is likely to grow to USD31 billion by 2020, implying a CAGR of 10 per cent

Opportunities ... (2/2)

Retail sector offers growth potential

- With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with several international players like Marks & Spencer, Guess and Next having entered Indian market
- The organised apparel segment is expected to grow at a compound annual growth rate (CAGR) of more than 13 per cent over a 10-year period

Centres of Excellence (CoE) for research and technical training

- The CoEs are aimed at creating testing and evaluation facilities as well as developing resource centres and training facilities
- Existing four CoEs, BTRA for Geotech, SITRA for Meditech, NITRA for Protech and SASMIRA for Agrotech, would be upgraded in terms of development of incubation centre and support for development of prototypes
- Further fund support would be provided for appointing experts to develop these facilities

Foreign investments

- The government is taking initiatives to attract foreign investments in the textile sector through promotional visits to countries such as Japan, Germany, Italy and France

Notes: BTRA - The Bombay Textile Research Association
SITRA - South India Textile Research Association
NITRA - Northern India Textile Research Association
SASMIRA - Synthetic & Art Silk Mills Research Association

Textiles and Apparel

NOVEMBER
2011

Contents

- ❖ Advantage India
- ❖ Market overview and trends
- ❖ Growth drivers
- ❖ Success stories: Raymond, Alok Industries
- ❖ Opportunities
- ❖ Useful information

For updated information, please visit www.ibef.org

Industry Associations

The Textile Association (India) (TAI)

72-A, Santosh, Dr M B Raut Road, Shivaji Park, Dadar, Mumbai- 400 028
Telefax: 91 22 24461145
Website: www.textileassociationindia.org

The South India Textile Research Association (SITRA)

13/37, Avanashi Road, Coimbatore - 641 014, Tamil Nadu
Phone: 91 422 2574367, 6544188, 4215333
Fax: 91 422 2571896, 4215300
E-mail: sitraindia@dataone.in
Website: www.sitra.org.in

Northern India Textile Mills' Association (NITMA)

121, Gagandeep Building (First Floor), 12, Rajendra Palace, New Delhi- 110 008
E-mail: nitma@vsnl.net, nitma@airtelmail.in
Website: www.nitma.org

Glossary ... (1/2)

- **BTRA:** Bombay Textile Research Association
- **CAGR:** Compound Annual Growth Rate
- **FDI:** Foreign Direct Investment
- **FY:** Indian financial year (April to March)
- **GOI:** Government of India
- **INR:** Indian Rupee
- **NITRA:** Northern India Textile Research Association
- **NTC:** National Textiles Corporation
- **NTP:** National Textile Policy
- **SASMIRA:** Synthetic & Art Silk Mills Research Association
- **SEZ:** Special Economic Zone
- **SITP :** Scheme for Integrated Textile Park

Glossary ... (2/2)

- **SITRA:** South India Textile Research Association
- **TUFS:** Technology Upgradation Fund Scheme
- **TMC:** Technology Mission on Cotton
- **USD:** US Dollar
 - Conversion rate used: USD1= INR48
- Wherever applicable, numbers have been rounded off to the nearest whole number

Disclaimer

India Brand Equity Foundation (IBEF) engaged Aranca to prepare this presentation and the same has been prepared by Aranca in consultation with IBEF.

All rights reserved. All copyright in this presentation and related works is solely and exclusively owned by IBEF. The same may not be reproduced, wholly or in part in any material form (including photocopying or storing it in any medium by electronic means and whether or not transiently or incidentally to some other use of this presentation), modified or in any manner communicated to any third party except with the written approval of IBEF.

This presentation is for information purposes only. While due care has been taken during the compilation of this

presentation to ensure that the information is accurate to the best of Aranca and IBEF's knowledge and belief, the content is not to be construed in any manner whatsoever as a substitute for professional advice.

Aranca and IBEF neither recommend nor endorse any specific products or services that may have been mentioned in this presentation and nor do they assume any liability or responsibility for the outcome of decisions taken as a result of any reliance placed on this presentation.

Neither Aranca nor IBEF shall be liable for any direct or indirect damages that may arise due to any act or omission on the part of the user due to any reliance placed or guidance taken from any portion of this presentation.