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# Indian Textile Industry: A Growth Perspective

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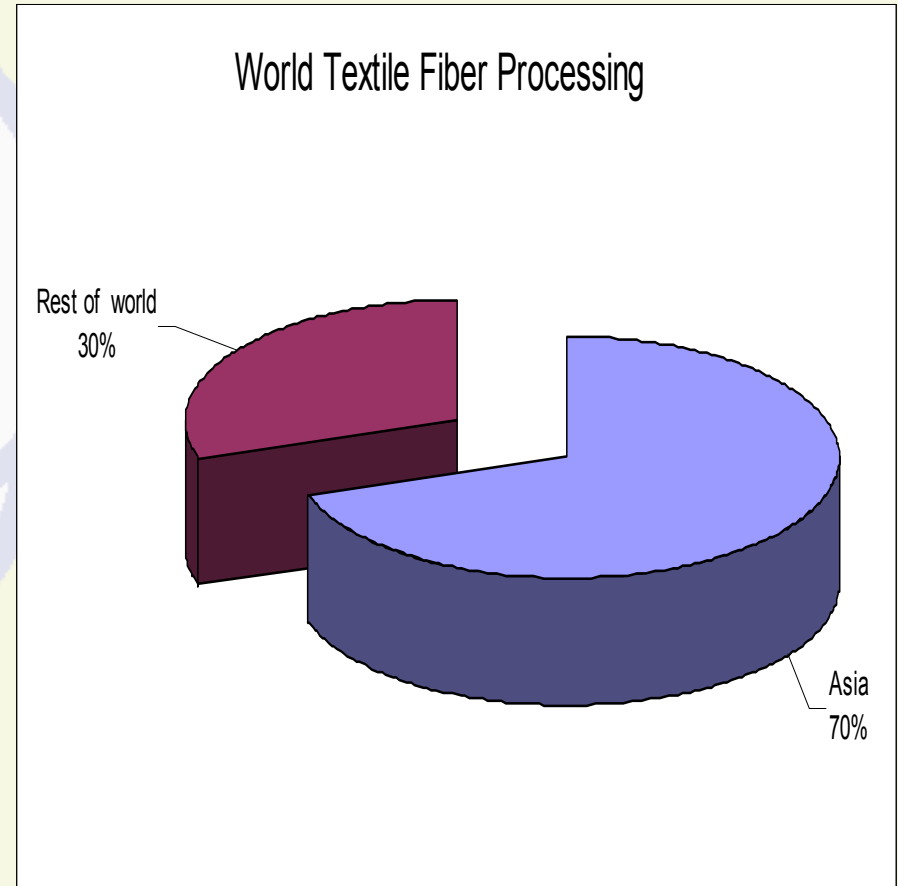
Singapore, March, 2010

# Indian Textile Industry: Growth Drivers

- o Global Opportunities
- o Domestic Policy Frame-Work
- o Manufacturing competitiveness

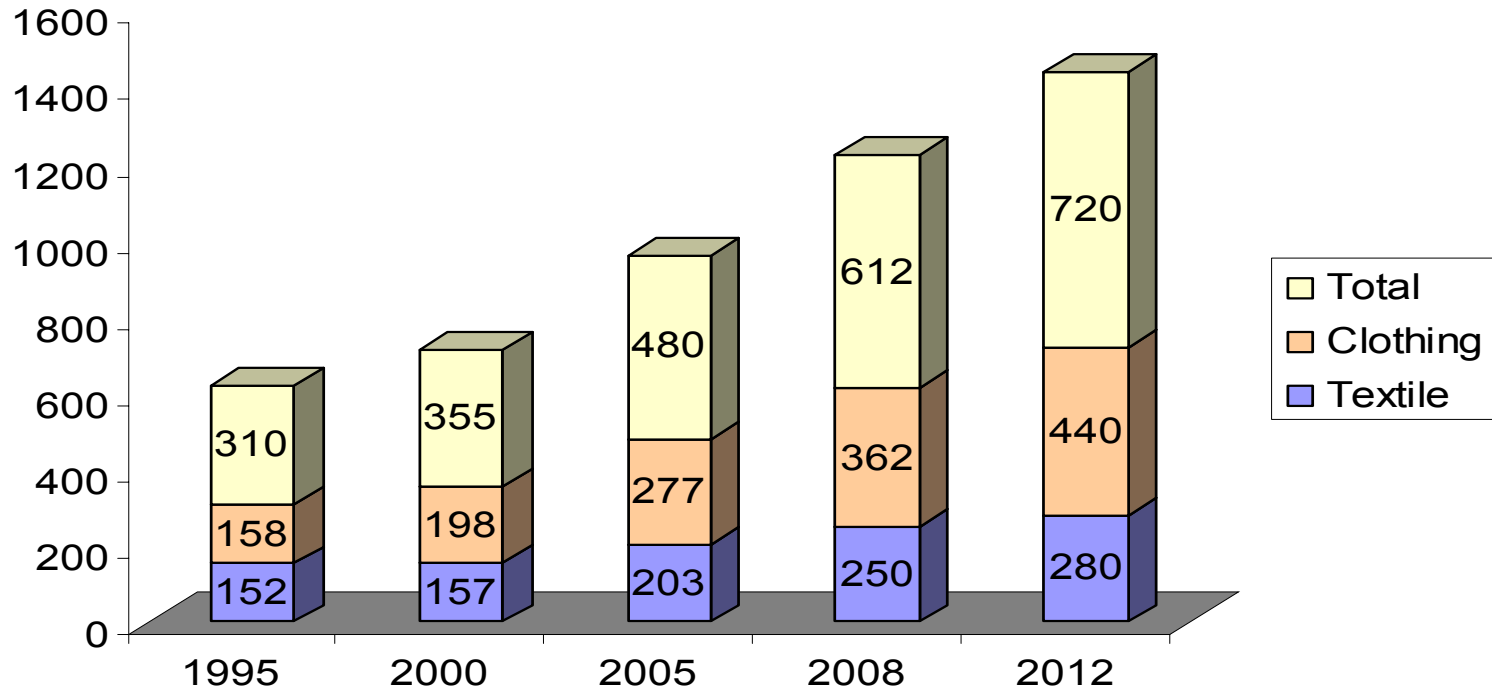
# The consolidation of textile manufacturing in Asia gives impetus to Indian Textile Industry growth

- 70 % of world fiber processing takes place in Asia.
- China, India and Pakistan account for 60% of world fiber consumption.
- Though Bangladesh and Vietnam have been emerging as competing textile economies. They depend on the imported textile inputs.
- Global retailers are preferring single point service helping integrating suppliers of textile and clothing.



# Growing world trade in textile and clothing offers significant opportunities for Indian T&C exports

**World Trade in Textiles and Clothing(USD bn)**



# World Trade in Textile and Clothing

- With removal of quantitative restrictions especially after 2002, India's textile and clothing exports grew at a higher rate during 2002-2007 in tandem with growth in world trade in T&C.

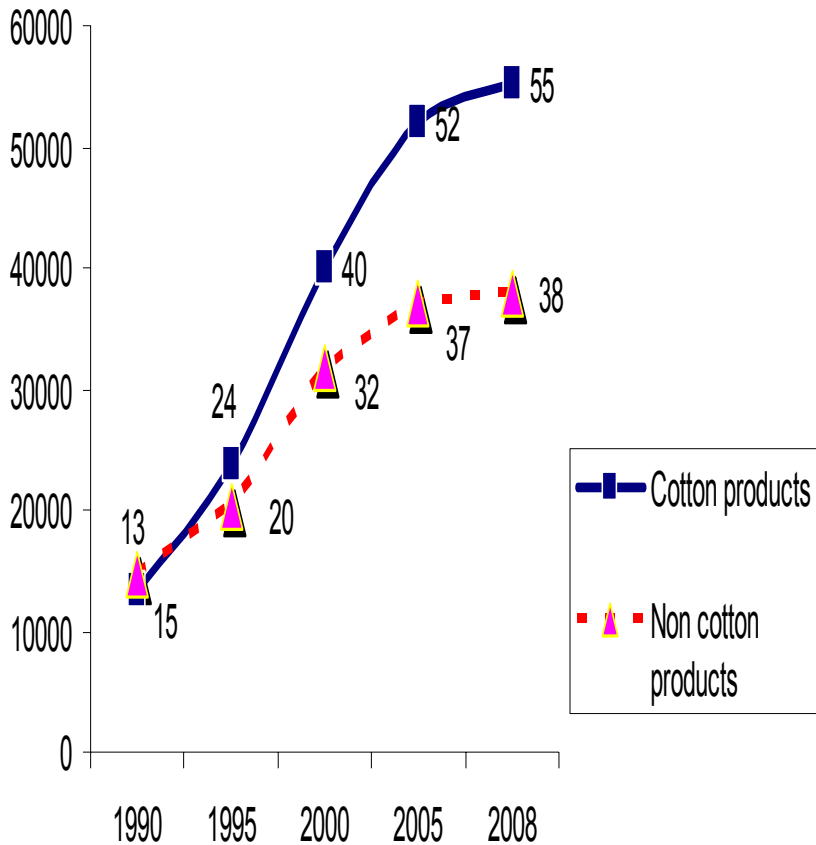
Comparative growth rate in World Trade in T&C(%)*			
	Textile	Clothing	T&C
1995-2002			
World	0.2%	4%	2%
India	4%	5%	4%
2002 -2007			
World	9%	11%	10%
India	11%	11%	11%

\*CAGR

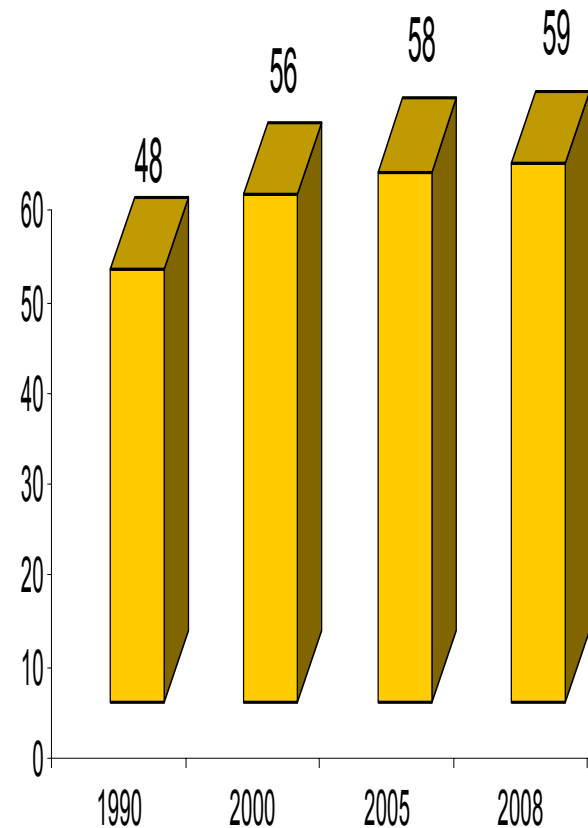
- India's T&C exports growth was lower than China, which registered 23% growth in T&C exports during 2002-2007. China exported \$171 bn T&C products against \$22 bn from India
- It indicates missed opportunities as well as scope for future growth

# Growing importance of cotton in world trade in textile and clothing is visible in USA T&C imports

USA: Textile and Clothing Imports( USD bn)



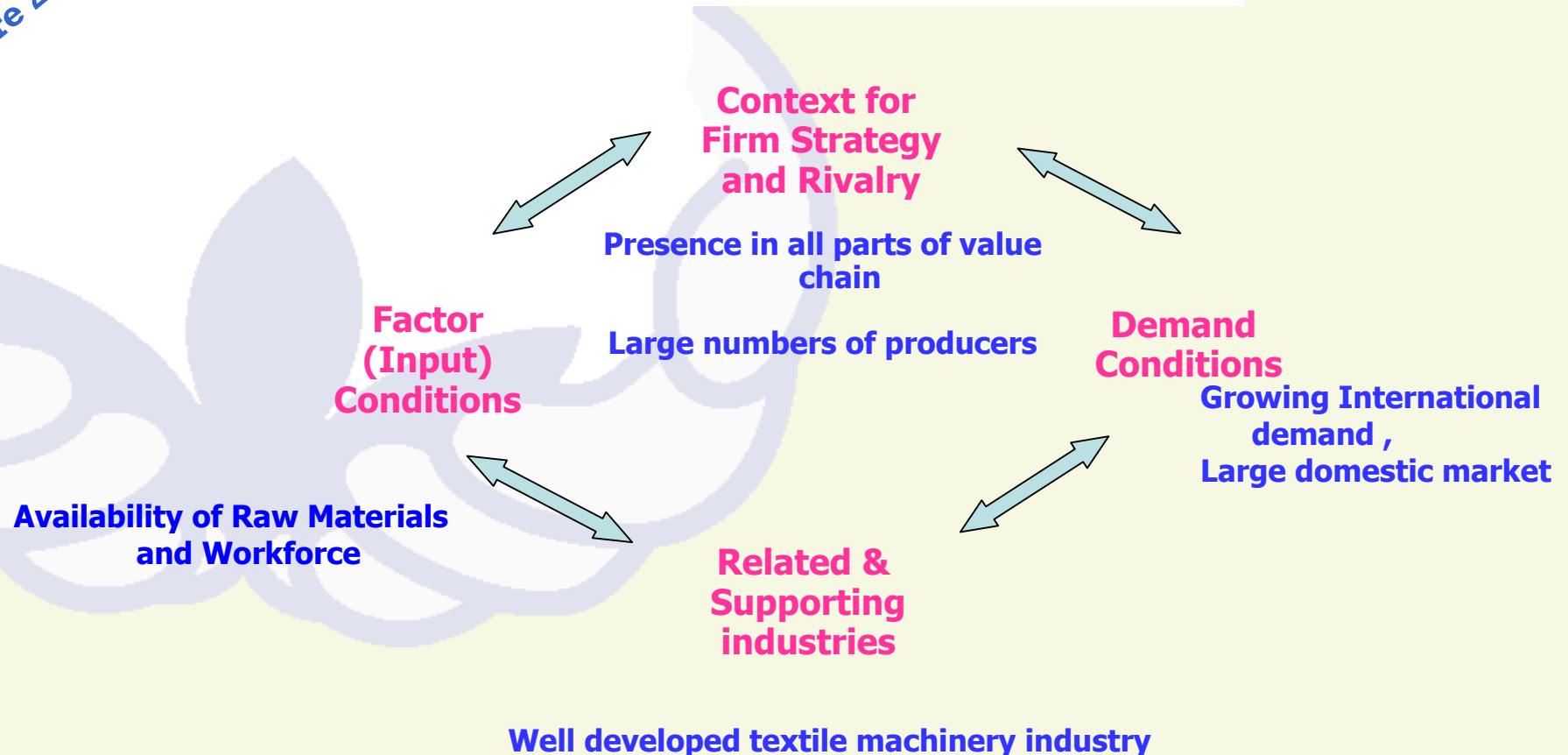
USA T&C imports: Percentage share of cotton products



# The Industry Structurally has a Significant Potential to Grow

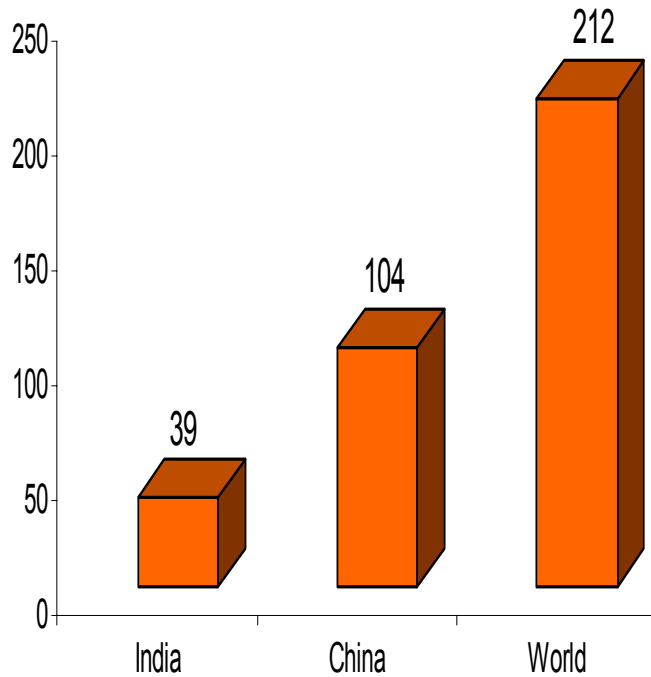
Attributes of India's Textile Industry which provides structural advantage to grow -

2010

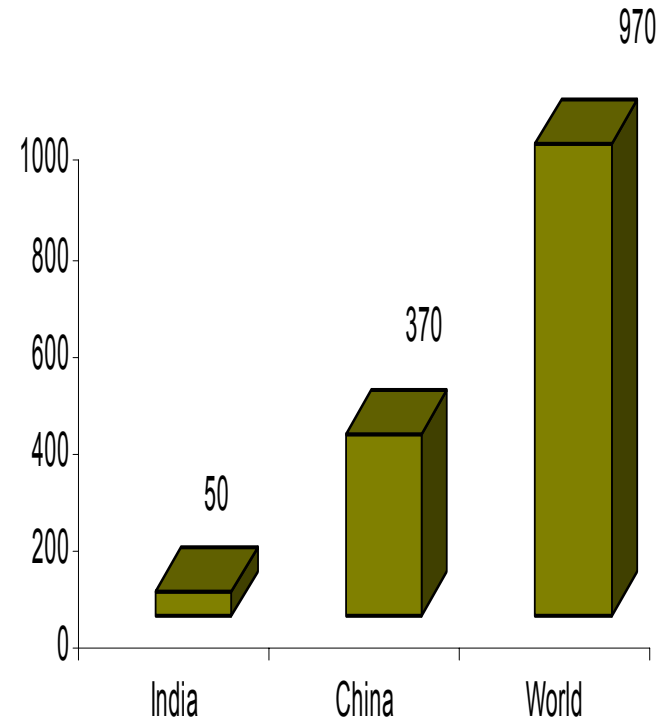


# India share in world installed capacity of spindles and shuttle-less looms

Spindles Installed capacity ( mn nos.)



Shuttle-less looms installed capacity(in 000 nos.)



# Breaking from the past legacy

- ▶▶ **Fragmented Industry Structure**
- ▶▶ **Low Level Of Technology**
- ▶▶ **Sub-scale Of Operations**

**Because of past policy distortion, the profitability and investments remained subdued in the past**

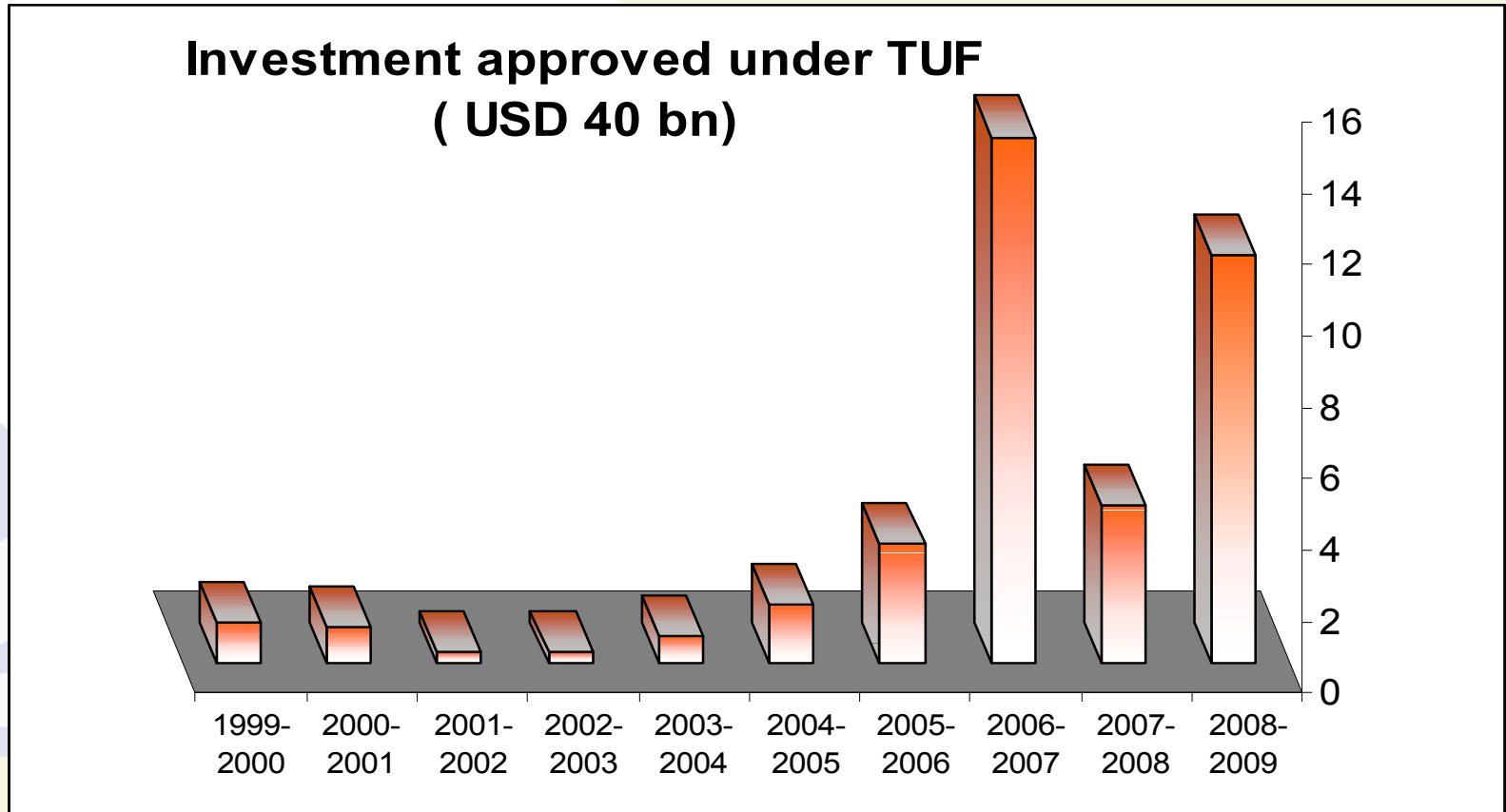


# Domestic policy frame work-Recent initiatives

- ✓ **Restoration of level playing field**
  - ▶ **Organised vs. unorganized sector**
  - ▶ **Small vs. large units**
  - ▶ **Unequal fiscal treatment has been abandoned**
- ✓ **Duty rationalization**
- ✓ **Technology upgradation fund(TUF)**
- ✓ **Reduction in import duty on most of textile machinery**
- ✓ **Capital subsidy for fabric processing**
- ✓ **Development of SEZ and apparel parks are put on fast track.**

Fiscal policy reforms refurbish the investment outlook of the industry

Textile industry committed efforts to harness the fundamental strengths are visible in growing investments



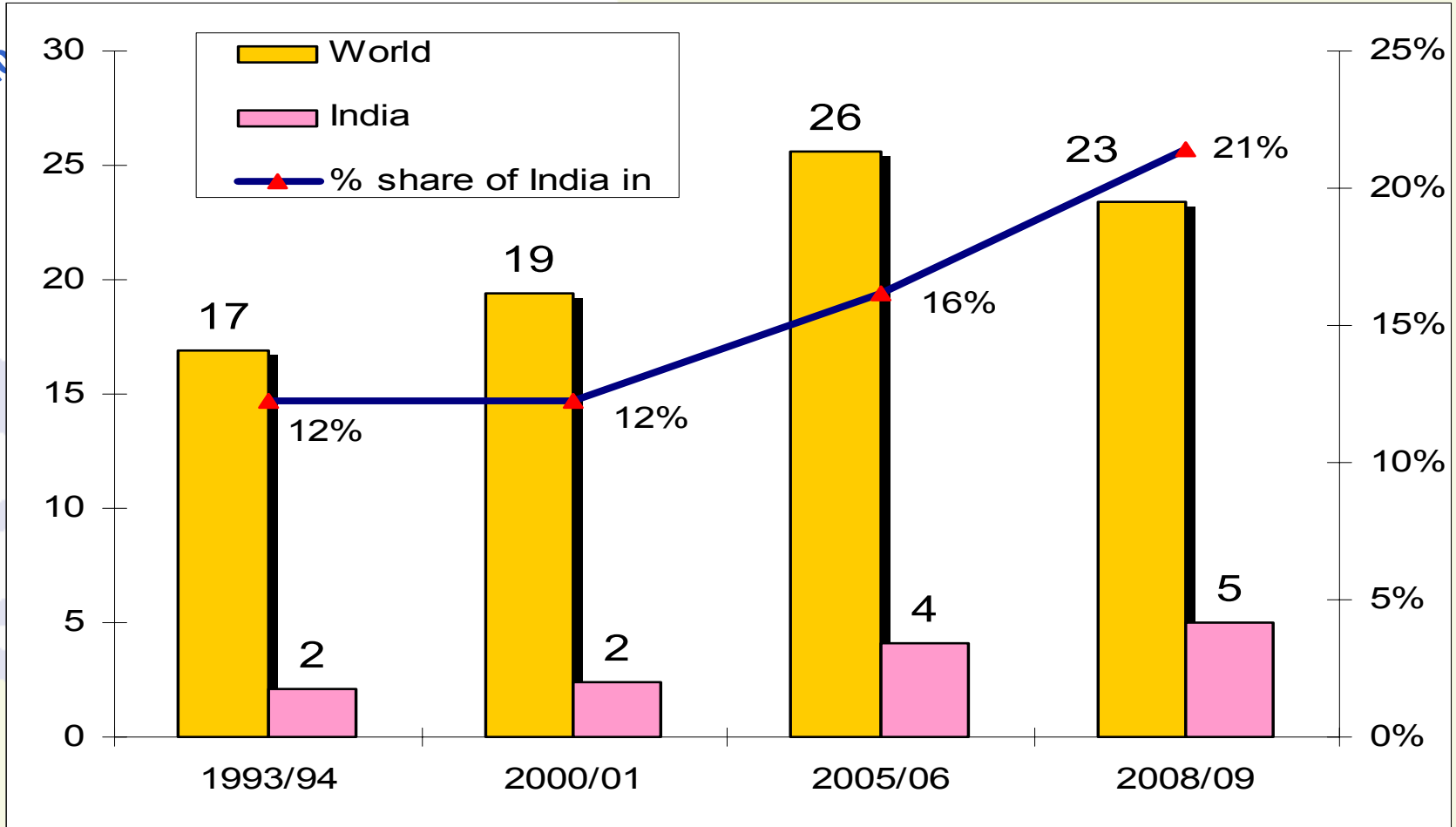
About equal amount of investment is projected in next 10 years

# Scope for future growth lies in fundamental strengths of the Indian Textile Industry

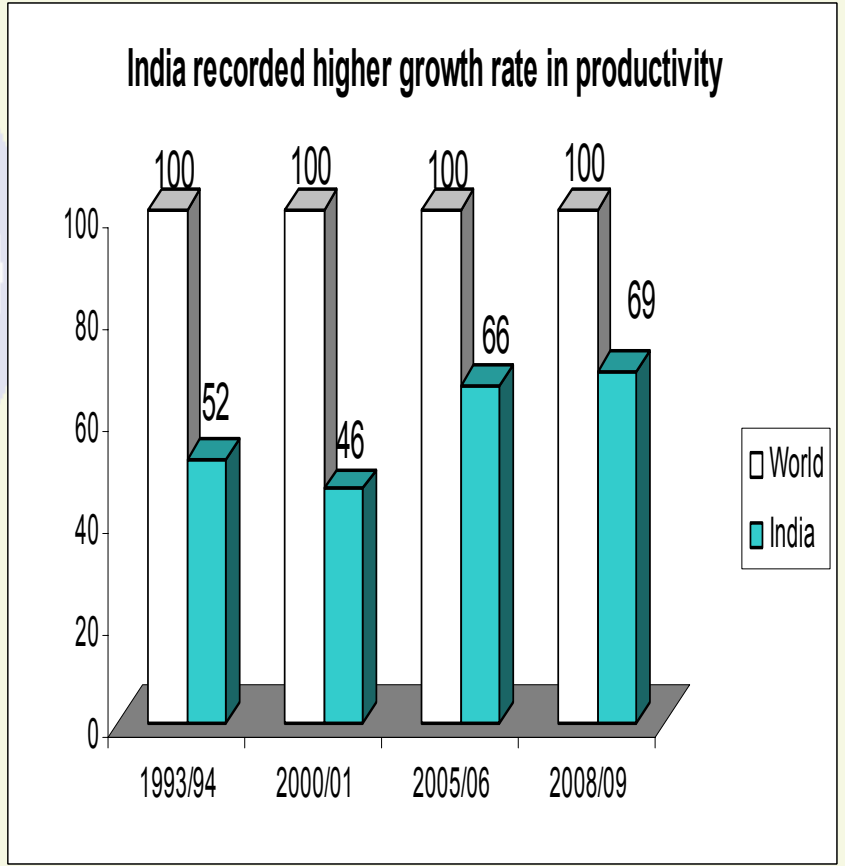
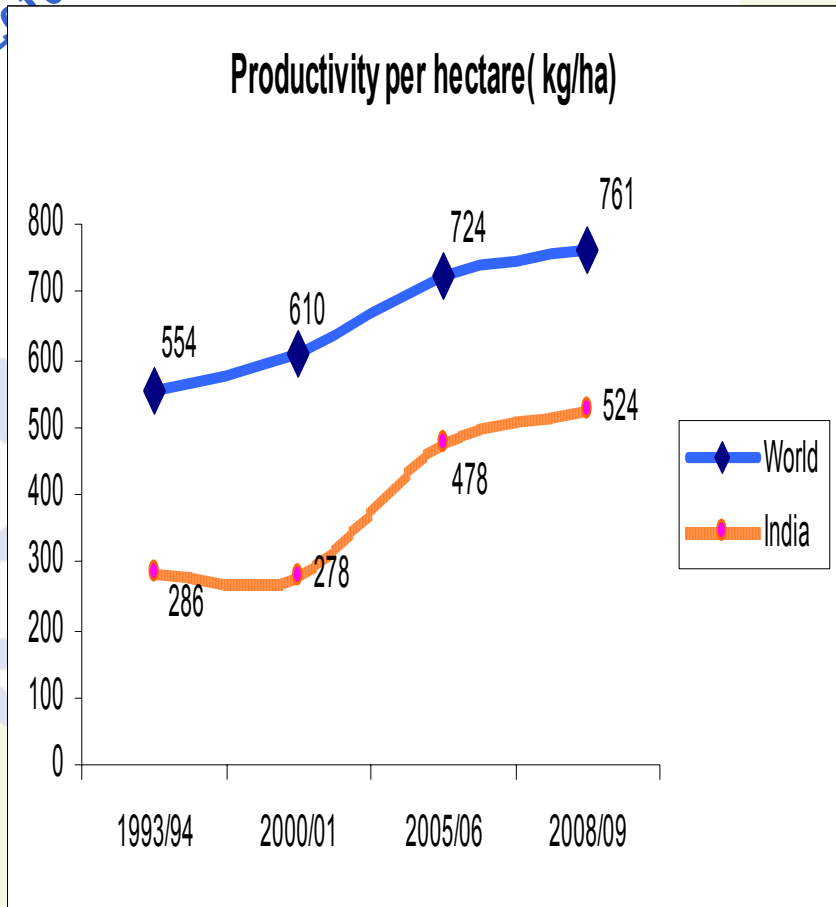
- ❑ Well integrated production base
- ❑ Wide range of Cotton / Spun yarn
- ❑ Strong base for Cotton , PSF and PFY
- ❑ Wide range of Cotton and Synthetic fabric
- ❑ Growing domestic market for high quality textiles
- ❑ Growing demand for Technical Textiles / Performance Fibres

# India's share in cotton production in the world is growing( mn tons)

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# The principle cause for higher cotton production is growing productivity( kg/ha)



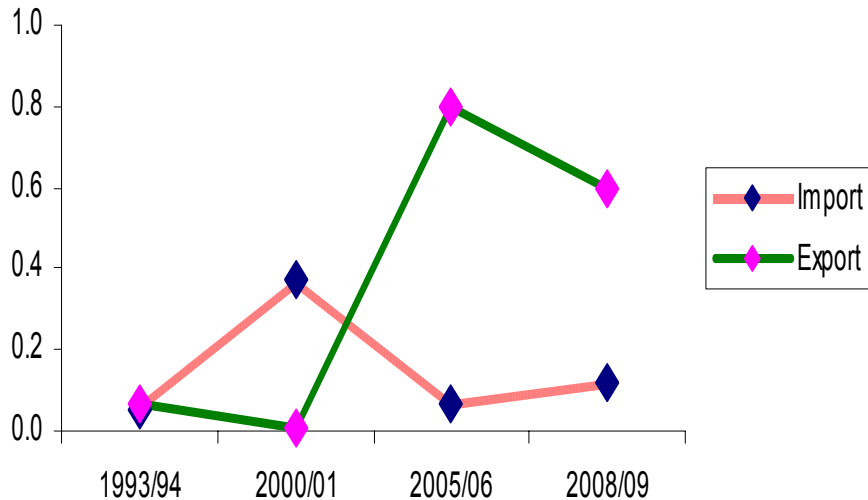
# Increasing cotton productivity : Village adoption program

- o The cotton yield in Punjab declined to very low level 300 kg/ha in 1999 leading to drop in cotton cultivation
- o Best yield award to cotton growers started in 2001
- o Village adoption program for increasing cotton productivity by improving cultivation practices and quality seed started in 2003
- o Cotton productivity grew to 700 kg/ha in Punjab
- o The model is all set to be replicated in rest of cotton producing States in India, which will give sustainable increase in productivity and cotton crop

# India: Foreign trade trends in cotton

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India: Import and export of cotton fiber( mn tons)



- The Indian cotton is attractive to foreign Buyers due to its peculiar characteristics
- Cotton constitutes a major part of imported cotton for manufacturing Higher counts

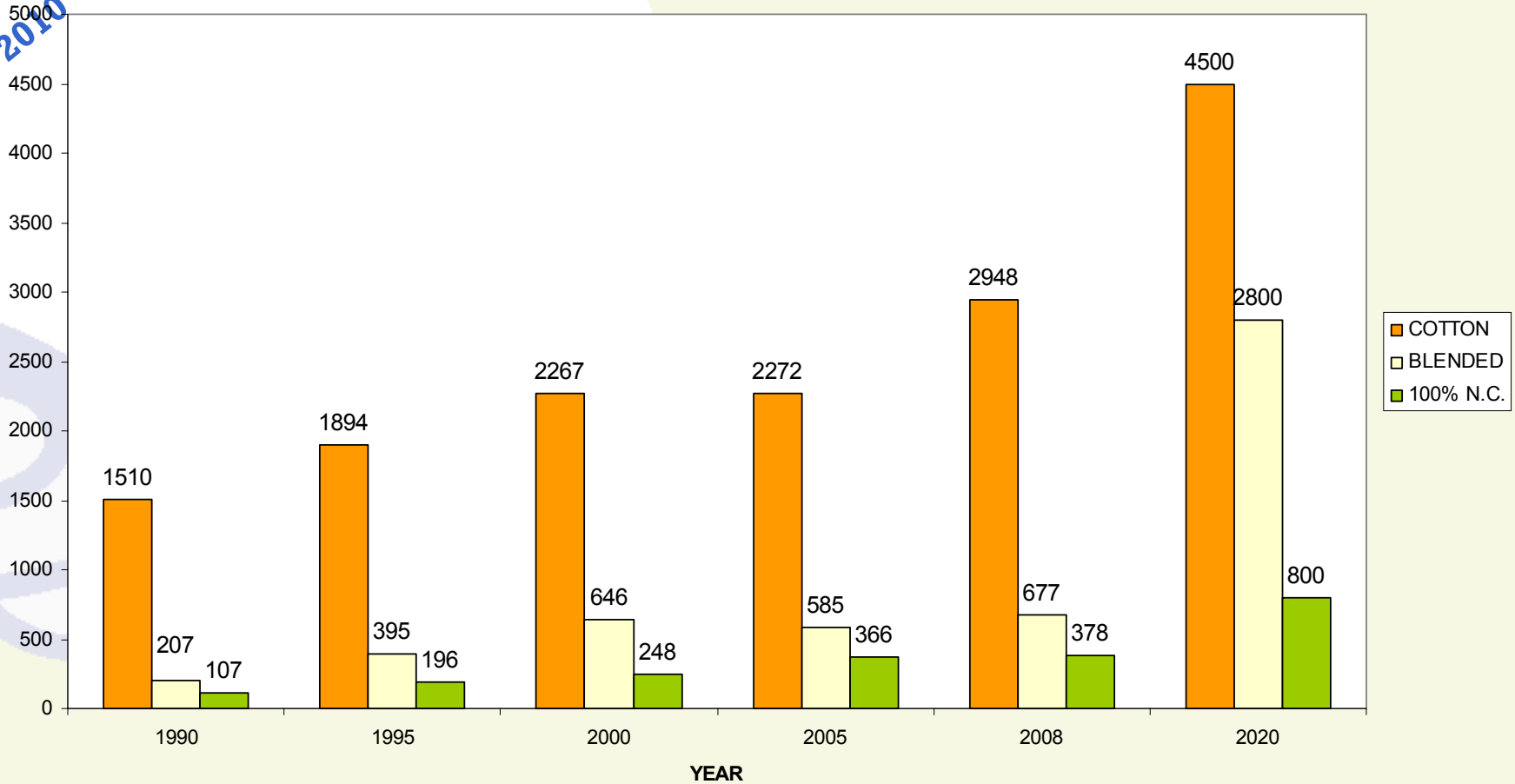
## COTTON ECONOMY OF INDIA OUTLOOK 2020

		2008	2020
Area under cotton cultivation- mn ha	mn hectare	10	10
Productivity	kg/ha	560	750
Production	mn tons	5.6	7.5
Consumption	mn tons	4	6.2
Cotton surplus	mn tons	1.6	1.3

# Cotton fiber place in Indian textile value chain will remain important

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PRODUCTION OF SPUN YARN (IN '000 TONNES)



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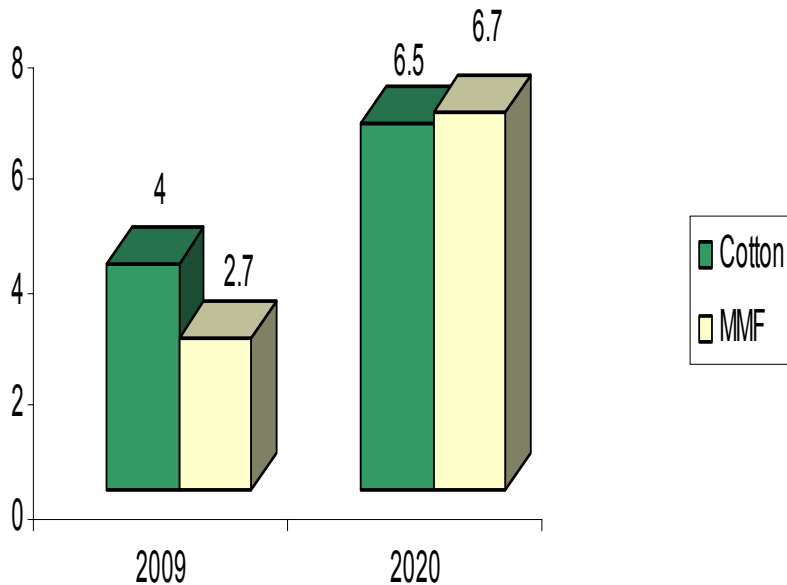
## India: MMF consumption projections( mn kg)

	2009	2020
PSF	651	1965
VSF	223	695
ASF	91	320
PPSF	3	9
PFY	1336	3500
VFY	44	136
NFY	30	111
PPFY	17	39
TOTAL	2395	6775

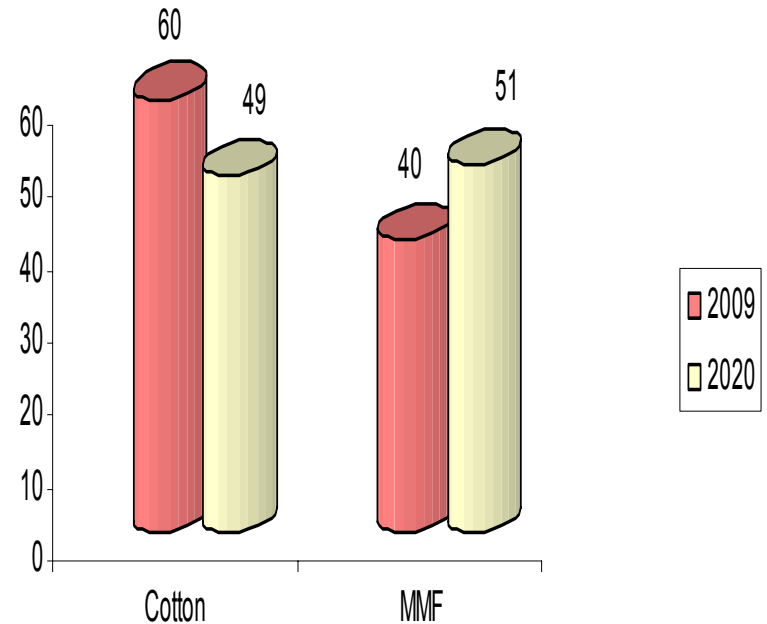
# INDIA: TEXTILE FIBER CONSUMPTION OUTLOOK 2020

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### Fiber consumption outlook-2020( mn tons)



### Composition of fiber consumption(% share)

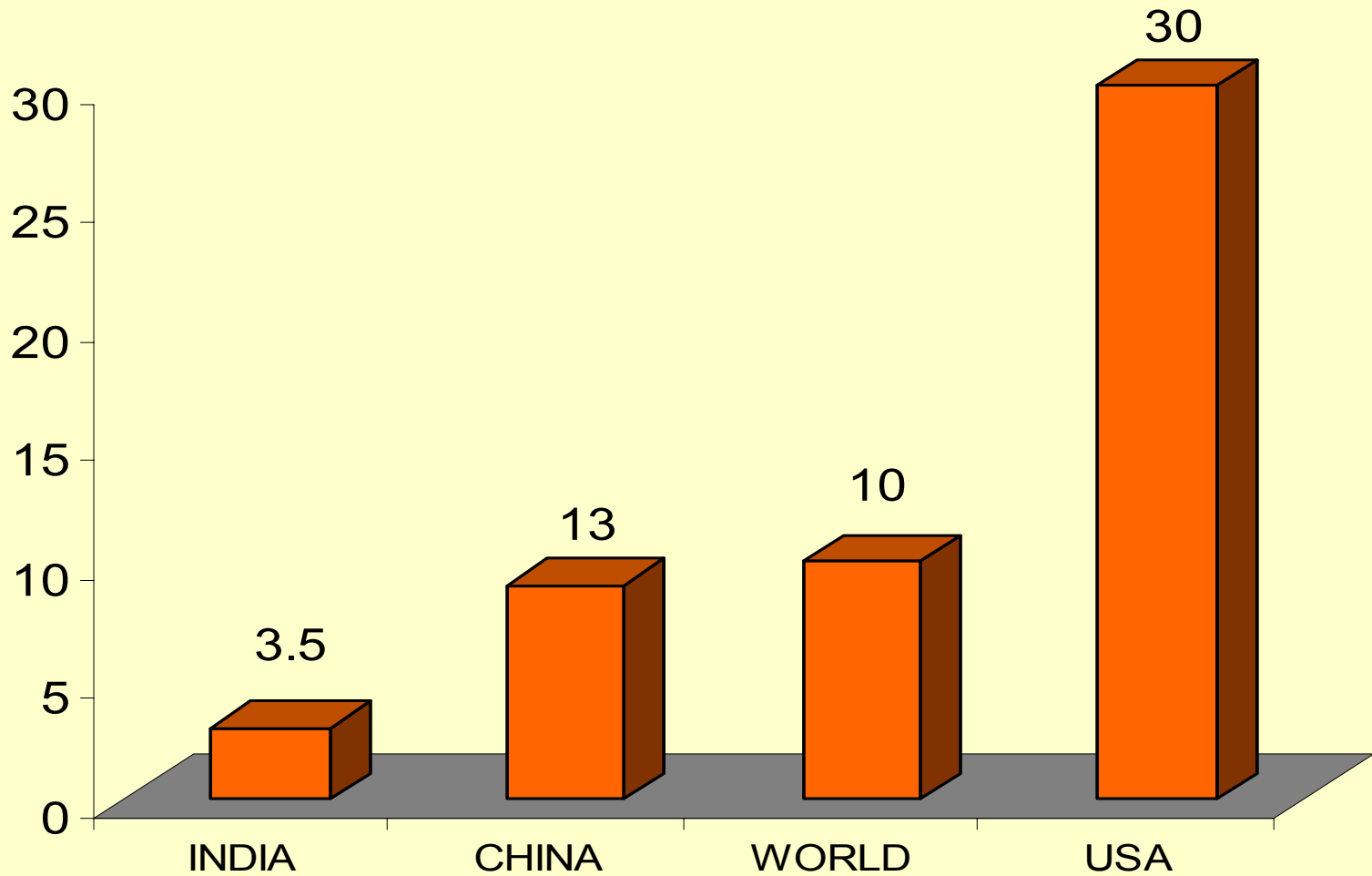


# Size of Indian Textile Industry-Exports

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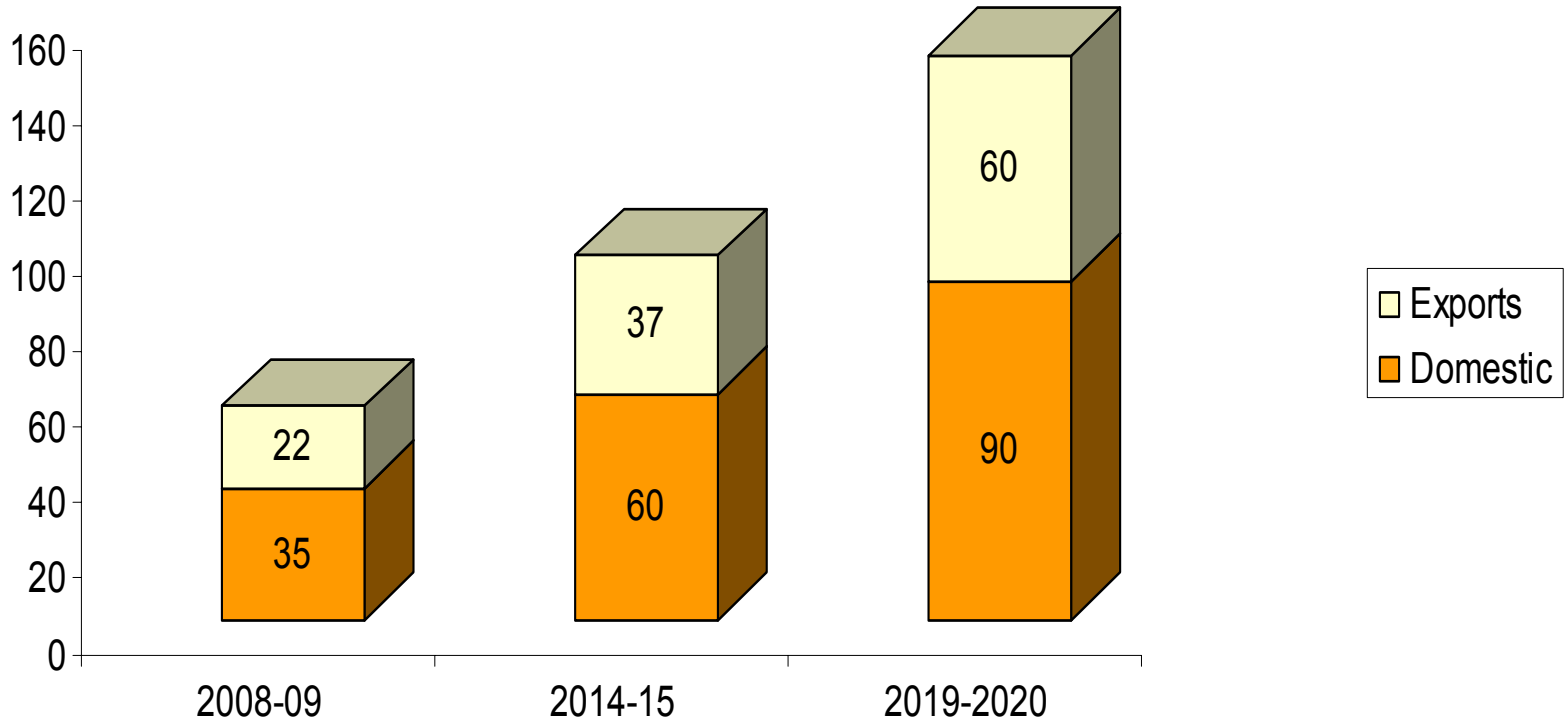
## Scope for growth in domestic market: Per capita fiber consumption(Kg)



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### PROJECTED SIZE OF INDIAN TEXTILE INDUSTRY( USD BN)



# SWOT analysis of Indian Textile Industry:

## Strengths

- Independent & Self-Reliant industry.
- Availability of Low Cost and Skilled Manpower
- Availability of large varieties of cotton fiber and has a fast growing synthetic fiber industry.
- India has great advantage in Spinning Sector and has a presence in complete textile value chain.

# SWOT analysis of Indian Textile Industry:

## Weaknesses

- The fabric and garmenting sector need modernization, which is under process
- Infrastructural Bottlenecks and Efficiency such as, Transaction Time at Ports and transportation Time.
- Unfavorable labor Laws.
- Lack of Trade Membership, which restrict to tap other potential market.
- Economies of Scale- average spinning mill-  
14000 spindles
- Higher Indirect Taxes, Power and Interest Rates.

# SWOT analysis of Indian Textile Industry: Opportunities

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- Growth rate of domestic Textile Industry is 6-8% per annum.
- Large potential in International Market.
- Product development and diversification to cater global needs.
- Elimination of Quota Restrictions leads to greater Market Access.
- Market is gradually shifting towards Branded Readymade Garments.
- Emerging Retail Industry and Malls provide huge opportunities for the Apparel, Handicraft and other segments of the industry.
- Greater Investment and FDI opportunities are available.
- Large scope for technical textile linked with growing industrialization, large infrastructure projects in stream

# SWOT analysis of Indian Textile Industry: Threats( Concerns)

- Competition from other developing countries, especially China in domestic market also –*will lead to consolidation*
- Elimination of Quota system has led to fluctuations in Export Demand.
- Rising prices of inputs-raw material
- Formation of trading blocks

# Vibrant Private Sector

Vardhman Group

Nahar

Arvind mills

Shanmugvel

Madura

Surya Laxmi Group

Ramlinga Group

Lakshmi Group

LNJ Group

Chola Group

Raja Palayam

Super spinning

Centaury

GTN group

Bombay Rayon

Alok

Ahima

JCT

Welspun

Trident

Gokaldas exports

Orient Craft

Bombay Rayon Fashions

Raymond



Thank You