

Business Data Management
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Lecture 7
Textile industry

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Apparel & Textile Industry



Professor G Venkatesh: Now we move to apparel and textile.

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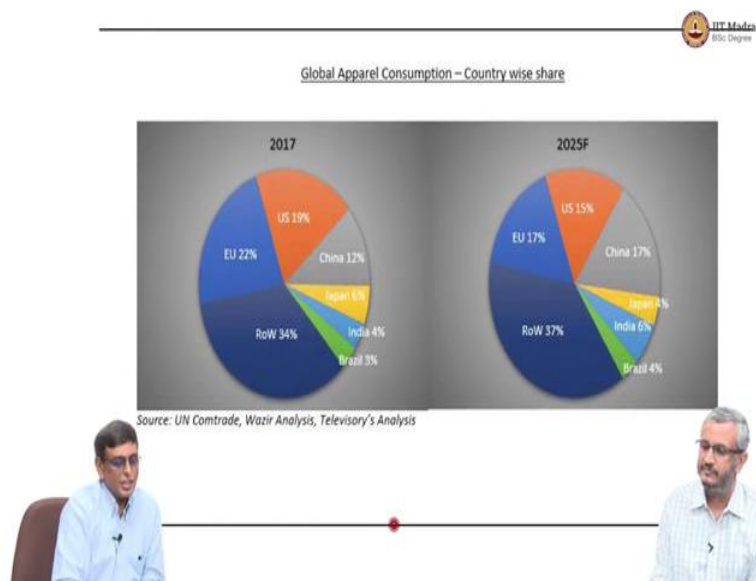


Professor G Venkatesh: Here I tried to plot this on a graph. So, you have, on the X axis textile spending per capita and on the Y axis the CAGR. So, wherever the countries have low per capita spending, should have a higher growth rate.

So, India is in that 500, between 0- and 500-Dollar per capita spending, and is showing a 10 percent of CAGR. Take USA for example, has got 1,500 Dollars and it is hardly growing 0 percent. And in fact, some other countries like UK, Germany, and other, decline. Not only is it saturated, they are consuming less.

So, clearly, opportunity is for countries with low per capita consumption of textiles, they are going to grow more. And India is there.

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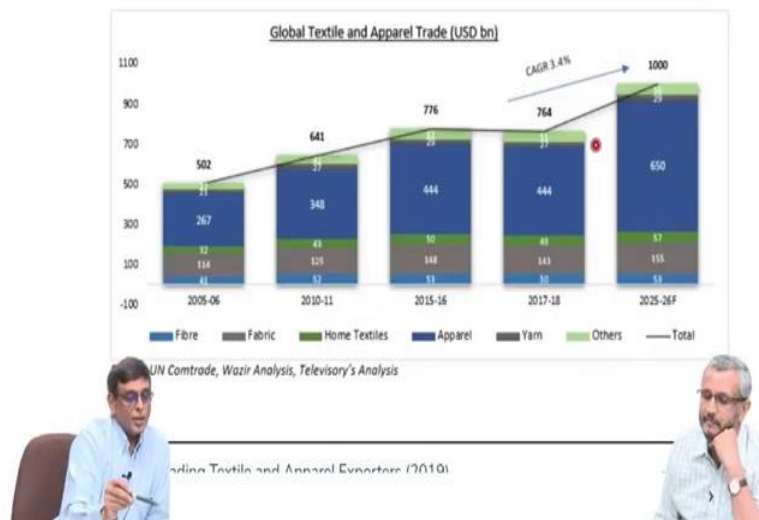


Professor G Venkatesh: Now, that first picture basically was to show that Indian domestic market is going to grow. This picture is trying to show what the export market is for textiles, because textiles are like cement and Nestle. Both are Indian, they are selling in India primarily, Nestle is foreign but selling in India. And cement also, we are only looking at Indian origins. Companies are not exporting. We are not competitive to export.

But in apparel, we have a mix of domestic sales and export. So, we have to see both. IT is mostly exports. So, this chart is here to show what the export picture looks like for which we are trying to look at the global apparel consumption worldwide.

here you are seeing basically that India today is consuming 4 percent of the total textiles, expected to go to 6 percent in 2025. India, again, has a domestic market which is going to be interesting. But of course, China also is interesting. But you see the advanced markets like Japan is decreasing, EU is decreasing dramatically, even US is going down. So, Indian domestic consumption of textiles is going to start again.

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Professor G Venkatesh: Now, this one shows the global textile and apparel trade worldwide. From 500 billion Dollars it is going to go to a trillion dollars in 2025 according to this UN Comtrade, and Wazir analysis.

Professor M Suresh Babu: So, fiber, fabric, home textiles, apparel, yarn are going to grow.

Professor G Venkatesh: This is the raw material, so you can have raw material like yarn, you can sell the yarn, you can sell the fabric or you can sell the fiber, you can sell the fabric or you can make finished product and sell.

Professor M Suresh Babu: And that is exactly what we were discussing the other day from fiber to apparel is a value addition.

Professor G Venkatesh: In fact, I have a chart which shows the value addition from NITI Aayog.

finished product is from where the major growth is going to come from, all others are more or less stable, but static. And you will also see when I show you that India is not very competitive on value addition

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Leading Textile and Apparel Exporters (2019)

Value US\$ billion

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Country	Exports			Share (%)
	Textile	Apparel	Total	
China	134.6	149.9	284.5	34
Vietnam	10.2	33.7	43.9	5
Bangladesh	1.8	40.9	42.7	5
Germany	15.5	23.8	39.3	5
India	20.2	16.2	36.4	4
Italy	12.8	23.6	36.4	4
Turkey	12.2	16.1	28.2	3
USA	21.7	5.2	26.9	3
Spain	5	14.3	19.3	2
France	5.6	12	17.6	2
ROW	117.2	146.3	263.5	31
Total	356.8	481.9	838.7	

Source: US Comtrade and Wazir Analysis

Increasing Consolidation of Global Sourcing



Professor G Venkatesh: So, previously we used to be after China. But now, Vietnam and Bangladesh have overtaken India.

And the surprising thing is Germany. I will not expect Germany. You will not expect that Germany would be clothing company. But they are. So, 34 percent of the share today is owned by China. And India has only 4 percent share of the market.

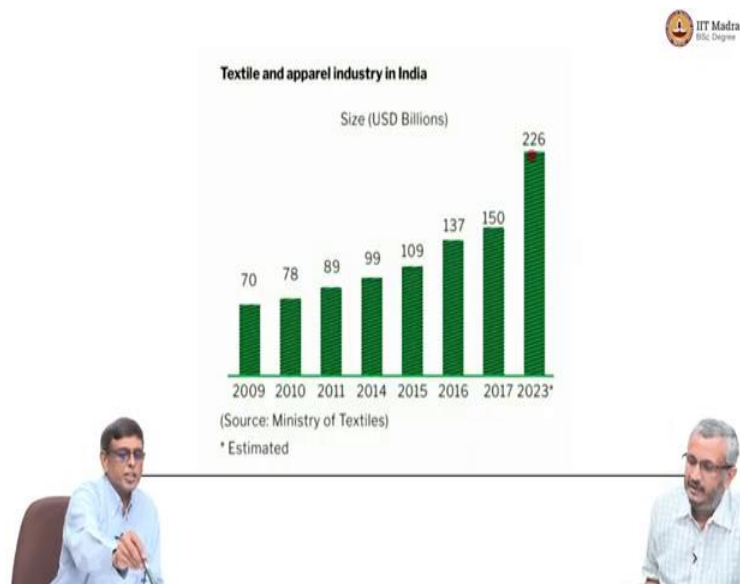
Professor M Suresh Babu: So, that is phenomenal G V. 34 percent of the global apparel trade is by China.

More than one third is by China. Look at the numbers that we are talking about.

Professor G Venkatesh: So, one sixth of the world population is by China. So, that accounts for one sixth, so which is 16 percent. Remaining 18 percent is all export, phenomenal. And we are not even fully meeting our own domestic needs. We are importing from Bangladesh. We are a net importer of textiles when you look at this graph. So, we are getting low-cost clothing from Bangladesh and selling it.

Professor M Suresh Babu: Very, very telling numbers.

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Professor G Venkatesh: So, Indian apparel industry is expected to be about 226 billion Dollars in 2023.

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Table 8: Top 10 Traded Commodities in the World & India's Share (US\$ Bn.)

HS Code	Description	Global Exports	India's Exports	India's Share in Global Exports
610910	Cotton T-shirts	30.02	1.78	6%
620342	Mens Trousers of Cotton	26.97	0.20	1%
611030	Jerseys of MMF	25.58	0.07	0.2%
520100	Cotton Fibre	14.33	2.20	15%
610443	Dresses of MMF	13.00	0.66	5%
620520	Mens Shirts of Cotton	11.67	0.79	7%
621210	Brassieres	11.21	0.11	1%
540752	Dyed Woven Fabric of Polyester	8.23	0.12	2%
620640	Blouses & shirts of MMF	7.73	0.58	7%
620343	Mens Trousers of MMF	7.68	0.09	1%

Data Source: UN Comtrade

Professor G Venkatesh: Now, this chart essentially tries to look at what is it that customers are buying? And what is it that India is selling? We are trying to see the two. Strategic fit. What we are going to analyze later using porters five forces. So the important question is, what are people buying? Is India making and selling those ?

Professor M Suresh Babu: Demand and supply is a mismatch or a match?

Professor G Venkatesh: Cotton T-shirts basically is 30 billion Dollars of global exports, 1.78 percent of India. But India s only representing 1.78 percent of India's exports, but it is

actually a 30 billion Dollar industry, cotton T-shirts. India's share of global export is 6 percent here. So, we are doing okay...Generally in cotton T-shirts, cotton products. We are not doing too well in Man Made Fibers (MMF)

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Table 9: Top 10 Exported T&A Commodities from India (US\$ Bn.)

HS Code	Description	India Exports
520100	Cotton Fibre	2.2
610910	T-shirts of Cotton	1.8
520523	Combed Yarn of Cotton	1.7
630260	Toilet & Kitchen linen of cotton	1.1
630419	Bedspreads	1.0
540233	Textured Yarn of Polyesters	0.9
620520	Mens shirts	0.8
630532	FIBC of MMF	0.7
610990	T-Shirts of other textile material	0.7
620443	Dresses of MMF	0.7

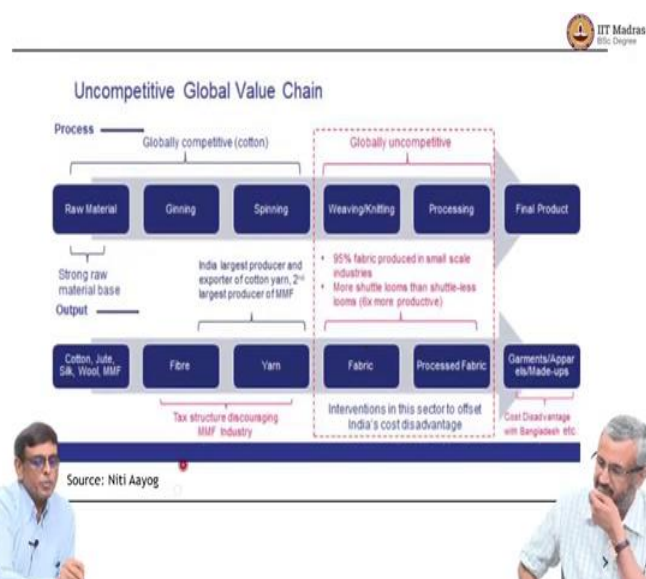
Data Source: UN Comtrade



Professor G Venkatesh: Now, if you see what is the top 10 exported commodities from India. It is cotton fiber. T-shirts of cotton, combined yarn of cotton. Toilet and kitchen linen of cotton, bedspreads, textile yarn of polyesters. So, manmade fibers is down the list. So, we are not very strong in manmade fibers. These synthetics, weaving of synthetics. Even wool and all those things we are not as compared to others.

Professor G Venkatesh: Cotton is where we have an edge.

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Professor G Venkatesh: So, this chart from Niti Aayog actually is pretty interesting, because it shows the value chain. So, you start with raw material, then ginning. Ginning is basically taking out the fiber from raw cotton. Then you put the fiber into spinning and you make it into thread. And then you weave it into cloth. And then you process it into product.

So, you have basically these kinds of raw materials, we should make fiber yarn, fabric, you make fabric I mean you process it to make garments. Now, we are not very competitive with this, weaving and knitting. Because of total scale. And more because of the outdated technologies like all-old type looms, shutter looms.

Professor M Suresh Babu: The technology used in production is still not the state of art in that.

Professor G Venkatesh: So, not productive, efficiency issues are there. So, we are not very competitive, which is why the China has been doing very well. And now, Bangladesh, Vietnam is doing very well because they are using latest machines.