

TEXTILE AND APPAREL INDUSTRY

"The difference between style and fashion is quality"

-GIORGIO ARMANI



TYBBI

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CONTEXT

- To understand the FDI norms in the textile industry.
- To understand how FDI helps in growth and economic development.
- To understand the impact of Covid-19 on the economy and the textile industry.
- To analyze and suggest measures for the same.



CASE HIGHLIGHT

- The company has immense expertise in the industry but lack when it came to attaining funds from foreign investors.
- The company is looking for an investment of 450 crores approximately for expanding its operations.
- The company is set out on the path to become an upcoming brand with quality clothes, true to Indian craftsmanship.
- The company has a recycling system in place that gives its brand an environmentally friendly voice.
- The company currently employees over 3,000 people and is reaching its mark of around 5,000.
- 2 fully furnished stores are already established in prime locations of metropolitans and more are on the planning stage.
- The company HQ is being constructed with an industrial design.

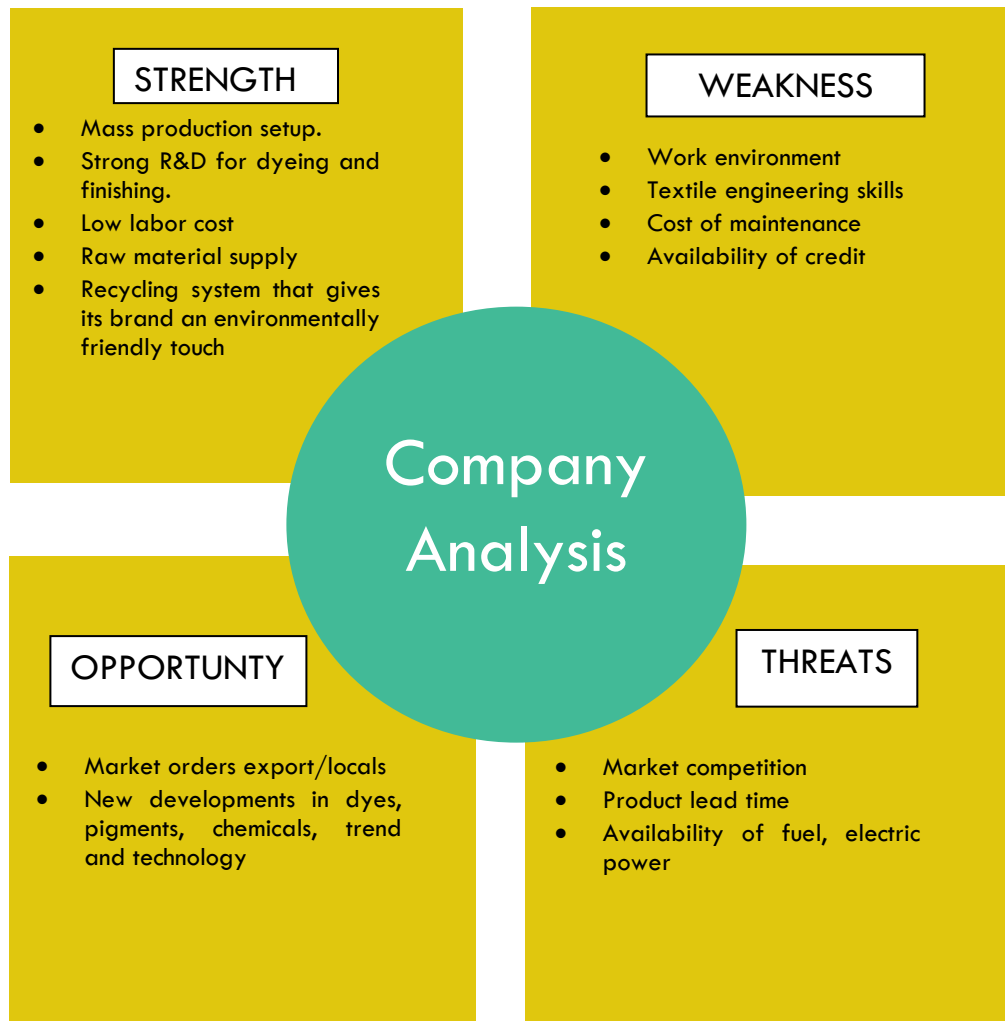
INDUSTRY OVERVIEW



- The Indian textiles industry, currently estimated at around USD \$150 billion, is expected to reach USD \$250 billion by 2021.
- India's textile and apparel exports stood at US\$ 38.70 billion in FY19.
- The sector share in India's GDP is 2.3 per cent.
- Out of \$137 billion, textile worth \$97 billion was domestically consumed while the remaining portion worth \$40 Billion was exported to the world market.

- The domestic consumption of \$97 billion was divided into household consumption at \$83 billion and the technical textiles at \$14 billion.
- India attracted (including dyed and printed) Foreign Direct Investment (FDI) for garment industries worth USD \$3.09 billion during April 2000 to December 2018.
- India is the largest producer of cotton and jute in the world.
- India is the second largest producer of polyester, silk and fiber in the world.
- The textile industry is the third largest employment provider in India.





BENEFITS OF TEXTILE RECYCLING

- Recycle textile provide low-cost quality clothing.
- Keeping used textile out of trash reduces disposal cost of government
- Lesser energy is consumed while processing.
- Protecting the planet for future generation.
- Textile recycling saves energy and reduces pollution.
- Recycling provides both environmental and economic benefits.
- Textile recycling reduces pressure on new resources.
- Textile recycling reduces the demand for dyes and fixing agents

- Indian government has come up with a number of export promotion policies for the textiles sector.
- It has also allowed 100 per cent FDI in the sector under the automatic route.
- Under Union Budget 2020-21, a National Technical Textiles Mission is proposed for a period from 2020-21 to 2023-24 at an estimated outlay of Rs 1,480 crore.
- In September 2019, textiles export witnessed a 6.2 per cent increase post GST.
- The Directorate General of Foreign Trade revised rates for incentives under the Merchandise Exports from India Scheme for two subsectors of Textiles Industry - readymade garments and made-ups - from two per cent to four per cent.
- Amended Technology Up-gradation Fund Scheme (A-TUFS), estimated to create employment for 35 lakh people and enable investment worth Rs 95,000 crores by 2022.
- Integrated Wool Development Program (IWDP) to provide support to the wool sector, starting from wool rarer to end consumer, with an aim to enhance quality and increase production.
- New skill development scheme named Scheme for Capacity Building in Textile Sector (SCBTS) with an outlay of Rs 1,300 crores from 2017-18 to 2019-20.
- As of August 2019, 16 states signed pacts with the Ministry of Textiles to partner with it for skilling about four lakh workers under the scheme.
- In 2020, New Textiles Policy 2020 is expected to be released by the Ministry of Textiles. The policy is expected to include schemes for knitting, handloom, silk, jute, power loom development.
- The Government is implementing the Scheme for Integrated Textile Park (SITP) which provides support for creation of world-class infrastructure facilities for setting up of textile units.

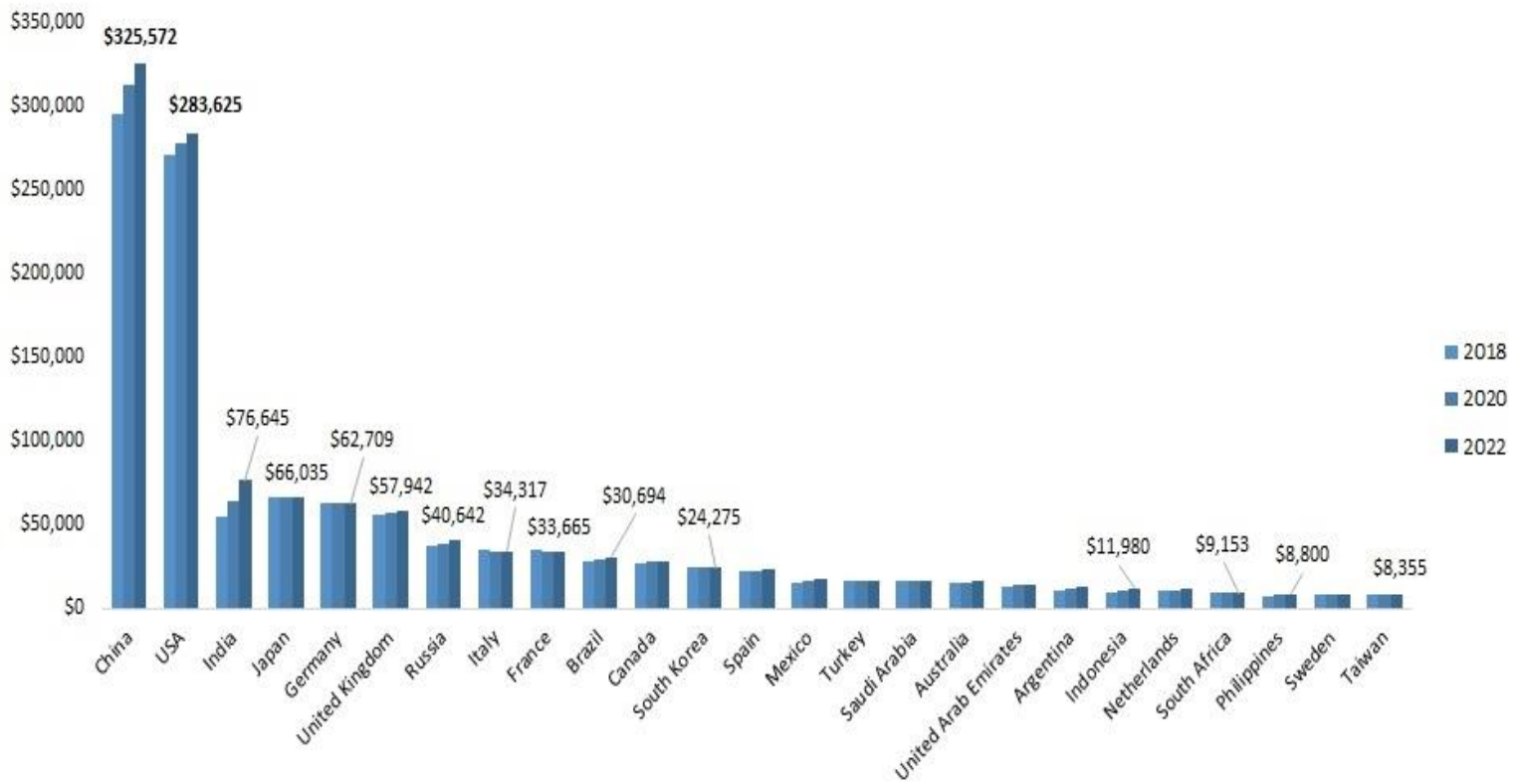
RECENT INVESTMENTS



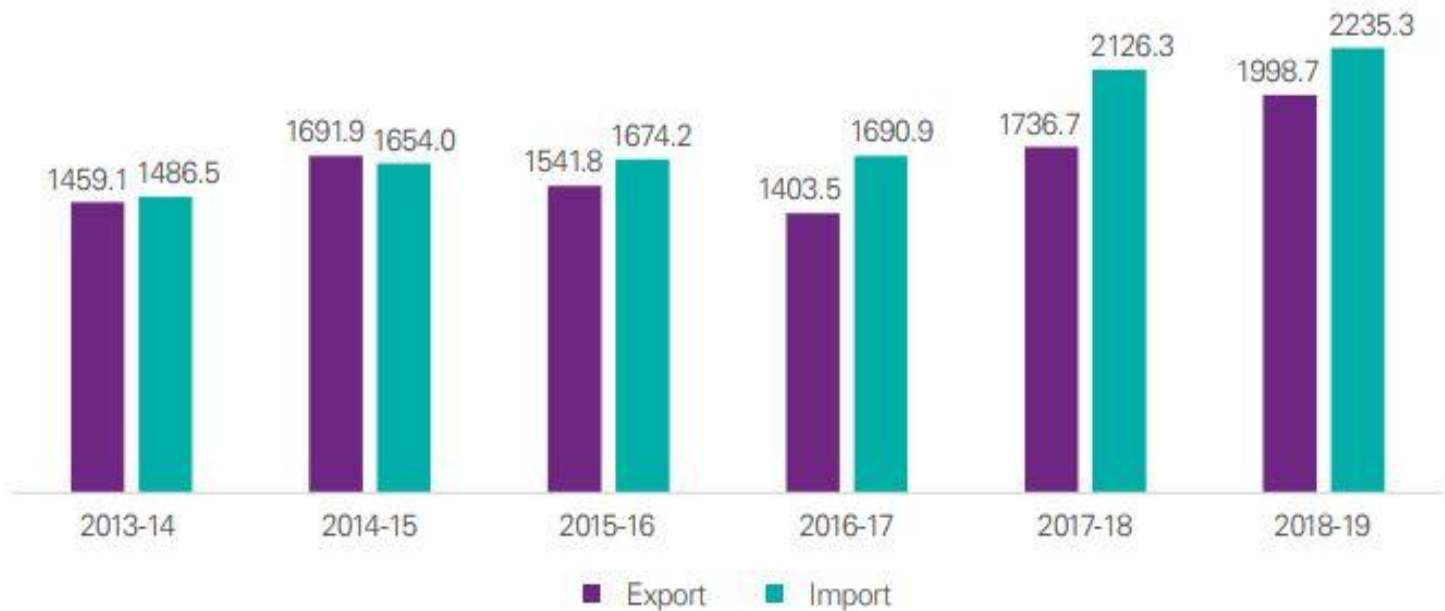
- Dec 11, 2019: Korean textile and apparel company Youngone Corporation will invest INR 900 crore at the Kakatiya Mega Textile Park (KMTP) at Warangal.
- Sep 23, 2019: Hyosung commences full-scale operation of spandex plant in India.
- Jul 08, 2019: Reliance Industries Ltd. ties up with Turkey Kivanc Tekstil to manufacture and market eco-friendly textile brand Green Gold fabric in the country.
- Apr 2019: Voltas and Japanese Shima Seiki have entered an agreement for sales and marketing of Shima products in India.
- Aug 2018: The Government of India announced a Special Package to boost exports by USD \$31 billion, create 1 crore job opportunities and attract investments worth Rs.8 lakh crores (USD \$11.93 billion) during 2018-2020.
- May 2018: The textiles sector recorded investments worth Rs.27, 000 crores (USD \$4.19 billion) since June 2017.

Value of the Global Apparel Market: 2018-2022

\$million USD, current price



Indian technical textile trade in USD Mn.



IMPACT OF COVID-19

The textile industry indirectly contributes to around 5 per cent to GDP. The sector contributed around 14 per cent to the overall Index of Industrial Production (IIP).

With around 80 per cent of the garment industry mostly micro, small and medium enterprises, CMAI, which has around 3,700 members employing over 7 lakh people, said most of its members do not have the kind of reserves to see them through 3-6 months of this magnitude of downward sales due to covid which has led to a lot of shops being closed down.

Due to around 25 million jobs being lost due to covid there would be income losses for workers and subsequently translate into a fall in consumption of non-essential goods and services like garments, in turn affecting the prospects for businesses and economies.

Wazir foresees an increase insurance global demand of medical textiles. "Sales of medical protective gears including surgical masks and protective clothing has jumped drastically. Western nations are importing large quantities of such products to battle the disease. The supply of these products is not able to keep up with the rising demand. The rapid spread of the disease across the globe has sensitized people to hygiene and healthcare.

Post-coronavirus, there will be an increased focus on e-commerce sales and digitalization of supply chain, according to the report. During the initial phase of coronavirus, consumers increased their online purchasing as a safe alternative to visiting physical stores. "This shift could lead to a changed buying behavior post the pandemic and has the potential to build long-time e-commerce customers.

MITIGATION STRATEGY

The rapid spread of the disease across the globe has sensitized people to hygiene and healthcare. The demand for medical protective gear such as masks, disposable gloves and hygiene products such as wipes is expected to surge and sustain even after the end of the coronavirus pandemic. This is a lucrative opportunity for the textile industry in the near future. Post-coronavirus, there will be an increased focus on e-commerce sales and digitalization of supply chain.

Covid-19 has opened up new opportunities for essential products such as mask. PPE kits and other medical products. Calibrating their existing infrastructure to manufacture these products could be a natural market growth for textile players

India relies significantly on raw material but due to the Covid-19 situation the supply chain has been disrupted leading the global textile industry to experience a vacuum for raw materials post Covid-19. India having both abundance of raw material and with implementation of proper young workforce the country's textile value chain, however needs to develop a core competence in High value raw materials.

Post Covid-19 exports from china are significantly going to reduce this India is in a position to capture a major share of global trade of high value products like overcoat and blazers. India has traditionally focused on low and medium value products and now it's time for the high valued ones.

CONCLUSION

India's total exports of textiles and apparel are expected to grow at a CAGR of 12.03% to reach \$82 billion by 2021. With all the export promotion and development planning it is expected to grow to US\$2,600 billion by 2025. The Indian textile industry is expected to grow with the help of the government policies such as 100% FDI is allowed under the automatic route in the textile sector and the New Textile policy 2020. The Global textile industry has faced great difficulties in the year 2020 just like the other industries and faced big losses which would require great efforts and time to recover the loss in trade. The government's order for 20.2 million PPE kits has helped to reduce the huge losses incurred by the textile industry. At Rs 635 for a PPE suit, the order for 2.2 crore (20.2 million), has pumped Rs 1,400 crore into the sector over the last three months.

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