Global & Indian T&A sector and Opportunities in the Domestic Market

Published By technopak
About the White Paper

The following report gives a perspective on the industry structure and the trade dynamics that exist in the Global and Indian Textile & Apparel, or T&A, sector. It outlines the changing concentration of manufacturing and consumption hubs and provides details on the size and scale of the industry.

The document talks in detail about the Indian T&A market, its break-up into different segments and about the export composition in terms of the major product categories and major export markets. It highlights India’s competitive strengths to a great extent. Another section gives insights into the changing nature of the Indian consumer and the main drivers behind this change. Increasing spending power and rising consumerism offers a huge opportunity for the apparel manufacturers and brands to enter into high growth segments. Insights into these segments reveals the existing market opportunity and the trends that lead to the opportunity.

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- Textile Parks

Apparel Operations Services

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Start-Up Assistance
Start-up of apparel manufacturing business and plants, leveraging operations and industry expertise to 'commission' the 'concept' on a turnkey basis

Skills Development
Leveraging technical expertise for setting up training center for operators based on scientific methodology
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Authors:
Amit Gugnani | Senior Vice President, amit.gugnani@technopak.com
Ruby Jain | Consultant, ruby.jain@technopak.com
Kanti Prakash | Consultant, kanti.pprakash@technopak.com

Design & Development:
Bharat Kaushik | Sr. Manager-Design
Arvind Sundriyal | Assistant Manager-Design
Global Textile & Apparel Industry

The global Textile and Apparel market reached USD 662 billion in 2011 and is projected to reach USD 1,060 billion by 2021. Although the demand from developed economies has slowed down, the global Textile and Apparel industry will witness robust demand from developing economies.

Currently, the global Textile and Apparel industry has evolved through distinct consumption and production hubs. Production was earlier located in developed economies such as the US and UK but over the years manufacturing has shifted to developing economies like India, China, Bangladesh etc. due to the cost advantage offered by these countries. Developed economies have now emerged as major consuming hubs while developing economies are still evolving as consumers.

By 2021, global fiber demand is estimated to grow at a CAGR of 2% to reach USD 123 billion while yarn demand is expected to grow at a CAGR of 3% to reach USD 303 billion. In volume terms, the global fiber demand is estimated to reach 63 million tons while yarn demand is expected to reach 89 million tons over the same period.

The global fabric demand in terms of volume is projected to increase at a CAGR of 3% to reach 477 billion square meters, or sq. m., and its value is projected to reach USD 477 billion by 2021. The global garment demand will reach 188 billion pieces by 2021 and its market is projected to reach USD 683 billion by 2021.
Evolving Global Industry Structure

The USD 662 billion textile and apparel industry is undergoing structural changes to sustain itself in a dynamic environment. Till few years back, companies were focusing on organic growth to increase sales but in the face of increased competition, companies have now started to focus on growth through mergers and acquisitions. Inorganic growth enables companies to access new markets, enhance product portfolio, and achieve value chain integration in a shorter span of time.

In developed economies, value retailers, who provide products that represent value for money proposition, have grown in the period 2005-10 at an average CAGR of 17% while brands have barely grown at an average CAGR of 2% in the same period. It is expected that going forward, the trend will grow stronger as consumers will rationalize their spending helping the growth of such value retailers at the expense of brands.

A relatively newer trend that has attracted the attention of retailers and brands is multi-channel retailing. It was earlier perceived that consumers need to touch and feel products before they purchase but of late online retailing has emerged. Few retailers have even developed and invested in online retail to boost overall sales. Thus it is not surprising that apparel is among the top 3 products purchased online in the US and western Europe.

Indian Textile & Apparel Industry Size

India’s total textile and apparel industry size (domestic + exports) is estimated to be USD 89 billion in 2011 and is projected to grow at a CAGR of 9.5% to reach USD 221 billion by 2021.

![Indian Textile & Apparel Industry Size Diagram]
India’s Trade Scenario

India’s overall exports have grown at a CAGR of 9% since 2000, with fiber exports registering the highest CAGR in recent years. India’s share of worldwide textile and apparel exports currently stands at 4%; it is estimated that this figure will grow to 8% by 2020. This growth from 4% to 8% of world trade will open up huge potential for Indian players.

The US is the biggest export destination for Indian textiles and apparel. In 2011, the US accounted for 18% of total textile and apparel exports from India. Other major export destinations are the UK, Germany, UAE and China.

India’s exports include a wide range of products made of cotton, man-made fibers, wool and silk. In 2011, cotton garments comprised around 38% of India’s textile and apparel exports followed by cotton yarn, fabrics and made-ups with 27% share and man-made yarn, fabrics and made-ups with a 20% share.

Supply Dynamics

India has an unevenly distributed supply chain, e.g., Gujarat, Maharashtra and Andhra Pradesh are major raw cotton producing states of India, but Tamil Nadu tops in spun yarn production followed by Punjab. Tamil Nadu has a higher spun yarn capacity while Gujarat and Maharashtra have higher fabric production capacity resulting in interchange of raw material across states. Most of the garment production units are concentrated in Maharashtra, Karnataka, Tamil Nadu and Delhi/NCR. Delhi/NCR has been a commercial hub while Maharashtra, Karnataka and Tamil Nadu have access to ports. Madhya Pradesh and Rajasthan also contribute to spun yarn and fabric production. Textile production in eastern and northeast India is almost negligible.
Different elements of textile and apparel value chain demonstrate peculiar characteristics in terms of scale, capital intensiveness, fragmentation, price volatility etc. In India man-made fiber/ filament is completely organized with very few players while garmenting is the most fragmented industry. Price volatility of textile value chain is higher in upstream fiber and yarn production than in downstream fabric manufacturing and garmenting.

Evolving Structure of the Indian Textile and Apparel Industry

Consolidation and alliances are emerging as a growth route for many textile and apparel players in India. Most of the mergers, acquisitions and joint ventures in this sector are coming up in garment manufacturing.

Going forward bilateral and multilateral trade agreements will play an important role in shaping the Indian industry. Key current trade agreements impacting India’s textile and apparel sector include the India-Japan FTA, the India – Bangladesh Bilateral Trade Agreement, and the GSP scheme. Future trade agreements with the European Union and Southeast Asian countries will have further impact on the industry.

India’s Competitiveness

India is one of the largest producers of textiles and apparel in the world, with a strong production base for a wide range of both natural and man-made fibers (including cotton, jute, silk, wool, polyester, nylon, and acrylic). It is the world’s largest producer of jute, the second-largest producer of silk, third-largest producer of cotton and fifth-largest producer
of synthetic fibers and yarn. India has a strong presence across the textile value chain starting from fiber production to garmenting. No other country except China had this high a degree of integration across the value chain.

Infrastructural bottlenecks have long been an issue for Indian exports. However, with increasing government focus on infrastructure building and participation of private players in power, airlines, roads, ports, etc., India's exports will get a fillip in coming years.

The political and economic stability of India makes it a better trade partner compared to its low-cost Asian peers. India has flexibility in production quantity; Indian players can execute orders of various order sizes. India has the capability to produce textiles and apparel of diverse quality and variety while many of its peers are still struggling with poor quality manufacturing and chemical processing. Abundant availability of skilled and cost-efficient labor is expected to keep the country’s competitiveness buoyant for the next few years. Strong managerial talent pool and entrepreneurial spirit of Indian businessmen are added advantages of the Indian textile and apparel sector.

The robust domestic market which is growing at 9% per year, backed by high GDP growth and growth in consumer spending power will provide India’s textile and apparel sector a plethora of opportunities to flourish irrespective of global market conditions.

The Changing Nature of the Indian Consumer & Consequent Opportunities

India has witnessed an average GDP growth of approximately 7% in the past decade and forms one of the largest emerging economies of the world. The majority stakeholder in this growth is the mass consuming population of the country. Consumers today are much more evolved and their demands and needs are very different from those of consumers a decade ago.

Apart from the demographic and economic changes, there have been many other transformational changes that lead to a growth in the aspirations and wants of an average consumer:

- **Young population:** The median age of the Indian consumer is 26 years with maximum population lying in the age bracket of 15-60 years. It is expected that India will add another 140 million people in this consuming age group by 2020. This is one of the lowest median ages among the developing countries. This population has more aspiration, is more aware and has a higher spending power and will consume a greater number of categories than their parents.

- **Higher disposable income:** According to the Indian census report, the number of households with an annual income of USD 7000 or more is going to treble from about 30 million today to 100 million by 2020. There will be approximately 400 million individuals in the middle to high income bracket by 2020.

- **Growing media influence/exposure:** The role of technology has changed the way people receive/share information. From social networking sites to electronic channels, information travels at the speed of light. The changing lifestyle and “western” culture has also influenced consumer demands and aspirations. People are willing to consume and develop a lifestyle akin to a developed world’s consumer.

- **Rising Eve power:** With the growing importance given to a girl’s education and financial independence, there has been a rise in the total number of working women. An estimated 40-50 million working women, in the age group
of 20-40 years, will be part of urban India by 2016. This financial independence leads to higher decision making power in household and personal purchasing matters. There has thus been a surge in women spending in categories such as apparel, grooming, personal care, eating out and electronic gadgets.

- **Increasing time poverty:** People are spending more time at office, commuting to the workplace, on leisure and recreation, vacations, grooming and well-being, socializing etc. leading to limited time available for shopping and other activities. An increasing emphasis on reducing stress and time for routine activities (household chores, shopping, etc.) and maximizing time with families and friends has led to them looking out for alternate channels of shopping. Convenience is thus the key for consumers who prefer such shopping destinations as ‘all under one roof’ and/or non-store retail formats.

The willingness of consumers to spend more and have a more modern and evolved lifestyle has opened a lot of doors for the domestic as well as international players to tap into this growing consuming class. Within the apparel category, there has been an even more elaborate classification of segments based on needs and occasions. Brands and retailers are catching up with the latest trends in no time and customizing their product offerings to match specific demands.

Some of the segments that promise attractive growth in the years to come include:

**Kidswear:** The kidswear segment can be divided into boys and girls. The overall size of boys market stands at approximately USD 4 billion and the same is projected to grow at a CAGR of 10%. The girls’ market is projected to grow at 11% amounting to USD 11 billion by 2021.

![Kidswear Market](source:image)

The kidswear market is expected to see a high growth rate in the years to come due to multiple factors. There is a shift in the family system towards more nuclear arrangements with double income parents. The willingness of parents to spend is higher and there are more options available in the kidswear space. Apart from the successful launch of international and domestic brands in the space, there are kidswear specialty stores such as Mom & Me, Mothercare, etc. The segment still represents a large opportunity which is clearly untapped.

**Innerwear:** Currently, the innerwear segment in India is estimated at about USD3 billion and is expected to grow at a CAGR of approximately 12% over the next decade. Men's innerwear forms around 41% of the total market in value and is expected to grow at a CAGR of 9% whereas the women's innerwear segment is expected to grow at a faster pace – CAGR of 14%, with the share increasing from the current 59% to 70% by 2020.

![Innerwear Market](source:image)
Innerwear has graduated from being just a functional category to a category that offers additional fashion quotient. It is shifting from a price sensitive category to a brand sensitive category.

The key growth driver for the segment is an increasing awareness among the population clubbed with higher purchasing power. Through rising media exposure, awareness about better fit, quality, colors, styling and accessories has increased manifold. Brands are also spending huge amounts on the marketing of these products through celebrity endorsements. There is a lot of effort being made to offer a better buying experience to the consumer and brands are being pushed to upgrade their retail imagery.

**Workwear & Uniforms:** Our economy has already reached a stage where the services and manufacturing sectors contribute significant portion to the economic output. Workers employed in manufacturing and allied sectors such as automobile, oil & gas, construction etc. are becoming aware of occupational hazards and, as a result, the companies are developing a safe working environment. Vendor companies are required to meet international safety requirements as prescribed by buyer requirements. This, coupled with the need to build a strong corporate identity, has increased the demand for basic and protective workwear.

The domestic workwear market is currently estimated to be around USD 357 million and is projected to reach USD 1108 million by 2021 growing at an impressive CAGR of 12%. It is estimated that jackets and trousers will witness highest growth of 15% and 14% respectively, outpacing the domestic market growth of basic workwear.

Workwear has been traditionally associated with uniforms and single-colored overalls. A new emerging trend in the workwear industry is adding a fashion element to workwear. Traditional coveralls or boiler suits have given way to jackets and trousers or a bib-and-brace combination. Workwear is transitioning from traditional designs to youthful designs such as low cut trousers made from functional textiles.

**Denim:** Indian denim market currently stands at approximately USD 1,800 million with majority share going to the men’s wear segment. The share of women’s wear in denim at present is much lesser, due to lower presence in the rural India however it is rising fast and is expected to grow at CAGR of 17% to reach approximately USD 700 million by 2021.
The mid-value segment is driving high growth, due to increased demand in enhanced product attributes such as fashion quotient, stretch and lightweight fabric, styling and detailing. The market for stretch denim is expected to rise much faster in the coming years, because of large and growing youth population who prefers the denim fit and style. In addition, the improved manufacturing environment and capabilities for stretch manufacturing will drive this growth.

**Online Apparel Retail:** Online retail is the next growing phenomenon in the Indian retail growth story. Changing lifestyles, increasing time poverty and the convenience to buy things online has paved the way for Indian consumers to have a ‘consumer friendly & hassle-free online shopping experience’. The current market for non-store retailing in India is estimated at USD 3.2 billion and is growing at a rate of over 23%.

Apart from services, the online platform is fast catching up in other product categories, including the touch-and-feel experience categories such as ‘apparel’. Platforms such as Myntra.com, Fashion & You, Zovi.com, etc. offer a lot of ease and convenience to customers in terms of variety of apparel, display, choice, discounts and ease of delivery. Retailers and brands such as Pantaloons, Shoppers Stop, FabIndia, Madame, etc. also operate a very active online sales channel and have seen a tremendous increase in the number of orders placed online. Customers can browse through more variety and can easily compare price and quality of merchandise online. The schemes and discounts offered to the customers is also an additional advantage.

From the retailers point of view, this sales channel offers no or very low real estate cost. The reach of the target group is much larger, accessible across multiple locations and no staff trainings are required. The most important investment required is in software technology, which can give the audience a comfortable virtual experience, equivalent or better than an in-store experience.

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Global textile and apparel industry at present is divided into distinct production and consumption hubs. Production has been shifting from developed western countries to China, India, Bangladesh, Pakistan, Turkey and other Southeast Asian countries. The US, European Union and Japan contribute the most to total textiles and apparel consumption of the world. Consumption in India and China is also rising. Bilateral and multilateral trade agreements will increasingly play an important role in shaping up global industry structure. With change in business dynamics and global market environment the industry is witnessing more inorganic growth. In order to address changing consumer purchase behaviour, more value retailers and e-tailing players are entering the industry.

India has always been a strong player in global textiles and apparel industry. With an integrated supply chain, political and economic stability, vast resource of skilled manpower and entrepreneurial spirit India is expected to make its presence stronger among textiles and apparel exporting countries.

Growing domestic market and increasing opportunities in global trade will create enormous scope for Indian players. In addition to favorable demographic dividend and relatively stable economic conditions, increasing disposable income, greater media influence, higher brand consciousness are acting as growth drivers for India’s domestic market. Kidswear, innerwear, workwear & uniforms, online apparel retailing and home textiles are evolving as promising segments for Indian players. To tap the above opportunities and sustain businesses in this changing consumption scenario, companies will need to align themselves with the market requirements and develop required competencies. Without a doubt, there are ample opportunities that exist in the textile and apparel space.

**Conclusion**

Global textile and apparel industry at present is divided into distinct production and consumption hubs. Production has been shifting from developed western countries to China, India, Bangladesh, Pakistan, Turkey and other Southeast Asian countries. The US, European Union and Japan contribute the most to total textiles and apparel consumption of the world. Consumption in India and China is also rising. Bilateral and multilateral trade agreements will increasingly play an important role in shaping up global industry structure. With change in business dynamics and global market environment the industry is witnessing more inorganic growth. In order to address changing consumer purchase behaviour, more value retailers and e-tailing players are entering the industry.

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About Technopak

India’s leading management consulting firm with more than 20 years of experience in working with organizations across consumer goods and services.

Founded on the principle of “concept to commissioning”, we partner our clients to identify their maximum-value opportunities, provide solutions to their key challenges and help them create a robust and high growth business models.

We have the ability to be the strategic advisors with customized solution during the ideation phase, implementation guide through start-up and a trusted advisor overall.

Drawing from the extensive experience of more than 175 professionals, Technopak focuses on six major divisions, which are Fashion (Textile & Apparel), Retail & Consumer Products, Healthcare (Strategy & Design), Education, Food & Agriculture and Leisure & Tourism.

Our key services are:

Business Strategy : Assistance in developing value creating strategies based on consumer insights, competition mapping, international benchmarking and client capabilities.

Start-Up Assistance : Leveraging operations and industry expertise to ‘commission the concept’ on turnkey basis.

Performance Enhancement : Operations, industry & management of change expertise to enhance the performance and value of client operations and businesses.

Capital Advisory : Supporting business strategy and execution with comprehensive capital advisory in our industries of focus.

Consumer Insights : Holistic consumer & shopper understanding applied to offer implementable business solutions.
Our Divisions

Fashion, Textile & Apparel
With almost 20 years of experience in delivering end-to-end solutions to the entire gamut of the textile industry, right from fibre to retailing, the Fashion & Textile division at Technopak assists the textile and apparel organizations in optimizing their profits through enhancement and expansion. Many leading Indian and international Textile manufacturers and Apparel brands have benefited from our offerings in the areas of business planning and strategy, apparel operations, supply chain management and strategic alliances. Our team consists of top calibre advisors who have worked closely with a diverse group of clients comprising textile manufacturers, apparel retailers, garment manufacturers and exporters, apparel sourcing organizations, trade promotion councils, industry associations, international development bodies, and financial institutions as well as central and state governments.

Retail & Consumer Products
Technopak aids retailers and consumer product companies in formulating growth strategy and performance enhancement mandates. Over the past two decades, we have worked on various facets such as entry into the Indian market, development of new category, activation of new retail formats, channel development, product extension, region expansion etc. One key reason why Technopak is considered the industry leader is the relentless focus on the Indian Market. We help clients understand the market dynamics in India and help them arrive at the best method to grow business in India. Our Retail and Consumer product expertise helps gain a competitive edge by providing execution capabilities and corporate strategies.

Healthcare Strategy & Design
At Technopak, our team is dedicated to assist healthcare clients manage their businesses through innovative solutions focusing on short-term as well as long-term results. Our expertise in the field of strategy development and implementation assistance, and performance enhancement has allowed us to perform various assignments across the entire healthcare spectrum and at various geographical locations. Our team comprises of architects, planners, designers, engineers, business analysts & research professionals offers a variety of services that cover the entire gamut of Hospitals and Healthcare operatives.

The Healthcare Design division was set up in 2008 and comprises of a dedicated team of professionals with wide experience in the development of projects related to the Healthcare industry. Our team assists in creating “healing environment” for the hospital, encompassing state of the art technology, and supporting both the comfort of the patient and the patient care comfort of the staff.

Food & Agriculture
Technopak’s Food Services & Agriculture team comprises of established domain experts who build and enhance the business performance of organizations which are either working in the sector or are willing to enter this space. Our end-to-end solutions are customized as per the business’s requirements and capabilities. We continuously strive to create strong industry relationships and work for a global footprint by delivering a wide range of services to organizations that operate or wish to operate in the Food and Agriculture sector, in India as well as internationally.

Education
Technopak’s Education division has a vast understanding of the sector in terms of industry environment, growth potential, regulation and policy, which has enabled us to become a thought leader in the sector. Technopak caters to all the education segments – K-12, Higher Education, Vocational Training and ancillaries. Innovative business models and government thrust on privatization has led to assertive participation by private organizations. Such participation spans various levels of investment and operational scale, be it organization planning for expansion in the country or foreign institutions aiming to foray into the Indian education sector.
For further dialogue, please contact:

**Amit Gugnani**  
Senior Vice President  
amit.gugnani@technopak.com  
+91 98717 55992

[www.technopak.com](http://www.technopak.com)