

# INDIA'S ROLE IN GLOBAL TEXTILES

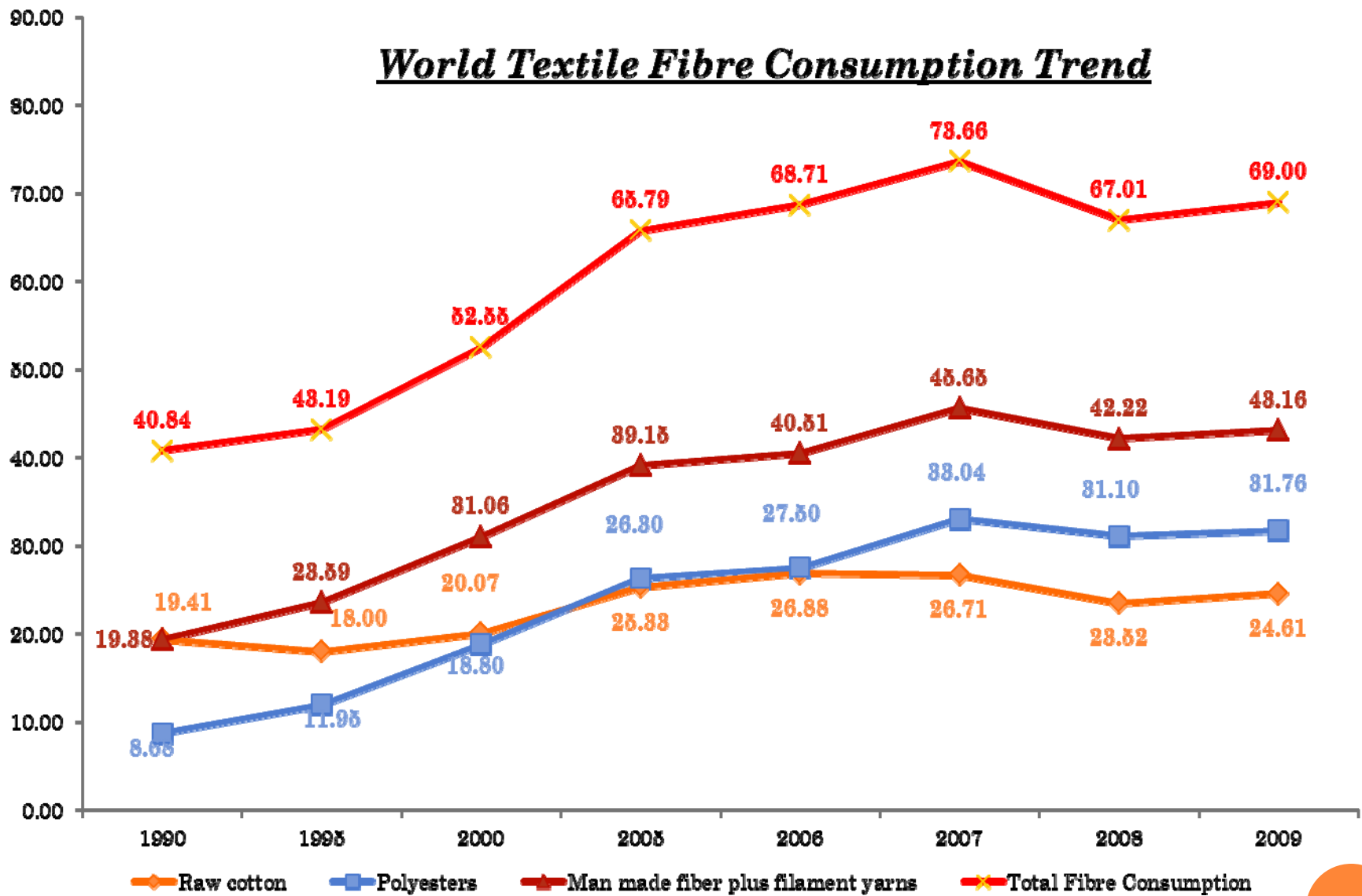
**Mr. I.J.Dhuria**  
**Vardhman Group**  
**India**

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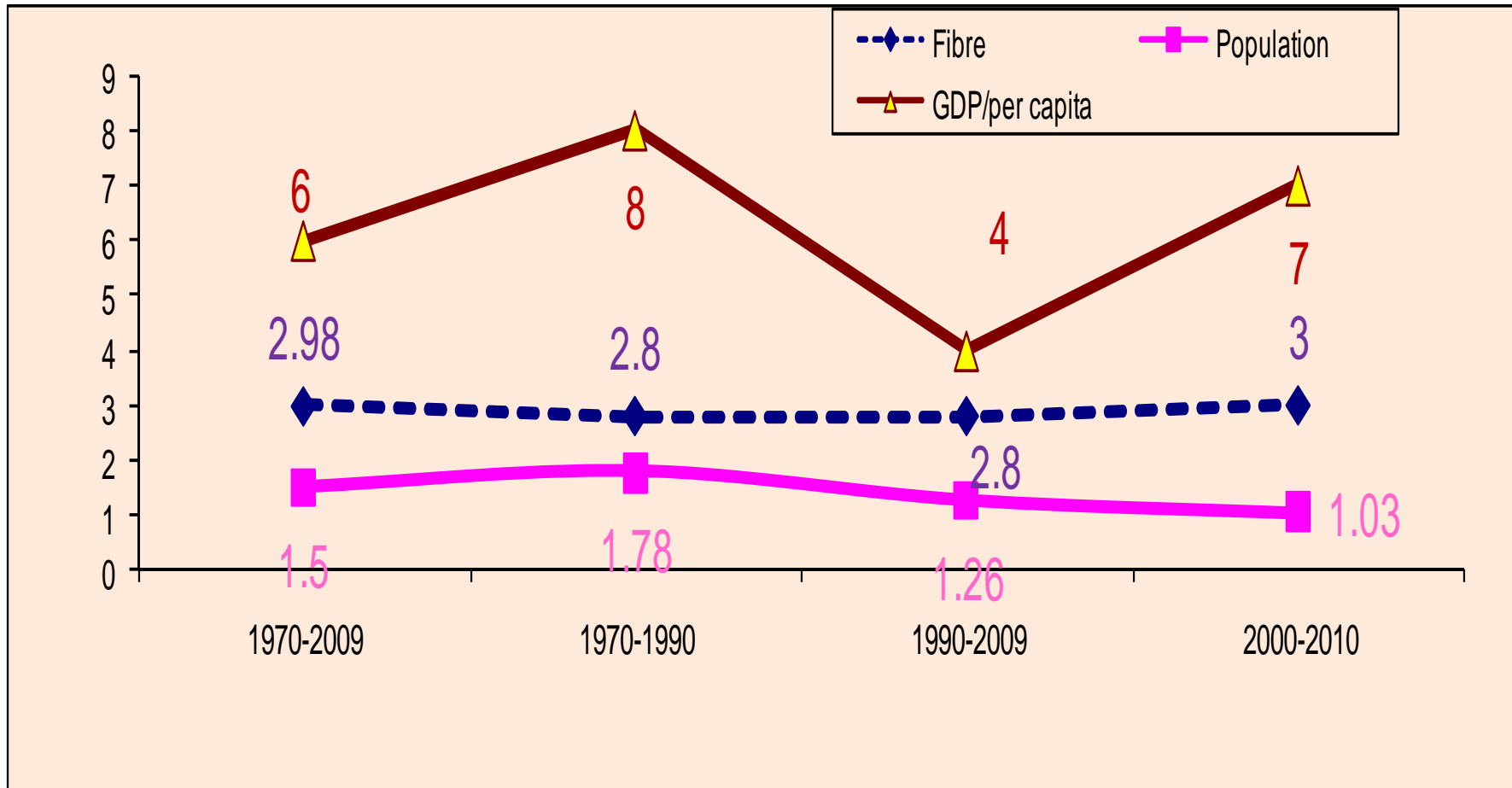
***World textile fibre consumption trends*** (figures in million tons)

<b><i>Natural Fibre</i></b>	<b>1990</b>	<b>1995</b>	<b>2000</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
Raw cotton	19.41	18.56	19.84	24.95	26.42	26.50	23.52	24.61
Wool etc.	2.05	1.60	1.43	1.31	1.32	1.30	1.26	1.23
<b>SUB-TOTAL</b>	<b>21.46</b>	<b>20.16</b>	<b>21.27</b>	<b>26.26</b>	<b>27.74</b>	<b>27.80</b>	<b>24.78</b>	<b>25.84</b>
<b><i>Man made fibre</i></b>								
Viscose	1.87	1.79	2.23	2.80	2.97	3.22	2.97	3.02
Polyester Staple fibre	4.70	5.50	8.10	11.00	11.50	13.34	12.10	12.46
Acrylic staple fibre	2.35	2.49	2.60	2.60	2.50	2.40	1.90	1.86
Polymide-nylon staple fibre	0.73	0.60	0.50	0.40	0.40	0.30	0.30	0.28
PP			1.12	0.95	0.75	0.70	1.02	1.01
<b>SUB-TOTAL</b>			<b>14.54</b>	<b>17.75</b>	<b>18.12</b>	<b>19.96</b>	<b>18.29</b>	<b>18.63</b>
<b><i>Man made filament yarn</i></b>								
Viscose	0.79	0.68	0.53	0.46	0.45	0.45	0.37	0.35
Polyester	3.98	6.44	10.70	15.30	16.00	19.70	19	19.30
Polypropylene			1.68	2.05	2.25	2.24	1.57	1.55
Nylon	3.01	3.14	3.60	3.60	3.70	3.30	3	3.33
<b>Sub-total</b>	<b>7.78</b>	<b>11.56</b>	<b>16.51</b>	<b>21.40</b>	<b>22.40</b>	<b>25.69</b>	<b>23.94</b>	<b>24.53</b>
<b><i>MMF+Man made filament yarn</i></b>	<b>19.38</b>	<b>23.59</b>	<b>31.06</b>	<b>39.15</b>	<b>40.51</b>	<b>45.65</b>	<b>42.22</b>	<b>43.16</b>
<b><i>Grand Total</i></b>	<b>40.84</b>	<b>43.76</b>	<b>52.33</b>	<b>65.42</b>	<b>68.25</b>	<b>73.45</b>	<b>67.00</b>	<b>69.00</b>

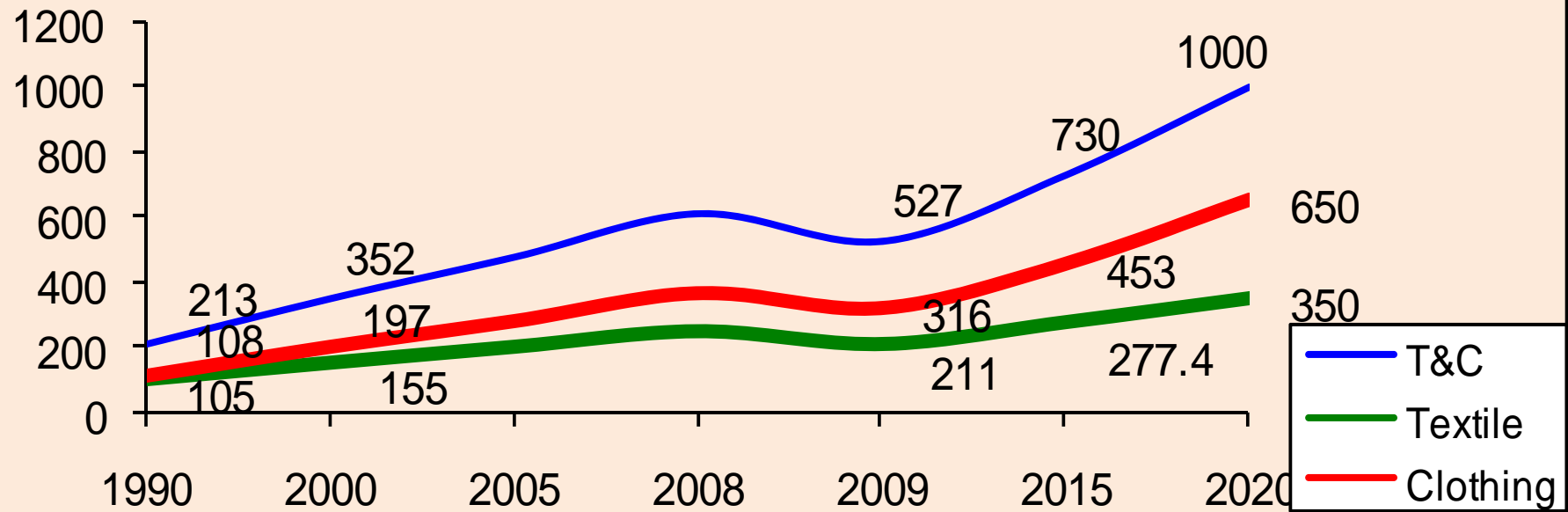
## World Textile Fibre Consumption Trend



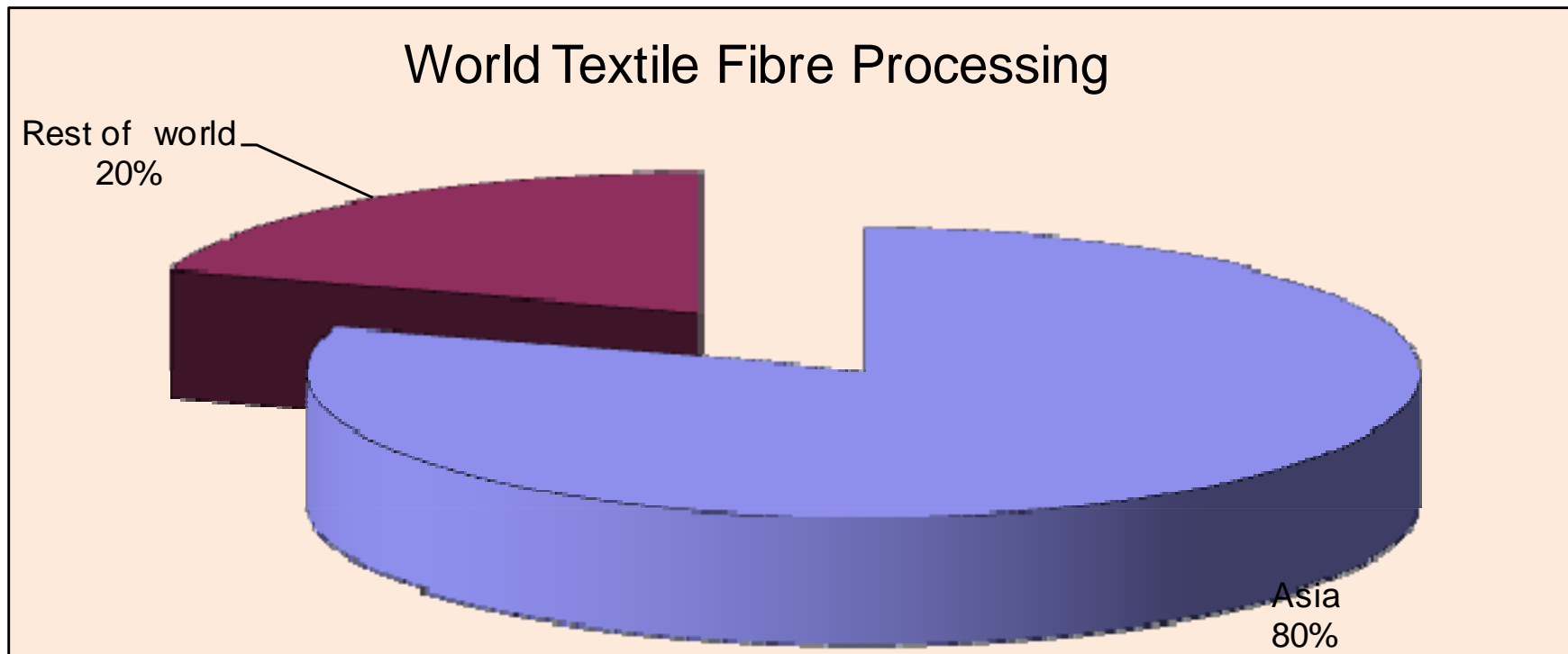
# WORLD FIBRE CONSUMPTION HAS SHOWN SECULAR GROWTH TRENDS OVER THE YEARS



## Growing share of clothing in World Trade of T&C ( USD bn)



# ASIA HAS EMERGED AS LARGEST HUB IN TERMS OF TEXTILE FIBRE PROCESSING

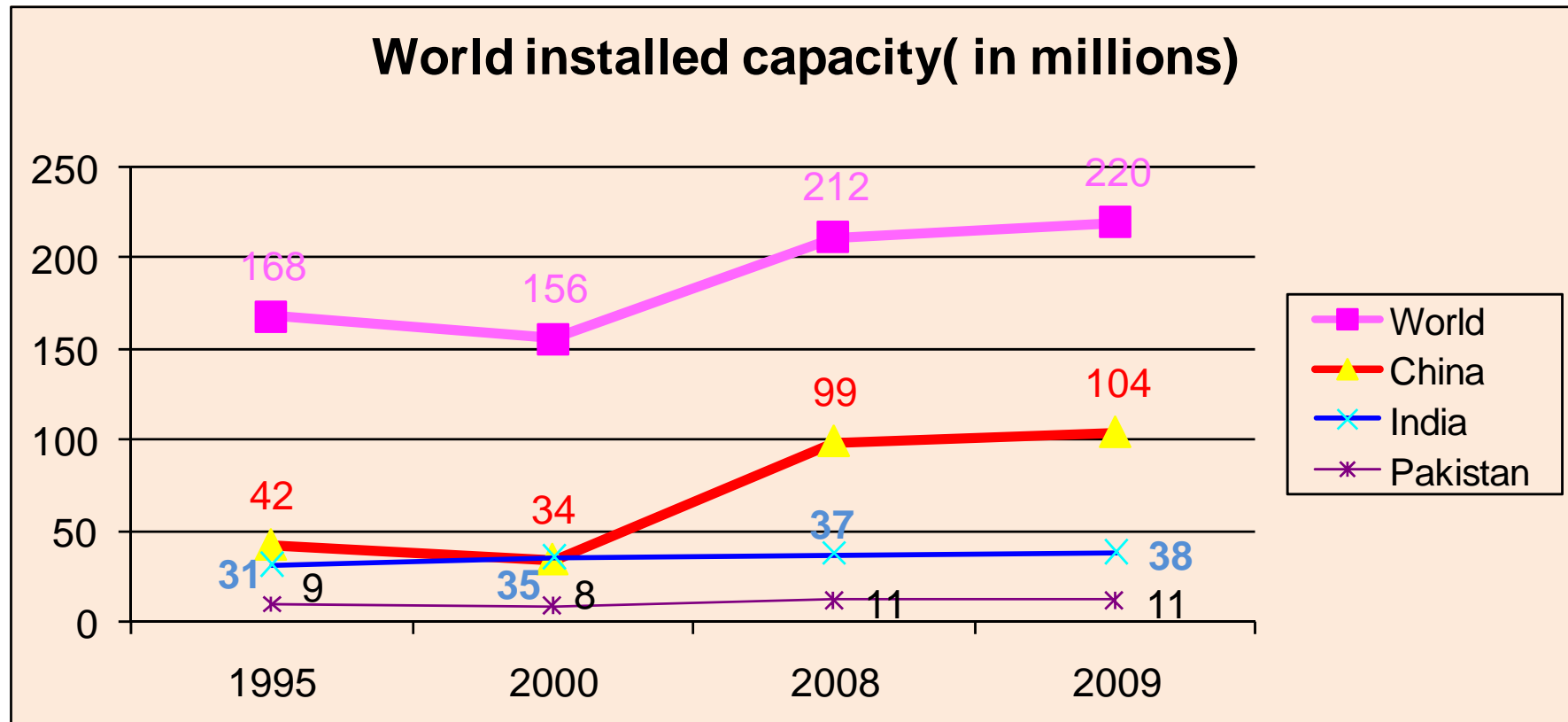


## Installed capacity of Short Staple Spindles by Region (In Millions )

	Installed Capacity					CAGR%		% share in world capacity 2009
	1995	2000	2007	2008	2009	1995-2000	2000-2009	
Asia	113	109	165	175	184	-1%	6%	84
Total Europe	23	21	15	16	14	-2%	-4%	6
Western Europe	7	6	3	4	3	-3%	-6%	2
Eastern Europe	11	10	5	5	4	-2%	-9%	2
Other Europe	4	5	7	7	7	5%	3%	3
South America	12	10	9	9	9.8	-4%	-0.2%	4
North America	11	9	6	6	5.8	-4%	-5%	3
Africa	8	7	6	6	5.5	-3%	-3%	3
World	168	156	202	212	220	-1%	4%	100

Source : ITMF

# CHINA, INDIA AND PAKISTAN SHARE IS GROWING -68% OF WORLD CAPACITY





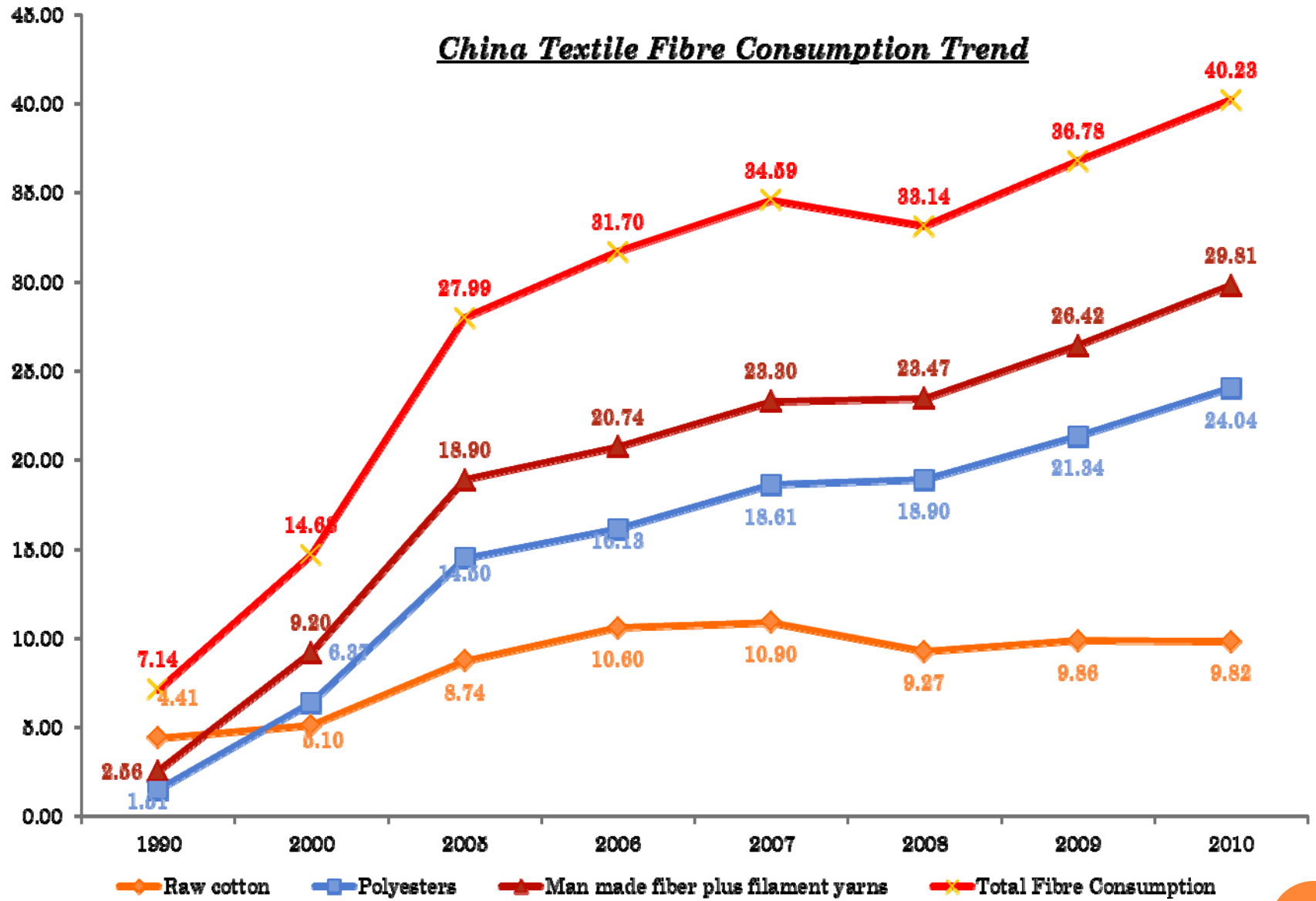
## WORLD SPUN YARN PRODUCTION HAS BEEN CONCENTRATING IN ASIA

<b>World Spun Yarn Production Trends( mn kg)</b>						
	China	India	Pakistan	Total	World	% share in world
1990	4630	1652	925	7207	25717	28
1995	5420	2200	1413	9033	25809	35
2000	6570	3046	1678	11294	29443	38
2005	14500	3223	2290	20013	36759	54
2008	21480	4003	2809	28292	35929	79
2009	23930	3914	2862	30706	36629	84
2010	27000	4300	3000	34300	40000	86

# CHINA FIBRE CONSUMPTION

	(figures in million tons)							
	1990	2000	2005	2006	2007	2008	2009	2010
<b><u>Natural Fibre</u></b>								
Raw cotton	4.41	5.10	8.74	10.60	10.90	9.27	9.86	<b>9.82</b>
Wool etc.	0.17	0.38	0.34	0.35	0.38	0.41	0.50	<b>0.60</b>
<b>SUB-TOTAL</b>	<b>4.58</b>	<b>5.48</b>	<b>9.09</b>	<b>10.95</b>	<b>11.28</b>	<b>9.67</b>	<b>10.36</b>	<b>10.42</b>
<b><u>Man made fibre</u></b>								
Viscose	0.17	0.51	0.92	1.08	1.14	1.17	1.31	<b>1.62</b>
Polyester staple fibre	0.88	2.85	5.70	6.21	6.78	6.89	7.64	<b>7.98</b>
ASF staple fibre	0.33	0.83	1.19	1.13	1.07	0.84	0.86	<b>0.85</b>
Polyamide-nylon staple fibre	0.02	0.04	0.06	0.07	0.07	0.08	0.10	<b>0.12</b>
PP	0.09	0.15	0.25	0.28	0.29	0.32	0.32	<b>0.34</b>
<b>SUB-TOTAL</b>	<b>1.48</b>	<b>4.37</b>	<b>8.13</b>	<b>8.76</b>	<b>9.35</b>	<b>9.30</b>	<b>10.23</b>	<b>10.91</b>
<b><u>Man made filament yarn</u></b>								
Viscose	0.04	0.12	0.17	0.16	0.16	0.16	0.12	<b>0.15</b>
Polyester	0.63	3.52	8.79	9.92	11.83	12.01	13.70	<b>16.06</b>
Polypropylene	0.24	0.67	0.75	0.72	0.71	0.81	0.85	<b>0.85</b>
Nylon	0.17	0.51	0.93	1.03	1.08	1.02	1.33	<b>1.57</b>
Spandex	-	0.002	0.130	0.145	0.175	0.160	0.190	<b>0.270</b>
<b>Sub-total</b>	<b>1.08</b>	<b>4.83</b>	<b>10.77</b>	<b>11.98</b>	<b>13.95</b>	<b>14.17</b>	<b>16.19</b>	<b>18.90</b>
<b><u>MMF+Man made filament yarn</u></b>	<b>2.56</b>	<b>9.20</b>	<b>18.90</b>	<b>20.74</b>	<b>23.30</b>	<b>23.47</b>	<b>26.42</b>	<b>29.81</b>
<b>Grand Total</b>	<b>7.14</b>	<b>14.68</b>	<b>27.99</b>	<b>31.70</b>	<b>34.59</b>	<b>33.14</b>	<b>36.78</b>	<b>40.23</b>
<b>% Share of Natural Fibre</b>	<b>64.15</b>	<b>37.31</b>	<b>32.47</b>	<b>34.56</b>	<b>32.62</b>	<b>29.18</b>	<b>28.17</b>	<b>25.90</b>
<b>% Share of Man made Fibre</b>	<b>20.69</b>	<b>29.80</b>	<b>29.04</b>	<b>27.64</b>	<b>27.03</b>	<b>28.06</b>	<b>27.81</b>	<b>27.12</b>
<b>% Share of Man made filament Yarn</b>	<b>15.16</b>	<b>32.89</b>	<b>38.50</b>	<b>37.80</b>	<b>40.34</b>	<b>42.76</b>	<b>44.02</b>	<b>46.98</b>
<b>% Share of MMF +Man made filament yarn</b>	<b>35.85</b>	<b>62.69</b>	<b>67.53</b>	<b>65.44</b>	<b>67.38</b>	<b>70.82</b>	<b>71.83</b>	<b>74.10</b>

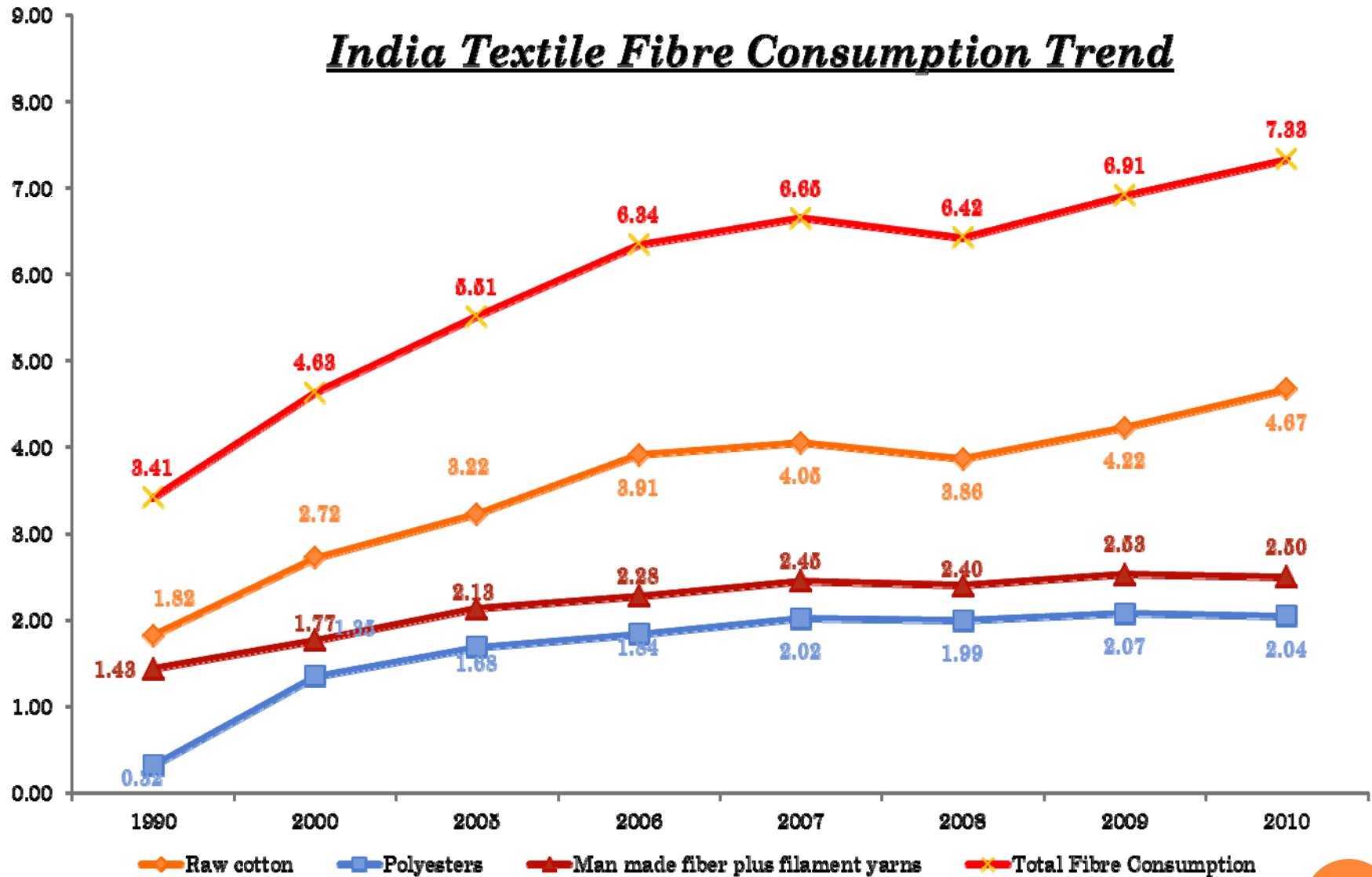
**China Textile Fibre Consumption Trend**



## INDIA FIBRE CONSUMPTION

	1990	2000	2005	2006	2007	2008	2009	2010
Natural fibres								
Raw cotton	1.82	2.721	3.222	3.908	4.05	3.863	4.222	4.67
Wool etc.	0.16	0.142	0.156	0.158	0.15	0.16	0.16	0.16
<b>SUB-TOTAL</b>	<b>1.98</b>	<b>2.863</b>	<b>3.378</b>	<b>4.066</b>	<b>4.2</b>	<b>4.023</b>	<b>4.382</b>	<b>4.83</b>
<b><i>Man made fiber</i></b>								
Viscose	0.158	0.221	0.228	0.237	0.25	0.22	0.27	0.26
PSF	0.138	0.56	0.61	0.68	0.74	0.65	0.74	0.78
ASF	0.033	0.10	0.11	0.11	0.10	0.09	0.09	0.10
PP	0.001	0.002	0.003	0.003	0.0027	0.003	0.003	0.003
<b>SUB-TOTAL</b>	<b>0.33</b>	<b>0.889</b>	<b>0.954</b>	<b>1.022</b>	<b>1.087</b>	<b>0.969</b>	<b>1.102</b>	<b>1.137</b>
<b><i>Man made filament yarn</i></b>								
Viscose	0.51	0.047	0.047	0.042	0.042	0.045	0.051	0.053
Polyester	0.18	0.79	1.07	1.16	1.28	1.34	1.34	1.26
Polypropylene	0.003	0.017	0.018	0.015	0.012	0.016	0.013	0.015
Nylon	0.411	0.025	0.042	0.038	0.03	0.03	0.03	0.03
<b>Sub-total</b>	<b>1.104</b>	<b>0.878</b>	<b>1.18</b>	<b>1.256</b>	<b>1.363</b>	<b>1.431</b>	<b>1.428</b>	<b>1.362</b>
<b><i>MMF+Man made filament yarn</i></b>	<b>1.434</b>	<b>1.767</b>	<b>2.134</b>	<b>2.278</b>	<b>2.450</b>	<b>2.400</b>	<b>2.530</b>	<b>2.499</b>
<b>Grand Total</b>	<b>3.414</b>	<b>4.630</b>	<b>5.512</b>	<b>6.344</b>	<b>6.650</b>	<b>6.423</b>	<b>6.912</b>	<b>7.329</b>
<b>% age share of natural cotton</b>	<b>57.996</b>	<b>61.836</b>	<b>61.3</b>	<b>64.1</b>	<b>63.2</b>	<b>62.6</b>	<b>63.4</b>	<b>65.9</b>
<b>%age share of man made yarn</b>	<b>32</b>	<b>19</b>	<b>21.4</b>	<b>19.8</b>	<b>20.5</b>	<b>15.4</b>	<b>15.4</b>	<b>15.5</b>
<b>%age share of man made filament yarn</b>	<b>42.0</b>	<b>38.2</b>	<b>38.7</b>	<b>35.9</b>	<b>36.8</b>	<b>21.6</b>	<b>21.6</b>	<b>18.6</b>
<b>%age share of MMF+man made filament yarn</b>	<b>42.0</b>	<b>38.2</b>	<b>38.7</b>	<b>35.9</b>	<b>36.8</b>	<b>37.4</b>	<b>36.6</b>	<b>34.1</b>

## India Textile Fibre Consumption Trend



# ASIA: LIKELY HUBS OF YARN MANUFACTURING

## INDIA/CHINA/PAKISTAN... BANGLADESH !

### ➤ **Determinants**

- ❖ Availability of raw material
  - ❖ Capacity and competence for yarn manufacturing
  - ❖ Rising capital cost of new spindle
  - ❖ Existing spindles at lower cost leading to overall lower capital cost
  - ❖ Incentive to promote spinning industry
- 
- Existing capacity will help china to remain competitive in long run thus yarn production may not decline if raw material is available.
  - Only quota assured , physical banning of import of yarn from India, China, Pakistan can help spinning to grow in Bangladesh. Under SAFTA( South Asian Free trade agreement), this scenario is unlikely
  - Re-changing the definition of integrated industry from within country to within reach – Integrated textile industry in South Asia plus china plus ASEAN

**TEXTILE INDUSTRY HAS BEEN ONE OF THE MOST  
IMPORTANT CONSTITUENTS OF THE INDIAN ECONOMY,  
HOWEVER, UNLIKE CHINA, ITS TRUE POTENTIAL IS YET  
TO BE REALIZED ...**

- 5% OF GDP
- 10% OF EXPORTS
- LARGEST INDUSTRIAL EMPLOYMENT-35 MN PEOPLE

# SCOPE FOR FUTURE GROWTH LIES IN FUNDAMENTAL STRENGTHS OF THE INDIAN TEXTILE INDUSTRY

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

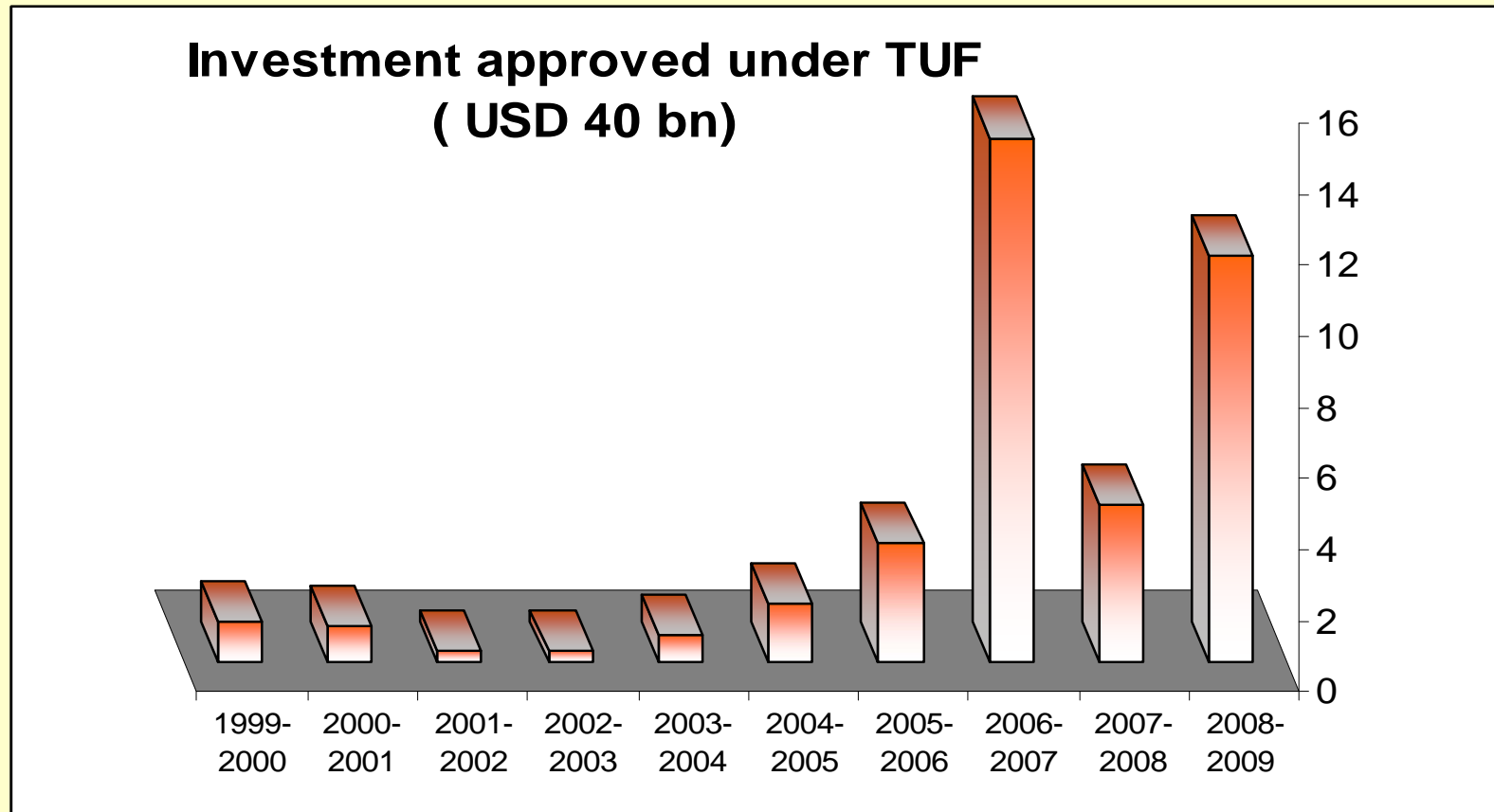


# GOVERNMENT OF INDIA- INITIATIVES ON POLICY FRAMEWORK

- ✓ **Restoration of level playing field**
  - ▶ **Organized 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.**

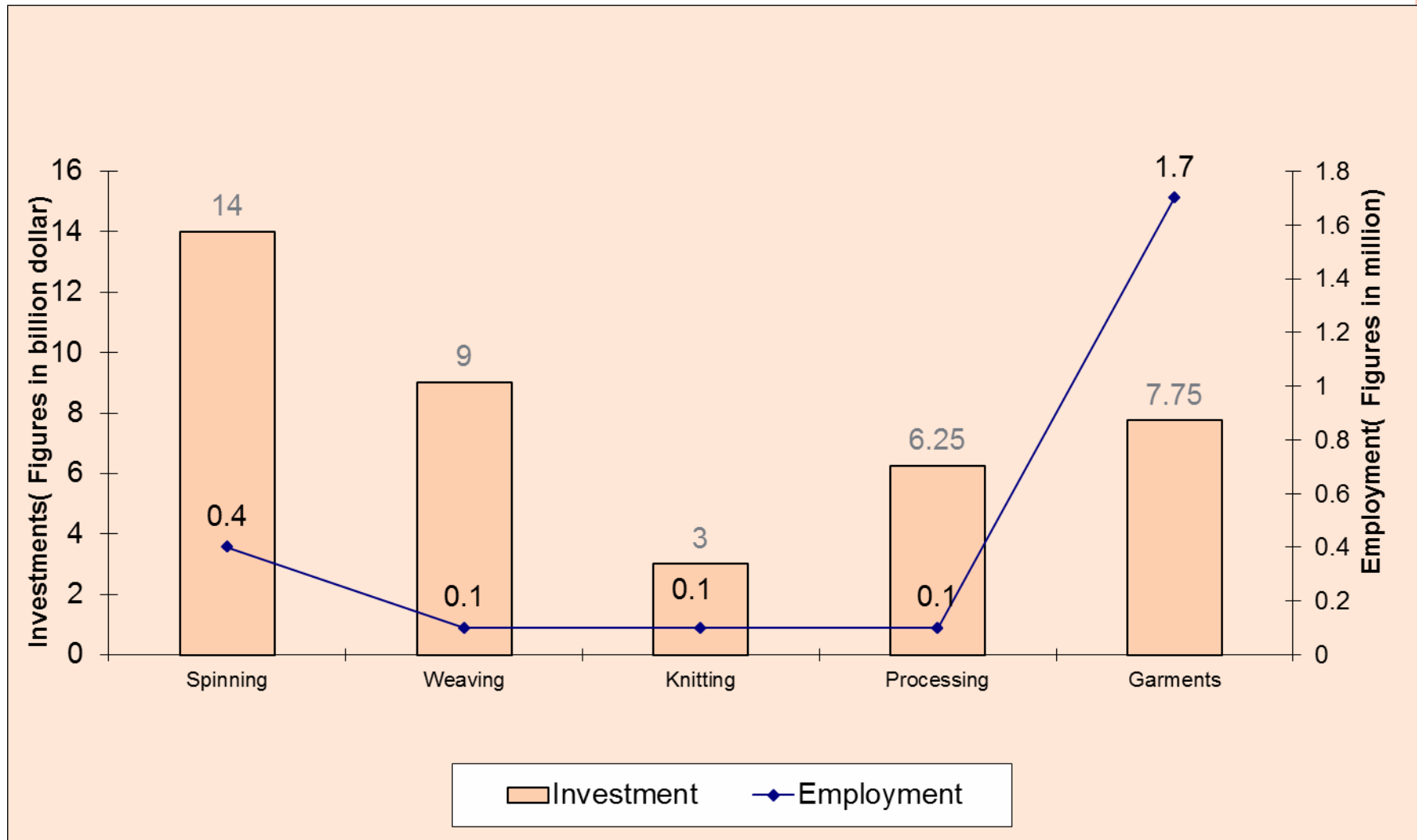
Fiscal policy reforms refurbish the investment outlook of the industry

# TEXTILE INDUSTRY COMMITTED EFFORTS TO HARNESS THE FUNDAMENTAL STRENGTHS ARE VISIBLE IN GROWING INVESTMENTS

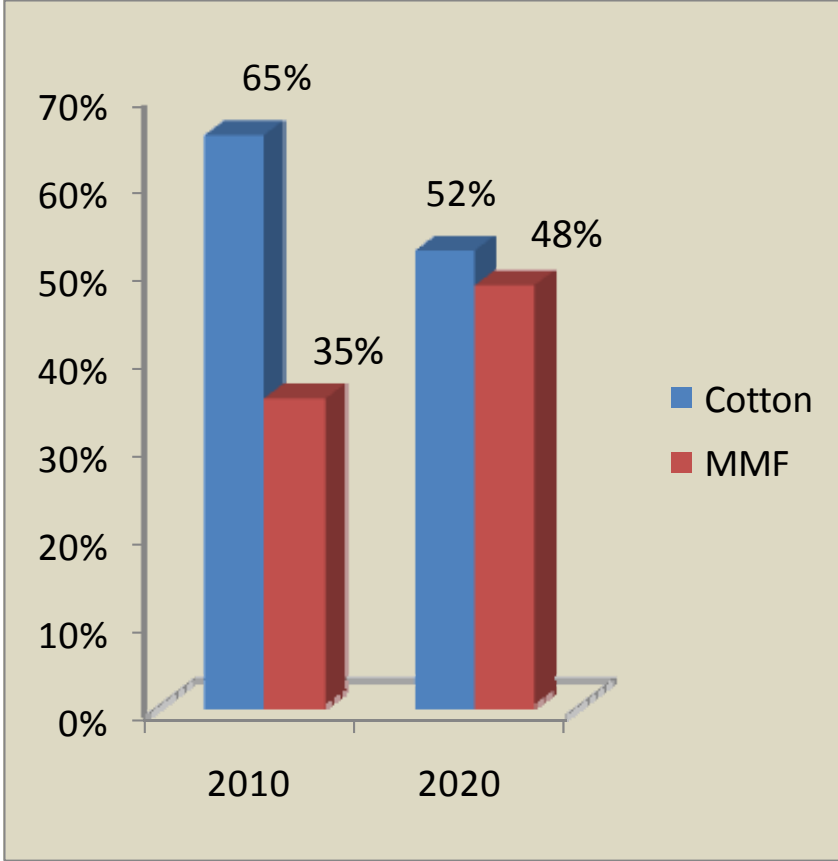
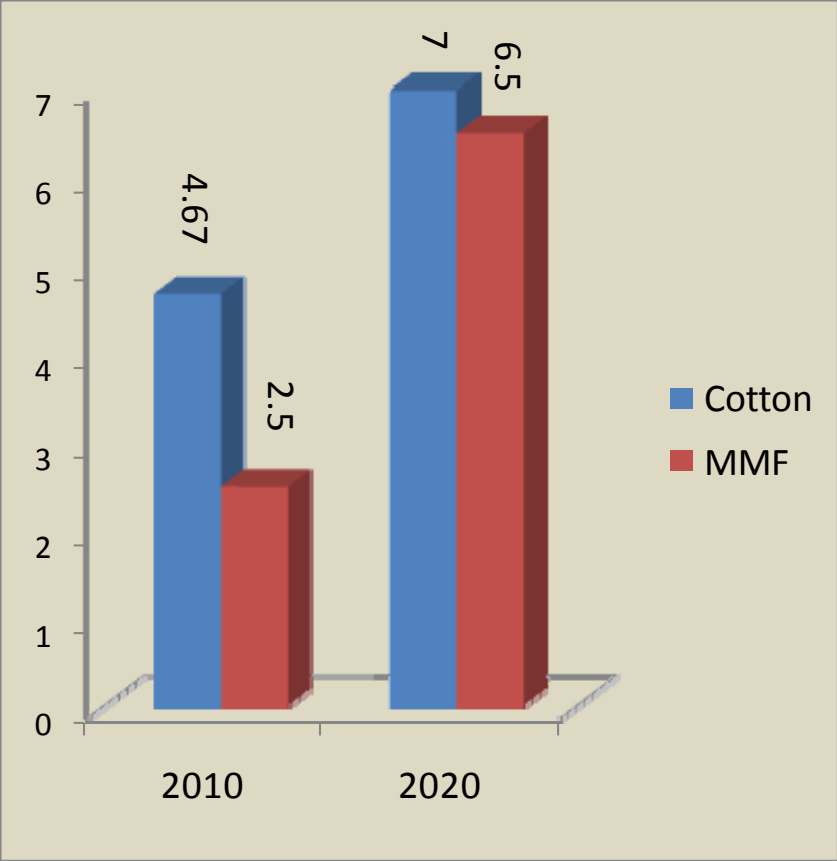


About equal amount of investment is projected in next 10 years

# TEXTILE INDUSTRY: VISION 2020 INVESTMENT AND EMPLOYMENT

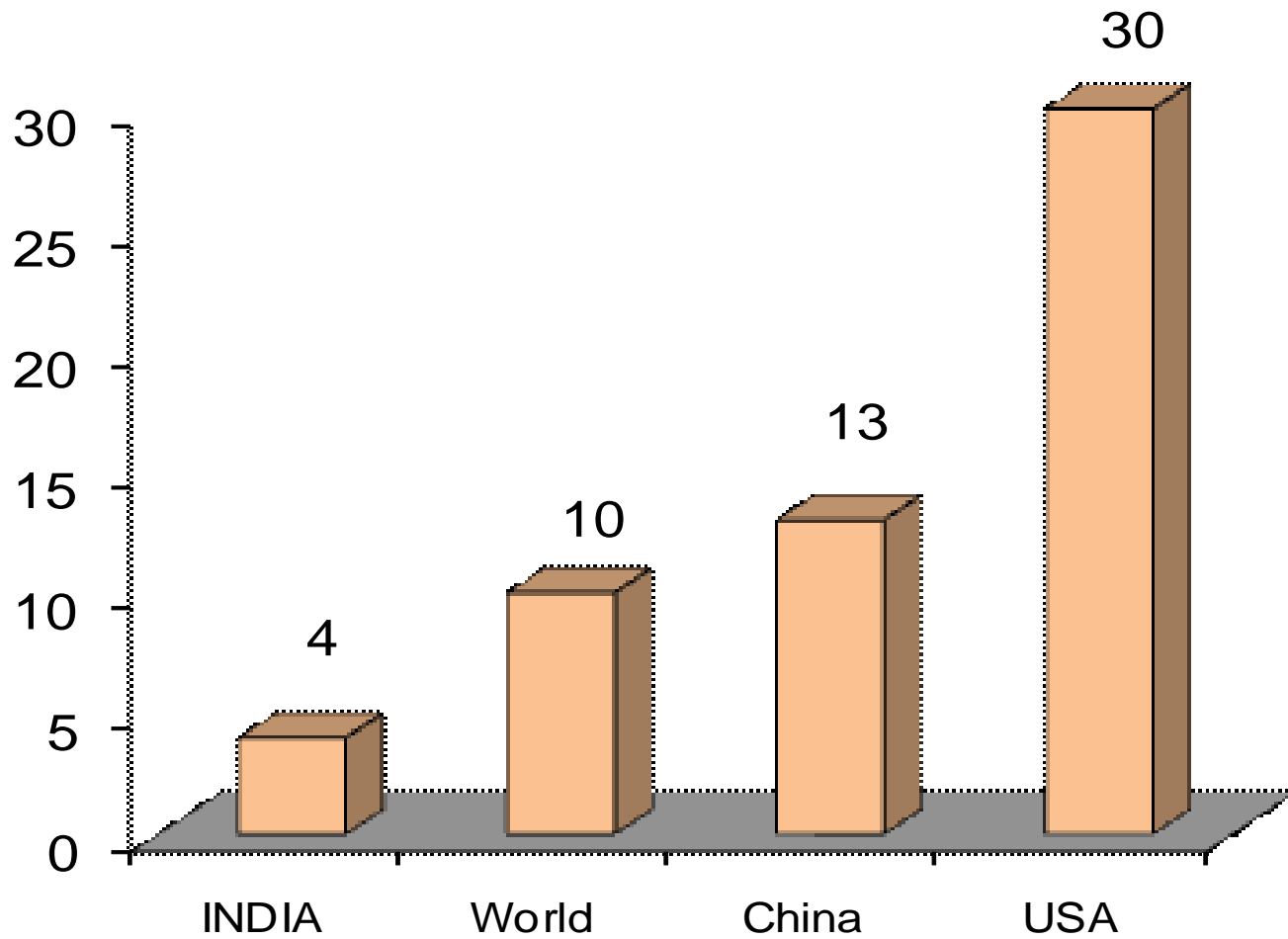


# INDIA: TEXTILE FIBRE CONSUMPTION OUTLOOK 2020

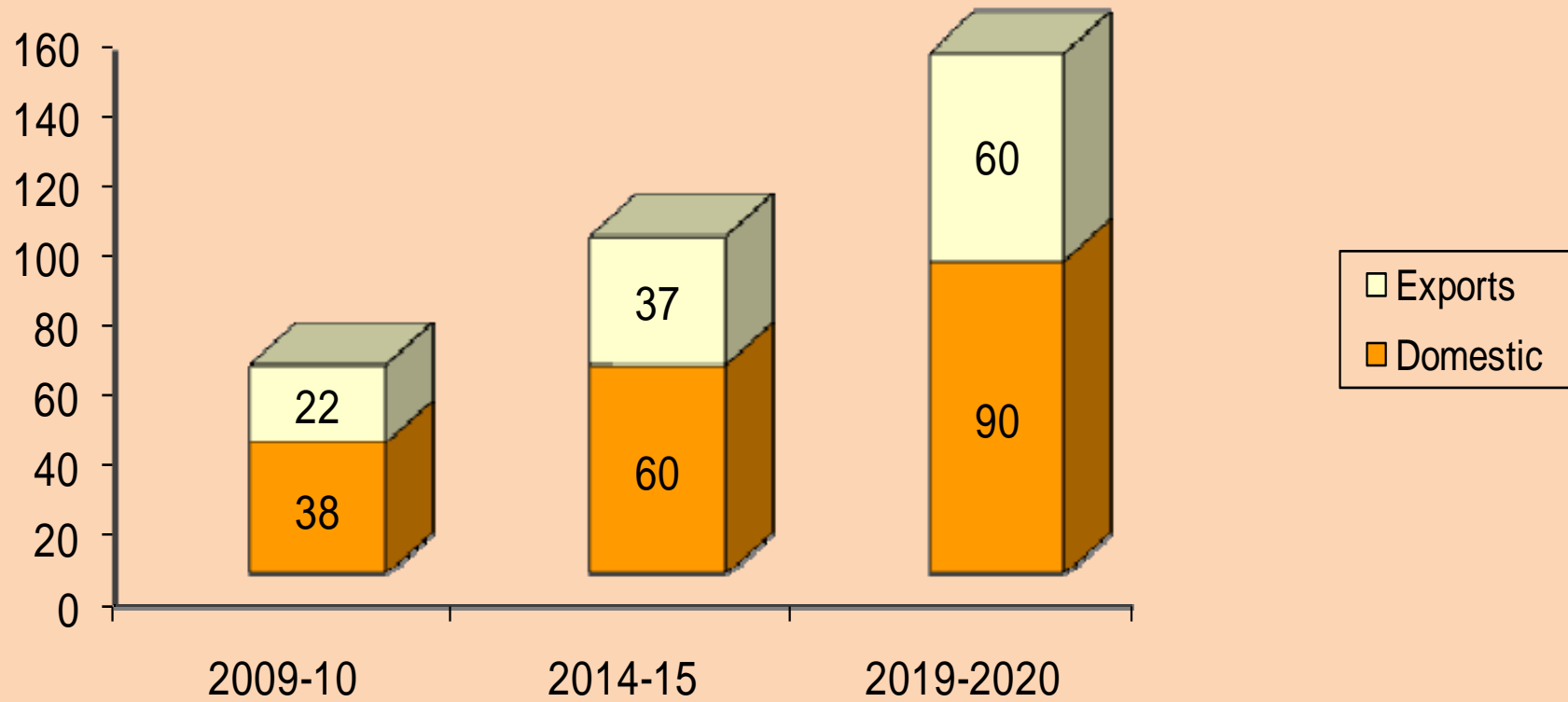


Figures in million tons

## Scope for growth in domestic market: Per capita fibre consumption(kg)



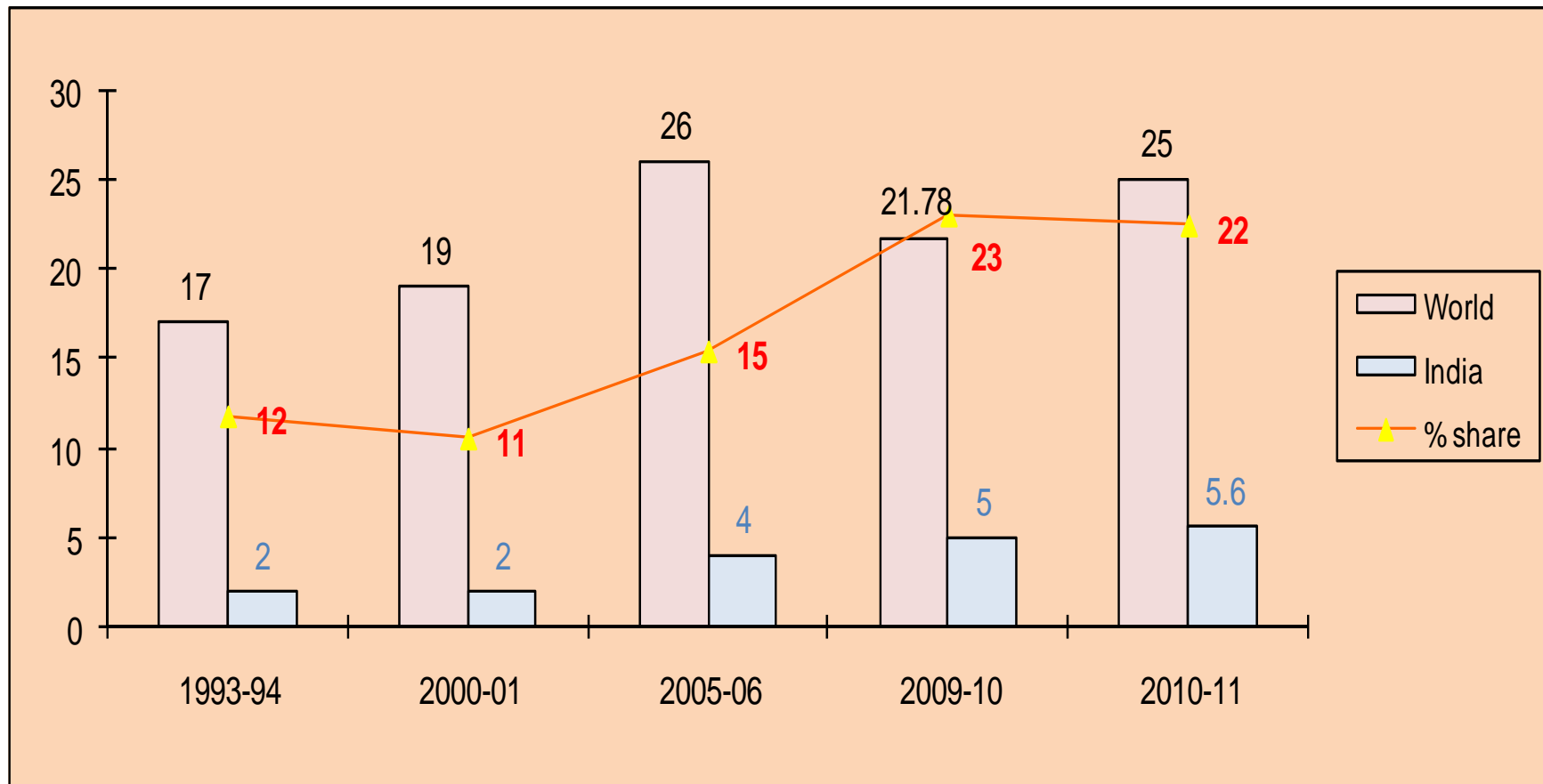
## PROJECTED SIZE OF INDIAN TEXTILE INDUSTRY( USD BN)



# INDIAN TEXTILE INDUSTRY: RELEVANT ISSUES FOR CONTEMPLATION

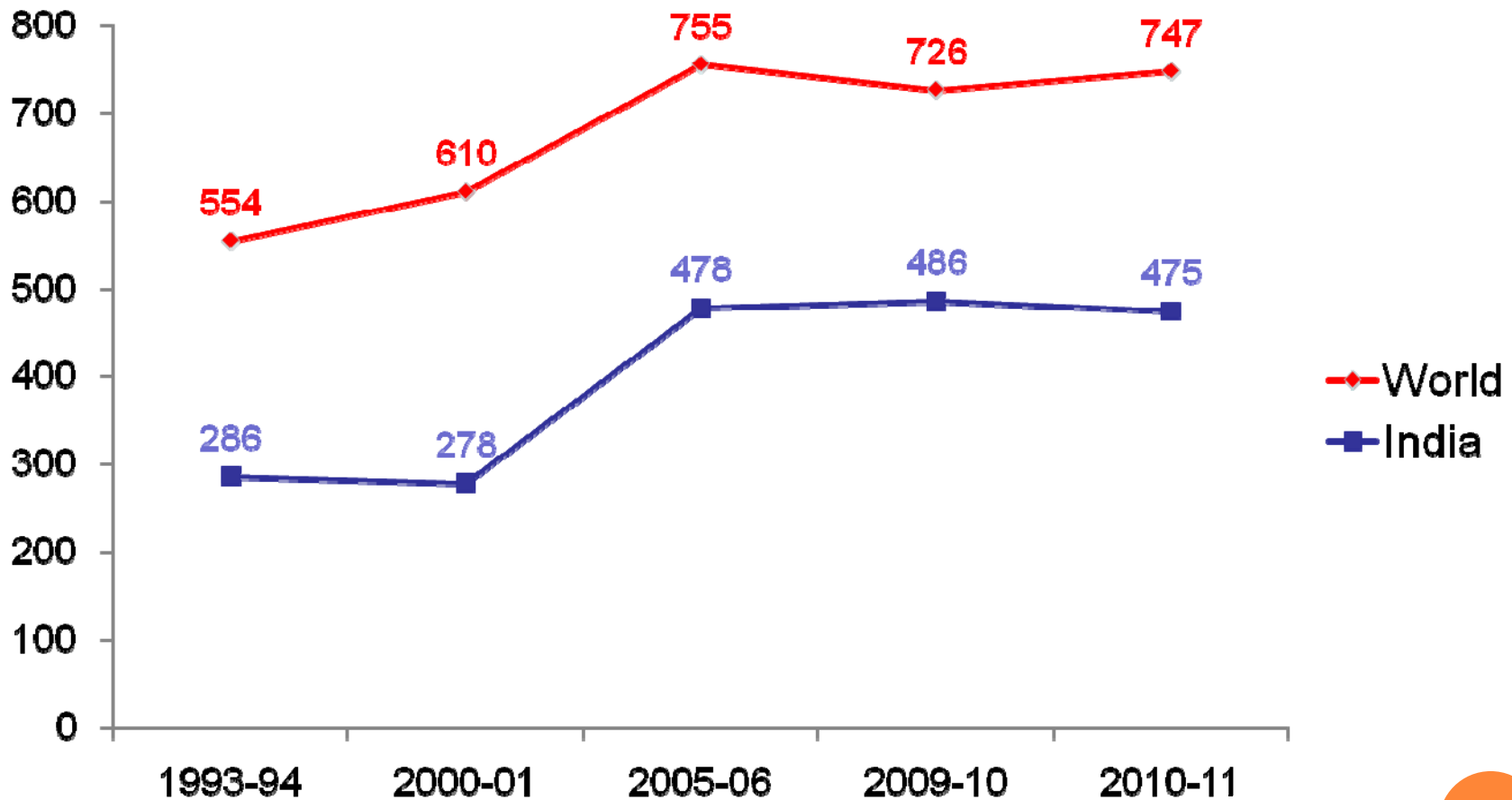
- Impact of global liquidity glut landing in India
  - ✓ Volatile Indian rupee exchange rate
  - ✓ Financing growth through capital market and oversea arrangement
- How long China would continue to dominate global textile markets ?
- Would new hubs of Spinning may emerge in next 10 years
- Whether next 10 years are of rapid growth for Indian textile industry
- Will spinning continue to attract more investment than weaving and processing in India?
- Likely structural changes in Indian textile industry?
- Government trade policy for cotton fibre and cotton yarn

## INDIA'S SHARE IN COTTON PRODUCTION IN THE WORLD IS GROWING( MN TONS)

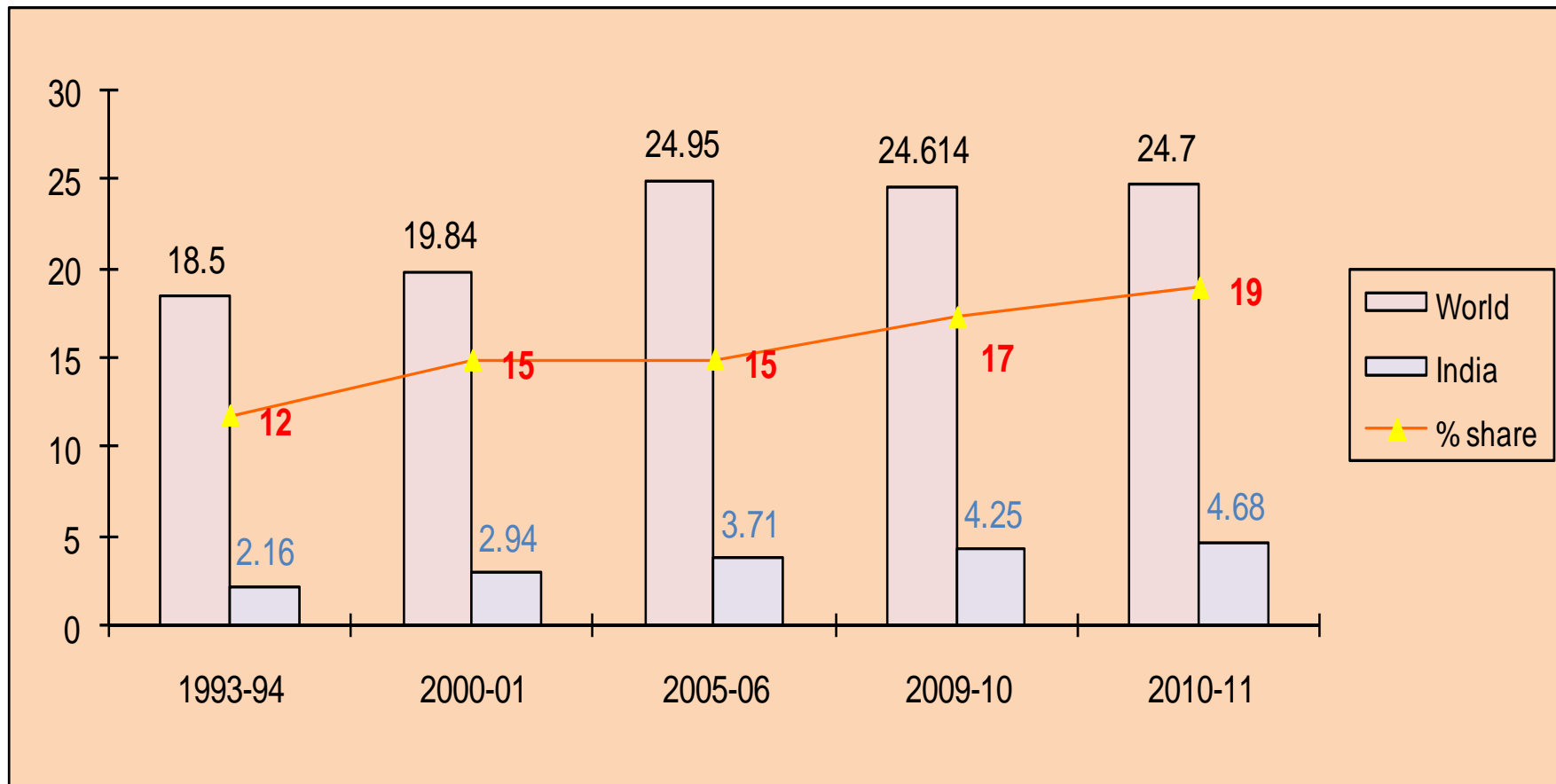




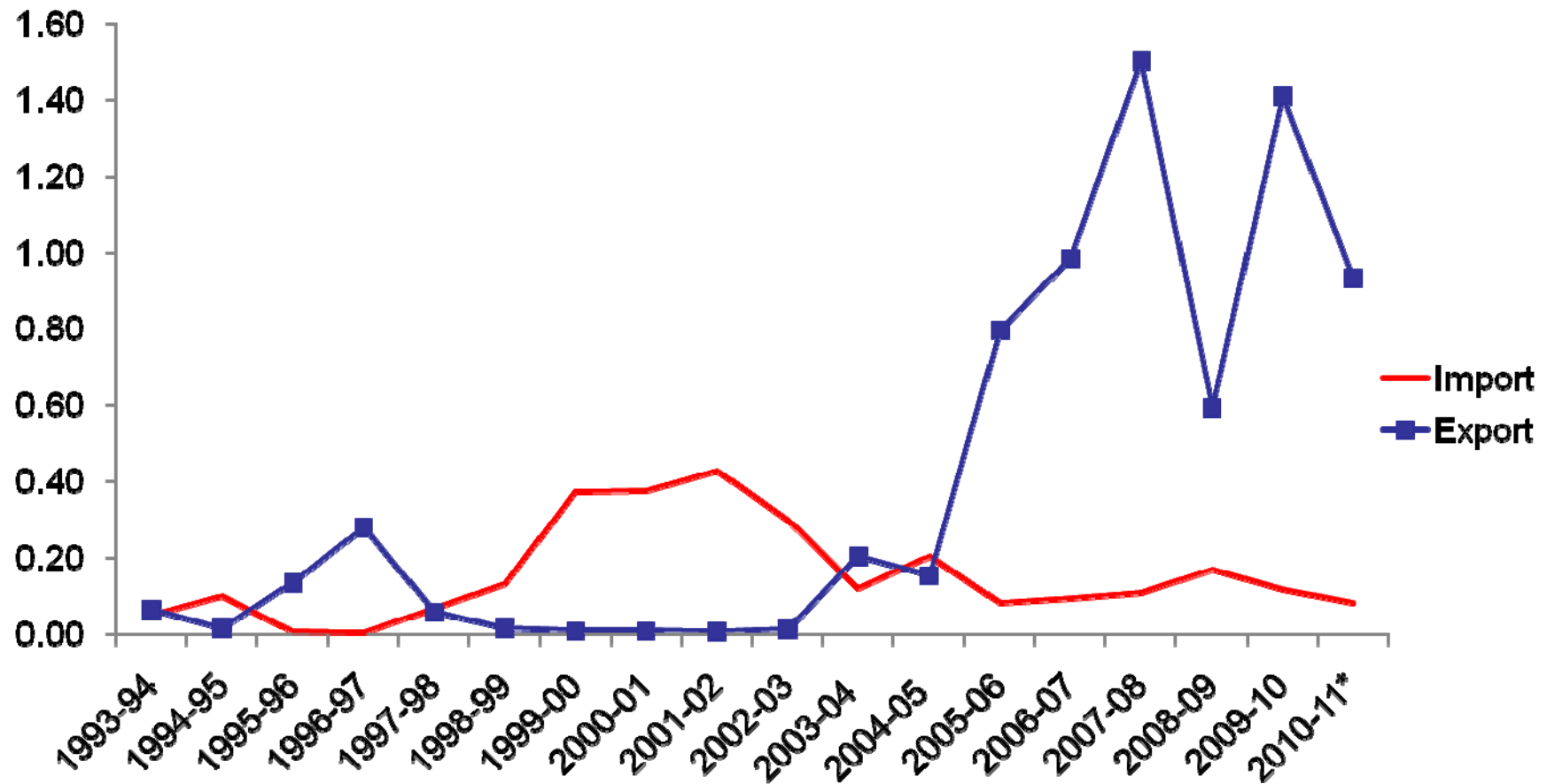
# THE PRINCIPLE CAUSE FOR HIGHER COTTON PRODUCTION IS GROWING PRODUCTIVITY (KG/HA)



## INDIA'S SHARE IN COTTON CONSUMPTION IN THE WORLD IS GROWING( MN TONS)

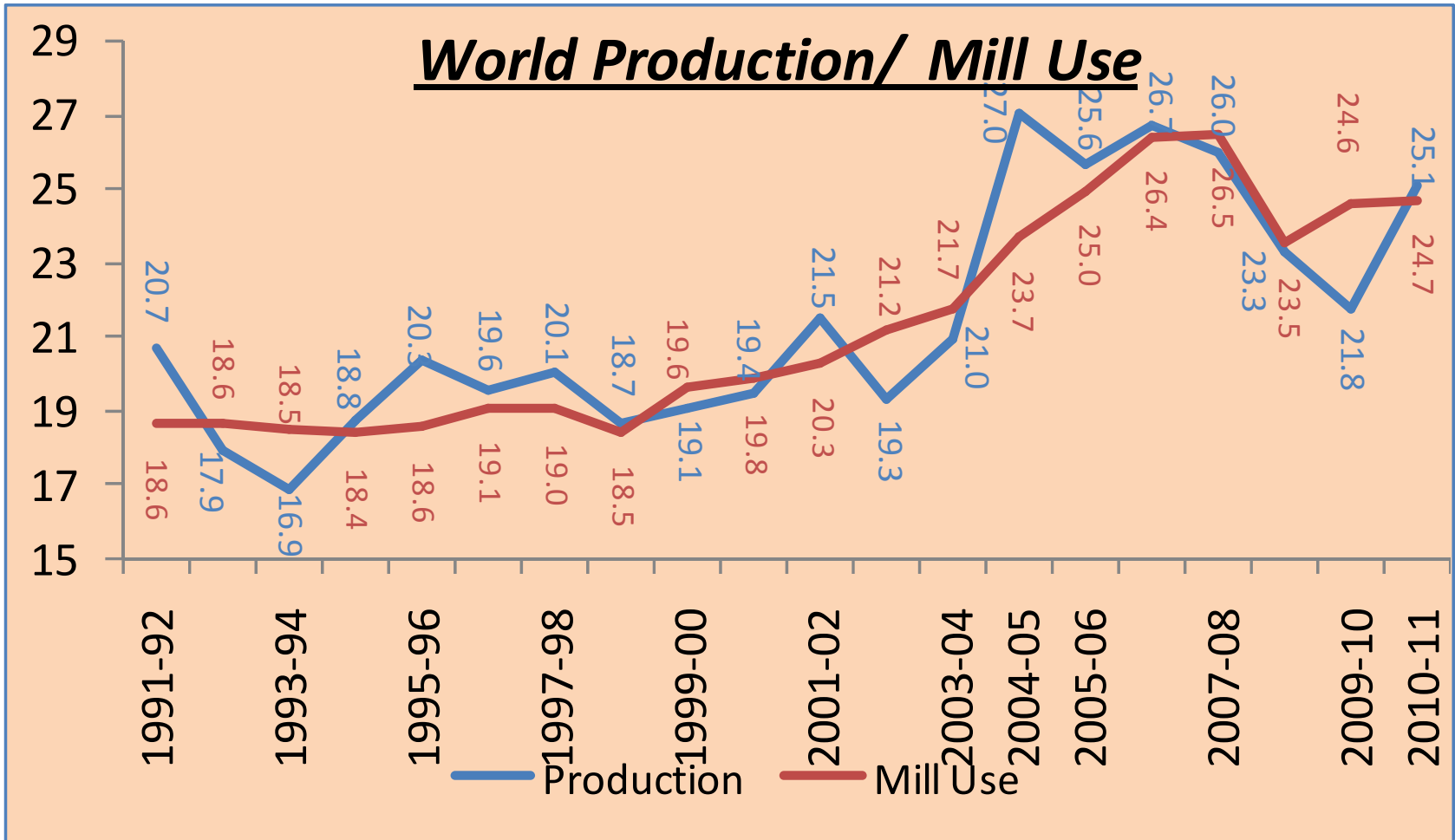


## INDIA: SHORTAGE IN GLOBAL AVAILABILITY OF COTTON LED TO HIGHER INCREASE IN COTTON FIBRE EXPORTS FROM INDIA

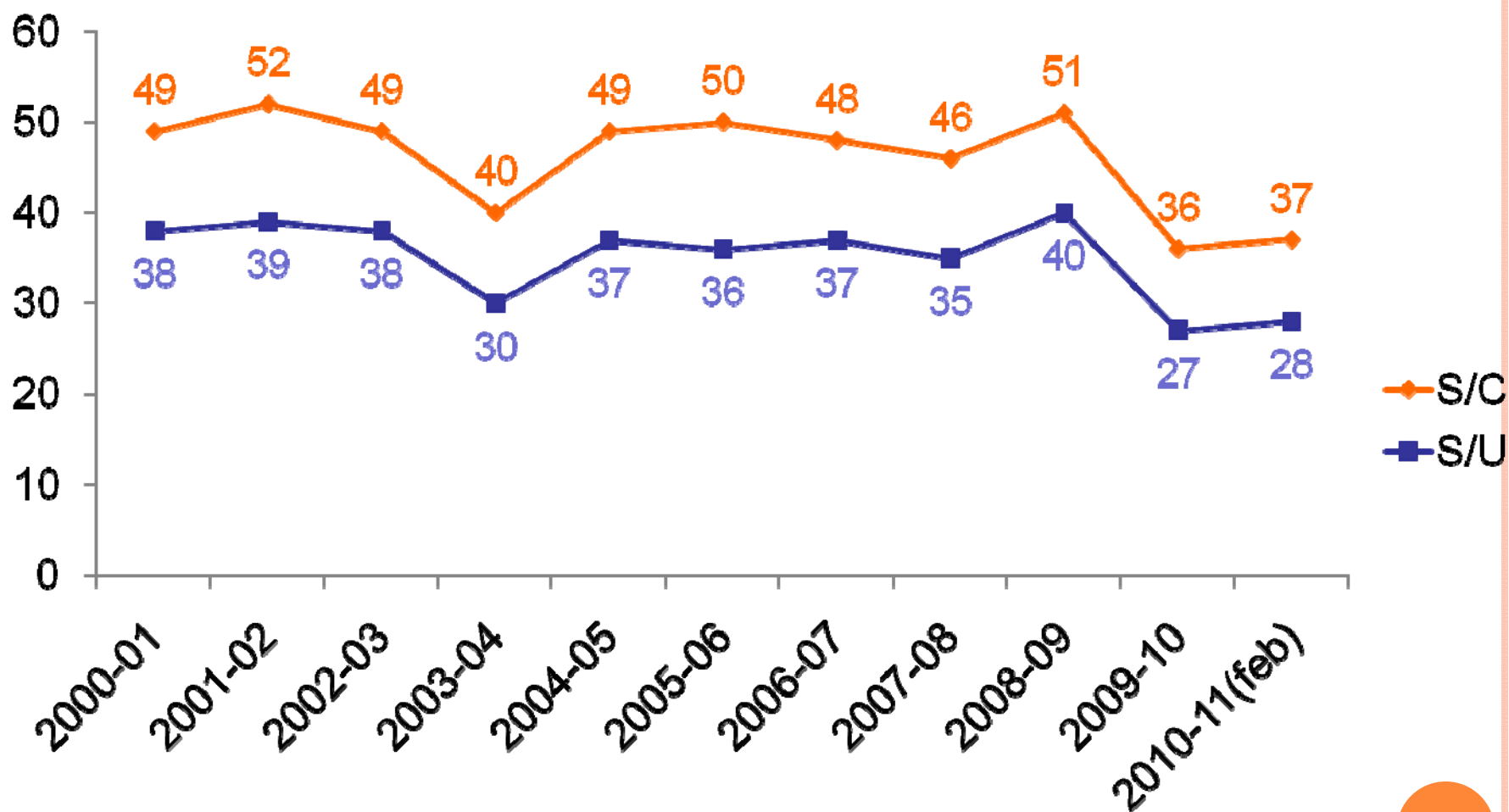


Figures in million tons

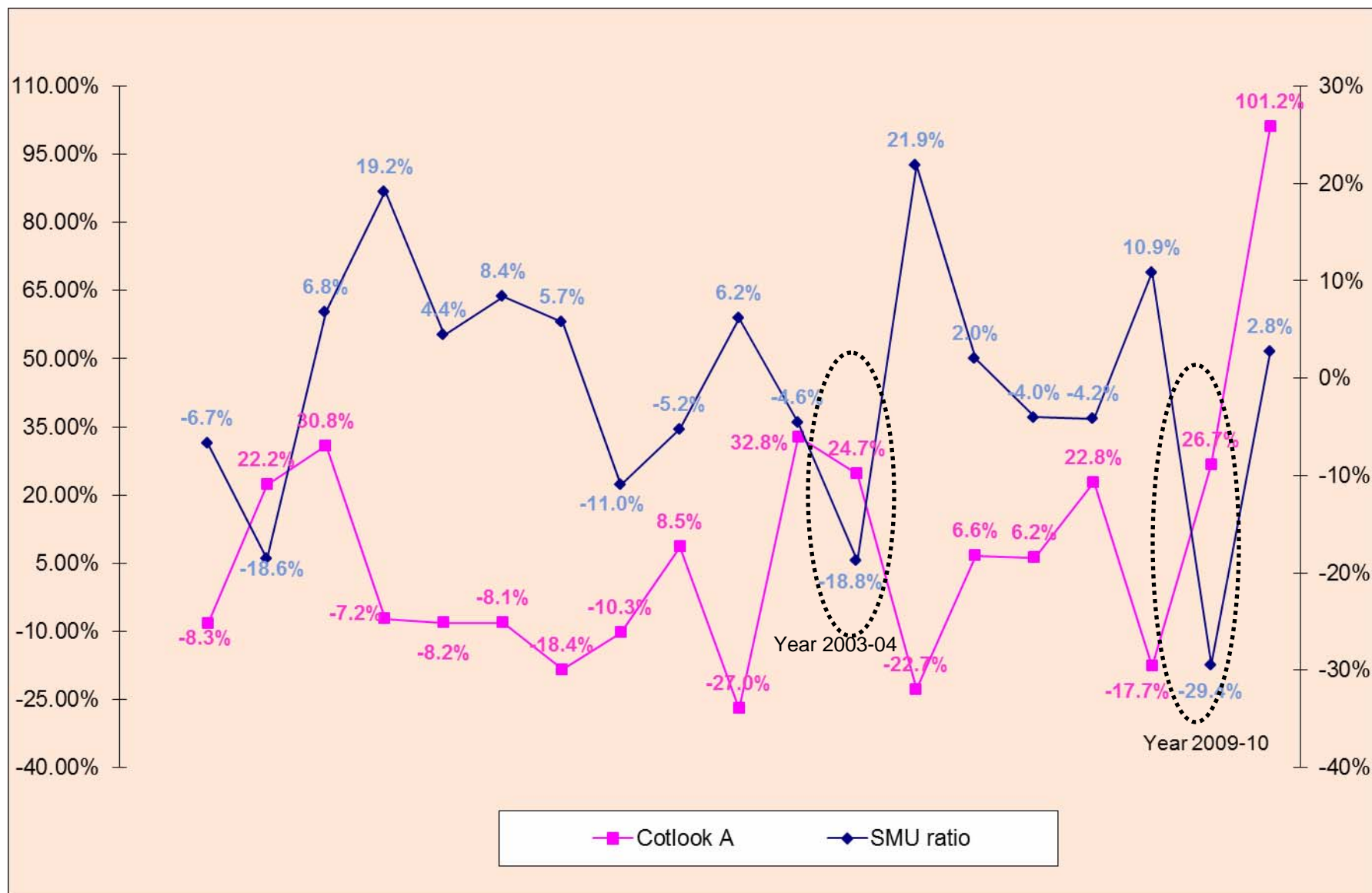
***THE SUSTAINED DEMAND BY MILLS FOR COTTON LED TO DEMAND OVERSHOOTING WORLD COTTON SUPPLY***



# WORLD COTTON S/U & S/C RATIOS

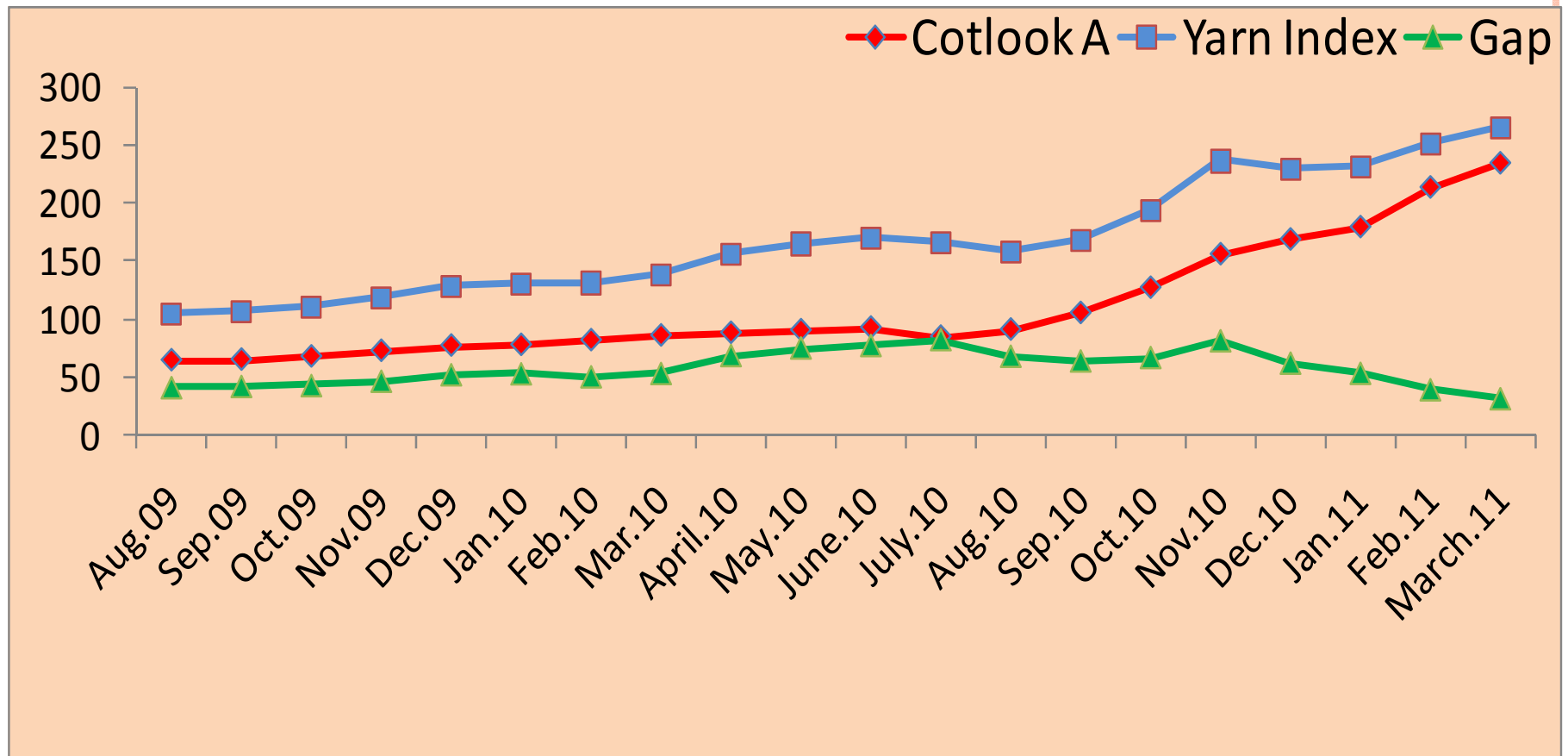


# % VARIATION IN COTLOOK A VIZ-A-VIZ STOCK TO CONSUMPTION RATIO OF WORLD COTTON ( YEAR 1992-93/2010-11)



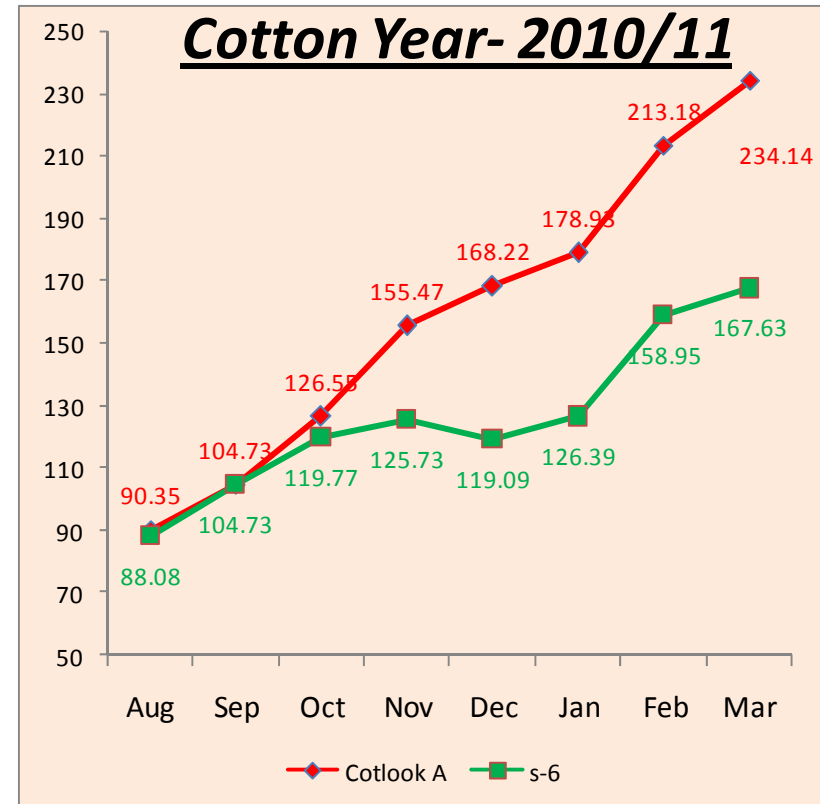
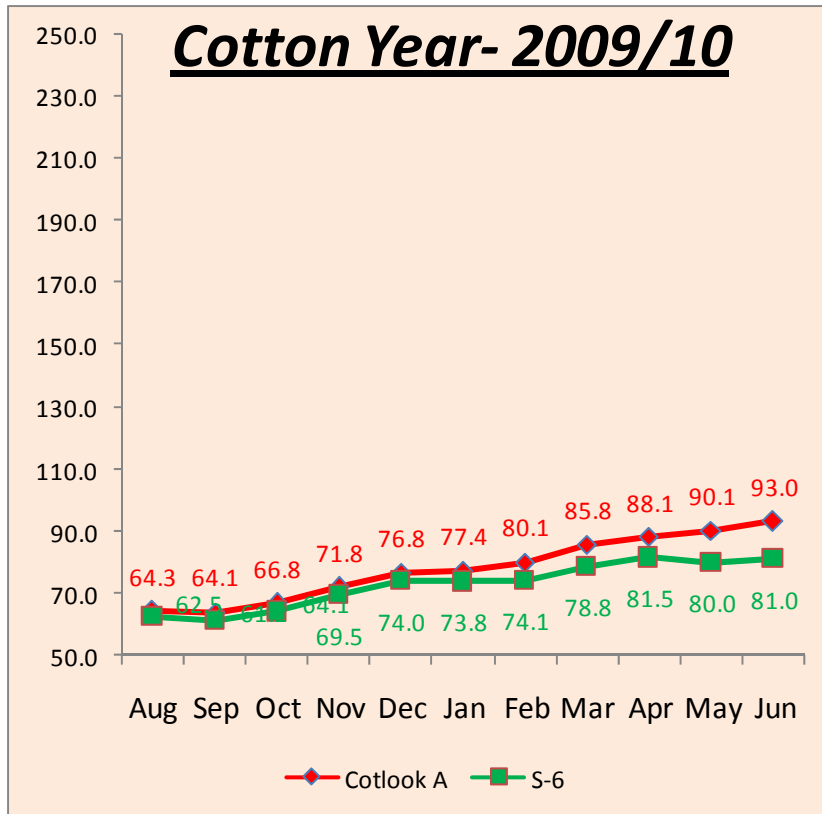
# RELATION BETWEEN YARN INDEX & COTLOOK

“A”



*The trend shows that cotton prices derived the yarn prices to large extent*

# WORLD DECLINING STOCKS HAS LED TO SPIRALING OF GLOBAL COTTON PRICES IN 2010 OVER 2009



Increased cotton consumption in China met through imports of cotton fibre also led to rise in cotton trade in the world.

China imported 1.5 mn tons in 2008-09 and 2.36 mn tons in 2009-10 3.2 mn tons of cotton fibre in 2010-11.



**High Cotlook A index linked with volatility in cotton prices have made a steep jump in last two years, not seen in past**

*(Figures in usc/lb)*

<b>Period</b>	<b>Price Band</b>	<b>Price range</b>
Aug 2004- May 2007	14	47-61
June 2007- Feb 2009	38	51-90
March 2009- 10th March 2011	193.65	50-243.65

# IMPACT OF VOLATILITY ON THE COTTON TRADE

It was known that there is shortage of cotton in the world, and ending stocks are more are less similar as that of July 2010 but high volatility in prices has impacted the cotton trade in many ways:

- 1) Non-compliance of Contracts.
- 2) Detrotiation in the Grade of quality of cotton.
- 3) False packing
- 4) Mixing of Cotton waste with the cotton

This has created lot of chaos in the Indian cotton trade and the trade oversees commitment.

As a result of all above, What are the solutions available to all stakeholders in the supply chain?

How they can protect their risks?

The only gainer in this process of volatility is farmers in the India, China , Pakistan,, etc

It is submitted that a Defaulters list should be maintained and circulated by concerned associations.

In the present time of uncertainty and volatility in the market the people as usual in the supply chain asking each other what is your view on the market and every time most of the people have failed in the their assessment during current year but again they are asking the same question :

***What is your view on the market?***



## **SEVEN UP – wow !**

*In last few days, everyday we have been finding market is going limit up/limit down by 7 cents.*

*Will there be any end to this trend? And When?*

*It is just like hitting a six on No ball and we have yet to see many sixer on No Ball in ICC World cup 2011.*