INDIAN DENIM INDUSTRY

THE WAY FORWARD

OVERVIEW OF THE INDIAN DENIM INDUSTRY

- Growth of the Industry.
- Current Status.
- The Potential.
- The Way Forward.

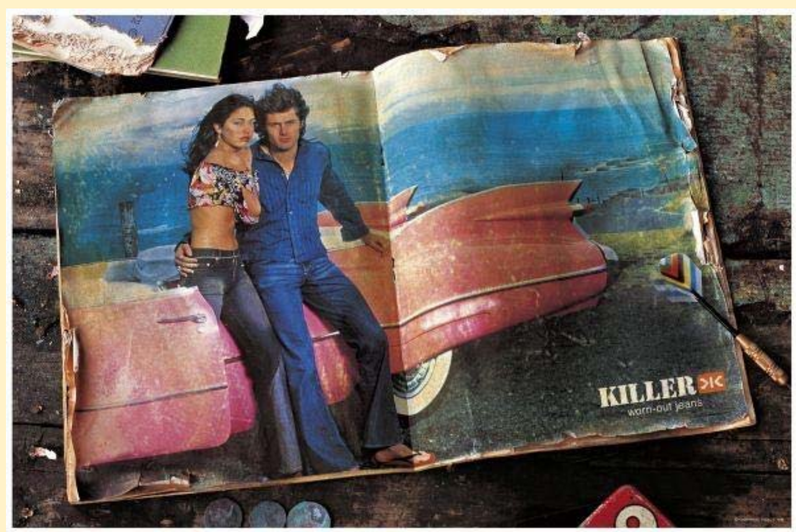
The Rapid Growth of the Indian Denim Industry

India was introduced to Denim Fabric in 1986.

Initially, mostly 5 pocket jeans, basic denims.

The mid ’90s - 2000 was a period of rapid growth :

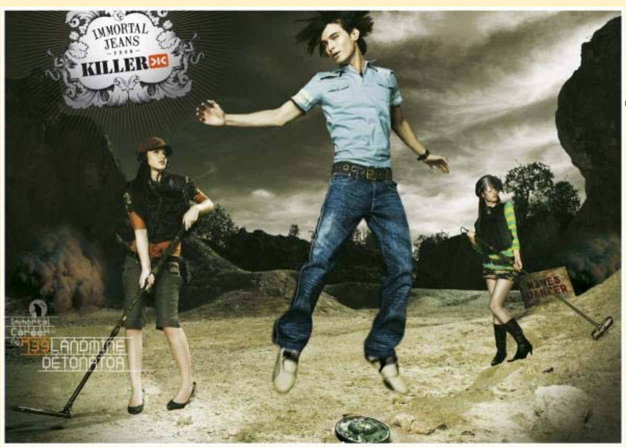
- Capacity increases, global acceptance of Indian product.



The Rapid Growth of the Indian Denim Industry

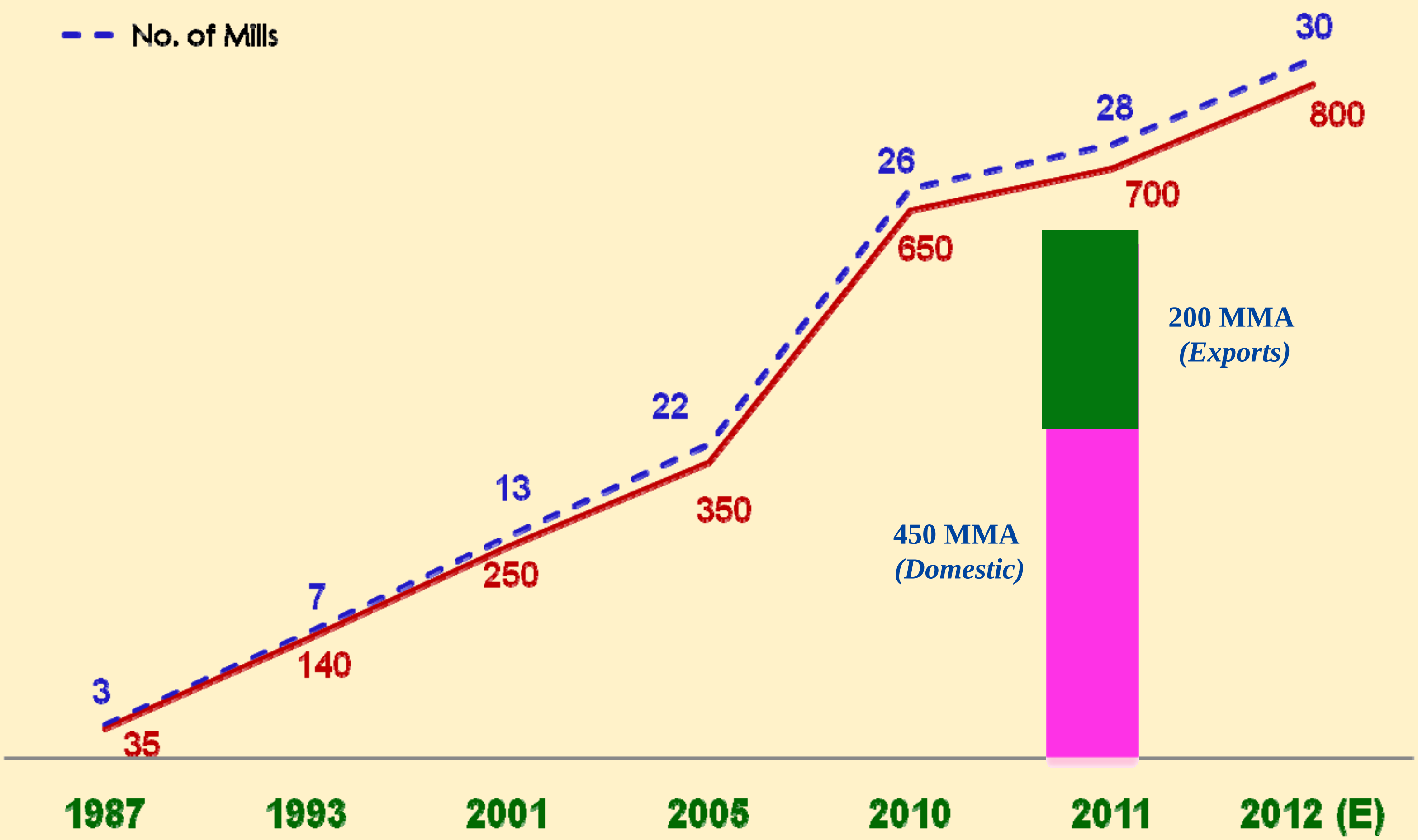
Post 2000, aggressive denim fabric capacity build up.

- Growth of global / Indian brands.
- Fashion trends were introduced by leading Indian and international brands.
- Creative washing technology and Fashion Denims added a new dimension to garmenting.
- Adoption of the best global technologies.
- Efficient and low cost production
- Training and empowerment of employees
- Manufacturing know-how, pioneering in raw material



… Denim is the way forward!

GROWTH OF DENIM FABRIC IN INDIA : 1987 – 2010.



The Denim Markets have seen a 10 – 12% growth in India.

The Indian Domestic Market – Potential for Growth

Is uniquely positioned for growth.

- ✓ Rapidly growing Domestic Market
- ✓ Potential for export of fabrics and garments.

The Potential for Growth

- Favorable Demographic profile in next decade.
- ~50% of Indian population is between 15 - 35 years*.
- Movement towards Casual / Comfortable Dressing .
- Arrival of international denim brands and garment houses.
- Growth in the women / children segments.

The Potential for Growth

- Sharp increase in disposable incomes.
- Strongest growth in Tier 2 / 3 cities.
- A/C, Cars, Mobiles sales spurt.
- There are 771.18 Mn* mobiles in India, expected to grow to 1.159 Bn* by 2013.

The Potential for Growth

…Bollywood sets the trend

DOMESTIC MARKET : 450 MMA

(0.35 Pair of Jeans / "Potential Dresser")

Growth ↓ 10-12% pa

1 Pair of Jeans / Person / Year

(1.2 BMA)

The Potential for Growth - Exports

India has a sustainable global competitive advantage for denim : Cotton, Technology, Efficient Manufacturing, Manpower, Management.

- Will increase market share vacated by China and Pakistan.
- Challenge is in product development and innovation: **Followers not Leaders.** Time to lead in product development, innovation and fashion designing.

The Way Forward…

The Way Forward

Domestic Market

Understanding the “Indian Consumer”

- Dressing Habits
- Silhouettes, fashion following, shopping habits

The Way Forward

Domestic Market –

Creating denims for new categories of consumers.

- Plus size jeans
- Children’s wear
- Ladies wear
- For the “Aam Aadmi”

The Way Forward

Domestic Market

Product Development and Innovation

- Stretch, Comfort, “Funky”
- In styling (Levis Curve ID)
- Creative washing (Distressed)
- Embellishments / Embroidery

The Way Forward

Domestic Market

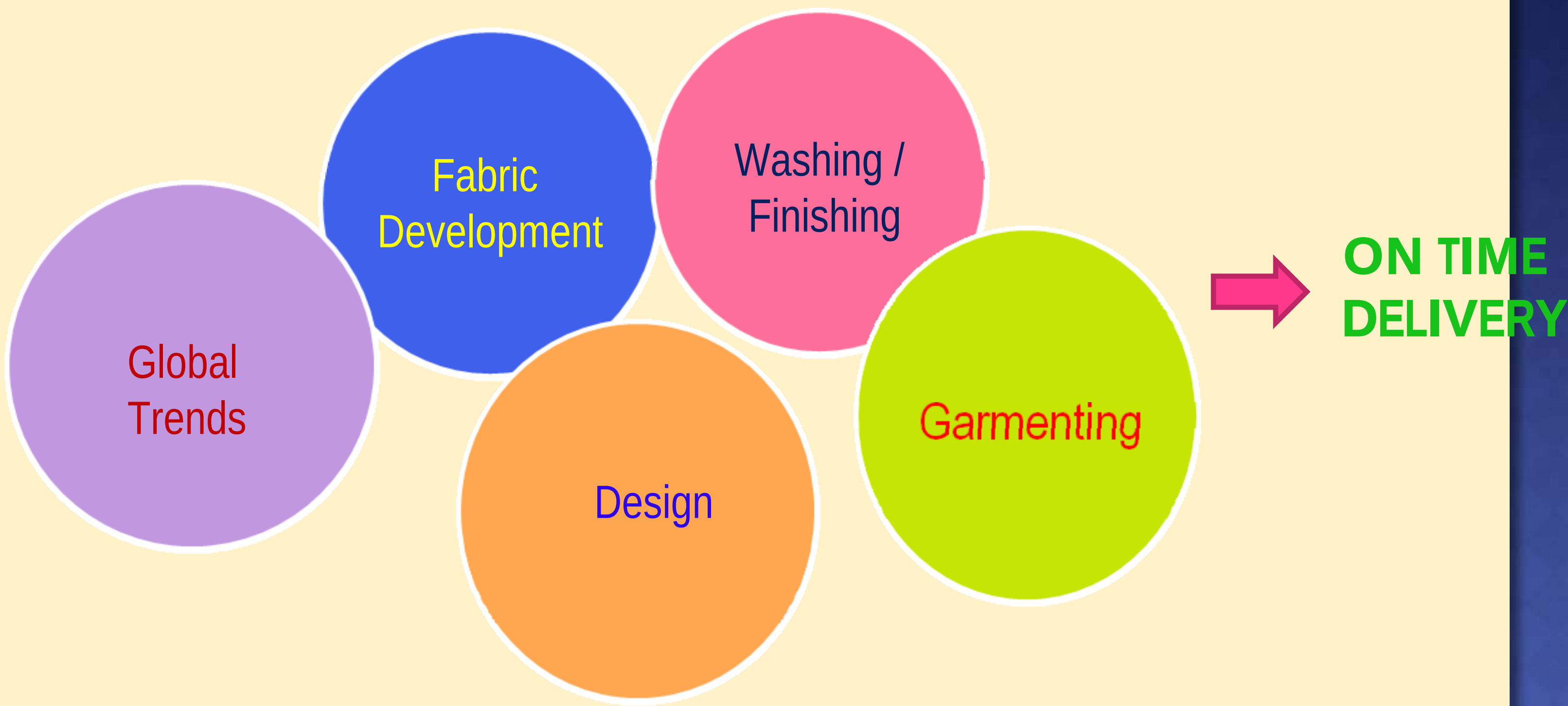
- Improve distribution in rural areas, Tier 2 / Tier 3 cities and towns, so that Jeans are available to every Indian.

The Way Forward

"Every Indian has a pair of Jeans

And buys at least 1 per year"

The Way Forward : Exports



LEARN TO "COLLABORATE" FOR BECOMING COMPETITIVE AND RELIABLE SUPPLY CHAIN PARTNERS FOR GLOBAL BRANDS.

The Way Forward

Exports

- Creation of Product Development and Fashion Forecasting Groups for the and Global markets.

- Development of relationship with international brands on the basis of “equality”

The Way Forward

Promote other uses of Denim –

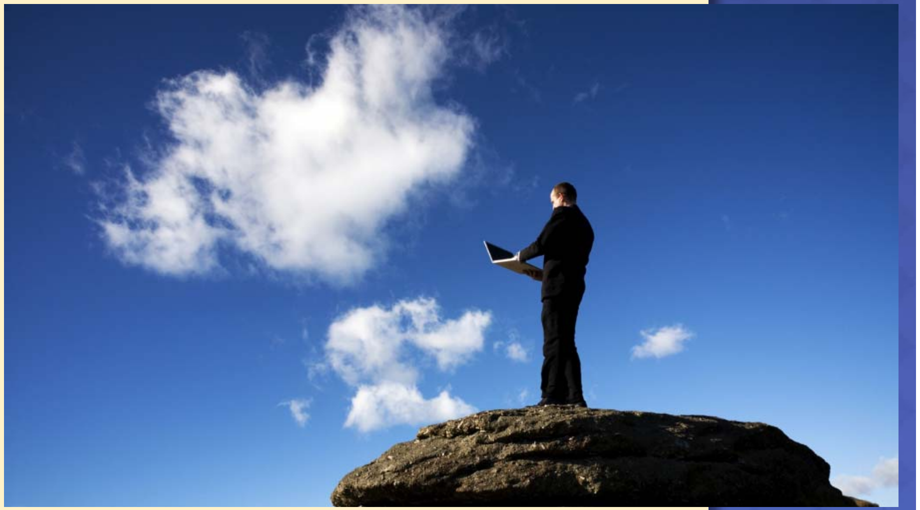
- Home furnishings, sarees, caps, diaries, etc.

The Way Forward

- Flexibility / Agility in Manufacturing.
- Run plants efficiently at optimal capacities.
- Reduce Costs : Power (Co-Gen / non-conventional)
- Use of IT; to track supply chain.

↓

Cloud computing.



The Way Forward

Ecology

Reduce Carbon and Water footprints

MONITOR

PLAN

REDUCE

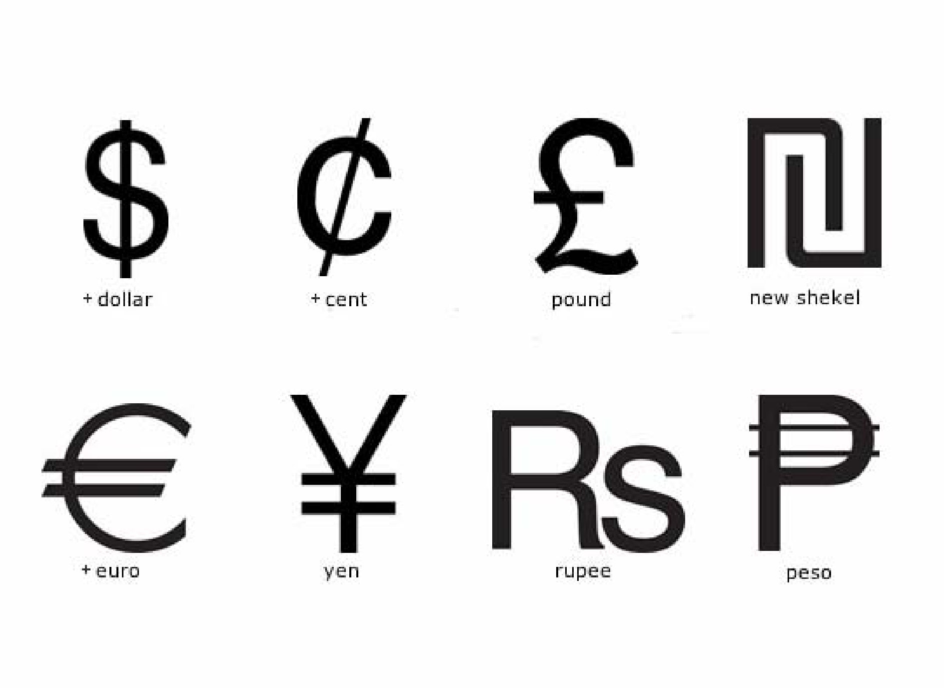
Will become a necessary requirement for brands.

The Way Forward

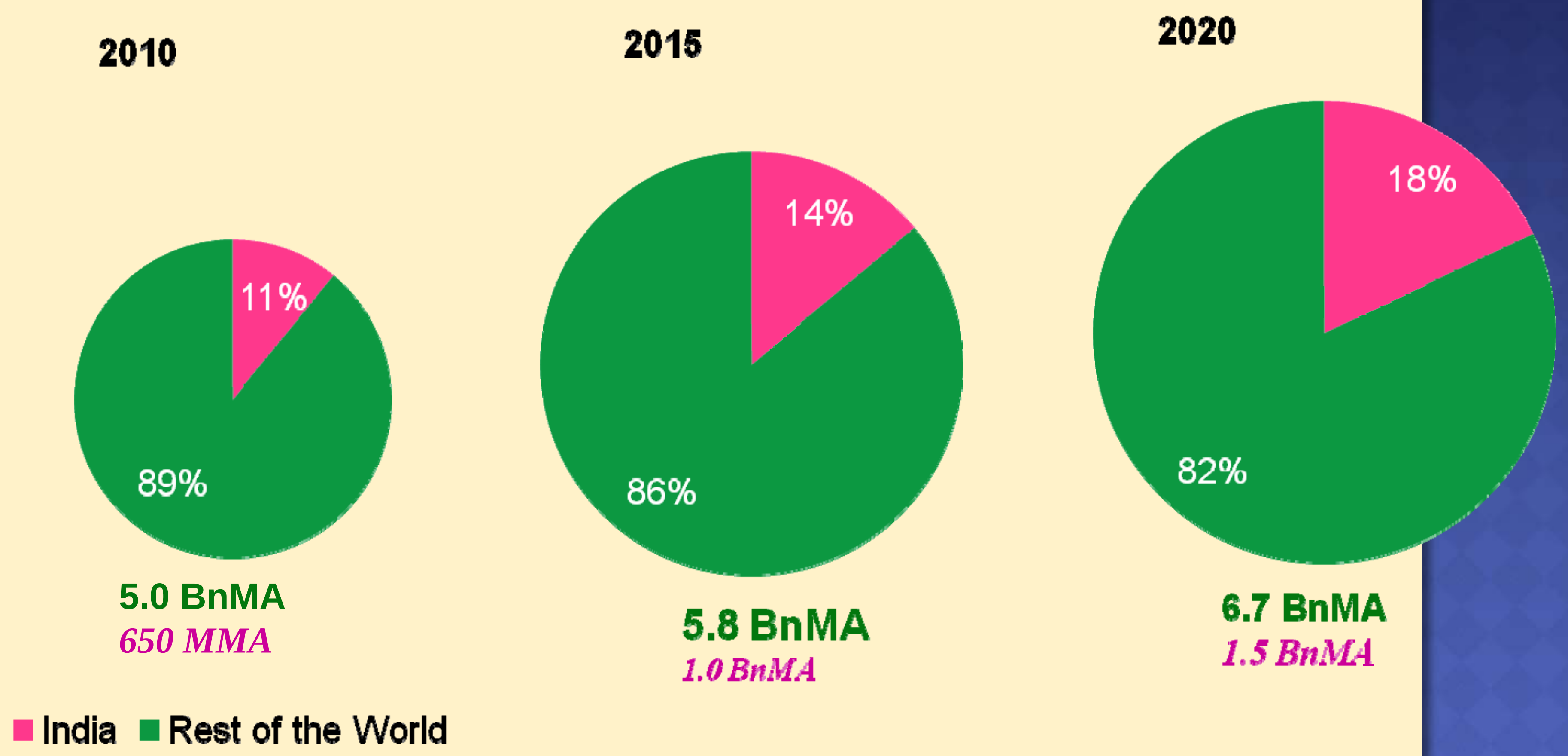
- Management of Cotton procurement; locally and internationally.
- Understand and learn how to hedge cotton in domestic and international commodity exchange.
- Specialized Cottons (Organic, colored)

The Way Forward

- Manage / hedge FOREX.
- Cover to protect margins.



POTENTIAL GROWTH OF DENIM IN INDIA



Source : MDL Estimates

Risks to the growth of the Indian Denim Industry

- Rapid and consistent increase in cotton prices, leading to lower demand.
- Government policy on import duties for garment imports into India.
- FTAs in competing countries (Pakistan, LDCs).
- Very aggressive capacity build up in LDCs (Bangladesh, Africa).

THE INDUSTRY SHOULD INCREASE CAPACITY AT AN AGGRESSIVE BUT, JUDICIOUS PACE.

INDIAN DENIM INDUSTRY

… IS POISED FOR GROWTH

07th May 2011.

Rajiv Dayal