

World Textile Conference

Growth of Textile Industry in India & China: Learning for India

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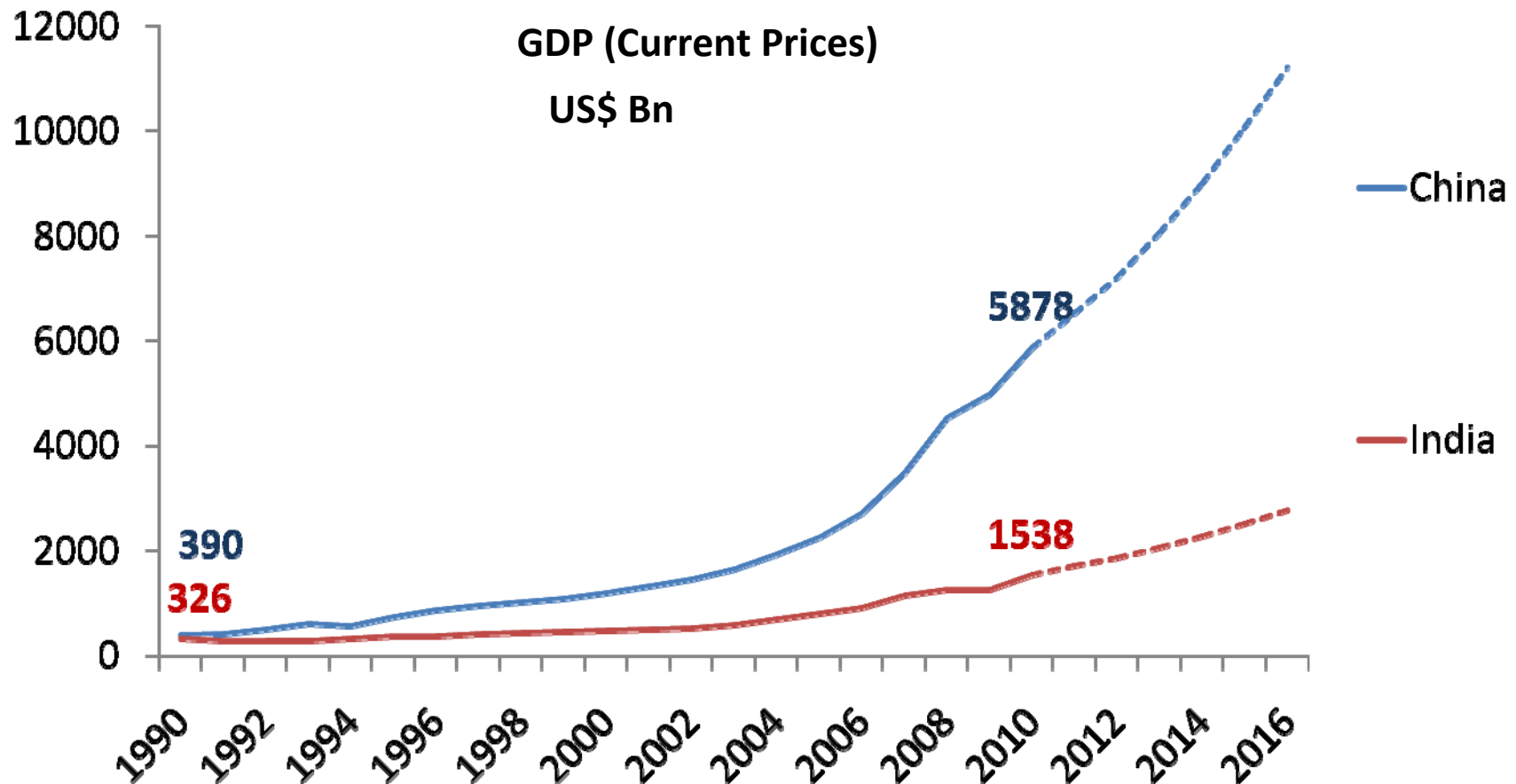


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- Key Take Away from China Textile Growth
- Some Successful Chinese & Indian Companies
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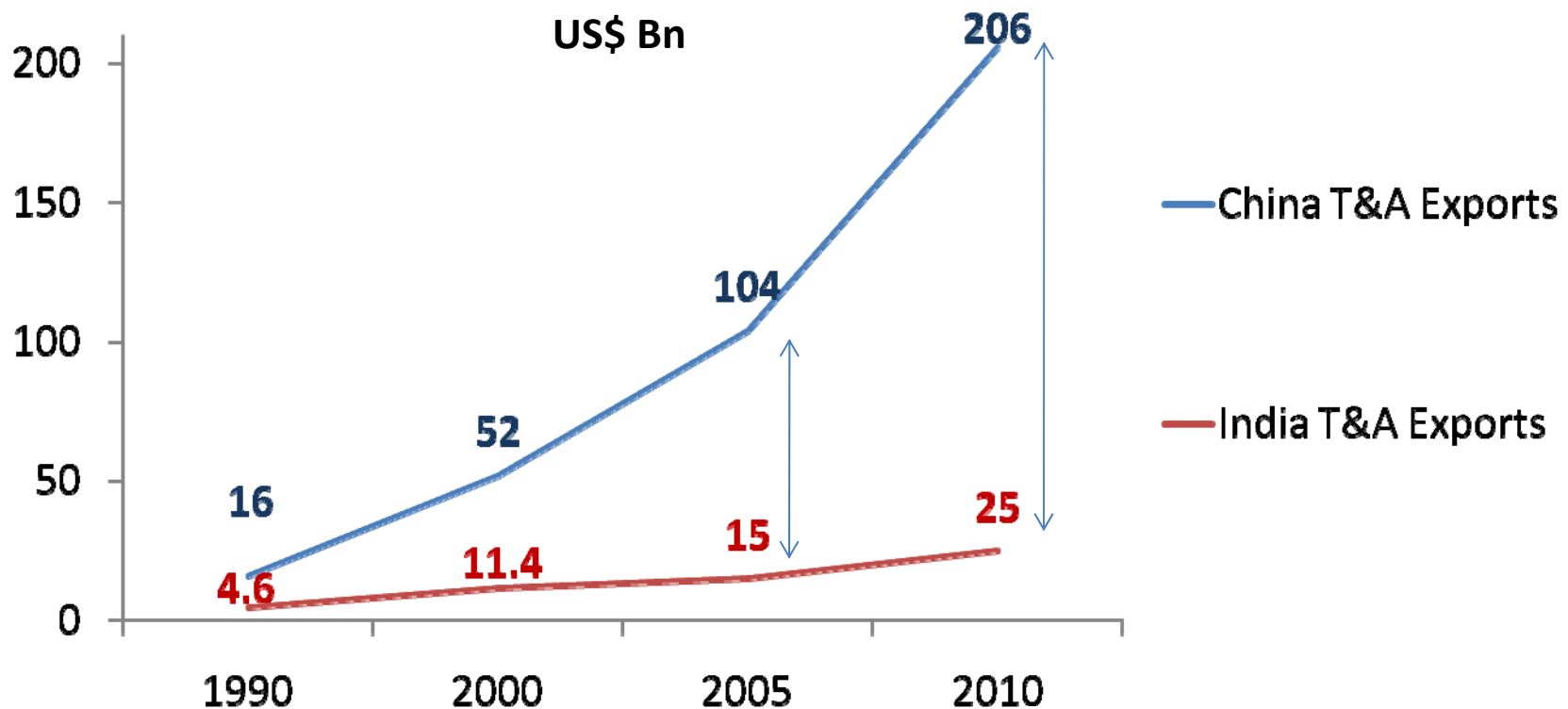
China's Economy Has Skyrocketed in the Last 20 years

China's GDP today is almost 4 times of India.



Textile & Apparel Exports Have Followed A Similar Trend

**China's Export of Textiles & Apparel is 8 times that of India's.
Gap has grown wider in last 5 years after phase out of Quotas.**



Source: UN Comtrade, Technopak Analysis

T&A: Textile and Apparel

Key Factors Behind China's Rise

- Government Incentives
- Encouragement of FDI
- Large Scale Capital Investment
- Productivity Improvement
- Fixed Exchange Rate
- Development of Free Trade Zones & Integrated Clusters

For Example : Integrated Chinese textile clusters

- **Developed near coastal area**
- **Integrated set up**
- **Wholesale / commodity exchange market**
- **Marketing efforts**
 - Large Exhibitions / textile fairs, Online marketing



There are 38 major textile clusters and 48 major apparel clusters in China located along the coastal provinces, namely Zhejiang, Guangdong, Jiangsu, Fujian, Shandong and Hebei.

China's Focus Going Forward

Relocating production

- Shifting to lower cost regions within China
- Shifting to cheaper Asian countries like Vietnam, Cambodia and Indonesia

Shift in Marketing focus

- Shift from export markets to domestic markets:
- Shift in exports from US and EU markets - to Asian and South American markets.

Shift from 'Make' to 'Create'

- Government incentivizing companies to develop own brands.

Focus on Improving Technology & Quality

- Shift from labour-intensive production to technology and capital-intensive production.
- Guarantee product quality and the manufacturing process, including social compliance.

Increased Co-operation among companies.

- Focusing on collaborative entrepreneurship e.g. Eight textile dyeing and printing plants in Dongguan invested around US\$4.5m in a water processing plant.

Key Learning from China

- Integration of supply chain & economies of scale
- Brand Building
- Research, Development and Innovation
- Focus on efficiencies in supply chain
- Close “working” relationship with Customers
- Geographical outreach
- Aggressive government pro-industry measures
- Synergy in competition!

Some Successful Chinese / Hong Kong based Companies



Youngor Group : Growth through Strong Branding

Youngor Group

Key Facts

Established: 1979

Sales (2010): US\$ 5 bn

Employees : 50,000

Core business: branded garments

Vertically integrated set up

Considered leading brand in China

Diversified businesses: real estate and financial investments

Key Strategies

Establishing strong garment manufacturing strength

Acquiring capabilities and scale through joint venture

Strong focus on brand development

Backward integration – developing Economies of Scale

Product diversification

International expansion through acquisition

Focus on innovation

Timeline

1979 to 1986

1986 onwards

2000 onwards

2007 onwards

TAL Group: Synchronizing Supply Chain Through

Key Facts

Established: 1947

Core business: Garment
Manufacturing

Annual Production Capacity
Tops 45.6 million pieces
Pants 10 million pieces
Outerwear 0.9 million pieces
Suits 220,000 sets

**Globally known Innovative
Garment manufacturer**

Manufacturing presence in China,
South East Asia, Mexico

Key Strategies

Traditional manufacturing with
focus on good quality & reducing
cost

Shift to flexible manufacturing by
usage of IT based supply chain
software for reducing
replenishment time

Synchronized supply chain through
Vendor Managed Inventory and
CPFR (Collaborative planning &
replenishment)

Strong relationship with buyers like
JC Penney / Dillard's

Timeline

1947 to 1960's

1970-90

1995 onwards

Weiqiao Textile Co. : Building Scale...

Key Facts

Sales (2010): US\$ 2.6 bn

Employees : 113,000

Core business: fabric, yarn, denim

Annual Production Capacity

0.7 million tonnes of cotton yarn
1,307 million meters of grey fabric
102 million meters of denim

Vertically integrated set up

Considered leading textile manufacturer globally



Key Strategies

Growth through
Horizontal integration –
adding Economies of
Scale

Focus on quality &
technology

Some Successful & Fast Growing Indian Companies



Alok Industries : Growth through Diversification and Consolidation

Established in 1986

1989: Started texturising facilities.

1993: Started weaving operation.

1996: Started knitting and processing operations.

2002-03: Expansion & modernization of weaving & knitting, texturising & started garmenting.

2004: Foray into home textiles.

2005: Expansion in garmenting

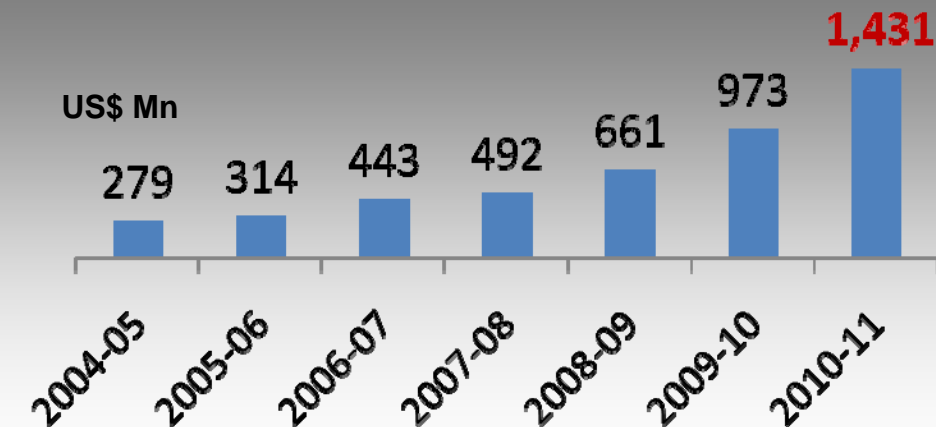
2006: New processing plant, expansion in garmenting.

2007: Acquired stake in U.K based retail store chain, 'qs' (now Store Twenty one)

2008: Joint venture with National Textile Corporation (NTC) to develop, revive New City Mills, Mumbai and Aurangabad Textile Mills, Aurangabad formed

Future Plans: It is planning to invest up to Rs 2,000 crore in the next four years to expand its production capacity to cater the growing international and domestic demand.

Sales Growth of Alok



Key Growth Drivers

- **Integrated set up**
- Use of modern technology
- Focus on R&D and Product Development
- Diversification of product mix
- Consolidation of various businesses

Source: Company Reports

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Welspun Group: Strong Product Focus & Expansion

Established in 1985

1993: Terry Towel unit Vapi started.

1995: Backward integration spinning unit started.

1995-99: Diversified in different sectors ventured into pipes, PFY & home textile plants.

2000: Gone overseas with one unit in New York.

2006-07: Acquisition done in UK and Portugal for home textiles.

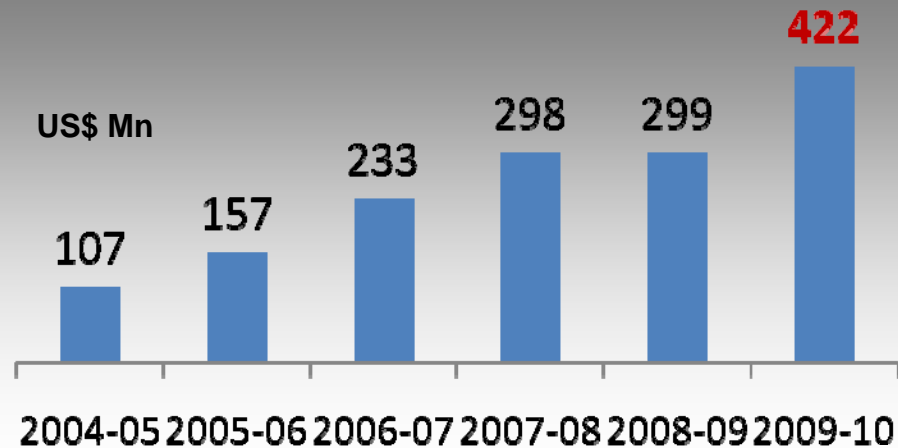
New plant of home textile set up in Mexico. Foray into Oil & Natural Gas Exploration business.

2009: Welspun India demerged into Welspun Global brands and Welspun Investment Ltd.

2011: Acquired 35% share in Leighton Contractor's Indian operations for a sum of Rs. 470 crore

(infrastructure)

Sales Growth of Welspun India (Home Textiles)



Key Growth Drivers

- **Developing manufacturing scale**
- Focus on product depth
- Backward integration
- Horizontal Integration through Acquisition
- Diversified businesses

Source: Company Reports

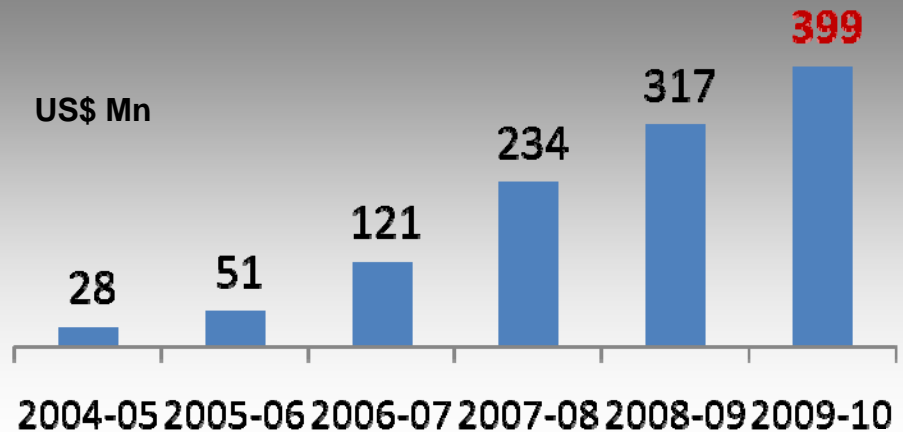
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BRFL: Aggressive Growth Through Acquisitions

Established in 1986

- 1990: Start of manufacturing facilities for woven fabric at Navi Mumbai
- 1998: Manufacturing facilities for woven fabric started at Sonale in Thane district by BRFL. Also initiated the fabric exports through BR Exports
- 2004: Company changed its name from Mudra fabrics to Bombay Rayon Fashions Ltd.
- 2005: Acquired B R Exports & Garden City Clothing and amalgamated with the Group company
- 2007: Bought LNJ Apparels, a unit of Rajasthan Spinning & Weaving Mills Ltd, for a sum of Rs 25.50 crore.
- 2009: Company acquired the Italian brand 'GURU' and retail business of Jam Session Holdings, an Italian company to foray into retail in Europe.
- 2011: The company has a strong domestic and global presence and it exports fabrics & garments to US, Europe, Middle East, UK, Japan and other countries
- Future Plans: Looking at outsourcing some of its products to Bangladesh
Is also in process of setting up the manufacturing units in the Integrated Textile Parks at Islampur & Latur.

Sales Growth of BRFL



Key Growth Drivers

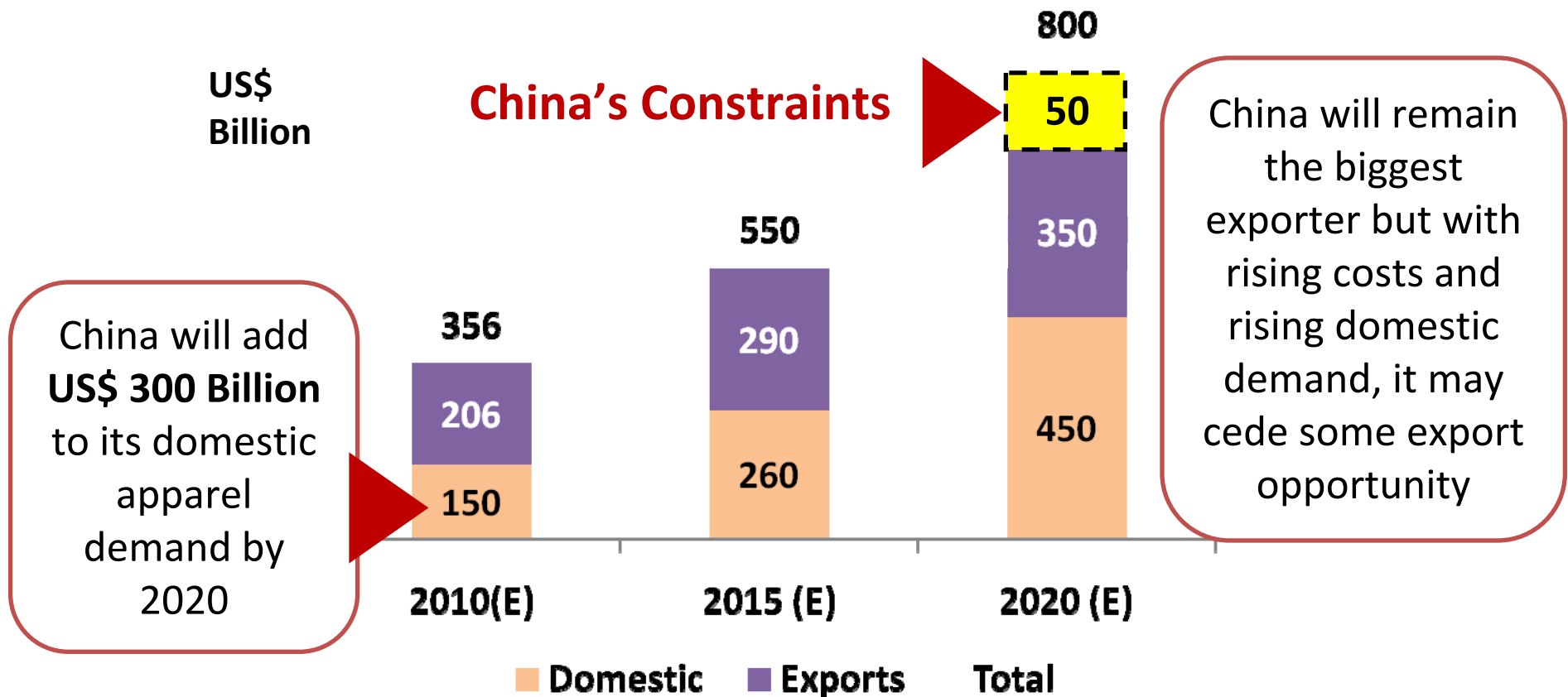
- Integrated set up
- Diversification of product mix
- Aggressive growth through acquisitions
- Forward integration towards retailing

Future Prospects for India



China's Exports May Be Constrained In Future...Creating Opportunities For Others

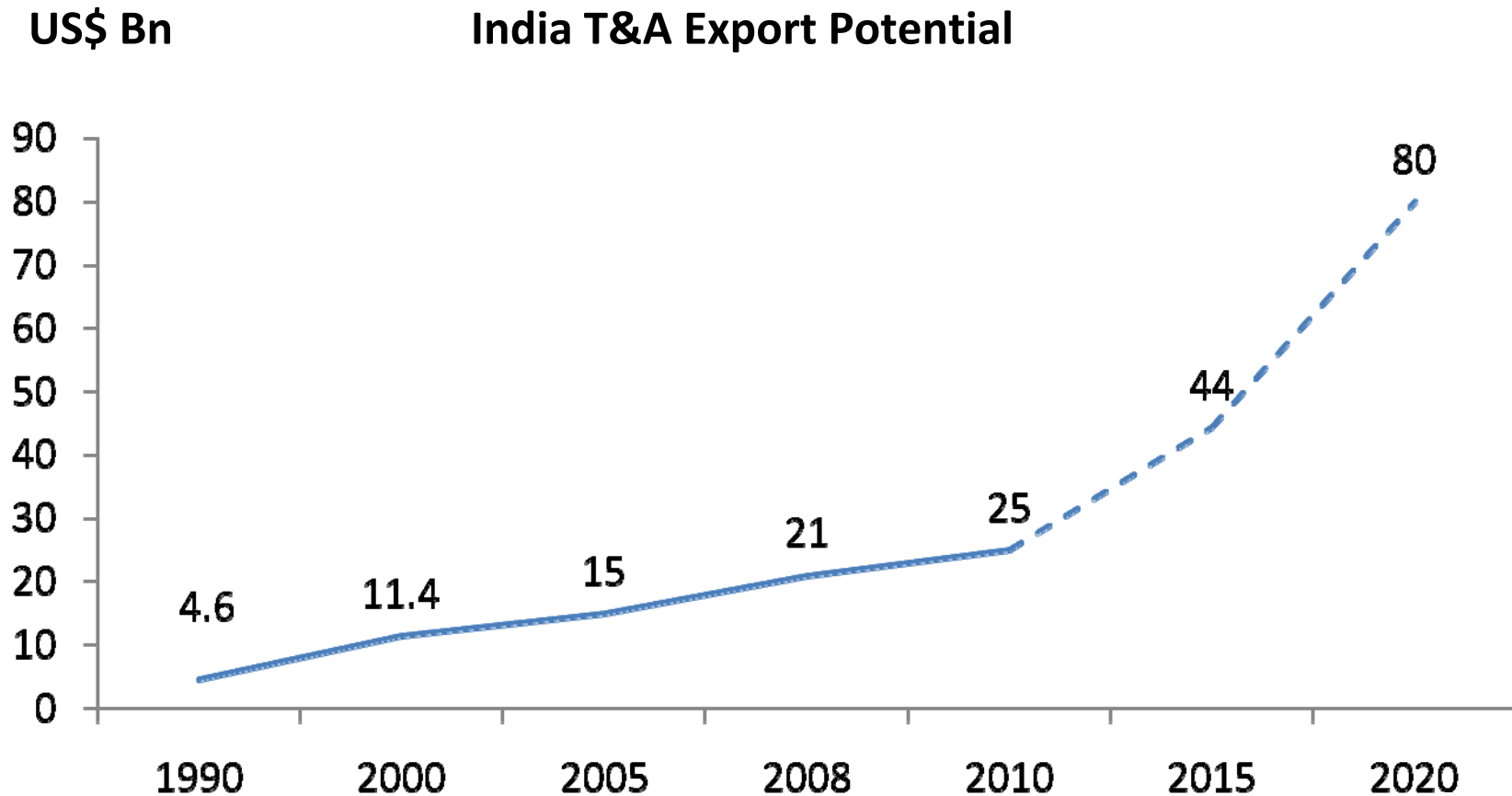
China T&A Industry Size – Some Projections



Source: National Bureau of Statistics , China, Technopak Analysis

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Good Opportunity for India to Increase Exports

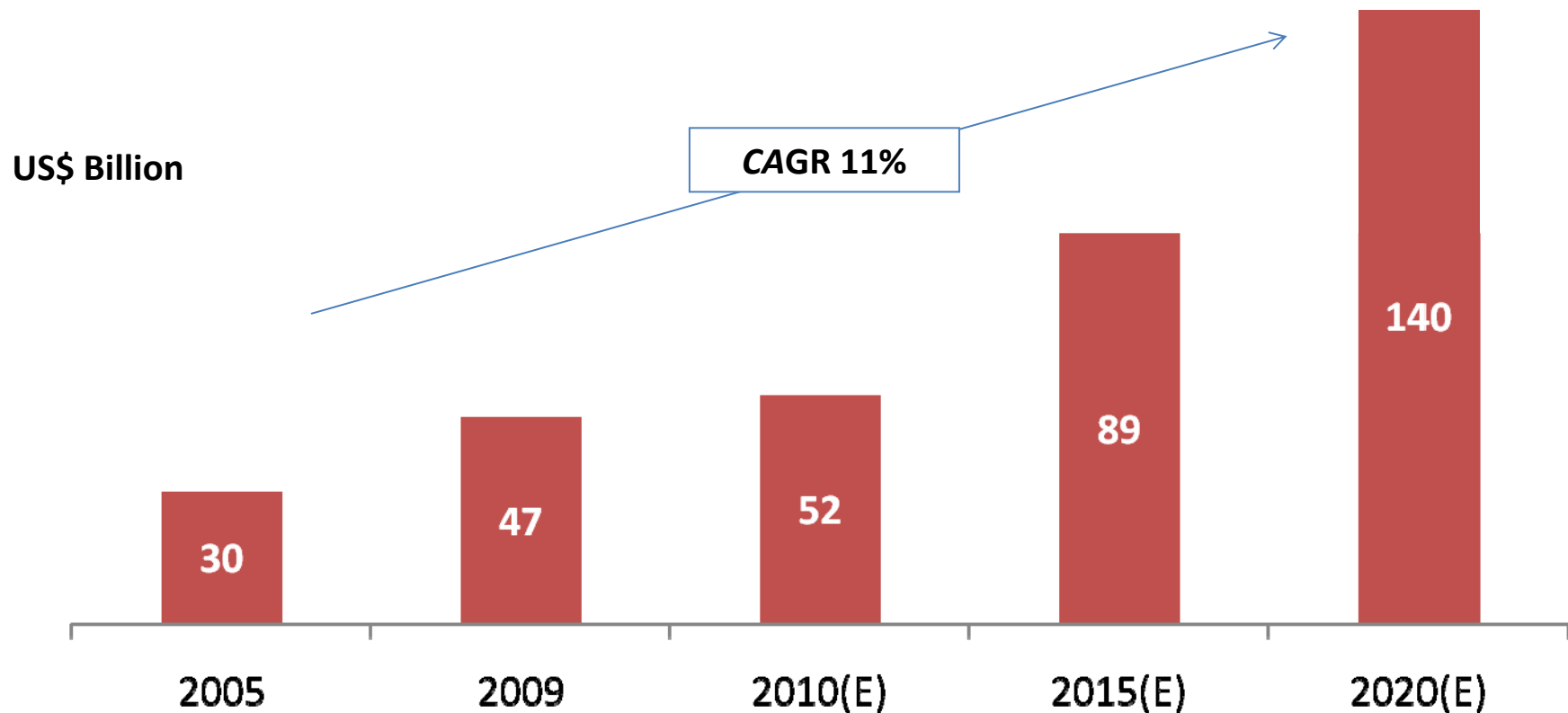


Source: Ministry of Textiles , Technopak Analysis

India's Domestic Market Will Grow Substantially...

India's **US\$ 52 Billion** Domestic Textile and Apparel industry has the potential to grow @ 11% CAGR to reach **US\$ 140 Billion** by 2020

India Domestic Textile & Apparel Market



Source: Technopak Analysis

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Strategy for India Going Forward



Need To Think Beyond Factor Driven Industry



(Before 2005)

FACTOR DRIVEN

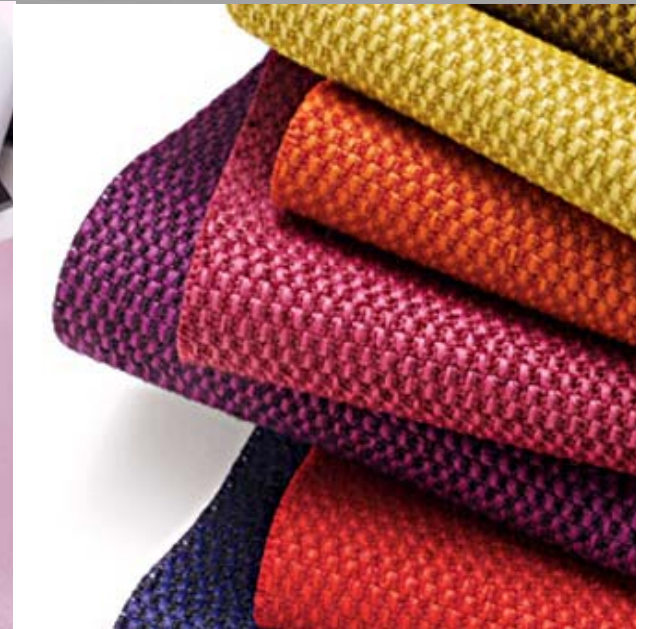
- Raw Material Availability
 - Labor availability
- Government policy influenced



(2005-2010)

EFFICIENCY DRIVEN

- Vertical / Virtual Integration
- Manufacturing excellence
- Supply Chain Efficiency
- Diversity in product mix

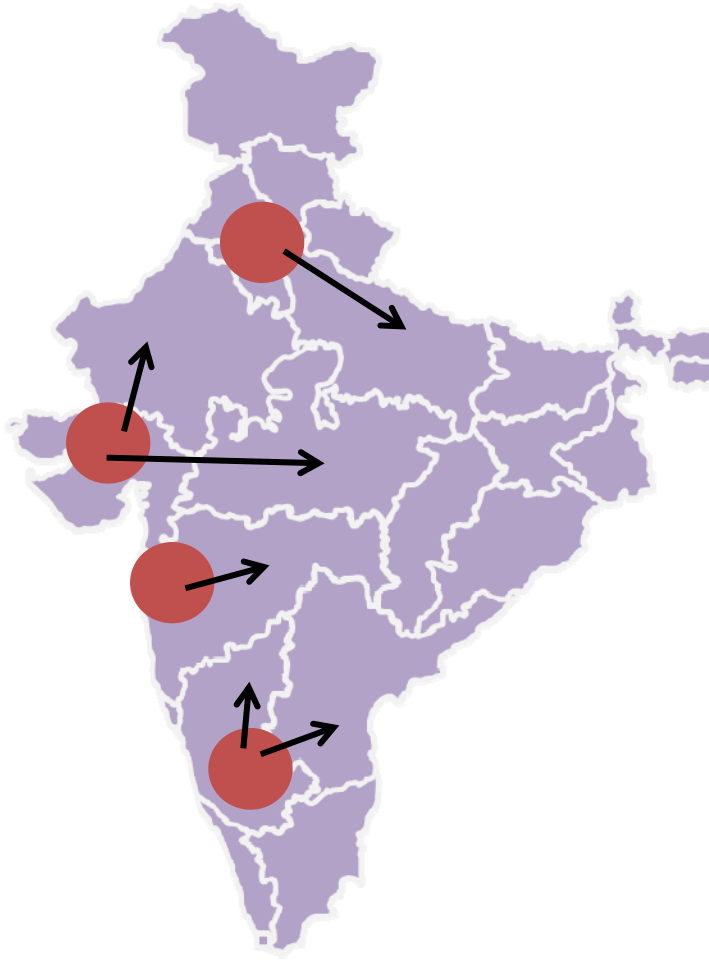


(2011 onwards)

INNOVATION DRIVEN

- Product
- Design / Brand
- Channels
- Business Processes

Relocating Manufacturing Beyond Existing Regions



- Apparel Manufacturing Beyond Metros, Mini metros and Big Cities
- Exploring New Manpower :
 - There are more than 350 Cities with population more than 1 Lakh

Can we leverage the availability of manpower and become change agents for inclusive growth???

Need To Re-invent The Entire Industry



Collaboration across textile value chain



Focus/specialization by private players



Building scale & think global



Investing in Innovation

Scale Will Matter: Top 10 Textile Companies (2005, 2010, 2020?)...

Values in INR Cr

2005		2010		2020	
Company	Turnover	Company	Turnover *	Company	Turnover
Vardhman	1,962	Alok	6,500	ABC	40,000 ?
Arvind	1,623	Vardhman	4,050	DEF	30,000 ?
Alok Ind.	1,472	SKNL	2,800		
Raymond	1,354	Arvind	2,600		
RSWM	994	Abhishek	2,350		
SKNL	890	BRFL	2,200		
Gokaldas Ex	871	Welspun	2,100		
Abhishek	757	RSWM	1,950		
Nahar Ind	699	Nahar	1,600		
Welspun	658	Saluja	1,500	XYZ	10,000?

Source: Technopak Analysis

* Turnover is annualized based on Q3 results of 2010-11 and rounded off

To conclude...2010 to 2020 will be the best decade ever for Textile industry

- India can learn from China in many ways
- Domestic market demand will grow rapidly in the years to come
- External & internal factors strongly in India's favour for Textile industry
- Regulatory and capital environment are now more supportive for the industry than before
- In spite of all the challenges, Indian Textile and Apparel industry is poised to start the **best decade ever for this industry!!**



Thank You!

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