



Shifting Focus in Global Sourcing Towards Asia



INDIA Emerging as a Strong Alternative



Amit Ruparelia
Chairman - **TEXPROCIL**



The Cotton Textiles Export Promotion Council
(Sponsored by Government of India)

World Textile Conference, Mumbai, May 6-7, 2011

Vision 2020: Emerging New Opportunities Worldwide and Challenging Business Strategies

SCHEME OF PRESENTATION



- 1** Global Sourcing Trends: Shifting Focus
- 2** Global T&C Market : Position of India & Asia
- 3** Can India Capitalize on its Inherent Strengths?
- 4** Indian Textiles & Clothing Scenario
- 5** Resurgence in India's T&C Trade
- 6** Indian T&C Scenario: Need for Reforms
- 7** Recommendations: Maximizing India's growth potential

**Shifting Focus in Global Sourcing Towards Asia :
India Emerging as a Strong Alternative**

Global Sourcing Trends: Sourcing in Foreign Markets

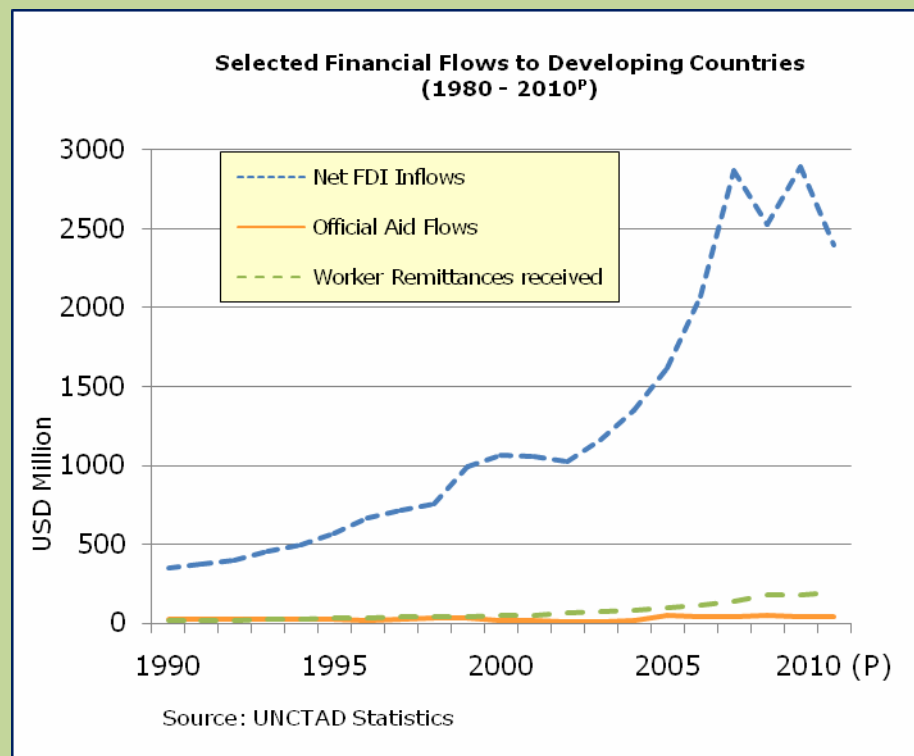
Globalization waves in the 19th and 20th century

(Percentage change unless indicated otherwise)

World	1850-1913	1950-2007	1950-73	1974-2007
Population growth	0.8 *	1.7	1.9	1.6
GDP growth (real)	2.1 *	3.8	5.1	2.9
Per capita	1.3 *	2.0	3.1	1.2
Trade growth (real)	3.8	6.2	8.2	5.0
Migration (net) Million				
US, Canada, Australia, NZ (cumulative)	17.9 *	50.1	12.7	37.4
US, Canada, Australia, NZ (annual)	0.42 *	0.90	0.55	1.17
Industrial countries (less Japan) (cumulative)	64.3
Global FDI outward stock, year			1982	2006
FDI as % of GDP (World)	5.2	25.3
Source: Maddison (2001), Lewis (1981), UNCTAD (2007), WTO (2007a). * Refers to period 1870-1913.				

Globalisation has led to a profound change in the product sourcing and manufacturing patterns pursued the world over

Global Sourcing Trends : Financial Flows to Developing Economies



Financial flows to Developing Economies in Asia have grown steadily

- ❖ Net FDI Inflows
- ❖ Official Development Assistance
- ❖ Migrant Workers' Remittances

Developing Economies in Asia have benefited from remittances along with migration, growing faster than Official Development Assistance (ODA)

Remittances are an important external financing source for developing countries, and a growth driver of many of them

Global Sourcing Trends: Increasing Preference

Why is preference for Sourcing Globally increasing?

1. Global Markets

- ❖ Need to achieve greater efficiencies in crowded markets

2. Global Products

- ❖ Need products to be widely acceptable, sustainable and most importantly cost competitive

3. Global Relations

- ❖ Greater emphasis on enhancing collaborative relationships with suppliers both at national and individual level
 - National level (PTAs/FTAs)
 - Company level (Mergers/Acquisitions/JVs)

Global Sourcing is being increasingly preferred as shown by the high growth rates in both historic & future sourcing trends

Global Sourcing Trends: Increasing Preference

4. Global Policies

- ❖ Achieving greater cost efficiencies over competition
 - increase cost saving (tax subsidies)
 - increase competitive access (procurement & marketing costs)

5. Global Sustainability

- ❖ Greater emphasis on enhancing product safety along with optimal quality
 - eco-friendliness (recycle / reuse)
 - carbon footprints (resource optimization)

**Ability to measure & track actual savings or assess the
“true cost” is critical for successful global sourcing**

Global Sourcing Trends: Shifting Focus

What is the need for 'Shift in Focus' for Global Sourcing?

1. High Fuel & Commodity Prices (Cost)

- ❖ Need to achieve greater cost efficiencies in input costs

2. Product Recalls (Quality)

- ❖ Rise in “Innovation for Design-cost” has led to increased product recalls for the want of better quality, differentiation and value addition

3. Environment Considerations (Sustainability)

- ❖ Rise in “Design for Environment-cost” and high level of Consumer awareness has increased preferences for safe and comfortable products

Challenges to improve “Input-Cost” efficiencies and “loss” due to product rejections have led to the shift in sourcing focus

Global Markets : Position of India & Asia

Economic Growth Year 2010

Country / Region	Output (%)
World	5.0
United States	2.8
EU	1.8
Japan	4.3
Australia	3.0
New Zealand	3.0
New Industrialized Asia	8.2
Developing Asia	9.3
ASEAN - 5	6.7

Economic Growth from 2008 to 2012					
(Fig. in Percentage)	Actual		Forecast		
Country / Region	2008	2009	2010	2011	2012
World Output	3.0	(0.6)	5.0	4.4	4.5
United States	0.4	(2.6)	2.8	3.0	2.7
European Union	0.6	(4.1)	1.8	1.7	2.0
Germany	1.2	(4.7)	3.6	2.2	2.0
France	0.1	(2.5)	1.6	1.6	1.8
Italy	(1.3)	(5.0)	1.0	1.0	1.3
Spain	0.9	(3.7)	(0.2)	0.6	1.5
United Kingdom	0.5	(4.9)	1.7	2.0	2.3
Japan	(1.2)	(6.3)	4.3	1.6	1.8
Australia	2.2	1.2	3.0	3.5	3.5
New Zealand	(0.1)	(1.6)	3.0	3.2	3.1
Newly Industrialized Asian Economies	1.8	(0.9)	8.2	4.7	4.3
Hong Kong	2.2	(2.8)	6.0	4.7	4.3
Korea	2.3	0.2	6.1	4.5	4.2
Singapore	1.8	(0.8)	14.5	4.5	4.4
Taiwan	0.7	(1.9)	9.3	4.4	4.7
Developing Asia	--	7.0	9.3	8.4	8.4
China	9.6	9.2	10.3	9.6	9.5
India	6.4	5.7	9.7	8.4	8.0
ASEAN-5	4.7	1.7	6.7	5.5	5.7
Indonesia	6.0	4.5	6.0	6.2	6.5
Malaysia	4.7	(1.7)	6.7	5.3	5.2
Philippines	3.7	1.1	7.0	4.5	4.5
Thailand	2.5	(2.2)	7.5	4.0	4.3
Vietnam	6.3	5.3	6.5	6.8	7.0
Source: IMF World Economic Outlook Update, 25 Jan.2011, IMF World Economic Outlook Database, Oct.2010					

Source: IMF World Economic Outlook Update, 25 Jan.2011, IMF World Economic Outlook Database, Oct.2010

**India & Asia have recorded robust economic growth
as compared to other regions worldwide**

*Indian Cottons
Global Reach
www.texprocil.org.in*

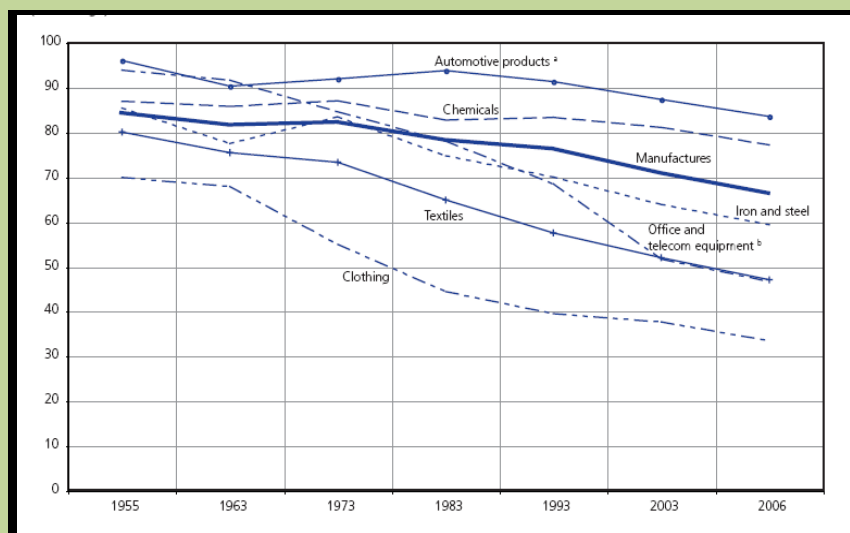
Global Markets :

Position of India & Asia in T&C

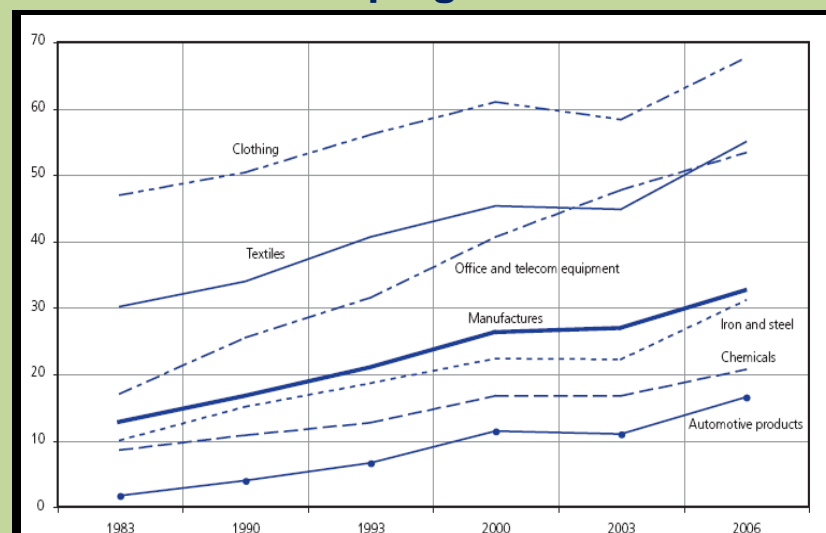
Direction of Trade

(%) Share in World manufactures exports by product group

Industrial Countries



Developing Countries



Source: GATT Networks of World Trade, WTO

❖ **Direction of Trade Data depicts Developing Countries, over years, have recorded higher % Share of T&C exports to Industrial World**

Industrial countries are slowly transforming as consuming economies as seen in increased exports of Developing countries

*Indian Cottons
Global Reach
www.texprocil.org.in*

Can India Capitalize on its Inherent Strengths?

Textiles and Apparel: Factors of Competitiveness

(Sourcing parameters affecting Global preferences)

- ❖ Business climate
- ❖ Infrastructure and proximity to markets
- ❖ Market access
- ❖ Labor and management
- ❖ Raw-material inputs
- ❖ Level of service provided and reliability of supplier

Source: USITC

Key criteria are labor, raw materials and the efficiency and flexibility of suppliers to meet changing trends retailer demands

*Indian Cottons
Global Reach
www.texprocil.org.in*

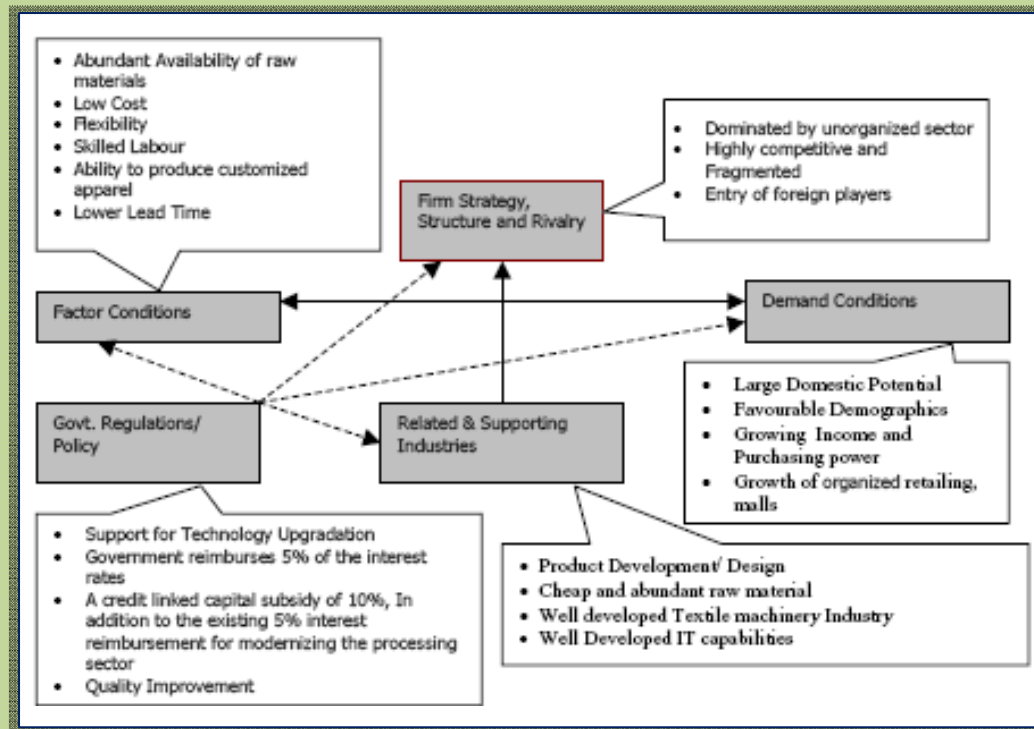
India's Inherent Strengths: Competitive Position

Competitiveness Factors of Supplying Countries & India's Position							
	Pakistan, Bangladesh	ASEAN Countries	Andean Countries	Turkey	Korea	China	INDIA
Low Cost	✓					✓	✓
Category Specialization	✓	✓	✓	✓			
Quality			✓	✓	✓	✓	✓
Order Flexibility	✓		✓	✓	✓		✓
High Fashion		✓	✓	✓	✓	✓	✓
Added Service						✓	
Complete Solution					✓	✓	✓
Collaboration with Buyers				✓	✓	✓	✓
Skilled Manpower	✓	✓	✓	✓	✓	✓	✓
Source : Technopak Analysis							

**India is the most preferred sourcing partner in Asia
following China in almost all the competitive factors**

Can India Capitalize on its Inherent Strengths?

Indian Textile Industry: Porter's Diamond Analysis



necessary for a healthy investment

Indian Textile Industry provides for all the factors favorable for sourcing sought by the world over economies

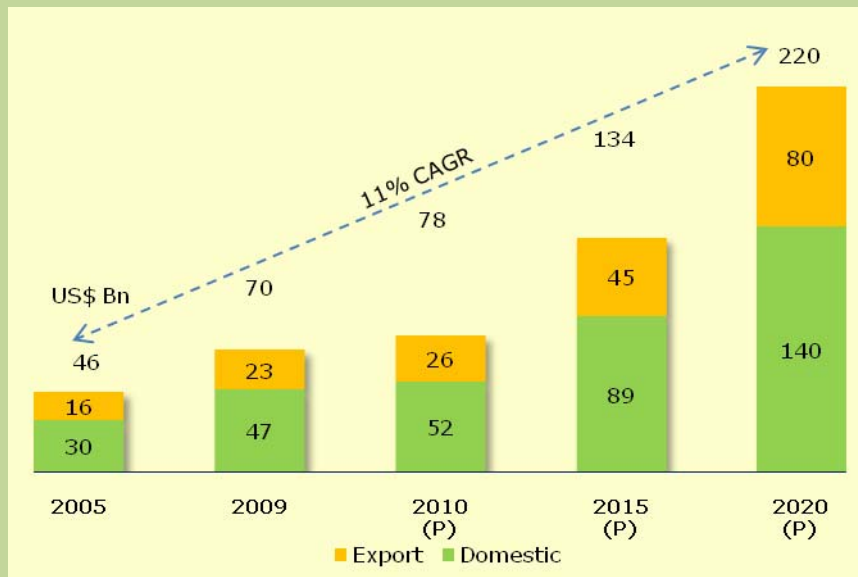
Indian T&C Scenario: Position in World Textile Economy

- ❖ **Second largest producer of Raw cotton**
- ❖ **Largest producer of Organic cotton**
- ❖ **Second largest producer of Cellulosic fibre / yarn**
- ❖ **Second largest producer of Cotton yarn**
- ❖ **Second largest producer of Silk**
- ❖ **Largest producer of Jute**

Indian Textile Industry

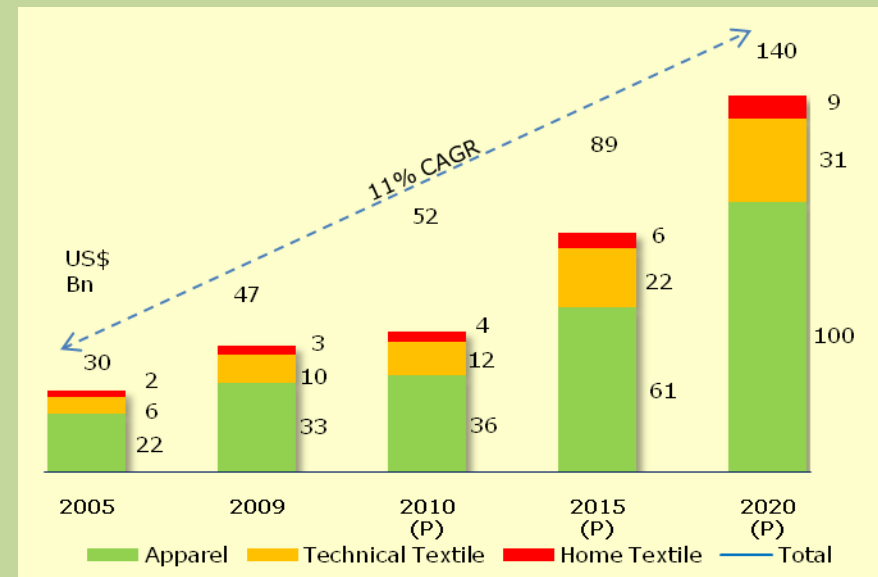
Indian T&C Scenario: Export v/s Domestic Market size

India T&C Total Market Size



Indian's T&C Market size is estimated to reach US\$ 220 Bn by 2020 from US\$ 80 Bn

India T&C Domestic Demand



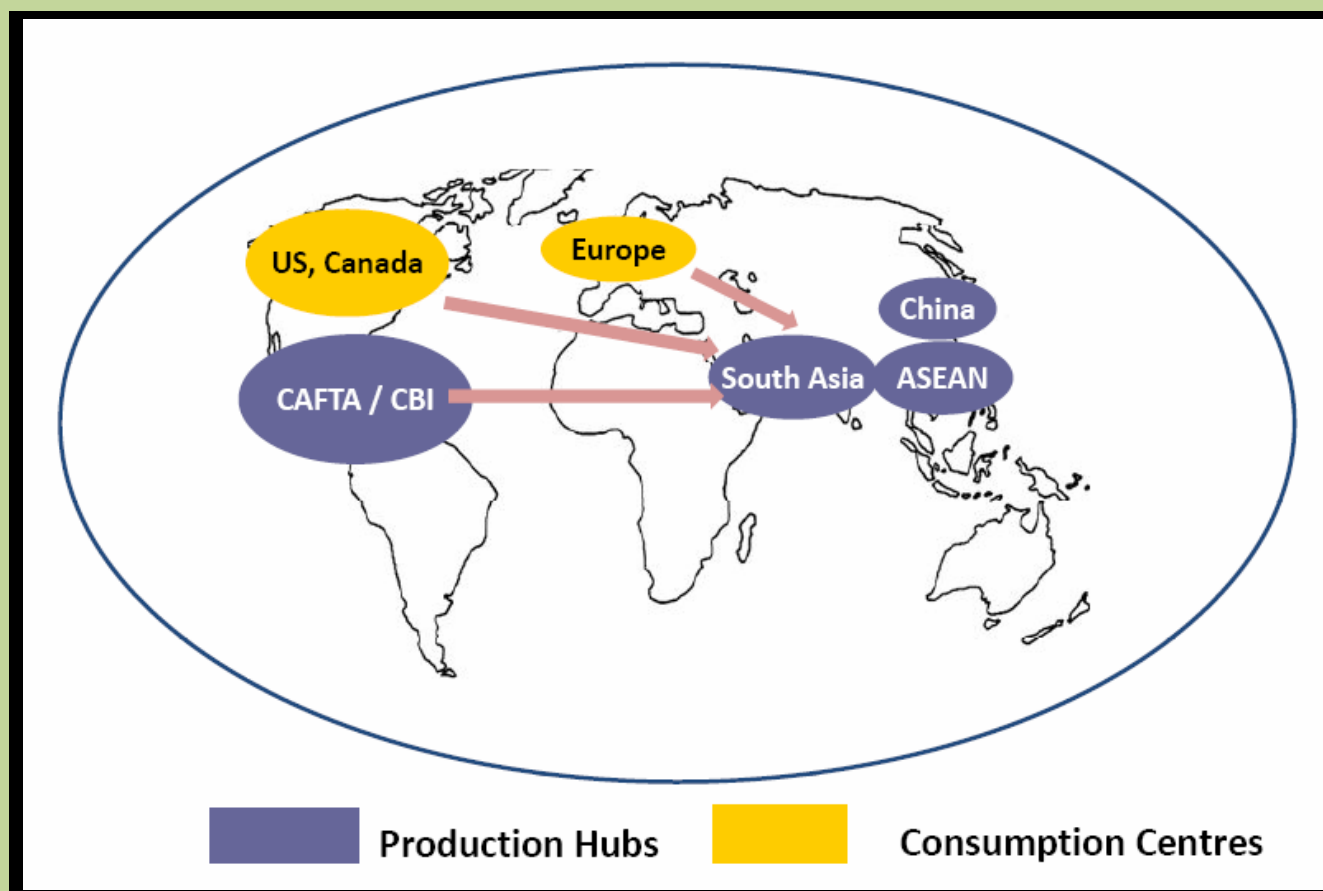
India's T&C Domestic Demand is estimated to reach US\$ 140 Bn by 2020

Source: Technopak Analysis

**India's T&C market is growing at the rate of 11% CAGR
fuelled by the rapidly increasing domestic demand**

*Indian Cottons
Global Reach
www.texprocil.org.in*

Indian T&C Scenario: Asia - A Sourcing Hotspot



Source: Technopak Analysis

**Production has converged towards Asia from Western Countries,
China followed by India are preferred sourcing destination**

Resurgence in India's T&C Trade

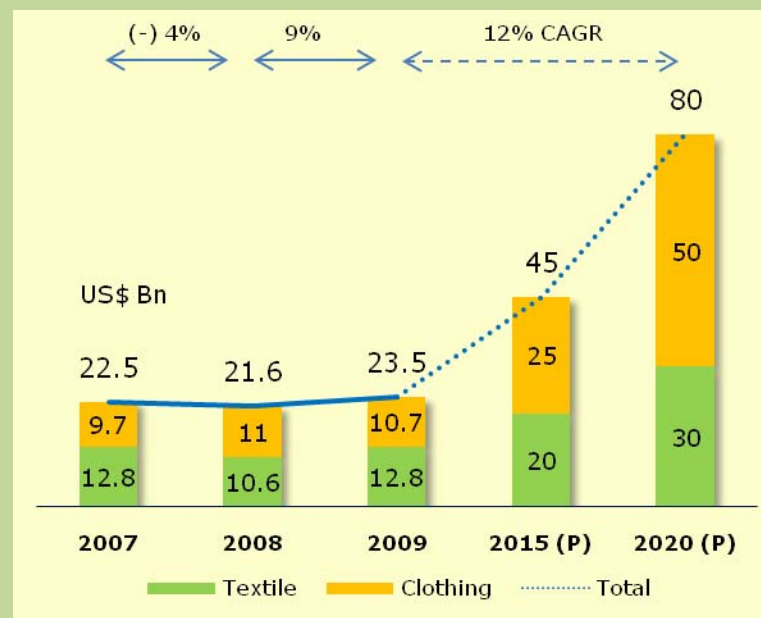
Global T&C Trade



Global T&C trade is expected to reach US\$ 1 Trillion by 2020 from the current US\$ 510 Bn trade

Source : Ministry of Textiles, UN Comtrade, Technopak Analysis

Indian T&C Exports



India has the potential to increase its export share in world

from the current 4.5% to 8% by 2020

The high growth for Indian exports is possible due to increased sourcing shift from developed countries to Asia and India

*Indian Cottons
Global Reach
www.texprocil.org.in*

Indian T&C Scenario: Need for Reforms

❖ Investments

- Investments to the tune of Rs 32,00,000 Mn (**US\$ 68 Bn**) across the Textile value chain will be required by 2020 to tap the potential market created along with growth of the industry.
- Recent liberalization of foreign investment regulations and **100% FDI allowed in T&C sector** under the automatic route, has made India one of the fastest growing destinations for FDI inflows.
- After China, **India is the second most attractive destination for FDI** in textile and apparel sector, other than South Asian countries of Bangladesh and Vietnam where the FDI and textile and apparel exports have seen a major growth.

India's strengths as an investment destination rests on strong fundamentals & a growing domestic consumption

Indian T&C Scenario: Need for Reforms

❖ Infrastructure

- India's needs investments to the tune of **US \$1 trillion** for infrastructure projects during the XII Plan (2012-17).
- The '**Scheme for Integrated Textile Parks (SITP)**' is being implemented by Ministry of Textiles, Govt. of India, to facilitate setting up of textile units with appropriate support infrastructure.

❖ Textile & Apparel Parks

- Forty (40) textiles park projects have been sanctioned by the Ministry of Textiles with facilities for spinning, sizing, texturising, weaving and processing apparels etc.
- After these parks are fully operational there would be employment available for 7.50 lakh persons (3 lakh direct & 4.50 indirect).

Indian T&C needs fast paced reforms in key areas of Infrastructure, Power and Transaction cost, State levies, etc.

Indian T&C Scenario: Need for Reforms

❖ Value Chain Integration

- There is a growing recognition amongst countries for integrating the value chain from "Farm to Fashion".
- Value Chain Integration enables vendor management, assists in cutting cost and also ensures one-stop sourcing of products and is seen successful in context of Special Economic Zones set up by mass producing nations like China.
- In India schemes to set up integrated textile parks & processing facilities in identified textile clusters has commenced the integration process but needs to be accelerated so that each segment of the textile chain captures the value.

Integration relates to both production & trade linkages where large players book orders and the smaller ones service them

Recommendations: **Maximizing India's growth potential**

Suggestions

❖ Aiming greater efficiencies in the supply chain management

Indian T&C industry has one of the most complex, fragmented and long supply chain in the world right from raw material procurement to shipping & port handling facilities and requires better resource management to achieve the right balance and inventory control

❖ Greater focus on Brand Development

Indian entrepreneurs with an eye for the growing retail format worldwide and in response to changing consumer preferences need investing in brand building and undertake vigorous efforts in promoting their Brands

**Integrated value chains with speedy deliveries &
Brand Creation determine image of a Global Player**

*Indian Cottons
Global Reach
www.texprocil.org.in*

Recommendations: Maximizing India's growth potential

❖ **Widening of the product base**

As per an analysis out of the top 50 T&C products traded in the World (accounting for almost 40% share of trade), India appears amongst the Top 5 suppliers only in 14 products. We need to undertake suitable measures to widen the base of products manufactured and exported from India so as to meet the requirements of the consumers, rather than competing amongst ourselves in a limited range of products.

❖ **Market Diversification**

There is a need to diversify the market base so that relevant products are sold in relevant markets. In view of India's presence in the entire value chain from Fibre to Fashions, there is a need to clearly workout a Product – Market matrix so that the promotion efforts are focused and synchronized. Also post recession, for a sustainable economic growth we require focusing on specific markets – where recoveries are strong and the outlook is stronger.

Its time we know... What to sell? Where to sell?

Thank You !



The Cotton Textiles Export Promotion Council of India
(Sponsored by Government of INDIA)

Engineering Centre 5th Floor, 9 Mathew Road, MUMBAI – 400 004, INDIA

Website: www.texprocil.org.in