Resurgence in Indian Textiles

A Time to Invest to Maximize Growth Potential

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Agenda

- **Global Trends Impacting Demand and Supply of Textiles**
  - China: Growing Domestic Apparel Market
  - Western Market is Changing
  - Supply Chain Shifts

- **Indian Textile & Apparel Industry**
  - Indian T&A Industry: An Overview
  - India: Domestic Demand Explosion

- **India has the potential**
  - India: Raw Material Richness
  - India: Presence of Complete Supply Chain
  - Textile Manufacturing: India is Cost Competitive
  - Indian Government Support
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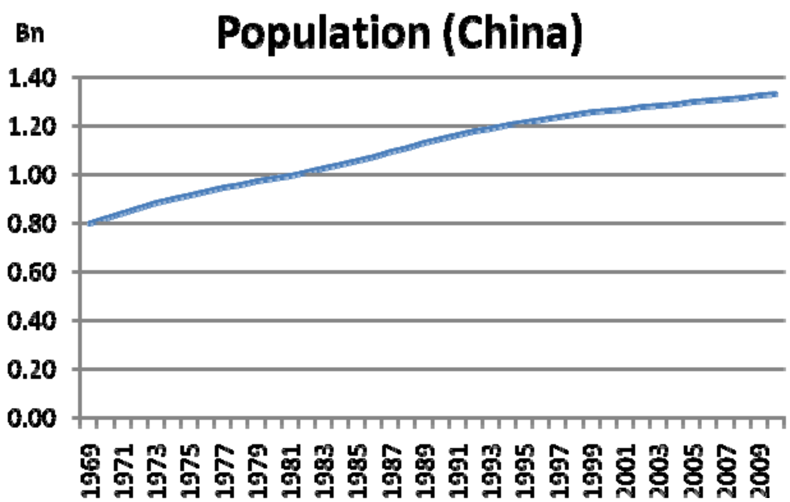
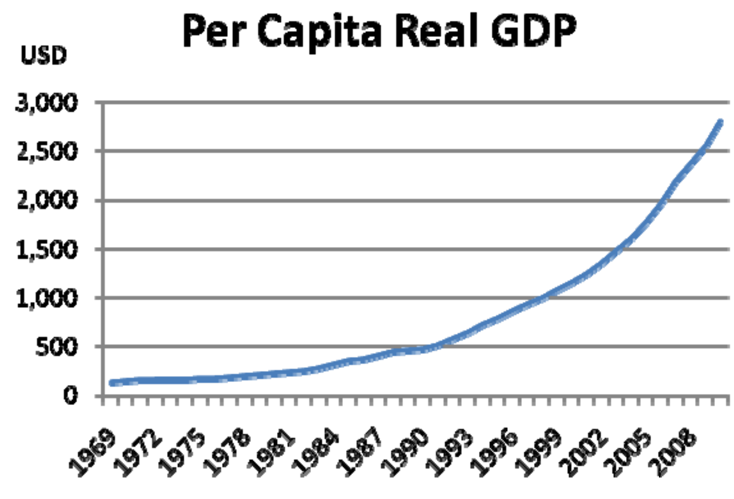
- **India – Roadmap**
  - Bright Future
  - Time for Investment

Global Trends Impacting Demand and Supply of Textiles

China: Growing Economy and Apparel Market

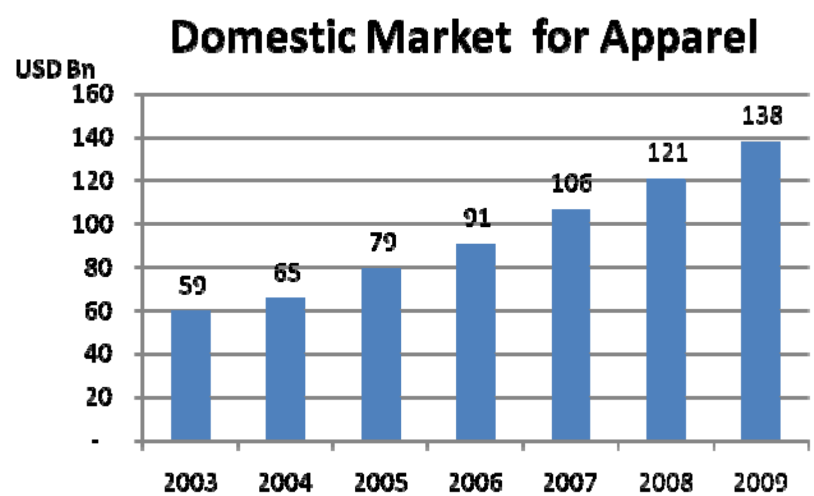


Source: U.S. Census Bureau, International Data Base



Source: ERS International Macroeconomic Data Set

Constant growing population with increasing per capita real GDP has resulted into an increase in the Domestic Market for Apparel in China



Source: NBS, trade data, CCFA, Access Asia

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China: Growing Domestic Apparel Retail

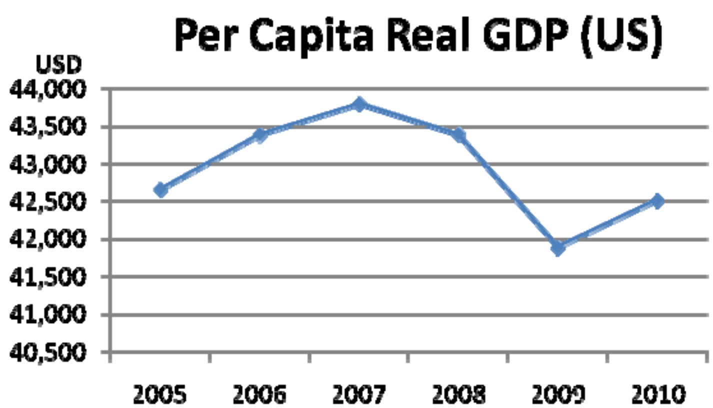
	2003	2004	2005	2006	2007	2008	2009
Number of Outlets	**117,590**	131,570	155,550	181,200	200,180	229,160	**251,475**
1000 mtr sq of floor space	**9,217**	10,599	13,014	15,055	17,606	20,465	**23,387**
Number of Staff ('1000)	**606**	669	851	939	1,578	1,822	**2,017**
Retail Sales (RMB Bn)	**386**	425	514	589	690	783	**895**
Retail sales (USD Bn)	**59**	65	79	91	106	121	**138**

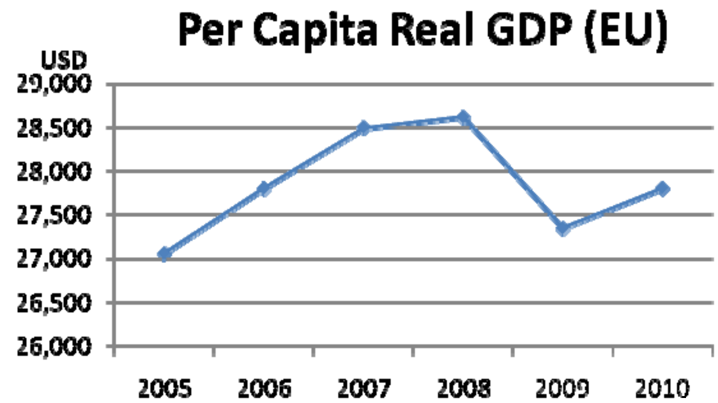
Source: NBS, trade data, CCFA, Access Asia

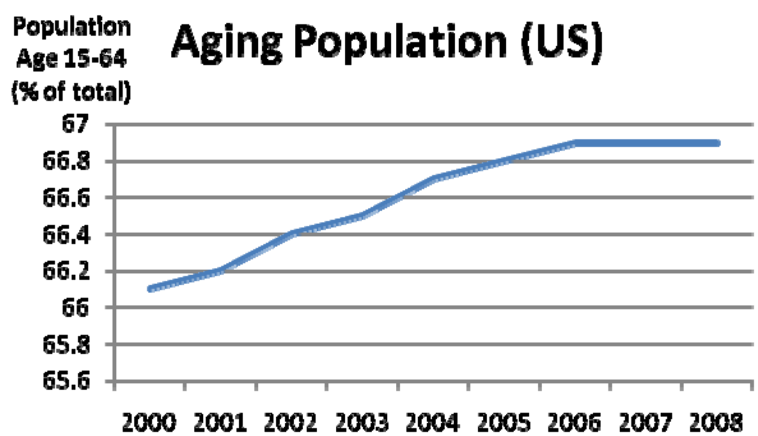
This growth is visible through number of outlets, floor space and staff employment

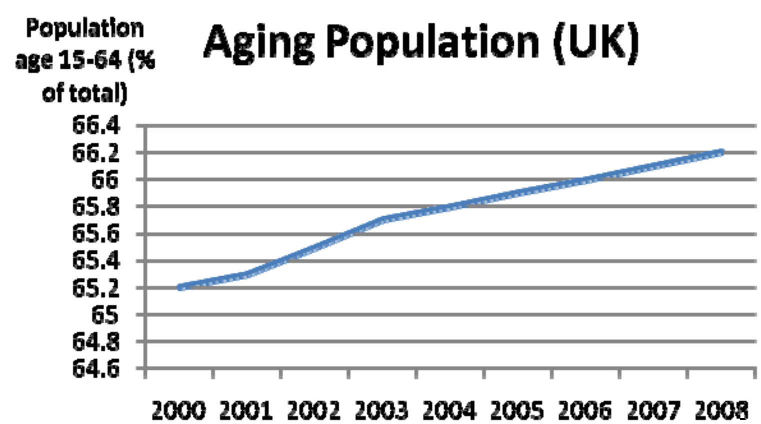
Western Market is Changing

Source: ERS International Macroeconomic Data Set & World Bank







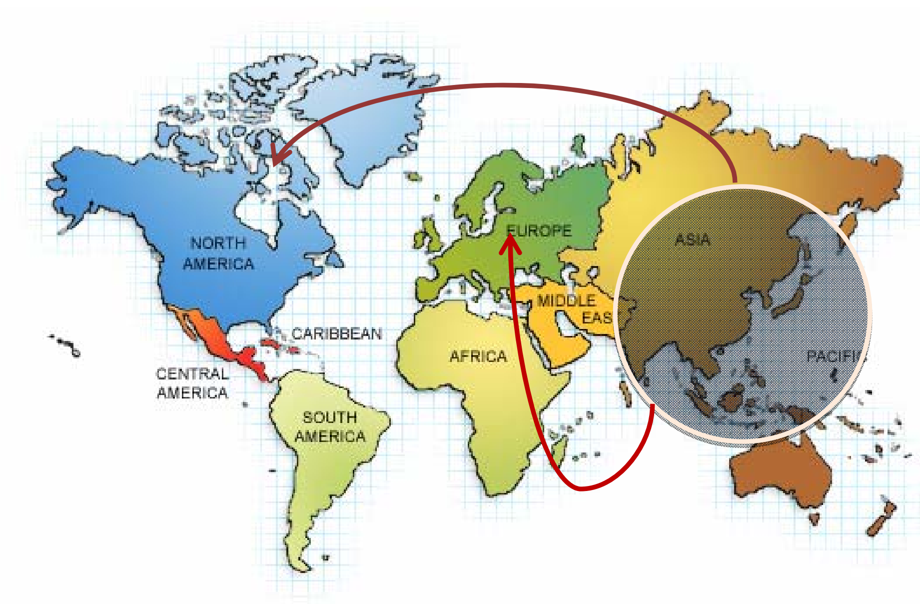


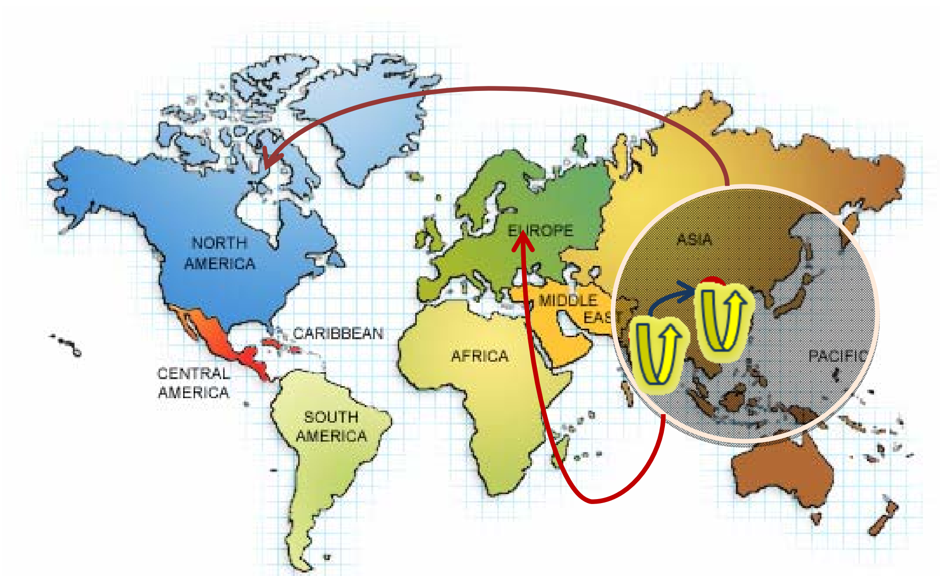
European apparel retail industry has shown a CAGR of just 1.7% during 2005-2009

US apparel retail market has shown a CAGR of just 1.54% during 2006-09

Supply Chain Shifts

- Domestic requirements are creating new markets locally
- Eastern Markets like China, India, Indonesia and other growing economies are the new focus





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Indian Textile & Apparel Industry

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Indian T&A Industry: An Overview

2010

T&A
CAGR – 15%

2015

Indian Textile and Apparel Market
US$ 67 Billion **(130bn)**

- **Domestic Market** US$ 45 Billion **(95bn)**
  - **Textiles** US$ 12 Billion **(25bn)**
  - **Apparel** US$ 33 Billion **(75bn)**
- **Exports** US$ 22 Billion **(35bn)**
  - **Textiles** US$ 12 Billion **(15bn)**
  - **Apparel** US$ 10 Billion **(20bn)**

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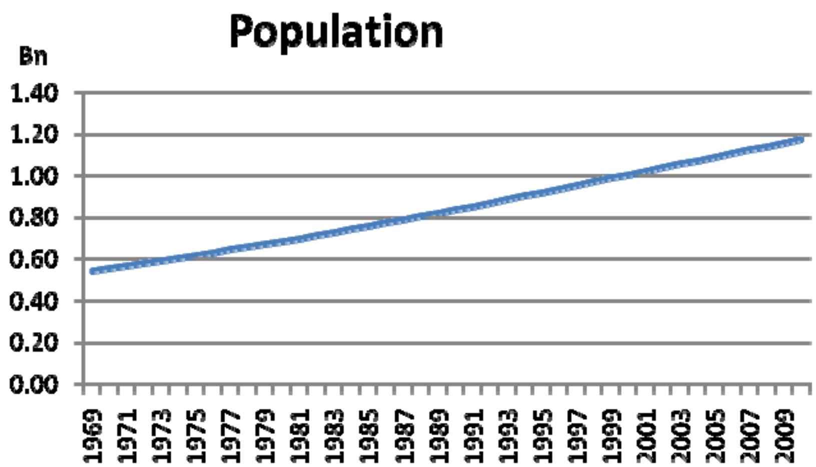
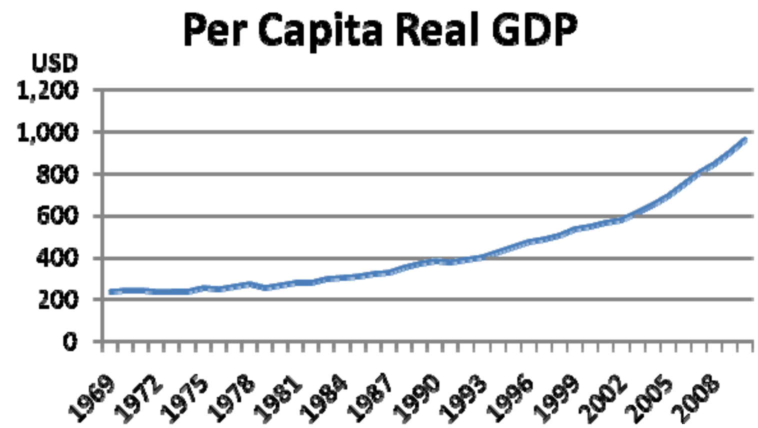
India: Domestic Demand Explosion



Source: U.S. Census Bureau, International Data Base



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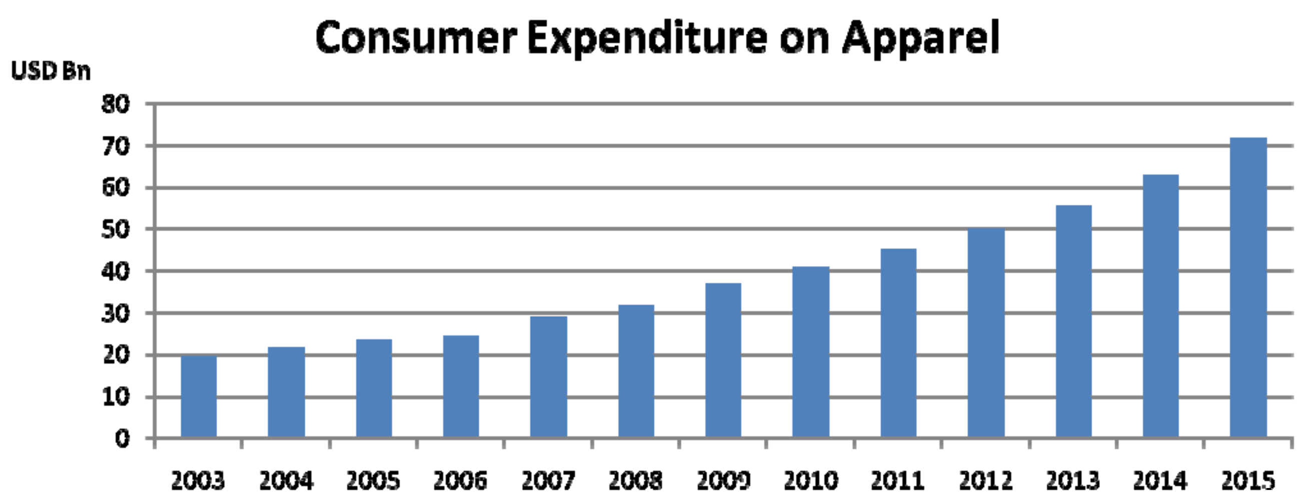

India has the potential

India: Raw Material Richness

- 2nd largest producer of Cotton
- 2nd largest producer of Silk
- 3rd largest producer of Cellulosic fibre/yarn
- 5th largest producer of Synthetic fibres/yarn
- Home to Largest Producer of Polyester
- Largest producer of Jute

Production	India	Bangladesh	Pakistan
Fibre (mn kg)	7,443	22.5	933
Yarn (mn kg)	5,330	1,340	1,550
Fabric (mn sq m)	54,996	6,900	4,368
Garments (mn)	6,935	5,700	1,070

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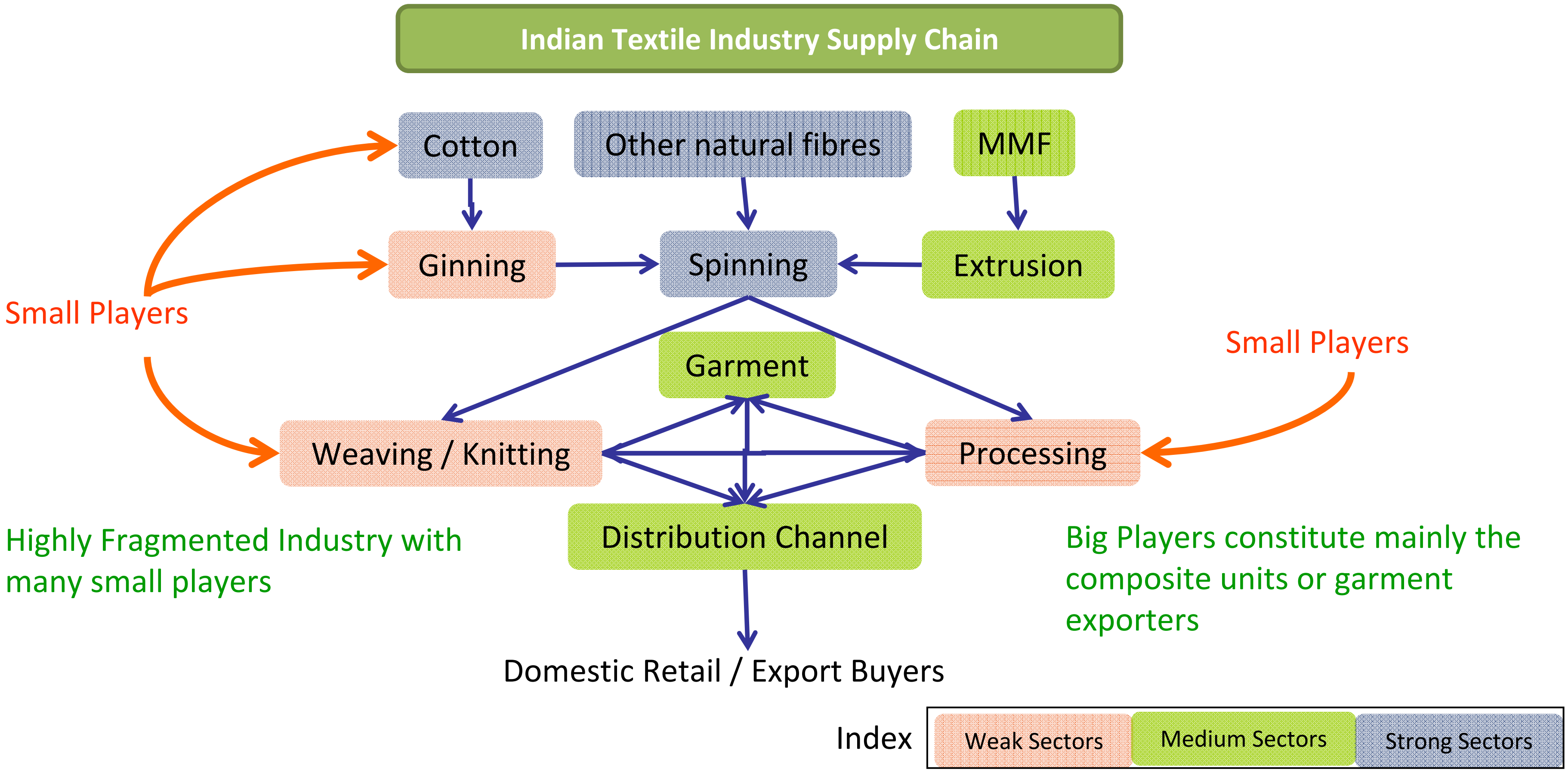
India: Presence of Complete Supply Chain



Natural Raw Material and Spinning are the strength Areas
Weaving / Knitting and Processing are the weaker areas of the Indian Textile Industry

Textile Manufacturing: India is Cost Competitive

Inspite of increasing prices, India is still the most cost competitve country

Spinning Cost (USD/Kg)

	2003	2010
India	**2.45**	**3.08**
China	2.76	4.16
Brazil	2.61	3.66
Turkey	2.85	3.88
Italy	3.59	4.64

Weaving Cost (USD/m)

	2003	2010
India	**0.73**	**0.84**
China	0.76	1.07
Brazil	0.71	0.99
Turkey	0.81	1.01
Italy	1.2	1.48

Knitting Cost (USD/m)

	2003	2010
India	**1.22**	**0.74**
China	1.32	0.98
Brazil	1.32	0.87
Turkey	1.41	0.92
Italy	1.87	1.16

Textile Outlook International, Match 2011

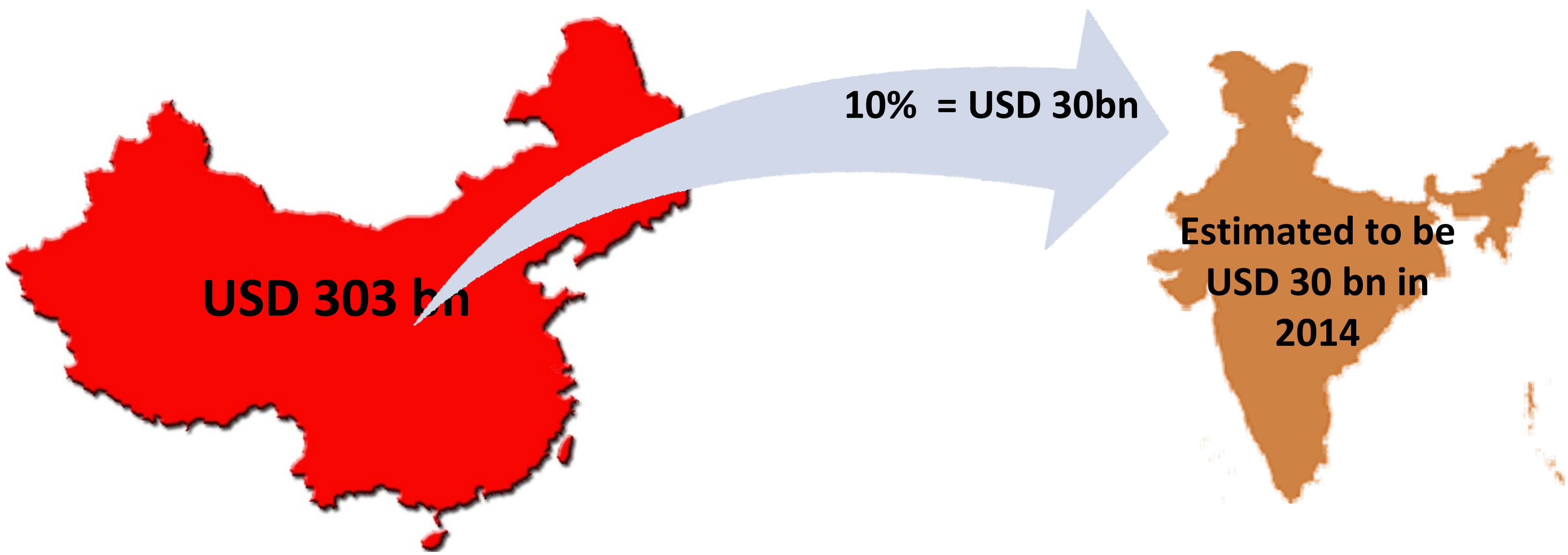
The increase in costs of manufacturing has increased at the one of the slowest speed compared to other countries

Indian Government Support

- **Technology Upgradation Fund Scheme** provides low interest loans for technology up-gradation and setting up new units with state-of-art technology
- **100% FDI** allowed in textile and apparel manufacturing industry
- **Scheme for Integrated Textile Parks** (SITP) based on ppp model to build world class infrastructure facilities. Forty parks have been sanctioned till December 31, 2010 in nine states with total project cost of about US$ 931.1 mn
- **Product specific "Cluster Approach"** targeting development of 100 additional clusters in textiles
- **Technology Mission on Cotton** (TMC), focusing on cotton R&D, dissemination of technology to farmers, improvement of market infrastructure and modernisation of ginning and pressing sector
- **Integrated Skill Development Scheme** for the Textiles & Apparel Sector, including Jute & Handicrafts, with an objective of capacity building of Institutions providing skill development & training in Textiles Sector.
- **Swarnjayanti Gram Swarozgar Yojana** (SGSY) for training BPL trainees to become skilled workers

India has a Lot to Gain

A spill over of even 10% from China’s Apparel & Textiles Market will mean doubling of India's share in world trade.



India – Roadmap

What’s missing?

- Raw Material
- Technology
- Skills
- Markets
- Large Consistent Capital Infusion ??

All fronts need to opened……

- The gap of investment could be as large as Rs. 1.5 lacs crores in the next 10 years. Hence everyone needs to pool in :

  - Expansions by existing players

  - Entry of to new domestic players

  - Infusion of FDI

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Thanks you for your time and attention!