



APPAREL / INSIGHTS

# APPAREL EXPORT OUTLOOK

BINDU GOPAL RAO studies the impact of the turbulent socio-economic environment on the future of apparel exports in India.

India's textile sector is one of the oldest industries in the Indian economy, dating back to several centuries. Currently, the textile sector is one of the largest contributors to India's exports with approximately 11 per cent of total exports. The industry is also labour intensive and is one of the largest employers in the country, today. India's overall textile exports during FY 2016-17 stood at US\$ 40 billion.

## EXPORT ANGLE

According to a report titled 'Indian Textile Industry: Trend and Future' by Industrial Green Chemistry World, the projected 'Vision 2024-25' has a positive sign for the Apparel Export Industry. The report says, "The Indian textile industry has strength across the entire value chain. Taking innovative measures in partnership with the industry and learning from experience, India could aspire to achieve 20 per cent growth in exports over the next decade. In any case



the achievement of 15 per cent growth rate in exports should be feasible. In the domestic market, sustaining an annual growth rate of 12 per cent should not be difficult, either. This implies that with a 12 per cent CAGR in domestic sales, the industry should reach a production level of US\$ 350 billion by 2024-25 from the current level of about US\$ 100 billion for the domestic market. "The apparel sector comprises of the production of garments and certain other sewn end-use products, like accessories. "As compared to the textile sector, it is more labour intensive, fragmented, and easily entered. This can act in both a positive and negative manner— with new competition, arising on a daily basis. This competition amongst each other leads to a loss for the nation's economy, in general. Hence, South Korea has outpaced India in terms of economic growth, despite having many characteristics in common with each other — such as direct government involvement in industrial development and the financial sector," says Pankaj Anand, Director and Co-Founder, Sabhyata.

#### MARKET OUTLOOK

The future for the Indian textile industry looks promising, triggered by both strong in-house consumption as well as export demand. "With disposable income on the rise, the export sector has experienced a rapid growth in the past decade with the 'Make in India' campaign being a torchbearer for Indian apparel. The organised apparel segment is expected to grow at a Compound Annual Growth Rate (CAGR) of more than 13 per cent over a 10-year period," says Anand. The textile industry has made a major contribution to the national economy, in terms of net foreign exchange earnings and contribution to the GDP. It is the second largest provider of employment, after agriculture. It is estimated



Organised apparel segment is expected to grow more than 13% CAGR in 10 years.

that textile exports from India will touch US\$ 185 billion by the year 2024-25. Availability of low cost, albeit skilled manpower, as well as large varieties of cotton fibre, has given India a competitive advantage. India is one of the largest exporters of yarn in the international market. The industry has large and diversified segments that provide a wide variety of products. An opportunity in the form of emerging retail industry and malls and elimination of quota restriction leads to greater market share. This apart, the shifting towards branded readymade garments and

slowdown in the Chinese economy has offered an opportunity for Indian textile sector to increase market share in exports.

#### TREND CHECK

The most noteworthy change in the Indian textile industry has been the advent of man-made fibres (MMF). India has successfully targeted its innovative range of MMF textile in almost all the countries across the globe. MMF production recorded an increase of 10 per cent and filament yarn production grew by six per cent in the month of February 2016. MMF production has increased by four per cent during the period April 2015-February 2016. Cotton yarn production has increased by about 10 per cent during February 2014 and by about 10 per cent during April 2015-February 2016. Blended and 100 per cent non-cotton yarn production increased by six per cent during February 2014 and by eight per cent during the period April 2015-February 2016.

#### NUMBER CRUNCHING

As per an ICRA Research Services report titled Apparel And Fabric Industry, August 2016, "Though the global apparel trade has been going through a weak phase, India was nonetheless able to achieve an approximate one per cent growth (in US\$ terms) in FY 2016 as against a five per cent decline in global apparel trade. This muted growth needs to be looked at in conjunction with lower fibre prices in FY 2016, adjusted for which the growth in India's apparel export quantity is estimated at approximately three to four per cent. While this growth is modest compared to the healthy growth clocked in the recent years, the growth quantum looks satisfactory in the backdrop of the five per cent decline in import quantity of Europe and the six per cent increase in import quantity of the US — though weak when compared with Bangladesh and Vietnam.

Also, India overtook Germany in 2015 to become the fifth largest apparel exporter after China, Bangladesh, Italy, and Vietnam. India remains, however, a marginal player with share of approximately four per cent in global apparel trade. While China is a distant leader in apparel trade, Bangladesh and Vietnam continue to outpace India."

As per ICRA reports, apart from the apparel segment, volume growth in textile exports is also expected in other segments like textile made-ups and home furnishings. The average prices for fibre are also likely to stay higher in FY 2017 as compared to the previous year, which will support the growth in value of textile exports.

#### GOVERNMENT INITIATIVES

The Government of India has started promotion of its 'India Handloom' initiative on various forms of social media to promote high quality handloom products and market the India Handloom Brand. Also the National Textile Policy aims at creating 35 million new jobs by way of increased investments by foreign companies (expected to be US\$ 180-200 billion). The Ministry of Textile has launched the Technology Mission on Technical Textile (TMTT) to promote technical textile by helping to develop world-class testing facilities at eight Centres of Excellence, across India. The Ministry has also approved a 'Scheme for promoting usage of geotechnical textile in the North East Region (NER)' in order to capitalise





on the benefits of geotechnical textile. The Revised Restructured Technology Up gradation Fund Scheme (RRTUFS) covers manufacturing of major machinery for technical textile for five per cent interest reimbursement and 10 per cent capital subsidy in addition to five per cent interest reimbursement also provided to the specified technical textile machinery under RRTUFS. Under the Scheme for Integrated Textile Parks (SITP), the Government of India provides assistance for creation of infrastructure in the parks to the extent of 40 per cent with a limit up to ₹40 crore (US\$ six million). Under this scheme the technical textile units can also avail its benefits. Under the Make in India initiative, investment opportunities for foreign companies and entrepreneurs are available across the entire value chain of synthetics, value-added and speciality fabrics, fabric processing set-ups for all kinds of natural and synthetic textile, technical textile, garments, and retail brands. Likewise, the government has undertaken a number of steps to improve 'ease of doing business' in India, to function as single window for obtaining government clearances. The government has also proposed to extend 24/7 customs clearance facility at 13 airports and 14 sea ports resulting in faster clearance of import and export cargo.

#### DEMONETISATION EFFECT

The decision of demonetisation for ₹500 and ₹1,000 notes in India has significantly affected the textile industry in India like the purchase of new yarn and fabric through cash payment, in India. The textile industry mostly depends on the labour and work of textile, like embroidery work, fabric printing and other textile labour tasks. Demonetisation will affect the cotton and cloth industries — new cotton will not be purchased in India for a while and the price of cotton will decrease, suddenly. The Central Government moves on withdrawal currency of ₹500 and ₹1,000 denominations from market will have some negative repercussions on the cotton yarn market and textile machinery manufacturers. Textile analysts say this a short term effect. ■