

APPAREL 2016 – REFLECTIONS ON THE YEAR GONE BY

As the curtains come down on 2016, Bindu Gopal Rao speaks to the industry experts to reflect on how the apparel industry fared in this year, what worked and what did not.

The apparel industry has definitely seen a positive performance and significant growth in 2016. The Indian textile and market size stands close to US\$ 67 billion in the year 2016. Increased incomes, high growth of GDP leading to rapid urbanisation, growth of organised retail with the entry of a large number of domestic and international players leading to greater exposure of the Indian consumer and increased competition in this sector are auguring well for the apparel industry.

The apparel industry in India is a perfect example of 'order in chaos' where everyone thrives—from the unorganised small and domestic players to international chains. Others, however, feel that 2016 has not been the best year in the apparel industry as there has been a lot of consolidation going on.

"There was a marginal decline even last year, and while this year is seemingly on-par, it remains to be seen if any of the new government schemes towards textiles and apparels help to revive the same," says Pramod Bafna, Creative Director, President Group, Warp & Weft, the Fabric Gallery.

"The apparel industry has been badly hit due to seasonality," adds Mr Swappan Dutta, President, Retail, Monte Carlo Fashions Pvt. Ltd. "The bulk of apparel trade sales take place between October and February, as all festivals, weddings and other occasions that take place during this period and also winter wear sale is at a peak in these months. Unfortunately, last year, winters were delayed and in most of the regions winters were mild which resulted in poor buying sentiments."

ECONOMIC INDICATORS

India has emerged as the fastest growing major economy in the world as per the Central Statistics Organisation (CSO) and International Monetary Fund (IMF). According to the Economic Survey 2015–16, the Indian economy will continue to grow more than seven per cent

in 2016–17. Basically, a lax nature on promoting the Indian industry meant that over the last couple of years, a very large chunk of the production went to Bangladesh and Vietnam. This year, the Government's announcement of a fresh infusion of ₹74,000 crores towards the industry with an aim to create one crore jobs over the next three years is a definite boost, along with increased subsidies in industry packages such as the Amended Technological Upgradation Fund Scheme should definitely help things, going forward.

"With international high street brands entering the market, the Indian customer has become more aware of global trends and fashion has

become increasingly whimsical and less functional which was not the case earlier in India," says Ms Priyanka Agarwal, Founder, Uptownie 101. "The apparel manufacturing sector is also seeing a trend towards becoming more organised with these new entrants and increase in exposure. India has become a major apparel manufacturing hub as it enjoys access to cheap raw material like cotton, jute, silk and wool. The 'Make in India' campaign is also a significant contributor in raising the profile of the Indian apparel industry and making it surge ahead. By making India a larger part of a global initiative, the apparel industry shall be more open to foreign investments and partnerships."



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GOVERNMENT IMPETUS

Jai Singh, Founder, Polofactory, opines, "There has been an increase in the focus from the government towards the apparel industry, this year and an increase in FDIs with policies promoting exports have led to growth as well."

He continues, "Apart from this, the growth is fuelled by the easy accessibility of fast Internet and also portable devices including smart phones, tablets and so many more, making shopping even more convenient and personal than before. This has impacted the behaviour of consumers in a massive way as there has been a noticeable rise in the online retail demand. People are choosing to shop online right from small purchases to big ones alike as they find more variety and also better assistance in some cases."

This year, the apparel industry looks quite happy with the news of GST. With the government allowing 100 per cent FDI in the Indian textile sector, there have been several improvements and changes. Many textile parks are being set up across the country and several export promotion measures are being implemented.

E-COMMERCE RULES

This segment is expected to reach ₹72,639 crore by the end of 2016. The apparel market is becoming competitive. However, India always has a consumer for every competitor. "Then, there is the secondary apparel and fashion industry in its nascent stages and just starting to blossom. This is pre-used fashion sales on sites like www.luxepolis.com and fashion rentals like The Clothing Rental," says Shilpa Bhatia, Founder, The Clothing Rental.

The Indian consumer is just adapting to the convenience of online shopping; many major players offer free shipping, heavy discounts and Cash On Delivery (COD) to entice the consumer, show traction on their business and impress the investors to increase valuation of the company on paper. E-commerce will continue to grow, in India, as the consumer starts adapting to it. Being online will become extremely important for businesses to stay relevant. However, there are many business where the consumer might prefer to shop offline and experience the product. "The industry is estimated to grow further reaching US\$ 141



billion by 2021. The e-commerce apparel sector is also booming, contributing to the expansion of the apparel industry, in general," says Mr Rahul Jashnani, MD of Jashn. "The e-space expansion is on the forefront and many start-ups are considering e-commerce to launch their brands. There has been considerable amount of influx in 2016, thereby increasing the worth of the sector."

WEIGHING PROS & CONS

Many major international players with deep pockets are entering India in an organised manner with the power to pour in tons of money into the Indian consumer before turning any profit. Shilpi Modi, Director, Manyavar, says, "India has positioned itself as a manufacturing destination with cheap labour, cotton-based raw material and easy access to both, the US and European markets. With the abolition of quotas, India has surged ahead of other non-competitive countries and positioned itself as a value-added manufacturer with a varied material base, an educated and English-speaking class of executives with high product development and design orientation. India's textiles sector is one of the oldest industries in the Indian economy, dating back several centuries. Even today, the textiles sector is one of the largest contributors to India's exports. Indian textiles and apparel have a history of fine craftsmanship and global appeal."

Cotton, silk and denim from India are highly popular abroad and with the upsurge in Indian design talent, Indian apparel too, has found success in the fashion centres of the world. "Due to the recent demonetisation, customer expenditure will be affected and, in turn, slow down retail growth. Speed will remain the biggest challenge and opportunity the industry will face," opines Sanjeev Mukhija, Managing Director,

Breakbounce. "The traditional approach to business has been based on a 'supply and demand' model. The problem is that we now live in a 'demand and supply' world. The customer wants the product to her/his personal specifications—and they want it delivered immediately. On-demand and customised, products are no longer offered only by niche companies. This means long-standing business models and processes need to change, in a collaborative manner."

NUMBER CRUNCHING

Trade between foreign markets, namely the US, the UK, and parts of Asia and the Middle East, has led to handsome export earnings in 2016. According to the Ministry of Commerce, textile exports from India stood at US\$ 40 billion in FY 2015–16, contributing 15 per cent to the total export earnings of the country. These numbers are expected to increase considerably and touch US\$ 82 billion, by 2021. "The major industry development was the discussion around the Goods and Services Tax (GST). While some believe that the 12 per cent GST rate will have a negative impact on the textile and apparel industry, the Union Ministry has asked the textile industrialists to deliberate the benefits and not let this advantage go away. "In my opinion, we should wait for the decision to unfold and the changes that will follow. Branded apparel may get costlier as the tax incidence could rise at least three to four per cent," says Rushika Jain, Founder-Designer, Swada.

Despite the immediate scenario, which isn't in its fully explored potential, the industry is definitely set to grow thanks to many efforts coming together, which will, hopefully, materialise in good form upwards of 2019. ■

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