Textile & Apparel Industry: The Change Agent of India

By:
Mishika Nayyar | Strategic Investment Research Unit, Invest India
Arushi Chawla, Ayush Pagaria, Ruchi Shukla | Textiles and Apparel Team, Invest India

Art Direction - Sanya Datt | Brand Communications, Invest India
The textile and apparel industry in India is witnessing exponential growth. It is the second-largest employment generator in the country after agriculture and is worth USD 140.4 Bn. India is the fifth largest exporter of textile and apparel in the world.

Following Prime Minister Narendra Modi’s Make-in-India initiative, the textile and apparel industry is being infused with the mantras of ‘skill, scale, speed’ and ‘zero-defect, zero-effect’ for scaling up employment, production and exports. India already has the entire textile value chain in manufacturing from fibre-to-apparel, and I am happy to share that government is giving thrust to this industry at the highest level. A series of path-breaking measures have already been initiated and many important steps are being planned for implementation in near future.

Aiming to showcase the many opportunities pertaining to emerging sub-sectors within Textiles to the global investor community, I would like to congratulate Invest India for organizing the Exclusive Investment Forum and bringing out this report on *Textile and Apparel Industry: the change agent of India.*
From exquisite and invaluable handiwork to personal protective equipment, the Indian textile industry is critical to its growth story and directly impacts the lives of 45 Mn workers.

India is a world leader in textiles and possesses the entire manufacturing value chain, from fibre to apparel, and provides the distinct advantage of backward integration.

India has one of the most liberal investment policies for foreign investments in the textile and apparel sector with 100 per cent foreign direct investment (FDI) allowed through the automatic route.

I would like to congratulate the Strategic Investment Research Team at Invest India for creating this report on 'Textile and Apparel Industry: the change agent of India'. I hope you enjoy reading it.

Mr. Deepak Bagla
Managing Director and CEO,
Invest India
Introduction

Throughout history, the richness and diversity exhibited by India’s textile potential has transcended borders. From the presence of exquisite, traditional handloom and handicrafts to the fabrics produced in capital intensive mills, India is proud of its rich heritage in textiles.

Today, the textile and apparel industry in India is marked by radical innovation, shifting markets, evolving supply chains and distribution channels and is gradually drifting towards responsible and sustainable manufacturing. Being the second largest in the world, this industry holds immense potential to double its share of five per cent in the global trade in the coming five years. India’s strengths have been defined in traditional textiles and natural fibres globally wherein, it is the largest producer of cotton and second largest producer of polyester and silk in the world.

Widely referred to as a change agent owing to its transformative powers, this industry alone has the capability to generate 70 jobs for every INR 1 crore (USD 132,426) invested, as compared to 12 jobs created on an average in other industries. Diving deeper, this report elaborates on the current scenario of textiles and apparel industry in India and highlights the ways to tap into India’s growth potential in this sector.

SECTOR SNAPSHOT

| India is the largest producer of cotton | 4th largest producer of acrylic and nylon | Contributes to 7 per cent of the country’s manufacturing production |
| 2nd largest producer of polyester and silk | 5th largest exporter of textiles and apparel | Contributes to 2.3 per cent of the GDP |
| 3rd largest producer of viscose | 8 centers of excellence set up to promote technical textiles | Contributes to 13 per cent of country’s export earnings |

Key achievements in the last five years

45 Mn workforce with additional requirement of 17 Mn by 2022

~4 Lakh people skilled under 'Samarth'

Largest ever Minimum Support Price operations carried out by Cotton Corporation of India

8 Centres of Excellence set up to promote technical textiles

11 Focus Incubation Centres set up under Technology Mission on Technical Textiles

USD 5.4 Mn grant under Pashmina Scheme. Health coverage to 2 Lakh Pashmina goats

USD 1 Bn released under the ATUFS

USD 64 Mn deployed for the powerloom sector development

SIZE INDIA NIFT created the India specific size chart

6 projects sanctioned under Integrated Processing Development Scheme supporting 1400 SMEs

NER apparel and garment making centers set up in all NE states

10 upcoming Mega Textile Parks
Global overview

Table/Map Header: Top 5 Global Apparel Market Size (USD Bn)

<table>
<thead>
<tr>
<th>Country/Region</th>
<th>Value 2018</th>
<th>Share 2018 (%)</th>
<th>CAGR (2018-2025) (%)</th>
<th>Value 2025 (P)</th>
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<td>EU-28</td>
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<td>Japan</td>
<td>100</td>
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<tr>
<td>India</td>
<td>74</td>
<td>4</td>
<td>12</td>
<td>164</td>
</tr>
</tbody>
</table>

The current global apparel market size is around USD 1.9 Trn and is expected to grow to over USD 2.6 Trn. The global demand for apparels is estimated to grow at a Compound Annual Growth Rate (CAGR) of five per cent. Among the world’s top five markets for apparel, India and China are anticipated to grow at a steady CAGR of 12 per cent and 10 per cent respectively, as compared to the global total of five per cent over the next few years. China is widely expected to become the largest apparel consumer in the world by the year 2025 with a market size worth USD 450 Bn, while India will overtake Japan to occupy the 4th position on this list with an estimated market size of over USD 160 Bn.

In 2018-19, India was the 5th largest textiles and apparel exporter globally, followed by Bangladesh and Germany with their exports worth USD 35 Bn and USD 34 Bn respectively.

GLOBAL TRADE

The global trade in the textiles and apparel sector has seen consistent growth in the recent years. In 2018, the world’s textile and apparel trade stood at USD 823 Bn while it has grown at a CAGR of four per cent since 2005. Apparel was the most traded category in the sector, commanding a share of 57 per cent of the total textile and apparel trade. The exports in this category too, have been growing at a CAGR of four per cent since 2005. A close second to apparel was fabric, which accounted for 19 per cent of the total textile and apparel trade, with its exports growing at a CAGR of three per cent since 2005. The global trade of textiles and apparel is expected to see similar growth in the future too, growing from the current USD 823 Bn to USD 1 Trn in 2025, growing at a promising rate of over three per cent when compounded annually.

Global Textile & Apparel Trade (USD Bn)

Category-wise Share of Global Textile and Apparel Trade (2018)

Source: UN Comtrade, Ministry of Textiles & Wazir Analysis
India’s domestic textile and apparel market is worth over USD 100 Bn as of 2018-19 and is expected to grow at a CAGR of 12 per cent to reach to a size of USD 223 Bn by 2021.

Apparel demand in India currently stands at USD 78 Bn, dominated by the domestic with a share close to 74 per cent of India's total textile and apparel market. Technical textiles, one of the fastest growing sub-segments at CAGR of 12 per cent is also witnessing a substantial increase in its market size in India, currently pegged at USD 3 Bn.

![Indian Textile and Apparel Market Size (USD Bn)](https://static.investindia.gov.in/s3fs-public/2020-05/Textile%20Brochure-Leaflets_V2%20%283%29%20%281%29_0.pdf)
Key Textile and Apparel Manufacturing Zones

**DELHI NCR**
- Okhla, Shahdara, Gurugram, Noida, Panipat, Sonepat

**PUNJAB**
- Ludhiana, Jalandhar, Amritsar

**RAJASTHAN**
- Bhilwara, Jaipur, Kishangarh, Bagru, Pali

**GUJARAT**
- Surat, Kutch, Ahmedabad, Tapi, Umargaon, Surendranagar, Vapi, Sanand, Kheda

**MADHYA PRADESH**
- Indore, Bhopal, Ujjain, Pithampur, Jabalpur, Gwalior, Indore, Burhanpur & Chhindwara

**WEST BENGAL**
- Kolkata, Nandia, Howrah, Asokanagar

**UTTAR PRADESH**
- Gautam Buddha Nagar, Kanpur, Allahabad, Banda, Gorakhpur, Bareilly, Modinagar, Jhansi & Varanasi

**MAHARASHTRA**
- Nagpur, Pune, Kolhapur, Thane, Mumbai, Baramati, Hingoli, Ichalkaranji

**ODISHA**
- Balasore, Dhenkanal, Ganiam

**KARNATAKA**
- Bengaluru, Mysuru, Doddabalapur, Gulbarga, Ballari

**KERALA**
- Mallappuram, Pallakad, Enakulam, Kannur

**TELANGANA**
- Ranga Reddy, Pochampally, Hyderabad

**ANDHRA PRADESH**
- Nellore, Guntur, Vishakhapatnam, Ananthpur

**TAMIL NADU**
- Palladam, Cuddalore, Perundurai, Komarapalayam, Karur, Madurai, Tiruppur, Coimbatore
India is the 5th largest textiles and apparel exporter globally, with its exports worth USD 40.4 Bn in 2018-19.

India's textiles and apparel exports are expected to reach USD 70 Bn by 2025-26, growing at a CAGR of 12 per cent. The exports have grown at a five per cent CAGR since the year 2005-06.

Source: Ministry of Textiles & Wazir Analysis
*Total exports in 2019-20: 40.4 Bn including handicrafts USD 3.8 Bn
India’s textile and apparel imports in 2018-19 reached around USD 7.3 Bn. The imports of textile and apparel have been growing at a CAGR of eight per cent over the last 13 years from 2005-06 to 2018-19.
Sub-segments

**JUTE**

India is the largest producer of jute in the world. India is also the 2nd largest exporter of jute products.

Annual production: 12.96 Mn tonnes in 2018-19

Major jute producing states: West Bengal, Bihar and Assam

India exported jute worth USD 325 Mn in 2018-19

Major destinations for India's jute exports: EU, US, Ghana, Saudi Arabia and Nepal

**WOOL**

Annual production: 43.5 Mn kilograms

Export of wool & woollen products in 2017-18 was nearly USD 1.6 Bn

Major wool and woollen products producing states: Rajasthan, Jammu, Kashmir, Uttar Pradesh, Karnataka and Telangana

Major destinations for India's wool and woollen product exports: EU, Japan, Korea and US

**COTTON**

India is the largest producer of cotton globally. It accounts for nearly 30 per cent of the global cotton production.

Annual production: ~5.45 Mn metric tonnes

Major cotton producing states in India: Maharashtra, Gujarat, Andhra Pradesh and Punjab

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### SILK

India is the 2nd largest of silk in the world.

- **India exported silk worth USD 263.5 Mn in 2018-19.**
- **Major destinations for India’s silk exports: EU, USA, China and UAE.**
- **Major silk producing states: Karnataka, Andhra Pradesh, Tamil Nadu, Jharkhand, Assam and West Bengal.**

- **Annual production:** 35,468 metric tonnes in 2018-19.

### MAN-MADE FIBRES (MMF)

- **Annual production:**
  - USD 1,319 Mn for fibres
  - USD 1,187 Mn for filament yarn and
  - USD 66.5 Mn for MMF fabric

- **India’s export of man-made textile and apparel stood at USD 16 Bn in 2017-18.**
- **Major export markets for man-made filament fibres are USA, Belgium, Nepal, Bangladesh, Indonesia.**

### TECHNICAL TEXTILES

- **The current domestic technical textiles market is estimated at USD 19 Bn growing at a CAGR of 12 per cent since 2013-14.**
- **Over 2,100 manufacturing units in India, mainly in Gujarat, Maharashtra and Tamil Nadu.**
- **Exports of technical textiles in 2018-19 stood at USD 1.97 Bn growing at a CAGR of five per cent since 2013-14.**
- **One of the fastest growing segments of the Indian economy, projected to reach market size of USD 30.7 Bn by 2020-21.**
- **Constitutes 12-15 per cent of total textile value chain in India.**
**HANDICRAFTS**

India has a total of **744** handicraft clusters engaging nearly **2,12,000** artisans, offering more than **35,000** products across the categories of metal ware, wooden artware, hand-printed textiles, embroidered and crocheted goods and imitation jewellery.

Exports of handicrafts items in 2018-19 stood at **USD 3.8 Bn**

India's major markets for handicrafts are EU, USA, UAE, Australia, Canada and Japan.


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**HANDLOOMS**

Handloom weaving is one of the richest and most vibrant aspects of the Indian cultural heritage, offering a wide range of textile products from sarees, dresses to home textiles.

Export of Handlooms in 2018-19 was nearly **USD 343 Mn**

Major destinations for India's handloom products EU, USA, UAE, Japan and Australia.

Major handloom clusters in India: Varanasi, Godda, Shiva Sagar, Virudhunagar, Prakasam, Bhagalpur, Guntur and Trichy.
India Advantages

India is a rapidly growing industrial economy with availability of key resources such as land, power, water, manpower and a conducive regulatory framework for industries in textiles and apparel sector to thrive. The textile industry can capitalize on its strengths of extensive raw material base, large manufacturing infrastructure, availability of large workforce, presence in all levels of manufacturing value chain (from fibre to finished goods), to achieve better growth rates than in the recent past.

**PRESENCE OF COMPLETE MANUFACTURING VALUE CHAIN**

India is one of the few textile manufacturing countries in the world where all levels of textile value chain i.e., from fibre/ filament to garment manufacturing are present, in both natural and synthetic fibres. On the contrary, other nations in the region, except China, have disjointed value chains; mostly focused on end-product and dependency on the other countries for fabric and yarn. The presence of several large integrated players in the country spread across its vast geography has proved to be of strategic advantage in maintaining this presence of complete manufacturing value chain.

**ABUNDANT AVAILABILITY OF RAW MATERIAL**

India is the largest producer of cotton (share of ~30 per cent of the global cotton production), 2nd largest producer of polyester and silk, 3rd largest producer of viscose, 4th largest producer of acrylic and nylon in the world. This vast raw material base has adequately supported the development of downstream manufacturing value chain along with securing India’s position to capitalise on opportunities presented by both, domestic and international manufacturing.

**MANPOWER AVAILABILITY**

India possesses one of the largest pools of young, trainable workforce with 62 per cent of Indian population being in the working age group of 15 to 59 years. Based on the current demographics of India, the current workforce is expected to work until 2055. Textile manufacturing is a labour-intensive industry and is cost competitive in terms of manpower. With this abundant availability of manpower coupled with relatively lower costs, India possesses the necessary preconditions for this sector to thrive.

COMPARATIVE FACTORS OF PRODUCTION

India has taken a quantum leap in its Ease of Doing Business (EODB) rankings and continues to position its labour costs, power and water costs as competitively as possible.6

<table>
<thead>
<tr>
<th>Counties</th>
<th>Labour Wages</th>
<th>Power Cost</th>
<th>Water Cost</th>
<th>Lending Rate</th>
<th>Average Production Efficiency</th>
<th>EODB Ranking</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>USD/month</td>
<td>USD/KWh</td>
<td>US¢/m3</td>
<td>Per cent (%)</td>
<td>Per cent (%)</td>
<td>Rank</td>
</tr>
<tr>
<td>China</td>
<td>550 - 600</td>
<td>0.15 - 0.16</td>
<td>55 - 60</td>
<td>6.0% - 7.0%</td>
<td>65% - 70%</td>
<td>31 (91)</td>
</tr>
<tr>
<td>India</td>
<td>160 - 180</td>
<td>0.10 - 0.12</td>
<td>16 - 20</td>
<td>11% - 12%</td>
<td>50% - 55%</td>
<td>63 (132)</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>110 - 120</td>
<td>0.09 - 0.12</td>
<td>20 - 22</td>
<td>12% - 14%</td>
<td>45% - 55%</td>
<td>168 (129)</td>
</tr>
<tr>
<td>Vietnam</td>
<td>190 - 200</td>
<td>0.08 - 0.10</td>
<td>50 - 80</td>
<td>7.0% - 8.0%</td>
<td>65% - 70%</td>
<td>70 (99)</td>
</tr>
<tr>
<td>Ethiopia</td>
<td>80 - 90</td>
<td>0.03 - 0.04</td>
<td>30 - 40</td>
<td>8.5% - 9.0%</td>
<td>30% - 35%</td>
<td>159 (127)</td>
</tr>
</tbody>
</table>

LARGE AND GROWING DOMESTIC MARKET

In the last decade, Indian domestic market has performed better than the largest consumption regions like US, EU and Japan. Beyond the increasing income of Indian consumers, the market growth is led by following important drivers:

- Indian consumers shifting from need-based to aspiration-based buying
- 40 per cent of the Indian population is expected to be in urban areas by 2030, up from 21 per cent in 20117
- India is expected to become the world’s fastest growing e-commerce market
- Increasing participation of women in workforce
- Growing presence of international brands and retailers and the emergence of new product categories

READY STATE-OF-THE-ART INFRASTRUCTURE

India, having the 2nd largest road network in the world,8 4th largest rail network in the world9 and being the 16th largest maritime country in the world,10 has been receiving much impetus for bolstering up infrastructure furthermore. The government has been dedicating a high proportion of fiscal stimulus to infra spending by means of launching priority mega projects (freight corridors, high speed rail, expressways), creating a multiplier effect on the economy.

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India Advantages

Textile and Apparel Industry

Roads: A Vast Network of National Highways

- Srinagar
- Kolkata
- Silchar
- Chennai
- Kochi
- Bengaluru
- Porbandar
- Mumbai
- Delhi
- Silchar

- Delhi
- The Golden Quadrilateral
- North-South Corridor
- East-West Corridor

- 2nd Largest road network with over 5.5 Mn Kms (2016)
- National Highways 2% of road network (~1,20,000 kms length)
- 5% of freight and 80% passenger traffic
- Top Recipient of PPP funding in 2008-12
- #1 in PPP Operational Maturity (ADB Infrascope 2014)
Railways

**India Advantages**

- **4th Largest rail network with over 66,687 Kms (2016)**
- **Busiest rail network in the world**
- **4th largest rail freight carrier in the world**
- **25+ port rail connectivity projects 600 stations re-development**
- **3,343 Km greenfield DFC under construction, 6,779 Km more to be developed**

**Under Implementation**
- Eastern DFC 1,840 km
- Western DFC 1,504 km

**In-Principle Approval**
- Southern DFC 899 km

**Planning Stage**
- North–South DFC 2,343 km
- East–West DFC 2,330 km
- East Coast DFC 1,100 km
Industrial Corridors

Industrial Corridors And Influence Zone

- Delhi-Mumbai Industrial Corridor
- Amritsar Kolkata Industrial Corridor
- Bengaluru-Mumbai Economic Corridor
- Chennai-Bengaluru Industrial Corridor
- Chennai-Vizag Industrial Corridor
Ports

- Major Ports:
  - Kandla
  - Mundra
  - Pipavav
  - Mumbai
  - JNPT
  - Dighi
  - Mormugao
  - NMPT
  - Cochi
  - Tuticorin

- Non-major Ports:
  - NMPT
  - Kakinada
  - Gangavaram
  - Krishnapatnam

- Proposed CEZs:
  - Tuticorin
  - Ennore
  - Chennai
  - Karaikal

- Proposed Port Connectivity Projects:
  - 80+

- Bulk and Discrete Manufacturing Clusters:
  - 15
  - Proposed in 14 CEZs

- National Waterways:
  - 111

- Other:
  - 12 Major Ports, 200 Non-Major Ports & 5 Waterways
To make India a global hub for manufacturing, the government has dedicated a significant proportion of fiscal stimulus to infrastructure spending, awarding USD 66 Bn worth of highway contracts, totalling about 50,000 kilometres to build national highways and expressways. Strategic focus on economic corridors, investments in high speed rail, and dedicated freight corridors are causing India to undergo an unprecedented physical transformation. The National Infrastructure Pipeline (NIP) is a major step in that direction, with investments over USD 1.4 Trn to be made by the government to build world-class infrastructural facilities.

India to invest ~$1.4Trn by 2025 on infrastructure across roads, rail, ports and housing

- **Housing for All**
  - 10-12 Mn houses in urban and
  - 29.5 Mn units in Rural under affordable housing

- **Jal Jeevan**
  - Invest about 3.5 Trn by FY24 to provide safe drinking water to all rural households

- **Sagarmala**
  - 8 Trn for port modernization through >577 projects during 2015-2035

- **Freight Corridor**
  - 10,000 route kms (4 corridors) of which 1,949 kms constructed

- **Bharatmala**
  - 66,926 kms of highways to connect 550 districts

- **Udaan**
  - 100 new airports over next 20 years
Trade agreements have provided India a preferential market access to nations leading to various economic and dynamic benefits ranging from trade creation, market expansion to capital accumulation and productivity improvement.

India’s Free Trade Agreements (FTAs) with partner countries are as follows:

Out of the total exports,

- 43 per cent of the exports are to the biggest consuming markets such as Europe and USA
- 17 per cent of the exports are to China, UAE and Bangladesh
Ready and Upcoming Infrastructure for Textiles and Apparel Sector

Infrastructure is one of the most important accelerators of business in the country. Specifically, an efficient supply chain network has the potential to increase incomes manifold, which can lead to a domino effect on the overall economy. A reliable, efficient and cost-effective logistics infrastructure is critical to India’s continued inclusive and rapid growth in the textiles and apparel sector.

In order to optimise and facilitate end-to-end production in the textiles and apparel sector, the government of India has undertaken the following measures for bolstering up infrastructure:

**SPECIAL ECONOMIC ZONE (SEZs)**

- Duty-free import and domestic procurement of goods for the development, operation, and maintenance of your company.

- 100 per cent income tax exemption on export income for the first five years, 50 per cent for five years thereafter, and 50 per cent of the export profit reinvested in the business for the next five years. These incentives will be withdrawn, and the Sunset Clause would become effective from April 1, 2020.

- Exemption from Central Sales Tax, Exemption from Service Tax, Exemption from Sales Tax. They have now been subsumed into GST and supplies to SEZs are zero rated under IGST Act, 2017.

- Single-window clearance for central and state level approvals.

- Exemption from Minimum Alternate Tax (MAT).

- External Commercial Borrowing (ECB) by SEZ units up to USD 500 Mn per year without any maturity restriction through recognised banking channels.
Textile Parks under the Scheme for Integrated Textile Parks (SITP)

Under the Scheme for Integrated Textile Parks, there are 59 parks that have been sanctioned:

<table>
<thead>
<tr>
<th>State</th>
<th>No. of Parks</th>
<th>State</th>
<th>No. of Parks</th>
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</thead>
<tbody>
<tr>
<td>Gujarat</td>
<td>14</td>
<td>Karnataka</td>
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<tr>
<td>Maharashtra</td>
<td>13</td>
<td>Uttar Pradesh</td>
<td>2</td>
</tr>
<tr>
<td>Tamil Nadu</td>
<td>8</td>
<td>West Bengal</td>
<td>2</td>
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<tr>
<td>Rajasthan</td>
<td>3</td>
<td>Assam</td>
<td>1</td>
</tr>
<tr>
<td>Andhra Pradesh</td>
<td>5</td>
<td>Himachal Pradesh</td>
<td>1</td>
</tr>
<tr>
<td>Punjab</td>
<td>3</td>
<td>Haryana</td>
<td>1</td>
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<tr>
<td>Telangana</td>
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<td></td>
<td></td>
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<tr>
<td>J&amp;K</td>
<td>2</td>
<td>Total</td>
<td>59</td>
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</tbody>
</table>

Completed (22)  Operational (17)  Under Construction (20)
Ministry of Textiles had launched the Technology Mission on Technical Textiles (TMTT) with two mini-missions for a period of five years from 2010-11 to 2014-15, which entailed the creation of the following eight Centres of Excellence to provide infrastructure support, leading research and conducting tests of various technical textiles:

**CENTRES OF EXCELLENCE**

- **Ahmedabad**: Ahmedabad Textile Industry’s Research Association (ATIRA) Centre of Excellence for Composites
- **Surat**: Man-Made Textiles Research Association (MANTRA) Centre of Excellence for Technical Textiles
- **Mumbai**: Synthetic & Art Silk Mills’ Research Association (SASMIRA) Centre of Excellence for Mumbai
  
  Bombay Textile Research Association (BTRA) Centre of Excellence for Geotech
- **Ghaziabad**: Northern India Textile Research Association (NITRA) Centre of Excellence for Protech
- **Kolkata**: Indian Jute Industries Research Association (IJIRA) Centre of Excellence for Jute Geotextiles
- **Thane**: Wool Research Association (WRA) Centre of Excellence for Sportech
- **Coimbatore**: South India Textile Research Association (SITRA) Centre of Excellence for Medical Textiles

Source: Ministry of textiles website
UPCOMING MEGA TEXTILE PARKS

The Ministry of Textiles has a vision to set up to 8-10 mega textile parks across the country, aiming to create the right conditions for higher quality and better productivity. The proposed parks would have state-of-the-art infrastructure manufacturing facilities for ginning, spinning, weaving and processing along with availability of plug and play infrastructure and common facilities. The proposed mega textile parks are to be developed in partnership between central and state governments along with participation from the private sector.
FDI Trends in the Textiles and Apparel Industry in India

A major part of textile and apparel manufacturing has moved from developed countries like the USA, the EU and Japan to regions like China, South Asia and South-East Asia. Currently, the industry is undergoing major structural changes. China, a dominant player, is now seeing its share in global trade falling due to rapidly increasing domestic consumption and rising wages. The unprecedented changes propelled by the ‘trade war’ and onset of COVID-19 is creating trade opportunities for competing nations like India, Bangladesh, Vietnam and Ethiopia. India has the potential to benefit the most.

**ATTRACTION SUB-SEGMENTS FOR FDI**

<table>
<thead>
<tr>
<th>Region</th>
<th>MMF &amp; Filament</th>
<th>Spun Yarn</th>
<th>Fabrics</th>
<th>Nonwovens</th>
<th>Garments</th>
<th>Made-ups</th>
<th>Technical Textiles</th>
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<tbody>
<tr>
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<td>Africa</td>
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<td>Transition Economies</td>
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SEGMENT-WISE INVESTMENTS

Garment sector has attracted the maximum investment followed by spinning, weaving and technical textiles sector.

The following are going to be the focus sectors in the textile and apparel sector:

<table>
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<th>Focus Sector</th>
<th>Reason</th>
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| Man Made Fiber          | • India produces all types of synthetic fibres such as polyester, viscose, nylon and acrylic.  
                          | • India is the 2nd largest producer of polyester and 3rd largest producer of viscose globally.  
                          | • By 2040, it is expected that consumption of polyester globally will be approximately three times to that of the cotton fibre. Hence, the manmade fabrics form one of the most attractive segments for future investments.  
                          | • Focus of the Indian manufacturers on cotton, their lack of technical know-how, domestic unavailability of select raw materials for high end products, and their low willingness to invest in innovation and product development make this segment a large untapped opportunity. |
| Technical Textiles      | • Technical textiles is a research-oriented sector that is gaining ground in India.  
                          | • As a part of the government's five-year vision, Ministry of Textiles has launched National Technical Textiles Mission where it hopes to achieve 25 per cent growth in this sector within the next five years.  
                          | • The growth of this sub-segment will be further fuelled by growing manufacturing industry and end user segments, increase in consumer awareness about environmental issues, innovation and technological development, mandatory use of features like airbags, seatbelts, and requirement of low cost and high-performance material for automotive and industrial uses. |
| Sustainable Fabrics     | • The industry foresees that the demand for sustainable products will rise as the market has grown and the consumers are ready to pay for highest quality goods provided with an eco-friendly connection.  
                          | • The future demand is expected to grow at a higher CAGR because of demographic trends like an aspiring middle class becoming more conscious about the environment and growth of green labels. |
| Machinery Manufacturing | • Domestic manufacturing and availability of state-of-the-art textile machinery is an essential requirement for cost and quality competitiveness.  
                          | • With the growth of domestic consumption of textiles in the country, the demand for textile machinery will also increase. |
| Value Added Products    | • India is poised to increase its global trade share in the manufacturing of finished goods categories such as suits, women's western wear, intimate wear, swimwear, and outerwear owing to the presence of a vibrant textile and apparel ecosystem. |

Initiatives and Support from Government of India

100 per cent FDI (automatic route) in the textile and apparel sector in India

100 per cent FDI in single brand retail

Up to 51 per cent FDI in multi brand retail

SCHEME FOR INTEGRATED TEXTILE PARKS (SITP)

The scheme aims to facilitate textile units to meet international and environmental standards by providing support for common infrastructure and buildings within parks. Support of 40 per cent of the project cost subject to a cap of INR 40 crores (USD 5.2 Mn) for each park. There are currently 59 parks under SITP, out of which, 19 are operational.

Funding: The project cost covers common infrastructure and buildings with financial support of 40 per cent of the project cost subject to a cap of INR 40 crores (USD 5.2 Mn) for each park. There are currently 59 parks under SITP, out of which, 19 are operational.

AMENDED TECHNOLOGY UPGRADATION FUND SCHEME (ATUFS)

Launched in January 2016, the aim of the scheme is to enable technology upgradation in textile and apparel sector by providing capital investment subsidy across different segments of the textile value chain. The objective is to facilitate augmenting of investment, productivity, quality, employment, exports along with import substitution in textile industry and to indirectly promote investment in textile machinery manufacturing.

Funding: The government provides capital investment subsidy of 15 per cent to garmenting and technical textile segments with an upper limit of INR 30 crores (USD 3.9 Mn) and 10 per cent for weaving brand new shuttle less looms, processing jute, silk and handloom with an upper limit of INR 20 crores (USD 2.6 Mn). For a composite unit or for multiple segments, if the eligible capital investment in respect of garmenting and technical textiles category is more than 50 per cent of the eligible project cost, the rate would be 15 per cent (cap of INR 30 crore/USD 3.9 Mn) and if it is below 50 per cent, the rate would be 10 per cent (cap of INR 20 crore/ USD 2.6 Mn).

The scheme has been designed to mobilize new investment of about INR 95,000 crore (USD 12.5 Bn) and employment for 3.5 Mn persons by the year 2022.
**INTEGRATED SKILL DEVELOPMENT SCHEME FOR THE TEXTILES AND APPAREL SECTOR (ISDS)**

This scheme aims to provide specific skills as per the requirement of apparel and other segments of the textile industry, as well as employee-trained persons in related occupations. The scheme would be implemented through institutions/textile research associations under Ministry of Textiles, state government agencies and private bodies in Public Private Partnership (PPP).

**Funding:** 75 per cent of the cost subject to the ceiling of INR 10,000 (USD 132) per person. Balance 25 per cent to be mobilized by the Implementing Agency (IA) which include institutions/ textile research associations under Ministry of Textiles, state government agencies and private bodies in Public Private Partnership (PPP).

**SAMARTH (SCHEME FOR CAPACITY BUILDING IN TEXTILE AND APPAREL SECTOR)**

The aim is to provide demand-driven, placement-oriented skilling program to incentivize the efforts of the industry in creating jobs.

**Funding:** The scheme would target to train 1 Mn persons (0.9 Mn in the organized sector and 0.1 Mn in the traditional sector) over a period of three years (2017-20) with an estimated budget of INR 1,300 crore (USD 172 Mn) and another INR 6,000 crore (USD 794 Mn) has been earmarked for the future.

**POWERTEX INDIA**

The scheme aims at boosting the already existing infrastructure and encourage the adoption of modernisation in the power loom sector at an even larger scale.

**Funding:** The total outlay for PowerTex India Scheme and knitwear scheme is INR 487 crore (USD 64 Mn). A significant part of the budget will be spent on skilling, facilitation, IT, awareness, studies, surveys, and market development and publicity.

**INTEGRATED PROCESSING DEVELOPMENT SCHEME (IPDS)**

This scheme is introduced to enable the textile processing sector to meet environmental standards through appropriate technology including marine, riverine and Zero Liquid Discharge (ZLD).

**Funding:** The scheme has an outlay of INR 500 crores (USD 66 Mn).

Seven projects have been approved by the Ministry: three projects are in Rajasthan, three are in Tamil Nadu, one project in Gujarat. Total support provided by the government in these projects is INR 339.95 crores (USD 44 Mn), out of which, INR 47.81 crores (USD 6.2 Mn) have already been released.
Textile and Apparel Industry

PROJECT SU.RE

Sustainability is the next big step that the textiles and apparel industry in India is going to undertake. Awareness to adopt green, low carbon and an environment friendly approach is gradually percolating across players in the industry. In this light, Minister for Textiles Smriti Zubin Irani launched Project SU.RE, which stands for Sustainable Revolution, a move towards sustainable fashion, at the Lakme Fashion Week in August 2019. The SU.RE project is a commitment by India’s textile and apparel industry to set a sustainable pathway.

Project SU.RE aims to contribute to the UN Sustainable Development Goals 2030, especially SDG-12 for responsible consumption and production. Driven by the Clothing Manufacturers Association of India (CMAI), along with IMG Reliance, this will be the first step by the apparel industry to introduce critical sustainability goals. This would help the industry reduce its carbon emissions, increase resource efficiency, tackle waste and water management, and create positive social impact to achieve long-term sustainability.

NATIONAL TECHNICAL TEXTILE MISSION

Technical textiles is one of the fastest growing sub-segments in India and has been recognised as a champion sub-segment under textiles. With a view to position the country as a global leader in technical textiles, the Prime Minister and his Cabinet Committee on Economic Affairs (CCEA) have given the approval to set up a National Technical Textiles Mission with a total outlay of USD 194 Mn in February, 2020.

The Mission shall be set up for a four-year implementation period from FY 2020-24 and will have the following four components:

- Component - I (Research, Innovation and Development)
- Component – II (Promotion and Market Development)
- Component - III (Export Promotion)
- Component- IV

REMISSION OF DUTIES AND TAXES ON EXPORTED PRODUCTS (RoDTEP) SCHEME

In order to enhance exports to international markets, CCEA chaired by Prime Minister Narendra Modi, has given its approval for introducing the Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP). This would lead to cost competitiveness of exported products in international markets and better employment opportunities in export-oriented manufacturing industries.

RoDTEP scheme will take under its ambit refund of GST taxes and import/customs duties for inputs along with VAT on fuel used in transportation, mandi tax, duty on electricity used during manufacturing.

The refunds under the RoDTEP scheme would be a step towards “zero-rating” of exports, along with refunds such as Drawback and IGST. The rebate would be claimed as a

The Ministry of Textiles is in the process of formulating a New Textiles Policy 2020 with a vision to develop a competitive textile sector which is modern, sustainable and inclusive with special focus on manufacturing of apparel and garment, technical textiles, man-made fibre products and exports while maintaining pre-eminent position in handicrafts and handlooms sectors.

Percentage of the Freight On Board (FOB) value of exports.

A monitoring and audit mechanism, with an Information Technology-based Risk Management System (RMS), would be put in to physically verify the records of the exporters. As and when the rates under the RoDTEP scheme are announced for a tariff line/item, the Merchandise Exports from India Scheme (MEIS) benefits on such tariff line/item will be discontinued.

Upcoming initiatives by the government:

NEW TEXTILE POLICY 2020

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PRODUCTION LINKED INCENTIVE SCHEME

To help boost local manufacturing, attract large investments in the textile and apparel sector, the government is planning to expand its production-linked incentive scheme.

Earlier announced for electronics and pharmaceutical industry, the total incentives under this programme could be as high as INR 50,000 crore (USD 6.6 Bn). While this has been the vision of the government under its Make in India programme, the drive under the incentive scheme has been accelerated following Prime Minister Narendra Modi’s call for an Atmanirbhar Bharat, or self-reliant India.

Impact of COVID-19 on the Textiles and Apparel Industry in India

The outbreak of Covid-19 has affected the textile and apparel industry globally as well as in India. The spread of the virus is having serious implications and companies have started feeling the impact owing to uncertainty in demand, supply chain disruptions, decline in raw material prices having implication on livelihood of workers as well. As estimates suggest, for the Indian textile and apparel industry, there is a 12-15 months’ slowdown causing at least a 30 per cent shrinkage in the FY21 market size globally.17

To support the industry, the government of India has launched several measures including INR 3 lakh crore (USD 39.7 Bn) collateral-free loans for businesses, including Micro, Small and Medium Enterprises (MSMEs), barring global tenders for government procurement up to INR 200 crore (USD 26.4 Mn), infusing more liquidity into banking and non-banking institutions, deferment of EPF/ESI payments, amending the definition of MSMEs by increasing the investment limit and including annual sales turnover as an additional criterion. The Reserve Bank of India has also announced several stimulus measures to ease down the financial stress on the companies in the sector.

Turning crisis into opportunity, the textiles and apparel industry in India came to the forefront to help India combat Covid-19. Major shortages of masks and personal protective equipment (PPE) were being reported across the country, posing much danger for frontline workers who tend to Covid-19 patients. What followed then was a remarkable collaboration between governments at the central and state levels, textile and apparel industry players and workers to revamp existing production lines to manufacture a completely unknown product, from scratch.

An import dependent India then charted a journey to become not only self-sufficient but the 2nd largest PPE manufacturer in the world in just 60 days.

To know more, refer to an exclusive report by Invest India on PPE in India: A USD 1 Bn industry in the making

**STRATEGY TO ADDRESS THE CRISIS**

**Short Term (3-6 months)**

- Provide fast track clearances for movement of goods from ports.
- Provide interest free loans to firms to manage their operating capital.
- Provide GST exemptions.
- Create a financial package to help MSME units that have taken loans from the informal sector.
- Incentivize manufacturing of essential products such as Masks, Gowns, PPEs etc.
- Provide moratorium for repayment of principal and interest amounts.
- Expedite release of dues under GST refunds, ATUFS, export subsidies.
- State Governments could reduce power tariff for all Textile units.
- Exempt raw materials from basic customs duty & anti-dumping duty.

**Medium to Long Term (6-12 months)**

- Bring out policies that will lead to the creation of vertically integrated units.
- Provide fiscal incentives for technical textiles segment.
- Sign FTAs with Europe, US and other large consumption economies in the world.
- Diversify into MMF and winter wear manufacturing.
- Remove import duties on import of textile machinery.
- Textile Industry stimulus package by combining unutilized funds across different schemes.
- Incentivize domestic sourcing by Retailers/Brands (Both Global and Indian).

**RECOMMENDATIONS**

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<th>Financial Support</th>
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<td>Provide moratorium for repayment of principal and interest amounts.</td>
<td>Cover all textile, garments and made-ups products under RoSCTL, IES &amp; MEIS benefits.</td>
<td>50% Wage Subsidy up to INR 5,000/- per month for 5 months from March 2020 to July 2020.</td>
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<td>Provide at least 30% additional working capital at lower rates without any collateral.</td>
<td>Extend the 3% Interest Equalization Scheme beyond March 31, 2020.</td>
<td>Defer payment of EPF and ESI contributions for 6 months by the industry.</td>
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<td>Relax RBI norms for declaring the defaulting unit as NPA for one year.</td>
<td>Provide 3% additional ad-hoc export incentive for one year.</td>
<td>PF &amp; ESIC Contribution of Employer and Employee to be done by Government for 3 months (March to May 2020).</td>
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<td>Collateral free lending for loans up to Rs. 2 crore &amp; max. collateral of 35-40% for lending beyond Rs. 2 crores.</td>
<td>Rationalize input GST of 18% with output GST of 5% on all textile fibres including manmade fibres.</td>
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Way Forward for the Industry

The textiles and apparel industry in India is expected to grow significantly in the coming years. However, below are a few areas where there exists much scope for improvement and the government taking major strides to ensure conducive industry ecosystem to transform India into a global textiles and apparels hub:

TECHNOLOGY UPGRADEATION

There is a need to focus on modernization of existing technology in textiles and apparel industry to achieve scale and become globally competitive. There are several machineries and components that are needed to be imported for technological upgradation for which the import cost is relatively high. Thus, it is recommended that certain machinery or components not manufactured in India like certain shuttle-less looms, knitting machines, nonwoven machines, etc. should be identified and their import should be permitted at zero or nominal rate of duty for a period of three years. After this timeframe, duty should be raised to 15 per cent. This will facilitate Indian sector to acquire new, technically superior machinery at reasonable costs and signal foreign machinery manufacturers to invest in India.

INFRASTRUCTURE DEVELOPMENT AND CLUSTER UPGRADEATION

Textiles production not only requires the creation of world class infrastructure but also for the creation of plug and play facilities to meet the growing demand, especially in times of 'fast fashion'. Ministry of Textiles is well under way to create an ecosystem model that would allow for the creation of new mega textile parks having seamless connectivity with national highways, dedicated freight corridors, railway lines and ports.

SKILLED MANPOWER

India has the advantage of productive workforce owing to a promising demographic dividend where over 65 per cent population is below 35 years of age. The Indian workforce is expected to increase to approximately 600 Mn by the year 2022 from the current estimate of 473 Mn.18

Since few individuals attend any kind of formal training in India as compared to other nations, it becomes important to focus on skill advancement and have an industrious pool of 'work-ready' skill-based individuals for textiles and apparels. There should be investment in improving skills as a collaborative effort between the private sector and the government. Abundant availability of trained and certified manpower should become the norm and efforts must be made to achieve per man hour, per machine output in terms of quality and quantity of the levels prevailing in competing countries. Existing skill development initiatives through the Sector Skill Council should be appropriately scaled up in partnership with the industry along with putting in place a credible mechanism for assessing quality and productivity of workers to hold them more accountable.

Traditionally, the European Union and USA dominate the global apparel market with a combined share of over 41 per cent while they account for only 11 per cent of the world population. But there is a gradual rise in other markets across the globe that can be tapped into, including Japan, Russia and Brazil. To increase India's share, it is recommended that country specific export strategies should be developed and implemented. Initially four to five major markets should be identified in which share of Indian exports can be increased and for each market, a pin-pointed market specific strategy must be devised to fully tap into the available opportunities.

Amplifying the R&D ecosystem for the Indian textiles and apparel sector will be crucial for its unhampered growth. The government must continually invest in R&D and innovation to help industry develop capabilities in emerging technologies and enable it to create breakthrough products. In this regard, multi-stakeholder collaboration must be undertaken between the government, academia and industry, specifically in the case of technical textiles.

The Textile Engineering Industry (TEI) in India is one of the five key capital goods industries. The industry has more than 80 per cent of the units as SMEs with a total investment of USD 1.2 Bn. Domestic manufacturing and consequent availability at affordable prices of state of the art textile machinery is an essential requirement for cost and quality competitiveness.

In order to promote investment in textile machinery manufacturing, it is recommended that incentives under Scheme of Hire Purchase and ATUFS in specific segments should be made available only on indigenous machinery after period of three years. This will give sufficient time for international and Indian investors to join hands or make independent investments for manufacturing machinery within India.

Moreover, existing customs tariff on textile machinery and components are inverted in nature wherein import of complete machinery attracts five per cent basic customs duty in general while raw materials and number of components attract an average duty rate of 7.5 per cent and above. For promoting indigenization of machinery manufacturing, basic duty of complete machinery should be at least five per cent higher that on inputs. It is recommended that a detailed exercise should be carried out to assess whether the import duty on the raw material needs to be decreased or import duty on complete textile machinery need to be increased to maintain this differential.

20. As shared with Invest India by TMMA through email on December 6, 2019
In order to position India as a value-added destination for textiles and apparel industry globally, sustainability will prove to be of critical importance. There is a need to develop an understanding of the environmental impact of the garments being produced and making the right decisions about how, where, and what we source across the value chain by selecting sustainable and renewable materials, processes and ensuring their traceability. Such crucial understanding around sustainability can thrive in a sourcing policy which prioritizes and utilizes certified raw materials that have a positive impact on the environment.

There is also a consistent need to incentivise investments in energy and water efficient manufacturing systems, create compliant factories and leverage India’s strength in organic cotton and recycled fibre capacities.