

COVID-19 UPDATE

# INDIA TEXTILE SECTOR 2022/2023

An EMIS Insights Industry Report

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# ABBREVIATIONS

ATUFS	Amended Technology Upgradation Fund Scheme
CAGR	Compound Annual Growth Rate
COVID-19	Coronavirus Disease 2019
DPIIT	Department for Promotion of Industry and Internal Trade
GDP	Gross Domestic Product
GeM	Government e-Marketplace
IBEF	India Brand Equity Foundation
ISDS	Integrated Skill Development Scheme
MMF	Man Made Fibre
MSP	Minimum Support Price
PLI	Production Linked Incentive
PPE	personal protective equipment
RoDTEP	Remission of Duties and Taxes on Export Products
RoSCTL	Rebate of State and Central Taxes and Levies
RRTUFS	Revised Restructured Technological Upgradation Fund Scheme
SEZ	Special Economic Zone
SITP	Scheme for Integrated Textile Parks
SCBTS	Scheme for Capacity Building in Textile Sector

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# Foreword

As the supply chain and trade dynamics are changing across the globe amid COVID-19, India is standing on the front gate of the opportunity of becoming a top textile manufacturing and exporter country, hugely benefiting from the “China plus one” business strategy of various countries. If the favourable and timely government policies are complemented by the rapid adoption of modern technology at a vast scale, the textile sector of India has the potential to witness substantial development in the next 5-6 years.

The textile industry of India is one of the oldest and traditional industries of India, with presence in almost all the stages of textile value chain. Indian textile industry have the advantage of ancient know-how, availability of raw material, skilled manpower and favourable demographics. The textiles and apparel industry of India contributes 2.3% to the country’s GDP, 13% to industrial production, and 12% to India’s overall exports. The textile industry is the second-largest employer in the country after agriculture.

The government has been supportive of the textile sector over the decades. It has adopted a number of incentive programmes benefitting the sector, such as Make in India, Production Lined Incentive (PLI), National Technical Textiles Mission, Government e-Marketplace (GeM), Mega Textile Parks, Skill India, Women Empowerment, and Rural Youth Employment, among others.

On the other hand, the textile sector of India faces issues such as inadequate infrastructure, lack of modern technology, high cost of capital, high environmental impact, and fragmented market structure among others. These broad-based challenges were complemented by the daunting impact of COVID-19 on the sector. Further, high dependency of textile sector on agriculture for its raw material makes the textile sector vulnerable to extreme weather events and effect the price cost margins of the players in the industry.

However, the COVID-19 pandemic has put a spotlight on the untapped textile potential of the South Asian region. It has given an opportunity to countries like India, Bangladesh and Indonesia to become a potential global centre for textile and clothing exports. Also, COVID-19 has created a China Plus One sentiment across the globe, which is a business strategy aimed at avoiding investing only in China, and diversifying business into other countries. This has triggered the redistribution of global supply and trade relations, thereby creating a golden opportunity for Indian textiles to stage a turnaround and regain a leadership position as a top exporting economy.

Many large textile players in India are rapidly increasing the adoption of modern technology to boost their production capacity. Against this backdrop, the textile sector of India has the potential to witness substantial positive development in the next 5-6 years.

Contact Us:

Boryana Nedyalkova, Editor, Asia  
[editorial@isimarkets.com](mailto:editorial@isimarkets.com)





# 01

## EXECUTIVE SUMMARY



# Sector in Numbers

No. 3

Textile Exporting  
Country (2020)

4.2%

Share in Global  
Textile Exports  
(2020)

3%

Share in Global  
Clothing Exports  
(2020)

Global  
Leader

In Exports of  
Hand-Weaved  
Fabric

USD  
76.5bn

Estimated Size of  
Domestic Market

62.4%

Share of Powerloom  
in Total Cloth  
Production  
(FY2020\*\*)

USD  
22.6bn

Textile and Apparel  
Exports (Including  
Handicrafts)\*\*\*

USD  
3.9bn

Textile and Apparel  
Imports (Including  
Handicrafts)\*\*\*

Sole

Producer of All Five  
Known Silk  
Varieties

\* Figures apply to FY2021 unless otherwise stated; \*\* date relates to April to January; \*\*\* data pertains to April to December

Source: WTO, Welspun India Ltd, Ministry of Textiles

# Sector Overview

The textile sector is one of the oldest industries of India. The textile industry ranges from traditional hand weaving to technical textiles and modern textiles mills. India is the third-largest exporter of textile, with a 4.5% share in the world textile exports in 2020. The sector has strong linkages with the agriculture sector because it relies on agriculture for its raw materials. The textile sector is supported by the presence of abundant raw material and an ample manufacturing base in the country. The textiles and apparel industry contributes 2.3% to the country's GDP, 13% to industrial production, and 12% to exports of India. The market size of the textile industry is expected to reach USD 190bn by FY2026.

## Entry Modes

To attract foreign investors, the government of India has ensured that 100% FDI is allowed in the textiles sector without the need for any government approval, that is, under the automatic route. The government approved the PLI Scheme for Textiles for MMF Apparel, MMF Fabrics and 10 segments/products of Technical Textiles. The incentive structure has been so formulated that industry will be encouraged to invest in fresh capacities in segments - high value MMF Fabric, Garments and Technical Textiles. At least 35 companies, including Reliance Industries, Bombay Dyeing, Welspun Global Brands, Arvind Group, IndoRama Synthetics, and Wellknown Polyesters, have lined up investment plans worth INR 101bn under the production-linked incentive (PLI) scheme for textiles.

## Segment Opportunities

Grabbing the opportunity arising from COVID-19, India has become the second-largest manufacturer of PPE in the world. More than 600 companies in India are certified to produce PPEs, whose global market worth is projected to reach to USD 92.5bn by 2025 from USD 52.7bn in 2019. The government is working to direct the growth towards high technology and indigenously innovated products and therefore, technical textile segments represents a great opportunity. According to the government, technical textiles in India is growing at 8% per annum and the government aims to hasten this growth to 15-20% range during next 5 years (FY2025-FY2026). Also, the home textile segment is expected to gain a lot of traction given the pandemic-induced lifestyle changes arising from increased consciousness about hygiene and increased prevalence of stay-at-home options.

## Government Policy

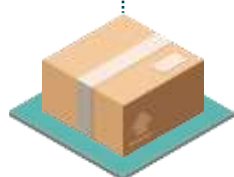
The government has been supporting the role in growth of textile sector over the decades, however its interest and focus on textile sector has increased manifold in the recent years. Many schemes are directly or indirectly aligned with the growth of textiles, such as Make in India, Production Lined Incentive (PLI), National Technical Textiles Mission, Government e-Marketplace (GeM), Mega Textile Parks, Skill India, Women Empowerment, Rural Youth Employment, among others.

Source: Ministry of Textile, IBEF, Economic Times, Business Standard



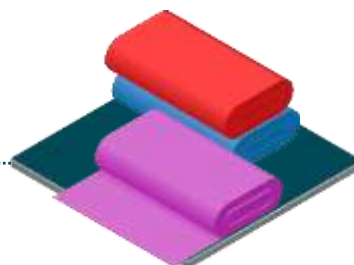
# Sector Snapshot

## India Textile Sector



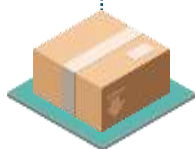
### EXPORTS

USD 22.6bn  
Export Value\*\*



### PRODUCTION

Total Cloth Production: 64,165mn m<sup>2</sup>\*\*  
Cotton: 36.0mn bales of 170kg each  
Jute: 5,800mn bales of 180kg each  
Raw Silk: 14,196MT  
Handicrafts: INR 183.7bn\*\*\*



### IMPORTS

USD 3.9bn  
Import Value\*\*



### DOMESTIC MARKET

USD 106bn  
Domestic Textile and Apparel  
Market Size



### KEY PLAYERS REVENUES

1. Vardhman Ltd.: INR 61.4bn
2. Raymond Ltd (India): INR 34.5bn
3. Welspun India Ltd: INR 73.4bn
4. Trident India Ltd: INR 45.4bn
5. Bombay Dyeing & Manufacturing Co Ltd: INR 12.3bn

Note: Unless otherwise stated, data are for FY2021.

\*FY2020 is up to January 2020

\*\*FY2021 till December 2020

\*\*\*FY2021 upto September 2020

Source: Office of the Textile Commissioner, CSO, CEIC, India Today, EMIS Company Database

## Sector Snapshot

The textile is one of the oldest industries of India. The industry encompasses a broad range of activities including traditional hand weaving, technical textiles manufacturing, and modern textiles mills. India is the third-largest exporter of textiles, with a 4.5% share in world textile exports (in 2020). The sector has strong linkages with the agriculture sector as it relies on agriculture produce for its raw material. In India, the textile sector is supported by the presence of abundant raw material and a well-developed manufacturing base.

According to Welspun India, India's domestic textile and apparel market was worth USD 77bn in FY2021 and is expected to grow at a CAGR of 19.8% to USD 190bn by FY2026. With its extensive growth-oriented policies, the government has been supportive to the textile sector.

The presence of a production base for a wide range of fibre and yarns such as natural fibres like cotton, jute, silk and wool and synthetic - or man-made fibres like polyester, viscose, nylon and acrylic, forms a strong foundation for the textile industry in India. The cotton forms the major segment of India's yarn industry, accounting for a share of more than 50%. In FY2021, the production of cotton stood at 36mn bales of 170 kg each, and the production of jute stood at 5,800 thou bales of 180 kg each. The production of silk stood at 35,820 tonnes in FY2020. According to the official production figures for FY2020, India is the second-largest producer of silk in the world after China. Silk production stood at 35,820 tonnes in FY2020 as compared to 30,348 tonnes in FY2017, growing at a CAGR of 4.23% over the years FY2017 to FY2020. For the period of April 2020 to September 2020, the silk production was at 14,196tonnes.

According to the Ministry of Textile FY2021 Annual Report, there are approximately 2.5mn powerlooms in the country, the technology level of the sector varying from plain loom to high tech shuttleless looms. In India, the powerloom segment contributed 60% to total cloth production in the country in FY2020. More than 60% of the fabric meant for export is also sourced from the powerloom sector.

Out of the total textile and apparel market, more than 70% is accounted for by the apparel industry, which alone is expected to reach USD 135bn by FY2026. The apparel industry in India encompasses many small players.

The COVID-19 pandemic has put a spotlight on the untapped textile potential of South Asian region. The pandemic has triggered the redistribution of global supply and trade relations, thereby creating a golden opportunity for Indian textiles to stage a turnaround and regain a leadership position as a top exporting economy.

The top 5 private players by total revenue, in the textile sector of India include Reliance Industries Ltd., Grasim Industries Ltd., Aditya Birla Nuvo Ltd. (Amalgamated), Bhilosa Industries Private Limited, and SRF Ltd, amongst others. The sector is densely populated with a large number of unorganised players catering to their respective local markets.

Source: IBEF, Ministry of Textile, Textile Companies Annual Report



# Sector Outlook

Over the years, the government has come up with many meaningful and effective schemes for promoting the growth and development of the textile sector of India. These schemes include the Production Link Incentive Scheme, the RoDTEP scheme, Make in India, and the Mega Textile Parks development, amongst others. These schemes would go a long way to facilitate and incentivise the investments into the textile sector. Also, the government's focus on improving the ease of doing business in the country by reducing the compliance burden, and reducing the cost of doing business (cost of logistics, cost of capital, cost of compliance, etc.), will lead to an influx of foreign investments into the country, thereby benefiting the textile sector.

Many large textile players in India are rapidly increasing the adoption of modern technology to increase the capacity and capabilities of their production. Moreover, their focus on digitisation to utilize the benefit from the rising online fashion industry and e-commerce would stimulate the growth of the textile sector in India.

The COVID-19 pandemic has put a spotlight on the untapped textile potential of the South Asian region. It has given an opportunity to countries like India, Bangladesh, Indonesia to become potential global centres for textile and clothing exports. Further drivers for countries in the region have been the availability of abundant and cheap labour, water and other raw materials for textile manufacturing, large cotton production, and the nearness to growing markets have further helped this.

The COVID-19 has changed the lifestyle and consumption pattern of consumers, giving rise to more conscious consumption. This has led to an increase in the demand for products like mask, wipes, PPE kits, and home textiles. Many textile players in India have responded to this changed demand by expanding into niche products segments. This trend will help the textile industry benefit from the enhanced demand of these products, at least in the short to the medium run.

India's favourable demographic factors such as numerous youth population, rising per capita income, increasing employment opportunities, growing population, and rapid urbanisation will support the demand of textile and apparel in the coming years. Taking into consideration the fact that the cloth is a basic necessity and there is a rapid rise in the e-commerce and digitisation, the future of the textile sector looks promising. The growth in the home textiles segment would be supported by rising household income, increasing population and growth of end-use sectors like housing, hospitality and healthcare.

The high GDP growth anticipated by various international and national agencies and the demand of Indian textiles from abroad indicates the potential of the sector for the years to come.

Source: IBEF, Ministry of Textile, Textile Companies Annual Report, Business Standard

## Driving Forces

The major tailwinds for the Indian textile industry include ancient knowledge, a strong presence in the entire value chain of the textile industry, availability of raw material, skilled manpower, favourable demographics, and extensive government support. Along with this, the textile sector's strong focus on niche segments, digitisation, and the adoption of technology, among others, are supporting the rise of the textile industry in India. The anticipated high GDP growth rate of India in next half decade, and the focus on reducing dependency on Chinese exports, will prove to be catalyst for the growth of the textile sector.

### External

The availability of abundant raw materials, capabilities in whole value chain of textiles, and the availability of raw materials make India a good base for the textile industry. The growth of the textile sector is also supported by favourable demographic factors such as growing youth population, rising disposable incomes, rapid urbanisation, and rising standards of living, among others. The government has also been supportive to the textile sector, with its extensive growth-oriented policies such as Make in India, Aatmanirbhar Bharat, Production Linked Incentive Scheme, Mega Textile Parks, Revised Restructured Technological Upgradation Fund Scheme (RRTUFS), liberalised FDI in textile, and many more. The increasing penetration of digitisation over the years, which is being provided a great push amid the COVID-19 restrictions, is also supporting the textile market through growth of the online fashion industry. The technical textiles segment is also on a rise, led by the growing prevalence of industries like medical, construction, etc. The anticipated high GDP growth of India by various international and national agencies and the demand for Indian textile abroad indicate the potential the textile industry of India has.

### Internal

To mitigate the impact of the COVID-19 induced lockdown and the restrictions in the country and the world, many textile companies in India have rapidly scaled up their digital capabilities to reach out to channel partners, customers and employees. As a result, competition in the e-commerce space has increased manifold with the presence of large, small, and medium-sized companies. This digital transformation initiatives have enabled the textile players to leverage synergies between e-commerce and physical retail network and strengthen their omni-channel presence across India. The textiles mills in India has rapidly evolved over the years with adoption of modern technologies and thereby creating superior capacity building. The Ministry of Textiles is undertaking many initiatives under the PPP (Public Private Partnership) mode to encourage private sector participation in the development of the textile industry. As an example of this, online retailer Flipkart and the Himachal Pradesh State Handicrafts and Handloom Corporation Ltd. (HPSHHCL) signed a memorandum of understanding (MoU) in August 2021. The Defence Research and Development Organisation (DRDO) is helping the Indian textile industry to produce yarns and eliminate the dependence on import of Chinese and other foreign clothing for military uniforms.

Source: Annual reports of the textile companies in India



# Restraining Forces

The Indian textile sector faces issues such as inadequate infrastructure, lack of modern technology, high cost of capital, considerable environmental impact, and fragmented market structure, amongst others. These broad-based challenges were made worse by the daunting impact of COVID-19 not only on this sector, but on the economy as well. The high dependency of the textile sector on agriculture for its raw material makes it vulnerable to extreme weather events and affects the price cost margins of the players in the industry.

## External

Textile processing involves the use of numerous environmentally unfriendly, non-biodegradable chemicals. Therefore, pressure has been mounting on the apparel industry to increase its environmental compliance efforts, which is likely to impact the whole supply chain in the medium run. Factors like the low quality of India's infrastructure and the high costs of capital make Indian textile players lag behind in competitiveness compared to many other Asian countries. Inefficient infrastructure results in low reliability in keeping delivery deadlines, and also in high transaction costs, high interest rates and a low level of FDI despite the government's efforts to promote investment. In October 2021, the GST council proposed to increase taxation rates from 5% to 12% for garments across price categories which will create stress on the textile, garment and hosiery industries, especially in the MSME sector, at a time when the industry is recovering from the impact of COVID-19. The pandemic impacted all aspects of the Indian textiles industry, including demand, supply, inputs, and output.

## Internal

The textile sector is highly dependent on agriculture for the supply of its raw material. The dependency of the agriculture sector on weather makes the supply of raw material to the textile industry uncertain. Events like flood, or draught affect the availability and pricing of raw material, thereby impacting the price cost margins of the players. Though many players have increased their focus on adopting modern technology, textile factories in India are still not fully automated and remain labour-intensive, unlike in developed countries. The Indian textile industry is highly fragmented and is dominated by the unorganized sector as well as by small and medium-sized industries. The apparel units in India have an average size of 100 machines which is very little in comparison with neighbouring Bangladesh, which has an average of 500 machines per factory.

Source: ET, Ministry of Textiles, Financial Express

# 02

## SECTOR IN FOCUS



# Main Economic Indicators

	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021
Total Population, mn, year-end**	1,283	1,299	1,314	1,327	1,341	1,355
GDP, current prices, INR bn	137,640	153,624	170,950	189,712.4	203,398.5	197,456.7
GDP, constant FY2012 prices, INR bn	113,695	122,983	131,799	139,814.3	145,659.5	135,127.4
GDP, y/y change, %	8.00%	8.17%	7.17%	6.80%	4.2%	(-)7.3%
GDP per Capita, USD	1,640	1,764	2,015	2,041	2,139	1,963
GVA at Current Price, INR bn	125,745	139,652	155,131	171,3996	184,613	179,151.7
GVA Textiles, Apparel and Leather Products, Current Price, INR bn	3,004	3,032	3,324	3,606	3,515	n/a
Consumer Price Index (FY2012=100), year average y/y change, %, calendar year	4.96%	3.33%	3.96%	3.70%	4.80%	6.2%
Wholesale Price Index (FY2012=100), y/y change, %	-0.05%	3.45%	4.26%	1.89%	1.68%	1.29%
Official Exchange Rate, INR/USD, year-average, calendar year	67.2	65.12	68.4	70.4	70.89	74.22
Monetary Policy Rate: Repo Rate, %, year average	6.5	6.15	6.2	5.7	5.43	4.05%
Total Exports, USD bn	262.29	275.85	303.53	329.5	313.36	291.8
Total Imports, USD bn	381.01	384.36	465.58	513.09	474.7	394.4
Total FDI Inflow, USD mn	40,001	43,477	44,857	44,366	49,977	59,636

\*\* data for calendar years

Source: RBI, CSO, DIPP, Ministry of Commerce and Industry

# Main Sector Indicators

	FY2017	FY2018	FY2019	FY2020	FY2021
Cotton Production (Year End September 30), mn bales of 170 kg each	34.5	37.0	36.1	36.0	36.0
Cotton Consumption, mn bales of 170 kg each	31.0	31.5	31.7	33.1	30.3
Cotton Exports, mn bales of 170 kg each	5.8	6.8	6.5	5.0	7.0
Cotton Imports, mn bales of 170 kg each	3.1	1.6	1.5	2.5	1.1
Jute Production, thou bales of 180 kg each	9,200	7,600	n/a	6,800	5,800.0
Total Jute Consumption, thou bales of 180 kg each	8,000	7,800	7,800	1,152.0	7,900.0
Raw Silk Production, tonnes	30,348	31,906	25,468	35,820.0	14,196.0*
Production of Handicrafts, INR bn	469.3	431.4	494.8	495.4	183.7*
Exports of Handicrafts, INR bn	343.9	321.2	368.0	315.6	132.1**
Number of Powerlooms in India	2,629,269	2,666,229	2,777,575	n/a	n/a
Total Cloth Production, mn m2	64,421	67,779	64,813	40,034.0	n/a
Cloth Prodction on Powerloom, mn m2	35,672	38,945	36,575	28,076.0	n/a
Share of Powerloom in Total Cloth Production, %	55.0%	57.0%	56.0%	59.6%	n/a
Exports of Apparel Knitted or Crotcheted, USD mn	8,223.7	7,997.2	7,820.4	7,514.8	6,348.0
Exports of Apparel Not Knitted or Crotcheted, USD mn	9,164.6	8,724.5	8,336.0	7,994.8	5,941.8
Imports of Apparel Knitted or Crotcheted, USD mn	263.5	348.3	464.1	497.5	392.8
Imports of Apparel Not Knitted or Crotcheted, USD mn	332.0	424.8	642.2	646.9	488.3

\*up to September 2020

\*\*up to November 2020

Source: Ministry of Textiles, Ministry of Commerce and Industry, CEIC

# Production

## Yarn and Fibre

India is well equipped to produce a wide range of fibre and yarns from natural fibres such as cotton, jute, silk and wool as well as synthetic/man-made fibres such as polyester, viscose, nylon and acrylic. The country's strong production base sets a strong foundation for the textile industry in India. Cotton forms the major segment of the yarn industry, accounting for more than 50% of the total share. In FY2021, cotton production stood at 36mn bales of 170 kg each, jute production stood at 5,800thou bales of 180kg each, and silk production stood at 35,820 tonnes according to FY2020 data.

## Processed Fabrics

With respect to fabric production and employment generation, the decentralised Powerloom sector is one of the most important segments of the Indian textile industry. According to the Ministry of Textiles FY2021 annual report, there are approximately 2.5mn powerlooms in the country. The technology level of this sector varies from plain looms to high-tech shuttle-less looms. In India, the powerloom segment contributed 60% to total cloth production in FY2020. More than 60% of the fabric meant for export is sourced from the Powerloom sector. In the FY2021 Union Budget, the government allocated INR 1.59bn towards schemes supporting powerloom units.

## Apparel

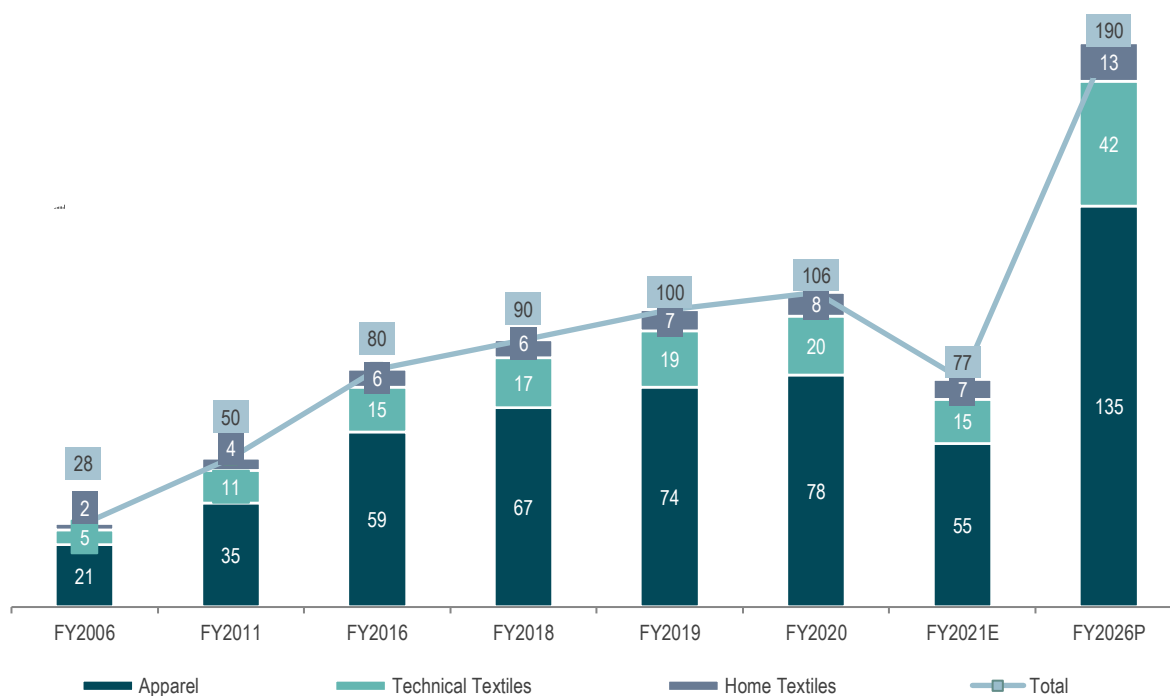
The apparel sector can be broadly segmented into menswear, women's wear and children's wear. In India, the sector is dominated by women's wear, followed by men's wear and children's wear, respectively. The apparel market can also be segmented into an online and offline segments, as well as into luxury and non-luxury apparel. Although the apparel market in India was impacted by the restrictions induced by the COVID-19 pandemic, the availability of online shopping possibilities helped sustain demand after the first wave of COVID-19 in the second half of FY2020, boosting the demand for textile and apparel. Also, during the second wave of COVID in India, which peaked in April 2021, the demand for textiles was not much impacted. Over the years, the apparel industry has witnessed a complete transformation due to the rapidly changing consumer styles and preferences, which makes this a very dynamic industry.

Source: Raymond, Ministry of Textiles



# Consumption

## India's Domestic Textile and Apparel Market Size, USD bn



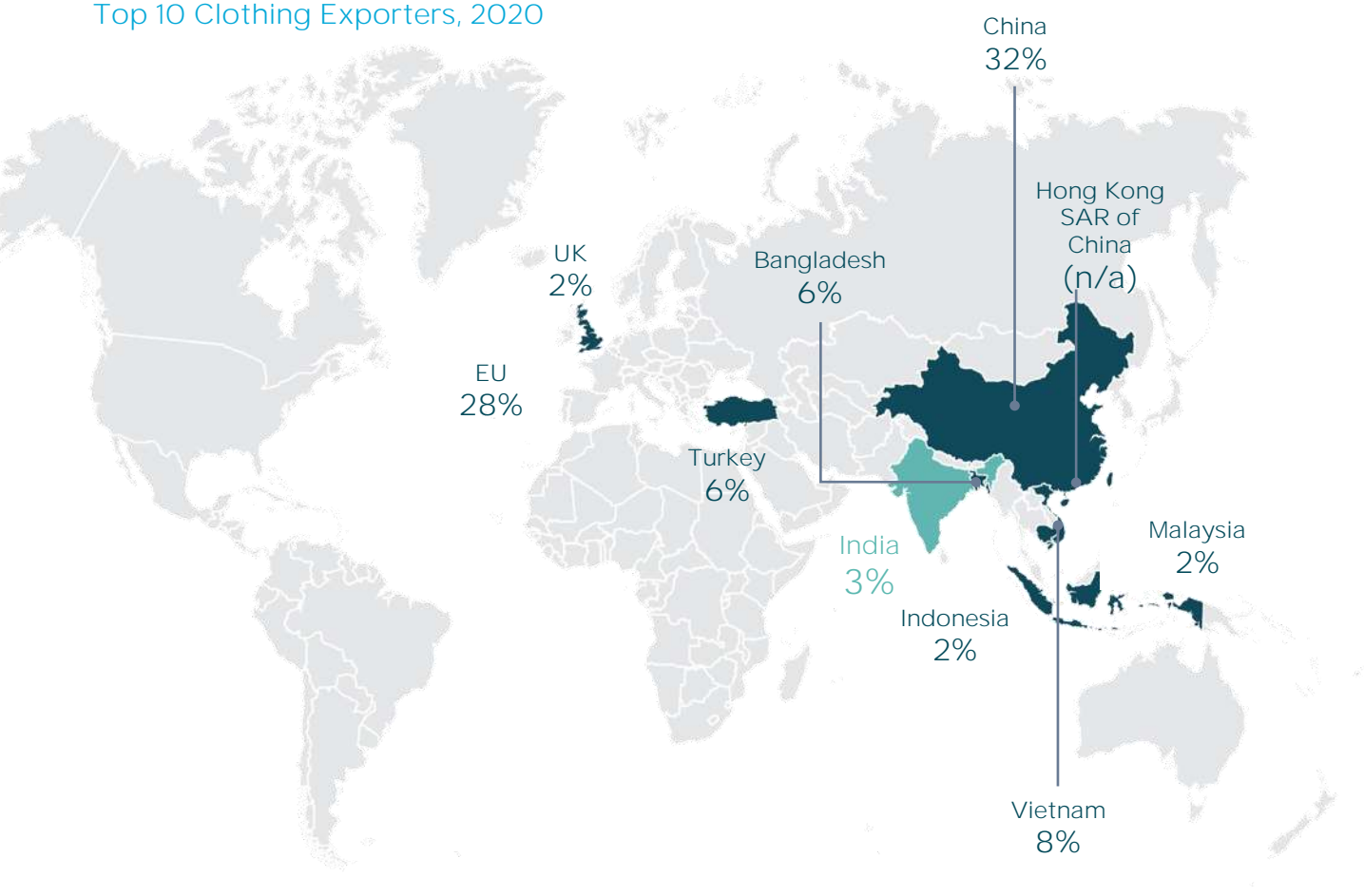
## Comments

According to the Welspun India Annual Report FY2020, India's domestic textile and apparel market was worth USD 77bn in FY2021 and is expected to grow at a CAGR of 19.8% to reach USD 190bn by FY2026. In FY2021, apparel demand in the country was at USD 55bn and accounted for 71.4% of the total textile and apparel market in India. Textile demand growth will be supported by favourable demographic factors such as growing youth population, rising disposable incomes, rapid urbanisation, and rising standards of living, amongst others. The rapid rise in the e-commerce and digitisation will drive the demand of textiles and apparel. The growth in the home textiles segment would be supported by growing household income, increasing population and higher sales in end-use sectors like housing, hospitality and healthcare.

Source: Welspun India Ltd, Wazir Advisors, Ministry of Textiles

# Global Positioning

## Top 10 Clothing Exporters, 2020

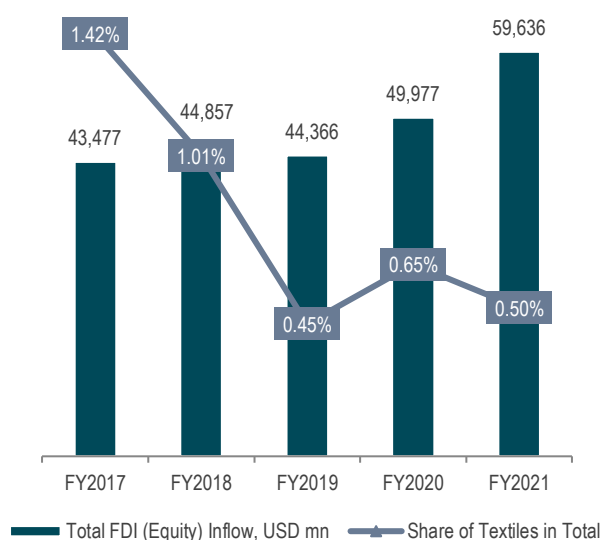


Country	Share of Total, %
China	43.50%
EU	18.10%
India	4.20%
Turkey	3.3%
US	3.2%
Vietnam	2.8%
Korea, Repulic of	2.2%
Pakistan	2.0%
Chinese Taipei	2.0%
Japan	1.6%

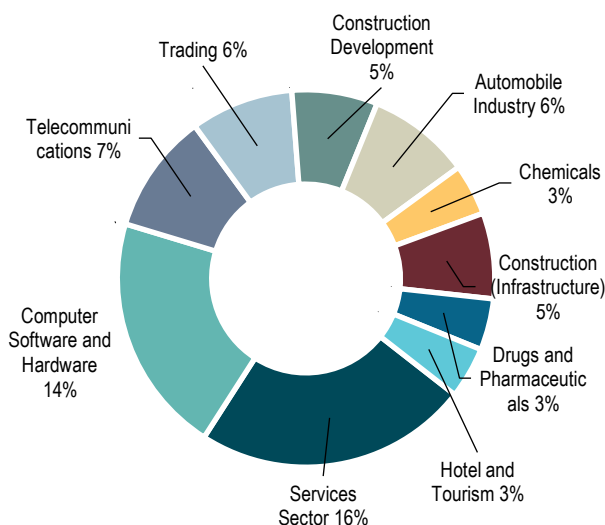
Source: WTO

# FDI

FDI in Textile Sector, USD mn



Cumulative FDI Inflows of Top 10 Sectors, April 2000 – June 2021



## Comments

The government allows 100% FDI under the automatic route in India's textile sector. This means that prior approval by the government or the Reserve Bank of India (RBI) is not required. Cumulative FDI inflow in the textiles sector stood at over USD 3.74bn between April 2000 and March 2021. FDI in the textile sector totaled USD 299mn in FY2021, down from USD 324mn in FY2020. The share of the textile sector in total FDI inflows decreased to 0.5% in FY2021 against 0.6% in the previous year. According to IBEF, a significant increase in collaboration between global majors and domestic companies has been being witnessed in Indian textile years in recent years. International apparel giants like Hugo Boss, Liz Claiborne, Diesel and Kanz, have already started operations in India. In April 2021, South Korea's textile major Youngone announced that it will start its operations within six months at Kakatiya Mega Textile Park in Warangal, providing employment to 12,000 people in the region.

Source: Department for Promotion of Industry and Internal Trade (DPIIT), Ministry of Textile, Invest India, IBEF

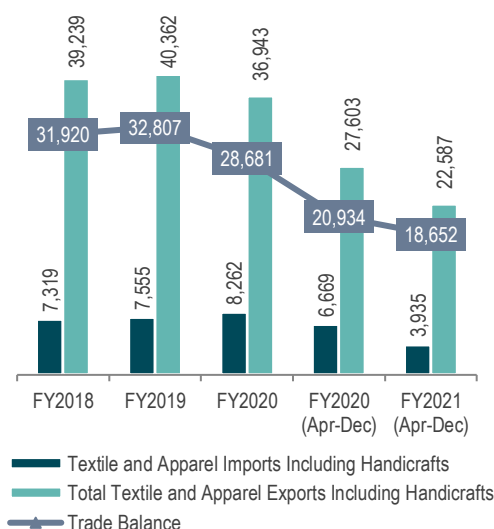


# Foreign Trade

## Comments

Over the years, India has been a net importing country, but the changing global trade dynamics as a result of COVID-19, has helped the country record a trade surplus of USD 1bn in June 2020. According to the World Trade Organisation (WTO), India is the third-largest textile exporting country in the world after China and the European Union. India's textile and apparel exports declined to USD 36.9bn in FY2020 as compared to USD 40.3bn in the previous year, owing to the impact of COVID-19. However, as the global and domestic economy is recovering, IBEF expects total exports to reach USD 65bn by FY2026.

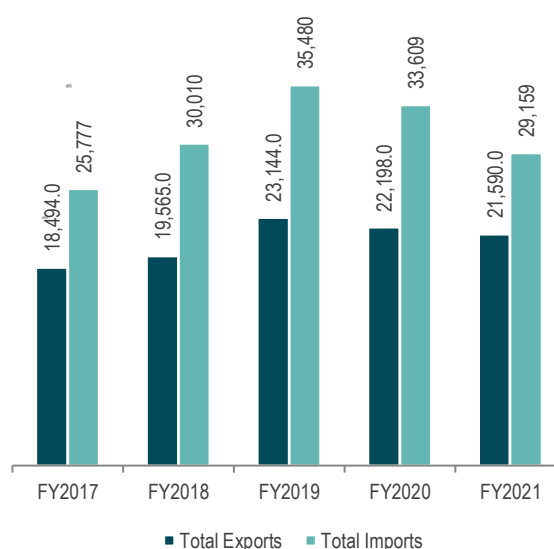
## Textile and Apparel Exports, USD mn



## Textile and Apparel Exports, USD mn

	FY2018	FY2019	FY2020	FY2020 (Apr-Dec)	FY2021 (Apr-Dec)
Textile and Apparel Exports	35,666	36,558	33,378	24,861	20,319.0
Handicrafts	3,573	3,804	3,564	2,742	2,268.0
Total Textile and Apparel plus Handicrafts	39,239	40,362	36,943	27,603	22,587.0
Total India Exports	3,03,376	3,29,536	3,13,139	2,38,274	2,01,295.0
Share of Total Textile and Apparel Exports in Total	13.0%	12.0%	11.8%	11.6%	11.2%

## Total Exports and Imports, INR bn



Source: Ministry of Commerce and Industry, CEIC, Ministry of Textiles

# Exports

## Indian Textile and Clothing Exports, USD mn

	FY2017	FY2018	FY2019	FY2020	FY2021
Silk	86.7	77.03	84.48	83.95	79.21
Wool, Fine or Coarse Animal Hair, Horsehair Yarn and Woven Fabric	160.44	164.4	198.73	160.28	88.66
Cotton	6,611.05	7,045.26	7,888.29	5,736.72	6,319.07
Other Vegetable Textile Fibres, Paper Yarn and Woven Fabrics of Paper Yarn	400.35	451.98	445.83	447.07	533.8
Manmade Filaments	1,988.40	2,169.84	2,291.70	2,391.78	1,554.30
Manmade Staple Fibres	2,143.12	2,049.36	1,905.16	1,669.05	1,292.67
Wadding, Felt and Non-wovens; Special Yarns; Twine, Cordage, Ropes and Cables and Articles Thereof	350.42	390.88	427.32	412.83	495.8
Carpets and Other Textile Floor Coverings	1,773.98	1,711.17	1,765.97	1,666.15	1869.2
Special Woven Fabrics, Tufted Textile Fabrics, Lace, Tapestries, Trimmings, Embroidery	373.6	376.2	377.85	418.99	313.85
Impregnated, Coated, Covered or Laminated Textile Fabrics, Textile Articles of a Kind Suitable for Industrial Use	211.13	233.71	258.42	291.1	363.6
Knitted or Crocheted Fabrics	284.52	342.92	440.21	422.28	482.4
Articles of Apparel and Clothing Accessories, Knitted or Crocheted	8,223.74	7,997.21	7,820.41	7,514.83	6,348.00
Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted	9,164.61	8,724.53	8,335.96	7,994.76	5,941.80
Other Made Up Textile Articles, Sets, Worn Clothing and Worn Textile Articles, Rags	4,705.34	5,013.35	5,257.35	5,011.84	5,211.80

Source: Ministry of Commerce and Industry

# Imports

## Indian Textile and Clothing Imports, USD mn

	FY2017	FY2018	FY2019	FY2020	FY2021
Silk	209.84	250.63	202.43	210.41	99.26
Wool, Fine or Coarse Animal Hair, Horsehair Yarn and Woven Fabric	324	345.05	384.14	290.88	164.5
Cotton	1,132.26	1,181.02	840.51	1,528.88	509.50
Other Vegetable Textile Fibres, Paper Yarn and Woven Fabrics of Paper Yarn	340.5	348.09	318.42	379.98	250.9
Manmade Filaments	724.07	859.22	977.04	1,038.94	912.46
Manmade Staple Fibres	570.45	722.74	932.24	959.11	837.16
Wadding, Felt and Non-wovens; Special Yarns; Twine, Cordage, Ropes and Cables and Articles Thereof	295.06	328.22	361.27	380.08	332.33
Carpets and Other Textile Floor Coverings	85.66	113.06	121.75	136.85	87.70
Special Woven Fabrics, Tufted Textile Fabrics, Lace, Tapestries, Trimmings, Embroidery	182.78	201.28	208.82	218.03	165.17
Impregnated, Coated, Covered or Laminated Textile Fabrics, Textile Articles of a Kind Suitable for Industrial Use	677.54	860.97	873.9	743.37	534.29
Knitted or Crocheted Fabrics	477.33	592.3	565.63	550.1	485.44
Articles of Apparel and Clothing Accessories, Knitted or Crocheted	263.52	348.29	464.08	497.53	392.80
Articles of Apparel and Clothing Accessories, Not Knitted or Crocheted	332.04	424.79	642.21	646.92	488.28
Other Made Up Textile Articles, Sets, Worn Clothing and Worn Textile Articles, Rags	430.84	460.65	500.74	576.29	603.57

Source: Ministry of Commerce and Industry



# Employment

## Comments

The textile industry of India including the traditional sectors like handloom, handicrafts and small-scale power-loom units, is the biggest source of employment for millions of people in the rural and semi-urban area. It provides direct employment to over 45mn people and a source of livelihood for over 100mn people indirectly, including many women and rural Indians. The sector is heavily supported by the government under initiatives such as Make in India, Skill India, Women Empowerment, and Rural Youth Employment.

Cotton plays a major role in sustaining the livelihood of an estimated 5.8mn cotton farmers and 40-50mn people engaged in related activities such as cotton processing and trade. The Jute industry is one of the major industries in the eastern region and provides direct employment to 0.37mn workers in organised mills and in diversified units including tertiary sector and allied activities, and supports the livelihood of several thousands farm families. In addition, there are a large number of persons engaged in the trade of jute.

India is the second-largest producer of silk in the world and is also the largest silk consumer. India is the only country which is producing all the four commercial varieties of silk, namely Mulberry, Tropical Tasar & Oak Tasar, Muga and Eri. Silk manufacturing in the country holds high employment potential.

The decentralised powerloom sector is one of the most important segments of the textile Industry in terms of fabric production and employment generation. It provides employment to more than four million people in the country.

Handloom weaving is one of the largest economic activities after agriculture, providing direct and indirect employment to 3.5mn weavers and allied workers.

The handicrafts sector plays an important role in the country's economy. It provides employment to a vast segment of craft persons in rural & semi urban areas and generates substantial foreign exchange for the country while preserving its cultural heritage. Handicrafts have great potential, as they hold the key for sustaining not only the existing set of millions of artisans spread over the length and breadth of the country, but also for the increasingly large number of new entrants to the sector.

Source: Ministry of Textiles



# 03

## COMPETITIVE LANDSCAPE



# Timeline India Textiles

## 1897 Market Players

Arvind Mills, currently Arvind Ltd, starts operations making saris.



## 1973 Market Players

Vardhman Textiles Ltd, the flagship company of Vardhman Group, is established.



## 1987 Development Milestones

Central Wool Development Board ("CWDB"), an advisory board to the Ministry of Textiles, is set up in Jodhpur, Maharashtra.

## 1991 Development Milestones

India implements an unprecedented economic liberalisation policy, as part of which it allows FDI of up to 51% in selected sectors through the automatic route.

## 2005 Development Milestones

The Multi-Fibre Agreement ("MFA"), a WTO-imposed quota system is dismantled, raising hopes for rapid development of the Indian textile and apparel industry.

## 2012 Development Milestones

The government allows FDI of up to 51% in multi-brand retail, and lifts the cap on FDI in single-brand retail, increasing the limit to 100%.

## 2019 Market Players

Welspun India Ltd launches the Welspun value brand.



## 2021 Market Players

Trident enters a licensing agreement with Kathy Ireland Worldwide Inc, a fashion company from California in the US.

## 1879 Market Players

The Bombay Dyeing & Mfg Co Ltd is established as part of the Wadia Group, a industrial conglomerate dating back from 1736.

## 1971 Development Milestones

Jute Corporation of India ("JCI"), the price support agency of the government for jute, is set up.

## 1986 Market Players

Bombay Rayon Fashions Ltd is established.



## 1990 Development Milestones

India's west-central State of Maharashtra gets its first fabric-manufacturing facility.

## 2000 Development Milestones

India adopts its most recent national textile policy, deemed in need of amendment as of 2018.

## 2006 Development Milestones

Government limits FDI in single-brand retail, applicable to many global fashion brands, at 51%, subject to approval.

## 2017 Development Milestones

India introduces GST, expected to simplify its tax system while promoting investment and growth.

## 2020 Market Players

Raymond launches a Personal Protective Equipment (PPE) line.



The Indian government will adopt a new textile policy to amend the most recent one enforced in 2000.

## Development Milestones

## 2021 Development Milestones

The government adopts a production-linked incentive (PLI) scheme for the textile sector with a budget outlay of INR 106bn. In its FY2022 budget the government proposes a scheme for setting up mega investment textile parks (MITP) in the country

Source: Ministry of Textiles, Company Annual Reports

# Highlights

## Overview

The textile industry is one of India's traditional industries. Yet it is a very dynamic industrial sector because of the shifting taste and preferences of consumers, the evolving competitive landscape, technology and the global trade and supply chain dynamics, deeply affected by the COVID-19 pandemic. With rising income levels, increasing export demand for textile and apparel, along with a well-supported policy environment, the textile industry is on a path of growth and development. Over the years, the government has been promoting public private partnerships in the textile sector through various schemes and incentives. Textile manufacturing is one of the most labour-intensive industries, with job opportunities for workers at all skill levels. In India, the textile industry is the second largest employer after agriculture. Capacity built over the years has led to low costs of production which attracts foreign investment interest.

## Market Structure

The textile sector of India comprises both private sector players and public sector undertakings. Public sector undertakings include the National Textile Corporation Limited, the Handicrafts & Handlooms Exports Corporation of India Limited, the National Handloom Development Corporation Limited, and the Cotton Corporation of India, amongst others. Major private sector companies include Reliance Industries, Grasim industries, Welspun India, and Vardhaman Textiles Ltd. The textile industry has two segments – organised and unorganised. The apparel industry in India encompasses many small players given the economic viability of manufacturing apparel at any scale. The industry has been witnessing an increasing presence of international brands and retailers in the country.

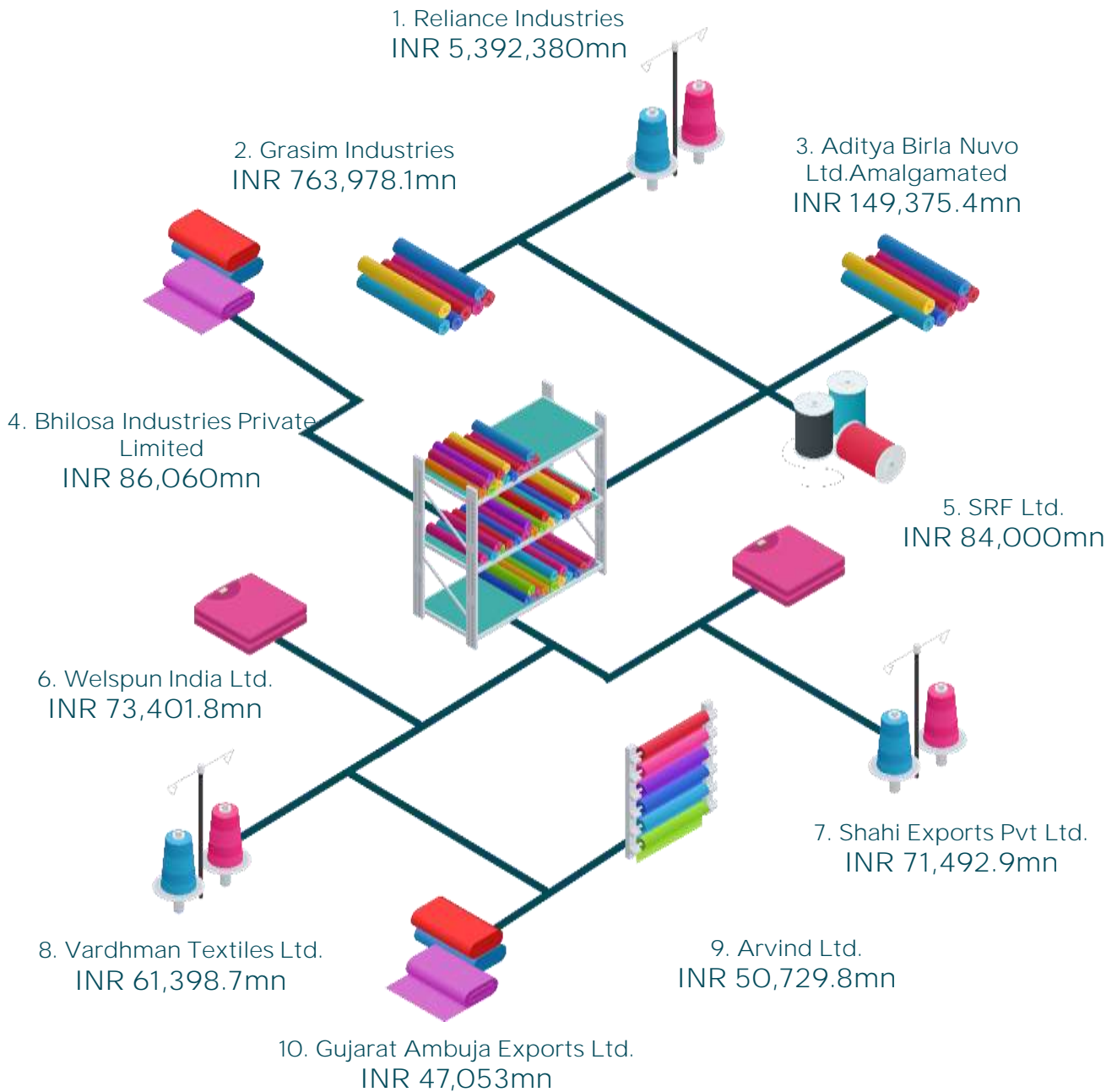
## Main Players

The top 5 private players in the textile sector of India include Reliance Industries Ltd., with total operating revenue of INR 5,392,380mn as of FY2021; Grasim Industries Ltd. with a revenue of INR 763,978.1mn; Aditya Birla Nuvo Ltd. (Amalgamated), with a revenue of INR 149,375.4mn; Bhilosa Industries Private Limited, with a revenue of INR 86,060mn and SRF Ltd., with a revenue of INR 84,000mn. The sector is densely populated with many unorganised players catering to their local markets.

Source: Reliance Industries, Ministry of Textile, Niti Aayog

## Top Companies

Top Companies in the Indian Textiles Sector, FY2021



Source: EMIS Company Database



# M&A Deals

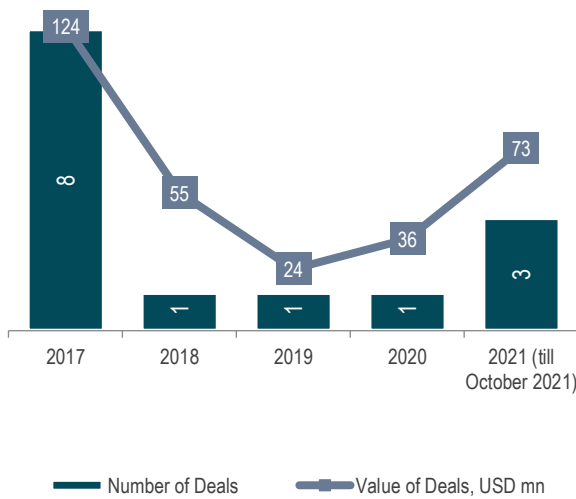
## M&A Deals in India's Textile Sector, January 1, 2017– October 31, 2021

Date	Target Company	Deal Type	Buyer	Country of Buyer	Deal Value, USD mn	Stake, %
01/10/18	Welspun India Ltd	Open market purchase	DSP Blackrock Mutual Fund	India	54.86 (Official)	4.6
01/27/21	Sabyasachi Couture Pvt Ltd	Acquisition	Aditya Birla Fashion and Retail Ltd.	India	54 (Official)	51.0
03/20/17	Bombay Dyeing and Manufacturing Co Ltd	Open market purchase	The Bombay Burmah Trading Corporation Ltd	India	51.5 (Official)	23.8
02/28/20	Alok Industries Ltd	Minority stake	Reliance Industries Ltd	India	35.93 (Official)	37.7
12/05/17	Century Textiles & Industries Ltd	Open market purchase	Cygnat Industries Ltd	India	35.89 (Official)	1.6
03/05/19	Soktas India Pvt Ltd	Acquisition	Grasim Industries Ltd	India	23.46 (Official)	100.0
11/24/17	Vardhman Textiles Ltd.	Block trade	Franklin Templeton Investments	United States	14.36 (Official)	1.3
02/23/21	Safari Industries India Ltd.	Minority stake	Investcorp Private Equity Fund II; Investcorp	India; Bahrain	10.3 (Official)	5.6
01/29/21	North India Spinning Mill Unit	Acquisition	Cedaar Textile Pvt Ltd	India	9 (Official)	100.0
06/13/17	Lux Industries Ltd.	Block trade	Reliance Mutual Fund; Buyer(s) unknown	India	7.85 (Official)	2.2
12/07/17	Himatsingka Seide Ltd	Open market purchase	Buyer(s) unknown		5.94 (Official)	1.2
04/27/17	Indo Count Industries Ltd	Block trade	The Royal Bank Of Scotland PLC As Trustee Of Jupiter India Fund; The Royal Bank of Scotland PLC	United Kingdom	5.9 (Official)	1.0
12/07/17	Soktas India Pvt Ltd	Minority stake	Soktas Tekstil	Turkey	2.08 (Official)	10.7
07/10/17	Grasim Bhiwani Textiles Limited	Acquisition	Rajendra Synthetics Pvt Ltd; Donear Group	India	n/a (Official)	100.0

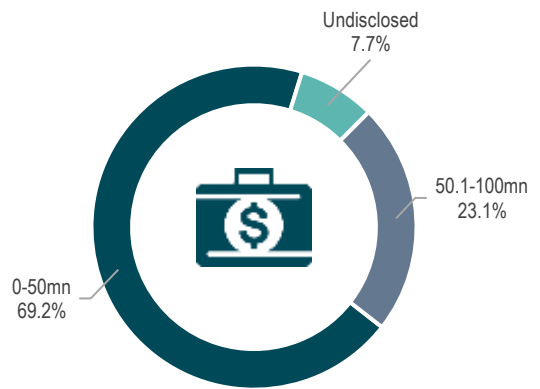
Source: EMIS DealWatch

# M&A Activity

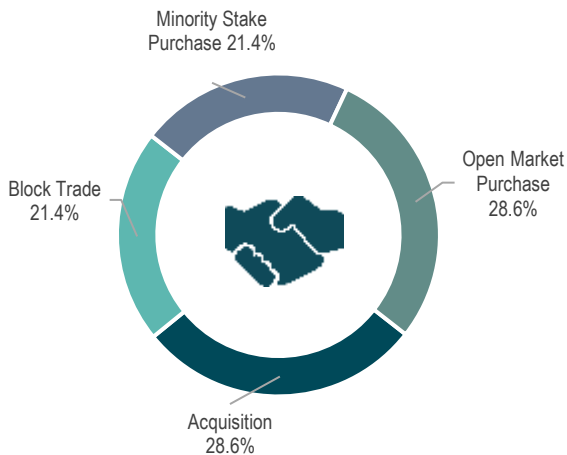
## Number and Value of Deals



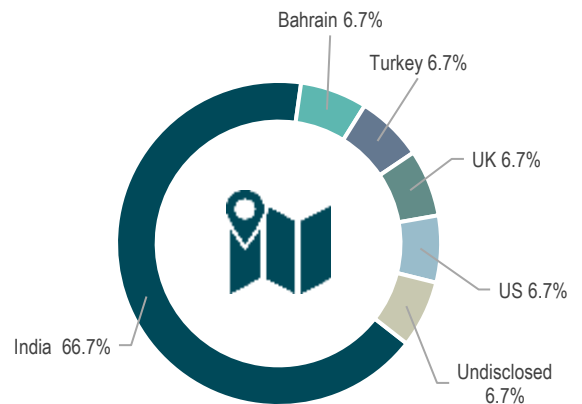
## Number of Deals by Deal Value (USD)



## Number of Deals by Deal Type, %



## Number of Deals by Region of Investors, %



Source: EMIS DealWatch



# 04

## COMPANIES IN FOCUS

# Vardhman Textiles Ltd (India)



## Highlights

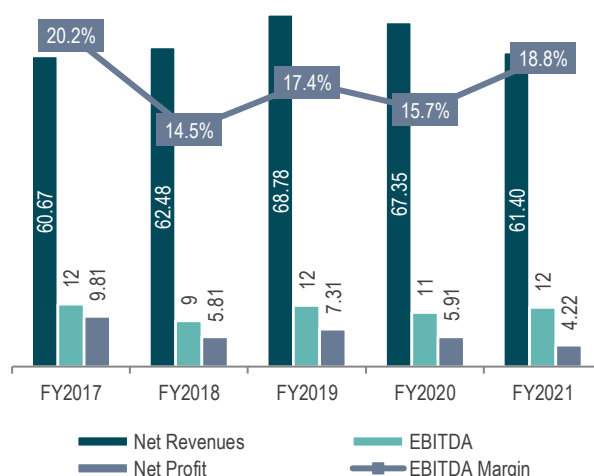
Vardhman Textiles Limited is the flagship company of the Vardhman Group, which is a textile conglomerates in India. Vardhman Textiles is an integrated textile manufacturer. The company is headquartered in Ludhiana.

The company produces a wide array of specialised greige and dyed yarns of cotton, polyester, acrylic and other blends. It manufactures Organic Cotton, Melange, Core Spun Yarns, Ultra Yarns (Contamination controlled), Gassed Mercerised, Super Fine Yarns, Slub, Cellulose Yarns and Fancy Yarns for hand knitting. The company's cotton yarn has a strong market presence in EU, the USA and the Far East, which are quality conscious markets.

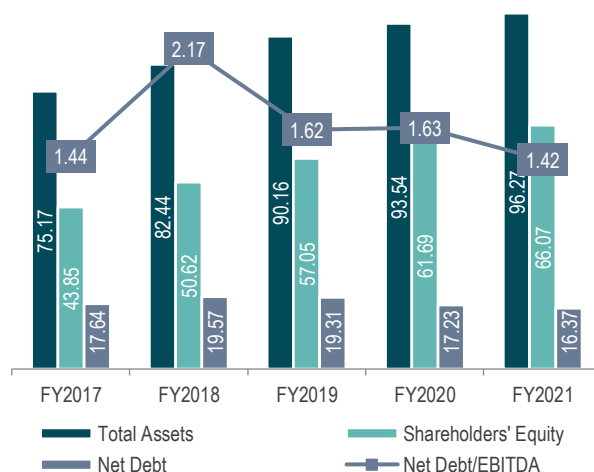
As of March 2021, the company has 17 manufacturing facilities and 20,916 employees. It has presence in 61 countries and a market capitalisation of INR 74.7bn.

The company's manufacturing units are located in Baddi, Himachal Pradesh and Budhni, Madhya Pradesh, whereas its Yarn & Dyeing Units are located in Ludhiana, Punjab; Malerkotla, Punjab; Baddi, Himachal Pradesh; Mandideep, Madhya Pradesh; and Satlapur, Madhya Pradesh.

## Income Statement, Consolidated, INR bn



## Balance Sheet, Consolidated, INR bn



Source: Company Data, EMIS Company Database

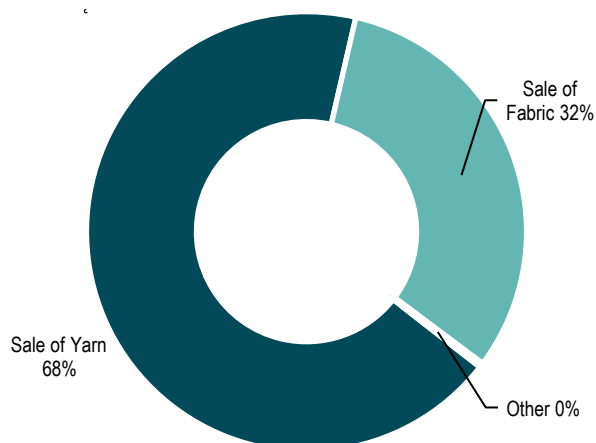
# Vardhman Textiles Ltd (India) (cont'd)



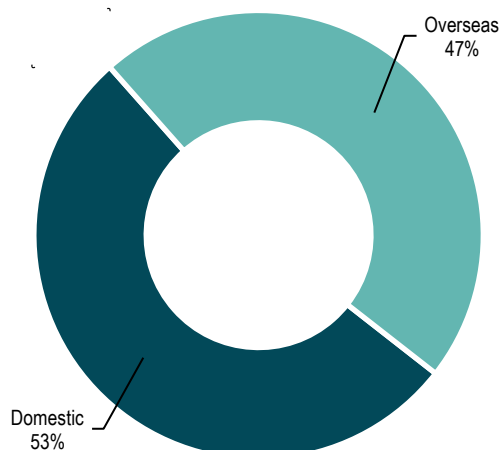
## Major Global Alliances

Company	Country of Company	Year of Collaboration	Collaborated On
Nihon Sanmo	Japan	1992	Fibre and Yarn Dyeing
Toho Rayon	Japan	1995	Cotton Yarns
Exlan and Marubeni	Japan	1996	Acrylic Fibre
Tokai Senko	Japan	1998	Fabric Finishing and Dyeing
American and Efird	US	2001	Sewing Threads
Nisshinbo	Japan	2002	Cotton Yarns
Nisshinbo	Japan	2009	Garment Business

## Revenue from Operations by Product, FY2021



## Revenue from Operations, FY2021



Source: Company Data



# Raymond Ltd (India)



## Highlights

Raymond Limited is a diversified group working in Textile & Apparel sectors. The company started operations as a small woollen mill in Thane (Maharashtra) in 1925.

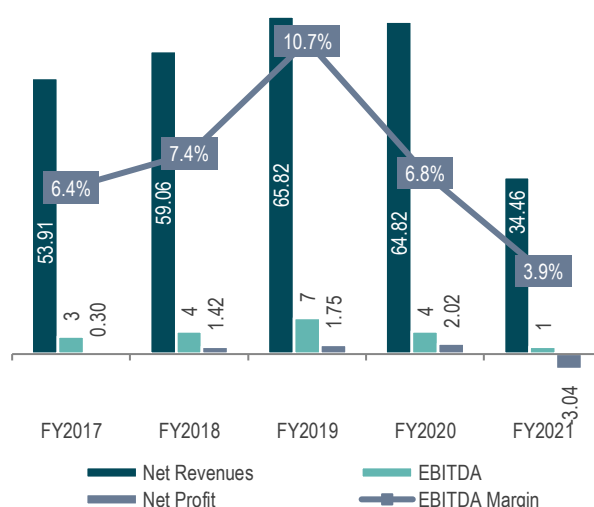
As of March 2021, the company has 1,486 exclusive retail stores, more than 20,000 touchpoints in branded textile and has presence in more than 600 cities and towns.

The company's core business includes Consumer Business (Branded Textile, Branded Apparel and Retail), Business to Business (B2B) (Garmenting, High Value Cotton Shirting), Engineering Business (Tools & Hardware, Auto Components), Real Estate, Joint venture (Denim) and Associate (FMCG).

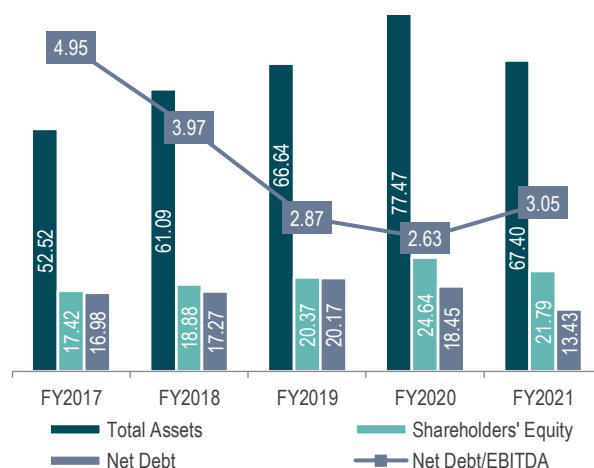
The company's net revenue decreased to INR 34.46bn in FY2021 from INR 65.52bn in FY2019. In FY2021, the company generated 78% of its sales in India and the rest 22% sales from the rest of the world.

Among its segments, branded textiles held the maximum share of 45% in the sales in FY2021, followed by the garmenting segment with a 16% share.

## Income Statement, Consolidated, INR bn



## Balance Sheet, Consolidated, INR bn

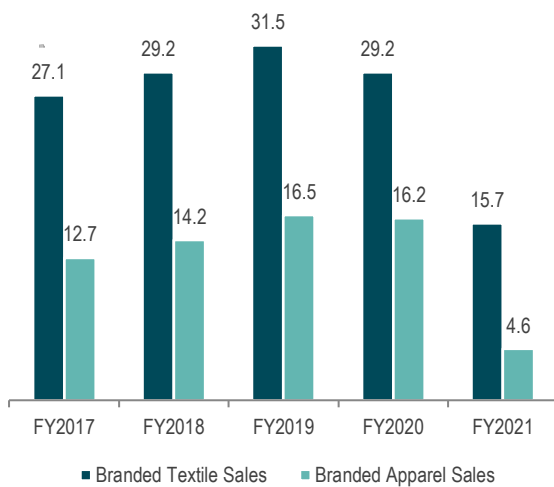


Source: Company Data, EMIS Company Database

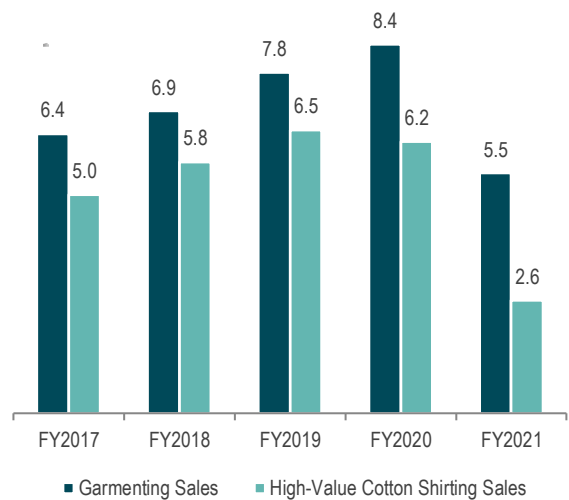
## Raymond Ltd (India) (cont'd)



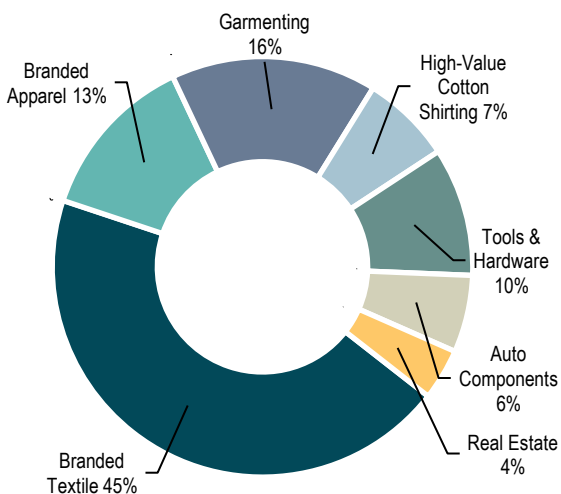
Branded Textile and Apparel Sales, INR bn



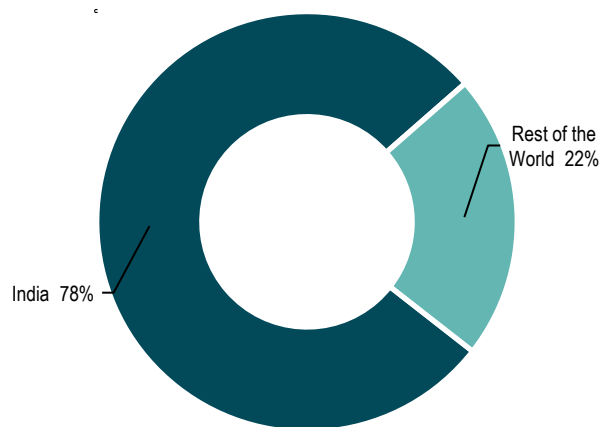
Garmenting and High-Value Cotton Shirting Sales, INR bn



Sales by Segment, FY2021, %



Sales by Region, FY2021, %



Source: Company Data

# Welspun India Ltd



## Highlights

Welspun India Ltd (WIL) is a part of the USD 2.7bn Welspun Group. The company is into Home Textiles, supplying to global retail and hospitality brands.

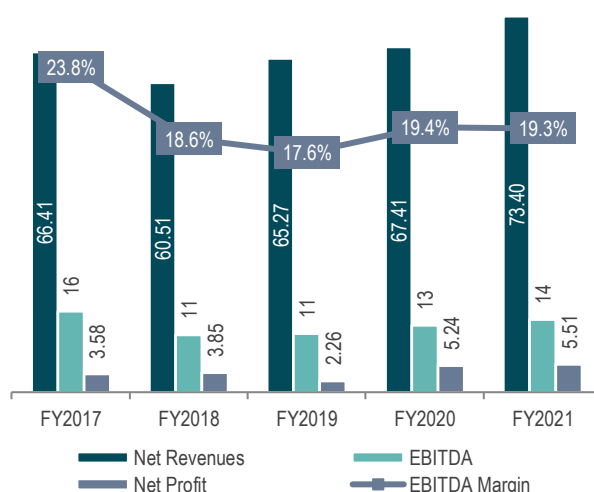
The company has a distribution network stretching across more than 50 countries. It exports about 94% of its home textile products, and over 65% of its production to the US, some 25% to Europe, and the rest to the Middle East, Australia, and Japan.

As of March 2021, the company has bath linen annual capacity of 80,000 tonnes; annual bed linen capacity of 90mn metres; rug and carpet annual capacity of 10mn m<sup>2</sup>; and spun lace capacity of 10,000 tonnes; among others.

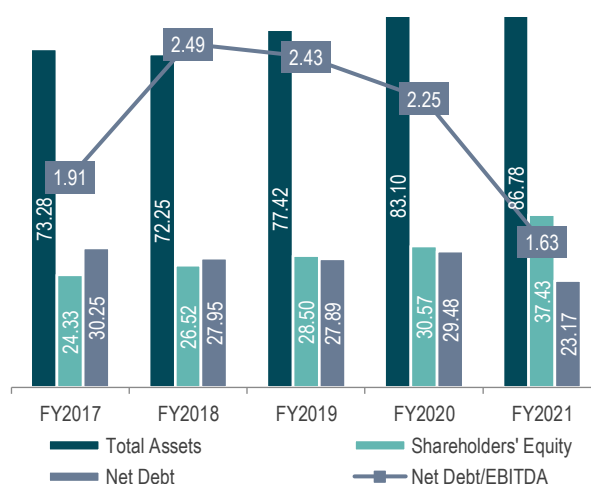
In FY2021, the Advanced Textiles Division of the company, which manufactures disposable towels and wet wipes out of non-woven textiles, forayed into disinfectant wipes and surgical masks.

In FY2021, the company's net revenue stood at INR 73.4bn compared to INR 67.41bn last year. EBITDA was at INR 14,198mn against INR 13,098mn in FY2020, registering an y/y increase of 8.4%.

## Income Statement, Consolidated, INR bn



## Balance Sheet, Consolidated, INR bn



Source: Company Data, EMIS Company Database

# Welspun India Ltd

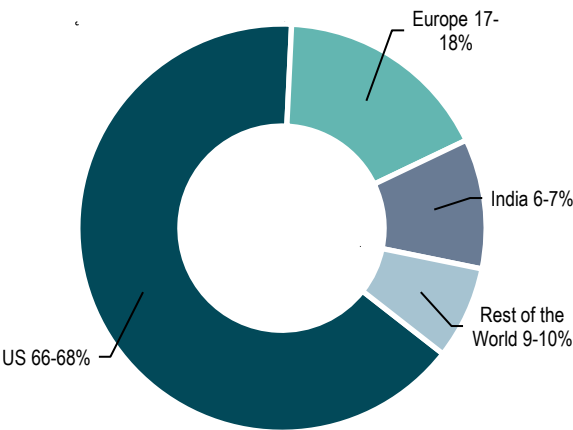
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Capacity and Sales Volume, FY2021

Product	Unit	Capacity	Production
Terry Towels	tonnes	80,000	70,406
Bed Linen Products	thou metres	90,000	69,200
Rugs and Carpets	thou m <sup>2</sup>	10,000	8,200

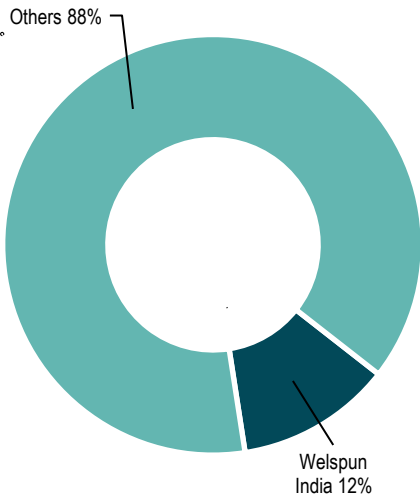
Company Sales by Region, FY2021



Company US Market Share in Towels, CY2020



Company US Market Share in Bedsheets, CY2020



Source: Company Data

# Trident India Ltd



## Highlights

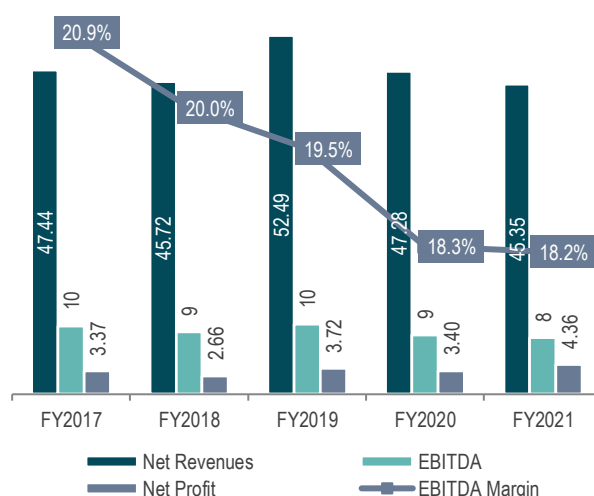
Trident Limited was established in 1990. It is the flagship company of the USD 1bn Trident Group. Founded by Rajinder Gupta, the company is among the top global terry towel giants of the world. The company is headquartered in Ludhiana, Punjab State. Over the years, the company has transformed into from a yarn manufacturer into an integrated home textile and paper producer.

Trident makes yarn, bath linen, bed linen, wheat straw-based paper, chemicals, and captive power. In 2016, the company ventured into the bed linen space by commissioning a facility in Budni, a town in the State of Madhya Pradesh.

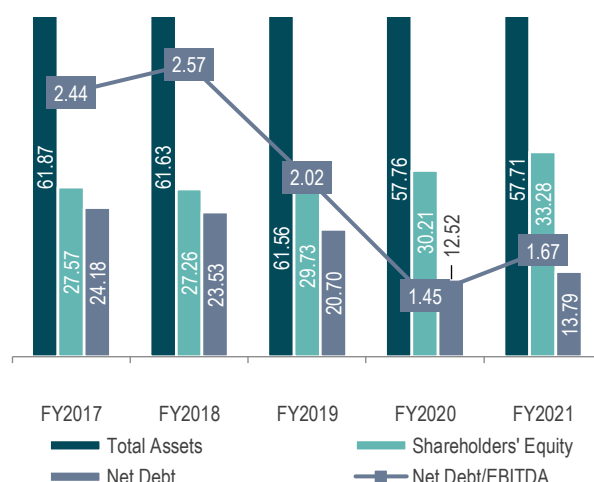
The company has three manufacturing facilities, two in Barnala, Punjab and one in Budni. It has marketing offices spread across the country in Chandigarh, Bhopal, Gurgaon, Delhi and Surat, and internationally in New York and Warrington in Cheshire in the UK. The company has spread its footprint in over 150 countries worldwide.

In March 2021, Trident entered a Licensing agreement with Kathy Ireland Worldwide Inc, a manufacturer of fashion clothing based in California.

## Income Statement, Consolidated, INR bn



## Balance Sheet, Consolidated, INR bn



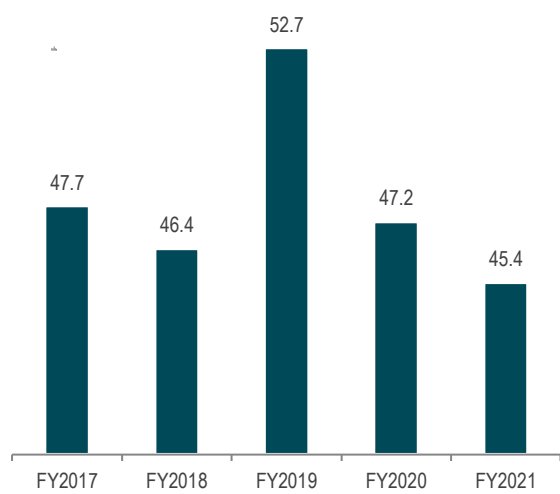
Source: Company Data, EMIS Company Database



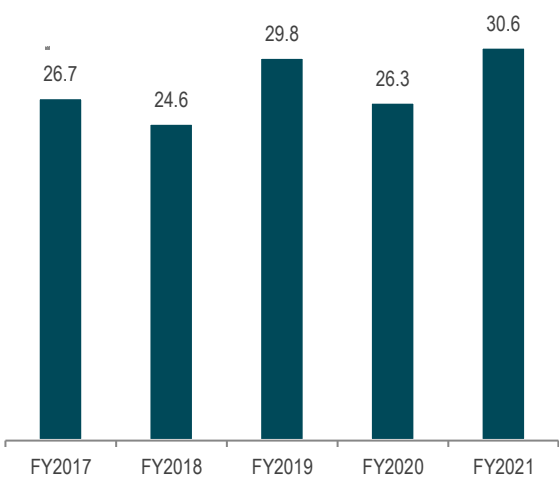
# Trident India Ltd (cont'd)



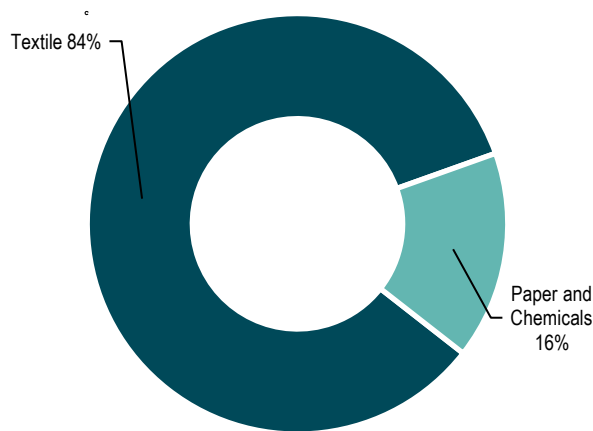
Sales, INR bn



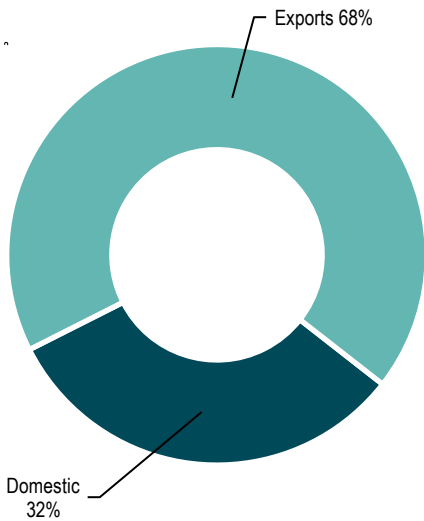
Revenue from Exports, INR bn



Revenue by Segment, FY2021



Revenue Mix by Location, FY2021



Source: Company Data

# Bombay Dyeing and Manufacturing Company Ltd (India)



## Highlights

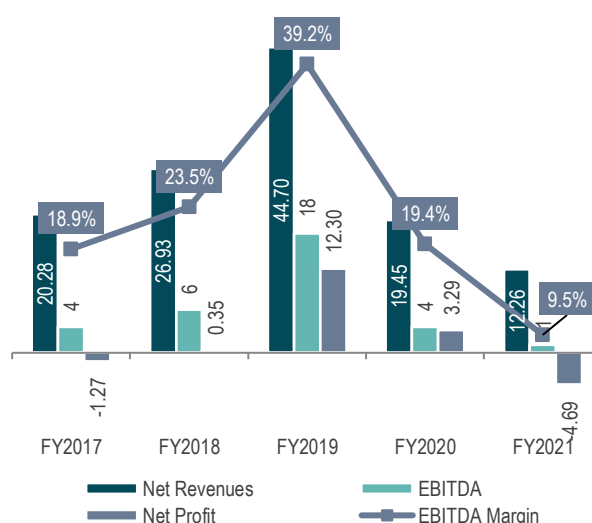
The Bombay Dyeing and Manufacturing Co Ltd (Bombay Dyeing) was established in 1879 and is the flagship company of the Wadia Group, one of the oldest conglomerates in India, founded by Loeji Nusserwanjee Wadia in 1736.

The company's turnover and other income for the year FY2021 was INR 12.26bn as against INR 19.45bn in the previous year. The loss after tax was INR 4.69bn in FY2021 as against a profit of INR 3.29bn in the previous year.

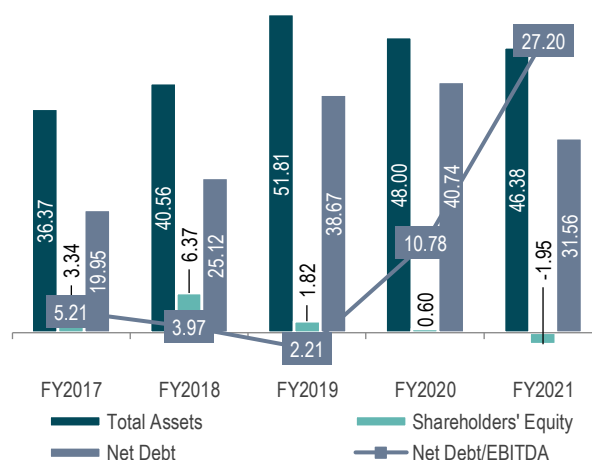
According to the company's annual report, its PSF manufacturing operations at the Patalganga Plant in Maharashtra, were shut down from March 25, 2020 as per the government's directions for combating COVID-19 and especially for the safety of workmen and employees at the plant. The plant restarted operations in a phased manner from June 4, 2020.

Due to this hiatus, average capacity utilization for FY2021 was at 63%, significantly lower than the previous year's capacity utilisation of 87%.

## Income Statement, Consolidated, INR bn



## Balance Sheet, Consolidated, INR bn

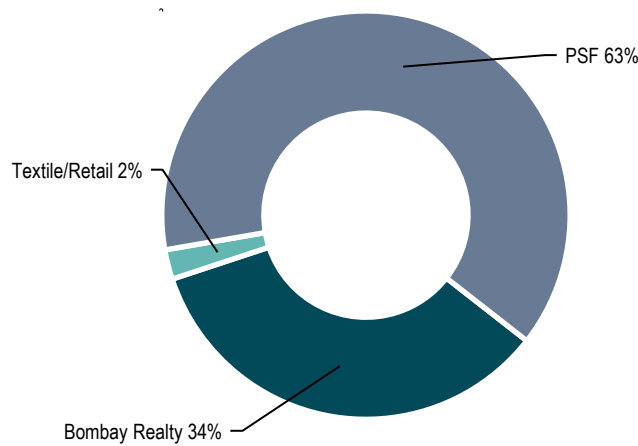


Source: Company Data, EMIS Company Database

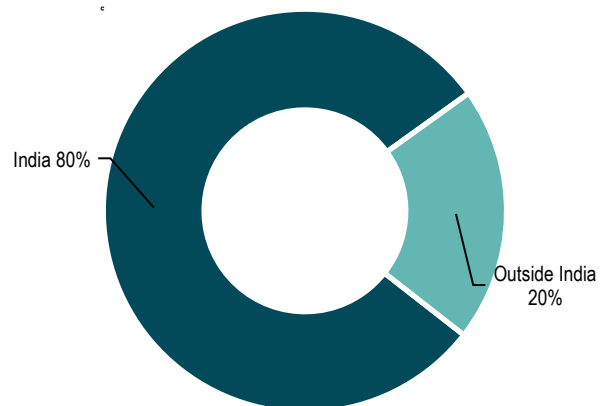
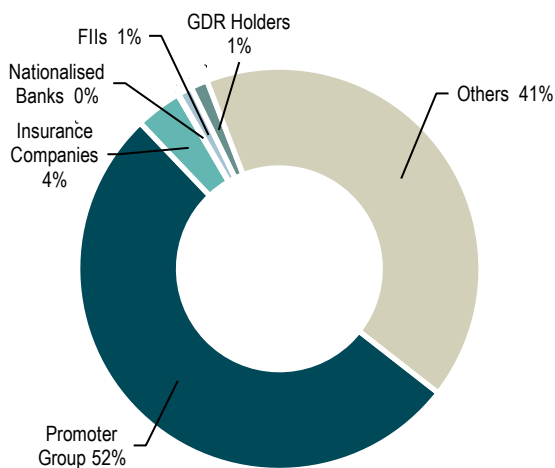
# Bombay Dyeing & Manufacturing Company Ltd (India) (cont'd)



Revenue Breakdown by Segment, FY2021, %



Shareholding Pattern as of March 31, 2021      Revenue by Region, FY2021



Source: Company Data

# 05

## REGULATORY ENVIRONMENT



# Government Policy

## Statutory Bodies

Policies in India's textile sector are drafted and implemented by the Ministry of Textiles, which is headed by a Union Minister of Textiles. The minister, in turn, is assisted by a Minister of State for Textiles. The Ministry of Textiles is also in charge of overseeing technological upgrades and skills development in the textile industry. The functions of the ministry are supported by several Attached and Subordinate Offices, and Advisory Boards. There are four statutory bodies under the ministry, namely the Textiles Committee, the National Jute Board, the Central Silk Board and the National Institute of Fashion Technology (NIFT). The operations of the ministry are also aided by four advisory boards on powerloom, cotton, jute and handicrafts, respectively. Furthermore, 11 Export Promotion Councils (EPCs) – representing all the textile and apparel sub-sectors – and eight PSUs work to promote growth in their respective areas.

## New Textile Policy

The Ministry of Textiles has been considering adopting a New Textile Policy for quite some time now. As of October 2021, this New Textile Policy was still at a draft stage. The New Textile Policy inter alia, is expected to promote textile exports and create better employment opportunities. The New Textile Policy is being formulated by holding widespread consultations with various associations, industry bodies, State governments and other stakeholders representing subsectors such as Cotton, Silk, Jute Wool, Handloom, Handicrafts, and Powerloom.

## Scheme for Integrated Textile Parks

The government launched a Scheme for Integrated Textile Parks (SITP) in 2005 to help build state-of-the-art facilities that would promote sector growth and attract foreign investment. The most recent edition of the scheme spans the period 2017-2020 and aims to build a total of 65 textile parks in India. In February 2020, the Ministry of Textiles announced plans to set up a mega textile park in the state of Tamil Nadu. This comes after reports that in 2005 the government pledged to set up ten textile parks under SITP in the state and, as of February 2020, not even half had been completed. According to the Ministry of Textile Annual Report FY2021, out of 56 sanctioned textile parks, 23 textile parks have been completed as per scheme guideline and remaining 33 are under various stages of implementation.

Source: Ministry of Textiles, Business Standard, Vardhman Textiles, Asian Age, Times of India



# Government Policy (cont'd)

## Rebate of State and Central taxes and Levies (RoSCTL)

The federal Indian government chaired by prime minister Narendra Modi has given its approval for the continuation of the Rebate of State and Central Taxes and Levies (RoSCTL) with the same rates as notified by the Ministry of Textiles for exports of apparel/garments and made-ups. Garment exporters will continue to get a rebate on central and state taxes on their outward shipments as the government approved the extension of the RoSCTL scheme till March 2024. The move is aimed at enhancing the competitiveness of the labour-intensive textile sector.

## Production-Linked Incentive (PLI) Scheme

The government PLI Schemes for 13 sectors are backed by an outlay of INR 1.97tn contained in the FY2022 Union Budget. With this scheme, the minimum production in India is expected to be around INR 37.5tn over 5 years and the minimum expected employment over 5 years is nearly 10 million. In September 2021, the government approved the PLI Scheme for Textiles for MMF Apparel, MMF Fabrics and 10 technical textile products with a budgetary outlay of INR 106.83bn. The future development of the textile sector is supported by various government initiatives such as PLI for textiles along with the Rebate of State and Central Taxes and Levies (RoSCTL), the Remission of Duties and Taxes on Export Products (RoDTEP) and other measures.

## Samarth Scheme

Samarth is a flagship skill development scheme for capacity building in the textile sector launched by the government of India. The scheme intends to train 1mn persons over a period of 3 years (from 2017 to 2020), with an estimated budget of INR 13bn. The scheme is open to representatives of the textile industry, institutions, organizations of the Ministry of Textile, State governments and training institutions, NGOs, trusts, companies, start-ups and individual entrepreneurs. In August 2021, the government announced that 1,565 artisans trained in 63 Samarth Training Centres.

## Integrated Skill Development Scheme (ISDS)

The Indian government introduced the Integrated Skill Development Scheme (ISDS) to help transform the unskilled manpower in the textile sector into a skilled workforce. Under ISDS, textile sector employees receive training in segments such as garments, knitting, processing, manmade and synthetic fibres as well as in unorganised segments, including traditional ones such as jute, silk, handloom, and handicraft and carpet. According to the Ministry of Textile's Annual Report for FY2020, a total of 1.14mn persons were trained under the scheme over the period from FY2011 to FY2018.

Source: Vardhman Textiles, Ministry of Textile Annual Report, Press Information Bureau

# 06

## YARN AND FIBRE

# Yarn and Fibre Highlights

## Overview

India boasts a rich production base for fibre and yarn such as cotton, jute, silk, wool, polyester, viscose, nylon and acrylic. This makes the country well equipped to be at the global textile vanguard. India's textile industry is the second-largest employer after agriculture and provides employment to both skilled and unskilled workers. Cotton is the major segment of the yarn industry, accounting for more than 50% of the total share. India is one of the largest producers of cotton and jute in the world. The country is the 2<sup>nd</sup>-largest global producer of silk and generates some 95% of the world's hand-woven fabric.

## Drivers and Constraints

The textile sector of India faces issues such as inadequate infrastructure, lack of modern technology, high cost of capital, high environmental impact, and a fragmented market structure, amongst others. These broad-based challenges were complemented by the impact of COVID-19 on the sector and the economy in general. India has a relatively high cost of capital, along with a high reliance on imports for almost all textile machinery. This makes it difficult for the Indian textile players to earn satisfyingly high return on invested capital. On the other hand, ancient knowledge, strong presence in the entire value chain of textile, the availability of raw material, skilled manpower, favourable demographics and extensive government support are the major tailwinds for the Indian textile industry. The textile mills in India have rapidly evolved over the years with the adoption of modern technologies. To mitigate the impact of the COVID-19-induced lockdown and restrictions in the country and the various parts of the world, many textile companies in India have rapidly scaled up their digital capabilities in reaching out to partners, customers, and employees.

## Outlook

After the impact of COVID-19, the outlook for the textile industry looks positive with the opening up of economies and markets, improved consumer confidence and an increase in discretionary spending. Also, COVID-19 has created a China Plus One sentiment across the globe, which is the business strategy to avoid investing only in China and diversify business into other countries. This has triggered the redistribution of global supply and trade relations, thereby creating a golden opportunity for Indian textiles to stage a turnaround and regain a leadership position as a top exporting economy.

Source: Ministry of Textiles, Business Standard, Invest India

# Main Events

- In November 2021, the Indian commerce and textiles minister Piyush Goyal announced that time has come to target a five-times increase in technical textile exports to USD 10bn in three years. The minister suggested the public-private participation (PPP) model in the research and development of technical textiles. Also, he mentioned that the government's aim is to transform India into a major player in innovations, technology development, applications in key areas (agriculture, roads and railways, water resources, hygiene and healthcare, personal protection) with an emphasis on higher education and skilled workforce.
- In October 2021, the Ministry of Textiles informed that it had issued a notification for the setting up of seven Mega Integrated Textile Region and Apparel (PM MITRA) Parks. This was announced in the FY2022 Union Budget. PM MITRA Parks are envisaged to help India achieve the United Nations Sustainable Development Goal 9 (which is "Build resilient infrastructure, promote sustainable industrialisation and foster innovation"). The initiative is inspired by the 5F vision of the Prime Minister of India, which encompasses Farm to Fibre, Fibre to Factory, Factory to Fashion, and Fashion to Foreign.
- In September 2021, the Prime Minister of India approved the PLI Scheme for Textiles for MMF Apparel, MMF Fabrics and 10 technical textile products with a budgetary outlay of INR 106.83bn. The PLI scheme for textiles will promote the production of high-value MMF fabric, garments and technical textiles in the country. The incentive structure has been formulated to encourage industry players to invest in fresh capacities in these segments. This will give a major push to growing high value MMF segment which will complement the efforts of cotton and other natural fibre-based textile industry in generating new opportunities for employment and trade, resultantly helping India regain its lost dominating position in global textiles trade. According to government estimates, over the period of five years, the PLI Scheme for Textiles will lead to fresh investment of more than INR 190bn. A cumulative turnover of over INR 3tn is expected to be achieved under this scheme which will create additional employment opportunities of more than 0.75mn jobs in this sector directly, and around a million more jobs in supporting activities.
- The proposed textile park of the Indian Oil Corporation (IOC) at Bhadrak in Odisha will become functional in 2024. This was announced by Ranjan Kumar Mohapatra, HR director at IOC. Mohapatra said that the 900-tonne per day textile park will be set up with an investment of around INR 19.71bn.

Source: Hindu, Financial Express, Ministry of Textile, PIB

# Cotton Highlights

## Overview

Around 25% of the total global fibre production is accounted for by cotton, which makes it one of the most important cash crops for India. Cotton forms the major segment of yarn industry in India, accounting for more than 50% of the total share. The States of Maharashtra, Gujarat, Andhra Pradesh and Telangana - collectively known as the Cotton Basket of India - are responsible for nearly 2/3rds of cotton production in India. Besides these States, cotton is also grown in Tamil Nadu and Odisha. India grows all four species of cultivated cotton comprising *Gossypium Arboreum* and *Herbaceum* (Asian cotton), *G. Barbadense* (Egyptian cotton), and *G. Hirsutum* (American Upland cotton). Cotton is freely exportable from India. Major export destinations include the U.S., Bangladesh, China, Vietnam, Pakistan, Indonesia, Taiwan and Thailand, amongst others.

## Drivers and Constraints

To support the cotton industry, the government of India announces Minimum Support Price (MSP) for two basic staples groups comprising medium staple and long staple cotton. In CY2020, the Cotton Corporation of India made a record procurement of some 15mn bales under the MSP operations, which is by 290% higher than the 3.84mn bales procured during the corresponding period of the previous year. Factors such as India's growing population, the changing taste and preferences, rising export demand and increasing foreign investments, are driving the growth of the cotton industry in India. The heavy dependence on imported technology, the deployment of relatively less skilled and temporary manpower in the cotton industry, and the high dependence on weather, amongst others, act as a tailwind for the rapid growth and development of the Indian cotton industry.

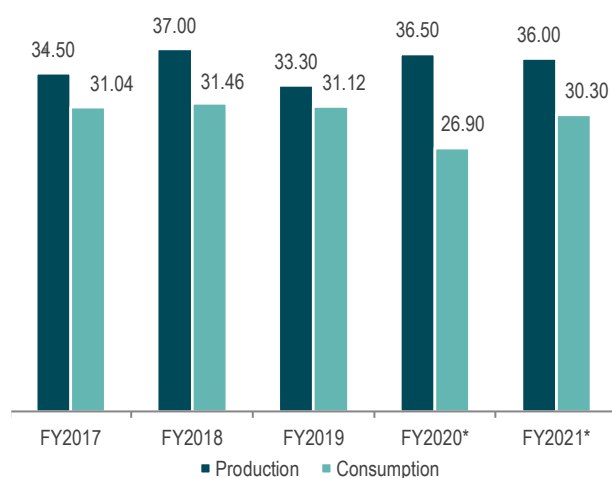
## Outlook

Despite being the world's largest producer of cotton, only 2% of the total amount of cotton produced in India is organic. In March 2021, Inditex partnered with DBS Bank in Singapore to launch a pilot programme, which will finance some 2,000 Indian farmers to grow organic cotton. The government is working aggressively to promote the growth and development of the textile sector of India, including cotton and has come with many meaningful and effective schemes over the years including the Production Link Incentive Scheme, the RoDTEP scheme, Make in India, and the Mega Textile Parks development, amongst others.

Source: USDA, Ministry of Textiles

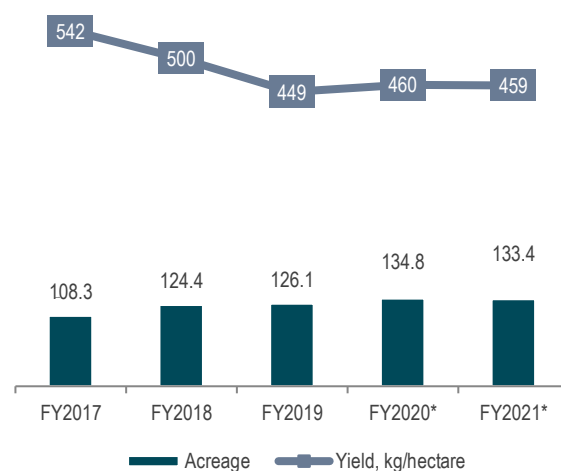
# Cotton Statistics

Cotton Production and Consumption, mn Indian bales (of 170kg each)

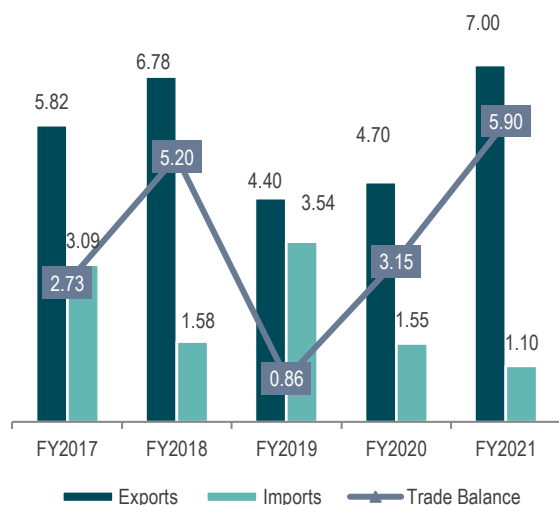


\* Provisional Data

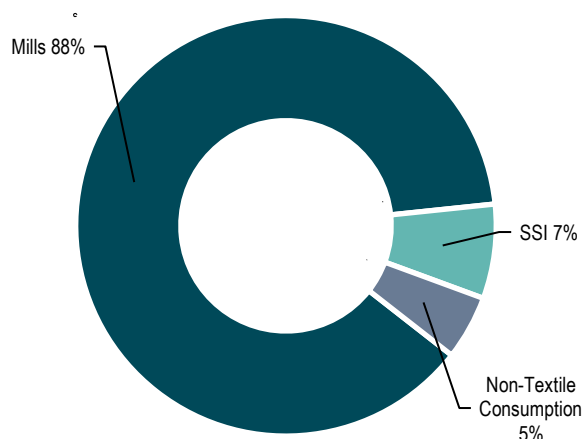
Cotton Productivity



Cotton Exports and Imports



Cotton Consumption by Industry, FY2021



Source: Ministry of Textiles



# Jute

## Highlights

The jute industry in India is around 150 years old. States including West Bengal, Odisha, Assam, Meghalaya, Tripura and Andhra Pradesh are the primary growers of jute in the country. Jute is a very labour-intensive industry and therefore, provides many employment opportunities in organised mills and in diversified units including tertiary sector and allied activities. Jute growers in India are supported by the government not only through MSP operations by the Jute Corporation of India, but also through direct purchase of jute sacking valued at around INR 75.84bn per year for packing foodgrains.

## Jute Goods Production, thou tonnes

	Hessian	Sacking	Carpet Backing Cloth	Others	Total
FY2017	178.6	871.6	0.0	92.3	1,142.5
FY2018	175.3	910.3	0.0	101.5	1,187.1
FY2019	147.6	912.3	2.0	99.5	1,161.4
FY2020	127.5	923.5	0.0	114.1	1,165.1
FY2021 (Till Jan 2021)	92.4	585.3	0.0	81.0	758.7

## Jute Goods Consumption, thou tonnes

	Hessian	Sacking	Carpet Backing Cloth	Others	Total
FY2017	140.9	855.9	0.0	78.9	1,075.7
FY2018	141.9	894.2	0.0	76.5	1,112.6
FY2019	130.2	900.8	1.2	81.4	1,113.6
FY2020	113.8	907.9	0.0	95.0	1,116.7
FY2021 (Till Jan 2021)	66.2	506.6	0.0	59.8	632.6

## Jute Imports and Exports

	Export Quantity (thou tonnes)	Export Value (INR bn)	Import Quantity (thou MT)	Import Value (INR bn)
FY2016	140.7	18.9	245.7	13.0
FY2017	140.7	20.7	279.1	16.4
FY2018	152.8	21.6	216.1	14.6
FY2019	121.7	22.7	186.3	11.9
FY2020	118.7	24.0	204.3	15.2

Source: Ministry of Textiles

# Silk

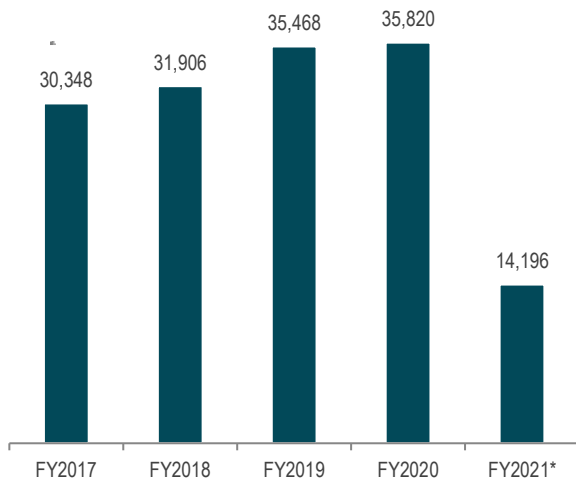
## Highlights

Silk, which is also known as the ‘Queen of Textiles’, is one of the great contributions India has made to the world. India boasts the unique advantage of producing all the four commercial varieties of silk, namely Mulberry, Tropical Tasar & Oak Tasar, Muga, and Eri.

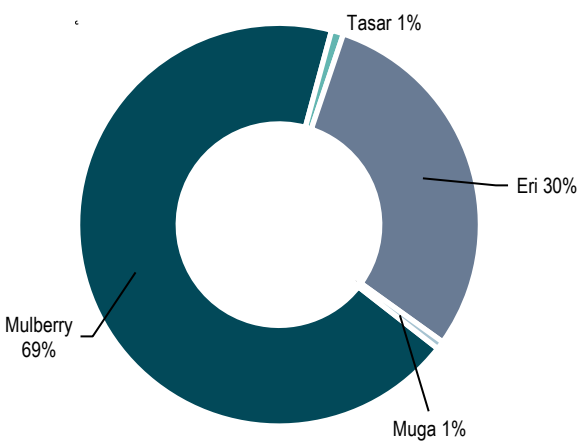
According to official production figures for FY2020, India is the second-largest producer of silk in the world after China. Silk production stood at 35,820tonnes in FY2020 as compared to 30,348tonnes in FY2017, growing at a CAGR of 4.23% over the FY2017-FY2020 period. Between April and September 2020, silk production stood at 14,196 tonnes.

Out of the total raw silk production of 35,820 tonnes in FY2020, the mulberry variety accounted for 69%, followed by Eri, which claimed a 30% share, followed by Tasar and Muga, with a 1% share each.

Silk Production, tonnes



Silk Production by Type, FY2021



\* Up to September 2020

Source: Ministry of Textiles

# Wool

## Highlights

The wool and woollen textiles industry in India is small-sized and widely scattered. It is concentrated in the States of Punjab, Haryana, Rajasthan, Uttar Pradesh, Maharashtra, and Gujarat. India's wool production in falls short of meeting the total requirement of raw wool of the woollen textiles industry, as the bulk of wool produced in the country is of coarse quality and is used mostly in the hand-made carpet industry. Therefore, India is highly depended on imports of apparel-grade wool. India imports raw wool from many countries, among which the most important are Australia, New Zealand, China and Turkey.

## Wool Exports Trends, INR bn

Products	FY2019 (up to Sep 2018)	FY2020 (u pto Dec 2019)	FY2021 (up to Dec 2020)
RMG Wool	8.0	9.1	5.6
Woollen Yarn Fabrics, Made-ups, etc	7.0	9.8	5.8
Carpet Handmade (Excluding Silk)	48.8	73.2	76.8
Total	63.8	92.2	88.2

## Wool Import Trends

FY2019		FY2020		FY2021 (up to Dec 2020)	
Quantity, mn kg	Value, INR bn	Quantity, mn kg	Value in INR bn	Quantity, mn kg	Value in INR bn
77.4	21.6	69.2	8.92*	62.2	4.5

## Import Trends of Woollen Yarn, Fabrics and Made-ups, etc., and RMG Wool, INR bn

Products	FY2019	FY2020	FY2021 (up to Dec 2020)
Woollen Yarn, Fabrics and Made-Ups	8.0	7.5	3.5
RMG Wool	1.1	1.1	0.7

Source: Ministry of Textile, IBEF



# 07

## PROCESSED FABRICS

# Highlights

## Overview

Powerloom fabric manufacturing is the backbone of the Indian textile industry. It is concentrated in clusters across Erode, Salem, Madurai, Ichalkarnaji, Solapur, Bhiwandi, Bhilwara and Malegaon, amongst others. The powerloom industry produces fabrics such as grey printed fabric, dyed fabric, cotton fabric, and fabrics mixing cotton, synthetic, and other fibres in various proportions. With respect to fabric production and employment generation, the decentralised powerloom sector forms one of the most crucial parts of the Indian textile industry. In India, the powerloom segment contributed 60% to total cloth production in FY2020. More than 60% of the fabric meant for export is also sourced from the powerloom sector.

## Drivers and Constraints

According to the Ministry of Textile FY2021 annual report, there are approximately 2.5mn powerlooms in the country. The technology level of this sector varies from plain loom to high tech shuttle-less looms. Most of the powerloom clusters face common problems like poor roads, frequent power cuts, non-availability of water and warehouses as well as logistic issues. Another major problem of the powerloom segment is the lack of marketing support. As most weavers are insufficiently educated, they are unable to estimate the demand for their products in the market. The government strongly supports the powerloom sector through various policies. In the FY2021 federal budget, the government allocated INR 1.59bn towards schemes for powerloom units.

## Outlook

The government has good focus on the development of powerloom segment given the industry's importance for the Indian economy in terms of foreign exchange earnings and employment generation. Further, the domestic textile and apparel sector is witnessing huge demand, a rapid increase in organised retail, alongside favourable factors such as increasing disposable income, rising population, and anticipated high GDP growth over the next 4-5 years. Furthermore, the Powerloom Development and Export Promotion Council (PDEXCIL) has been undertaking various promotional activities such as participation in international trade shows, sending and hosting trade delegations, and sustained image-building campaigns through advertisements abroad, publications and audio visuals.

Source: Ministry of Textiles



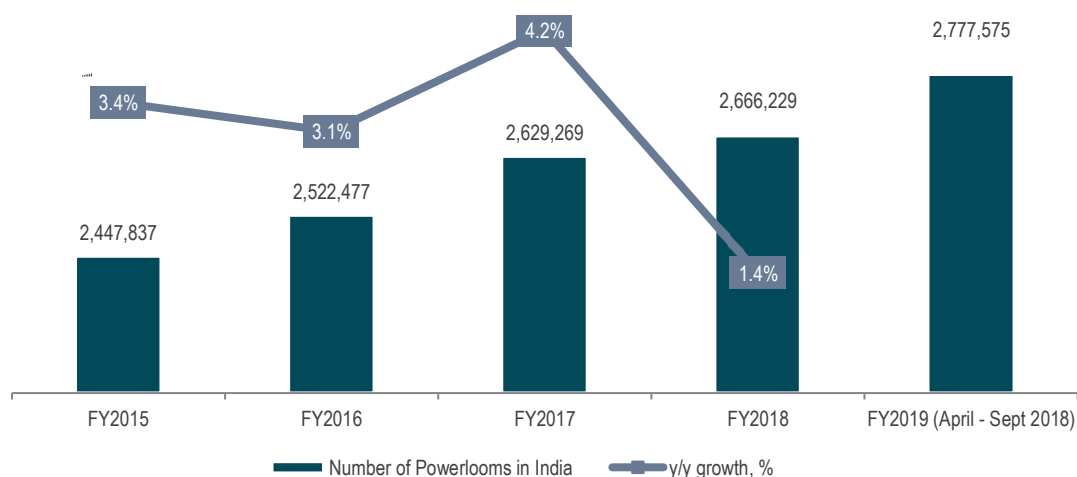
## Main Events

- With the decision to disband the All India Cotton and Jute Board, the ministry of textiles has done away with all advisory bodies on the back of the government's minimum government and maximum governance principle. Also, the Ministry of Textiles disbanded the All India Handloom, Handicraft and Powerloom Board citing that the government aims at a leaner government machinery and a systematic rationalisation of government bodies.
- In May 2021, it was reported that the village of Patwatoli, which is also known as the Manchester of Bihar because of its booming powerloom industry, has started producing dead body shrouds or *kafan* as the COVID-19 pandemic has led to a high number of deaths in the state. This village of weavers has more than 10,000 power looms. Business has been adversely affected during the pandemic, but the demand for shrouds has shot up parallel to the rising number of deaths in India

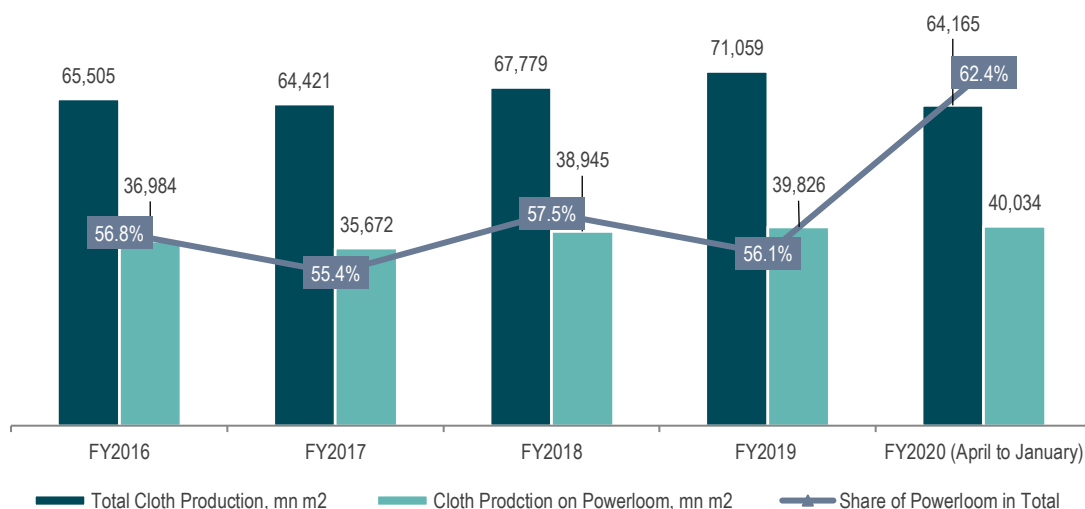
Source: Economic Times, News 18

# Powerloom Segment

## Number of Powerlooms in India



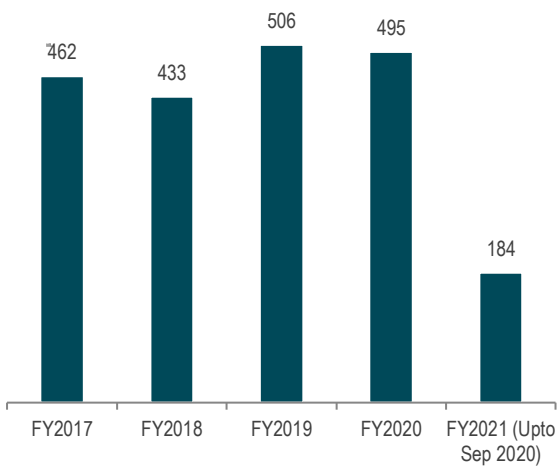
## Total Cloth Production, mn m<sup>2</sup>



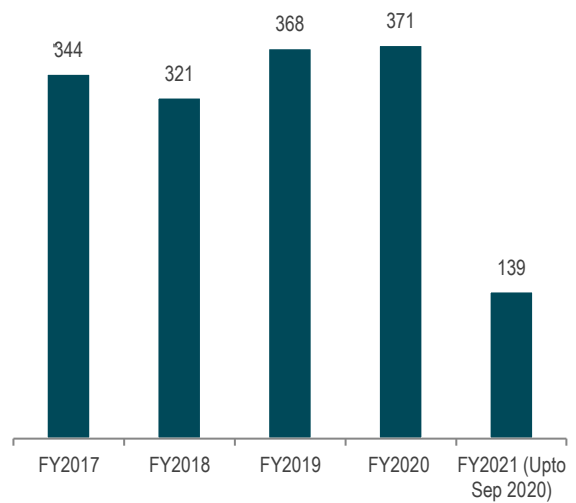
Source: Ministry of Textiles FY2021 Annual Report

# Handloom and Handicrafts Segment

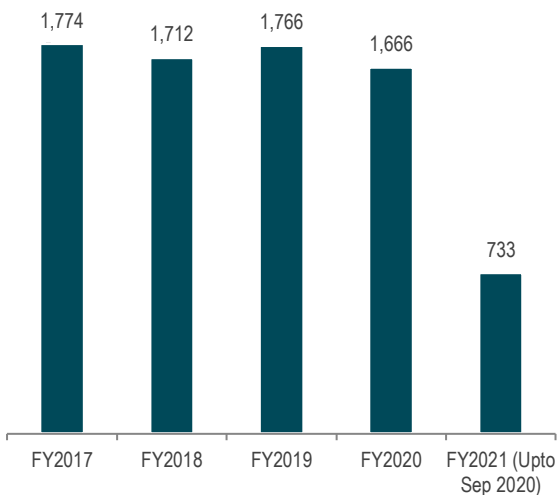
Production of Handicrafts, INR bn



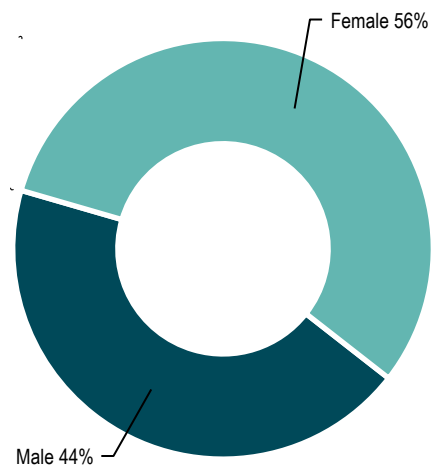
Exports of Handicrafts, INR bn



Exports of Indian Handmade Carpets, USD mn



Demographic Profile of Artisans, FY2021



Source: Ministry of Textiles FY2020 Annual Report



# 08

## APPAREL



# Highlights

## Overview

The apparel sector can be broadly segmented into menswear, women's wear and children's wear. In India, the sector is dominated by women's wear, followed by men's wear and children's wear. The apparel market can also be segmented into an online and an offline mode; and into luxury and non-luxury apparel. The textiles and apparel industry contributes 2.3% to the country's GDP, 13% to industrial production, and 12% to exports of India. The market size of the textile industry is expected to reach USD 190bn by FY2026. Out of the total textile and apparel market, more than 70% is accounted for by the apparel industry, which alone is expected to reach USD 135bn by FY2026. The apparel industry in India encompasses many small players, given the economic viability of manufacturing apparel at any scale.

## Drivers and Constraints

Though the apparel market in India was impacted by the COVID-19-induced restriction, the availability of online shopping and the pent-up demand after the first COVID wave in the second half of FY2020, boosted the demand for textile and apparel. During the second wave of COVID-19 in India, which peaked in April 2021, the demand for textile was not much impacted much. The government has been supporting the growth of the textile sector over the decades. Many schemes are directly or indirectly aligned with the growth of textiles, such as Make in India, the Production Linked Incentive (PLI), the National Technical Textiles Mission, the Government e-Marketplace (GeM), the Mega Textile Parks, Skill India, Women Empowerment, and Rural Youth Employment, amongst others.

## Outlook

Over the years, the apparel industry has witnessed a complete transformation due to rapidly changing consumer styles and preferences. This makes textile manufacturing a very dynamic industry. Due to the increased penetration of e-commerce in India, online apparel sales saw a huge rise in the last 1-2 years. Amid COVID-19, work-from-home drove the demand for casualwear over formal business attire. The shift to the omnichannel mode is trending in the apparel industry, with the future mostly belonging to the online mode.

Source: Raymond, Arvind



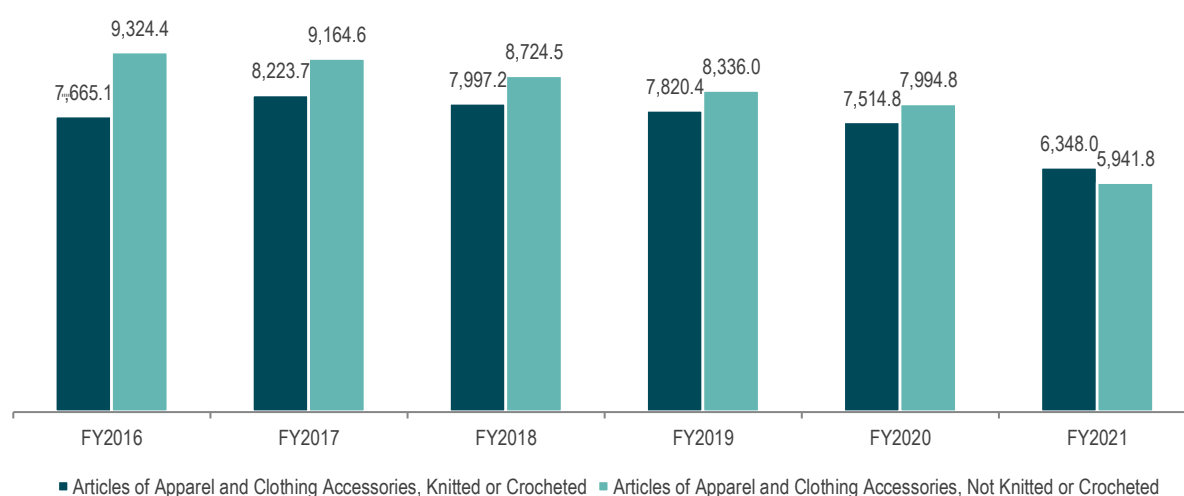
## Main Events

- In November 2021, the Finance Ministry announced that most textile products including readymade garments will attract a Goods and Services Tax (GST) rate of 12% from January 1, 2022 . The GST council's proposal to increase rates from 5% to 12% for garments across price categories would create stress on the textile garment and hosiery industries, especially in the small-scale businesses, with the textile and the MSME industries yet to fully tide over the crisis caused by the COVID-19 pandemic.
- In August 2021, the Economic Times reported that Indian garment exporters fear that a portion of their business may shift to countries like Bangladesh, Thailand, and Vietnam, because of the steep increase in local cotton and cotton yarn prices between March 2021 and August 2021. This has made Indian garments less competitive at global markets.
- Exports of cotton and man-made yarn/fabrics/made-ups, readymade garments, jute products including floor covering, and carpets from India showed growth in October 2021 compared to the same month of the previous year, according to the Ministry of Commerce and Industry's preliminary data on India's merchandise trade. All textile-apparel commodities and commodity groups including cotton yarn, fabrics and made-ups, handloom products, man-made yarn,fabrics and made-ups, jute manufacturing including floor covering, leather and leather products, carpets, handicrafts excluding handmade carpets, and readymade garments recorded growth in October 2021 compared to October 2020.

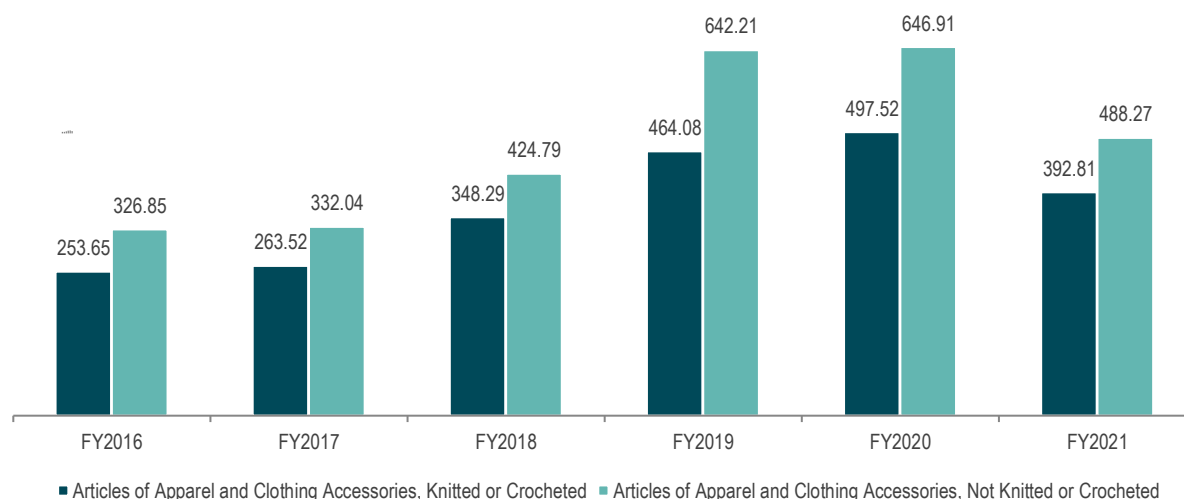
Source: *Fibre2Fashion, Economic Times*

# Exports and Imports

## Apparel Exports, USD mn



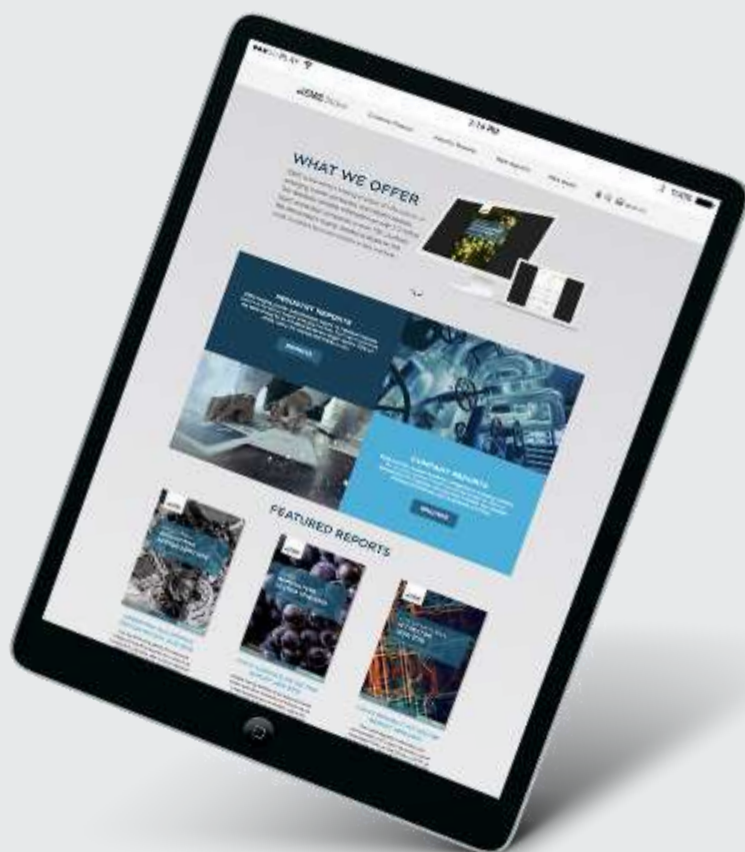
## Apparel Imports, USD mn



Source: Ministry of Commerce and Industry, CEIC

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**CHINA**

Taikang Insurance Tower No. 429  
Nanquan North Road Tower,  
Pudong, Shanghai  
200120, P.R. China  
Voice: +021-8028 4380

**GLOBAL HEADQUARTERS**

14 New Street  
London EC2M 4HE  
UK

Voice: +44 (0)208 132 4205

**BRAZIL**

Av. Brigadeiro Faria Lima,  
32795º andar,  
Itaim Bibi 04538-905  
São Paulo  
Voice: +55 11 4410-4250

**BULGARIA**

38-40 Osogovo Str.  
8th floor, app. 8.1  
1303 Sofia

Voice: +359 2 816 0404

**COLOMBIA**

Street 93 N 15-27  
7th Floor  
Bogota, Cundinamarca 11001

Voice: +571 616 68 88

**HONG KONG, SAR**

15/F V-Point, 18 Tang Lung Street,  
Causeway Bay,  
Hong Kong SAR of P.R.China

Voice: +852 2591 3379

**INDIA**

124, Mittal Court, C Wing,  
Nariman Point,  
Mumbai - 400 021

Voice: +91 22 22881123/29

**MALAYSIA**

Suite 5-3 & 5-3A  
5th Floor, Wisma UOA II  
No. 21 Jalan Pinang  
50450 Kuala Lumpur  
Voice: +603 21669921

**PHILIPPINES**

Unit 2704, One Corporate Centre,  
Julia Vargas Ave. corner Meralco Ave.  
Ortigas Center Pasig City  
1605 Manila  
Voice: +632 5712178

**POLAND**

Al. Jerozolimskie 93  
HubHub Nowogrodzka Square  
02-001 Warsaw

Voice: +48 22 255 6570

**USA**

12 E 49th St  
New York, New York  
10017  
US

Voice: +1 212 610 2900