Indian Textile & Apparel Industry: Brightest Future Ever

Arvind Singhal
3rd September 2010
Contents

1. Changing face of global trade

2. Opportunities for India

3. Milestone years of Indian textile history

4. A call for the next disruption
Changing Face Of Global Trade
Over The Years, Production Has Converged Towards Asia From Western Countries

Source: Technopak Analysis
Leading To Increase In Global Textile & Apparel Trade

Global Textile & Apparel Trade (USD Bn)

Source: WTO, UN Comtrade & Technopak Analysis
And...Resulting In Continuing Shift Of Export Base Towards Asia For Apparel....

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade Value in 2000 (US$ mn)</th>
<th>CAGR since 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Korea Republic</td>
<td>5027</td>
<td>-12%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>2555</td>
<td>-10%</td>
</tr>
<tr>
<td>USA</td>
<td>8629</td>
<td>-8%</td>
</tr>
<tr>
<td>Mexico</td>
<td>8631</td>
<td>-7%</td>
</tr>
<tr>
<td>Canada</td>
<td>328</td>
<td>-6%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Trade Value in 2000 (US$ mn)</th>
<th>CAGR since 2000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vietnam</td>
<td>1821</td>
<td>22%</td>
</tr>
<tr>
<td>Cambodia</td>
<td>970</td>
<td>18%</td>
</tr>
<tr>
<td>China</td>
<td>36071</td>
<td>16%</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>5067</td>
<td>10%</td>
</tr>
<tr>
<td>India</td>
<td>5960</td>
<td>8%</td>
</tr>
<tr>
<td>Pakistan</td>
<td>2144</td>
<td>8%</td>
</tr>
</tbody>
</table>
As Well As For Raw Materials........

**Yarn Exports of Major Countries**

- **India**
  - 2000: 1.8 Bn
  - 2009: 2.2 Bn
  - Growth: 21%
- **China**
  - 2000: 2.7 Bn
  - 2009: 6.7 Bn
  - Growth: 151%
- **Italy**
  - 2000: 2.6 Bn
  - 2009: 2.2 Bn
  - Growth: -14%
- **Germany**
  - 2000: 2.6 Bn
  - 2009: 1.7 Bn
  - Growth: -37%

**Fabric Exports of Major Countries**

- **India**
  - 2000: 1.9 Bn
  - 2009: 30.7 Bn
  - Growth: 242%
- **China**
  - 2000: 7.6 Bn
  - 2009: 6.9 Bn
  - Growth: -9%
- **Italy**
  - 2000: 5.3 Bn
  - 2009: 4.7 Bn
  - Growth: -11%

Source: UN Comtrade
Rising Market Opportunity For Developing Countries

• Most developed countries will see continued decline of their textile and apparel industry and create fresh opportunity of up to **US$ 140 Billion** for exports for developing countries by 2020

• In addition, an opportunity of approx **US$ 360-370 Billion** likely to be created due to rise in demand

• Hence an additional market opportunity of **~US$ 500 Billion** likely to be created by 2020
China’s Exports May Be Constrained In Future...Creating Opportunities For Others

China T&A Industry Size – Some Projections

China will add US$ 315 Billion to its domestic apparel demand by 2020.

China will remain the biggest exporter but with rising costs and rising domestic demand, it may cede some export opportunity.
Hence ...Opportunity For India To Reach **US$ 80 Billion** Exports By 2020

### Growing world trade 1990 - 2020

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>World GDP</td>
<td>23,000</td>
<td>32,000</td>
<td>45,400</td>
<td>61,000</td>
<td>57,000</td>
<td>82,000</td>
<td>111,027</td>
</tr>
<tr>
<td>World Trade</td>
<td>4,338</td>
<td>7,902</td>
<td>12,752</td>
<td>19,344</td>
<td>15,341</td>
<td>24,600</td>
<td>33,308</td>
</tr>
<tr>
<td>World T&amp;A Trade</td>
<td>213</td>
<td>353</td>
<td>486</td>
<td>612</td>
<td>510</td>
<td>800</td>
<td>1,000</td>
</tr>
<tr>
<td>China T&amp;A Exports</td>
<td>16</td>
<td>52</td>
<td>104</td>
<td>175</td>
<td>157</td>
<td>236</td>
<td>350</td>
</tr>
<tr>
<td>India T&amp;A Exports</td>
<td>4.6</td>
<td>11.4</td>
<td>15</td>
<td>21</td>
<td>23</td>
<td>45</td>
<td>80</td>
</tr>
<tr>
<td>India’s Share In Global T&amp;A Trade</td>
<td>2.1%</td>
<td>3.2%</td>
<td>3.1%</td>
<td>3.4%</td>
<td>4.5%</td>
<td>5.6%</td>
<td>8.0%</td>
</tr>
</tbody>
</table>

Potential For India To Almost **Double** Global Export Share.....
Further, Going Forward....Indian Economy Has A Very Positive Outlook

Indian Economy Is Expected To Touch $ 3.1 Trillion In The Next 10 Years

<table>
<thead>
<tr>
<th>GDP $ Trillion</th>
<th>2000</th>
<th>2010</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>10.8</td>
<td>15.7</td>
<td>18.0</td>
</tr>
<tr>
<td>China</td>
<td>1.3</td>
<td>5.6</td>
<td>13.2</td>
</tr>
<tr>
<td>Japan</td>
<td>5.2</td>
<td>5.5</td>
<td>6.4</td>
</tr>
<tr>
<td>Germany</td>
<td>2.1</td>
<td>3.6</td>
<td>4.3</td>
</tr>
<tr>
<td>France</td>
<td>1.5</td>
<td>2.9</td>
<td>3.3</td>
</tr>
<tr>
<td>UK</td>
<td>1.6</td>
<td>2.4</td>
<td>2.8</td>
</tr>
<tr>
<td>Italy</td>
<td>1.2</td>
<td>2.3</td>
<td>2.5</td>
</tr>
<tr>
<td>Brazil</td>
<td>0.7</td>
<td>1.9</td>
<td>3.1</td>
</tr>
<tr>
<td>India</td>
<td>0.5</td>
<td>1.4</td>
<td>3.1</td>
</tr>
<tr>
<td>Russia</td>
<td>0.3</td>
<td>1.7</td>
<td>2.7</td>
</tr>
</tbody>
</table>

In the last 10 years India has added $ 930 billion to its economy and will add almost double of that (about $ 1700 Billion) in the next 10 years.

The Indian economy in 2020 is poised to become bigger than the current size of countries like France, UK or Italy.
India’s **US$ 70 Billion** Textile and Apparel industry has the potential to grow @ 11% CAGR to reach **US$ 220 Billion** by 2020.

<table>
<thead>
<tr>
<th>Year</th>
<th>Domestic</th>
<th>Exports</th>
<th>Total (US$ Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>16</td>
<td>30</td>
<td>46</td>
</tr>
<tr>
<td>2009</td>
<td>23</td>
<td>47</td>
<td>70</td>
</tr>
<tr>
<td>2010(E)</td>
<td>26</td>
<td>52</td>
<td>78</td>
</tr>
<tr>
<td>2015(E)</td>
<td>89</td>
<td></td>
<td>134</td>
</tr>
<tr>
<td>2020(E)</td>
<td>140</td>
<td></td>
<td>220</td>
</tr>
</tbody>
</table>

*All numbers are rounded off*
Milestone Years In Indian Textile Industry

Exceptional entrepreneurs who put India on the global textile map

- **1869**
  - Shri Jamshedji Tata: Started his first venture by acquiring a bankrupt oil mill in Chinchpopkli converted it into a cotton mill and renamed it to Alexandra Mill

- **1900-1960’s**
  - Shri GD Birla, Lala Shriram (DCM), Shri Mafatlal Gaganbhai (Mafatlal), Shri Piramal Chaturbhuj (Morarjee), Singhanias (JK/Raymond), Wadia – Bombay Dyeing, others

- **1970’s**
  - Shri Dhirubhai Ambani (Reliance Industries)

- **1980’s**
  - Shri S.P Oswal (Vardhman), others

- **1990’S**
  - Shri Sanjay Lalbhai (Arvind), others

- **2000’s**
  - Jiwarajka family, others e.g. SKNL, BRFL, Welspun, Abhishek – each already or poised to soon become a billion US$ integrated textile business
The Next Disruption
Beyond Factor Driven Industry

(Before 2005)
- Raw Material Availability
- Labor availability
- Government policy influence

(2005-2015)
- Vertical / Virtual Integration
- Manufacturing excellence
- Supply Chain Efficiency
- Diversity in product mix

(2015 onwards)
- Product
- Design / Brand
- Channels
- Business Processes
Create New Mega Clusters

Developing the Next “Amritsars & Ahmedabads & Bangalores and Tirupurs and Ludhianas and Panipats”
Re-Invent The Entire Industry

• Think even more bold and more global

• Collaborative / aggressive entrepreneurship

• Think strategic / Think scale (merge / acquire / divest)

• Attract the best management and operational talent

• Rebrand the entire industry / companies / products
Thought Leadership ....

- Assume leadership roles in Apex Industry bodies like CII, FICCI, Prime Minister’s Industry Leaders Council and others

- Make a strong presence at “thought leadership” platforms such as WEF, India Today Conclave, HT Leadership Conclave etc. in India and outside India

- Make strong efforts to become an employer and a partner of desire
Conclusion

• External & internal factors strongly in India’s favor

• Regulatory and capital environment supportive

• A host of new bold entrepreneurial leadership already available to provide inspiration to many others

• Indeed, this new decade may well be best ever for the Indian Textile and Apparel industry
Thank you!