

FICCI TAG 2022

Building a Roadmap for USD 250 Billion Sustainable Textile Industry

Knowledge partner

wazir ADVISORS

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1. Textile and Apparel Sector Overview

1.1. Global Industry Overview

Global Apparel Market

The global apparel consumption in 2021is estimated to be around US$ 1.5 trillion. The market recovered by approx. 16% compared to 2020.The market is estimated to reach US$ 2 trillion by 2025 growing at a CAGR of 4% from 2019. In 2021, US was the largest apparel consumer market, worth US$ 257 billion with a growing CAGR of 5%. EU-27 has declined at a CAGR of 11% in 2021 post covid impact, and stood at US$ 211 billion. China, the 3rd largest market in the world, grew marginally from 2019, due to pandemic, however, is expected to grow with 11% CAGR (highest among all markets) and becomes the largest apparel market, worth US$ 340 bn. by 2025. Other major markets include Japan, India, Brazil and Canada.

Table 1: Global Apparel Market (US$ billion)

Country/region	Value 2019	Value 2021	Value 2025 (P)	CAGR 2019-21	Projected CAGR 2019-25
EU-28	264	211	280	-11%	1%
USA	235	257	265	5%	2%
China	184	188	340	1%	11%
India	78	80	135	-4%	10%
Japan	101	78	105	-12%	0.5%
Brazil	48	39	60	-10%	4%
Canada	25	22	37	-6%	7%
RoW	690	600	778	-7%	2%
TOTAL	**1625**	**1475**	**2000**	**-5%**	**4%**

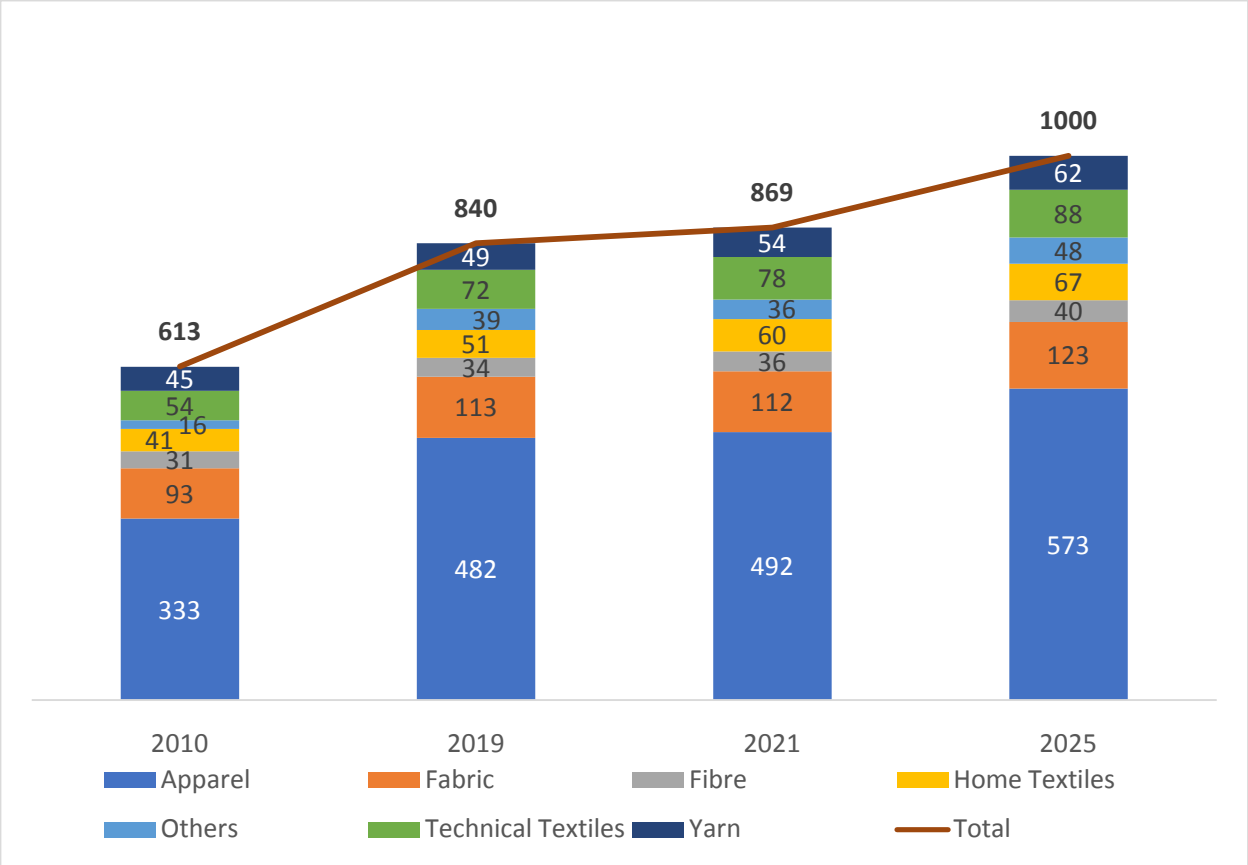
Source: Published Data and Wazir Analysis

Growing economies such as China, India are growing at much higher rates then developed regions owing to the growing domestic market and increasing disposable income. Together these market account for 59% of the total apparel market while rest of the world accounts for remaining 41% share.

Global Textile & Apparel (T&A) Trade

The global T&A trade in 2021 was US$ 869 bn. The trade showed a significant recovery of 22% post covid and a 2% growth over 2019. Apparel was the largest traded segment accounted for 57% of the total trade and stood at US$ 492 bn., followed by fabric with 13% share. The trade is projected to grow at CAGR 3% and reach 1000 billion by 2025 with apparel being the largest traded category, worth US$ 573 billion.

Figure 1: Global Textile & Apparel Trade (US$ billion)



Source: UN Comtrade

China is the largest supplier of T&A in the world with 37% share followed by Bangladesh with 5% share. India is the 4th largest supplier in the world with 5% share and exports worth US$ 42 billion. Vietnam and Poland have registered the highest CAGR of 10% each followed by Bangladesh with CAGR8% since 2010. India on the other hand is growing moderately at CAGR 4%.

Table 2: Global Major Exporters of Textile & Apparel 2021 (US$ Billion)

Country	2010	2019	2021	CAGR	Share
China	234	279	318	3%	37%
Bangladesh	18	44	43	8%	5%
Germany	30	41	42	3%	5%
India	27	36	41	4%	5%
Viet Nam	14	44	38	10%	4%
Italy	32	36	37	1%	4%
Turkey	22	29	34	4%	4%
USA	24	28	26	1%	3%
Spain	11	20	21	6%	2%
Netherlands	10	17	20	6%	2%
France	15	18	18	2%	2%
Pakistan	12	14	17	4%	2%
Poland	5	11	15	10%	2%
RoW	160	224	200	2%	23%
Total	**613**	**840**	**869**	**3%**	

Source: Un Comtrade

Since, 2010, China has lost 4% share in the global apparel trade whereas Bangladesh and Vietnam have gained 3% share each. India's share remained stagnant during the same period.

Table 3: Major Apparel Supplier Share in the Global Apparel Trade (US$ Billion)

Major Apparel Supplier	2010	2021
China	36%	32%
Bangladesh	5%	8%
Viet Nam	3%	6%
India	3%	3%
Total (US $ Bn)	**333**	**492**

Source: UN Comtrade

1.2. Trends Impacting the Global T&A Industry

Growing Focus on Sustainability and Circular Fashion

Today, sustainability has grown from being just a buzz word to a crucial factor in shaping the T&A industry. The global textile industry is amongst the most polluting industries and the environmental concerns facing the textile sector are significant. However, to counter and control the negative effect, textile companies worldwide are taking significant corrective measures with the ultimate aim of becoming a green & sustainable industry. These measures include controlled use of natural resources like water and energy in production processes, using raw materials which are sustainable in the long run, proper handling of hazardous chemicals used in dyeing and coating, proper waste disposal, treatment of water before discharge, using recycled products and adherence to certain guidelines to eliminate health-risks of workers, consumers as well as the environment. Also, there are various internationally acclaimed standardizations and autonomous accreditationspresent today which have become a yardstick for measuring the sustainability of any company.

Supply Chain Digitalization

As the global compliance getting stringent, transparency in the supply chain has become an unavoidable factor. Post covid the world has discovered the digital way of conducting business and this digital transformation is changing supply chain relations of buyer and supplier across the globe. Digitalization has enabled buyers to locate suitable supplier from any corner in the world. Suppliers who are able to deliver better, transparent and more efficient business have become first choice of buyers. Digitalization in the textile supply chain has had a huge impact on aspects, such as sourcing approach, supply chain visibility, partner collaboration, information sharing and analysis. There's no doubt that a digitally well-prepared textile business will be more adaptable to modern supply chain management and preferred by players across the value chain. It is important for all textile businesses to quickly respond to new market trends and customer expectations, adopt an Omni channel value chain, and identify profit-generating relationships with other businesses.

Impact of Xinjiang Cotton Ban

In January, the US had announced an import ban on cotton products from China's Xinjiang region over allegations of use of forced labor.Following the ban, buyers become more conscious about their sourcing and began focusing on reducing dependency on China for sourcing requirement. This action opened up opportunities for other manufacturing nations such as Bangladesh, Vietnam and India to increase their share in the global T&A market and boost exports. The US ban on cotton opened up

huge market especially for Indian cotton-based products on global level. Taking advantage of the production-capacity shift in the labor-intensive industry away from China over the past few years, countries in South Asia have been steadily increasing their market shares in terms of textile exports to the US.The US boycott of Xinjiang cotton has been another catalyst of the trend, and it may further fundamentally reshape the global textile supply chain by isolating China – the world's biggest textile producer, exporter and consumer.

Inclination towards comfort wear

The pandemic spread by Covid-19 has forever changed the way people live their lives. As people were pushed to stay home to contain the spread of the virus, a need to be in comfortable clothing arose and gave boost to comfortwear clothing. Comfortable clothing which is mainly made using stretchable fabrics further increased demand of cotton-spandex, polyester and Nylon spandex raw materials. Induced by covid, increased interest in comfortability for the past couple of years, gave boost to athleisure category.With casual clothes becoming more and more functional and gym clothes designed to look good even outside the gym perhaps a mix of styles was inevitable. And so, a shift of trends was on the horizon. Wanting clothing to show off one's lifestyle and values has become increasingly important to us. Since athleisure, harmonizes perfectly with the increased focus on sustainability and wellness we have seen in recent years, it likely plays a role in why consumers wholeheartedly have accepted the comfortable style phenomena.

Growing share of synthetics

The Manmade Fibre (MMF) segment accounts for 70% share in the global fibre consumption with the majority of share held by polyester fibre. The global fibre consumption has increased from 87 mn. tons in 2014 to 103 mn, tons in 2022. Polyester has replaced cotton to become the largest and the fastest growing category in the world with current global consumption of 57 mn. tons. The demand for manmade fibre is growing significantly across the world. There are several reasons behind this trend. Low cost, the demand-supply gap in cotton, and versatility in design and application are some of the key reasons. Realizing the potential of the synthetic Industry, the government of India has also taken the initiative to promote synthetic textile manufacturing in India and launched dedicated schemes like PLI and MITRA. Approximately, 49% i.e. US$ 427 bn. of the global trade comes from man-made fibers and is growing at a CAGR of 3.7% since 2010. In 2021, MMF based apparel stood at US$ 237 bn. growing at a CAGR of 4.6% while cotton based apparel stood at US$ 207 bn. MMF based fabrics being the second largest category stood at US$ 69 bn. growing at a CAGR of 3.4% during the same period.

Table 4: MMF Based Product Global Trade (US$ Billion)

MMF Based Products	2010	2019	2021	CAGR (2010-21)
Fiber	11	11	11	-
Yarn	26	30	32	1.9%
Fabric	48	70	69	3.4%
Home Textile	15	22	27	5.5%
Apparel	145	248	237	4.6%
Technical Textiles	27	39	46	5.0%
Others	3	3	3	-
Total	**286**	**457**	**427**	**3.7%**

Source: UN Comtrade

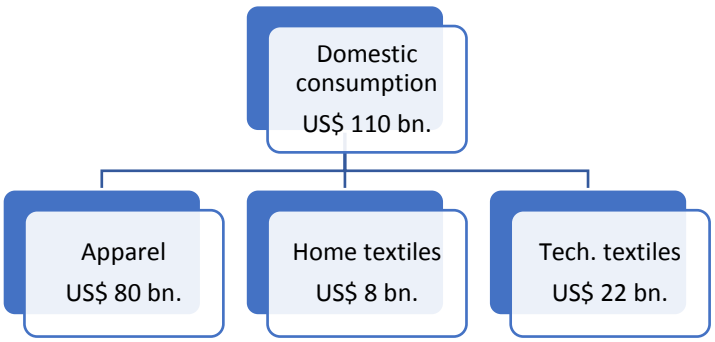
1.3. Indian T&A Industry Overview

Domestic T&A Market is expected to reach US$ 250 bn. by 2025-26

Indian T&A market is estimated at US$ 153 Bn., ~70% of which is domestic consumption while exports constitute the rest 30%.

The overall domestic market of India stood at US$ 110 bn. in 2021. Within this, apparel retail contributes US$ 80bn., technical textiles contribute US$ 22 bn. and home textiles contribute US$ 8bn.

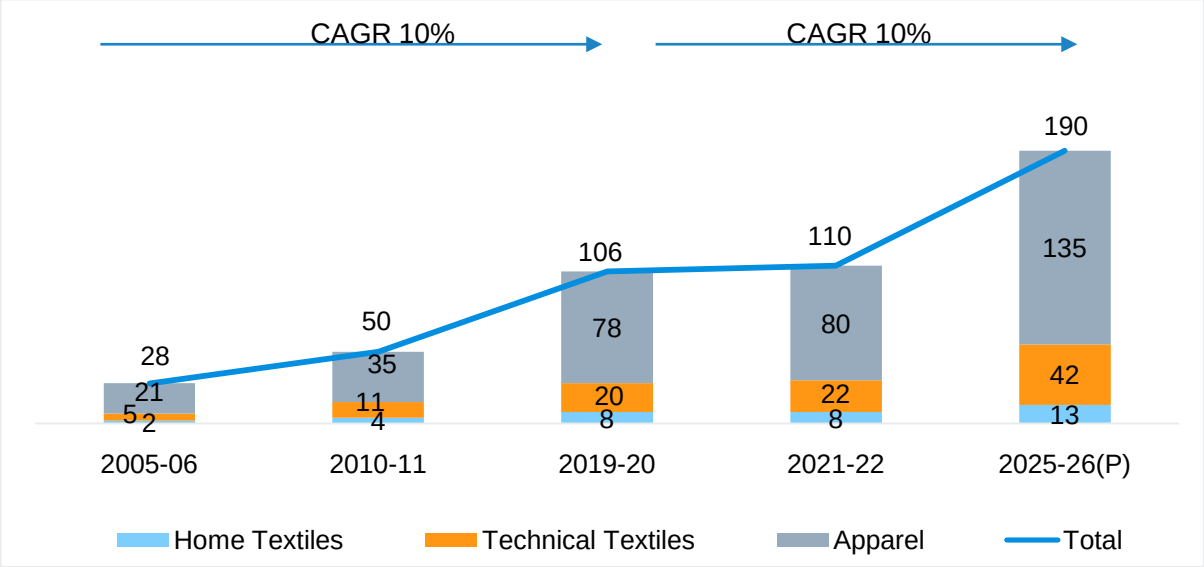
Figure 2: Domestic Market of India (US$ Billion)



Source: Wazir Analysis

The domestic market is further estimated to reach US$ 190 bn. by 2025-26 growing at a CAGR of 10%. Domestic home textile market is estimated to grow at a CAGR of and reach US$ 13 bn. whereas technical textile market is estimated to grow at CAGR % and reach US$ 42 bn. during the same period

Figure 3: Domestic Market of India Growth Projection (US$ Billion)

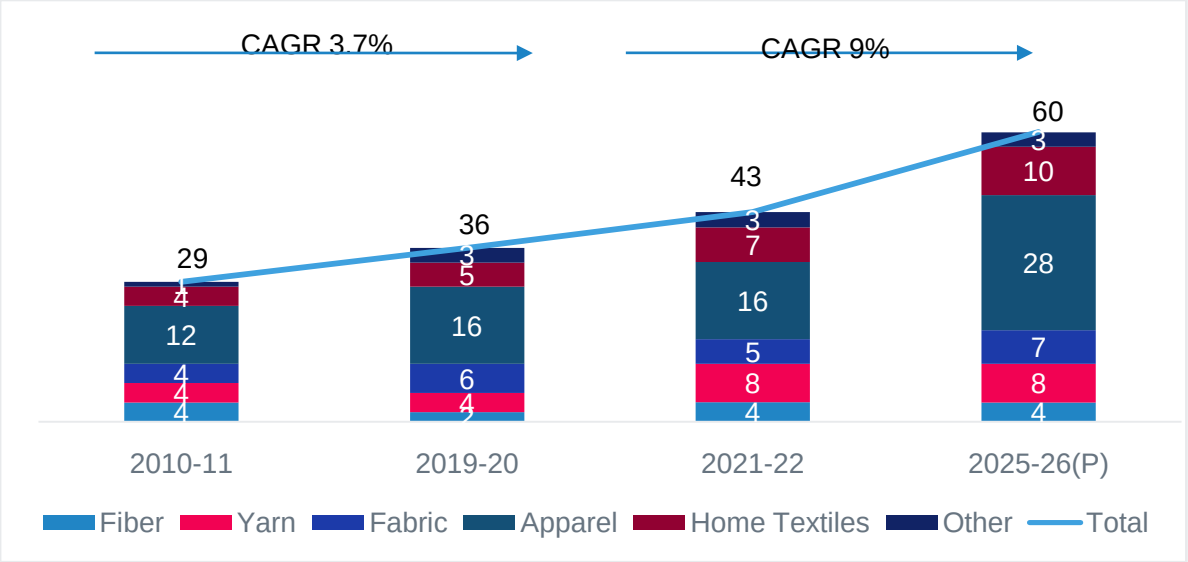


Source: Wazir Analysis

Growing Exports Share of India

In terms of global ranking, India is ranked 2nd in textile export with 7% share and 6thin apparel export with 3% share. Overall, India holds 4thposition with 5% share of global exports.India's T&A exports were US$ 43 billion in 2021-22 and have grown at 3.7% CAGR since 2010-11.The exports are further estimated to grow at 9% CAGR from 2021 and reach 60 billion by 2025-26.

Figure 4: India's T&A Exports 2021 (US$ Billion)

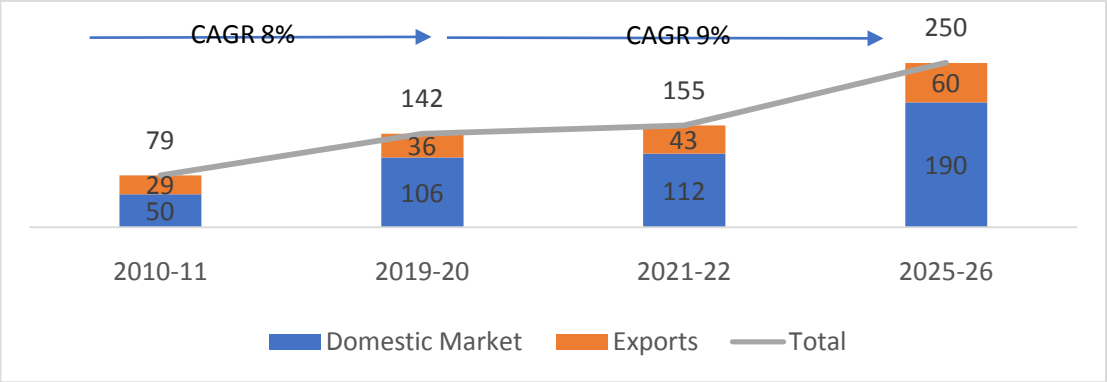


Source: UN Comtrade

Apparel is the largest exported category in India's exports with a dominant share of 36% in 2021. It is followed by the exports of home textileand Yarn with 7% share each. Fibre/Filament category has registered the highest growth in India's export of textile and apparel with a CAGR of 11% over the last decade.USA, UAE and UK are the largest markets for India's apparel exports with 30%, 14% and 9% share respectively. The other major export markets for India are Germany and France with 6% and 4% share respectively.

India is a growing economy and the T&A market is poised to grow. The market is estimated to reach US$ 250 billion by 2025-26, making India as one of the largest producers and consumer of Textile and Apparels.

Figure 5: Overall India's T&A Market (US$ Billion)



Source: Wazir Analysis

2. Achieving the Next Target of US$ 250 Billion by 2025-26

As mentioned above, analysing the growth that the Indian T&A industry has shown in last decade and especially the massive rebound post Covid-19, it can be firmly said the Indian textile industry has the potential to become a US$ 250 billion industries by 2025-26. Currently, the textile sector in India accounts for 10 per cent of the country's manufacturing production, 5 per cent of its GDP, and 13 per cent of exports earnings. Post covid there is also a boost in the demand and the government support in form of attractive schemes such as PLI& MITRA will further drive the way for the US$ 250 billion target. However, a roadmap to achieve the full potential of the industry is what the industry needs to deliver this target in time. The Industry need to focus on leveraging its core strengths to gain momentum in both domestic and global market.

2.1. Leveraging Government Schemes

The Indian government is actively supporting the growth of T&A industry. With the vision to make India a global sourcing hub, the Indian govt. has introduced various turnkey policies such as Production Linked Incentive (PLI), Mega Investment Textile Parks (MITRA) and National Technical Textiles Mission (NTTM).

Production Linked Incentive Scheme

PLI scheme, which was launched in early 2022 to promote synthetic textile and technical textiles with an outlay of Rs. 10,683 crores, is a big game changer for the Industry. The scheme saw an active participation from manufacturers across India. A total of 64 companies were selected for the incentives under the PLI scheme. At present, the selected companies are in various stages of their investment process.

Further to this, the government has plans to launch PLI-2 scheme as well which is set to boost the finished product categories comprising of apparels and made-ups. The PLI-2 scheme has an outlay of 4283 crores and will further promote the investment in the T&A sector. The PLI scheme is expected to generate investments in the sector especially in new product categories like synthetics which will help India tap the huge global apparel market and increase overall global share.

Mega Integrated Textile Region and Apparel (MITRA) Scheme

Recently, the Union Cabinet approved the setting up of seven Mega Integrated Textile Region and Apparel (PM MITRA) Parks at an outlay of Rs. 4,445 crores. The MITRA parks will be fully integrated from fibre to final product and the government plans to incentivize man-made fibre-based manufacturing. MITRA park will be developed by a Special Purpose Vehicle which will be owned by the Central and State Government in a Public Private Partnership (PPP) Mode.Each MITRA Park will have an incubation centre, common processing house and a common effluent treatment plant and other textile related facilities such as design centers and testing centers.

The Master Developer will not only develop the Industrial Park but also maintain it during the concession period.Under the scheme, the centre will provide development capital support for the development of common infrastructure of Rs 500 crore for each greenfield MITRA park and upto Rs 200 crore for each brownfield park.An additional Rs 300 crore will be provided as Competitiveness Incentive Support for the early establishment of textiles manufacturing units in each of these parks. Moreover, investors who set up “anchor plants” that employ at least 100 people will be eligible for incentives of upto Rs 10 crore every year for upto three years. The MITRA scheme will give a competitive advantage in the global market by reducing logistics costs and strengthening the value chains. Each MITRA park is expected to generate 1 lac direct jobs and 2 lac indirect jobs.

National Technical Textile Mission

The government also launched National Technical Textiles Mission (NTTM) with a view to positioning the country as a global leader in Technical Textiles. The mission was sanctioned a total outlay of Rs. 1480 crores. The mission has 4 components – Research Innovation & Development, Promotion, and Market Development, Export Promotion and Education, Training and Skill Development. NTTM is a crucial step in achieving the US$ 250 billion target by 2025-26 as it will give boost to domestic manufacturing of technical textiles and take technical textile market to US$ 42 billion by 2025-26.

The Ministry of Textiles recently cleared 23 strategic research projects worth around Rs 60 crores in Specialty fibres, Sustainable Textiles, Geotextiles, Mobiltech and Sports textiles under the National Technical Textiles Mission.

2.2. Aligning with Global Buyers Needs

Quality of the product and the service levels are the foremost things that a buyer seeks while purchasing products from any country. In terms of quality, India is amongst the top-quality suppliers of yarn and home textile products as we have a well- established spinning sector with the latest technology. However, in the weaving and processing sector, due to the lack of the latest technology and technological know-how, India is not able to develop high-quality products, especially in synthetic textiles.

Also, in the garment sector, India needs to develop strong capabilities in several products which are in high demand in the export market, for example, outerwear, suits, sweaters, lingerie etc. In order to achieve the quality levels required by international buyers, Indian textile industry needs to raise the performance of machinery, process and skill training of the manpower. Indian companies also need to focus on providing full package services to buyers and become long-term supply chain partners.

India is a reliable destination for buyers in terms of service levels. Indian companies (organized and unorganized) have the flexibility to cater to different order sizes (although there is a restriction in catering to high bulk orders in garments). However, India needs to further develop its product and services to tap the huge global export market potential.

2.3. Strengthening the Textile Value Chain

One of the key challenges faced by the industry today is structural weakness in the manufacturing value chain. As we proceed downstream in the value chain, the manufacturing capacities continue to reduce thereby losing out on the opportunity of value addition. Significant amount of value addition opportunity is lost because of exports of unfinished goods viz. raw fiber, yarn and greige fabrics. Hence, it is must to strengthen the value chain to gain better value for the service.

The fundamental issue within the chain lies with the fabrics manufacturing and processing sector, which suffers from lack of capacity and use of obsolete technologies, to an extent that the upstream and downstream processes are not able to utilize their full potential.

Gaps in India's Textile Industry

The Indian textile & apparel industries have one of the longest and extremely fragmented supply chains in the world, with existence of many intermediaries between the producer and the final consumer. Each intermediary lead to lengthening of lead times as well as costs.For India to be a cost competitive destination, it has to address the aforementioned apart from dealing with other key challenges as given below:

- **Lower cost competitiveness to competing nations**

A major reason for lower cost competitiveness is due to lower efficiency levels in Indian apparel manufacturing compared to key competitors like China, Vietnam and Bangladesh. Also, India has one of the highest costs of capital compared to most competing countries which affects the cost of production and thus its competitiveness. The present lending rate in India is 10.0% to 12% while that in other competing countries like China, Turkey, Vietnam, etc. ranges from 5 to 7%.

- **Absence of fibre neutrality**

Globally, manmade textiles and garments are in high demand. But India, despite being second largest textile exporter in the world, lags in this category because of unavailability of manmade fibres at competitive prices. The textiles value chain in India bears a differential tax treatment while countries like China, Pakistan, Sri Lanka, Indonesia and Thailand follow a fibre neutral policy. There is a need to align our production with the world consumption patterns through the introduction of a fibre neutral tax policy.

- **Low technology level**

The Textile Industry suffers from the use of low and outdated technologies especially in the power loom sector, processing, etc. In general, spending on R&D, product development etc. by textile companies in India is quite low. As a result, India has had a nominal presence in high value-added segments and innovation driven technical textile segment.

- **Fragmented nature of industry lacking economies of scale**

Indian textile sector is largely unorganized and small in size, especially the fabric manufacturing, fabric processing, and garment manufacturing segments. These segments suffer from lack of capacities and use old technologies. Capacity expansion or technology upgradation is a big challenge for these small and medium scale units with limited resources because of the higher risks perceived by lenders and also because of lack of awareness.

2.4. Focus on Skill Development

Indian textile industry needs requisite technical know-how and the skilled manpower required for the manufacturing of high-end products. Hence skilling initiatives need to be taken to develop manpower at both technical and managerial levels. Steps should be taken for the inclusion of textiles in the curriculum of various universities/institutions at graduate and postgraduate levels e.g. Medical/civil engineering/agricultural/Textile Engineering etc. This will result in the formation of an efficient & innovative workforce which will lead the industry to greater heights.

2.5. Boosting Indigenous Machine Manufacturing and Investment in Machinery

To be on top of the competition it is important to use the best and updated machineries which help in producing quality products and offer better margins by reducing rework and breakdown. However, most the top-class machinery available today are German or Japanese and importing them is a heavy cost plus their availability of repair parts and regular maintenance charges are also very high. Now, as Indian T&A market is growing to reach US$ 250 bn., a lot of investments are on their way which will support this growth, these investments creates a huge opportunity for developing the high-quality machines, domestically, and offer a better service in terms of quality, price and post installation maintenance.

Manufacturing in India will also give a significant competitive advantage to the global machinery manufacturers in providing better service to buyers, especially in terms of spare parts.The present textile machinery manufacturers are already exporting all over the world and the fresh investment in this sector will scale it up many times. Once machinery manufacturers decide to set up their unit in India, spare parts suppliers will also follow them. Many Indian companies will also start manufacturing the machinery parts looking at the potential future demand. A similar scenario has already been observed in the automobile industry. Once spare parts availability becomes easier and quicker, it will also help in increasing the market size of those machineries.

3. Enhancing Exports and Global Competitiveness

T&A manufacturing has always been associated with low-cost manufacturing. Over the years, high-cost destinations such as USA, Europeans countries (incl. Italy, Germany, Belgium, France, and UK), Turkey, Japan, and South Korea have dropped their combined share in the global textile & garment trade. While low-cost destinations such as China, India, Bangladesh & Vietnam have increased their share during the same period. These countries have further added key competitive advantages over other countries to maintain their share.

While all countries would like to increase the share of manufacturing, the top textile and garment manufacturing hubs i.e. China, India, Bangladesh, & Vietnam have developed themselves over the years to become competitive in their respective segments. India, will be looking to further consolidate on its competitive advantage to strengthen its manufacturing ecosystem and also attract investments.

3.1. Exploring Untapped Markets and Free Trade Agreements (FTAs)

India being the fourth largest exporter of textile and apparel commands 5% share in global textile and apparel exports. However, most of the global textile and apparel markets still remain untapped by Indian exporters. These markets offer a tremendous opportunity to our exporters for increasing India's T&A exports. India's Current share in global market is listed below:

Table 5: India's Exports Share in Major T&A Markets (US$ Billion)

Markets	Total T&A Imports 2021	India's Share
USA	128	8.7%
Germany	59	3.9%
Japan	33	1.2%
UK	29	5.9%
Italy	27	2.9%
Spain	24	3.9%
S. Korea	17	2.5%
Canada	15	5.0%
Russia	13	2.0%
UAE	8	15.4%

Source: UN Comtrade

It is understood that there are specific challenges related to the untapped markets like quality concern & cultural mismatch in Japan, high tariff incidences in Canada / South Korea/Russia and tariff barriers in Turkey. However, with increased focus on manufacturing excellence Indian manufacturers & exporters can position themselves distinctively to compete in these markets.

FTA's with Major Markets

India also enjoys FTA's and other trade agreement with many markets which can also be leveraged to venture in to a new market. At present India has trade agreement with Japan, S. Korea, Australia and UAE. India is also in final stages of FTA with UK which will give direct and free access to Indian goods in UK's market.

Moreover, trade agreements act as a gateway for manufacturing nations for the development and investment in their industry. Countries like Bangladesh, Vietnam, Ethiopia etc. have leveraged their FTAs with US & EU to bring in large scale investments over the last decade.India on the other hand has failed to achieve the same result owing to the absence of such FTAs which makes it a less attractive destination for investments as it faces tariff barriers in major international markets.

Therefore, an early finalization of FTAs with major textile and apparel markets will help drive investments in the country.

Table 6: Opportunity for India if FTAs with Major Markets are done

Country	Global T&A Imports (US$ Bn)	Global Apparel Imports (US$ Bn)	India's T&A Exports (US$ Bn)	India's Apparel Exports (US$ Bn)	India's Current Market Share %	Potential India T&A Exports with 15% Market Share	Additional Market for India (US$ Bn)
EU	125	86	7.2	4	5.8%	18	11.5
USA	114	82	9.8	4.2	8.6%	17	7.3
UK	29	21	1.7	1.1	5.9%	4.3	2.6

Source: UN Comtrade

3.2. Focus on New Products and Emerging Trends

Indian textile & apparel industry need to explore more products to keep its mark in the global landscape. Despite huge potential to gain more share in the markets, India's exports to the global market are still average to 5% of the demand. To survive in this competitive landscape, manufacturers have to heed in finding new products, better services, new markets and new revenue streams.

Aligning with global exports

An analysis of globally top 10 traded commodities shows that 8 out of 10 commodities fall in the apparel category and India's share in all those commodities is significantly low (less than 5%). For certain categories share in trade is as low as 0.4%.

Table 7: Top 10 Global Traded Categories (US$ Billion)

Commodity Code	Description	Global Trade	India's Exports	India's Share
610910	Cotton T-shirts	34	1.7	5.0%
611020	Cotton Jerseys/ Sweater	30	0.2	0.7%
611030	MMF Jerseys / Sweater	27	0.0	0.2%
620342	Men's Cotton Trousers	25	0.5	1.8%
630790	Made-ups	23	0.4	1.8%
620462	Women's Cotton Trousers	22	0.2	0.9%
520100	Cotton	17	2.7	16.0%
610990	MMF and Other T-shirts	14	0.6	4.6%
621210	Brassieres	12	0.1	0.7%
610463	Women's Synthetic Trousers	11	0.0	0.35%

Source: Un Comtrade

Also analysing India's top exported commodities, it can be observed that India's top ten commodities include commodities like fibre, yarn, garment and home textiles as well.

Table 8: India's Top 10 Exported Categories (US$ Billion)

HS Codes	Description	India's Exports
520100	Cotton	2.7
610910	Cotton T-shirt	1.7
520523	Cotton Yarn	1.4
630492	Knitted Made-ups	1.3
630260	Cotton Terry Fabrics	1.0
630532	MMF FIBSC Bags	1.0
520524	Cotton Yarn	0.9
630231	Cotton Bed Linen	0.9
611120	Cotton Babies Garments	0.8
540233	Texturized Polyester Yarn	0.8

Source: UN Comtrade

This analysis shows that India's exports are not very much aligned towards global demand. There are various product categories wherein there is a large potential demand and due to lack of product diversification, India's share in those categories is negligible. Indian textile industry needs to understand and capitalize on this potential market opportunity by investing into different products. Also, Indian textile industry needs to keep an eye on emerging product categories such as technical textiles, functional textiles, non-wovens etc. and target their growing markets as well. Keeping pace with the requirements of buyers in export markets and responsiveness to it can also help exporters to have better competitiveness.

Developing capacities in Synthetic Textiles

India is gaining strength in top MMF apparel commodities traded globally. In 2021, India's share in the top MMF traded category globally was only 2%. However, India has shown significant growth of CAGR 8% in the MMF based apparel Category since 2010. India's presence is still insignificant in the majority of MMF apparel commodities except for Dresses and Blouses where India has a reasonable share of 12% and 11% respectively. Going forward India can focus on consolidating these categories however, diversification to new categories is a must. Categories like Trousers, Sweaters, Jackets, Brassieres, and Overcoats are some of the major categories where India can focus expansion in order to increase its share in the global MMF apparel market.

Table 9: India's Share in top MMF Based Apparel Commodities (US$ Billion)

Sr. no.	Row Labels	Global Trade	China	Bangladesh	Viet Nam	India	India's Share	India's Growth (2010-21)
1	Trousers	19.7	12.0	2.4	4.3	0.9	4%	14%
2	Sweaters	15.0	11.1	2.2	1.5	0.05	0.3%	11%
3	Dresses	9.2	6.9	0.5	0.6	1.1	12%	13%
4	Hosiery	8.7	6.3	0.03	0.3	0.2	2%	20%
5	Jackets	6.7	8.0	0.2	0.4	0.2	3%	10%
6	Brassieres	6.2	4.4	0.7	1.0	0.1	1%	6%
7	Overcoats	4.5	3.2	0.4	0.9	0.04	1%	4%
8	Gloves	3.4	2.9	0.04	0.4	0.1	2%	10%
9	Blouses	3.2	1.0	0.3	0.3	0.3	11%	3%
10	Swimwear	3.0	2.0	0.2	0.5	0.01	0.2%	-7%
	Others	157	34	3	7	2	1.3%	1%
	Total	**237**	**92**	**10**	**17**	**5**	**2%**	**8%**

Source: UN Comtrade

Tapping the huge potential of Technical Textiles

Technical textiles offer vast arrays of opportunities for the domestic market of India. This segment is still at a nascent stage in India and has the capability to grow at unprecedented rates in the future. This is due to the growing awareness about the benefits of technical textiles not only on industrial front but also in household usage. With applications in fields like healthcare, automobile, construction, agriculture, apparel, sports & fitness etc. Technical textile market is posed to reach a size of US$ 42 bn. in 2025-26 from a level of US$ 22 bn. (2021-22) registering double digit growth rate of 12%. Hence, this sector becomes is one of the most important areas for growth for Indian textile and apparel sector.

3.3. Building Scale and Taking Cluster Approach

Large scale Investment

Indian textile industry is at a tipping point; moving forward from a low value-added product to high-end products. There is a vast scope on the horizon for India to improve its textiles consumption and production as it is expected to become US$ 250 bn. sector. With the increase in investments in India, we will be able to achieve economy of scale which will gain us competitive edge in the global market.

Globally, the textiles industry is characterized by huge investments in research and development to develop novel products with more functionalities and features. The growth of India as a manufacturing hub for textiles will depend on the attractiveness of India's domestic market and attracting investments in high-end textile products to cater to global demand.

The textile industry can achieve its economies of scale by doing large-scale investments from foreign and domestic investors. Investment can be greatly amplified through improvement in ease of doing business, competitive lending rates, and a fibre neutral tax structure. Additionally, partnerships of financial and technological know-how sharing with global players will help in making our presence felt globally. Alongside various partnerships, focus on research and innovation has to be intensified domestically to make our products more R&D intensive and globally competitive.

Cluster Approach

Indian textile and apparel manufacturing is highly fragmented and spread across different clusters. Majorly the spinning is the most organized sector of the textile value chain whereas all the other sectors are largely unorganized. Woven fabrics are being produced in Surat, Delhi NCR, knitwear production happens in Ludhiana, Tirupur whereas garmenting is done in Bangalore, Delhi NCR, Tirupur, Ahmedabad etc. The unorganized manufacturing in these clusters face several challenges likelack of support facilities &infrastructure, limited scale, labour challenges, etc. The clusters need ot be upgraded and modernized to align with global market demands.

The revival of manufacturing in the sector can be led by the consolidation of the unorganized manufacturing bringing them under one umbrella. The sector is labour intensive and such reforms will lead to the generation of employment and achieving a more inclusive economic growth of India. This will also help to lessen the supply side challenges and help to reach the target customers at the right cost.

Clusters also allow companies to operate more productively in sourcing inputs; accessing information, technology, and needed institutions; coordinating with related companies; and measuring and motivating improvement by understand their core competencies. It will connect the array of industries which are related to skills, technologies, or common inputs, suppliers, etc. so that the buyer's needs can be fulfilled. One example of a successful cluster is Tirupur knitting hub where many SME apparel production units have consolidated to achieve common goal. This will collectively help to improve the competitiveness and profitability of the units.

3.4. Attaining Manufacturing Excellence

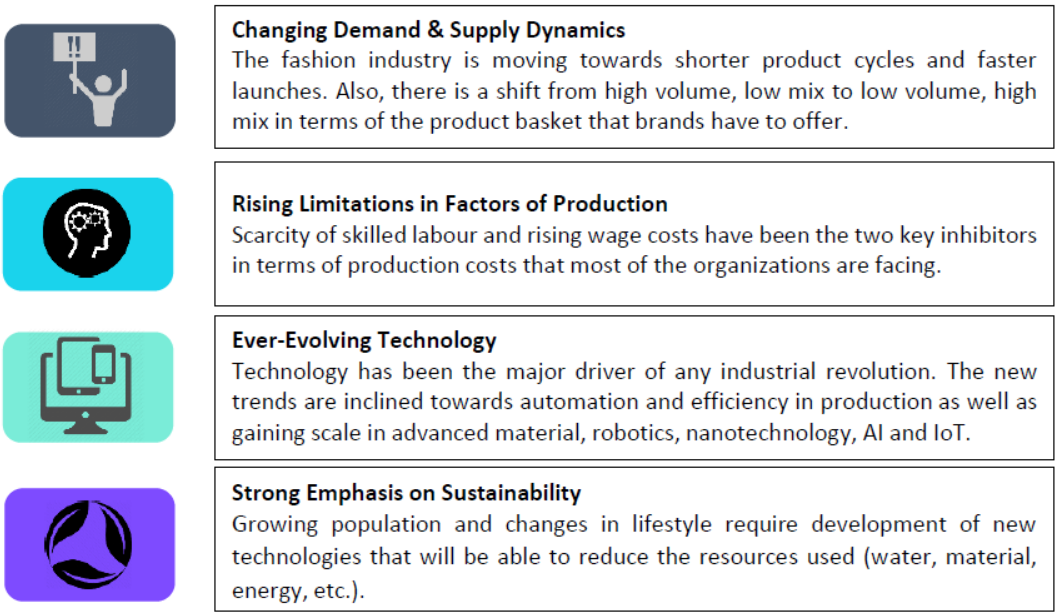
Another important step towards becoming a preferred manufacturing destination is manufacturing excellence. Better productivity, higher efficiency etc. can only be achieved if all the systems and processes are working in a synergy. Apart from a handful of the top companies, majority of textile industry lack manufacturing excellence. This leads to generation of higher waste, poor quality and low efficiency and productivity levels. Manufacturing excellence includes streamlining manufacturing operations, quality & process improvement, capacity improvement, and information systems for operations & control. Thus, an ideal production process would be where throughput time is minimal, inventory is balanced, bottleneck in operation is none, changeover time is negligible, defects are zero, and critical path is well defined. To remain competitive in the international market it is important to continuously improve quality and productivity through manufacturing excellence.

Industry 4.0

Industry 4.0 has different components like Internet of Things, additive manufacturing, man-to-machine communication, smart manufacturing, and artificial intelligence. It is a revolutionary wave in the industry to transform the ways of manufacturing making the factories 'smart'. Cheap labor and working with traditional manufacturing systems like Unit Production System (UPS), Progressive Bundle System (PBS) etc. will not have the supremacy as before against the newly adopted manufacturing systems.

Industrial revolution commences with the introduction of disruptive technology. There are numerous factors that contribute to the birth of these innovations and technologies within the manufacturing industry. Some of the forces that are acting to bring about the Industry 4.0 paradigm are:

Figure 6: Industry 4.0 Factors



Source: Wazir Analysis

4. Planning for a Sustainable and Prolonged Growth

Industrialistsneed to focus on incorporating best practices in order to sustain the growth in the industry and prolong the global competitiveness. There is also a need to attain sustainability in both process and product to ensure the prolonged growth.

4.1. Adopting Best Manufacturing Practices

Technology and innovation are synonymous with growth and development for any sector or industry. Globally renowned companies have become successful by continuously evolving their systems & processes to not only meet the ever-changing demands of consumers but also by introducing newer and better products. This evolution is the result of an amalgamation of new technologies and improved methods of manufacturing which are efficient and highly productive. This aspect of manufacturing has been neglected by the Indian textile industry as only a handful of large and organized companies actually follow any type of systematic procedures for manufacturing and focus on incorporating modern technology into the system. This leads to higher waste generation, poor output quality, more defects and faults which in turn results in the decrease in the value of finished products.

To improve manufacturing performance of the textile industry of India, it becomes imperative to incorporate more efficient methods of manufacturing and newer technologies to complement the system.

For attracting investments in the sector, it is required that good incentives should be given to investors. Incentives focused on technology up-gradation, capacity addition and long-term development of the sector are crucial at this point of time. The incentives need to be attractive enough for Indian as well as international investors. Improved investment environment will stimulate investments, provide technical know-how and develop state-of-the-art set-ups required for the sustainable development of the sector.

Strict Adherence to Compliance and Regulations

There is a growing pressure on textile companies around the world to become sustainable and green. This pressure comes from the government, from society, environmental campaigners & NGOs. The result of which emerged in the form of various laws & regulations on the right ways of processing textiles & apparel. The government has built multiple compliances which range from labor compliance, social compliance, environmental compliance, and compliance for waste disposal & other manufacturing compliances. The objective of these rules & regulation is to provide a stipulated framework for the industry to work in such that it does not cause harm to the society & the environment.

On an average, a manufacturing company in India has to follow around 70 compliances and file over 100 returns every year. Government authorities such as Labour Department, Director of Factories, PF & ESI office, Pollution Control Board etc. regulate these compliances. However, the key issue is that these compliances are not followed properly in the textile sector and the reason again is the fragmented state of the industry. Lack of awareness & training and the high cost of compliance makes the implementation of compliances complicated especially for small-scale industries. This non-compliance from the industry is not only harmful to the environment but it also adversely impacts the image of the Indian textile industry in the global market.Although the government has made stringent laws & regulation, if the industry will not comply with those regulations, sustainable growth cannot be achieved. For this, a joint effort between government & industry is needed wherein government can provide an accessible platform for the textile companies for eco-compliances while the industry must strictly implement the regulations laid by the government.

4.2. Developing an Agile and Versatile Manufacturing Capability

T&A manufacturers need to develop an agile and versatile approach when servicing global buyers. Competition has increased the demand for shorter lead times and variety in products, driving strong need for quick change over while maintaining efficiency levels and also manage a wide range of product portfolio. Being versatile, will enable manufacturers to gain competitive advantage over global manufacturers. Bringing new ideas into action is of importance as it can lead to finding new manufacturing methods to improve agility, producing better quality and designs and streamlining the entire process flow.

4.3. Role of Research and Development

The Indian textile and apparel sector is known for its traditional products but very limited innovation has taken place in the sector so far. Even for several home-grown technologies and process, commercial acceptability and adoption is not there in the sector. When compared to other competing countries, the efficiency and productivity levels of Indian textile sector is quite low. The government can have a R&D fund, which could be used for deploying state-of-art modern technologies.

4.4. Focus on Sustainable Development and Circular Economy

Sustainability is becoming a non-negotiable factor in global trade and sourcing decision factors and it is important for the supply chain stakeholders are aligned with the sustainability agenda and understand their responsibilities going forward. At the core of sustainable development lies the responsibility towards the environment. The mere definition of sustainable development says that it is an approach that aims to balance the economic development needs against an awareness of the environmental & social limitations. Staying within our environmental limits is one of the central principles of sustainable development.

Textile manufacturing is an energy, chemical & resource-intensive industry. Right from the growth of fibers i.e. cotton (agriculture) or synthetic (chemical synthesis) to the manufacturing of garments, textile industry consumes a large number of resources (land, water, coal, other fuels, chemicals etc.). Consumption of all these resources means the release of large amounts of harmful emissions, solid and liquid chemical waste. It is a double-edged sword as it impacts the environment by both depleting natural resources and by releasing harmful byproducts in the environment. Future development of any industry cannot be based on a model where no regards are given to the impact that it has on the environment. Hence for the textile industry, it becomes much more important to adopt the sustainable way of growth.

Companies are now adopting a green, low carbon &environment friendly approach. This is achieved by incorporating advanced technologies for energy saving & emission reduction, resource recycling and implementing low-carbon & energy-saving projects. The first step in this is to build an Environmental Management System (EMS). EMS is a set of practices & procedures that enable an organization to reduce its impact on the environment and also increase operating efficiency.

Overall Indian textile and apparel industry has the potential to reach the target of US$250 bn by 2025-26 if the right steps are taken from a manufacturing perspective, marketing perspective and policy perspective. There is a strong window of opportunity for India to enhance its global presence and industry must be prepared to tap the opportunity.



About FICCI

The Federation of Indian Chambers of Commerce and Industry (FICCI) is an association of business organizations in India established in 1927. FICCI draws its membership from the corporate sector, both private and public, including SMEs and MNCs. The chamber has an indirect membership of over 2, 50,000 companies from various regional chambers of commerce. It is headquartered in the national capital New Delhi and has presence in 12 states in India and 8 countries across the world.

FICCI is a non-government, not-for-profit organization involved in sector specific business policy consensus building, and business promotion and networking. It provides a platform for networking and consensus building within and across sectors and is the first port of call for Indian industry, policy makers and the international business community. It organizes conferences, forums, exhibition, trade fairs, etc. bringing the industry insight forward.

About Wazir

Wazir Advisors is a Management Consulting assisting its clients in strategy formulation and implementation, forming alliances and joint ventures, investments and market understanding, sector analysis and due diligence-thereby providing end to end solution spanning the complete business cycle in textile value chain.

Having worked with leading Indian and International companies, public sector organizations, Government departments, development agencies, trade bodies etc., Wazir has a deep understanding of global textile sector dynamics and right connect with the people who matter.

Wazir's team of textile experts possess experience across function – projects, operations, sourcing and marketing in the sector. The team members have worked on strategy and implementation assignments in all major textile and apparel manufacturing and consumption base. Wazir leverages its body of knowledge, contact and combined expertise of its team to deliver value to clients.

Scope of Our Operations

Strategy	Implementation	Alliances
Wazir delivers practical, implementable strategies for clients to meet their objectives. Be it corporate strategy intending to enhance profitability or sector growth strategy to support MSMEs or evaluating Government scheme to access its impact, we are geared to advise our clients efficiently and effectively. Our services include: • Sector Mapping and Growth Strategy • Policy Formulation Support • Government Scheme Evaluation • Corporate Strategy • Market Opportunity Assessment • Market Entry Strategy • Location Analysis • Business Performance Enhancement • Product Diversification • Marketing and Distribution Strategy	Wazir provides implementation services to textile and apparel sector entities to convert the plans into reality. Whether it is to manage a Government scheme or to improve productivity in apparel factories or to identify the most suitable technology; we have in-house competence to cover all the critical elements of implementation. Our services are: • Project Management and Monitoring • Re-modeling of Manufacturing Plant • Process Re-engineering • Productivity Improvement • Supply Chain Optimization • Feasibility and Techno-Economic Viability (TEV) Study • Investment Promotion • Cluster and Industrial Park Development	Partnerships and collaborations are ways to achieve accelerated growth, expand market reach and attain technical advancement. Realizing the importance and need of inter-organization alliances in textile and apparel sector, Wazir has developed broad range of services to support companies and organizations looking for inorganic growth globally. Our services include: • Company Due-diligence • Joint Venture • Marketing Tie-up • Technology Transfer • M&A Execution • Strategic and Financial Funding


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