Challenges and Strategies to Promote India as a Sourcing Destination

Submitted to
Ministry of Textiles, Government of India

Indian Institute of Foreign Trade
New Delhi

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Final Report

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Contents

		Pg No.
	Preface	4
	Executive Summary	5
Chapter 1	**Introduction and Research Methodology**	22
1.1	Indian Textile and Apparel Industry - Historical Perspective	23
1.2	Context and Objectives of the study	24
1.3	Research Methodology	27
Chapter 2	**Indian Textile Industry & Export Performance : A Brief Review**	29
2.1	Indian Textile Industry: Present Scenario and Growth Outlook	30
2.2	Indian Textile and Apparel Industry: Growth Outlook	32
2.3	Indian Textile and Apparel Industry: Policy Developments	34
2.4	India's Textile Exports : An Overview	39
2.5	Textile Value Chain – Opportunities amidst Despair	43
2.6	Global Markets Shifting to MMF – India's Position	45
2.7	Competitiveness in Textiles: Cross Country Comparison	45
2.8	Positioning of Indian's Textile Exports	46
Chapter 3	**Challenges and Opportunities in Indian Apparel Sector: Perspective of Buying Houses and Suppliers**	48
3.1	Introduction	49
3.2	Buying House : A Critical Agent for Textile Industry	50
3.3	India's Export of Apparel Products	51
3.4	Challenges Identified by Buying Houses and Suppliers	56
3.4.1	Issues faced by Buying Houses & understanding the challenges in the sector	56
3.4.2	Issues faced by Suppliers/Manufacturers	61
Chapter 4	**Challenges and Opportunities in Indian Carpet Sector: Perspective of Buying Houses and Suppliers**	66
4.1	Introduction	67
4.2	India's Exports of Carpet Products	67
4.3	Challenges faced by Carpet Buying Agents & Suppliers and Suggestions	71
Chapter 5	**Challenges and Opportunities in Indian Cotton and Man-Made Fibre: Perspective of Buying Houses and Suppliers**	74
5.1	Brief History of Cotton and Man Made Fibre	75
5.2	Current Trade Position and Quantitative Analysis	76
5.2.1	Trend in Yarn (Cotton Yarn) Export	76
5.2.2	Quantitative Analysis in Indian Cotton Yarn	78
5.2.3	Trend in Fabric (Cotton Fabric) export	80
5.2.4	Quantitative Analysis in Indian Cotton Fabric	82
5.2.5	Trends in Man-Made Yarn and Fabric(MMF) Exports	83
5.3	Stakeholder's Analysis	86
5.3.1	Challenges faced by Buying Houses	86
5.3.2	Challenges faced by Supplier/Exporter	88
5.4	Suggestions to Enable India become a Global Sourcing Hub	91
Chapter 6	**Summary and Recommendations**	94
	References	109
	Appendix	110

PREFACE

The textile sector assumes a significant place in India's economic landscape. It caters to consumer tastes that range from exquisite handmade craftsmanship to modern, mechanised, contemporary fashion. The textile sector spans with a wide canvas of products demanding a focused and dedicated approach to enable each product category have a competitive advantage in India's textile exports.

With this background, the Ministry of Textiles commissioned IIFT to conduct a short study with two important segments in the supply chain of textile exports, namely Buying Houses and Exporters in order to understand the challenges related to sourcing of textiles from India. IIFT had examined four major product segments in the textile sector which included apparel, carpets, cotton and man-made fibre. A select group of buying houses and exporters of each product category located in various parts of India were contacted to understand the challenges faced with respect to quality, delivery, pricing and compliances. Based on the survey, a detailed recommendation to overcome some of the major challenges have been given.

We hope that the findings and suggestions of the study will be useful to the Ministry of Textiles in leveraging the strengths that India commands in the textile sector. We would like to thank the Honorable Minister of Textiles, Smt. Smriti Zubin Irani, Sh. Anant Kumar Singh, Secretary, MoT, Smt. Babni Lal, Economic Advisor, MoT, and her team Mr. Arun Ganguly and Mr. Chinappa for giving us the opportunity, support and guidance in conducting this study. We are grateful to the various export promotion councils, buying houses and exporters contacted during the study for sharing their views.

March, 2018

Dr. Rakesh Mohan Joshi
Project Leader
Professor and Chairperson, Research

Executive Summary

1.1 Textiles and apparel industry plays a pivotal role in the Indian economy through its significant contribution to the country's industrial output, employment generation and export earnings. The industry has achieved a noteworthy position as one of the major exporters of varied textile and apparel products including cotton, natural and manmade fibre, silk based textiles, knitted apparel and accessories among others. India currently commands a share of about 4.5% in the world exports of textiles. This is still a very nominal share despite the textile sector in India being one of the oldest sectors and has witnessed revolutionary changes in transforming the industrial and economic landscape of the country.

1.2 Presently, the industry due to international and domestic challenges is losing its competitiveness and global presence. Some of the challenges are:

- rising competition from neighboring countries such as China, Bangladesh, Vietnam, and Turkey in areas such as cotton fabric, apparels, MMF and carpets
- sluggish demand in major export destinations, EU and USA as a result of global economic crisis and
- domestic challenges such as lack of technology up-gradation, inefficient infrastructure and fragmented industry structure among others.

{Refer Page No 25 & 32}

The present Government is making rigorous efforts to restructure and to revamp the Indian textile and apparel industry under the ambit of its highly ambitious 'Make in India' program which envisages making India as a 'manufacturing' and 'sourcing hub' in the coming times.

1.3 Buying houses/Merchant exporters play a critical role in exporting various textiles and apparel products worldwide and can further play a key role in enhancing their supplies. However, the segment (buying houses and suppliers) is facing numerous challenges in terms of

- lack of efficient infrastructure, procedural bottlenecks,
- lack of quality raw material,
- lack of technology etc.

With this backdrop, there is a need to identify the bottlenecks in detail which hamper India's prospects from becoming a dominant supplier or source of imports for the world market.

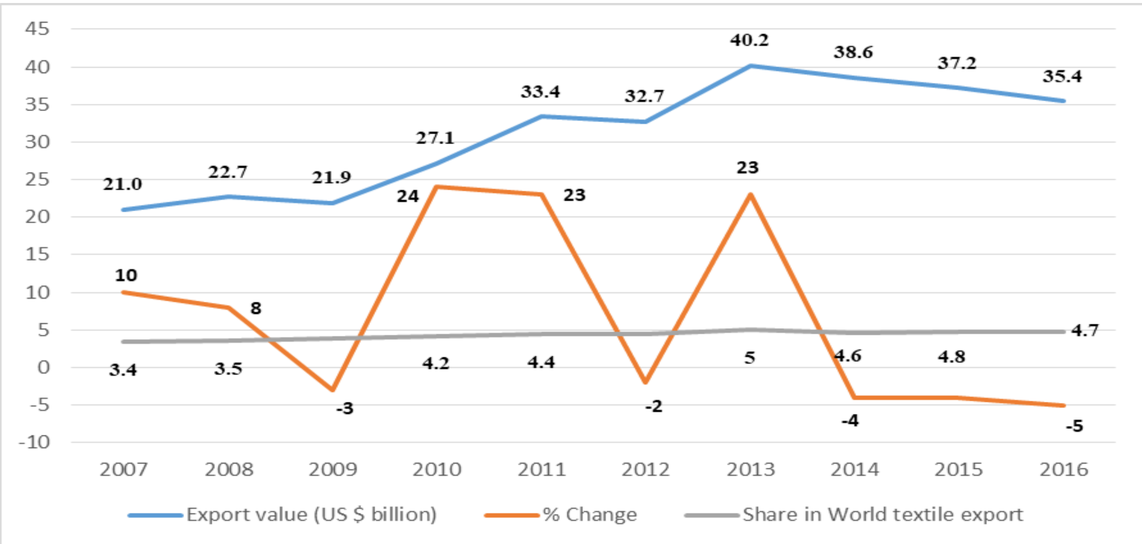
1.4 Indian Institute of Foreign Trade (IIFT), New Delhi on behalf of Ministry of Textiles has conducted a study to comprehend the process used by buying houses/agents to procure the products for global brands and identify the main challenges faced by them. It also looks into the main challenges faced by suppliers especially in terms of infrastructure, availability of raw materials, prices of fabrics, networking capability, managing large and small demand and ability to adopt new technology. The study aims to provide concrete suggestions which can be used for developing better policy to make India a global sourcing hub. The study focused on four important sectors such as Apparels, Carpets, Cotton and MMF.

{Refer Page No. 56-65, 71-73, 86 -93}

Overall Textile & Apparel Export Performance

1.5 Analysis of India's textile exports explains how product distribution has changed over the years in accordance with the change in share of various textile and apparel exports of the country in the last 10 years. The export data of last 10 years reveals a marked change in the share of textile products in the export basket. The overall export has tapered off with a slow declining trend since 2013. However, India's long run global share has shown a slow rising trend.

India's Total Textile & Apparel (T&A) Export Performance (2007-16)



{Refer Page no 39 & 40)

1.6 The above graph represents the overall export performance of the 14 major sectors from HS code 50 to HS code 63 at two digit level under the textile and apparel category for the calendar period 2007 to 2016. The graph depicts the performance on the basis of three parameters namely, export value, percentage change in export value and India's share in world textile export during the given period.

1.7 The overall export share has grown from 3.4% to 4.7% for the given period. However, there are very ***steep spikes of increase*** in the percentage growth of export value during the periods 2009 to 2010 and 2012 to 2013, while there are ***steep spikes of decline*** in the % growth of export value during the period 2011 to 2012 and 2013 to 2014. To identify the products that contributed to the increase and decline a category level analysis of the exports was studied. The ensuing graphs below provides some insight at the individual product categories.

Category-wise export performance of T&A – Exported Value

1.8 The category wise analysis is undertaken for individual HS Codes 50 to 63 based on:

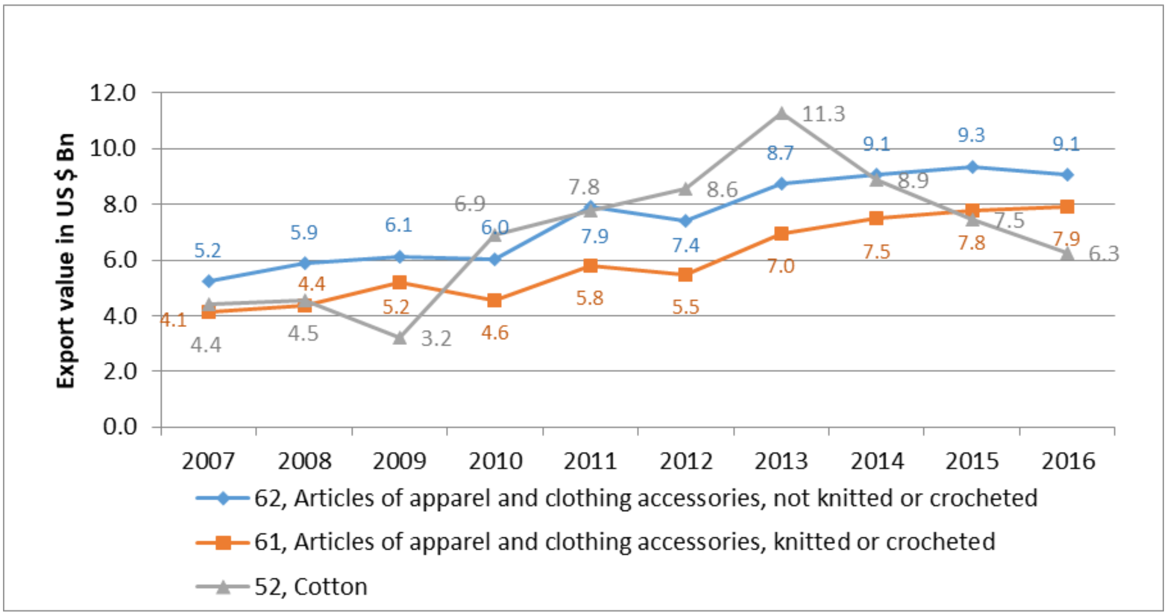
- Category's share in total T&A export value in (US$ bn.)
- Category's share in total T&A export value in (%)

{Refer page no. 41 & 42}

1.9 For the purpose of share in total T&A export value in (US$ bn.) the 14 categories are divided into 3 segments. They are:

- Segment I : Products with Export Value > 5 US$ Billion
- Segment II : Products with Export Value < 5 but >1 US$ Billion and
- Segment III : Products with Export Value < 1 US$ Billion

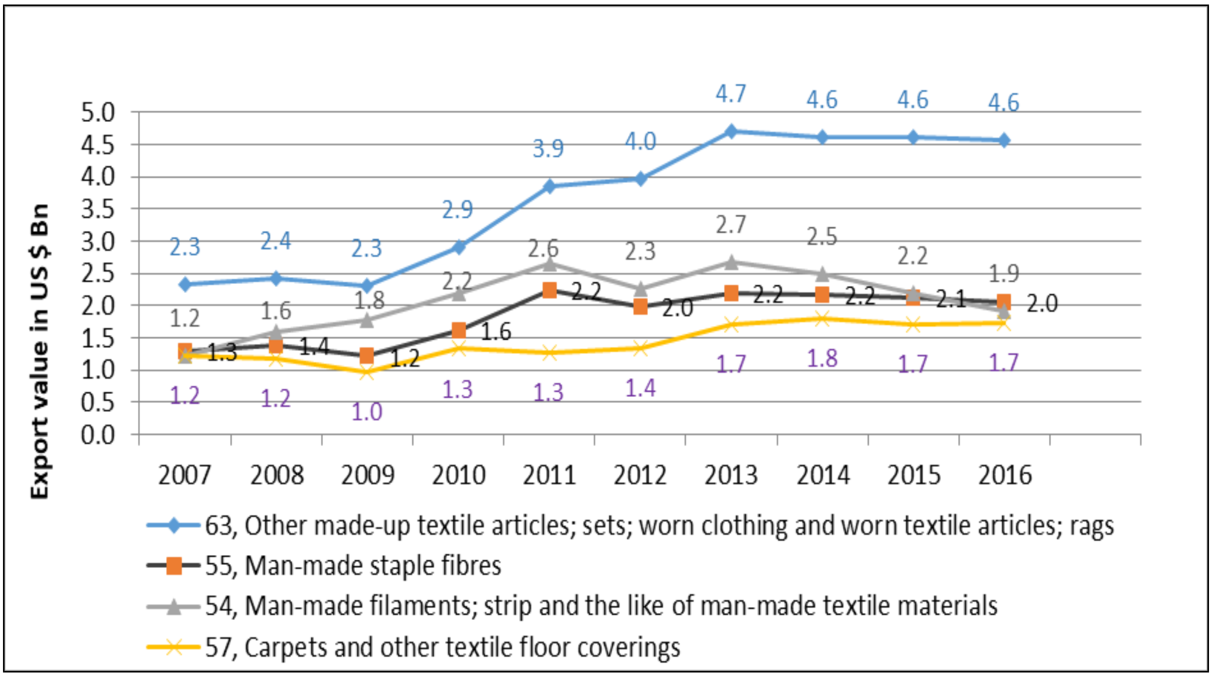
Segment I: Products with Export Value > 5 US$ Billion



1.10 It is found that under Segment I, the top three product categories include cotton and apparels. During the years 2009 to 2010, the significant increase noticed in exports was due to the phenomenal increase in exports of Cotton from 3.2 to 6.9 US$ billion, which is a more than double the export value in the preceding year while between the years 2012 to 2013 had an increase in cotton exports from 8.6 to 11.3 US$ billion.

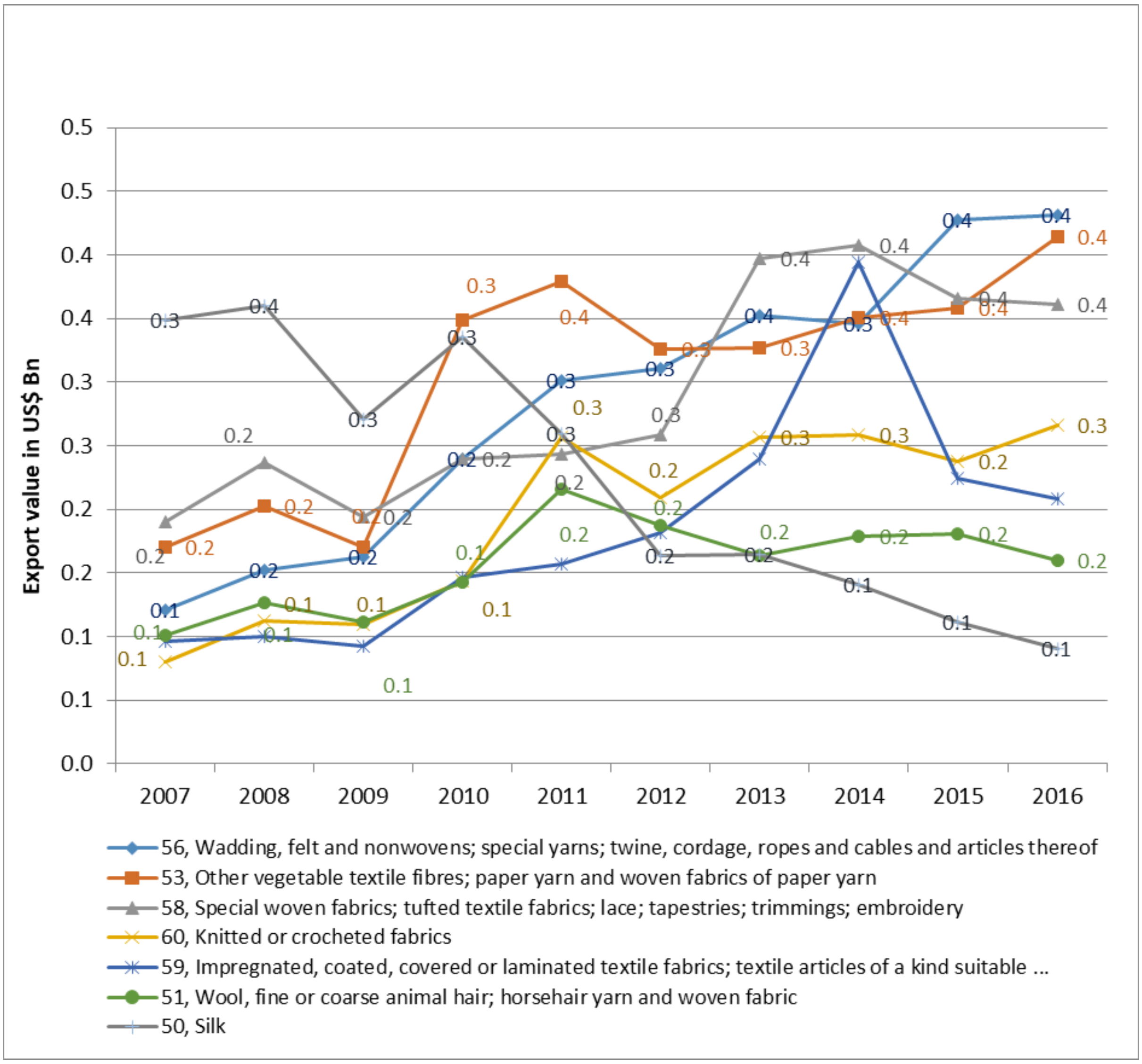
1.11 In the years that witnessed a decline in overall exports, 2011 to 2012, the apparel category experienced a slight fall in the export value, while the exports of cotton remained unaffected. However, 2013 to 2014, saw a significant decline in the exports of cotton from 11.3 to 8.9 US$ billion and has continued to experience a steady decline while the apparel segment grew marginally.

Segment II: Products with Export Value < 5 US$ Billion but > 1 US $ Billion



1.12 In the case of products under Segment II with export value < 5 US $ Bn but more >1US $ Bn all the four categories of products namely made-ups, MMF and carpets continued to see an increase in the years of steep increase (2009 -2010 and 2012-13) while for the years of steep decline (2011-2012 and 2013-2014) carpets and made-ups rose marginally while MMF staple fibre and MMF filaments experienced a fall in the export value from 2.6 to 2.3 US$ Bn and 2.2 to 2.0 US$ Bn respectively. Hence, drop in export value in segment II had only a very small effect in the overall textile exports of the country. Therefore, in segment II it is observed that made-ups have the highest contribution in the export value which is above 4.5 US$ Bn while carpets even though having a share of less than 2 US$ Bn have been stable in their exports unlike MMF which has witnessed a number of fluctuations for the period reviewed (2007-16).

Segment III: Products with Export Value < 1 US $ Billion



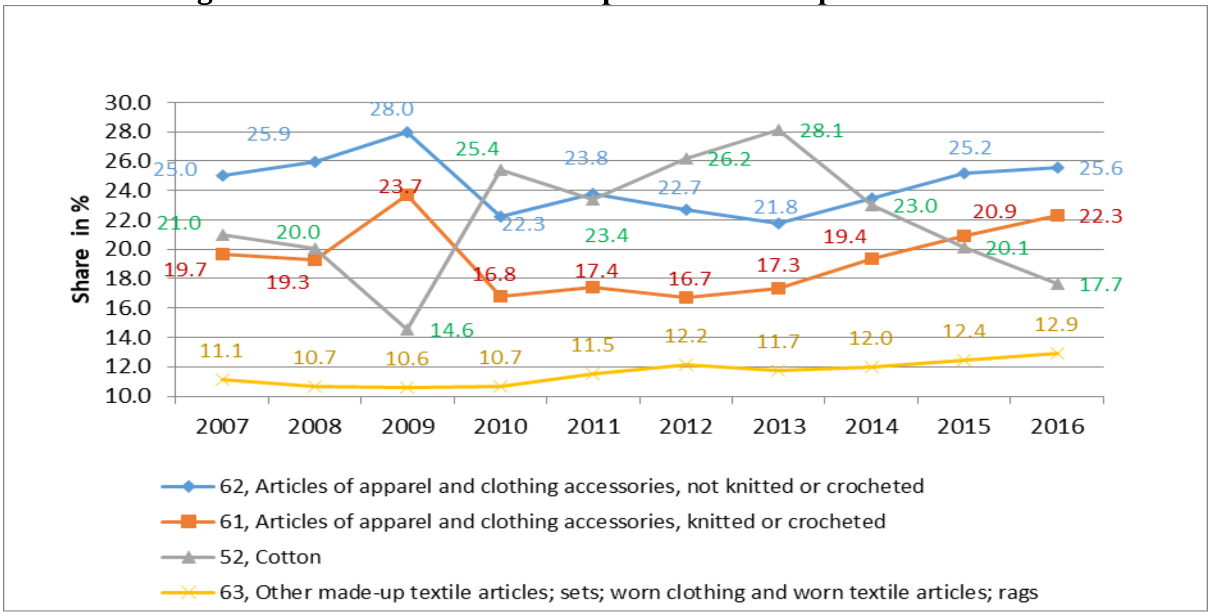
1.13 In segment III, that examines product categories that have < 1 US$ Bn share in the overall exports of T&A from India, the figure looks very choppy. However, the important insights garnered are that products such as Vegetable textile fibres, Special Woven fabrics and Wadding, felt and non wovens have the highest share in this segment (close to 0.4 US$ Bn) and are seen to be stable and growing in their exports. But, the major area of concern is the contribution of Silk which is been showing a steady decline from a high of 0.4 to 0.1 US$ Bn. This is an area that needs to be examined to identify measures for improvement.

Category-wise T&A exports – in % Share of Total T&A Exports of India

1.14 Another method of analyzing the product category's contribution to the total T&A exports is examining the % Share of each product category to the total T&A Exports of India. Three segments were identify and classified based on the following criteria namely,

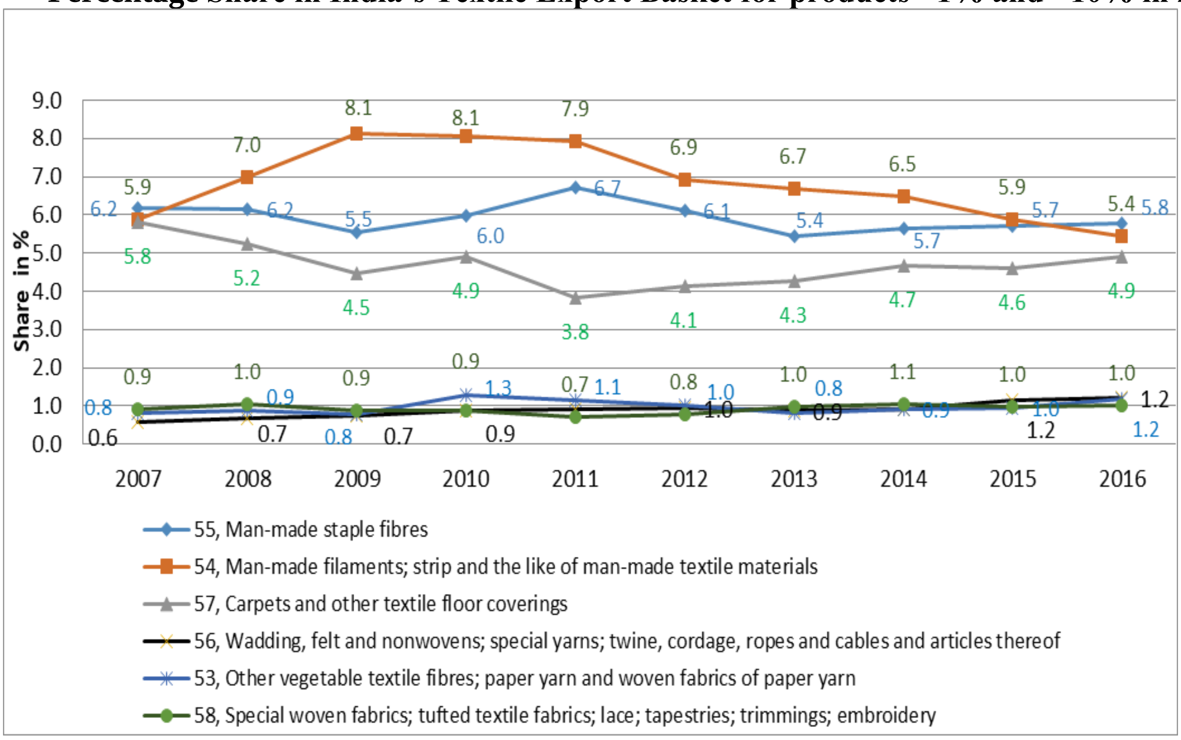
- Products with Percentage Share > 10% in the total T&A exports
- Products with Percentage Share <10% but >1% in the total T&A exports
- Products with Percentage Share <1% in the total T&A exports

Percentage Share in India's Textile Export Basket for products > 10% in 2016



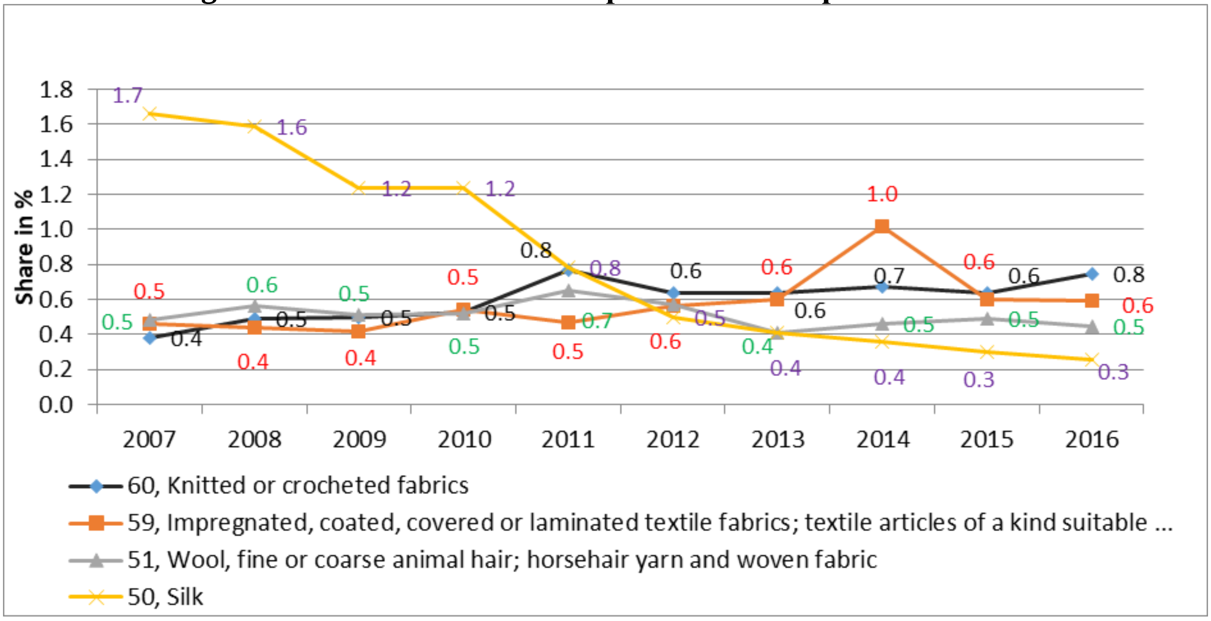
1.15 From this segment, it can be clearly observed that the % share of cotton to India's total T&A export value is on the decline, from a high of 28% to 17%, which also is in sync with global trends that exhibit a shift from cotton to MMF. However, apparels and made-ups have been steady and showing an increasing trend in their share to total T&A exports from India.

Percentage Share in India's Textile Export Basket for products >1% and <10% in 2016



1.16 Insights from the above graph show that MMF and Carpets continue to have a stable contribution of about 5% in the total T&A export value of India. While Vegetable fibre, Special Woven fabrics and Wadding, felt and nonwovens have been steadily contribute close to a little more than 1% share.

Percentage Share in India's Textile Export Basket for products < 1% in 2016



1.17 In the segment which represents product categories that have <1% share in the total T&A exports from India, Silk is a matter of concern witnessing a steady fall in its share while knitted and crocheted fabrics and Wool can be identified as products that can rise by identifying areas of improvement.

1.18 Strategically based on the analysis of growth and market share in exports India requires dividing the products into four categories with a dedicated focus in each category. These four major categories can be

- Cotton based textile, apparel (knitted and woven), other made ups (HS 52, HS 61, 62, 63)
- Vegetable textile fibre, manmade filament based textile (HS 53, HS 54, HS 55)
- Carpets and Floor covering. (HS 57)

{Refer Page No. 43}

1.19 Cotton based textiles, apparel (knitted and woven), made-up article which constitutes a high global share requires continuous innovation in terms of new blending, design in order to move up the value chain.

1.20 Vegetable fibre, manmade filament and fibre based textile are promising areas with rising shares, nevertheless requires improvement in the supply of raw materials, control on prices, technology upgrading, and incentives to attract more suppliers.

1.21 Carpets and floor covering command a high world ranking but a low share with decline. In order to regain dominance India needs to focus on product diversification using better technology, design, better weaver-buyer connect and compliance to laws of export destinations.

1.22 The weaknesses which are obstructing India to become a major player in apparel sector are primarily because of deficiency in three areas:

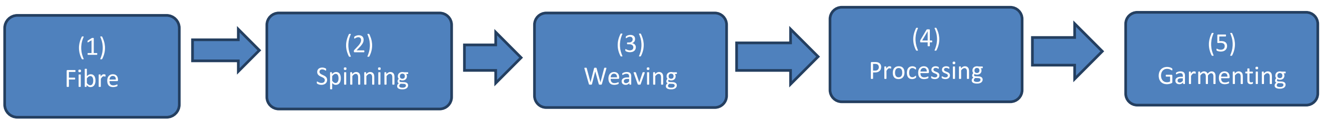
- Reliability
- Sustainability and
- Performance.

1.23 Reliability parameter implies getting the consignments ordered on time. In general the consignments which are delivered on time amount to 70-80% of the order and rest gets delayed due to various reasons. Furthermore, the manufacturing base in India which are predominantly handled by small and medium enterprises in terms of production capacity are anemic and suffering from various infrastructural, technological, and credit related bottlenecks. These manufacturing industries which are highly labor intensive are not efficient enough to leverage economies of scale thus affecting sustainability and performance.

MAJOR CHALLENGES AND SUGGESTED INTERVENTIONS

I. CHALLENGES RELATED TO QUALITY

1.24 Blending and Versatility of Fabrics: The process of fabric manufacturing begins with a series of steps. The following flow chart describes the process of converting fibre to fabric and thereafter garmenting.



1.25 The farm to fashion value chain is riddled with various problems within the supply chain. Indian and global fashion designers create products that involve the blends of various fabrics to suit the needs and taste of changing fashion trends. Indian fabric manufacturers are not able to keep up with the demands in time which results in lost orders and buyers shifting to neighboring countries to fulfill their demands.

1.26 Piece dyeing is another important area that Indian manufacturers are not able to keep up with due to lack of innovative technology and R&D. Piece dyeing is the ability to blend various yarn (example wool and polyester) into a required length of fabric as per the specifications of the buyers. China vigorously pursues the practice of piece dyeing for many buyers around the world however Indian manufacturers are not able to cater to individualized demands as the technology available does not afford to customize orders.

{Refer Page No. 90}

1.27 Recommendations: Big Investments in Textile machinery and technology

Policy support to increase big time investments in latest technology within the textile manufacturing sector. It is found that only the big players in the industry can afford to invest in new technology and machines. A large number of small and medium players rely on second hand machines to fulfill both domestic and global demands because of lack of capital and import costs related to new technology.

1.28 Design and Sampling: Designing is central to any fashion house. Many proactive buying houses are now working in collaboration with design houses to create innovative craft, weaves, and embellishments well before orders are placed. This enables the buying houses to preempt the needs of fashion houses and supply the required samples that cater to the fashion industries target consumers. However, this strategy requires a focused approach, investment and desire to keep up with global trends on par with global brands so that Indian designers are recognized for their work and have repeat orders for the future.

{Ref. Page No. 87}

1.29 Recommendation: Design Centers and Sample making factories

As designing is vital to the fashion industry and can reach the commercialization stage only if the designer is able to produce many samples of the new varieties created. Myntra, a leading Indian e-commerce retail fashion house is experimenting with artificial intelligence (AI) systems that recognize shapes, patterns, and colors to produce garments that meet popular demand at a speed that would be impossible for traditional apparel makers to match. The idea is to identify underserved spaces, quickly make small batches of products according to the latest trends in those spaces and sell fast. This technology is able to shrink the manufacturing process from 180 days to less than 45 for its fast-fashion products. This is a classic example of fashion and engineering. Leveraging the biggest strength of Indian entrepreneurs design and innovation by means of technology and encouraging them to work with small, medium and micro factories and thereby offer value added products.

1.30 Quality of accessories, Quality of Dyes and consistency of color: Availability of good quality accessories such as laces/labels/buttons/tags and trims are inconsistent and problematic. Sometimes if the required color of the rib fabric is not matching according to the garment color, the process of re-dyeing is to be taken up thereby resulting in loss of two weeks. Consistency of colors is another lacunae within the garment industry.

1.31 Recommendation: Increase last mile connectivity with production hubs about quality compliances

The most glaring problem that impacts the textile sector is awareness of the quality aspects from various buyers in the international market. This poses a major problem if the sourcing of the fabric or accessories is from small and medium sector. The knowledge about international quality compliances is significantly low and therefore it is imperative that a last mile connectivity with the production and design hubs is enhanced. Regular training and skilling about quality issues related to dyes, colors, etc.., must be imparted so that even the most remote weaver or designer is trained with the mindset of being quality conscious for the products developed locally and globally. With respect to accessory segment more investment and competition should be promoted.

1.32 Depletion of skills in traditional hand woven sectors: The carpet sector faces a growing threat of depletion of skills and forward dissemination of knowledge to the next generation. Low per day wage rate despite the hard work of hand weaving is making this sector financially unviable to the younger generation. Many of the weavers fall back on agriculture during the lean season as a source of alternative employment.

{Refer Page No. 71}

1.33 Recommendations: Training, Better Wage rates and Better Designer – Weaver-Buyer Connect

It is necessary that wage rates are made more attractive through a better wage structure and incentives. Much of the occupation is in the unorganized sector and therefore ensuring adequate and good wages is challenging. However, by increasing the designer-weaver-buyer connect the weaver is ensured of a better price which otherwise is lost due to the presence of middlemen. Another important initiative is setting up vocational courses in carpet weaving among youth so that the craft and skill of Indian handmade carpets is kept intact.

II. CHALLENGES RELATED TO DELIVERY

1.33 Inordinate delay in meeting delivery lead time - Buying agents across all the four sectors surveyed expressed the problem of inordinate delays in meeting delivery schedules and longer lead time. In the apparel sector India's lead time to USA is about 85 – 100 days and for Europe it is about 70 – 80 days with a probability of only 75% of the orders meeting the delivery time. While China manages the same delivery time in 60 days for similar destinations. In the case of carpets, the lead time ranges from 90 – 120 days depending on the size and length of the carpets. Cotton fabric manufacturer's time to reach destination ports for countries with close proximity like Vietnam and Cambodia is 21 days while time to reach China which is further away is 12 days. This is due to absence of direct service to countries closer to India. Similarly transit time between India-Dhaka by road is 18 days while transit time between Shanghai –Dhaka is 9 days by ship. This is because Shanghai enjoys a dedicated berth facility. Despite the fact that Bangladesh is a leading importer from India for cotton and MMF.

1.34 Bottlenecks in infrastructure - The poor state of roads and connectivity at weaver hubs have led to reduced number of personal visits by buyers leading to greater dependence on buying agents. In addition, limited number of vessel sailing, lack of mother vessels, lack of bonded warehouse facility at airports and ICDs increase the cost and time of meeting orders.

{Ref. Page No. 57, 73, 89}

1.35 Recommendation: A nationwide policy to create world class infrastructure

While it is the mission plan of the government to improve the state of infrastructure it is indeed still a long way off when there can be seamless and smooth movement of goods and people even in ***small but strategic locations*** which are defining India's economic landscape.

III. CHALLENGES RELATED TO PRODUCT RESPONSIVENESS AND INNOVATION

1.36 Lack of backward and forward integration in value chain - While India has been traditionally known for its intricate and exquisite designs and blends, there is very limited means by which weavers and craftsman can determine and forecast the trends in changing fashion internationally. Therefore it is important for manufacturers and merchant exporters who have access to the needs and demands of the end product users, namely fashion houses, to research the value chain backwards by describing to the weaving and processing segments the blends and designs that need to be developed for the ensuing season. This is a problem noticed by the manufacturers in the fibre and yarn stage and especially in the Man-made fibre category. The need for blending several different types of fabric can only be accomplished if the needs of the fashion makers are known well in advanced, weavers and processors of fabric blending are then informed about the need to shift focus and adapt from standalone blends to more innovate blending and designs this enables all players in the value chain to work in a cohesive manner.

1.37 Outdated Technology and Machinery: High import cost of latest machines deter many small manufacturers from upgrading to the latest technology, thereby contributing to compromises on quality. India levies a total tax burden to the tune of 23.5% which includes basic duty, CVD and special CVD on the imports of machines in addition to landing charges and additional cess. On the other hand governments in China, Vietnam and Bangladesh, promote the investments in modern technology by either government investing themselves in modern technology or by levying duty of around 1-2% while in Vietnam it is 0%.

{Ref. Page No.63}

1.38 Recommendation: Consistency and Continuation of Government Policies that impact supplier performance

One of the ways of meeting the challenge to be responsive to product innovation is to be equipped with the right technology that can enable Indian suppliers compete with the best quality products and blends in innovative fabrics. However, it is found that due to the sudden withdrawal of government policies or inconsistency with respect to continuation of favorable policies that incentivize suppliers it has resulted in loss in margins and the counterpart supplier becoming more price competitive. It is important that the assurance of continuation of government schemes acts as a relief to business entities whose attention can then be focused towards doing business.

IV. CHALLENGES RELATED TO PRICING

1.39 Lack of standardization in pricing of cotton yarn - Much of the pricing in the area of cotton yarn and fabric segment is a reflection of the prices of raw cotton. Pricing of raw cotton is predominantly governed by a few trading houses, thus there is a system of cartelization in the pricing of cotton. In addition, rumors related to poor crop quality and yield leads to further fluctuations in prices. With respect to fabrics since there is a time gap of about 6 to 8 months between order booking and buying season, mill owners are not willing to take a long term view when quoting prices to buyers and thus don’t hold on to their prices for long.

1.40 Recommendation: Standardization in Cotton procurement

Using technology and digital connectivity with farmers will help bring about transparency in prices. Initiate steps that to enable farmers with technology and shared farm equipment to lease it out to marginal farmers so that they can be helped to increase their yield, ensure quality and secure a better price. In addition branding cotton as fair trade will reflect support for farmers and the industry. Government needs to initiate steps to allow the forces of demand and supply to determine prices

{Ref. Page No. 93}

1.41 Differential taxation

With the introduction of GST, it has created an upheaval across sectors. Sectors like Cotton which were free from the tax net are now roped in with a 5% GST imposed. While the MMF sector had been taxed at 18% now brought down to 12%. The reason for the differential in taxation is something suppliers in the MMF segment are unable to comprehend since globally the ratio of production and exports between MMF and Cotton is at 70: 30. Hence, in order to encourage the MMF sector in India to move in that direction, a high taxation rate will hamper and impede achieving the global benchmark. Similarly a taxation rate of 18% on carpets will further reduce the price competitiveness which already facing stiff competition from countries like China and Turkey globally.

1.42 As the textile sector comprises of a large number of unorganized players which did not fall into the tax net, GST compels them to come into the mainstream and subjecting them to a taxation rate of anything between 5% to 18% depending on textile category produced.

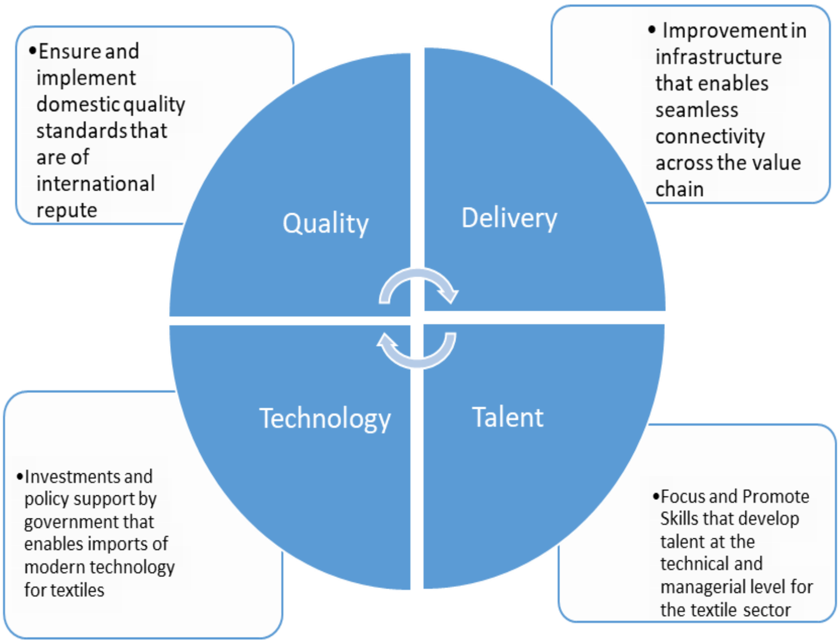
1.43 Similarly, post-GST there is a sharp increase in the past few months in the rise of imports of overseas fabric and garments due to lower import duties. While during Pre-GST import of textile products attracted basic customs duty + countervailing duty + special additional duty. Post-GST these have been withdrawn and IGST (Integrated GST) was introduced which is fully adjustable against GST liability on sale of imported product. Thereby making the Indian garment industry facing stiff competition from imported garments especially from neighboring countries such as Bangladesh where production cost is already lower than India.

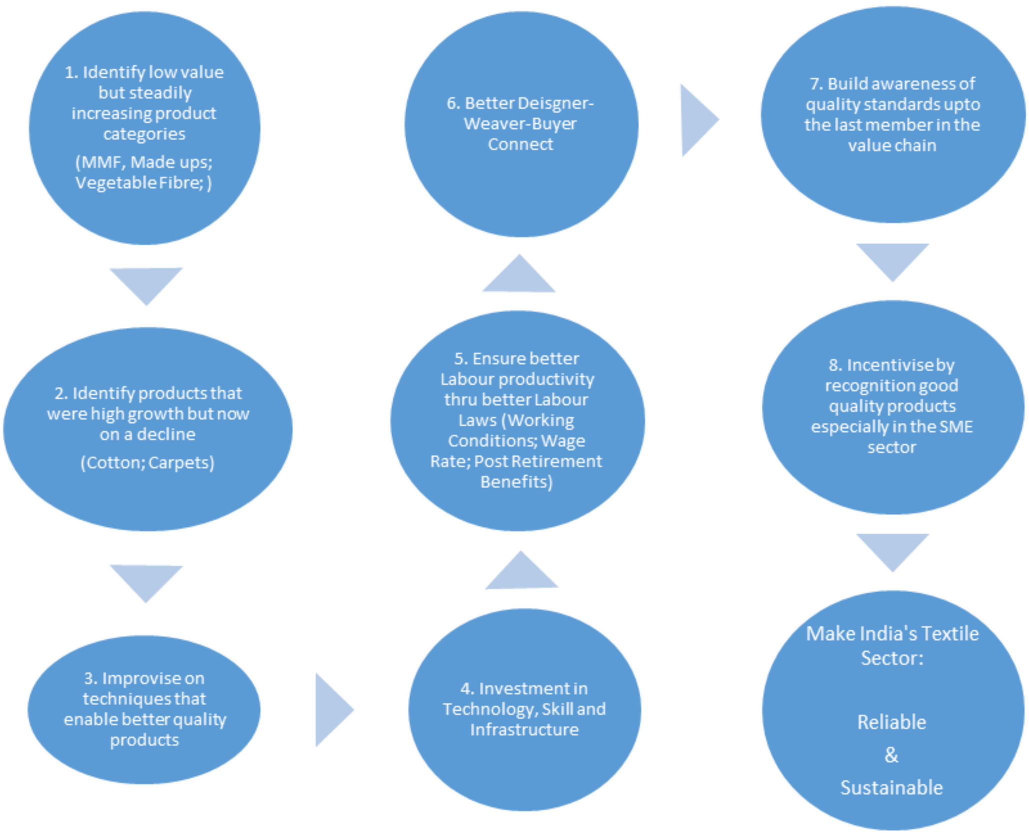
{Ref. Page No.72 & 93}

1.44 Recommendation: Fair and equitable levy of taxes

The new taxation regime has indeed been a cause of anxiety among many businesses. However, the textile sector being one of the largest sectors that is predominantly in the unorganized category has faced many hiccups during the implementation of the new system. Problems of tax refunds, differential taxation rates, reversal of import duties leading to cheaper imported fabrics are some of the most pressing issues that confront producers and suppliers. Urgent steps have been initiated to resolve problems in time and prevent financial distress. However, going forward it is important to devise a taxation system that is fair and equitable so that the textile sector is able to absorb the added costs yet become globally competitive.

1.45 Roadmap for improving India's Textile Export Competitiveness





List of Tables

Table	Description	Pg No.
1.1	Present installed capacity and production of Indian Textile Sector: A Snapshot	31
2.1	India's Textile Exports : Growth Trends and % share in India's Exports	41
2.2	World Textile and Apparel Exports vis-à-vis India's Exports Position in 2016	42
2.3	Preliminary Strategy Space for Indian Textile products	43
3.1	Trend of World Export of Apparel (US$ Billion) and Share (%) of different Countries	52
3.2	Trend of India's Export of Apparel (US$ Billion) and Share (%) of different Countries	53
3.3	India's exports of Apparel: Major products (US$ Million)	54
3.4	Major problems faced by the Producers	61
3.5	Average number of days required in Apparel Manufacturing	62
4.1	World Export of Carpets (US$ Million) and Share (%) in World's Exports	68
4.2	India's Export of Carpet (US$ Million) and Share (%) of different Countries	68
4.3	India's Export of Carpets: Major products (US$ Million)	69
5.1	Trend of world export of cotton yarn (US$ Billion) and Share (%) of different countries	77
5.2	Trend of India's export of cotton Yarn (US$ Billion) & Share (%) of different countries	77
5.3	India's Export of Cotton Yarn: Major products (US$ Million)	78
5.4	RCA for Cotton Yarn among the top five exporters for 2012-16	78
5.5	Trend in World Export of Cotton Fabric (US$ Billion) and Share (%)	80
5.6	Trend of India's export of cotton Fabric (US$ Billion) and Share (%) of Different countries	81
5.7	India's export of Cotton Fabric: Major products (US$ Million)	81
5.8	RCA for Cotton Fabric among the top five exporters for 2012-16	82
5.9	Trend in world export of MMF Yarn (US$ Billion) and Share (%)	84
5.10	Trend in world export of MMF Fabric (US$ Billion) and Share (%)	84
5.11	Ratio of World Exports of Cotton Yarn and MMF (2012 – 2016)	85
5.12	Share of China vs. India's exports in Cotton Yarn	85
5.13	Share of China vs. India's exports in MMF	86

List of Figures

Figure	Description	Pg No.
2.1	India's Textiles Exports Growth Performance	40
2.2	Cotton Yarn Exports : India vis-à-vis Select Countries	44
2.3	Cotton Fabric Exports : India vis-a-vis Select Countries	44
2.4	MMF Exports : India vis-a-vis Select Countries (US $ billion)	45
2.5	Competitiveness (RCA) in Textiles : Cross Country Comparison	46
2.6	Positioning of India's textile export	47
3.1	India's Revealed Comparative Advantage (RCA)in Apparel Products	54
3.2	Extensive and Intensive Margin with respect to India's Export of HS 61 and 62	55
3.3	Steps for Order Plan	57
3.3	India's Revealed Comparative Advantage (RCA)in Apparel Products	
4.1	India's revealed Comparative Advantage (RCA) in Carpet Products	70
4.2	Extensive and Intensive Margin with respect to India's Export of HS 57	70
5.1	Extensive and Intensive Margin with respect to India's Export of cotton yarn products	79
5.2	Extensive and Intensive Margin with respect to India's Export of Cotton Fabric products	83

List of Exhibits

Exhibit	Description	Pg No.
1.	Indian Textiles Industry: Broad Segments	30
2.	Buying Houses: SWOT Analysis	34
3.	Indian Textile Policy Regime: Different Phases	35
4.	Buying House : Key Activities	50
5.	Buying House : Key Departments	51
6	Exhibit -6 : Fibre to Fashion Value Chain	90

List of Acronyms

AFS	Air Freight Stations
ATUFS	Amended Technology Upgradation Fund Scheme
CAGR	Compounded Annual Growth Rate
CVD	Countervailing Duty
ECGC	Export Credit Guarantee Corporation
EOU	Export Oriented Units
EPZ	Export-Processing Zone
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
GOI	Government of India
GST	Good and Services Tax
ICRA	Investment Information and Credit Rating Agency
IPDS	Integrated Processing Development Scheme
ITC	International Trade Centre
ISDS	Integrated Skill Development Scheme
LERMS	Liberalized Exchange Rate Management System
MFA	Multi-Fiber Arrangement
MMF	Man-Made Fibre
NABARD	National Bank For Agriculture And Rural Development
NCR	National Capital Region
OGL	Open General Licence
QR	Quick Response
RCA	Revealed Comparative Advantage
SITP	Scheme for Integrated Textile Parks
SSI	Small Scale Industries
SIL	Special Import License
TMTT	Technology Mission for Technical Textiles
TUFs	Technology Upgradation Fund Scheme
UAE	United Arab Emirates
UK	United Kingdom
USA	United States of America
USD	US Dollar
VAT	Value-added tax
ZLD	Zero Liquid Discharge

Chapter – 1

Introduction and Research Methodology

1.1 Indian Textile and Apparel Industry - Historical Perspective

Indian textile industry has a glorious historical growth story. Nobody can say who grew the first cotton plant, who spun the first thread, and who wove the first piece of cloth but all are agreed over this that it was a denizen of this sacred land who had the privilege of discovering and making the first use of cotton and that this happened at a time when other countries were not even civilised. India, therefore, occupies a very important place in the history of textile and apparel industry.

Cotton manufacturing commenced at around 1200 B.C. With the passage of time its spinning and weaving methods became advanced and manufacturers of cotton achieved high skills of excellence. This resulted in rising demand of cotton and cotton based products in India and other civilized societies across the world gaining worldwide importance for the Indian cotton industry. The industry even flourished during the regime of Akbar when handicrafts used silver and gold to adorn the clothes, weavers used different coloured fine threads to make carpets leading India into a new era in the textile sector and prominent across the world. Everyone from Cape of Good Hope to China were clothed in the products of Indian looms.

While, the journey of Indian textiles industry did not remain free of challenges, by the end of 17^{th} century good quality of inexpensive yet graceful Indian calicoes, muslin and chintz were imported into England which later became a threat to the domestic manufacturers of Europe. In order to protect the domestic industry, Europe had started imposing high excise and import duties on Indian manufacturers and imports of cotton fabrics and other products, thereby resulting in a steep fall in its exports. Moreover, India eventually lost its position as a manufacturing country to that of a supplier of raw material to British Looms. The story did not end here.

Later on, British merchants realized that they could even save the freight of carrying raw cotton to England, if they could set up power looms in India. Therefore, as early as 1818, the first cotton mill was established with investment made by the British but the real development of the mill industry began with the setting up of Bombay Spinning and Weaving mill in 1851 which commenced its work in 1856. Till 1870 Indian cotton industry enjoyed a prosperous time in terms of increased production, capacity, consumption, exports and profitability. After 1873, India started facing problems due to continuous famines, Swadeshi Movement, Exchange Rate Movements and Technology Backwardness in the country which led to restricted growth of the Indian Cotton Industry for a longer period. In order to revive the status of textile industry at the domestic as well as international fronts, the Government of India had undertaken several measures during the post-independence period. Extended support was being provided for increasing the production of long staple varieties of cotton, import substitution policy was highly focused upon to protect the domestic textile industry and various policy changes were made pertaining to industrial licensing, import licensing, export incentives and bureaucratic procedures to uplift the growth of the textile industry. However, few of the Government policies emerged as major roadblocks to the growth of the textile industry. This includes fixing of export quotas, prohibiting the use of man-made fibres and setting-up of power-looms and spinning mills and so on.

While, a turning point came in the year 1985 when New Textile Policy was promulgated whereby various structural steps were undertaken including abolishing difference in mills and power-looms, reducing excise duties, permitting the use of man-made fibres and modernising of hand-looms among others. As a result of consistent efforts of the Government, Indian textiles and apparel products became the top most principle export commodities replacing the jute manufacturers by 1991. In order to further augment the textile exports, the Government of India continued with its consistent efforts by means of several measures for the textile industry during the post economic reforms of 1991. This includes de-reservation of few sectors from small scale industry (SSI), announcement of the 'Textile Package' for building Textile Parks and for technology up-gradation, setting-up of modern laboratories to meet the international environmental standards and recognising Handloom and Handicraft under Special Focus Initiative Scheme among others. All these measures helped enhance growth of Indian textile exports significantly during the first decade of reforms.

Thus, the journey of Indian textiles and apparel industry was composed of prospects and problems. The industry continues to be of utmost significance for the growth and development of the Indian economy.

1.2 Context and Objectives of the study

Historical growth trends reflects a shift in the Indian textile industry from a prominent manufacturer/exporter of highly valuable, gracefully designed, innovative textile products to merely a supplier of raw material like jute, cotton , yarn and fabrics. In order to regain its splendid position worldwide, the Government commenced various initiatives soon after the independence for revitalizing the whole industry. While, this was during the period of post economic reforms when the industry had shown remarkable signs of progress in terms of significant growth of exports and its rising share in India's total exports. Going by the data, during the first decade of reforms India's textiles and apparel sector registered a growth of around 10.3% (CAGR) during FY1992 to FY2001[1]. The industry also enlarged its share in India's total exports to around 25% and emerged as the top most exporting commodity from the country[2].

However, the industry again started losing its growth momentum after FY2002 due to slowdown in its major export destination, rise in competition from neighbouring countries viz. China, Bangladesh, Vietnam etc. and high cotton prices in indigenous market. However, the downtrend in textile and apparel exports were reversed during 2005-06 when Multi-fibre Agreement was abolished whereby the developing countries were released from the export quota system, restricting the growth of exports to the world market. This growth could not rise substantially in the following years due to the various mounted challenges viz. losing of cost advantage of cotton products and labour to neighbouring countries, lack of technology up gradation, slowing demand in major export destinations viz. EU and USA as a result of global economic crisis and so on. Indian textiles and apparel industry lost its share in India's total exports to various other key contemporary industries viz. engineering, mineral fuels and pharmaceuticals. Presently, the industry constitutes around 13% share in India's total exports as compared to around 25% in FY 2001-02[3].

Despite the volatile export growth trends, Indian textiles and apparel industry has registered a remarkable growth during the post economic reforms of 1991 and remained a crucial sector for the growth and development of Indian economy.

At the global level also, the industry has achieved a noteworthy position as one of the major exporters of varied textile and apparel products including cotton, natural and manmade fibre, silk based textiles and knitted apparel and accessories among others. In terms of position, India is the third largest exporter of textiles and sixth largest exporter of apparels, however when it comes to share in global exports it is a different story. When compared to the share of the largest exporter

[1] *Computed on the basis of data from Handbook of Statistics on Indian Economy , RBI*
[2] *Economic Survey, Government of India, Various Issues*
[3] *Ministry of Commerce and Indus*

i.e. China (34%), India's share is a mere 4.7% in global exports of textiles and apparel products[4]. Countries like Italy, Germany and Bangladesh which are comparatively much smaller than India have similar share of around 4-5% in the global exports which indicates that, India has not been able to realize its potential even though it enjoys the presence of a complete value chain and an abundant supply of cheap and skilled labour.

> *India is ranked no. 3 in textile exports but the gap with China, which is at no. 1 position, is very large. While China has a share of 34% in world exports of textiles, India's share is a mere 4.7%.*
>
> *Source: UN Comtarde, ITC*

Recognising this fact, the present Government is making rigorous efforts to restructure and to revamp the Indian textile and apparel industry under the ambit of its highly ambitious '**Make in India'** program which envisages making India as a **'manufacturing'** and '**sourcing hub'** in the coming times. Under this program, the Government is aimed at capitalizing the advantages of inherent strengths of Indian textile industry viz. abundant availability of raw materials; presence of traditional skill sectors: handloom and handicraft; existence of entire value chain for textile production towards putting India on the global map as a major source of the textile and apparel products.

Buying houses create/build a strong connection between the foreign buyer and the domestic supplier by undertaking several important functions viz. designing and developing the products, identifying the suppliers, procuring the products, assuring the quality, meeting the compliances and ultimately meeting the demands of the importers. In this way Buying Houses/Agents directly promote Make in India by connecting buyers with the right manufacturer as well as providing several value added services to the buyer.

However, this segment (buying houses and suppliers) is facing numerous challenges in terms of lack of efficient infrastructure, procedural bottlenecks, lack of quality raw material, lack of technology etc. All these challenges combined together weaken the efficiency of entire supply chain resulting in high cost disadvantage, low export competitiveness and relatively less import demand for Indian products in the world market.

[4] *World Trade Organisation*

With this backdrop, there is an urgent need to understand the bottlenecks which are deterring India to become a dominant supplier or source of imports for the world market. This requires conducting a detailed and critical analysis of the entire supply chain from exporters/suppliers to the buying agents/buying houses and then finally to the foreign buyers. This would enable us to understand the challenges/issues faced by buying houses while sourcing textile and apparel products from its suppliers situated in India. This would also help us to identify the problems faced by the suppliers, while meeting the demands of the buying houses. Overall, the analysis will come out with strategic ways that can pave the way for Indian Textile and Apparel Industry to become a global sourcing hub, going ahead.

The captioned study examines the following objectives:

1. Identifying major challenges that buying houses face with respect to procurement from suppliers/exporters situated in India.
2. Recognising major challenges that Indian suppliers/exporters face when meeting the demands of buyers.
3. Outlining strategies to improve India's export competitiveness in comparison to its major competitors.
4. Providing policy recommendations to make India the world's leading sourcing hub for textiles and apparel products.

1.3 Research Methodology

The study had taken up two pronged strategies. A quantitative analysis with trade data was undertaken to gauge India's competiveness in various segments of the textile sector. Several trade indices such as Revealed Comparative Advantage (RCA), growth rates, export specialisation etc. were undertaken to understand India's current position vis-à-vis its future prospects. Detailed analysis was carried out in segments such as yarn, fabric, apparel and carpets. A discussion based qualitative approach was also considered to comprehend how buying houses/agents procure the products for the global brands and what are the main challenges faced by them.

Buying houses endeavour to balance the demands of the global buyers with the ability of the suppliers to respond to such demand while ensuing companies to quality, on time delivery as well as being price competitive. In the process, buying houses assume substantial risk and require policy back-up in managing such risk. Some of them, make an attempt to streamline the supply chain, invest primarily in developing reputation, reduce delivery lead time, monitoring the procurement of accessories throughput during the production and focus on developing new designs sometimes along with the global brands. The study made an attempt to capture such issues through anecdotal evidences. It looked into the main challenges faced by suppliers especially in terms of infrastructure, availability of raw materials, prices of fabrics, networking capability, managing large and small demand and ability to adopt new technology. The study aimed at providing a holistic strategy set which can be used for developing better policy to make India a global sourcing hub.

While conducting the study, extensive consultations with buying agents/exporters/suppliers of cotton, yarn and fabric; apparel and carpets were done at prominent locations viz. Maharashtra, Gujarat, Delhi/NCR, Panipat, Bhadoi, Varanasi and Mirzapur. Overall around 40 buying agents/exporters/suppliers were interviewed which provided us a strong base to complete the project in light of its stated objectives.

Chapter – 2

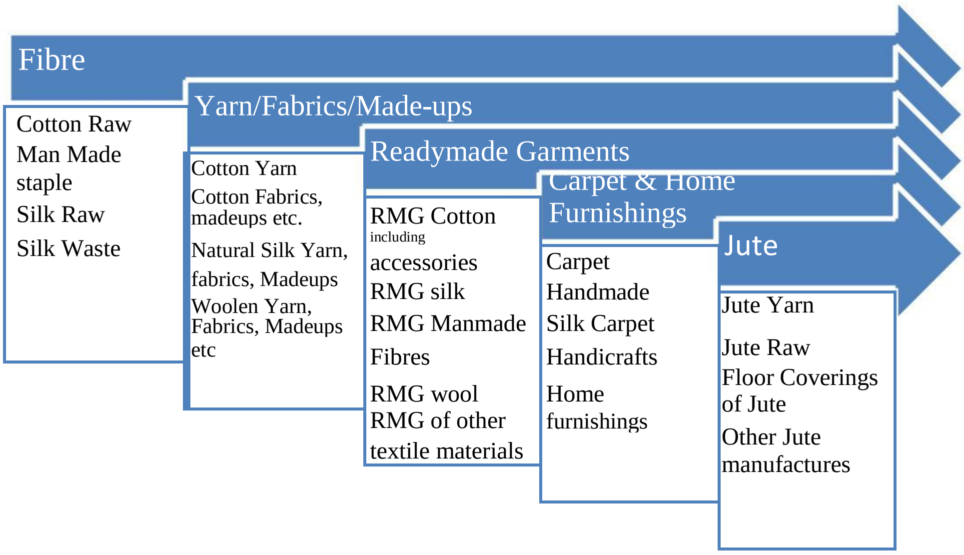
Indian Textile Industry & Export Performance

A Brief Overview

2.1 Indian Textile Industry: Present Scenario and Future Prospects

Textiles and apparel industry plays a pivotal role in Indian economy through its significant contribution to country's industrial output, employment generation and exports earnings. The industry accounts for around 10% in manufacturing production, 2% in gross domestic product (GDP), and 13% in total exports of the country. Employing over 45 million people directly and 60 million people indirectly the industry is one of the largest source of employment generation in the country[5].The Indian textile industry is extremely varied, with the hand-spun and hand-woven textiles at one end, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralised power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of designs make the Indian textile sector unique. The presence of entire value chain for textile production beginning from production of natural fibre to the production of yarn, fabric and apparel within the country gives it an edge over the countries like Vietnam, Bangladesh etc. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world. Broadly, Indian textile industry is categorised into the various segments as shown in **Exhibit - 1.**

Exhibit: 1 Indian Textile Industry: Broad Segments



Source: DGCIS, Kolkata

Pertaining to the capacity of Indian textiles industry, the organised textile sector has more than 3400 textile mills both in the Small Scale Industry (SSI) and the Non-Small Scale Industry

[5] *Annual Report, 2016-2017, Ministry of Textiles, Government of India*

(Non-SSI) sectors. In terms of capacity India occupies an advantageous position in the global textile industry. The total installed capacity of spindles is the largest in the world with more than 50 million spindles[6] and 8 million rotors[7]. India also has the world's highest installed loom capacity which includes 2.57 million power looms[8] and 2.4 million handlooms [9] (**Refer-Table -1.1)**. Thereby, Indian textile industry has a huge spinning as well as weaving capacity as its major strength and opportunity.

Table – 1.1: Present installed capacity and production of Indian Textile Sector: A Snapshot

S.No.	Particulars	Sub-Total	Total
1.	**No. of Mills (Small Scale and Non SSI)**		3400
2.	**Installed Capacity (as on 31.3. 2017)**		
a.	Spindles (in million) (P)		50
b.	Rotors (in thousands) (P)		8
c.	Looms (in thousands)(P)		4.9
3.	**Production**		
A.	**Manmade fibre (in million Kgs)**		**1364**
B.	**Yarn (in million kgs)**		
a.	Manmade filament yarn	1159	
b.	Cotton yarn	4054	
c.	Blended & 100% Non-cotton yarn	1605	
d.	Spun Yarn	5659	
Total (a+b+c+d) (P)			**12,477**
C.	**Cloth*(in million square metre)**		
a.	Mill sector	2251	
b.	Decentralized sector	61604	
Total (a+b) (P)			**63855**
D.	**Apparel and Garments (in million tonnes)**		**3.6**

Source: Annual Report, 2016-17 Ministry of textiles, Government of India and Office of the Textile Commissioner, Ministry of Textiles; P – Provisional

In terms of production, India produces over 1300 million kgs of manmade fibre and over 12000 million kgs of yarn which includes manmade filament yarn (1159 million kgs), cotton yarn (4054 million kg), blended and 100% non-cotton yarn (1605 million kg) and spun yarn (5659 million

[6] *Ibid*
[7] *Ibid*
[8] *Ibid*
[9] *http://www.makeinindia.com/sector/textiles-and-garments*

kgs). India's textile sector accounts for around 64000 million square meters of cloth by both mill sector and the decentralised sector. Apparel and garments which is a major segment of the overall textile industry accounts for the production of 3.6 million tonnes in the country.

2.2 Indian Textiles and Apparel Industry: Growth Outlook

Future growth prospects of any industry can be well judged in the light of the growth trends of the industry in terms of its production, growing demand in the domestic and global market, Government policy support for the industry, overall change in the business environment and occurrence of the various economic developments at the global level.

Following the report published by Euler Hermes Economic Research, 2016 has been quite challenging than expected for the Textile and Clothing (T&C) sector as the world economy failed to break the +3% GDP growth rate. T&C output sales decreased by -1.5%. The decline is mostly due to deceleration and price cut and as a result, international trade, which accounts for a third of total T&C output, lost US$40billion worth of business. However, the outlook for 2017 is less grim. Price increases are resuming due to stronger demand prospects in the major export markets viz. EU and USA. T&C producer prices are forecasted to rise +0.5% in 2017 in the US and China, and by +1.5% in 2018 for the latter. 'Fashionating World' also indicated an upbeat market due to stable cotton price in 2017[10]. This should have a positive impact on India's exports as well.

Resilient long-term demand in the emerging economies due to rising middle class will unfold new dynamics in the textile trade and India must take an advantage of these opportunities. As the industry is slowly moving towards more use of manmade fibre whose prices are less volatile compared to cotton and wool, this gives a strategic option to exporting countries like India to invest and shift its focus towards emerging trends. Euler Hermes Economic Research, 2016 highlights that sector risk in China has increased which is due to rising cost and increasing competition from other countries. On the contrary, the risk for India is low implying India has better potential in the global market. ICRA predicted that during 2017-18, India's competitive advantage will move up due to positive change in the world market and support by the government[11].

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10 https://www.fashionatingworld.com/new1-2/global-textile-trends-2017-what-will-influence-industry

11 http://economictimes.indiatimes.com/news/economy/foreign-trade/textile-sector-to-grow-at-6-to-40-billion-in-fy2017/articleshow/53264283.cms

Pertaining to the growth trends of the overall textile and apparel industry, almost all the product categories has shown a positive growth scenario during the last four years from 2014-2017. Blended and 100% non-cotton yarn has exhibited the highest growth rate of around 4% (CAGR) during the said period. This is followed by spun yarn at 1.61 %(CAGR), manmade fibre at 1.07 %(CAGR) and cotton yarn at 0.79 %(CAGR). While, manmade filament yarn and cloth recorded a negative growth rate of (-) 2.7% and (-) 3.7%.

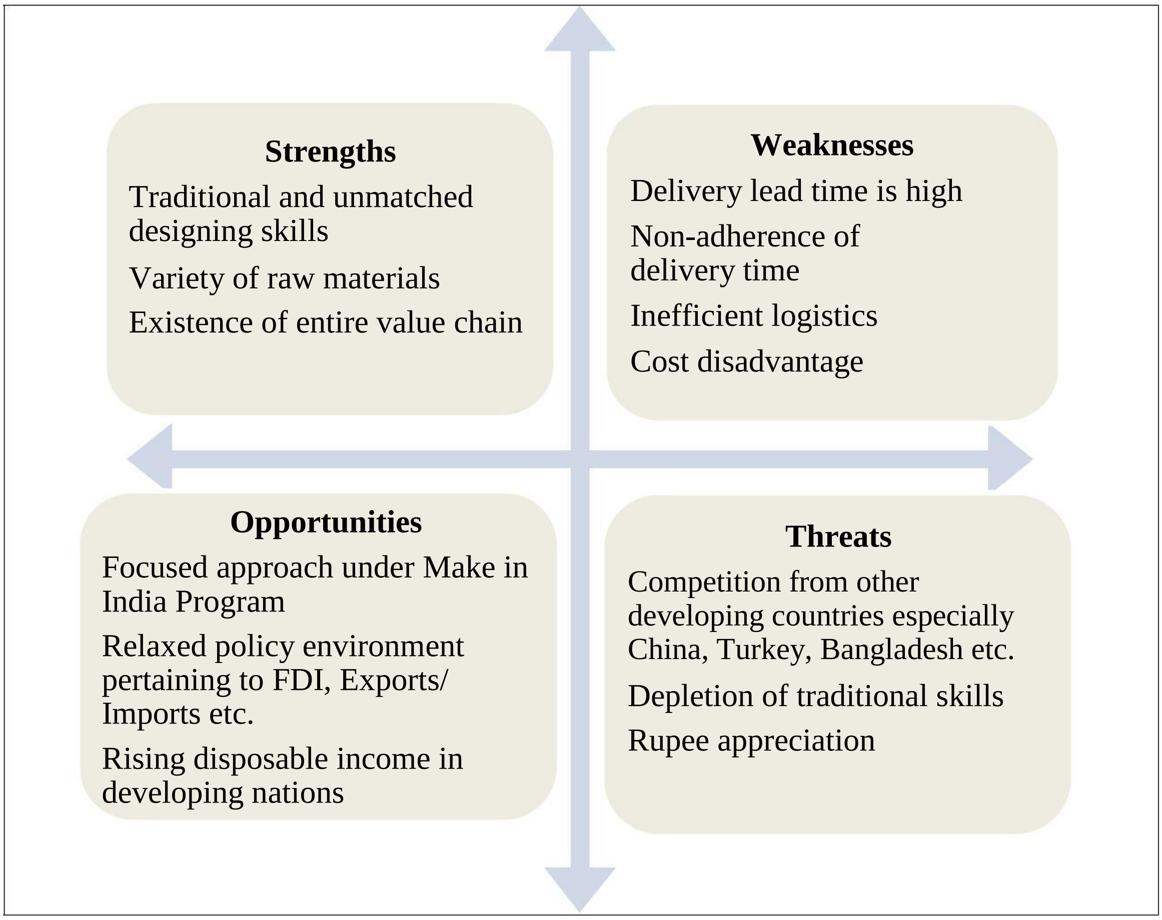
This highlights that India has been able to record positive growth in production of its various products amid the highly volatile domestic and global economic environment during the post global crisis of 2008. Sluggish demand in major export destinations of India's textile and apparel products viz. EU and USA, growing protectionism and interventions by the developed nations accompanied with rising competition with Bangladesh ,Vietnam, Turkey etc. have eventually affected the production of various textile and apparel products in the economy.

However, there is an immense growth potential in Indian textiles and apparel industry due to several reasons. One, revival of demand in India's major export destinations two, rising per capita income and disposable income in the country three, shift in demographics four, changing lifestyles five, increasing demand for quality products, six, increase in participation of women in workforce seven , increased penetration of the organised retail and eight, highly focused approach and favourable policy support of the Government; all are set to fuel the demand of various textile and apparel products in the coming future.

Several inherent advantages of Indian textile industry viz. abundant availability of raw materials such as cotton, wool, silk, jute and manmade fibres; presence of traditional skill sectors, handloom and handicraft; existence of entire value chain for textile production, comparative advantage in terms of skilled manpower and cost of production over major textile producers across the globe are also attracting major global textiles and apparel players to invest in India. As per the recent data, Indian textile industry has received FDI amounting to US$70 million during March 2016 to March 2017 which is an indication of further growth for the industry:

Thus, the overall Indian textile industry possesses enormous opportunities and strengths and along with huge challenges and bottlenecks **(Exhibit-2).** Therefore, it is crucial to decide what should be done differently this time so we do not miss out on opportunities available.

Exhibit - 2 Buying Houses: SWOT Analysis



Source: Developed by Authors

On the basis of above discussion the sector is seen as the single most important game changer for “Make in India” as it has a huge employment generation potential – possibly the maximum compared to all other sectors. On a thumb rule calculation, for every USD 1 billion increase in exports or sales to organized domestic retail sector, leads to an increase in direct employment by 300,000 and another 700,000 in the downstream textile chain from fibre to fabric in including ancillary suppliers of trims and packaging[12]. The building up of Indian supply chain’s perception as a reliable and consistent supply source will hinge both upon the determination of the industry and the facilitating policies of Government to make a quantum jump in its quality and design standards and overall ability to deliver value with performance.

2.3 Indian Textiles and Apparel Industry: Policy Developments

Textile industry has been a major thrust area for the policy makers. This is evident from India’s industrial policy framework since independence, which has always comprised of several initiatives for the development and strengthening of the textile industry. However, its

[12] *Industry opinion*

approach and orientation kept on changing in the light of the needs of the industry as well as of the economy at different points of time.

Soon after the independence, the Government was aimed at growth of agricultural sector, protection of domestic industries and generation of employment which eventually shifted to modernise the textile industry, to promote its exports and to become competitive in the global market during 1990s. The global financial crisis in 2008-09 shifted the focus of the Government from stimulating growth of the industry to sustaining growth. As the world has gradually recovered from the global financial crisis, the present policy environment of the textile and apparel industry is in harmony with the Government's core governance philosophy of **Sabka Saath Sabka Vikaas i.e. inclusive growth** and in line with its major goal of making India as a **'Manufacturing Hub'.**

With this background, policy initiatives undertaken by the Government for the textile and apparel industry in general and specific to exports are categorised for different time periods **(Exhibit -3).**

Exhibit -3 Indian Textile Policy Regime: Different Phases

Source: Developed by Authors

I. Restrictive policy regime (1950-1980) – During this phase the textile policy was highly restrictive so as to augment the agricultural production; to avoid the loss of employment, to protect the domestic industry and to prevent the outflow of foreign exchange[13]. Few of the policy measures are as follows[14].

1. Exports of cotton fabric were restricted by fixing export quota and high export duties so as to cater to the domestic demand of the country.
2. Use of manmade fibre such as viscose filament yarn, viscose staple fibre, began in early 1950s but its use was prohibited so that production of jute and cotton cannot be hampered. While, the Government provided huge support to increase the production of long staple varieties of cotton to meet the increased demand of fine and super fine varieties of cloth
3. Installation of spinning mills and power looms remained prohibited during 1956 to 1985 so as to prevent loss of employment.
4. Import substitution policy was adopted initially so as to protect and to modernise the domestic industry. While, the period witnessed policy measures to promote the exports including industrial licensing, import licensing, export incentives and bureaucratic procedures.

II. Partial Liberalization Phase (1985-1991) – Recognising the importance of up-to-date technology, use of manmade yarn and fibres in exports for the development of the overall economy, the textile policy was partially redesigned in 1985. This was a turning point in the growth story of the textile industries in India. Following measures were undertaken gradually from 1985 to 1991[15].

1. Difference in Mill and Power-looms was abolished
2. Excise duty was reduced
3. Composite mill were permitted to use artificial silk yarn, manmade fibre etc.
4. Granted permission to close sick part of the units by entrepreneur without much interference of the Government
5. Efforts were also made to modernise the handlooms in the country.

III. Liberalisation Regime (Post 1991 – 2008) - Textile Policy 1985 was an important step towards augmenting the growth of textile industry but a substantial change was witnessed after the economic reforms of 1991. Wherein, several measures were undertaken to develop the

[13]Uchikawa Shuji, Indian Textile Industry , State Policy, Liberalization and Growth, 1998
[14]ibid
[15]ibid

textile industry of the country and specifically to attain a significant position in the world market as a major exporter of the varied textile and apparel products. Thus, during this era export promotion remained a focal point of the textile industrial policy of the government. Few of the measures are highlighted as below[16]:

1. Few sectors from SSI category were de-reserved
2. 'Textile Package' including reduction in excise duty, custom duty , funds allocation for Apparel Park was announced and ceiling on the exports of cotton yarn was removed and withdrawal of ban on the export of cotton waste was announced
3. Construction of Apparel International Mart, Apparel Export House was initiated.
4. Technology Up gradation Fund was launched to modernise the industry for five year w.e.f 1.4.1999 - 31.3.2004 which provided 5% interest reimbursement on loans. Setting up of modern laboratories to meet the international environmental standards and creation of Special Purpose Vehicle for improving infrastructure during 2004-05
5. Handloom and Handicrafts were identified under special focus initiative scheme.
6. General economic reforms having an indirect impact on the textile industry included initiation of Advance License System, simplification of procedure for import of Capital Goods, focus on the development of Export House, Trading House, Star Trading House, EOU,EPZ, shifting of various items from SIL to OGL; launch of EPCG/Duty Drawback Scheme/ Duty Exemption Schemes, introduction of LERMS/Current Account Convertibility
7. Reduction of quantitative restriction (QRs) on the import of various raw material for producing textile products; and abolition of Multi-Fibre Arrangement (MFA) in 2005 was also an important policy development at the international level which raised high hopes for further increase of India's textile exports.

IV. Post Global Crisis (2008- 2013) – The economic reforms resulted in growth of exports in various textile and apparel products in terms of value and its position in India's overall exports. However, the global crisis of 2008 disrupted the growth pattern of textile exports from the country. This was due to the steep fall in the demand for textile and apparel products in the

[16]Uchikawa Shuji, Indian Textile Industry , State Policy, Liberalization and Growth, 1998 and Annual Reports , Ministry of Textiles, Various Issues

major export markets viz. USA and EU. At this juncture, focus of the Government was shifted from augmenting the export growth of the industry to maintaining its growth during the highly volatile global economic environment. In this regard, the Government had instantly undertaken the following measures:

1. Allocation of Rs.1400 Crore to clear the backlog in TUF schemes
2. Additional Rs.1100 Crore was allotted for full refund of terminal excise duty
3. Rate of interest was reduced to 7% from 12% - 13% by NABARD and by the other banks
4. A package of 2600 Crore was sanctioned to waive off the debt of handloom weavers
5. Government also announced the immediate release of a subsidy of Rs 2,546 crore for the textile industry under the Technology Up-gradation Fund Scheme (TUFs) to underpin its modernisation efforts for meeting market challenges and enabling it to stay competitive in quality and price.
6. Duty cut was also announced on the import of naphta so as to tackle the problem of power crisis.

V. Recent Reforms (2014-2016): The recent reforms are undertaken by the present Government for the development of the textile sector, with a focus on boosting employment generation, investment, production and export promotion[17]. Furthermore, the Government is aimed at strengthening textile production and encouraging the industry to cater to the domestic and international market efficiently.

1. Technology Up-gradation Fund Scheme (TUFS) has infused investment of more than USD 41.33 billion in the industry. Support has been provided for modernisation and upgradation by providing credit at reduced rates and capital subsidies.
2. Scheme for Integrated Textile Parks (SITP) provides funding for infrastructure, buildings for common facilities like design & training centre, warehouse, factories and plant & machinery, as of date 74 textiles parks have been approved and are at various stages of implementation with 18 parks operational, 32 under implementation. The investment of USD 692 million is sanctioned by the government which will create 66,000 jobs.
3. Integrated Processing Development Scheme (IPDS) is being implemented to make Indian textiles more competitive and environment-friendly.

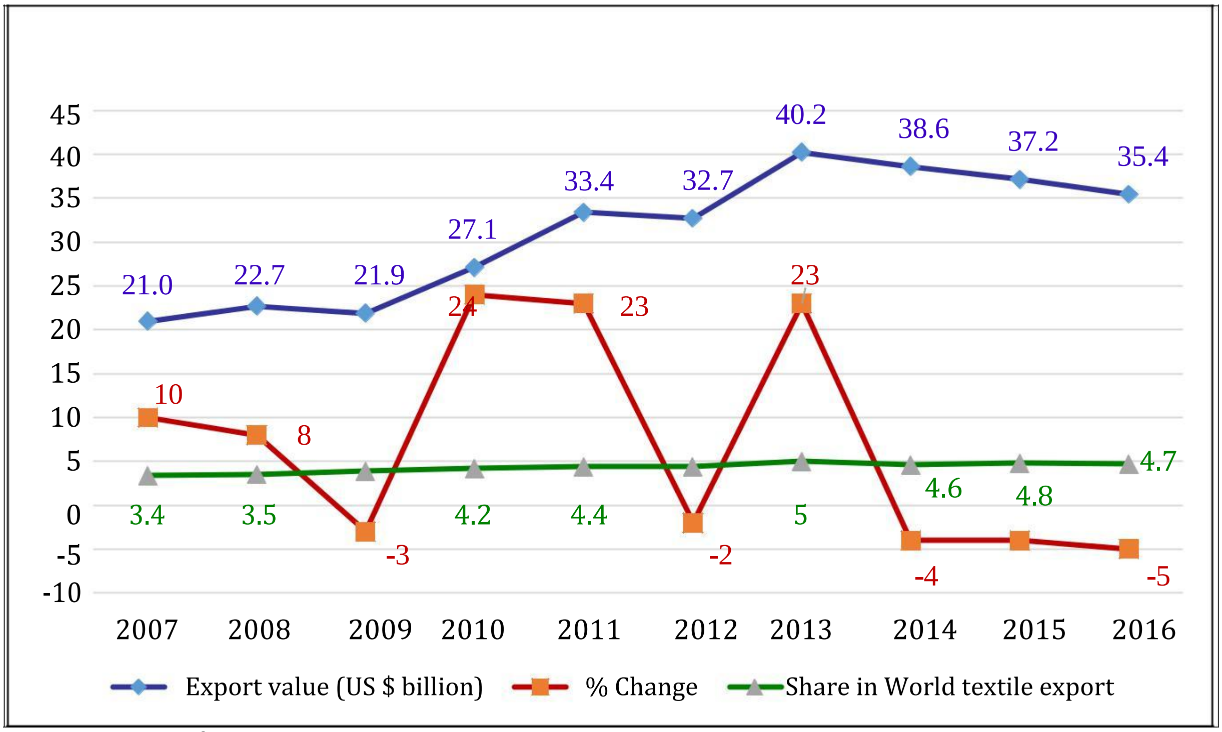
[17] http://www.makeinindia.com/sector/textiles-and-garments

4. Integrated Skill Development Scheme (ISDS) plans to bridge the skill gap by training 1.5 million people for which USD 300 million has been allocated by the government.
5. Amended Technology Upgradation Fund Scheme for textile industry (ATUFS) designed to provide incentives to entrepreneurs and business owners for upgrading technologies. ATUFS facilities are expected to receive an investment of USD 15 billion and create 3 million jobs in the country.
6. Technology Mission for Technical Textiles (TMTT) has two mini missions to create a healthy ecosystem for the production of technical textiles in India. The Mini Mission I of the plan aims at standardisation, creating common testing facilities and several resource centres with IT infrastructure. Under Mini Mission II, support will be provided to create domestic and export markets for the technical textiles.
7. Special package for Textile and Apparel sector is announced to boost exports, labour-friendly policies, scaling up the production and to generate over 10 million jobs in the textile industry over the period of next three years.
8. Implications of Goods and Services Tax (GST) for Indian Textiles Sector will result in 'Fibre-neutrality effect' on the Indian textile sector that means all man-made and natural fibres will be treated equally from the tax point of view.

2.4 India's Textile Exports: An Overview

India's textile sector constitutes a significant volume of exports at the domestic as well as at the global level. The sector registered exports of US$21 billion in 2007 and further received a sudden spurt in 2010 and 2013 when textile exports with an annual growth of over 20% were registered at US$27 billion and US$40 billion respectively. While, after reaching the peak level in 2013, textile exports witnessed a continuous decline in the following years. This is apparent from the **Figure 2.1** that India's textile exports eventually declined to US$38.6 billion, US$37.2 billion and US$35.4 billion in 2014, 2015 and 2016. In terms of growth, the sector recorded a negative growth of around (-) 3% (CAGR) during 2013 to 2016 as compared to 9.72% (CAGR) during 2007 to 2013. Overall, the sector witnessed a growth (CAGR) of around 5% over a period of ten years from 2007 to 2016. At the global level India exhibited a rise in its share in world textile exports from 3.4% in 2007 to 4.7% in 2016.

Figure: 2.1 India's Textiles Exports Share and Growth



Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

Major products exported from the Textile sectors are from the HS Chapters 50 to 63 as given in the **Table 2.1** below which explains the change of export growth in different periods and how product distribution have changed over the years. The total time period is divided into three sub-periods: 2001-2006; 2006-2011 and 2011-2016. In 2006, out of total export of textile products, more than 30% was from woven apparel, 18% from knitted apparel, 17% from cotton based textile and 13% from other made up articles. This period reflects India's export pattern during multi-fibre arrangement regime.

By 2016, though the situation changed, there was no dramatic shift in the product distribution of India's textile exports. India's export share of woven apparel in total export of textile products have gone down to 25% in 2016 and that of knitted apparel increased to 21%. The share of cotton based textile has increased to 20%. It is important to note that India's export share of carpets in the last 10 years decreased from 6.28% in 2006 to 4.70% in 2016. There is also a substantial decline of exports of silk based textile. On the other hand rising share though very small is visible in case of exports of vegetable textile fibre based products, manmade filament fibre based textile, Wadding, nonwoven, yarn, Special woven/ tufted fabric, tapestry etc, Impregnated, coated or laminated fabric, Knitted or crocheted fabric, etc.

Table 2.1 – India's Textile Exports: Growth Trends and % share in India's Exports

		2006		2011		2016	
HS Code	**Products**	**CAGR (%) 01-06**	**Share (%)**	**CAGR (%) 06-11**	**Share (%)**	**CAGR (%) 11-16**	**Share (%)**
50	Silk based textiles	6.79	2.20	-1.45	1.26	-22.14	0.28
51	Wool & other animal hair based textiles	7.63	0.45	14.53	0.55	2.24	0.48
52	Cotton based textiles	4.38	16.72	18.34	23.97	1.09	19.91
53	Other Vegetable textile fibre based textiles	1.87	0.88	20.09	1.36	-0.41	1.05
54	Manmade filament based textiles	12.32	5.14	20.09	7.96	-2.19	5.61
55	Manmade staple fibre based textiles	11.26	4.61	17.15	6.28	2.76	5.67
56	Wadding, nonwoven, yarn, twine etc	11.16	0.48	24.16	0.88	14.71	1.38
57	Carpets and other textile floor coverings	11.93	6.28	4.52	4.84	4.31	4.70
58	Special woven/ tufted fabric, tapestry etc	-4.96	0.85	8.85	0.81	8.78	0.96
59	Impregnated, coated or laminated fabric	13.8	0.44	9.77	0.44	9.96	0.55
60	Knitted or crocheted fabric	8.17	0.28	31.86	0.68	4.12	0.66
61	Knitted apparel and accessories	12.3	17.88	9.19	17.14	9.12	20.87
62	Woven apparel and accessories	7.47	30.45	4.19	23.09	6.92	25.39
63	Other made-up articles, worn clothing etc.	15.66	13.34	5.43	10.73	8.14	12.49
Overall Textile exports Growth (CAGR %)		**9.05**		**10.11**		**4.91**	
Total Exports (US $ Million)			**17850.9**		**28898.9**		**36726.7**

Source: Trade Map data, International Trade Centre (ITC), Geneva

Table 2.2 below explains India's competitive position in various category vis-à-vis export share of top players. India is a significant exporter of products under HS code 52, 61, 62 and 63 and it occupies global position of 2, 6, 5 and 2. This clearly indicates India's dominant position in these categories. In some other promising categories such as HS 53, 54, etc., India requires clear strategy to improve its world export share. In yarn and fabric category (HS 55, 56, 58, 59 and 60), though India has potential its current world export share requires attention.

Table -2.2: World Textile and Apparel Exports vis-à-vis India's Export Position in 2016

HS Code	Products	World exports (in US$ billion)	India's exports to World (US$ billion)	% share in global exports	India's Rank	Major Global Players*
50	Silk based textiles	2.13	0.09	4.2	3	China (54.2), Italy (13.5)
51	Wool & other animal hair based textiles	12.54	0.16	1.3	15	Australia (18.1), Italy (17.2), China(17.1), Germany (5.1), New Zealand (3.9)
52	Cotton based textiles	51.13	6.26	12.2	2	China(29.3), USA (11.1)
53	Other Vegetable textile fibre based textiles	4.13	0.41	10.0	4	China(25.5), Bangladesh(16.2), France(10.8)
54	Manmade filament based textiles	44.27	1.92	4.3	6	China(37.5), Korea (6.5), Taipei, China(6.1), Germany(4.7), Japan(4.7)
55	Manmade staple fibre based textiles	35.58	2.04	5.7	3	China (34.1), USA(6.3)
56	Wadding, nonwoven, yarn, twine etc	23.29	0.43	0.4	14	China (21.2), Germany (11.1), USA(9.7), Italy(6.8), Japan (4.2)
57	Carpets and other textile floor coverings	14.45	1.73	11.9	3	China (17.6), Turkey (13.2)
58	Special woven/ tufted fabric, tapestry etc	12.08	0.36	0.4	10	China (38), Hong Kong China(8.7), Taipei China(5.6), Germany (4.6)
59	Impregnated, coated or laminated fabric	23.80	0.21	0.9	23	China (29.1), Germany (10.8), USA(9.2), Korea(5.4)
60	Knitted or crocheted fabric	32.28	0.27	0.8	14	China(44.8), Korea(10.5), Taipei (8), Hong Kong(6.6), Turkey(4.6)
61	Knitted apparel and accessories	219.97	7.91	3.6	6	China(34.1), Bangladesh(7.6), Vietnam(5.3), Turkey(4), Germany (3.7)
62	Woven apparel and accessories	220.62	9.05	4.1	5	China(33), Bangladesh (7.6), Vietnam(5.8), Italy (5.5), China(43)
63	Other made-up articles, worn clothing etc.	59.77	4.56	7.6	2	China (43)
World's Textile & Apparel exports vis-à-vis India's exports position		**756.04**	**35.39**	**4.68**		

Source: Trade Map data, International Trade Centre (ITC),

*Geneva * Figures in parenthesis are % share*

The above discussion clearly indicates that strategically India requires dividing the products into four categories with a dedicated focus in each category.

Table 2.3: Preliminary Strategy Space for Indian Textile products

Products	**Current Status**	**Strategy Space**
Cotton based textile, apparel (knitted and woven), made up article	High Global Share	Continuous Innovation in terms of new blending, design and attempt to move up the value chain by making attempts to establish connect with global brands or improve image of Indian brands,
Vegetable fibre, manmade filament and fibre based textile	Emerging areas with increasing shares	Improve the supply of raw materials, control on prices, technology upgrading, more incentives so that more suppliers engage themselves in the segment, etc.
Yarn and Fabric	Slowly rising share but low world ranking	Requires urgent attention, improve supply of raw materials, incentives for more production, arrest the price volatility
Carpets and Floor covering	High world ranking but very low share and witnessing a decline	Work on product diversification, require better technology, design, connection with buyers, compliances with respect to various laws at the destination countries etc.

Source: Developed by authors

2.5 Textile Value Chain – Opportunities amidst Despair

This is apparent from the **figure 2.2** which shows that India exports cotton yarn relatively more as compared with various other major exporting countries in the global market. In 2016 India registered an export of US$3.3 billion of cotton yarn as compared to US$2.1 by Vietnam, US$1.6 billion by China, US$1.2 billion by Pakistan and USA. This indicates that India though at the low end of textile value chain possess enormous opportunities to extend its textile exports by enhancing its value chain.

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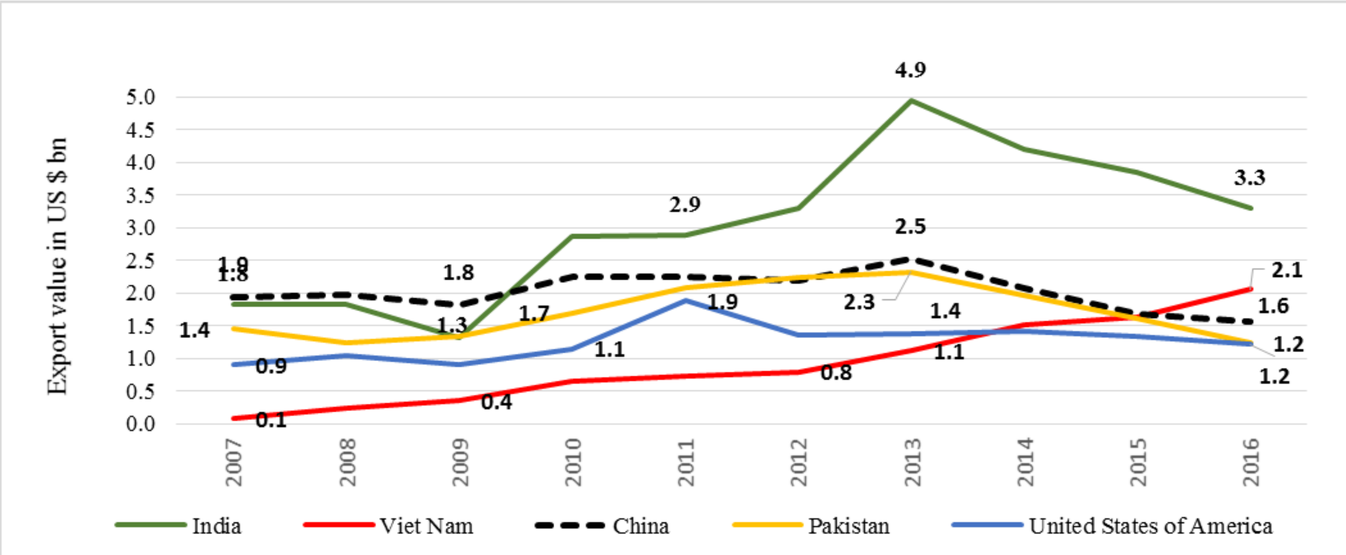
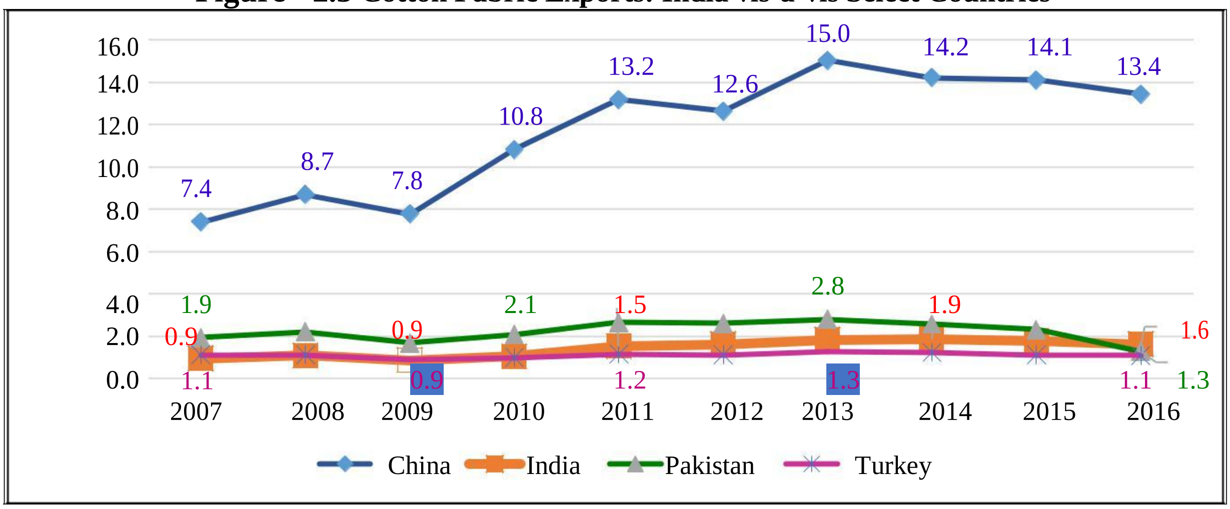
Figure – 2.2 Cotton Yarn Exports: India vis-à-vis Select Countries



Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

India is the largest exporter of cotton yarn and is ahead of China in cotton yarn exports, however, in case of cotton fabric, although India in the second largest exporter of cotton fabric its share in world exports is 6% while the leading player China has 51% share. This amounts to 8.5 times the share of India. The gap in the exports of cotton fabric between China and India is glaring **(Figure – 2.3)**. This reflects that while India has a commanding position in the low end of the value chain, there is an opportunity for India to introspect and come up with innovative ideas thereby, becoming leaders in the higher end of the value chain in cotton and its related products.

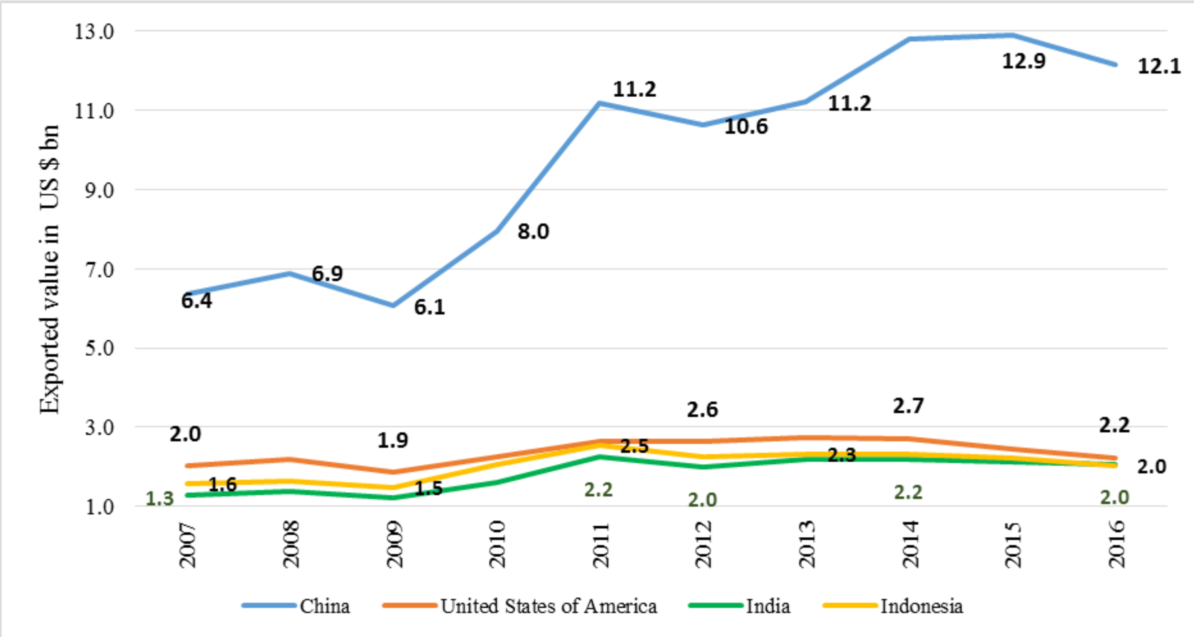
Figure - 2.3 Cotton Fabric Exports: India vis-à-vis Select Countries



Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

2.6 Global Markets Shifting to MMF – India's Position- In the recent years major markets especially China has witnessed a major shift to the exports of MMF. This is apparent from the **(Figure 2.4)** as exports of MMF from China increased from US$6.4 billion to US$12.1 in 2016; from US$2 billion to US2.2 billion from USA; from US$1.6 billion to US$2 billion from Indonesia and from US$1.3 billion to US$2 billion from India**.** This indicates that global markets are shifting from export of cotton yarn to MMF and thus there is a need for India to keep pace with the global markets by enhancing production and exports of MMF from the country.

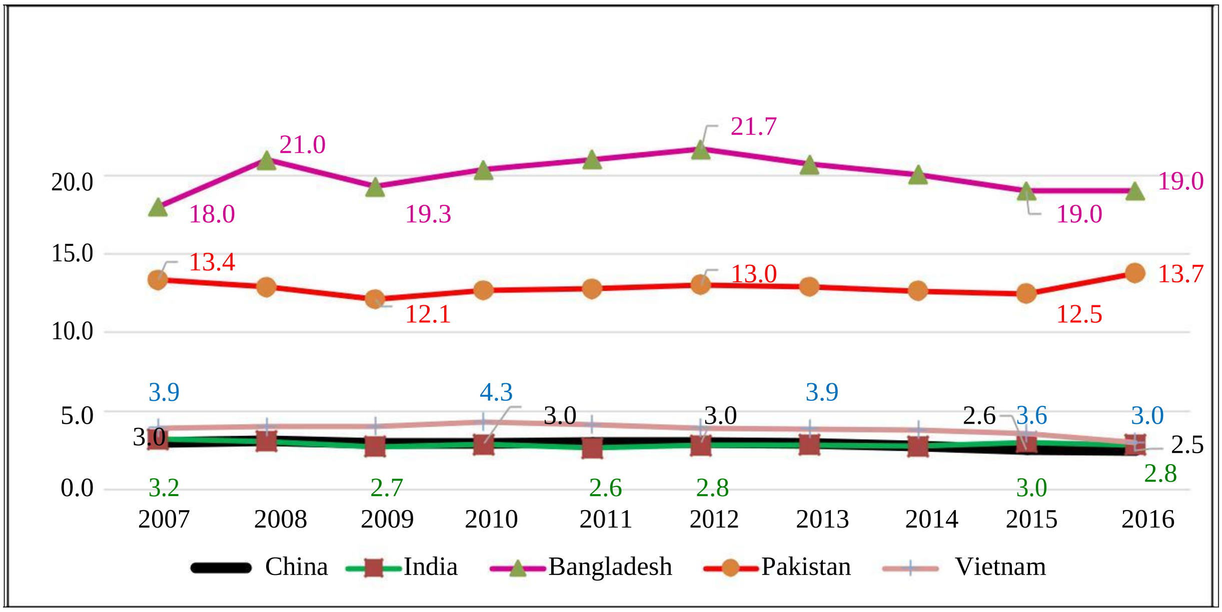
Figure-2.4 MMF Exports: India vis-a-vis Select Countries (US $ billion)



Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

2.7 Competitiveness in Textiles: Cross Country Comparison – In terms of export competitiveness in textile products the **figure 2.5** exhibits that India has relatively low RCA value. Measures of revealed comparative advantage (RCA) have been used to help assess a country's export potential. That is, the RCA is equal to the proportion of the country's exports that are of the class under consideration (E_{ij} / E_{it}) divided by the proportion of world exports that are of that class (E_{nj} / E_{nt}). A comparative advantage is "revealed" if RCA>1. If RCA is less than unity, the country is said to have a comparative disadvantage in the commodity or industry. RCA value for India's textile products was positive but significantly lower than its competitors. In 2016 it was around 2.8 as compared to Bangladesh (19), Pakistan (13.7), Vietnam (3) and China (2.5) which indicates an urgent need to enhance India's export competitiveness in textile products at par with its major competitors.

Figure - 2.5 Competitiveness (RCA) in Textiles: Cross Country Comparison



Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

2.8 Positioning of India's Textile Exports

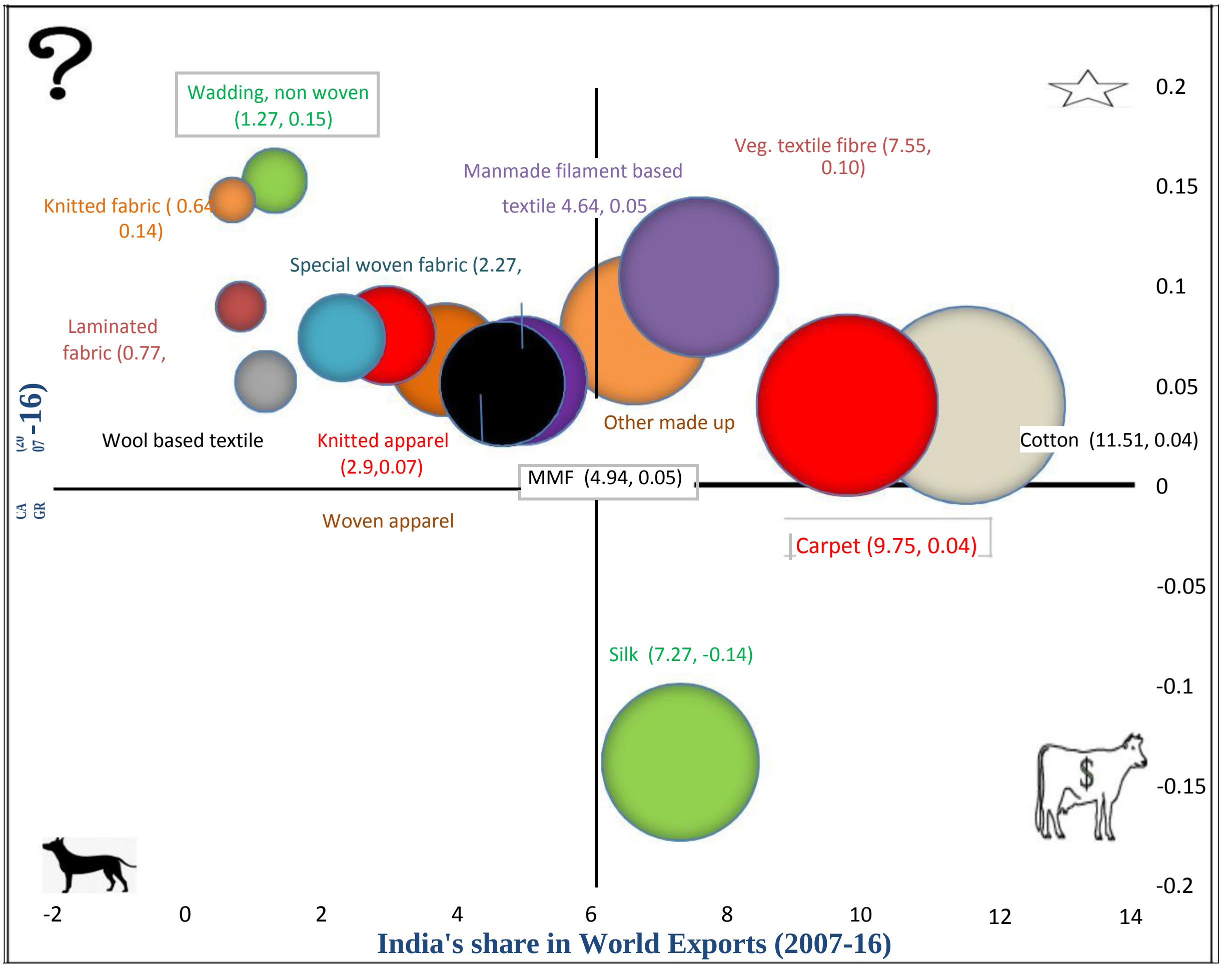
Each product in textile sector has different profile of risk and return. In **figure 2.6** the matrix has four quadrants derived from the average of India's textile share in the world's textile exports (2007-16) and the cumulative annual growth rate (CAGR) of the textile market (2007-16). Products in different quadrants represent the ability to consume or generate cash, while the area of the circle represents the value of its sales.

Products like Cotton, Carpet, Veg. textile fibre and other made up article lies in the '**first quadrant**' with a high market share in a strongly growing market. These products are considered as **"Stars"** for Indian textile sector as they generate lots of income.

However most of the products of Indian textile sector lies in '**second quadrant' (Question Marks)** of matrix with small market share in a rapidly growing market. For example Manmade Filament based textile, knitted apparel, woven apparel, wool based textile, laminated, special woven fabric, wadding non-woven, MMF and knitted fabric are some products in the Indian textile sector which potential to turn into a star but can also result in potentially wasted funds. Indian Government needs to focus special attention on these products, making them lucrative to the economy.

Products in ‘**third quadrant’ (Dogs)** have low market share with low growth rate. These products are worthless and need to besold off. Coincidentally, Indian textile sector does not possess such products which can slow down its profitability.

Figure- 2.6 BCG Matrix exhbiting positioning of India’s textile export



Source: Developed by authors using Trade Map data, International Trade Centre (ITC), Geneva

Products in the **‘last quadrant’ (Cash cows)** have high market share but with low growth rate e.g. silk in Indian textile sector. It generates more cash and requires less investment because of the limited market growth. Cash generated from silk can be utilised for the advancement of other textile products.

Chapter 3

Challenges and Opportunities in Indian Apparel Sector: Perspective of Buying Houses and Suppliers

3.1 Introduction

India is one of the leading producers and exporters of apparel products. It has a long tradition of producing finest textile and garments. The historical facts confirm even in 3000 BC India used dyes and printing blocs to colour and design fabrics. The diversity of fibres found in India, complex weaving on its state-of-art manual looms and its organic dyes attracted buyers from all over the world for centuries. The systemic deindustrialisation effort taken by the British Government had a major blow to the textile industry which destroyed the innovative eco-system and left it technologically destitute. Independent India saw the building up of textile capabilities, diversification of its product base, and its emergence, once again, as an important global player.

The apparel industry is labour-intensive and it provides employment to those with simple skills, including women. The mass production segment focuses on low-cost, standardised products and the high fashion segment of this industry is more technology-intensive and provides opportunity for innovation and value addition. The high fashion segment focuses on dynamics of consumer tastes and preferences. The industry requires relatively low investment and hence has been favoured by poor countries.

Today, India is the world's second largest producer of textile and garments, India's garments exports has been around US$ 17 billion during FY 2015-16, with a world market share of 3.7%. The EU, USA, Middle East are India's major markets. The Industry supports around 11.22 million people as a part of its workforce, even today it is the second largest provider of employment in the country. For every 1 lakh Rupee invested in the industry, an average of 7 additional jobs are created. The apparel sector also contributes to 6.5% of India's total exports recording[18]. It is estimated that there exist close to 68,000 garment units in the organized sector, of which about 88 per cent are for woven cloth while the remaining are for knits. Most of these units are small and face huge problems in upgrading as they don't have sufficient economies of scale, not exposed to rapidly changing technology and are not able to manage risk related to volatility of international business. While these firms are spread all over the country, there are few major clusters in the National Capital Region (NCR), Mumbai, Bangalore, Tirupur/Coimbatore, and Ludhiana.

18 http://www.aepcindia.com/performance accessed on 6th June 2017

3.2 Buying House: A Critical Agent for Textile Industry

Both for domestic and international sales of the garments, these firms (barring the bigger ones) are significantly dependent on buying houses/agents as they have limited contacts and marketing capability. An apparel buying house works as a mediator between buyers and clothing manufacturers or export houses **(Exhibit - 4).** Buying house is the purchasing agency and they may be the regional office of the buyer or an independent company that works with several buyers. For example, H&M or GAP has its own regional buying office to the sourcing countries including in India. On the other hand Asmara International or Impulse is buying houses that work with many buyers, brands and High street retailers. In a normal scenario, buying house does/manages all upstream and downstream activities which include searching of foreign buyers, collecting orders, discusses the technical specification with the buyers, placing the order to local garment manufacturers, provides the necessary support in procuring raw materials, accessories, helps manufacturers in managing the quality, compliance issues, and finally takes up the payment risks.

Exhibit – 4 Buying House: Key Activities

Product development and sampling for buyers

Finding good suppliers for their buyers

Order collection and processing from local vendors

Contacting with buyers and taking approval on developments, samples, swatches, strike offs etc.

Forwarding buyers comments on samples and buyers requirement to vendors

Giving local approvals to vendors

Follow up order processing with vendors (export houses)

Take care of product quality from sample development to final inspection

Sometimes buying house do outsourcing of fabrics and trims for buyers and vendors

Conducting social compliance audit at vendor factories

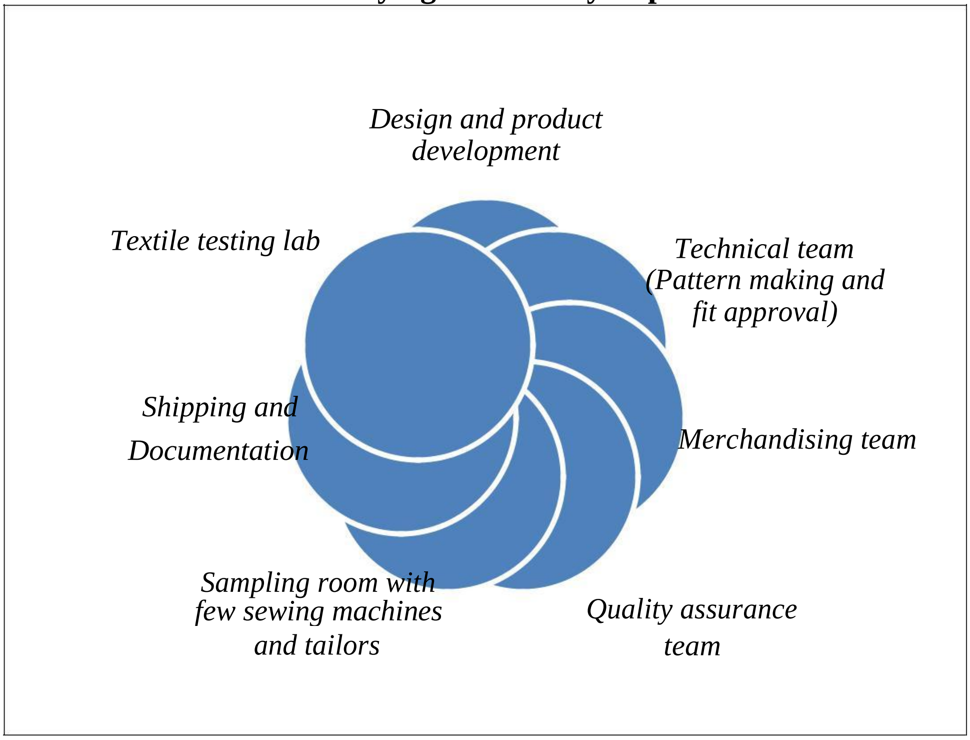
Shipping and logistics

Sometimes also helps manufacturers providing them some credits

Source: Developed by authors

Activities of buying houses are quite complex as it includes managing number of issues starting from product development to quality management, logistics and payment risk handling. A typical buying house has following **(Exhibit-5)** departments which are interdependent.

Exhibit – 5 Buying House: Key Departments



Source: Developed by authors

As it can be understood from the above discussion that the capability of utilizing the integrated activities requires functions related to both analytical and creative thought process. The buying house must be able to rigorously plan and control the functions involved in developing products, sourcing it and getting it to the customer on time. The buying houses expect a better policy framework which can ease the process which ultimately increases India's export of apparels.

On the other hand, suppliers or manufacturing firms require smooth functioning of their plants which start from pricing, availability and timely delivery of raw materials, proper technology and infrastructure to run the plant, skilled manpower and networking capability with buying houses. The producers look for better policy in managing the price volatility of fibres and fabrics, interest subsidies, tax and other incentives and flexible labour laws which can help them to have a level playing field while competing with suppliers from other countries.

3.3 India's Export of Apparel Products

The total world export of apparel products was around US$ 400 billion in 2012 and it has increased to US$ 440 billion in 2016 **(Table-3.1).** This is important to note that during this period the share of China in world export is reduced from 37% to 34% approximately. The share of Bangladesh has increased from 4.8% to 7.6% during this period. However, the share of India rose marginally from 3.2% to 3.9% only. In 2012, India's exports of apparel was around US$ 13 billion and it increased to US$ 17.13 billion in 2015 and then declined to US$ 16.96 billion in 2016. The rise of exports from Bangladesh and Vietnam has been spectacular during this period. This is also important to note that the share of 'Rest of the World' is slowly declining. Hence, there is a clear trend some countries are taking up the vacant space created by China and Rest of the World. In 2016, World Bank noted that few South East Asian countries such as Cambodia, Vietnam and Indonesia will give tough competition to South Asian nation in coming days[19].

Table 3.1: Trend of World Exports of Apparel and Share (%) of different Countries

Exporters	2012		2013		2014		2015		2016	
	Exports	(%) Share in world's exports,	Exports	(%) Share in world's exports,	Exports	(%) Share in world's exports,	Exports	(%) Share in world's exports,	Exports	(%) Share in world's exports,
World	403.04	100	438.27	100	472.11	100	440.38	100	439.56	100
China	148.27	36.8	165.05	37.7	173.44	36.7	162.35	36.9	147.79	33.6
Bangladesh	19.27	4.8	19.57	4.5	NA	NA	26.53	6	33.45	7.6
Viet Nam	14.08	3.5	16.75	3.8	19.70	4.2	21.43	4.9	24.66	5.6
Italy	20.20	5	21.49	4.9	22.78	4.8	19.26	4.4	19.84	4.5
India	12.90	3.2	15.70	3.6	16.54	3.5	17.13	3.9	16.96	3.9
Rest of the world	188.32	46.7	199.72	45.5	239.66	50.8	193.67	43.9	196.86	44

Source: Trade Map, International Trade Centre (ITC), Geneva

The share of USA in India's apparel export has been 23.7% in 2012 which got reduced to 22.5% in 2016 **(Table-3.2).** It is interesting to observe that share of UAE has increased sharply from 11.1% to 20.7% during this time. The business houses in Dubai imports apparel from different countries and then exports them to all over the world. India has become one of the major sourcing countries for them. India in early 2017 had showcased in a fair in UAE a wide range of products including apparel, shirtings, suitings, materials, furnishings, made-ups, home textiles and more which produced a significant interest among the buyers in UAE. It has been noticed that UAE has imported significant amount of products made from synthetic and rayon

[19] *World Bank (2016): Stitches to Riches? Apparel Employment, Trade, and Economic Development in South Asia*

textile. The UAE is a leading market for India's man-made fibre (MMF) textiles as it imported 12 per cent of the total MMF exports in 2015-16. It is important to note that barring UAE in all other major markets export share of India has started declining. India requires to diversify its apparel exports to other non-major countries. Table 3.2 below provides a snapshot of this.

Table 3.2: Trend of India's Export of Apparel (US$ Billion) and Share (%) of different Countries

Importers	2012		2013		2014		2015		2016	
	Exports	Share in India's App exports, %	Exports	Share in India's App exports, %	Exports	Share in India's App exports, %	Exports	Share in India's App exports, %	Exports	Share in India's App exports, %
World	12.90	100	15.70	100	16.54	100	17.13	100	16.96	100
USA	3.05	23.7	3.66	23.3	3.59	21.7	3.77	22	3.82	22.5
UAE	1.43	11.1	1.81	11.5	2.33	14.1	3.46	20.2	3.52	20.7
UK	1.48	11.5	1.73	11	1.85	11.2	1.81	10.5	1.67	9.9
Germany	0.96	7.5	1.23	7.8	1.28	7.7	1.12	6.6	1.13	6.7
France	0.65	5	0.82	5.2	0.91	5.5	0.83	4.8	0.82	4.8
Rest of the world	5.32	41.2	6.45	41.2	6.59	39.8	6.14	35.9	6.00	35.4

Source: Trade Map, International Trade Centre (ITC), Geneva, .

Table 3.3 below explains the list of major apparel products in which India has specialised. It may be noted that the share distribution of products have not changed much during 2012-2016. Out of total exports of apparel products, the major share is occupied by T-shirts, women's suits, blouses, shirts, men's shirts and suits. India requires to diversify its product basket to occupy a major position in the world market. India is quite behind in wool and manmade fibre based products such as jerseys, pullover, overcoats, stockings, etc. These are some of the major traded products in the world market. Hence, as a strategy, India requires to focus on woven products along with knitted ones. Also, it is clear from the earlier discussion that UAE being one of India's major export destinations is also big market for MMF products. Hence, focus should also be given to increase non-cotton products to Dubai, Abu Dhabi and Sharjah.

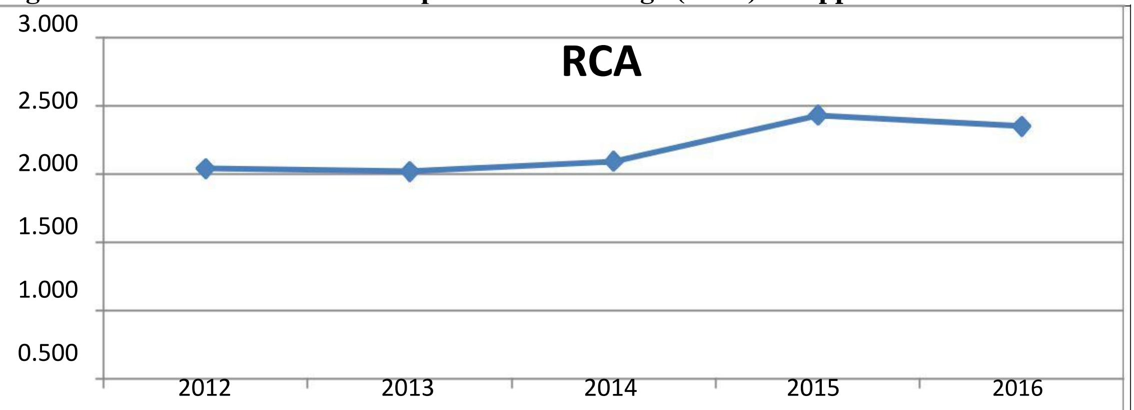
Table 3.3: India's exports of Apparel: Major products (US$ Million)

HS Code	Product label	2012		2015		2016	
		Exports	Share in India's App exports,	Exports	Share in India's App exports,	Exports	Share in India's App exports,
	Apparel (Total)	12896	100	17131	100	16961	100
'6109	T-shirts, knitted or crocheted	2094	16	2858	16.68	2756	16.25
'6204	Women's or girls' suits,	2256	17	2687	15.68	2465	14.53
'6206	Women's or girls' blouses, shirts	1287	10	1634	9.54	1352	7.97
'6205	Men's or boys' shirts excluding knitted or crocheted	978	8	1167	6.81	1273	7.51
'6203	Men's or boys' suits,	942	7	1194	6.97	1227	7.23
'6211	Tracksuits, ski suits, swimwear	604	5	1086	6.34	1149	6.77
'6111	Babies' garments and clothing	518	4	703	4.1	831	4.90
'6104	Women's or girls' suits,	509	4	738	4.31	745	4.39
'6214	Shawls, scarves, mufflers, mantillas,	770	6	821	4.79	739	4.36
'6105	Men's or boys' shirts, knitted or crocheted	574	4	752	4.39	732	4.32
	Rest of the products	2365	18	3493	20.39	3691	21.76

Source: Trade Map, International Trade Centre (ITC), Geneva

The overall comparative position is expressed through a popular trade index Revealed Comparative Advantage (RCA). It provides a supply side position comparing apparel's position in World trade vis-à-vis India's exports. If the value is more than 1, it reflects that country is having an advantage in that sector or product. **Figure 3.1** below explains the dynamics of India's comparative advantage.

Figure 3.1: India's Revealed Comparative Advantage (RCA) in Apparel Products

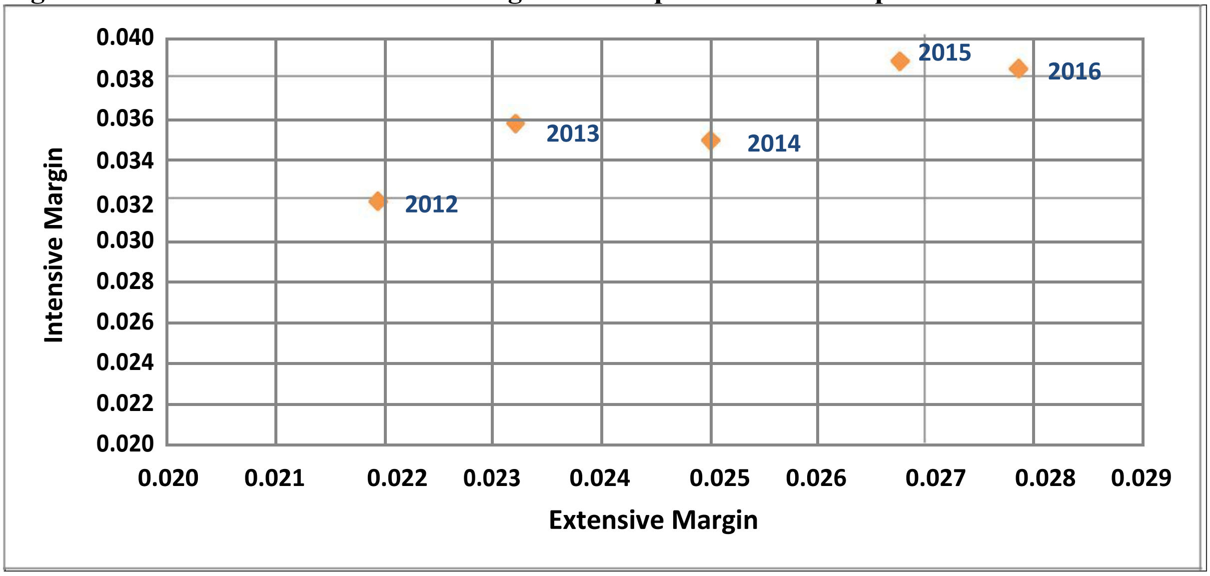


Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

It is clear from the above diagram that India has a distinct advantage in apparel products as the RCA value is more than 1. However, it is more interesting to observe that the index value is increased in 2015 and 2016. This is an indication that India's position in global market is getting strengthened which is also reflected in slight increase in its share in the world export. However, it is far below compared to competing countries. Hence, an overall export data analysis provides a sufficient hint that this sector deserves attention and a favourable policy with more export orientation may help the sector to move forward in achieving the goal of making India a global sourcing hub.

Another way of looking at India's presence in the world market in case of apparel export is to visualise the extensive and intensive margin. Extensive margin reflects the share of apparel in world export and intensive margin explains the share of India's export of apparel in India's total exports. In **Figure 3.2** below extensive and intensive margin with respect to India's exports (HS 61 and 62) are depicted. It is clear that apparel has slowly becoming a major product in world export whose share in the world market is now close to 3%. On the other hand, analysing India's rising intensive margin it can be stated that apparel has close to 4% share in India's total export.

Figure 3.2: Extensive and Intensive Margin with respect to India's Export of HS 61 and 62



Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva, .

3.4 Challenges Identified by Buying Houses and Suppliers

3.4.1 Issues faced by Buying Houses & understanding the challenges in the sector

While interacting with the buying houses and agents, it is clearly found out that India has huge potentiality and the country needs to think more strategically to respond to the global dynamics of the textile industry. Foreign buying houses are more focused on specific products whereas several Indian buying houses are continuously making effort to diversify themselves into related areas such as accessories and footwear etc. Some of them are now actively engaged or exploring e-commerce route also to reach to their clients internationally.

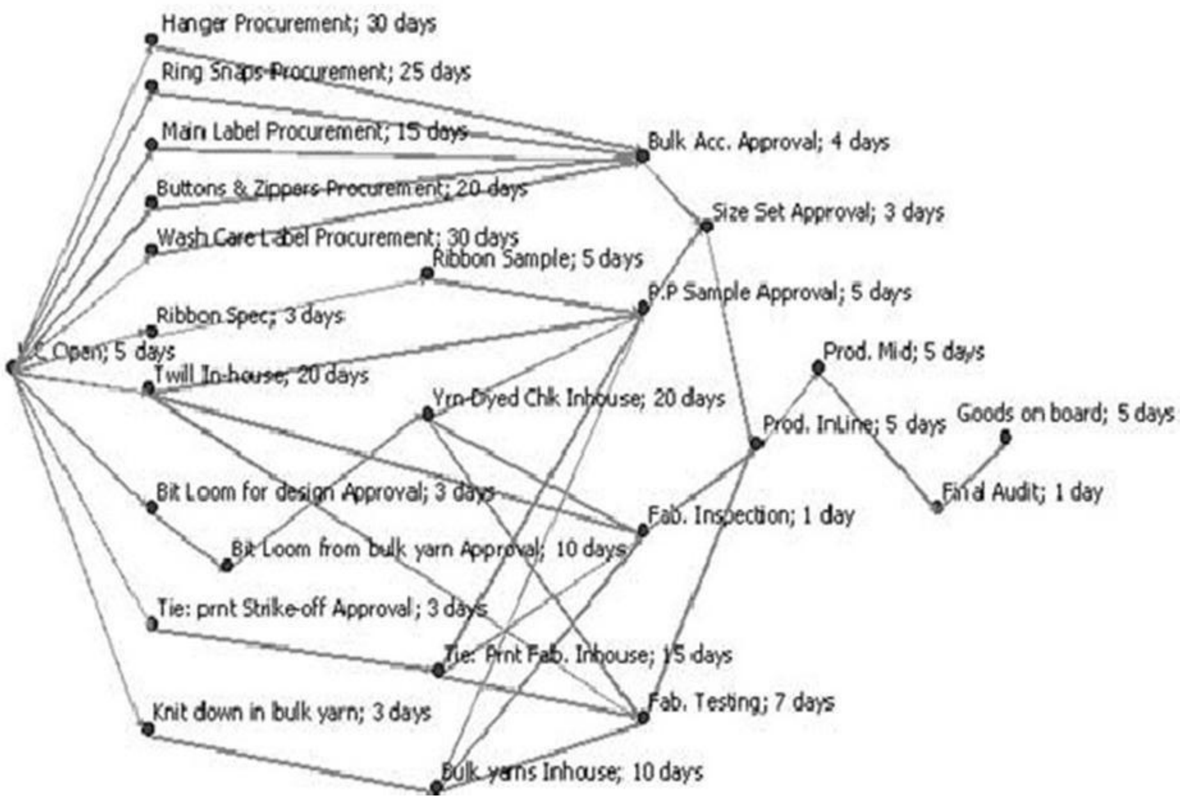
Textile sector, especially apparel is highly dynamic, design driven and competitive. The challenge for the buying houses are to adhere to the global need which is mostly related to quality of fabric, up to date design, timely delivery with lowest possible price, etc. At the same time, buying houses work with hundreds of small or big manufacturers to ensure the same quality all through and manage the packaging, logistics and all compliance related issues. In a way, buying houses take significant responsibility at the supply side to give guarantee to the final buyer about the product.

Buying houses require skilled and experienced personnel to execute every activity. At the initial stage, buying house has to understand the sample order including the detailed process chart, production timetable etc. Generally, buyer monitors the progress according to the order plan and hence, buying house requires to keep all information as per the plan which highlights the streamlining of large number of bottlenecks at the ground level. Figure 3.3 gives an indicative order plan chart. At the next stage, the pre-production samples should be provided on time to the concerned buyers. Quality of the sample must be verified. If required, revised samples should be made available to the buyers. At this stage, buying houses need to identify the shortages and deficits which may be lack of quality fabric or accessories etc. Action plans are required to be chalked out to bridge the deficits at this stage. At the production stage, the buying houses constantly have to keep track of the position of the order that is being processed in the factories. They are the ones who are responsible and in turn answerable to the buyer for delivering the goods as specified and within the committed period of time. Therefore, buying house is a link in order to achieve maximum customer satisfaction. Hence, all challenges at macro, meso and micro level related to apparel industry is directly or indirectly having an impact on the performance of the buying house.

i. Delivery time

Buying houses have highlighted that delivery lead time in India is quite high. For USA, it is between 85-100 days and for Europe it is around 70-80 days. On the contrary, for country like China the lead time is less than 60 days. One buying house also indicated that not only the delivery time is long, reliability of Indian suppliers are also less. The probability of time delivery is around 75% only. There are host of reasons for the same and it cannot be settled in one day but buying houses want a time line with small targets may be introduced to reduce the lead time. This can be added in the Mission Plan to make India a global sourcing hub. In general, the cycle for planning and design to delivery is around 4 to 6 months. **Figure 3.3** above reflects the complex web of activities for buying houses and they require quite skilled and experienced personnel. At the same time, there are plenty of problems at the suppliers end including infrastructure, labour issues, logistics and timely availability of fabrics and accessories, etc.

Figure -3.3 Steps for Order Plan



Source:https://www.scribd.com/doc/55039857/Merchandising-Problems-in-Apparel-Industry

ii. Quality of Fabrics

Buying houses are having the opinion that India is still weak in blending of fabrics (mixing cotton with manmade fibres). In case of fabric production, big mills are all cotton dependent but we require more of manmade fibres in coming days especially polyesters and viscose, etc. For weavers, yarn supply should be consistent in terms of width and thread. The quality control aspect in fabric requires urgent attention. One buying house raised concern about the dying quality in India which is having an effect on the consistency of colour. India requires to focus on the colouring aspects of fabric urgently. Fabric prices are volatile despite having good production and India needs to address the price instability also.

Supply of accessories (laces / labels / buttons/ Tags etc) and trims are also problematic and inconsistent sometimes in India. For an example, if the rib fabric available for the Navy Blue T-shirt is not of exact matching colour and they are only in light shades, producers need to re-dye them and in the process, two weeks are lost.

iii. R&D and Design

Indian buying houses have come a long way. Many of them are now actively involved in R&D also. They have argued that India is catching up in design and product development and is now quite matured in technical areas such as fit, pattern, etc. It is also producing skilled personnel in this area through higher education in the related area. Some buying houses are either participating in design development jointly with buyer or even able to push their own design sometimes. This clearly indicates that India is slowly moving up the value chain. However, this is at the nascent level. India requires more focused approach in developing itself as a global design hub for apparel sector. We may study the policies pursued in countries like France and Italy and how big brands there took the advantage of such policies. India also requires more investment in manmade fibre development. Currently, only few players are involved in yarn and fabric segment.

iv. Logistics and Supply Chain

As mentioned earlier, India loses its competitive advantage due to the lead which is higher by 10-12 days compared to even neighbours such as Sri Lanka. This is due to limited vessel sailings, lack of mother vessels etc. This is a big disadvantage for fashion products which are required on short lead time by buyers. Also, bonded warehouse facility for forwarders are required at the airports and there is limited bonded facility at ICD’s / Ports at this moment.

Facilities like integrated Cargo Villages at the airports for facility of inspection consolidation and customs clearance at one place which will reduce the transit time / dwell time and cost. Setting up of logistics parks is requested as it will give the flexibility to move bonded cargo from one port to another for speedy movement in case of congestion at ports. The GOI had announced the policy of setting up Air Freight Stations (AFS) in 2011/12 but till date this is a non-starter. The Civil Aviation Ministry formally launched the scheme in 2014 but there has been no action on this scheme so far. Port access and operations should be benchmarked with the best infrastructure for access to the airport / ports and turnaround time for loading be reduced. Currently the rail/ rail infrastructure is very poor and the transit time to the port increases lead time which is a big problem with customers. Cargo capacity should also be increased for competitive rates and the GOI should allow more freight carriers to operate out of India. Bonded facilities need to be created in India whereby the overseas suppliers can stock their accessories (laces / labels / buttons/ Tags etc.) without paying duty. Setting up of such facilities will definitely cut down the transit time for getting theses trims & raw material from overseas.

v. Banking, Credit and Insurance

Banking, insurance and credit facilities are extremely important for the textile industry as payment cycle is quite long and large number of employees is engaged in the sector. It is important to note that there is a substantial increase in non-LC buyers as a result, buying houses bear significant amount of risk. Hence, a good credit and insurance system is warranted to make India a global sourcing hub. Some of the suggestions received from the buying houses are the following.

- For the export industry rates of interest offered by the banks for working capital may be reduced in order to compete effectively.
- Currently, ECGC(Export Credit Guarantee Corporation)offers insurance cover only post shipment. ECGC may cover pre-shipment risk as well in the present situation when customers are financially weaker than before and there is no longer availability of Letters of Credit to secure payments.

vi. Compliances Issues

In terms of compliance challenges being faced by the apparel industry, following is an exemplary list.

- Woman workers in the factories should legally be entitled to work beyond 7.00 PM. (In IT sector it is allowed now). Government is taking some steps in this direction and same may be accentuated.
- Government has taken up the issue of increasing the overtime CAP to 100-125 hours per quarter. The same should be implemented as states require active participation.
- Sudden hike in minimum wages like 35 %(2017) in Delhi and 64 %(2015) in Tamil Nadu is a huge deterrent to the garment industry since this is a labor intrinsic industry and it disrupts business and industry plans. Industry may be compensated in different way so that it can manage to keep the cost of production under control.

vii. Waiver from GST

Buying agents are also looking for a clarity under the GST norm and request for a waiver from the current definition of intermediary. Buying agents located in India qualify as intermediary between local manufacturers and overseas customers. The place of supply of the intermediary services is the location of supplier of such services i.e. India. Therefore, such services of buying agents from India, though relating to export of textile products to overseas customers will be subjected to GST. Buying agents feel that the cost for the overseas buyer of garments will increase in relation to imports from India, on account of GST payable on commission paid to buying agents. This will adversely impact India's competitiveness as exports will become costlier. The policy that taxes should not be exported will indirectly get defeated by way of passing of incidence of GST to an overseas customer. Different countries have brought out more nuanced concept of intermediary to avoid such situations. In UK services of intermediaries who are involved in export of goods are zero rated whether such services are provided to the exporter or to the overseas buyer. For example, if a UK based agent obtains an order from an overseas buyer for a domestic manufacturer and those goods are actually exported, the agent's supply of services to the UK exporter or the overseas buyer is zero rated (Ref: Item 2 to Group 7 of Schedule 8 of UK VAT Law).

In general, buying houses feel that India requires a focus at macro, meso and micro level to make it a global sourcing hub. At the macro level, both centre and state requires more conducive policies to improve the 'ease of doing businesses. At meso level, implementation of policies related to infrastructure, labour laws, transport system requires a time bound approach. At micro level, skill development, credit facilities, relaxation in taxes are essential. Firms need to improve their 'performance', buying houses need to ensure 'reliability' of supply and policy must support ‘ sustainability’ of the sector as India’s leading tradable sector in coming days.

3.4.2 Issues faced by Suppliers/Manufacturers

In post 2005 period, international buyers have changed their strategy of sourcing as they have more choices for sourcing their requirements. Buyers and buying houses identify suppliers who can work with independent quality control and quality assurance system, have the capability to quickly respond to their needs, having fast run production and production reporting system as per the buyer’s order plan and having sufficiently skilled workers who can work on the new machines. In the quota free markets, lead times are shortened, expensive inventories are reduced and competition has become intense. Large buying houses are now having direct and indirect control as the entire value chain is connected electronically. Buyers are also trying to reduce their pre- production cost, by identifying the sources who can supply the garments without too much dependence on them, like development of designs. Suppliers or manufacturers are concerned on number of issues ranging from infrastructure, current incentive structure, labour problems, technology, and supply chain. Most of the apparel makers require close to 90 days to produce and they think reduction of these time period will make them globally competitive **(Table-3.4).**

Table 3.4: Major problems faced by Suppliers/Manufactures

Types of Problem
High and fluctuating cotton and yarn price
Lack of good quality fabric
Inconsistent and high fabric price
Lack of better technology in India
Lack of modern machinery & equipment
Lack of good quality accessory in India (Lace, trims, etc)
Lack of good and effective export incentives and other policy support
Less time given by buyers for supplying the final product
Non committed human resources/ labor
Unable to process large order due to small size of factories
Lack of effective financial support and insurance structure

Source: Field Survey

Table 3.5 below provides a tentative time schedule for apparel manufacturing in India. As most of the firms are tiny in size with low manpower, they don't have sufficient economies of scale and hence, they have added burden during the production season and cannot work efficiently. In fabric procurement, quality checking itself takes a long time. Affordable price and availability of blended fabric are the most important bottlenecks in the production process. Indian eco-system for apparel is still incomplete and inefficient. Government requires to give attention with a target to reduce the manufacturing time in stages. Cutting, sewing and stitching also take lot of time due to non-availability of workers at the right time, cap on overtime, lack of modern technology etc. In this stage also, India can have a target to reduce time from 30 days to 25 to 20 days in span of 3 years. These targets can identify the bottlenecks at the ground level and fix them accordingly.

Table 3.5: Average number of days required in Apparel Manufacturing

Activity/ Process	**Approximate number of days required**
Fabric procurement, processing/quality checking	30 days
Cutting and sewing, stitching	30 days
Embroidery work (if required)	6-10 days
Accessory fitting	5-7 days
Finishing and quality checking	5 days
Packaging	2 days
Total	80-90 days

Source: Field Survey

i. Fabric issues

Prices of fabrics and yarn account for more than half of the cost of garment. These prices are volatile and inconsistent in India. Interestingly, though seemingly unrelated cotton fabric prices also pushes the prices of man-made fabrics and blended fabric price high which is hurting the Indian garments manufacturers and exporters. Due to rising cotton prices, several mills in India import cheaper fiber from other countries. Fabrics like satin, nylon, mesh, rayon, lace, latex, lycra, and/or polyester are also frequently used in producing apparel but India is still not efficiently producing these fabric which requires urgent attention.

ii. Garment Accessory issues

Majority of large manufacturers purchase garment accessories from China, Japan Taiwan, and Singapore which is hurting their profit margin as they have to pay import duty while importing the accessories. In case of small scale manufacturing units, these 50 percent accessories come from the local market which is not up to the international standard. India needs to work on the eco-system around the apparel manufacturing system. More investment and competition should be promoted in the accessory segment.

iii. Machinery & Technology issues

Indian garment industry is moderately modern in terms of technology. It has been noticed that the units, however small it may be, have the tendency to buy Chinese origin machines due to its low cost hence compromising on the quality of products produced. Small manufactures feel the import duty levied on machinery import is a bit high which restricts them to upgrade their machinery in their units. Together basic duty + CVD and special CVD (7.5% + 12% + 4%) poses a burden on them. Apart from this, there are landing charges and additional cess which increases the total landing cost further. Manufacturers look for some respite on the import duty. Other Asian countries like China where investment on technology and machinery is very high give them edge over Indian manufacturers. Due to the best technology to produce innovative fabrics, buyers from the western countries prefer China over India for sourcing these garments. Interestingly basic duties in Bangladesh on various textile machineries are around 1-2% and in Vietnam it is 0%. Even after adding domestic sales tax, manufacturers from Bangladesh and Vietnam can still import machinery cheaper than India.

iv. Labor/Manpower issues

Availability of workers is a major problem in garment manufacturing industry. Workers in major apparel clusters are mostly migrants and in the festive season when the demand of products are too high they leave the work in between which affect the production cost and also exporters deadline to buyers. Also in the event of good monsoon, clusters across India faces labor shortage as these villagers opt for cultivation. Different garment manufacturing clusters across India also suffer from availability of technically qualified managerial level manpower like professional knitting master, marketing personnel for selling in the international market, merchandisers and designers. Apart from that, states have different labour laws including overtime, minimum wages and other benefits. The lack of standardization puts some states in a disadvantage situation.

v. Banking and Finance issues

Manufacturing units as well as fabricators do not have easy access to any loan from banks/financial institutions due to variety of reasons. Also the export oriented units who have formal access to banks find the interest rate high. Pre and post shipments loans should be made more flexible as the global trade has become very volatile. Small producers cannot afford to take on much risk and government may develop a special fund which can be used during the time of distress.

vi. Currency Risk Management

The suddenness and magnitude of fluctuations in the exchange rate affects the competitiveness of Indian exporters. Buyers do not change the prices to compensate the loss when the Indian rupee fluctuates. Profit margins of exporters, therefore goes down sharply. However, the Government of India adjusts the duty drawbacks accordingly to offset the losses but it helps only partially. Volatile market conditions have made rupee vulnerable vis-à-vis US$ which has put exporters in difficulty to measure the future direction of rupee. Many units, particularly SMEs who have less experience & exposure of foreign exchange market and in speculative dealing, have lost on derivatives deals. Government may deliberate upon this and develop a policy to assist SME exporters in managing the risk due to currency fluctuations. This can be done through an integrated policy linking banks, insurance agency, managing competitiveness, productivity enhancement, etc. More training is also required for SMEs to understand the dynamics of currency fluctuation.

vii. Infrastructure, Utilities and Logistics

Some old clusters are situated around residential areas which are mostly congested. Expansion and modernization is sometimes difficult. The industry requires a complete overhauling in such cases which may include relocation, more technology friendly upgradation etc. Water and air pollution is a major problem in the industry. The policy on Zero Liquid Discharge (ZLD) is welcome but it has put the industry in major disadvantageous situation. Some clusters have successfully installed ZLD system and some are still struggling. The new challenges due to implementation of ZLD are the following. Increased power consumption, production of huge solid wastages with disposal challenge[20], need for skilled manpower to clean tubes and pipes, advanced waste water treatment plants, etc. are now the major issues while implementing ZLD system. These will have indirect cost on the SMEs.

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20 ZLD results in generation of the huge amount of hazardous solid wastes (particularly waste mixed salt) causing disposal challenges, which is being stored in storage yards within the CETPs. ZLD is generating thousands of tons of sludge as solid waste. This sludge has to be disposed of in a Secured Land Fill (SLF). The un-recovered Common Salt or Glauber's salt and the contaminants are sent to solar evaporation ponds for natural evaporation or sent to final Forced Circulation Multiple Evaporators for converting into Solid Waste. (Source: http://www.ceeindia.org/cee/ZLD%20Concept%20note.pdf)

Power situation in some clusters have not improved much. Given the importance of timely delivery, exporters have to resort to captive power generation using diesel as a fuel which is more than double the cost of power as compared to the State Electricity Board grid power cost. Due to rising diesel prices, the transportation costs have gone up. This is undermining the competitiveness of Indian exporters and manufacturers. In many states, transportation sector is having an oligopoly structure and operators dictate the price as there is lack of competition. Government should encourage more competition in the sector so that transport costs go down.

viii. Policy Issues

In 2016, government extended the duty drawback for textile sector with increased rate for some products. Now, through the indirect tax reform goods and services tax (GST) would subsume excise, service tax, VAT and other local levies to create a seamless market across the country. Exporters are worried about the new regime and how the refund scheme will operate and whether there will be timely refund. It is expected that manufacturing cost may go down, input credits on capital goods may be claimed. However, the informal component in the textile supply chain is quite long and exporters are not sure how they will bridge the gap to ensure proper input credit gain.

Though the GST rate of 5% has brought cheer to makers of cotton textiles, the textile industry wants the government to lower the levy for manmade fibre (MMF) products. MMF fabric and yarn, dying and printing units as well as embroidery items would attract 18% GST. This would result in an increase in input costs and adversely affect the entire textile value chain[21]. The current study has identified that India requires to diversify into blended fabric (Cotton and MMF) and in future market for synthetic apparel is quite bright. From this context, lower GST on MMF is also desirable.

21 http://timesofindia.indiatimes.com/business/india-business/lower-gst-on-manmade-fibre-products-textile-cos/articleshow/59007674.cms

Chapter – 4

Challenges and Opportunities in Indian Carpet Sector: Perspective of Buying Houses and Suppliers

4.1 Introduction

Carpet Industry is one of the oldest industries of India. The industry has its deep roots in the Mughal Dynasty as this is believed that the first Mughal emperor Babur (1526-30) imported carpets from Turkey and Persia to enhance the ambience of his court. Later, imperial workshops for carpet production were set up by Akbar in Agra and Fatehpur Sikri which produced the most majestic and aesthetic carpets in the country. This made the Indian carpet industry distinct at the domestic and international level. But, later on with the fall of the Mughal Empire, Indian handicrafts faced a major setback and governance of local carpet workshops came under the control of English or European companies in the 19th century.

During the post-British period, indigenous carpet industry started flourishing in different parts of the country and especially in the northern region. Major centres for carpet industry in India are Kashmir, Jaipur, Agra , Bhadohi and Mirzapur. All these regions are engaged in making different types of carpets with variations in material viz. silk, wool, etc., designs, color and quality. Presently, Indian carpets are known worldwide for their excellent design, fascinating colours and quality. India is the world's largest producer and exporter of handmade carpets in terms of value and volume; around 75–85 per cent of carpets manufactured in India are exported to over 70 countries, the US being the largest importer. Exports of handmade carpets and other floor coverings from India stood at US$ 1.45 billion in FY 2015-16 with an annual growth of 4.9%.

4.2 India’s Export of Carpet Products

The total world export of carpet products was around US$ 14.8 billion in 2012 and has decreased to US$ 14.6 billion in 2016. In terms of carpet and floor covering exports, India’s rank is third in the world export. The Indian carpet industry is both export-oriented and labour intensive. It is important to note that in 2012, carpet exports valued US$ 1.3 billion and reached US$1.7 billion by 2016 which is approximately 12% of total world export. China is still the top exporter in 2016 its exports were around US$ 2.5 billion accounting for 17% of the total world export. **Table 4.1** below depicts the trend of world export of carpets and floor coverings.

Table 4.1: World Export of Carpets (US$ Million) and Share (%) in World Exports

Exporters	2012		2013		2014		2015		2016	
	Exports	% Share in world's exports	Exports	% Share in world's exports	Exports	% Share in world's exports	Exports	% Share in world's exports	Exports	% Share in world's exports
World	14.83	100	15.92	100	16.41	100	14.77	100	14.67	100
China	2.40	16.2	2.51	15.7	2.68	16.3	2.63	17.8	2.54	17.3
Turkey	2.00	13.5	2.19	13.7	2.35	14.3	2.01	13.6	1.91	13
India	1.35	9.1	1.72	10.8	1.80	11	1.72	11.6	1.74	11.8
Belgium	1.85	12.5	1.98	12.4	1.91	11.7	1.72	11.6	1.72	11.7
Netherlands	1.14	7.7	1.23	7.7	1.24	7.5	1.08	7.3	1.13	7.7
Rest of the world	6.09	41	6.30	39.7	6.43	39.2	5.61	38.1	5.63	38.5

Source: Trade Map, International Trade Centre (ITC), Geneva

USA consumes around 21% of the world import of carpet & floor covering. The major segments of carpet import to USA are woven, tufted and knotted carpets. India ranks as the number one source for USA carpet imports. In 2012, USA accounted for 41% of India's export share and this share increased to 48% in 2016. USA continuous to be a promising partners as American consumers prefer handmade Indian carpets. USA and Germany continues to be the biggest market for India which accounts a 57 per cent of total India's exports. UAE has become India's third largest importing partner replacing UK. UK market for carpet seems to be stagnant today with no sign of revival in demand forcing India to diversify its export destination to make the carpet export buoyant. Latin American countries like Brazil, Chile, Argentina & Colombia have a large unexplored potential. **Table 4.2** below provides a snapshot of India's importing partner and their share

Table 4.2: India's Exports of Carpet (US$ Million) and Share (%) of different Countries

Importers	2012		2013		2014		2015		2016	
	Exports	% Share in world's exports	Exports	% Share in world's exports	Exports	% Share in world's exports	Exports	% Share in world's exports	Exports	% Share in world's exports
Export from India	1.35	100	1.72	100	1.80	100	1.72	100	1.74	100
USA	0.55	40.6	0.71	41.5	0.75	41.5	0.79	46.2	0.83	47.7
Germany	0.14	10.1	0.15	8.7	0.13	7.1	0.16	9.5	0.16	9.4
UAE	0.05	3.9	0.13	7.5	0.21	11.5	0.13	7.5	0.11	6.1
UK	0.12	8.8	0.13	7.7	0.12	6.7	0.11	6.3	0.10	6
Australia	0.04	3.3	0.05	2.9	0.05	2.9	0.06	3.3	0.06	3.4
Rest of the world	0.45	33.3	0.54	32	0.55	30	0.47	27	0.48	27

Source: Trade Map, International Trade Centre (ITC), Geneva

Table 4.3 describes the list of major carpet products that India specialises in. The table indicates that India has been a big market for products like tufted carpet, needle punched carpet, woven carpet, knotted carpet, etc. In the recent years there have also been a considerable shift in consumer preferences in the international market towards needle punched carpet and woven carpet. The changes in consumer taste in USA and Germany's market have had an impact on the carpet industry in India. The share of needle punched in all carpet products has increased from 28% in 2012 to 32% in 2016 and woven carpet shares has increased from 24% to 27% during the same period. Whereas shares of other varieties in carpet industry has shown a decline in five years.

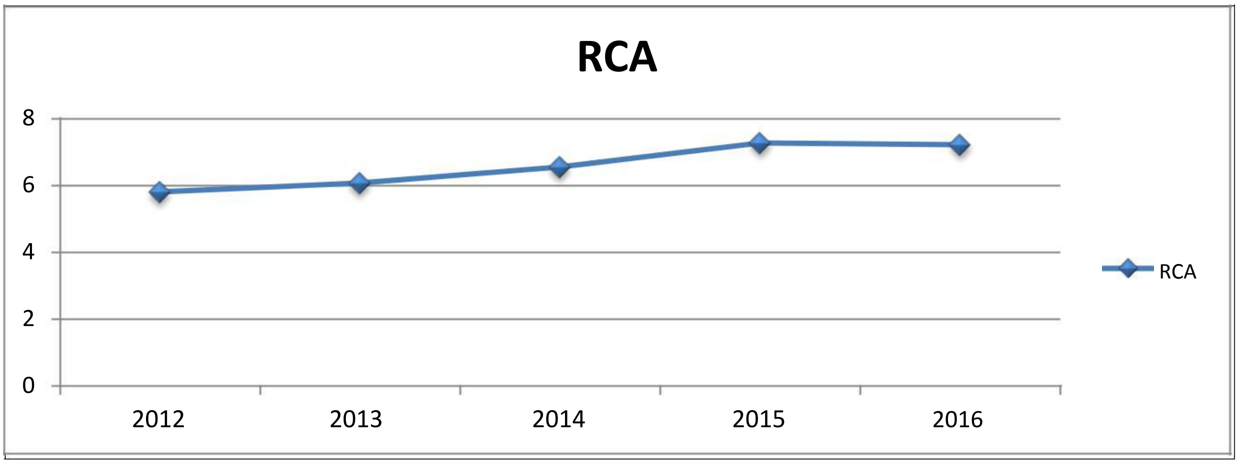
Table 4.3: India's Export of Carpets: Major products (US$ Million)

HS Code	Product label	2012		2015		2016	
		Exports	% Share in World's exports	Exports	% Share in World's exports	Exports	% Share in World's exports
57	Carpet products (Total)	1351	100	1719	100	1737	100
'5703	Carpets and other textile floor coverings, tufted "needle punched"	381	28.22	522	30.39	558	32.15
'5702	Carpets and other textile floor coverings, woven.	326	24.15	431	25.09	461	26.53
'5701	Carpets and other textile floor coverings, of textile materials, knotted.	365	27	449	26.14	416	23.96
'5705	Carpets and other textile floor coverings, (excluding knotted, woven ...	273	20.22	311	18.08	299	17.2
'5704	Carpets and other floor coverings, of felt, not tufted or flocked,	5	0.4	5	0.3	3	0.15

Source: Trade Map, International Trade Centre (ITC), Geneva

However, the future of the Indian carpet industry is still unpredictable, as the world demand of carpets has declined. Changing consumer preference drove the carpet industry to produce mechanised modern and fashionable carpets which are easy to maintain and affordable. Indian handmade carpets are battling with machine-made carpets from developed countries. The overall comparative position is expressed through a popular trade index Revealed Comparative Advantage (RCA). It provides a supply side position comparing carpet's position in World trade vis-à-vis India's exports. If the value is more than 1, it reflects that country is having an advantage in that sector or product. **Figure 4.1** below explains the dynamics of India's comparative advantage.

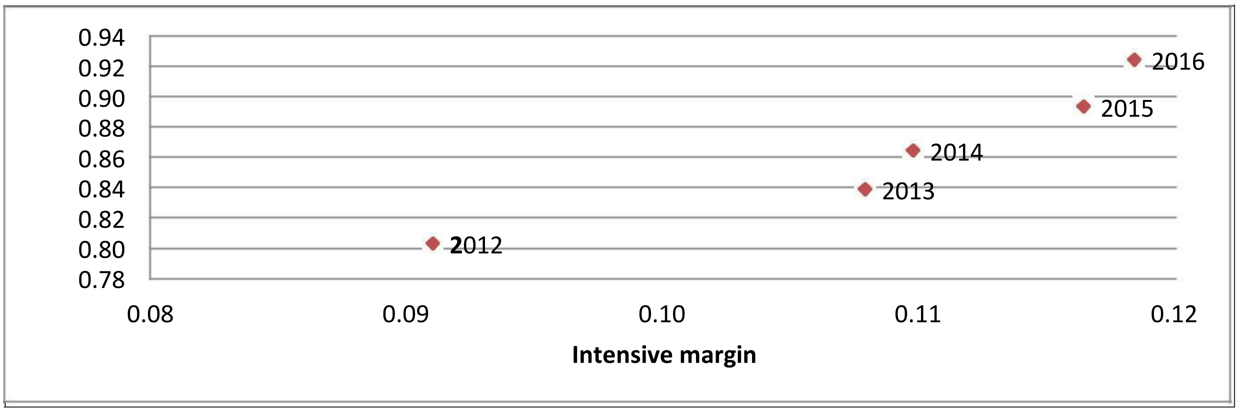
Figure 4.1: India's Revealed Comparative Advantage (RCA) in Carpet Products



Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

The index of RCA is 7.2 in 2016 for carpet sector and the **figure 4.2** indicate that India's position in global market is getting strengthened which is reflected by a slight increase in its share in the world export. However, it is far below compared to competing countries. Hence, an overall export data analysis provides sufficient evidence that this sector deserves attention along with a favourable export orientation policy to help the sector move forward in achieving the goal of making India a global sourcing hub.

Figure 4.2: Extensive and Intensive Margin with respect to India's Export of HS 57



Source: Calculated from Trade Map, International Trade Centre (ITC), Geneva

Another way of looking at India's presence in the world market in case of carpet export is to visualise the extensive and intensive margin. Extensive margin reflects the share of carpet in world export and intensive margin explains the share of India's export of carpet in India's total exports. In Figure 4.2 extensive and intensive margin with respect to India's exports (HS 57) are depicted. As the intensive margin and extensive margin for carpet products are constantly increasing in the last five years, it indicates bright future of Indian carpets.

4.3 Challenges faced by Carpet Buying Agents & Suppliers and Suggestions

i. Delivery Lead Time

The survey found that high delivery lead time of around 90-120 (depending upon the order size and length of the carpet) is a major challenge for buying agents and suppliers in Indian carpet sector. As weavers have limited production capacities and are dispersed, it becomes difficult for the suppliers to tie up large number of small weavers so as to cater to the large orders in time, leading to cancellation of orders by the buyers due to delay in manufacturing .

Suggestions

- In order to overcome these challenges setting-up of clusters at the weaving level will give boost to the Mission Plan
- Building Semi-Industrial Estate on the pattern of SEZ would be a significant step to enhance integrity in the carpet industry
- Common Facility Centre should be developed for both forward and backward linkages across all the major carpet hubs

ii. Depletion of Skills and Migration

Depletion/dissemination of traditional skills has become a big challenge for the Indian carpet sector as the modern generation is shifting to contemporary occupations. The low wage rate of weavers makes it difficult to cater to their basic requirements. On an average, a carpet weaver earns a meagre 100-150 INR/day. While, many of the weavers rely on agriculture as their alternate source of livelihood and work as artisans only during the lean agricultural months. Indian carpet sector languishes from the lack of training facilities for skill upgradion at the level of weavers resulting in non-availability of skilled artisans in the carpet sector.

Suggestions

- Occupation should be made attractive in terms of better wage structure and incentives
- Modernization of production processes is utmost importance to retain the youth in carpet weaving occupation
- Introduce vocational courses at the level of 9th to12th standard for promoting handloom related skills
- Designer exchange program at the institute level is necessary
- Capacity building program for weaving, dying and designing should be highly focused upon

iii. Lack of finance

In the context of credit policy of the country the survey found that lack of finance is a major problem for the carpet sector in India. Bank loans usually attracts high rate of interest along with collateral security and other complex procedures which small carpet weavers/suppliers find difficult to fulfil and thus remain deprived of enhancing their production capacities.

Suggestions

- Procedural hassles related to granting loans should be reduced in terms of collateral free loans
- Devise a provision for loan facility at low interest rate

iv. Taxation

The carpet manufacturers/suppliers are quite apprehensive of the GST taxation system. GST will bring the industry under the taxation bracket as producers who would in turn pass on the higher prices of the carpet products to customers leading to further decline in Indian carpets being price competitive globally.

Suggestions

- GST which is kept at 18% should be removed for this industry
- TDS on weavers should be removed

v. Marketing

The survey found that there is a lack of focus on marketing the products. There is no provision/scheme for the carpet weavers reimbursing expenses related to promotion and marketing in different countries. No doubt there is a specific scheme i.e. Market Development Assistance (MDA) for the overseas promotion of the products, but the scheme is not availed by small carpet producers, due to lack of awareness about the scheme or the scheme is mostly availed by the medium to large suppliers who meet the eligibility criterion for availing the scheme.

Suggestions

- Create/enhance awareness about the MDA Scheme
- Ensure its benefits reach all stakeholders by limiting the participation of repetitive exhibitors
- Government should organise symposiums at national and international level to bridge the gap between traders and exporters.

- Weaver services centres should be set up where an inventory of designs, motifs, patterns, prints, etc. are to be maintained

vi. Packaging

The survey found that packaging cost is very high due to pilferage and high transportation cost which results in loss of export competitiveness in the international market for Indian manufactured carpets.

Suggestion

- Training pertaining to different packaging practices must be provided as per international standard

vii. Logistics and Infrastructure

The survey highlighted that poor and inefficient logistics is a big challenge in India which is to be addressed urgently. Poor quality of roadways/highways/railways/ports leads to delays and high cost of logistics. Moreover, due to poor state of infrastructure at weaver hubs, personal visits by buyers have reduced leading to greater dependence on buying agents.

Suggestion

Infrastructure facilities should be enhanced in terms of better connectivity with seaways/airways.

viii. Stiff competition from other countries

The survey found that the carpet manufacturers of India are facing stiff competition from the various countries viz. China, Turkey, Belgium who by use of modern technology are capable of mass yet low cost of carpets. However, India is known for handmade carpets using small sized looms that take around 4-5 months for producing one carpet (depending upon the size of the carpet) and are thereby priced higher in the international market.

Chapter 5

Challenges and Opportunities in Indian Cotton and Man-Made Fibre Perspective of Buying Houses and Suppliers

5.1 Brief History of Cotton and Man-Made Fibre

India's cotton and man-made fibre (MMF) industry is one of the most organised, efficient, and modern industries of the country. Fibres are mainly divided in two categories: man-made and natural. Natural fibres are produced from plants and animals, like cotton yarn, wool, silk etc. whereas, man-made fibres are produced artificially, for example, polyester and rayon. India's yarn and fabric production increased largely on account of growth in cotton as well as the blended category. India is one of the leading producers of cotton yarn. The industry has been in existence since 1800's, with the establishment of the first cotton mill in 1818 at Ghusuri near Kolkata. Unfortunately, due to shortage of raw material the company was shut down. The industry then got its real impetus when it was relocated to Mumbai in 1859. Since then, the industry has seen growth in other parts of India namely, Ahmedabad, Tamil Nadu, Andhra Pradesh etc. This widespread growth has resulted in more than 100 countries importing yarn from India which apart from generating foreign currency for the country has contributed immensely to the generation of employment. The cotton industry engages over 15 Million workers which consists of 20% of the industrial labour of the country.

While India has been traditionally known to be a cotton surplus country, nevertheless, the MMF industry has become one of the high growth potential sectors of the country. In recent years, massive capacity expansion has made the industry self-sufficient with state of art machinery and technology. Today, the MMF industry occupies a pre-eminent position in India, producing almost all types of items, from basic raw materials to the finished products. MMF has been increasingly substituting cotton and the textile industry is progressively shifting from cotton to MMF as better alternatives. India is the second largest producer of cellulose fibre/yarn and fifth largest producer of synthetic fibre in the world.

Man-made fibres have certain advantages over the natural fibres. They are easy to manufacture and manufacturers can take advantage of economies of scale, driving the costs down as the manufacturing methods become standardised. Fabric produced by MMF are resistant to wear and tear, cheaper for consumers and have a longer shelf life when compared to natural fibres. The following chapter discusses the trend in the world exports of cotton yarn, cotton fabric and MMF, examines three major indicators that reveal how Indian exports compare with the rest of the world and concludes with a detailed stakeholder analysis of the challenges faced by buying houses and manufacturer/exporters in these segments as well as suggestions that can make India a global sourcing hub in the segments of cotton and MMF.

5.2 Current Trade Position and Quantitative Analysis

The following is a brief description of the share of the top five exporters of cotton yarn and cotton fabric and where does India stand in comparison. The data below discloses the top five leading destinations that India exports cotton yarn and cotton fabric to and a four digit product-wise analysis of India's exports in cotton yarn and fabric. A quantitative analysis is carried out to understand whether India has strengths in these two important textile segments by means of calculating India's revealed comparative advantage, intensive and extensive margins.

5.2.1 Trend in Yarn (Cotton Yarn) Export

As per **Table 5.1**, the total world export of cotton yarn has decreased from US$ 16 billion in 2012 to US$ 14 billion in 2016. Despite this decline, exports from India remained constant at around US$ 3.3 billion during 2012-2016. It is interesting to note that during this period the share of China's exports decreased from 14% to 11% while India increased its share in the global exports of cotton yarn from 21% to 23%.

It indicates India has a strong presence in global exports of raw cotton and cotton yarn. Meanwhile, it is also interesting to observe that Vietnam has increased its global export share of cotton yarn from 5% in 2012 to 15% in 2016. Vietnam relegated India to second position by becoming the leading exporter of cotton yarn to China. China and Bangladesh are the largest importers of cotton yarn from India, who in turn creates value addition to the yarn and then exports the same at a lower cost compared to India. As world export value of cotton yarn has decreased over the years, it is an indication that cotton textile trade is shifting toward different types of fibre like MMF. A detailed analysis supporting this view is discussed under the MMF section in this chapter.

Table 5.1: Trend of world export of cotton yarn (US$ Billion) and Share (%) of different countries

Exporters	2012		2013		2014		2015		2016	
	Export Value US$ bn	Share in world export %	Export Value US$ bn	Share in world export %	Export Value US$ bn	Share in world export %	Export Value US$ bn	Share in world export %	Export Value US$ bn	Share in world export %
World	16.02	100	19.06	100	17.11	100	15.33	100	14.1	100
India	3.30	21	4.95	26	4.2	25	3.85	25	3.3	23
Viet Nam	0.79	5	1.12	6	1.5	9	1.63	11	2.05	15
China	2.18	14	2.52	13	2.06	12	1.67	11	1.56	11
Pakistan	2.25	14	2.32	12	1.97	12	1.62	11	1.23	9
USA	1.35	8	1.38	7	1.41	8	1.35	9	1.21	9

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

As per **Table 5.2**, the top five importing countries for cotton yarn from India is China, Bangladesh, Pakistan, Egypt and Portugal. However, China's share in India's imports dropped from a high of 43% in 2015 to 31% in 2016. This may suggest that either China is relying on other countries for import of cotton yarn or is moving out of cotton to different forms of yarn. While Bangladesh is rising in its share of imports from 14% in 2015 to 18% in 2016. The table below gives a snapshot of India's cotton yarn export destinations.

Table 5.2: Trend of India's export of cotton Yarn (US$ Billion) & Share (%) of different countries

	2012		2013		2014		2015		2016	
Importers	Export value US$ bn	Share in India's exports %	Export value US$ bn	Share in India's exports %	Export value US$ bn	Share in India's exports %	Export value US$ bn	Share in India's exports %	Export value US$ bn	Share in India's exports %
World	3.30	100	4.95	100	4.20	100	3.85	100	3.30	100
China	0.99	30	2.06	42	1.54	37	1.67	43	1.02	31
Bangladesh	0.51	15	0.56	11	0.57	14	0.55	14	0.59	18
Pakistan	0.03	1	0.13	3	0.11	3	0.11	3	0.18	5
Egypt	0.15	5	0.16	3	0.20	5	0.17	4	0.14	4
Portugal	0.10	3	0.14	3	0.13	3	0.11	3	0.12	4

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

Table 5.3 explains the list of major cotton yarn products that India leads in. It may be noted that the product wise share has remained consistent for the period 2012-2016. In the sphere of cotton yarn, India has advantage as it is one of the lowest cost producers.

Table 5.3: India’s export of Cotton Yarn: Major products (US$ Million)

		2012		2015		2016	
Code	Product label	Exported Value US$ mn	Share in value in country's cluster exports	Exported Value US$ mn	Share in value in country's cluster exports	Exported Value US$ mn	Share in value in country's cluster exports
	cotton yarn	3299.6	100	3845.2	100	3300	100
'5205	Cotton yarn other than sewing thread, containing >= 85% cotton by weight (excluding that put ...	3155.2	95.6	3736.7	97.2	3164	95.9
'5202	Cotton waste, incl. yarn waste and garnetted stock	83.3	2.5	44.1	1.2	67	2
'5206	Cotton yarn containing predominantly, but < 85% cotton by weight (excluding sewing thread and ...	25.3	0.8	43.3	1.1	52.4	1.6
'5204	Cotton sewing thread, whether or not put up for retail sale	19.7	0.6	17.2	0.5	15.1	0.5
'5207	Cotton yarn put up for retail sale (excluding sewing thread)	16	0.5	3.9	0.1	1.4	0

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

5.2.2 Quantitative Analysis in Indian Cotton Yarn

The overall comparative position is expressed through a popular trade index known as revealed comparative advantage (RCA). It provides a supply side position comparing cotton yarn’s position in world trade vis-à-vis India’s exports. The RCA measures the relative importance of a country’s export of “cotton yarn” as compared with the world as a whole. If the calculated RCA is greater than unity, it implies that the country’s exports are moving closer to the pattern of the world exports of that particular commodity.

Table 5.4: RCA for Cotton Yarn among the top five exporters for 2012-16

	2012	2013	2014	2015	2016
India	13.13	14.62	14.68	15.67	14.26
Viet Nam	7.96	8.4	11.11	10.83	10.93
China	1.23	1.13	0.98	0.79	0.83
Pakistan	5.16	4.45	4.13	3.81	3.01
United States of America	1.01	0.87	0.96	0.97	0.94

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

Table 5.4 discloses the progressive RCA value for cotton yarn of the top five exporters from 2012 to 2016. It shows that among the top five exporters, USA and China lost its competitiveness in the international market since RCA values is less than unity in 2016.

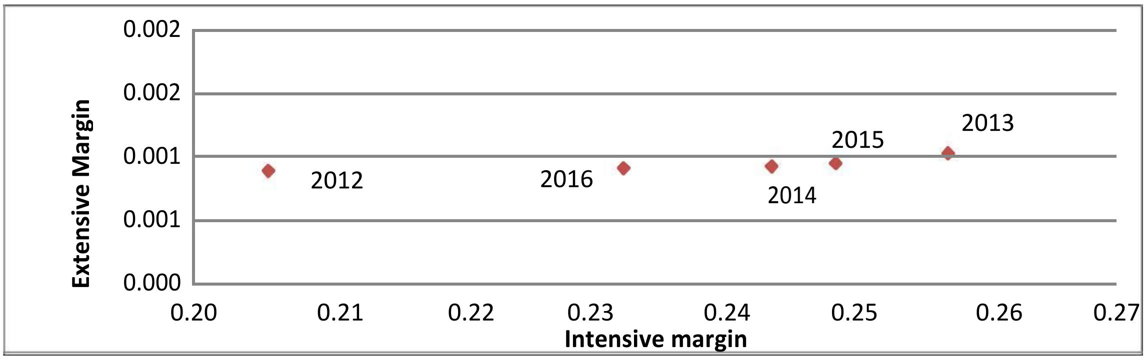
Pakistan is witnessing a gradual loss in its competiveness as can be seen from its steadily declining RCA value from 5.16 to 3.01.

India has consistently maintained its leadership position in the exports of cotton yarn. In 2016, the RCA of India was to the tune of 14.6, however, it is interesting to note that RCA value of Vietnam had increased significantly during the same period. It can be observed that except for India and Vietnam, the remaining three countries recorded a decline in RCA value for the period 2012-16. Vietnam's RCA increased by 2.97 over last five years. This implies that the cotton yarn from Vietnam enjoys a strong competitive position in the international market, and has already emerged as the leading cotton yarn supplier to China.

Another measure that describes India's presence in the world market in case of cotton yarn export is to visualise the intensive and extensive margin. The intensive margin of a country's export growth is attributable to its persistent export relationships i.e., exports of already exported products (old products) to already existing market destinations for those products (old markets). The extensive margin refers to changes in the value of exports due to diversification of old products to new market destinations and/or due to the exports of new products[22] Thus, intensive margin refers to increase in trade of existing relationships and extensive margin refers to establishing new trading relationships.

The **figure 5.1** below depicts the extensive and intensive margin with respect to India's exports in cotton yarn (HS 52). As the intensive margin and extensive margin for cotton yarn products has decreased from 2015 to 2016, it indicates India is losing advantage, as the worth of India's cotton yarn exports in the world has fallen down (from 3.85 Billion US$ in 2015 to 3.30 billion US$ in 2016). In addition, cotton yarn is also losing importance in the global arena.

Figure 5.1: Extensive & Intensive Margin with respect to India's Export of cotton yarn products



Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

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[22] *C.Veeramani and Prachi Gupta, "Extensive and Intensive Margins of India's exports : Comparison with China", IGIDR, Mumbai, 2014, Working Paper*

5.2.3 Trend in Fabric (Cotton Fabric) export

The total world export of cotton fabric has decreased from US$ 29.20 billion in 2015 to US$ 26.19 billion in 2016. The impact of the US$ 3 billion decline can observed by comparing the decline in the export value of cotton fabric among the top five (China, Pakistan,India, Italy and Turkey) for the same period. However, one of the most astonishing facts of the cotton fabric exports is the difference in the share of exports between the leader's positon China (51%) and India (6%) which stands third in world exports of cotton fabric, it is interesting to note that Pakistan commands a higher share (8%) in the exports of cotton fabric than India. This huge differential is a reflection of India's inability to scale up the value chain although it leads in the production and exports of cotton yarn. The **Table 5.5** below gives a snapshot of world's top five exporting countries and their share in cotton fabric.

Table 5.5: Trend in World Export of Cotton Fabric (US$ Billion) and Share (%)

	2012		2013		2014		2015		2016	
Exporters	Export Value US$ bn	Share in world Exports %	Export Value US$ bn	Share in world Exports %	Export Value US$ bn	Share in world Exports %	Export Value US$ bn	Share in world Exports %	Export Value US$ bn	Share in world Exports %
World	30.20	100	33.21	100	31.50	100	29.20	100	26.19	100
China	12.62	42	15.02	45	14.21	45	14.09	48	13.42	51
Pakistan	2.60	8.6	2.78	8.4	2.57	8.2	2.32	7.9	2.16	8
India	1.62	5	1.83	6	1.86	6	1.76	6	1.62	6
Italy	1.67	6	1.60	5	1.53	5	1.20	4	1.17	5
Turkey	1.12	4	1.27	4	1.23	4	1.10	4	1.08	4

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

The top five importers of Indian cotton fabric are Bangladesh (21%), Sri Lanka (11%), UAE (5%), Senegal (5%) and Korea (5%). Bangladesh and Sri Lanka are two major import destinations for India's cotton fabrics. Indian fabrics become a major input for the garmenting industry located in countries such as Bangladesh and Sri Lanka who in turn export ready-made apparels to Europe and USA. **Table 5.6** below gives a snapshot of the value and share of cotton fabric exports made by India to its top five importing partner countries.

Table 5.6 Trend of India's Export of Cotton Fabric (US$ Billion) and Share (%)

	2012		2013		2014		2015		2016	
Importers	Exports US$ bn	% Share in world exports	Exports US$ bn	% Share in world exports	Exports US$ bn	% Share in world exports	Exports US$ bn	% Share in world exports	Exports US$ bn	% Share in world exports
World	1.62	100	1.83	100	1.86	100	1.76	100	1.62	100
Bangladesh	0.34	21	0.37	20.2	0.38	20.7	0.36	20.7	0.34	21.1
Sri Lanka	0.16	9.7	0.17	9.5	0.15	8.2	0.15	8.6	0.17	10.6
United Arab Emirates	0.09	5.6	0.11	6	0.13	6.8	0.11	6.3	0.09	5.4
Senegal	0.06	3.8	0.07	4	0.06	3.2	0.07	3.7	0.08	4.8
Korea, Republic of	0.01	0.7	0.02	1.2	0.06	3.1	0.08	4.5	0.08	4.7

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

Table 5.7 below lists the four digit product wise exports in cotton fabric which India specialises in. It may be noted that the share of cotton fabric product wise has not changed much during 2012-2016. India has strong raw material base and needs to upgrade its position from a supplier of cotton yarn to producer of value added fabrics and garments.

Table 5.7: India's export of Cotton Fabric: Major products (US$ Million)

		2012		2015		2016	
Code	Product label	Export Value US$ mn	Share in value in country's cluster exports %	Export Value US$ mn	Share in country's cluster exports %	Export Value US$ mn	Share in country's cluster exports %
	cotton fabric	1622	100	1764	100	1616	100
5208	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m²	899	55	1014	57	966	60
5209	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m²	530	33	480	27	429	27
5211	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally ...	63	4	119	7	120	7
5212	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, other than those ...	108	7	115	7	65	4
5210	Woven fabrics of cotton, containing predominantly, but < 85% cotton by weight, mixed principally ...	22	1	35	2	37	2

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

5.2.4 Quantitative Analysis in Indian Cotton Fabric

The RCA measures the relative importance of a country's export of "cotton fabric" as compared with that for the world as a whole. If the calculated RCA is greater than unity, it implies that the country's exports are moving closer to the pattern of the world exports of that particular commodity. **Table 5.8** discloses the progressive RCA value for cotton fabric among the top five exporters from 2012 to 2016. It indicates that all top five countries are competitive in the international market since the values of the RCA values are greater than unity throughout the period of analysis.

Table 5.8: RCA for Cotton Fabric among the top five exporters for 2012-16

Countries	**2012**	**2013**	**2014**	**2015**	**2016**
Pakistan	64.63	63.22	62.58	59.41	40.71
Turkey	4.50	4.76	4.71	4.32	4.60
China	3.76	3.88	3.65	3.49	3.84
India	3.42	3.11	3.52	3.77	3.76
Italy	2.04	1.76	1.74	1.49	1.54

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

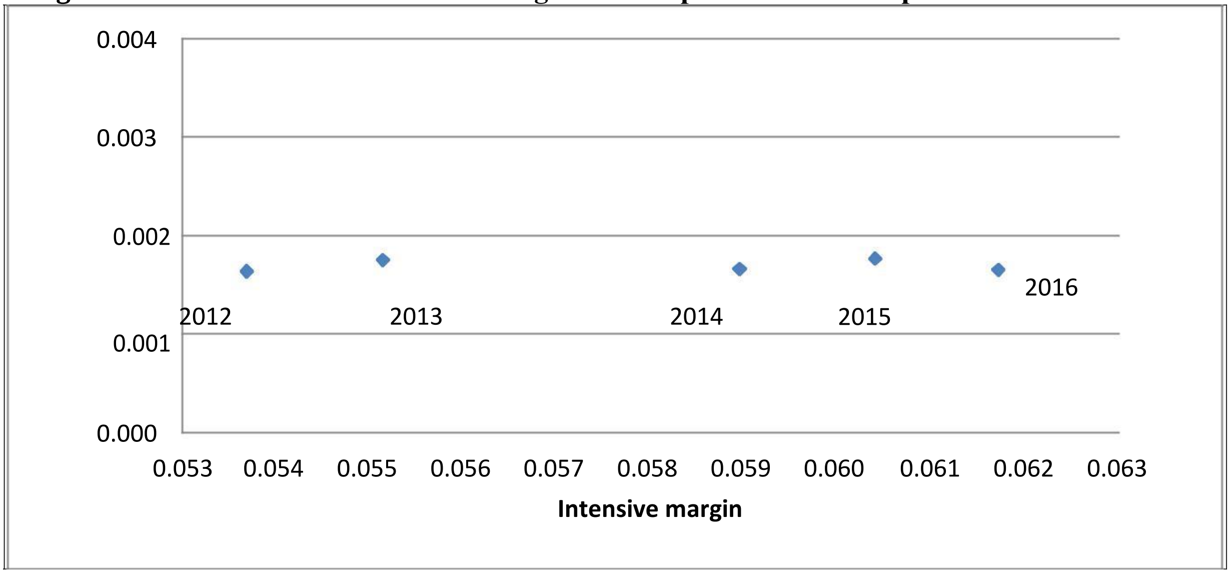
Pakistan exports for cotton fabric are world renowned and it enjoys having the highest RCA value for cotton fabric among all top five exporters, however it is continuously decreasing over time. This indicates that Pakistan is facing continuous decline in the level of competitiveness in the global market which can be attributed to limited mechanization and outdated technology.

It is also observed that apart from Pakistan, all the countries show relatively low level of variations in their RCA values reflects stability in the trend. India ranks 4^{th} among its major competitors in terms of its competitive advantage. This reveals that when it comes to cotton fabrics India does not have an edge in the world market.

Another way of looking at India's presence in the world market in case of cotton fabric export is to visualise the extensive and intensive margin. In **figure 5.2** below extensive and intensive margin with respect to India's cotton fabric exports (HS 52) are depicted. As the intensive margin is increasing very marginally the extensive margin remains constant, it indicates that India is only able to penetrate its existing markets but unable to enter in new market relationships with respect to cotton fabric. This has been already seen by means of the data above that while India leads in cotton yarn exports, it has been a very marginal player when it comes to cotton fabric in world exports. China has a substantial share of 51%

in cotton fabrics when compared to India's stagnant growth of merely 5-6% in the last five years. This shows that India is not able to break new ground in the area of cotton fabrics.

Figure 5.2: Extensive and Intensive Margin with respect to India's Export of Cotton Fabric



Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

5.2.5 Trends in Man-Made Yarn and Fabric (MMF) Exports

Man-made fibre are artificial fibre whose structure and composition is significantly modified in the manufacturing process unlike the natural fibres which are less modified during the process. The man-made fibre can be classified into nylon, synthetic, viscose, polyester etc. The intensified demand for technical textiles, home textiles along with flourishing demand in apparels are becoming the major drivers for demand of MMF. Reports suggest that factors such as growing consumer class, rising urbanisation, disposable income and limited supply of cotton is set to increase the share of MMF in the coming years.

Despite the increasing share of MMF in the world exports, India's has a marginal share. Exports in cotton and cotton yarn continue to be India's strengths. Against this backdrop, the following section discusses the trend in world exports of MMF and the leading players, India's share in the exports of MMF and the leading import destinations. An analysis of India-China exports in cotton and MMF is carried to understand the shifting stance of the global giant China. It is hopeful that this analysis will help Indian policy makers realise the importance that the MMF sector has assumed globally and develop steps to increase India's share in this segment.

Table 5.9: Trend in world export of MMF |Yarn (US$ Billion) and Share (%)

Exporters	2012		2013		2014		2015		2016	
	Export Value in US $ Bn	**Share in World Export %**	**Export Value in US $ Bn**	**Share in World Export %**	**Export Value in US $ Bn**	**Share in World Export %**	**Export Value in US $ Bn**	**Share in World Export %**	**Export Value in US $ Bn**	**Share in World Export %**
China	6.76	23.1	7.15	24.1	7.47	25.2	6.88	26.1	6.99	27.3
Indonesia	1.82	6.2	1.92	6.5	1.91	6.4	1.80	6.9	1.69	6.6
India	1.91	6.5	2.13	7.2	1.99	6.7	1.71	6.5	1.67	6.5
United States of America	1.63	5.6	1.63	5.5	1.72	5.8	1.70	6.5	1.58	6.2
Turkey	1.09	3.7	1.19	4	1.24	4.2	1.09	4.1	1.13	4.4
World	29.28	100	29.65	100	29.71	100	26.31	100	25.59	100

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

As per **Table 5.9**, the total world export value of MMF yarn stood at 25.59 US$bn in 2016 with China have a significant share of close of 27% followed by Indonesia and India with about 6.5% share. India's share has been steady and almost close to competing countries such as Indonesia and USA which account for the same proportion.

Table 5.10: Trend in world export of MMF Fabric (US$ Billion) and Share (%)

Exporters	2012		2013		2014		2015		2016	
	Export Value in US$ Bn	**Share in World export %**	**Export Value in US$ Bn**	**Share in World Export %**	**Export Value in US $ Bn**	**Share in World Export %**	**Export Value in US $ Bn**	**Share in World Export %**	**Export Value in US$ Bn**	**Share in World Export %**
China	6.27	43	7.05	45.7	8.51	49.6	8.97	53.2	8.05	52.7
India	0.78	5.3	0.83	5.4	0.89	5.2	0.97	5.8	0.82	5.3
Italy	0.63	4.3	0.66	4.3	0.70	4.1	0.62	3.7	0.61	4
Germany	0.59	4	0.60	3.9	0.63	3.6	0.52	3.1	0.54	3.5
United States of America	0.51	3.5	0.55	3.6	0.53	3.1	0.54	3.2	0.52	3.4
World	14.60	100	15.43	100	17.15	100	16.87	100	15.28	100

Source: Calculated from Trade Map data, International Trade Centre (ITC), Geneva

According to Table 5.10, the world exports of MMF Fabric stood at 15.28 US$ bn with China leading as the number one exporter of MMF fabric assuming a market share of close to 53%. India though in second position has a minuscule share of close to 5%. However, though India has a small share it is encouraging as technology advanced countries like Germany and USA contribute only close to 3.5% to world exports of MMF fabric.

The **table 5.11** is an interesting analysis over a period of five years (2012-2016) that reveals the shift in exports of Cotton vs. MMF by comparing the total world exports of Cotton Yarn and MMF. The ratio of the value of exports has consistently been 30: 70 worldwide. This shows that the growing preference globally is in the area of MMF.

Table 5.11: Ratio of World Exports of Cotton Yarn and MMF (2012 – 2016)

Year	World Exports of Cotton Yarn (US$ bn.)	World Exports of MMF (US$ bn.)	Ratio of Cotton vs. MMF Exports in (%)
2012	16.0	36.8	30 : 70
2013	19.1	38.0	33 : 67
2014	17.1	39.4	30 : 70
2015	15.3	36.4	30 : 70
2016	14.1	34.0	29 : 71

Source: Trade Map data, International Trade Centre (ITC), Geneva

It is also interesting to note where China and India stands in the exports of Cotton and MMF. The **Table 5.12** reveals that China is decreasing its share in world exports in the area of Cotton yarn from 14% to 11% over the period 2012-16, while India has maintained its leading position in the exports of Cotton yarn and continues to command a share of around 23%. The world ranking in the exports of cotton yarn puts India in first position, while China is in third position.

Table 5.12: Share of China vs. India's exports in Cotton Yarn

Cotton Yarn				
Year	China's Exports US$ Billion.	China's Share in World Exports (%)	India's Exports US$ billion.	India's Share in World Exports (%)
2012	2.18	14	3.30	21
2013	2.52	13	4.95	26
2014	2.06	12	4.20	25
2015	1.67	11	3.85	25
2016	1.56	11	3.30	23

Source: Trade Map data, International Trade Centre (ITC), Geneva

While **Table 5.13** reveals the growth that China is assuming in the exports of MMF from 29% to 36% between 2012-16 while India continues to remain at 6% for the same period. The world ranking in the exports of MMF put China in the leading position while India is in the third position.

Table 5.13: **Share of China vs. India's exports in MMF**

MMF				
Year	China US$ Billion.	China's Share in World Exports (%)	India US$ Billion.	India's Share in World Exports (%)
2012	10.62	29	2.00	5
2013	11.21	29	2.19	6
2014	12.82	33	2.18	6
2015	12.90	35	2.13	6
2016	12.14	36	2.05	6

Source: Trade Map data, International Trade Centre (ITC), Geneva

The above analysis shows that the growing trend globally is seeing a shift from Cotton based products to MMF products. The gap is very wide with a 30-70 ratio and India has not taken advantage of this growing opportunity. An important area that will require policy makers to investigate and take measures to help India have a noteworthy presence in this sector.

5.3 Stakeholder's Analysis

The most significant part of this study has been understanding the issues and challenges faced by buyers and suppliers of MMF and Cotton segment. The following information describes some of the serious challenges that stakeholders in this segment encounter when trading with global partners. Promptly tackling these issues can help India become emerge as a global sourcing hub.

5.3.1 Challenges faced by Buying Houses

i. Stability in prices

The most significant problem faced by buying houses of yarn and fabric is the fluctuations in prices of raw cotton. It is often found that the business is controlled by a few trading houses and due to rumours of crop quality and size there are large swings in the prices. Buying houses rely on their long standing relationships with suppliers to help ease out the uncertainties with respect to prices. Thus, making it difficult for new entrants to enter the market. With regard to fabric, buyers have a specific buying season and order booking happens only at specific times, but the costing exercise begins much earlier, however, mill owners are not willing to take a long term view when quoting prices to buyers and thus don't hold on to their prices for long.

ii. Absence of versatility in Indian Fabrics

Indian producers are not versatile in creating variations in fabrics or blending of fabrics that can suit the taste and trends of the global buyers. Producers prefer to stick to producing only certain specific types of product rather than view the need to be versatile as a development strategy and an investment in the future. While the unorganised sector is prepared to comply with demands of versatile fabrics, buying houses feel that they are not dependable.

iii. Sourcing of Traditional Fabrics

Fabrics like Ikat, Khadi have limited number of suppliers in the organised sector. Suppliers in the unorganised sector are difficult to work with and unreliable

iv. Sampling and Development

Indian mills have not invested enough in sampling and those who can have a very time consuming process in bulk development and therefore, buying houses cannot match up with the lead time of buyers and as a result lose out on orders.

v. Simplification of documentation procedures

The time consumed from the point of stuffing of cargo for exports to completion of the rest of the process involves several procedures and documentation requirements as a result this leads to rise in the interest cost of buying houses. Port congestion and turnaround is another hindrance that causes undue delays for shipment of goods. Upgradation of the port infrastructure is an urgent need in order to ensure that things are more manageable.

vi. **Availability of Government officials for inspection and clearances**

Though port facility is a round the clock activity, officials who are required to conduct inspection and clearances are only available due specific working hours of the day. As result shipments need to wait causing inordinate delays.

vii. **Labour Laws and Power Costs**

Due to differences in incentives that differ between states in the country, some traditional units despite modernisation are not able to avail benefits when compared to their new counterparts due to having a geographical disadvantage. Changes in recent policy of the government that disallows spinners from procuring power from private players is leading to a rise in input costs.

viii. **Awareness of quality issue compliances**

Sourcing of fabric from the unorganised sector comes with a risk as the producers are unaware of quality compliance issues for exports. Due to the fear of rejection of goods, buying houses avoid the unorganised sector. Therefore, there is an urgent need to impart training to production hubs in these sectors about adhering to quality compliances.

ix. Innovation

Indian Mill owners lack the ability to innovate unlike producers in China, Taiwan and Turkey. Indian mill owners only resort to imitating existing designs rather than bring in new innovations in design and fabrics.

x. Low incentives

The incentives offered in India are far below that offered in China, thereby making Indian products lose out on being price competitive in the global markets.

5.3.2 Challenges faced by Supplier/Exporter

i. Scale of Operations

The scale of operations is the most significant difference between China and India in virtually all segments of textiles but when it comes to cotton yarn and fabric the schism is very striking. The export data in 2016 reveals India in the leading position of global cotton yarn exports with 23% share while Vietnam (15%) and China (11%) placed at the next two positions. The top two destinations of Indian cotton yarn exports are China (31%) and Bangladesh (18%). Nevertheless, when it comes to global exports of cotton fabric, China commands a 51% share whereas India in third position has marginal share of barely 6%. This huge difference between the leading player and the second best player in cotton fabric is a massive gap of 45%. This comparison suggests that India is not able to scale up the value chain significantly enough to meet the global demand despite being the largest producer and exporter of cotton yarn. The ability to scale up requires an ecosystem with good infrastructure, upgraded and updated technology, skilled manpower, and efficiency in ease of doing business.

ii. Meeting the fashion needs of global brands

Catering to the contemporary fashion needs of global brands demands the ability to blend a variety of fibres such as cotton, viscose, rayon that matches the taste and changing fashion trends in various apparels. India lacks the technology required to blend fabric as per the requirements of the buyers, and as a result the speed of innovation in designs and blended fabric is missing. Indian suppliers are thus forced to export different types of fabric separately thus making competing nations better players in developing garments that meet the global fashion needs. The need to introduce superior technology is riddled with various obstacles such as procedural hurdles during imports, taxation policies and lack of resources to invest in new technology

[India has only one domestic supplier that makes Lycra to the tune of 5000 meters however the domestic consumption is to the tune of 22,000 meters. Thus forcing suppliers to turn to global players to meet their demands. In certain cases buyers insist that the product should be of certain quality standards that does not match with the Indian player. This is another obvious sign of Indian manufacturers not able to meet quality standards of global players because of lack of innovation] [23]

iii. Logistic issues related to international trade

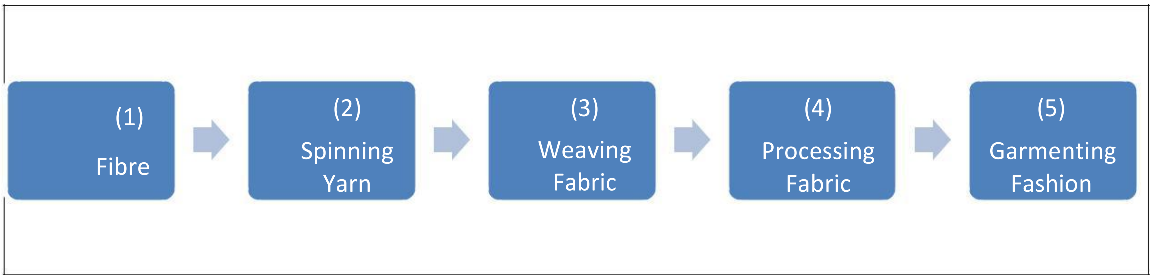
A textile is an ever evolving and dynamic segment that incorporates changing trends in fashion and fusion of styles in a short span of time. Supply of Indian fabric to garment producing countries is to be done rapidly due to the shrinkage in lead time of buyers coming down from 60 to 22 days. Adherence to the shrinkage in lead time demands the existence of a very seamless and supportive logistic environment. However, some of the issues faced by fabric exporters with respect to transit time is astonishing. Transit time to China is 12 days whereas it takes 21 days to reach Vietnam and Cambodia due to the absence of direct services despite the close proximity to India. Another classic example is the case of India–Dhaka and Shanghai-Dhaka shipment time. India's transit time to Dhaka by road takes 18 days while transit time from Shanghai to Dhaka takes only 9 days by ship. Shanghai enjoys a dedicated berth facility at the Dhaka port. This is despite the fact that Bangladesh is the leading importer from India for cotton fabric (21.1%) and MMF (10.5%). The delays in shipment to countries with close proximity are due to border control issues and lack of interest in developing port related services that can enable India ship goods to South East Asia swiftly. Thereby in turn causing delays in meeting delivery schedules of buyers in time.

[23] *Inputs received from the buying houses while conducting field survey*

iv. Fibre to Fashion-hiccups in the value chain

The following is a brief description of the value chain from fibre to fashion Exhibit -6

Exhibit -6: Fibre to Fashion Value Chain



Fibre producers have often found that India possess major challenges in the area of weaving and processing stage. These two stages lag behind in innovations and scalability. Government needs to ensure support services in the form of infrastructure and technology for the players in the weaving and processing stage to scale up fast and adapt to the changing trends in blending fibres to create world class fabric that is acceptable for the garment industry.

Some fibre producers have overcome this challenge by researching the value chain backwards. They first approach the players in the garmenting stage to understand the changing trends in fashion that are presently being met by innovative blends in fibre to create the right kind of fabric which is required by the fashion industry. Fibre producers in turn approach the players in the weaving and processing stage to describe how innovations that result from blending a variety of fibre can result in the desired fabrics needed in the garmenting stage. Thus resulting in all players in the value chain working in a cohesive manner to meet the fashion needs of global brands.

v. Lack of an ecosystem that promotes a domestic quality environment

The credibility of Indian testing labs providing world class quality testing and certification seems to be diminishing in the eyes of global buyers. Notwithstanding the fact that Indian agencies have proven to be on par or sometimes superior to international quality testing agencies. A primary reason for circumventing Indian testing and certification agencies is the lack of visibility and presence in global markets. Buyers prefer to use agencies that are known globally rather than a domestic agency despite the cost advantage. Another contributing factor has been an absence of promoting a domestic quality conscious environment. India needs a national level agency that can enforce regulation in quality standards, testing and certification with respect to textiles. Today complying with requirements related to quality and testing is voluntary and adherence is only at the behest of the buyer. To overcome this challenge it is important to have the last mile connect with production hubs that ensure compliances with quality so that India becomes recognised for producing world class products that are demanded in world class markets.

vi. Systemic failures in transmitting of information for availing government incentives and uncertainties related to continuation/reversal of government incentive

Exporters have often faced various problems in release of government incentives like duty drawback due to the lack of transmission of information between various government agencies. As a result the hurdles encountered in availing the incentives override the benefits derived from them. Due to the untimely release of funds exporters lose interest in government schemes. The systemic failure in transmission of information about an exporter's trade within government agencies is an urgent problem to be addressed so that the purpose of government schemes are not defeated.

Certain exporters have succumb to various problems due to the withdrawal of certain incentives related to focus market and focus product schemes in the textile segment. This has resulted in loss in margins and losing out on becoming price competitive. The assurance of continuation of government schemes acts as a relief to business entities whose attention can then be focused towards doing business.

vii. Stumbling blocks in archaic labour laws

Outdated labour laws within the textile sector hampers India from becoming labour competitive. India is not perceived to be a low cost labour destination. Thereby, resulting in foreign buyers shifting to neighbouring destinations like Sri Lanka, Ethiopia, and Bangladesh. In certain cases manufacturers have had to put up with unproductive manpower due to the inability to combat archaic labour laws. It is strongly recommended that there should be amendment in such laws that are crucial to a labour intensive industry by making it more relevant to current market and business conditions.

5.4 Suggestions to enable India become a Global Sourcing Hub

i. Increase investments to attract the right talent

It is consistently observed that over a period of time textile sector has failed to attract the right talent pool in India when compared to the talent entering sectors such as IT, Automobile and Telecom to name a few. A couple of reasons being lack of investments to scale up the industry and lack of innovation that is required to be a leading competitor in the global arena. It is perceived that if the textile sector happens to be the second biggest employment generator, availability of skilled labour at affordable cost on a continual basis is an urgent need of the hour. The Indian textile sector is today struggling to compete with the giant China, low cost labour nations such as Bangladesh, Sri Lanka, Ethiopia, Vietnam and Myanmar and high technology intensive countries like Germany and Italy. Indian textile industry has been unable to position itself as a leader despite the demographic dividend . India is no more a low cost labour destination nor perceived as a country that can rapidly adapt to technological innovations and emerge as an advanced technology intensive sector.

A single minded focused approach in deciding the positioning strategy of the textile sector in India vis-à-vis its competitors is vital. The skill, scale and marketing that the sector demands is of serious concern to the industry and the government. A classic example is Bangladesh which is shifting its positioning from being a low cost garment producing country to becoming vertically integrated in the value chain.

ii. Real business support rather than incentives

Manufacturers have often perceived that the benefits of incentives get equalised with the burden of taxes that the sector is subject to. Thereby making it a no profit no loss game. Manufacturers today are looking for investments in equipment, investment in soft skills to attract the right talent which translates into real business support to strengthen the industry to grow big and match the global environment. A classic example is that while Bangladesh started off as a garment producing nation today it has 28 Fabric manufacturing mills which are export oriented while India has only 4 to 5 that can afford to be export oriented because of being a traditional and long-time player. Lack of interest to scale up due to stressed profitability margins lead to lack of further investments. Only few can afford to be technically innovative, and invest in quality infrastructure that can meet the need for volumes domestically besides being able to serve the needs of global quality conscious players.

If India needs to compete with fellow partner nations it demands the vital business support to enable the industry to grow strong internally and strengthen its footprint in the region along with efforts to cooperate and resolve issues within the subcontinent.

iii. Signing of FTAs with large export destinations

A large number of Indian manufacturers are migrating to foreign territories that possess favoured status with developed nations. Ethiopia has become an attractive destination that has seen large number of Indian players shift operations in order to be price competitive and enjoy the benefits that come with signing of FTAs. A growing demand from the sector is for the government to consider the proposal of signing FTA's with India's large export destination countries so that India does not get circumvented due to higher tariffs.

iv. Taxation

GST is going to impose a 5% tax on Cotton while MMF sector will be subject to 18% tax. The reason for this huge tax differential is something that the MMF sector is unable to comprehend. On the contrary, when comparing the two sectors it is found that cultivation of cotton requires more water, is rainfall dependent and high on pollution. While MMF is not rainfall dependent like cotton, can effortlessly create innovative designs and produce fabric that is in close proximity with cotton. In the long run, India needs to envisage a shift in the ratio of being a 60% MMF and 40% cotton producing and exporting nation if the textile sector is to witness a continuous growth. A trend that many developed nations like USA and China have followed.

v. Standardisation in Cotton procurement

Government needs to initiate steps to allow the forces of demand and supply to determine prices. Standardisation in Cotton procurement by means of technology and digital connectivity with farmers can help bring about transparency in prices. Helping farmers with technology and shared farm equipment which can be leased out to marginal farmers can help them increase their yield, ensure quality and secure a better price. Branding cotton as fair trade will reflect support for farmers and the industry.

Chapter – 6

Summary and Recommendations

6.1 Summary

Challenges and Strategies to Promote India as a Sourcing Destination, the study is being undertaken by IIFT with the objective of identifying various challenges that buying houses of various textile products viz. Apparel, Carpet, Cotton Yarn, Cotton Fabric and Man-Made Fibre face with respect to procurement from suppliers/exporters situated in India. The study also focused on finding the challenges that Indian suppliers/exporters face meeting the demands of buying houses. In the light of these objectives extensive qualitative discussions/consultations were being conducted with several buying agents/suppliers/manufacturers/exporters situated across various locations viz. Delhi/NCR, Panipat, Bhadoi, Varanasi, Mirzapur, Ahmedabad and Mumbai. The survey helped identify key challenges of buying houses and suppliers which deter our country from becoming a sourcing destination for the world market despite having various inherent strengths.

Some of the key bottlenecks which buying houses face across all the textile sectors are prolonged delivery time, lack of efficient export infrastructure, lack of finance and marketing facilities, lack of innovation and fragmented markets. While, the challenges usually faced by the suppliers are non-availability of raw material, lack of eco system, volatile prices of raw cotton, lack of technology up gradation and limited production capacities. In order to address these issues various suggestions are provided by different stakeholders including industry experts, Government, policy makers and IIFT itself.

A summary of sector wise issues and suggestions is placed at the end of the report. Some of the broad suggestions by suppliers/manufactures are i) the industry should be well supported by the Government in the form of infrastructure facilities, simplified processes and enhanced incentives ii) Labour laws should relaxed iii) State owned infra-structure on a plug & play model to set up SME's with anchor entrepreneurs in a hub & spoke model should be developed

iv) Focus on promoting niche areas that cover indigenous artisans, weavers and craftsman as they provide a unique identity to the country's textile output.

Buying Agents suggestions for reducing delivery time include : i) Increasing agility through simplified process and use of technology ii) Innovation in terms of new products, new business models and collaborations and iii) Digitization of entire supply chain from product development to delivery.

While, the policy makers are of the opinion that: i.) India itself is a very big market and therefore the industry needs to tap opportunities in both domestic as well as international markets ii.) India needs to be the sourcing hub for each of the items in the entire value chain defined as 5 Fs starting right from Farm-Fibre-Fabric-Fashion-Foreign and iii.)Indian industry needs to think creatively to understand what can be done with short staple cotton fibre or find ways of growing long staple cotton.

IIFT strongly suggests that to make the textile industry a sourcing hub in sync with its Make in India campaign the following issues have to be addressed i) Strengthening the eco system for textile exports ii) Integrating fragmented textile value chain iii) Investing in skill up-gradation at all levels of the textile value chain iv) Reduce Lead Time and address issues related to textile logistics for exports; v) Enabling small manufacturers to source quality accessories that would help them produce products with international standards to compete in global markets and vi) Ensuring compliances related to quality and legal issues so that India is recognised for producing world class products. IIFT also believes that key to success is encouraging product as well as market diversification for varied textiles & apparel products and clear positioning of Indian Textiles in International Markets. Last but not the least the organisation feels that there is a crucial need for a strategic shift by the Government and the industry alike from Reactive to Pro-Active Approach based on Research in International Market.

1.1 Buying Houses of Apparel sector: Issues and Challenges

S.No.	Parameters	Findings	Recommendations	Reference
1.	Planning time before the final placement of an order	• 4 to 6 months which is quite high in India	▪ Integration between the producers and the buying housing/agents to be enhanced. Targets may be built up to improve the reliability of the production system.	Pg No 57 Para 1
2.	Supply of Fabric/ Frequency of non-adherence of delivery time	▪ 70-90 days in obtaining actual delivery of an order; ideally it should be 45-50 days ▪ Non-adherence of delivery time for obtaining supply order of fabrics	▪ To work with buffers and to engage a team for constant monitoring of the mechanism from order obtaining to delivery. Fast clearances (at the ports and borders) and policy incentives to minimize the risk of keeping buffers may be addressed.	Pg No 57 Para 1
3.	Actual lead time	▪ Long delivery time ; 90 to 120 days' actual lead time to process an order ▪ Less Reliability ▪ Inefficient logistics in terms of limited vessel sailings, lack of mother vessel etc. are major reason of high lead time in India	▪ Logistics infrastructure should be improved	Pg No 57 Para 1

S.No.	Parameters	Findings	Recommendations	Reference
4.	Quality of Fabric	▪Weak in blending of fabrics (mixing cotton with manmade fibres). ▪Fabric prices are volatile ▪ Traditionally cotton dependent; gradual shift towards manmade fibres viz. polyesters and viscose etc.	▪ Quality control aspect in fabric requires urgent attention. ▪ Innovation in blending different fabrics; India requires more investment in manmade fibre development. ▪ Advanced machines should be installed to obtain high quality fabric	Pg No 62 Para 1
5.	Challenges while procuring from small and large producers	▪MSMEs have less production capacity and Suffer from various infrastructural, technological, and credit related bottlenecks; which make them incompetent to fulfil large orders of the buyers. ▪ Large suppliers have economies of scale but dictate prices and quality	▪ MSMEs challenges should be addressed urgently ▪ More large producers will increase competition and hence investment in the sector should be promoted	Pg No 61 Para 1
6.	Adherence to domestic compliances	▪Big companies/brands ensure that suppliers fulfil social as well as labour compliances by means of independent or third party audit. ▪ Adherence to environmental compliances is not feasible in India due to various regulatory environmental authorities as well as complicated respective laws. ▪ Quality compliances are adhered to by firms in India; expert teams regularly conduct quality checks, maintain records and permit the suppliers to proceed further when quality is in line with the requisite standards.	▪More simplified compliance structure is required. ▪ Paper work, inspection, approval etc. can be streamlined. This will help improve India's 'ease of doing business'	Pg No 59 last Para

S.No.	Parameters	Findings	Recommendations	Reference
7.	Adherence to international compliances	▪ Adherence to international compliances is not easy to follow in India. Only big brands make an effort to be well compliant to international norms	▪ Effort should be made to bring a homogeneity between domestic and international compliance issues.	Pg No 59 last Para
8.	Taxation system	▪ Buying agents are looking for clarity under the GST norms and request for a waiver from the current definition of intermediary ▪ Cost for the overseas buyer of garments will increase due to GST payable on commission by buying agents ▪ Incidence of taxes would pass to an overseas customers and this will reduce India's competitive advantage	▪ India can examine some of the foreign practices for example in UK if an agent obtains an order from an overseas buyer for a domestic manufacturer and those goods are actually exported, the agent's supply of services to the UK exporter or the overseas buyer is having zero duty ▪ The same practice can be adopted for buying houses in India Or alternatively there should be one export tax fixed in the range of 5 to 8% slab.	Pg No 60 Para 2
9.	Logistics Support	▪ Poor and inefficient logistics of roadways/highways/railways/ports leads to more time and high cost ▪ There is limited bonded facility at ICD's / Ports	▪ Facilities like integrated Cargo Villages should be set up at the airports for inspection, consolidation and customs clearance, this will reduce the transit time / dwell time and cost. ▪ Setting up of logistics parks is requested as it will give the flexibility to move bonded cargo from one port to another for speedy movement in case of congestion at ports. ▪ Cargo capacity should also be increased for competitive rates and the GOI should allow more freight carriers to operate out of India ▪ Bonded facilities need to be created in India whereby the overseas suppliers can stock their	Pg No 58 last Para

S.No.	Parameters	Findings	Recommendations	Reference
			accessories (laces / labels / buttons/ Tags etc) without paying duty.	
10.	Credit policy	▪ Inadequate financial access at reasonable rates Payment cycle is quite long ▪ Due to substantial increase in non-LC buyers, buying houses bear significant amount of risk ▪ ECGC (Export Credit Guarantee Corporation) offers insurance cover for only post shipment risks.	▪ Interest rates offered by the banks for working capital may be reduced in order to compete effectively ▪ ECGC (Export Credit Guarantee Corporation) offers insurance cover for only post shipment risks, but may now consider cover fo pre shipment risks.	Pg No 59 Para 2
11.	Innovations and Design	▪ India is progressing in design and product development and slowly moving up the value chain, yet at the nascent level ▪ Meagre investment in R & D ▪ People possess unique skills in designing and producing, but lack of adequate support in terms of funds, technology, training facilities etc.	▪ India requires a focused approach to emerge as a global design hub for the apparel sector ▪ The policies pursued in countries like France and Italy can be studied and followed	Pg No 58 Para 3

1.2 Suppliers of Apparel products: Issues and Challenges

S.No.	Parameters	Findings	Recommendations	Reference
1.	Garment Accessory issues	▪ Low quality of local market garment accessories ▪ Imports of international standard accessories reduce profit margin of manufacturers	▪More investment and competition should be promoted in the accessory segment. SME sectors can be incentivized in the accessory sector	Pg No 62 last para
2	Machinery & Technology issues	▪ Small scale Manufacturer import low quality machinery and thus compromise on quality to reduce cost. ▪ Heavy import duty, landing cost, additional cess restricts the up-gradation of machinery.	▪Promote high quality products by incentivizing cost of up-gradation of technology and by reducing import duties	Pg No 63 Para 1
3.	Labor/Manpower issues	▪ Low availability of migrant labor during festive season reduces the production and affect the business cycle. ▪ Lack of technically qualified managerial level manpower like professional knitting master, marketing personnel for selling in the international market, merchandisers and designers. ▪ No standardized labor law for the country.	▪Standardization of labour laws is urgently Required	Pg No 63 Para 2

S.No.	Parameters	Findings	Recommendations	Reference
4	Currency Risk Management	▪ High risk for SME's who have less exposure and experience in foreign exchange due to currency fluctuation. ▪ Volatile market conditions have made Indian Rupee vulnerable vis-à-vis US$ thereby increase uncertainty among exporters as it becomes difficult to measure the future direction of the rupee.	▪ Training for SME's to understand the dynamics of currency fluctuation. ▪ Government should develop policies to assist SME exporters by integrating banks and insurance companies in order to enhance competitiveness and productivity.	Pg No 64 Para 1
5.	Infrastructure and Utilities and Logistics	▪ Issues in implementing Zero Liquid Discharge (ZLD), such as increased power consumption, advance wastewater treatment plants etc. ▪ Expansion and modernisation of some old cluster in populated area is a challenge. ▪ Lack of adequate power supply which leads to increased cost due to usage of captive power generation to deliver orders on time. ▪ High transportation cost due to rising diesel prices is detrimental to the competitiveness of exporters and manufacturers.	▪ Promoting competition in transportation to reduce the oligopoly in the market and reduce cost for the manufacturer. ▪ Issues pertaining to ZLD may be addressed with a realistic approach	Pg No 64 last Para

2.1 Buying House of Cotton Yarn & Fabric v/s MMF Yarn & Fabric: Issues and Challenges

S. No.	Parameters	Findings	Recommendations	Reference
1.	Stability in prices	▪ Fluctuation in prices of raw cotton ▪ Uncertainties in prices creates monopoly of few suppliers which prevents entry of new firms	▪ Government needs to initiate steps to allow the forces of demand and supply to determine prices. ▪ Standardisation in cotton procurement by means of technology and digital connectivity with farmers can help bring about transparency in prices. ▪ Branding cotton as fair trade will reflect support for farmers and the industry.	Pg No 86 last Para
2.	Absence of versatility in Indian Fabrics	▪ Lacklustre product strategy and investment. ▪ Lacks in keeping pace with taste and preferences of global buyers	▪ More R&D is required to improve the quality of fabrics to satisfy the contemporary demand.	Pg No 88 Para 1
3.	Sourcing of Traditional Fabrics	▪ Limited number of suppliers in organised sector for fabrics like Khadi and Ikat. ▪ Unorganised sector suppliers are less reliable & more difficult to work with	▪ Develop more suppliers in organised sector. Help unorganised sector suppliers to improve their performance ▪ Better facilities for unorganised sector to make them reliable for buying houses.	Pg No 87 Para 2
4.	Sampling & Development	▪ Lack of investment in sampling ▪ Time consuming process in bulk development ▪ Delayed delivery	▪ Skill development training for developing more creative and innovative skills. ▪ Availability of resources required in sample development.	Pg No 87 Para 3
5.	Simplification of Documentation procedures	▪ Rise in interest cost due to undue delay caused by lengthy documentation. ▪ Port congestion and turnaround causes undue delays for shipment of goods.	▪ Digitisation should be promoted at all levels from custom clearances to the issuances of shipping bills. ▪ Awareness about the newly initiated digitisation should be enhanced by means of thorough and timely training programs.	Pg No 87 Para 4

S. No.	Parameters	Findings	Recommendations	Reference
6.	Labour Laws and Power Costs	▪ Changes in recent policy of the government that disallows spinners from procuring power from private players is leading to rise in input costs ▪ Geographical disadvantage to some traditional units due to differences in state incentives.	▪ Uniform wage rate across states. ▪ Power tariff differences should be minimised	Pg No 88 Para 1
7.	Innovation	▪ Indian Mill owners lack the ability to bring new innovation in design and fabrics	▪ A single minded focused approach in deciding the positioning strategy of the textile sector in India vis-à-vis its competitors is vital ▪ More investment may be made in Textile engineering colleges and IITs and help them to collaborate with the private sector	Pg No 88 Para 3
8.	Low incentives	▪ Indian products are not price competitive in global market as Indian incentives are relatively less as compared to that of China	▪ More research is required about the incentive structures in competing countries.	Pg No 88 Para 4

2.2 Suppliers/Exporters of Cotton Yarn & Fabric v/s MMF Yarn & Fabric: Issues and Challenges

S.No.	Parameters	Findings	Recommendations	Reference
1.	Scale of Operations	▪ India is not able to scale up the value chain significantly enough to meet the global demand despite being the largest producer and exporter of cotton yarn.	▪ This requires an ecosystem with good infrastructure, upgraded and updated technology, skilled manpower, and efficiency in ease of doing business	Pg No 88 last Para
2.	Meeting the fashion needs of global brands	▪ The speed of innovation in designs and blended fabric is missing	▪ Introduce superior technology and develop a fashion prediction strategy	Pg No 89 Para 1
3.	Logistic issues related to international trade	▪ Long transit time, even in countries with close proximity. ▪ The delays in shipment to countries with close proximity are due to border control issues	▪ Vital business support is to be ensured to enable the industry to grow strong internally and strengthen its footprint in the region	Pg No 89 last Para
4.	Fibre to Fashion-hiccups in the value chain	▪ Weaving and processing stages lag behind in innovations and scalability.	▪ Extensive research is required on the supply/value chain	Pg No 90 Para 1
5.	Lack of an ecosystem	▪ Diminishing credibility of Indian testing labs providing world class quality testing and certification in the eyes of global buyers. ▪ Absence of promoting a domestic quality conscious environment	▪ Ensure compliances with quality so that India becomes recognised for producing world class products	Pg No 90 last Para
6..	Archaic labour laws	▪ Outdated labour laws within the textile sector hampers India from becoming labour competitive. ▪ Manufacturers have had to put up with unproductive manpower due to the inability to combat archaic labour laws.	▪ There should be amendment in such laws that are crucial to a labour intensive industry by making it more relevant to current market and business conditions.	Pg No 91 Para 3

3.1 Buying houses/agents in carpet industry: Issues and Challenges

S.No.	Parameters	Findings	Recommendations	Reference
1.	Delivery lead time	▪ High delivery lead time of around 90-120 days, depending upon the order size and length of the carpets ▪ High lead time is mainly due to : weavers being dispersed and large no. of small weavers are tied up as they have limited production capacities to cater to the large orders	▪ Setting-up of clusters at the weaving level will give boost to the Mission Plan ▪ Building Semi-Industrial Estate on the pattern of SEZ would be a significant step to enhance integrity in the carpet industry ▪ Common Facility Centre should be developed for both forward and backward linkages across all the major carpet hubs	Pg No 71 Para 1
2.	Depletion of skills and Migration	▪ Depletion/dissemination of traditional skills has become a big challenge; modern generation is shifting to contemporary occupations ▪ Meagre amount wage rates which is not sufficient in meeting their basic needs.	▪ Occupation should be made attractive in terms of better wage structure and incentives ▪ Modernisation of production processes is urgent in order to retain the youth in carpet weaving occupation	Pg No 71 Para 2

S.No.	Parameters	Findings	Recommendations	Reference
3.	Banking, insurance and credit facilities	▪ High rate of interest on loans ▪ Demand for collateral when availing loans is a major deterrent	▪ Procedural hassles related to granting loans should be reduced in terms of collateral free loans ▪ Devise a provision for loan facility at low level of interest rates	Pg No 72 Para 1
4	Taxation	▪ GST will bring the industry under the taxation bracket ▪ Tax burden on producers would be passed on to the customers ▪ Lead to higher prices of the carpet products	▪ GST which is kept at 18% should be removed for this industry ▪ TDS on weavers should be removed	Pg No 72 Para 2
5.	Marketing	▪ Lack of focus on marketing the products ▪ No incentives for reimbursement of expenses incurred for marketing ▪ Service tax on branding ▪ Market Development Assistance (MDA) Scheme does not have clear provision; lack of awareness about MDA among stakeholders ▪ No new exhibitors get chance Participate to	▪ Create/enhance awareness about the MDA Scheme ▪ Ensure its benefits reach all stakeholders by limiting the participation of repetitive exhibitors ▪ Weaver services centres should be set up where an inventory of designs, motifs, patterns, prints, etc. are to be maintained	Pg No 72 last Para

S.No.	Parameters	Findings	Recommendations	Reference
6.	Logistics and Infrastructure	▪ Cargo movement from Inland Container Depot (ICD) to the ports is very slow ▪ Due to poor state of infrastructure in these districts, importers footfall has reduced ▪ As, most of the weaving communities are located and work in rural areas, they lack basic infrastructure facilities such as power, water, roads etc.	▪ Infrastructure facilities should be enhanced in terms of better connectivity with seaways/airways.	Pg No 73 Para 2

References

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- Gadgil D.R., The Industrial Evolution of India in Recent Times 1860-1939, fifth edition, Oxford University Press, Delhi, 1972
- Uchikawa Shuji, Indian Textile Industry, Manohar Publication, Delhi, 1998
- Annual Report, 2016-2017, Ministry of Textiles, Government of India (GOI)
- Handbook of Statistics on Indian Economy, Reserve Bank of India (RBI)
- Directorate General of Commercial Intelligence and Statistics (DGCIS), Kolkata

Websites

www.makeinindia.com/sector/textiles-and-garments

www.texmin.nic.in

www.Trade Map.org

www.commerce.nic.in

www.ibef.org

APPENDIX

- **Appendix-A : Lead Questions for Buyer/Buying Houses**
- **Appendix-B : Lead Questions for Manufacturers**
- **Appendix-C : Referencing of Terms of Reference (TOR)**
- **Appendix-D : List of Buying Houses**

Appendices – A

City Name__________________ **Serial No.____**

<u>Lead Questions for Buyer/Buying Houses</u>

1. **Name of the Respondent________________**
2. **Details of the Company and the Business:**

   2.1 Address:_____________________________________

   2.2 Turnover:____________________________________

   2.3 Major Products produced or purchased for exports:
   ____

   ____

   2.4 Export Destinations: ____

   ____

   2.5 Who are the major International Buyers? ______________________________

   ____

A1. When do you start planning for procuring the product for the next season (from day 0, i.e. when the order is placed?

____

____

_

A2. What is the lead time if the producers procure raw materials internationally? How many days extra do you require compared to the case if producer procure domestically?

____

A3. What is your perception about the quality and supply of fabric to the producers? If there are difficulties in fabric supply, please identify few reasons for that and offer possible solutions.

____

____

____

____

____

____

A4. At an average, what is the time-gap (in terms of number of days) between placing the actual order and the actual delivery? If it varies largely from producer to producer, please group the manufacturers by certain characteristics (may be in terms of size, geography, level of technology, backward integration, skill labour, etc.)

____

____

____

____

A5. What is the frequency of non-adherence of delivery time? How do you handle the situation? Do you have any suggestion to improve the situation?

____

____

____

A6. What are the main challenges producers face in relation to supply chain inefficiency? Please give your views on availability of raw materials, intermediate goods, accessories, technology products etc. Are the suppliers control the price of the goods they supply?

____

____

____

A.7 Identify the main challenges while procuring from small and large producers. Discuss how countries such as China, Vietnam, and Bangladesh handle those challenges? How policy stances and strategic issues are important in this context.

____

____

____

____

A8. How firms adhere to compliance issues? How do you ensure that firms are still able to maintain their competitiveness adhering to international and domestic compliances?

A8.1 Social Compliances

: ____

____

A8.2 Labour Compliance:

____

____

A8.3 Environment Compliances:

A8. 4 Quality Compliances:

A8.5 Compliance to Domestic Laws:

A8.6 Compliance to International Laws and Standards:

A8.7 Issues related to Competitiveness and Compliances (both small and large firms)

A9. Service tax/GST/Interest tax: In your opinion how far these taxes are inhibiting India to enhance its export competiveness?

A10. What are the major constraints pertaining to logistics in India? Suggest few measures to address these constraints in coming times.

A.11 Any comment on the current credit policy of the country.

____

____

____

A.12 How does buying or procurement get hampered due to low innovation by Indian producers (**especially in fabric)** ? Compare with similar sourcing countries such as China. Give your suggestions **with example**

____

____

____

A.13. Give your suggestion on Strategies and Operational Tactics to make India a Global Sourcing Hub for Textiles

____

____

____

Appendix- B

City Name _______ **Serial No. _______**

Lead Questions for Manufacturers

3. **Name of the Respondents _________________**

4. **Details of the Company and the Business:**

2.1 Address: ____________________________________

2.2 Turnover: ___________________________________

2.3 Major Products produced or purchased for exports:
____

2.4 Export Destinations: ____

____

2.5 Who are the major International Buyers? ______________________________

____

B1. What are the processes involved before you execute the production? Please mention the steps involved in ascending order (starts from) and average number of days taken for each activity.

B1.1 Below mentioned are the major steps involved in producing apparels in ascending order.
B1.2 Please specify, how do you accomplish major portion of each activity – whether in-house or through outsourcing?
B1.3 What are the reasons for outsourcing

Step	Steps Involved	How do you accomplish major part of this work? (1)In- house/ 2) Outsource	Reasons for outsourcing
(1)	Fabric Processing		
(2)	Cutting		
(3)	Stitching		
(4)	Embroidery work		
(5)	Accessory Fitting		
(6)	Quality Checking		
(7)	Ironing		
(8)	Packaging		
(9)	Any other (specify___________)		
(10)	Any other (specify___________)		

B2. When do you start planning for producing apparels for the next season (from day 0, i.e. when the order is placed?

____

____

B3 What is the lead time if you procure raw materials internationally? How many days extra do you require compared to the case if you procure domestically?

____

B4. At an average, what is the time-gap (in terms of number of days) between placing the actual order by your buyer and the actual delivery by you? Kindly elaborate if it varies largely from buyer to buyer/ country to country.

____

____

B5. According to you, why India is not performing well like other Asian countries in global textile industry?

____

____

____

B6. Identify the importance of each of the following factors in a scale 1 to 5 to explain why Indian manufacturers are not able to export textile products substantially in global market? (1 as major factor where India lacks ability/credibility and 5 as not so important factor in inhibiting India's export)

	1	2	3	4	5
Designing					
Product Development					
R&D					
Pricing					
Delivery					
Product Development Responsiveness					

B7. What are the major barriers for Indian manufactures being not able to improve designing capability and innovation in product development? Can you compare the situation with one of the competing countries such as China, Vietnam etc. Kindly give suggestion also how to improve the situation.

____

____

____

B8. Apart from designing innovation, what are the other areas where India lacks innovation and R&D (e.g, fabric, textile machinery, accessories, etc.)?

____

____

B9. How far pricing of raw materials and accessories affect your production and exports. How do you manage your relationship with buying houses when prices become very volatile?

B10. What problems do you face in producing/ manufacturing apparels? List the problems in descending order of priorities

S. No.	Type of problem faced	Details of the problem	Suggested Solutions
1			
2			
3			
4			
5			

B11. How far following issues are affecting your production and exports?

B11.1 Erratic Fabric prices
B11.2 Erratic Yarn prices
B11.3 Lack of good payment terms (with buyers)
B11.4 Inability to handle large orders and sometimes when they are bundled (e.g, different colours, fabrics, etc)
B11.5 Lack of minimum production capacity that buyer wants
B11.6 Lack of good and effective export incentives. Please elaborate the point and suggest alternatives

B12. How do you identify a buyer?

B13. What are the factors that the buyers consider before placing an order?

B14. How do you influence a potential buyer to buy apparel from your company?

B15 How do you convince buyer that you can supply these products?

B16 On how many occasions you have lost orders and why?

B17. What do you think in what areas your international counterpart, especially from Asian countries has an edge over you?

S. N.	Attribute	How the international competitor has an edge over you? Please explain briefly.
1	Fabric quality	
2	Yarn quality	
3	Accessory quality	
4	Technology (better machine)	
5	Overall quality of end product	
6	Short lead time	
7	Innovative design	
8	Labor availability/ commitment	
9	Competitive pricing	
10	Advertising/ product promotion	
11	Packaging	
12	Marketing strategies	
13	Export duties/ taxes	
14	Proximity to large market	
15	Country of origin	
16	Flexibility in production with different types of fabrics, mixing of fabrics	
17	Flexibility in supply in different packaging combination	

B18. What kind of payment plans do you follow most of the times (with your buyers and suppliers)–

	With your buyers	**With your vendors**
Terms	**Percent of the total Payment**	**Percent of the total Payment**
At the time of order placement		
At production stage		
At final stage – on delivery (shipment)		
Average no. of days to get payment after final delivery		

B19. What type of credit facilities (days/ amount) do you get from your buyer?

B20. What should the Government of India do to promote Indian Textile Industry to increase its global competitiveness and making it a global sourcing hub?

Appendix- C

Referencing ToR of the Study on
“Challenges and Strategies to Promote India as a Sourcing Destination”
with Research Report Findings undertaken by IIFT, New Delhi

<u>ToR No. 1:</u> ***Identify the challenges faced by Buying Houses with respect to quality, delivery, pricing and compliance for product categories like fabric, garments and carpet, technical textiles etc..,***

The present study focussed on understanding challenges of buying houses and supplier/exporters in the Apparel, Carpet, Cotton and Man-made fibre segments. This was conducted by means of a questionnaire based survey administered to various buying houses and exporters either by means of personal interviews/meetings, telephone and email. Buying Houses and Exporters were identified by means of references from EPCs, MoT and Alumni Databases of IIFT.

On the basis of responses received, the challenges and strategies have been summarised into broad heads in the respective chapters which can be found at the following references of the final report:

i) For Apparels: Chapter 3, Para 3.4 (pages 56-60): For Buyers
Chapter 3, Para 3.4.2 (pages 61-65): For Exporters/Suppliers
ii) For Carpets: Chapter 4, Para 4.3 (pages 71-73): For Buyers and Exporters
iii) For Cotton and MMF: Chapter 5, Para 5.3.1 (pages 86-88): For Buyers
Chapter 5, Para 5.3.2 (pages 88-91): For Exporters

<u>ToR No. 2:</u> ***Enumerate on how Indian companies perform with respect to designing, product development, R&D in comparison with their peers.***

With respect to the parameters related to designing, product development and R&D, buyers and exporter views have been the major source of information.

With respect to Apparels, (Refer page 58 point no. ii and iii) have discussed aspects on product development and R&D and (Refer page 58, point no. iii) aspect on quality of products have been listed.

With respect to Carpets, (Refer page 71, point no. ii) on critical problems India faces with respect to designing and product development and (Refer page 73, point no. vii) on dearth of R&D when compared to peers.

With respect to Cotton and MMF, (Refer page 87, point no. ii) on product development, (Refer page 87, point no. iv) on tackling limitations related to R&D in production of blended fabrics and (Refer page 87, point no. ii) on Designing issues with respect to Indian Fabrics

<u>ToR No. 3:</u> ***Compare India’s strength across these parameters i.e. pricing, delivery, and product development responsiveness etc., viz-a-viz China, Turkey, Vietnam, Bangladesh and Pakistan.***

In the final report on page no. 42, Table 2.2 India’s position and ranking in the exports of 14 HS code textile product categories (HS 50 – HS 63) have been described and a comparison with the position of the top players in each category has been made. It is found that ***China*** is a consistently at the top position in across all 14 categories, while ***Bangladesh*** has managed to claim a second position in three categories, namely (HS 53, HS 61 and HS 63). ***Turkey*** commands a second position in only one category that is (HS 57), while ***Vietnam*** has third largest share in product categories such as (HS 61 and HS 62).

While ***Pakistan*** is found to have any significant share in export of cotton fabric (HS 52) refer to page no.

In addition a segment wise cross country analysis has been undertaken across in Apparels, Carpets, Cotton and Man-made fibre with respect to export performance and percentage share of exports. Most of the time it is observed that ***China*** has topped the list in all the segments except with respect to Cotton yarn. A detailed explanation between ***India and China's*** position is Cotton Yarn, Cotton Fabric and MMF is given in (Refer page no. 85, Table 5.12, Figure 5.3; Page no. 86, Table 5.13, and Figure 5.4)

An analysis of India's major export partners, along with an analysis of India's strengths with terms of the Revealed Comparative Advantage, Intensive and Extensive margins that explains the market share and market diversification of India's exports has been attempted and explained.

The above analysis can be found in the following references of the final report:

For Apparels (Refer page no. 51, Point no. 3.3 to page 55)

For Carpets (Refer page no. 67, Point no. 4.2 to page 70)

For Cotton (Refer page no. 44, Figure 2.2 and 2.3; Refer page no. 76, Point no. 5.2 to page 86)

For MMF (Refer page no. 45, Figure 2.4; Refer page no. 83, Point no. 5.2.5 to page 86)

ToR No. 4: ***Identify possible remedial measures for addressing these challenges for achieving competitiveness.***

With reference to page 45, point 2.7, India's competitiveness in textiles across China, Bangladesh, Vietnam and Pakistan has been discussed. In page 46, point no. 2.8 a positioning strategy for India's textile exports has been suggested with the help of the BCG matrix.

In addition a detailed segment wise analysis which produces the findings and recommendations of some of the most critical issues on pricing, delivery, compliances, quality, infrastructure, government policies etc.., has been prepared which can serve as the possible remedial measures that can be examined by the MoT. (Refer to Pages 97-108)

ToR No. 5: ***Prepare a directory of the Buying House for different segments in Textiles with email/mobile numbers etc.***

- Please find enclosed a List of Buying houses and their details contacted during the study across apparel, carpets, cotton and man-made fibre.

Appendix- D

List of Buying Houses: Apparel Sector

1. Ms. Sapna
Q-Source
1, Moti Bagh
New Delhi-110021
011-26111175
9871778866
sapna@qsource.in

2. Mr. Surendran Vasudevan
India Merchandising Services
Buying Agent Association Member(BAA)
F-27, Sector 6 Noida
Uttar Pradesh, India
9811723119
Surendran.vasudevan@gmail.com

3. Mr. Inderjeet Pruthi
Alinz Buying House
10, First Floor, Alishan Complex, 40 DLF,
Kirti Nagar
New Delhi – 110015
011-45072990
mail@alinzbuyinghouse.com
alinzbusiness@yahoo.com

4. Mr. Yogesh Bhagat
I FASHIONS
KP-127, Pitampura, Delhi - 110034, India
9899991994
Indiafashionssourcing@gmail.com

5. Mr. Aditya Viz
Impertive Sourcing
E-33, Bali Nagar, New Raja Garden
New Delhi - 110015
9811376463
imperitivesourcing@yahoo.com

6. Mr. C. S. Unni
India Export Consultants
Buying Agent Association Member(BAA)
IEC House, F-26, Sector-6
Noida, UP
+919810202655
91-120-4617777/4617700
unni@iecunni.com

7. Mr. Sunil Arora
CEO,
IMPULSE Ltd,
41 Echelon Institutional Area,
Sector 32,
Gurgaon
Haryana

8. Mr. Pallabh Banerjee
Head,
India Sourcing and Global Woven Sourcing Category
DLF Mall,
Saket
New Delhi

List of Buying Houses: Carpet Sector

S.No.	Name of Person	Business	Contact	Place	
1	Mr. Akhil Kumar Verma	Buying Agents carpet	9354918900 8930603363	Panipat	1.) Dumping of dying waste. 2.) High Rate of GST. 3.) Increase rate of land persquare yard from Rs.1000 to Rs.1500
2	Mr. Mohit Jain	Manufacturer:	9891110022		1.) Cost of Raw Material
3	Manoj Kumar Khandelwal	Manufacturer & Exporter	9415231003	Mirzapur	1.) Poor Connectivity with road/internet. 2.) Weaver Migration. 3.) Lacking financial assitance to the poor manufacturer. 4.) TDS on weavers. 5.) Not good Training facility centre in Mirzapur 6.) No Collaterial Free loan facilities for weaver/ small manufacturer in Mirzapur. 6.) Big challenge is Shipment from Mirzapur/varnasi to Mumbai. 7.) As, most of the weaving communities are living in rural area and work from there. But there is no electricity facilities for them.
4	Mr. Ashis Budhia	Manufacturer & Exporter	9415206343		
5	Mr. Rajiv Jain	Manufacturer & Exporter	9415679867		
6	Mr.Naresh Singh	Manufacturer & Exporter	9415206435		
7	Dr.Rajanikant	Manufacturer & Exporter	9415304759	Varanasi	1.) Marketing expense are huge; zero reimursement, service Tax on Branding. 2.) Poor implementation of Letter of Credit. 3.)Low level of entrepreneurial attitudes. 4.) No direct transfer of duty drawback to exporters account. 5.) No drawback from JNPT. 6.) In order to registering administration required last 10-year transaction sheet which is not possible for small exporters, documentation of shipping bills. 7.) The cycle of getting Form-H is lengthy and repetitive. 8.) Poor Packaging of finish products . 9.) Not getting good price. 10.)Participation in the exhibition should be based on history of exhibitors. There should be limit on the participation. Currently same participants are coming in the exhibition, no new exhibitors getting chance to participate.
8	Mr.Vivek Kapoor	Manufacturer & Exporter	9793100661		
9	Mr. Ramzan Ali Ansari	Manufacturer & Exporter	9415684268		
10	Mr.Debashis Mukherjee	Manufacturer & Exporter	9452104898		
11	Mohan Das Agarwal	Manufacturer & Exporter	9415288322		
12	Mr. Junaid A. Ansari	Manufacturer & Exporter	9839714322		
13	Mr. Prakhar Agarwal	Manufacturer & Exporter	9506040004/9839040004		
14	Mr. Rajiv Agarwal	Manufacturer & Exporter	9839249440		
15	Mr. Piyush Kumar Barnwal	Manufacturer & Exporter , Secretary, All India Carpet Manufacturing Association	9984952000	Bhadohi	
16	Dr. Nitesh Dhawan	Assitant Commisioner, Dept. of Handloom & Textile Industries, UP	9415519127	Varanasi	
17	Mr. Umesh Kumar Sing	Additional Director, DIC Varanace	9838467078		

List of Buying Agents: Cotton & MMF

List of Buying Agents in Cotton and MMF	Issues Identified
1. Mr. Rohit Pandita, Harvantex, Thane, Maharashtra. rohit@harvantex.com 9819795304	Big Trading houses control prices of cotton Prices not a result of demand and supply function Order season and Buying season differ, buyers suffer from price hikes Lack of availability of blended fabrics within organised sector Difficulty in sourcing traditional fabrics Documentation to get duty drawbacks from Nepal and Bangladesh very difficult Officials not available, need for round the clock inspection to certify goods ready for dispatch at Ports No interest to become innovative in designs Duty drawbacks compared to China is very low, hence become lose out on becoming price competitive
2. Mr. Vivek Khanna, Nagreeka Exports Ltd, Mathew Road, Mumbai vivek@nagreeka.com 9821167169	Business (raw cotton) of tightly controlled by few players. Rumours about quality and crop size leads to swings in price Long term associates provide some comfort to buyers who have a long standing relationship Port Congestion and port documentation procedures to be made more efficient and simplified Power Costs to become more costly for spinners Upgradation of Port Infrastructure, Rationalisation in power cost and labour laws Standardisation in cotton procurement
3. Mr. Ruchir Singhania, Siya Exports, Vadagadi, Mumabi -400003 Ruchir.singhania@gmail.com 9821089257	Cotton pricing in India Fibre pricing in India International counterparts like China, Indonesia, Low cost countries like Bangladesh, Srilanka who also enjoy PTAs make India uncompetitive when compared to others
4. Mr. Atul Sagar, AH Fashion Karma Pvt Ltd & Hellenic India Exports Pvt Ltd Faridabad atul@fashionkarma.in 9871467771	Compliance brings in more costs. Duty drawback should be increased for compliant factories Losing skill set across all segments hence need to optimize thru capital intensive machinery Hence, Govt. needs to have better business friendly policies to make access to better equipment/machinery Consistency in Trims especially laces is poor Dearth of Good washing facilities. Need to have JVs with good industrial washers across the globe with special focus on R&D Variable sewing rate brings in turnover of

	workforce Shortage of mother vessels berthing at Indian Docks leads to higher lead time to higher lead time to ferry good to mother vessel docking port. Service Tax a big deterrent. Since suppliers do not want to expose their identity and unwilling to pay service tax. Buying houses then take a cut in their commission and end up paying higher taxes.
5. Mr. Sachin Bakshi, Inditex, (ZARA), Gurgaon sachinba@itxsi.com 9717097744	MMF
6. Mr. Vivek Verma Square Corporation, 326, C BRS Nagar Ludhiana vivek505@yahoo.com +91-8284866933 0161-4040322	Cotton Yarn Commitment of price Quality Compromise as per promise Poor Commitment on time shipments Delay in L/C issuance Delay in Custom Clearance Color contamination in grey yarn Weak Transportation systems Shortage of Warehouse Textile bodies under the government should take proactive steps and reduce the problems for buyers and exporters

List of Exporter/Supplier/Manufacturer/ Agencies in Cotton and MMF	Issues identified
1. Mr. Manohar Samuel, President, Marketing and Business Development, Aditya Birla, Grasim Industries, Staple Fibre Division, Andheri East, Mumbai	Need to look at how India can leverage the 6 or 7 major FTAs that we have signed and identify the competitive advantage the textile sector can have. Analyse a state wise productivity in textile growth rather than overall growth of India and leverage advantages that exist in different parts of the country to make India more competitive Internationally
2. Mr. Ritesh Khandelwal, Vice President, Global Business Development, Aditya Birla, Grasim Industries, Staple Fibre Division, Andheri East, Mumbai.	Hiccups in the Value Chain Researching the Value Chain backwards to understand the nature of blending in fabrics in the international market
3. Mr. Ujwal Lahoti, Executive Chairman, Lahoti Overseas Limited. Chairman, TEXPROCIL, Mumbai	Issues about lack of scalability
4. Mr. Anil Rajvanshi, Senior Executive, Vice President, Corporate Affairs, (Petrochemicals) Reliance Corporate Park, Mumbai	Port Issues Complex Taxation Chemical regulatory compliances like EU-REACH, US-TSCA, add to compliance costs and delay delivery Need to negotiate international level to identify technical barriers to Trade (TBT) and reduce compliance requirements
5. Mr. Subhash Goyal, Director, Mahendra Cotton Mills, Mumbai.	Incentives associated with Focus Market and Focus Product helped small manufacturers supplying to low cost destinations like Myanmar Change in Govt policy and withdrawal of these incentives have made them uncompetitive Industry will benefit if policies for industry are not altered with change in governments
6. Mr. Ajit B. Chavan, Secretary, Textiles Committee Mumbai	Domestic Quality Conscious Environment Presences of India's largest testing and certification agency to be made more visible in the eyes of international buyers. Buyers moving to private players for testing and certification despite the presences of a world class government agency

7. Mr. Siddharth Rajagopal, Executive Director, TEXPROCIL, Mumbai	Discussed areas where Vietnam and China have an edge over India Tariff Logistics Delivery (30 day difference) Adaptation to new designs Indian products subject to various duties
8. Mr. Aviram Keshava, Export Head, Arvind Mills, Denim Division, Ahmedabad	Comparison of India Bangladesh and China Bangladesh, transit time efficiency Port inefficiencies Systemic failure in transmission of information to avail incentives Migration of Indian players to Ethiopia and other such destinations because of having FTAs with European and US
9. Mr. Anand Parekh, President, Textile Business, Ahmedabad	Textile Industry unable to attract the right talent due to lack of scalability, investments, and marketing Single minded focussed approach toward the textile sector, like that of Bangladesh Complicated Logistics Fragmentation of Business Piece Dyeing in China result of R&D and Innovation, something that India is not able to do.
10. Mr. Akashdeep Sandhu, Trident, Ludhiana	Limited number of Quality conscious suppliers Low technology adaptation Non adherence to lead time Delayed shipments Lack of committed logistic/3rd party vendors Quality of Power, Cost of Power Input raw material cost competitiveness