

# INDIAN TEXTILE INDUSTRY

J P Chawla & Co. LLP

Chartered Accountants

Taxation | Audit | Outsourcing | Regulatory | Transaction Advisory | Consultancy Services

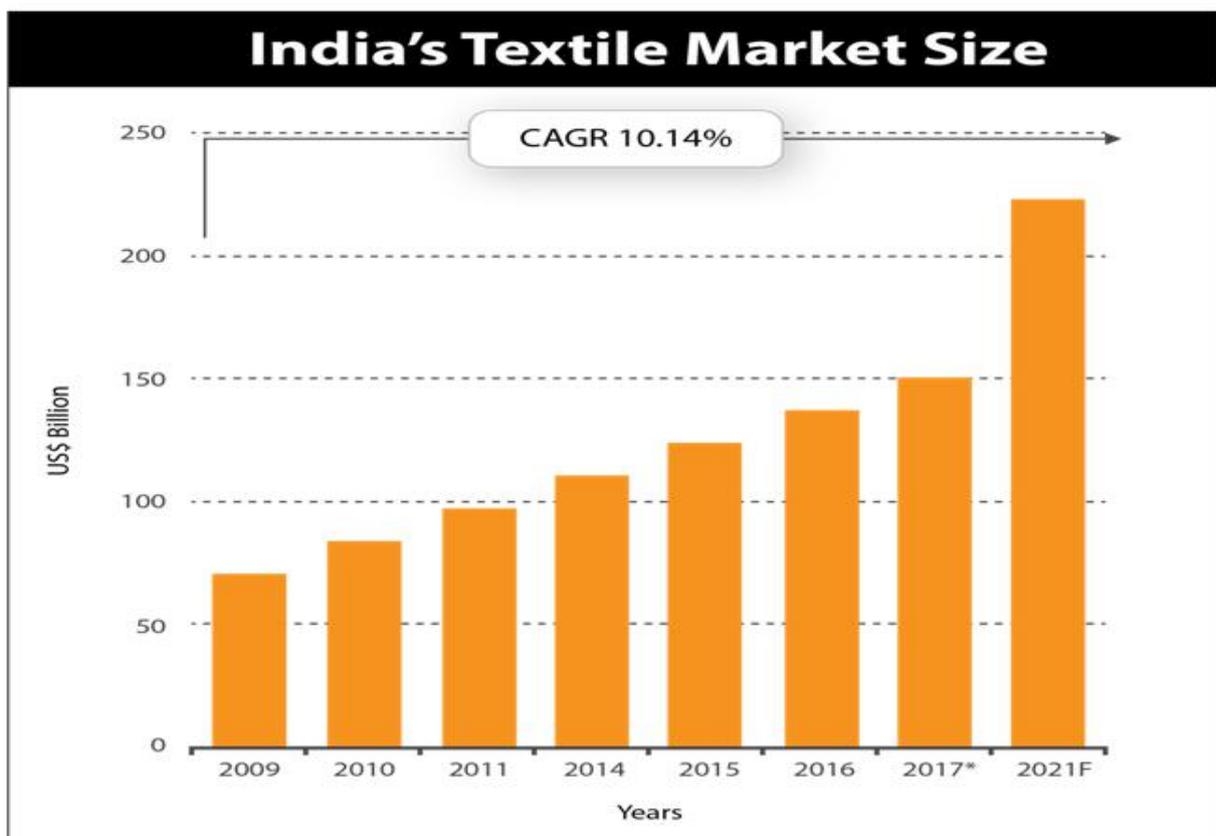


## Indian Textile Industry

The Indian textile industry is the second largest industry in India after agriculture. Over 35 million people in the country are directly employed in the sector, while around 60 million are provided indirect employment in the production of raw materials and other related trades. India's rich and varied traditional culture combined with robust agriculture has bestowed a unique position upon India in the world textile segment. The industry ranges from traditional handlooms, wool, silk, handicrafts on one end of the spectrum to the organized textile industry on the other. The organized textile and apparel industry comprises of two segments – yarn and fiber, and processed fabrics and apparel. Favorable policies and demographics, phenomenal growth in retail, and rising spending powers have escalated the position of the industry as an imposing contributor to the national economy.

## Market Overview

The Indian textile industry is expected to grow from USD 150 billion (Rs. 10,74,682.50 crores) in 2017 to to USD 223 billion (Rs. 15,97,382.45 crores) in 2021. Out of the total industry output, contribution by the textile industry stands at 7%. It contributes 2% to the country's GDP and 15% of the total revenue generated by exports. India's textile exports are estimated to reach USD 82 billion (Rs.5,87,378.30 crores) by 2021 from USD 31.65 billion (Rs. 2,26,837.13 crores) in 2019. Foreign exchange inflows see a contribution of 27% from the textile and apparel industry. The cotton production of India has reached 36.1 million bales in 2019, retrieving India's position as the largest producer of cotton. India's place in the global context is noteworthy. It is the second-largest producer of silk with 18% market share; the largest producer of jute in the world; and fifth largest producer of synthetic fibres and yarns. The textile sector has received an allocation of USD 673 million (Rs. 4,831.48 crores) in the recent "Union Budget 2019-2020."



## Latest Trends in the sector

**Technology:** The textile industry is witnessing an onslaught of intelligent systems in manufacturing and design. Use of high-grade technology in processing has brought innovative fabrics into the market. Modern gadgets have made possible an amalgamation of clothes and technology to create textiles that are unique and eco-friendly. Innovative fabrics and smart fabrics are creating a buzz in the industry. Some examples are fabrics made from Thermo Chromic Materials (change the colour of fabric as per temperature), Phase Change Materials (soak up heat energy), and smart fabrics with wearable electronics. Other innovative materials include sweat proof fabrics, breathable fabrics, deodorizing fabrics, anti-stress fabrics, hazard warning fabrics, etc.

**Sustainability:** With a reputation of being the most extensive air and water polluter amongst all industries, top textile companies are broadening their environmental responsibilities. There is an increased focus on sustainability and green textiles to reduce greenhouse gas emissions.

**Non-woven fabrics:** There is increased popularity of non-woven fabrics or non-yarn materials, made possible with advanced technology. These fabrics cost less labor and are cheaper and hygienic.

## Growth Drivers

**Rising per capita income:** As per the government data on national income, India's per capita income in the FY 2018-2019, has increased 10% from Rs. 9,580/- to Rs. 10,534. Increased spending power, combined with aspirational buying, has been a boon for the industry.

**Organized retail and e-commerce:** The extraordinary growth in the retail sector in India, projected to reach USD 1,200 billion (Rs. 8,600,460 crores) in 2021 has created a cascading effect on the textile business. E-commerce market too, driven by vigorous investments and growth of internet users, is expected to grow 31% each year.

**Changes in lifestyle:** Consumer shopping behavior is showing an inclination towards aspiration-based shopping rather than a need-based shopping in recent years. Consumers are buying apparel, irrespective of a perceived 'need.'

**Growth of internet:** Increased internet penetration and the phenomenal growth of online sales has upped the manufacturing of garments and effectively, textiles. Rising millennial population- More than 50% of India's population is below 25 years of age. Millennials are the largest consumers of fashion and critical growth drivers of the textile industry.

**Increased governmental focus:** For an inclusive development of India, there has been significant support from the government in terms of newer policies for improved manufacturing, technology, innovation, and infrastructure.

**Low manufacturing costs:** India has an abundance of raw materials like jute, cotton, and silk. Added to this, is the low labour cost, which makes textile production cheaper in India as compared to other countries.

**Slowdown in the Chinese economy:** Chinese textile producers have lost the lower cost advantage due to the recent slowdown in the economy. This change in the competitive scenario has given India a competitive advantage in the global market.

### Government Initiatives to Boost the Textile sector

The government of India has formulated various policies and programs to provide better manufacturing, infrastructure, technology, innovation, and enhance the skills of local industry.

- Revised rates for incentives under the Merchandise Export from India Scheme (MEIS) from 4 percent to 6 percent as per the Mid-term Review of Foreign policy 2015-2020.
- Launch of Amended Technology Up-gradation Fund Scheme (A-TUFS) is expected to prompt investments up to USD 14.17 billion (Rs. 101,557.09 crores) by 2022.
- PowerTex India Scheme, a comprehensive three-year scheme, was launched for the development of the power loom sector.
- Scheme for Integrated Textile Parks (SIPTS) was launched to provide infrastructure to set up textile parks in potential sectors in keeping with international social and environmental standards. The scheme sanctioned 40 textile parks.
- Scheme for capacity building in the textile industry (SAMARTH)- was launched to provide skill-oriented training and up-gradation of skills vide placement-oriented programs. The scheme has a total outlay of USD 202.9 million (Rs. 1,453.65 crore) between 2017-18 and 2019-20, intended to boost employment and skilled workforce in the sector.
- Integrated silk development scheme (Silk Samagra) was set up to develop the silk industry, scale production, and improve quality. The total outlay for the project is USD 314 million (Rs. 2,249.62 crores)
- NERTPS- North Eastern Regional Textile Promotion Scheme was launched to enhance the textile sector, power loom, handicrafts in the North-Eastern region. The scheme has received an allotment of USD 449 million (Rs.3,216.81 crores).
- National Handicraft Development Programme- was implemented to address challenges faced by the handicrafts sector and promote its development.
- Comprehensive Handicrafts Cluster Development Scheme (CHCDS) undertook 450 clusters to mobilize artisan into self-help groups. The clusters received intensive training on thrift, credit, and aspects of running community business.
- Make in India campaign was launched in 2014 to boost the contribution of domestic manufacturing to the country's GDP from 15 percent to 25%

## Major Players

Though a plethora of textile companies are operating in India, these are the top players:

**Arvind Ltd:** Arvind Ltd or Lalbhai Industries Ltd, is the leading supplier and trader, based in Ahmedabad, for cotton yarn, cotton fabrics, polyester blended fabrics.

**Bombay Dyeing:** Founded in 1879, the Bombay Dyeing and Manufacturing Company Limited belongs to the parent company,

**Wadia Group:** It offers fabrics ranging from bed linens, furnishing, and towels.

**Grasim industries:** A subsidiary of Aditya Birla Group, it is the largest producer of viscose staple fiber.

**Bombay Rayon Ltd:** Bombay rayon is a leading textile company offering products like wool, Tencel, polyester, Lycra.

**Karnataka Silk Industries Corporation:** This textile company manufactures excellent quality silk.

**Sutlej Textiles and Industries:** It is the leading producer of value-added yarns like Melange yarn. It also produces specialty yarns like Modal, Lyocell, and Tencel

**Vardhaman textiles Ltd:** An integrated textile manufacturer, it manufactures, piece dyed fabric, and cotton yarn and is a leading fabric exporter to EU, the United States, and the Far East. Vardhaman textiles produce woven fabric, acrylic thread, cotton yarn, synthetic yarn, sewing thread.

## Road Ahead

The slowdown in China has offered a fantastic opportunity for India to grab the global export market share. The European Union and the United States, which together account for 60% of entire textile exports, are the primary revenue generators. The forthcoming decade is expected to look at a robust 15%-20% growth in exports. At present, India has a share of 5% in global textile exports, as compared to China at 38%.

Increasing investments in the sector, along with 100% FDI, is expected to provide a further boost to the industry. The year June 2017 to May 2018 has witnessed a Foreign Direct Investment of USD 4.19 billion (Rs. 30,018.83 crores).

Sustainability and green textiles will become increasingly important in the face of depleting natural resources.

## Conclusion

A surge in the economy, higher disposable incomes, a thriving domestic market, and a promising future in exports has placed India on the cusp of phenomenal growth in the textile segment. With a huge base for manufacturing and raw materials and further growth in investments, the industry has a bright potential.



**Dear Valuable Client / Colleague,**

In case you require any further detailed analysis on above mentioned content, please do get back to us and we shall be happy to provide you the same.

**With Best Regards,**

**Team JPC**

## **About JPC**

JPC is a professional services firm based in Noida- National Capital Region and New Delhi, India. We were established in the year 1974 with the aim to create value for our clients by delivering quality, comprehensive, timely, practical and innovative services. We offer a comprehensive range of services, including taxation services, regulatory services, transaction advisory services, financial & management consultancy services, assurance & risk services, and outsourcing services. Over the past several decades, we have established significant competitive presence in the country. Our vast and diversified client base includes Multinational enterprises, domestic companies, high net worth individuals, government companies and institutions in all leading industry verticals. We are a team of distinguished Chartered Accountants, Management Accountants, Corporate Financial Advisors and Tax Consultants. Our team has the requisite skills and experience to provide complex business, financial, assurance, tax and regulatory services to our clients. Our strength lies in our timely performance-based, industry-tailored and technology-enabled services which are delivered by some of the most talented professionals in the country. For more information about JPC's service offerings, visit [www.jpc.co.in](http://www.jpc.co.in)

In this document, "JPC" refers to J P Chawla & Co. LLP Chartered Accountants (a limited liability partnership firm regulated by the Institute of Chartered Accountants of India, FRN : 001875N/ N500025).

## **Disclaimer:**

*This content is provided on the basis of secondary research only and J P Chawla & Co. LLP (JPC) does not make any representation or warranty of any kind with respect to its contents. JPC specifically does not warrant or represent that any analysis or its content are timely, complete or accurate. This document consists of content for knowledge purposes only and does not constitute an advertisement or opinion or copyright of any kind.*

# J P Chawla & Co. LLP

Chartered Accountants

## **New Delhi office:**

43 Darya Ganj,  
New Delhi - 110002  
INDIA

## **Noida office:**

C-129, Sector 2,  
Noida - 201 301 (U.P.), INDIA  
Phone: +91-120-4573207, 4573208  
General Email: info@jpc.co.in

## ***Main Partners Hand Phone & Email***

Rajat Chawla

+91-9871494499 | rajatchawla@jpc.co.in

J.P. Chawla

+91-9811028918 | jpchawla@jpc.co.in

Richa Chawla

+91-9990509709 | richajuneja@jpc.co.in

*For further information, please email your details to [rajatchawla@jpc.co.in](mailto:rajatchawla@jpc.co.in) or call +91-9871494499.*

