India: An Attractive Investment Destination for Textile and Apparel

India Business and Investment Meet, Italy

4th and 5th July 2016
1. Overview of Indian Textile and Apparel Sector
2. Market size of Indian Textile and Apparel (T&A) Sector
3. Government Support Initiatives
4. Technical Textiles
5. India - Italy Bilateral T&A Trade
6. Possible areas of collaboration between Italy & India
7. Major T&A trade shows in India
1. Overview of Indian Textile and Apparel Sector

- **Raw Material Scenario**
  - Largest producer of Cotton in the world (6 mn. kg, 27% global share)
  - 2\(^{nd}\) largest producer of Polyester and Silk
  - 3\(^{rd}\) largest Viscose producer
  - 4\(^{th}\) largest Acrylic and Nylon producer

- **Manufacturing Infrastructure**
  - 2\(^{nd}\) largest global manufacturer
  - Spun Yarn manufacturing: 5 bn. kg. (50 mn. spindles)
  - Fabrics: 65 bn. sq.m. (4.9 mn. looms, incl. handlooms)

- **Exports**
  - Exports value: US$ 40 billion (2015-16)
  - 2\(^{nd}\) largest exporter with 5% share in global textile and apparel trade
  - Share of T&A in India’s total export: 15%
2. Market size of Indian Textile and Apparel Sector

Total Market Size
US$ 137 billion

Domestic Consumption
US$ 97 bn.
- Household consumption US$ 83
- Technical Textiles US$ 14 bn.

Exports
US$ 40 bn.
- Textiles US$ 23 bn.
- Apparel US$ 17 bn.

Source: Textile Committee Household Survey, Office of Textile Commissioner and DGCIS
3. Government Support Initiatives

- **Amended Technology Upgradation Fund Scheme (ATUFS)**
  
  - Notified in Jan 2016 to promote modernization and expansion in industry.
  
  - Provides Capital Subsidy to eligible weaving, processing, garmenting, technical textiles machinery in the range of 10-15%.

- **Integrated Processing Development Scheme (IPDS)**
  
  - Launched in Oct. 2013 to facilitate creation of new processing clusters/centres with environment friendly processing standards and technology.
  
  - Provides support worth 50% of project cost with a ceiling of:
    - Rs. 750 mn. (approx. € 10 mn.) for Zero Liquid Discharge (ZLD)
    - Rs 100 mn. (approx. € 1.3 mn.) for conventional treatment systems.
  
  - 6 projects have been sanctioned till date
3. Government Support Initiatives

- **Scheme for Integrated Parks (SITP)**
  - Launched in Sep 2005 to provide support for creation of infrastructure for textile manufacturing such as ETPs, power supply, common facilities etc.
  - Funding support of 40% of the project cost up to Rs 400 mn. (€ 5.3 mn.) is made available for each park
  - 65 textile parks have been sanctioned till date

- **Integrated Skill Development Scheme (ISDS)**
  - Financial support of Rs. 10,000 (€ 133) per trainee is provided for training and skills development, in partnership with industry
  - 708,000 persons have been trained till date; out of which 458,000 persons have been absorbed by the industry
3. Government Support Initiatives

- **In situ upgradation of Powerlooms**
  - Financial help provided by GoI for In Situ Upgradation of powerlooms
  - Effort of GoI supplemented by many State Governments
  - Up to June 2016, a total of 65,000 powerlooms have been upgraded for which Government of India has released a subsidy of Rs. 804 mn. (€ 10.7 mn)
  - Helps in improving efficiency of powerlooms by 20% and reduce defects by 30%
3. Government Support Initiatives

- **New package for apparel sector:**
  - Recently, Govt. has extended a special package of Rs 60,000 million (€ 800 mn.) for employment generation in the sector:
    - Enhanced Duty Drawback Rate to cover all Central and State Govt. levies.
    - Rate of Capital Investment Subsidy for apparel units increased from 15% to 25%.
    - Labour reforms including:
      - 100% reimbursement of employer’s contribution for Employee Provident Fund (worth 12% of wages)
      - Provident Fund contribution made optional for workmen earning less than Rs 15,000 per month (€ 200)
      - Increase in overtime caps for the workers in line with ILO norms
      - Introduction to fixed term employment
  - Enhanced corporate tax rebate for garment units
Technical Textiles Sector in India

- Technical Textiles also called engineered textiles.

- Use is functional rather than aesthetic. Based on the end usage, Technical Textiles are categorized into 12 segments.

- At nascent stage in India and is one of the fastest growing segments of the Textile Industry.

- Despite achieving high growth rate, the per capita consumption of technical textiles in India is only 1.7 per kg vis-à-vis 10-12 kg in developed countries.
Government’s Initiatives in Technical Textiles

• **Technology Mission on Technical Textiles (TMTT):** 8 Centres of Excellence (CoEs) Technical Textiles established acting as a one stop shop for the stakeholders to provide services such as testing and evaluation of products with national / international accreditation, indigenous development of prototypes, Incubation Centre facilities & setting up of standards at par with global level.

• **Focus Incubation Centers under TMTT:** To help the potential investors to enter into technical textiles, on plug and play model.

• **Scheme for Promoting Usage of Agrotextiles:** To encourage utilization of Agrotextiles in improving the agriculture, horticulture, floricultural & sericulture development of Agrotextile products suitably customized for use in the North-Eastern region of India.

• **Scheme for Promoting Usage of Geotextiles in NER:** The objective is to promote and utilize Geotechnical textiles in development of infrastructure in the NE states by providing technological and financial support in existing projects in road, hill/ slope protection, water reservoirs.
4. India - Italy bilateral T&A trade

- India exported US$ 772 mn. of T&A products to Italy and imported US$ 71 mn. from Italy in 2015

Top 5 products exported from India to Italy

1. Knitted T-shirts of cotton
2. Bulk Containers of manmade fibres
3. Knitted women's cotton nightdresses
4. Knitted men's cotton nightshirts
5. Woven women's cotton tops and shirts

Top 5 products imported by India from Italy

1. Twine and cords
2. Men's/boys' cotton trousers
3. Woven men’s cotton shirts
4. Woven men's woolen suits
5. Woven men’s woolen jackets

- India also imported US$ 178 mn. worth of textile machinery from Italy in 2015-16 (40% processing machinery, 26% spinning machinery and 22% weaving machinery)

Data Source: UN Comtrade
5. Possible areas of collaboration between Italy & India

Strengths of Italian Textile Sector

- Focus on value added segment
- Design and product development strength
- Fabric Processing i.e. dyeing, printing, finishing
- Textile machinery manufacturing

Italian companies can leverage these strengths and invest in India on their own or in JV to take advantage of India’s growing domestic market and also to export globally.
5. Possible areas of collaboration between Italy & India

Opportunity for Italian Processing Companies

- India’s processing sector needs technical and process upgradation, while it is one of the strengths of Italian textile sector.
- This offers an opportunity for Italian processing companies to invest in India through Joint Ventures or establishing their own factories.

Opportunity for Italian Textile Machinery Manufacturers

- Growing demand and exports from India would require availability of locally manufactured machinery at affordable prices.
- Since Italian machinery companies are already exporting significantly to India hence they can invest in India and tap the potential in this sector in a better way.
6. Major T&A trade shows in India

- Indian textile and apparel industry organizes various shows/buyer sellers meet round the year. In 2016-17, industry is set to organize following shows:

<table>
<thead>
<tr>
<th>S no.</th>
<th>Show/ Buyer Seller Meet</th>
<th>Date</th>
<th>Location</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>India International Garment Fair</td>
<td>July 2016</td>
<td>New Delhi</td>
</tr>
<tr>
<td>2</td>
<td>Source India, Manmade Fibres</td>
<td>August 2016</td>
<td>Surat, Gujarat</td>
</tr>
<tr>
<td>3</td>
<td>India International Silk Fair &amp; RBSM</td>
<td>October 2016</td>
<td>New Delhi</td>
</tr>
<tr>
<td>4</td>
<td>Carpet Expo</td>
<td>October 2016</td>
<td>Varanasi, Uttar Pradesh</td>
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<tr>
<td>5</td>
<td><strong>Mega Textiles India</strong></td>
<td>October 2016</td>
<td>Greater Noida, NCR</td>
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<tr>
<td>6</td>
<td>India International Fabric Expo</td>
<td>November 2016</td>
<td>Bangalore, Karnataka</td>
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<tr>
<td>7</td>
<td>India International Garment Fair</td>
<td>January 2017</td>
<td>New Delhi</td>
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<tr>
<td>8</td>
<td>Carpet Expo</td>
<td>March 2017</td>
<td>New Delhi</td>
</tr>
<tr>
<td>9</td>
<td>India International Handwoven Fair</td>
<td>March 2017</td>
<td>Chennai, Tamil Nadu</td>
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- Italian buyers can visit these shows to promote T&A trade between two countries.
Ministry of Textiles has planned to organize an annual mega textile event “Textiles India” covering entire value chain i.e. from fibre to fashion.

The first “Textiles India” will be held from 6th to 8th Oct. 2016 at India Expo Centre & Mart, Greater Noida, NCR Delhi.

“Textile India” will comprise of three parts:

- **Technical Conference “Texsummit”**: It will be attended by Indian and international industry delegates and policy makers from Union & State Govt. who will deliberate on key sector issues and way forward.

- **Mega Exhibition**: Buyers can benefit from participation in India’s largest ever gathering of T&A value chain exhibitors. In addition, exhibitors from all over the world are also invited to showcase their products.

- **Allied Events**: Fashion shows, Thematic displays, cultural programmes, design awards etc.

I invite Italian industry and policy makers to attend Textiles India to comprehend the vibrant Indian textile sector and be a part of the growth story.
Thank you
65 APPROVED TEXTILE PARKS UNDER SITP

<table>
<thead>
<tr>
<th>State</th>
<th>No of Parks</th>
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<tbody>
<tr>
<td>Andhra Pradesh</td>
<td>5</td>
</tr>
<tr>
<td>Assam</td>
<td>1</td>
</tr>
<tr>
<td>Bihar</td>
<td>1</td>
</tr>
<tr>
<td>Telangana</td>
<td>3</td>
</tr>
<tr>
<td>Gujarat</td>
<td>14</td>
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<tr>
<td>Himachal Pradesh</td>
<td>1</td>
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<tr>
<td>Haryana</td>
<td>1</td>
</tr>
<tr>
<td>J &amp; K</td>
<td>2</td>
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<tr>
<td>Karnataka</td>
<td>2</td>
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<tr>
<td>Madhya Pradesh</td>
<td>1</td>
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<tr>
<td>Maharashtra</td>
<td>14</td>
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<tr>
<td>Punjab</td>
<td>3</td>
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<tr>
<td>Rajasthan</td>
<td>6</td>
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<tr>
<td>Tamil Nadu</td>
<td>8</td>
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<tr>
<td>Uttar Pradesh</td>
<td>2</td>
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<tr>
<td>West Bengal</td>
<td>2</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>65</strong></td>
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India: An Attractive Destination for FDI
Factors that make India an Attractive FDI Destination for Textiles Manufacturing

- **Flexible Policy Regime**
  - 100% FDI allowed in the sector under Automatic Route

- **Raw Material Availability**
  - Largest producer of Cotton
  - 2\textsuperscript{nd} largest producer of Polyester and Silk
  - 3\textsuperscript{rd} largest Viscose producer
  - 4\textsuperscript{th} largest Acrylic and Nylon producer

- **Domestic Market Attractiveness**
  - Domestic Textile and Apparel Consumption worth US$ 97 bn.
  - Rising income level of consumers
Factors that make India an Attractive FDI Destination for Textiles Manufacturing

- **Cost Competitiveness**
  - Low labour wages (US$ 150/ month) in comparison to countries like China and Vietnam.

- **Availability of Manpower**
  - More than 60% of Indian population in the working age group of 15 to 59 years

- **Ease of doing business**
  - Various steps being taken by Government towards enhancing ease of doing Business. These steps will result in improved Doing Business Rank
Recently, Govt. has extended a special package of Rs 60,000 million (€ 800 mn.) for employment generation in the sector:

- Enhanced Duty Drawback Rate to cover all Central and State Govt. levies.
- Rate of Capital Investment Subsidy for apparel units increased from 15% to 25%.
- Labour reforms including:
  - 100% reimbursement of employer’s contribution for Employee Provident Fund (worth 12% of wages)
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  - Increase in overtime caps for the workers in line with ILO norms
  - Introduction to fixed term employment
- Enhanced corporate tax rebate for garment units
India entered in top 10 FDI destinations for the first time in 2014 - jumping from 15th to 9th position in global ranking.

Data source: World Investment Report 2015, UNCTAD