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INDUSTRY OUTLOOK

TEXTILE INDUSTRY OF INDIA: OUTLOOK AND CHALLENGES

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Industry Outlook

The textiles sector is the second largest provider of employment after agriculture. Thus, the growth and all round development of this industry has a direct bearing on the improvement of India's economy. The Indian textiles industry, carrying hand-spun and hand-woven textile sectors at one end of the spectrum and capital intensive sophisticated mills sector at another end of the spectrum, is extremely vast and varied. Known to be the second-largest employment generating sector in the country, the Indian textile sector provides direct employment to more than 45 million people[1]. The decentralized power looms and knitting sector forms substantial part of the textile sector.



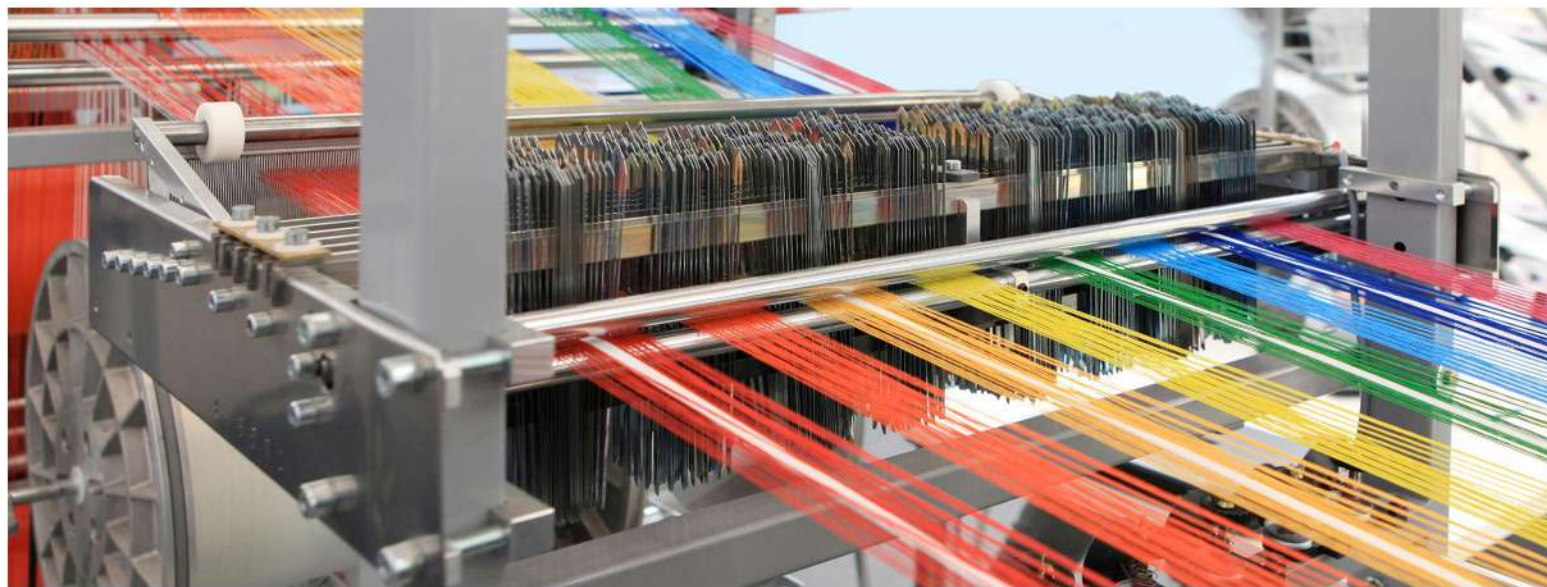
Other major sub-sectors that comprise the textile sector include the organized cotton/manmade fiber textile mill industry, the manmade fiber/filament yarn industry, the wool & woollen textile industry, the sericulture and silk textiles industry, handlooms, the jute & jute textiles industry and textiles exports. Demand for various apparel categories varies substantially across the country. The urban metro market comprising cities such as Delhi NCR, Mumbai, Bengaluru, Chennai, etc., is the biggest market for apparel in India and contributes over 20 per cent to the Indian apparel market. The metros also witness huge penetration of women's western wear as compared to Tier -I or Tier -II cities of the country.

Textile Industry Value Chain in India

Raw Materials: The major raw materials for the textile and apparel industry include cotton, jute, silk, wool and man-made fibre.

Cotton:

Cotton is one of the most important cash crops and accounts for around 25 per cent of the total global fibre production[2]. In the raw material consumption basket of the Indian textile industry, the proportion of cotton is around 59 per cent. Cotton plays a major role in sustaining the livelihoods of an estimated 5.8 million cotton farmers and 40- 50 million people engaged in related activities such as cotton processing and trade.



Jute

The Jute industry is one of the major industries in the eastern region, particularly in West Bengal. It is estimated that the jute industry provides direct employment to 0.37 million workers in organized mills and in diversified units including tertiary sector and allied activities and supports the livelihood of several lakh farm families. A software platform "JUTE-SMART" (Jute Sacking Supply Management and Requisition Tool) has been implemented for procurement of jute sacking from 1 November, 2016. At present, Jute-SMART software has become operational and indents of 80.9 lakh bales worth of Rs.20.22 thousand crores (approx.) have already been placed through JUTE-SMART.

Silk

Because of these unique features, silk is known as the "Queen of Textiles", the world over. Among the four varieties of silk produced, Mulberry accounts for 69.16 per cent (22,066 MT), Tasar 9.37 per cent (2,988 MT), Eri 20.87 per cent (6,661 MT) and Muga 0.60 per cent (192 MT) of the total raw silk production. According to the "Notes on Demands for Grants, 2021-2022" setting up of various silk mega clusters in different states are also being explored[3]. The Central Silk Board has also initiated "Silk Samagra" an integrated scheme for development of silk industry[4].

Wool

The Integrated Wool Development Programme has been approved by the Minister of Textiles on 4th December, 2017, intended to be implemented through Central Wool Development Board in major wool producing States. The programme has been designed for growth of wool sector by including essential requirement of all stake holders viz. formation of cooperatives of wool growers, machine sheep shearing, strengthening of wool marketing\wool processing\woollen product manufacturing.

Man Made Fibre

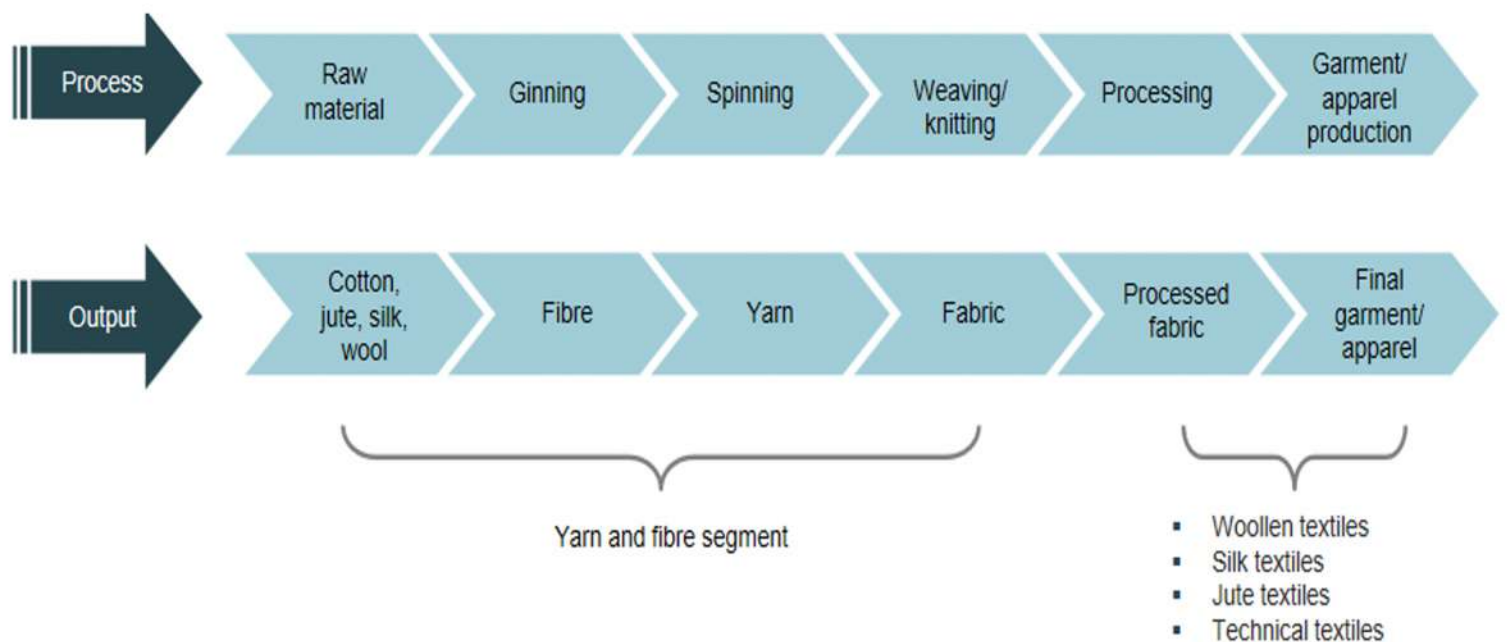
Man-made fibres (MMF) are mainly of two types viz., synthetic and cellulosic. Synthetic fibres are produced from crude oil and cellulosic fibres are from wood pulp. The main varieties of synthetic staple fibres are polyester, acrylic and polypropylene. Cellulosic fibre is viscose fibre, modal, etc. Textiles made out of these synthetic and cellulosic fibres are called man-made fibre textiles. However, besides pure man-made fibre textiles, presently the man-made fibre and natural fibre mainly cotton blends are more popular. India produces almost all the types of synthetic fibres, be it polyester, viscose, nylon or acrylic. MMF textile industry in India is self-reliant across the value chain right from raw materials to the garmenting[5].

A snapshot of major Textile Products

- **Cotton Textiles:** Cotton Textiles is one of the key strengths of Indian Textile and Apparel Industry. It accounts for 29 per cent of India’s global textile and apparel exports.
- **Man-Made Textiles:** Man-made textiles has a share of 14 per cent in India’s global textile and apparel exports.
- **Apparel:** Apparel accounts a share of around 14 per cent in India’s global textile and apparel exports.
- **Home Textiles:** EU-28 and USA are important markets for home textiles (including carpets).
- **Handlooms:** EU-28 and USA are important markets for India’s Handloom products.
- **Handicrafts:** Handicraft is about processing materials by hand with hand tools, with huge export potential in many countries including EU-28 and USA.

Source: ‘Annual Marketing Plan 2019-20 of Ministry: Participation in International Fairs’(22 August 2019) Ministry of Textiles, Government of India.

Major Segments of the Textile Industry



Source: “Textiles and Apparel” (September 2020) India Brand Equity Foundation (IBEF); <https://www.ibef.org/download/Textiles-and-Apparel-September-2020.pdf>

Indian readymade garments/apparels (RMG) industry is the largest segment of the Indian T&A Industry. The structure of the garment industry in India is multifaceted with the bulk of units being small and medium firms. Nearly 80 percent of the national production of garments is concentrated in ten clusters: Kolkata, Mumbai, Tirupur, Ludhiana, Indore, Bellary, Jaipur, Bangalore, Chennai and Okhla. Due to the low investments required for setting up a garment unit, many small players have entered the industry making it highly fragmented. Apparel production is dominated by eight clusters, i.e., Tirupur, Ludhiana, Bangalore, Delhi NCR, Mumbai, Kolkata, Jaipur, and Indore. While Tirupur, Ludhiana and Kolkata are major centres for knitwear; Bangalore, NCR, Mumbai, Jaipur, and Indore are major centres for woven garments. Other key cities include Surat.



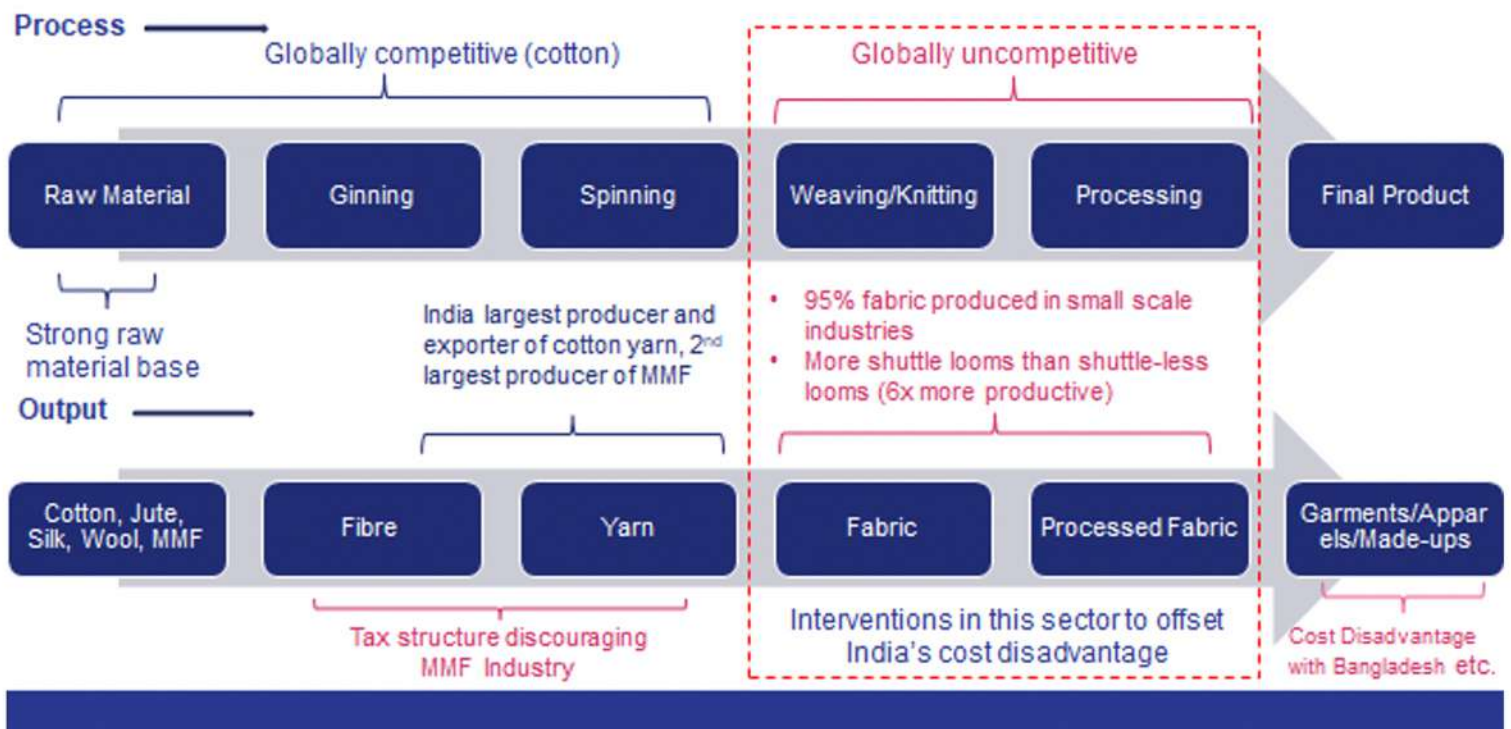
A brief overview of the following cluster is as follows:[6]

- **Kolkata:** This cluster is the oldest knitting cluster of India catering primarily to the domestic market with limited exports to the Middle East. The production consists mainly of traditional items like undergarments and kids wear. It is the birthplace of hosiery industry of India and the principal hub for interlock fabric.
- **Bangalore:** It is one of the oldest and the most organized apparel hub of India contributing broadly towards domestic market as well as exports. Its main strength lies in its close proximity to the sources of raw material, rendering to its strong supply chain link.
- **Tirupur:** Tirupur is the leading export hub of India for knitted garments. It is well integrated with units specializing in different activities like fabricating, dyeing, knitting etc. The local availability of raw material and skilled labour force are the biggest strengths of the cluster.
- **Ludhiana:** This cluster has a rich heritage in production of a wide variety of winter wear garments like - sweaters, cardigans, jackets, mufflers, t-shirts & polo shirts, and gloves.
- **Delhi:** Around 70 per cent of production in this cluster is of fashionable ladies wear like blouses, tops, skirts, dresses, etc. Apart from this, several units are also engaged in manufacturing shorts, skirts, frocks, etc for children and trousers and shirts for men. The Okhla cluster has an annual turnover of approximately ₹ 800 crore.[7]

The Indian garment industry faces huge competition that the buyer faces back home, especially in Europe, which comprises some of the most fashionable countries. As far as the domestic market is concerned, the competition is coming mainly from countries such as China, Cambodia, and Vietnam. The smaller firms have reported that some of them do face competition from the South Asian countries, especially in some products like swimwear from Sri Lanka[8]. The withdrawal of the Generalised System of Preferences (GSP) [9] could be another factor which will impact the garment firms' prospect of exporting to the US.

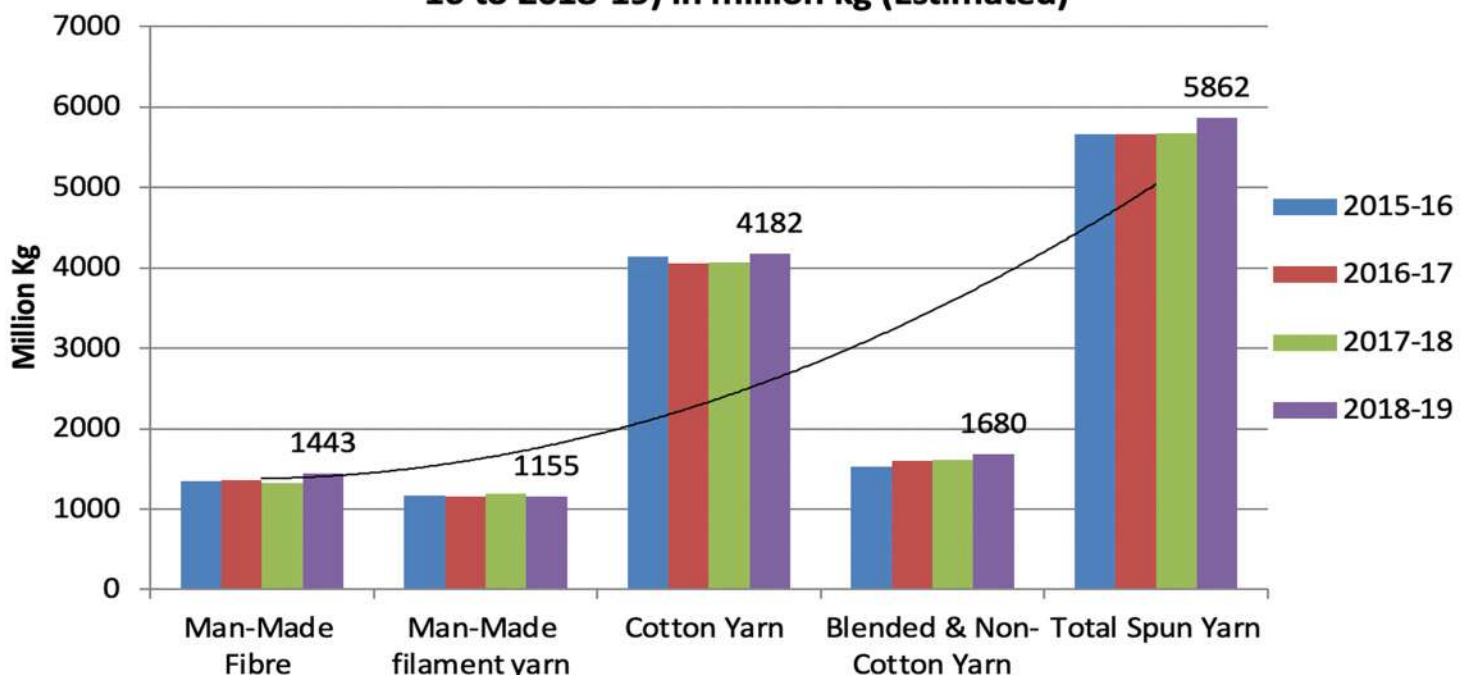
The following diagram shows India's competitive strength in the Global Value Chain:

Uncompetitive Global Value Chain



Source: NITI Aayog; <https://niti.gov.in/weaving-way-indian-textile-industry>

Production of man-made fibre, filament yarn, spun yarn and cloth (2015-16 to 2018-19) in million kg (Estimated)



* According to latest available data.

Source: Ministry of Textiles

http://texmin.nic.in/sites/default/files/3.Production%20of%20Major%20Textiles%20items_0.pdf

Major Textile Producing Countries

China, European Union (EU28), United States, Turkey, Korea, Vietnam, Pakistan and India remained major global trader (export-import) of textiles.[10] According to the Trade in Value Added (TiVA) data, Vietnamese industries are occupying an increasing role in textiles, clothing and agro-industry supply chains. For instance, around 25.7 per cent of the foreign value added content in Vietnam's exports stem from the textiles and clothing sector. While Bangladesh remained a major exporter in Jute, apparel shipment and Garment, in September 2019 the country's export earnings dropped by 7.3 per cent to \$2.92 billion in September, amid sharp decline in apparel exports[11].

The apparel sector, which accounts for 84 per cent of total exports, witnessed a 4.70 per cent decline to \$2.34 billion in September. While the country's export has been experiencing slowdown for months, its major competitor Vietnam's textile and apparel export posted a 2.2 per cent growth to \$3.37 billion in August 2019. According to the Bangladesh Garment Manufacturers and Exporters Association (BGMEA), appreciation of the taka against the US dollar and slower order flow from the buyers are major reasons for the decline in exports[12].

Top Export-Import Countries of Textiles in 2019* (Figures in USD Billion)

Sl No.	Top Exporters of Textile Products	Total Export in 2019* (USD Billion)	Share in World Exports (%)	Top Importers of Textile Products	Total Import in 2019 (USD Billion)	Share in World Imports (%)
1	China	120	39.2	China	16	5.2
2	European Union (28)	66	21.7	European Union (28)	67	21.3
3	Extra-EU(28) Exports	24	7.9	Extra-EU(28) Exports	33	9.7
4	India	17	5.6		NA	NA
5	US	13	4.4	US	31	10
6	Turkey	12	3.9	Turkey	NA	NA
7	Korea, Republic of	9	3.0		NA	NA
8	Chinese Taipei	9	2.8		NA	NA
9	Vietnam	7	2.9	Vietnam	16	5.2
10	Pakistan	7	2.3		NA	NA
11	Hong Kong, China	6	NA	Hong Kong, China	6	NA
12				Bangladesh	10	3.1
13				Japan	9	2.8
14				Indonesia	7	2.1

*According to the latest data published by the World Trade Statistical Review 2019.

India's Export Market of Textiles

Major export markets of textiles for India are – Bangladesh, China, Vietnam, European Union (EU) etc. Bangladesh is the major importer of denim fabric having 26 per cent share followed by Turkey with 9.26 per cent and Hong Kong with 9.14 per cent share. A report of the Ministry of Textiles aiming at enhancing India's textile export to various countries, stated that India's Textile & Apparels (T & A) exports are mainly to USA and EU-28 with 45 per cent share (USA-20 per cent and EU-25 per cent). Within EU-28, Germany (5 per cent), UK (6 per cent) and Spain (3 per cent) are major exporters on average. Remaining 55 per cent goes to various emerging market economies. The top three emerging markets for India's textile and apparel exports include UAE, Bangladesh and China which together account for 18 per cent share in India's textile and apparel exports.

The report identifies that India has huge potential to increase its market share in countries like – Vietnam, Indonesia, Egypt, Turkey, Saudi Arabia, Australia, Russia, South Korea, Brazil, Chile, Columbia, Peru[13].

Another report titled as ‘Vision, strategy and action plan for Indian Textile and Apparel sector: Vision 2024-25’ by Textile Ministry[14] stated that there are several finished goods categories such as suits, women’s western wear, intimate wear, swimwear, outerwear, etc. which have multibillion dollar trade globally but India’s share in them is quite nominal. Also there are several large markets like Japan, Russia, China, Brazil, South Korea, etc. in which India’s trade share is low. To increase India’s share, it is recommended that country specific export strategies should be developed and implemented.

Decomposition of India’s Exports in Textiles & Apparels (in USD Million)

Sl No.	Commodity	2014-15	2015-16	2016-17	2017-18	Apr-Mar2018	Apr-Mar2019	Per Cent change Apr-Mar2018-2019
1	Readymade Garment	16,833	16,966	17,368	16,705	16,705	16,176	-3%
2	Cotton Textiles	11,754	11,134	10,429	11,190	11,190	12,429	11%
3	Man-made textiles	5827	5213	5152	5388	5388	5563	3%
4	Wool & Woolen textiles	202	197	175	186	186	222	19%
5	Silk Products	143	98	76	69	69	77	11%
6	Handloom Products	370	369	360	356	356	344	-3%
7	Jute Products	367	577	321	342	342	330	-3%

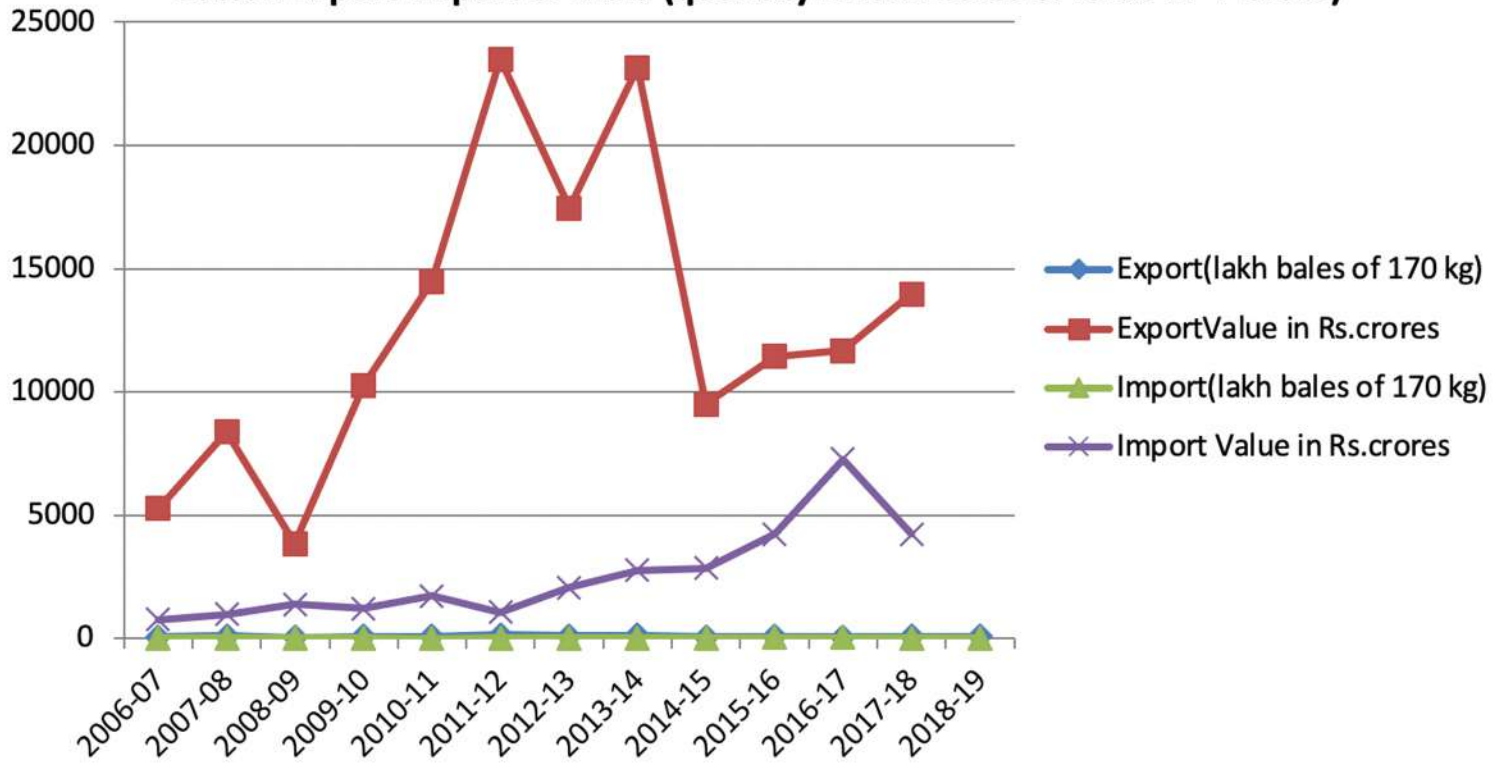
Source: Ministry of Textiles; <http://texmin.nic.in/sites/default/files/7a.%20Export%20of%20Textiles.pdf>

Decomposition of India’s Imports in Textiles & Apparels (in USD Million)

Sl No.	Commodity	2014-15	2015-16	2016-17	2017-18	Apr-Mar2018	Apr-Mar2019	Per Cent change Apr-Mar2018-2019
1	Readymade Garment	524	580	596	778	773	1107	43%
2	Cotton Textiles	1793	1707	2083	2447	2448	2066	-16%
3	Man-made textiles	2293	2130	1973	2264	2266	2672	18%
4	Wool & Woolen textiles	413	367	327	372	372	424	14%
5	Silk Products	215	207	210	251	251	202	-19%
6	Handloom Products	10	10	5	11	11	15	41%
7	Jute Products	170	249	244	181	181	170	-6%

Source: Ministry of Textiles, <http://texmin.nic.in/textile-data>.

Cotton Export-Import of India (quantity in lakh bales & value in ₹ Crore)



Source: The Cotton Corporation of India Ltd; <https://cotcorp.org.in/statistics.aspx?pageid=7#cotton2>

Country-wise Exports of Cotton from India during cotton season 2009-10 to 2018-19 (Quantity in bales/Value in ₹ crore)

Country	2014-15		2015-16		2016-17		2017-18		2018-19	
	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity	Value
Bangladesh	2291279	3893.66	2203453	3767.22	2404837	4463.88	2397390	5456.59	1543584	2202.53
China P RP	1675989	2690.47	646064	1046.79	919383	2335.20	813144	1623.19	1417593	2095.31
Vitenam SOC Rep	801086	1274.61	619332	1013.83	796404	1401.12	1190193	2321.74	622564	669.68
Pakistan	378804	624.80	2718356	4417.35	789657	1984.92	1276055	2311.67	713759	592.83
Indonesia	147471	233.62	289414	463.14	385584	700.56	384790	746.64	75698	55.09
Taiwan	131726	206.36	61684	100.66	83316	116.76	56191	112.29	11447	25.14
Thailand	80215	129.23	54138	90.6	139880	233.52	111045	232.62	30001	60.16
Ethiopia	63276	106.88	4469	8.03	5871	9.15	1061	1.60	NA	NA
Malaysia	49762	75.66	32748	56.14	45064	62.68	322906	663.23	58715	126.83
Turkey	42761	71.49	117176	190.84	83063	115.14	30784	67.04	891	2.25
Korea RP	30842	50.80	14262	23.33	11221	13.91	24141	55.29	10974	22.20
Italy	25792	41.23	29546	47.59	6719	7.95	36204	78.21	22097	45.96
Bahrain IS	11399	18.18	14425	28.67	15649	19.82	27151	62.94	13572	31.72
Japan	10270	28.96	9712	27.65	7540	15.93	8583	23.17	10447	27.22
Singapore	2347	3.86	49948	81.84	32872	60.08	1484	3.03	NA	NA
Morocco	615	0.95	6801	11.38	2470	2.54	631	1.19	NA	NA
Other Countries	28135	49.11	35407	59.74	91035	132.84	101099	216.27	73970	165.66
Total	5771769	9499.87	6906935	11434.8	5820565	11676	6782852	13976.71	4605312	6122.58

Source: Ministry of Textiles, <http://texmin.nic.in/sites/default/files/Data-2.pdf>

India is one of the leading producers of raw cotton and cotton yarn in the world. Production of cotton yarn in India has increased at a Compound Annual Growth Rate (CAGR) of 3.51 per cent from 3079 million kg in 2009-10 to 4059 million kg in 2017-18 while its consumption has increased marginally at a CAGR of less than one per cent only, during the same period. Thus, over the years, substantial exportable surplus of cotton yarn has been generated in the country. However, in recent years, production faces certain adverse impact due to subdued export demand. Given the weak demand along with high cotton prices and availability of MMF (manmade fibers) pose certain challenges for the industry.

In Gujarat, cotton remains an important crop as the area is a hub for cotton and cotton product exports with large ginning and spinning industry. Cotton planting in the northern states of Punjab, Haryana, and Rajasthan receive irrigation; more than 95 percent of area in the states of Punjab and Haryana is irrigated.

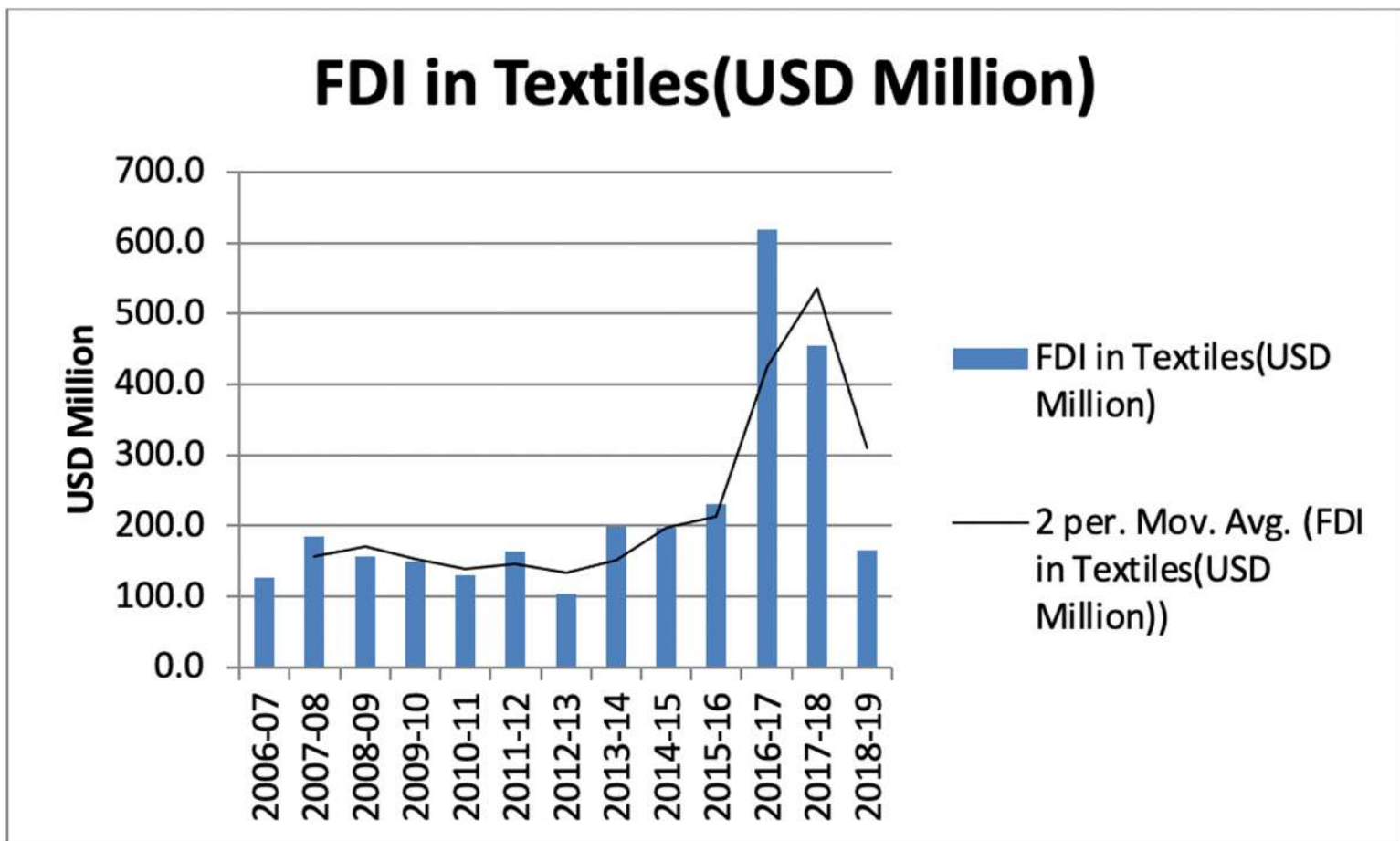
Cotton acreage in Haryana is expected to remain the same as last year, but production is estimated to be higher. Planted area in Rajasthan is also estimated to increase. The acreage in the southern states of Andhra Pradesh, Karnataka and Tamil Nadu is expected to increase over last year. However, the yields may vary based on different factors. In Andhra Pradesh, yields are expected to be lower as the area that was previously planted using illegal herbicide-tolerant (HT) cotton seeds (estimated at 5-10 percent of total area), would now be planted using state government approved seeds which have a lower yield.

China's demand for Indian cotton has increased over the years, which has also put an upward pressure on domestic cotton prices. In January 2021, cotton yarn prices increased 15 per cent MoM and 30 per cent YoY, resulting in higher gross margins. The higher cotton yarn demand is ascribed to the global supply curbs on Xinjiang region (China) cotton, which is benefitting Indian domestic spinners[15].

China's Total Imports of Cotton Yarn and Share of India and Vietnam

Year	Total Cotton Yarn imports by China (USD Billion)	Vietnam's share in total Cotton Yarn imports by China (in Per Cent)	India's share in total Cotton Yarn imports by China (in Per Cent)
2009	2.35	7.63%	7.75%
2010	3.21	10.44%	12.31%
2011	3.41	13.16%	15.23%
2012	4.95	12.38%	20.38%
2013	6.81	13.20%	29.83%
2014	6.22	20.32%	26.36%
2015	6.37	22.32%	29.32%
2016	5.13	32.53%	20.39%
2017	5.46	37.16%	19.60%
2018	5.85	36.66%	21.75%

Source: ITC Trade Map and Confederation of Indian Textile Industry (CITI)



Source: Ministry of Textiles; <http://texmin.nic.in/sites/default/files/8.%20FDI%20Textiles.pdf>

Government Initiatives

The GoI and Ministry of Textiles are in the process of establishing seven mega textile parks within a stipulated time frame. In line with the announcement in the Union Budget 2021-22, the GoI has announced the Mega Integrated Textile Region and Apparel Parks (MITRA) scheme in order to attract large investment schemes and generating employment[16]. Further, an earmarking of the Budget could be allocated under the Amended Technology Upgradation Fund Scheme (ATUFS) for R & D on upgradation/modernization of the textile industry to reduce import of expensive machineries.

The Cabinet Committee on Economic Affairs (CCEA) has given its approval on 26 February 2020 to set up a National Technical Textiles Mission with a total outlay of Rs. 1480 Crore. The Mission would have a four year implementation period from FY 2020-21 to 2023-24 [17]. Technical Textiles are used for various applications ranging from agriculture, roads, railway tracks, sportswear, health on one end to bullet proof jacket, fire proof jackets, high altitude combat gear and space applications on other end of spectrum. Some states like Tamil Nadu State Government is also increasing MMF manufacturing facilities in the State, and two mega textile parks were planned under the Mega Textile Parks scheme.

The State will focus on increasing technical textile production. As per the draft ‘focus product incentive scheme’ the proposal is as much as eleven per cent incentive to large companies in technical textiles, whereas the benefit is linked to an incremental turnover of Rs.1,500 crore in the first year with a 25 per cent increase in each year after the first year. Though the scheme is well-intended, however, achieving the incremental target might be difficult for some players.

Technical Textiles:

- Technical textiles are textiles materials and products manufactured primarily for technical performance and functional properties rather than aesthetic characteristics. Technical Textiles products are divided into 12 broad categories (Agrotech, Buildtech, Clothtech, Geotech, Hometech, Indutech, Mobiltech, Meditech, Protech, Sportstech, Oekotech, Packtech) depending upon their application areas.

- India shares nearly 6 per cent of world market size of 250 Billion USD. However, the annual average growth of the segment is 12 per cent, as compared to 4 per cent world average growth.

- Penetration level of technical textiles is low in India at 5-10 per cent, against 30-70 per cent in advanced countries. The Mission aims at improving penetration level of technical textiles in the country.

Source: 'CCEA approves Creation of National Technical Textiles Mission' (26 February 2020) Press Information Bureau(PIB) Delhi <https://pib.gov.in/PressReleasePage.aspx?PRID=1604413>

Growth Potential of Indian Technical Textiles market: Indian technical textiles market is likely to increase at a growth rate of 7.6 per cent in the Asia-Pacific region to reach at USD 23.3 billion in 2027, up from USD 14 billion from 2020 [18], driven by various factors – government initiatives, rising awareness, regulations, standardization, technology upgradation The domestic technical textile market for synthetic polymer was valued at USD 7.1 billion in 2020, and is projected to reach USD 11.6 billion 2027growing at a CAGR of 7.2 per cent while technical textiles market for wovens is likely to grow at a CAGR of 7.4 per cent to USD 15.7 billion by 2027 from USD 9.5 billion in 2020.

Some of the growth drivers of the technical textiles market are as follows:

- Strong value chain.
- Large domestic market.
- Availability of skilled people.
- Government support.

Incentives Schemes under the Production Linked Incentive (PLI)

Ministry of Textiles has proposed a Focus Product Incentive Scheme for 40 HS lines of MMF Garments and 10 HS lines of technical textiles under the Production Linked Incentive Scheme. For textiles industry, a sum of ₹ 10,683 crore over a period of five years has been allocated including man-made fibre and technical textiles. The anti-dumping duty and customs duty protection given for the domestic manufacturers and 18 per cent GST on man-made fibres and 12 per cent GST on MMF yarn have curtailed the growth of the MMF Sector in India. There is also a need for removing anti-dumping duty and also fetching the entire MMF value chain under 5 per cent GST rate on a par with cotton value chain to maintain parity.

Incentives to the Cotton Industry

The Cotton Corporation of India Ltd. (CCI) has introduced on 3 March 2020, the 'Bulk Quantity Discount Scheme' for the sale of Cotton procured during 2018-19. The decision will give a much-needed boost to the already raw cotton starved Indian Cotton Industry which has been reeling under severe pressure due to the high raw cotton prices and declining export of cotton yarn. This offers an attractive discount of ₹ 4400 per candy on purchase of 10000 bales a day and above and also ₹ 3200 per candy even for a small quantity of 500 bales[19].

Handloom Sector

To support the handloom and handicraft sectors and to enable wider market for handloom weavers/artisans/producers, initiatives have been taken to on-board weavers/artisans on Government e-Market place (GeM) to enable them to sell their products directly to various Government Departments and organizations. Design Resource Centres (DRCs) are being set up in Weavers Service Centres (WSCs) through NIFT with the objective to build and create design-oriented excellence in the Handloom Sector and to facilitate weavers, exporters, manufacturers and designers for creating new designs[20].

National Handloom Development Programme:[21]

- Block level clusters.
- Weavers' MUDRA scheme.
- Handloom Marketing Assistance.
- Comprehensive Handloom Cluster Development Scheme (CHCDS).
- Handloom Weavers' Comprehensive Welfare Scheme (HWCWS).
- Yarn Supply Scheme (YSS).



In the total Indian textile exports, cotton textiles accounts for 80 per cent due to the price advantage of the home-grown cotton, while it is only 20 per cent in the manmade fibre (MMF) segment due to expensive raw material price. The indigenous man-made fibres especially polyester fibre, remained expensive due to the anti-dumping duty levied on basic raw materials especially Purified Terephthalic Acid (PTA).

One positive factor is that the Government abolished anti-dumping duty on PTA thus creating a level playing field for the MMF Sector[22]. PTA accounts for 70 per cent of the raw material to produce the polyester fibre. Anti-dumping duty on PTA varies from US\$ 27 to US\$160 per metric tonne[23].

In March 2019, the Central government approved a scheme to rebate State and Central Embedded Taxes for apparels and made-ups exports. The Directorate General of Foreign Trade (DGFT) has revised rates for incentives under the Merchandise Exports from India Scheme (MEIS) for Readymade garments and Made ups - from 2 per cent to 4 per cent. The Government of India has increased the basic custom duty to 20 per cent from 10 per cent on over 500 textile products, to boost indigenous production and the Make in India program. The Amended Technology Up-gradation Fund Scheme (A-TUFS), scheme is estimated to create employment for 35 lakh people and enable investments worth ₹ 95,000 crore by 2022.

The Integrated Wool Development Programme (IWDP) has been approved to support the entire wool sector value chain to enhance the quality and increase the production during the 2017-18 - 2019-20 period. The Government of India has also approved a skill development scheme named 'Scheme for Capacity Building in Textile Sector (SCBTS)' with an outlay of ₹ 1,300 crore from 2017-18 to 2019-20. The Union Ministry of Textiles, Government of India, along with Energy Efficiency Services Ltd (EESL), has launched a technology upgradation scheme called SAATHI (Sustainable and Accelerated Adoption of Efficient Textile Technologies to Help Small Industries) for reviving the powerloom sector of India.

Major Players and Investments

Various foreign retailers and brands such as Carrefour, Gap, H&M, JC Penney, Levi Strauss, Macy's, Marks & Spencer, Metro Group, Nike, Reebok, Tommy Hilfiger and Wal-Mart import Indian textile products[24]. In India, one of the major players is - Sutej Textiles & Industries Ltd (STIL) is a leading producer of value-added yarns in India. Since inception the company is into development of niche products to meet increasingly sophisticated demands of the Industry. The company has market presence in over 60 countries. It is one of the largest integrated textile manufacturing companies.

Largest product portfolios of spun-dyed, cotton blended and cotton melange dyed yarns[25]. The company's products are manufactured in spinning mills in Bhawanimandi (Rajasthan), Baddi (Himachal Pradesh) and Kathau (Jammu & Kashmir) and a home textile fabric division at Daheli (Gujarat)[26].

Major Players in the industry

Sl No.	Company	Business Areas
1	Vardhman Textiles Ltd.	Yarn, fabric, sewing threads, acrylic fiber, garments
2	Arvind Mills Ltd.	Spinning, weaving, processing and garment production (denims, shirting, khakis and knitwear)
3	Raymond Ltd.	Worsted suiting, tailored clothing, denim, shirting, woollen outerwear
4	Garden Silk Mills Ltd.	Dyed and printed fabric
5	Bombay Dyeing and Manufacturing Company Ltd.	Bed linen, towels, furnishings, fabric for suits, shirts, dresses, saris in cotton and polyester blends
6	Sutej Textiles & Industries Ltd (STIL)	Spun-dyed, cotton blended and cotton melange dyed yarns

Source: 'Textiles and Apparel' (January 2021) India Brand Equity Foundation (IBEF).

In line with the announcement of mega textiles parks in the Union Budget 2021-22, the Telangana State Industrial Infrastructure Corporation Limited (TSIIC) is developing a Mega Textile Park in Warangal, Telangana[27]. In Andhra Pradesh, funds under mega textile park scheme have been allocated for Tarkeswara Textile Park Pvt. Ltd; and Guntur Textile Park Pvt. Ltd.

Collaborative Efforts

Global apparel retailer Gap Inc. and global textile manufacturer Arvind Ltd. unveiled a new water treatment facility that will eliminate the use of freshwater at Arvind's denim manufacturing facility in Ahmedabad, therefore reducing the amount of water used in the apparel production pipeline. The new facility will save eight million liters of fresh water per day, or 2.5 billion liters of freshwater on an annual basis. The apparel industry is one of the most intensive users of water in the world and, in India, 54 percent of the population faces high to extremely-high water risk. Arvind's denim manufacturing facility in Ahmedabad will now operate entirely with reclaimed water using Membrane Bio Reactor (MBR) technology, which will treat domestic wastewater drawn from the surrounding community without chemicals in the process. A newly constructed pipeline will draw wastewater from the local municipal line[28].

Industry Risk

- The Covid-19 pandemic has caused huge supply and market disruptions affecting global demand and production[29].
- Global economic slowdown also impacted the industry adversely.
- Increasing emphasis on Environment Sustainability and intensity of Technical and Social compliance standards has increased additional compliance load.

Issues like anti-dumping duty, inverted duty structure, differential tariff rates, high labour and power cost and poor logistics arrangements are impacting domestic textile and apparel industry to compete with international counterparts.

Another issue is that during 2020-21, only ₹ 24 crore was disbursed as Micro Units Development and Refinance Agency (MUDRA) loan to 4278 sanctioned loans. Though such low offtake is attributed due to Covid-19 pandemic issue; however, higher disbursements are essential towards handloom weavers[30].

Higher duties on inputs has posed further challenge, and the industry urged for a uniform GST structure for apparels and textiles.

India's import of synthetics, certain fibers, yarns and fabrics got disrupted as export of both textiles and raw material was hindered from China. Around 10 per cent of fabric and 20 per cent of accessories comes from China to India[31]. It is estimated that ₹ 1,000 crore of accessories (buttons, zips, hangers, needles, etc) are imported by garment units in the country from China, being 40-50 per cent cheaper than sourcing domestically or from other countries. Local manufacturers will now need to scout for alternatives amid a shortage of Chinese raw material.

India exports 20-25 million kg of cotton yarn every month to China, but a partial closure in manufacturing units there has led to a drop in demand for cotton yarn[32]. One way to combat this issue is to explore other major producers like Vietnam, e.g. silk yarn. In order to reduce the country's dependence on imported silk, the Textile Ministry is implementing a restructured scheme called "Silk Samagra".

The knitwear garment exporting community in Tirupur, has been facing difficulty; amid surging cotton yarn prices as well as irregular supply of yarn. Commonly used combed cotton variants such as 30s and 40s—which indicate the thickness and fineness of the yarn—have seen their prices surge by 24 per cent from ₹ 215 to ₹ 268 a kilogram[33]. Raw material shortage is another issue that is faced by many players.

Further, The Indian textile market, despite its size, has continued to struggle in the global market. With Vietnam being the world's third-largest garment manufacturer and Bangladesh continuing to boost its garment export from \$26 billion to more than \$33 billion in the last five years, India's export has remained stagnant at around \$36 billion.[34]

The spinning industry is in dire straits due to global developments and domestic policies. Costly raw material and steep interest rates have put the business into the red. The cheaper imports of garments and yarn from countries like Bangladesh, Sri Lanka and Indonesia has also affected the industry[35].

A paper titled as 'What explains India's poor performance in garment exports?'(28 August 2019) stated that the industry faces competition from Europe that comprises some of the most fashionable countries, where the effective shelf life of the range at the buyers-end has come down to as short as one week, hence if the range which has been planned for a particular week does not reach the store on time, the buyer imposes a dual penalty in addition to the cost they have incurred on advertising, marketing and store expenses. Therefore, in case of delays, the incidence falls on the supplier who is denied payment for that particular batch in addition to a heavy penalty. The logistics time cost is therefore substantial[36].

In apparel industry, while India has a robust comparative advantage in the export of silk shawls and scarves, but in this sub-category, the country faces a high tariff rate of 11.3 per cent in the US. On the other hand, the Republic of Korea which has a trade agreement with the US faces zero tariffs under the US-Korea Free Trade Agreement (FTA) as well as with the Republic of Korea under the EU-Korea FTA. Similarly, as Turkey is a part of the EU Customs Union, it is subject to zero tariffs from the EU. This puts India at a disadvantageous position. Japan is also a major global importer of apparels and has a comprehensive trade agreement with India, known as the India-Japan Comprehensive Economic Partnership Agreement (CEPA). However, Japan is not among India's top apparel export markets[37].

Another article[38] states that any manufacturer in the textile industry needs to invest in value added services such as marketing, warehouse rentals, logistics, courier and other product fulfillment costs. However, these additional activities attract inverted duty structure as the tax on input is higher than the tax on final output. Further, the apparel industry which is into exports also suffers from the refund of input tax credit. In March 2019, the government introduced Rebate of State and Central Taxes and Levies (RoSCTL) to refund the input tax.

However, apparel industry owners still complain of an inability to get back this refund on account of lack of coordination between the Ministry of Finance and Ministry of Textiles[39]. Other challenges the industry faces are the time taken by the industry to align to the new goods and services tax (GST) regime, downward revision of export incentives, and the credit squeeze particularly faced by small and medium enterprises adversely impacted exports.

India is projected to lose market share to Bangladesh and Vietnam for ready-made garment exports to the European Union (EU), because of lower competitiveness, as Bangladesh has duty-free access to the EU. A policy paper titled as 'Annual Marketing Plan 2019-20 of Ministry-Participation in International Fairs/Exhibitions' has floated branding strategies in various unexplored/less-explored markets through road shows and international fair and events[40].

The textile industry has demanded for implementing a uniform GST structure for apparels and textiles to address the problem of higher duties on inputs and abolishing anti-dumping duties on viscose staple fibre (VSF). In the last Budget, the Finance Ministry removed anti-dumping duties on purified terephthalic acid (PTA), a crucial input in the manufacture of textiles fibres and yarns which though impacted certain domestic manufacturers of PTA, e.g. Reliance Industries, JBF and Indian oil but benefited many fibre, yarn and garment producers who could source the input at a much cheaper price.

In November 2020, the Gol withdrew anti-dumping duty on acrylic fibre to enable sweater and shawl manufacturers get the raw material at competitive prices. At present, man made fibre is taxed at 18 per cent, spun yarn and filament yarn at 12 per cent.



The Way Forward

Despite many challenges the industry is facing, many silver linings are appearing for the textile industry. The Gol and Ministry of Textiles are in the process of establishing seven mega textile parks, and in line with the announcement in the Union Budget 2021-22, the Gol has announced the Mega Integrated Textile Region and Apparel Parks (MITRA) scheme in order to attract large investment schemes and generating employment[41]. Further, the Gol has also taken initiative to set up a National Technical Textiles Mission which will give a boost to the technical textile production and exports. The Mission would have a four year implementation period from FY 2020-21 to 2023-24.[42]

India's textile industry has also developed the fabric of Mink blankets. Some units have started producing Mink blankets on a massive scale near Panipat in Haryana[43]. The Mink blankets are lighter in weight than usual blankets, and have high demand across North India. These blankets are made of acrylic, which is known for its exceptional softness, warmth and light weight. Appropriate policies regarding tariff regime and greater market access for textile products including technical textiles will give a major boost to the Indian textile industry.

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