Indian Technical Textile Industry: Current Scenario & Opportunities

08 Sep 2016 Mumbai
The Context

- For India’s sustained economic growth – growth of manufacturing sector is a must
- The growing manufacturing sector also has the potential to generate employment for the increasing young population of the country
- Government of India keen to increase contribution of manufacturing to the country’s economy
  - National manufacturing Policy
  - Make in India
- ‘Make in India’ initiative- a demand driver for Technical Textiles
- Technical textiles has the potential to contribute to both manufacturing as well as creating jobs
India aims to significantly increase contribution of manufacturing to GDP

- Government of India came out with National Manufacturing Policy 2011
  - Increase manufacturing GDP to 25% by 2025
  - Create 100 million jobs by 2025
  - However manufacturing GDP hovered at 16% in 2015.

- Make in India Programme was launched in September 2014
  - Focus on 25 key sectors - which provide high value add & higher employment
  - Aimed at inspiring confidence in Indian investors & promote foreign investments
  - Has set 1 to 3 yrs action plan for 25 sectors for manufacturing growth
  - Has helped increase FDI – increased by 29% from Oct 2014 to Dec 2015
Focus sectors of Make in India - a boost for Technical Textile Sector

- Infrastructure
  - Construction
  - Roads and Highways
  - Ports and Shipping
  - Railways

- Energy & Defence
  - Oil & Gas
  - Defence
  - Thermal Power
  - Mining

- Aviation & Space
  - Aviation
  - Space
  - Automobile and Auto components
  - Renewable Energy

- Consumer goods & Service sectors
  - Textile & Garments
  - Tourism and Hospitality
  - Media & Entertainment
  - IT & BPM

- Pharma & Chemicals
  - Pharma
  - Biotech
  - Food processing

- Geotech, Indutech & Buildtech
- Protech, composites & Specialty fibres
- Composites & Mobiltech
- Clothtech & Hometech
- Indutech
Indian Technical Textile Industry
Indian Technical textile market has grown consistently at 12% over last eight years to reach Rs. 92,499 crore in 2015-16

<table>
<thead>
<tr>
<th>Sl. No</th>
<th>Segment</th>
<th>2015-16 (E)</th>
<th>2017-18 (Projected)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Agrotech</td>
<td>1,191</td>
<td>1,614</td>
</tr>
<tr>
<td>2</td>
<td>Meditech</td>
<td>4,281</td>
<td>5,142</td>
</tr>
<tr>
<td>3</td>
<td>Mobiltech</td>
<td>9,173</td>
<td>11,433</td>
</tr>
<tr>
<td>4</td>
<td>Packtech</td>
<td>38,733</td>
<td>48,318</td>
</tr>
<tr>
<td>5</td>
<td>Sportech</td>
<td>5,877</td>
<td>7,111</td>
</tr>
<tr>
<td>6</td>
<td>Buildtech</td>
<td>3,577</td>
<td>4,587</td>
</tr>
<tr>
<td>7</td>
<td>Clothtech</td>
<td>6,591</td>
<td>8,133</td>
</tr>
<tr>
<td>8</td>
<td>Hometech</td>
<td>9,274</td>
<td>12,145</td>
</tr>
<tr>
<td>9</td>
<td>Protech</td>
<td>2,722</td>
<td>3,139</td>
</tr>
<tr>
<td>10</td>
<td>Geotech &amp; Oekotech</td>
<td>1,151</td>
<td>1,468</td>
</tr>
<tr>
<td>12</td>
<td>Indutech</td>
<td>9,929</td>
<td>13,127</td>
</tr>
<tr>
<td></td>
<td><strong>Total</strong></td>
<td><strong>92,499</strong></td>
<td><strong>1,16,217</strong></td>
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</table>

**Segment wise market share 2015-16(E) (Total – Rs. 92,499 crore)**

- Packtech: 42%
- Sportech: 10.7%
- Agrotech: 1%
- Meditech: 5%
- Mobiltech: 10%
- Hometech: 10%
- Protech: 3%
- Clothtech: 7%
- Buildtech: 6%
- Indutech: 1%
- Geotech & Oekotech: 1%

Source: OTxC – Baseline report 2012-13, IMaCS Analysis
Indian Technical textile industry gradually shifting from low value add intermediate goods to high value add end products

<table>
<thead>
<tr>
<th>Year</th>
<th>Description</th>
<th>High value add segments</th>
<th>Low value add segments</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007-08</td>
<td>Market size</td>
<td>10,930</td>
<td>25,845</td>
</tr>
<tr>
<td></td>
<td>Share in total size</td>
<td>30%</td>
<td>70%</td>
</tr>
<tr>
<td>2012-13</td>
<td>Market size</td>
<td>21,857</td>
<td>44,063</td>
</tr>
<tr>
<td></td>
<td>Share in total size</td>
<td>33.2%</td>
<td>66.8%</td>
</tr>
<tr>
<td>2015-16</td>
<td>Market size</td>
<td>30,833</td>
<td>61,666</td>
</tr>
<tr>
<td></td>
<td>Share in total size</td>
<td>33.3%</td>
<td>66.7%</td>
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<tr>
<td></td>
<td><strong>Growth – CAGR 2008-16</strong></td>
<td><strong>14%</strong></td>
<td><strong>11%</strong></td>
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</table>

High value add segments – Meditech, Mobiltech, Buildtech, Protech, Indutech, Geo & Oekotech
Low value add segment – Agrotech, Packtech, Sportech, Clothtech, Hometech

IMaCS analysis
Indian Technical textile industry has substantially reduced imports in high value add segments

- **2007-08** - India was a major importer of value added segments
- **2012-13** - India developed its own capacities in majority of value added segments

### IMaCS analysis

#### Geotech
- 2008: 57% imports
- 2013: 15% imports
- Many domestic units have been setup

#### Protech
- 2008: 55% imports
- 2013: 12% imports
- Creation of domestic manufacturing capabilities for high visibility & high altitude clothing

#### Indutech
- 2008: 27% imports
- 2013: 22% imports
- New capacities for filtration products & composites

#### Buildtech
- 2008: 19% imports
- 2013: 10% imports
- Domestic manufacturing of flex fabrics and HDPE tarpaulins
Gujarat, Maharashtra & Tamil Nadu are the key clusters for production of technical textiles.
Potential opportunities
Middle class driven consumption makes India the most attractive market

Currently:
- India’s per capita income’s - Rs. 77,435/yr
  - 4.7% growth – 2011-12 to 2015-16 CAGR
- The private consumption – Rs. 68 lakh crore
  - 15% growth from 2012 to 2014
  - Indicates the increasing purchasing power of India’s middle class
  - Signifies the change in lifestyle leading to higher consumption expenditure

The future:
- 2020 – India’s middle class consumption to reach USD 3733 billion (11% of global exp.)
  - 3rd highest in the world
- 2030 - India’s middle class consumption to reach USD 12,777 billion (23% of global exp.)
  - Highest in the world

Data Source: Wolfensohn Center for Development

Per capita income -Constant prices

Private Final Consumption expenditure (PFCE)

Data Source: MOSPI, Economic times
Supply chain re-alignment along with focus on emerging markets & global economic partnerships & agreements are shaping the global manufacturing setup

### Emerging Countries
- Increasing per capita income & changing demographics
- Increasing disposable income
- Newer high growth markets

### Increasing manufacturing competitiveness
- Focus on lower labour & power costs
- Shift to increased productivity
- Lower capital & operating costs

### Sustaining competitiveness via trade agreements
- Being part of global agreements that would shift the trade dynamics like – TPP, TTIP & RCEP

### Demand & Market shift
- Demand & Market shift with the world focusing on emerging markets

### Supply chain re-alignment
- Supply chain re-alignment with players shifting to Asian & Latin American countries

### Increased focus on FTAs/PTAs
- Increased focus on FTAs/ PTAs – More countries coming up for multi-partnership agreements
Key factors defining potential opportunities for India

- Increasing domestic consumption & institutional demand
- High export potential
- Changing regulations & industry norms
- Global Supply chain re-alignments & multi country trade partnerships
Where is the potential? - High growth areas

Medical hygiene products

Big Prospects
- Less than 4% penetration
- Rising incomes
- Increased awareness on hygiene

Industrial work wear products

High potential if usage regulated and monitored
- Proposed amendments in factories act will be a significant boost
- Low domestic penetration

Shade nets & agro nets

Subsidy driven consumption
- Aggressive promotion by NHM and NHB expected to be the key drivers
- Multiplier effect
Matured yet robust growth potential products

Fibre-fill

Over 1000 crore yet high growth
- Rising income levels
- Increasing penetration due to ease of maintenance

Plush fabric for soft toys

Growing demand heavy imports
- Increasing domestic demand
- Limited domestic manufacturers
- High imports

Textile based construction soln.

Tensile membranes, Awnings & acoustic fabrics
- Less than Rs 100 crore market
- Expected to grow at high rate
Opportunities where conventional textile players can easily establish operations

1. **Woven & printed shopping bags**
   - Setup requires mostly shuttle looms
   - Existing MSME or large players can easily transit

2. **High performance sports wear**
   - Requires use of specialty fibres and fabrics
   - Limited additional machinery – if not going for coating
   - High growth prospects

3. **Industrial sewing threads & specialty fibres**
   - Existing spinning units can easily transit – limited machinery requirement
   - High cost of raw material – limited availability
   - Key transited player – Vardhman Yarn and Threads Ltd.

4. **FR apparels and fabrics**
   - Requires same machinery installation as for weaving and apparel manufacturing
   - Key players who transited – Alok Industries & Jaya Shree textiles
Key Challenges
## Major challenges leading to cost disadvantages

<table>
<thead>
<tr>
<th>Power cost</th>
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<tbody>
<tr>
<td>• High power cost compared to competing countries</td>
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<tr>
<td>• Shortage of grid power</td>
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<td>• High cost of captive power generation</td>
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<table>
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<th>Labour</th>
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<tbody>
<tr>
<td>• Limited skill set &amp; lack of institutions providing technical textile specific courses</td>
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<tr>
<td>• Inflexible labour policies</td>
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<td>• High labour turnover rate</td>
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<table>
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<th>Raw material</th>
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<tr>
<td>• Import dependency on limited players for specialty fibres</td>
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<table>
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<th>Tax structure</th>
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<td>• Non-uniform taxation across states</td>
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<td>• Duty drawback rates are insufficient to neutralize the incidence of all duties</td>
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<tr>
<td>• State level taxes and duties are not refunded</td>
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Way forward
The Vision for technical textiles

**Vision for technical textiles –**

- To increase our Technical Textile manufacturing to Rs. 5.2 lakh crore by 2025
- Target exports of Rs. 1.3 lakh crore by 2025
- Become the preferred global Technical Textile manufacturing destination with focus on export oriented manufacturing specializing in high value added Technical Textile manufacturing targeting the industrial and end user consumer segments

**Key requirements**

1. Focus on increasing manufacturing capabilities – both capacity & Technology
2. Focus on higher value add & product quality
3. Ensuring skilled labour for high efficiency & quality
4. Promoting exports
5. Increasing the domestic retail & institutional consumer base
Focus on promoting domestic capabilities & higher value addition

1. **Promoting domestic manufacturing & FDI**
   - Manufacturing Push - Incentivization for setting new hi-tech plants
   - Technology upgradation - Dedicated fund under TUFS for Technical textiles
   - FDI promotion - Dedicated Cell for FDI promotion and handholding support to potential foreign investors regarding potential segments, regions and regulatory requirements.

2. **Value addition**
   - Increasing Awareness
   - Joint Venture/Partnerships
   - Promotion of R&D –
     - Support for capital expenditure
     - Tax benefits
     - Support of employment cost of scientists. Promoting scientists/researchers by providing tax benefits
     - Strengthening IPR and patent laws
Along with promoting production, consumption should also be promoted simultaneously

3. **Institutional Demand**
   - Increasing awareness
   - Developing new Standards - ensuring strict adherences
   - Regulations – Related to Meditech, Protech & Indutech
   - Promoting co-ordination between Ministries and Departments

4. **Export promotion**
   - Developing dedicated EoU parks for technical textiles
   - Providing support for participation in & conducting International meets to attract buyers
   - Promote ISDS and related skill training to increase skill level and ensure high product quality

5. **Consumption Focus**
   - Increasing awareness
   - End-user Industry growth
   - Domestic consumption push
Thank you

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