VOLUME XVI, No.01

# TEXTILE TIMES

CITI
www.citiindia.com

1958 CITI 2018
DIAMOND JUBILEE YEAR
YEARS OF SERVICE TO THE TEXTILE INDUSTRY

## CITI DIAMOND JUBILEE CELEBRATIONS
## GLOBAL TEXTILES CONCLAVE 2018

## DISRUPTIONS AND INNOVATIONS FOR SUSTAINABLE GROWTH

27th - 28th November 2018
Vigyan Bhawan, Maulana Azad Road, New Delhi

Organized by:
CITI
www.citiindia.com

₹ 60, US$ 4 | Monthly Magazine of CITI | OCTOBER - NOVEMBER 2018

# ADD TO PERFORMANCE. MINUS THE NOISE.

## LMW HLLD SPINDLES.

HLLD Spindles from LMW are engineered in state-of-the-art facilities to deliver energy efficient superior performance. Manufactured for world-class quality and precision, each spindle comes with added advantage of the LMW name.

- *HLLD Bolster is designed with a double elastic viscous dampign construction for reduced noise and vibration.*
- *It can handle higher radial loads and allow smoother running performance at higher speeds. (Mechanical speed of up to 30,000 rpm)*
- *Vibration is reduced by 50%, resulting in noise reduction of up to 5dBA.*
- *HLLD has two housings with lubrication filled in between to absorb vibration at high speed.*

LMW PLUS™
COMPONENTS & PARTS

LMW®

www.lmwtmd.com


MAYUR
STARS KI PASAND
THE
DIFFERENCE
BETWEEN
STYLE AND
FASHION IS
WHAT YOU WEAR
RSWM Ltd. (Fabric Division), an LNJ Bhilwara Group Company, LNJ Nagar, Mordi, District - Banswara - 327001 Rajasthan,INDIA
Tel. No. +91 - 2961- 231230, 231630, 231316 Fax. No. +91 - 2961 - 231250, Website: www.mayurfabrics.in

# Chairman's Word

Sixty years is indeed a remarkable achievement for any organization. I am personally honoured and delighted to be a part of CITI on occasion of this memorable anniversary. The founding member of CITI - erstwhile Indian Cotton Mills federation had a vision to make Indian textile sector globally competitive. Over last 60 years, CITI has been the torch bearer for Textile and Apparel industry endeavors towards embracing fundamental changes and has played an instrumental role in addressing all the critical issues faced by the industry.

Let me take this opportunity to welcome and thank all the eminent speakers, delegates, sponsors and media for accepting our invitation to the CITI Diamond Jubliee Celebrations - Global Textiles Conclave 2018 (CITI GTC 2018). The theme of the event is "Disruptions and Innovations for Sustainable Growth". In our two-day-long event, textiles & apparel Industry stalwarts, global thought leaders, regional industry association heads and other dignified experts will deliberate on the disruptive ideas, innovative technologies and best practices for a sustainable growth in the textile and clothing industry.

As a part of CITI Diamond Jubilee celebration, CITI for the first time in the history of Textile & Clothing Industry has launched InnoTex 2018, an innovation contest for the Textile and Clothing Industry of India. Applications were sought for innovation in Design, Method, Process, Product and Cost in the areas of Ginning, Spinning, Weaving, Knitting, Processing, Garmenting and Technical Textiles. We have received an overwhelming response from different regions of India. Our knowledge partner Northern India Textile Research Association (NITRA) shortlisted 51 contestants from the overall applications received. Thereafter, a round of interview was held with the jury comprising of industry experts in North, South and Central zone. Ten participants have been shortlisted and all these participants have been assigned industry mentors to modify their innovations as per the industry requirements. The final round of the contest is being held on the 2nd day of CITI GTC 2018.

Indian Textile Industry is at a very important threshold from where it can move to a higher growth trajectory. China, which takes up more than 35% of the global trade of textiles and apparel, is in the process of vacating space due to its high cost structure. However, countries such as Bangladesh, Vietnam, Myanmar and Cambodia are emerging very fast and some have already overtaken us in the apparel trade. Hence, some decisive steps are required for the industry to achieve the desired growth. I am very thankful to the Government of India for taking various steps to improve the competitiveness of the textiles sector. However, there are certain issues that need to be addressed.

In order to discuss the key challenges faced by the industry, we recently had a meeting with Mr Amitabh Kant, CEO, NITI Aayog and other senior officials of NITI Aayog. We have also discussed the issues with Ministry of Textiles and other relevant Ministries. One of the major point highlighted was that all the segments of textile and apparel sector should be focused equally for increased exports. Some of the key suggestions presented by CITI are delineated below:

- Export competitiveness is completely getting eroded by the embedded taxes that an exporter pays to the state governments and central government in the form electricity cess, fuel surcharge, Krishi Kalyan cess, etc. Hence, there is a greater need that Centre gives a special package in the form of ROSL to all the sectors including Yarn and Fabric. Also, there is a need to extend MEIS to Cotton Yarn & increase MEIS on Fabric from 2% to 4%.
- Expediting refund of GST on exports and resolving other GST related issues.
- Free Trade Agreement (FTA) with EU, Australia, Canada and Britain for Made-ups and Garments.
- Negotiate with China for reduction of import duty on Indian Cotton Yarn and Fabric to bring it at par with Vietnam, Indonesia, Pakistan.
- Release of pending TUFS subsidy on an urgent basis
- The inverted duty structure in case of MMF Textiles has led to working capital blockage. Need to remove this anomaly by reducing GST on Manmade Fibres from 18% to 12% & MMF Yarn from 12% to 5%.

I am very optimistic that Government would intervene in the matter and continue to support the textile industry which employs over 10 crore people directly and indirectly.

I once again thank you all for extending your whole-hearted support to CITI Global Textiles Conclave 2018 and your invaluable inputs which will help us make the industry deliberations more meaningful.

**Sanjay K. Jain**

Vardhmān

Delivering Excellence. Since 1965.

# ACHIEVING CUSTOMER DELIGHT SINCE 1965

With over 5 decades of experience, Vardhman is an organization with ethos rooted in values, passion for creating world-class textiles and dedication to achieve excellence through a culture of innovation and continuous improvement.

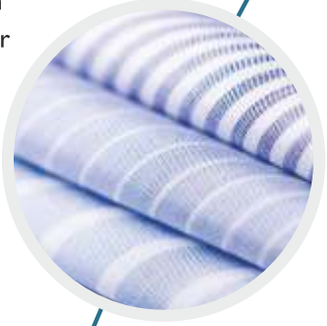
Awarded and recognized time and again, Vardhman is one of the largest vertically integrated textile groups in India with 22 manufacturing facilities spread over 6 states.

THREADS

GARMENTS

FIBRES

FABRICS



YARNS

STEELS

VARDHMAN TEXTILES LIMITED

Chandigarh Road, Ludhiana - 141010 T: +91-161-2228943-48 | F: +91-161-2601048 | W: www.vardhman.com

The Indian textile and apparel industry over the years has seen tremendous growth and success and we, at CITI, feel honored to be a part of this journey and take pleasure in serving this great industry for the past 60 years. We take pride in identifying ourselves as the voice of the industry and representing the concerns and aspirations of the industry to the Government. Today, when we are completing 60 glorious years of our existence, we would like to thank all the stakeholders in the industry for their support and the unconditional faith in us. We would also like to thank the Government of India and the Ministry of Textiles for the role they have played over the years for constructive development of the industry. Our journey may have been long and full of challenges but our well-wishers are aware that we have faced each challenge with the same vigor and dynamism.

As they say, *"We have just got started"*. We, at CITI, wish to continue serving the industry and the nation for years to come as the industry faces challenges both internally and externally, which need to be resounded and resolved.

To celebrate this occasion of our Diamond Jubilee, CITI is organizing CITI Global Textiles Conclave on 27th & 28th November 2018 in New Delhi. The theme of the event is **"Disruptions and Innovations for Sustainable Growth"**. The two-day-long event will feature interactions with global T&A businessmen, buyer-seller meet, exhibitions, award function, launch of special publication and reports covering the entire journey of the CITI and T&A industry. The event will involve various presentations and 8 Panel Discussions by the leading industry stalwarts.

The inaugural session will be succeeded by presentations on the conference theme, followed by a presentation on changes in global consumption of T&A, while the third presentation will focus on the domestic consumption of T&A.

**Session I: Disrupting Current Paradigms and reimagining Supply Chains to make them Future-ready:** The panelists will discuss about how disruptive technologies and innovations could be an indispensable tool to achieve sectoral sustainability and help in shifting the focus from conventional to sophisticated machines and improved process control. The session will deliberate on ways of adapting to the changing business environment, and upgrading and innovating technology to be future-ready.

**Session II: Improving profitability of India's Textiles & Apparel Industry:** The Indian textile and apparel sector has been losing out on value realization. The panel will identify and discuss the various tools and techniques required to achieve competitiveness and profitability by individuals and organizations.

**Session III: Sustaining Growth for T&A Manufacturers in a World of Slowing Economic Growth:** For the last Panel Discussion for the Day-1, the panelists will discuss how the change in the consumer behavior has put pressure on the supply value chain. The session will further discuss the need for a proactive approach by the manufacturers to tackle economic challenges to continue sustaining the growth expected from them.

Day-2 will be commenced by presentations on Cotton, Viscose and Man-made Fibres wherein the opportunities and challenges related to these fibres will be simultaneously discussed.

**Session IV: India's Domestic Apparel Market- Exciting Times Ahead:** India has always had a large pool of human resources and even with a population of over 1.3 billion, the domestic textiles and apparel market of India falls short in stature to the likes of USA and EU. However, the emergence of the new middle class along with the increasing per-capita disposable incomes, it is prime time for the industry as well as the market to grow and these will be deliberated in this session.

**Session V: Diminishing power of WTO in global T&A trade – The Threat of Increasing Protectionism and Emergence of New Preferential Trading Blocs:** The WTO over the years has been the premier watchdog of world trade and has protected the rights of developing countries against major powers. However, the rising apathy of major economic powers towards WTO system is rendering it toothless. The session will be based around the current global trade issues and the geopolitics narrative that is currently dictating dispute resolution without WTO at its helm.

**Session VI: Opportunities for Technical Textiles in India:** The session will focus on the most ambitious and modern segment of the T&A industry, which is technical textiles. The segment currently has a market worth $19 billion in India and is expected to grow rapidly in the coming years. The Panelists will discuss the opportunities in the technical textiles segment while highlighting the challenges, requisites and support from government.

**Session VII: Giving a boost to Indian Textiles and Apparel Exports:** The Indian T&A exports have stagnated around the $37-billion mark for the past two three years, which is alarming as Bangladesh and Vietnam are growing their exports rapidly and could overtake India in less than a decade. This session will deliberate how the industry stakeholders could boost the exports and assist India in retaining the status of the second-largest T&A exporter.

**Session VIII: Current & Futuristic Innovations in Textile & Apparel Industry:** This session will discuss how textile companies are coming up with new fabrics, fibres and technologies worldwide. The panelists will discuss how technological innovations across the value chain will strengthen the textile industry.

Once again, we would like to thank you all for gracing the event with your benign presence on this special day for our organization and also for the support and trust that we have received for the last 60 years. We also look forward to your active participation and invaluable inputs.

**Dr S Sunanda**
Secretary General - CITI


LENZING
EcoVero™
we look
beyond fiber
Lenzing AG India Office
1st Floor, Rajnarayan Towers 70, Race
Course, Coimbatore - 641 018, India

# CITI ACTIVITIES 2017-18

*CITI delegation with the Hon'ble Union Minister of Finance, Shri Arun Jaitley*

*CITI delegation with the Hon'ble Union Minister of Textiles, Smt Smriti Zubin Irani*

*CITI delegation with the Hon'ble Union Minister of Finance, Shri Arun Jaitley*


*9th ATEXCON*

*CITI Chairman with Uzbekistan Textile Minister at 60th AGM*

*CITI Chairman at Apparel Connect 2018*


*CITI Chairman at Odisha Conclave*

*CITI Chairman welcoming new Textile Secretary*

*CITI Chairman with Uzbekistan Textile Minister*


*Dr. Kavita Gupta, Textile Commissioner, Govt. of India addressing CITI meeting*

*Mr. Peter Wakefield MD, Wakefield Inspection Services and Mr. J. Thulasidharan, Past Chairman, CITI during signing of MoU at Textiles India 2017*

*CITI Chairman Mr. Sanjay K. Jain at the Assam Summit*

# CITI ACTIVITIES 2017-18

*CITI delegation with the Hon'ble Union Minister of Commerce & Industry and Civil Aviation, Shri Suresh Prabhu*

*CITI delegation with Hon'ble Minister of State for Agriculture and farmers Welfare, Shri Gajendra Singh Shekhawat*


*CITI signing MoU with Gujrat Chief Minister, Sri Vijay Rupani at Vibrant Gujrat Global Summit*

*CITI delegation with Dr. Amit Mitra, Hon'ble Minister of Finance, West Bengal*

*CITI Chairman with other dignitaries at the Bengal Global Business Summit*


*CITI Chairman Mr. Sanjay K Jain addressing the Bengal Global Business Summit*

*CITI Chairman Addressing UP Summit*

*CITI Secretary General, Dr. S. Sunanda with other dignitaries at the African Sourcing Fashion Week 2017*

*CITI Chairman with Minister of State for Textiles, Shri Ajay Tamta at FIC*

*CITI SG with Sri Lanka Delegation*


*CITI Chairman at AIMS 2018*

*CITI officials with Korean Delegation*

# Content

TEXTILE TIMES
CITI www.citiindia.com
VOLUME XVI, No. 01, OCT - NOV 2018
Reg. No. : DELENG/2004/14918

## IN THIS ISSUE



Published and Edited by:

**Dr. S. Sunanda**
Secretary General
Confederation of
Indian Textile Industry (CITI)
Email: sg@citiindia.com

Place of Publication:

**Confederation of**
**Indian Textile Industry (CITI)**
6th Floor, Narain Manzil, 23,
Barakhamba Road, New Delhi - 110001
Tel.: +91-11- 23325012, 13, 15, 55
Fax: +91-11-41519602 Web: www.citiindia.com

Compilation & Design:
Sapphire

Printed by:
**Kaizen Offset**
3, DSIDC Complex
Okhla Phase 1, New Delhi


# TRUETZSCHLER'S APPROACH TO INDUSTRY 4

**Mr. Ashish Sharma**
Vice President-Sales and Service
Truetzschler India Pvt. Ltd

Trützschler is a Germany based family-owned business group active in the field of Spinning Preparation, Card Clothing and Non-woven technology. As experts in their fields, each company offers the product, which offers technological lead of the respective sector. As an international company in the competitive global arena, products are constantly upgrades with latest technological developments, new materials and newer process.

The term "Industry 4.0" originates from a German government's project as high-tech strategy to promote the computerization of manufacturing process. Thus Truetzschler's “Industry 4.0” focus started long back. For ex. Trützschler Line Commander connects complete Blow room line and cards together, which itself is basis of IoT concept long before Industry 4.0 conceptualized. For a company or products to be considered “Industry 4.0”, it must include following attributes:

- **Monitoring:** Most relevant mill parameters in one report. Quality, production and machine performance analysis in real time. Comparisons and trends between machines concerning articles, lots, trends etc. Machine downtime analysis.
- **Control:** Application of automatic or manual limits and alerts when limits are exceeded. Quality and production control per machine, group and article Internal benchmarking
- **Optimization:** Data correlation over process steps. Root cause analysis and recommendations for improvement of machine settings. Analysis and optimization of mill performance. Predictive maintenance. External benchmarking. Cost and claim reduction.
- **Autonomy;** Smart algorithms monitor the correlation between machine and sensors parameters. Automatic adjustment of machine

settings based on root cause analysis. Self-coordination of operation with other products and systems

To begin with this, Truetzschler developed **"T-DATA"** monitoring system for spinning preparation as a step towards achieving "Industry 4.0" standards. **T-DATA** records and stores the data of the individual machines. These data are presented in form of tables and graphics. The so-called dashboard, a compilation of essential data, can be freely configured by the user according to his requirements. To collect these data, Trützschler developed separate sensors in the machines. Some of the examples are:

- **TC-WCT-** Wastecontrol TC-WCT check and helps in optimizing waste quality in the blow room.
- **T SCAN TS-T5-** The blow room houses highly sensible foreign part separation systems. The parts are detected by means of 4D cameras. T-DATA shows the medium and long-term statistic of the part types. These data support quality managements in the assessment of the cotton sources with regard to foreign part contamination.
- **TC-EMG-** Online measurement of power consumption through ammeter TC-EMG which monitors power consumption of individual machines such as cards, draw frames and combers.
- **T-CON** system optimises the cards. This also allows customer to perform targeted maintenance or optimization.
- **TC-NCT -** The nep sensor TC-NCT permanently counts neps, trash parts and seed coat fragments. These data are evaluated by T-DATA. Here too, the trend analyses supply important information for clothing maintenance.

What is special about T-DATA is that the data can be checked from mobile devices, Smartphone or tablet computers and can be accessed wherever there is internet access. This helps in monitoring production data and helps in analyzing the production processes online.

Thus at this stage, Trützschler is already achieving a data quality with High-end sensors, specially manufactured in-house only for Truetzschler machines. No other competitor is having such sensor supported machines in their product line as being offered only by Truetzschler. With this we already achieved basic attributes of "Industry 4.0" standards and further development on advance aspects will continue.

# "Getting fibers into shape"

## FOR PRODUCTS THAT ACCOMPANY US EVERY DAY.

The companies of the Trützschler Group share a wealth of experience, innovative technologies, cooperative proximity to the customer and comprehensive service. That is what we stand for on a global basis.

Our common objective is to get the best out of every single fiber. This applies to natural and man-made fibers, regardless of how they are processed and to what end.

In the world of Trützschler, traditional corporate values play an important role. That's why you can take our word for it: What we promise, we deliver.

For 125 years, Trützschler has been the specialist for high-tech machines and systems for yarn production. Our core competence of "Getting fibers into shape" means that we optimally prepare natural and man-made fibers for further production steps.

We are considered a market leader in our industry and count among the Hidden Champions – mid-sized enterprises that occupy a leading position in the international arena.

Examples of our work are found in virtually every wardrobe: Fibers prepared with our technologies form the basis for high quality clothing such as shirts and trousers.

www.truetzschler.com


TRÜTZSCHLER

GETTING FIBERS INTO SHAPE – SINCE 1888

# DISRUPTIVE TRANSFORMATION OF THE GLOBAL TEXTILE INDUSTRY

**Dr. Christian Schindler**
Director General, ITMF

Since a few years headlines in textile magazines around the world are dominated by terms like digitalisation, industry 4.0, multichannel, fast fashion, sustainability, or e-commerce. The two main trends behind these catchwords are on the one hand technological innovation - especially in information technology - and on the other hand sustainability based on a change of mindset regarding environmental and social issues due to climate change and the Rana Plaza incident in 2013.

### Technological innovations

Looking first at technological innovations, there is little doubt that the global economy finds itself in the middle of the 4th industrial revolution. The 4th industrial revolution *"is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres, collectively referred to as cyber-physical systems (Wikipedia)."* The 4th industrial revolution is not unfolding overnight. It is a process that is building on the 3rd industrial revolution which used electronics and information technology to automate production. Nevertheless, the speed of the acceleration of the 4th industrial revolution is mind bobbling. Computer chips and sensors exist since a long time and the internet was already introduced in the early 90s. What has led to this acceleration was the ever more powerful software and hardware as well as the falling hardware costs for sensors, computing, storage, and bandwidth. New algorithms together with large sets of data that help predict behaviour of machines and humans together with machine learning capabilities enable applications both in the segment of production and that of marketing which were not possible only a few years back.

A crucial factor for the ever-higher computing power (at ever lower costs) is referred to as Moore's law. Gordon Moore, founder of Intel, predicted in 1975 that the number of components that could be placed onto an integrated circuit would double every other year. Until today Moore's prediction proved to be correct. While the computer that guided Neil Armstrong in 1969 to the moon contained 12'300 transistors, each iPhone 7 contains 3.3 billion transistors.

What does the 4th industrial revolution mean for the global textile industry? It means that in addition to the traditional and ongoing efforts of textile companies to produce faster with less energy, less water, less labour

AN EVENT NOT TO BE MISSED

Supported by

# GTTES

## 18th - 20th January, 2019.

**Bombay Exhibition Centre, Mumbai, India**

## 2nd GLOBAL TEXTILE TECHNOLOGY & ENGINEERING SHOW 2019

### THE BEST CONNECT FOR FILLING THE GAP BETWEEN

- Demand — Supply
- Needs — Fulfillment
- Problem — Solutions
- Sourcing — Partnership
- Focus — Strategy

### Chapters


- Weaving & Embroidery
- Garment Making Machinery


- Garments & Other Textile Processing Machinery


- Technical Textiles
- Knitting


- Digital Printing
- Dyeing & Finishing Machinery


- Textile Dyes & Industrial Chemicals


- Laboratory Testing & Measuring Equipments (Only Exhibits Sector)
- Software & Design

### Participating Countries

AUSTRALIA, BANGLADESH, BELGIUM, CANADA, CHINA, USA, AUSTRIA, CZECH REPUBLIC, FRANCE, GERMANY, ISRAEL, INDONESIA, ARGENTINA, HONG KONG, IRAN, ITALY, THAILAND, UK, JAPAN, KOREA, LUXEMBURG, MALAYSIA, NEW ZEALAND, NETHERLAND, PAKISTAN, RUSSIA, SINGAPORE, SRI LANKA, SWITZERLAND, SPAIN, SWEDEN, TAIWAN, TURKEY

+91-22-49724603 9820507570

Email : gttes@india-itme.com

and fewer inputs, the industry needs to adapt to an environment in which data and the capability to use them is becoming key.

In combination with important trends on the consumer side like fast fashion, individualisation and mobile phones, the need to produce closer to the respective markets is becoming more urgent. With other words, customized products and speed to market are becoming ever more important. Two examples can illustrate the importance of customization as well as of speed. Adidas has set up two SpeedFactories – one in Germany and in the USA each – where they produce highly customized sports shoes. It is possible that customers order their highly customized online on their smartphone which are produced in highly automated factories and delivered much faster than a traditional pair of shoe produced in Asia. In addition to the SpeedFactory, Adidas had experimented with its StoreFactory in Berlin. In the centre of Berlin individualized knit products are produced in the store. Starting from a variety of coloured yarns customers could choose their own design with a customized fit by using body-scanners. After 4 hours the customer could pick up the finished product.

Another example that illustrates how technological innovation might change the way how and where some types of apparel are produced, is that of Softwear Automation. This US-based company has developed a process with a very high level of automation that allows to produce t-shirts with only a fraction of labour compared to the traditional production processes. Softwear Automation states that the digital work line requires only one person compared to 10 manual operators. While the output of a manual work line per shift amounts to around 670 t-shirts, the digital work line per shift produces around 1'140 t-shirts. In other words, the digital work line requires only a tenth of the work force and produces almost twice as many t-shirts. According to Softwear Automation this results in the following cost relations. In India, the costs for manual sewing of a t-shirt are around USD 0.40, whereas the costs in a highly automated digital t-shirt work line in India are only around USD 0.05. In comparison, in the US the costs of sewing a t-shirt manually are USD 0.70, whereas the costs with a digital work line are around USD 0.33. With other words, producing a t-shirt in the US with a highly automated digital work line is less expensive than sewing it manually in India.

Next to the improved cost competitiveness, the speed to market is of course much faster, if the products are produced near the respective consumer markets. In the case of t-shirts produced in the US, the lead time can be reduced from around 12 weeks and more if sourced in Asia to only around a few days, if produced locally in the USA for the US-market.

The above described developments are often referred to as re-shoring. This means that some part of the production is coming back to the industrialized world. Of course, these are – at least for the time being – experimental niche markets. The bulk of apparel and shoes is still produced in the traditional way and in most cases in Asian countries. Nevertheless, it is important for the textile industry to realize to what extent and at what speed digitalisation and innovative technologies can reshape the global textile value chain.

Another development that can be observed is the process of near-shoring. This means that parts of the production are shifted to regions or countries that are geographically relative close to the respective end-consumer markets but are still offering relative low labour costs. For the US market countries in Central America have become attractive places to source from. For the markets in Western Europe, the regions and countries that are attracting new investments in the apparel industry are mainly Northern Africa, Sub-Sahara Africa and Eastern Europe. Near-shoring is a very attractive solution for products where time is relevant but less important than the cost level.

Crucial trends that are supporting the development of re- and especially near-shoring are that of fast fashion and e-commerce. The advent of fast fashion made it necessary that lead times are reduced. If a product sells well, it is important that the brand/retailer can supply those mass products quickly that are in high demand. Of course, these products need to be produced at competitive costs. That is why regions with relative low costs in relative proximity of the respective end-consumer markets have become more attractive in recent years. Brands and retailers whose business model is based on fast fashion and/or e-commerce companies are especially reliant to have suppliers that can produce merchandise that meet the style, cost points and quality of the consumers.

While geography and labour costs are crucial factors that are favouring near-shoring, other factors are also important like trade policies, infrastructure or political and social stability.

Another development that can be observed is the intraregional relocation of production from regions and countries in Asia where labour costs have increased significantly to other regions and countries in Asia. Rising labour costs and unavailability of labour could be observed especially in the coastal regions of China. Other countries in Asia have also experienced a constant rise of labour costs. Therefore, the textile and apparel industry in China has been relocating parts of its industry from the coastal regions to the inland and the West of China (Xinjiang Province) or to neighbouring countries. Bangladesh, Cambodia, India or Vietnam are countries that have been benefiting from their relative low labour costs compared to those in China. This trend of intra-Asian relocation is much more pronounced than the trends of re-shoring or near-shoring.

# BIRLA CENTURY

A Division of Century Textiles and Industries Limited

## WORLD'S FINEST COTTON TEXTILES


### COMPANY CERTIFICATIONS

Is the 1st Indian Firm in Textile Industry to Receive

**MADE IN GREEN**
Certified by
**OEKO-TEX®**
CONFIDENCE IN TEXTILES
For
**SUSTAINABLE TEXTILE PRODUCTION**

Is the 1st Manufacturing Project in India and 2nd in the World to Achieve

LEADERSHIP IN ENERGY AND ENVIRONMENTAL DESIGN
LEED GOLD 2017

**LEED v4** Green Building Rating System Certification Established By The **U.S. Green Building Council**

Supima
EGYPTIAN COTTON™
GLOBAL ORGANIC TEXTILE STANDARD · GOTS ·
FAIRTRADE
OEKO-TEX®
CONFIDENCE IN TEXTILES
STeP
15000095 HOHENSTEIN HTTI
Sustainable Textile Production.
www.oeko-tex.com/step

**Regd. Off.:** Century Bhavan, Dr. Annie Besant Road, Worli, Mumbai 400 030. Tel: 022-2495 7000 Fax: 022 - 2430 9491
E-mail: ctil.ho@birlacentury.com, Website: www.centurytextind.com www.birlacentury.com

B K BIRLA GROUP OF COMPANIES

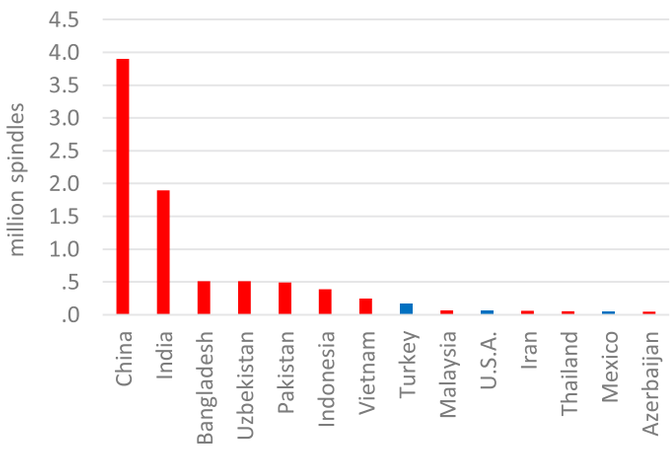
The ITMF-statistics "International Textile Machinery Shipment Statistics (ITMSS) provides a very clear overview about where in recent years new textile machines have been shipped to. The numbers clearly show that the bulk of new textile machines is still shipped to Asia (approx. 90%). Within Asia it is China that is investing strongly in new textile machines.

Table 1: Shipments of new short-staple spindles in 2016 and 2017 (per regions)

| Year | Asia & Oceania | America, North | Africa | America, South | Europe, East | Europe, West | World |
|---|---|---|---|---|---|---|---|
| 2016: | 7'349'216 | 80'240 | 93'408 | 70'960 | 7'932 | 17'176 | 7'882'352 |
| 2017: | 8'115'226 | 111'375 | 76'132 | 15'792 | 50'796 | 15'136 | 8'551'333 |

*Source: ITMF*

Graph 1: Shipments of short-staple spindles in 2017 (per country in million)




*Source: ITMF (Asian countries in red)*

## Sustainability

Another important mega trend is the one of sustainability. A few years back sustainability was often seen as an environmental and social engagement that did not belong to the core business of a brand and retailer. Price was king and sourcing decisions were mainly based on price. Engagements in initiatives or projects were often required for the Corporate Social Responsibility (CSR) Reports of brands and retailers. Today, it is not sufficient anymore for brands and retailers to engage in a few social and/or environmental programmes. With Rana Plaza it became evident that brands and retailers have a responsibility that goes beyond their tier 1 apparel and home textile suppliers. Today is necessary for brands and retailers to have more transparency about their suppliers and their suppliers. Ideally, brands and retailers know all stakeholders involved in the textile value chain from fibre to the finished product. They cannot afford to be named and blamed in public. And their owners and/or investors don't want to be in a business that is socially and environmentally not acting responsibly.

Technological innovations can help to improve transparency and thus improve sustainability efforts. Nowadays traceability has not only become better but also more affordable. Whether this refers to traceability of fibres or to traceability of the entire supply chain. Today technology allows to mark fibres which can be identified in the finished products. In the future, the blockchain technology is promising to increase the level of transparency in the supply chain even further.

Another good example that shows that technology can help to improve social sustainability is the so called Social Labour Convergence Project (SLCP, www.slconvergence.org) which the ITMF is a supporter of. The basic idea of the SLCP is to reduce the number of social audits that apparel producers must undergo by using a database in which the results of a comprehensive social audit of an apparel supplier by one brand or retailer are stored and made accessible under certain conditions also to other brands and retailers. Instead of undergoing 10 audits for 10 different brands and retailers, the respective apparel producer only needs to undergo one comprehensive audit. The expected cost savings for both the brands/retailers on the one hand and the apparel producers on the other can be used to further improve the working conditions and the productivity of the workforce.

In summary, the textile industry around the world must prepare itself actively to benefit from the two megatrends digitalisation and sustainability. There is no blueprint solution. A precondition for a successful engagement is certainly to develop the skills and expertise in house that allow to make well based decisions. Therefore, it is of paramount importance that companies are investing in people. A company cannot do everything by its own. What is of immense importance is that companies develop the capabilities to cooperate with partners both suppliers and customers alike. The world has become more complex than ever before. This requires both hard skills (investment in machines and people) and soft skills (openness and networks).

# INDIAN TEXTILE SECTOR- KEY ISSUES AND CHALLENGES

**CITI Economist Desk**

## Introduction

The Indian Textile & Apparel (T&A) industry is one of the largest in the world with a large raw material base and manufacturing strength across the value chain. Contributing to around 13% of the total exports earnings, the T&A sector is the second largest employer after agriculture providing direct employment to over 10 crore people directly and indirectly.

The Indian textile and apparel market is currently estimated at $ 127 Billion, of which around 70% is consumed domestically while 30% are exported. India has solidified its position as the second largest exporter of textiles & apparel exports with a 5% share in the US$ 750 billion global market. However, India is facing constant threats in apparel exports from neighboring countries such as Bangladesh and Vietnam, who have negligible textile exports but have much higher apparel exports. In this article we will discuss and highlight the current state, trade scenario and key issues of the Indian textile and apparel industry.

## Scenario of the Industry

India is the world's second-largest textile producer (after China), and is diversified and capable of producing a wide variety of textiles. The spinning segment is fairly modernized and competitive, accounting for about 20 percent of world cotton yarn exports. India's textile and apparel industry benefits from a large pool of skilled workers and competent technical and managerial personnel. India's labor is inexpensive and hourly labor costs in the textile and apparel industry are lower than most countries.

The textile and apparel industry is supported well by the Government of India with timely introduction and implementation of favorable policies and schemes which are followed by regular amendments to counter market volatility. The Central and State governments also offer numerous schemes and incentives to promote investments towards the sector such as, TUFS, SEZs, SITPs, duty drawbacks, etc.

## A. Raw materials scenario

**Fibre and Filament Yarns:** Cotton being the most abundant raw material in India is indispensable and accounts for around 73% of the total fibre consumption in India. Cotton is cultivated on more than 37% of the total cultivable land in India, which has enabled India to become the largest manufacturer as well as exporter of Cotton in the world. The overall production of natural fibres has seen a minor de-growth in last 5 years owing to lower demand, increasing imports and substitution by MMF.

*Table 1: Production of Natural and Man-made Fibre in India (Values in Mn. Kg)*

| Year | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 (P) | CAGR |
|---|---|---|---|---|---|---|
| Raw Cotton | 6,770 | 6,562 | 5,746 | 5,865 | 6,200 | -2% |
| Silk | 26 | 29 | 29 | 30 | 32 | 3% |
| Wool | 48 | 48 | 47 | 46 | 46 | -1% |
| Jute | 1,710 | 1,296 | 1,170 | 1,620 | 1,724 | 0.2% |
| Viscose | 361 | 365 | 342 | 365 | 370 | 1% |
| Polyester | 846 | 882 | 894 | 899 | 852 | 0.2% |
| Acrylic | 96 | 93 | 107 | 96 | 93 | -0.8% |
| Others | 4 | 5 | 5 | 4 | 4 | 0% |
| **Total** | **1,307** | **1,345** | **1,348** | **1,364** | **1,319** | **0.2%** |

*Source: Office of Textile Commissioner, International Sericultural Commission, Department of Agriculture Cooperation & Farmers Welfare*

Man-made Fibres (MMF) account for just 25% share of consumption in India as compared to their share of over 70% globally. The consumption trend of MMF in India has gradually decreased over the last 5 years, while cotton has maintained its position over 70%. Though the consumption of MMF has declined but going forward, due to supply side pressures and price volatility, cotton may struggle to satisfy growing demands, which in turn will increase the consumption of MMF fibres in India.

*Table 2: Production of Filament Yarn in India (Values in Mn. Kg)*

| Year | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 (P) | CAGR |
|---|---|---|---|---|---|---|
| Viscose | 44 | 44 | 45 | 46 | 47 | 2% |
| Polyester | 1,212 | 1,158 | 1,069 | 1,060 | 1,090 | -3% |
| Nylon | 24 | 33 | 37 | 41 | 39 | 13% |
| Polypropylene | 13 | 13 | 13 | 11 | 11 | -4% |
| **Total** | **1,293** | **1,248** | **1,164** | **1,159** | **1,187** | **-2%** |

*Source: Office of Textile Commissioner*

## B. Spinning

India has a significant share in the Global yarn spinning and is second only to China in production. It is considered the most modern and globally competitive segment of the entire textile and apparel value chain in India. The total production of spun yarn this year was estimated to be around 5,676 mn. Kg. with cotton occupying nearly 73% of the share. Indian manufacturers have the capabilities to produce all kinds of spun yarns including blended and MMF yarns. However, Cotton yarn production has been stagnant over last 2-3 years and exports are declining, but this should not be seen in isolation as global demand of cotton is declining gradually and domestic demand is not growing at a steep rate either.

*Table 3: Production of Spun Yarn in India (Values in Mn. Kg)*

| Year | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 (P) | CAGR |
|---|---|---|---|---|---|---|
| Cotton | 3,928 | 4,055 | 4,138 | 4,061 | 4,059 | 1% |
| Blended | 896 | 920 | 972 | 1,034 | 1,063 | 4% |
| 100% Non-Cotton | 485 | 513 | 555 | 572 | 553 | 3% |
| **Total** | **5,309** | **5,488** | **5,665** | **5,667** | **5,676** | **2%** |

*Source: Office of Textile Commissioner*

In contrast to the fibre production, spun yarn production has seen a steady growth over the last 5 years owing to the increase in the demand for Blended yarns and MMF yarns.

## C. Weaving/ Knitting

**Weaving:** India has the largest number of looms in place to weave fabrics, accounting for 64 percent of the globally installed looms. India's weaving sector comprises of 3 distinct sectors viz. organized mills, powerlooms and handloom sector. The installed capacities in India are as follows:

*Table 4: Installed Capacities (2016-17)*

| Item | Units |
|---|---|
| **Looms (Organised Sector)** | 69,000 |
| **Powerlooms** | 2.88 mn. |
| **Handloom** | 2.38 mn. |

*Source: Office of Textile Commissioner*

The organized Loom sector contributes only 5% to the total production, while the decentralized powerlooms produce three fourth of the total woven fabrics. With an annual production of 47 bn. Sqm., India is among the world leaders in woven fabric manufacturing. Moreover, there has been a significant increase in the shuttleless looms in the country due to liberal government policy for power loom sector. This has propelled the woven fabric exports of India to worth US$ 4.6 bn. in 2017-18.

**Knitting:** The knitting sector in India is at an infant stage, contributing just 1% to the global knit fabric trade when compared to over 50% share of China in the same segment. One of the reasons being the lack of major

knitting mills, thus most of the knit fabrics is manufactured in small decentralized mills. India produced around 17.5 bn. Sqm knitted fabric, which when compared to woven fabric accounts for just 27% of the total fabric produced in 2017-18.

Table 5: Production of Fabric in India (Values in Mn. Sqm)

| Year | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 (P) | CAGR |
|---|---|---|---|---|---|---|
| Knitted Fabric | 16,199 | 16,894 | 17,647 | 17,537 | 17,670 | 2.2% |
| Woven Fabric | 47,301 | 48,382 | 47,858 | 46,884 | 49,785 | 1.3% |
| **Total** | **63,500** | **65,276** | **65,505** | **64,421** | **67,455** | **1.5%** |

Source: Office of Textile Commissioner, CITI Analysis

The production of cotton and blended fabrics has seen a reasonable growth in last few years. However, 100% Non-cotton fabrics have seen a slight decline in last two years, due to the increasing interchangeability of MMF yarns are being used for blending.

### D. Processing

This is the segment of the textile value chain where India lacks the most, although we have sufficient manufacturing capacities, but lack the innovation needed to produce specialty products. India lacks large composite units with world class technology and requisite skills to produce fabrics, which meets the approval of the international buying houses. This is the key area of production which determines the strength of the textile value chain as here, griege fabric is converted into fashion fabric for readymade garments.

### E. Garmenting

Garmenting in India is highly fragmented and almost 90% of manufacturing units are part of the Small and Medium Enterprise (SMEs) category. However, manufacturing units in India lack high level of productivity when compared to manufacturing systems applied in neighboring countries like Bangladesh, Indonesia and China. The Indian apparel exports are experiencing turbulence at moment and have fallen about 4% in 2017-18 due to the newly implemented GST and registered an export of worth US$ 16.7 Billion.

### F. Technical Textiles

Technical textiles are defined as textile materials and products used primarily for their technical performance and functional properties. Technical textiles have been classified into 12 segments based on their applications: (see Figure 1 below)

The technical textiles segment in India is gaining pace, with national and international companies investing extensively towards production in India.

## Trade Scenario

India over the years has been a net exporter of textiles and apparel with exports reaching over US$ 36.7 billion in 2017-18.

Figure 2: Indian Textile & Apparel Exports (in US$ bn.)


Source: DGCI&S

The Indian exports are steady around $37 billion over last 5 years. Apparel is the largest category exported from India with a share of 46% in the total T&A exports during 2017-18. The apparel exports have constantly increased from US$ 15 billion in 2013-14 to US$ 17.5 billion in 2016-17. However, in the last year there has been a major dip in the exports in the apparel category.

Figure 3: Indian Textile & Apparel Imports (in US$ bn.)


Source: DGCI&S

Figure 1 : Market Size of technical Textiles


*Source: Office of Textile Commissioner*

Indian imports of textile & apparel products has grown at a concerning CAGR of 9% over the last five years to reach US$ 7.0 billion in 2017-18. Last year witnessed a huge surge in imports at a rate of 16%.

Fabric is the largest category imported in India having a share of 27% in the total T&A imports during 2017-18. The fabric imports have constantly increased from US$ 1.8 billion to US$ 2.1 billion since 2013-14.

## Key Issues

Even though manufacturers and exporters have been enabled with various schemes by the government, there are few shortcomings that may be addressed to promote the growth of the industry. The segment-wise issues are as:

### A. Implementation of GST

GST is the ambitious system for collection of taxes implemented by the government in the mid of 2017, which is expected to eliminate the cascading effect of taxes which used to trickle down to the end consumers. Under this structure, a merchant has to pay tax only on the value addition of its product and allows manufacturers and retailers to reclaim input tax credit paid during the purchase of raw material thus setting off the indirect tax.


Although there is a long list of benefits of the current system, the implementation of the reform has left the manufacturers and exporters wanting for more. Under the new GST regime, textile commodities fall under the 0% to 18% tax cloud. The textiles and clothing industry has been affected post GST which is quite visible from the continuously rising imports of textile and apparel commodities and declining exports of our apparel products.

The increase in imports poses different threats and challenges as pre-GST, import of textile products were attracting BCD plus CVD and SAD. However, post-GST, CVD and SAD were withdrawn and IGST was introduced. The effective import duties have come down steeply, thus, making imports cheaper for the domestic industry by 15-20%.

The change in import duties has adversely affected the entire textile value chain resulting in increase in imports from competing countries like China, Indonesia, Thailand, etc. The Free Trade Agreements (FTAs) with Bangladesh and Sri Lanka have made the situation worse as other countries route their textile products duty free into India through them as India has no Rule of Origin in place.

### B. Lack of Major Free Trade Agreements (FTAs)

India, unlike a few other manufacturing Asian countries lacks a major FTA with a large importers of textile and apparel. Pakistan, Bangladesh, Indonesia and Vietnam enjoy special access to a few major markets across the world duty-free. To put things into perspective, Fabrics can be exported duty-free from Pakistan to China, while Indian fabrics attracts a 10% import duty.

Although India has trade agreements with South Korea, Japan, Bangladesh and a few other neighboring countries, the effect on textile and apparel is not significant. However, talks of FTAs with Britain, Australia and USA are underway, the government may consider streamlining the process and include textiles and apparel into the negotiations to grant competitiveness to Indian manufacturers.

Furthermore, it is crucial for India to take forward negotiations for the India-European Free Trade Association Free Trade Agreement which will bring a lot of relief to the Indian Textile Industry and enable the manufacturers to compete better with Bangladesh.

### C. Cotton Fibre

The Government may consider to focus on improving the productivity of cotton. India when compared to other countries has a far less yield of cotton. This can be achieved by launching the TMC II (Technology Mission on Cotton) at the earliest. Better quality of seeds as well as fertilizers may be made available to the farmers. Also, emphasis may be given to the education of farmers regarding contamination of cotton.

The new increased MSPs upto 28% of the previous value have been welcomed by the farmers. However,

the role of CCI may be sharply defined and the Selling Policy may be made transparent.

**D. Man-made Fibres and Yarns**

Government recently reduced the GST rates for MMF yarns from 18% to 12% while keeping the GST for MMF Fibres constant at 18%, this has created a situation of inverted duty structure and to bring uniformity to the value chain the GST for MMF Fibres may be brought down to at least 12%.

Moreover, the GST rate for MMF yarns is currently 12% as compared to 5% for all other yarns. Since there is a growth in the demand for blended fabrics and apparel, Government may consider revising the GST rates for the MMF yarns to 5% to promote the manufacturing of MMF based fabrics and apparel and be given the same status as the natural fibre based yarns.

**E. Fabric**

For garments the MIES returns offered by the government is to the tune of 4%. However, the same for fabrics is just 2%. The Government may consider increasing MIES provided on Fabrics from 2% to 4% to promote more exports and make India more competitive globally.

Pakistan, Vietnam and Indonesia enjoy the special provision of 0% import duty in China, The Government of India may also consider negotiating for the same status with the Chinese authorities to provide a more level playing field for the Indian fabrics.

**F.Garments**

The pre-GST era saw an export incentive to the extent of 11.1% of FOB value for the garment exporters which created a suitable ecosystem for garment exporters. The garment export business is very competitive and

export incentives have acted as an offset in the pricing, absence of which has left a very thin margin for the exporters. Earlier all the major cost components of garment manufacturing were exempted from input taxes, however these have now started attracting tax in GST regime.

To make this worse, Pakistan and Bangladesh enjoy duty-free exports to EU and USA, giving them an advantage of more than 10% when compared to India which makes them more competitive while still managing higher margins. The reduction in the export incentives has not just affected the existing business but also threatens the future orders and investments.

**G. Technology Upgradation Fund Scheme (TUFS)**

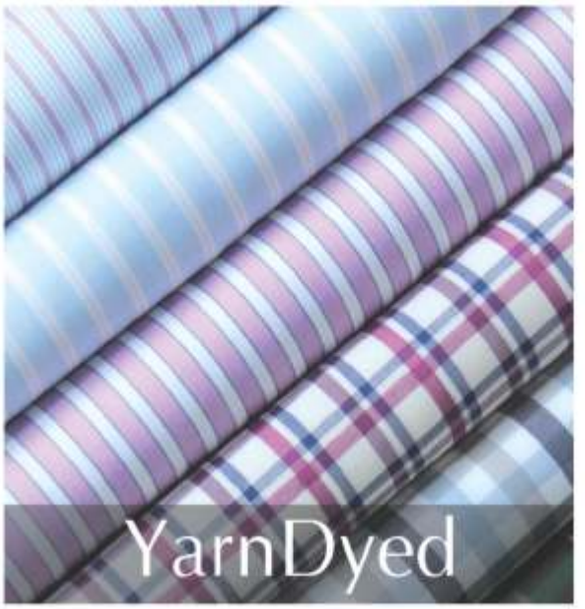
A total 9,303 cases of non-payment of TUFS funds amounting to Rs. 6000 crores are pending which need to be resolved which has deterred fresh investment into the industry.

Another issue is the under performance of the Amended TUFS. Under which, 5,500 UIDs were issued in the course of last 2 years covering a project cost of around Rs. 21,000 crores and involving around Rs 1,600 crores subsidy. The step received appreciation from the industry. However, the disbursement under the scheme is less than Rs. 3 crore covering only 30 beneficiaries at present.

## Way Forward

India as a manufacturing country has a lot of potential of manufacturing textiles and apparel. However, the quality, innovation, technology and lead times of the manufacturers need to be aligned in a manner to bring growth and stability to the industry. Given the fact that China has begun to shift its focus from exports to domestic market, has opened avenues for India to take up its share and strengthen our position in global textile and apparel trade.

With an increased support from the government and a few encouraging policy changes can change the dynamics of industry and bring in more investment into the industry. A better implementation of the current schemes will also benefit the industry as a whole. CITI is hopeful that the government will look into the matter and help the manufacturers in these turbulent times and bring normalcy to the industry.





A commitment to

## Quality, Excellence and Innovation

- India's oldest textile company in existence since 1871
- Leading player in premium 100% cotton shirting fabrics in Yam dyed, Prints, Voiles and Whites
- Exclusive Yarn dyed collection in 2plys 140, 160, 180, 200
- Largest supplier of Guthra ( Arab headgear ) in Middle East
- Preferred supplier to all leading brands globally in 100% cotton & rayon prints


- 100% Egyptian Giza / Pima cotton used for manufacturing premium fabric
- Modern integrated manufacturing facility at Nagpur with State-of-the-art in-house & Italian design studios

**Our Certificates**

# MORARJEE TEXTILES LTD.

2, Peninsula Spenta , Mathurdas Mills,
Senapati Bapat Marg, Lower Parel, Mumbai - 400 013
Ph : 022 6615 4651 / 52 / 53
email : info@morarjee.com | www.morarjee.com

ASHOK PIRAMAL GROUP

# FABRIC:
## AN ENABLER TOWARDS INTEGRATION OF TEXTILE VALUE CHAIN IN INDIA

**Mr. D.L. Sharma**
MD, VYTL and Vice Chairman, CITI

**Importance of textile exports especially fabric along with apparel exports**

Textiles exports, beside clothing exports, offer great opportunity for India to create employment in the country and foreign exchange earnings. A perusal of China's textile and clothing export basket reveals that textile products constitute 40% ( USD 105 bn) of its total T&C exports ( USD 263 bn) in 2016.

There are great opportunities for country like India for growth of textiles exports and increased share in world textile trade with possible decline in China's cost competitiveness due to hosts of factors. This would mainly happen due to China's rising wage level in sync with growing per capita income (USD 8234 in 2016). However, it is also true that China has created scales and supporting infrastructure to retain large part of its share in world trade in textile and clothing thus there would be no swift and automatic transfer of such share in world trade. Only globally competitive in terms of cost, quality, delivery, strong textile supply chain through integrated structure of the industry can help India in this regard.

India has much bigger domestic market than Bangladesh and Vietnam. However, India has not been able to capitalize on this strength by making textile industry more competitive globally and grow to its full potential in terms of higher share in world textile and clothing trade. The country can gain from the likely relocation of some part of textile and clothing industry out of China in about next 10 years provided focused efforts are made in making industry cost competitive.

India's fabric industry is estimated to be worth USD 84.4 bn in 2015, of which only USD 4.9 bn (6%) is exported and rest 94% is consumed in domestic market. Power Loom leads the fabric production with

59% share, followed by Knitting (26%) and Handloom sectors (11%). Mill sector has a share of about 4% in India's fabric production. Based on opportunities in world fabric trade of USD 115 bn, in which China's has 45% share ( USD 52 bn) against India's 3% share( USD 4 bn) , India can look forward to at-least double its share in world fabric trade in next 5 years..

This would entail policy support to address the issues of cost in competitiveness of Indian textile exports. The above mentioned cost in-competitiveness can be categorize in two major categories:

**a. Endogenous factors**

These factors are related to productivity, quality, knowhow and operational efficiency and exist at firm level. In our view, India is capable to meet global standards in this regard as in case of spinning sector, where India has demonstrated its ability to produce quality products for global markets.

**b. Exogenous factors**

These are the factors on which a firm has no control. India textile and apparel industry suffers mainly due to these factors, which inter-alia include proper infrastructure, higher transaction and logistics cost, multiple direct/indirect embedded taxes/levies/fees etc, higher cost of power due to high electricity duty and cross subsidy , arbitrary decision making process for fixing cost like minimum wages by state government without having regard to its adverse impact upon competitiveness of wage good industry and rigidity in labour laws etc. in addition to challenge of ease of doing business.

Taken together, it is estimated that all kind of unadjusted taxes/levies, cost disadvantageous arising out of logistic issues, infrastructure bottlenecks etc. lead to about 8-10% of exports in-competitiveness, which needs to be addressed though suitable WTO compatible schemes for textile exports.

A vibrant fabric industry determines the success of garment manufacturing/exports in satisfying the requirement of leading brands. More and more Brands are nominating the fabric to be used by garment manufacturers. Many times, the same fabric has to be used in making garments wherever produced globally. If the fabric production cannot meet the standards prescribed by Brands, the same fabric cannot be prescribed for use by them. This underlines the fact that fabric production has to be competitive internationally so that Brands can rely upon such suppliers to supply the nominated fabric across the countries like India, Bangladesh, Vietnam and Sri-lanka etc to garment manufacturers who are serving these Brands. If fabric made in India is nominated than there are high chances that garment manufacturing order may flow to India. On the other side, if nominated fabric is made in China, it is very likely that in case of garment exported to EU , it will be made in Bangladesh. Similarly, if garment is to be exported to USA , it will be manufactured in Vietnam etc. Hence, a nominated Indian fabric by global retailers will not only increase fabric exports from India but also accelerate apparel exports from India.

# HOW TO ACHIEVE SUSTAINING GROWTH IN A WORLD OF SLOWING ECONOMIC GROWTH

**Mr. Han Bekke**
President International Apparel Federation

In its most recent World Economic Outlook the International Monetary Fund (IMF) projected global growth for 2018 and 2019 at 3.7%. This is 0.2 percentage point lower than its forecast in April this year. In the United States, momentum is still strong as fiscal stimulus continues to increase, but the IMF indicates that the forecast for 2019 has been revised down due to recently announced trade measures, including the tariffs imposed on $200 billion of US imports from China. Uncertainty about the outcome of the Brexit negotiations have marked down growth projections for the euro area and the United Kingdom. In an earlier report the IMF said that growth of welfare in Western countries will, per capita, never get as high as before the financial crisis of 2008. As most important reasons for this the IMF is mentioning in its report: the population getting older, a decreasing labour participation and a low growth in productivity. The conclusion is that strong economic growth will be in other parts of the world like in India and China.

For all of us working in the apparel and textiles industry it is good to realise that these figures can be quickly influenced by geo political developments, by tensions in international trade via import duties, by tax plans in major consumer markets etc.

The world has become less predictable with political instability, rivalry and the continuing threat of terrorism. All this against the back ground of challenges in the field of energy, environment and climate that can only be realised by international cooperation and not by separation. New technologies like for instance digitization, big data and nanotechnology will totally change our way of living, the labour market and consumer behaviour. It definitely will have impact on the apparel and textiles supply chain.

Yes, the textiles and apparel industry faces real challenges, but we can approach these from a positive angle. The industry is one of the largest employers on this planet. It provides a basic need and with a growing global population the industry is assured of expanding markets.

If we manage to create a more efficient, less polluting, more valuable industry, these improvements not only create more revenue, they really improve the lives of tens of millions of people. Here is a link with IAF's new mission statement to "unite all stakeholders of the fashion and apparel industry, including brands, retailers, manufacturers, suppliers and country associations from around the world, to enable and promote smarter, stronger, more sustainable supply chains."

In a world where prices cannot drop much lower, boats cannot go much faster and people cannot work much harder, improvements are made only when the business is made smarter.

Smart for sure has a lot do with technology. Digitizing our industry will enable us, in many ways, to become a more 'normal' industry, with less pressure on the system because we produce less goods for which there is no demand.

Automation can be seen as a threat to jobs but it is also a way to raise productivity and create room for higher wages. IAF has collaborated with WTiN to enable the publication of a research report on digitization and automation in our industry.

Smart is also about new ways of doing business. New business models are needed to get us out of the spiral of looking for the cheapest production prices, pressure on margins with nearly constant sale and mark downs as a result.

Smart is also about global collaboration in the industry to create systems that help us use technology, to cut out unnecessary costs or to create systemic changes.

The IAF is collaborating with its sister federation, the International Textile Manufacturers Federation ITMF to work with the Social Labour Convergence Project to create a global and industry wide approach to reducing audit and standard fatigue. All together we will make sure that manufacturers in a few years will not be burdened by the countless overlapping audits anymore.

Our industry needs more of these coalitions of big brands and retailers with the world of industry associations and their members. This is one of the main challenges the IAF is working on now.

Smart means also more sustainable. The subject should be treated less like a separate topic and more as an integral part of creating a smarter industry.

In this respect the image of our industry is not positive. We are often seen as the most polluting industry after oil and gas. Many people think we produce our products under bad labour conditions, not paying a decent or living wage, making even use of child labour.

I am not saying this is not true. There are unfortunately many examples that this happens. But let us at the same time not ignore that there are many companies who work on a fully responsible way.

Let us not ignore that there many good initiatives that are taken worldwide to make our industry more sustainable.

There are covenants between the industry, NGOs and governments in some countries, living wage projects, circular textiles projects, declarations at events like the Copenhagen Fashion Summit etc. My problem though is that there is hardly any connection or coordination between these initiatives. I call it always the Frank Sinatra doctrine: "I did it my way".

International coordination is in my view absolutely needed. IAF, as the only worldwide industry federation with memberships in more than 45 countries, is a perfect platform for this coordination.

MARZOLI

Spinning Solutions


## INTEGRATED SPINNING TECHNOLOGY

Roving frame, spinning frame and transport system

- S — HIGH PRECISION OPENING & CARDING SYSTEMS
- M — END2END PRODUCTION MANAGEMENT
- A — AUTOMATED COMBING
- R — REMOTE MAINTENANCE
- T — INTEGRATED SPINNING TECHNOLOGY

Marzoli
Competence meets technology

A Camozzi Group Company
www.marzoli.com

We therefore will take invite associations, institutes, initiatives and companies to join forces to really get progress in the field of sustainability.

Smart is also about people. Transforming our industry means educating our people. New technology only works when we have been able as an industry to educate enough people in the right way to use the technology. Collaboration in our industry is also a skill that can be taught. Many graduates at textile and fashion universities are questioning the present business models: fast fashion, 8 till 10 collections a year, heavy price competition, a lot of waste at the end of the season. Others have looked at the impact of digitization on our supply chain. Sustainability is also touched in many graduation projects. Not only in terms of social production conditions, but also from an environmental point of view. I see a new generation coming up starting textiles and fashion business on a small scale: a sustainable collection, increasingly based on recycled materials, small quantities, made to measure, production very nearby, direct contact with the consumer and feedback via internet or mobile phone.

**Conclusions:**

It is clear that the transition the textiles and apparel industry is in, is really creating tremendous strain on the traditional supply chains. All across the world, people in the industry are working very hard, but profits do not necessarily match the efforts.

Improvements are made only when the business is made smarter. This means that the industry has to innovate and find ways to implement all the new (digital) technology available to help raise productivity and profitability. Working smarter means using smarter technology, educating ourselves and our people and sometimes changing the way we are organized. At the same time we have the challenge, if not the duty, to make our industry more sustainable in terms of social labour conditions and environmental impact.

Everywhere we look in the supply chain, we feel under how much pressure the textiles and apparel industry is working. Smart means a way to break free from the constraints of traditional processes. Smart means speeding up processes in the supply chain by using technology, not working faster. Smart means systemic changes to really enable reuse of materials and less waste. And smart means reaching out to new consumers and creating value by using new sales platforms across the globe.

This can only be done by stronger partnerships and collaboration in our supply chain. If we succeed in managing this, I foresee sustaining growth, even in a less predictable economic landscape.

# STATUS OF TEXTILE EXPORTS FROM INDIA IN THE CURRENT SCENARIO

**Dr. K.V. Srinivasan**
Vice Chairman, TEXPROCIL

India is one of the fastest growing economies in the world and a significant exporter of textiles & clothing. The Indian textiles and apparels industry is one of the oldest industries in India having evolved from a domestic small scale industry to one of the largest in the world with a massive raw material and textiles manufacturing base. It is one of the mainstays of the national economy and also one of the largest contributing sectors to India's exports.

The Indian textile industry has strength across the entire value chain. Its share in the nation's GDP is 6% and 14% in exports.

### Exports of Textiles & Clothing

India has a share of approximately 5% of the global textile and apparel trade. Textiles exports from India is estimated to touch US$185 billion by the year 2024-25. However, after the phasing out of export quotas in 2005, India's export performance has been below expectations. Its share of global exports is around 5% whereas it was expected to rise quickly towards China's level. The Chinese share in global exports is 39%.Vietnam and Bangladesh have shown remarkable success.

### Exports of T & C in 2017-18

India's textile and clothing exports in 2017-18 grew marginally by 0.7% touching US$ 36737.93 million over the previous fiscal as per data released by the Ministry of Commerce, India. But the textile and clothing exporters have failed to meet the target of US$ 45000 million set by the government of India. Apparel exports have been dominating the sector for quite a long time now and currently apparels constitutes 46%

of the total T&C exports share, but has witnessed a negative growth of -7.5% in 2017-18. Followed by apparels are cotton exports with 19% share and a growth of 6.4%.

Country wise, USA remains the topmost market for India's T&C exports. Exports to USA have witnessed a growth of 1.6% touching US$ 7745.51 million in the last fiscal and accounts for a share of 21% in India's total T&C exports. Apparel exports to the US was to the tune of US$ 3864.53 million and it accounts 50% share from the total T&C export to USA.

UAE is second topmost market for India's T&C exports, but the country has lost it export value by -28% amounting to US$ 3421.68 million in 2017-18 and accounts for a share of 9% in India's total T&C exports. Here too apparel exports are ruling the basket, but the export value has dropped drastically by -57.3% amounting to US$ 2817.35 million in the last fiscal. Bangladesh has taken the third position from UK, with exports to the tune of US$ 2308.91 million, an increase by 8.3% whereas UK exports touched US$ 2275.61 million with an increase growth of 3.52%. The other top six T&C export markets for India are Germany, China, Spain, Italy, France and Turkey respective to their T&C export value.

**Exports of Cotton textiles – a bright spot**

In the current year (April – September 2018), exports of Textiles & Clothing have declined by 3% with exports of Ready Made Garments registering a steep decline by 16%. However, in this backdrop, it is heartening to note that exports of Cotton textiles have grown by 18% in 2018-19 (April – September 2018). During this period, exports of Cotton textiles (Raw Cotton, Yarn, Fabrics & Made ups) touched US$ 5762 million as compared to US$ 4886 million in 2017-18. The US continued to be the major export market for cotton textiles from India in 2017-18 with a share of about 24%. Other export markets for cotton textiles in 2017-18 were Bangladesh, China, UAE, Germany and UK. Further, exports of Cotton textiles products have started penetrating to new markets like South Korea which is a good development.

**MMF exports gets a boost**

India's Man-Made Filament (MMF) exports grew 9.2% in 2017-18 touching US$ 2169.82 million over the previous year constituting 6% share in the total T&C exports. Turkey is the top market for MMF textiles, registering a growth of 26% with exports touching US$ 321 million in 2017-18 and constituting a share of 25% in the total MMF textiles exports. UAE which stands as the third largest importer of the commodity has witnessed a negative growth -25.4% with exports touching US$ 149.92 million.

**Challenges faced by the exporters**

Notwithstanding the above export performance, exporters of textiles & clothing are currently facing huge challenges. Textiles products from India face discriminatory duties in leading export markets. Import duties on Yarn in EU, China, Turkey and South Korea are 4%, 3.5%, 5% and 5% respectively whereas it is zero duty on imports from competing nations like Bangladesh, Cambodia, and Vietnam etc. Likewise, import of fabrics attracts duties of 8% , 10% , 8% , 2% and 12% in important markets like the EU, China , Turkey , Canada and Vietnam respectively whereas it zero duty on imports from Countries like Bangladesh , Cambodia , Pakistan , Indonesia etc. Further, Turkey has imposed an additional duty of 20% on fabrics from India which has been termed as illegal and not compatible with the WTO. Made ups exports from India into EU attracts a duty of 9.6% whereas imports from competing nations such as Pakistan enjoys zero duty. These duty differentials are putting Indian exporters of cotton textiles at a distinct dis-advantage.

Exporters of textiles & clothing also face internal challenges like high interest rates, volatility of cotton prices and high logistics costs. Another big challenge which the exporters faced was the steep reduction in export benefits. Prior to the implementation of the GST, the sum total of export benefits for Made ups on an average amounted to 13.41% of fob value of exports. However, subsequently, in the GST regime, this dropped to 11.70%, down by 2%. The low margin of the textile industry (less than 1-2%) made this reduction unbearable for the exporters. All this has

resulted in the Indian textiles products becoming 10-15% costlier than those of competing nations.

### Increasing protectionism in the World

The global economy is facing serious challenges in the form of increasing protectionism. According to a study of global data drawn from the World Bank, the world's top 60 economies have adopted more than 7,000 protectionist trade measures on a net basis since the financial crisis and tariffs are now worth more than $400 billion. Further, the study found that the United States and European Union were each responsible for more than 1,000 of the restrictions. Other countries like Argentina, Russia and Japan introduced trade protectionist measures between 365 and 275. Only three countries - Brazil, Saudi Arabia and Tunisia - had liberalised trade rules on a net basis over the period. The protectionist approach of different countries in the World may restrict growth in global trade which may pose a big challenge for exporters of textiles & clothing.

### Government support

The Government should provide the necessary support by covering cotton yarn and fabrics under the MEIS and the ROSL schemes respectively. The MEIS rates for fabrics should also be increased from 2% to 4%. The Government should also increase the ROSL rates for Garments & Made ups and cover the Central taxes also under the scheme. These measures can lead to substantial increase in the exports of cotton textiles.

### Future Outlook

As far as the future is concerned, global economy is recovering and thus exports should get a boost. The IMF's latest World Economic Outlook report has predicted that the global economy is expected to grow at 3.7 per cent this year and next year and the total global good and services flow are expected to grow by 4.2 per cent this year and 4 per cent next year. This should make the exporters optimistic and encouraging. Further, the twin disruptions of demonetisation and the GST are receding into the distant past. All in all, India is better poised to increase exports of textiles & clothing.

While challenges are huge, opportunities are also growing as well. The ongoing trade war between the US and China can open up new opportunities for textiles & clothing exports.

Further, the slowdown in the Chinese economy has rendered the cost of textile production in China high. So, Chinese textiles manufacturers have lost competitive advantages of lower cost of production in the last few months. This has offered an opportunity for Indian textiles sector to grab the market share of China in the developed world, especially the European Union and the United States, which cumulatively comprise around 60 per cent of the global export market. This is the right time to increase our market share in exports.

India's image in the world markets are improving. Top international brands like Zara, Gap, Marks & Spencer's etc are all keenly looking forward towards sourcing from India. This offers huge opportunities to export textiles & clothing products.

Indian exporters of textiles & clothing should look at the growing markets of Africa, Latin American Countries, Australia, Japan and South Korea.

The Government is in the process of putting in place alternate schemes to promote exports which will improve the competitiveness of the products in the export markets. The depreciating Rupee is having a positive impact on the profitability of the exporters. In this backdrop, the dynamism and entrepreneurship of the exporters combined with the Policy support provided by the Government will certainly take exports of textiles & clothing to greater heights in the days to come.


# Export-Import Bank of India...

## Driving Indian businesses to achieve growth beyond boundaries.

Growth is a result of boundless vision. At Exim Bank of India it has been a belief we work by. Over the last 3 decades we've pushed ourselves to think beyond boundaries to create new possibilities for Indian businesses. From financing exports, sourcing potential buyers, facilitating shipments, promoting Indian produce abroad to educating new entrants...we've been there at every step. We're ready to take on the world; we're committed to take the Indian growth story ahead.

एक्ज़िम बैंक
EXIM BANK
भारतीय निर्यात-आयात बैंक
EXPORT-IMPORT BANK OF INDIA

www.eximbankindia.in | www.eximmitra.in

Follow us on

LMW®

Business@The Speed of Today

# LAKSHMI MACHINE WORKS

Lakshmi Machine Works (LMW) prides itself to be participating in this year's edition of CITI's Global Textiles Conclave 2018. CITI has always championed the cause of the industry over the last 6 decades. During the two-day event that is themed on "Disruptions and Innovations for Sustainable Growth", LMW looks forward to participate and learn the greatest and latest of ideas that are shaping our industry.

### About Lakshmi Machine Works: Textile Machinery Division

Coimbatore-based global textile machinery major Lakshmi Machine Works (LMW) began its illustrious journey in 1962 with manufacturing textile machinery for the textile spinning industry. LMW has installed more than 50 million spindlage worldwide.This was possible mainly due to bench marking efficiency and output with better return on investment for the customer. With an extensive sales force and service hubs, LMW has today emerged as a preferred global partner who provides end-to-end services in the textile machinery world.

### The Impact of Technology

The world of manufacturing is changing, and changing for good. With connected manufacturing, artificial intelligence and big data analytics, manufacturing is no more a siloed, passive process. Dubbed Industry 4.0, the latest wave of technology-led manufacturing has at its core, the power of improved computing, the proliferation of connected systems, and the intelligence of machines in performing work that has until now, been human-led.

An inherently labour-intensive process, textile manufacturing is now grappling with the changes brought in by technological breakthroughs. Typical industry practices such as manual written records, a high demand for skilled workforce, and long hours of working are now changing to include technology at the centre of it all.

### Tech-led textile manufacturing: Here and now

LMW follows class leading corporate practices in all of their manufacturing processes, which includes Lean Manufacturing, 5S Workplace organizational standards, balanced scorecard etc. Its quality is backed by certifications such as ISO 9001, ISO 14001, and OHSAS 18001 certification.

Disruption is an innovator's best friend. LMW has never shied away from adapting itself, and has always prided itself to be at the forefront of any innovation or sweeping change that hits the industry in the past many decades. LMW's machines are now equipped with digital mechanisms that include servo motors, PLC (programmable logic controls), networking, and digital connectivity.

### SPINCONNECT

The well-received SpinConnect platform has completely been developed in-house by LMW, banking on its decades of industry experience. SpinConnect, a web-based central monitoring and control application, is operable through Wi-Fi and LAN connections. The system enables remote viewing of machine's status for effortless troubleshooting and software upgradation. Users can define and generate reports and charts to monitor performance, and work towards constantly improving the performance to new heights. Also, pre-defined daily, weekly, and monthly reports can be automated and delivered as emails.

# SOMETIMES, THE SMALLEST COMPONENT MAKES THE BIGGEST DIFFERENCE.

## LMW CREDO+ RINGS

When you're looking for rings that deliver across diverse yarns and fibres, look no further. CREDO+ delivers rigidity with accurate precision at greater running speeds. Backed by the LMW name, CREDO+ rings start delivering the minute you instal them.

LMW PLUS™
COMPONENTS & PARTS

www.lmwtmd.com

LMW®

The entire goal of SpinConnect has been in its ability to seamlessly connect LMW's series of machines on to a common dashboard to produce actionable intelligence. Operators and owners of LMW's machines who have SpinConnect, have benefited from the unified data and controls. Today, SpinConnect has gained great acceptance and positive feedback from the customers who have installed it.


### Changing with the times

With decades of experience, LMW has continued to be the pioneer, in bringing out new products that have set benchmarks, that has even exceeded expectations. Our products have always focused on the three pillars of modern manufacturing: Automation, Digitalization, and Sustainability.

LMW believes in doing more in less. It is a part of our thinking muscle that we employ in everything that we do. Our range of machines have been built from ground-up, with thorough and comprehensive understanding of the customer and the operating conditions and demands in the trade. LMW's machines are not only long-lasting, but are built consciously with sustainable input materials. Our design philosophy has had a laser focus on continuous simplification of operations by having a pulse check on what operators think and feel during the run-time of our machines.

The textile spinning industry is experiencing dual cost challenges in the form of energy and skilled personnel. LMW ensures that it integrates nothing but the best motors and drives, and raw material that are not only cost effective, but also highly efficient and long-running, which helps customers run sustainable industries. LMW has consistently upped the game in its investments in research and development (R&D) to provide the technological edge for the customer.

From a sustainability standpoint, LMW's machines offer tremendous long-term value to customers. The inherent energy-focused design makes our machines consume the least power for its performance range. Maintenance is a key area where LMW's decades-long experience in manufacturing, and precious interactions with customers come handy. The company has mastered the art of including only those elements that promise economic efficiency and sustainability in their operations.

Today's world of textile manufacturing is a tightrope walk that needs careful balance of time, material and human potential. From blowroom to ring frames, LMW's range of machines come with the right blend of automation at every step, tailored to reduce the stress of operators and increase overall efficiencies for businesses.

Digital environment brings unprecedented fluidity in tracking, extraordinary precision in manufacturing, and completely empowers the decision makers who run the show. LMW's customer service portal offers 'e-Spares' ordering and tracking of spares, which ease the customer experience greatly.

At the heart of LMW's quality journey is our QCD structure, which stands for Quality, Cost and Delivery, which are the cornerstones of customer delight.

## About some of our leading products in the market:

### LMW Card LC636 - Technology at its Best

LMW Carding Machine LC636 is a uniquely designed machine that has industry-leading highest active carding and cylinder area compared to any other carding machine in the world. An agile online quality monitoring system with a user-friendly interface ensures the best sliver quality. Inverter-controlled drives and energy efficient motors enable the

- Highest real carding area with increased number of working flats
- Largest cylinder width of 1.5 metre for higher productivity
- Reduces lint loss up to 1% ensuring higher yarn realisation
- 7-12% lesser power cost
- Consistent quality with online quality monitoring system

production of the best quality sliver with minimum power cost. Card LC636 with 1.5 meters working width meets the demands of modern spinners, and even exceeds them by offering the perfect solution that promises higher productivity with consistent quality at lower costs for customers.

### LMW Drawframe LDF3 - GET THE BEST

"LDF3 Drawframe" The new generation autoleveller Drawframe LDF3 is designed to work upto the

delivery speed of 1100 m/min with high degree of Autolevelling efficiency that delivers consistent quality.

- S DRAFT - Servo drive for drafting & Duo Digital autolevelling system
- TR STRIP - Top roller stripper arrangement
- LTL - Top roller end bush lifetime greasing
- QMS - Online quality monitoring system
- SP- SMART Auto piecing System
- SQ- SMART Quality Set for right Quality

LDF3 Drawframe comes packed with the latest star features that include: A separate drive for coiler - which helps in better coiling and self-adjustment of coiling speed to suit the filling type. Fan motors with inverters that help achieve effective, and optimum suction for different process. The newly designed doors and covers of LDF3 with enhanced aesthetic look have drawn wide appreciation from visitors during demonstrations around the world.

### Comber LK69 - SETS THE PACE

Comber LK69 with "PACT", "SETS THE PACE", in the combing technology with a production of up to 2.1 Tons/day @ 600 npm. The kinematical linkage syntheses for synchronized and optimal movement of parts ensure gentle handling of heavier laps. The optimal selection of fibre moving path enables the machine to run at higher speeds without straining the fibre with efficient removal of short fibres and Neps.

- Efficient combing with unique variocomb
- Assured 1 % - 2 % noil saving
- Possibility of lesser noil levels <10-12%
- Single piecing point due to inclined drafting- Consistent quality
- Modular construction (only 2 modules)- Installation made easy

### Speed Frame LF4280 Series - World's Longest Speed Frame with Dual Drive

The defining feature of LMW's LF4280 Speed frame is the fact that it is the longest machine in the world with 280 spindles. The 280 easy-to-adjust high precision machine are run by 4-segment drive system. A unique dual-drive mechanism enables all the 280 spindles maintain uniform output quality. The innovative "CQ" Constant Air Discharge Duct is for maintaining uniform and effective suction throughout the machine. The LF4280, with thoughtfully designed industry-defining

- 4 segment drive arrangement
- Servo drive for drafting
- CQ - Constant Air discharge Duct
- Automatic Roving Tension Controller

features and the right infusion of automation, making it is an undisputed industry leader in its segment.

**Ringframe SX - Smart Ringframe to manufacture Regular & Fancy Yarns.**

Designed for Industry 4.0 standards, this advanced new-age machine is flexible and engineered with automated features which ensures lower energy consumption and lesser man power. It has superlative technology to manufacture regular and fancy yarns integrated with a Flexi drive concept and eco-friendly features for power saving

- Flexi Drive for Drafting - Suitable to produce wide range of regular and value added yarns
- Idle time and raw material saving by spindle monitoring - Individual yarn breakage monitoring & roving stop motion system
- Eco friendly - Low decibel Silent Spindles (HLLD)
- Proven Smart doffer - Reliable & Easy Autodoffing mechanism
- Energy Saving - Higher efficient IE4 main motor, Inverter Controlled Fan motor, Innovative inclined boot and Instantaneous power monitoring

LR9SX is a gearless machine with a host of features that provides customer flexibilty to manufacture regular, compact, Siro, Slub, Injection Slub, Multicount, Multi twist and Multieffect yarns.

**LMW SpinPact - Quality at its Best**

The Spinpact is a high tech unique suction compact system that renders supreme quality, with the most ease of handling. The spinning triangle of Spinpact is by virtue of its design, shorter than normal yarn, with minimum width and height, aligning fibres in a uniform fashion that results in the least hairiness and uniform twist flow. LMW's SpinPact has a unique class-leading spinning geometry for better twist insertion and twist flow. Design and construction-led yarn structure, highest strength with lower hairiness index, unflinching uniformity of quality, high energy efficiency, and best-in-class economy make the Spinpact a compelling proposition.

Lakshmi Compact System - Proven Compacting Principle

- Hi-tech, Unique Suction Compact System with Ease of Handling
- Easy drive system for compact roller with different tension draft for cotton and man made fibers
- Uni-compact nozzle made up of special aluminium alloy for eight Spindles
- Unique top suction arrangement
- Special spinning angle for enhanced performance
- Lesser power consumption

# LEADING INDIA BY EXAMPLE ..

EDB
ANDHRA PRADESH ECONOMIC DEVELOPMENT BOARD

**Total committed investment during 2014-2018**
**INR 15,64,784 crores**

## Key Textile Industries and Brands in Andhra Pradesh

Arvind — FASHIONING POSSIBILITIES
unicharm
'TORAY' — Innovation by Chemistry
Shahi Exports Pvt. Ltd.
PAGE INDUSTRIES — Your CONDUIT to Performance.™
Vardhmān AE Threads

"I welcome you to partner with us on this journey of growth and excellence and urge you to make Andhra Pradesh your business.

**N Chandrababu Naidu**
Chief Minister, Andhra Pradesh &
Transformative Chief Minister Awardee
(from US-India Business Coucil)

**NO.1 IN EASE OF DOING BUSINESS**
AMONGST INDIAN STATES

**CONSISTENT DOUBLE DIGIT GROWTH**
11.2% (2017-18)
11.07% (2016-17)
10.6% (2015-16)

**AMARAVATI- INDIA'S LARGEST GREENFIELD VENTURE**
217 SQ.KM

**INDIA'S GATEWAY TO THE EAST**
974 KM LONG COASTLINE

FUTURE DECODED

**COME INVEST IN ANDHRA PRADESH AND BE A PART OF INDIA'S GROWTH STORY.**

For queries please contact J Krishna Kishore at j.krishnakishore@gov.in | ceo@apedb.co.in
Ph:+91 72879 09192/+91 99899 68881 www.apedb.gov.in /ap_edb /apedb

# CLIMATE CHANGE AND THE INDIAN TEXTILE INDUSTRY:

## YES, WE WILL BE HIT; BUT OUR PROTECTION IS IN OUR HANDS

**Ms. Mridula Ramesh**
Executive Director - Sundaram Textiles Ltd.

At the outset, let me declare that I am not a non-interested party. I help run a spinning unit, and as such am interwoven into the warp and the weft of the textile industry. However, this does give me a ringside seat of what a warmer climate portends for our industry. So, my fellow industry participants, let me lay out why I think the changing climate is something that leaders should pay close attention to in the next decade.

Let me further organize my argument into two parts: First, how will we (the textile industry) be affected by a warmer climate, and second, how we can help India, arguably the most vulnerable country to climate change, cope with this threat.

### How will we be affected

Overall, our costs will go up, and the volatility of several of the inputs will go up, if we do nothing. Let us start with the most important.

### Raw material

The biggest threat to the Indian (cotton) textile industry from a warmer climate falls on its raw material – cotton. The strength of our industry is based on the availability of reasonably- priced, good quality raw material. If India's cotton crop were to more than double from the current 300+ lakh bales to 800 lakh bales in 6 to 7 years because of better yields, it would tremendously improve the strength of the industry.

The situation if we do nothing is more worrisome. Our yields could plummet. I heard a number of 200 lakh bales mentioned in a recent association meeting. That would spell disaster. If the raw material advantage goes, the Indian textile industry, with its less-favourable trade terms with the US and EU and high power costs, would become globally uncompetitive.

Why would cotton production fall? Many of the cotton

# In 1875 India's first organized futures exchange was set-up.

# –

# It traded in cotton!

## Need to protect against volatile cotton prices

In the 1860s, with the outbreak of the American Civil War, US cotton supplies to Britain's textile industry were replaced by cotton supplies from India, largely through the Mumbai port (formerly Bombay). With brisk cotton business and rising trade, the Bombay Cotton Association Ltd. was set up in 1875 to manage cotton price risks. Significantly, this took place barely a decade after the world's first modern futures trading platform was established at the Chicago Board of Trade.

Amidst an inherent volatility in cotton prices and robust domestic and export demand, MCX provides a cotton futures trading platform for stakeholders to manage their price risks. MCX cotton contract specification is well-tuned to the physical market best practices in terms of staple length, micronaire, tensile strength, etc. Given the highly volatile cotton prices, it is imperative for stakeholders to hedge price risks using exchange-traded futures contracts.

**BENEFITS OF HEDGING IN INDIA**

**Rupee-denominated** contracts.

**Smaller contract size** allows hedging strategies for even small-sized physical player.

**Trading** is available from 10.00 a.m. to 9.00/9.30 p.m.

Efficient **price discovery**, reflecting physical market fundamentals.

**Highly liquid contracts** with low impact cost.

Cotton is compulsorily **deliverable**.

**Gold | Silver | Crude Oil | Natural Gas | Copper | Aluminium | Lead | Zinc | Brass | Nickel | Cotton | CPO Mentha Oil | Cardamom | Castor Seed | Black Pepper**

MCX
METAL & ENERGY
Trade with Trust

**MCX INVESTOR PROTECTION FUND**

www.mcxindia.com

Issued in the public interest by Multi Commodity Exchange Investor (Client) Protection Fund

Read the Risk Disclosure Document (RDD) carefully before transacting in commodity futures and options

growing regions of India – Telangana, Vidarbha, Rajasthan, Gujarat – are dry. As per the scientists from the Central Research Institute for Dryland Agriculture, these regions are projected to get much drier in the coming years. Moreover, the expected rains are more likely to arrive in fitful bursts, and the volatility of the monsoon is set to increase.

Let me explain this in (spinning) industry terminology. The CV of both interseason rainfall and intra-season rainfall is likely to increase, threatening both cotton yield and quality. This is especially true since our crop is largely rainfed. To use a spinning industry analogy, when within lap CV of blow room, and draw frame U% increase, yarn productivity and quality both suffer.

Climate change will require far more astute management of cotton growing – something notably missing in India today.

The second aspect by which yields will be affected is by the change in the pest profile. Until the introduction of Bt cotton, the cotton crop took the largest share of pesticide consumption in India. However, Bt cotton helps the crop only against the pink bollworm (until that too has adapted). But a more capricious climate leaves the door for other pests, such as the white fly. One of the predictions is for the rainfall to be delayed in many districts, with less rain in June. Farmers are likely to delay their sowing, when conditions are more conducive for the white fly. This delay combined with the wide availability of spurious seeds, and poor practises like excessive fertilizer use leaves the door wide open for whitefly attacks.

### Resource crunch: Water

India asks one-fifth of the world's population to survive on just 1/30th of its renewable water resources. In 2001, India's largest cities failed to meet one third of their water demand. By 2030, India will be unable to meet half its water demand. There is no getting away from the fact that water, or the lack thereof, is going to take centre stage in India.

Which means the textile industry's use of water will come under far greater scrutiny.

### Where do we use water?

India, because of its poor cotton yields, uses far more water than Australia or China. The textile industry uses water in humidifying its factories. The most noticeable water use is in textile processing, where companies use water to transform a drab grey fabric to something shiny and exciting. But this transformation comes with a water cost.

This is especially problematic because a large part of processing lies in the unorganized sector with poorly managed dyeing facilities, with poor monitoring and limited capacity to manage their water. Many of us don't explicitly price water today. We will not have that luxury going forward. The industry can achieve a better outcome if all of us – big or small, in every state – pay the same price for water, and face a level playing field when it comes to water regulation. Today, problematically, larger organized players need to pay a high cost for water use, while smaller, less organized players pay next to nothing. This will simply result in organized capacity shrinking as a percentage of the overall industry. This in turn hurts the overall (export) competitiveness of industry.

### Higher Packaging Costs

The plastic ban is gaining momentum across India. Unmanaged plastic plays a big role in increasing the chances of flooding in our cities. While the plastic packaging in the textile industry is (as of now) exempt from the ban, it could be covered in the ban, or under extended producer responsibility in the near future. Which means, we need to think about it now, in a move that will likely increase costs.

### Flooding

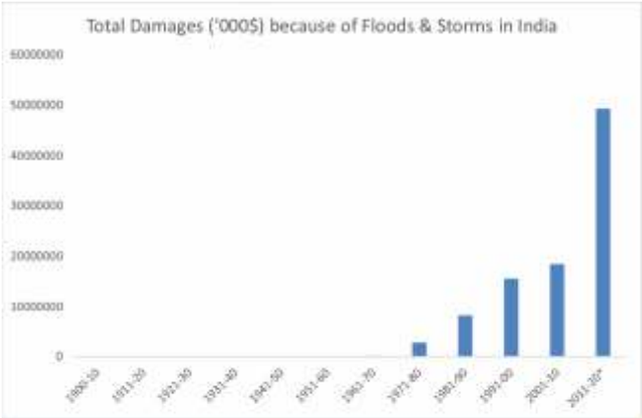



Figure 1: Damages in thousands of US Dollars from floods and storms in India. Source: D. Guha-Sapir, R. Below, Ph. Hoyois - EM-DAT: The CRED/OFDA International Disaster Database –www.emdat.be – Université Catholique de Louvain – Brussels – Belgium.

will impose higher costs across the textile supply chain, by requiring us to invest in better storage infrastructure and higher insurance costs. The industry will need to start factoring these costs at the time of computing its (already slim) margins.

### Power sources

The Indian textile industry pays a comparatively higher price for its power than its global competitors. The industry also needs to procure some part of its power from renewable sources. This is a good thing. India has committed to the world to achieve about 40

percent cumulative electric power installed capacity from non-fossil fuel-based energy resources by 2030. Rooftop solar power is cheaper than thermal power, although it covers only a small fraction of the overall plant requirement. By buying power as a service (paying for the units generated, rather than investing in capex), even smaller units without a dedicated feeder, can green their power sources. An introduction of a carbon tax, which is already there to some extent in India, will only make the industry, with a large installed renewable power base, more competitive in terms of power.

### Summary of Part A

To summarise, a warmer climate will affect the Indian textile industry by raising costs due to falling yields, making water scarcer and more expensive, by making packaging potentially more expensive and by increased flood and storm risks. Greening one's power could, however, be a source of lower costs for the industry.

Can a low margin industry afford this? How can we cope?

Paradoxically, the answer to this question comes by answering another one:

How can we help?

Now, let us ask how we, the textile industry, can help India better cope with a warmer climate.

### Employment

We are the largest employer of women outside agriculture. This is especially important for India. Because India's female workforce participation rate is abysmal, with the workforce participation of women in Punjab half that of Saudi Arabian women !!! In large parts of the supply chain we provide employment in a climate-controlled environment. This is the biggest advantage we have over the construction industry, whose jobs are open to the elements, and become less attractive as the climate warms.

In the coming years, as employment in agriculture falls (both as the education improves and the climate warms), the millions leaving the farms need a place to go. Textiles provides a good first home.

A warmer climate could translate to better labour availability, and we, in turn, can provide a safe harbour for the women leaving the fields.

### Improving Farmer Resiliency

The industry can play a key role in ensuring the cotton crop does not plummet but instead more than doubles. Think of this: most inputs reach a small or marginal farmer in a village through the petty merchant or shopkeeper. The merchant often has little time (or expertise or interest) to communicate 'know-how' or fine tune the processes of the farmer. He often makes more money pushing pesticides than selling fertilizer. Many times, he peddles sub-standard seeds – often because he gets the best terms on these.

When the textile industry acts as a bridge between farmers – all farmers – in a region and input providers, things begin to change. Expert knowledge from universities gets clothed in a local garb and communicated in a language and a form that is suitable for the smallest farmer to understand and implement. Standardized seeds get distributed to farmers, which provide a huge boost to yields. Fertilizer is applied based on the weather prevailing in a particular season and the stage of the plant. The application of pesticide is fine-tuned based on the type of pests in the field.

But farmers cannot undertake these improvements without a source of working capital. Farmers – especially the smallest farmers – often do not have adequate collateral or easy enough access to get the necessary signatures from village administrative officers. Why would public sector banks make the effort to lend to the smallest farmer when their priority sector quotas can be met via lending to a microfinance organization and larger, safer farmers?

As a result, the smallest farmers borrow heavily from the informal market – often the same petty merchant who supplies the pesticide, seeds, fertilizer on credit.

By dragging bank officers to these camps, the textile industry can enable access to cheaper finance. And by creating this access to low-cost finance, we can make it possible for marginal farmer to adopt the best practises. Lastly, by working directly with farmers, we can improve market access for the farmers.

This is already happening in pockets. The Confederation of Indian Textile Industry (CITI) has undertaken an initiative like this in Rajasthan with 76,617 farmers. A Public-Private partnership involving CITI, the Agriculture Department of the Rajasthan Government, Bayer Crop Science, and the Rajasthan Textile Mill Association ensured the smallest of farmers were trained in the best methods and given access to the right inputs at the right times. Interestingly, the training included specifics on the use of cost-effective pest treatment including the use of bio-pesticides, yellow sticky traps and installation of bird perches. Predictably, yields soared. From 415 kg per hectare in 2007–08, yields rose by more than 50 per cent to 693 kg per hectare in 2016–17.

We need this to happen in scale. On this effort rests the future of our industry.

# EXPO Producción

The complete supply chain

**EVERYTHING IS HERE**

**26-28 MARCH, 2019**

**WTC, MEXICO CITY**

Follow us:

ExpoProducción | @ExpoProdMex | ExpoProducción

**www.expoproduccion.mx**

**More than 4,200 visitors attended Expo Producción 2017 from the following countries:** Austria, Chile, China, Colombia, El Salvador Guatemala, Italy, Mexico, Peru, Turkey, Venezuela, and the U.S.A., showing the latest in:

- **Computer Software / Information Technology**
- **Contract Manufacturing (Full Package / Private Label)**
- **Cutting & Sewing Equipment**
- **Distributor / Wholesaler**
- **Fabrics**
- **Fibers & Yarns**
- **Findings / Trims**
- **Nonwovens**
- **Research & Development**
- **Services & Logistics**
- **Supplies**
- **Textile Machinery**

**And much more ...**

The attendees of **EXPO PRODUCTION** are:

- **Designers**
- **Engineers**
- **Educators**
- **Plant Managers**
- **Purchasing Managers**
- **Quality Control Managers**
- **Research and Development**
- **Managers**
- **Production Managers**
- **Sourcing Managers**

Involved in the following areas of the fashion, home and technical textiles industries:

- **Aerospace**
- **Automotive**
- **Leather and Footwear**
- **Garment Manufacturing**
- **Home Textiles**

## Contract your booth NOW!


Contact:
**Yasir Saeed**
Exposition Development Company
yasir@cottonsocks.com.pk

Contact:
**Rick Harris**
Exposition Development Company
Rick.Harris@expodevco.com


Co-organiced by: Tarsus E.J. Krause Tarsus de México | exposition development

### Circular Economy/ Waste management

One of the best things India can do to adapt to a warming climate while creating lakhs of new jobs is to manage its waste better. The textile industry knows this – we are one of the best in the world in learning to manage our waste. In the coming years, many municipalities will pass laws requiring bulk generators (apartments, educational institutions, offices, factories) to become zero waste. Several cities – like Bengaluru – have already done this.

The problem comes where a large part of post-consumer waste is textile waste – cleaning cloths, torn clothing and the like, which is not finding a home. EPR, extended producer responsibility, has come in other industries, and we need to be pro-active in managing this waste. The OE spinning industry is already helping manage fabric scraps generated from garmenting units. There is a crying need to do something with post-consumer textile waste. If you are in the textile industry and you want to be part of the solution – please reach out to me.

### Better Communication

Sustainable fashion has become a big buzz word. Increasingly the western media is highlighting how a substantial portion of clothing is worn very little before discarded. This means one thing: clothing is too cheap. This current obsession with sustainable fashion can go two ways: our overseas buyers can ask us to bear some part of the cost of recycling clothing (meaning a hit to our margins), or we can capture a larger part of the value created in the supply chain to ingrain sustainability into our production. The difference between the two lies in one thing: narrative. If we can persuade our overseas consumers that the true story is that we need more money to ensure sustainability – greener power, better sourcing of raw material, more dignified employment with benefits, better management of effluent – and we can convince them that we are reliable partners who will ensure the extra money is funnelled appropriately, the world will get a far more resilient and more sustainable supply chain. We need to both credibly communicate the need and show that we are trust-worthy. For this, our industry does need to focus on global brand management – not just in terms of expensive ads in leading newspapers, but a more comprehensive strategy influencing opinion in social media forums reaching out to the end consumer and in conferences. This is something we have never explored, and something we need to actively consider going forward.

### Declining Profits – so what?

A warming climate looks to substantially increase costs for a struggling textile industry. The cure does not lie in higher subsidies, but in a better partnership across the supply chain – between spinning mills and farmers to improve farmer resilience and raw material availability, and between consumers and manufacturers – in weaving sustainability and resilience into the industry.

# VORTEX
# THE SOLUTION FOR SPINNING FROM MURATEC

In the recent past, the Textile Industry is focusing its attention on higher productivity, lower power consumption and reduced operational costs. We, Murata Machinery Ltd., an 80 plus old year Textile Company is the first manufacturer to come out with the solution to give answer for all these requirements by the VORTEX Technology. While the development of Spinning systems were focusing on various areas like Productivity, Power and Yarn quality, the Evolution of VORTEX Spinning by Muratec transformed the Spinning Industry by combining all these by a single process called Murata Vortex Spinning (MVS). The sharp increase of the delivery of VORTEX machines in recent years, lead Murata Machinery Ltd., to a different stage. Originally developed for 100% Cotton Spinning and being transformed through Viscose Fibre market, now VORTEX usage has been spread over many materials.

The high level of automation with superior machine performance and product qualities, the VORTEX gives the solution to the Spinning industry, where the need of skilled personal is at high volatile stage. Compare to existing methods, the VORTEX Spinning has the advantage of Higher Productivity, Lower Power Consumption, Lower Space Requirement and Less number of Operator Requirements.

The "Ring Like" yarn structure with the combination of Core and Wrapper fibres gives great potential for the Vortex Spinning Technology to enlarge further in the Spinning Industry. The higher number of Wrapper fibres and decreased unwrapped sections have significantly improved the characteristics such as, Better Tensile Properties, Better Evenness and Less Hairiness. The yarn structure is one of the Primary Factor, which control the properties of the Spun yarn. This unique structure of Core and Wrapper fibres in

VORTEX spun yarn helps to achieve its significant properties like High Resistance to Pilling, Clear Yarn Surface, Better Dimensional Properties, Long Lasting usage with high wash resistance, Superior Printing Quality Garments and Less Spirality. The close relation of Structure and Property of VORTEX Spun Yarn, which is easily adjustable based on the end use requirements helps the user segment to achieve the best performance in terms of Cost and Quality.

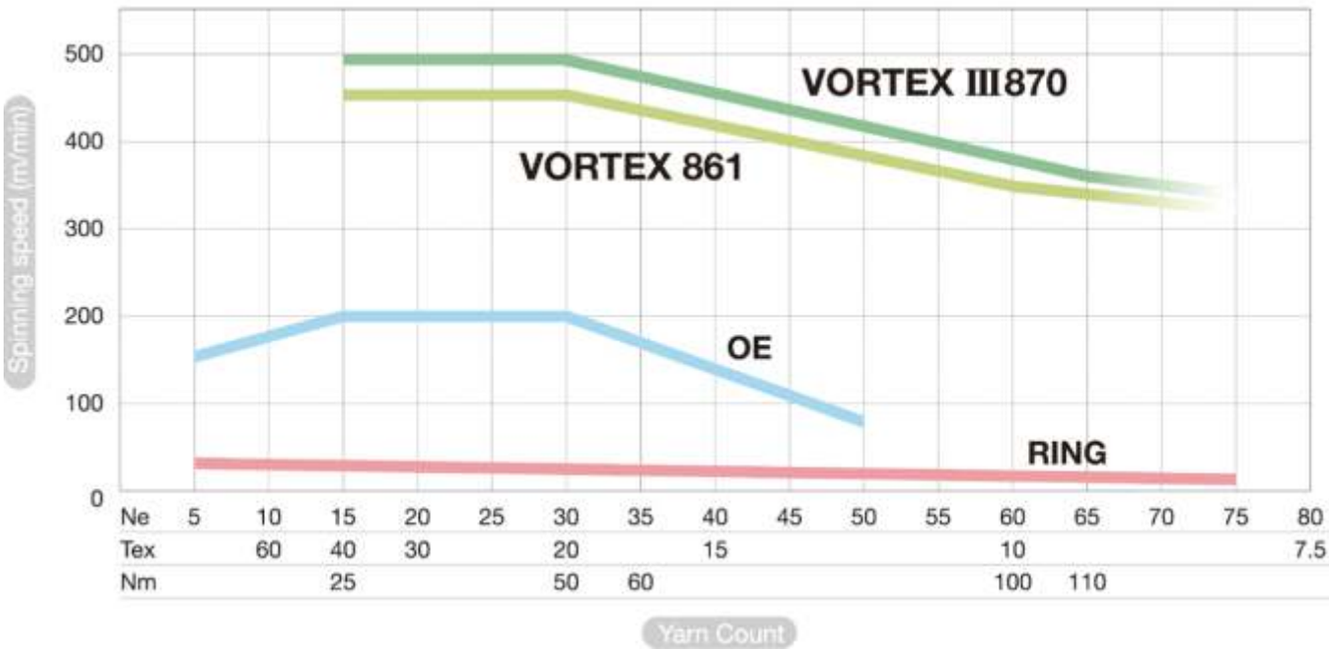
In addition to these special properties, this Unique Yarn Structure further helps the VORTEX yarn to perform better in Post Spinning Operations, where the yarn must have certain minimum Tensile Strength and a minimum Elongation in order to stand up to the processes subsequent to Spinning without being damaged. The VORTEX Spinning assures the clean working environments not only in Spinning, but also in Post Spinning operations like Knitting, Warping and Weaving processes. It also helps to reduce the lint and waste generation in the processes of Dyeing and Finishing.

in installation share of new machine addition in recent years will surely help the share of VORTEX spinning to cross 5% before year 2022.

In Current market environment, the Viscose Fibre accounts for close to 5.4% of the Global Fibre demand and it can increase over 6% by 2022. The global demand growth for Viscose Fibre is high at close to 6% per annum versus 1% for cotton and 2% for Polyester. Considering this huge demand for Viscose Fibres, there is a huge potential for the VORTEX to increase its market share. Due to its excellent performance and market acceptance, majority of the market demand the Viscose Fabrics and Garments made out of VORTEX Spinning.

Muratec also introduced the VORTEX Technology in new areas like Extra Coarser Counts and Filament Core yarn. In Spinning Extra Coarse Counts, it needs major work force and lot of frequent changes in the processes, which leads to lower efficiency. By expanding the count ranges toward Extra Coarse counts up to Ne 10s, the VORTEX give the solution for

**Comparison of Spinning Speed by Model/Yarn Count**




The Current generation of Murata VORTEX Spinning (MVS III 870) offers the yarn similar to the Ring Yarn Structure with the spin ability of Ne 15s to Ne 60s in all kind of raw materials, which includes 100% Cotton, 100% Synthetic Fibres, Synthetic Cotton Blends, Melange and 100% Dope Dyed Fibres. The estimated capacity of VORTEX spinning in operation is equal to seven million Ring Spindles which is approximately equal to 2% of world's Spinning production capacity (Source: GHERZI). Though this capacity is smaller in overall Spinning, the increased growth level of 7 ~ 8%

Productivity, Operations, multiple stoppage of the machine and huge operative requirements. Though the Filament Core Yarn system is still minority there is an increase in interest and demand in the filament core yarn, since the apparel market requires more and more functional yarn. VORTEX Spinning can spin filament core yarn with the cover of various raw materials in count range of Ne 15s to Ne 40s, with 80-90% less splicing compare to conventional Ring spinning system and less handling of bigger size filament packages.

MURATA MACHINERY, LTD.

# Continually Creating Innovative Technologies For Textile Machinery

Spinning System

## VORTEX Ⅲ 870

Automatic Winder

## QPRO EX

The VORTEX Spinning can offer a tremendous advantages over other staple fibre spinning systems. With the addition of "POLY MASTER" concept in VORTEX, there is a huge potential to transform this spinning industry from Ring Spinning to VORTEX Spinning due to ability to spin 100% Polyester and Dope Dyed fibres at very high delivery speeds, which is not feasible in other systems. These fibres can be spun with Superior Qualities at higher speeds of 500 meters/ min, which gives better cost advantages.

"Sustainability", also one of the major concept in current Fashion Market. It is important to know that, the industry's overall goal is to create a supply chain that is environmentally and socially conscious of its impact. We, Murata Machinery Ltd., understand this and the VORTEX can be the answer for the Sustainability. The garment and fabrics made out of VORTEX, not only saves energy and processes, but also demand less chemicals and water in processing, due to its acceptance of 100% Dope dyed fibres. The use of dope dyed fibres in VORTEX gives perfect shade uniformity, no further dyeing requirements and very high colour fastness.

With the successful acceptance of VORTEX by many leading apparel brands due to its special features and sustainability, the VORTEX meets the various product and performance requirements across different core markets. At current growth level, we at Muratec firmly believes that, the VORTEX Technology and our commitment to work aggressively towards new developments on continuous base, the spinning industry will shift towards VORTEX. The VORTEX Technology can "Link to the Future" of Spinning with the current available spinning systems.

# TEXTILES & APPAREL INDUSTRY, A CATALYST FOR ECONOMIC DEVELOPMENT: HISTORICAL PERSPECTIVE

**Mr. Navdeep S. Sodhi with Mr. Lorenz Wied**
Gherzi Textil Organisation, Zürich

'Factfulness'In 1962, Japanese scholar Kaname Akamatsu propounded the "flying geese model": one economy, like the first goose in a V-shaped formation, can lead other economies toward industrialization, passing older technologies down to the followers as its own incomes rise and it moves into newer technologies. Something like this seems to be happening in Asia, where China is moving up the value chain and other developing countries such as Vietnam, Bangladesh and Cambodia have followed suit, picking up some of the textile and garment business in recent years.

Historically, the textile industry was the cornerstone of development for most countries. It remains the world's foremost industry with a vast impact on the socio-economic development of many countries. Global apparel and footwear industry was worth $ 1.7 trillion in 2017 and growing at 2 percent p.a. till 2022.If it were a country it would be the 8th largest economy after Italy.

## 'Factfulness'

- If it were a country, textile & clothing industry worth $ 1.7 trillion would be the 8th largest economy after Italy
- Indus valley was the cradle of cotton-textiles
- In 1930, India and China had 9 Mn and 4 Mn cotton spindles respectively
- The global cotton textile industry employs over 350 Mn people of which ca 200 Mn in cotton agriculture
- Cotton-textiles became the most female-dominated manufacturing industry in the 18th and 19th centuries
- .... Today,75 percent of apparel industry workforce in CMLV countries and Bangladesh is female
- In 1972, Bangladeshi women had 7 children and life expectancy of 52 years. Today,the birth rate has declined to 2 children and life expectancy risen to 73


MA
CUSTO
FASHION C

**Cotton: The cradle of global industrialization and trade**

Sven Beckert in his scholarly book Empire of Cotton has captured a fascinating account by weaving together the story of cotton with how the present global world came to exist. Farmers in the Indus valley were the first to spin and weave cotton. In 1929, archeologists recovered fragments of cotton textiles at Mohenjo-Daro.The Vedic scriptures, composed between 1500 and 1200 BCE, allude to cotton spinning and weaving. From the ancient times well into the nineteenth century the people of the Indian sub-continent were the world's leading cotton manufacturers. From there, cotton growing, and manufacturing skills, moved west, east, and south, placing Asia at the center of the global cotton industry, where it would remain well into the nineteenth century, and return in the late twentieth century. As the modern world came of age, cotton came to dominate world trade. Cotton factories towered above all forms of European and North American manufacturing. "Cotton was the cradle of industrialization in virtually every other part of the world-the United States to Egypt, Mexico and Brazil, Japan and China." India had 1.6 Mn spindles in 1877, rising to nearly 9 million in 1930.In China the industry expanded rapidly from under a million spindles in 1908 to nearly 4 million in 1930. Japan, however had the most impressive capacity of 7 million spindles by 1930. By the twentieth century, Asia had regained the global cotton industry- where it had largely originated.

Cotton is the world's oldest commercial crop and one of the most important fibers for textile production. Grown in 75 countries, with a total of 33 million ha area under cultivation, cotton is one of the most significant crops in terms of land use after food grains and soybeans, representing 2.2 percent of the global arable land.

Cotton has always been central to economic development. By 1900, about 1.5 percent of human population-millions of men, women, and children-was engaged in the industry, either growing, transporting, or manufacturing cotton. According to Fairtrade, at the primary level, the livelihood of 100 million households depends on cotton cultivation. Another 200 million persons are engaged in cotton industry indirectly in farm labour and ancillary activities such as ginning, pressing and logistics. According to information collected by ICAC, the total employment in cotton production in 60 major countries is estimated at 150-200 million. The study estimated that the highest employment in cotton agriculture is in Asia, significantly in three major countries viz China (56 Mn), India (50 Mn) and Pakistan (16 Mn). Africa has up to 50 Mn persons employed in cotton agriculture due to predominance of small holder farmers cultivating less than 2 hectares. Cotton remains a major source of revenue for many developing countries. India, China and Pakistan account for 52 percent of the global cotton production of 25.8 million tons worth $ 50 Bn (2017/18). A comprehensive report titled 'Measuring Sustainability in Cotton Farming Systems- Towards a Guidance Framework' by ICAC Expert Panel on Soil, Environment and Economic Performance of Cotton Production (SEEP) gives an objective assessment of the negative and positive environmental, economic and social aspects of cotton cultivation. In the last decade five key Voluntary Sustainability Initiatives (VSI) dedicated to cotton were launched by brands and other stakeholders in response to consumer concerns. These include:

- Better Cotton Initiative
- Cotton Made in Africa (CmiA)
- Fairtrade Cotton
- Organic Cotton
- My BMP (Australian Best Management Practices)

## Transformational jobs in apparel manufacturing

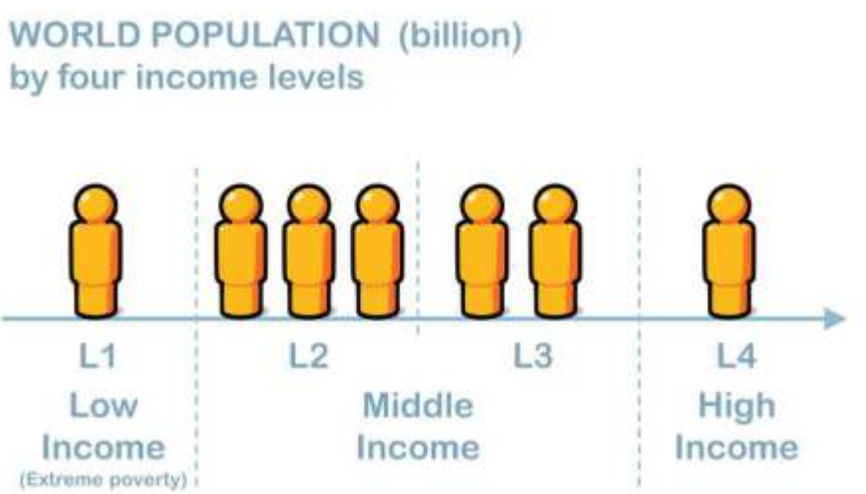
As developing countries explore ways to enhance living standards and reduce poverty, they are increasingly focusing on policy options to create jobs that are "good for development". For South Asia, it is a policy imperative as the region is in the midst of a demographic transition. For the next three decades it must absorb over 10 million persons who will enter the workforce every year. The World Development Report describes jobs as the cornerstone of both economic and social development whereby the value of a job to society can far exceed its value to the individual jobholder. The apparel industry employs millions of female workers and is regarded as the gateway into formal manufacturing jobs for women whose alternative is agriculture or informal labour market. Highlighting the role of cotton-textiles in mobilizing industrial labour, the Empire of Cotton found that indeed cotton manufacturing became the most female-dominated manufacturing industry to emerge in the eighteenth and nineteenth centuries. Women dominated the cotton textile workforces throughout Europe and the United States, although male workers dominated in Mexico and Egypt. Most women came from the countryside due to the families' strategy to retain access to land by supplementing dwindling agricultural incomes through wage work. Even today, the share of female employment in the textile & apparel industry is higher than in other manufacturing industries. In the CMLV (Cambodia, Myanmar, Laos, Viet Nam) countries and Bangladesh, 75 percent of the workforce in the industry is female. Only in India and Pakistan does the industry employ more men than women reflecting the wider challenge of low female participation in the overall economy (ILO 2017).

## Apparel industry and the 'bottom billion'

Hans Rosling, the founder of the Gapminder Foundation offers an alternative perspective about the way we look at things. In his book 'Factfulness', he describes how we have achieved real progress in eradicating extreme poverty and illustrates the transformative impact of jobs in apparel manufacturing. According to him the world population could be divided into four income levels as illustrated below. Each figure represents 1 billion people and the seven figures below show how the current population is spread across four income levels. Those at Level 1 earning below $ 2/day, indeed suffer from destitution. The folks at Level 2 (Income $2-8/day) eke out a living by making about $4 a day. If you can land a job in the local garment factory, you will be the first member of your family to bring home a salary (about 3 billion people live like this today). Level 3 represents people with daily income between $ 8-32/day and those earning above $32/day are placed at Level 4.

Interestingly human history started with everyone on Level 1. Just 200 years ago,85 percent of the world population was still on Level 1, in extreme poverty, whereas today most people are spread out in the middle, across Levels 2 and 3, with the same standards of living as people had in Western Europe and North America in the 1950's.

A case in point is Bangladesh: One year after its independence in 1972, Bangladeshi women had on an average seven children and life expectancy was 52. Today, Bangladeshi women have two children and a life expectancy of 73. In the last four decades, Bangladesh has risen from Level 1 to Level 2. Interestingly, Bangladesh's apparel exports grew from $1.3 Mn in 1980-81 to $ 29 bn in 2017. A small tailoring outfit named Reaz Garments pioneered exports of readymade garments (RMG) when it shipped 10,000 pieces of men's shirts to France in 1977. However, according to a research paper by JETRO the real breakthrough came with the establishment of Desh Garments whose owner, the visionary Nurool Quader Khan, set up a joint venture with the South Korean Daewoo in 1978. The company sent 130 trainees to be trained at Daewoo's state of the art garment factory at Pusan. Upon their return after six months of training, a 6-line factory with 600 workers was set up under Daewoo's supervision. In 1980, another South Korean company Youngone Corporation set up a garment factory in Bangladesh (NB: Mr. Kihak Sung, the indefatigable and visionary Chairman of Youngone Corporation, is the current President of ITMF). Today, Youngone exports over $ 1.9 bn worth of garments of



# PRODUCT PORTFOLIO

## Yarns

Blends of
- Polyester
- Wool
- Viscose
- Acrylic
- Cotton
- Lycra
- Fire Retardant

## Finishes

- Stain Repellant
- Anti Fungal
- Moisture Management
- Anti Wrinkle
- Aroma

## Fabrics

- Poly Viscose & Lycra Blends
- Wool, Polyester & Lycra Blends
- Cotton and Linen Shirting
- Jacquard for Home & Automotive
- Uniforms

## Garments

- Suits
- Formal Trousers

BANSWARA

*Banswara Syntex Ltd. is a vertically Integrated Textile Mill, manufacturing Dyed Man-Made Staple Fibre blended Spun Yarn, Wool and Wool mixed Yarn, all types of Fabrics, Jacquard Furnishing Fabrics, besides production of Readymade Garments and Made-up's. We also have expertise in production of Technical Fabrics.*

## BANSWARA SYNTEX LIMITED

### CORPORATE OFFICE

*5th Floor, Gopal Bhavan, 199, Princess Street, Mumbai – 400002*

**T** *+91 22 6633 6571-76* | **F** *+91 22 2206 4486*

**REGISTERED OFFICE & MILLS**
*Industrial Area, Dahod Road,*
*Banswara – 327 001 (Rajasthan)*
*+91 2962 240690-93, 257679-68*

**DAMAN UNIT (Somnath)**
*Survey No. 713/1,2,3 & 725/1,2 – 722/9*
*Sangita Dham & Complex, Near Savita Farm, Somnath,*
*Nani Daman, Daman & Diu – 396 210*
*+91 260 2240967 – 68*

**SURAT UNIT**
*Plot No. 5&6, Surat Apparel Park,*
*SEZ Sachin, Surat – 394 230 (Gujarat)*
*+91 261 2390352-53, 2390363*

**DAMAN UNIT (Kadhaiya)**
*Survey No. 98/3 – 85/3&4, 86/2*
*Kadhaiya Industrial Estate, Village Kadhaiya,*
*Nani Daman, Daman & Diu – 396 210*
*+91 260 2240 967 – 68*

*info@banswarasyntex.com*
*www.banswarasyntex.com*

which 65 percent come from Bangladesh where it employs 65,000 workers in its 16 garment factories.

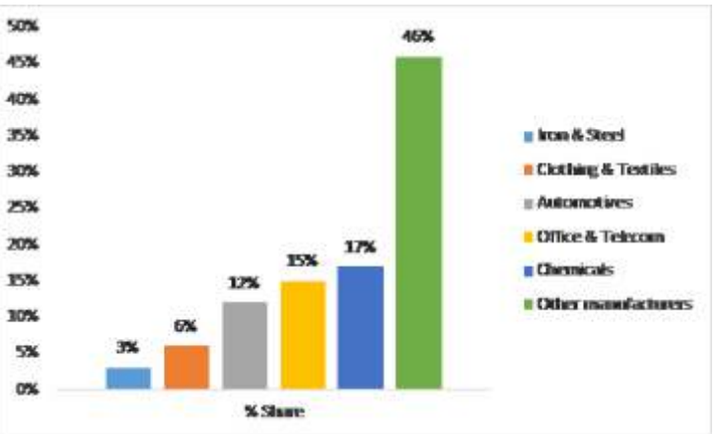
### Textiles and international trade

Textiles is the world's most globalized industry. According to WTO, in 2017, textiles & apparel trade was ranked among Top 5 merchandise exports representing 6 percent market share. The phasing out of the MFA regime in 2005 led to remarkable growth of international trade in textiles & apparel, from $ 471 Bn in 2005 to $ 736 Bn in 2017. More significantly for major producing countries, it is a major source of export earnings. For India and China, textile & apparel exports represent 12 percent of total merchandise exports whereas for Bangladesh over 80 percent of total exports come from apparels and 16 percent for Vietnam.

### Epilogue

The textile industry has a remarkable transformative impact on our lives and especially on the global industrial economy. Most importantly, it has the influence to lift millions out of extreme poverty and women's economic empowerment.

Gherzi felicitates the Confederation of Indian Textile Industry on the Diamond Jubilee. Founded in Zürich in 1929 we also feel gratified at the firm's presence in India since 1958.Let's salute the vision and enterprise of the doyens of this great industry that originated in the Indus Valley.


# ENHANCING INDIA'S TEXTILE & APPAREL TRADE

**Mr. Prem Malik**
Vice Chairman, NSL Textiles Ltd.

During the period from 1974 to 1995, Multi-Fibre Arrangement (MFA) governed the international trade of textile and apparel. MFA enabled major importers such as United States, Canada and European Union to restrict imports from developing countries through a system of quotas. Outcome of Uruguay Round (UR) of Multilateral Trade Negotiations (MTN) conducted under the framework of General Agreement on Tariffs and Trade (GATT), stipulated that the import quotas be eliminated in a four-stage process between the years from 1995 to 2005. Over that period textile and apparel quotas were gradually reduced and on 1st January, 2005 worldwide system of textile and apparel quotas came to an end. After removal of quotas, several countries such as India, Bangladesh and Vietnam have started emerging as major manufacturers.

The Indian textile industry has strength across the entire value chain from natural to man-made fiber to apparel to home furnishings. Its share in the nation's GDP is approx. 4% and in exports is 13%. The sector is the second largest employer after agriculture. Since the phase out of quotas in 2005, the global textile and apparel trade has grown significantly from US$ 504 billion to US$ 751 billion in 2017 at a CAGR of 3.4% p.a while in the same period India has grown from US$ 18 bn. to US$ 37 billion at a CAGR of 6%. India's share of global exports is around 5% whereas it was expected to rise quickly towards China's level. The Chinese share in global exports is 37%. Vietnam and Bangladesh have shown remarkable success. Vietnam has achieved export growth rate of 17% while Bangladesh achieved a growth rate of 12% from 2005 to 2017.

***Table 1: Key Exporting Countries and Their Trade Growth since Quota Phase Out***

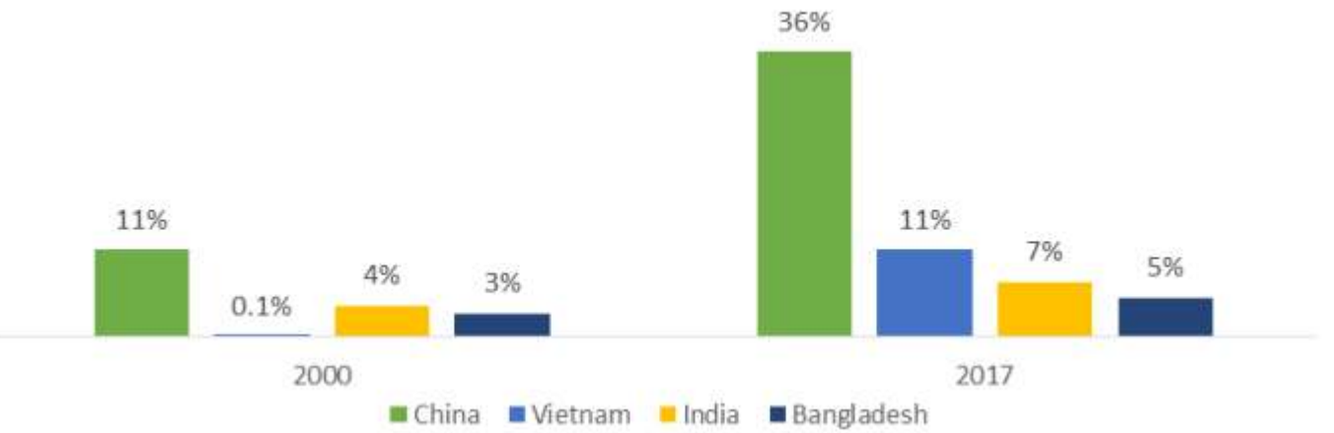
| Values in US$ mn. | 2005 | 2017 | CAGR | Share in 2017 |
|---|---|---|---|---|
| China | 147 | 279 | 5.5% | 37% |
| India | 17 | 37 | 6.7% | 5% |
| Bangladesh | 8 | 35 | 13.1% | 5% |
| Vietnam | 5 | 33 | 17.0% | 4% |
| Total Global Trade | 504 | 751 | 3.4% | |

Data Source: UN Comtrade

USA and EU are the largest markets for textile and apparel products with total imports worth US$ 114 bn. And US$ 127 bn. respectively in 2017.

In USA market, China managed to increase its trade share from 9% in 2000 to a 36% in 2017. Also, Vietnam grew from a meagre share of 0.1% in 2000 to become the second largest supplier with a share of 11% in 2017. India, on the other hand, had a modest share growth from 4% in 2000 to 7% in 2017.

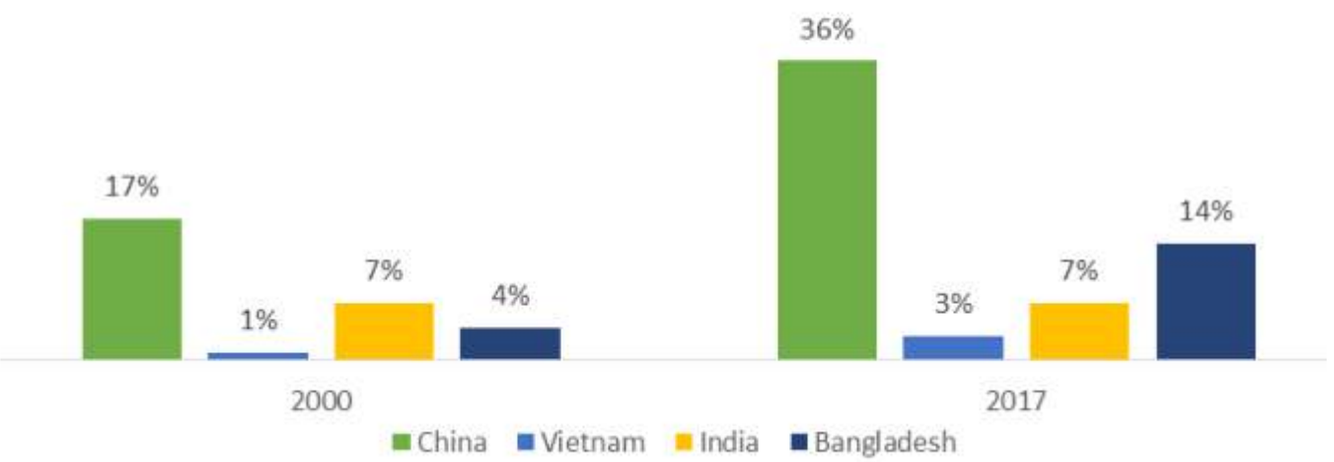
***Figure 1 : Share of Top Countries in USA's Textile & Apparel Imports***




*Data Source: UN Comtrade*

Similarly, an analysis of exports share of EU market by various countries show that that India's trade share remained unchanged at 7% from 2000 to 2017. In comparison; China and Bangladesh increased their export share from 17% and 4% to 36% and 14% respectively.

***Figure 2 : Share of Top Countries in EU's Textile & Apparel Imports***




*Data Source: UN Comtrade*

It is noteworthy to mention that India's share in several major markets is quite low. An analysis of major importing countries of the world indicates that in several countries, India's textile and apparel exports is negligible. The table below shows the major importing nations where India's share is very low:

Over last 5 years, India's textile and apparel exports has remained stagnant as it can be seen in the graph below:

2. Need for WTO Complaint policies: USA dragged India to the WTO for providing export subsidies for apparel even after completing 8 years of crossing the threshold of 3.25% of the global trade.

***Table 2 Major importing nations where India's share is very low (Data for 2017, Value in US$ billion)***

| S.no. | Country | Total T&A imports | Imports from India in 2017 | India's share |
|---|---|---|---|---|
| 1 | China & HK | 50 | 1.7 | 3% |
| 2 | Japan | 35 | 0.4 | 1% |
| 3 | Vietnam | 24 | 0.5 | 2% |
| 4 | Korea | 14 | 0.2 | 2% |
| 5 | Canada | 14 | 0.4 | 3% |
| 6 | Mexico | 10 | 0.4 | 4% |
| 7 | Russia | 10 | 0.2 | 1% |

*Data Source: UN Comtrade*

Also, it is pertinent to mention that Indian cotton spinning industry is one of the largest and modern spinning industries of the world. India was the largest supplier of cotton yarn to China, which is the largest market for cotton yarn. However, China impose 3.5% import duty on yarn from India under Asia pacific Trade Agreement (APTA) while duty free access is given to Vietnam. The tariff preference in China led to large capacity expansion in yarn manufacturing in Vietnam, which has surpassed India in terms of cotton yarn exports to China and become the largest supplier of cotton yarn to China. Since 2013, China's cotton yarn imports from Vietnam has increased by 106% while imports from India has declined by 51%.

**Key Issues**

The Indian Textile and Apparel industry is going through updations and optimization and has the potential of taking up more share in the global T&A trade. However, there are a few issues that need to be addressed to maximize the output of the industry and promote further exports. These include:

1. Trade Agreements: Several large textile and apparel exporting nations like Bangladesh, Turkey, Cambodia, Pakistan, etc. have duty advantage in the US and/or EU markets. These countries enjoy duty advantage ranging from 10% to as high as 30%, depending on product and market. This has given them competitive advantage over India in achieving high exports growth rate. Hence, it very important for India to work towards finalisation of FTA with major markets. Also, negotiations with China to give duty free access to Indian cotton textiles as India's trade deficit with China is increasing plus losing a great opportunity to Vietnam, Pakistan, Indonesia is required.

If enforced by the WTO, India would have to stop levying basic subsidies which would negatively affect the industry which is already under stress. Hence, there is a need to formulate policies which are WTO complaint.

3. Thrust to MMF Sector: MMF Textiles Export have stagnated at around $ 6 Bn over the last 4/5 years. To grow these manifold, we must endeavour to increase exports of MMF Fabric, Made ups and Garments. India has lagged behind due to expensive Man Made Fibres in India. The inverted duty structure in case of MMF Textiles has led to increase in cost and will restrict further expansion in the MMF Textiles value chain. Hence, Government steps are needed to remove this anomaly. Government may consider reducing GST on Manmade Fibres from 18% to 12% & MMF yarn from 12% to 5%. Also, there is a need to attract international investments from countries like South Korea, Taiwan, Japan and China.

4. Marketing Initiatives: Presently, a number of Trade Exhibitions, Buyer Seller Meets, etc. are organized by various sector Bodies and Associations. But the scale of such events is limited in terms of the number of participants and sub-segments. Last year, Government organised Textiles India mega event in 2017 which was a very good initiative. Similar large scale events should be organized annually to increase the outreach of the industry.

5. Rising Imports post GST: Under the current tax regime, the import duties have dropped substantially and many retailers have taken the advantage of this and are exploring foreign avenues to source cheap import of spun yarn and fabrics for their finished products thus putting the domestic producers at a vulnerable position.

# DISRUPTION - INNOVATIONS

## CASE STUDIES FOR BUSINESS EXCELLENCE AT BIRLA CENTURY.

**Mr. R K Dalmia**
President and Whole-time Director
Century Textiles & Industries Ltd.

The term disruptive technology describes a process by which a product or a service initially takes its root in simple applications at the bottom, then consistently moves upto into the market and eventually displaces established competitors. Disruptive technologies usually gain momentum through involvement in different customer segments or emerging markets, which have inherent risk potential for incumbents. Track of performance of disruptive technologies outshines the track of the mainstream technologies. Incumbents very often gets replaced as they are not able to compensate the gap.

The disruptive innovation is not only about changes in technology but it may also include refined business models or adjustments in core processes that propose additional or completely new values to customers.

The textile industry is a critical industry on account of numerous variants in the manufacturing processes, involving wide range of products and catering to several different type of marketing segments.

"BIRLA CENTURY" has successfully implemented " Disruption – Innovations for business excellence" through following case studies .

**1) New Generation Cellulosic Fibers (Excel & Modal)**

To cater to the upcoming future opportunities specially through use of trendy fibers such as Excel, Modal, Scafati (Lyocell blend), Tencel etc Birla Century has successfully set in the manufacturing and processing of articles made of above mentioned new generation fibres. This enables us to go upward from Low price based product mix to High price base product mix.

**2) Market trend of Stretch Articles:**

Demand for stretch articles with different type of dobbies and structured fabrics is very high in the current fashion market. To cater to the same we have stabilized several critical sorts with proper constructional modifications as well as process routes to get parameters like %Stretch, %Growth, Width and %Weft shrinkage. It also adds Comfort wearing because of garment stretch property along with Body Skin stretching during movements.

3) **Detox, ZDHC & Oeko-Tex 100 STD. -The Future:**

Birla Century is using Eco-friendly dyes / chemicals/ Axillaries for manufacturing / processing which help us ahead in the race of clean & Sustainable manufacturing along with International Branding. LEED and MIG Tags which are already in place focused working is continuously in progress to meet the ever changing stringent requirements of Oeko Tex, ZDHC, etc. Our ETP is based on ZLD (Zero Liquid Discharge) meaning effluent is recycled.

4) **New finishes & Colors:**

New color ranges have been developed for European and US Market in Bulk quantities Various special finishes have been introduced in all the segments such as Stay Soft, Anti-microbial, INTELLI Fresh, CUUL FINISH , ECO CARE, 5 in 1, Soil / Stain release, Super soft with ever fresh finish, wrinkle free, New Age Dry Cross Linking Finish, Solar Clean or Self Cleaning, UV Protection, Teflon, Never Fade, Ever Fresh, Perma Black and Perma White, Endurance Finishes etc. for Brands / Retailers / Boutique etc. This is to have better edge through the value added products.

5) **Nanotex Technology:**

In Nanotex Technology normally finishing auxiliaries are Macro and micro type used to finish fabrics to get desired aesthetics and attributes of final products.

But in these application ways, auxiliaries remain on surface of yarn and fibre only with uneven distribution which gives temporary stability of final attributes. To get rid of such issues we imitated use of Nano-Technology based auxiliaries which have nano size particles and hence penetrate deep inside the fibre matrix. Even distribution of chemicals within fibres matrix keep attributes long lasting, safe and sustainable.

6) **Named Selvedges:**

Named Selvedge articles have been standardised to meet the increased market demand, better profitability and Branding. It has been done in Yarn Dyed, Fancy Finer and Piece Dyed Goods varieties. Buffer selvedges in critical Spandex sorts have been developed and stabilized for hurdle free processing of such articles.

These successful case studies has contributed towards enhancement in profit margins and increased demand in the new emerging markets having different customer portfolios.

**Conclusion:**

Perquisites for disruptive technologies are focus on specialized training with aim to equip workforce with new set of skills and consistent investment in research and development. These are recommended for making any policy to take advantage of future opportunities.

{Confused ???.....where to Invest}

**Invest Rs. 100 & Get Rs.140 Refunded Back in 5 Years**


# Hinganghat Integrated Textile Park (HITP)

## Investment Summit


**In Presence Of :**

HITP Directors
Project Consultants
Banker/Financial Institutions

Minimum Investment Size
Rs 1 Crore

Complete Support For :

- Project Preparation
- Financing
- Man Power Recruitments
- Govt. Liasoning

**-: Venue :-**

**Gimatex Industries Pvt. Ltd.**
Ganesh Hall, Hinganghat
08th December 2018
Time : 10 Am onwards

Take Benefits Of

- Integrated Textile Park Scheme
- Maharashtra Textile Policy & TUF Scheme
- Package Scheme of Incentives

Knitting

Powerlooms

Surgical Cotton

Processing

**"Turn Your Dream To Reality --- Be An Entrepreneur"**

Contact : +91 7507455883, 9545518057
Mail id : info@hitp.co.in, cbsharma@hitp.co.in

# THE FIBRE STORY: OPPORTUNITIES & CHALLENGES

Cotton is the most important ingredient in the clothes that we wear. There was a time when the only fibre known to man was cotton and cotton crops were grown and cotton was traded globally to make beautiful comfortable clothes.

It is still one of the best and natural forms of fibres however due to continuous research and development, change in consumer behavior; mankind has now access to a whole new range of fibres which were only a dream few decades back.

Now the fibres used in our clothes not only come from natural resource but can also be made in laboratory and can be recycled as well. The most important fibres that are used in today's world can be classified mainly as: Natural (Sustainable), Man made and Recycled.

### Cotton

Still one of the most used textile fiber in the world. Cotton is one of those stalwarts in the fibre world that has been able to withstand the competition from other natural and man made fibres. Current estimates for world cotton production are about 25 million tonnes annually, accounting for 2.5% of the world's arable land.

Leading countries which contribute majorly towards world cotton production are India, China and the U.S. Major exports being done by U.S, India and Brazil while Bangladesh, Vietnam and China lead the import charts.

Although cotton, being the most natural and common form of fibre being used, it is slowly losing its market share to man made fibres which is primarily being driven by: the huge cost difference between cotton fibres and the man made fibres; global market turning price sensitive which in turn further adds pressure to cotton productions; cotton is facing severe pressure from man made fibres because of their abundant supply and adding to that their spinning is easier and results in less waste.

Synthetic fibres have known to be better than cotton is color absorption and provide a better shine to the garment which has resulted in a liking for them by the brands worldwide.

In the midst of this competition from other fibres, cotton is still getting some support from governments to promote sustainable fibre production. Subsidies are provided in some countries like the U.S and China which promote cotton production and shield the farmer from any potential financial loss that they might incur. The subsidies from governments and the prices tend to follow a negative correlation. When the prices of cotton are high, subsidies tend to decline and when the prices are low, subsidies rise.

For instance, The U.S runs a program by name of STAX (Stacked Income Protection Plan) which basically provides coverage to the farmers for a percentage of the expected area revenue for upland cotton and the farmers are provided protection against loss of revenue on a per acre basis.

China on the other hand has been maintaining its cotton reserves which serves as a national buffer stock and is managed by CNCRC (China National Cotton Reserve Corporation). They have border protection measures in place that are based on quotas to control the cotton imports and price. They release the cotton from the reserve market through auction when there is shortage and get the same refilled when there is plentitude.

In terms of demand of cotton, there is considerable requirement from cotton 4 countries which are Mali, Chad, Burkino Faso and Benin who rely heavily on cotton for their livelihood and export revenue.

Cotton manufacturing is now being pushed by means of fair trade practices which ensure better prices for the farmers, decent working conditions, and sustainable development.

## Viscose:

Having characteristics similar to cotton apart from being biodegradable, the growth of viscose fibre sector is expected to be the fastest among all manmade fibres. The Consumption of viscose fibre is approx 6 per cent among all manmade fibres.

Over the past developed countries like U.S and Europe have been shifting their viscose fibre production to Asia-Pacific region because of high labor costs and strict environmental requirements. As a result, currently about 80% of the global viscose fiber output comes from the developing countries in Asia-Pacific.

Given the above fact, it is not surprising that the global viscose fibre production capacity has grown at an average annual rate of 7.7% during the first decade of the 21st century, driven primarily by expansion in Asian countries, with China as the most notable country and Asia pacific had the highest share in the market, accounting for around 62% of the global market in 2017.

In terms of export market, The United States, China and Europe spend heavily on apparels. In Europe, Germany, Norway, Austria, Sweden, and the United Kingdom are the top countries that spend the most on apparel.

India and Brazil are the fastest emerging market for apparels. This will boost the apparel & clothing market, which in turn, will uplift the demand for viscose staple fibers.

China is one of the major producers and consumers of VSF. The increasing yarn production in China has been boosting the demand for VSF. Asian yarn production, in Q1 of 2016, increased by 21% - quarter on quarter, mainly driven by the Chinese yarn industry. Yarn production has been increasing, due to the increasing production of non-woven fabrics in the country.

The Chinese VSF industry has been witnessing a major issue of surplus production capacities. The government has released new regulations for limiting the viscose capacities in the country. Furthermore, the wages in China have been increasing gradually, due to of which, the textile production is expected to shift to low-wage ASEAN countries, thereby, affecting the sales of VSF in the country. The surplus production capacities and record high cotton inventories are estimated to dominate the global market over the forecast period. With increase in the population, increasing consumption of textile and limited production of cotton, will further enhance and push the demand for viscose on the coming years.

Though there has been rapid increase in the production of viscose and even the forecast looks good for the next few years, however viscose production has

many adverse affects also, which is hurting our environment. Its production is contributing to the rapid depletion of forests, which are being cleared to make way for pulpwood plantations. It is estimated that around 30% of rayon and viscose used in fashion is made from pulp sourced from endangered and ancient forests. This leads not only to habitat destruction, creating a significant threat to endangered species, but also often involves human rights abuses and land grabbing from Indigenous communities. So in a way, viscose is facing sustainability issues right now and may not be a perfect solution in the longer run.

## Man-made fibers

The global demand for textile fibres is expected to witness a growth of 2.5-2.7 per cent between 2016 and 2021, primarily driven by increasing consumption of MMF due to limited cotton production and supply coupled with other factors such as lower prices of MMF.

According to the United Nations, the global population is estimated to reach 8.1 billion by 2025 thereby creating an additional demand for food products, resulting in fierce competition against other crops for arable land. As a result it would lead to an increase in the demand for textile fibres-both natural and man-made- resulting in more consumption of MMF.

Within manmade fibers, polyester has a huge share of 76%. Fibers like nylon, acrylic and polyolefin are more expensive and used mainly for specialized applications like technical textiles. There is no limit to the kind of fibre blends that can be made using man made fibres which can cater to the evolving demands of the new age consumer who has become more aware and is shifting towards the functional aspects of the apparels like active wear etc.

The availability of raw materials for the production of MMF is expected to be available virtually on an unlimited basis for the next few decades and will cost significantly less than natural fibres. Apart from this, one more factor which ensures this unlimited availability is the recycling of MMF as against that of natural fibres, and the freedom of using these fibres in research and production to alter properties to make it suitable for newer applications. These factors are expected to be a major demand driver for MMF in the near future as well as in the long term.

Globally, prices for cotton fibres are expected to remain stable due to the clearing of stocks by China, and lower prices of MMF due to weak crude oil prices. Demand for cotton fibres is expected to grow at a slower rate than MMF as the growth of textile fibres in turn is driven by emerging economies where synthetic fibres are gaining more penetration in textiles fabrics, as well as due to increasing consumption of synthetic fibres in industrial applications.

Meanwhile, synthetic fibres are expected to outpace cotton fibres in demand during the next decade. Globally, the demand for synthetic fibres is expected to grow at a CAGR of 3.8 per cent as against 2.5 per cent CAGR of cotton till 2021.

The growth in demand for MMF is driven by factors such as limited cotton production, increasing demand for textiles products due to increasing population, relatively high cotton prices and increasing applications of synthetic fibres into industrial applications.

The only drawback so to say for man made fibres can be that because of the rise on the income levels and the spending power of the consumer, there has been an inclination towards likeability for sustainable and natural products

## Conclusion

Given the amount research and development happening globally there is no doubt that future will witness many new discoveries and new kinds of fibres, be it man made, natural or recycled. With growing economies, rapidly increasing population and increased consumption of textile fibres, the future of the industry looks bright. There shall be a mix of cost efficient and natural fibres. However we should not forget that it is the nature that is providing us these fibres either directly or in directly and one should not forget that the resources in some cases may be limited unless suitable measures are taken. Accordingly focus should be towards creating a sustainable future for coming generations.

# COMPETITIVENESS OF INDIAN TEXTILES & APPAREL INDUSTRY

# A GLOBAL PERSPECTIVE

**Mr. S. K. Khandelia**
President & CEO, Sutlej Textiles & Industries Ltd.

India has the world's second largest vertically integrated textile industry after China. It is recognized as a strategic industry due to its contribution to industrial output, employment, export earnings and agro-allied linkages. The industry has attracted a new investment to the tune of Rs. 3 lac crores for expansion and modernization in the last two decades. India has become the world's No. 1 cotton producer. The industry is supported by a strong textile engineering sector, especially in short staple spinning machinery attracting international OEM's to establish manufacturing facilities in India. India has become the No.1 exporter of Cotton Yarn in the world. Our home textile companies have attained a global scale. Our vocational educational institutions such as the textile engineering institutes, the NIFT and textile research associations provide skilled human resources and R&D facilities to sustain the growth and improve competitiveness. In recognition of the strategic importance of the textile industry, various government policies, at macro-economic and sectoral level, provide a conducive framework for improving the competitiveness of the industry.

In the context of structural changes taking place in the global textile & apparel industry and rising trade frictions, this article takes a critical look at the competitiveness of the Indian textile industry from a global perspective and highlights areas with potential for further development.

### Technological competitiveness

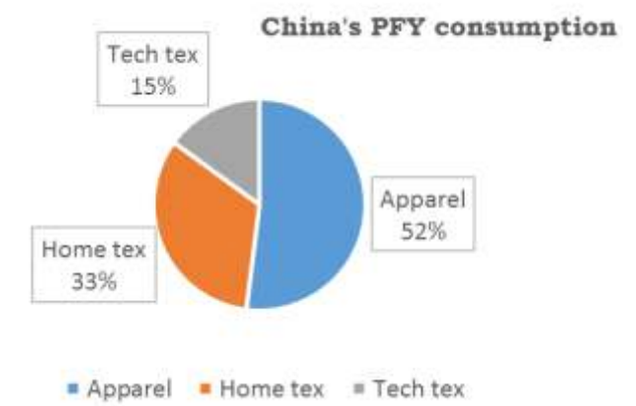
According to ITMF, 40% of India's installed ring spinning machinery is less than 10 years old whereas it is 54% in case of China and 62% for Vietnam, which can be attributed to the upgradation of spinning machinery and labor productivity in Chinese spinning industry, which has increased from 250 workers per 10,000 spindles in 2000 to 60 persons in 2015(in state of the art mills it has in fact reached below 30). When it comes to shuttle-less weaving, in 2017, China had an installed capacity of about 900,000 shuttle-less weaving machines (Air-jet, Rapier, Water-jet) against 168,000 in India. During 2008-17,cumulative shipments of circular knitting machines by leading 5 countries were China(188,482), India(22,597),Bangladesh(11,482), Vietnam (7,128) and Turkey (9,986).These three key parameters indicate that while India has attained a reasonable level of technological competitiveness in short staple spinning, it still lags behind China in fabric manufacturing capability. Although, the pace of investment in weaving and knitting machinery in India gained impetus in recent years, it has a long way to go as bulk of our fabric still comes from obsolete power looms. Notably, in China, the share of shuttle-less weaving machines in the cotton-textile sector increased from 7% in 2000 to 68% in 2015 whereas in case of India, with 2.5 million powerlooms, bulk of the woven fabric is still produced with obsolete technology.

### Economies of scale

China enjoys huge economies of size and scale of India both at industry and firm level. The following table reveals stark differences:

China has attained a huge advantage in MMF production. The largest chemical fiber companies are vertically integrated from upstream crude oil refining till downstream fiber spinning and even fabric production. China's leading integrated PET manufacturer is a Fortune 500 company with revenue reaching $45 bn in 2017.China has created massive capacity for recycled polyester fiber(R-PET) which increased from 4.5 MT in 2010 to 6.9 MT in 2017.

China has been able to diversify its downstream consumption base as shown in the chart below




Interestingly, India is also stepping up its production capacity for polyester staple fiber and Filament Yarn. According to PCI, during 2017 to 2020, India's production of polyester staple fiber is projected to increase from 1.5 Mn tons to 1.70 Mn tons (13%) whereas the production of PFY will witness a growth of 23% from 3.48 Mn tons to 4.29 Mn tons.

The scale and size are also evident in the cotton textile industry where Chinese firms have far bigger scale than their India counterparts. There are several Chinese companies with a capacity of over one million spindles and shuttle-less weaving machines over 10,000.

In terms of competitiveness the large scale gives a cost advantage and flexibility to reach quickly to market demands.

**Table 1: Economies of scale**

| | India | China |
|---|---|---|
| Cotton production (Mn tons) 2017-18 | 6.35(24%) | 5.89(22%) |
| MMF Production (Mn tons) 2017 | 5.93(9%) | 44.96(65%) |
| Textile exports ($ Bn) | 17(5.8%) | 110(37.1%) |
| Apparel exports ($ Bn) | 18(4.1%) | 158(34.9%) |

Sources: ICAC, PCI, WTO. Parentheses show % global share

### Manufacturing Costs

In terms of factor costs of manufacturing, India has an advantage in respect to wages. However, lower factor costs in the Xinjiang region where China is developing its spinning and weaving industry cushion the higher costs in the coastal region to some extent. However, it's apparent that high wage costs are already forcing China to move its apparel manufacturing to other countries in Southeast Asia. India faces a cost disadvantage on high inland freight cost in moving goods from upcountry locations to ports. This is an area where much attention should be paid to improve the infrastructure and reduce transaction costs.

Vietnam enjoys preferential market access to the ASEAN and Japan markets and is on the verge of concluding an FTA with EU. In today's unpredictable trade environment, international buyers try to diversify their sourcing strategy in favor of countries with a preferential market access.

### Takeaways

What are the takeaways from this discussion: Indian textile industry has improved its competitiveness in terms of technology absorption however there is still a great potential to improve our global competitiveness. While the investments in general infrastructure will help to create an enabling environment, supportive government policies are imperative to attract investment in the MMF sector, promoting the use of technology in cotton cultivation and boosting downstream demand.

**Table 2: Manufacturing costs**

| | China | India |
|---|---|---|
| Power (US$/Kwh) | 0.12 | 0.09 |
| Wages (US$/Month) | 580 | 170 |
| Inland freight cost (40 ft FCL) | 400 | 800 |

Source: Gherzi

### Cotton Yields

India has remained the No.1 producer of cotton since 2015-16. However, the decline in yields from a peak level of 581 kgs/ha is likely to diminish the gains achieved in the last decade after introduction of BT technology. If the yields start to go down, the growers will not find cotton remunerative. The table below shows the trends in cotton yields in India vis-à-vis global average and in comparison to China which has shown a continuous increase.

**Table 3: Cotton Yields (Kgs/ha)**

| | World average | India | China |
|---|---|---|---|
| 2005 | 700 | 472 | 1162 |
| 2010 | 750 | 522 | 1239 |
| 2015 | 693 | 482 | 1553 |
| 2018 | 775 | 507 | 1693 |

Source: ICAC

### Market access

Trade preferences in terms of duty-free market access is a key purchasing criterion for international apparel buyers. This is where Indian apparel exporters face a disadvantage vis-à-vis Bangladesh and Pakistan.

# SYNTHETIC TEXTILES INDUSTRY IN INDIA AND OPPORTUNITIES AHEAD

**Mr. Sanjay Arora**
Business Director- Wazir Advisors Pvt. Ltd.

The current global fiber demand is split into about 26% for cotton and 56% for polyester. In 2000, this share was about 35% for both cotton and polyester. Global demand for cotton fiber witnessed a continuous decline since then. Further, by 2030, it is expected that Polyester will be covering ~60% share of the total fiber demand on global level while cotton will account for about 1/4th share. Impressive growth and volume of polyester fiber consumption is driven by the trends in the global market. The changes in the consumer lifestyle and attitude drive trends in the end products and impact of such trends is passed along the value chain through combination of requirements centered on cost, performance and availability.

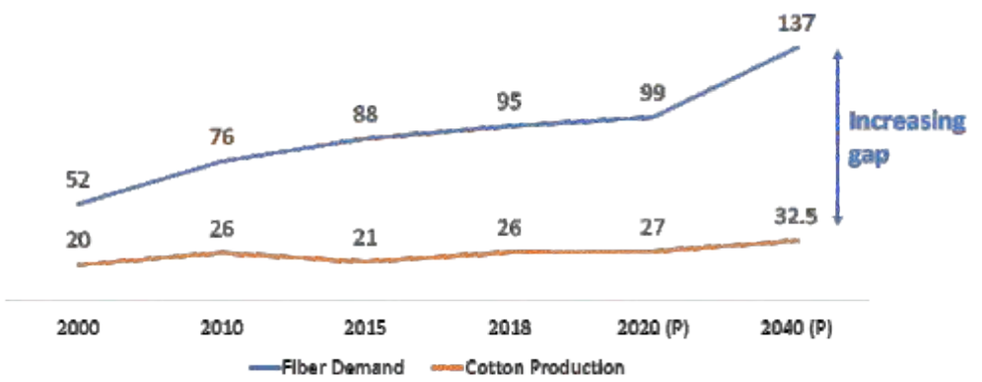
This article talks about the dynamics of synthetic textile industry and how India can focus on untapped investment opportunities in this sector. Key advantages enjoyed by the Indian players and the gaps to be fulfilled are also discussed in detail.

## Popularity of synthetic textiles is rising worldwide

Global textile and apparel industry is going through a drastic shift from cotton to synthetic. There are a number of reasons behind this trend. Low cost, demand-supply gap in cotton, and versatility design and application are some of the reasons. For instance,

global cotton supply is not increasing in line with overall fibre demand growth. With increasing world population and consumer prosperity in developing nations, the fibre demand is continuously increasing. However, the land under cotton cultivation is decreasing because of competing land use which are more attractive (other cash crops, food crops, industrialization, urbanization).

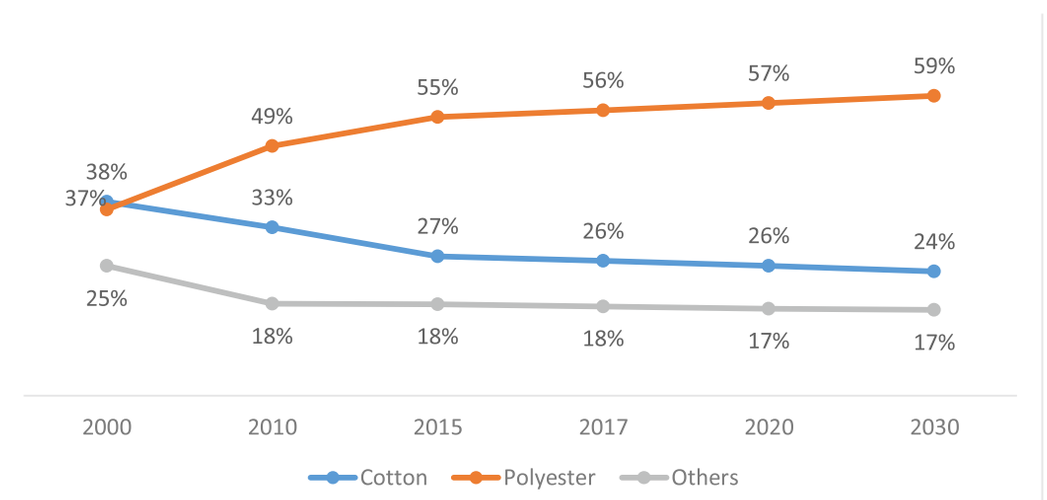
**Figure 1: Global Fibre Demand and Cotton Production (Bn. Kg)**




*Data Source: PCI Fibers, International Cotton Advisory Committee, OECD-FAO Agricultural Outlook 2016-2015, Wazir Analysis*

On the other hand, global share of polyester is projected to increase from current level. Before 2000, cotton held a majority share in global fibre consumption. By 2030, it is expected that consumption of polyester will be approximately three times to that of the cotton fibre.

**Figure 2: Global Fibre Consumption Trend**




*Data Source: PCI Fibers, Wazir Analysis*

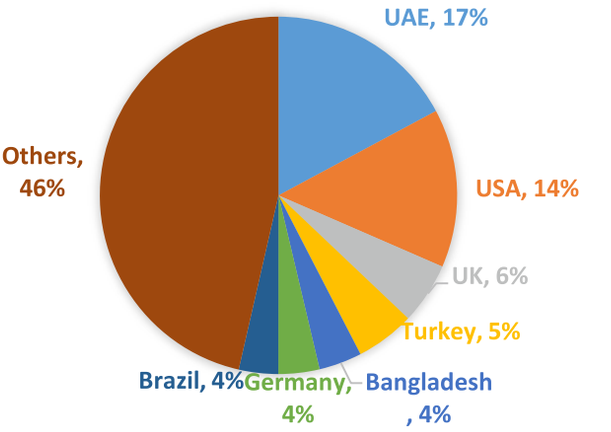
## Numerous factors driving growth of synthetic textiles

The impressive growth and volume of polyester fiber consumption is driven by the trends in the global market. Other synthetic fibers gaining importance are recycled nylon, lyocell, and viscose. However, polyester remains the dominant fiber in synthetic category. The changes in the consumer lifestyle and attitude drive the trends in the end products. Following key trends have been identified:

- Increasing focus on health and fitness
- Sustainable fashion in trend
- Emergence of sportswear, performance wear and athleisure as major end-use categories
- Increasing cost competitiveness has caused focus to shift on low-cost fibers for clothing manufacturing

Owing to the above trends in the global market, polyester has proved to be one of the most cost-effective and adaptable fiber types, and has increasingly picked up the bulk of new business growth. It is recyclable and can be blended with other fibers like cotton and spandex for performance requirements. Recycled polyester has achieved pride of place as a green textile option today. Plastic bottles are recycled and transformed into fibres. This was, the bottles are saved from going into landfills. Many global companies like H&M, Nike, The North Face are incorporating recycled polyester in their manufacturing process and attracting the customers who are environment conscious. Demand for polyester continues to result in market share

gains and the current athleisure fashion trend has resulted in very strong opportunities for growth. Athleisure is a recently emerged category in fashion business in which clothing designed for workouts and other athletic activities is worn in other settings, such as at the workplace, school or casual/social occasions.




*Data Source: UN Comtrade*

## A glimpse of India' synthetic textiles industry

### a. Production

Man-made fibres production in India has increased marginally from 1,307 Mn. Kg. in 2013-14 to 1,319 Mn. Kg. in 2017-18 registering a CAGR of 0.2%. Production of MMF filament yarn declined at a CAGR of 2% during the same period to reach 1,187 mn. kg in 2017-18. Production of MMF fabric declined at a CAGR of 3% to reach 15,236 mn. sq. meter in 2017-18.

**Figure 3: Production of Man-made textile items in India**

| Category | Unit | 2013-14 | 2014-15 | 2015-16 | 2016-17 | 2017-18 | CAGR |
|---|---|---|---|---|---|---|---|
| MMF | Mn. Kg. | 1,307 | 1,344 | 1,347 | 1,363 | 1,319 | 0.2% |
| MMF Filament Yarn | Mn. Kg. | 1,293 | 1,248 | 1,164 | 1,159 | 1,187 | -2.1% |
| MMF Fabric | Mn. Sq. Mtr. | 17,049 | 16,924 | 15,335 | 13,563 | 15,236 | -2.8% |

*Data Source: Compendium of Indian Textile Statistics 2016-17, Office of Textile Commissioner*

### b. Exports

Exports of MMF based textile and apparel declined from US$ 11,025 mn. in 2016-17 to US$ 10,969 in 2017-18, indicating a decline of 1%. While exports of filaments, yarn and home-textiles have witnessed a growth of 11%, 5% and 11% respectively; exports of fibre, fabrics and apparel declined by 1%, 2% and 7% respectively. In the Indian MMF textile and apparel exports, apparel contributes to a maximum share of 47% followed by Fabric at 19%, Filament at 11%, Yarn at 6% and Home-Textile at 1%

**Table 1: India's Exports of MMF textiles and apparel (Values in US$ Million)**

| Category | 2016-17 | 2017-18 | y-o-y Change |
|---|---|---|---|
| Fibre | 594 | 587 | -1% |
| Filament | 1,106 | 1,231 | 11% |
| Yarn | 673 | 705 | 5% |
| Fabric | 2,112 | 2,069 | -2% |
| Apparel | 5,521 | 5,155 | -7% |
| Home Textiles | 92 | 102 | 11% |
| Others | 926 | 1,120 | 21% |
| **Total** | **11,025** | **10,969** | **-1%** |

*Data Source: DGCI&S*

UAE, USA and UK were the top three destinations for Indian exports of MMF based textiles. Others major markets include Turkey, Bangladesh, Germany, Brazil etc.

c. **Imports**

India imported Man-made textiles and apparel worth US$ 2,987 mn. in 2017-18 which has grown at 16% y-o-y. Man-made yarn imports have almost doubled from US$ 117 million in 2016-17 to US$ 227 mn in 2017-18, witnessing an increase of 94% as compared to previous year. Moreover, imports of MMF based Apparel and Fabric have also witnessed high growth of 30% and 19% respectively.

### Investment opportunities in Synthetic textiles for India is huge

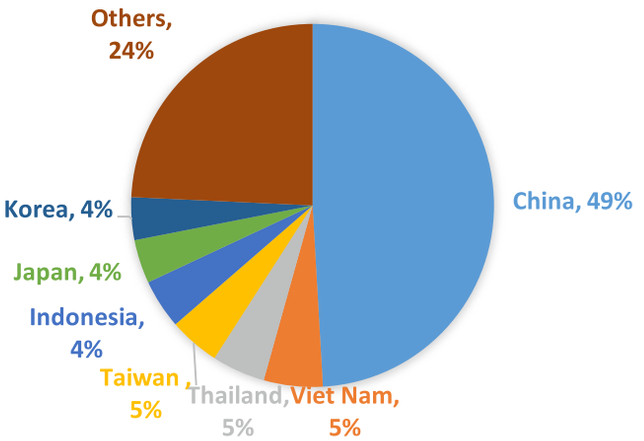
With the growing textile and apparel market of India and improving export competitiveness, there are significant opportunities across all fiber types and products. However, MMF based textile products are expected to lead the demand globally. India's MMF based textile manufacturing is largely focused towards low-value added and commodity products. However, the demand for value added synthetic fabrics is growing worldwide rapidly. Countries like China, Taiwan and Korea are already into manufacturing of high end MMF based textiles. To keep up with the current needs, Indian companies need to invest and develop capabilities in MMF textile and apparel products to tap the value added segment. Performance based MMF fabrics, which are currently not being manufactured in India sufficiently offers huge potential for future investments. Potential investment opportunities in Synthetic textiles are discussed below:

**Table 3: India's Imports of MMF textiles and apparel (Values in US$ Million)**

| Category | 2016-17 | 2017-18 | y-o-y Change |
|---|---|---|---|
| Fibre | 370 | 336 | -9% |
| Filament | 553 | 638 | 15% |
| Yarn | 117 | 227 | 94% |
| Fabric | 1,017 | 1,209 | 19% |
| Apparel | 194 | 252 | 30% |
| Home Textiles | 77 | 64 | -17% |
| Others | 253 | 261 | 3% |
| **Total** | **2,580** | **2,987** | **16%** |

*Data Source: DGCI&S*

China, Vietnam and Thailand were the top suppliers of MMF based textiles to India. Others major suppliers include Taiwan, Indonesia, Japan, Korea etc. Import from all these nations, except for Taiwan and Japan have increased in 2017 when compared y-o-y.




*Data Source: UN Comtrade*

- **Boosting exports**

  India's presence is still insignificant in global trade of manmade fibre based textile products. Amongst the top 10 traded MMF based categories, India share is very low (<10%), except for Blouses, dresses and Sportswear. However countries like China and Vietnam have comparatively larger share. India needs to invest and develop capabilities in MMF textile and apparel products to penetrate the market.

### Table 5: India's trade share in top traded MMF based apparel categories globally (2017)

| Category | Global Trade-2017 (US$ Bn) | India's share-2017 | China's share - 2017 | Vietnam's share-2017 |
|---|---|---|---|---|
| Trousers | 26 | 3.8% | 37% | 14% |
| Sweaters | 20 | 0.4% | 53% | 8.4% |
| Dresses | 14 | 6.4% | 40% | 5.3% |
| Jackets | 14 | 2.0% | 62% | 4.6% |
| Hosiery | 12 | 1.0% | 46% | 1.3% |
| Brassieres | 10 | 1.0% | 51% | 7.2% |
| Overcoats | 8 | 0.5% | 34% | 11% |
| Blouses | 7 | 10% | 16% | 7.7% |
| Gloves | 5 | 1.1% | 49% | 6.8% |
| Sportswear | 4 | 7.2% | 21% | 18% |
| Others | 69 | 4.1% | 46% | 8.9% |
| **Total** | **188** | **3.4%** | **44%** | **8.5%** |

Source: UN Comtrade & Wazir Analysis

- **Import Substitution**

  India imported synthetic woven and knitted fabric worth US$ 640 mn. and US $390 mn. respectively in the year 2017. India nearly has no presence of significant players in high end segment and hence majority of the high quality fabric is being imported by India from countries like China, Korea & Taiwan. Production of such categories should be promoted in India.

- **Tapping the future demand**

  According to PCI, global demand for Polyester stands ~52 Mn Tonnes in 2017 and is expected to grow to ~65 Mn Tonnes by 2025. Currently, Polyester demand in India currently stands at 4 Mn Tonnes and is expected to grow to 6.7 Mn. Tonnes by 2025. A detailed analysis of demand-supply scenario of Polyester depicts that there will be a capacity deficit for the same from 2022 onwards. Existing Polyester manufacturers in India have opportunity to cater approximately 5 Kilo Tonnes Polyester demand by 2022. Global and Indian trade data analysis shows that India needs to increase its Market share in synthetic fabric & apparel trade. Main focus needs to be given on manufacturing of top traded and the fastest growing fabric and garment categories.

- **Capacity building for manufacturing major imported products**

  Share of polyester fibre/ filament import from China in India's total polyester consumption has increased from 35 mn kg (1%) in 2012-13 to 105 mn kg (2.5%) in 2016-17. Understanding product demand by India's import analysis guides us to shortlist major product categories which should be targeted for manufacturing in India.

  Global MMF based textile manufacturing is largely dominated by countries like Korea, Taiwan, Japan and China. Each one of these has developed its own USP to grow and occupy a distinct position in the industry. Indian textile industry can learn a lot from the following strategies of these global leaders: (see table 6 on next page)

## Good days are ahead for the synthetic textiles industry in India

- **Government hikes import duty to boost man-made textiles manufacturing**

  Last year, Government doubled import duties on 196 man-made fabric categories at HS 8 digit level to 20% from existing 10%. The objective of this move was safeguarding the interest of domestic fabric manufactures and attract investments in the sector. It is worth mentioning that the import

### Table 6: Key Growth Strategies of Leading MMF Players Globally

| Country | Key Growth Strategy |
|---|---|
| China | ÷ Large scale of operation (Knit capacity ~100 Tonnes Per Day)<br>÷ High level of Integration<br>÷ Large order size |
| Korea | ÷ Strong coordination across the value chain<br>÷ Ability to manufacture High performance products<br>÷ Robust Research & Development<br>÷ Strong marketing network |
| Taiwan | ÷ Robust Research and Development<br>÷ Focus towards Niche segment<br>÷ Innovation focus |
| Japan | ÷ High automation and innovation focus<br>÷ Sophisticated branding |

value of these products was approximately US$ 900 Million in 2017-18, growing by 62% y-o-y as compared to 2016-17. Major imported fabric categories have witnessed double digit y-o-y growths. Thrusting upon manufacturing of these products will give an edge to the domestic fabric manufacturers.

### Table 7: Import growth of major categories on which import duty got doubled (Values in US$ Million)

| HS Code | Commodity | 2016-2017 | 2017-2018 | % growth |
|---|---|---|---|---|
| 60063200 | Synthetic Knit Fabric-Dyed | 167 | 210 | 26% |
| 59021090 | Tyre Cord Fabric of Nylon/other Polyamides | 99 | 120 | 21% |
| 54076190 | Synthetic woven fabric of non-textured polyester filament | 70 | 86 | 22% |
| 59021010 | Tyre Cord Fabrc of Nylon/other Polyamides with Rubber | 61 | 75 | 24% |
| 60064200 | Knit fabric of Artificial Fibres-Dyed | 16 | 39 | 137% |
| 59022090 | Tyre Cord Fabric of Polyester | 29 | 36 | 23% |
| 60053600 | Other, Unbleached Or Bleached | 0 | 30 | - |
| 58063200 | Synthetic Narrow Woven Fabric | 21 | 28 | 29% |
| 60053700 | Other, Dyed | 0 | 28 | - |
| 60063400 | Synthetic Knit Fabric-Printed | 20 | 23 | 12% |
| | Others | 139 | 226 | 44% |
| | **Total** | **623** | **900** | **62%** |

Data Source: DGCI&S

- **Indian Players are investing aggressively in synthetic textile industry**

  Reacting to rising popularity of Polyester textiles across the globe, many Indian players have announced recent expansions in this segment. India's largest Textile and apparel giant, Arvind has recently added polyester knitted fabric to its portfolio and currently offering 100% Polyester, Poly Spandex etc. In line with the global trend, majority of the textile players are orienting themselves towards synthetic fiber based active wear/sportswear and performance wear fabrics. Bhilosa Industries, Mumbai which is a major Polyester texturized yarn, is also planning to double its capacity to produce 3,000 Tonnes per day in the near future. Gimatex Industries, Mumbai has added Tencel modal and Cotton modal yarns in its product offerings. Earlier they were producing mélange yarn, viscose yarn, cotton compact yarn etc.

## Indian textile players need to gear up to attain competitiveness in this sector

In spite of the tremendous opportunities available in synthetic textiles sector, Indian players need to master know-how of processes involved in synthetic textiles manufacturing. Major problem existing with the Indian manufacturers is the lack of scale, low manpower efficiency and lesser focus on research and innovation activities. Challenges are also being faced during processing of synthetic textiles. Following interventions should be taken by the various stakeholders in order to strengthen the synthetic textile industry of India:

- Developing Exhibition and Display Centres similar to China, Korea & Taiwan
- Alignment/coordination with buyers to understand product requirements and support innovation
- Enhancing focus on sustainability within the textile and apparel chain
- Government's role:
  - Right blend of policies for both exports as well as domestic consumption
  - Better coordination between the Government and industry agencies
  - Promotion of Indian manmade textile sector in the global arena
  - Thrusting R&D and Educational institutions to take responsibility in the industry development
  - Introduction of fibre neutral policies

In a nutshell, polyester is the fibre of future and global textile players have already started aligning their businesses accordingly. Indian textile industry remains largely cotton focused and needs to improve its positioning in synthetic textiles trade on global level. India's MMF production remained almost stagnant during last few years. Comparing y-o-y, MMF exports also declined slightly while imports saw double digit growth. However, opportunities in this sector are huge for India. Overall business sentiment of synthetic textiles in India seems improving and the sector is expected to witness notable growth in future. With increasing government supporting and changing mindsets, many textile companies have done capacity expansion in this sector and many others are planning to do so. Hence, it can be expected that India may enhance its export competitiveness and supplier image of its synthetic textiles sector in the near future.

# INCOME-TAX LAW – EMERGING TRENDS


**Mr. Percy Chhapgar** (Partner) **and Ms. Sana Khatri** (Manager)
Deloitte Haskins and Sells LLP

Taxes on income earned have been a subject matter of much debate and deliberation around the globe over the years and there is a sizeable amount of literature available on the subject. In addition, there are frequent developments in law by way of amendments (both prospective and retrospective), decisions, position papers, circulars, notifications, etc. pertaining to various segments of business.

However, with the advent of technology, the manner of doing business and the impact thereon on taxation, has been also undergoing continuous and significant change. What is necessary therefore, is to identify and factor the impact of such developments, which are of relevance to business, industry and trade.

The tax scene internationally is also changing with the 'Base Erosion and Profit Shifting' (BEPS) project of the 'Organisation for Economic Co-operation and Development' (OECD). Although India is not a member of the OECD, as a member of the G20 group of countries, it has been actively participating in OECD's BEPS project and has been leading the global effort in reducing tax avoidance/evasion by adopting the BEPS action plans vigorously.

This article seeks to identify and discuss some of the key updates under the Income-tax Act, 1961 [the Act] which are of relevance to industry.

- **Threshold increased to avail reduced corporate tax rates:**

  For the Financial Year 2018-2019, the reduced corporate tax rate of 25% (plus surcharge and health and education cess, as applicable) is applicable in cases of domestic companies having total turnover or gross receipts not exceeding Rs 250 crore in the Financial Year 2016-17. The earlier limit to claim the reduced corporate tax rate of 25% was Rs 50 crore.

- **Presumptive taxation[1] relief for entities with turnover of less than Rs. 2 crore for receipts through the banking system:**

  Previously, 8% of the total turnover/gross receipts in the case of resident non-corporate assessees engaged in specified businesses was considered as "business profits" for assessees having total turnover / gross receipts not exceeding Rs. 2 crore.

  With a view to promoting digital transactions and to encourage small unorganised businesses to adapt and accept digital payments, the rate of deemed income of 8% has been brought down to 6%, in respect of the turnover / gross receipts of such specified business, received by an account payee cheque or an account payee bank draft or through the use of electronic clearing system through a bank account during the year. The deemed profit and gains rate of 8% continues to apply in respect of balance turnover or gross receipts received in any other mode.

- **Special tax holiday in respect of certain specified business:**

  A 100% profit-linked deduction of profits and gains derived by an eligible start-up from an eligible business is available[2] for a period of three consecutive years out of seven years from the date of incorporation. For availing this, a taxpayer is, inter-alia, required to fulfil all of the following conditions:

  - The taxpayer should be a company or a Limited Liability Partnership incorporated on or after 01 April 2016, but before 01 April 2021;
  - The total turnover from the business should not exceed Rs 25 crore in the tax year in which the deduction is claimed;
  - The taxpayer should hold a certificate of eligible business obtained from Inter-Ministerial Board as notified by the Government of India.

  An "eligible business" is defined as a business carried on by an eligible start-up engaged in the innovation, development or improvement of products or processes or services or a scalable business model with high potential of employment generation or wealth creation.


- **Deduction in respect of generation of employment:**

  A deduction[3] of 30% is allowed in addition to normal deduction of 100% in respect of emoluments paid to eligible new employees who have been employed for a minimum period of 240 days during the year. This limit of minimum period of employment has been relaxed to 150 days for, inter-alia, the apparel industry. The deduction of 30% is also available for new employees who are employed for less than 150 days during the first year, but continues to remain employed for 150 days in the immediate subsequent year.

- **Taxability of income from patents:**

  To encourage indigenous research and development (R&D) activities and to make India a global R&D hub, with an aim to provide additional incentive for companies to retain and commercialise existing patents and to develop new innovative patented products and to encourage companies locate high-value jobs associated with the development, manufacture and exploitation of patents in India, a concessional provision[4] was introduced vide the Finance Act, 2016.

  In terms thereof, where the total income of an eligible assessee's income includes any income by way of royalty in respect of patents developed and registered in India, such royalty shall be taxable at the rate of 10% (plus applicable surcharge and cess) on the gross amount of royalty. No expenditure or allowance in respect of such royalty income is allowable under the Act.

---

[1] *under section 44AD of the Act*

[2] *under section 80-IAC of the Act*

[3] *under section 80JJAA of the Act*

[4] *under section 115BBF of the Act*

For this purpose, an eligible assessee is a person resident in India, who is the true and first inventor of the invention and whose name is entered on the patent register as the patentee, in accordance with the Patents Act, 1970 and includes every such person, being the true and the first inventor of the invention, where more than one person is registered as patentee under the Patents Act, 1970, in respect of that patent.

Further, the royalty income and corresponding expenditure incurred by the tax payer would be ignored for purposes of computing Minimum Alternate Tax.

This provision is also in line with the recommendation of the OECD in the BEPS - Action Plan 5 and the nexus approach therein which prescribes that income arising from exploitation of Intellectual property (IP) should be attributed and taxed in the jurisdiction where substantial R&D activities are undertaken rather than the jurisdiction of legal ownership only.

❖ **Equalisation Levy[5]:**

Recognising the challenges posed by the digital economy vis-à-vis taxability of ecommerce transactions and to address the challenges in terms of taxation of digital transactions, a new tax titled "Equalisation Levy" has been brought into force w.e.f. 01 June 2016, to impose an "equalisation levy" of 6% on the consideration received or receivable by a non-resident from a resident or from a non-resident having a permanent establishment in India under certain specified transactions.

The key features of this levy are as under:

- Applicable to payments made to a non-resident for "specified services" by:
  - A person resident in India and carrying on business or profession; or
  - A non-resident having a permanent establishment in India.
- "Specified services" means online advertisements, any provision for digital advertising space or any other facility or service for the purpose of online advertisement and such other services as may be notified.
- Equalisation levy will not be charged in the following cases:
  - Non-resident providing specified services, has a permanent establishment in India and the specified service is effectively connected with such permanent establishment;
  - Payment does not exceed Rs. 1 lakh in any previous year;
  - Payment is not for the purpose of carrying out business or profession

Detailed provisions have been introduced to ensure compliance of the said levy.

❖ **Limitation on interest deduction**

The Finance Act, 2017 introduced a provision[6] to limit the deduction in respect of interest in the hands of an Indian company or a permanent establishment of a foreign company in India, on the loans availed by it from its associated enterprises to the extent that it is in excess of 30% of the earnings before interest, taxes, depreciation and amortisation of the borrower in the previous year or interest paid or payable to associated enterprises for that previous year, whichever is less.

This limitation applies to tax deductible interest or similar consideration exceeding Rs. 1 crore.

❖ **Prosecution for failure to furnish income-tax return:**

Section 139(1) of the Act mandates all assessee companies to file a tax return in India on or before the prescribed due date.

Where such companies (as opposed to assessees other than companies), irrespective of their total income and the fact that their tax liability does not exceed Rs. 3,000/-, fail to do so, they shall be liable for prosecution[7].

❖ **General Anti Avoidance Rule (GAAR)[8] :**

The GAAR provisions are effective from Assessment Year 2018-19 onwards, i.e. Financial Year 2017-18 onwards. The necessary procedures for the application of GAAR and the conditions under which it shall not apply, have been enumerated in Rules 10U to 10UC of the Income-tax Rules, 1962.

Stakeholders and industry associations had requested for clarifications on implementation of GAAR provisions and a Working Group was constituted by Central Board of Direct Taxes (CBDT) to examine the issues raised. Accordingly, CBDT has also issued detailed clarifications on implementation of GAAR provisions.

---

[5] *Chapter VIII of the Finance Act, 2016*

[6] *under section 94B of the Act*

[7] *under section 276CC of the Act*

[8] *Chapter X-A of the Act*


❖ **Place of Effective Management [POEM][9] in India:**

Prior to its amendment by the Finance Act, 2015, the Act provided that a company is said to be resident in India in any previous year, if it is an Indian company or if during that year, the control and management of its affairs is situated wholly in India. This was perceived to allow tax avoidance opportunities for companies to artificially escape the residential status under these provisions by shifting insignificant or isolated events related with control and management, outside India.

To address these concerns, the existing provisions were amended to provide that a company is said to be resident in India in any previous year, if—

(i) it is an Indian company; or

(ii) its place of effective management in that year is in India.

"Place of effective management" has been defined in the Act to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance, made.

The guiding principles for determination of POEM of a company were issued. Further, it has been clarified that the POEM provisions shall not apply to a company having turnover or gross receipts of Rs 50 crore or less in a financial year. These rules will impact outbound investments by Indian MNC Groups.

To sum up, the scenario is getting interesting and even challenging. Also proactively, clarifications are being issued by the CBDT clarifying its position on various issues, leaving less room for guess work and ambiguity. One thing which is imperative is maintenance of appropriate documentation which will help the tax payer to clarify / justify its position. Also, in this day of information overload, one needs to sift through and track developments which are of relevance.

---

*[9] under section 6(3) and section 115JH of the Act*

RIETER

## RIETER MACHINE WORK LTD.

**Mr. Prasanta Deka**
Market Head - India, Rieter Machine Work Ltd.

We are already heading towards a digital era where most of the machinery, equipment and processes are going through digitalization. The textile sector is no exception. We at Rieter are working towards developing smart, intelligent and user friendly digital solutions for our machines and processes. Being a system supplier for spinning machines for several decades, we are able to integrate our know-how in developing digital solutions which can give maximum benefits to the customers. Intelligent mill monitoring system like SPIDERweb and latest predictive maintenance solution UPtime are the best examples.

**Rieter Digital Products :**

As the world's leading supplier of systems for short-staple fiber spinning, Rieter combines its many years of expertise with digital experience, using data collection, automation and remote monitoring to swiftly create intelligent spinning mills, helping customers increase their company's value.

Rieter has developed SPIDERweb, a user-oriented system that collects data regarding processes, quality and production efficiency so that deviations can be detected at an early stage. Thanks to Rieter's Alert and Cockpit Module, customers have remote access to monitor their machinery. It allows customers to proactively make decisions anywhere, anytime. The module significantly simplifies mill management and maximizes mill efficiency.

With its latest innovation, UPtime, Rieter is digitalizing spinning mills and bringing artificial intelligence into maintenance. UPtime examines performance-critical data such as temperature, air pressure or vibration, identifies abnormalities and offers a prescribed solution.

# Made-to-Order Solutions

l.ead.me/bayk96

## Customer-Specific Engineering

When ready-made products are not enough, Rieter provides individual and tailor-made solutions designed for the challenge at hand. With Customer-Specific Engineering, you benefit from a unique solution, fitting perfectly your needs and existing installations.

www.rieter.com

The Comfort of Competence

RIETER

### SPIDERweb

SPIDERweb is the only mill monitoring system that captures, displays and assists in the analysis of all of the relevant data, right from spinning preparation up to all four end spinning systems. Intelligent modules enable quick decisions to be made and measures to be prioritized. Plant utilization is improved, quality levels and productivity are increased, energy consumption is reduced and the yield of raw material is optimized. New modules are constantly developed and can be integrated easily.

### SPIDERweb Modules

Intelligent modules enable quick decisions to be made and measures to be prioritized. The utilization of the plant is improved, the quality level and productivity increased, energy consumption reduced and the yield of raw material optimized. Planned modules ensure the future expansion of the investment.

### UPtime

As a pioneer in its field, Rieter introduces UPtime and digitizes spinning mill maintenance activities.

UPtime is an intelligent system which combines big data and machine learning algorithms to analyze and identify abnormalities and predict failures. From Rieter to third-party spinning equipment and auxiliaries, UPtime covers the entire spinning mill maintenance needs.

### Predictive Maintenance

UPtime represents a new strategy of maintenance by predicting when equipment failure might occur. Through a network of sensors, UPtime collects performance-critical data on machinery such as temperature, air pressure, vibration and the like. It captures historical and real-time data which are then analyzed using algorithms to diagnose failures and predict the need for maintenance. UPtime structures all past, current and future maintenance activities and gives clear directions as to what actions should be taken.

### Rieter-Products

Investments in Rieter machines are exceptionally attractive due to the outstanding price/performance ratio, the low conversion costs and the longevity of the products, which remain competitive by means of retrofits. Rieter is the only textile machine manufacturer to offer four spinning technologies and to advise customers competently, independently and with tailor-made solutions.

Rieter product range stands for high production performance and consistent sliver and yarn quality. Latest Product innovations lower the conversion costs for yarns and thus help to achieve sustainable success. They ensure extremely long service lives, which apply equally to the machines as well as to their components.

### About the Company

Rieter is the world's leading supplier of systems for short-staple fiber spinning. Based in Winterthur (Switzerland), the company develops and manufactures machinery, systems and components used to convert natural and manmade fibers and their blends into yarns. Rieter is the only supplier worldwide to cover spinning preparation processes as well as all four end spinning processes currently established on the market. With the acquisition of SSM Textile Machinery in mid-2017, the company invested in related areas of the textile value chain, thereby expanding its portfolio. With 17 manufacturing locations in ten countries, the company employs a global workforce of some 5 250, about 20% of whom are based in Switzerland.

# COTTON – A NEW LOOK AGAIN REASSERTING ITSELF

## DISCUSSION AND DELIBERATIONS AT ITMF 2018

**Mr. Suresh Kotak**
Chairman, Kotak and Co.

The above subject was one of topical discussion at ITMF annual conference 2018 during 7-9th September held at Nairobi. The subject was supply chains & business models in times of rapid change.

In order to identify, assess and follow closely various trends and resource use in connection with textile, we need to understand and familiarise with the globally evolving trends, emerging thinking and changing perceptions in terms of use and utilization of resources from various point of view of production & consumption.

All this has to undergo globally acclaimed acid test of sustainability as well as environmental considerations.

In the following paragraphs i have tried to capture the essence of the opinions expressed in terms of project tabled in world economic forum which expounds the theme of production sustainability as advocated by United Nations sustainable development goals known as UN-SDG's.

It is well recognised that the combined effects of Technology and its free falling cost will be accelerating progress exponentially.

This paper was prepared by World Economic Forum in collaboration with Accenture.

Thus, WEO meeting in January 2018, the said project was mooted for accelerating sustainable production. The article was aimed at taking initiative on shaping the future of production which harnesses innovation to strengthen competitiveness while delivering increased efficiency, improved human wellbeing and less environmental damage.

This calls for tapping into the developments rot by the combined effects of biological, physical and digital technologies to create realities previously thought to be unattainable.

This project is prepared with a view to act as a guide for optimizing the benefits of the Fourth Industrial Revolution which is on the way. The Fourth Industrial Revolution Developments have to coincide with United Nations Sustainable Development Goals emanating into SUSTAINABILITY OF RESOURCES AND IMPERATIVE OF ENVIRONMENTAL CONCERNS.

The report is an excellent document ingesting the ideas of Advance Manufacturing, in terms of

innovating and enabling physical and digital technologies, New Materials, Advance Agriculture, Factory Efficiency and Traceability. There was a good amount of discussion on this by various luminaries.

In view of this backlog of mega thinking pervading the global intellectual and intelligencia, ITMF 2018 Annual Conference held in Sept'18 had very interesting agenda namely supply chains & business models in times of rapid change. No. of speaker's presentation on different aspects on textiles.

ITMF Conference concentrated on newer topics which impels us to have a new look on Cotton which has started again reasserting itself. As a natural course with newer thinking on resource sustainability and environmental credibility. These are the two tests which will be at core of resource managements. Let us look it at angle of Cotton and various other fibres.

At ITMF 2018 annual conference held during 7-9th September 2018 at Nairobi, Kenya had very interesting agenda namely - Supply chains and business model in times of rapid change.

The conference had a lot of discussion on Fibres of all kind. The cotton was particularly addressed with a focus as usual at ITMF.

The presentations made at Joint Cotton Committee, Cotton Consumer Committee, Spinners Committee were full of aspirational discussion about Cotton being on a revival spree to be taking place.

One of the speakers mentioned - to quote "COMING EVENTS CAST THIER SHADOW BEFORE" the discussion centred on the environmental pressures which is compelling to get into different models of Fibre use, supply chain as well as business model. There were pointers that Cotton is replacing to an extent Polyester because Cotton being Bio Degradable and Polyester a clear threat to Environment.

**Environmental Compulsion getting into favour of Cotton Use.**

There was a growing feeling that environmental compulsion and a trend of giving a Go-Bye to plastics / polyester – Reducing their use – even recycling, all that portend that Cotton will emerge out of diminutive position to position of eminence once again. Along with the discussion on Cotton, the discussion centred on other natural fibres also like Jute, Mast Fibres, Flacks, Bamboo Fibres, Kapok and also Man Made Fibre Celluloses.

Man Made Fibre Celluloses are different types of Viscos and Acetate Fibre. Aceted fibre production can use cotton linters as raw materials.

Austrian Company like Lenzing has also started using Second Hand Clothing and gets it into Pulp and uses it. The Cotton Linters have also given good alternatives and companies like Fushing & Sateri in China are using the Linters as a raw material for manufacturing of Man Made Cellulosic Fibre.

The Man Made Cellulosic Fibre is changing its course as environmentally more sustainable Fibre than Polyester.

In this context it is worthwhile to know that Neeti Ayog (former Planning Commission of India) has appointed a special director on Natural Fibres. The inspiration also comes from World Conference on natural fibre held in 2009 by FAO – the world organisation functioning at Rome, Italy.

The manufacturer of Polyester has been now taking new approach - The environmental one by changing metamorphically to Reuse & Recycle of Polyester. The sister and brothers of Polyester group fibres are Polyethane, Nylon, Acrylic Etc., the thinking is Cotton is a BETTER WARE FIBRE and Polyester is BETER TEAR FIBRE due to its differing functionality.

The general approach was that Cotton has to come up for better productivity, improved qualities, create cost effectiveness and also add new attributes Fibre.

It may be worthwhile to know that Indian scientist is working on "Genes of Silk" into Cotton Cultivation which can give very high tensile steely cotton fibres.

Essentially Cotton's importance is likely to increase because of One single factor i.e. COTTON IS A RENEWABLERESOURCE OBTIANBALE EVERY YEAR whereas Polyester which comes from Oil as an origin will have finally universal resource problem – susceptible to inherent global resource depletion.

Cotton thus gets into the category of sustainable fibre with new technologies which optimises & reduces the applications of fertilizers and pesticides.

ITMF Meetings also discussed about Transparency, Traceability and Sustainability in Cotton. Lot of discussion and deliberation took place and sustainable efforts of various organisations like Better Cotton Initiative, Fair Cotton, Organic Cotton and other efforts were discussed.

Two broad classifications (1) Mass Balance Sustainable Model – which includes above mentioned methods.

These are the methods essentially used by the retailers like IKEA for branding their goods. Other requirement that emerged at the meeting is Customised Sustainability Model which is under development where greater stress is on Traceability. Discussion also considered about the Future of Cotton and general view was that Globally Cotton would rise up to 55% in next 5-7years.

**Discussion on African Cotton at ITMF**

ITMF took special note of CMIA Cotton efforts made for Africa. Mr. Christian Barthel gave a remarkable presentation on the developments of the Cotton made for Africa. In Africa there is one Cotton cum Textile Organisation called ACTIF was the host to ITMF and is a central organisation all over Africa for new developments.

Remarkably fresh views were tabled by Terry Tounsel for "KEEPING COTTON COMPETITIVE". The main point was there are number of methods which can enhance the competitiveness, capability, applicability and cost economics of Cotton; this was much appreciated as a way forward to make cotton competitive in price. Price is one of the significant factor which beats Cotton against Polyester.

Other important points that the speaker tabled was the use of Technology and Genomics particularly Biotechnology etc. could give the cost competitiveness and quality enhancement to Cotton was the explored and expounded

**Cotton Hand App**

Mr. Walter Simeoni from South Africa has developed a cotton app to guide and help the cotton farmers from length preparation till harvesting. Good suggestion of cultural practices irrigations, seeds, inputs etc. this was extremely well done job and appreciated many countries.


When I came back, I had a discussion on this Cotton Hand App with Chairman cum Managing Director of Cotton Corporation Madam Rani Alli who has developed at Cotton Corporation such app pertaining to Indian Condition.

**Supply Demand balance on Cotton Chemical Fibres was discussed.**

The year 2016 will always be remembered from fibres perspective as historic milestone. The world market size has surpassed the incredible volume of 100million tones that is rise of 3% overall but greatest contributory factor is 8% rise in Cotton production.

Man Made Fibres now occupy 70% of the Global Market. This includes Viscos Fibre which is Cellulosic Fibre. There is a gain in manmade cellulosic fibre also.

### Recycling of Cotton

There was a special presentation on Filament Cotton yarn from recycled Cotton presented by Gemmit Bouwhuis (Saxion University of applied sciences, Netherlands) with revealing fact that people dispose some 40billion items of Clothing every year, which concerns all of us, out of which Cotton could be Recycled easily is a thinking.

Innovation has started for Recycling of Clothing into Cotton pulping and filaments. All these will increase cotton use and applications.

### 7 Green Economics Signia

This was a session where World Bank took a good lead and for driving sustainability, value chain responsibly was also well discussed. In this section, requirement of cotton and other man-made fibres were also mentioned and new thinking seems to be emerging.

### Fibre Evaluation New Innovative Test Methods

ITMF with German Institutes have been working on improving evaluation methods for cotton and other fibres so that its use and utilisation productivity improves. This discussion usually takes place in Bremen Conference where ITMF takes active interest.

### Conclusion

Very interesting discussions regarding supply chain, new fibre applications, cottons resurgence, resurgence in mobilisation of fibres, applicability and various kinds of innovations and changing Fibre Balance towards 55% in natural fibres were the hall mark of the discussion at ITMF which very well deciphered – THE TIME FOR RAPID CHANGE CONCEPT was well discussed and appreciated.

# GST: TEXTILE SECTOR
# A FEW POINTS

**Mr. N K GUPTA**
Sr. Executive Director S S Kothari Mehta & Co

## 1. INTRODUCTION:

With introduction of GST, the textile sector had a major jerk. The exports dipped for almost about 40%. Domestic demand, which was adversely affected due to demonetization, again had negative impact on the sector. Now, definitely big relief with 33% growth in export. Textile industry continues to be the second-largest employment generating sector in India and make a great impact on the economy.

Processes involved in textile industry can be broadly classified as:-

| Process | Output from the process |
|---|---|
| Ginning | Man-made Fiber, Cotton, Jute, Silk, Wool |
| Spinning | Yarn |
| Weaving/knitting | Fabric |
| Processing | Processed Fabric |
| Apparel making | Garment |

The above processes were mostly exempted under the pre-GST regime. This had an adverse impact on textile industry since it obstructed the flow of credit in the value chain.

However, under the GST regime, the above processes are taxable. The major rates of taxes applicable on this industry, in the GST regime, are summed up in table below:

| Type of assessee | Rate applicable |
|---|---|
| Manufacturer | 5% on most textile products and trader |
| Man Made yarn | 12% |
| Job-worker | Initially 18%, later on reduced to 5% |
| Commission agent | 18% |

## 2. Export:

GST had given a big jerk to export of textiles due to increase in cost at initial stage. This was due to new procedures, lack of clarity, higher GST rates. The manufacturers/traders were not inclined towards exports due to the extensive procedure costs and delays made in the processing of duty drawback. Now, it is getting streamlined and showing positive results. The process of claiming input tax credit allowing the textile industry is more competitive in the export market. Depreciation of Re has also helped.

Under GST, the system of duty drawback has lost its significance. Input tax credit is provided as a refund under GST instead of old duty drawback schemes. This is a significant boost for promoting the export of textile products.

Export promotion capital goods scheme is available for all the cotton-based textile exporters. Under this scheme, exporters can claim the exemption for duty paid if they export six times the value of duty within a period of next six years. It is expected that this scheme would lose its significance under GST.

Refund of taxes is again a concern causing big impact on working capital. Market is already facing liquidity issue, delay in refunds is fuelling the situation.

## 3. Import

On the one side adverse impact of GST on the industry and on other side increase in import, affecting Indian industry and employment. The textile imports are continuously growing from last few months and the increase in Import is putting all the cause to GST which has reduced the import duties and created a welcoming path for overseas fabric and garments into the country. The import of Cotton fabric increased. Furthermore, the import of fabric, textile yarn, and made-up materials has also increased. The government recently increased import duty on MMF (manmade fiber) fabric from 10% to 20% which has helped to the industry, the increase was not because of protecting Indian industry but because of Current Account Deficit. However, the import duty on MMF yarn and cotton fabric have been kept at old rates.

## 4. Input Credit Accumulation:

In case, input tax is higher than output taxes, there is mechanism of refund. There is a provision in GST Laws regarding refund in case, of inverted duty structure. This means that accumulation of input tax credit on goods due to higher rates of tax on input compare to rates of tax on outputs, refund of such higher credit accumulation. The procedure is cumbersome and hence, not possible to claim refund. There is huge amount of accumulation, which is causing working capital issue. There should be simple mechanism to refund the accumulation of taxes due to inverted duty accumulation. The simple procedure can be as follows:

*In case, there is continuous accumulation for more than six months, the same is transferred to cash credit account after audit by the department with a specified time limit. Refund of accumulation credit is allowed in case of goods but not in case of services. This is also a cause of concern for each one.*

## 5. Job Work

The textile industry runs on job work and job work services have been taxed. The definition of job work is an extensive definition covering almost every process and that is why even a small process can get covered under job work. The compliances have to be followed with. For example, even a bike given for repair will be covered under job work. Similarly, textiles industry comprises of many type of simultaneous processes and thus at each stage all the compliances are to be completed regarding job challans and returns. In practical terms, proved to be very tedious for both the principal and job worker. In case, the procedure is eased, it will be boost for the industry

## 6. Reverse Charge Mechanism (RCM)

RCM on specified services was prevalent in the erstwhile service tax regime. However, the GST law has also brought in a concept of RCM on specified goods u/s Section 9(3) of CGST Act, 2017 and Section 5(3) of IGST Act, 2017.

The list of specified goods, under the textile sector, which are liable to RCM, includes:

a) Silk Yarn received from any person who manufactures silk yarn from raw silk or silk worm cocoons

b) Raw Cotton received from an agriculturist [RCM w.e.f. 15.11.2017 vide *Notification 43/2017-CGST(Rate), dated 14.11.2017]*

This provision is having far-reaching implication since the purchase of raw cotton or kapas from an agriculturist is the basic requirement for manufacture of yarn or fabric.

The RCM mechanism is directly hampering the textile industries. Since purchase of inputs (Ex.


Raw Cotton from Farmers, Yarn purchased from Unregistered traders/ dealer etc.) and input services (Ex. Job worker services, Rent, Transport services) are majorly procured from unregistered dealers, it attracts reverse charge. The GST Act requires the tax under RCM to be deposited in cash and thus directly affecting the working capital of the entity. Simultaneously this tax paid is allowed as credit but it only raises question on the viability of this proposition.

In terms of the notification, the job works in relation to textile yarns which were man-made fibre (MMF) was leviable to tax @18%. However, subsequently, vide amendment to the notification the benefit of reduced rate of 5% has been extended to textiles and textile products falling under Chapter 50 to 63. No doubt, the government is continuously working to ease out the situation

## 7. Compliances

GST has a cumbersome processes including filing of returns. There are 25 normal returns in a year apartment from other compliances like job work etc. GST council must come out with solution immediately.

## 8. Conclusion

The expected rate of GST would continue to be 12 %. Net off credit maybe at 6-9%. To some extent final cost would increase. However, in international markets GST would help exporters once refund is instantaneous, started looking positive from October, 2018. Hope, it will continue.

Once a simpler filing methodology is put in place, the cash dealing would significantly reduce. The unorganized industry would not be advantaged. The compliant would find their goods competitive and this protected sector would also join in contributing to tax in addition to employment etc. which was there even today. Smaller players whether in the textile processing, job workers, fabric manufacturers or garment units would have to bring in discipline in their recorded purchases and proper accounting which has not been strong in the past.

There may be a few drawbacks for the textile industry due to the higher tax rate and removal of benefits under cotton value chain, but it is safe to say that GST will help this industry in the long run by getting more registered taxpayers under a well-regulated system. It can also be hoped that GST will help the textile industry to get more competitive in both the global and domestic markets and create opportunities for sustainable, long-term growth

# LET'S GROW THROUGH PARTNERSHIP

**Mr. Md. Siddiqur Rahman**
President, Bangladesh Garment Manufacturers and Exporters Association (BGMEA)

There are innumerable people who haven't visited Bangladesh but felt its warmth by the virtue of world-class apparel made by the country. Garments with "Made in Bangladesh" tag reach people of all ages in around 130 countries, keeping them warm during winter, comfortable in summer and trendy in autumn. Bangladesh is the second largest ready-made garment exporting country in the world and a prestigious brand in the global apparel market.

Still many wonder how Bangladesh without producing cotton has secured the second position in the global apparel realm. Indeed, one cannot be blamed if he considers Bangladesh apparel industry to be synonymous with surprise, but it's very true that the sector hasn't come to the position as it is today by magic. Rather we have stitched our dreams with passion, perseverance and hard work to transform Bangladesh into a preferred hub of apparel sourcing in the world's map. Our RMG industry is deeply rooted in underlying strengths and vast experience we gathered over the last three decades.

**World-class safety:** Bangladesh is now known to the world as a model for workplace safety. All our export-oriented apparel factories have been inspected for structural, fire and electrical safety by buyers led safety initiatives – ACCORD and ALLIANCE, and National

Initiative. This has been done in a most transparent way through multi-stakeholder approach. The factory safety status updates are available in a publicly accessible website, making it easy for anyone from anywhere in the world to check the safety status of the factories. Such level of transparency in working condition can hardly be found anywhere in the world. Besides, Remediation Coordination Cell (RCC) has been established by the Government with support from ILO to function as a self-sufficient national authority to monitor and maintain safety standards in the apparel industry.

**Hub of Green Factories:** Bangladesh has the highest number of internationally certified Green garment factories in the world. We have now 73 green factories certified by the United States Green Building Council, of which 20 are Platinum rated. Moreover, seven of the top 10 LEED certified factories are located in Bangladesh while 300 more factories are in the process of getting USGBC certification.

**Diligent workforce:** Efficient workforce is a major strength of the RMG industry in Bangladesh. The country has a vibrant and young population with 56.7 million economically active people who are asset to our industries, especially the RMG sector which is largely dependent on human resources.

**Resilient Entrepreneurs:** Bangladesh has talented entrepreneurs who are resilient and forward-looking. Their unbeatable adaptability to the changing scenario of the global apparel industry is a major reason behind the success of the garment sector. Our entrepreneurs are always proactive and prompt at making plans and taking steps to keep pace with the ever changing market demand. Building the modern green garment factories including the world's highest rated Green garment factory in Bangladesh is an epitome of their prudent entrepreneurship.

**Quality and Commitment:** One of the important reasons why global brands and retailers prefer Bangladesh for sourcing garments is that we have a good reputation of keeping the commitment of timely shipment and ensuring quality of products. Thus we have been able to earn the confidence of the renowned global brands. Increasing presence of global apparel buyers reflects their confidence and long-term commitment to us.

**Skills development:** We know that skilled workforce is a prerequisite for taking the industry forward. Bangladesh is increasingly moving to high-end apparel products, which has created demand for workers skilled at manufacturing the value-added apparel items. Several skills development programs, including Skills and Training Enhancement Project (STEP) and Skills for Employment Investment Program (SEIP) are being run across the country to provide training both at worker- and management-levels and equip them with necessary skills. Besides, RMG and Textile Industrial Skills Council (RTISC) and the Centre of Excellence for the Bangladesh Apparel Industries (CEBAI) have been established to facilitate skills development in the country.

**Huge number of factories:** Bangladesh is in an advantageous position with more than 3500 garment factories, which help us to take bulk orders from buyers from all over the world. Moreover, the apparel factories have grown up in the form of cluster which extends across a small geographically small area, facilitating quick transportation of garment products.

**Support of backward linkage industry:** We have also strong support of backward linkage industry. Now we are almost self-sufficient for knit fabric as more than 90% of knitwear fabric is manufactured locally. Besides, our woven fabric manufacturing and processing capacity is also increasing.

**Integration of R&D:** Bangladesh is taking strategies to ensure long-term growth through penetrating higher market segments, fashion and innovation. The country is gearing up to cater to the need of high-end and branded fashion segments. In recent years export is being expanded to other items like - suits/blazers, lingerie, active-wear and outerwear, and non-cotton items. The country is also exporting Denim of basic, mid and high-end segments in all major markets.

**Technology up-gradation:** Our factories are increasingly moving from semi-automatic to more automatic industry using sophisticated machines, technologies and software to facilitate the fast and vast growth of RMG and textile industry. Low liquor dyeing machine, Ozone washing machines, auto trimming, Jacquard machine, SAP, ERP like technologies have already become popular. Most of our new generation

factories are equipped with sophisticated technologies, able to handle top quality products of diverse styles, making the product price competitive as well.

The global apparel brands and buyers, especially European and American who have been doing business with Bangladesh already know it very well about our capacity, product quality and commitment. Our reputation is not confined to these two regions only, rather is enticing many other countries to source apparel made in Bangladesh. Our neighboring country India is no exception.

Apparel buyers in India have also found Bangladesh potential and attractive place for sourcing garments, which is quite evident from recent trade trends between the two countries. Bangladesh's apparel export to India has seen rise in recent years, and the export value stood at around USD 174 million in 2017. India's apparel import from Bangladesh is less costly and quick due to geographical proximity and good communication between the two countries. The domestic apparel market of India was estimated at $67 billion in 2017, and is expected to reach about $160 billion by 2025. This indicates increasing demand for apparel in India. Moreover, global retail giants have started catering to the apparel demand of Indian consumers. Apart from Western retailers, some Indian retail giants have also been sourcing garment items from Bangladesh.

While it's true that our strengths and vast experience have helped to establish Bangladesh as a prestigious apparel brand in the world, it's also apparent that the expansion of our garment industry has created opportunity for India which is a major supplier of textile raw materials, including cotton, fabrics and dye chemicals. Bangladesh imported textiles and related articles from India worth USD 1856 million in 2016-2017 fiscal years, which was USD 1730 million in 2015-2016 FY, around 7 percent up from the previous year. The major textiles import items included cotton, Knitted or crocheted fabrics, apparel and cloth accessories, special woven fabrics, tufted text, lace, tapestries, trimmings and embroidery.

Moreover, Bangladesh has opportunities in man-made fibre based apparel, especially fabrics made of man-made fibre like viscose, rayon, spandex, polyester etc but our production capacity is not sufficient to meet the demand. Here lies opportunity for India which is the second largest producer of man-made fibre and filament in the world. Also the country is very near to us, meaning less time in import. It will save our time and reduce lead time which is very crucial in apparel business. So, more export of apparel from Bangladesh means more opportunities for India to export textiles.

Therefore, mutual cooperation and coordination between Bangladesh and India are needed to find avenues of reaping mutual business benefits. Both neighboring countries will have to identify obstacles on the way to trade and take necessary actions to remove them. We have a tremendous potential ahead and we should not miss out the opportunity of growing through partnership.

# A legacy of innovation

Themed collections are the new trend.

Glitzy, glamorous and gorgeous. Metallic wallpapers from WallArt by D'Decor.

Sheer brilliance. The undeniable romance of jacquard sheers.

Innovation is the lifeblood of D'Decor. Over a period of two decades, D'Decor has gone from establishing and maintaining global standards in furnishing fabrics to providing a bouquet of beautiful decor products across categories from curtains and upholstery to bedding, blinds, wallpapers and rugs. It is through innovations in design, manufacturing and strategy that D'Decor has become a name synonymous with home fashion and has brought alive its philosophy of 'Live Beautiful'.

DDECORDIARIES

The vibrant magic of digital prints.
Anything is possible.

Quintessentially classic. The aristocratic charm of jacquard curtains.

Contemporary foliage of assorted botanical designs and interpretations.

Vibrant collection of multicolored jacquard designs giving a taste of skilled craftsmanship.

# CITI DIAMOND JUBILEE CELEBRATIONS
## GLOBAL TEXTILES CONCLAVE 2018

**DISRUPTIONS AND INNOVATIONS FOR SUSTAINABLE GROWTH**

# Thank You Sponsors

### PLATINUM SPONSOR

RSWM Limited
an LNJ Bhilwara Group Company

### GOLD SPONSOR

Vardhmān
Delivering Excellence. Since 1965.

### SILVER SPONSORS

Birla Century
EDB Andhra Pradesh Economic Development Board
Federation of Seed Industry of India FSII Science for Farmers' Prosperity
Kotak Commodities
Iva natural fluid fashion
LMW Spinning System
MCX Metal & Energy Trade with Trust
MCX Investor (Client) Protection Fund
RTMA Rajasthan Textile Mills Association
RIETER
SAURER.
Sutlej textiles and industries limited
Textile Sector Skill Council TSC Perfecting Skills

### BRONZE SPONSORS

India Inkesociety
Raymond
Trützschler
Welspun India Home Textiles

### KNOWLEDGE PARTNER

technopak

## Reimbursement of Worker's Training Cost

# IS YOUR TEXTILE MILL AFFILIATED TO TEXTILE SECTOR SKILL COUNCIL (TSC)?

to get reimbursement of worker's training cost from state or central government skill development schemes

- Affiliated mills are entitled for reimbursement of Rs 15,096/- per trainee from the skill development schemes.
- Affiliated mills are also entitled to get Rs 1,700/- per worker to get their existing worker's skills certified (Recognition of Prior Learning, RPL).
- In addition, they would be eligible to participate in recently launched National Apprenticeships Promotion Scheme (NAPS). The scheme finances up to Rs 1,500/- towards stipend per month per apprentice for maximum one year. The maximum number of apprentices a mill can employ is 10% of total strength (including contract workers).

**Till date, more than 350 textile mills are affiliated to TSC and availed benefits from the schemes. For further details please visit www.texskill.in or write to info@texskill.in.**

Skill India
कौशल भारत-कुशल भारत

TEXTILE SECTOR SKILL COUNCIL
TSC
PERFECTING SKILLS


**TEXTILE SECTOR SKILL COUNCIL**

15th Floor, Nirmal Tower, 26, Barakhamba Road
New Delhi - 110 001 | Office: +91-11-43536355 - 7
Email: info@texskill.in | web: www.texskill.in

facebook.com/textilessc twitter.com/textilessc youtube.com/c/textilessc linkedin.com/company/textilessc instagram.com/texskill.in