

# Indian Textile Industry: 7<sup>th</sup> largest global exporter of textiles

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The Indian Textile Industry is currently one of the largest and most important industries in the Indian economy in terms of output, foreign exchange earnings and employment. The industry contributes 4% to the country's GDP, 14% to the country's industrial production and around 12% to the country's foreign exchange earnings. However, the textile industry was one of the drastic hit industries on the back of Global economic melt down.

As per WTO data, India's percentage share in global textiles and clothing trade was 4% in textiles, and 2.8% in clothing during the year 2008. India's rank in world trade has been 7<sup>th</sup> in textiles and 6<sup>th</sup> in clothing. Other remarkable fact is that it is the 4<sup>th</sup> largest producer of staple fibre and 6<sup>th</sup> among filament yarn producers. It accounts for one fourth of global trade in cotton yarn.

On the other hand India is the third largest producer of cotton in the world after China and US and has the largest area under cultivation. Cotton, a key raw material in the textile and garment industry, accounts for about 30% of the fabric cost and 13% of the garment cost. India has an abundant supply of locally grown long staple cotton, which lends it a cost advantage in the home textile and apparel segments.

Other countries, like China and Pakistan, have relatively lower supply of locally grown long staple cotton.

Type	No. of units	Installed capacity	Production (Million. Kgs)		
			2006-07	2007-08	2008-2009
<b>Staple Fibre</b>					
Viscose	3	229	230	242	229
Polyester	17	628	754	820	733
PP	4	3	1	2	2
Acrylic	7	108	131	144	78
<b>Total</b>	<b>31</b>	<b>968</b>	<b>1117</b>	<b>1217</b>	<b>1042</b>
<b>Filament</b>					
Nylon	7	37	38	40	28
Polyester	43	1076	1225	1348	1315
PP	17	14	15	16	16
Viscose	7	53	53	54	66
<b>Total</b>	<b>74</b>	<b>1178</b>	<b>1,331</b>	<b>1458</b>	<b>1425</b>

Source: Ministry of Textile, Government of India.

Moreover, low cotton prices due to a bumper cotton crop would enable India to lower its production cost and sustain pricing pressure. Further efforts on improving the yield per hectare would ensure higher productivity and production, thereby providing the much-needed security of raw-material supply to textile producers.

The cotton/ man-made fibre textile industry is the largest organized industry in the country in terms of employment (nearly 1 million workers) and number of units.

Besides, there are a large number of subsidiary industries dependent on this sector, such as those manufacturing machinery, accessories, stores, ancillaries, dyes and chemicals. There were 1773 cotton/manmade fibre textile mills (non-SSI) in the country with an installed capacity of 35 million spindles, 4,61,000 rotors and 56,000 looms.

Textile production covering

man-made fibre, filament yarn and spun yarn showed a minor set back in 2008-09. Man-made fibre production recorded a fall of about 14% and filament yarn production recorded a fall of about 6% during 2008-09. Blended and 100% non-cotton yarn production recorded a fall of about 4.4% during 2008-09.

During 2008-09 cloth production by handloom, power loom decreased by about 4% and 3%, hosiery sectors production increased by 2%. However, overall cloth production decreased by about 2% during 2008-09.

The production of man-made staple fibre industry achieved a growth rate of 8.9% during 2007-08 showing an increase trend as compared to the corresponding period of 2006-07, but, the man-made staple fibre industry attenuated 14.2% decline during 2008-09... The production of viscose staple fibre and acrylic staple fibre decreased to 5% and 45%, respectively during 2008-09. The production of polyester staple fibre also decreased to 11% during 2008-09.

The total production of man-made filament yarn also decreased to about 2.27% during 2008-09. The production of nylon filament yarn and polyester filament yarn decreased to 30% and 2.5%, respectively during 2008-09.

But, the production of viscose filament yarn increased to 22% during 2008-09. The installed capacity and of production of man-made staple fibre and filament yarn are given at Table 1.

Sl. No	Country	2007-08	2008-09	% Share 2007-08	% Share 2007-09
1	USA	4624.33	4268.45	20.88	20.38
2	UK	1663.64	1697.35	7.51	8.11
3	UAE	1357.80	1623.76	6.13	7.75
4	Germany	1366.83	1607.33	6.17	7.65
5	France	885.42	934.41	4.00	4.46
6	Italy	852.17	782.13	3.85	3.74
7	Spain	578.91	645.54	2.61	3.08
8	The Netherland	482.31	537.77	2.18	2.57
9	Bangladesh	720.88	508.85	3.26	2.83
10	China	1132.57	440.51	5.11	2.10
	<b>Total (TopTen)</b>	<b>13664.86</b>	<b>13046.11</b>	<b>61.70</b>	<b>62.30</b>
	Others	8481.91	7893.69	38.30	37.70
	<b>Total</b>	<b>2,2146.78</b>	<b>20939.80</b>	--	--

Source: DGCI&S, Kolkata

## Exports

Global textile and clothing industry is currently pegged at around US\$ 440 billion. US and European markets dominate the global textile trade accounting for 64% of clothing and 39% of textile market.

India's textiles and clothing industry is one of the mainstays of national economy. It is also one of the largest contributing sectors of India's exports worldwide. At current prices the Indian textiles industry is pegged at US\$ 52 billion, 64% of which services domestic demand.

Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textiles exports quota were discontinued. During 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08 exports were of the order of US\$13.5 billion, US\$ 14.0 billion, US\$ 17.52 billion, US\$ 19.15 billion and US\$ 22.13 billion respectively, denoting an increase of 64% in last five years. The volume of exports, as compared to certain other countries, could not register a faster growth due to various reasons like constraints of infrastructure, high power and transaction cost, incidence of state level cess and duties, lack of state-of-the-art technology etc.

Textile exports in 2008-09 registered a decline of 5.4% from \$22.14 billion in the previous fiscal to \$20.94 billion. Table-2 shows Indian Textile Exports (Top ten countries)

The exports basket consists of a wide range of items comprising readymade garments, cotton textiles, handloom textiles, man-made fibre textiles, wool and woollen goods, silk, jute and handicrafts including carpets.

India's textiles products, including handlooms and handicrafts, are exported to more than a hundred countries. However, the USA and the EU, account for about two-third of India's textiles exports. The European Union is the single largest market for India's textiles products, accounting for 34% of India's total textiles exports, followed by USA which accounts for nearly 25%. The other major export destinations are Canada, U.A.E., Japan, Saudi Arabia, Republic of Korea, Bangladesh, Turkey, etc. Table -3 Shows Indian Textile Exports (Eu and other countries)

Domestic demand of textile products cushioned some of the effects of the downturn. In 2008-09, the industry was estimated to be \$55 billion, of which the

domestic sector constitutes \$34 billion. Indian textile exports is given in Table-2

With the dismantling of quotas, global textile trade is expected to grow (as per Mc Kinsey estimates) to US\$ 650 billion by 2010 (5 year CAGR of 10%). Although China is likely to become the 'supplier of choice', other low cost producers like India would also benefit as the overseas importers would try to mitigate their risk of sourcing from only one country. The two-fold increase in global textile trade to drive India's exports growth. India's textile export (at US\$ 22 billion in 2008) is expected to grow to US\$ 40 billion, capturing a market share of close to 8% by 2010. India, in particular, is likely to benefit from the rising demand in the home textiles and apparels segment, wherein it has competitive edge against its neighbour.

Textile Ministry is also pursuing Foreign Trade Agreements with the US and Europe and almost 40% of total revenue is expected to come from these countries in the next three-years. On the other hand government is also looking at markets across Russia, China, South-East Asia, Middle-East, Japan and Latin America to promote India's textile exports.

## Technical textiles

India is the second largest textiles economy in the world after China; however, its contribution to the global technical textiles market is insignificant. The technical textiles industry has immense potential in the developing countries, particularly in China, Japan, Korea, Taiwan and India. The changing economic scenario in these countries will boost the demand for technical textiles.

Technical textiles are textile materials and products used for their technical performance and functional properties. Technical textiles are an important part of

**Table 3: Textile Exports EU Countries  
(Value: US \$ Million)**

Country	2007-08	2008-09	% Share 2008-09
Austria	35.41	33.05	0.16
Belgium	399.67	416.32	1.99
Bulgaria	10.15	7.63	0.04
Cyprus	3.99	5.16	0.02
Czech Republic	33.00	28.80	0.14
Denmark	241.66	272.59	1.30
Estonia	3.00	3.85	0.02
Finland	60.69	61.02	4.29
France	885.423	934.41	4.46
Germany	1366.83	1607.33	7.68
Greece	88.93	73.41	0.35
Hungary	10.18	8.17	0.04
Ireland	78.44	97.66	0.47
Italy	852.17	782.13	3.74
Latvia	7.99	4.56	0.02
Lithuania	13.48	7.87	0.04
Luxembourg	2.61	0.58	0.00
Malta	1.52	1.22	0.01
The Netherlands	482.31	537.77	2.57
Poland	88.17	96.93	0.46
Portugal	168.13	141.84	0.68
Romania	20.42	25.86	0.12
Slovak Rep	5.54	3.79	0.02
Slovenia	13.39	12.51	0.06
Spain	578.91	645.54	3.08
Sweden	154.67	161.76	0.77
United Kingdom	1663.64	1697.35	0.11
<b>Total (EU)</b>	<b>7270.33</b>	<b>7669.10</b>	<b>36.62</b>
Others Countries	14876.45	13270.69	63.38
<b>Total Textiles</b>	<b>22146.78</b>	<b>20939.80</b>	

Source : DGCI&S, Kolkata

the textile industry and its potential is still largely untapped in India. With increase in disposable income, the consumption of technical textiles is expected to increase.

The Working Group for the Eleventh Five Year Plan has estimated the market size of technical textiles to increase from Rs.26,077 crore in 2006-07 to Rs. 52,200 crore in 2011-12 without any regulatory framework and to Rs.74758 crore with regulatory framework. The Scheme for Growth and Development of Technical Textiles (SGDTT) has been designed to promote indigenous manufacture of technical textile to exploit the global opportunities and cater to the domestic demand.

The global market size of the technical textiles industry which was US \$ 107 billion in 2005 is also expected to increase to US \$ 127 billion by 2010. The technical textiles represent a multi-disciplinary field with numerous end use applications, and it has penetrated all areas of economic activity like aerospace, agriculture, sports, defence, construction and medical. Based on their end use applications technical textiles are grouped into twelve segments, viz. Agrotech, Buildtech, Clothtech, Geotech, Hometech, Indutech, Meditech, Mobiltech, Packtech, Protech, Sporttech and Oekotech. Technical textiles provide not only better hygiene, safety, durability and comfort to consumers but are cost effective in the long run. The life cycle cost of technical textiles is lower than the traditional materials and textiles. The textile sector witnessed an increase of 50% in investment during 2008-09 to Rs 49,613 crore from Rs 31,161 crore in 2007-08.

## Textile machinery

According to the Textile Machinery Manufacturers' Association (TMMA) production of textile machinery, parts and accessories, has increased from Rs 37.05 billion in 2004-05 to Rs 40.63 billion in 2008-09, recording average annual growth of 2% and a capacity utilisation of 50% during the year 2008-09. At present, the total installed capacity of textile machinery industry in India has a potential to manufacture textile machinery worth Rs. 3,050 crore, whereas the level of production during 2007-08 was around Rs. 2,997 crore. Table-4 shows installed capacity and production of textile machinery and Table-5 shows details of production of textile machinery and parts.

Exports remained stagnant over the last 3 years due to high domestic demand and tough competition in the export market. Exports of the textile machinery are remaining steady at Rs 6.07 billion in fiscal 2008-09 as against Rs 6.39 billion in fiscal 2007-08 due to demand for textile machinery has come down.

The textile machinery industry did not do well in 2008-09. The slowdown in the textile industry during 2008-09 affected the growth of the textile engineering industry (TEI) considerably, as it has come down from 26% to only 7%. There is likely to be negative growth during 2009-10. Export of textile machinery and parts is given in Table-5.

Import of textile machinery reduced from Rs 7.0 billion during 2006-07 to Rs 5.0 billion during 2008-09, due to good demand of local machinery of weaving, knitting, processing and garment sectors. Imports of textile machinery including second hand machines are taking place a big way. The earlier spurt in demand from the textile industry had triggered the TEI to develop and expand the machinery- manufacturing capacity, particularly in the spinning machinery sector. Import of textile machinery into India is given in Table-7.

Textile Ministry is planning to increase capacity of textile manufacturing Sector and planning to invest Rs.

**Table 4: Capacity Utilisation of the Textile Machinery Industry**  
Value in Rs. Million

Year	Installed Capacity	Production	Capacity Utilisation
2004-2005	61000	37050	61 %
2005-2006	70000	44020	63 %
2006-2007	80480	57530	71 %
2007-2008	80480	61550	76 %
2008-2009	80480	40630	50 %

Source: Textile Machinery Manufacturer's Association (India).

1,40,000 crores in textile machinery and other capital expense in next 5 years in order to take a leap in annual exports of textiles and garments from US \$ 24 billion to US \$ 55 billion.

Textile Engineering Industry has projected an investment of around Rs. 5,000 crore in plant and machinery during 11<sup>th</sup> Plan period and consequent increase in production to the level of Rs. 10,000 crore by 2012. To achieve this, the Ministry of Textiles is encouraging modernization of the textile industry by enhancing the allocations under Technology Up gradation Fund (TUF) Scheme.

## Textile industry in eleventh five year plan

The government is envisaging plan for developing and promoting textile industry in the country. Implementing schemes like Technology Up gradation Fund Scheme (TUF), Scheme for Integrated Textiles Park (SITP), Mill Gate Price Scheme (MGPS) and Technology Mission schemes, namely Technology Mission on Cotton (TMC) and Jute Technology Mission (JTM) to facilitate Indian textiles industry to grow at the rate of 16% in value terms to reach level of US\$ 115 billion (comprising of US\$ 55 billion of exports and US\$ 60 billion of domestic market) and attain 7% share in global textile trade by the terminal year of the Eleventh Plan (2011-2012) period.

**Integrated Textile Parks Scheme:** Two major schemes floated to enhance the involvement of the private players in the textile industry. The government provided 40% subsidy to the weaving, processing and apparel units under the integrated textile parks scheme. The 'Scheme for Integrated Textile Parks (SITP)' is being implemented to facilitate setting up of textile units with appropriate support infrastructure. Industry Associations / Group of Entrepreneurs are the main promoters of the Integrated Textiles Park (ITP).

**Table: 5 Production of Textile Machinery , Parts and Accessories**  
Value In Rs. Million

Description	2004-05	2005-07	2006-07	2007-08	2008-09
Spinning and allied machines	22046.30	26188.6	34231.20	36622.20	(P) 27174.40
Synthetic filament yarn machines	3764.20	4472.00	5844.80	6253.00	4127.90
Weaving and allied machines	3742.30	4444.90	5809.50	6216.40	4103.50
Processing Machines	3823.60	4541.10	5938.50	6351.90	4192.90
Misc.(spinning,weaving and processing) machines	1115.20	1324.20	1729.90	1852.60	1220.00
Textile testing and measuring instruments	733.40	871.40	1140.10	1218.60	804.30
Hosiery machines (inclusive of hosiery machinery and needles)	303.60	360.40	470.00	504.60	333.10
Spares and accessories	1524.10	1813.20	2370.40	2530.70	1673.90
Grand total	37052.70	44015.80	57534.40	61550.00	40630.00

Source: Textile Machinery Manufacturer's Association (India).

**Table 6: Export of textile machinery, parts and accessories**

Value in Rs. Million

Description	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Machines for preparing textile fibres, spinning, twisting, etc.	949.00	683.10	811.60	1245.70	108.80
Weaving machines (looms)	150.30	119.30	246.50	215.00	4464.50
Parts and accessories	2211.6	2406.10	2775.50	4333.50	780.20
Other parts of household laundry type machines etc	300.40	546.70	420.10	601.30	718.70
Total	3611.30	3773.20	4253.70	6395.50	6073.20

Source: Textile Machinery Manufacturer's Association (India).

**Technology Upgradation Fund Scheme (TUFS):**

The Technology Up-gradation Fund Scheme (TUFS) was commissioned on 01.04.1999 initially for a period of 5 years with a view to facilitate the modernization and up-gradation of the textiles industry by providing credit at reduced rates to the entrepreneurs both in the organized and the unorganized sector. The Scheme, which has now been extended up to 31.03.2012, has been fine-tuned to catapult the rapid investments in the targeted segments of the textile industry.

TUFS has helped in the transition from a quantitatively restricted textiles trade to market driven global merchandise. It has infused an investment climate in the textiles sector and in its operational life span has propelled investment of more than Rs.1,66,839 crores.

The garmenting, technical textiles and processing segments of the textiles industry have great potential to add value and generate employment. In the Tenth Plan Period (2002-07), Rs. 1,270 crore had been earmarked for the scheme. However, the net utilization of funds under this Scheme was Rs. 2044.17 crore.

The modified techno-financial parameters of the Scheme will infuse capital help it capitalize on the vibrant and expanding global and domestic markets, through technology up-gradation, cost effectiveness, quality production, efficiency and global competitiveness.

Under the scheme for integrated textile parks (SITP), the government provides up to 40% of the cost of setting up a textile park with a ceiling of Rs 40 crore. Till now the Ministry has contributed Rs 450 crore and industry has pitched in with nearly double this amount. The combined investment touched Rs 2,000 crore by 2009.

**Foreign Direct Investment:** In line with the action to attract foreign capital to the ailing textile industry, the government has been recently exploring for various foreign locations like in Japan. India has motivation for foreign investors like low-cost labour and intellectual right protection. The government has permitted 100% FDI in the textiles sector.

India's Textile Ministry will try to attract European investors to achieve the government's target of \$6 billion of Foreign Direct Investment (FDI) by 2015. At present textiles industry is in need of

an additional fund of \$24 billion by the year 2015 to continue a high growth rate of 8%. This may include domestic investment of \$ 18 billion and FDI of \$6 billion. Though India allows 100% FDI in the textiles sector, the inflows were meagre at US\$ 200 million in 2008.

The foreign investment is aimed towards establishment of green field units in textiles machinery, fabric and garment manufacturing and attracting investments in the field of technical textiles.

**Financial Package:** The government has offered a helping hand to the country's ailing textile sector by announcing an Rs.3,000-crore (\$627 million) financial package to waive loan overdues of handloom cooperatives and make available loans at concessional rates for the industry.

In this connection government has formulated a financial package of Rs.3,000 crore for waiver of the overdues of loans of the handloom cooperatives of the country and also, to provide loans at concessional rates of 7% per annum.

Government will implement five new schemes during the 11<sup>th</sup> Five-Year plan period (2007-12) for the development of the handloom sector and the welfare of weavers. ♦

**Table 7: Import of textile machinery, parts and accessories**

Value in Rs. Million

Description	2004-2005	2005-2006	2006-2007	2007-2008	2008-2009
Machines for preparing textile fibres, spinning, twisting, etc.	8705.30	21262.50	38089.60	26289.00	20977.80
Weaving machines (looms)	7834.20	15275.30	12596.20	11057.00	8716.50
Parts and accessories	5680.00	8610.00	11150.00	9200.00	9420.00
Other parts of household laundry type machines etc.	2500.00	5500.00	7000.00	6000.00	5000.00
Total	24719.50	50647.80	68835.80	52546.00	44114.30

Source: Textile Machinery Manufacturer's Association (India).