



# New Economy, New Consumer, And New Opportunities In Textile & Apparel In India

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# Contents

1. A New Indian Economy
2. A New Consumer
3. The Indian Textile & Apparel Industry
4. Unlocking the Opportunity

# A New Indian Economy



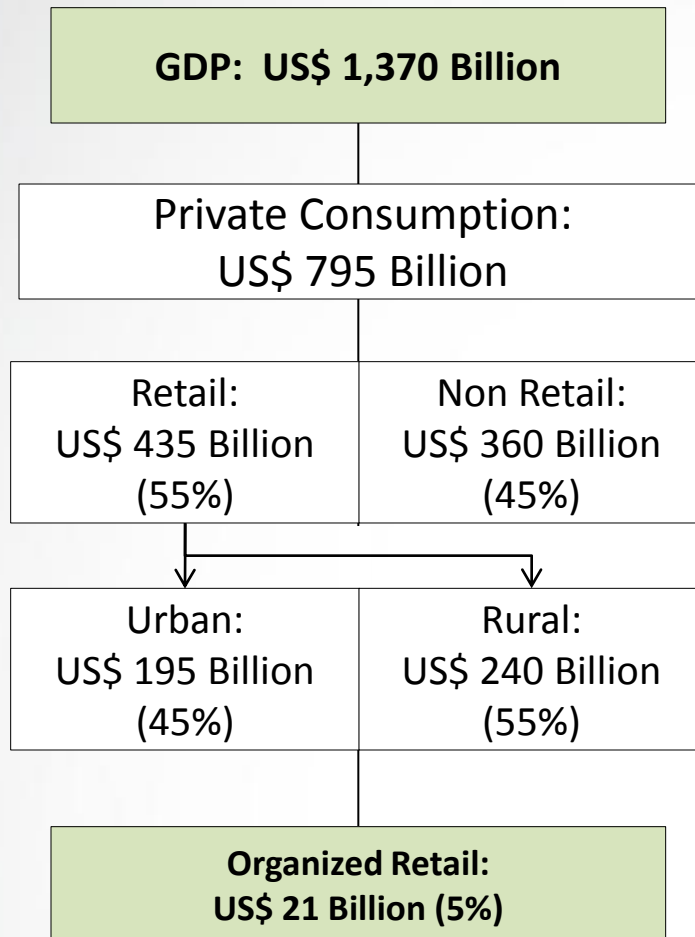
# Indian Economy Is Expected To Touch Almost \$ 3.1 Trillion In The Next 10 Years

GDP \$ Trillion	1990	2000	2010	2020
USA	6.4	10.8	15.7	18.0
China	0.4	1.3	5.6	13.2
Japan	3.3	5.2	5.5	6.4
Germany	1.9	2.1	3.6	4.3
France	1.3	1.5	2.9	3.3
UK	1.1	1.6	2.4	2.8
Italy	1.2	1.2	2.3	2.5
Brazil	0.5	0.7	1.9	3.1
India	0.4	0.5	1.4	3.1
Russia	0.5	0.3	1.7	2.7

- In the last 10 years India has added \$ 930 billion to its economy and will add almost double of that (about \$ 1700 Billion) in the next 10 years
- The Indian economy in 2020 is poised to become bigger than the **current** size of countries like France, UK or Italy

# Adding **New Consumption** Of ~ US\$ 1000 Billion In The Next Decade

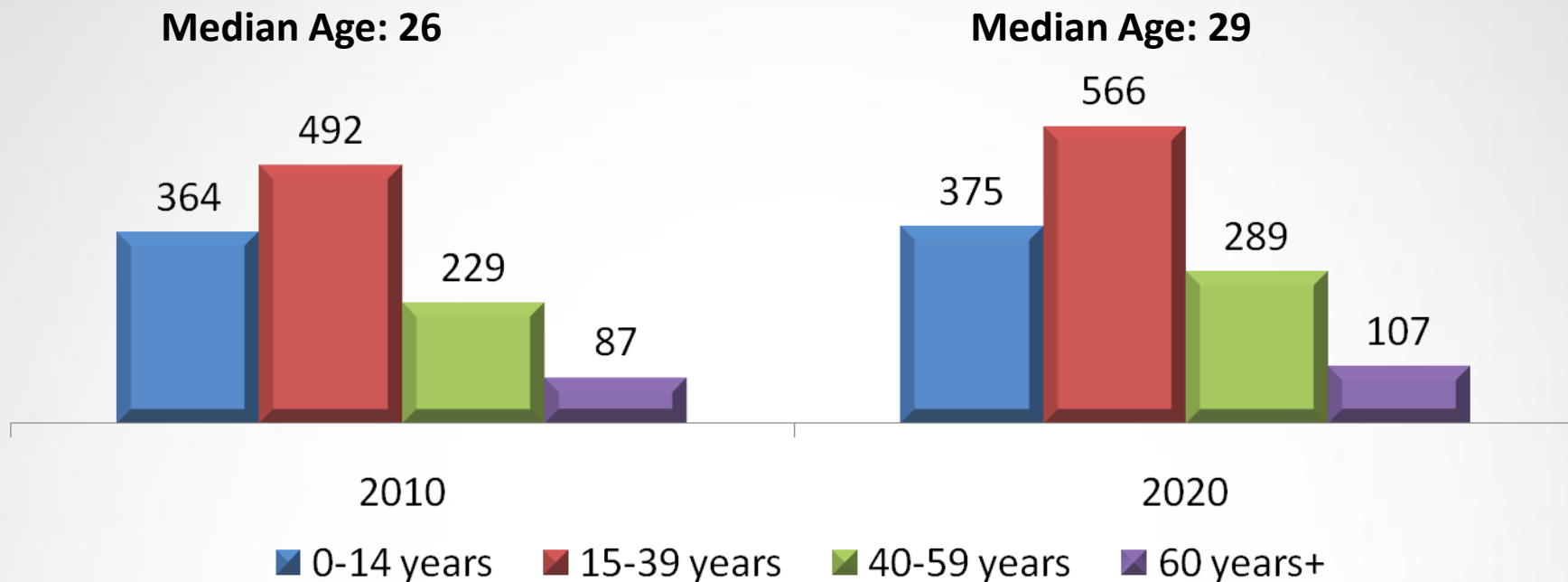
**2010**



**2020**



# India Will Add Almost 130 Million People In The Consuming Age Group Of 15-59 Years

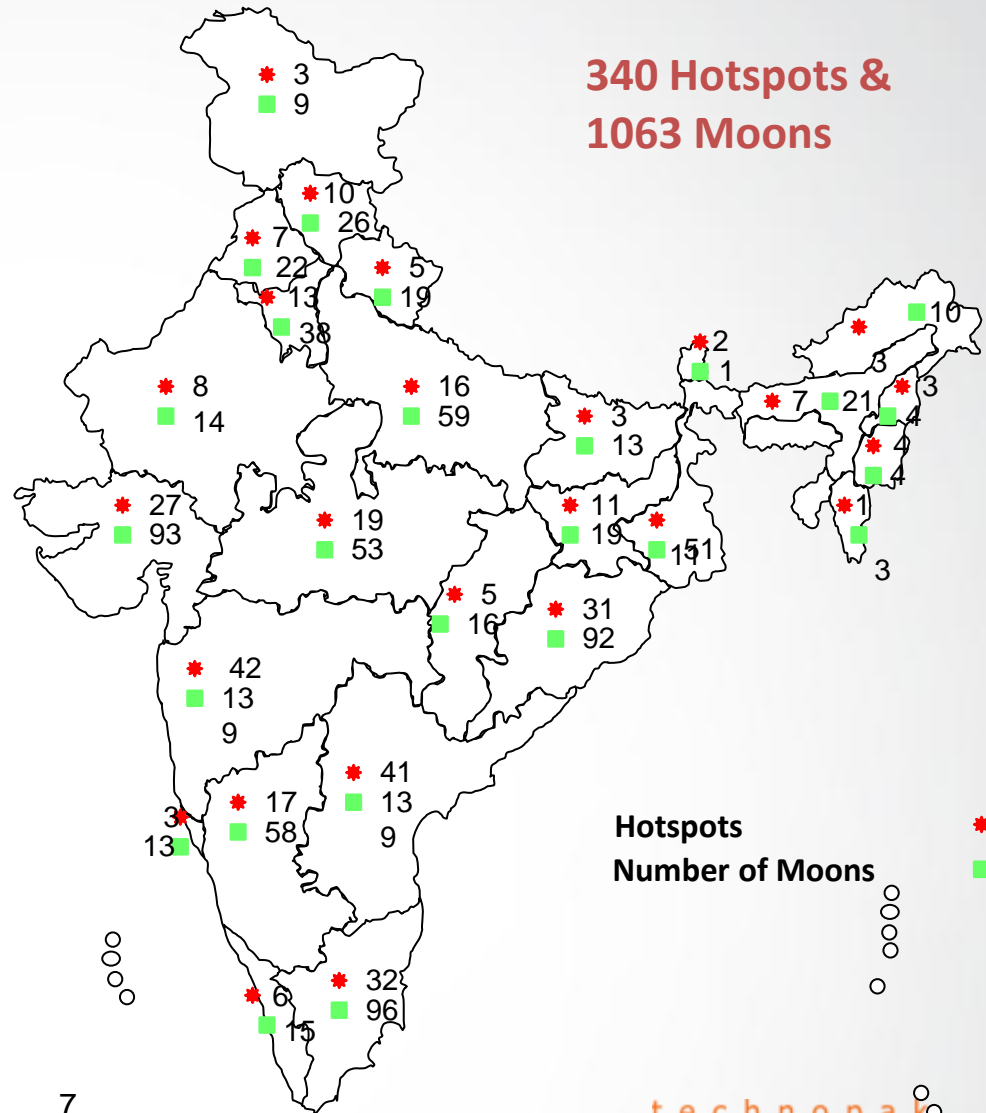


- Unlike any other top-10 economy (including China), India will have the lowest median age and the trend will be even more pronounced by 2020 as most other populations age even more rapidly
- This population is more aspirational and aware and with higher spending power and will consume more number of categories than their parents

# Economic Development Already Creating New Consumption 'Hot Spots' In The Country

- By 2020, there may be more than 65 Indian cities having population in excess of 1 million and another 200 having population between 500,000 and 1 million
- Many new centre of consumptions are being created across the country led by new investments in manufacturing and services industries

Based on planned investments in industry, infrastructure, roads and development of Special Economic Zones



# Leading To Dramatically Accelerated Consumption.....

	2005	2010	2020
Access to Internet (million people)	25	80	600 – 700
Smart phone users (million)	1	25	300 - 400
Access to Digital TV (million people)	5	100	350 - 400
Households with a 4 wheeler (million)	4	10	40-50
Laptops / Notebooks (million)	1	8	150 - 200
Indians traveling overseas (million people)	7	11	18 - 20
Engineers / MBAs graduating every year (million)	0.4	0.8	2.0

# A New Consumer

- Emerging Themes



# 1. Consumer Redefining Value

- Value is no longer only about price – it is very clearly Price plus
- The price plus could be one or more of fashion, quality, convenience, service, experience, innovation.....
- Essential for a brand and retailer to:
  - Understand, connote and offer the right ‘value’ for its customer
  - Invest in building capabilities to sustain the value



# Emergence Of A New Price – Value Continuum

Category	Product	Price in 2005 (US\$)	Price in 2010 (US\$)	Price Increase (CAGR)
Apparel & Footwear	Pair of 301 Levi's denim	25	60	20%
	Pair of basic Reebok shoes	30	60	16%
Leisure	Cappuccino at Café Coffee Day	0.5	1.5	19%
	Cost of a movie ticket	1	4	25%
Education	MBA Annual Fees	6,500-9,000	20,000-40,000	18-25%
Accessories	Price points of a premium watch	45-70	110-220	> 20%
Fitness	Monthly fee for a Gym	35	70	15%

Source: Technopak Research & Analysis

## 2. Changing Consumption Priorities ...

(All Figs in US\$ bn)	2005	2010	2020
Food & Grocery	211	278	425
Healthcare- Delivery	16	22	60
Healthcare- Pharma	9	14	35
Apparel & Home Textile	24	40	109
Mobile Talktime	4	20	50
Mobile Handsets	1	6	18
Jewelry & Watches	19	26	50
Personal Transport Vehicle	10	17	50
Personal Transport Fuel	6	9	30
Higher Education Coaching	6	11	25
Travel & Tourism	9	13	35
CDIT	9	12	30
PC+Internet	1.7	2.2	5
Personal Grooming	0.5	1	5

### 3. Growing Eve Power

- Increasing career woman : Estimated 40 to 45 million across age of 20 to 40 years in Urban India over next 10 years
- Opportunity to create brands around evolving lifestyles & activities
- Opportunity in work wear, active wear, leisure wear & intimate wear



## 4. Increasing Time Poverty

- Changing lifestyles adding many more 'hours and minutes' into the consumer's daily schedule, or taking away 'days' in a year for new interests
- People spending more time at office, travelling to office and back home, watching TV etc. leading to limited time available for shopping and other activities
- An increasing emphasis on reducing stress and time for routine activities (household chores/ shopping....) and maximizing time with families and friends

## And Therefore, Convenience Would Be A Key “Value”

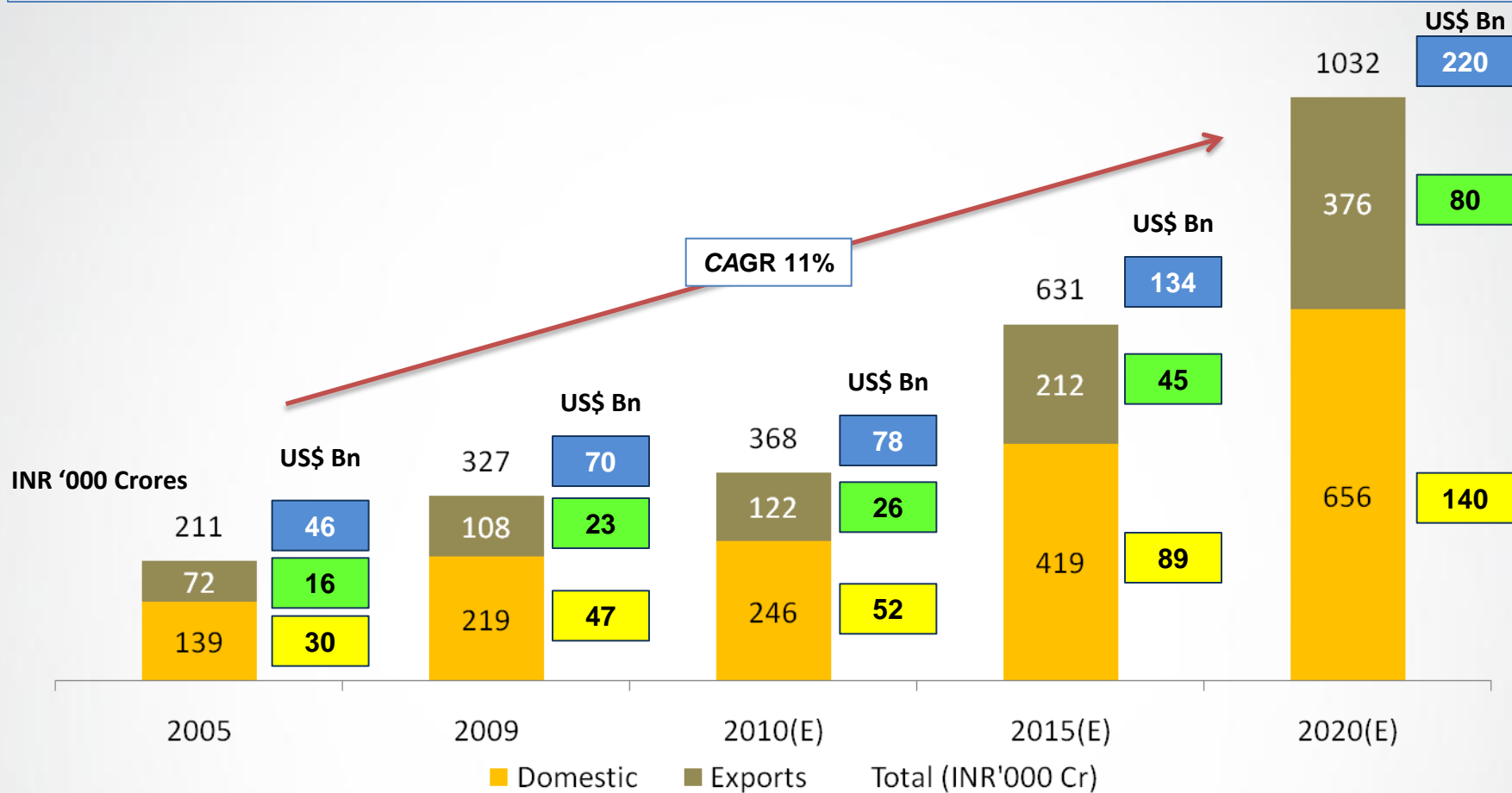
- Convenience would be a key value for consumers :
  - **Shopping Destinations**: ‘All Under One Roof’ – Malls; Hypermarkets; Category Killers
  - **Non Store Retail Formats**: Easy access and reach – Online, TV, Multilevel marketing, Direct Selling, Catalog etc.

# Indian Textile & Apparel Industry



# Overall Indian Textile And Apparel Industry Is Expected To Strongly Grow @ 11% For Next 10 years.....

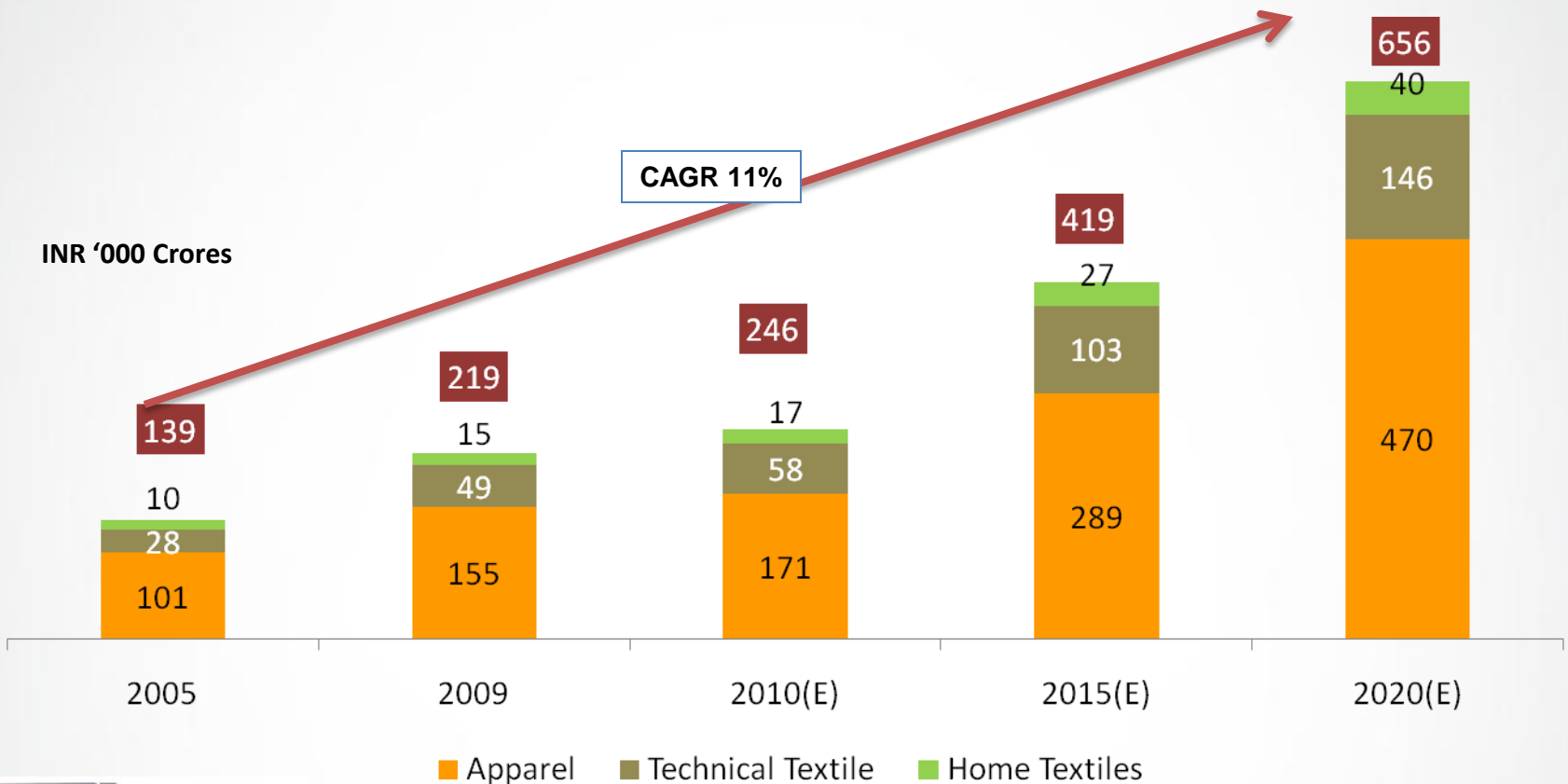
India's total textile and apparel industry size is estimated to grow @ 11% CAGR To cross Rupees 10,00,000 Crores (about US\$ 220 billion) by 2020



\*All numbers are rounded off

# ... Driven By Domestic Demand For Textile And Apparel

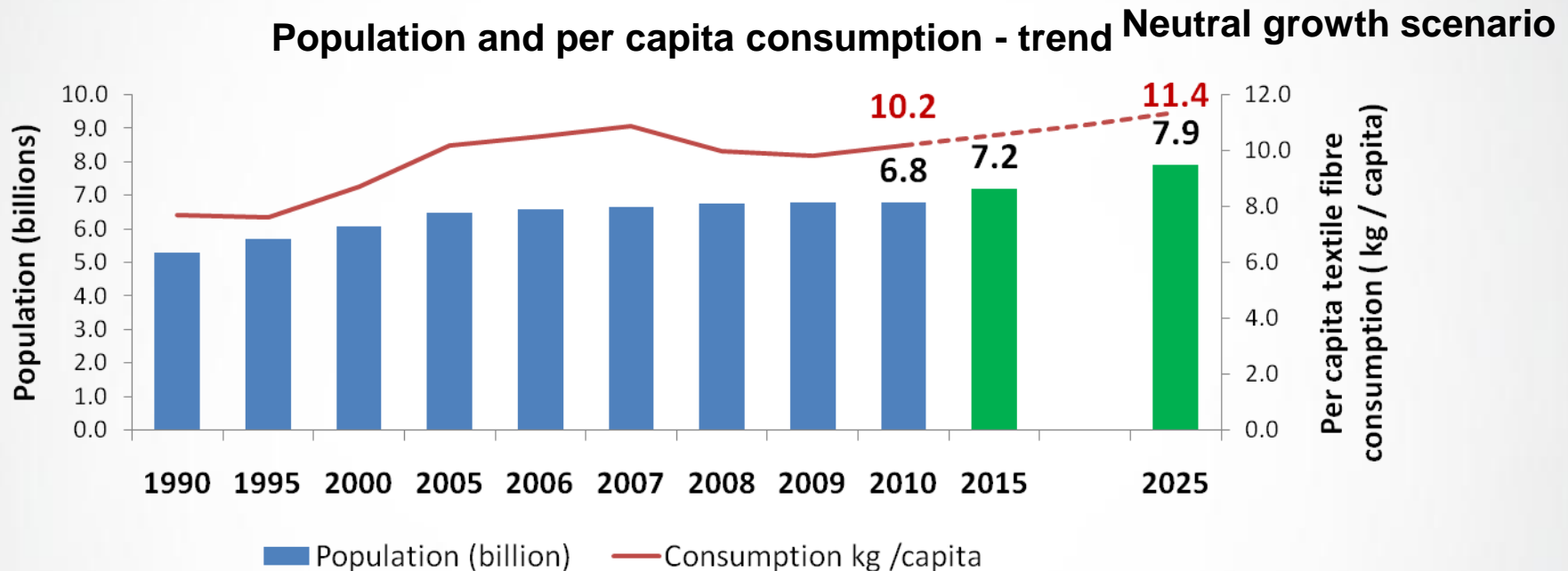
The current domestic textile and apparel market of about Rs 2,20,000 crores is expected to grow @ 11% annually to reach over Rs 6,50,000 crores by 2020



# However, There Will Be Additional Demand Of ~20 Million Tons Fibre By 2025 Leading To Higher Costs

Considering medium growth..... By 2025...

- World population will increase by approx. **1 billion**
- Per capita fibre consumption is expected to grow steadily in the long term up to **11 - 12 kg per capita** by 2025
- This means additional fibre consumption of approx. **20 million tons**



# Unlocking The Opportunity



# Need To Think Beyond **Factor Driven** Industry



(Before 2005)

## FACTOR DRIVEN

- Raw Material Availability
- Labor availability
- Government policy influenced



(2005-2010)

## EFFICIENCY DRIVEN

- Vertical / Virtual Integration
- Manufacturing excellence
- Supply Chain Efficiency
- Diversity in product mix



(2011 onwards)

## INNOVATION DRIVEN

- Product
- Design / Brand
- Channels
- Business Processes

# Need To **Re-invent** The Entire Industry



Collaboration across textile value chain



Focus/specialization by private players



Building scale & think global



Investing in innovation

## Almost US\$ 68 - 70 Billion Investments Required By 2020

To capture the additional market created for textile and apparel by 2020, investments to the tune of Rs 3,20,000 crores (US\$ 68bn) across the supply chain will be required

Segment	Additional Production	Investment Required	
		In Rs. Crores	In US\$ Bn.
Spun yarn	3.9 billion kg	42,000	9
Filament Yarn	5.8 billion kg	31,000	7
Weaving	50 billion sq. m.	37,000	8
Knitting	76 billion sq. m.	25,000	5
Processing	95 billion sq. m.	90,000	19
Garment and made-ups	38 billion pieces	65,000	14
Technical textiles	-	30,000	6
<b>Total</b>		<b>3,20,000</b>	<b>68</b>

# Scale Will Matter: **Top 10** Textile Companies (2005, 2010, 2020?)...

Values in INR Cr

## 2005

Company	Turnover
Vardhman	1,962
Arvind	1,623
Alok Ind.	1,472
Raymond	1,354
RSWM	994
SKNL	890
Gokaldas Ex	871
Abhishek	757
Nahar Ind	699
Welspun	658

## 2010

Company	Turnover*
Alok	6,500
Vardhman	4,050
SKNL	2,800
Arvind	2,600
Abhishek	2,350
BRFL	2,200
Welspun	2,100
RSWM	1,950
Nahar	1,600
Saluja	1,500

## 2020

Company	Turnover
ABC	40,000 ?
DEF	30,000 ?
XYZ	10,000?

Source: Technopak Analysis

\* Turnover is annualized based on Q3 results of 2010-11 and rounded off

# To Conclude ....

- India's domestic demand shall be the driver of growth for Indian textile and clothing industry in the coming decade
- However, as new consumer needs and aspirations emerge, the industry will have to reinvent itself almost completely to take advantage of the opportunity
- More than US\$ 70 Billion needed in fresh investment over next 10 years
- There is very vibrant and bold entrepreneurship currently in the industry – in 2011, there will be at least 5 US\$ 1 Billion or more in revenues companies. By 2020, there may be the first of few US\$ 10 Billion size Indian textile and apparel companies

Thank You !





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