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‘ATMANIRBHAR BHARAT’ AND THE TEXTILES & CLOTHING INDUSTRY

A REPORT ON E-CONFERENCE “REBOOTING THE TEXTILE AND APPAREL INDUSTRY” HELD ON JULY 24, 2020

Virtual conference
on REBOOTING the Textile & Apparel Industry

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Introduction:

The entire world is facing unprecedented challenges after months of lockdown due to COVID-19 pandemic. However, the textile and apparel value chain has been affected the most as a large chunk comes from the MSME segment which has borne the brunt of the crisis. The industry has also been grappling with the profitability issues since then due to a sharp decline in import and export of textile products coupled with the issues of migrant workers and raw materials/ inputs. These issues only further look to get aggravated with the current crisis. Due to the current pandemic situation, millions of jobs in the textiles and clothing sector are at a great risk! Governments worldwide, including India, are putting in their concerted efforts and taking several remedial measures to enable the Industries to tide over the unprecedented challenges posed by the COVID-19 Pandemic, revive it from the current recession on a fast

track mode and grab the emerging global opportunities by enabling the industry attain global competitiveness.

Keeping in view to discuss the unprecedented challenges being faced by the Indian Textile & Clothing Industry, Confederation of Indian Textile Industry (CITI) in association with MEX Exhibitions and Messe Frankfurt India organised an e-Conference on “**Rebooting the Textile & Apparel Industry**” on 24th July 2020. The event was sponsored by M/s. Sutlej Textiles & Industries Ltd., Lenzing AG and Textile Magazine as a media partner. A detailed report on the half-day e-conference is given below:

The deliberations at the e-conference were focused on evolving strategies for tiding over the present crisis and identifying the effective ways and means to support the textile & clothing value chain. The key policy makers and experts from across the globe took part in the e-conference and deliberated upon the important policy

decisions/ measures and other related aspects of the textile businesses. The response for the e-conference was overwhelming as a large number of delegates from the textile value chain participated and made the event a huge success!



Mr. T. Rajkumar, Chairman, CITI in his opening remarks welcomed all the distinguished Speakers, Sponsors, Delegates and Organisers and conveyed his gratitude for making the event a reality in this difficult time. Mr. Rajkumar said that the entire textile industry was going through a very tough period and for the first time in the recent history, we have witnessed such

an unprecedented and disastrous time when not only one country, one continent but the entire world had been hit hard and that too at the same time by COVID-19 Pandemic.

Mr. Rajkumar was hopeful that the Indian Textile Industry was determined to bounce back with the support of the Hon'ble Prime Minister Shri Narendra Modi Ji and Government of India. Mr. Rajkumar stated that the Government of India had been extending all possible support to the industries in terms of financial relief package, infrastructure development, ease of doing business, FDI, etc. and focussing on certain key sectors, including textiles and clothing to promote its 'Aatmanirbhar Bharat' mission to serve the nation and its economy. He further stated that the Indian T&C Industry could achieve the target of US\$ 350 billion from the present level of US\$ 150 billion, by 2025, only with the support of the Government of India and able guidance of the Hon'ble Union Minister of Textiles, Smt. Smriti Zubin Irani Ji.

Mr. Rajkumar shared with the audience that India had done exceedingly well on textile front and in no time became the second largest manufacturer of PPE Kits to serve not only India but also to the world.

Mr. Rajkumar further stated that India had a very strong presence in all the segments of the textile value chain and ready to serve the world especially EU and USA which are the biggest markets for India's textiles and clothing products. He was of the view that FTA's with EU, US, UK and Latin America can be path-breaking for the development of Indian T&C Industry. He observed that the 'Atmanirbhar Bharat' call initiated by the Hon'ble Prime Minister would play a crucial role in enhancing textile industry's reach and access to the global markets.

Mr. Rajkumar pointed out that skill development was another area where India had been working very hard under the Skill India Mission for the development of the human resource for the textile sector. He further stated

that the Government measures undertaken towards structural reforms for improving Ease of Doing Business in India would pave way for investments and enhancing India's position in the global textile value chain. He opined that the textile industry needed to switch to a continuous improvement model based on innovation and technology adoption in a sustained manner.

He stated that if Indian textile industry had to achieve the target of USD 350 billion market size, then the industry would have to invest in at least 10 proposed "Mega Textile Parks" of a minimum size of 1000 acres, around coastal areas. The creation of Mega Textile Parks with plug and play facilities could bring in large scale FDI investments apart from making the large players in the country to make investments. He also pointed out that Investors from Japan, Germany and South Korea could play a key role in achieving this goal.

He further stated that the creation of the "National Textile Fund" by the Ministry of Textiles would help the industry to have a level playing field on the capital front and achieve a sustained growth.

Both, Mega Textile Park and National Textile Fund would encourage scale of operations and enhance India's global competitiveness in the textile sector. He also said that a special package to boost cotton consumption in India will also increase exports and domestic demand for the textile products.

He observed that on energy front, India could brand the sustainable and compliance manufacturing facilities with the use of non-conventional energy (wind and solar power), energy conservation, social compliance, Covid-19 compliance, water conservation and adopting to water frugal technology, zero liquid discharge technology, etc and thus, protecting the environment from the harmful effects of the textile waste.

He was also of the opinion that the Industry should work towards creating virtual hubs and marketplaces. These hubs could be used to aggregate virtually the inventory of key raw materials like yarn and fabrics available within a cluster, and this information could be made available to the potential buyers.

The T&A Sector needed to be technologically modernized, especially to adapt in the post Covid-19 world. For this, the industry needed to adopt to use of technological tools such as 3D Visualization, Artificial Intelligence, Virtual Sampling, Fit and Prototyping, etc.

Mr. Rajkumar in conclusion stated that the Government had already initiated several remedial measures for assessing the current situation, adapting to the emerging scenario and trying to grab the opportunities by enabling the industry attained the global competitiveness. With this, he wished everyone a great day ahead and requested all to have a very fruitful and meaningful discussion in the subsequent sessions.

Global Textile Business amidst COVID'19 Crisis

Chaired by



Mr. S.K. Khandelia,
Vice Chairman, CITI & President & CEO,
Sutlej Textiles & Industries Ltd.

Moderator



Dr. Christian Schindler,
Director General, International Textile
Manufacturers Federation (ITMF)

Panelists



Mr. Stephen Lamar,
President and CEO,
American Apparel &
Footwear Association (AAFA)



Mr. Han Bekke,
President, International
Apparel Federation (IAF)

SESSION 4: Global Textile Business amidst COVID'19 Crisis

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Moderator Dr. Christian Schindler, Director General, International Textile Manufacturers Federation (ITMF)

Panelists Mr. Stephen Lamar, President and CEO, American Apparel & Footwear Association (AAFA)

Mr. Han Bekke, President, International Apparel Federation (IAF)

Mr. S. K. Khandelia, Vice Chairman, CITI, while chairing the session, stated that the Indian textile industry throughout its history had a dominant role in exports. In last decade or so we have been exporting between 30% to 40% of our production. He further stated that even after facing so many challenges post Covid-19, still Indian textile entrepreneurs have

shown great commitment and determination, hard-work, resilience and entrepreneurship to gain back the lost momentum. As Chairman, CITI earlier pointed out in his welcome address that prior Covid-19 crises, we were not manufacturing a single piece of PPE, however, now we are not just catering to 1.37 billion people but also have export surplus PPE kits. This

shows the determination and agility of the Indian textile industry. He pointed out that our present challenges to some extent have increased because our export basket majorly cater to cotton based textiles, whereas, major business in the global market deals in MMF products where our presence is significantly low. Despite reduced consumer demand post Covid-19, the Indian textile industry hope to overcome the present crises because of abundance raw material supplies, world class manufacturing facilities as far as spinning and home textiles are concerned, availability of skilled workforce and cheap labour. Of course, today, we lack in fabric manufacturing, scale of operations and poor infrastructural facilities, however, we have regional co-operations to deal with such issues. For example, Bangladesh and Sri Lanka are exporting garments to us and we are supplying yarn and fabrics to them. He stated that Mr. Ram Sareen earlier mentioned that every country is unique and different, similarly India has its own strength and weaknesses and should play on our strength. This will help us to enhance our exports post Covid-19 crisis.

Dr. Christian Schindler, while moderating the session, posed a question towards Mr. Lamar that global textile value chain has gone through unprecedented supply and demand shocks in the last few months. As per the ITMF Corona-19 survey, turnover in the textile value chain is expected to be down on an average of around 30% in 2019-2020. Today, the retailers and brands are re-structuring their businesses, all are filing for Chapter 11. Which type of retailers and brands will perform better and why?

Mr. Stephen Lamar responded by saying that he would look at two things to explain his answer: First, companies which had access to liquidity throughout the crises were definitely more successful and have more prospects than those who do not had have access to liquidity. This is where, we were pushing hard for companies to get access to the government liquidity in the form of financial relief package like low interest loans and no duty/surcharge on credit insurance. This is an on-going process. However, even the companies with good cash-flow will also face problems if their cash-flow get restricted for a long period. Secondly, the companies which had access to the consumers through-out this process. Such companies will also have to take into consideration a lot of thinking that will go into to understand this larger issue of crisis. Now, the question arises, will industry be able to safely re-open and able to stay open even if the virus continues to spike in certain places? There are a lot of companies which are making PPE kits as it was an opportunity to help them recover and this was a way to provide employment to their workers. E-commerce has also provided a big platform to sustain to lot of

companies during this crisis time.

Dr. Christian Schindler posed a question to Mr. Han Bekke that apparel industry across the globe was faced by avalanche of cancelations and delays of orders. ITMF Corona survey reviews that 30 to 40% of orders were cancelled or delayed during the first few months of pandemic. What are the lessons that can be drawn from this crisis for the global apparel industry?

Mr. Han Bekke while responding to the question stated that lesson to be drawn from the present crisis is that there wasn't any imbalance in the supply chain between supplier and consumer in terms of buying practises. Many brands and companies said that they were very sustainable before Covid-19, but after that they are facing financial problems and due to that they cancelled one sided orders or changed payments conditions. Some companies have moved their problems down the supply chain. And this situation is still continuing in apparel and textile industry and the companies are still in bad condition. We are working on improving this balance. We are working on a pilot project in Bangladesh to see how we can strengthen the position of the suppliers based on collective payment and delivery conditions.

Dr. Christian Schindler posed a question to Mr. Khandelia saying that just a few weeks ago ITMF published International Textile Machinery 2019 Report. Once more China was the largest investor in all textile machinery segments followed by India on second place. What was the impact on India in the past 2 decades in comparison with China? Will this crises potentially be a game changer in relation between China and India as suppliers to the world?

Mr. S. K. Khandelia replied that this was precisely the question which was agitating the minds of people in the textile industry, other stakeholders, and policy makers in the government. Our previous speakers have given the history of Indian textile industry. At one point of time, we were having 100s of textile units producing world class fabrics and exporting to the world. It is the policies of the successive governments which had resulted into the situation where they preferred small and medium scale enterprises (SMEs) at the cost of large-scale industries. Whereas, both should have come complementary to each other which actually did not happen. On the contrary, China had been investing in scale and world class facilities with the government support and favourable policies. Due to domination of unorganized sector in India which resulted into the disintegration of the entire textile value chain, the cost competitiveness could not come, adoption of technology had been very poor, product and process innovations could not take place, research and development took back seat and product penetration in the export markets could not reach the

level where it should have been. So, you know garment is the growth engine of the entire textile value chain and the garments were reserved to the small-scale industry. So, this is the reason, India's garments were not doing well particularly in the export markets and China's entire textile value chain had grown which was basically an export led growth. Whatever was our position in the past had been taken over by small countries like Bangladesh and Vietnam. So, the prospects of keeping small scale industry has destroyed our large-scale industry.

Earlier, in India, MMF was discriminated w.r.t. duties and taxes. Whereas on the global trade, MMF based textiles was getting stronger day by day and today MMF based textiles accounts 70% of the total trade and only 30% is cotton. But in India, the share is just the reverse of it. Hence, our product offering has been very low. China not only invested in MMF manufacturing but also on MMF based value chain. There are other structural issues like high power cost, finance cost, logistic cost, etc. which have adversely impacted the competitiveness of the Indian textile industry. We don't have domestic machinery manufacturing capabilities except in spinning and the importance of the same is very well proofed that is why India's spinning industry is world class. Domestic production of spinning machinery results cheaper spare parts and faster services as compared to other machinery. Ease of doing business had been an issue and land, labour and other issues due to which FDI and domestic industry could not come forward w.r.t. investments. There is a golden rule of investment which is "money goes there where there are returns", traditionally margins in the textile industry has been low. Until and unless those margins improve, it is difficult to get the investment. Whereas, the Chinese government has been incentivising and supporting this in one way or the other. Truly, I am unable to understand how Chinese products costs so less which I think would be because of these incentives only. Because of all these issues, we have not been able to capitalize on our inherent strength.

Answering the other part of the question, Mr. Khandelia stated that yes, the situation will change after Covid-19. The simple reason was that the government under the Atmanirbhar Bharat scheme has chosen textiles as a sector which is to be focused upon for the growth by way of various measures like establishing mega industrial parks near ports and having large scale industries with entire textile value chain at one place. This can be the game changer. In those parts, the government is likely to take care of all the structural issues, ease of doing business and availability of finance as well. Secondly, we do not have FTAs with major markets, whereas China has very good trade agreements. Due to this disadvantage, we

had to suffer in consumer markets like USA, European Union and UK. Despite of these challenges our industry has been going well. Now our government has started to reimburse local taxes and duties in garments and made-ups. The new scheme RoDTEP, hopefully, will cover the entire textile value chain and this will improve our competitiveness. So, what I mean to say is that as our chairman mentioned earlier that the Hon'ble Prime Minister of India has given the due importance that it is the industry from the employment point of view because to every 1 USD spent in textiles generates more employment than any other industry in India. We still have the inverted duty structure, but our government is trying to set it right and once done it will be again a big step. The Government had recognized that without focusing upon MMF based products, it will be difficult to achieve our target figure of USD 350 billion by 2025. The Government is trying to remove all the hurdles as much as possible. Another area is technical textiles, in which we are importing everything. Our Government is very aggressively focusing upon that and I hope since they are basically MMF based products once it happens, we will be doing very well in the technical textiles. Today, we have 1.37 billion population, so it is a huge market, even to cater this market we will have to be globally competitive because it's global trade. Another thing which had happened during this Covid-19 crisis was shifting of businesses from China to other countries and people are realizing that it is not good to have only one supplier. So, I think, things are going to be very bright after the Covid-19.

Dr. Christian Schindler asked Mr. Shephen Lamar that in the last ITMF Corona survey in June, there was a question on the speed of the recovery in which as per the Report 23% of the companies hoped that they will reach pre-crises level in the first quarter of 2020-21. Another 21% expected this to happen in the 2nd quarter of 2020-21. Another 20% being very optimistic expected it to happen in 4th quarter of this year. What are your expectations with regard to the speed of the recovery?

Mr. Shephen Lamar stated that we should hope for the best and expect the worst also. We will be in this situation for a while and think that it will remain till next year if not longer. The key question is that how quickly we understand that how we can smartly live with this virus and this will be the new normal.

Dr. Christian Schindler asked another question which was on the structural changes, which he felt will influence our textile industry because this pandemic is likely to change some fundamentals in the next few months and years. He again, invited opinion on this, what will gradually change in the global textile and apparel value chain? He referred some theories about

reshoring and reassuring in different regions of the world. Who will be leading the reshoring and reassuring tendencies? Will it be the retail industry, suppliers that would shift their production to different regions, or it will be the manufacturing industry that has to diversify?

Mr. Stephen Lamar replied that we have already talked about E-Commerce, making the companies to remain online, or come online and capture some sales. The current tensions are forcing the companies to move out of China and the supply chain are now becoming more regional. This is being seen more in the western hemisphere. A lot of activities, in this regard, are being seen in Central America, Colombia, and Mexico and this is initiated because of the agreement with Mexico which will bring in more stability. If the supply chain becomes more regional, it will help to serve the E-Commerce better since being closer to your market. Hence, today everybody is initiating this relocation.

Mr. S. K. Khandelia while concluding the Session stated that changes had already started taking place. In India, for example the retail is not taking place

properly. Now, everything is happening through e-Commerce. Anyone who is requiring the essentials is placing orders online. Secondly, as you mentioned, Asia has the largest population, so regional co-operations are going to be accelerated. In fact, already it is happening. So, you must understand what the consumer wants and whoever will be able to produce at a competitive price, deliver it very fast, will survive. Earlier manufacturers use to compete, but now they are collaborating with each other. So, rebalancing of the supply chain is taking place.

At the end of the E-conference, Mr. D.L. Sharma, Deputy Chairman, CITI proposed Vote of Thanks to all those who supported this event and reiterated that in the E-conference “Rebooting the Textile & Apparel Industry”, Speakers deliberated upon at length to find quick and apt solutions of the issues and challenges emerging from the Covid-19 situation which industry never faced before. He was optimistic that with the kind and much needed support and guidance of the Government of India, the Indian textile and apparel sector will overcome all the issues it is facing right now due to this Covid-19 pandemic.