

## The Fashion Market in India Profile 2009





## The Indian Market

The Indian consumer is evolving and driving retail growth in India and companies in the fashion industry are reacting to this evolution through myriad options.

The fashion market in India is witnessing strong growth owing to a young population, an increase in disposable incomes, which is leading to increase in consumption and thus the rapid growth in organized retail. Private consumption growth contributes to more than half of the GDP growth and is growing in double digit figures. Several businesses are reacting to this evolution positively, both through pull and push phenomenon.

Apparel today has the largest share of the modern organised retail in India i.e. **20% of the current market of Rs. 56,000 crore** and this is **expected to grow at a constant rate of 20% over the next 4 years**. Bilateral Co-operation in this sector shows great synergies. An Indo Italia Task Force on Fashion Design and life Style products has been created following an agreement between the Indian Ministry of Commerce and Italian Ministry of International Trade. On the Indian side members include FICCI - Federation of Indian Chambers of Commerce & Industry , NID - National Institute of Design while on the Italian side there is Confindustria, Altagamma, Università Bocconi, ICE.

With India being the second fastest growing major economy in the world, fashion industry is pushing itself to keep pace with the retail evolution witnessed in India.

## Facts and Figures

- ❖ The global textiles and apparel trade estimated at US\$ 450 billion and expected to touch US\$ 700 billion by 2010 with demand for textiles and apparels expected to grow to 25 per cent from current figures where Asia will contribute 85 per cent.
- ❖ Clothing, textile and fashion accessories form 39 per cent of the Rs 55,000 crore organized retailing in India.
- ❖ The Italian designer Giorgio Armani's company has signed a joint venture with India's most valuable real estate firm, DLF. Giorgio Armani Holding, a wholly-owned subsidiary of the Italian company, will take 51 percent in the venture, the maximum allowed for a



- ❖ single-brand foreign retailer in India. Armani will bring 10 million rupees (\$250,000) to the venture, which would also act as a wholesaling firm supplying Armani-branded products to other independent retailers. The first Armani stores would be set up in New Delhi.
- ❖ ***Reliance Brands, a subsidiary of Reliance Retail, has entered into a 49:51 joint venture with Italian fashion house, Sixty Group, to retail its brands in India.***
- ❖ **DLF has tied up with Armani ,Dolce & Gabbana**
- ❖ **Raymond, the Gautam Singhania owned 'house of complete men,' has joined hands, in a Rs. 50 crore, 50:50 joint venture, with the Italian fashion major Grotto Spa bringing in premium "GAS" brand apparel in India.**
- ❖ Other Italian Brands in India are Gruppo Cadini, Gucci, Ermenegildo Zegna, Corneliani, Canali, Brioni, and Pal Zileri
- ❖ India's asset base for this sector –
  - Numerous qualified and semi-qualified manpower which is skilled and low on cost
  - Long drawn tradition of having produced high quality textiles for decades
- ❖ Italy's asset base covers
  - Advanced technologies,
  - Better machinery and
  - Strong marketing, image building and brand management techniques,
  - Industrial clusters for specific products

### **Apparel Market**

- ❖ Consumer spending on apparel in India has grown over the last five years, touching the global benchmark of 5 per cent of the total income
- ❖ During the three years 2004-05 to 2006-07, investments in the textile sector has increased from US\$ 2.94 billion to US\$ 7.85 billion. In 2007, men's apparel industry was mainly dominated by shirts (in value terms) accounting for 36.5% of total men's segment.
- ❖ India's textiles and apparels industry is estimated to be worth US\$49 billion where 39 per cent is accounted by the exports market. Currently India has a 3.5-4 per cent share in world export of textiles and 3 per cent in clothing exports.



- ❖ Europe continues to be India's major export market with 22 per cent share in textiles and 43 per cent in apparel; the US is the single largest buyer of Indian textiles and apparel with 19 per cent and 32.6 per cent share respectively.
- ❖ Readymade garments (RMG) are the largest export segment, accounting for 45 per cent of total textile exports and 8.2 per cent of India's total exports.

### *Future*

- ❖ The demand for ready-made garments in rural India will surge at an annual rate of 16.50% to reach Rs. 42,918 Crore or US\$10.41 billion by 2010.
- ❖ Men's apparel industry will increase at a CAGR of 14.86% during the two-year period from 2008 to 2010. Women apparel market (in value terms) is anticipated to grow at an annual averaged growth rate of 17.79% till 2010. The organized apparel retailing in India is projected to surge at an annual averaged growth rate of 30% from 2008 to reach Rs. 52,289 Crore in 2010.
- ❖ Increasing at a CAGR of 24%, branded apparel industry for men will cross Rs. 25,000 Crore by 2010. Increasing at an annual averaged growth rate of 25%, branded apparel industry for women is expected to hit Rs.18,351 Crore by 2010.
- ❖ Readymade garments exports from India are expected to touch US\$ 14.5 billion by 2009-10 with a cumulative annual growth of 18 to 20 per cent, according to Apparel Export Promotion Council.
- ❖ Versace pret-e-porte is another Italian fashion house at the lower end of the fashion pyramid that is in the final stages of tying up with Reliance Brands to bring its products to India.
- ❖ Gas eyes US\$49.82m sales by 2011. The company will invest Rs500m till 2010 on its retail expansion, marketing and brand building in India. Gas may do local production outsourcing for sub-Rs1,000 range.
- ❖ Shoppers' Stop is planning to enter the luxury retail segment with large format retail stores which will house products from many of well-known luxury brands, including Louis Vuitton, Gucci, Zegna, Hugo Boss, YSL, Mont Blanc and Christian Dior. The company plans to invest Rs.100 crore in this model in the first year itself.
- ❖ The organized lingerie retail market in India is expected to touch Rs 4,000 Crore mark by 2009.



- ❖ IT revenue from the retail segment is forecasted to grow at an annual averaged growth rate of 43.41% by 2010.
- ❖ The Indian fashion industry is expected to rise at a stupendous pace of 22.67% through 2012.

### ***Footwear Market***

- ❖ The Indian footwear market is dominated by Men's footwear market that accounts for nearly 58% of the total Indian footwear retail market.
- ❖ The Indian footwear market scores over other footwear markets as it gives benefits like low cost of production, abundant raw material, and has huge consumption market.
- ❖ The footwear industry in India is largely in hands of small and unorganized players. The industry size is estimated at Rs70bn in value terms and 620mn in volume terms. The industry has been growing at 10-12%pa.

### **Government Initiatives**

- ❖ 100 per cent FDI allowed through the automatic route.
  - Currently, 100 per cent foreign direct investment is allowed in wholesale trade, but only 51 per cent in single brand outlets.
- ❖ De-reservation of readymade garments, hosiery and knitwear from the SSI sector.
- ❖ Technology Mission on Cotton has been launched to make available quality raw material at competitive prices.
- ❖ Technology Up gradation Fund Scheme (TUFS) has been launched to facilitate the modernisation and up gradation of the textiles industry.
- ❖ Scheme for Integrated Textile Park (SITP) has been started to provide world class infrastructure facilities for setting up their textile units through the Public Private Partnership model.
- ❖ The Apparel International Mart, in Gurgaon, will provide world class facility to apparel exporters to showcase their products and to serve as a one-stop-shop for reputed international buyers.
- ❖ The Indian Textile Plaza is being built, in Ahmedabad, to encourage exports to overseas markets.
  
- ❖ 50 textile parks are being established to enhance manufacturing capacity and increase the industry's cost competitiveness.



## Italian Trade Commission

- ❖ The Government plans to set up a technology mission on technical textiles with an aim to attract investment into the sector. The Government has increased the plan allocation for textiles by 66.27 per cent in 2007-08 over that of 2006-07, making it one of the only two ministries that have seen such a high level of increase in budgetary support.

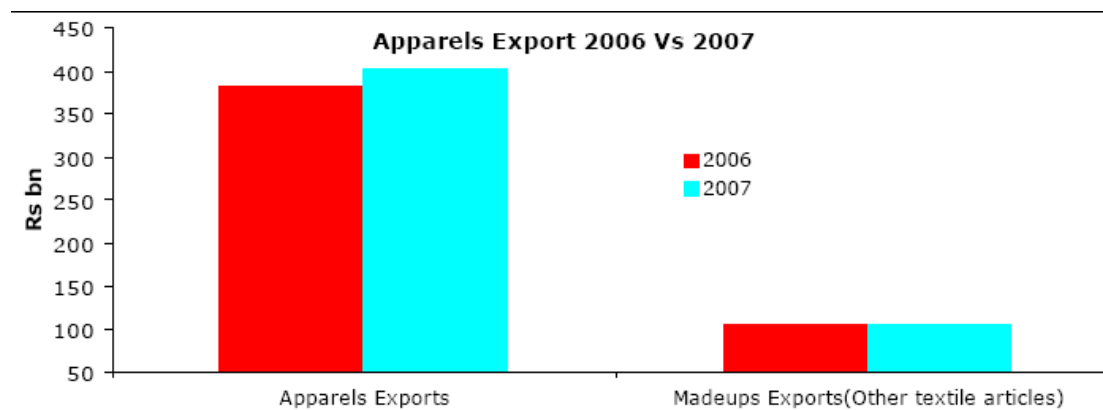
The Indian consumer desires to possess international luxury brands as an inspirational product. Additionally, no Indian retail brand actually qualifies to be categorised as a luxury brand. This readiness for luxury as an organised market, has been recognised throughout the world and international luxury brands are exploring possible avenues and tie-ups to enter the Indian retail market.

Indian apparel companies have realised the huge potential of partnering with these global luxury brands wishing to enter India. This helps them not only to extend their portfolio into the luxury, super premium, premium segments, but also makes them probable sourcing partners for these brands in India as well as internationally. Vice versa, luxury brands gain access to well established distribution channels and customer base.

## Apparel Exports by India Globally

Indicator	2006	2007
Apparels Exports	381.93	402.80
Non-Knitted Apparels Exports	240.65	239.09
Knitted Apparels Exports	141.28	163.71
Made ups Exports (Other textile articles)	105.40	104.14

*Source: IAS; Cygnus Research*



## Export From India to Italy

Articles of Apparel & Clothing Accessories of Leather or of Composition Leather

S.No.	Year	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007
1.	Values in US\$ Million	55.98	79.48	72.70	75.99	82.41
2.	%Growth		41.97	-8.53	4.53	8.45
3.	Total export of commodity	312.99	454.17	478.33	527.16	502.66
4.	%Growth		45.11	5.32	10.21	-4.65
5.	%Share of country (1 of 3)	17.89	17.50	15.20	14.42	16.40
6.	Total export to country	1,357.08	1,729.40	2,285.99	2,519.04	3,580.10
7.	%Growth		27.44	32.18	10.19	42.12
8.	%Share of commodity (1 of 6)	4.13	4.60	3.18	3.02	2.30
	<i>Exchange rate: (1US\$ = Rs.)</i>	<i>48.3953</i>	<i>45.9516</i>	<i>44.9315</i>	<i>44.2735</i>	<i>45.2849</i>

## Imports from Italy to India

Articles of Apparel & Clothing Accessories of Leather or of Composition Leather

S.No.	Year	2002- 2003	2003- 2004	2004- 2005	2005- 2006	2006- 2007
1.	Values in US\$ Million	0.04	0.03	0.16	0.36	0.39
2.	%Growth		-35.91	490.47	120.03	7.73
3.	Total Import of commodity	1.16	1.37	1.85	3.19	3.72
4.	%Growth		18.09	34.58	72.74	16.58
5.	%Share of country (1 of 3)	3.71	2.01	8.83	11.24	10.39
6.	Total Import to country	811.99	1,071.03	1,373.10	1,855.63	2,672.35
7.	%Growth		31.90	28.20	35.14	44.01
8.	%Share of commodity (1 of 6)	0.01	0.00	0.01	0.02	0.01
	<i>Exchange rate: (1US\$ = Rs.)</i>	<i>48.3953</i>	<i>45.9516</i>	<i>44.9315</i>	<i>44.2735</i>	<i>45.2849</i>

Source :www.commerce.nic.in