ITALIA
Italian Trade Commission

Indian Leather & Tanning Industry
Profile 2010

CONTENTS

1. Introduction

Chronologically the birth of Leather in India dates back to 3,000 years B.C. The innate strengths, innovative technology and marketing strategies have converted the comparative advantage of India into a commercial success making the country a cynosure of Leather and Tanning in the Global Leather Map.

1.1 The Industry- Economic Significance

The Euro 5.25 Billon[1], Indian Leather Industry – 6^{th} largest in the World[2], is one of the major established manufacturing industries in the modern as well as traditional sector. It is an indigenous industry in which the country is well endowed with an affluence of raw materials, skilled manpower, innovative technology, increasing industry compliance to international environment standards and the dedicated support of the allied industries. The industry has undergone a structural change during the last three decades, from merely an exporter of raw material in the sixties to that of value added products occupying a place of prominence in the Indian economy in terms of foreign trade, employment generation and growth and is among the top ten foreign exchange earners for the country, gradually parading towards the magic figure of Euro 5.27 Billion[3] of exports by 2013-14.

1.2 Industry – Structure

Leather product / leather industry in India is spread over organized as well as unorganized sector dominated by the presence of family units. The small scale, cottage and artisan sectors account for over 90% of the total production.

Table 1- Sectoral Classification of the Production Units [4]

Type of Unit	Turnover
Small	< Euro 2.25 Million
Medium	Euro 2.25 -11.25 Million
Large	Euro11.25 – 41.25 Million

1 CLE –Report – Export of Leather & Leather Products – Facts and Figures 2008-09 where 1USD =..75 Euro and 1 INR = .015 Euro , Apr 23,10

2 'Indian Leather Exports-Prospects & Problems' –CLE (Council for Leather Exports)

3 Same as 1

4 Leather & Leather Products industry in Selected Asia-Pacific Countries – An In depth Study of Competitiveness – Mr. A.A. Gopalakrishnan- Pg 60

1.3 Major production Centres

The major production centers for leather and leather products are located in **Tamil Nadu** -Chennai, Ambur, Ranipet, Vaniyambadi, Trichy, Dindigal; **West Bengal** – Kolkata**; Uttar Pradesh** - Kanpur, Agra and Noida; **Maharashtra** – Mumbai; **Punjab** – Jallandhar; **Karnataka** – Bangalore; **Andhra Pradesh** – Hyderabad; **Haryana** - Ambala, Gurgaon, Panchkula and Karnal and **Delhi**.

Table 2- Top 8 States in Terms of Manufacturing Units

States	Footwear Units (Factories + Household)	Leather Garments + Leather Goods Units	Total
Tamil Nadu	160	598	758
West Bengal	230	436	666
Uttar Pradesh	268	22	290
Haryana & Punjab	163	8	171
New Delhi	112	43	155
Andhra Pradesh	128	10	138
Karnataka	48	40	88
Maharashtra	20	48	68

1.4 Table 3 - Estimated Production Capacities:

Item	Capacity
Leather Footwear	909 Million Pairs
Leather Shoe Uppers	100 Million Pairs
Non – Leather Footwear	1056 Million Pairs
Leather Garments	16 Million Pieces
Leather Goods	63 Million Pieces
Industrial Gloves	52 Million Pairs
Saddlery & Harness	12.50 Million Pieces

Source: CLRI – Central Leather Research Institute

1.5 Distinguishing Features

- Own raw material source - 21% of world cattle & buffalo and 11% of world goat & sheep population are housed in India.
- 2 Billion sq feet of leather produced annually
- 2nd largest producer of Footwear and Leather Garments

- 3rd largest producer of saddlery and harness items.
- Generating employment for 2.5 Million people, mostly from the weaker sections with 30% women predominance.
- Nearly 60-65% of the production is in the small / micro sector[5]
- Promising technology inflow and Foreign Direct Investment
- World-class institutional support for Design and Product Development, Human Resources Development and R&D activities
- Presence of support industries like leather chemicals and finishing auxiliaries
- Presence in major markets-Long European experience and strategic location in Asian landmass

[5] CLE Directory 2008

2. Positioning Indian Leather in the Global Market

Indian leather industry today has attained well-merited recognition in the international market besides occupying a place of pride within the domestic market.

- India accounts for 6% of the global market in leather goods and 2.78% of the World Import of Leather and Leather Products [6].
- India's export of leather and leather products increased from Euro 1618.01 Million in 2003-04 to Euro 2627.01 Million in 2008-09 registering a phenomenal growth rate of 10.17%.
- India is the 5th largest exporter of Leather goods and accessories in the World with a lion's share of 24.27% in the country's export of Leather & Leather Products.

2.1 Export Performance:

Table 4- India's Export of Leather and Leather Products for six years

(Value in Million Euros)

	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Finished Leather	416.78	455.8	477.20	543.00	605.39	505.03
Footwear	575.8	683.08	783.93	927.68	1117.01	1150.24
Leather Garments	225.81	247.08	249.98	232.43	259.00	319.61
Leather Goods	404.4	439.29	495.13	529.71	600.34	654.98
Saddlery & Harness	39.53	46.28	58.14	61.75	79.64	69.11
Total	1662.32	1871.53	2064.38	2294.57	2661.38	2698.97
% Growth	18.20%	12.58%	10.30%	11.15%	15.99%	1.41%

Source: CLE

2.1.1 Product wise few relevant export data

Footwear

- India's export of leather footwear had increased from Euro 414.78 million in 2003-04 to Euro 932.835 Million in 2008-09 recording a 124.9 % rise.

[6] All figures are from –CLE

- India’s export of footwear components had increased from Euro 120.95 million in 2003-04 to Euro 184.76 million in 2008-09 recording a 52.76% growth.
- India’s export of footwear (leather, non-leather & footwear components) had increased from Euro 575.8 million in 2003-04 to Euro 1150.25 million in 2008-09, growing at a CAGR of 99.8%

Leather Garments

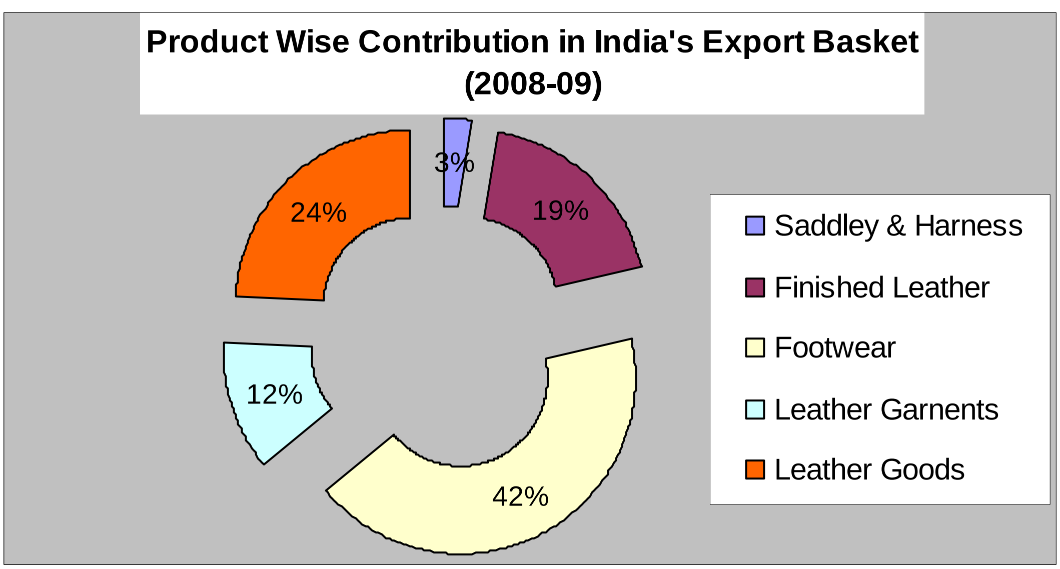
- India’s export of leather garments had increased from Euro 225.81 million in 2003-04 to Euro 319.61 million in 2008-09 growing at 41.54%.

Leather Goods & Accessories

- India’s export of leather goods & accessories had increased from Euro 404.41 million in 2003-04 to Euro 654.98 million in 2008-09 registering a growth of 61.96%

Saddlery & Harness

- India’s export of saddlery & harness had increased from Euro 39.53 million in 2003-04 to Euro 69.11 million in 2008-09 with a phenomenal 74.83% growth.



Source: DGCI&S

Table 5 - Product Wise Percentage share of India's Export in the Global Import during 2003-07

Details	2003	2004	2005	2006	2007
Leather	3.12%	3.07%	3.20%	3.35%	3.67%
Leather Footwear	1.64%	1.79%	1.97%	2.19%	2.48%
Footwear Components	3.16%	3.41%	3.58%	4.06%	4.94%
Leather Garments	7.18%	8.22%	8.70%	8.27%	8.81%
Leather Goods (Including Gloves)	5.98%	5.43%	5.39%	5.14%	5.01%
Saddlery & Harness	8.71%	8.64%	9.36%	8.97%	9.73%
Non-Leather Footwear	0.26%	0.32%	0.21%	0.15%	0.14%
Total	**2.44%**	**2.49%**	**2.53%**	**2.59%**	**2.78%**

Source: World Statistics, ITC, Geneva, DGCI&S

2.1.2 Future Outlook

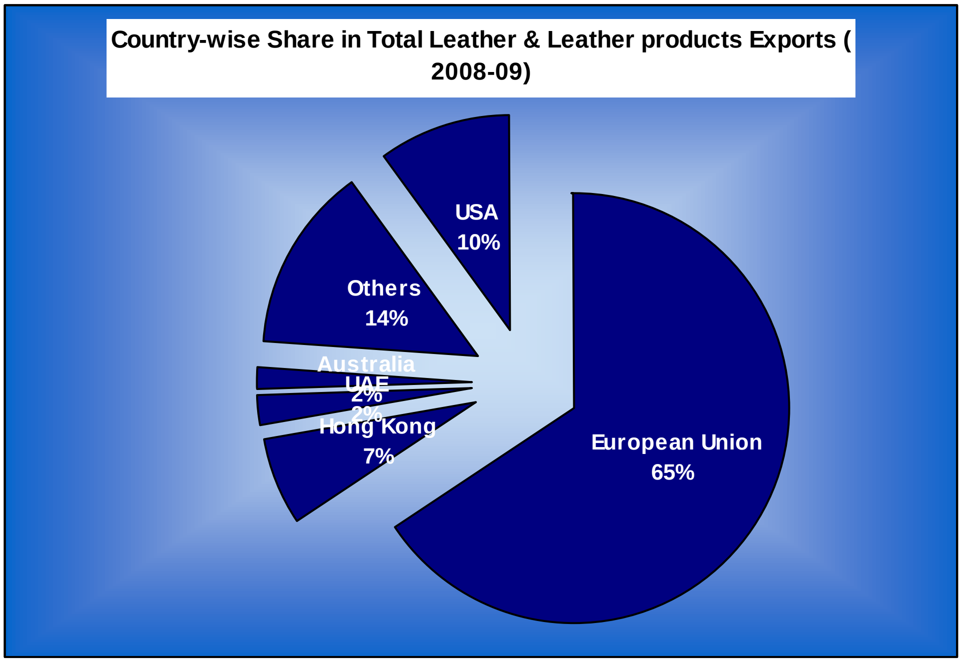
Table 6- Export projections during 2009-10 to 2013-14

Product	2009-10	2010-11	2011-12	2012-13	2013-14
Leather	667.7625	767.925	826.4325	933.87	1055.2725
Footwear	1399.1175	1645.5525	1900.8	2194.5975	2532.6525
Leather Garments	317.985	329.1075	371.895	373.545	369.345
Leather Goods including Saddlery & Harness	794.955	914.1975	1033.0425	1167.3375	1319.0925
Total	3179.82	3656.7825	4132.17	4669.35	5276.3625

(Value in Million Euros) Source: CLE Website

2.1.3 Country Wise Export Performance and an analysis of Indo-Italian Trade

- European Union is one of the major markets for the Indian Leather Products which had a share of 65.57% of all India exports of Leather and leather products in 2008-09 amounting to Euro 1722.46 Million.



Source: DGCI&S

- Italy is the second largest market in the world for Indian leather products with a share of 12.82 %. In addition to this, Germany (with 14.12%), U.K.(11.48%), USA (9.98%),Hong Kong (6.61%), Spain (6.09%), France (6.14%), Netherlands (4.13%), UAE (2.38%) and Australia (1.55%) comprise 75.30% of India's total leather products export

Table 7- Indo Italy Trade in Leather and Tanning

(Value in Million Euro)

	2007	2008	2009
Total Indian Import	811.640	991.150	1087.100
Total Import from Italy	73.170	91.750	89.040
Percentage Share of Italian Imports	9.0%	9.3%	8.2%

Source: DGFT

- Italy - topping the League of Nations for shoemaking, tanning and leather goods machinery is one of the primary leather business partners of India. Italian exports of 'Leather and Tanning Machinery' and Indian exports of 'Leather and Leather Products' constitute the primary tradable items in this sector between the two countries.

Table 8- A 6 year Overview Manifesting India's Export of Leather and Leather products to Italy

(Value in Million Euros)

Products	2003-04	2004-05	2005-06	2006-07	2007-08	2008-09
Finished leather	62.5	48.65	62.93	88.33	102.52	72.56
Footwear	78.58	75.65	98.08	135.86	167.76	161.37
Leather Garments	39.02	38.12	34.57	38.42	42.81	51.2
Leather Goods and Accessories	26.70	24.78	33.82	37.05	41.58	49.28
Saddlery & Harness	1.26	1.32	2.04	2.07	3.58	2.5
	208.06	188.52	231.44	301.73	358.25	336.91

Source: Leather News India , Edition March 2010- Monthly Magazine of CLE

2.1.4 Region wise Contribution

Table 9- Export of Leather and Leather Products from the Five Regions in India

(Value in Million Euros)

Region	2007-08		2008-09		% of Variation in FOB Value
	FOB Value	% Share in Total Export	FOB Value	% Share in Total Export	
South	909.72	37.98	984.85	36.84	8.26
North	527.68	22.04	660.68	24.71	25.2
Central	466.88	19.49	465.28	17.41	-0.34
East	357.27	14.91	418.79	15.67	17.22
West	133.76	5.58	143.62	5.38	7.37
Total	**2395.31**	**100**	**2673.22**	**100**	**11.60**

Source: CLE

Table 10- State-wise Export of Leather & Leather Products

(Value in Million Euros)

State	2007-08		2008-09		% of Variation in FOB Value
	FOB Value	% share in Total Export	FOB Value	% share in Total Export	
Tamil Nadu	861.65	35.97	932.40	34.88	8.21
Uttar Pradesh	702.95	29.35	755.31	28.25	7.45
West Bengal	357.24	14.91	418.76	15.67	17.22
Delhi	164.56	6.87	204.17	7.64	24.07
Maharashtra	131.05	5.47	139.37	5.21	6.35
Haryana	100.27	4.19	129.84	4.86	29.49
Karnataka	41.59	1.74	43.05	1.61	3.51
Punjab	22.11	0.92	33.32	1.25	50.70
Pondicherry	4.46	0.19	5.67	0.21	27.15
Gujarat	3.52	0.15	5.31	0.20	50.93
Rajasthan	4.232	0.18	2.64	0.10	-37.62
Andhra Pradesh	0.66	0.03	1.6	0.06	141.89
Kerala	0.56	0.02	1.07	0.04	91.17
Madhya Pradesh	0.25	0.01	0.45	0.02	80.25
Uttaranchal	0.22	0.01	0.26	0.01	17.52
Total	**2395.322**	**100**	**2673.22**	**100**	**11.60**

Source: CLE

2.1.5 India: Outsourcing Hub & Home to the Leading Brands

Table 11- International Brands Sourced from India

Footwear	Leather Garments	Leather Goods / Accessories
Acme, Ann Taylor, Bally, Charter Club, Clarks, Coach, Colehann, Daniel Hector, Deichmann, DKNY, Double H, Ecco, Elefanten, Etienneaigner, Florsheim, Gabor, Geoffrey Beene, Guess, Harrods, Hasley, Hugo Boss, Hush Puppies, Kenneth Cole, Liz Claiborne, Marks & Spencer, Nautica, Next, Nike, Nunn Bush, Pierre Carding, Reebok, Salamander, Stacy Adams, Tommy Hilfiger, Tony Lama, Versace, Yves St. Laurent	Pierre Cardin, Tommy Hilfiger, Versace, DKNY, Hugo Boss, Liz Claiborne, Ann Taylor, Nautica, Kenneth Cole, Charter Club, Daniel Hector	Coach, Liz Claiborne, Harrods, Yves St, Laurent, Tommy Hilfiger, Etienne Aigner, Geoffrey Beene, Marks & Spencer, Guess, Next, Pierre Cardin

Source: CLE

Table 12 - Leading Brands Available in Domestic Market

MNC	Indian
Aldo, Bally, Clarks, Ecco, Florshiem, Ferragammo, Hush Puppies, Lee cooper, Lloyd, Marks & Spencer, Nike, Nine West, New Balance, Reebok, Rockport, Stacy Adams	Red Tape, Bata, Liberty, Khadims, Lakhani, Metro, Action

Source: CLE

2.2 Import Performance:

India Primarily Imports Raw Hides & Skins and Leather and Machinery

Table 13-Import of Raw Hides & Skin and Leather during 2004- 05 to 2008- 09

(Value in Million Euros)

Category	2004-05	2005-06	2006-07	2007-08	2008-09
Raw Hides & Skins	37.66	43.66	52.19	64.88	72.14
Leather (Wet Blue, Crust & Finished Leather)	159.53	174.83	216.64	260.62	270.42
Total	197.19	218.49	268.83	325.5	342.56

Source: DGCI&S

3. Horizontal Spread of the Industry

Leather industry can be broadly divided into Leather Processing and Leather Product Industry .The flow chart elucidates the structure :

Leather Industry

- **Leather Processing**
  - **Tanning & Finishing**
- **Leather Product**
  - **Footwear & Footwear Components**
  - **Leather Garments**
  - **Leather Goods**

Table 14 - Share of Different Sectors in the Leather Production in India

Sector/Product	Household Sector	Small Scale Sector	Medium & Large Sector
Tanneries	10%	35%	55%
Footwear – Leather	60%	25%	15%
Footwear- Non Leather	15%	70%	15%
Garments & Outerwear	Nil	95%	5%
Assorted Leather Goods	10%	85%	5%
Saddlery & Harness	40%	60%	Nil

3.1 The Leather Processing Industry:

3.1.1 The Leather Processing involves two stages, viz:

i) Processing of raw hides/skins into semi-finished leather – Tanning and (ii) Processing of semi- finished leather to finished leather – Finishing

3.1.1.1 Tanning Industry in India:

There has been a major change in the complexion of tanning industry during the last few decades. The organized tanning sector has gained significance in the industrial process and grown in Tamil Nadu, West Bengal and Uttar Pradesh. With the power of technology and resources, the organized sector is able to mobilize the raw hides from the entire country. However the industry is established in a few pockets in the states of Tamil Nadu, West Bengal due to the presence of tanning operations from the British period and proximity to the port. The process of transformation has been faster since 1973 and tanning industry has grown in clusters of Tamil Nadu, West Bengal, Uttar Pradesh and Punjab.

Table 15- State-wise Distribution of Tanneries in the Country:

State	No. of Tanneries	Percentage
Tamil Nadu	934	44.60
West Bengal	538	25.70
Punjab	79	3.80
Uttar Pradesh	378	18.00
Andhra Pradesh	24	1.15
Maharashtra	33	1.60
Karnataka	16	0.80
Bihar	17	0.80
Haryana	18	0.80
Other States	54	2.75
Total	2091	100.00

Source: Central Pollution Control Board (CPCB)

Out of the total number of tanneries in India, about 45% are in Tamil Nadu alone. Tamil Nadu, West Bengal and Uttar Pradesh account for 88.50% of the total tanneries in the country. The states of Tamil Nadu, Uttar Pradesh and Maharashtra contribute to 85% of the total production each with a share of 37.44% , 21.74% and 14.96% respectively.

3.1.1.1.1 Tanning & Finishing Process :

Tanning is the process by which raw animal hides are converted into leather. During this process, the leather is made resistant to biological decay by stabilizing the collagen structure of the hide, using natural or synthetic chemicals (UNEP 1991). The English word for tanning is from medieval Latin *tannāre*, deriv. of *tannum* (oak bark), related to Old German- *tanna* meaning oak.This refers to the use of the bark of oaks (the original source of tannin- an acidic chemical compound) in some kinds of hide preservation.

The process involves several stages, viz: The first stage is the preparation for tanning. The second stage is the actual tanning and other chemical treatment. The third stage, known as retanning, applies retanning agents and dyes to the material to provide the physical strength and properties desired depending on the end product. The fourth and final stage, known as finishing, is used to apply finishing material to the surface or finish the surface without the application of any chemicals if so desired.

1st stage- Preparing hides begins by ‘curing’ them with salt. Curing is employed to prevent putrefaction of the protein substance (collagen) from bacterial infection during the time lag that might occur from procuring the hide to when it is processed. Curing removes excess water from the hides and skins using a difference in osmotic pressure. Then the hides are ‘soaked’ in clean water to remove the salt and increase the moisture so that the hide or skin can be further treated. After soaking, the hides and skins are taken for ’liming’. Liming is done primarily to -Remove the hairs, nails and other keratinous matters. After liming, the pH (acidity) of the collagen is brought down to a lower level so that enzymes may act on it. This process is known as ‘deliming.’ Depending on the end use of the leather, hides may be treated with enzymes to soften them in a process called ‘bating ‘.Once bating is complete, the hides and skins are treated with a mixture of common (table) salt and sulphuric acid, in case a mineral tanning is to be done. This is done to bring down the pH of collagen to a very low level so as to facilitate the penetration of mineral tanning agent into the substance. This process is known as ‘pickling’ .

2nd Stage- Tanning can be performed with either vegetable or mineral methods.

- **Vegetable tanning** uses tannin (a class of polyphenol astringent chemical) which are present naturally in the bark and leaves of many plants. Tannins bind to the collagen proteins in the hide and coat them causing them to become less water-soluble, and more resistant to bacterial attack. The process also causes the hide to become more flexible. The primary barks used in modern times are chestnut, oak, tanoak, hemlock, quebracho, mangrove, wattle (acacia; see catechu), and myrobalan. Hides are stretched on frames and immersed for several weeks in vats of increasing concentrations of tannin. Vegetable tanned hide is flexible and is used for luggage and furniture.

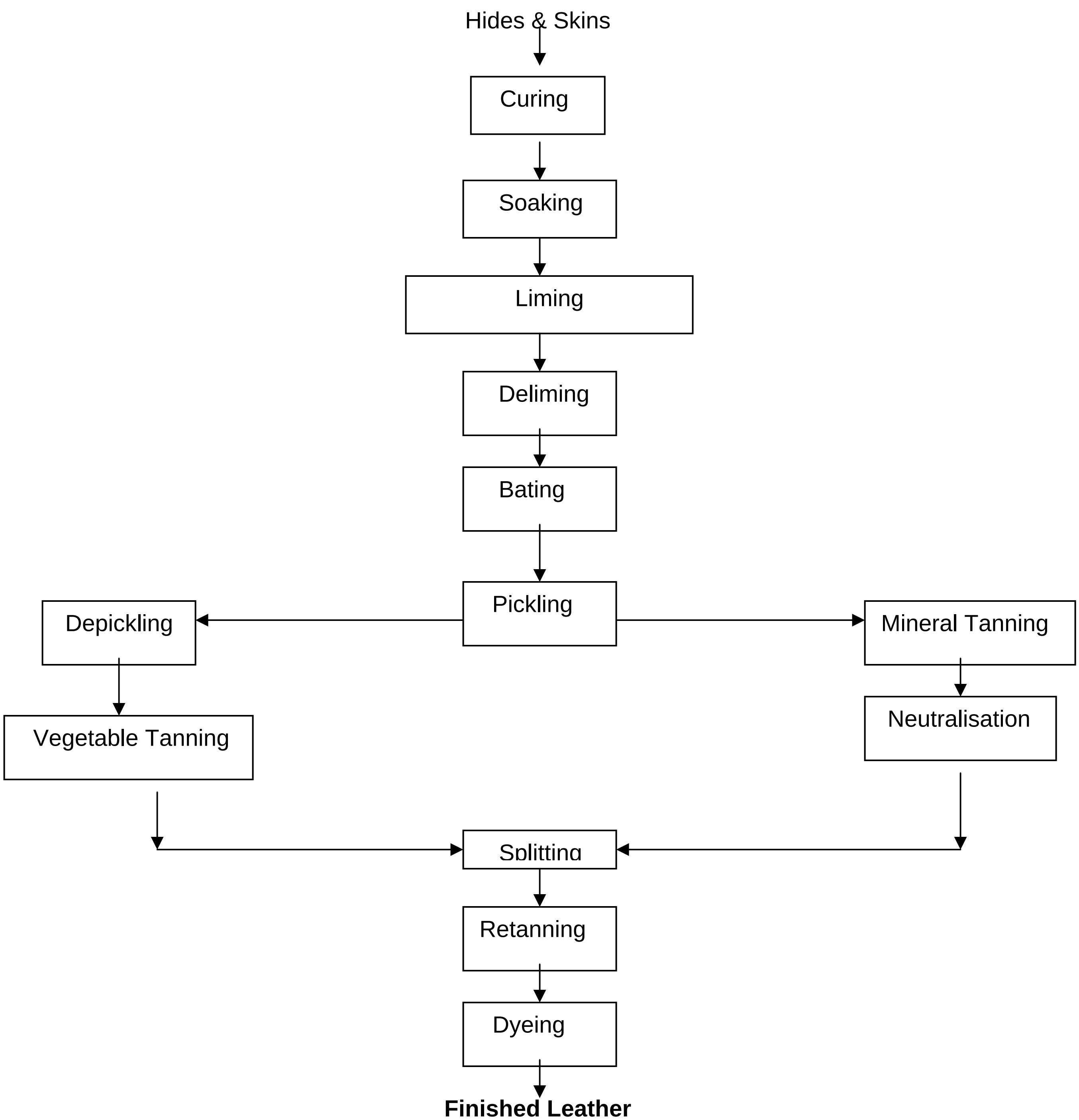
- **Mineral tanning** usually uses chromium in the form of basic chromium sulfate. It is employed after pickling. Once the desired level of penetration of chrome into the substance is achieved, the pH of the material is raised again to facilitate the process. This is known as "basification". In the raw state chrome tanned skins are blue and therefore referred to as "wet blue." Chrome tanning is faster than vegetable tanning (less than a day for this part of the process) and produces a stretchable leather which is excellent for use in handbags and garments.

3rd Stage- After tanning, the hides are split horizontally into an upper layer called the grain, and a layer from the flesh side called the split . These layers are separately processed further, sometimes retanned and then pressed for water, stretched and dried.

4th and Final Stage- Depending on the finishing desired, the hide may be waxed, rolled, lubricated, injected with oil, split, shaved and, of course, dyed and given surface treatment to give texture, look and shape to the finished leather.

The process is depicted in the flow chart below:

Flow Chart for Leather Processing :



3.1.1.1.1.1 Effect on Environment:

The pollution load from the tanning activity has been estimated to be 50% more in weight than the weight of the hides processed. Pollution comes from several of the sub-processes due to the usage of 175 different chemicals, and is both organic and chemical. Wastes and chemicals released to water system are the main pollution concerns for the leather industry. They are produced during washing, dehairing and tanning of the leather. The water discharge from turnover is called 'Raw Effluent'.

More than 95% of the Indian tanneries have pollution control devices.Central Pollution Control Board has constituted a Special Task force to identify the waste minimization techniques and control pollution

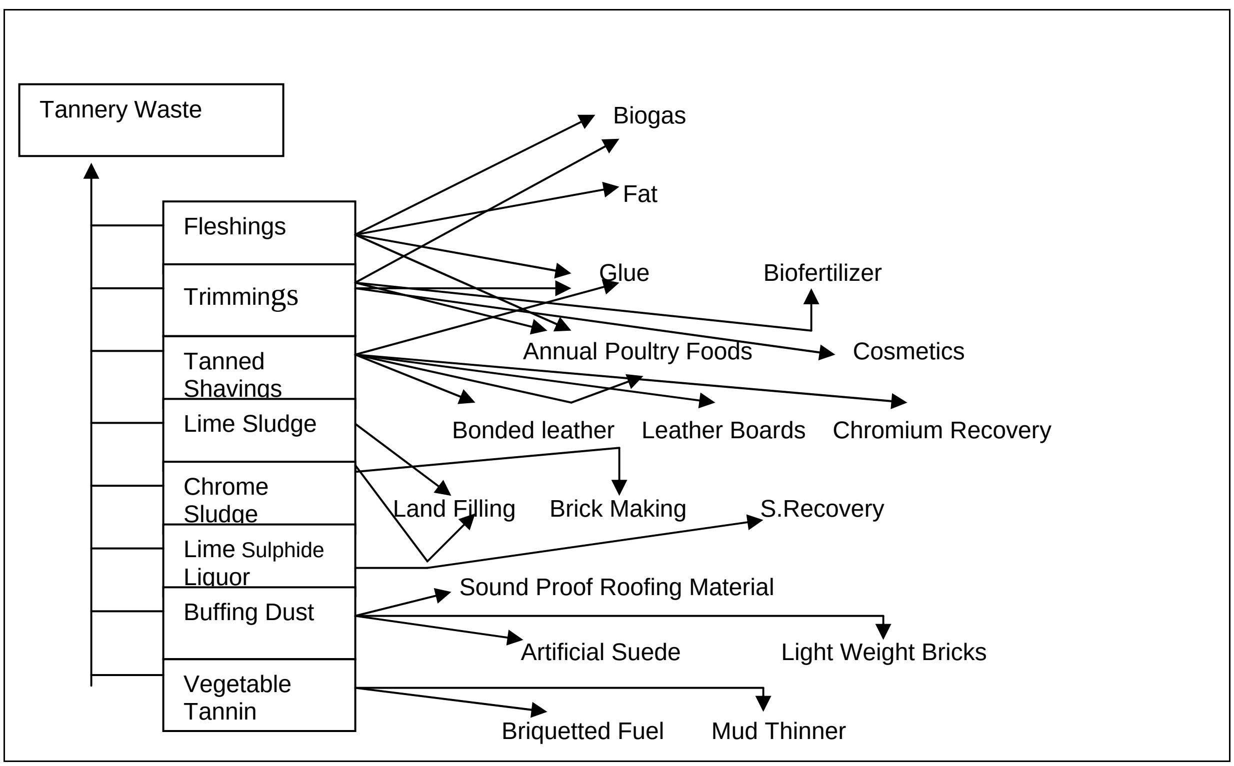
3.1.1.1.1.1.1 Action Plan:

- **Chrome Recovery:** Chrome is entirely extracted from the Chrome Liquor produced during chroming process and the resident water is used for other purposes apart from drinking. 20% of the extracted chrome is also reused for chroming.

- **The Common Effluent Treatment Plants (CETPs)** - have been established in all the tannery clusters. The TDS (Total Dissolved Solids) in Tannery effluent is high because common salt is widely used for preserving raw hides and skins. There are 19 'CETPs' operational in India and out of which 14 are operational in Tamil Nadu. More than 150 individual Effluent Treatment Plants (ETPs) are operational in isolated tanneries and locations where the common facilities are not possible.
- **Zero Liquid Discharge Technology** - by implementing the reverse osmosis (RO) system for recovery of water from tannery effluent is being implemented in the South Indian tanneries (i.e. 120 individual units and 14 effluent treatment plants). Establishment of decentralized secure landfill system linked with CETPs has been implemented in many tannery clusters (**First of its kind in the World**). This process facilitates in the recovery of water, apart from meeting the TDS norms.
- **Bio Processing -** R&D activities are under progress for this method of effluent treatment.

- **Water Conservation & Other Pollution Control Methods**
  - All the tanneries have installed water meters and flow meters to measure actual consumption and waste water discharge.
  - Consumption of water reduced to 22 m3/tonne of hides/skins.
  - Ground water quality being monitored to strengthen wherever the treated effluents are applied on land for irrigation.
  - Deployment of qualified and well-trained staff for Observation and Monitoring of the ETPs (Effluent Treatment Plants) / CETPs.
  - Separate energy meter for ETPs / CETPs.
  - Replacement of open anaerobic lagoons with cleaner technology options.
  - All the large tannery units (Processing more than 5 tonnes per day of hides / skins) have undertaken Environmental Auditing on annual basis.
  - Utilisation of Tannery By –Products - CLRI is attempting to create a technical database of the resources and terms of transfer of technologies for reusing the tannery wastes .

The Technological options available for Utilisation of Tannery By-Products



3.1.1.1.2 Challenges faced by the Indian Tanneries:

- Increased cost of production per unit area of finished leather due to stringent environmental norms
- Expansion of production capacities – issue in Tamil Nadu due to local laws, despite compliance
- Increasing demand of raw material – raw hides, skins and semi finished leathers
- Low level of technology in small tanneries
- No specific dedicated industrial areas for leather sector in few States
- Poor capacity utilization in most tanneries leading to higher financial cost and overheads

3.1.1.1.3 Areas where Foreign Collaboration is sought

- Water use minimization, recycle and reuse
- Solid Waste/Sludges Management
- Energy savings by best management practices
- By product management, recycle and reuse
- Optimal usage of chemicals and preservatives
- The ways to run state of art machinery and employ advanced technology which will produce skilled personnel in the tanning units which will bolster productivity, reduce costs, improve production quality.
- Technique to make tanning industry more eco compatible
- Precise knowledge of occupational safety, test standards
- Best tanning and management methods

3.1.2 All India and Regional Export Details are depicted hereunder

Table 16- All India Export Figure of Finished Leather during 2008-09

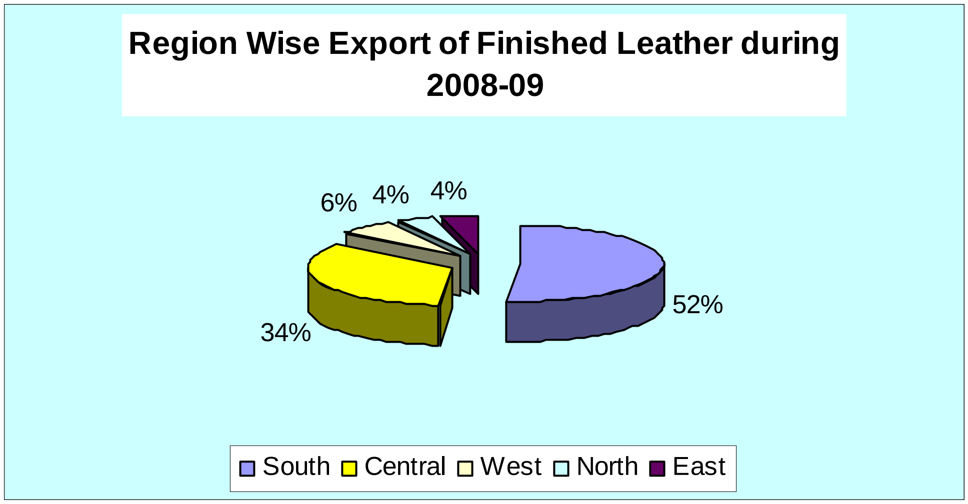
Product	Quantity (in sq Feet)	FOB Value in Million Euros	Share in % (Value –Wise)
Goat Leather	183,597,321	178.1991	32.67
Buff Leather	140,084,671	134.1708	24.59
Cow Leather	68,523,218	89.1735	16.35
Sheep Leather	42,046,463	56.6712	10.39
Upholstry Leather	48,124,232	41.3253	7.58
Buff Calf Leather	16,644,541	19.7931	3.63
Cow Calf Leather	13,815,558	17.3791	3.19
Others (Leather)	8,496,713	5.6831	1.04
Industrial Leather	3,080,196	2.0026	0.37
Sole Leather	1,017,259	1.1373	0.21
Total	525,430,172	545.5351	100

Source: CLE

Table 17- Regional Contribution to the Export of Finished Leather during 2008-09

Region	Quantity (in sq Feet)	FOB Value in Million Euros	Share in % (Value –Wise)
South	237,835,543	280.0308	51.33
Central	219,051,229	185.4887	34.00
West	22,074,457	34.0136	6.23
North	21,727,804	23.9326	4.39
East	24,741,140	22.0694	4.05
Total	525,430,173	545.5351	100

Source: CLE



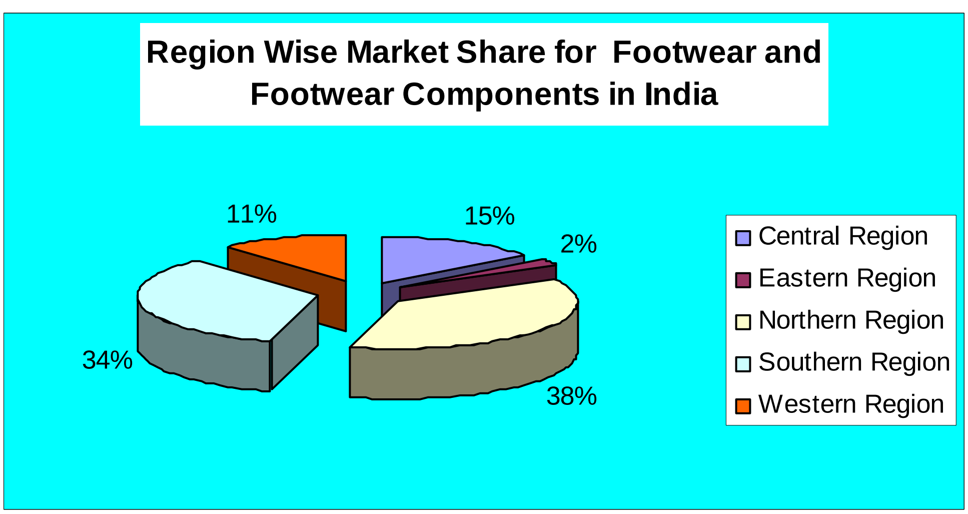
Source: CLE

3.2 The Leather Product Industry:

3.2.1 Footwear & Footwear Components:

Footwear has been one of the major end products of Leather with two thirds of World Leather being used for manufacturing Footwear. The traditional footwear industry is concentrated in Agra and Kanpur , mostly making hand-made shoes and chappals.

Region wise Contribution in the Manufacturing of Footwear and Footwear Components and the All India and Regional Export Details are depicted hereunder:



Source: CLE

Table 18- All India Export Figure of Leather Footwear during 2008-09

Product	**Quantity** (in Pairs)	**FOB Value in Million Euros**	**Share in %** (Value –Wise)
Leather Footwear (Children)			
Casual/Dress Shoes	4,438,381	42.2331	4.27
Sandals	2,084,575	15.1402	1.53
Long/Half Boots	731,378	12.206	1.23
Chappals/Slippers/Horrachis	186,369	1.1934	0.12
Leather Footwear (Gents)			
Casual/Dress Shoes	33,454,279	471.2077	47.62
Long/Half Boots	2,561,500	38.522	3.89
Sandals	2,682,398	24.4817	2.47
Chappals/Slippers/Horrachis	671,826	5.4349	0.55
Leather Footwear (Ladies)			
Long/Half Boots	6,048,166	126.1026	12.74
Casual/Dress Shoes	8,939,008	108.2645	10.94
Sandals	11,756,837	93.5476	9.45
Chappals/Slippers/Horrachis	2,734,829	21.607	2.18
Leather Footwear (Others)			
Industrial/Safety Shoes/Boots	2,423,023	29.24	2.95
Sports Shoes	33,873	0.17	0.02
Others (Leather Footwear)	103,468	0.1462	0.01
Total	78,849,912	989.4969	100

Source: CLE

Table 19- All India Export Figure of Footwear Components during 2008-09

Product	Quantity (in Pairs)	FOB Value in Million Euros	Share in % (Value-Wise)
Footwear Components (Children)			
Leather Shoe Uppers	922,397	6.6368	2.94
Leather Sandals Uppers	112,018	0.6902	0.31
Leather Boot Uppers	37,675	0.3876	0.17
Footwear Components (Gents)			
Leather Shoe Uppers	12,218,086	104.9019	46.54
Leather Boot Uppers	3,104,403	19.1471	8.50
Leather Sandals Uppers	279,661	1.6643	0.74
Leather Chappals Uppers	4,777	0.0408	0.02
Footwear Components (Ladies)			
Leather Shoe Uppers	4,662,196	47.396	21.03
Leather Boot Uppers	1,262,647	22.6151	10.03
Leather Sandals Uppers	1,331,385	8.9658	3.98
Leather Chappals Uppers	16,736	0.0969	0.04
Footwear Components (Others)			
Other Components	5,200,065	7.1162	3.16
Non Leather Footwear Components	5,576,707	4.9946	2.22
Leather Unit Soles	161,417	0.7293	0.32
Total	34,890,170	225.3826	100

Source: CLE

Table 20- Regional Contribution to the Export of Footwear during 2008-09

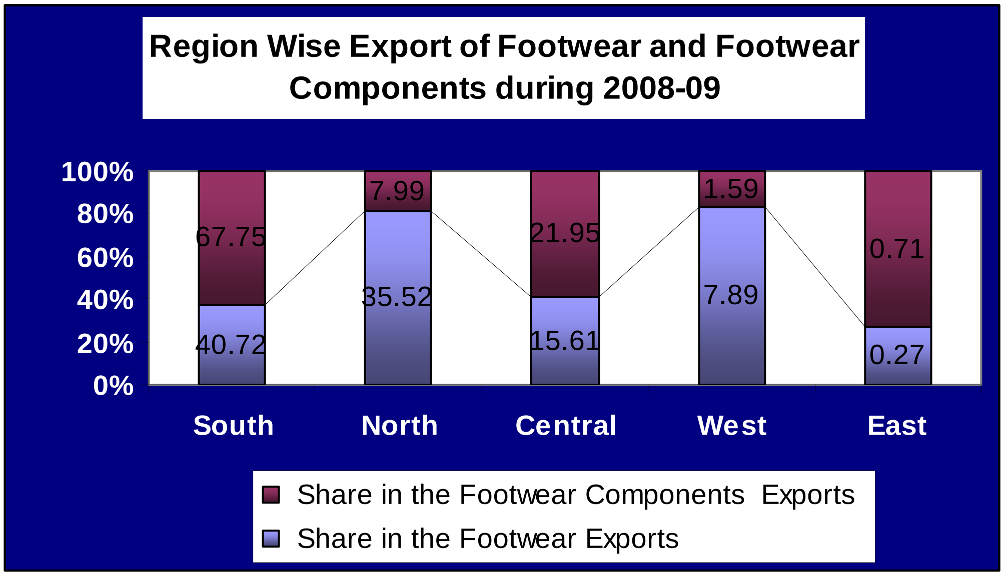
Region	Quantity (in Pairs)	FOB Value in Million Euros	Share in % (Value - Wise)
South	27,232,807	23699.1	40.72
North	27,232,879	20674.5	35.52
Central	14,254,179	9084.2	15.61
West	9,888,269	4591.8	7.89
East	241,777	156.2	0.27
Total	78,849,911	58205.8	100

Source: CLE

Table 21-Regional Contribution to the Export of Footwear Components during 2008-09

Region	Quantity (in Pairs)	FOB Value in Million Euros	Share in % (Value - Wise)
South	17,895,338	152.7042	67.75
Central	12,050,691	49.4768	21.95
North	4,029,879	18.0115	7.99
West	583,518	3.5938	1.59
East	330,744	1.5946	0.71
Total	34,890,170	225.3809	100

Source: CLE

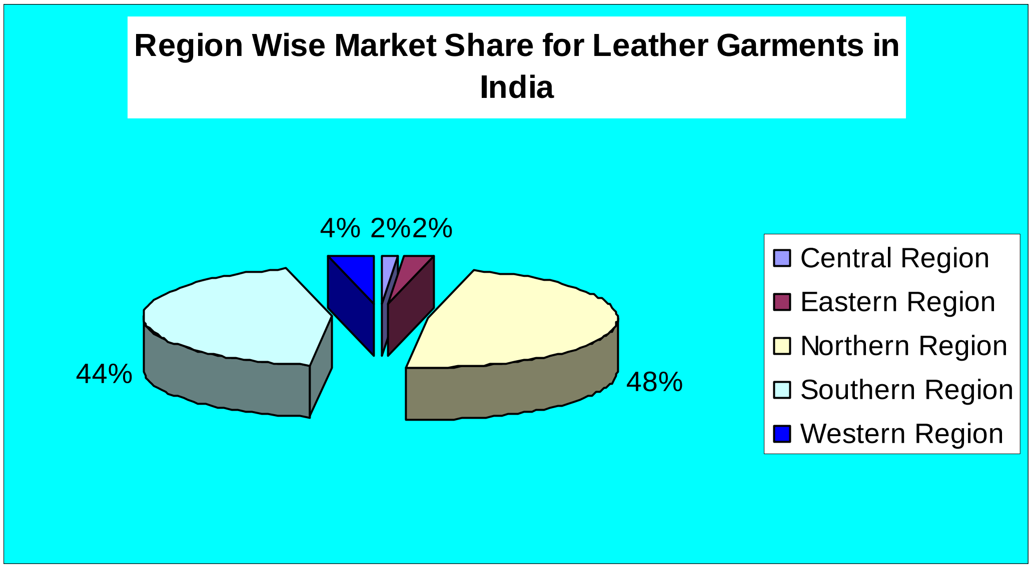


Source: CLE

3.2.2 Leather Garments

The export of leather garments commenced in 1984.The strength of the existing apparel industry and availability of skilled workforce have facilitated the growth of the leather garments industry in the country. Though on a small scale, most of these garment units are merchandised and are totally export oriented.

Region wise Contribution in the Manufacturing of Leather Garments and the All India and Regional Export Details are depicted hereunder:



Source: CLE

Table 22- All India Export Figures of Leather Garments during 2008-09

Product	**Quantity** (in Pieces)	**FOB Value in Million Euros**	**Share in %** (Value-Wise)
Leather Garments (Children)			
Children Garments	31,320	1.0574	0.31
Leather Garments (Gents)			
Leather Jackets	3,172,363	171.2427	49.41
Leather Pant/Shorts	436,543	10.3632	2.99
Leather Long Coats	129,839	9.4588	2.73
Leather Waist Coats/Shirts	898,433	5.7409	1.66
Leather Garments (Ladies)			
Leather Jackets	2,568,216	127.925	36.91
Leather Pant/Shorts	119,735	4.641	1.34
Leather Long Coats	64,089	4.2568	1.23
Leather Waist Coats/Shirts	85,355	2.6503	0.76
Leather Garments (Others)			
Others (Leather Garments)	1,019,605	4.7702	1.38
Industrial Leather Garments	289,704	2.8526	0.82

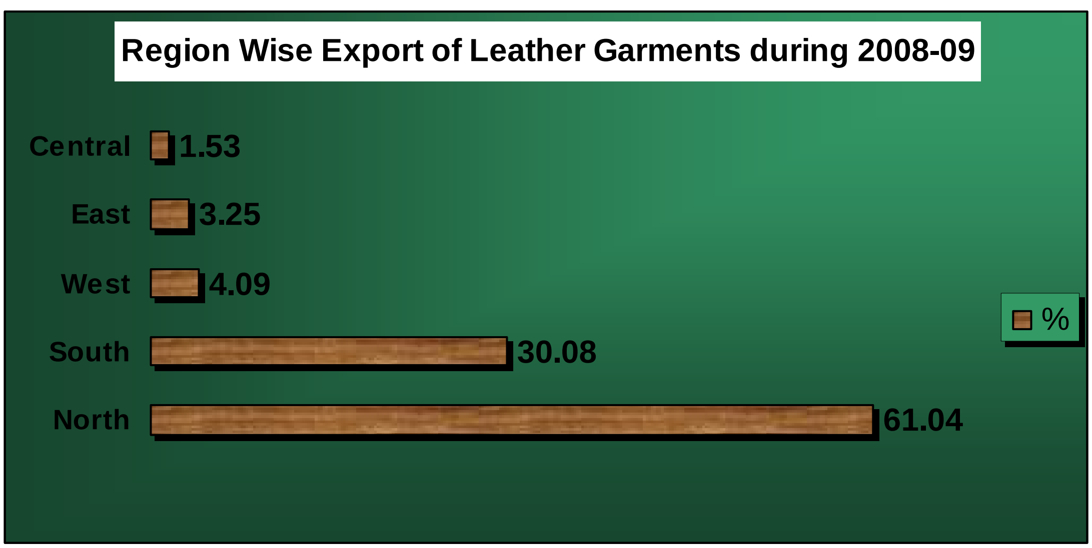
Product	Quantity (in Pieces)	FOB Value in Million Euros	Share in % (Value-Wise)
Leather Aprons	470,758	1.5657	0.45
Motorbike Jackets	353	0.0187	0.01
Total	9,286,313	346.5433	100

Source: CLE

Table 23- Regional Contribution to the Export of Leather Garments during 2008-09

Region	Quantity (in Pieces)	FOB Value in Million Euros	Share in % (Value - Wise)
North	4,707,553	211.5463	61.04
South	1,759,088	104.2423	30.08
West	369,029	14.1797	4.09
East	1,982,508	11.2676	3.25
Central	468,135	5.3091	1.53
Total	9,286,313	346.545	100

Source: CLE

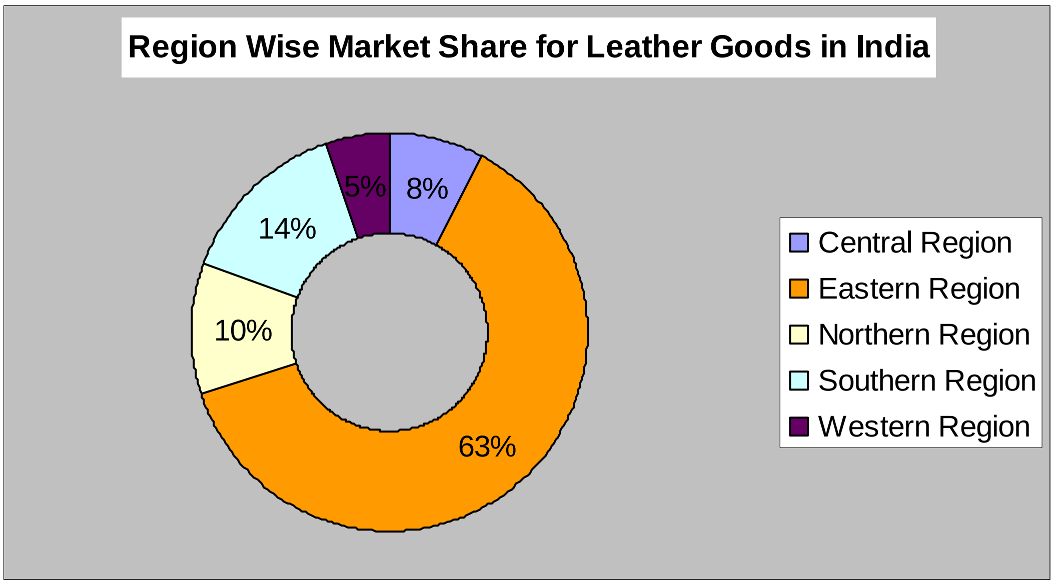


Source: CLE

3.2.3 Leather Goods:

The industry is primarily concentrated in and around Kolkata. It is a labour intensive industry, mainly in small scale and cottage sectors.

Region wise Contribution in the Manufacturing of Leather Goods and the All India and Regional Export Details are depicted hereunder:



Source: CLE

Table 24- All India Export Figures of Leather Goods during 2008-09

Product	Quantity (in Pieces)	FOB Value in Million Euros	Share in % (Value-Wise)
Ladies Handbags and Other Bags	11,359,822	199.6633	43.2
Wallets	45,194,117	133.3004	28.84
Other Leather Goods	15,852,025	31.8206	6.88
Leather Belts,Caps & Ties	8,664,679	31.7492	6.87
Purses	5,481,358	23.9785	5.19
Passport Holders/Credit card Holders, etc	4,186,047	8.1702	1.77
Pouches	3,735,085	8.1005	1.75
Sofa/Chair/Car seat covers (Upholstery)	212,382	8.0444	1.74

Product	Quantity (in Pieces)	FOB Value in Million Euros	Share in % (Value-Wise)
Diary Covers/Cheque Book Covers	1,297,928	3.9661	0.86
Portfolio/Briefcases	280,047	3.9389	0.85
Handcrafted Leather Items	1,194,159	3.5649	0.77
Pet Accessories	1,228,845	2.6418	0.57
Travel/Luggageware	430,140	1.5232	0.33
Desktop Materials	275,174	1.3362	0.29
Covers for Camera, Calculator etc	149,220	0.3706	0.08
Leather Toys	28,753	0.0153	0.00
Total	99,569,781	462.1841	100

Source: CLE

Table 25 - Regional Contribution to the Export of Leather Goods during 2008- 09

Region	Quantity (in Pieces)	FOB Value in Million Euros	Share in % (Value - Wise)
East	52,269,938	246.6326	53.36
North	17,762,261	87.7727	18.99
South	17,432,059	84.0531	18.19
Central	8,079,949	27.3581	5.92
West	4,025,574	16.3659	3.54
Total	99,569,781	462.1824	100

Source: CLE

Italian Trade Commission

Source: CLE

3.2.4 Challenges faced by the Leather Product Sector:

- Varying levels of technology in the factories depending on the size of the factories
- Low quality of shoes – threat of shift in production to other areas or countries where cheaper labour is available
- Subcontracting of labour by major companies – design, component selection and methods of production are given by the buyers and do not provide their own fashion collections, however companies are able to make prototypes based on ideas provided by the buyer
- Strong requirement to increase quality as well as quantity
- Availability of right raw material (finished leather) at right time
- Under developed designs for footwear components sector
- Absence of own collections and poor development of footwear components, particularly for women's footwear – Market size of women's footwear in the world is 63% of total footwear market, but the share of women's footwear exports out of India's total footwear is only 34%
- Meeting manpower requirement under the state of affairs of rapid industrialization

4. West Bengal – A Case Study in Tanning

4.1 Overview of the State as an investment destination

West Bengal - has seen amazing turnaround in recent years attracting maximum investment plans worth Euro 19.095 Billion in Q3 2007-08[7] with third largest economy with NSDP (Net State Domestic Product) of Euro 30.19[8] Billion growing at a phenomenal rate of (7-8)% over the years and with a projected growth of 9% during Eleventh Plan [9].

The capital city of Kolkata itself constitutes a market of over 8 million while the Eastern and North-Eastern region provide a market of approximately 100 million.

4.2 Leather Industry in the State

Why West Bengal

- A strong tradition and skills related to leather industry.
- Easy availability of cheap raw materials like hides and skins.
- Availability of water
- Availability of additional incentives and fiscal benefits by the West Bengal Government
- Large Market Size- 15.67% share in all India exports [10]
- **Largest** Indian exporter of leather goods and leather gloves which comprise 53.36% and 89.44% respectively of all India exports [11].

Graphically the leading position of eastern region in leather goods and gloves is manifested below

[7] According to the findings of ASSOCHAM (The Associated Chambers of Commerce and Industry of India) Investment Meter (AIM) where 1 INR= .015 Euro and USD =0.72 Euro as on July 28,09

[8] West Bengal Economic Review 2008-2009

[9] Same as 2 & Eleventh Plan – 2007-2012

[10] CLE

[11] Same as 10

Source: CLE

4.3 Tanneries in West Bengal

4.3.1 History

The century old Tanning Industry in West Bengal with 538 Tanneries was the first of its kind in the country divided into three important clusters, viz, Tangra (267 units), Tiljala (223 units) and Topsia (48 units). Kolkata continued to dominate the trade in this industry for a long time as the centre of procurement of cow hide and goat skin which poured in from different parts of the country including Central and North Western Region. It was an unorganised industry falling under the purview of cottage and small scale sector operated by traditional methods handed down from generation to generation. There was complete absence of awareness on modern techniques and also the environmental degradation unregulated tanning activities cause. As residential belts developed surrounding these clusters, the existing tanneries degraded environment and posed health hazards to the localites.

4.3.2 Calcutta Leather Complex- A milestone in the State Leather Industry

Calcutta Leather Complex (CLC) -Following a Supreme Court order in 2000 to relocate all existing 538 tanneries out of the city into a integrated leather complex - The leather city named as the Calcutta Leather Complex, World's largest Integrated Leather Complex came into being in July 2004. The basic idea of relocating these tanneries is to save Kolkata from pollution. The objective was to have an integrated unit equipped with state of the art pollution control equipments like Common Effluent

Treatment & Chrome Recovery Plants and other infrastructure facilities. The leather complex – a Euro.095 Billion project - is all set to emerge as an ideal place for leather processing and finishing units.

Located 17 kilometers East of Kolkata the complex at Bantala, with a sprawling area of 1100 acres has demarcated 201 acres for tannery zone.

The tannery zone - is meant to accommodate 538 existing units along with new units.

- Out of 538 tanneries only 454 tanneries applied for relocation inside the CLC. As of end of 2008, 236 tanners (including old and new ones) have received the approval from the Government to operate inside CLC.

4.3.3 Issues with the tanneries in CLC:

- Technologically lagging behind the Southern and Northern Regions
- There has not been a move up the value chain from suppliers of raw materials or processors of low quality leather into more sophisticated and higher quality materials

4.3.4 In order to address these issues

The Tanning Training and Service Centre has been set up in Kolkata with Italian '**Technical Assistance'** provided by I.C.E (Italian Trade Commission) and ASSOMAC (National Association of Italian Manufacturers of Footwear, Leather Goods and Tanning Machinery), in collaboration with CLE (Council for Leather Exports), CLCTA (Calcutta Leather Complex Tanners' Association) and the Government of West Bengal as the confirming party.

The GCELT (Government College of Engineering and Leather Technology-Kolkata) and PISIE (International Polytechnic for the Industrial and Economical Development) are the implementing technical agencies from the Indian and Italian sides respectively.

The objective of TTSC is to help and assist the tanneries in the Calcutta Leather Complex (CLC) to upgrade their processes and products to meet the regulations of the EU in terms of safety, environment compliance and higher and consistent quality.

4.4 Other Noteworthy Initiatives

- *Leather Goods Park*- a 60 acre land adjacent to CLC has been proposed adding strength to the manufacturing capacity. The park would be first of its kind in country to house 100 manufacturer-exporters. Government of West Bengal has provided ILPA (Indian Leather Products Association) a land of 2776 sq metres within the ILPA Leather Goods Park for opening a full fledged training centre for the grassroots level laborers. The training would be conducted on cutting, stitching, method of selecting the raw materials to be tanned, skiving of leather, splitting and other basic awareness necessary to produce leather products. The centre will be run by ILPA.
- Leather Footwear Park in the vicinity of CLC

5. Government Initiatives

Globalization of the Indian economy is a major objective of the Government. It has been appreciated that given the right type of policy support and framework, India would be able to substantially augment her exports. The basic thrust of Indian economic policy in the recent years has been to integrate the Indian economy with the global economy and expose the Indian manufacturers to the global market and competition.

Leather and Leather Products as a sector, has been given considerable attention by the Government of India at various levels due to its inherent strengths and prospective features. Many Expert Committees were formed by the Government from time to time to suggest measures for strengthening Indian leather industry and to enhance exports.

Policy initiatives taken by the Government of India since 1973 have been instrumental in the dramatic transformation of the leather industry during sixties to nineties.

- The entire leather sector is now de-licensed and de-reserved, paving the way for expansion on modern lines with state of the art machinery and equipments.
- Zero Duty on the import of all type of raw materials, embellishments and components, concessional duty on import of specified machinery, liberal import-export of consumer products and components have been introduced

Identification of this sector as a **Focus Sector** in the Foreign Trade Policy 2004-09 to implement **Special Focus Initiatives** is a bold move towards further up gradation of the leather industry.

- **ILDP- Indian Leather Development Programme** –The Euro 223.15 Million scheme was undertaken during the Ninth Five Year Plan (1996-2000) and is still being implemented during the Eleventh Five Year Plan (2007-2012) The thrust areas include :

  - Modernization of Production Facilities
  - Up gradation of Technologies
  - Expansion of Production Capacities

- Setting Up of Institutional Facilities
- Skill Development of Fresh Manpower
- Skill Upgradation of Existing Manpower
- Development of Rural Artisans
- Address Environmental concerns in the Tanning Sector
- Propagating India as an Attractive Destination for Joint Venture Collaborations/FDIs in the Foreign Market

The Government assigned Euro 92.38 Million for Integrated Development of Leather Sector (IDLS) Scheme and Euro 130.78 Million for various sub - schemes under ILDP for infrastructure strengthening in the leather sector. The sub schemes include: 'Establishment of Parks', 'Design Studios', 'HRD', 'Intechmart Scheme'

- **Tannery Modernization Scheme** - This was launched under ILDP in 2000. The objective was to support existing tanneries for undertaking modernization programme for positive environmental impact, becoming competitive, effecting better capacity utilization, achieving productivity gains and reducing wastage.It included financial assistance of 30% of cost of plant & machinery for small scale sector (with a ceiling of Euro 0.05 Million) and 20% for other sectors (with a ceiling of Euro 0.06 Million).
- **NLDP - National Leather Development Programme** – The Joint Programme of Government of India and UNDP with a total outlay of Euro 19.11 Million (with Euro 11.7 Million from UNDP and the rest by Indian Government) was drawn up for the integrated development of leather and leather products sector within the country. Its objectives encompass:

  - Human Resource Development including upgradation of artisanal production system
  - Design and product development
  - Development of support and auxiliary industries
  - Research and Development
  - Environment Protection
  - Export enhancement and coordination

- **Leather Technology Mission -** The Government of India launched the four year mission in January 1995 aimed at spreading the awareness of wide variety of technology in the leather sector primarily focusing the tanneries. The programme coordinated by Council of Scientific and Industrial Research with its constituent organization, viz,Central Leather Research Institute covered 172 projects in 16 States.

6. Indian Leather Industry – A SWOT Analysis

6.1 SWOT Analysis of the Indian Leather Industry

Strengths

- Uniqueness of Leather
- Fashion Choice
- Fine Quality of Skins
- Abundance of Human Resource
- Easily Accessible Raw Material
- Prevalence of Production Chain from Village to Fashion
- Versatile Bio-Polymer Collagen
- Policy Support from the Government
- Encouragement by International-Development Agencies

Weakness

- Traditional Processing Technology
- Dependence on Imported Machines and Components
- Inadequate Internal Demand
- Pollution Problem
- High Degree of Subjectivity in Quality Assessment and Grading
- Widely Dispersed Units
- Insufficient Enterprising Attitude of the Industry
- Poor Database
- Technology Management and Financial Problems

Opportunities

- Incentive from the Government
- Advances in Modern Biology, Genetics, Chemical Engineering, Computers and Electro polymer Science
- Opulence of Synthetic Support Materials
- Preference for Indian Leather –The Goodwill factor

Threats

- Environmental Pollution may force closure of Tanneries unless relocated to a specified cluster
- Liability Aspects of Pollution
- High Price of Leather & Leather products
- Inelastic Supply of Raw Material
- Perpetual Dependence on Western Market
- Rising Aggressive Competition from International Players
- Challenges from Synthetics

6.2 Recommendations:

- **Animal Banks-** Up gradation of the raw material and other related items warrant animal husbandry should be made into an independent industry by forming animal banks.
- **Non- Conventional Raw Materials** Alternative sources of raw materials, viz from other animals, e.g. camels, mules, donkeys and horses should be exploited
- **2-3 Tier System of Leather Technology-** Adoption of multi layered system of operation may contribute towards improvement of the quality of the end-product
- **Industrial Estates**-Formation of Clusters would enable the industry to make the effluent treatment process more organized and seamless.
- **Base Shift to Coastal Area-** Proximity of the production unit to the coastal area would ease procurement of water and the disposal of effluent.
- **Auxiliaries within the country-** Much of the expenses could be pruned by using the auxiliaries required for fashionable leather products within the country.
- **Manufacturing Machines-** Foreign Collaboration should be sought to manufacture machines for the leather and leather products.

- **Technical Training-** The workers in the leather plants are required to undergo exhaustive training process so that they are equipped to operate in an advanced environment
- **Market Knowledge-**Industry should be well versed with any latest development in the Leather World through active interaction and participation in International Expositions and Conferences
- **R & D** – R&D should be constantly up graded to be at par with the global village.

7. List of Tables

Annexure

Leading Leather Associations/Councils in India

- **Council for Leather Exports (CLE)**
  website: www.leatherindia.org
- **All India Skin and Hide Tanners & Merchants Association (AISHTMA)**
  website: http://www.aishtma.com
- **Indian Finished Leather Manufacturers & Exporters Association (IFLMEA)**
  website: http://www.iflmea.net/svs.aspx
- **Indian Footwear Components Manufacturers Association (IFCOMA)**
  website: www.ifcoma.org
- **Indian Leather Products Association (ILPA)**
  website: http://www.ilpaindia.org
- **Indian Leather Technologists' Association (ILTA)**
  website: http://www.iltaonleather.com/
- **Central Leather Research Institute (CLRI)**
  website: www.clri.org