

## The Undergarments Industry in India

Market Research 2009



# Market Research on Undergarments Sector in India

Prepared for



ITALIA

**Italian Trade Commission,**  
Trade Promotion Section of the Consulate General of Italy  
Mumbai

By



**ACE GLOBAL PRIVATE LIMITED**  
NEW DELHI, INDIA

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## **1. Introduction**

This research study Undergarments sector in India has been commissioned by Italian Trade Commission (Trade Promotion Section of the Consulate General of Italy), Mumbai.

Ace Global Private Limited, a consultancy company based in New Delhi, has been appointed to undertake the study.

### **1.1 Objectives**

The main objectives of the market research are to:

- Carry out market analysis of the production and distribution of textiles for clothing and apparels in India, geared to the Italian entrepreneurs interested in the Indian market.
- Identify potential buyers of products/ operators in India, interested in Italian fashion products.
- Identify concrete forms of industrial cooperation, both with local firms of equal size (small and micro enterprise) and market bracket (high range) and with suppliers of raw materials (yarn, woven silk, cotton and cashmere).
- Examine the various aspects of law in commercial matters (procedures for opening a credit line in India, general rules on the procedure of customs clearance of goods, customs duties and other payments, rules of certification).
- Check the main features of competition and the increasing needs of local consumers.

### **1.2 Coverage**

The research covers the following aspects of the sector:

- Market Characteristics
- Consumer Behaviour and Preferences
- Production in India
- Structure of foreign trade
- Competition
- Potential for European companies in Indian market
- Regulatory framework and Legislations
- Marketing and Distribution structure

- Opportunities for Italian companies to enter the Indian market

### **1.3 Methodology**

The methodology followed for the research work constitutes both secondary and primary research. The details of the research work have been provided below:

#### **Secondary Research**

The secondary research has been carried out to obtain the information on:

- Macro-economic scenario of Indian economy
- Sector specific government policies and regulations including taxes and custom duties
- Present status, growth trends, and the future outlook for the sector
- Import-Export data
- Sector specific details and relevant information

The main sources of the information were:

- Government of India websites related to economy and trade like Ministry of Finance, Department of Commerce, Department of Central Excise and Customs etc.
- Import and Export data from Directorate General of Commercial Intelligence and Statistics (DGCI&S), Govt. of India.
- Company Websites
- Catalogues of Indian manufacturing and marketing companies

#### **Primary Survey**

Primary survey was conducted to assess the market structure, size, and growth trends of the sector in India. The primary survey was carried out through interviews based on structured questionnaires, with manufacturers, importers, retailers, raw material/semi-finished goods suppliers, and industry bodies in Delhi/NCR, Ludhiana, Coimbatore/Tirupur, Chennai, Mumbai and Ahmedabad.

A list of organizations covered through the primary survey is annexed. It is pertinent to highlight here that although most of the respondents were cooperative, some companies did not agree to meet the consultants while some shared only part of the information. In such cases, effort has been made to compile as much information as possible from secondary sources.

## **1.4 Draft Report**

This Draft Report has been prepared based on the compilation and analysis of all information/data collected through secondary and primary research.

## 2. Market Characteristics

### 2.1 Genesis

Foreign manufacturers were responsible principally for popularizing under garment products in India. The first trendy movement for both men and women was seen when Associated Apparels Pvt. Ltd., producers of Liberty shirts, introduced the world famous Maiden Form bras, Jockey men's underwear and Jantzen swimwear in 1962 in India. But due to the government's restrictions for foreign brands, the company discontinued the overseas tie-up and changed the names to Libertina for lingerie and Liberty for men's underwear in the late 70s.

The 70's witnessed the entry of under garments in India when Peter Pan from Dawn Mills entered in the market with lingerie styles of the West. The brand was popular amongst the Indian women, but two decades later it vanished from the market. 'VIP' was the pioneer in introducing undergarment products in Indian market in 1971. Another leading company 'Rupa & Co' came in to the market in 1985. Since the 80's till now, a large number of companies- both foreign and Indian had come on the production steam.

### 2.2 Market Size

India's domestic market for undergarments is currently worth Euro 1,487 million in 2008-09. It has registered a steady compounded annual growth rate (CAGR) of about 15% in the past three years. Volume wise, apparel market has grown from 0.9 billion units in 2006-07 to 1.05 billion units in 2008-09 at a CAGR of 7%.

#### Market Size by Value (Euro million)

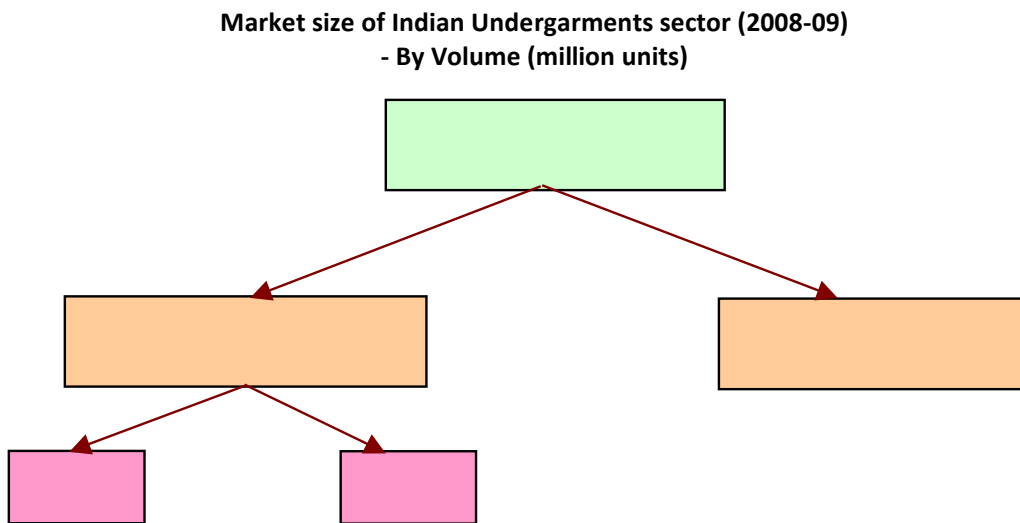
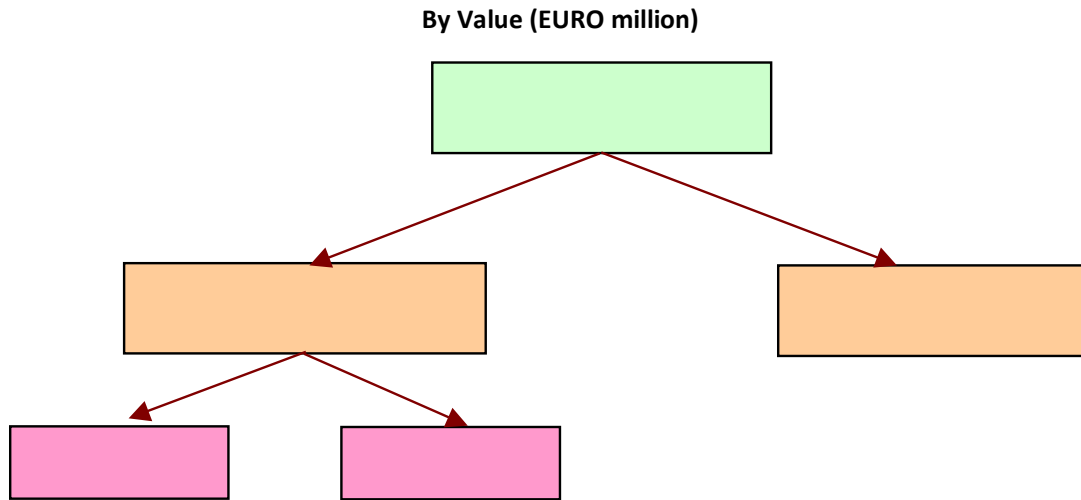
Description	2006-07	2007-08	2008-09	CAGR (%)
Production	1,131.3	1,372.5	1,485.9	15%
Import	0.5	1.4	1.1	44%
<b>Total</b>	<b>1,131.7</b>	<b>1,373.9</b>	<b>1,487.0</b>	<b>15%</b>
% of import to production	4.6%	9.7%	7.6%	

**Note:** 1 EURO = 64 Indian Rupees as on March, 2008

#### Market Size by Volume ('000 units)

Description	2006-07	2007-08	2008-09	CAGR (%)
Production	914,280	988,900	1,049,870	7%
Import	362	598	552	24%
<b>Total</b>	<b>914,642</b>	<b>989,498</b>	<b>1,050,422</b>	<b>7%</b>
% of import to production	4%	6%	5.3%	

Market size of Indian Undergarments sector (2008-09)



### 2.3 Assessment of Demand

Indian undergarment market by volume had grown at a compounded annual growth rate (CAGR) of 7% in the last 3 years. Population growth, increasing disposable incomes of consumers and the demand emanating more from women segment due to change in demographics influenced growth in demand.

However, the growth of the sector slowed down considerably during 2008-09, as compared to the high growth maintained during the previous years. This was due to the impact of the global economic crisis, during which Indian apparel industry was one of the worst affected.

However, India's economy during the past few months has shown signs of recovery. Government of India has projected GDP growth rate of 6.5% for 2009-10. This is much better economic situation when one compares with the developed western countries.

The future growth of the apparel industry is expected to remain slow at least for the year 2009-10, due to drop in demand from external markets like the US & EU, which resulted in contraction in exports by about 30% and anticipated fall in production by 20 to 30% since April, 2009. As per the available data, orders received in the third quarter of 2008 by leading exporters slumped to the tune of 15-20% on an average whereas the sales in domestic market also decreased by 10-15% on year-on-year basis.

Intensity of financial meltdown which affected Indian economy is much less in relation to west. Indian economy has shown tremendous resilience and economic indicators seem to point out that market is gradually getting back on track with rising consumer demand.

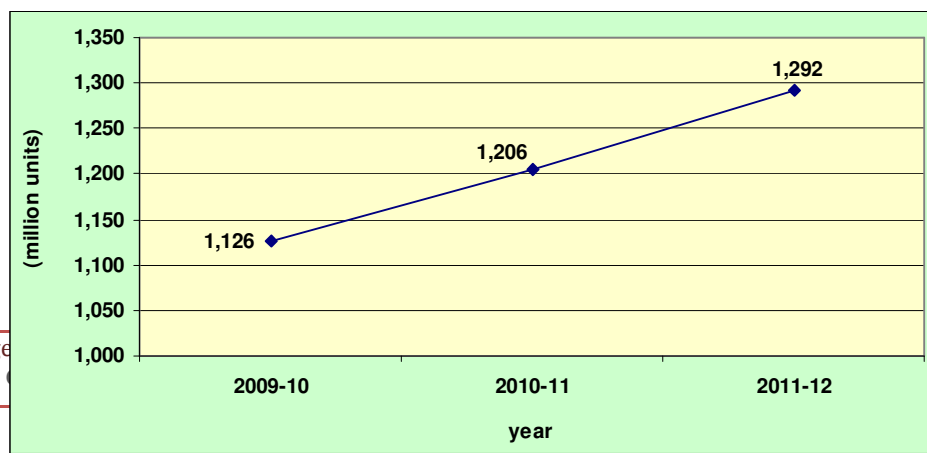
In a volume driven market, low and economy range products constitute the bulk of the market. Purchase of undergarments is essential for any one irrespective of income category he / she belongs to. Recessionary trend may somewhat impact the demand for higher priced products and in such an eventuality, the consumers are likely to switch over to lower quality products without having much adverse impact on the overall growth of the market in quantity terms.

Considering all these aspects, the growth trend which was marginally above 7% in the past 3 years may slow down marginally. Discussions with a cross-section of manufacturers, industry experts lead us to presume that growth of about 6.5% by volume is likely to materialize in the next 3 years.

**Demand Assessment of Indian Market - by Volume ('000 units)**

Description	2009-10	2010-11	2011-12
Production	1,125,146	1,205,819	1,292,276
Imports	591	633	679
<b>Total</b>	<b>1,125,527</b>	<b>1,206,002</b>	<b>1,292,231</b>

**Projected Demand for Undergarments (@ 6.5% CAGR)**



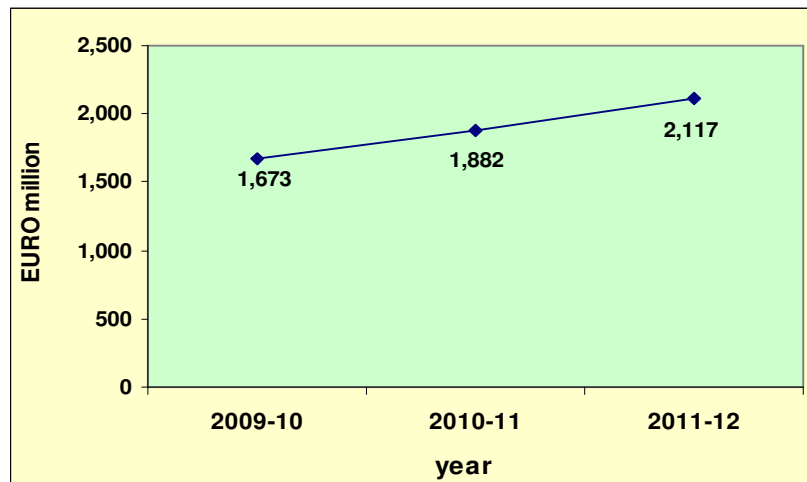
### Market Size by Value

Indian market by value terms was growing by about 15% in the past 3 years. Considering the background as already discussed above, there is a likelihood of marginal decrease in the market growth over next 3 years. The market is likely to grow by 12.5% by value.

#### Demand Assessment of Indian Market - by Value (EURO million)

Description	2009-10	2010-11	2011-12
Production	1,672	1,881	2,116
Import	1	1	2
<b>Total</b>	<b>1,673</b>	<b>1,882</b>	<b>2,117</b>

Projection based on 12.5% CAGR



## 2.4 Key Market Drivers

The factors that have propped up demand for undergarments in the past few years have been summarized below:

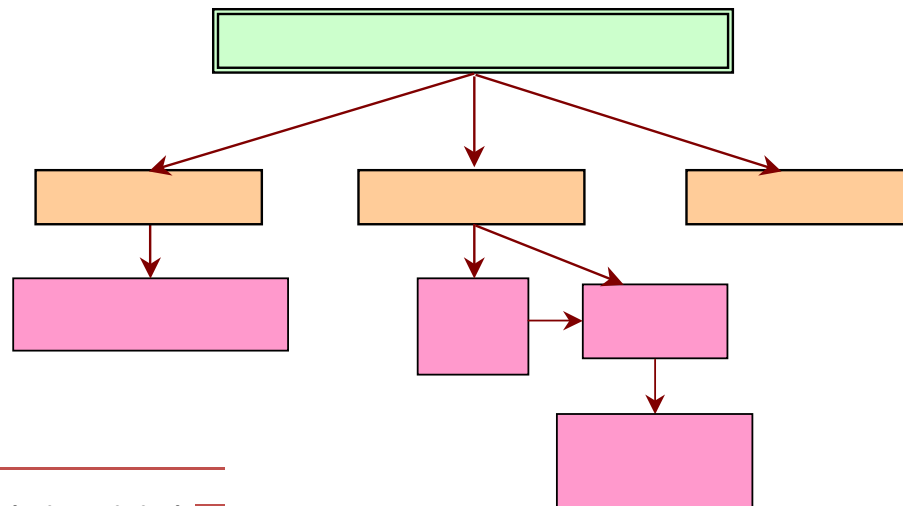
- Indian economy has experienced GDP growth rate of 8 to 9% in the last few years. Sustained growth in economy in the past few years has contributed to the growth of massive middle income groups. This has propped up the sales of undergarments, particularly in the low and economy segment.
- Young generation of professionals, both men and women, form an important consumer group with high purchasing power. This buying group is more demanding in their choice of inner-

wear, looking for quality products that satisfy comfort, fitting, styling needs etc. This has resulted in a qualitative shift of consumers from low / economy range to premium and super-premium range of products. The past trend of the Indian market signals a gradual marginal shift towards the premium and super premium segments of the industry. This segment is now considered as the major growth segment. Despite being the smallest segment in the over all lingerie industry, the premium segment has been growing at a compounded annual growth rate (CAGR) of about 30% in the last five years.

- Indian demographic structure has been undergoing transformation in the past few decades. Indian has one of the youngest population in the world. An increasing shift of population in favor of the younger generation would encourage further qualitative transformation of the under garment market.
- Domestic undergarment manufacturers have realized the huge potential of partnering with the global luxury brands. This has helped them not only to extend their portfolio into the luxury super-premium and premium segments but also makes them preferred sourcing partners for these brands in India as well as internationally.
- Preference for recognizable brands and rapid growth of organized retail is anticipated to increase the current share of the organized lingerie market. Even though organized retailing is still at its nascent stage in India, restricted mainly to urban cities, undergarment market is likely to proliferate through increasing network of shopping malls across India and its geographical spread in the rural sector as well.
- Large number of professional fashion and designing schools across the country, work of high profile designers towards innovative creations, media exposure, use of movie stars both for advertising campaigns and as brand ambassadors are important instruments for popularizing demand for undergarments in the years to come.

## 2.5 Market Segmentation

### Market Segmentation by types of Suppliers



Indian market structure of under garments has evolved over the decades. From a rudimentary poor production and marketing infrastructure of the mid-50's, it has come a long way. Indian marketing structure is evolving and yet caters to the diverse requirements of teeming millions - male and female. The Indian under-garment market is well- diversified and spread across various regions.

The size of the unorganized or informal sector is much larger in India According to some estimates, informal sector accounts for more than 60% of Indian production. The products positioned in this segment are the cheapest even though the quality leaves much to be desired. India is also one of the most scattered retail markets in the world. The products, so far, have been mainly marketed as a commodity and are price and margin oriented.

#### Market Segmentation by Price

The organized sector products are sharply divided under five distinct product categories: Low, Economy, Medium, Premium and Super-premium based on price segments which in turn depend on quality. The market divide of the product categories based on price segmentation of 2008 is as follows:

MENS' SEGMENT		WOMEN'S SEGMENT	
Product Category	Average Price (EURO/ Piece) Entry Level	Product Category	Average Price (EURO/ Piece) Entry Level
Super Premium	4+	Super Premium	11+
Premium	2 – 3+	Premium	4 – 10+
Medium	1 – 2+	Medium	2 – 3+
Economy	1+	Economy	1+
Low	< 1	Low	< 1

The manufacturers operating in the lower price segments are active mostly in the rural and / semi-urban markets, which are extremely price sensitive, where availability of the physical product at the minimum available price and not quality is the main consideration. This market segment is shrinking over the years due to increasing penetration from the organized sector. The economy segment is pre-dominated by lower end of the organized sector manufacturers. The emerging trend of Indian market signals a shift towards the premium and super-premium segments of the industry. These segments are now considered as major growth segments. Despite being the smallest segment in the overall lingerie industry, the premium segment has been growing at a compound annual growth rate (CAGR) of 30- 35% in the last five years.

The low and economy segment, however, is growing in terms of volume and value and the industry is becoming more organized. Significant share of Indian market in the urban sector is pre-dominated by players in the medium segment.

The mid-market segment is characterized by the presence of national players like Maxwell Industries (Daisy Dee brand), BodyCare, Groversons, Red Rose, Juliet, Jockey, and Rupa etc. The market is continuously expanding and becoming more and more competitive in respect of quality and price.

The premium segment is characterized by either international brands or joint ventures of Indian manufacturers with international companies. Lovable, Enamor, Benetton and Triumph have successfully established themselves as premium lingerie brands.

Super premium products are clearly differentiated from premium segments by quality and price. Super-premium products are considered luxury products and marketed by top international giants like Triumph, Enamor and so on. Products in the premium and super-premium category are distinguished in terms of style and design quotient and related product features.

## **2.6 Regional Characteristics of the Market**

- The consumer behavior of a particular region which is economically not so developed is different as compared to developed ones. The consumers in the less developed region are understandably, more price-conscious. Always on the lookout for quality products, their guiding principle is 'value for money'. A lower per capita income, in eastern region for example, compared to western and northern India leads to a lower per capita purchasing power. Additionally, Delhi being centrally located and Mumbai, being the financial capital have certain advantages. The consumers who live in these cities are more exposed to latest trends and brands in inner wear collections and are more familiar with design, quality and latest trendy fashion, as well as the luxury of greater choice.
- Local ready availability of products also influences a consumer. The decision to stick to a particular available brand seems to govern the purchase decision than the rarely available choicest product. Logistics, convenience and easy availability are important considerations for a local consumer.
- Regional considerations, such as climatic conditions etc., play an important role in so far as the purchase decision of undergarments is concerned.
- There are certain common considerations for consumers regardless of locations. The consumers by and large are becoming increasingly more and more conscious of value of money. Price sensitivity is a common concern. Purchase decisions of consumers anywhere are more guided a combination of demographic and psychometric factors, such as, disposable income, age-distribution, pattern of income distribution, quality of upbringing, aptitude, tastes and preferences and so on.

## 3. Consumer Behavior and Preferences

### 3.1 Characteristics of Indian Consumer

The Indian consumers are noted for the high degree of value orientation. Such orientation to value has labeled Indians as one of the most discerning consumers in the world. Even, luxury brands have to design a unique pricing strategy in order to get a foothold in the Indian market.

Indian consumers have a high degree of family orientation. This orientation in fact, extends to the extended family and friends as well. Brands with identities that support family values tend to be popular and are accepted easily in the Indian market.

Indian consumers are also associated with values of nurturing, care and affection. These values are far more dominant than values of ambition and achievement. Products, which communicate feelings and emotions gel with the Indian consumers.

#### Different Segments of Indian Consumers

**Socialites:** Socialites belong to the upper class. They prefer to shop in specialty stores, go to clubs on weekends, and spend a good amount on luxury goods. They are always looking for something different. They are the darlings of exclusive establishments. They go for high value, exclusive products. Socialites are also very brand conscious and would go only for the best known in the market.

**The Conservatives:** The Conservatives belong to the middle class. The conservative segment is the reflection of the true Indian culture. They are traditional in their outlook, cautious in their approach towards purchases; spend more time with family than in partying and focus more on savings than spending. Slow in decision making, they seek a lot of information before making any purchase. They look for durability and functionality but at the same time is also image conscious.

They prefer high value consumer products, but often have to settle for the more affordable one. These habits in turn affect their purchasing habits where they are trying to go for the middle and upper middle level priced products.

**The Working Women:** The working women's segment is the one, which has seen a tremendous growth in the late nineties. This segment has opened the floodgates for the Indian retailers. The Indian women have grown out of their long-standing image of being homemakers. Working women have their own mind in decision to purchase the products that appeal to them.

**The Rich:** India has over 1 million rich households (income greater than Euro 8,000 per annum). These people are upwardly mobile. Some of them in this category are Double Income No Kids (DINK) households. They spend more on leisure and entertainment-activities than on future looking investments.

Indian consumers are also associated with values of nurturing, care and affection. These values are far more dominant than values of ambition and achievement. Products which communicate feelings and emotions gel with the Indian consumers.

### 3.2 Preferred Brands

Well known national brands at the entry level operate through the medium priced segment. Premium and super-premium product categories—highly branded and distinguished for exclusive product features—operate at the high ends of the market. Logistics, efficient supply chain management system and media exposure have largely contributed to the popularity of these brands across the board. These are available in plenty at retail outlets in each region especially in the metros/ state capitals.

#### **Factors Influencing Brand Preference**

Brand preference pattern of consumers depends upon a host of factors such as:

- Combination of price, quality & fitting as major parameters of purchase decision for sensitive but smart consumers
- Track record of Indian manufacturer/ reputation of foreign joint venture partner.
- Reputation of international companies

#### **Leading Undergarment Brands**

<b>Manufacturer</b>	<b>Brands &amp; Segment</b>
Triumph (India ) International	Triumph Classics (Premium & Super-premium) Sloggie (Premium & Super-premium)
Gokaldas Innerwear Pvt Ltd. (Barbara, Paris- French)	At Ease Dress up La mode Enamor Full Figure Corset
Page Industries Ltd	Jockey, (Mid & Premium )
Crocodile India Products Pvt Ltd.	Medium
Maxwell-VIP Industries Ltd	Daisee Dee ( Premium) Lovable (Premium) VIP Leader (Mid ) VIP Frenchie (Mid)
Benetton	Benetton ( Premium & Super-premium)
Lux Hosiery Ltd	Lux Cozi (Medium)
Rupa &CO Ltd	Softline (Mid) Macroman (Mid)
Juliet Products Ltd	Juliet (Mid)
Pawan Hosiery Ltd	Body Care (Mid)

### **3.3 Factors / Elements Influencing the Choices of Consumers**

Indian consumers spread across different regions are not homogeneous entities. The consumers of each region are nurtured by its own culture, education and aptitudes which condition their purchase criteria.

Local consumers of innerwear in each region are guided by:

- Window POS Displays
- Hoardings
- Gift Vouchers
- Fresh arrivals
- Event Sponsorships
- Discount Offers
- Celebrity Endorsements
- Advertisements / Features in Magazines
- Advertisements and Sponsorships on TV/ Electronic Media

Consumers in general look for certain suitable attributes in a store for such purchase.

These include:

- Availability of multiple brands- foreign and Indian under one roof
- Arrangement of catalogues to facilitate comparison of different brands in terms of price, quality and fitting
- More choices of colors, fits and prices
- Personalized shopping experience
- Parking facility

Urban women consumers in particular find themselves quite vulnerable in selecting a store for purchase of undergarments. First, majority of counters at the retail stores are manned by men, making it difficult/awkward for a large percentage of women customers to communicate their preferences or enquire specific requirements.

Second, majority of stores are not equipped with sales persons who have sound knowledge about measurements and sizes that gives good fit to a woman. This is a typical problem all over India including the stores in the metros.

Third, a trial room is an important requirement especially for women, which is often not available in retail stores.

### **3.4 Degree of Elasticity of Demand of Local Consumers**

Considering that price elasticity depends to a large extent on the extent of competition among the manufacturers, the Lower and Economy segments of the market are usually price-inelastic. These segments being highly competitive do not allow the manufacturers any leverage to increase the price.

Higher up along the value chain, the affordability or paying capacity of the consumer is higher. The product market which characterizes mid-product segment becomes increasingly quality oriented

and more diversified. Despite competitive pressure, the price in this segment keeps on rising. The demand for the product becomes price elastic.

In case of premium and super-premium product segments, where entire focus is on quality, style and brand value, the consumer is insensitive to change in price.

As per the findings of retailer survey, even an increase of 5% in the price has an effect on low end / economy category products, while mid-end category is usually able to absorb a 5-10% price increase without a major adverse impact on the sales of a brand.

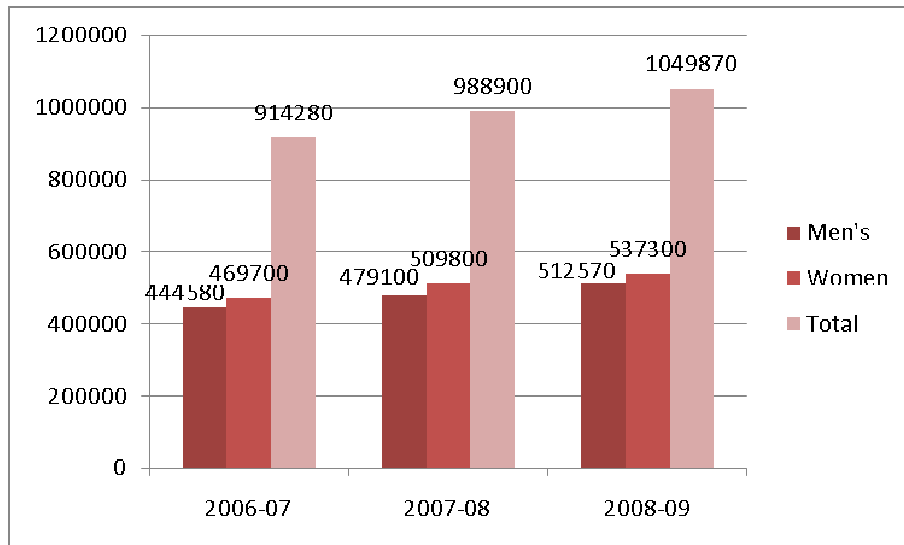
## 4. Production in India

### 4.1 Production Trend

Precise estimates on the number of under garment manufacturers active in Indian market are not available on account of fragmented and well- dispersed nature of the industry. According to the latest available reliable estimate from Associated Chamber of Commerce & Industry (ASSOCHAM), more than 1,000 brands are reported to be functional across India. However, about 200 brands are active nation-wide.

Total production of undergarments in India increased from 914 million units in 2006-07 to 1050 million units in 2008-09. The women segment accounts for about 65% of total production. Medium & Economy ranges constitute a major share of production both in the men's and women's segments. Super-premium & premium categories constitute negligible share in production in either segment.

Production Trend by Category ('000 Units)



The volume market size and growth trend of women segment is much higher than their male counterparts. Volume growth is higher for the lower ranges of lingerie which is a positive indication that market penetration for the product is increasing. More and more women especially from the rural settings are graduating to ready-to-wears. Also there has been attractive value appreciation across all lingerie ranges in 2008. Medium and Economy segments continue to flourish in the market volume wise.

However, in value terms, the men's innerwear market is larger, worth 518 million Euros and it experienced overall growth rate of 8.8% in 2008-09. The super premium range recorded the highest value appreciation with a 17.6 per cent growth, while the medium range recorded 10.2 per cent and 10.5 per cent growth in value respectively. High value growth in the mid, economy and

mass lingerie ranges provides good scope for national brands to launch products nearer the entry level so as to cultivate brand affinity with the customer that will make it easier for her to graduate to regular consumption and possibly in higher range offerings.

**Inner wear Market – by Value (million Euros)**

Category	2006-07	2007-08	2008-09
Men's	968	897	730
Women	518	476	401
<b>Total</b>	<b>1,486</b>	<b>1,373</b>	<b>1,131</b>

## 4.2 Geographical Concentration of Production

Indian garment manufacturing is conducted mainly in clusters all around the country. Textile cluster development in the form of textile parks is one of major Government policy initiatives to boost garment and undergarment production. Technological and financial assistance is provided to units in the clusters, to increase competitive edge of Indian products.

**Major Textile and Garment Clusters in India**

Tirupur & Adjoining Cities	Cotton knit wear export hub
Mumbai & Sholapur	Power loom weaving export hub
Ludhiana	Woolen knit wear export
Kolkata	Garment & hosiery cotton
Bangalore	A cross –section of leading manufacturers

### **Plant Locations - Select Manufacturers**

- Foreign brands like Enamor (JV with Gokaldas Innerwear Pvt. Ltd.) and Page Industries Ltd (Jockey) have established their manufacturing facilities in Bangalore. Lovable, a lingerie brand bought by Maxwell Industries from Sara Lee also has its operations in Bangalore.
- Crocodile one of the leading international manufacturers, has set up a manufacturing plant in Chennai.
- Maxwell Industries (Daisy Dee & other brands) is based in Mumbai & has operations in Bangalore & Coimbatore.
- Grover Sons & Pawan Hosiery (Body care) are based in Delhi
- Rupa & Co Ltd & Lux Hosiery Ltd are based in Kolkata.



### 4.3 Industry Structure

- Indigenous small scale manufacturers  
Bulk of the Indian undergarment industry is labour intensive, comprising of small scale industrial (SSI) units operating across various regions and catering to local market requirements. These units are typically proprietary firms, is with average size of unit not exceeding 15 to 20 machines, making simple local unbranded but cheaper products.

Infrastructure in such units is small and manufacturing is limited to single location. Production capacity is understandably low.

- Indigenous large scale manufacturers without any foreign tie-up  
A significant number of manufacturers without any foreign tie-ups / collaboration have been quite successful in the Indian market. The manufacturers in this category are spread

all over India. Several such companies have huge production infrastructure. The production plants are more than one and in some cases are operating from different locations in the same state and also from other states. Large percentage of this category of manufacturers is using various types of raw materials, automated and also semi-automatic machinery, quality accessories and adheres to BIS specifications. These branded products are sold both in the domestic market and are exported to various destinations the world over. These products are positioned in the low / economy priced segment.

- The medium segment comprises of large number of players. Maxwell Industries Ltd, Rupa & Co Ltd, Pawan Hosiery Ltd, Biswanath Hosiery Mills Ltd, HP Cotton Mills Ltd are some of these manufacturers in this category.
- Several large Indian undergarment companies-limited or private limited are privileged to have better access to technical and marketing expertise as well as the benefits of brand licensing of the foreign company through foreign collaborations. The collaborations have helped them to position their branded products either in the premium or super premium product segments.
- International giant Triumph has taken the route of franchising rather than investing in their own outlets. The rationale of using this strategy is cost effective and faster way of retail net-works and increase the spread of product distribution.

#### 4.4 Key Players

It is really difficult to pick up 'Key Players' from the large fragmented industry. The selection has been based on the following criteria:

- Manufacturers backed by sound production and marketing infrastructure and having organized sales at an All India Level
- Products having strong brand image at an All India Level

##### Profiles of key Players

MAXWELL-VIP APPAREL INDUSTRIES LTD.	
<b>Registered Office</b>	: C-6 Road No. 22 MIDC Andheri (East), Mumbai - 400093 Maharashtra, India Tel: 91-22-28257624, 28257627
<b>Email</b>	: <a href="mailto:maxjobs08@gmail.com">maxjobs08@gmail.com</a>
<b>Website</b>	: <a href="http://www.maxwellgobi.com">www.maxwellgobi.com</a>
<b>Group Companies</b>	: 1. Microtex India Pvt Ltd (Men's Undergarments) 2. Lovable Lingerie Pvt Ltd (Women's Innerwear)
<b>Year of Establishment</b>	: 1994
<b>Locations of Manufacturing Plants</b>	: Tirupur, Tingalur, Gobi, Chitapalm ( Tamil Nadu) and Umbergoan (Gujarat)
<b>Other Textile Infrastructure Facilities</b>	: Spinning Company & Process House

<b>Annual Group Turnover</b>	:	EURO 47 million
<b>Products Manufactured</b>	:	Innerwear for Men, Women & Kids
<b>Annual Production Capacity</b>	:	7.2 Dozens Million
<b>Foreign Collaboration, if any,</b>	:	No
<b>Presence in Product Segments</b>	:	Lower, Medium & Premium
<b>Export Destinations</b>	:	-
<b>Brand</b>	:	VIP Supported by Established Labels

<b>RUPA &amp; CO LTD.</b>		
Registered Office	:	Metro Tower, 1 Ho Chi Min Sarani, Kolkata: 700 071 Tel : +91-33-288 1357-60 Fax : +91-33-288 1362/3
Email	:	<a href="mailto:enquire@rupaglobal.com">enquire@rupaglobal.com</a>
Website	:	<a href="http://www.rupa.co.in">www.rupa.co.in</a>
Group Companies	:	1.Rupa Global Pvt Ltd 2. Rupa Dyeing & Printing Pvt Ltd
Year of Establishment	:	1995
Locations of Manufacturing Plants	:	West Bengal
Other Textile Infrastructure Facilities	:	Dyeing Plant & Printing Facility
Annual Group Turnover	:	US\$ 55 million
Products Manufactured	:	Innerwear for Men, Women & Kids
Annual Production Capacity	:	1.1million pieces
Foreign Collaboration, if any,	:	No
Presence in Product Segments	:	Lower & Economy
Export Destinations	:	UAE, USA, Canada, UK, Chile & Middle East
Brand	:	Rupa supported with established Labels

<b>PAWAN HOSIERY (BODYCARE INTERNATIONAL)</b>		
Registered Office	:	163 - Functional Industrial Estate, Patparganj, Delhi – 110092 India Tel : +(91)-(11)-22148607/ 08/ 42141446/ 42141447/ 42141448 (2 Lines) +(91)-(11)-22158607/ 08 (2 Lines) Fax : +(91)-(11)-22158609
Email	:	<a href="mailto:bodycare@bodycareintl.com">bodycare@bodycareintl.com</a>
Website	:	-
Group Companies	:	-
Year of Establishment	:	1992
Locations of Manufacturing Plants	:	Patparganj, Delhi
Annual Group Turnover	:	Rs 300 million
Products Manufactured	:	Innerwear for Men, Women, Kids & New Born Babe
Annual Production Capacity	:	10 million pieces/ annum
Foreign Collaboration, if any,	:	Authorized licensee of Walt Disney, USA

Presence in Product Segments	:	Economy & Premium
Export Destinations	:	South America, UAE, Russia & Tanzania
Brand	:	Body Care backed by well-known Labels

<b>PAGE INDUSTRIES LTD.</b>		
Registered Office	:	Abbaiah Reddy Industrial Area, Jockey Campus, 6/2 & 6/4, Hongasandra, Begur hobli, Bangalore – 560068, Ph: +91-80-40476868, 25732952 Fax: +91-80-25732226, 25732215
Email	:	<a href="mailto:gargi.das@jockeyindia.com">gargi.das@jockeyindia.com</a>
Website	:	<a href="http://www.jockeyindia.com">www.jockeyindia.com</a>
Group Companies	:	-
Year of Establishment	:	1994
Locations of Manufacturing Plants	:	3 in Bangalore
Annual Group Turnover	:	EURO 3.98 million as in 2008-09
Products Manufactured	:	Innerwear for men, women & Sports & Leisure
Annual Production Capacity	:	50 million pieces/ annum
Foreign Collaboration, if any,	:	Yes, Licensee of Jockey International Ltd
Presence in Product Segments	:	Medium & Premium Segments
Export Destinations	:	Sri Lanka
Brand	:	Jockey Supported by Established International Labels.

<b>TRIUMPH INTERNATIONAL (INDIA) PVT. LTD.</b>		
Registered Office	:	309, Abhishek Building, Plot No: C-5, Off Link Road, Mumbai - 400 053, Tel: 91-22- 40980300 Fax: 91-22- 30980302
Email	:	<a href="mailto:infoindia@triumph.com">infoindia@triumph.com</a>
Website	:	<a href="http://www.triumph.com/in">www.triumph.com/in</a>
Group Companies	:	Triumph International
Year of Establishment	:	2002
Locations of Manufacturing Plants	:	1, Chennai
Annual Group Turnover	:	-
Products Manufactured	:	Lingerie
Annual Production Capacity	:	20 million pieces/ annum
Foreign Collaboration, if any,	:	Presence in India through Intimate Fashions- a Joint Venture between MAST Industries & a Mas Group
Presence in Product Segments	:	Super-premium & Premium Segment
Export Destinations	:	-
Brand	:	Miss Triumph and Sloggie

GOKALDAS INTIMATE WEAR P LTD.		
<b>Registered Office</b>	:	7 & 12, Indl. Suburb, Tumkur Road, 2nd Stage, Yeshwantpur, Bangalore - 560022 Karnataka, India Telephone:91-80-22964170 Fax: 91-80-22964173
<b>Email</b>	:	<a href="mailto:enamormarketing@gokaldas.com">enamormarketing@gokaldas.com</a>
<b>Website</b>	:	<a href="http://www.enamor.co.in">www.enamor.co.in</a>
<b>Group Companies</b>	:	Barbara, Paris
<b>Year of Establishment</b>	:	2003
<b>Locations of Manufacturing Plants</b>	:	Bangalore
<b>Annual Group Turnover</b>	:	40 million euros
<b>Products Manufactured</b>	:	High-quality ladies innerwear
<b>Annual Production Capacity</b>	:	9 lakh peaces per annum
<b>Foreign Collaboration, if any,</b>	:	Barbara, Paris
<b>Presence in Product Segments</b>	:	Premium and Super premium
<b>Export Destinations</b>	:	70 countries
<b>Brand</b>	:	Enamor

#### 4.5 Product range

Undergarment manufacturers have adopted a process of continuous up gradation of the technology and process. Aided by large pool of researchers and designers, the industry constantly keeps in touch with the current trends in the market place & the consumer requirements. The approach has led to various technological innovations resulting in new product introduction / extensions.

Now India has large number of products on offer which are innovative, attractive in designs and rich in colors. Both Indian and foreign players have wide array of products to offer which service the diverse range of consumers at various price points.

##### **Products by Category: Domestic Segment**

Name of the Manufacturer	Brand	Label and Product Range
Maxwell Apparel Industries Pvt. Ltd., Mumbai	VIP	<b><u>MENS INNER WEAR</u></b>
		VIP
		VIP Frenchie
		VIP Bonus
		VIP Designer
		Vip Leader
		Vip Rosso
		Vip Punch
		<b><u>WOMENS INNER WEAR</u></b>
		VIP Feelings

Name of the Manufacturer	Brand	Label and Product Range
		<b><u>YOUNGSTERS</u></b>
		VIP Bonus Junior
		<b><u>KIDS INNER WEAR</u></b>
		VIP Bonus Junior
		<b><u>WINTER WEAR</u></b>
		VIP Thermals
<b>Lux Hosiery Industries Ltd.</b>	<b>LUX</b>	<b>BRIEF</b>
		Lux Venus R.C.D.
		Lux Venus F.C.D.
		<b>VEST</b>
		Lux Super Fine Grey RN
		Lux Super Fine Grey RNS
		Lux Super Fine White RN
		Lux Super Fine White RNS
		<b>PANTIES</b>
		LUX Touch Print
		LUX Touch Plain
<b>Rupa &amp; Co. Ltd., Kolkata</b>	<b>RUPA</b>	<b><u>MENS INNER WEAR</u></b>
		Frontline Vests & Briefs
		Bruno Vests & Briefs
		Ribline Vests
		Macromen Briefs
		Kaiser Designer Briefs
		Euro Briefs
		Drawers & Briefs
		Ion Vests & Drawers
		<b><u>WOMENS INNER WEAR</u></b>
		Bruno for her (Panties)
		Softline Bra & Panties
		Ion Panties
<b>Pawan Hosiery</b>	<b>BODYCARE</b>	<b>Women Lingerie</b>
		<b><u>BRAS</u></b> – Classic Bras, Chiken Bras, Sports Bras, Padded Bras, Nursing Bras
		<b><u>PANTIES</u></b> – Basic Panties, Bikini Panties, Delux Panties, Vitals Panties
		<b><u>CAMISOLES</u></b> – Feminine Pleasures
		SEAMLESS BRAS & PANTIES
		HIFASHION SETS
		<b>Men's Underwear:</b>
		<b><u>BRIEFS</u></b> – Premium, Designer, Basic, Super Basic
		BOXERS
		VEST
		<b>Kids Underwear:</b>

Name of the Manufacturer	Brand	Label and Product Range
		Basic – Bloomers, Vests, Underwear sets, Mickey Mouse Underwear
		Premium – Brief, Vests, Disney Range, Camisoles
		New Born Baby Underwear/ Infant Underwear
		<b>Body Warmers</b>
		Men’s Body Warmer
		Women’s Body Warmer
		Kids Body Warmer
Eve’s Apparel, Mumbai	LIBERTINA	Libertina Bra
		Libertina Panties
Grover Son’s Apparel, Delhi	PARIS BEAUTY	Paris Beauty Bra
Cream Creation, Mumbai	LITTLE LACY	Little Lacy Bra
		Little Lacy Panties
Bodyline Lingerie (I) Pvt. Ltd.		Bodyline Bra
Gokaldas Intimate Wear Pvt. Ltd.	ENAMOR	Women Panties & Bra
Crocodile India Pvt. Ltd.	CROCODILE	Men’s Briefs and Vests
Triumph International (India) Pvt. Ltd.	TRIUMPH	<b>Women’s Innerwear:</b> MISS Triumph, Triumph, Classics
Page Industries Ltd.	JOCKEY	<b>Men’s Innerwear:</b>
		3D-innovations
		International Collection
		Gold Edition
		E lance
		Zone
		Modern Classic
		<b>Women’s Innerwear:</b>
		Active Bras
		Essence Bras
		Soft Wonder Lace
		Soft Wonder
		Lace Co-ordinates
		Comfort Stretch
		Comfies
		Simple Comfort
		<b>Sport &amp; Leisure</b>
		Sport
		24x7
		Socks
		<b>Thermals</b>
		Men’s
		Women’s

## **4.6 State of Technology**

The industry primarily consists of small and medium enterprises (SMEs) with traditional technology and inadequate quality systems. It requires cost-effective technology up gradation in pre-sewing, sewing and post-sewing processes to increase productivity, reduce costs, adapt quickly to the demand cycle and improve quality. The industry is in the process of modernization to face the global challenges in the export-front and stiff competition in the local market due to liberalized imports. The government is also providing support to the industry in various forms in the above pursuit.

The Indian apparel industry exhibits varying levels of technology ranging from traditional to most modern and this has impacted the overall growth and productivity of the sector

The recent national study on technological up-gradation needs of Ready-made Garment (RMG) Industry conducted by Garment Manufacturing Technology (GMT) Department of National Institute of Fashion Technology (NIFT) has brought out the technology status of the industry. In export sector only 21% manufacturers' use modern technology even by Indian Standards and 70% hovering between modern technology by Indian Standards and primitive technology. However, 17% owners perceive of world class plant.

Apart from the quality of fabric, the manufacturing processes in the apparel industry play an important role to achieve the level of quality standards. This is also evident from one of the studies conducted by the GMT Department at NIFT which is based on a comparative analysis of industry norms in the industrialized countries and Indian Apparel industry.

Machine mix for sewing, pre-sewing and post-sewing, including software applications have been recommended for factories aiming at low, medium and high price segments of the international market. Buyers may not have specific technology requirement in all micro areas but there might be minimum expectations which a plant of today must have to qualify to be a supplier. These equipments are termed as 'order qualifier'. The equipments which shall further improve quality and technology status of the factory are termed as 'desirable'. Certain machines are shown as 'optional'. These will be added depending on product needs.

## **4.7 Technology Tie-ups**

Foreign companies have been motivated to enter into collaborations with Indian firms on the understanding that increasing gains can be made by producing brands in India and selling them into the Indian market. Indian companies, on the other hand, have tied up for gaining technical and marketing expertise from foreign partners.

Foreign collaborations in India's undergarment industry have increased significantly in recent years. The increase is attributable partly to the de-restriction of foreign direct investment (FDI) and partly to the fact that domestic demand for undergarments in India is large and buoyant. It also stems from recognition that the sector has strong export potential.

Technology tie-ups have taken place in the form of joint ventures through equity participation and licensing arrangements. 'Triumph' – a Leading foreign manufacturer, however, has entered Indian market through franchisee arrangement.

**Foreign Collaborations by Leading Indian Manufacturers**

Indian Company	Foreign Company	Nature of Collaboration
Page Industries Ltd.	Jockey International Ltd, USA	Licensee
Crocodile India Private Limited, Tamil Nadu	Crocodile International Pvt. Ltd, Singapore	Joint Venture
Gokaldas Intimate Wear Ltd, Bangalore	Barbara, France	Joint Venture
Maxwell Industries Ltd	Lovable World Technology, USA.	Technical Collaboration

**Source:** Published Literature

### **Sourcing of Imported Machinery**

Many Indian and foreign manufacturers are using varieties of imported machinery to optimize production and maintain high standard of quality. Indian market registers the presence of computerized and production enhancing features in machines like automatic color change and thread trimming.

One of the major innovations in the field of lingerie manufacturing is of embroidered lingerie. The R&D efforts resulted in the development of shuttle embroidery machines. These multi-head embroidery machines offer automatic multi-color embroidery and achieve the highest degree of precision and performance.

The types of machinery being used comprise of the following:

#### **Cutting Machinery:**

- Fabric spreading machines
- Bend knife cutting machines
- Round knife cutting machines

#### **Stitching Machinery:**

- Pegasus, U.S.A.
  - Yamato, Japan
  - Union Special, U.S.A
  - Siruba, Taiwan
  - Suzuki, Japan

#### **Specialized Machinery**

- Mitsubishi Automatic machine head for pocket welding,
- Spectroflash SF450 with colour matching software from Datacolor USA,
- Santashrink—Shrinkage drier, Santaspread—For treatment of knitted fabric,
- Dyeing machine from Thies of Germany, Santastretch-Plus from Switzerland,
- Steam Iron, Tekmatic Thread Trimmer, Lobomat Beaker Dyeing from Mathis, Switzerland

#### 4.8 Availability of Raw Materials & Semi-processed Fabrics

India is the largest exporter of yarn in the international market and has a share of 25 per cent in world cotton-yarn exports. It is the second largest producer of silk and the only country to produce all four varieties of silk – mulberry, tusar, eri and muga. India is also the fifth largest producer of synthetic fibres/ yarn.

Cotton is extensively used as a major raw material for under garments. Indian undergarment manufacturers largely depend on indigenous sources of supply for lower, economy and medium priced products. Bended fabrics and man-made fabrics are also being used as raw materials

Foreign manufacturers in particular look for much better quality of cotton which is not available in India. Superior quality fabrics come from European countries. European companies such as Italian firm Cavico Spa, is well known for warp knit fabrics. Jersey Lomalina, another Italian company, is one of the largest producers of circular knit fabrics. Simplex Knitting, a UK based company is one of the largest producers of complex fabrics and Wiley Hermann , an Austrian company is known for manufacturing circular knit fabrics.

100% combed cotton, cotton micro etc are some of the superior varieties of cotton which are imported in to India. Use of lycra in combination with cotton adds new dimension to the quality of fabric. Lycra is sourced mainly from Do Pont which has set up net-work of branches in India.

##### Import of Raw Material and Semi-processed Fabrics

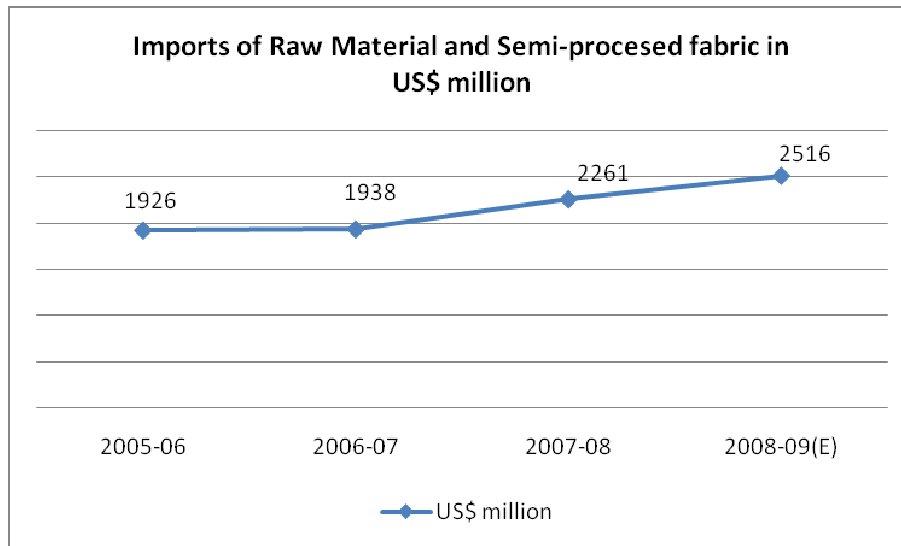
Total raw material imports into India, including raw wool, silk, cotton along with yarn and fabric for textiles was of worth US \$ 2260.52 million in 2007-08. In 2008-09 (April-Dec) it was US \$ 1886.63 million.

##### Imports – Raw, Yarn and Fabric (by Value- US\$ million)

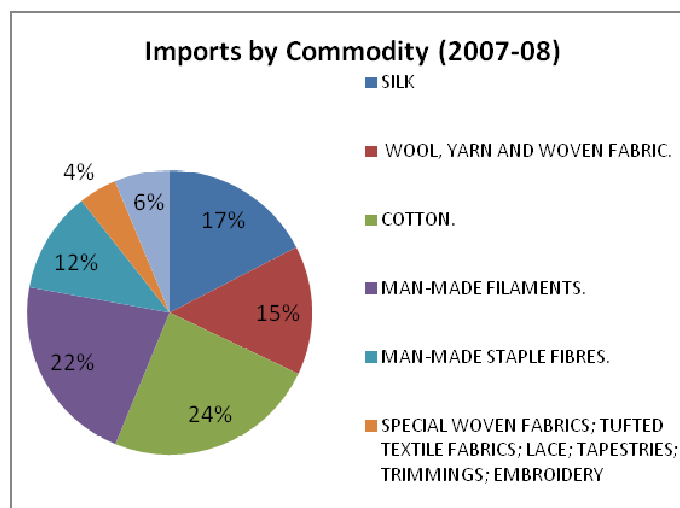
HS Code	Description	US \$ million			
		2005-06	2006-07	2007-08	2008-09 (Apr-Dec 2009)
50	Silk- Raw, Yarn and Woven Fabric	398.06	350.20	393.57	286.44
51	Wool- Raw, Yarn and Woven Fabric	265.50	281.86	331.55	242.68
52	Cotton- Raw, Yarn and Woven Fabric	438.09	464.75	545.65	552.98
54	Man-Made Filaments.	457.00	443.95	489.49	404.26
55	Man-Made Staple Fibres	180.66	208.02	260.76	216.78
58	Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery	85.98	88.36	97.79	74.72
60	Knitted Or Crocheted Fabrics	100.43	100.68	141.71	108.77
	<b>Total</b>	<b>1925.72</b>	<b>1937.82</b>	<b>2260.52</b>	<b>1886.63</b>

Source: Directorate General of Foreign Trade

The imports are increasing on a year to year basis; but the rate of growth of imports has increased in the past two years. The average growth rate in this time was about 15%. This growth rate is fuelled by the increased imports of cotton – raw, yarn and fabric; man-made filaments and staple fibres; and knitted and crocheted fabrics in the given time period. The growth rate of other yarns and fabrics of wool and silk have kind of stagnated in the recent years.

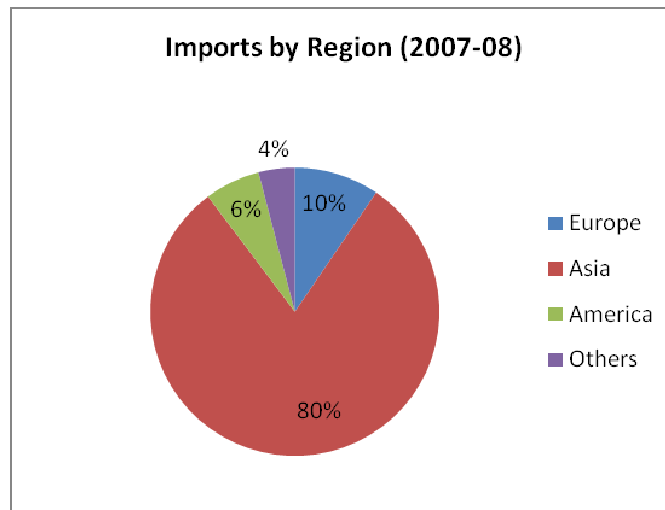


Import of cotton in various forms – raw, yarn and fabric – constitute the largest share in imports (24%), followed by man-made filaments (22%).



Asian countries are the biggest suppliers of raw material and semi-processed fabrics related to textiles sector in India. Their share is as much as 80% of all imports. The major Asian countries which supply raw material, yarn and fabric to India are China, Korea, Japan, Hongkong, Taiwan, Thailand, Vietnam, Malaysia, and Pakistan and Bangladesh.

Europe's share in the imports is about 10%. Among the European countries, important are UK, Germany, France, Italy, Belgium, Turkey, and Spain. The share of North America, South America and Other countries is about 10% of total.



## 5. Structure of Foreign Trade

### 5.1 Import Scenario

Imports of undergarments are under the following broad categories / HS Codes:

DESCRIPTION	HS CODE
Underpants & Briefs of Cotton	<b>610711</b>
Underpants & Briefs of Manmade Fibres	<b>610712</b>
Briefs and Panties of Cotton	<b>610821</b>
Briefs and Panties of Manmade Fibres	<b>610822</b>

The total imports of undergarments increased from 303,000 units in 2005-06 to over 597,000 in 2007-08.

#### Imports of Undergarments by volume ('000 units)

HS CODE	Description	2005-06	2006-07	2007-08	2008-09 (estimate)
<b>610711</b>	Underpants & Briefs of Cotton	241.25	25.83	67.54	228.72
<b>610712</b>	Underpants & Briefs of Manmade Fibres	0.93	8.16	8.53	21.09
<b>610821</b>	Briefs and Panties of Cotton	30.06	52.52	314.10	150.03
<b>610822</b>	Briefs and Panties of Manmade Fibres	30.76	124.10	207.48	151.66
	<b>Total</b>	<b>303.00</b>	<b>210.61</b>	<b>597.65</b>	<b>551.50</b>

#### Import trend by Region

EU is the leading supplier of undergarments to India. Its share by volume has gone up from 43% in 2006-07 to a whopping 62% in 2007-08. ASIA & ASEAN Region, the second important supplier country has lost its share of import from 52% in 2006-07 to 36% in 2007-08 at the expense of Europe

#### Europe

- There has been sustained growth in imports from Europe in the past 3 Years.
- It is also observed that there has been sudden spurt in import in 2007-08.
- The percentage share of import of both the product categories - 610821 & 610822 have been significant.

#### America

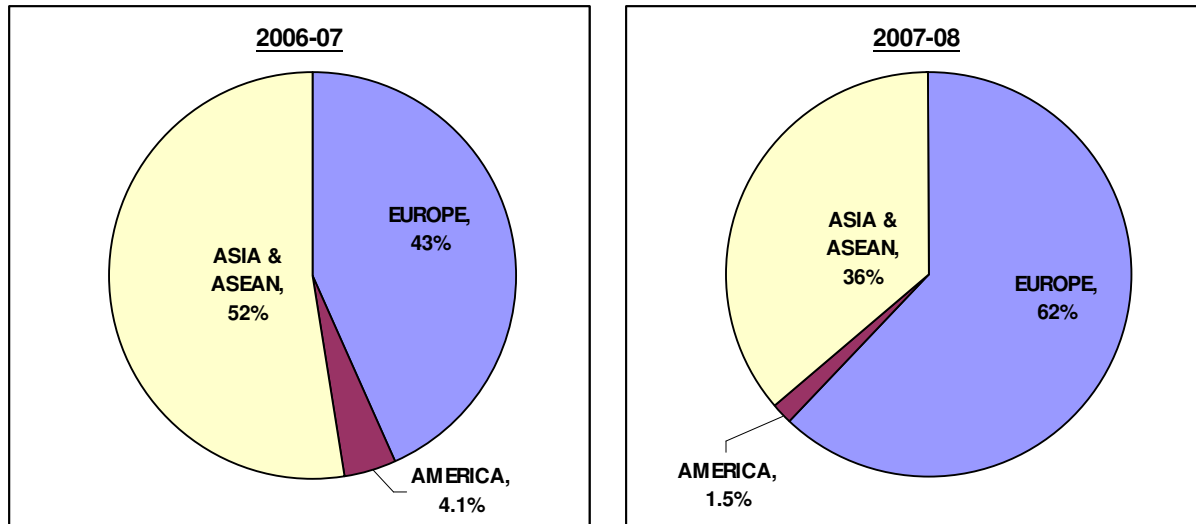
- The year 2005-06 witnessed major imports from America. Since then very minor import is reported from this country, In the overall share of import, America's contribution is negligible.

#### Asia & ASEAN

- The region's import has consistently risen in the past 3 Years.

- The product categories – 610821 & 610822 constitute significant share of import.

**Region-wise Import share of undergarments by volume**



**Import trend by Value**

Undergarment imports has witnessed significant rise by value in the past 3 years, with imports from Europe almost doubled as compared to ASIAN & ASEAN region. This has been due to higher unit value realization of products imported. There has been substantial increase in imports of products under HS Codes 610711, 610821 & 19822 in to India in the past 3 years

Share of import from Europe by value has gone up sharply from 62% in 2006-07 to 71% in 2007-08. Asia & ASEAN Region have witnessed a fall in import share from 34% in 2006-07 to 27% in 2007-08.

**Import of Undergarments into India (Value – EURO million)**

HS CODE	Description	2005-06	2006-07	2007-08	2008-09 (estimate)
610711	Underpants & Briefs of Cotton	0.17	0.07	0.15	0.59
610712	Underpants & Briefs of Manmade Fibres	-	0.11	0.04	0.06
610821	Briefs and Panties of Cotton	0.07	0.14	0.53	0.21
610822	Briefs and Panties of Manmade Fibres	0.06	0.42	0.62	0.27
	<b>Total</b>	<b>0.29</b>	<b>0.74</b>	<b>1.33</b>	<b>1.13</b>

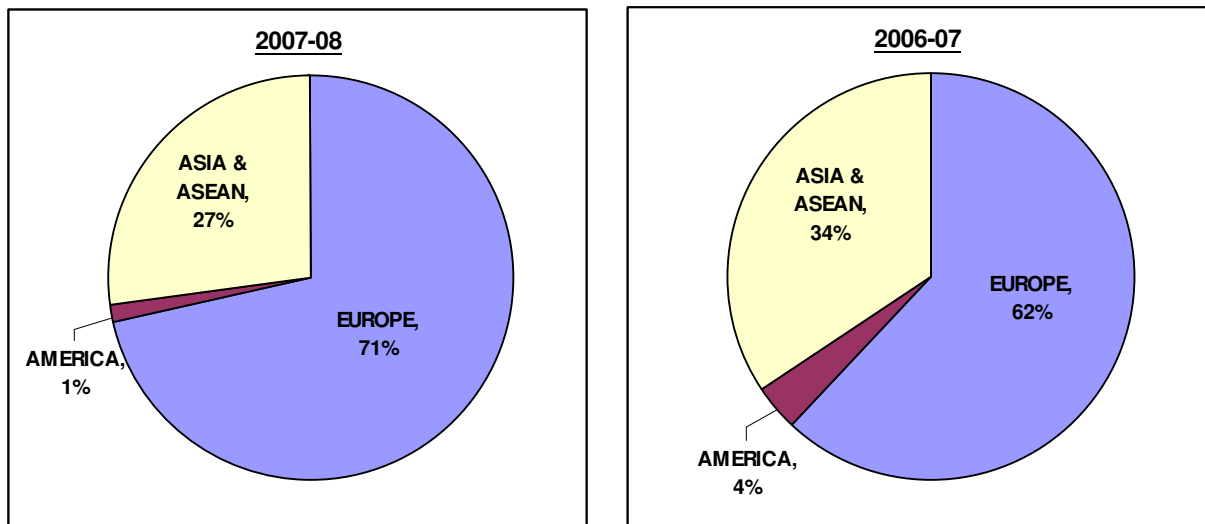
**Import of Undergarments into India – by Region (Value – EURO million)**

COUNTRY / REGION	2005-06	2006-07	2007-08	2008-09 (April-Dec.)
EUROPE	0.18	0.46	0.95	0.23
AMERICA	0.02	0.03	0.02	0.00
ASIA & ASEAN	0.09	0.26	0.36	0.62
<b>TOTAL</b>	<b>0.30</b>	<b>0.74</b>	<b>1.33</b>	<b>0.85</b>

CAGR: 1.11 %

Source: DGCI&S, Ministry of Commerce, Government of India

**Share of Import by Value**



**5.2 Export Scenario**

**Export Trend of Undergarments by Region**

India's total export by volume was rising till 2006-07. The volume of export slumped down considerably in 2007-08 on account of global financial melt down and its consequent impact on the consuming class.

The decline in the volume of export to USA & Europe has been all the more staggering and conspicuous. The decline in ASIAN & ASEAN region was somewhat mild. Indian penetration of exports in to African region, CIS & Baltics region is slowly growing.

It may be observed that underpants & briefs made of cotton are having maximum exports. This is followed by underpants & briefs made of man-made fiber. Exports of other two categories have limited exports.

**Export Trend of Undergarments - by Product code (Qty. in '000)**

HS CODE	Description	2005-06	2006-07	2007-08	2008-09 (estimate)
610711	Underpants & Briefs of Cotton	90,596	87,032	104,888	108,225
610712	Underpants & Briefs of Manmade Fibres	1,147	1,575	1,754	1,963
610821	Briefs and Panties of Cotton	53,424	44,220	45,395	57,109
610822	Briefs and Panties of Manmade Fibres	505	692	1,293	516
	Total	145,672	133,519	153,330	167,813

**Export of undergarments by region (Volume – '000)**

COUNTRY	2005-06	2006-07	2007-08	2008-09 (April-Dec.)
EUROPE	53420	79745	33517	57571
AFRICA	1765	320	1327	1046
AMERICA	68798	57543	82806	85927
ASIA & ASEAN	6883	6092	6883	6092
CIS BALTICS	2653	1974	1328	2697
<b>TOTAL</b>	<b>133519</b>	<b>145674</b>	<b>125861</b>	<b>153333</b>

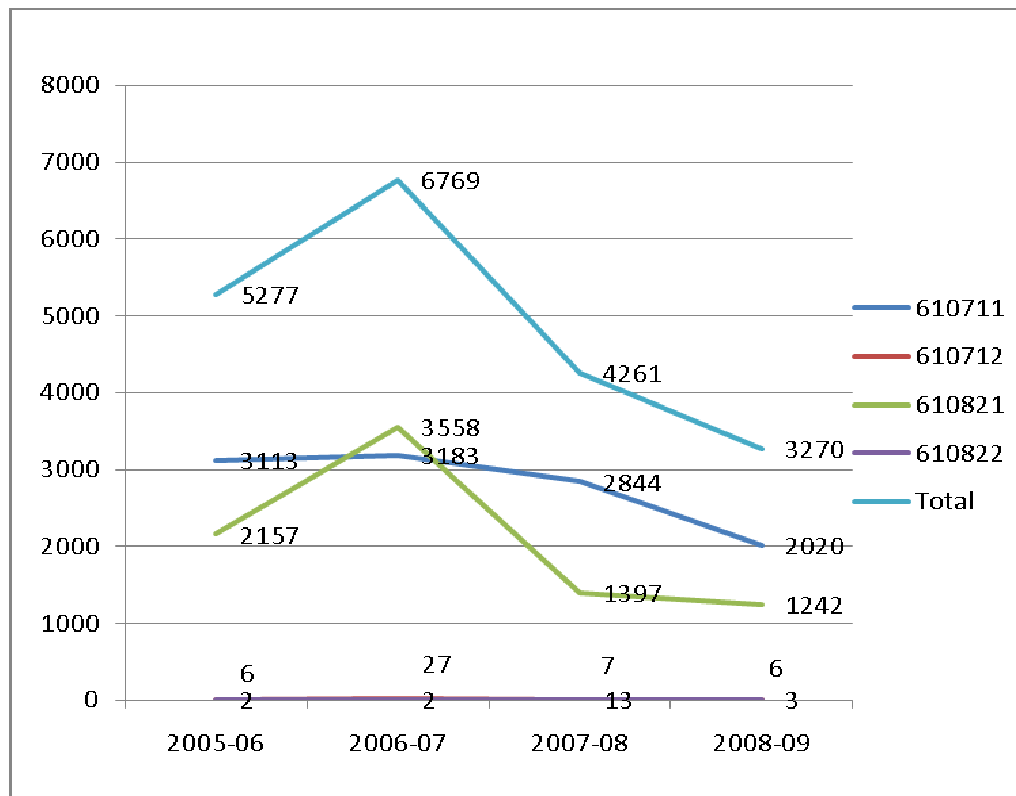
Source: Source: DGCI&S, Ministry of Commerce, Government of India

**Indian Exports of undergarments to Italy – by product code and volume**

India has a stable market in Italy even though the trend appears to be fluctuating.

(Qty in '000)

DESCRIPTION	HS CODE	2005-06	2006-07	2007-08	2008-09 (estimate)
Underpants & Briefs Of Cotton	610711	3113	3183	2844	2020
Underpants & Briefs Of Manmade Fibres	610712	2	27	13	3
Briefs and Panties Of Cotton	610821	2157	3558	1397	1242
Briefs and Panties Of Manmade Fibres	610822	6	1	7	6
Total		5277	6769	4261	3270



**Export trend by value**

Indian export has significantly registered an increase from EURO 85.92 million in 2005-06 to EURO 110.9 million in by value. The performance has been more credible when one looks at the 9-month export figure of EURO 109.97 million (April-Dec 2008) which has already overshoot the export of the previous year. India has established and consolidated its export market of product categories 610711 & 610821 in Europe & USA.

**Export of Undergarments by Value (EURO million)**

HS CODE		2005-06	2006-07	2007-08	2008-09 (estimate)
610711	Underpants & Briefs of Cotton	91.80	77.57	59.83	56.51
610712	Underpants & Briefs of Manmade Fibres	0.98	1.45	1.73	1.00
610821	Briefs and Panties of Cotton	20.84	30.82	26.58	27.90
610822	Briefs and Panties of Manmade Fibres	0.58	1.10	0.72	0.53
	<b>Total</b>	<b>114.20</b>	<b>110.94</b>	<b>88.86</b>	<b>85.94</b>

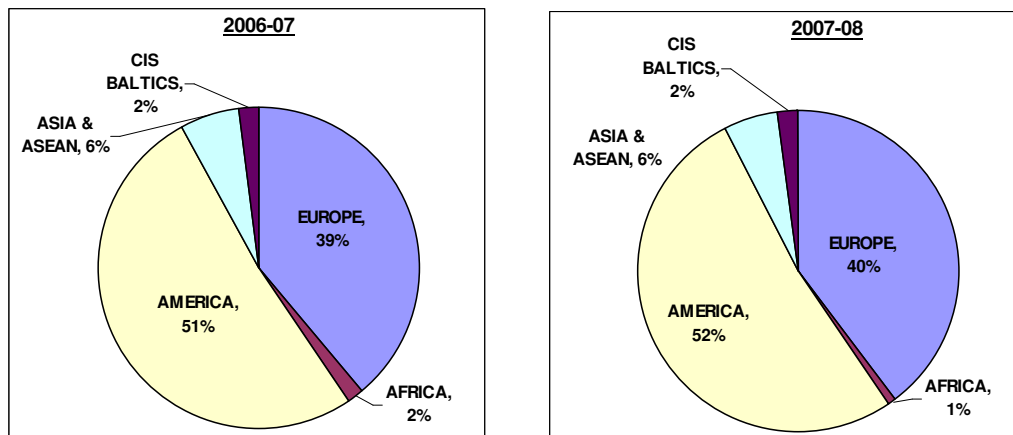
**Export of undergarments by region (Value in EURO million)**

COUNTRY	2008-09 (April-Dec.)	2007-08	2006-07	2005-06
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<b>EUROPE</b>	36.2	44.2	34.6	44.5
<b>AFRICA</b>	1.7	0.8	1.5	0.2
<b>AMERICA</b>	65.9	57.7	45.7	36.5
<b>ASIA &amp; ASEAN</b>	9.1	6.1	5.3	3.7
<b>CIS BALTICS</b>	1.4	2.0	1.8	1.0
<b>TOTAL</b>	<b>114.2</b>	<b>110.9</b>	<b>88.8</b>	<b>85.9</b>

**Export share of undergarments by Value**

America is the most important export destination for India. India’s export to America has been the highest in value terms. India’s share revolves round 51% to 52% in 2006-07 and 2007-08. Europe has improved marginally its share of export from India from 39% in 2006-07 to 40% in 2007-08. Export share of Asia and ASEAN region has maintained status quo.



**6. Competition**

Large numbers of Indian manufacturers have come in to the market with a variety of products on offer. Many international giants have also entered Indian market with wide array of sophisticated products with distinctive features. Wide varieties of imported products are available in plenty. In essence, Indian consumers have now wide options to choose from. Under the circumstances, Indian market is becoming more and more fragmented and diversified to service the requirements of different categories of consumers. Competition is getting more intense.

**6.1 Stratification of Products & Characteristics**

Based on quality and price divide, Indian products in the formal sector may be stratified under the following categories:

- Low-end Category
- Economy category
- Medium category
- Premium category
- Super-premium category

'Low-end category' of products may be defined as those products which carry the lowest price tag and its quality is inferior. These products are unbranded and available in every nook and corner of the country. Men and women in the lowest income category are the major customers. Since price is the sole criterion, the market is highly price-elastic.

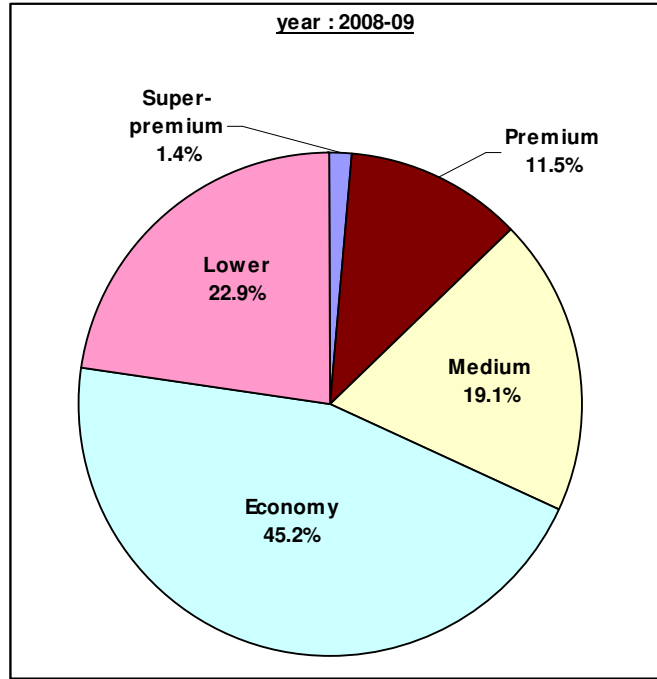
'Economy' range of product is relatively superior in terms of quality. Product labels have been introduced and are being marketed. Market feedback indicates that a few large and established manufacturers operate in this segment using low price as a strategy to make a dent in this large segment. Rupa & Co, Lux Hosiery, Grover Sons, to name a few, are seen to operate in this market.

'Medium priced' segment is the entry level for established players who operate both as regional players as also national players. Each manufacturer offers number of product variants and use sub-brands for popularizing the same, Maxwell- VIP, Rupa &Co, Body Care, Body Line, are a few illustrative names.

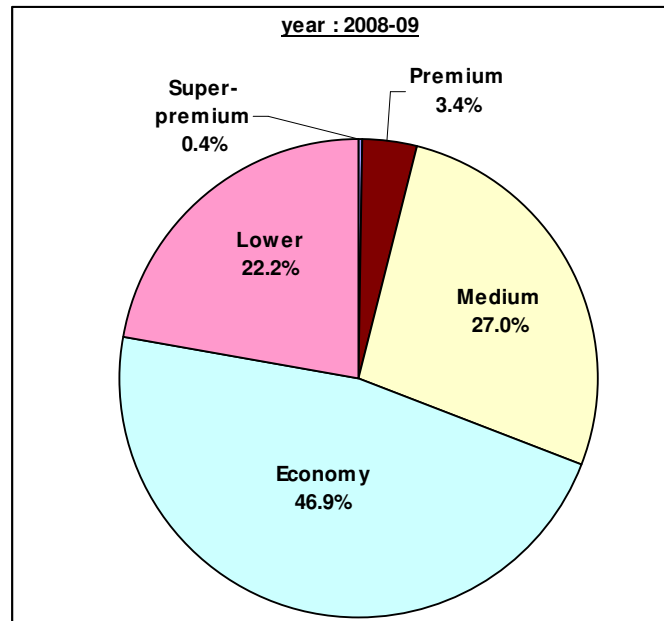
'Premium' refers to specialized category of products that conform to international quality specifications catering to select band of elitist consumers. Affordability is the criterion and the consumers pay for well-crafted brands. The manufacturers are either international players or premier Indian players in joint venture with well known foreign names. Enamor, Jockey, Triumph etc. are some of the major ones.

'Super-premium' is the highest priced product category and clearly differentiates itself also from the 'premium' category both on quality and price considerations. The same set of players operate in both premium and super premium segments.

Share of Production by Volume – Men's Segment



Share of Production by Volume – Women's Segment



## 6.2 SWOT Analysis

Strengths	Weaknesses	Threats/ Concerns	Opportunities
Huge textile production capacity	Highly fragmented industry.	Rupee fluctuations with respect to US \$ and Euro affects the volume and value of exports as the price competitiveness of Indian exports.	Tremendous boom in retailing as a result of change in consumption pattern and private incomes. Changing life style has led to dramatic shifts in buying pattern in favor of 'ready to wear'. Several large foreign players have been retailing branded products for years.
Efficient multi-fiber raw material manufacturing capacity	Critically dependent on cotton. Raw cotton prices are highly fluctuating in India and impact the manufacturing industry adversely as well.	Rising ecological & social awareness in the west may impact sourcing from India	Elimination of Quota Restriction has helped India expand its global market further.
Large pool of skilled and cheap work force	Lack of modern technological development affects adversely major part of the organized sector.	Regional trade alliances may adversely affect export prospects.	Indian market is gradually shifting towards branded products.
Entrepreneurial skills	Infrastructural bottlenecks such as loss of transportation time & transaction time at ports, land borders adversely affecting the competitiveness of exporters.	Regional trade blocks play a significant role in the global trade with member countries enjoying lower tariffs. Export prospects of India, not being a member of regional trade block, may be adversely affected.	Strong potential of retail industry signals huge untapped market opportunities and investor interest for financial investment in this segment.
Huge export potential	Imports of cheap textiles from other Asian neighbors	The US & EU Governments discourage products from countries that use polluting dyes, deployment of child labor and unhealthy labor environment for production. This has resulted in putting pressure on buyers to limit their sourcing from	Outlook for more foreign investment brightens after several international giants have become active in Indian market.
Large domestic market	Huge unorganized and decentralized sector		
Flexible textile manufacturing systems	Use of outdated manufacturing technology		

Strengths	Weaknesses	Threats/ Concerns	Opportunities
Paradigm shift from commodity based trading to high value –added fashion products	High production cost with respect to other Asian competitors	developing countries of the South.	
Vertical integration & horizontal consolidation of production process leading to lowering of manufacturing cost.	Appreciation in the value of Indian rupee adversely affecting Indian exports	Increased global competition in the post 2005 trade regime under WTO	
Efficient supply chain management,	Lack of standardization and quality control		

### 6.3 Growth Prospects

Future outlook of undergarment segment is critically dependent on the prospects of textile industry. The textile sector witnessed a spurt in investment estimated at around US\$ 4.22 billion from 2004 to 2008 and is expected to further increase to US\$30 billion by 2012. India's expanding domestic market is estimated to grow over US\$ 50 billion by 2014 and over US\$ 125 billion by 2020.

Large MNCs in retailing business around the world have already tied up with Indian manufacturers for sourcing. Recently Hugo Boss has unveiled a sourcing deal with Hyderabad based apparel manufacturer.

Ministry of Textiles, Government of India has taken a series of corrective actions. Indian economy has started looking up since the past 2/3 months. Domestic sales are on the upswing. Capital market is on the road to recovery. All these factors will have a positive impact on the sustained growth of undergarment industry in the coming times.

## 7. Potential for European Companies in India

The manufacturing activity of undergarments in the European Union has been tapering off since the ATC regime due to high cost of labor and raw materials. The situation has further worsened and more and large number manufacturing units have become un-viable and un-economic in view of intense global competition particularly during the WTO years. Dismantling of the quota system had left a significant impact on the production, export and employment of global textile industry as a whole. Developed countries particularly, EU, USA and Canada suffered badly on account of increased competition and decline in prices. By 2007, developing countries accounted for more than two-thirds of the world apparel exports (impacting under-garments segment as well).

### Impact of Quota Elimination

The undergarment industry is labor intensive and thus developing countries have intrinsic competitive advantage in having a large pool of unskilled and skilled labor force. Besides, relatively modern technology can be adopted as relatively lower investment costs. These technological features of the industry have made it suitable for the first rung of ladder in the developing countries.

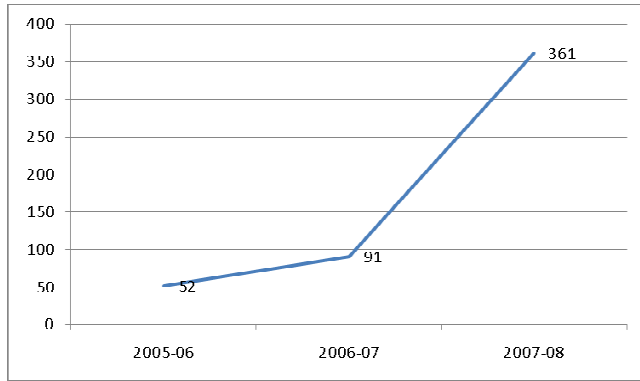
The abolition of quota system has been largely instrumental in the re-alignment of manufacturing activities across the globe. These countries have now been considered ideally suitable both for low, medium and high priced product segments. The production of lower and medium quality products, which constitute the mass-market segment, is being concentrated mostly in the developing countries. The developed countries which specialize in high value added segment where design, research and development are competitive factors are also increasingly re-locating the manufacturing plants to the developing countries.

European companies have played as major catalysts to the development of Indian market both as domestic players and as importers.

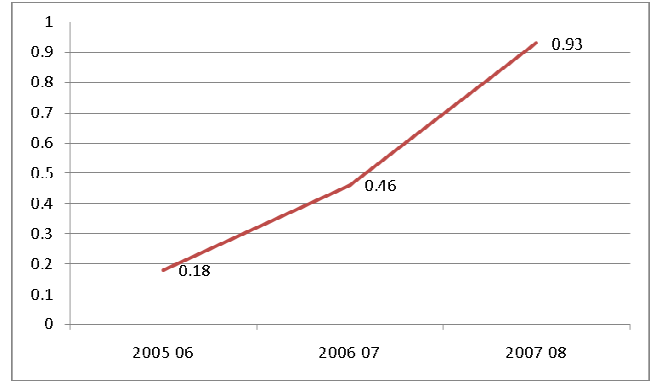
### 7.1 Growth of Imports from EU

There has been tremendous growth in India in imports of European undergarments in the past 3 years, both in volume and value terms. The 9-month import data for April to December 2008 (latest data available from the Ministry) also lends credence to the rising trend of imports. HS codes 610821 and 610822 constitute major share of imports.

Import Trend of Undergarments:  
by volume (in'000)



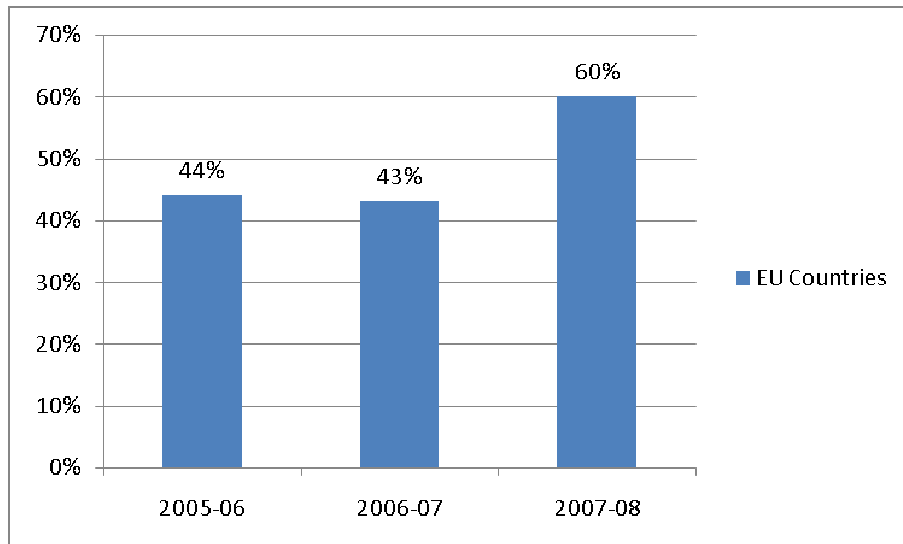
by value(Euro Million)



## 7.2 Import Share of EU

India is becoming more import dependent on Europe. The share of Import from Europe has significantly risen from 44% in 2005-06 to 60% in 2007-08 by volume, and from 60% in 2005-06 to 70% in 2007-08 by value.

Share of Import of Undergarments: By volume



### **7.3 Main European producers present in India**

#### **Foreign Collaborations**

Several Indian textile companies have formed alliances with their European counterparts, particularly those with strong front-end capabilities, in a bid to access global markets, tap technological know-how, design skills and branding and retailing ability. The alliances have been struck in most cases by way of JVs or stake acquisition. Tie-up with overseas companies will help them move up the value chain and focus on the more lucrative branding and retailing business.

Major European brands which have dominated Indian market include:

- Barbara, Paris
- Frivole, France
- Triumph International, Germany
- Felina, Germany
- Valojet Spa, Italy
- Calida, Switzerland
- Mark & Spencer, UK

### **7.4 Indian buyers / consumers of European products**

The European products are positioned in the premium and super-premium product segments. The price points of these products are normally much higher as compared to Indian products. The purchasers mostly come from the following socio-economic backgrounds:

- Affluent and high middle class,
- Nuclear family with one or two children.
- Working un-married women / women professionals.
- Foreign traveled or exposure to latest products through fashion magazines etc

The Indian market is extremely important European companies in view of the large and growing domestic market; increasing purchasing power and consumerism.

## 8. Regulatory Framework and Legislation

### 8.1 Sector specific Regulations

The Ministry of Textiles has taken pro-active initiatives to rejuvenate the textile and garments industry, which are also relevant for undergarments sector.

#### Policy Initiatives

- 100 per cent FDI allowed through the automatic route.
- De-reservation of readymade garments, hosiery and knitwear from the small-scale industries (SSI) sector since end-2000.
- The Government is also working on '**Advance Authorization Scheme**' and '**Duty Exemption Pass Book**' to boost export in the textile and apparel sector.

#### Reform Measures

- Technology Up gradation Fund Scheme (TUFS) which was launched to facilitate the modernization and up gradation of the textiles industry in 1999 has been given further extension till 2011-12.
- The Government of India has introduced a package of measures to help the organized sector mills to restructure and lessen their accumulated debts. The Ministry of Textiles has taken the measure to issue 'letter of comfort' that would enable the mills to obtain loans from banks and financial institutions. The Government has made further investment of Euro 7.8 million towards purchase of improved machinery and Euro 0.06 billion as adjustment assistance to reduce labor surplus.
- The Government has formulated 'Handloom Reservation Order' to revamp the sector. The Order specifies that 11 textile products must be manufactured by the handloom industry.
- The Cotton Corporation India (CCI) constantly monitors the price movement of raw cotton. It extends price support as and when the price falls below 'Minimum Price Support'. The Government reimburses CCI for any losses incurred.
- In current times of a global meltdown, the government has come out with an economic stimulus package for the textile industry. This includes (i) Additional allocation of Euro 201.6 million to clear the entire backlog in the TUF Scheme, which would enhance cash flow of the exporters. (2) Extension of interest rate subvention of 2 per cent on pre and post shipment credit (3) Additional fund of Euro 158.4 million for refund of terminal excise duty.
- The Government also proposes 'Integrated Textile Parts Scheme, 2005 which combines 'Apparel Park of Export Scheme' and the 'Textile Centre Infrastructure Scheme' to promote textile clusters and infrastructure facilities.

#### Tariff Concession

- On the import front, the Government of India has reduced tariffs on textile machinery & equipment. It has identified 287 textile machinery items which will have a basic custom duty of 5%.

#### **Export Fiscal Incentives and Concessions**

India offers an attractive scheme of incentives on exports, especially through its Export Oriented Unit (EOU) Schemes. By definition, export oriented units are required to export all their production (less rejects and wastage), attaining a minimum specified level of net foreign exchange earnings from their operations.

The most important provisions concerning EOUs are as follows:

- All capital goods, raw materials and consumables are allowed to be imported **free of duties**, and all locally procured supplies are exempt from sales tax and excise duties
- Sales in the domestic market attract a **lower customs duty**: that is **half the normal tariffs** applying to imports.
- Profits of an export oriented unit are fully exempt from income tax until April 2010, including profits on domestic sales upto 25% of the production.

#### **Environmental Clearances**

Entrepreneurs are required to obtain Statutory clearances, relating to Pollution Control and Environment as necessary, for setting up an industrial project for 31 categories of industries in terms of Notification S.O. 60(E) dated 27.1.94 as amended from time to time, issued by the Ministry of Environment and Forests under The Environment (Protection) Act 1986.

Setting up industries in certain locations considered ecologically fragile (e.g. hill areas) are guided by separate guidelines issues by the Ministry of Environment and Forests.

## **8.2 Foreign Direct Investment (FDI) Policy**

The essential provisions of foreign investment related approvals/ procedures and options for business structure are summarized below. For more details please refer the Government of India's official website <http://dipp.nic.in/>.

- In most sectors/activities, foreign direct investment up to 100% is allowed through the automatic route, subject to sector rules / regulations as applicable.
- Foreign investment in any small-scale undertaking requires prior approval of the Government of India and is not automatic. Investment in any small scale enterprise (SSI unit<sup>1</sup>) by non-SSI undertakings, other SSI undertakings and even foreign investors, is restricted to 24% of the equity.
- All foreign investments are **fully repatriable** for both profit as well as principal values, subject to payment of applicable Indian taxes and obtaining due clearances from the Reserve Bank of India.

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<sup>1</sup> Small Scale industrial unit – defined as one where investment in plant & machinery is less than Rs. 5 million

- Foreign investment is prohibited in
  - Retail Trade (except Single Brand product retailing, for which 51% FDI is permitted);
  - Lottery business;
  - Gambling and betting; and
  - Atomic Energy
- All Activities/ Sectors require prior Government approval for FDI in the following circumstances:
  - Where applications are from entities already having an existing previous joint venture/technology transfer/royalty agreement in the same field in India;
  - Where more than 24% foreign equity is proposed for manufacture of items reserved for the Small Scale sector.
- Franchising

Govt. of India is reviewing the policy on franchisee arrangements between Indian companies and overseas partners. Numerous international brands are present in India through the franchise route and more are also expected soon. However, the review of this policy with a view to prevent foreign retail companies entering the Indian market through franchisee route circumventing the FDI restrictions, has resulted in several ventures being put on hold or being modified, the most high profile example being that of Walmart's entry into through a joint venture with Bharti group.
- Foreign Technology Agreements

Foreign technology agreements are allowed in all industrial sectors. The approval is automatic for agreements involving Lump sum fee not exceeding US \$ 2 million, and royalties up to 5% on domestic sales and up to 10% on export sales.

For agreements where no technology transfer is envisaged, payment of marketing royalties- for use of brand name/ licence- up to 1% of sales is also allowed under the automatic route.
- Hiring of Foreign Technicians

No prior approval is necessary for engaging foreign technicians / experts on short-term basis, subject to guidelines relating to duration of engagement (max 12 man-months in a calendar year) and fee rates (not exceeding US\$ 1000 per day, subject to a ceiling of US\$ 200,000 in a calendar year).

### **8.3 Business Structure Options**

A foreign company can set up operations in India by **incorporating a company** under the Companies Act, 1956, through setting up a private or a public company with limited liability, which can be either Joint Ventures; or Wholly Owned Subsidiaries. A private limited structure gives the most flexibility and involves fewer statutory requirements.

For registration and incorporation, an application has to be filed with Registrar of Companies (ROC). Once a company has been duly registered and incorporated as an Indian company, it is subject to Indian laws and regulations as applicable to other domestic Indian companies.

Foreign Companies can also set up their offices through **unincorporated entities**, which can undertake only the permitted business activities, namely

- **Liaison Office/Representative Office** acts as a channel of communication between the foreign company and the entities in India and collection of information about possible market opportunities. Liaison office can not undertake any commercial activity directly or indirectly and cannot, therefore, earn any income in India.
- **Project Office** is a temporary office in India for executing specific projects. Such offices can not undertake or carry on any activity other than the activity relating to execution of the project.
- **Branch Office** is allowed for trading, professional or consultancy services, research, promoting collaborations with Indian companies, representation as buying/selling agents in India etc. A branch office is not allowed to carry out manufacturing but is permitted to subcontract these to an Indian manufacturer.

#### Illustrative Business Costs

	Euros	Basis
<b>Incorporation Costs</b>	5000 - 6000	One time
<b>Office rentals</b>	250 to 300 per sq m per month	6 months advance (Interest free deposit) 3 year lease
<b>Interiors</b>	250 – 300 per sq m	
<b>Work spaces</b>	300 - 400 per seat	
<b>Residential Apartment rentals</b>	50 per sq m per month unfurnished, bare walls	6 months advance (Interest free deposit) 3 year lease
<b>Industrial land</b>	30 - 60 per sq m	Buy / 33 yr lease
<b>Staff, junior management salary</b>	150 - 500 per month	add 25% benefits
<b>Middle management</b>	1000 – 2500 per month	Performance based
<b>Top management</b>	3000 +/- month	Performance based
<b>Vehicle lease (Toyota Corolla)</b>	450 per month	15% advance 5 year lease

## 8.4 Practical aspects of doing Business in India

As per a World Bank study, covering 181 economies, India's ranking has improved marginally in 2009, on various indicators of attractiveness as a business destination. However, in absolute terms the ranking remains quite low. Significantly, India is ranked a respectable 33 on the parameter of protecting the interest of the investors.

Ease of..... in INDIA.	2008 Rank	2009 Rank	Change in Rank
Doing business	122	120	-2
Starting a business	121	114	-7
Dealing with construction permits	136	131	-5
Employing workers	89	89	0
Registering property	105	114	9
Getting credit	28	25	-3
Protecting investors	38	33	-5
Paying taxes	169	167	-2
Trading across borders	90	81	-9
Enforcing contracts	180	180	0
Closing a business	140	140	0

However, Italian companies planning to enter Indian market need to consider carefully the 'need' for a local partner. In most activities, the government regulations allow a 100% foreign ownership. Therefore a Country Manager may serve the purpose instead of having an Indian investor partner.

However, if a local partner is preferred, a due diligence review must be carried out, before finalizing the tie-up.

Foreign entities can build in sufficient safeguards to protect their legitimate business interests in joint ventures. Some important issues arising in management control of joint ventures are explained below:

- All verbal understandings must be formalized in writing, even for confidential agreements.
- Ensure a provision for right to exit from a contract and clear procedures and triggers for termination and dispute resolution
- All intellectual property must remain the exclusive domain of the originator and only licensed to the joint venture / local agent.

## 8.5 Investing in Existing India Companies

Foreign companies planning to invest in existing Indian companies can do so under the general permission of RBI under Foreign Exchange Management Act (FEMA). The companies are required to notify the concerned Regional Office of the Reserve Bank of India (RBI) within 30 days of remittances, and within 30 days of issue of shares to the foreign investors.

Indian companies having foreign investment approval through FIPB route do not require any further clearance from RBI for receiving inward remittance and issue of shares to the foreign investors.

## 8.6 Taxes and Tariffs

Taxes & Tariffs	
Tax on Business Income	34%
Capital Gains Tax	10.5% - 34%
Dividend Tax	14.4%
Minimum Alternate Tax	11.5%
Withholding Taxes (On knowhow, royalty ...)	21%
Import duty (average)	24.42%
Excise Duty	10%
Service Tax	10.3%
Sales Tax / VAT (this is a turnover tax applying on sales, and varies state to state)	4 - 12.5%

## 8.7 Protection of Intellectual Property (trademarks, patents, etc.)

In the past, India's intellectual property rights regime was a cause for concern to several international investors, marked by infringements of international trademarks and patents under India's domestic laws on these subjects. However, there is now a well-established statutory, administrative and judicial framework to safeguard intellectual property rights in India, whether they relate to patents, trademarks, copyright or industrial designs.

Well-known international trademarks are protected in India even when they are not registered in India. The Indian Trademarks Law has been extended through court decisions to service marks in addition to trade marks for goods.

### • Indian Patents Act, 1970 / 2002 / 2004

The Indian Patents Act, 1970, contains the law governing patents. The Act has been amended by the Patents Act, 2002 to meet with the second set of obligations (Term of Patent etc.). This amendment, which provides for 20 years term for the patent, Reversal of burden of proof etc. came into force on 20th May, 2003. The Third Amendment of the Patents Act 1970, by way of the Patents (Amendment) Ordinance 2004 came into force on 1st January, 2005 incorporating the provisions for granting product patent in all fields of Technology including chemicals, food, drugs & agrochemicals and this Ordinance is replaced by the Patents (Amendment) Act 2005 which is in force now having effect from 1-1-2005 .

Once the patent application is filed, it goes through a process of scrutiny and publication (made open for public inspection). Any person can file an opposition to grant of patent after the application has been published and within a period twelve months after the grant of a patent. If the application satisfies all the requirements of the Patent Act, the patent is granted, and

published in the official gazette. Every granted patent is valid throughout India, and gives the patent holder the exclusive right to make, use, sell, offer for sale and import the product or use the process. However, the government can make use of the patent for its own purposes or for distributing an invention relating to medicine to hospitals and dispensaries. Furthermore, any person can make use of the patent for experiment or education.

A patent holder may assign the whole or any part of the patent rights for the whole of India or any part thereof. A patent holder may also, by a license, permit others to make, use, or exercise, the invention which otherwise would not be allowed.

Infringement of a patent is the violation of the exclusive rights of the patentee. Determination of infringement depends on the scope of exclusive rights of the patentee, whether the infringer's acts amount to making, using, selling or distributing a product or using a method and if in fact the acts amount to an infringement. The burden of proof is on the patent owner for proving infringement.

- **Trade Mark Act**

Trade Marks Act, 1999 seeks to provide for the registration of trademarks relating to goods and services in India. The rights granted under the Act, are operative in the whole of India. The term of a trademark registration is for a period of ten years but may be renewed from time to time in the prescribed manner and on payment of the prescribed fee. A common ground for refusal is likelihood of confusion between the applicant's mark with registered mark or pending prior mark.

- **Design Act**

The essential purpose of design law is to promote and protect the design element of industrial production. The existing legislation on industrial designs in India is contained in the New Designs Act, aligned with the changed technical and commercial scenario and made to conform to international trends in design administration.

The registration of a design confers on its proprietor, copyright in the design for 10 years from the date of registration, extendable for another five years. However, it must be stated here that inspite of the well established legal framework for protection of intellectual property in India, the implementation and enforcement of these provisions still need substantial improvement.

## 9. Marketing and Distribution Structure

### 9.1 Trade channels

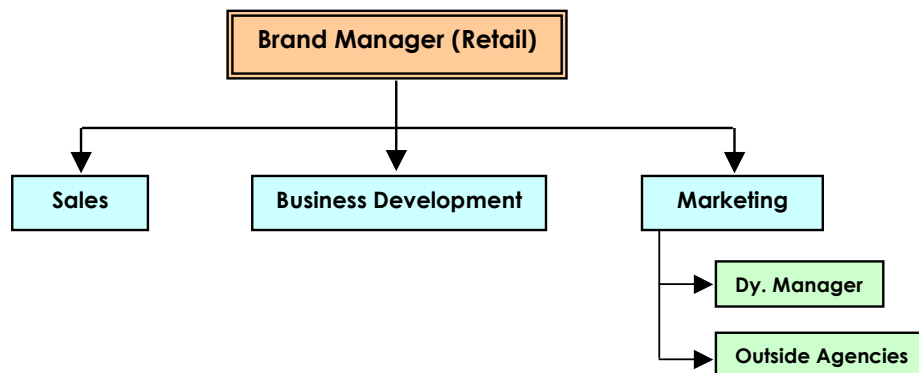
There is a commonality of approach adopted by manufacturers / importers for marketing their wares. Large manufacturers maintain an extensive marketing set-up at an all India level to reach maximum geographical spread and service customer requirements through various mechanisms.

Major functions of the marketing department include:

- Organizing sales promotion measures through interface with potential / existing customers
- Production of company literature, brochures, related ad materials
- Organizing marketing campaign – domestic & overseas market
- Appointment of dealership net-work & servicing the requirements of distribution network.

#### Structure of Marketing Department

The structure of marketing department varies with size and scale of operations, as well as the product range of individual companies. There is no uniform hierarchy in the marketing department. However the typical commonly used structure is as under:



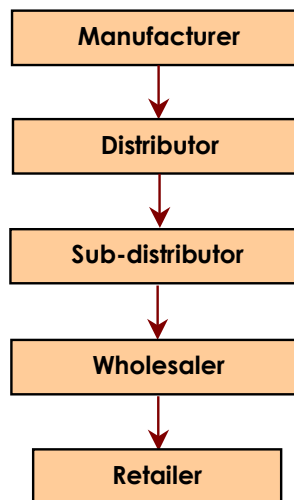
#### Sales Network

Direct sales (institutional) take place from Marketing Department and Retail sales are organized through company-owned retail outlets. Major sales, however, are routed through distribution network. Distribution net-work which is the most important channel has been re-vamped through large distribution net-work for maximum penetration.

Maxwell-VIP has appointed 400 dealers, 200,000 retail outlets, 6 regional offices and sales brigade of 700 personnel. Pawan Hosiery (Body Care) has appointed 150 distributors and has presence in 1800 retail outlets. More than 300 sales personnel are involved in distribution work. Page Industries (Jockey) has 50 exclusive outlets and has presence at country's 16,000 retail outlets.

Some of the foreign manufacturers like Triumph (India) International operate in India through franchisee system. Triumph is available in 55 cities through 500 points of purchase including departmental stores, lingerie retailers and multi-brand outlets. It has 4 exclusive franchisee outlets in Kolkata, Mumbai and Bangalore.

***Distribution Network***



The Marketing department has a separate Division to look after overseas sales.

## **9.2 Key trends in the Retail sector**

Domestic consumption market in India is estimated to grow approximately 7 to 8% with retail accounting for 60% of the overall segment. Of this organized retail is just 5-6%, which is comparatively lower than other countries with emerging economies. In developed countries organized retailing is the established way of selling consumer products. Despite the low percentage, Indian textile industry has grown noticeably in organized retailing of textile products. The negative phase in exports may have compelled the Indian textile retailers to explore the opportunities in the domestic market substantially causing the outstanding growth in the concerned segment. These indications give a positive notion that organized retailing has arrived in the Indian market and is here to stay. It is expected to grow at 25-30 per cent annually and would triple in size from Euro 54.7 billion in 2004-05 to Euro 170.3 billion by 2010.

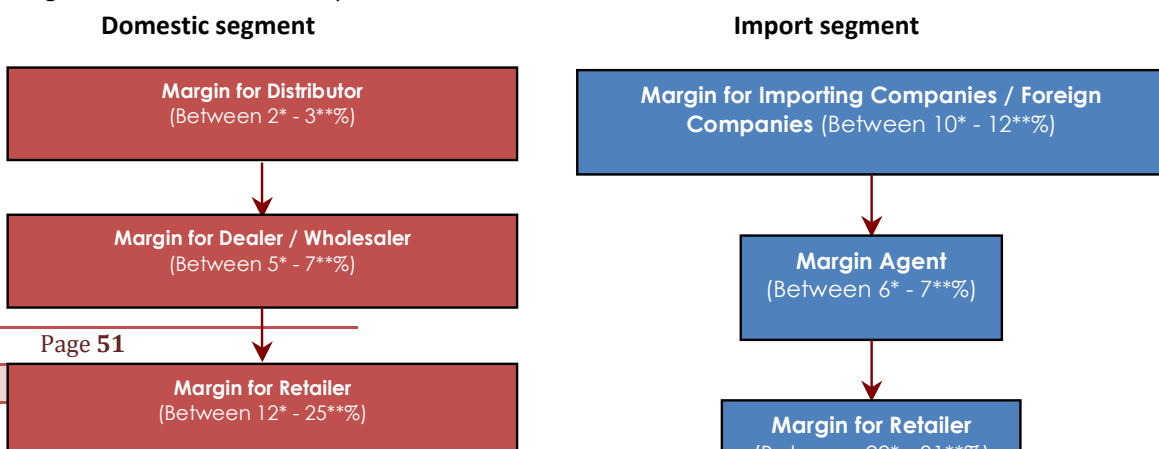
India is on the radar of the global retailers seeking entry into the Indian retail market. The market is growing at a steady rate and accounts for around 10 percent of the country GDP. The inherent attractiveness of this segment lures retail giants and investments are likely to sky rocket with an estimate of Euro 0.31 – 0.39 billion in the next 2-3 years, and over Euro 3.13 billion by end of 2010. Indian retail market is considered to be the second largest in the world in terms of growth potential.

A vast majority of India's young population favors branded garments. With the influence of electronic media, urban consumer trends have spread across the rural areas also. The shopping spree of the young Indians for clothing, favorable income demographics, increasing population of young people joining the workforce with considerably higher disposable income, has unleashed new possibilities for retail growth even in the rural areas. Thus, 85% of the retail boom which was focused only in the metros has started to infiltrate towards smaller cities and towns. Tier-II cities are already receiving focused attention of retailers and the other smaller towns and even villages are likely to join in the coming years. This is a positive trend, and the contribution of these tier-II cities to total organized retailing sales is expected to grow to 20-25%.

### 9.3 Trade Margins and Commercial terms

#### Trade Margins

The margin keeps on changing in accordance with business swing. Margins as prevalent at each stage in the entire chain are presented as under:



**Note:** \* Fast moving products

\*\* Slow moving products

### Terms of Credit

Extension of credit forms a major part of trade practice. Provision of credit as a structured trade practice is extensively prevalent in the lower priced product categories – lower, economy and mid segment.

Minimum : 30 days credit

Maximum : 45 days credit

Extending credit facility to dealership network for premium and super-premium products has not been standardized as yet. The terms of payment depend on the durable business relationship between the manufacturer and the trading partners.

## 10. Opportunities for Italian Companies to enter the Indian Market

### 10.1 Positive Experiences / Perceptions about Italian Products

Italy has been one of the key countries from where fashion clothing and garment products and raw materials are sourced in India. Many major companies in India have business tie-up with the Italian companies and they are involved in production and marketing of their products in India.

A large number of Italian companies and brands have a presence in India and are therefore known to Indian manufacturers, retailers and users. During the primary survey conducted for the purpose of this study, the manufacturing companies, importers and retailers were asked about their experiences and perceptions about the Italian products. They were asked to rate the Italian textile clothing and garments on some key criteria, and the results are presented below:

#### Experiences / Perceptions about Italian products vis a vis Indian products

Parameter	Qualitative/Comparative Rating		
	Manufacturers	Distributors / Importers	Retailers
Performance	1.95	1.50	2.33
Durability	2.42	1.83	2.17
After Sales Service	2.29	2.00	2.50
Price	2.08	2.33	2.29

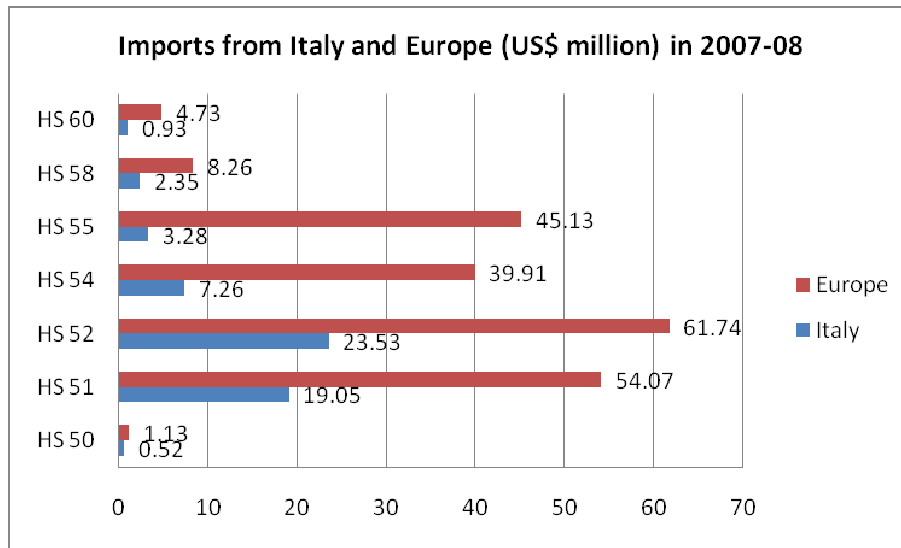
Rating Index: 1 – Much better; 2 – Better; 3 – Comparable; 4 – Worse

### 10.2 Increasing trend in Imports from Italy

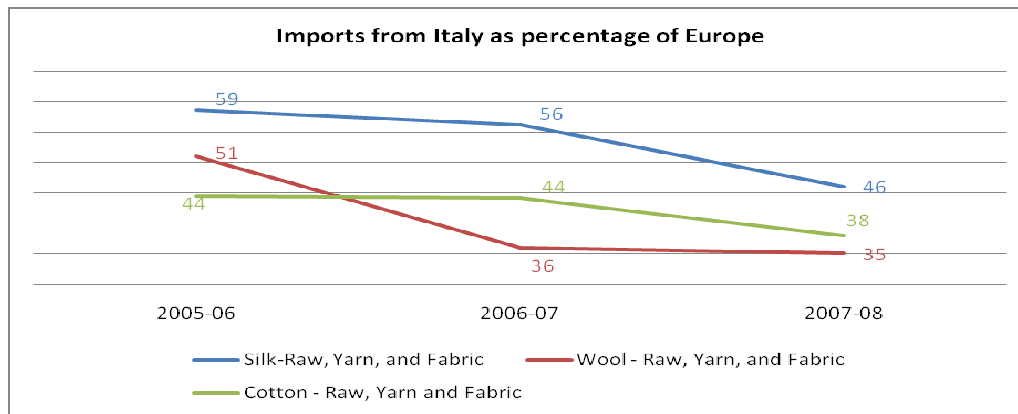
#### Raw Material and Semi-Processed Fabrics

As far as the raw materials are concerned, the share of Italy in the total imports in 2007-08 has been about 2.5% of total. But it has sizeable share of more than 26% in the total imports from Europe.

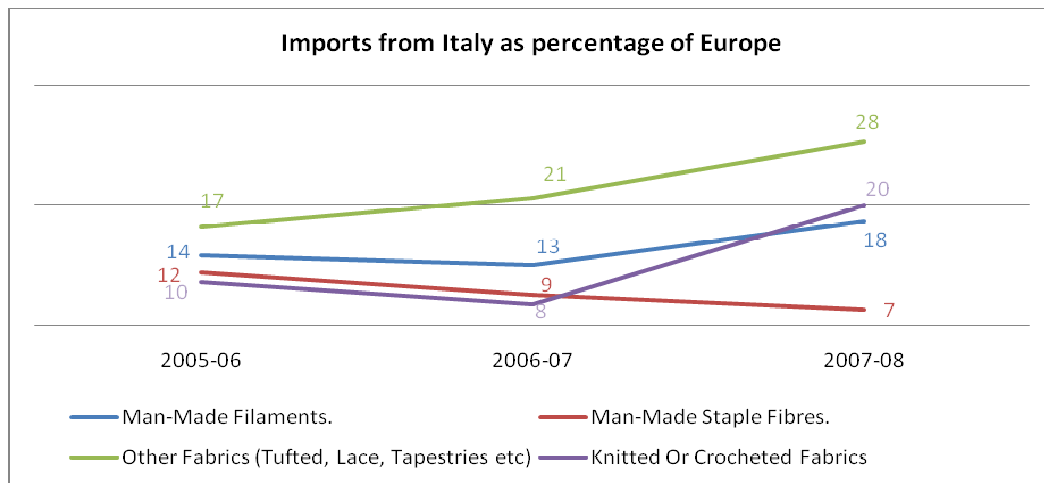
**Share of Italy and Europe - Imports of raw material and semi-processed fabric in 2007-08**



The share of Italy in total import from Europe has actually been fluctuating. In 2006-07, it was 45%, where as in 2005-06, it was 31%. The Italian share in the natural fibres – raw, yarn and fabric has been substantial but it is actually falling over last 3 years.



The share of man-made yarn and fabric, on the other hand is increasing, but has not been able to compensate for the decrease in the market share due to natural fibres and fabric. The import of special woven fabrics, tufted textile fabrics, lace, tapestries, trimming and embroidery has been increasing from Italy.



The major competitors of Italy from Europe which are exporting yarn and semi fabric into India are Germany, UK, Spain, Belgium and France. Among the imports into India, there has been few commodities where the share of Italy among the global imports has been substantial has been tabulated below. The Asian countries, especially from East Asia and South Asia are the main competitors of Italy in these commodities. China, Korea, Japan, Thailand, Malaysia, Pakistan, and Bangladesh are notable.

**Imports of Fabric from Italy relative to the Largest Player**

HS Code	Commodity	US \$ million in 2007-08		
		Total Imports	Italy's Share	Largest Player *
HS 5111	Woven Fabrics of Carded Wool or Of Carded Fine Animal Hair	28.54	3.24	13.26
HS 5112	Woven Fabrics of Combed Wool/Fine Animal Hair	12.88	5.63	2.26
HS 5208	Woven Fabrics Of Cotton Counting >=85% By Wt of Cotton Weighing not more than 200 G/M2	153.87	10.54	96.09
HS 5209	Woven Fabrics of Cotton, Counting >=85% Cotton by weight, Weighing >200 GSM	106.19	10.15	35.31
HS 5211	Woven Fabrics of Cotton, Counting <85% Cotton, mixed mainly with man-made fibres weighing > 200 G/M2	5.18	0.52	2.21
HS 5212	Other woven fabrics of Cotton	7.93	0.89	4.31
HS 5408	Woven fabrics of artificial filament yarn, including fabrics obtained from Materials of Heading No.5405	5.76	0.25	2.99
HS 5515	Other Woven fabrics of Synthetic staple fibres	21.93	0.98	8.54

<b>HS 5801</b>	Woven Pile Fabrics & Chenille fabrics other than fabrics of Heading No.5802 Or 5806	13.38	0.18	10.15
<b>HS 5806</b>	Narrow Woven Fabrics except Goods of Heading 5807 narrow fabrics consisting of Warp without weft assembled by means of an Adhesive	36.3	1.37	10.48
<b>HS 5807</b>	Labels badges & similar articles of textile materials in Pieces/Strips/Cut to Shape/Size not Embroidered	20.78	0.48	14.73
	<b>Total</b>	<b>412.74</b>	<b>34.23</b>	<b>200.33</b>

\* It is China except in HS 5807, where Hongkong is the largest player

Source: DGFT, India

**Imports of Yarn from Italy relative to the Largest Player**

HS Code	Commodity	US \$ million in 2007-08		
		Total Imports	Italy's Share	Largest Player
<b>5106</b>	Yarn of Carded Wool not put up for retail sale	2.99	1.17	Indonesia: 0.60
<b>5107</b>	Yarn of Combed wool not put up for retail sale	2.73	0.29	China: 1.94
<b>5108</b>	Yarn of fine animal hair (Carded/Combed) not put up for retail sale.	0.59	0.14	China: 0.38
<b>5109</b>	Yarn of wool or fine animal hair, put up for retail sale	0.75	0.14	New Zealand: 0.41
<b>5205</b>	Cotton yarn (other than swing thread) counting 85% of more by weight of more by weight of cotton not put up for retail sale	14.29	0.38	Pakistan: 8.80
<b>5510</b>	Yarn (other than sewing thread) of articles staple fibres not put up for retail sale	5.37	0.43	Nepal: 2.28
	<b>Total</b>	<b>26.72</b>	<b>2.55</b>	

Source: DGFT, India

**Import of Finished Products**

Imports of undergarments products into India from Italy have been witnessing a sustained increase over the past few years, both in absolute terms as well as in terms of share of total imports into India from European Union.

Barring 2006-07, imports from Italy are on the rise. The year 2008-09 has been particularly impressive.

(Qty. '000)

ITALY	2005-06	2006-07	2007-08	2008-09 (estimate)
<b>610711</b>	2.45	-	0.55	1.59

<b>610712</b>	-	0.38	2.34	9.59
<b>610821</b>	7.81	0.11	3.76	0.04
<b>610822</b>	0.81	0.58	7.25	15.36
<b>TOTAL</b>	<b>11.07</b>	<b>1.07</b>	<b>13.9</b>	<b>26.57</b>

In value terms also, there has been an increasing trend, though in absolute terms the imports have been quite small.

**Undergarments imports from Italy (million Euros)**

DESCRIPTION	HS CODE	2008-09 (estimate)	2007-08	2006-07	2005-06
Underpants & Briefs Of Cotton	<b>610711</b>	0.0066	0.0020	0.0000	0.0075
Underpants & Briefs Of Manmade Fibres	<b>610712</b>	0.0277	0.0059	0.0022	0.0000
Briefs And Panties Of Cotton	<b>610821</b>	0.0003	0.0094	0.0002	0.0122
Briefs And Panties Of Manmade Fibres	<b>610822</b>	0.0306	0.0200	0.0063	0.0038
<b>TOTAL</b>		<b>0.0652</b>	<b>0.0373</b>	<b>0.0086</b>	<b>0.0233</b>

Import from Europe has maintained a steady growth. Barring 2006-07 (which may be considered an abnormal year for some reason when its supply slumped to very low volume) import from Italy maintained a steady growth. Italy's share in imports from EU has been widely fluctuating in the last few years, but jumped to 21.4% in 2008-09.

**Import Trend from Italy vis-à-vis Europe – by value**

Unit: (EURO million)

COUNTRY	2005-06	2006-07	2007-08	2008-09 (estimate)
<b>EUROPE</b>	0.184	0.459	0.952	0.308
<b>ITALY</b>	0.023	0.008	0.038	0.066
<b>Italy's share</b>	12.5%	1.7%	4%	21.4%

**Source:** DGCI&S, Ministry of Commerce, Government of India

### 10.3 Demand for Italian products

Only a handful of manufacturers have significant presence in Indian market, with exclusive products on offer. Major players include Grotto Spa, Valojet, La Sartoria, Federico, Ghidhini, Gianmario Matera, Michelle W.

Italian undergarments are positioned in the premium and super-premium segments. The products are targeted to the affluent sections of Indian population especially the younger generation. The purchase of these products is normally determined by what style looks best under certain types of clothing or what colors appear best.

## 10.4 Market opportunities

While doing apparel business in India, European manufacturers rely on the intrinsic strengths of:

- Large and growing domestic market
- Provides opportunities for competitive advantage (low cost sourcing of products and services; exceptional quality; intellectual skills; etc).
- Many see India as key to their long-term global growth and competitive advantage.

### The domestic market opportunity

India's vast population and its increasing purchasing power, offers a large and growing domestic market for Italian companies. While 50% of the India's population was classified in the low-income bracket in 1994-95, this percentage is rapidly declining accounting for about 17.8% of the population by 2006-07. At the same time, there is a rapid shift from the low-middle classes to the burgeoning middle class, and an even faster increase in the sizes of the high and upper middle class, fuelling growth in the economy. Equally more pronounced is the growth of a niche 'super-rich' class, now estimated to comprise of over 100,000 households with net worth of >\$1 million each.

Based on the assessment of opportunities in the Indian undergarments sector, it is reasonable to infer that the opportunities for Italian companies in India are mainly in the nature of:

- Franchise / Licensing agreements with manufacturers/importers in India for marketing of products in India, with the Indian partners being responsible for market promotion, brand building, distribution and retailing in India. Besides, the Indian partner should also take care of compliances with Indian regulatory requirements.
- Joint Venture / technology tie ups with Indian manufacturers for production in India for supply in the domestic as well as overseas markets, under the Italian brands.
- Establishment of manufacturing facilities in India – either as a Joint venture or as a 100% owned subsidiary (greenfield investment or acquisition). Such units could also be set up under the 100% EOU scheme which offers significant benefits such as import duty exemption on plant & machinery etc., as elaborated in an earlier section of this report.
- Supply of raw materials and semi-finished fabrics to Indian manufacturers / retailers.
- Sourcing tie-ups for sales in Europe and other overseas markets