

The Home Textile Furnishing Industry in India

Market Research 2009



Market Research on Home Textile Furnishings Sector in India

Prepared for



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By



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1. Introduction

This research study on Textile Clothing and Apparels 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 home textile furnishings 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

The Textile Industry in India is one of the largest segments of the Indian economy accounting for over one fifth of the country's industrial production. It provides employment to around 15 million people who have helped produce one of the largest, most fascinating varieties of yarn, fabric, home textiles, home furnishings and other textile products in the world.

The Home Furnishings Industry in India falls under the purview of the textile industry. Indian home furnishings manufacturers and home furnishings exporters offers a spectacular range of bedspreads, furnishing fabrics, curtains, rugs, durries, carpets, placemats, cushion covers, table covers, linen, kitchen accessories, made-ups, bed spreads, bath linen, and other home furnishings accessories to the world. Manufacturers of Home Furnishings from India, whether floor coverings, kitchen linen, bath linen, cushion covers, bed spreads, curtains etc. create a rage in the international markets.

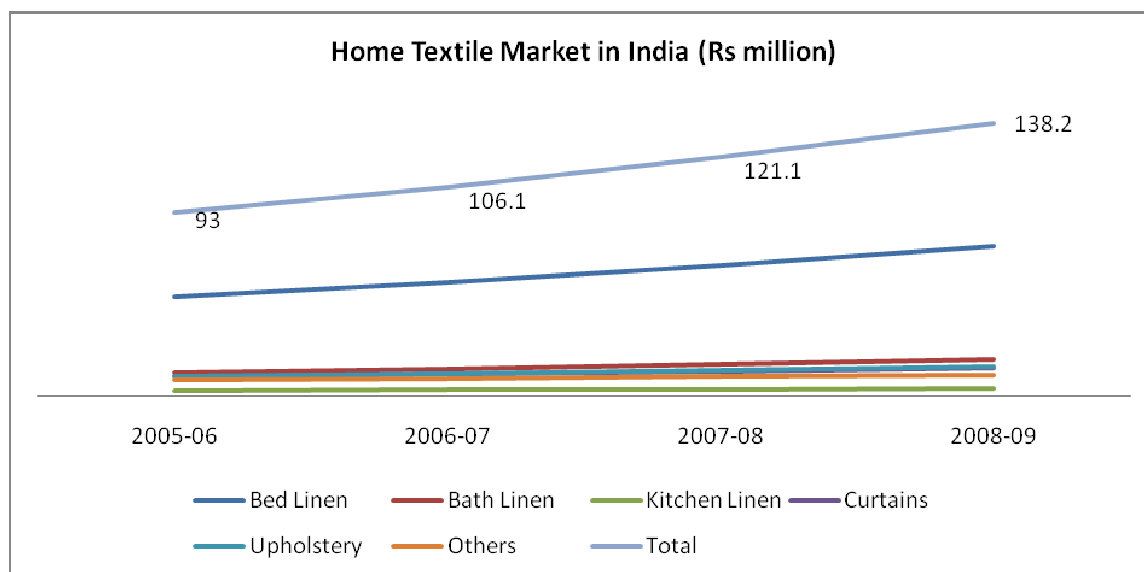
2.1 Market Size

The total urban market for the home textiles in India in 2006-07 was estimated to be Rs 93 billion. With a modest growth rate of about 14%, the market in 2008-09 is about Rs 140 billion and is expected to cross Rs 200 billion by 2012.

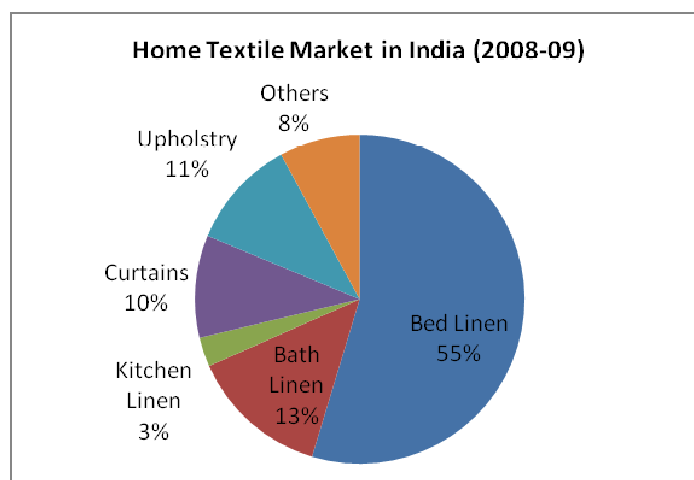
India's Home Textile Furnishings Market

Category	Market Size in Rs billion				
	2005-06	2006-07	2007-08	2008-09	Growth rate
Bed Linen	50	57.5	66.1	76.0	15%
Bath Linen	12	13.8	15.9	18.3	15%
Kitchen Linen	3	3.3	3.6	4.0	10%
Curtains	10	11.2	12.5	14.0	12%
Upholstery	10	11.5	13.2	15.2	15%
Others	8	8.8	9.7	10.6	10%
Total	93	106.1	121.1	138.2	

Source: On the basis of Technopak Analysis, 2006 and Ace Global primary survey



The market for home textiles is dominated by bed and bath linen, which have more than two-third of the market share in value terms. Bed linen alone has a market of about Rs 76 billion according to the estimates. Apart from the home textile products given in the table below, the other articles included in the total market size are textile made-ups like wall hanging and other decorative home furnishing articles.



*On the basis of Technopak Analysis, 2006 and Ace Global Primary Survey

2.2 Assessment of Demand and Market Potential in India

There are no authentic statistics available on the production and the total market size of the home textile products. Not much data is compiled for these due to the large variety of products within the category. Further, majority of the market is still in the unorganized sector and highly dispersed.

Therefore, the present estimates of the market are arrived at on the basis of primary survey conducted by Ace Global and discussions with the industry players.

As per discussions with various industry players in different parts of country, the overall average growth rate of domestic urban market is about 15% - for bath linen it is 15%, for kitchen linen it is 10%, for curtains it is 12%, for upholstery it is 15% and for other remaining products it is about 10%.

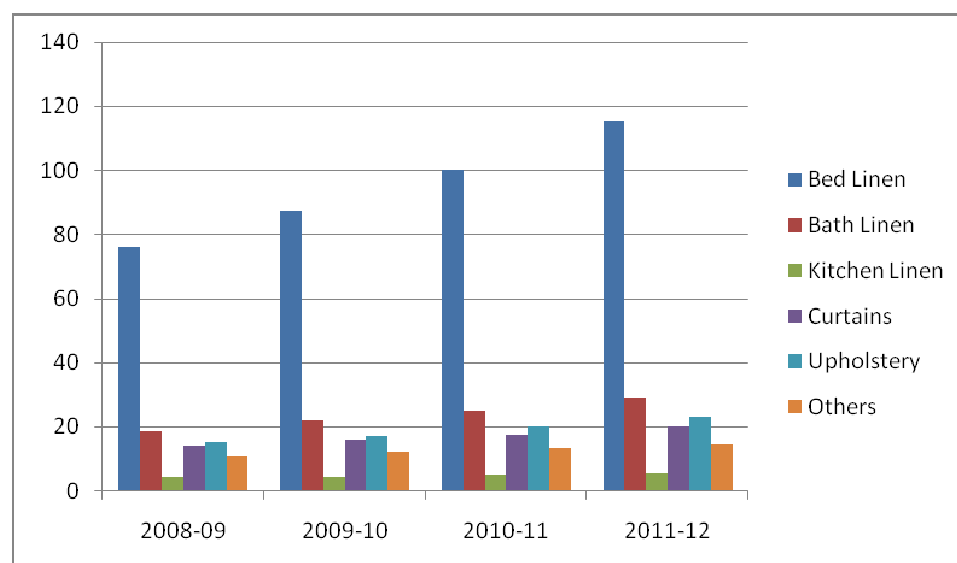
It should be noted that, above estimations is only for urban India, which is considered the relevant market for the foreign brands. In terms of the market size, the rural India can be assumed to consume about equal quantity of the home textiles, but in the value terms is will be not more than half of the urban India. The urban population is about one-third of the total population. The total market size for different segments till 2012 is shown in the table below:

Value of the Total Home Textile Market till 2012 (Rs Billion)

Category	Growth rates	2008-09	2009-10	2010-11	2011-12
Bed Linen	15%	76.0	87.3	100	115.2
Bath Linen	15%	18.3	22	24.7	29
Kitchen Linen	10%	4.0	4.3	4.8	5.3
Curtains	12%	14.0	15.7	17.5	20
Upholstery	15%	15.2	17.1	20	23
Others	10%	10.6	12.1	13	14.4
Total		138.2	158.5	180	206.9

Source: Technopak Analysis, 2006 and Ace Global Primary Survey.

Demand Projection of Home Textile Market: By Value (Rs billion)



2.3 Key Market Growth Drivers

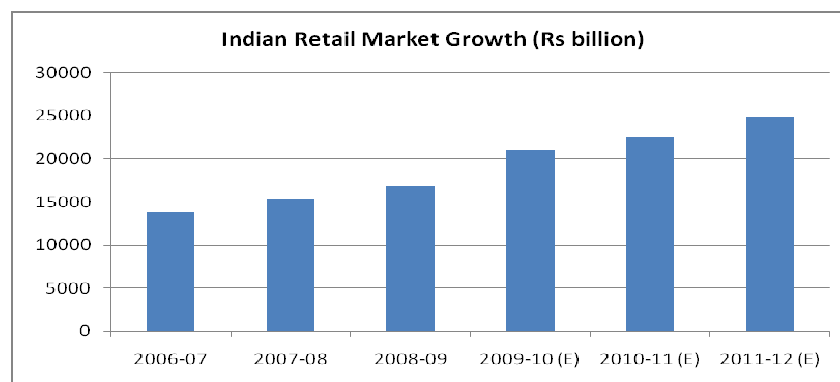
The market for home textiles, both domestic and export, has registered a steady growth since the post quota regime of international textile trade. Indian companies have made relentless efforts to benefit from the opportunity in the international market ever since many European companies have closed their businesses. Inter-play of forces from the supply and demand side; have pushed forward the domestic demand substantially in recent years.

Supply Side

- Leading home textile manufacturers like Welspun, Alok Industries, and Abhishek Industries are integrating their businesses vertically and have strong competencies in spinning, weaving and finishing.
- There has been a huge improvement in the infrastructure related to textile machinery, transport and power which are further augmenting production. Government of India along with state governments is actively supporting the private initiatives. It had allocated billions of rupees in infrastructure development through schemes like TUFs, and SITP, worker skill development trainings etc. New models of cooperation on the basis of Public- Private Partnership (PPP) are being explored.
- Government supportive devices through various fiscal and monetary incentives.
- Lateral consolidation of players through organic and inorganic growth domestically and internationally. Welspun, Bombay Dyeing, Alok Industries, Abhishek Industries, GHCL etc. have started acquiring the global home furnishing brands abroad in order to consolidate their global positioning. In order to tap foreign market, wholly owned foreign subsidiaries are also started by some players.
- End of quota regime acting as a stimulus to further export growth.

Demand Side

- Increasing affluence of the upper middle and high income strata. According to various studies, there were more than 300 million middle class people in India in 2007 with substantial disposable incomes. Further, this figure is expected to touch 600 million by 2010. There will be a sustained and increasing demand for various consumer products by this segment of population.
- Sustained growth of retail culture in the country. India is emerging as one of the largest consumer markets. According to Central Statistical Organization, Ministry of Statistics and Programme Implementation, India, and Technopak Analysis, the retail market in India was about Rs 13,500 billion, and will cross Rs 28,350 billion in 2015. Between 2003 and 2007 organized retail formats (characterized as chain stores and stores that are subject to central ownership or franchisees) experienced a Compounded Annual Growth Rate (CAGR) of 19.5%.



Source: Frost & Sullivan

- India has among the highest proportion of youth population in the world. Indian demographic figures suggest that about 867 million people are aged below 45 years and the overall median age is 24 years. Also, the average age of Indian home owner has fallen from 40 years to 27 years in last decade, indicating an enormous demand for housing. Due to the increase in the income levels of people and the push from the supply side of realty boom in this decade has created a housing boom in India. Things have slowed down due to the recent global recession, but demand is likely to surge in future. There is a change in the purchasing habits of people in the recent years. Availability of cheap financing facilities by banks, and advent of credit cards have definitely increased the tendencies of people to spend more.
- Housing Demand in India:
 - According to the study done by Planning Commission of India, the total housing requirement in India till 2012 will be about 51 million. Although most of this requirement is posed by Lower Income Group People, the demand by middle class and upper groups constitute about 5% of this. So about 2.5 million new homes are to be constructed to meet the demand of middle class and upper strata of income groups.
 - According to the government forecasts, about 50% of India's populations will reside in urban areas by 2041. Presently this figure is about 28%.
- Increasing working female-population have not only increased the income of households, but also changed the outlook of women towards their home and its interiors. Increase in the nuclear families and shifting of families to urban areas has given women more say in the home decoration and furnishing. There is a trend of going with the seasonal tastes. .
- Increasing consumption trend towards branded domestic and global products. Availability of foreign brands has not only increased the competition of domestic companies with the former, but also has evolved the western tastes of the consumers. Retail market is also getting more organized. Some studies have shown that the share of organized retail will be more than 30% of entire retail by 2015. In the home textile segment, the share of total organized retail is about 7% of total retail of Rs 138 billion. According to the estimates of Welspun, the potential for organized home retail in India is set to increase by Rs 80 billion till 2012.

- Hospitality Sector is also one of the major sectors which have a huge demand for soft furnishing. As per estimates, the total shortfall of quality hotel rooms in India in all luxury, premium, economy and budget hotels is about 150,000. Most of these rooms will come up in metros and tier I and Tier II cities. Government is also giving fiscal and tax benefits to encourage the hotel industry. The total new hotel rooms in premium segment in largest 10 cities in India are about 40,000 till 2012. Since these hotels put extra emphasis on the interior and quality of the stay of its customers, they want custom designed unique furnishing solutions. So there is a great niche market to be tapped in the coming times.

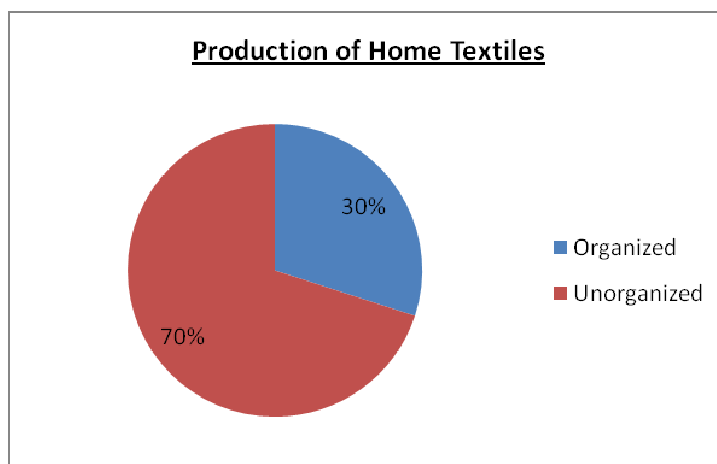
2.4 Market Structure and Segmentation

Indian market is still in a nascent stage where market is largely unstructured. Although Indian home textile products have been famous for their color, quality and durability since ages, Indian industry has started becoming more organized and structured only in the past few years.

2.4.1 Market Segmentation by Sector

Indian home textile products can be broadly categorized into organized and unorganized sector. The present market size in terms of volume largely tilts towards the unorganized sector.

Major growth in the organized sector has come about particularly after the dismantling of 'Quota Regime'. Many large scale players who were essentially in the export segment have started venturing in to domestic market. This has been a significant market development and has contributed to upgrading the quality of the products as also broadening the product-range. The market share of the organized sector which was much lower in the 90's has significantly escalated specially in the past 5 years. The organized sector at present, according to a cross-section of industry experts, has increased to about 30% of the total home textile production in India by value.



Another basis for market segmentation can be branded vis-a-vis unbranded products. The branded home textile products are manufactured mostly in the organized sector and sold through home furnishing retail outlets. The unbranded ones are made solely by the unorganized sector and sold through small neighbourhood stores.

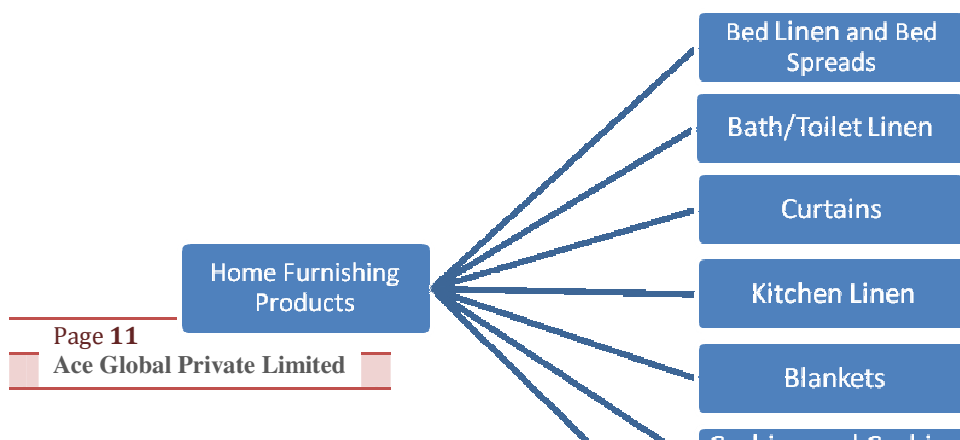
The unorganized industry, which manufactures un-branded products, caters to the lowest strata of consumers which have low price elasticity. This segment is constituted by the maximum number of manufacturers which are spread all over the country. The manufacturers operating in these segments are beset with problems of smaller market, limited capacities, inadequate logistics and strength and are often constrained by paucity of funds. Essentially the manufacturers are regional players. This market is largely, volume driven.

The medium range of products, though primarily volume driven, caters to diverse section of Indian consumers across all regions, its quality is by and large acceptable to all sections. Majority of manufacturers, large and medium, have products on offer for these categories of consumers. Some of the big manufacturers like Bombay Dyeing, Welspun, S Kumars Nationwide, etc also cater to this segment of the market as well through their mass products whose price range suits to the middle income group. For example, Welspun's 'Welhome' caters to the mass market customers in the urban India.

Large Indian players and the foreign companies operate in the premium and super-premium product categories. Exclusivity in product features such as selection of high quality raw materials, embellishments, design developments and above all branding of products for years make the products very special. Elitist categories of consumers pay for the products on demand. As mentioned above, some Indian players produce both medium and premium segment products. Some of the manufacturers which have started their own retail outlets have two different brand names for the premium and medium segment of products. (Ex: Welspun's Welhome and Spaces, Spaces being the premium home products store targeting the upper segment of customers.

2.4.2 Market Segmentation by Products

Bed linens, curtains and bath linen like terry towel cover the largest share of the home textile in the domestic market. In the bed linen segment, cotton sheets and pillow covers are the two key products in which India is among the world leaders. In the bath Linen, India is among the major producers of terry towels in the world.



2.4.3 Market Segmentation by Price

The home textile furnishings market can be segmented into super premium, premium, medium, economy and low-end segments based on the target customers and their purchasing power.

The indicative prices of various products under different price segments are tabulated below. Generally, the soft, light, handmade silk products are costlier than the machine made products. Cotton products again are costlier than the poly-cotton or synthetic fibre products.

Market Segmentation by Price

BED LINEN	Average Price (Rs / piece)	BATH LINEN	Average Price (Rs / piece)
Bed Sheet Single		Bath Towel	
Super Premium	2000	Super Premium	1100
Premium	1000	Premium	600
Economy	400	Economy	350
Low	150	Low	200
Bed Sheet Double		Hand Towel (Cotton)	
Super Premium	3500	Super Premium	450
Premium	1500	Premium	200
Economy	750	Economy	120
Low	350	Low	50
Bed Spread Single		Bath Robes	
Super Premium	1500	Super Premium	1500
Premium	700	Premium	800
Economy	250	Economy	300
Low	180	Low	120
Bed Spread Double		Bath Slippers	
Super Premium	2200	Super Premium	350
Premium	1200	Premium	200
Economy	600	Economy	100
Low	350	Low	-
Quilt Single (Cotton filled)		Bath Mats	
Super Premium	3500	Super Premium	750

BED LINEN	Average Price (Rs / piece)	BATH LINEN	Average Price (Rs / piece)
Premium	1500	Premium	350
Economy	600	Economy	150
Low	400	Low	100
Quilt Double (Cotton Filled)		Shower Curtains	
Super Premium	5000	Super Premium	3000
Premium	2000	Premium	1400
Economy	1000	Economy	750
Low	600	Low	500

TABLE LINEN	Average Price (Rs / piece)	CURTAINS AND OTHER MADE-UPS	Average Price (Rs / piece)
Table Cover (Cotton)		Curtains (Cotton)	
Super Premium	1400	Super Premium	2500
Premium	600	Premium	1200
Economy	400	Economy	500
Low	150	Low	250
Table Cover (Synthetic)		Cushion Covers (5 pieces)	
Super Premium	1100	Super Premium	1500
Premium	500	Premium	750
Economy	300	Economy	450
Low	100	Low	250
Table Napkin (Set 5 pieces)		Decorative Wall Hangings	
Super Premium	600	Super Premium	2000-3000
Premium	350	Premium	1500
Economy	150	Economy	700
Low	100	Low	200
Table Mat (per piece)			
Super Premium	500		
Premium	350		
Economy	150		
Low	80		

Source: Ace Global Primary Survey

2.5 Key Players

The organized sector, comprising of a few large and medium scale players, has evolved as a separate entity in recent years. The following players from among the existing ones may be reckoned as leading ones in terms of brand equity, market reach and turnover,

- Bombay Dyeing Ltd.
- Alok Industries Ltd.
- Abhishek Industries Ltd.
- Orient Craft
- Welspun Ltd.
- Kurlon Ltd.
- S Kumars Nationwide Limited
- Gujarat Fertilizers & Chemicals Ltd
- SPC Industries Ltd.
- Shital Fibres Ltd

There has been a trend of consolidating the market positioning by the various players. Brand promotion and development; acquisition of foreign brands; vertical integration of production chain are the few ways by which players are building up their position in market. Exports have been a traditional market for the players in the branded home textile market but there has been a surge in the domestic demand for the quality products. So the number of medium players is bound to increase in the times to come.

2.6 Regional Characteristics

2.6.1 Regional Characteristics of the Consumers

- Generally it is believed that consumers are always sensitive to price. Various studies have, however, indicated that the consumers do respond to price in a market subject to locations. The consumers in the less developed regions are generally more price-conscious. Always on the lookout for quality products, their guiding principle is 'value for money'. The option of lesser available choices within the budget constraint is always uppermost among the consumers of an economically backward region when they go for shopping since the choices of products are limited.
- Local availability of products also influences a consumer psyche. The decision to stick to a particular available brand seems to govern the purchase decision of a large section of consumers than the rarely available choicest products. Logistics, convenience and easy availability also are major determinants for a local consumer.
- Climate plays a major determining factor in the purchase decision of textiles. For instance a consumer in Northern region would spend more on woolen linen than his counterpart in the west or south where there is hardly any winter. Besides this, in the northern region too, the winter season is only of about 3 months in a year, which also influences the sales of blankets, quilts and other winter linens.
- In spite of certain preference pattern of location specific consumers, price sensitivity remains a common concern. Purchase decisions of consumers anywhere are more guided a

combination of complex demographic and psychometric factors, such as, disposable income, age-distribution, pattern of income distribution, quality of upbringing, aptitude, tastes and preferences and so on.

- These days, the purchasing behaviors in India are greatly affected by western tastes. The role of media, magazines, televisions have been increasing in making people aware about the new trends in the home furnishing. The craze to replicate the stunning homes in magazines has been brought closer to reality with the advent of international products in the country. The spending power in the Indian cities is high and increasing, with the people leaning toward the lavish. The increasing trend has been of using branded, and preferably international, products to do up one's home. Indian home owners take special pride in doing up their homes, and treat it as an extension of their personality, and the level of society they would like to be perceived as belonging to. So now, instead of buying the traditional pair of bed sheets and matching pillow covers, consumers tend to opt for 'coordinated bedding' , whereby they have bed sheets , pillow covers and duvet covers that follow a coordinated color scheme. Giving it a very aesthetic appeal and one that can transform a simple bedroom into a classy one.
- The influence of the West is just one of the trends that dominate the interior space in the Indian market. The influences in design are drawn from various cultures and movements, with a contemporary touch added to all. The trends are not only about the interior spaces, but are actually about how the living spaces are increasingly reflecting our lifestyle choices. The contemporary designs continue to hold a sway over the imagination of the designers and the consumers.
- One other important point about the Indian home furnishing is that the Indian industry is still greatly influenced by the traditional regional motifs, with the materials of satin mix, tapestry for drapes and even cotton mixes with synthetics for the traditional look. Leather and other fabric mixes are used for a more modern and contemporary look. These have become popular in the apartment style homes that have become the definition of modern living. Natural fibers have also gained a new popularity due to the renewed interest in the eco-friendly look. The home textile market has seen an increase in the use of organic fabrics, and the furnishing market is now dominated the world over by textures and weaves that focus on the in-built beauty of natural fibers. Fabrics with bold prints and pastels are making a comeback. Polka dots and stripes, inspired by the retro, have made a comeback into the collections the world over.
- The sales for the home furnishing increases in the festival seasons in India. All over India, the time of 'Diwali' (one of the most important festivals in India during October/November) is the time to renovate the homes. According to various studies, the sales of the home furnishing increases by 40 – 50 percent at this time. Further, those who do change their furniture often tend to purchase only soft furnishing.

2.6.2 Regional Characteristics of the market

In India, different states are famous for their specific style of home furnishings. For example J&K is the leading state for embroidered bed covers whereas Rajasthan (Jaipur) is famous for block printed, tie & dye bed covers, with mirror work, appliqués, and bright colors.

Further, North India and West India have distinct climatic seasons in a year, the variety of the home textiles depend on the seasons. In the bed linen segment, the sale of quilts and blankets are more in North India rather than South India and East India.

The market for home textile also depends upon the production and raw materials. Cotton home textiles are more concentrated in Maharashtra, Gujarat and Punjab as they are major centers for cotton production. Tamil Nadu, Karnataka are two states which have more production of silk and silk textiles. The consumption of silk and silk blended home textiles is more in south India. The north-eastern India's market mainly consists of handlooms and handicrafts. This region has one of the densest concentrations of small scale handloom industry based on silk.

Regional characteristic of the market is also affected by the government policies and programmes. There are distinct cloth and textile manufacturing centers identified by the government which are further promoted by the means of infrastructure development and fiscal incentives. Some state governments like Gujarat, Maharashtra, Punjab, Tamil Nadu etc. have also promoted their respective textile industries. The government also provides special emphasis on the handloom sector where large companies are not allowed to enter. This is especially true for carpet and floor covering industry.

3 Consumer Behaviour 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.

Apart from psychology and economics, the role of history and tradition in shaping the Indian consumer behavior is quite unique.

3.2 Preferred Brands

It is the medium and large scale manufacturers who have started the process of branding the products in recent years. This has been done by the companies in order to carve out their niche in the market. International brands in India like Portico, Rosebys, Paradies, Ivy, Fern etc have already marked their presence in India. Some leading domestic brands like Bombay Dyeing, Welspun, Abhishek Industries, Alok Industries and Masper have already established their own brands. These players have already set their balls rolling so that Indian consumers go by brands. Brand building is a stupendous task which involves high investment on production infrastructure, technology up-gradation and enormous merchandizing. This has inspired less known medium sized players who are trying to establish their products in the market through creation of brands. There is a strong indication that Indian home textile market will have large number of brands in near future in view of market expansion and increasing competition.

Acquisition of foreign brands by Indian companies abroad has given them an automatic foothold in the international markets. For example, Welspun have acquired 76% interest in UK's towel major Christy's; GHCL acquired home furnishing brand Rosebys, UK's largest home textiles retailer; Alok industries have acquired Mileta in the Czech Republic — a European major in yarn dyed shirting, handkerchiefs and table linen, which specializes in high-value premium products. The foreign brands are making premium and super premium products mainly for the elite section of the society.

3.3 Factors that Influence the Choices of Consumers

The consumers put major emphasis on product quality. Price is another important consideration attracting customers to a particular shop/brand/product. Pre and post sales services, parking facilities and ambience of the store or mall are the other major factors that attract local customers.

In the selection of products, the consumers do not give automatic precedence to local brands over national or foreign brands. Value for money has become the over-riding consideration. Fabric, texture and color followed by proper fits and sizing weigh more importance to the local consumers rather than just easy availability of local brands on account of proximity.

Local consumers of apparels in each region are also guided by:

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

3.4 Degree of Elasticity of Demand

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 Local Production

The domestic home textile market size is estimated at about US\$ 3.5 billion in 2009-10. Out of the total production, bed linen dominates all other segments.

In India the share of the unorganized sector is about 70% and organized is approx 30% by value. Within the organized segment, there exists a niche market for good quality household furnishing. The un-organized sector is declining fast. The market has been growing at around 9 to 10% per year in the past 4 years. The same growth trend is likely to continue unabated in the next 3/ 4 years. Some other key highlights of the sector are:

- The organized sector is likely to grow at the cost of unorganized sector.
- The production trend of blankets, upholstery and mattress which accounted for much less share in production in the earlier years has now reported higher production due to revival of consumer demand.
- Majority of products are produced in the handloom sector. Power looms have been introduced in recent years.
- Among the major production centers, Karur and Connanore in particular are beset with infrastructure problems such as lack of proper roads and non-availability of skilled man power.
- Large and medium scale players specialize in PVA, stain repellent, water repellent and silicon finish.
- Bangalore emerges as the major producer of silk fabrics in the form of artificial silk, wool silk and cotton silk. Indian home textile industry is increasingly using silk fabrics in recent years.
- Major fabrics being used include cotton, organic- cotton, polyester, silk, poly- cotton, poly –silk, natural fibers like bamboos, viscose-silk
- Some traditional production center like Jaipur relies on traditional techniques like tie- and- dye, block printing and appliqué. The products of Connanore are known better for embroidery, bead work and sequin work. The products of Karur, Tamil Nadu are well-known for shine because of special properties of locally available water.

4.2 Production Infrastructure

The home textile industry like other textile industry segment is located across the country in various clusters. Such clusters have historic significance, and in modern times government of India has promoted the art and culture of such clusters. Each cluster has its special cultural impact on the type of products that are made. Government assists the cluster with various technological and infrastructural incentives to tap the competitive edge of each of them. At the same time, cluster development is one of the government’s premier policy initiatives for the development of textile and made up production.

Major Concentration Areas of Production



Main Clusters of Home Textiles and Made-ups

S. No.	Cluster Name/ Location	Description	Important Players
1.	Mumbai	<ul style="list-style-type: none"> - one of the major production and export centres - Have abundant skilled labor, technology and demand for home textiles - Port location - Specially known for bedspreads, pillows and cushion covers, and bathroom textiles 	<ol style="list-style-type: none"> 1. Alok Industries 2. Siyaram Silk Mills Ltd. 3. Welspun 4. Bombay Dyeing 5. S Kumar's Nationwide Ltd. (SKNL)
2.	Delhi	<ul style="list-style-type: none"> - production and export centres - Have abundant skilled labour, technology and demand for home textiles 	<ol style="list-style-type: none"> 1. Orient Craft 2. Modelama Exports Ltd. 3. Vrindavan Overseas 4. Gujrat Heavy Chemical Ltd. (GHCL) 5. Alps Industries Ltd. 6. Vanasthali Textile Industries Ltd.
3.	Panipat	<ul style="list-style-type: none"> - According to estimates, the home textile industry of Panipat has annual turnover of about Rs 30 billion - Panipat is world famous for its durries(carpets/floor coverings) - Easy availability of raw material, and economies of scale has made Panipat as a major production centre and export hub of home textiles 	<ol style="list-style-type: none"> 1. Abhishek Industries Ltd. (Trident Group) 2. Palliwal Exports / Abhiasmi International Pvt. Ltd. 3. SPJ Textiles Pvt. Ltd. (Formerly called Flora International) 4. Mahajan Overseas 5. Liberty
4.	Karur	<ul style="list-style-type: none"> - Karur has a niche in five major product groups — bed linens, kitchen linens, toilet linens, table linens and wall hangings. - Overall Karur generates around Rs.60 billion in foreign exchange through direct and indirect exports. - Allied industries like ginning and spinning mills, dyeing factories, weaving etc employs around 	<p>Only small and medium scale players, mainly in the unorganized sector.</p>

S. No.	Cluster Name/ Location	Description	Important Players
		<p>300,000 people in and around Karur.</p> <ul style="list-style-type: none"> - More than 1000 exporters from Karur exports their handloom products to world leading chain stores like Wal-Mart, Target, IKEA etc 	
5.	Cannanore	<ul style="list-style-type: none"> - About 60% of the textile production done in this area is home textile. - According to estimates, the home textile industry of Cannanore has an annual turnover of Rs. 1.50 billion 	Only small and medium scale players, mainly in the unorganized sector.
6.	Mirzapur and Badhoi	<ul style="list-style-type: none"> - Mirzapur and Badhoi are small cities located in Uttar Pradesh, which are major centers for the production of floor coverings and carpets. - According to estimates the collective turnover of the two cities is around Rs. 20 billion 	Only household and small scale players, mainly in the unorganized sector.
7.	Jaipur	<ul style="list-style-type: none"> - an important centre for the production of home textiles, especially those using the traditional techniques of tie-and-dye, block printing and appliqué - an important export hub 	Only small and medium scale players, mainly in the unorganized sector.

Leading companies' production centres

Company	Production Centre
Welspun	2 home textile manufacturing plants in state of Gujarat; 2 Specialty Texturised, Dyed Polyester Yarns in Maharashtra and Diu; and 1 independent facility for manufacturing of bathrobes in Gujarat.
Alok Industries	6 locations in Navi Mumbai, Vapi and Silvassa
Abhishek Industries Ltd.	2 manufacturing plants in Punjab and 1 in Madhya Pradesh
Gujarat Heavy Chemicals Ltd (Textile Division)	2 spinning facilities in Tamil Nadu
Orient Craft	19 manufacturing units in and around Delhi
Bombay Dyeing	5 manufacturing units in Maharashtra
Selvaraaj Textiles Private Ltd.	Manufacturing facility in Tamil Nadu

Majority of large scale manufacturers who were essentially in to export trade are endowed with advanced integrated production line spread over a large area to facilitate large production capacities. The production facilities include in-house designers, yarn processing, weaving, bleaching, dyeing and sewing units. These conform to European quality standards and environmental protection norms. The large manufacturing companies have latest and most modern machines for weaving, spinning, dyeing etc. This has not only helped large players like Bombay dyeing to increase their production but also the quality of the product. The daily production fabric at its 5 manufacturing facilities of exceeds 300,000 meters per day. Other major player in towel category, Abhishek Industries uses latest technology machines sourced from Japan, Switzerland, Germany, Belgium, and Italy in its 300 acre plant for home textiles. Portico, New York, which has tied up with Creative Group India, is producing about 180,000 bed sheets, sheet sets, pillow cases etc. per month in its various production facilities.

Weaving sector is predominantly small scale, has on an average 4.5 power looms per unit, However, only 30–40 units are large in size (as a result of long years of reservation of non-exporting garment units for the small scale sectors – a regulation that was removed recently).

4.3 Key Players

Key players in the home textiles market have large manufacturing capacities spread over many locations and carry a sound market name, of both their company and their products. Many such players have foreign tie-ups and have their 100% owned overseas subsidiary. Most of these companies have strong presence in the overseas market as exporters. The export constitutes a large part of their annual sales turnover. These players sell their products of various ranges through their own retail outlets inside and outside the country as well as through franchisee and multi-brand retail outlets.

Profiles of Key Players

Company	Nature of Business	Description
Welspun	Manufacturer, Exporter and Retailer	<ul style="list-style-type: none"> - One of the most respected vertically integrated companies. India's largest maker and exporter of terry towels; largest overseas supplier of terry towels to the USA - Welspun India Ltd. makes home textiles, Welspun Zucchi Textiles Ltd. makes bathrobes and Welspun Syntex Ltd. makes Specialty Texturised, Dyed Polyester Yarns - Company has an aggressive strategy to grow its business by expanding capacity, establishing a subsidiary in the USA, and moving up the value chain

Company	Nature of Business	Description
		<p>by selling innovative and differentiated products</p> <ul style="list-style-type: none"> - 94% of WIL's products are exported to more than 30 countries - International Presence: <ul style="list-style-type: none"> - Welspun USA Inc is 100% subsidiary of Welspun in New York - Have 85% interest in Christys, UK's leading towel brand - Have 76% interest in bath rug major, Sorema of Portugal - Welspun Mexico deSACV, is 100% owned subsidiary of Welspun India. Setting up a decorative bedding facility to produce 1.04 million bed-sets per annum. - Awarded as Supplier of the year by J C Penny, World's largest retailer, Awarded 'Indian Exporters Excellence Award' and 'The Emerging Exporter of the Year" by D&B in association with Export Credit Guarantee Corporation of India Ltd.
Alok Industries	Manufacturer and Exporter	<ul style="list-style-type: none"> - Established in 1986, Alok Industries Ltd. is amongst the fastest growing vertically integrated textiles solutions provider in India - One of the largest integrated sheet set manufacturers and exporters from India - Manufacturer of world-class home textiles, Alok has capacities of 82.50 million meters of sheeting fabric and 6700 tons of terry towels for its home textiles business.
Abhishek Industries Ltd.	Manufacturer and Exporter	<ul style="list-style-type: none"> - Incorporated in 1990, Abhishek Industries is engaged in yarn manufacturing and Terry Towels - Company produces combed, carded, open-end yarns in 100 % cotton and cotton blends. Have manufacturing facility of 125,952 spindles and has commissioned a new plant of capacity of 108,000 spindles and 400 looms - The company is among the top five terry towels producers in the world. - The company is a leading supplier to global retail majors including Wal-Mart, JC Penny and Harrods. - It exports to over 40 countries across 5 continents with over 75 % of exports to the cost-competitive markets

Company	Nature of Business	Description
		<p>of Europe and the US.</p> <ul style="list-style-type: none"> - Subsidiaries include Abhishek Industries Inc. (USA) and Abhishek Europe SA, Switzerland - Abhishek Industries Limited has been awarded the prestigious 'International Supplier of the Year' for 2001, 2003, 2005 and 2006 by Wal-Mart, USA and 'Supplier of the Year Award' for 2006 by JC Penney Corporation
Gujarat Heavy Chemicals Ltd (Textile Division)	Manufacturer, Exporter	<ul style="list-style-type: none"> - GHCL is perhaps the World's only integrated home textile company having facilities for spinning, weaving, product design and development, sourcing and distribution, and retail stores at a global level. - Have acquired UK's home furnishing brand Rosebys
Orient Craft	Manufacturer, Exporter	<ul style="list-style-type: none"> - Orient craft limited was established in 1978. - One of the largest Export House in India having a turnover of around Rs. 0.734 billion. - Setting up of a textile-focused Special Economic Zone (SEZ) at an investment of RS 21.32 billion.
Bombay Dyeing	Manufacturer, Exporter	<ul style="list-style-type: none"> - One of the oldest and largest manufactures of cotton yarn and fabric for home textiles. - More than 50% of total production is exported to US and European market. - Bombay Dyeing today ranks as the largest exporter of value added sophisticated made-up items and is also one of the leading exporters of cotton and poly cotton sheeting's, twills, drills, etc
Modelama Exports Ltd	Exporter	<ul style="list-style-type: none"> - Established in 1979 - With a turnover of more than Rs 2.7 billion - Servicing an elite list of clients such as Target, pottery Barn, Macy's Bloomingdales, Saks, Marks & Spencer, Dayton's Chambers, Country Road, William Sonoma, T K Max, Fallaballa, Modafill
Liberty Textiles Inc	Importer, Manufacturer	<ul style="list-style-type: none"> - A vertically integrated corporation that imports and distributes textile products to the retail trade and institutional textile industries. - Liberty is comprised of a consortium of global textile manufacturers - Deals in partner in Home Textiles, Institutional, Kitchen Textiles and Decorative Fabrics
Selvaraaj Textiles Private	Manufacturer and Exporter	<ul style="list-style-type: none"> - Vertical Manufacturer of home textiles, with a turnover of more than RS 917.15 million.

Company	Nature of Business	Description
Ltd.		- Awarded various prizes by Handloom Export Promotion Council; Awarded "2A", one of the highest and rare rating in Textile industry, by D&B (Dun & Bradstreet).

4.4 Product range

Indian home textile products have come of age. The product range comprises of furnishing fabrics and made-ups of Jacquard and Dobby weaves of various types of fibre like cotton, polyester, rayon blends, chenille, flax, silk, jute, linen and other blends. High quality of fabrics used has added a new dimension. It offers further value addition in terms of hand painted fabrics and embroidered fabrics. The products are wide ranging. These are well known for diversity, weave, color and texture. Following are the main products made in India:

- Bed linen, Table linen, Kitchen linen, Toilet linen
- Beddings
- Bed covers, Bed spreads
- Cushions, Cushion covers, Duvets
- Quilts and quilting materials
- Curtains
- Terry towels
- Comforters
- Carpets and other floor coverings
- Blankets and Rugs
- Mattresses
- Upholstery
- Other made-ups

4.5 Industry Status

4.5.1 The Supply Chain

The textile and apparel supply chain comprises of diverse raw material sectors, ginning facilities, spinning and extrusion processes, processing sector, weaving and knitting factories and garment manufacturing

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

Spinning Sector

Indian spinning sector is perhaps most competitive globally in terms of variety, unit prices and production quantity. Though cotton is the fiber of preference the world over, man-made fiber (polyester fiber and polyester filament yarn) is also produced by large and medium size producers. Spinning sector is technology intensive and productivity is affected by the quality of cotton and the cleaning process used during ginning.

Weaving Sector

Weaving sector is predominantly small scale, has on an average 4.5 power looms per unit, suffers from outdated technology, and incurs high co-ordination costs. Knits have been more successful in export sector. The handloom sector (including khadi, silk and some wool) serves the low and the high ends of the value chain – both mass consumption products for use in rural India as well as niche products for urban & exports markets. Three distinctive technologies are used in the sector – handlooms, power looms and knitting machines. It produces, chiefly, textiles with geographical characterization) and in small batches. Handloom production is mostly rural (employing mostly household weavers) and revolves around master-weavers who provide designs, raw materials and often the looms.

Weaving, using power looms has traditionally been done by composite mills that combine it with spinning and processing operations. Over the years, government incentives (especially saris and grey cloth) have facilitated the production based on power loom factories and away from composite mills.

The processing sector, i.e., dyeing, finishing and printing activities, is mostly done in the small scale. The largest amongst these comprise operations like dyeing and finishing. The processing sector is mostly small scale. The largest amongst these involve dyeing operations. The remaining are independent process houses (or part of composite mills) that use automated, semi-automated large batch or continuous processing.

Production Infrastructure of Indian Textile Industry

Financial Year	Units	2001	2004	2005	2006	2007	2008
Textile Mills (Non-SSI)	No.	1,846	1,787	1,789	1,780	1,808	1,773
Spinning mills	No.	1,565	1,564	1,566	1,570	1,608	1,597
Composite mills	No.	281	223	223	210	200	176
Exclusive Weaving Mills (Non-SSI)	No.	203	206	202	204	204	179
Spinning Mills (SSI)	No.	996	1,135	1,161	1,173	1,236	1,219
Powerloom units	Thousands	367	413	426	434	440	470
Installed Capacity							
Spindles (SSI and Non-SSI)	Millions	37.91	37.03	37.47	37.51	39.50	
Rotors (SSI and Non-SSI)	Thousands	454	482	500	520	601	
Looms (Organized Sector)	Thousands	140	105	103	92	88	
Powerlooms	Thousands	1,662	1,837	1,903	1,944	1,990	2,106

Handloom	Thousands	3,891	3,891	3,891	3,891	3,891	
MMF	Million Kg.	1,081	1,101	1,189	1,191	1,663	1,659
MMF Yam	Million Kg.	1,128	1,228	1,337	1,374	2,053	2,101
Worsted spindles (Woolen)	Thousands	598	604	604	604	604	
Non-worsted spindles (Woolen)	Thousands	426	437	437	437	437	
Fibres Production							
Raw cotton	Million Kg.	2,380	2,907	4,131	4,148	4,760	5,355
Man-made fibres	Million Kg.	904	953	1,023	968	1,139	1,244
Raw wool	Million Kg.	48.04	48.50	44.60	44.90	45.20	
Raw silk	Million Kg.	15.86	15.74	16.50	17.31	18.76	
Yarn Production							
Cotton	Million Kg.	2,267	2,121	2,272	2,521	2,824	2,948
Blended	Million Kg.	893	931	585	588	635	677
MMF	Million Kg.	920	1,118	366	366	355	378
Fabric Production							
Cotton	msm	19,718	18,040	20,655	23,873	26,238	27,205
Blended	Msm	6,351	6,068	6,032	6,298	6,882	6,888
100% NC	msm	14,164	18,275	17,998	18,637	19,545	21,175

NC: non-cotton; **msm:** million square metres

Source: Market Size & Share, CMIE, 2009

Quality Parameters

All leading manufacturers need to conform to either BIS (Bureau of Indian Standards) specifications or BS, DIN, ASTM or any other international specifications on the quality assurance. The following requirements need to be adhered to:

- Color fastness of the raw material and the developed product is checked.
- Weaving & finishing quality.
- Packaging done in compliance with the requirement & is duly maintained.
- Production techniques are duly monitored, to ensure best quality products are developed.
- Special attention is being laid on high quality yarn, thread, dyes, embellishments and finishing.
- The final product is subjected to multiple quality assurance tests before considered approved.

4.6 Status of Technology

The strengths of Indian home textile industry lie in flexibility in manufacturing, low labor cost, strong fabric base and value addition through artisan skills. The weaknesses lie in low productivity, inconsistent quality, limited value addition, high degree of fragmentation, low level of textile linkage and inadequate support of human resources.

Indian strength in spinning is now well established – on unit costs on ring yarn, open-ended (OE) yarn as well as textured yarn, Indian firms are ahead of their global competitors including China. The same is true on some woven OE yarn fabric categories (especially grey fabrics) but is not true for other woven segments. Its share in global shuttleless loom, however, is negligible.

The handloom sector serves the low and the high ends of the value chain – both mass consumption products for use in rural India as well as niche products for urban & exports markets. It produces, chiefly, home textiles with geographical characterization and in small batches. Handloom production is mostly rural and revolves around master-weavers who provide designs, raw material and often the loom.

Weaving, using power looms was traditionally done by composite mills that combined it with spinning and processing operations. Most of these mills are located in Gujarat and Maharashtra. Weaving sector, predominantly small scale, has on an average 4.5 power looms per unit, suffers from outdated technology, and incurs high co-ordination costs.

The competitiveness in the weaving sector is adversely affected by low penetration of shuttleless looms, the unorganized nature of the sector (i.e., fragmented, small and, often, un-registered units, low investment in technology & practices especially in the powerloom, processing and handloom) and higher power tariffs. There is, however, a recent trend of investment in setting up hi-tech, stand-alone mid-size weaving companies focusing on export markets. India also has the highest deployment of handlooms in the world (handlooms are low on productivity but produce specialized fabric). While production and export of man-made fibre (and filament yarn) has increased over the years, Indian industry still lags significantly behind US, China, Europe, Taiwan etc.

The processing sector, i.e., dyeing, finishing and printing is mostly small in size. The largest amongst these would dye and finish about 5000 m/day. The remaining are independent process houses (or part of composite mills) that use automated large batch or continuous processing and have an average scale of about 20,000 m of cloth daily.

More than 80 per cent of total units are hand processors who dye cloth or yarn manually and dry in open sunshine. The remaining (and these use automated and semi-automated equipment), are independent process houses.

4.6.1 Foreign Collaborations

Foreign investment and collaboration in India's textile industry has 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 textiles in India is large and buoyant. It also stems from recognition that the sector has strong export potential. While FDI in the textile sector has been modest in the past years, there is now evidence of a major acceleration. Indian companies are

acquiring foreign companies—notably in the USA and Europe—which are suffering from declining competitiveness and facing severe financial problems. Indian firms are attracted in particular to companies whose brands enjoy considerable popularity in their home markets as those brands can be manufactured more cheaply in their Indian plants. Some of the major foreign collaboration and acquisitions are tabulated below:

Major Foreign Collaboration in India Home Textile Industry

Indian Company	Foreign Collaboration/Acquisition
Welspun Group	<ul style="list-style-type: none"> - Have 85% interest in Christys, UK's leading towel brand - Have 76% interest in bath rug major, Sorema of Portugal - Welspun Zucchi Textiles Limited, which manufactures terry towels and bath robes is a joint venture between Welspun India Limited and Vincenzo Zucchi S.p.A
GHCL	<ul style="list-style-type: none"> - Have acquired Rosebys, UK's largest home textile retailer - Have acquired USA's Dan River
Creative Portico India Pvt. Ltd.	It is a joint venture between Creative Group India and Portico, New York.
Alok Industries	Have acquired 60% stake in Mileta International of Czech Republic

Besides the joint ventures, collaborations for manufacturing, foreign companies have arrangements with the local players, where they provide the marketing, distribution and retailing rights to them. This is the way the foreign brands are sold in India through retail outlets. Some of the foreign companies present in India are:

Foreign Collaboration for Retailing and Marketing

Foreign Brand	Country	Associations with Indian Company (JV/Partner/Franchisee/Licensee/Distributor/Retailer)	Nature of Association
Tommy Hilfiger	US	Creative Portico India Pvt. Ltd.	Licensing Agreement
Benneton	Italy	S Kumars Nationwide Limited	
Portico, New York	US	Creative Portico India Pvt. Ltd.	Joint Venture
Esprit Holdings Ltd	UK	Aditya Birla Nuvo Ltd.	Marketing

Marks and Spencer	UK	Reliance Industries	JV
Peacock Alley	USA	Alok Industries Ltd	Marketing
Maishaa	Thailand	Subsidiary, Maishaa India	Franchisee, Own stores
Nya Nordiska	Germany	Maishaa India,	Distribution
Kravet	USA	Bharat Furnishing	Dearlership
Ardecora	Germany	Jagdish Stores	Retailer
Sahelia	Italy		Retail
Whites of London			Retail

Some other brands which are available in the retail outlets are Sahelia of Italy, Whites of London of UK, Paradies of Germany, Fern etc.

4.7 Availability of Raw Materials & Semi-processed Fabrics

The industry consists of several sub-sectors: spinning, weaving, knitting and garmenting. It also uses different raw materials – cotton, Jute, wool, Silk, man-made and synthetic fibers.

Currently India is the second largest producer of raw cotton in the world next to China. Production of both cotton and MMF based fabrics have increased at a high rate in recent years because of increased cotton production and availability, higher prices, healthy growth in demand and Government incentives.

Composite Mills

Composite mills are integrated large scale mills that combine spinning, weaving and sometimes fabric finishing. About 176 composite mills were operating in March, 2008 with an installed capacity of 5.63 million spindles. Between 1995 and 2008 the weaving capacity of the composite mills has declined from 111,540 looms to 55,480 looms. The decline has been compensated by increase of power loom in the hosiery sector.

Spinning Mills

These mills convert cotton or MMF in to yarn to be used for weaving and knitting. India had about 2,816 spinning mills including SSI units. These had an installed capacity of 34.41 million spindles.

Weaving and Knitting Mills

These mills convert cotton, man-made or blended yarns in to woven or knitted fabrics. This sector consists of about 3.89 million handlooms, 470, 000 units

Fabric Finishing Facilities

Overall about 2,300 processors are operating in India including about 2100 independent units and 200 units that are integrated with spinning, weaving or knitting units.

Fiber & Yarn

- Domestic cotton production has grown at a CAGR of 19% in the past 4 years.
- Approximately 62% of India's production comprises of cotton or cotton blends, with their share increasing during financial year 2005-08, primarily because of higher cotton availability. India has great advantage in Spinning Sector and has a presence in all process of operation and value chain. India is one of the largest exporters of Yarn in international market and contributes around 25% share of the global trade in Cotton Yarn. India is the fifth largest producer of synthetic fibers/yarn. India accounts for 12 per cent of the world's production of textile fibers and yarn. The country has a strong base for manmade fiber of cellulose and non-cellulose origin. Production of polyester staple fiber and viscose staple fiber has grown at 9% CAGR and 4% CAGR respectively during the past 4 years.
- India is the second largest producer of silk and the only country to produce all four varieties of silk – mulberry, TUSAR, ERI and MUGA. Silk production has grown at 7% CAGR during the past 4 Years.
- Indigenous wool, production, however, has not grown significantly.

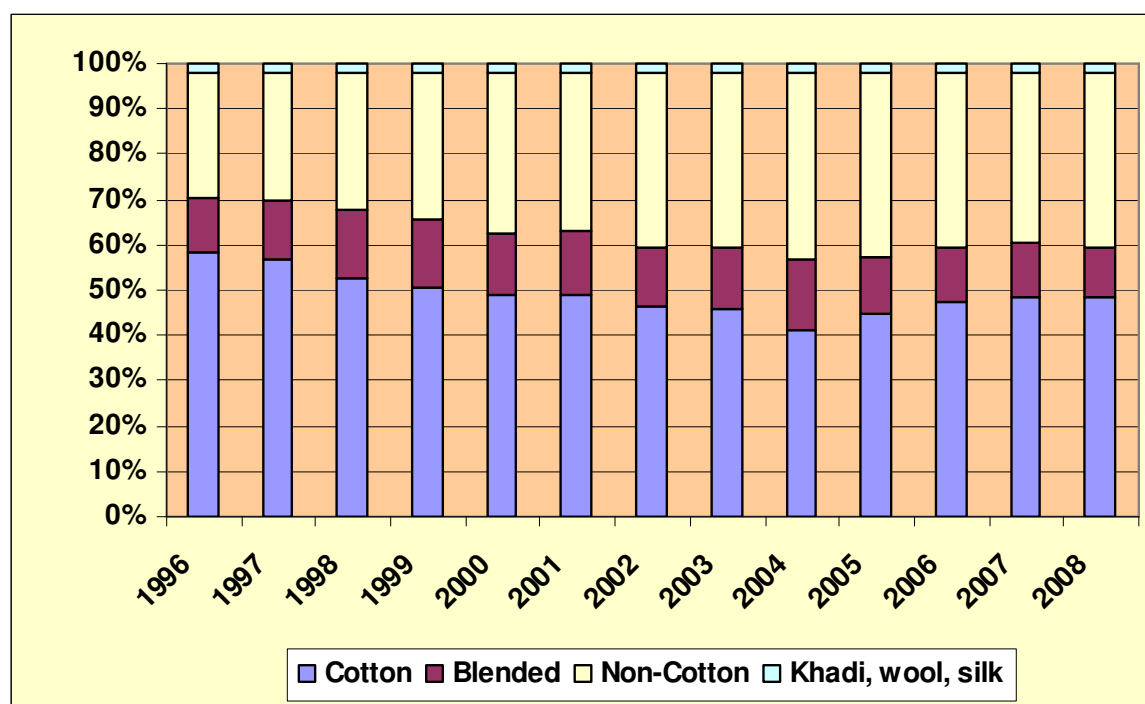
4.7.1 Domestic Production of Raw Material and Semi-Processed Fabric

Sector and Fabric-wise Production

	Production (msm)						Growth		
	2004	2005	2006	2007	2008	2009 (H1)	2008	3-year	2009 (H1)
Cotton	18,040	20,655	23,873	26,238	27,205	13,371	3.7%	9.6%	-1.3%
Mills	969	1,072	1,192	1,305	1,249	626	-4.3%	5.2%	0.5%
Handloom	4,519	4,792	5,236	5,717	6,076	2,894	6.3%	8.2%	-3.8%
Powerloom	6,370	7,361	8,821	9,647	9,932	4,717	3.0%	10.5%	-5.2%
Hosiery	6,182	7,430	8,624	9,569	9,948	5,134	4.0%	10.2%	3.8%
Blended	6,068	6,032	8,298	6,882	6,888	3,630	0.1%	4.5%	6.3%
Mills	253	243	252	330	422	256	27.9%	20.2%	26.1%
Handloom	117	146	145	99	123	46	24.2%	-5.6%	-16.4%
Powerloom	4,688	4,526	4,632	5,025	4,918	2,636	-2.1%	2.8%	8.7%
Hosiery	1,010	1,117	1,269	1,428	1,425	692	-0.2%	8.5%	-5.5%
100% NC	17,613	17,998	18,637	19,545	21,175	10,102	8.3%	5.6%	-0.5%
Mills	212	211	212	111	110	46	-0.9%	-19.5%	-14.8%
Handloom	857	784	727	720	748	364	3.9%	-1.6%	-0.8%
Powerloom	15,889	16,438	17,173	18,207	19,886	9,469	9.2%	6.6%	-0.6%

Hosiery	655	565	525	507	431	223	-15.0%	-8.6%	6.7%
Total	41,721	44,685	48,808	52,665	55,268	27,103	4.9%	7.3%	-0.1%
Mills	1,434	1,526	1,656	1,746	1,781	928	2.0%	5.3%	5.5%
Handloom	5,493	5,722	6,108	6,536	6,947	3,304	6.3%	6.7%	-3.6%
Powerloom	26,947	28,325	30,626	32,879	34,736	16,822	5.6%	7.0%	-0.6%
Hosiery	7,847	9,112	10,418	11,504	11,804	6,049	2.6%	9.0%	2.8%
Khadi, Wool, Silk	662	693	769	724	763	381	5.4%	3.3%	0.0%
Total	42,383	45,378	49,577	53,389	56,031	27,484	4.9%	7.3%	-0.1%

Share of Different Fibres in Cloth Production



4.7.2 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.

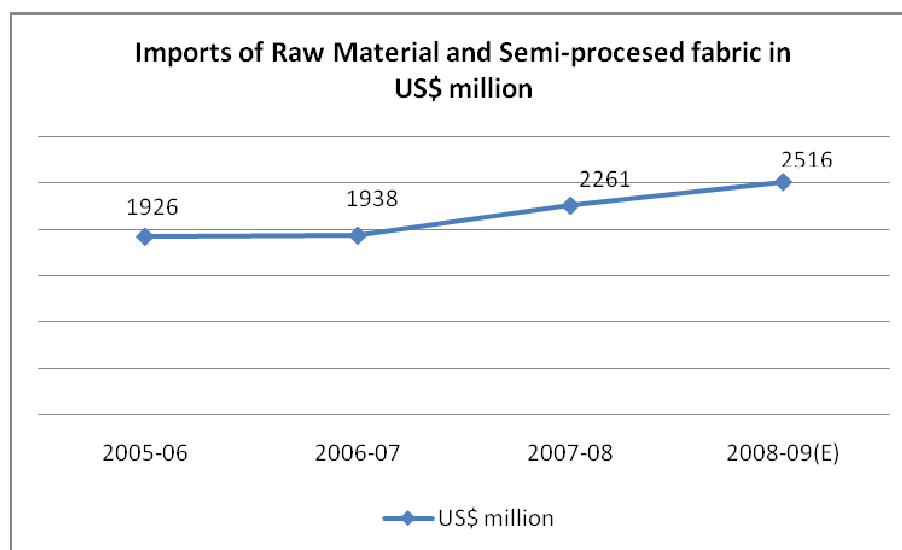
Imports – Raw, Yarn and Fabric (by Value- US\$ million)

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

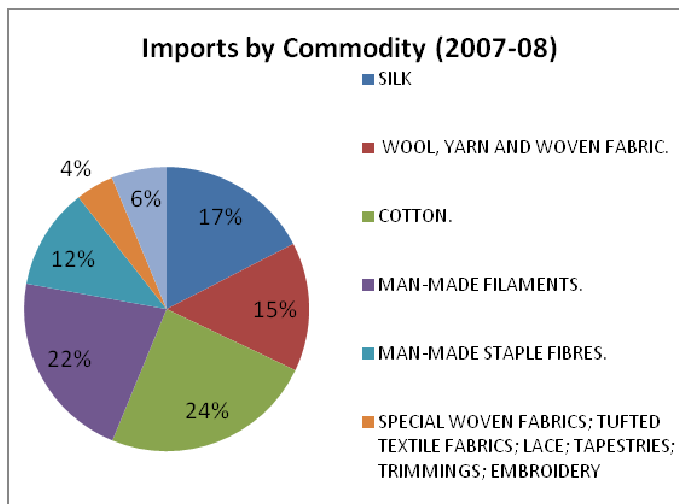
52	Cotton- Raw, Yarn and Woven Fabric	438.09	464.75	545.65	552.98
54	Man-Made Filaments.	457.00	443.95	489.49	404.26
55	Man-Made Staple Fibres	180.66	208.02	260.76	216.78
58	Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery	85.98	88.36	97.79	74.72
60	Knitted Or Crocheted Fabrics	100.43	100.68	141.71	108.77
	Total	1925.72	1937.82	2260.52	1886.63

Source: Directorate General of Foreign Trade

The imports are increasing on a year to year basis; bit 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.

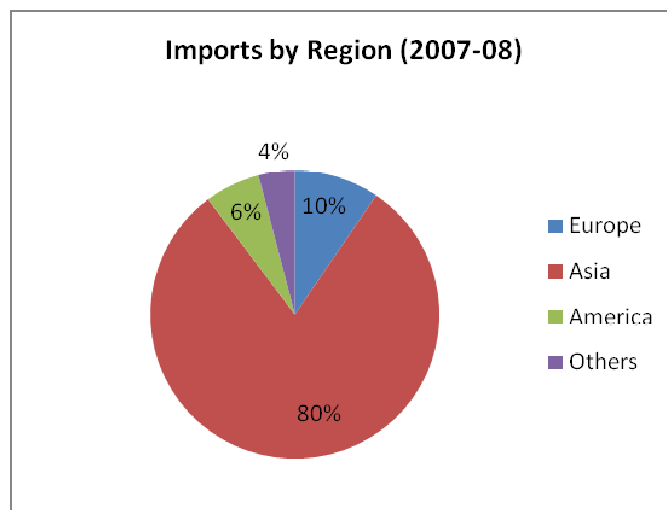


Import of cotton in various forms – raw, yarn and fabric – constitute the largest share in imports (24%), followed by man-made filaments (22%).



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.

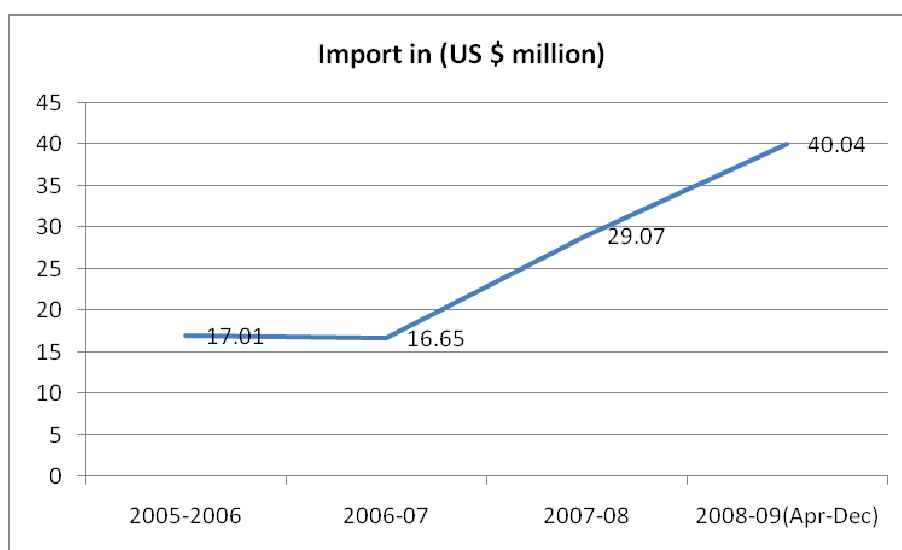
Europe's share in the imports is about 10%. Among the European countries, important are UK, Germany, France, Italy, Belgium, Turkey, and Spain. The share of North America, South America and Other counties is about 10% of total.



5 Structure of Foreign Trade

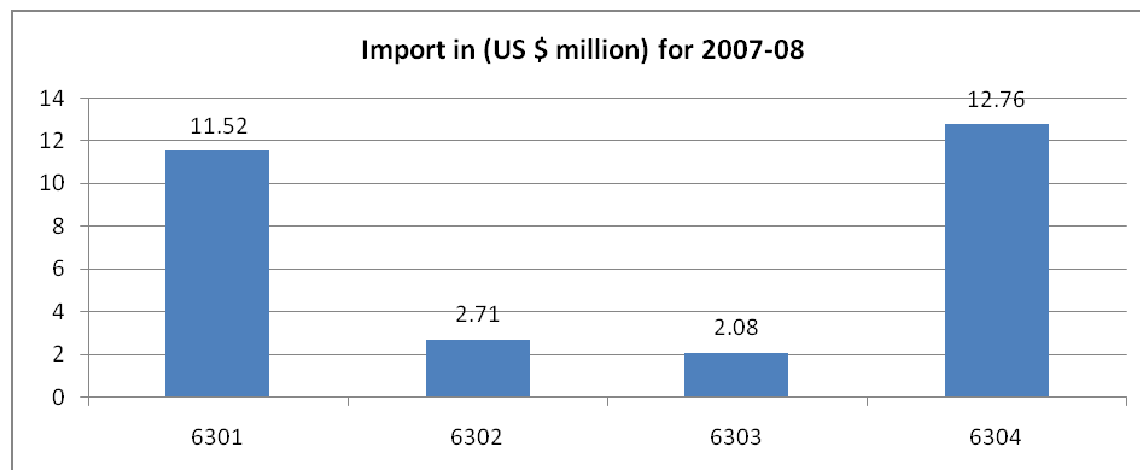
5.1 Import Scenario

Imports of home textiles is quite low when compared to exports. For 2007-08 the imports were just 2% of total exports for the same category. The total import of home textiles in 2007-08 was US\$ 29.07. It seems that the imports have picked up since 2006-07. According to the latest figures for 2008-2009(April-Dec), the imports were US\$ 40.04 million. When compared to the total imports of textiles in the country, which is US\$ 2.79 billion, it is just about 1.4%. The diagram below shows the growth of imports to India since 2005-06.



5.1.1 Key Products Imported

The key home textiles that are imported in India are not too different from what India exports. The key import items covered in the study come under the HS codes, 6302, 6301, 6303 and 6304. The total value of imports in these segments for year 2008-08 (April-Dec) is shown in the diagram below.



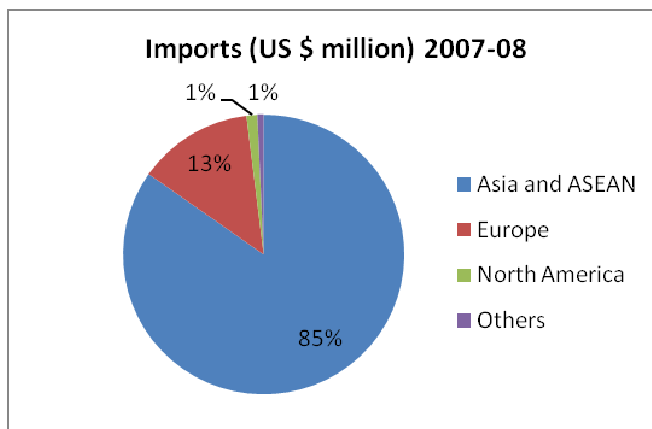
If we look the imports from the point of view of share of different items in the total imports, the imports of blankets and other home furnishing articles have largest share. It is as much as 90% of total imports in 2008-09. China is the almost exclusive exporter of blankets to India. The share of bed, kitchen, bath and table linen is just 5% of total. These items are mainly imported for the super premium segment and cater to a small elite consumer base. The list of some of the premium category bed linen imported is mentioned earlier in the report. The year on year imports of various home textiles is shown in the table below:

Articles of Import

HS Code	Description	Import (US\$ million)				Major Countries in recent year
		2005-2006	2006-07	2007-08	2008-09 (Apr-Dec)	
6301	Blankets And Travelling Rugs	3.0	3.2	8.1	15.8	Almost entirely from China
6302	Bed Linen, Table Linen, Toilet Linen & Kitchen Linen	0.9	1.4	1.9	1.5	Mostly from China
6303	Curtains(Including Drapes) & Interior Blinds; Curtain Or Bed Valances	1.4	1.5	1.5	1.5	China and USA
6304	Other Furnishing Articles Excluding Of Heading No. 9404 (Mattress Supports; Articles Of Bedding & Similar Furnishing Fitted with Spring Etc. Of Any Material/Of Cellular Rubber Etc.)	6.7	5.8	9.0	9.4	China, Vietnam and Bangladesh
	Total	17.01	16.65	29.07	40.04	

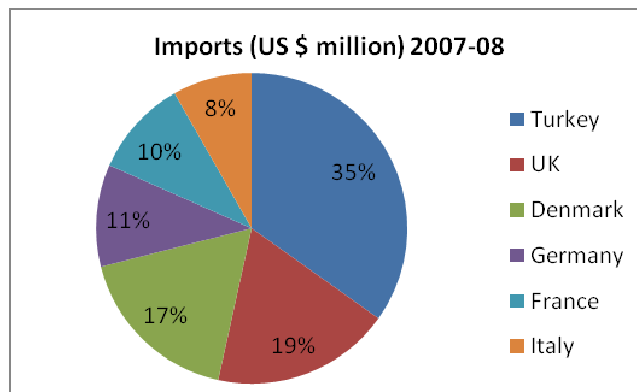
5.1.2 Key countries from where the imports are sourced

Most of the home textiles in India are sourced from Asian countries. Asian countries just like India have competitive edge over the other countries especially European and the USA in terms of price and quality. More than three-fourth of the imports in India are from Asian countries. The diagram below shows the relative imports of home textile according to the source region.



China, in the recent years has emerged as the biggest source of imports of home textiles in India. As shown in the diagram below. The imports from China in the said segments of home textiles stood at around US\$ 41 million which constitutes about 52% of the imports. Compared to 2007-08 when the share of China in total home textile imports in India was about 30%, it rose to more than 50% in 2008-09, thereby increasing as much as 60%. The industry associations in India have raised concerns about the growing overall imports of textiles from China. The Commerce Ministry in India, following the completion of a preliminary enquiry has concluded and recommended imposition of provisional anti-dumping duty on import of Flax fabrics from China and Hong Kong. Flax fabric is woven fabric with 30 percent flax content and is also called linen fabric and is more so used in fabrics for home textiles like bed-sheets, towels, table cloth etc.

As far as Europe is concerned, the total imports of home textiles are about US\$ 3.87 million in 2007-08. This is about 13% of all the home textile imports in that year. The total bed, kitchen, bath and table linen imported from Europe was US\$ 0.79 million, which constitutes about 20% of all the home textiles.



5.2 Export Scenario

Exports of textiles and clothing products from India have increased steadily over the last few years, particularly after 2004 when textiles exports quota were discontinued. India is among the world's top three suppliers of home textiles and made-ups. Exports form a key component of the overall market for the home textiles manufactured in India. Almost 15% of all textile and clothing exports from India are constituted by home textiles and made-ups. As per the latest data India exported nearly US \$ 1.83 billion of home textiles and made-ups in 2007-08. In the 2008-09, the ministry of commerce provides only data for April to December. During this period, an Indian textile export was US \$ 1.375 billion. Looking at the 2006-07 export data, the exports in 2007-08 recorded a growth of around 7% in dollar terms. Taking the 2008-09 figures for the exports, if we estimate the figures for entire year, the exports seem to be stagnant in the latest year.

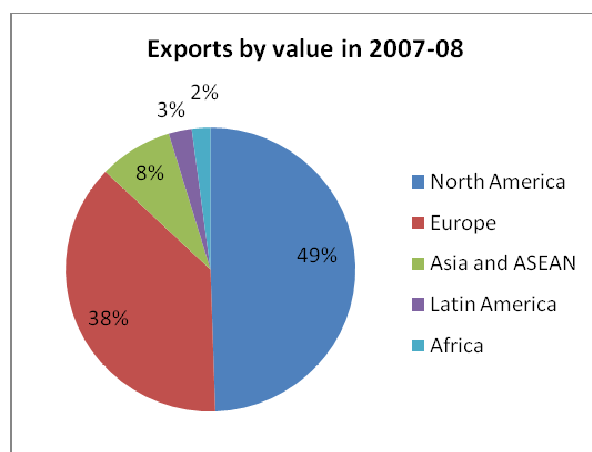
When compared to other textile and clothing exported by India, the growth of home textile exports have been lower. According to the data provided by Ministry of textile in its annual report 2008-09, during 2003-04, 2004-05, 2005-06, 2006-07 and 2007-08, exports were of the order of US\$13.5 billion, US\$ 14.0 billion, US\$ 17.52 billion, US\$ 19.15 billion and US\$ 22.13 billion respectively, denoting an increase of 64% in last five years or more than 12% annually.

5.2.1 Key Products Exported

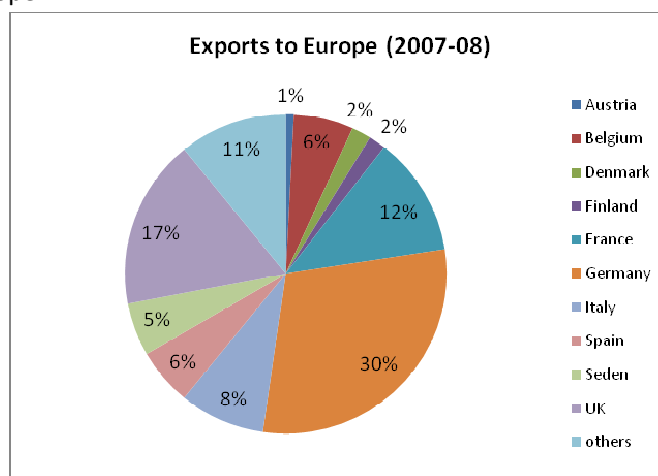
Indian home textiles which find ready market in the western countries specially USA and European countries are bed linen, table linen and towels. Other home textiles that also participate in textile exports are drapery, cushion covers, and kitchen linen. According to the export data, HS Code 6302 is the main component of exports. Besides this, carpets, cotton floor coverings and miscellaneous furnishing items like wall hangings etc also form substantial share. Bed linen is the single largest exported textile commodity in home furnishing section. Cotton bed linens are especially of high demand in USA and Western Europe. According to estimates, Indian bed-spreads alone make almost 3% of global trade share. Indian handmade cotton carpets are also of great demand. This is part of Indian handloom industry.

5.2.2 Key Export destinations – region-wise and country-wise

India is exporting home textiles and made-ups to more than 160 countries across world. USA and EU are the largest consumers of Indian home textiles and made-ups. They account for more than 75% of the total home textiles exported from India. In the handloom sector, which constitutes hand-made carpets and floor coverings, this figure is close to 90%. The diagram below shows that west – North America and Europe has been the focus of Indian home textile exports guided by strong demand.



USA is single largest importer of India’s home textiles. In 2008-09, USA imported home textiles worth of US\$ 651 million. By focusing on the demand generated in US for home textiles Indian exports to the country has been successful in grabbing one of the largest shares of imports in USA. India has become USA’s leading foreign supplier of towels, and one of its top three foreign suppliers of cotton sheets. The trade data reveals that about USA imports about US\$ 264 million worth of bed, kitchen and toilet linen from India. Majority of this is cotton linen. Among the European countries Germany, UK and France leads the importers. The diagram below shows the relative share of some major European countries in the total exports from India. Italy’s share in India’s exports is about 8% of the total exports to Europe.

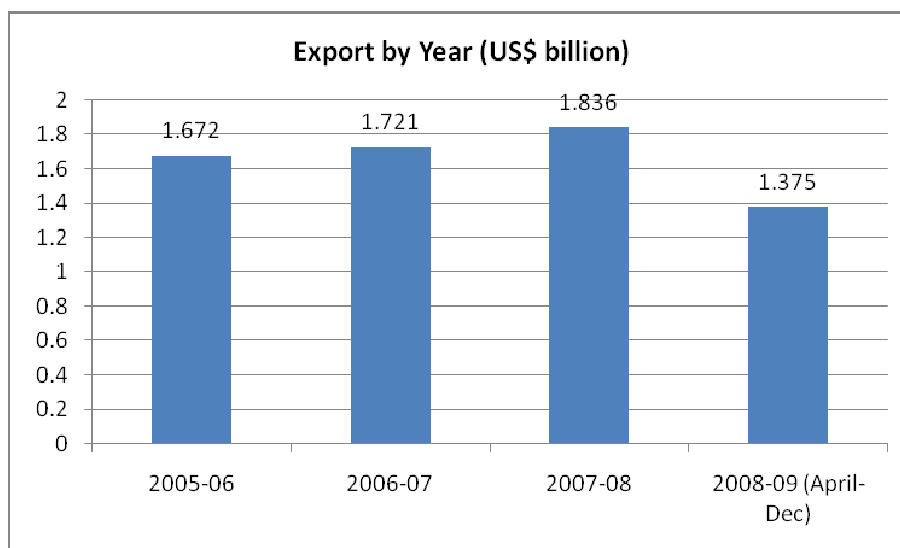


5.2.3 Export trend by value and volume

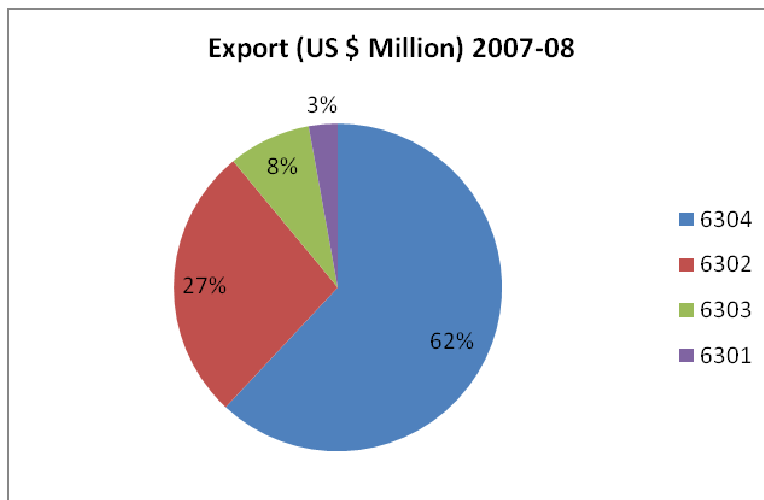
The trends for the exports of the home textiles from India have been quite positive, especially in the post quota regime after 2005. The exports are on a steady rise, both in terms of volume as well as the value. The HS codes relevant to the home textiles are:

HS Codes	Description
6301	Blankets and Travelling Rugs
6302	Bed Linen, Table Linen, Toilet Linen & Kitchen Linen
6303	Curtains(Including Drapes) & Interior Blinds; Curtain Or Bed Valances
6304	Other Furnishing Articles Excluding of Heading No. 9404 (Mattress Supports; Articles Of Bedding & Similar Furnishing Fitted With Spring Etc. Of Any Material/Of Cellular Rubber Etc)

The total value of exports from India in 2008-09 (April-Dec) has been US\$ 1.375 bn. In the previous year the same figure stood at US\$ 1.836 bn. The year on year growth in the exports since 2005-06 has been depicted in the diagram below. In the last year, though the growth in US Dollar terms continues to be healthy but owing to depreciation of Rupee vis-à-vis US Dollar, the growth rate in Rupee term has been subdued in comparison to previous years. The growth rate has been around 6% in dollar terms.

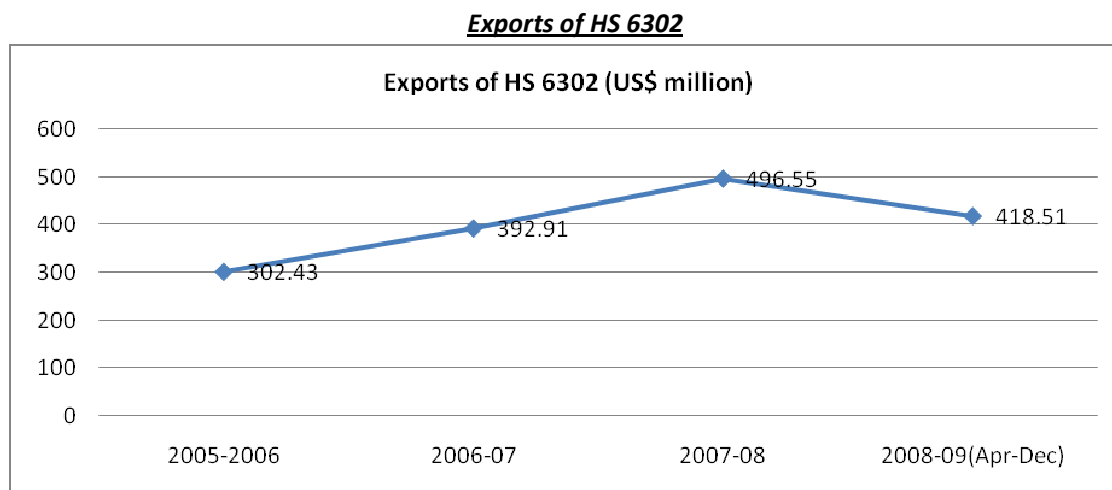


According to Directorate General of Foreign Trade, total volume (in thousands) of the home textile exports in thousands for 2007-08 was 575,722. The figure for year 2008-09 (April-Dec) is 621,358. More detailed analysis of export volume and value for different category of textile commodities has been dealt in subsequent sections.



HS 6302 – Bed Linen, Table Linen, Toilet Linen and Kitchen Linen

This is one of the most important categories of home textile exports from India and hence dealt separately from other articles of home textiles. Bed spread is the single largest exporting item in this category. Post quota, there has been a rapid rise in the exports of bed spreads and table linen. The growth in exports of this category since 2005-06 till 2007-08 has been close to 30% on year to year basis. Total volume of such linen exported for year 2007-08 was 89,500.54 (in thousands). In the year 2008-09 (April-Dec) this figure stood at phenomenal 264,928.66 (in thousands), an increase of about 200%. The reason for this might be attributed to depressed exports in 2007-08 due to growing economic recession.



This category is exported to more than 150 countries. Like other home textiles exports, USA accounts for almost 50% of total exports. Germany: US\$ 52.58 million, Italy: US\$ 14.44 million and UK: US\$ 12.35 million follow USA.

Further categorization of HS code 6302 is shown in the tables below. They show the value and volume exported for bed, kitchen, table, bath and other linens. :

Value of Bed Linen, Table Linen, Toilet Linen, Kitchen Linen (in US\$ million)

Home textile Category	2007-08	2008-09 (April – Dec)
Bed Linen	271.07	255.6
Table Linen	42.69	30.02
Toilet Linen and Kitchen Linen (Terry Towel)	150	103.04
Other Linen of cotton, flax, manmade fibres, and other textile materials	32.81	29.84

Source: DGFT, India

Volume of Bed Linen, Table Linen, Toilet Linen, Kitchen Linen (in Thousands)

Home textile Category	2007-08	2008-09 (April – Dec)
Bed Linen	39,206.05	1,64,658.42
Table Linen	5,548.50	4,325.03
Toilet Linen and Kitchen Linen (Terry Towel)	37,073.41	25,663.70
Other Linen of cotton, flax, manmade fibres, and other textile materials	7,672.57	70,281.49

Source: DGFT, India

HS 603, HS 6304, and HS 6301

Curtains, blankets, and other home furnishing textiles form the third broad category of home textile exports from India. The table below shows the respective exports in value terms for them. The export of curtains (including drapes) showed a growth of about 15% - 20% on year to year basis. On the other hand a decline in the exports of blankets has been noted. The other furnishing home textile articles remained more or less stagnant during the same period.

Export Data

HS Code	Commodity	Export(US\$ million)				Major Countries in recent year	Number of Countries
		2005-2006	2006-07	2007-08	2008-09(Apr-Dec)		
6303	Curtains(Including Drapes) & Interior Blinds; Curtain Or Bed Valances	110.99	134.66	149.55	100.57	USA: 23.28 France:15.89 Germany: 6.95 Sweden: 6.19	More than 135 countries

6304	Other Furnishing Articles' excl of Hdg No. 9404 (Mattress Supports; Articles Of Bedding & Similar Furnishing Fitted With Spring Etc Of Any Material/Of Cellular Rubber Etc W/N Covered)	1,171.91	1,122.00	1,138.06	811.99	USA: 374 Germany: 65.11 UK: 58.95 France:30.51	More than 185 countries
6301	Blankets And Travelling Rugs	87.56	72.45	52.33	44.18	USA: 20.18 UAE:3.33 Germany:2.79 UK:2.18	More than 130 countries
	Total	1370.46	1329.11	1339.94	956.74		

Source: DGFT, India

The traded volume for the above categories is shown below (all values in Thousands):

Export by Volume (thousands)

HS Code	Commodity	2007-2008	2008-2009 (Apr-Dec)
6301	BLANKETS AND TRAVELLING RUGS	13,616.02	12,258.77
6303	CURTAINS(INCLUDING DRAPES) & INTERIOR BLINDS;CURTAIN OR BED VALANCES	20,391.75	15,383.94
6304	OTHR FRNSHNG ARTCLS EXCL OF HDG NO. 9404	452213.88	328786.88
	Total	486221.65	356429.59

Source: DGFT, India

Main Exporters in India

Home textiles are among the most dynamic export segments in India's textile industry. By focusing on the US market, India has become the USA's leading foreign supplier of towels, and one of its top three foreign suppliers of cotton sheets. Its success in home textile exports stems largely from the efforts of a few dynamic companies such as Welspun India, Abhishek Industries and Alok Industries. These companies have become India's top three home textile exporters and, spurred by their global ambitions and buoyed by their export success, they are in the midst of implementing large expansion programmes.

5.2.4 Share of Italy in Exports

The table below shows the share of Italy in exports, in value terms as well as volume terms, of above mentioned home textile items:

HS Code	Values in US\$ million (Italy/World)				
	2003-04	2004-05	2005-06	2006-07	2007-08
6301	2.17/60.30	2.00/66.61	2.23/87.56	1.65/72.45	0.78/52.33
6302	1.07/139.07	7.20/214.93	14.58/302.43	10.95/392.91	20.65/496.55
6303	3.12/78.78	3.46/75.75	3.58/110.99	5.24/134.66	4.87/149.55
6304	24.02/777.68	36.17/926.61	43.47/1,171.91	40.91/1,122.00	32.93/1,138.06
Total	30.38/1055.83	48.83/1283.9	63.86/1672.89	58.75/1722.02	59.23/1836.49

Source: DGFT, India

HS Code	Volume (Italy/World)					2008-09 (April – Dec)
	2003-04	2004-05	2005-06	2006-07	2007-08	
6301	528.25 /15,947.86	518.47 /16,020.43	462.97 /23,215.38	358.01 /19,594.63	182.04 /13,616.02	109.95 /12,258.77
6302	204.45 /27,280.73	1,033.03 /42,731.55	2,181.45 /58,679.23	2,045.43 /74,466.34	2607.93 /89,500.54	2102.91 /264,928.66
6303	519.67 /12,453.83	553.97 /10,467.84	556.58 /16,789.33	798.41 /19,876.21	636.63 /20,391.75	443.64 /15,383.94
6304	11566.43 /447,022.97	18955.27 /463,360.91	24720.44 /578,067.69	20231.34 /617,496.94	13925.38 /452,213.88	9319.32 /328,786.88
Total	12818.8 /502705.39	21060.74 /532580.73	27920.93 /676751.63	23433.19 /731434.12	17351.98 /575722.19	11975.82 /621358.25

Source: DGFT, India

The growth rates of the exports to Italy as compared to the growth rates of total exports in the particular category are:

HS Code	Percentage Growth (Italy/World)				
	2003-04	2004-05	2005-06	2006-07	2007-08
6301	-	-7.99/10.45	11.53/31.46	-25.98/-17.26	-52.56/-27.77
6302	-	571.95/54.55	102.55/40.71	-24.89/29.92	88.60/26.38
6303	-	10.97/-3.85	3.29/46.52	46.57/21.33	-7.04/11.05
6304	-	50.59/19.15	20.17/26.47	-5.88/-4.26	-19.51/1.43

Source: DGFT, India

6 Competition – Indian Home Textile Industry

6.1 Characteristics

The competition in the home furnishing market is characterized by:

- The product market in Home Textiles in India has un-evenly developed. Of the furnishing segment, it is the bed and bath segment that dominates across the product range constituting about two thirds of the segment. So, automatically the competition in this segment is the maximum. The Indian industry is still greatly influenced by the traditional motifs, with the materials of satin mix, tapestry for drapes and even cotton mixes with synthetics for the traditional look. The handloom products and the hand-work is very sought after.
- Branding – Key players are developing and promoting their brands to make a distinct mark in the market. Bombay dyeing is one of the companies whose brand value seems to carry greatest recognition as far as bed linen, and blankets are concerned. When other brands like Welspun, Carmichael House, Portico are mainly known etc are only known in the metros, Bombay dyeing has also penetrated the small urban as well as rural market. Tier II and Tier III cities are following the lead of the metropolitan cities in the shift to branded products, as there is recognition of the assurance of quality.
- Offering variety: As home textiles are guided by their attractive designs and patterns, companies are devising novelty and uniqueness in their products. They are spending on the research and design and have modern design studios. As most of the big players are exporting their products to western countries, they have established their design studios in USA or other European countries to keep abreast with latest trends and fashions.
- Rapidly Evolving domestic market has given new impetus to the race of acquiring share in the home turf. The expansion of retail segments in general, and increasing purchasing powers of people, especially in urban India has unleashed a mammoth market for home furnishing. Almost all the companies have targeted this segment in the terms of purchasing power. Companies have launched their products in two-three categories like economy, premium and super premium segments. Welspun for example have ‘Spaces’ brand for its premium customers and ‘Welhome’ for the mass market or economy class. Similarly, SKNL have launched Total home Expressions with its premium brand being called Carmichael House. Some companies have collaborated with foreign brands to leverage on their brand values in India. This is mostly in the premium segment of home textiles.
- Vertical Integration: Most large manufacturers in India are vertically integrated companies and those which are not are trying their best to fill the gaps. It gives greater flexibility, and reduces the overall operations cost of a company if it has its own modern facilities for spinning, weaving, dyeing research and designing. It helps them to move up the value chain- ensuring better returns.
- Export market has also seen great competition from the Indian players, especially after the end of quota. With overseas acquisitions of various companies, as mentioned elsewhere in this

report, Indian players are challenging the bigger international brands. With home advantage of cheap labor and government support to exports, Indian products are very competitive in both price and quality.

6.2 Competition among Leading Players

With intense competition hotting up in the niche segments, leading players are busy in brand building exercise. The market leader Bombay Dyeing in a bid to consolidate its premier position is working on the strength of innovation, styling and pricing. The brand equity of Welspun, Portico, Alok, Abhishek are also established. Other players like SKNL, are also slowly building their brands in both economy and premiere segments. Kurl-On is the new entrant in the home furnishing business, which will leverage on its already famous brand of mattresses in India.

Some of the international majors such as Portico, Rosebys, Benetton, Peacock Alley, are posing challenge for the domestic players in the premiere segment of home furnishing. The design innovations and being updated about the latest trends are most important key factors for the leading players. The super premium segment in India is still very small. Here too, few Indian designer home furnishing boutiques like Muslin, Zeba, Ravissant etc are present but most of them have foreign products.

6.3 SWOT Analysis

Strength	Weakness	Threat / Concern	Opportunities
Large and diverse cotton textiles industry and its intrinsic strength in embellished home textiles.	The industry is as fragmented as it is diverse. De-centralized operation promotes small scale operation but lacks focus on modernization. Prevalence of small scale units works as a major bottleneck to the development of the 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 the buying pattern.
Vertical integration & horizontal consolidation of production process leading to lowering of manufacturing cost. Production flexibility of	The industry is critically dependent on cotton. Raw cotton prices are highly fluctuating in India and impact the	Rising ecological & Social awareness among the consumers in the west may impact sourcing from India. The western countries conform to	Elimination of Quota Restriction, according to FICCI research, has helped India expand its global market further since 2005.

Strength	Weakness	Threat / Concern	Opportunities
the manufacturers contributes to improvement in productivity.	manufacturing industry Badly. Superior varieties of cotton fabrics necessary for premium quality home furnishings are import dependent.	certain guidelines of ILO in regard to certain sensitive Issues such as deployment of child labor, un healthy working environment of labor etc when it comes to sourcing of products.	
Abundant availability of skilled labor at a low cost for carrying out handwork embellishments such as embroidery and embellishments such as patchwork, threadwork and decorative accents also gives makers an edge	Low technology levels in the weaving and processing sectors continue to erode the competitive strengths of home furnishing export market.	Absence of standardization and quality control and organized vendor-base characterizing the larger part of the industry	Indian market is gradually shifting towards branded products.
Excellent design capability of Indian Designers. Robust R&D capability is another competitive advantage. Many suppliers are deploying CAD technology to improve turnaround times. Another increasing trend is tying up with designers in Europe and the US to enhance product range.	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 jeopardized.	Indian retailing industry, now at its nascent stage has exploited not more than 15 to 20% of sales potential due to retail boom. Free trade agreements like SAFTA and India's recent attempt to get included in ASEAN.
A paradigm shift from commodity-based trading to high value-added home textile products.	Imports of cheap textiles from other Asian neighbors such as China and Pakistan etc are eroding the competitiveness of Indian exporters.	The US & EU Governments discourage products from countries that use polluting dyes and environment damaging manufacturing practices. This has resulted in	Good prospect for more foreign investment in view of the increasing market presence of international giants. Government's favorable foreign investment policy is expected to

Strength	Weakness	Threat / Concern	Opportunities
		putting pressure on buyers to limit their sourcing from developing countries of the South.	work as a catalyst to garner more direct as well as foreign institutional investment.
Vertical integration & horizontal consolidation of production process leading to lowering of manufacturing Production flexibility of the manufacturers contributes to improvement in productivity.	Increase in power tariff, indirect tax and interest rate has contributed to increase in production cost. India is becoming less and less competitive with respect to Asian counterparts escalating over the years.	Increased global competition in the post 2005 trade regime under WTO	Practically no threat from China and Pakistan as India is way ahead in terms of technology development and design development.
Along with substantial growth in overseas market, simultaneous proliferation of domestic market in recent years.	Lack of standardization and quality control of Indian garments have resulted in large scale rejections of products in the export market.	Increasing energy costs.	
Government support to increasingly diversify and further exports.	Extremely narrow export basket . Of the furnishing segment, it is the bed and bath segment that dominates the genre, taking up two thirds of the segment.	Labor based industry; therefore availability of labor is a concern. If the labor cost goes up, then it is difficult for the exporters as their margin is only 10%-15%	

6.4 Growth Prospects

6.4.1 Domestic Segment

The growth potential of the industry looks optimistic. The industry which was essentially export oriented has started becoming inward looking. Domestic market has also started flourishing in recent years. Leading large scale players who were playing at full capacity have expanded their production capacity. Earlier major concentration of leading players was focused on products like bed linen, towels. Besides, the domestic demand for carpets, blankets, upholstery, curtains and other furnishings is simultaneously rising. Majority of leading manufacturers who were have ventured in to

domestic segment, are expanding production capacities. Many new projects on home textile products based on furnishing fabrics in jacquards and classics have come up in recent years. Burgeoning demand of the domestic market can be attributed to:

- Increasing affluence of a large number of households.
- Increasing demand for housing for high middle income and high income strata.
- Inculcating sense of artistry that has developed among Indian households for possessing value-added home textile products.

Indian domestic is currently attracting a number of foreign companies. The most important among them is Italian furnishing fabric manufacturer Pozzi Industria Tessile which has ventured into the Indian market.

6.4.2 Overseas Market

It is expected that Indian export market will continue to expand, although with little hiccups owing to recent global recession and currency fluctuations. Due to lower material and labor costs, developing countries such as India, China, Pakistan, Bangladesh and Sri Lanka are scoring over their western counterparts. This has led to a large-scale shutting down of home furnishing manufacturing units across Europe and the US owing to commercial non-viability. The center of global manufacturing activity is shifting from USA- Europe to Asia.

India's position as an overseas exporter cannot even be matched by China for the simple reason that India is more technically equipped to produce better products. India is also better equipped to produce intrinsic hand crafted designs than its competitors, thanks largely to a large pool of efficient lowly paid artisans.

7 Potential for European Companies in India

Indian home textile market has grown much larger in a short span of time. Home textile industry which was essentially an export-oriented, has turned inwardly towards its domestic segment. Most large textile companies, realizing its huge potential in domestic retailing, have drawn up their footprint in the domestic market. Indian home textile companies have been aggressive on the capacity expansion front as domestic demand has picked up sizably.

India occupies a competitive position when compared with equally low cost producing countries like China and Pakistan. Besides, India commands the strategic advantage of one of the largest markets next to China. With retailers like Wal-Mart, JC Penney and GAP planning to substantially increase their outsourcing from India and FDI in single brand retailing making its way into the country, the opportunities for domestic apparel exporters are immense.

With financial meltdown gripping EU in the past two years, the manufacturers are finding it difficult to sell its products within EU. Its export to US has also suffered badly. European home textile manufacturers had no significant presence in Indian home textile market till few years ago. Considering various options, many home textile manufacturers have forayed in to Indian market to cash on the benefits of growing home market as also build up a sound base for third country exports.

7.1 Volumes and Changes in the market for European Home Textiles

The home textiles from European Union are perceived to be of high quality; in line with latest fashion and trends; and confirming to the global standards for the production and environment. But owing to their high cost, they only cater to the premium and super premium segment. Branded home textiles market in India is itself a niche segment concentrating on the upper middle class and the upper class. Companies are slowly carving out strategies to roll out products which cater to economy and middle class, as this is the segment which has the highest number of customers and in future, will drive the demand and the market.

Considering various facts, as discussed in the report, the imports of European home textiles in India is increasing. European companies are finding stiff competition, especially from US companies and the Asian companies of China, Japan, and Thailand etc.

Growth Trend of Imports in to India from EU

Imports of European products have experienced consistent growth from 1.49 million units in 2005-06 to 1.57 million units in 2006-07 and 1.87 million units in 2007-08. Import growth by volume has risen at a CAGR of 7%. Import by value has recorded an increase at a CAGR of 19% from US\$ 1.36 million to US\$ 2.55 million in 2007-08.

Share of European Imports to overall Imports to India

Despite the year on year growth of European imports by volume in the past three years, the percentage share of European imports to overall Indian imports has shown a stable declining trend. Percentage share of European imports in to India which was 16% in 2005-06, has fallen further to 12% in 2006-07 and further to 9% in 2007-08.

Import share of European products by value as percentage of overall imports in to India has remained stable at 8-9% in the last three years.

7.2 Main European Companies present in India

Since past few years, the home textiles market in India has been seen as a lucrative market with immense potential. Many multinational companies belonging to various countries are now operating in India. Major European companies present in India are:

European Company	Country	Mode of Operation in India
Vincenzo Zucchi S.p.A	Italy	Have Joint Venture with Welspun India Ltd. Operating as Welspun Zucchi Textiles Limited. The company had annual turnover of Rs 240 million in 2007
Benetton	Italy	Company's Bed Linen are being marketed by India's S Kumars Nationwide Ltd.
Esprit Holdings Ltd	UK	Exclusive distribution, marketing & retailing rights with Madura garments
Sahelia	Italy	Have own retail outlets.
Marks and Spencer	UK	Company is having a marketing and retailing JV with Reliance Industries
Nya Nordiska	Germany	Company's products are distributed by Maishaa India
Ardecora	Germany	Have retailing and distribution tie up with Jagdish Stores India

Product positioning

European home textile products are normally sold as premium products. The products are well-known brands. Indian home textile companies are conspicuous by absence. Competition is mainly restricted to European companies in premium product categories. Affluent households are the consumers of these exclusive products. Having such products as part of households has become more a question of status. The consumers do not feel financial constraint as they can afford.

Factors Determining Product Market

Major customer base is the affluent segment of Indian population. Overall quality is the main focus. Besides, the quality of fabric, color combination, design, style, fashion, fitness and cuts are all important considerations.

8 Regulatory Framework and Legislations

8.1 Sector specific Regulations

The Ministry of Textiles has taken pro-active role to rejuvenate the textile industry. It is now working more as a facilitator.

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 unit¹) 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.
- Foreign investment is prohibited in

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

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

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.

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

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%
Service Tax	10.3%
Import duty (average) **	24.42%
Excise Duty	8%
Sales Tax / VAT (this is a turnover tax applying on sales, and varies state to state)	4 - 12.5%

** For some cotton articles only basic import duty is charged at a fixed rate of 10%. In some cases, the import tariff is charged as a fixed amount per piece rather than as a %age of CIF value. For example printed Bed Linen of Cotton– carries a basic duty of 10% or Rs 108 per piece, whichever is higher.

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 Marks 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 in spite 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 & Distribution Structure

9.1 Trade channels

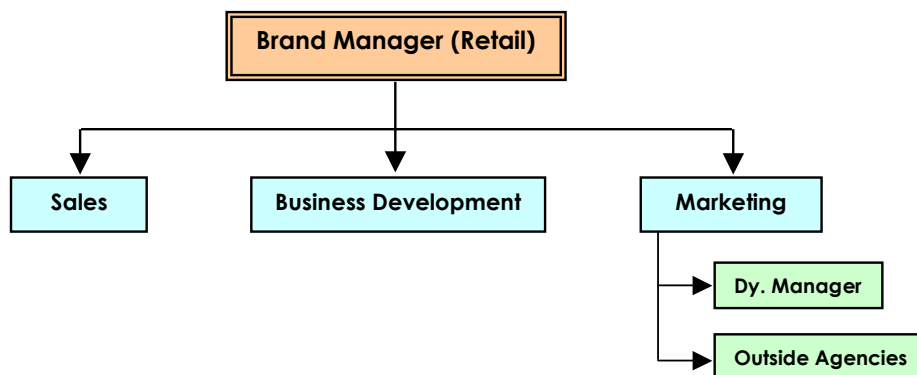
There is a commonality of approach adopted by manufacturers / importers for marketing their wares. Large manufacturers maintain an exhaustive marketing set-up at an all India level to reach maximum geographical spread and service customer requirements through various mechanisms.

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:



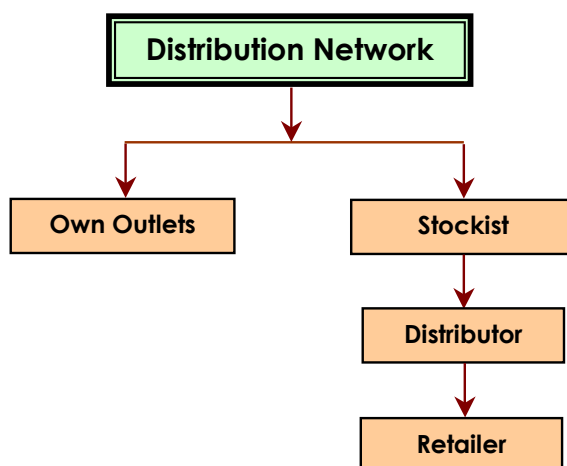
Sales Network

The products are mostly sold through a variety of channels. These include

- Sales through exclusive company owned retail outlets.
- Outright sales to retailers.
- Operating through franchisee arrangement. Foreign players without any joint venture collaboration or technology tie-up in India prefer this route. Major advantage of this system is that one need not make substantial investment for popularizing the brand. The main onus for development of the market lies with the franchisees. If the product does not sell well or there is a danger to brand reputation, the franchise agreements are terminated. This is a cost effective measure.

Distribution Network

More than 60% of products in the domestic market are sold through distribution network. Most extensively used and popular network is presented as under:



Major strategy of the manufacturers is creation of widest distribution network for reaching out to maximum customers across the country. In view of the expanding market demand, the manufacturers are streamlining and revamping their distribution net-work across various cities, hitherto untapped.

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%.

Leading Retail Outlets for Home Textiles

Retailer / Brand	Number and Location of Outlets	Description
Spaces-Home & Beyond; Welhome	215 Stores in 95 Cities	<ul style="list-style-type: none"> - Established in 2003 - Home furnishing chain of Welspun Retail Ltd. - India's first and only organized Retail Chain in the home segment - Welhome caters to mass market, whereas, Spaces caters to elite segment of customers - Products are also sold through franchisee stores and multi brand outlets
Carmichaelhouse	40 exclusive stores, 600 multi-brand outlets	<ul style="list-style-type: none"> - Carmichael House is a brand of Total Home Expressions (THE), a division of SKNL (S. Kumars Nationwide Ltd.) - One of the largest textile and apparel manufacturing group of India with annual turnover close to Euro 0.27 billion. - Carmichaelhouse is the mid premium brand and company will launch economy segment of home textiles soon. - The brand is now available via multi-brand outlets, large format retail stores and exclusive brand stores across the country
Kids at Home	6 stores so far. Also selling through "Housefull" stores	<ul style="list-style-type: none"> - India's first furnishing chain of stores exclusively for children - The furnishings are designed and manufactured by At Home India Private Ltd
FabIndia	105 stores across India	<ul style="list-style-type: none"> - Have international presence in Dubai, Bahrain, Doha, and Rome - Fab India sources its products from over 15000 craft persons and artisans across India
Home Centre	8 home centre stores across	<ul style="list-style-type: none"> - Home furnishing retail stores by Lifestyle International (P) Ltd, part of Landmark Group, Dubai.

	country	- One of the respected company in retail in India.
Kurl on	More than 10 stores across India	- Brand leader of branded mattresses in India has forayed into home furnishing retail business with its “Kurl-on Nest” home furnishing outlets
Masper	Have 9 exclusive stores in major cities across India	- Established in 2002 - Exports to some prestigious home furnishing brands in Europe, USA, and Canada
Home Stop	Presently have stores in Bangalore and Mumbai.	- Complete home solutions provided by Shoppers’ Stop of Raheja Group - Brands present are Pradisies, Germany; Ivy; Fern; Masper; Portico; Bombay Dyeing; and Welspun
Home Town	Present in most of India’s big metros	- Owned by Home Solutions (India) Ltd, a wholly owned home retail subsidiary of Pantaloon Retail, India’s largest retailer - Provides complete solutions for home linen and home furnishings.
Bharat Furnishing	4 Stores in Metros, One in US	- Bharat Furnishing have one of the largest furnishing fabrics sourced from all over the world
Jagdish Stores	4 stores in North India	
Muslin	5 stores in India	- Home Furnishing Boutique

Some other retailers of home furnishings are Jagdish Stores, Zeba, and Yamini. Looking at the growth potential in the demand of home furnishing products, many new players are entering into this retail business. The key new entrants are: Reliance Living Furnishing (part of Reliance Retail; Oma by Hero Honda Group (In collaboration with ‘Homestyles’); Creative group with licensing arrangement with Portico, USA; Rosebys Interior India, Raymond etc.

9.3 Trade Margins and Commercial terms

Terms of Credit

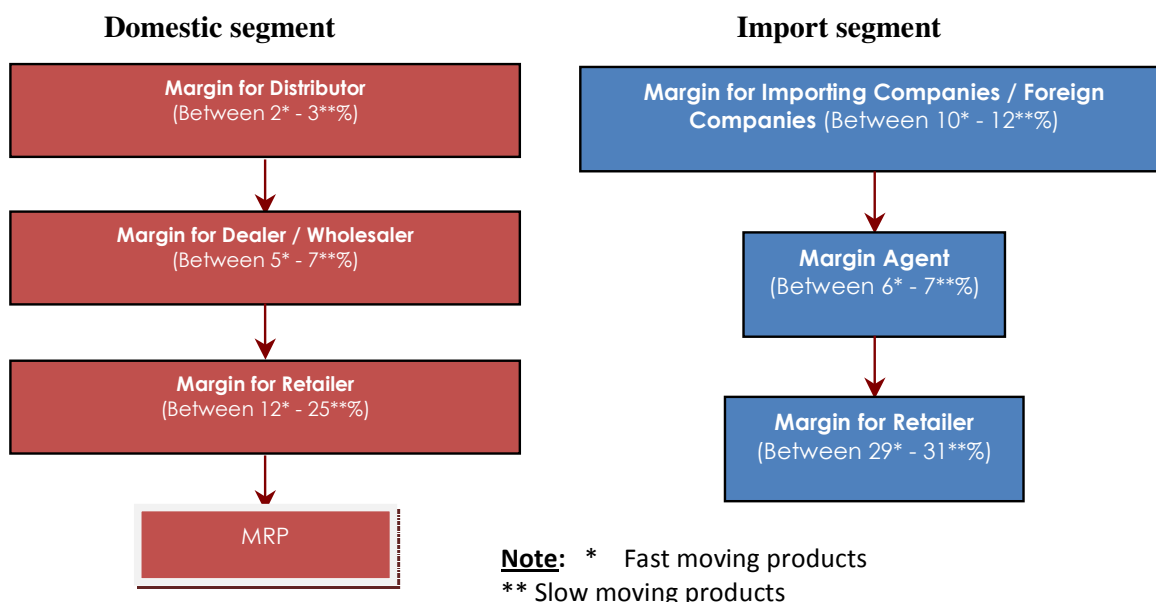
Extension of credit forms a major part of trade practice. Provision of credit as a structured trade practice is extensively prevalent in the lower priced product categories – lower, economy and mid segment.

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.

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:



10 Opportunities for Italian companies to enter the Indian market

Indian home textile market at present is positioned for a rapid growth in the coming times. Various companies, both domestic and foreign, are consolidating their present businesses and exploring ways and means to expand themselves to gain larger share of the business in the home segment. As mentioned elsewhere in this report, Italian companies are well known for their stylish and contemporary products, besides of being excellent quality. Style and design are the two big pillars of the clothing and textile market and especially of home textile market.

These very reasons have motivated the 1997 joint venture of Welspun India Ltd and Vincenzo Zucchi S.p.A. of Italy to tap the Indian and global market of home textiles by providing quality products. It not only introduced Italian brand in India, but also let the Indian customers taste the foreign brand of bath towels. These towels are now sold by the retail chain 'Spaces' of Welspun Retail India Ltd and at the same time exported to western countries.

Italian home textile and furnishing products, therefore, have great potential in India, though, for a niche segment of premium and super premium product segments.

10.1 Positive Experiences and Perceptions about Italian Products

As mentioned in the previous sections, 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

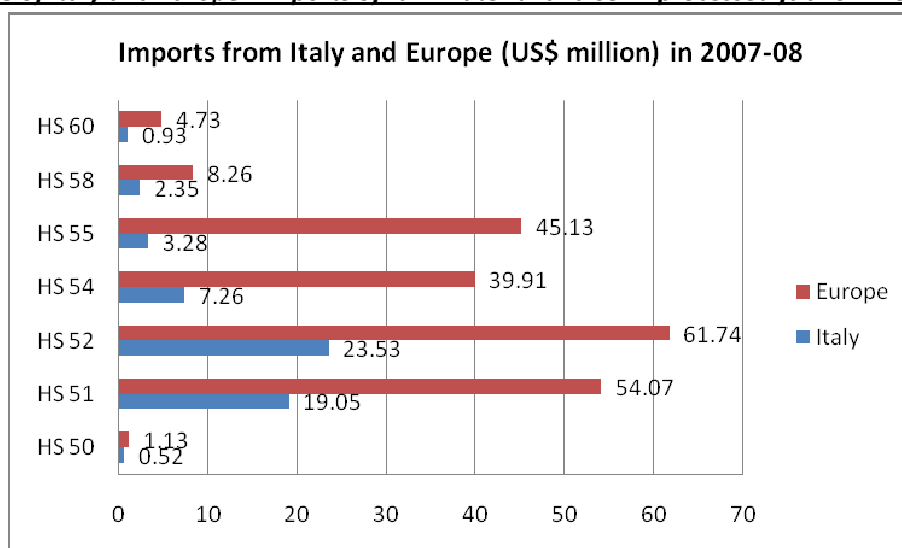
Rating Index: 1 – Much better; 2 – Better; 3 – Comparable; 4 - Worse

10.2 Increasing trend in Imports from Italy

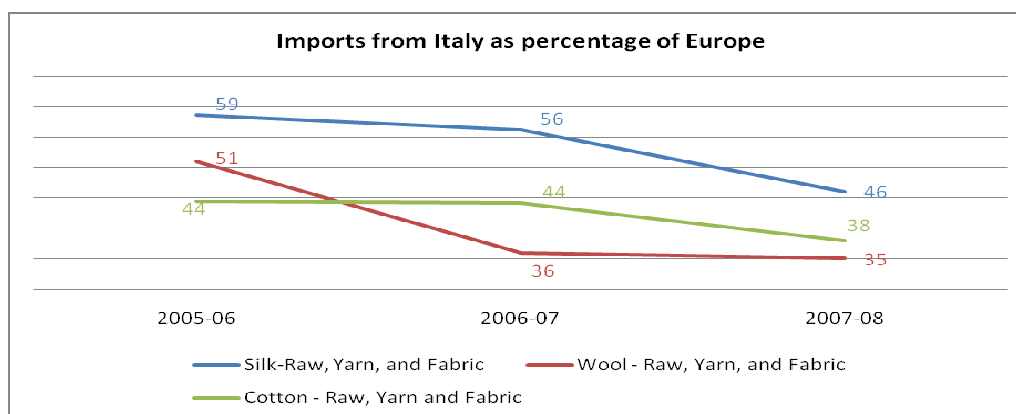
10.2.1 Raw Material and Semi-Processed Fabrics

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

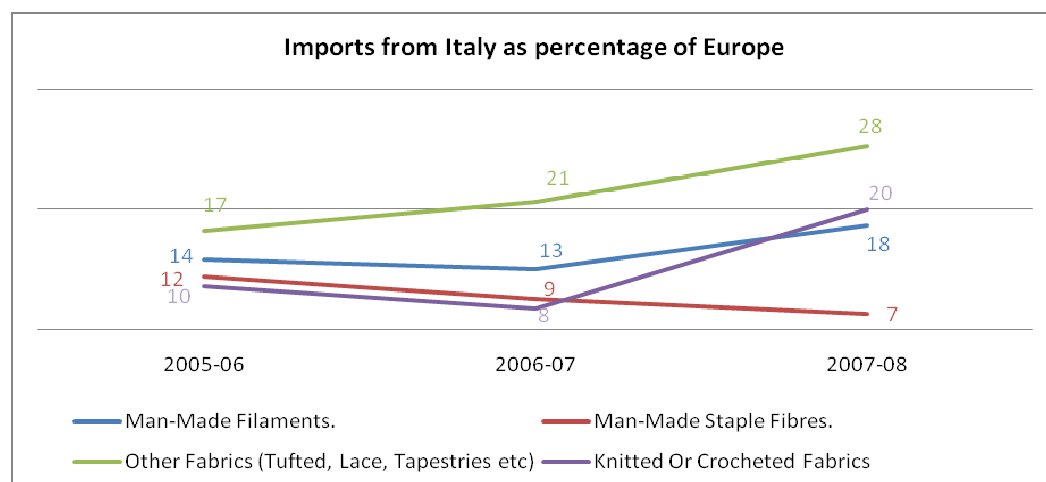


The share of Italy in total import from Europe has actually been fluctuating. In 2006-07, it was 45%, where as in 2005-06, it was 31%. The Italian share in the natural fibres – raw, yarn and fabric has been substantial but it is actually falling over last 3 years.



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	21.93	0.98	8.54

	fibres			
HS 5801	Woven Pile Fabrics & Chenille fabrics other than fabrics of Heading No.5802 Or 5806	13.38	0.18	10.15
HS 5806	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
HS 5807	Labels badges & similar articles of textile materials in Pieces/Strips/Cut to Shape/Size not Embroidered	20.78	0.48	14.73
	Total	412.74	34.23	200.33

* 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
5106	Yarn of Carded Wool not put up for retail sale	2.99	1.17	Indonesia: 0.60
5107	Yarn of Combed wool not put up for retail sale	2.73	0.29	China: 1.94
5108	Yarn of fine animal hair (Carded/Combed) not put up for retail sale.	0.59	0.14	China: 0.38
5109	Yarn of wool or fine animal hair, put up for retail sale	0.75	0.14	New Zealand: 0.41
5205	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
5510	Yarn (other than sewing thread) of articles staple fibres not put up for retail sale	5.37	0.43	Nepal: 2.28
	Total	26.72	2.55	

Source: DGFT, India

10.2.2 Import of Finished Home Textiles and Furnishing Products

Total imports of finished home textiles from Italy are of worth US \$ 0.31 million in 2007-08. Turkey, UK, Germany, Denmark, and France are the main competitors of Italy in this segment. In HS 6302, the Italy commands as much as 40% of the imports in India, next to UK's 57%. The import of home textiles from various countries for 2007-08 is shown in the table below.

In value terms Italy's share has been quite low (around 1%). The overall imports from Italy remained stagnant in 2007-08, but grew impressively by 200% in 2006-07. Barring for articles under HS 6304, all the other home textiles maintained their growth in the subsequent years.

The figures of Italian home textile imports into India relative to the overall imports reveal the scope of market that can be tapped by Italy. Given the present scenario, Italian companies have to compete with the Asian countries like China, Korea, Thailand in the Indian market to shelve a larger market share.

10.3 Market opportunities

While doing 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

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 textile apparels and clothing 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