



Karnataka: Destination for World Textile & Garment Industry

**Background Paper
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Setting the Context

1. Setting the Context- Textile Trading Patterns

Global trade rebounds strongly, sees 3.6% growth in 2017 ¹

Manufacturing and trade are picking up and global growth is projected to strengthen to 2.7 per cent in 2017 and 2.9 per cent in 2018-19. In emerging market and developing economies (EMDEs), growth is predicted to recover to 4.1 percent in 2017 and reach an average of 4.6 percent in 2018-19. **After significant slowdowns in 2015 and 2016, global trade showed some signs of recovery in early 2017.** World merchandise exports have increased in value by about 32 per cent since 2006, reaching US\$ 16 trillion in 2016. At the same time, world exports of commercial services have accelerated by about 64 per cent, reaching a total of US\$ 4.77 trillion.² Developing economies in Asia accounted for the largest share of developing economies' trade in the world, representing 28.4 per cent of total world exports and 25 per cent of total world imports. G20 export growth slowed to 1.4% in the second quarter of 2017, compared with 3.4% in the first quarter of 2017 while imports increased by 1.7%, down from last quarter's 4.2%.³

World export trade in textile and clothing increased by 0.65 per cent from US\$ 230 billion during Jan-Apr 2016 to US\$ 232 billion during Jan-Apr 2017. World import trade in textiles and clothing reported a decline of (-) 0.89 per cent from US\$ 204 billion during Jan-Apr 2016 to US\$ 202 billion during Jan-Apr 2017.⁴ China remained the top exporter of textiles in 2016 (with a 37 per cent share of world exports) even though its exports declined by 3 per cent. The next biggest exporters were the European Union (23 per cent share; 1 per cent increase in 2016) and India (6 per cent share; -6 per cent).⁵

India's increasingly important role in the global economy

India's growth is forecast to increase to 7.2 percent in FY2017 (April 1, 2017 - March 31, 2018) and accelerate to 7.7 percent.⁶ India has a large textile manufacturing set-up and is among the very few countries with production facilities across each level of the manufacturing value chain, from fiber to finished product (garments, home textiles and technical textiles). Textile plays a major role in the Indian economy and contributes around 14 per cent to industrial production and 4 per cent to GDP. With over 45 million people, the industry is one of the largest source of employment generation in the country. India's textile market size in 2016 was around US\$ 137 billion, which is expected to touch US\$ 226 billion market by 2023, growing at a CAGR of 8.7 per cent during 2009-2023.⁷ The industry accounts for nearly 15 per cent of total exports. During the period 2016-17 (April-October) (P), the export of Textiles & Allied Products was US\$ 19,594 million compared to US\$ 20,640 million in the corresponding period of the previous year registering a negative growth of 5.07 per cent. During the period 2016-17 (April-October), import of Textiles & Allied Products was US\$ 3,485.83 million compared to US\$

Textile plays a major role in the Indian economy and **contributes around 14 per cent to industrial production and 4 per cent to GDP. With over 45 million people**, the industry is one of the largest source of employment generation in the country.

¹ WTO, September, 2017

² WTO International Trade Statistics 2017

³ G20 International Merchandise Trade Statistics, Aug, 2017

⁴ Overview of Current Trade in Textile and Clothing, TEXPROCIL, September, 2017

⁵ WTO Statistical Review 2017

⁶ World Bank's Global Economic Prospects, June, 2017

⁷ IBEF, June, 2017

3,284.61 million in the corresponding period of the previous year registering a positive growth of 6.13 per cent.⁸ The Index of Industrial Production for the month of July 2017 for Textiles Sector declined by 2.9% as compared to July 2016. There has been a cumulative decline by 1.9% in Textiles Sector during April-July 2017-18 over the corresponding period of 2016-17.

The Apparel Industry has contributed 42% to the textile and apparel export basket of India during 2015-16 and is a highly employment intensive industry especially for women. In the perspective of China losing share in the global market for exports in the apparel sector on account of rising costs of production, ***the time is ripe for India to make forays into this market.*** It is estimated that ***apparel sector generates 56-84 jobs per USD 0.15 million investment as compared to industry average of 6 jobs generated per USD 0.15 million investment.*** Looking at the high employment generating potential of the apparel sector, the Union Government on 22nd June 2016 approved Rs.6,000 crore special package for textile & apparel sector to boost employment creation, exports and investment. Among other incentives, the subsidy under Amended Technology Upgradation Fund Scheme (ATUFS) was increased from 15% to 25% for the garment sector.

Investment opportunities in Man Made Fiber (MMF) based Textile Manufacturing in India

A large part of the MMF based fabric manufactured and processed in India is low value added and primarily supplied to the mass domestic market. However, there are many value added, performance based MMF fabrics, which are currently not being manufactured in India sufficiently and thus offer huge potential for future investments. The major opportunities for investment in MMF textiles can further be looked at in terms of the following broad areas: a) Import substitution; b) Growing segments in international trade and c) Domestic market opportunities.⁹ The latest data of the Ministry shows that exports of Man-made fibre (MMF) textiles was to the tune of US\$ 1487.73 million during the period April-June 2017-18 as compared to US\$ 1424.98 million of the same period the previous year registering a growth of 4.40 per cent. US was the top most market for exports of MMF textiles followed by Turkey and UAE ranked third.¹⁰

India is the ***second largest producer of Manmade Fibre and Filament in the world with 2,511 million kg production in 2015-16.*** India offers huge scope for manmade fibre and filament manufacturing as currently India's fibre consumption is cotton dominated contrary to the global trends. The ***reduced rate of GST for MMF yarn from 18 to 12 per cent*** would benefit the spinning and power loom sector.

The central government is planning to finalise and launch the ***new textile policy which aims to achieve US\$ 300 billion worth of textile exports by 2024-25 and create an additional 35 million jobs.***

⁸ Annual Report Ministry of Commerce and Industry 2016-17

⁹ Investment opportunities in Man Made Fiber (MMF) based Textile Manufacturing in India, Wazir Advisors

¹⁰ Info Synthetic and Rayon Textiles Export Promotion Council (SRTEPC), September, 2017



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**Current State
Assessment**

2. Current State Assessment- Karnataka's Thriving Textile Industrial Agglomeration

“Karnataka was the first State in the Country to launch State Textile Policy known as Nuthana Javali Neethi 2013-2018 policy with an objective to achieve Rs 10,000 Crore (USD 1.7 bn) of investment, 5 lakh employment, Rs 1,000 crore (USD 0.17 bn) revenue for the policy period”

Textile sector occupies a key position in the economy of Karnataka in terms of its contribution to industrial production, employment and exports. Textile manufacturing is moving towards the higher end value chain activities. ***Karnataka the Garment Capital of India*** accounts for 20 per cent of national garment production valued at US\$ 1.56 billion. Garments have been the key strength of the State and have been consistently contributing more than 70 per cent to the State's industry output.

The State contributes 65 per cent to silk, 12 per cent to wool and 6 per cent to cotton production of the country. During the year 2015-16, Karnataka's exports amounted to Rs 3,25,414 crore and accounted for 14.5 per cent of the country's exports. Also, the State's share of merchandise exports in the national exports constituted 7.4 per cent in 2015-16. Readymade garments share in State's exports accounted for 4.43 per cent during the year 2016-17. There has been an increase in production and generation of employment by the handloom sector in Karnataka. During 2016-17 (up to September 2016) 32.50 million meters of handloom textiles were produced providing employment to 0.90 lakh persons, while during 2015-16, 25.79 million meters of handloom textiles was produced in Karnataka providing employment to 0.71 lakh persons. Department of Handloom and Textile has funded 144 Skill Development Centers and 168 private training centers and has trained 1,65,200 personnel till date.

Out of 25,656 units that were registered in Karnataka during 2015-16, about 12.6 per cent (i.e. 3242 units) of the units were related to manufacturing of Wearing Apparel, Dressing and Dyeing of Fur and 9 per cent of the units were related to manufacturing of Textiles. In terms of employment, manufacturing of Wearing Apparel, Dressing and Dyeing of Fur generated 12 per cent of the total employment and manufacturing of Textiles generated 8 per cent of the total employment during 2016-17. Manufacturing of Wearing Apparel, Dressing and Dyeing of Fur registered an investment of 37.24 per cent during 2016-17. Keen to emerge as a leader of Technical Textiles (Builtech, Clothtech, Homotech, Meditech, etc.) with Mysore, Hassan and Bangalore being growth beds of Technical Textiles. The State has already attracted investments worth Rs 1480 crore in the segment.

Karnataka occupies the 1st position with regard to the ***number of units registered*** in 2015-16, ***under MSMEs***, Manufacturing of Wearing Apparel; dressing and Dyeing of Fur. The State also ***occupies the 2nd position by investment of MSME units*** registered in 2015-16; producer of textiles and garments.

Karnataka Heart of Modern India and Driving Growth through its State of the Art Industrial Hubs

Karnataka's competitive manufacturing and vibrant export sectors have garnered worldwide praise and for good reason. Policy interventions by Government of Karnataka have created thriving manufacturing clusters. With the implementation of two industrial corridor projects viz. the

Chennai Bengaluru Industrial Corridor and the Bengaluru Mumbai Economic Corridor across the length and breadth of the state, Karnataka is poised to enter a new era in manufacturing glory. The State has abundant raw material, skill base and supporting infrastructure drives textile industry in the state. The State has presence of integrated textiles and apparel clusters servicing industry units across the value chain. Nine handloom clusters in Bagalkote, Bangalore Rural, Bangalore Urban, Bijapur, Chitradurga, Chamrajnagar, Dharwad, and Gulbarga. Dedicated Apparel zones planned in Bengaluru Rural, Tumkur, Kolar, Mandya, Belgaum, Bidar and Dharwad along the Suvarna Karnataka Development Corridor. Textiles SEZ of 233.3 hectare is proposed to be developed by Karnataka Industrial Area Development Board (KIADB) at Hassan district. A **'Silk City'** with an investment of US\$10.4 million is proposed to be developed near Bengaluru.

Dodaballapura first Integrated Textile Park in Karnataka

48-acre integrated Textile Park with **85 units** focusing on weaving, sizing, and warping

700 power looms already established, the park is currently in Phase III of development

Expected to generate direct employment of **2,000** and indirect employment of **5,000**

Park is expected to attract investments of **US\$44millions**



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Key Objectives

3. Key Objectives

“Karnataka is driving domestic growth, nurturing traditional sectors, crafting careers and creating wealth through a potent mix of resource-based, skill-based, technology and knowledge-based products and services. Karnataka the Garment Capital of India is all set to achieve higher and sustainable growth in the entire textile value chain from fibre to finished products, with an emphasis on balanced regional development”

Karnataka has always had an enduring tradition of tapping the best across India and the World, to trace a steady growth curve across diverse sectors of the economy. Acknowledging the contribution of textile and garment sector in terms of industrial production, employment generation, particularly for women, and export earnings to the economy of Karnataka, the session would provide a platform to tap global potential for Karnataka’s Textile and Apparel sector. It would provide an opportunity to project Karnataka as an attractive investment destination for this sector and bring in investment to new areas such as Technical Textiles, Man Made Fiber Textile Manufacturing by promoting joint ventures with the manufacturers and bringing in best practices in the sector.

The session will broadly focus on the priority areas such as-Seeking Innovative Solutions in Karnataka’s Textile Industry; Sustainable Handloom Sector in Karnataka, Solutions to reduce Wastewater Pollution in the Textile Manufacturing sector- Opportunity for Water Less Textile Processing/ 3D printing and Adoption of Zero Liquid Discharge System, Development of Exclusive Vertical Garment Park, Potential for growth of Man Made Fiber (MMF) and Skill Infrastructure Industry Training in Textile and Textile Engineering.

The session would aim at deeply analysing the Karnataka textile industry in order to understand the market and avoid the risks and find opportunities. It is an opportunity for exchanges, communication and mutual assistance by deliberating on issues of strategic importance to the global industry. It’s forward looking agenda comprising interactive discussions is designed to allow participants to share their business experiences and receive new ideas to maintain their success in the textile manufacturing and supply chain. It would explore business responses to the international drive for sustainable manufacturing. It will seek to answer how Karnataka handlooms can create a sustainable economy in fashion industry through clean technologies and establishing and monitoring a sustainable supply chain.



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Topics Overview

4. Textiles & Apparel Topics Overview

With the vision to showcase Karnataka's growing textile and apparel industry, the session will be based around the theme ***“Karnataka: Destination for World Textile and Garment Industry”***. Under the aegis of 'Make in India', 'Make in Karnataka' campaign the session would provide a plethora of lucrative emerging business opportunities for partnerships in the Textile and Apparel industry. It would also bring together all stakeholders to discuss opportunities, collaborations and to prepare a joint action plan for bringing in investments in the sector. The session will attract professionals/entrepreneurs from Textile and Apparel industry who will learn new strategies right from supply chain management and sustainability to overall situation and development trends of the Indian Textile Industry.

Topic 1: Seeking Innovative Solutions in Karnataka's Textile Industry to tap into and preserve the State's heritage

The Textile Industry suffers from the use of low and outdated technologies especially in the powerloom sector, processing, etc. In general, spending on R&D, product development etc. by textile companies in India is quite low. As a result, India has had a nominal presence in high value added segments and innovation driven technical textile segment. Today, we are already in the era of Industry 4.0 where digital technology is transforming traditional manufacturing to give rise to connected cyber physical systems. Several core technologies are driving Industry 4.0 such as: big data and analytics, augmented reality, additive manufacturing, simulation, autonomous robots. These technologies are getting used together and transforming the conventional manufacturing value chain. Overall these technologies have transformed value chains into more flexible (through programmable machines and robots), more efficient (through higher automations and shorter set times), higher quality (through real time monitoring using sensors and actuators) and quicker to market (using data and simulation based modelling systems).

The session would deliberate on changing the landscape of textile manufacturing in Karnataka through adoption of Industry 4.0 technologies and also focus on avenues where Government and industry both can join hands to promote the sector and to specifically drive technology adoption.

Topic 2: How can Karnataka Handlooms create a Sustainable Economy in Fashion Industry?

Globalization and technological advancements have made a dramatic change in production and consumption patterns of the world's fashion. Textile and fashion industry has witnessed the social and environmental implications associated with fast production cycles, overuse of resources, waste generation, environmental pollution and unethical labour conditions. The urgency and expanse of the sustainability issues facing the apparel, footwear and home textiles industry requires collective attention on a national scale.

Karnataka's Handloom sector could be a powerful sector for promoting ethical trade and sustainable communities in the State where the industry is engaged in an environmentally conscious production and ethical trade. The session would focus on showcasing Karnataka's handloom sector as an important fashion craft industry in the context of sustainable and ethical fashion movements. It would deliberate on making Karnataka's Handloom sector not only an export-oriented fashion manufacturing but also a home of environmentally and ethically responsible manufacturing base. The session would also explore how environmental and ethical awareness can make a textile manufacturer more attractive as a potential supplier

to major brands and retailers – many of which are making the sustainability of contracted manufacturing operations a key factor in their sourcing policies.

Topic 3: Solutions to reduce Wastewater Pollution in the Textile Manufacturing sector- Opportunity for Water Less Textile Processing/ 3D printing and Adoption of Zero Liquid Discharge System

Textile and apparel industry uses tremendous amount of materials and energy resources and produces a massive quantity of waste, leaving a huge negative environmental impact. Therefore, achieving zero material waste is one of the greatest challenges of the apparel manufacturing industry. Textile industries in India are highly water polluting and major environmental issues in textile industry result from wet processing. In view of the indiscriminate use of the water, its insufficiency, its conservation and the issues related to the waste water disposal and the pollution of the natural streams/rivers, a Zero Liquid Discharge (ZLD) system involves a range of advanced waste water treatment technologies to recycle, recovery and reuse of the treated waste water and thereby ensure there is no discharge of waste water to the environment. Internationally ZLD is gaining prominence—China, Bangladesh, USA, Germany etc. Installing ZLD technology encourages monitoring of water usage, avoids wastage and promotes recycling.

The session would focus on making Karnataka's textile industries achieve Zero Liquid Discharge (ZLD) through advance ZLD technologies. A zero-waste strategy aiming at designing products and processes to avoid waste, i.e. eliminations of all discharges to land, and conservation of resources. It would discuss the concept of zero waste in fashion design while addressing the inefficiency in fabric use and would provide opportunities to explore new forms of creation. The session would deliberate on implementation of sustainability in textile wet processing - challenges and solutions and how the textile industry can effectively move towards the zero discharge of hazardous chemical through clean manufacturing.

Topic 4: Development of Exclusive Vertical Garment Park in Karnataka

A Vertical Garment Park provides infrastructure to support large scale knitting, garment manufacture, finishing, printing and embellishments in the area to create a vertically integrated apparel value chain.

The session would deliberate on assessing Karnataka's landscape for establishing a Vertical Garment Park with a composite facility for garment/apparel manufacturing units catering to both domestic & export markets. The session would highlight the benefits of establishing such a park in promoting the growth of garment, hosiery, and apparel industry in the State through engaging in activities such as fabric manufacturing, apparel production, accessories, finishing, warehousing and logistics.

Topic 5: Potential for growth of Man Made Fiber (MMF) in Karnataka

With the growing textile and apparel market of India and improving export competitiveness, opportunities for MMF based textile products are expected to lead the demand in future. The textile industry of India covers all the segments of MMF based textile value chain i.e., from fiber / filament manufacturing to cut & sew operation of final products. India is the second largest producer of Manmade Fibre and Filament in the world with 2,511 million kg production in 2015-16. Synthetic textiles made from MMF account for 70% of world textile supply and the rest is cotton. The biggest opportunity lies within fabric manufacturing and processing of MMF based textiles. With China's textile exports declining, India offers huge scope for manmade fibre and

filament manufacturing as currently India's fibre consumption is cotton dominated contrary to the global trends.

With the whole world shifting towards MMF and India, too, having tremendous potential of growth in this segment, the session would deliberate on showcasing the market potential for MMF in the world textile supply and future of MMF and synthetic textile in Karnataka.

Topic 6: Future Ready Skill Infrastructure Industry Training in Textile and Textile Engineering

The Karnataka model of Skill Development would be replicated by 4 states (Rajasthan, Uttar Pradesh, West Bengal and Andhra Pradesh for skill development training of youth). In line with this, the session would deliberate on the skilling requirements in high value chain in textile sector and developing the skill landscape in Karnataka with a focus on skill development in textiles- up-skilling / re-skilling; technology enabled skilling and developing the skilling Infrastructure- Textile Skills University; Skill Parks; Skill Development Centres. The session would also discuss on how the government can leverage on existing skilling efforts from industries or through partners to train youth with or without financial support to provide skills that will be aligned to the industry's demands.