



Annual Report

2019 Edition

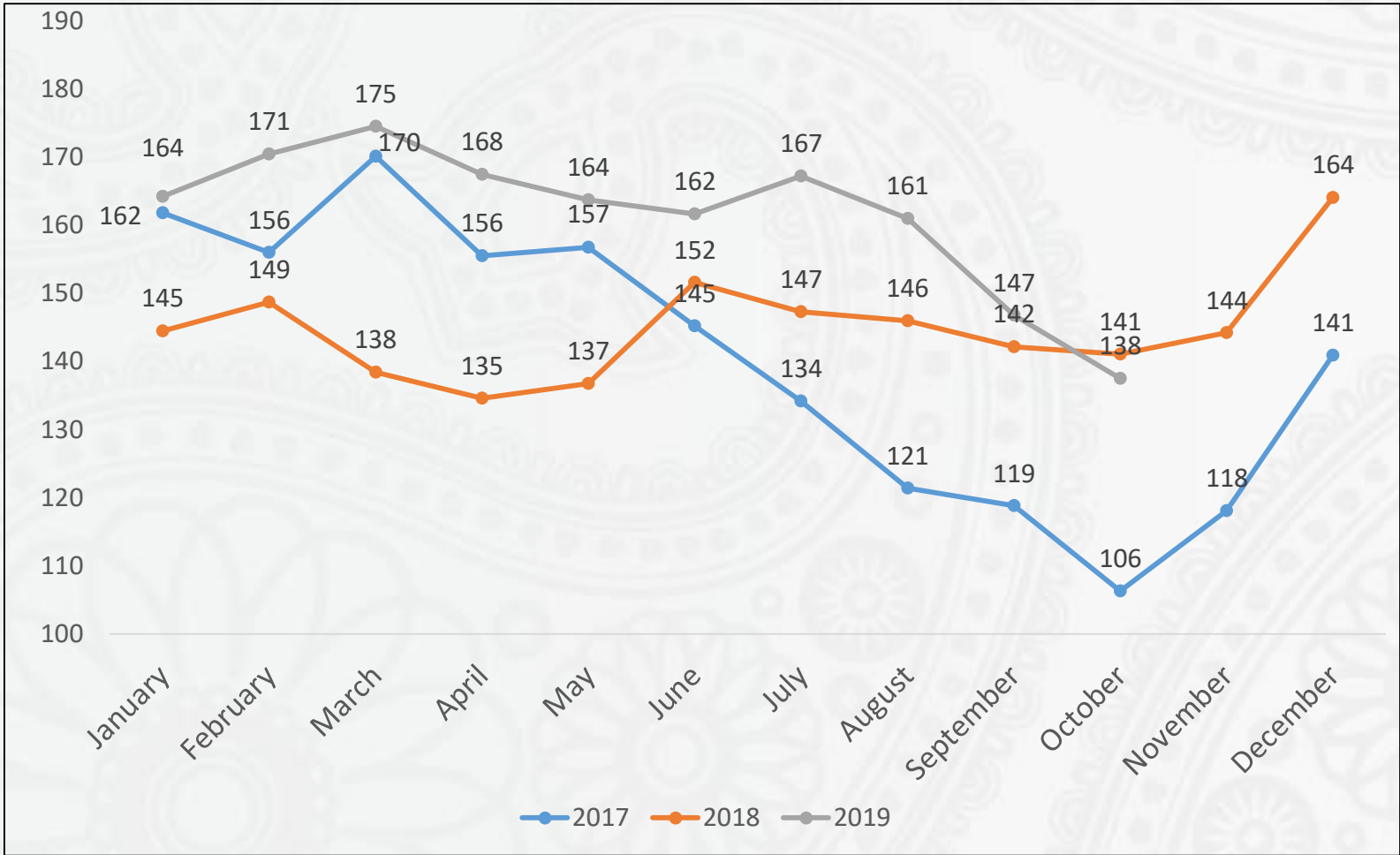


- Executive Summary
- Apparel Index of Industrial Production (IIP) Update
- Apparel Consumer Price Index (CPI) Update
- Apparel Trade Analysis
- Financial Health of Select Brands, Retailers and Manufacturers
- Apparel Industry Highlights

- In 2019, the apparel IIP showed an upward trend for the first three months, after which it declined significantly to a value of 138 in October. Although, the IIP recovered a bit in July, it continued to decline for the remaining months.
- The apparel CPI has remained fairly constant in 2019 at an average value of 149.
- The apparel exports in FY 19 stood at US\$ 16,156 million, showing a decrease of 3% from that in FY 18. In FY 20 (Apr-Nov), the apparel exports showed a minute increase of 1% as compared to that in FY 19 (Apr-Nov). The apparel exports to the largest market USA increased by 6%, while those to Saudi Arab and Nigeria increased by 47% and 68%, respectively. However, the apparel exports to other major markets declined.
- The apparel imports in FY 19 stood at US\$ 1,106 million, showing a significant increase of 43% from that in FY 18. In FY 20 (Apr-Nov), the apparel imports showed an increase of 8% as compared to that in FY 19 (Apr-Nov). Apparel imports from Bangladesh, the largest apparel exporter to India, has increased by 13% in Apr-Nov 2019 as compared to that in Apr-Nov 2018. India's imports from China have also increased by 11%.
- Analysis of financial filings of select apparel manufacturers and fashion brands & retailers for Q2 FY 2020 over Q2 FY 2019 highlights the following:
 - Most of the companies have shown an increase in their operating revenue
 - The fashion brands & retailers have shown an improvement in their Operating Profit Margin (OPM) with V2 Retail's OPM showing a significant improvement from -18.1% in Q2 FY 2019 to 2.5% in Q2 FY 2020.
 - Majority of the apparel manufacturers have shown a decline in their OPM. However, Celebrity Fashion has shown a significant improvement in its OPM from 4.5% in Q2 FY 2019 to 32.4% in Q2 FY 2020.

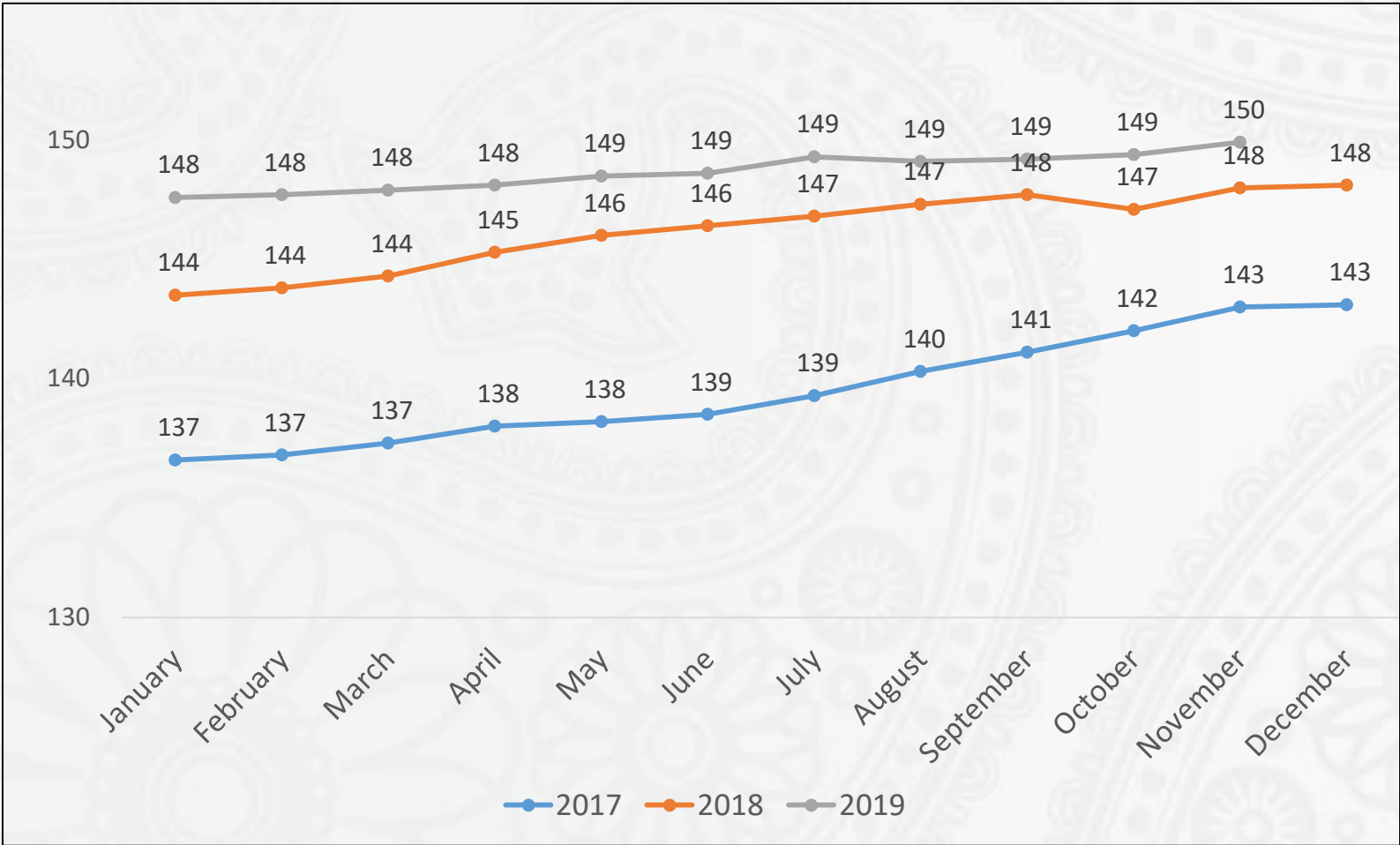
- Key Policy Decisions:
 - Corporate taxes for new manufacturing companies reduced from 25% to 15%
 - Government approved the scheme for Rebate of State and Central Taxes and Levies (RoSCL) for apparel and made-ups
 - India eases FDI norms for Single Brand Retail
 - USA withdraws India's GSP status
 - Karnataka, Haryana and Tamil Nadu launched their policies for the textile & apparel sector
- Key Global Events:
 - China's share in USA's apparel imports reduces significantly amidst the US-China trade war
 - With Vietnam's proposed FTA with EU, its share in EU's apparel imports is increasing
 - Bangladesh raised minimum wages for garment operators from US\$ 75 to US\$ 105
 - USA ends trade benefits under AGOA for Cameroon, Niger, Gambia and the Central African Republic

Apparel Index of Industrial Production (IIP) Update



- In 2019, the apparel IIP showed an upward trend for the first three months, after which it declined significantly to a value of 138 in October.
- Although, the IIP recovered a bit in July, it continued to decline for the remaining months.

Apparel Consumer Price Index (CPI) Update



- The apparel CPI has remained fairly constant in 2019 at an average value of 149.
- As compared to 2018, the CPI has not shown any significant inflation.

Apparel Trade Analysis

Apparel Exports Update

US\$ Million	FY 18	FY 19	YoY Change	FY 20	YoY Change	MoM Change
April	1,750	1,352	-23%	1,409	4%	-18%
May	1,607	1,339	-17%	1,530	14%	9%
June	1,550	1,359	-12%	1,233	-9%	-19%
July	1,276	1,275	0%	1,366	7%	11%
August	1,338	1,293	-3%	1,262	-2%	-8%
September	1,663	1,105	-34%	1,081	-2%	-14%
October	830	1,132	36%	1,109	-2%	3%
November	1,037	1,131	9%	1,059	-6%	-5%
December	1,337	1,377	3%			
January	1,397	1,528	9%			
February	1,442	1,546	7%			
March	1,493	1,718	-88%			
Total	16,721	16,156	-3%	10,048	1%	

- The apparel exports in FY 19 stood at US\$ 16,156 million, showing a **decrease of 3%** from that in FY 18.
- In FY 20 (Apr-Nov), the apparel exports showed a minute **increase of 1%** as compared to that in FY 19 (Apr-Nov).

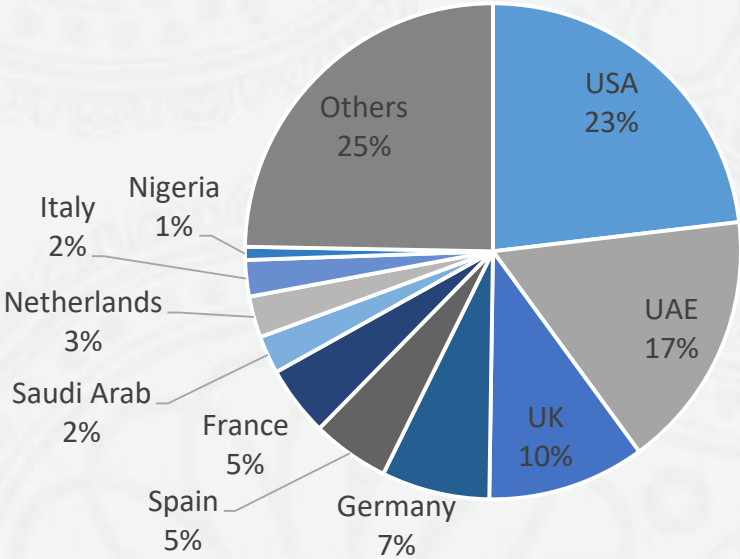
Country wise Apparel Exports Update

In US\$ Million	FY 18	FY 19	FY 20 (Apr-Nov)	FY 19 (Apr-Nov)	Change	% Growth
USA	3,865	4,166	2,719	2,565	154	6%
UAE	2,817	1,991	1,102	1,253	-151	-12%
UK	1,718	1,606	999	1,009	-10	-1%
Germany	1,179	1,144	590	710	-120	-17%
Spain	845	776	471	483	-12	-2%
France	764	738	416	447	-31	-7%
Saudi Arab	413	409	345	234	111	47%
Netherlands	450	472	268	289	-21	-7%
Italy	396	416	207	239	-32	-13%
Nigeria	143	220	193	115	78	68%
Others	4,131	4,218	2,738	2,643	95	4%
Total	16,721	16,156	10,048	9,987	61	1%

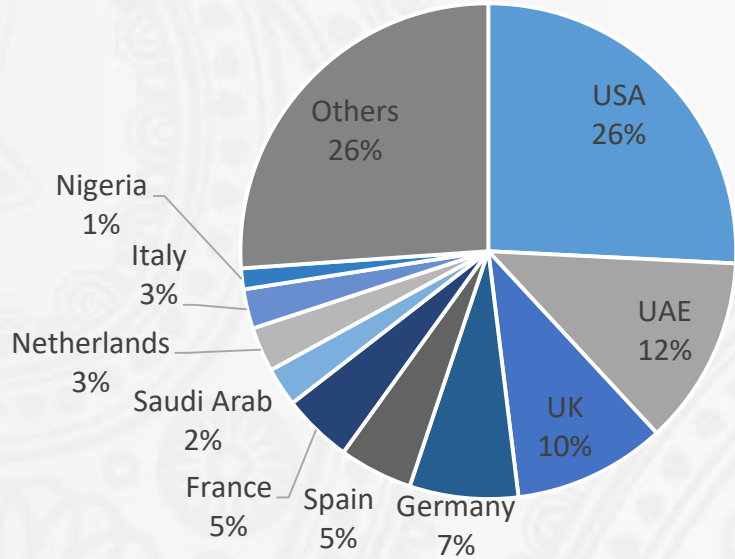
- The apparel exports to the largest market USA **increased by 6%** in Apr-Nov FY 20 as compared to that in Apr-Nov FY 19.
- The apparel exports to Saudi Arab and Nigeria also increased by 47% and 68%, respectively during the same period.
- However, the apparel exports to other major markets **declined**, specially to Germany.

Major Export Markets

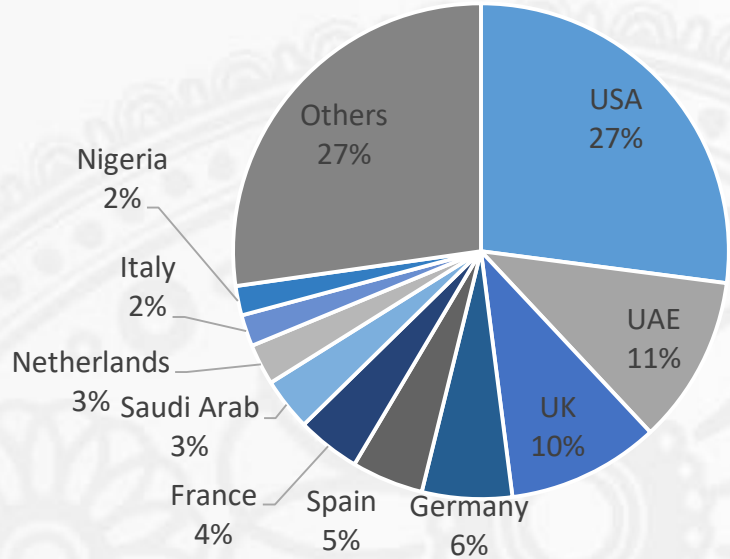
FY 18



FY 19



FY 20 (Apr-Nov)



- The share of India’s largest export market, USA, has increased by 3% in FY 19 as compared to that in FY 18. This share has further increased to 27% in FY 20 (Apr-Nov).
- On the contrary, the share of UAE has reduced by 5% in FY19.

Apparel Imports Update

US\$ Million	FY 18	FY 19	YoY Change	FY 20	YoY Change	MoM Change
April	44	56	27%	68	21%	-22%
May	45	67	49%	85	27%	25%
June	50	73	46%	78	7%	-9%
July	56	101	80%	109	8%	40%
August	79	131	66%	127	-3%	16%
September	73	113	55%	117	4%	-7%
October	64	110	72%	112	2%	-4%
November	62	94	52%	104	11%	-7%
December	73	86	18%			
January	72	101	40%			
February	74	87	18%			
March	818	87	-89%			
Total	773	1,106	43%	802	8%	

- The apparel imports in FY 19 stood at US\$ 1,106 million, showing a significant **increase of 43%** from that in FY 18.
- In FY 20 (Apr-Nov), the apparel imports showed an **increase of 8%** as compared to that in FY 19 (Apr-Nov).

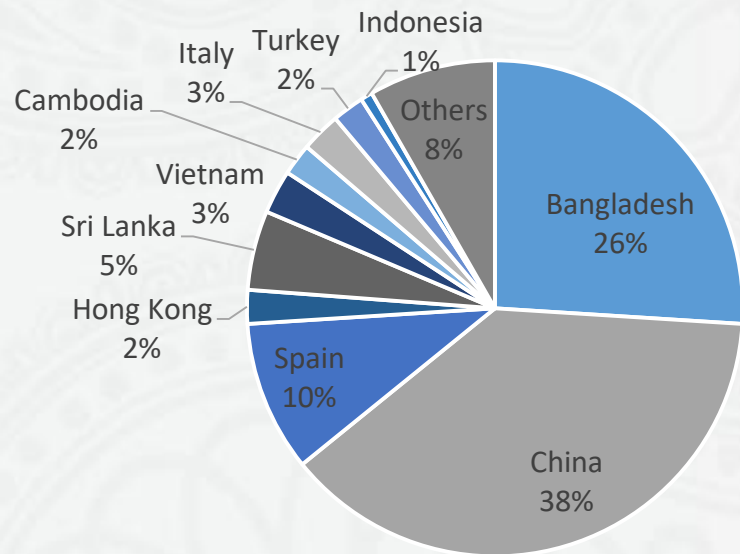
Country wise Apparel Imports Update

In US\$ Million	FY 18	FY 19	FY 20 (Apr-Nov)	FY 19 (Apr-Nov)	Change	% Growth
Bangladesh	201	365	271	240	31	13%
China	295	302	245	220	25	11%
Spain	76	100	63	65	-2	-3%
Hong Kong	17	49	49	31	18	58%
Sri Lanka	40	85	34	55	-21	-38%
Vietnam	22	30	27	19	8	42%
Cambodia	16	21	12	14	-2	-14%
Italy	20	21	12	12	0	0%
Turkey	16	19	10	11	-1	-9%
Indonesia	6	10	9	7	2	29%
Others	64	104	70	71	-1	-1%
Total	773	1,106	802	745	57	8%

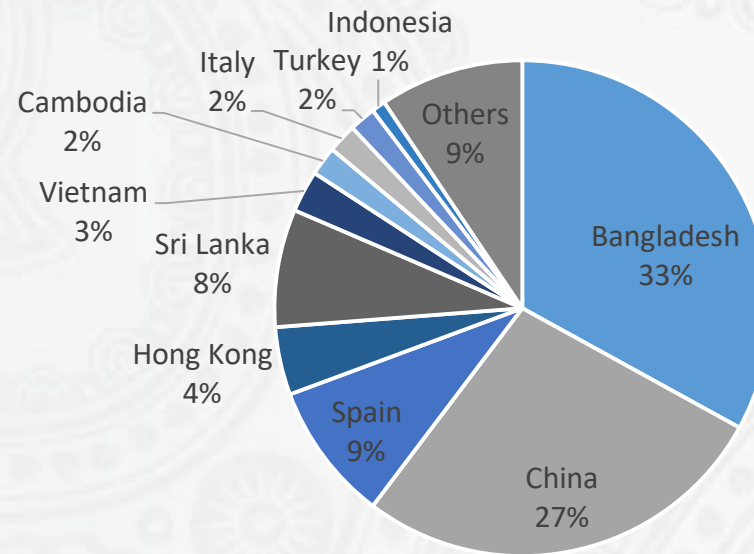
- Apparel imports from Bangladesh, the largest apparel exporter to India, has **increased by 13%** in Apr-Nov FY 20 as compared to that in Apr-Nov FY 19.
- India has also reported an **increase of 11%** in its apparel imports from China.
- India's apparel imports from Sri Lanka has shown a significant **decline of 38%**.

Major Supplying Nations

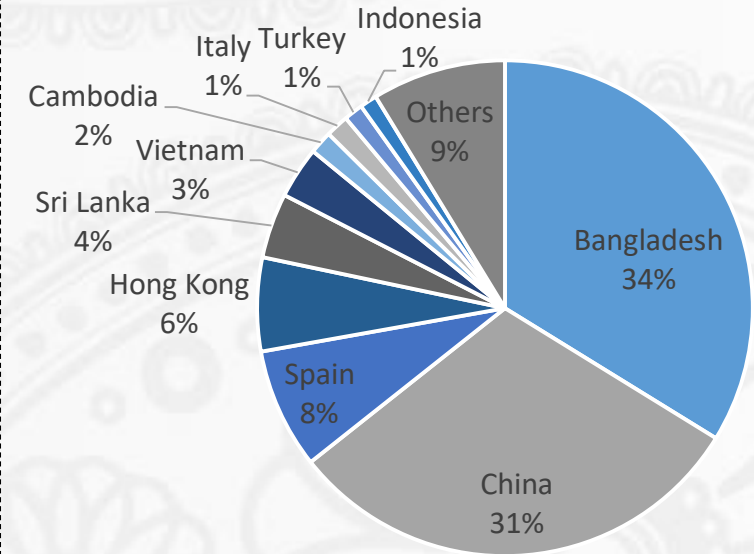
FY 18



FY 19



FY 20 (Apr-Nov)



- In FY 19, Bangladesh surpassed China to become the largest supplier of apparel to India with a share of 33% in India's apparel imports. This share has increased to 34% in FY 20 (Apr-Nov).
- China's share in India's imports has reduced from 38% in FY 18 to 27% in FY 19.
- The share of Hong Kong is increasing, while that of Spain and Turkey are decreasing continuously.

Financial Health of Select Brands, Retailers and Manufacturers

	Company	Revenue from Operations (Rs. Crores)					Operating Profit Margin				
		FY 2018	FY 2019	Q2 FY 2019	Q1 FY 2020	Q2 FY 2020	FY 2018	FY 2019	Q2 FY 2019	Q1 FY 2020	Q2 FY 2020
Fashion & Lifestyle Brands and Retailers	Aditya Birla Fashion & Lifestyle	7,181	8,118	2,007	2,065	2,297	4.6%	5.3%	5.6%	11.5%	11.2%
	Future Lifestyle Fashions	4,219	5,377	1,222	1,496	1,458	7.2%	7.4%	6.9%	12.9%	12.1%
	Shoppers Stop	3,591	3,481	864	832	845	3.9%	7.4%	6.2%	11.1%	12.8%
	Trent	2,066	2,532	616	767	818	10.3%	9.3%	9.9%	18.3%	14.2%
	V-Mart Retail	1,222	1,434	262	453	314	11.1%	8.9%	-1.1%	10.6%	-0.2%
	V2 Retail	559	748	156	202	151	9.7%	3.9%	-18.1%	10.1%	2.5%
Apparel Manufacturers	Page Industries	2,552	2,852	691	835	775	21.4%	22.3%	21.6%	22.0%	18.9%
	Gokaldas Export	1,026	1,173	294	341	362	-1.2%	3.8%	1.8%	14.1%	4.6%
	Pearl Global	711	840	215	191	229	2.8%	5.3%	2.2%	5.5%	2.7%
	SP Apparels	628	778	177	205	233	14.6%	16.4%	14.3%	8.2%	12.7%
	Kitex Garments	557	607	168	146	196	23.5%	26.0%	28.7%	20.6%	25.6%
	Kamadgiri Fashion Limited	332	319	83	69	87	4.5%	3.7%	3.8%	1.8%	2.3%
	Celebrity Fashion	204	231	58	52	61	3.0%	3.9%	4.5%	2.9%	32.4%
	Bang Overseas	169	154	48	22	25	3.5%	2.7%	6.6%	38.2%	-0.4%

Apparel Industry Highlights

- **Cut in Corporate Tax Rates**

- For new manufacturing companies that start production before March 2023, corporate tax has been brought down to **15%** from **25%**.
- Effective tax rate for these companies shall be **17%**.

- **Union Budget Highlights 2019-20**

- Reduced corporate tax of 25% extended to businesses with a turnover up to Rs. 400 crores
- 12% higher allocation for TUF Scheme with a budget allocation of Rs. 700 crores
- 2% interest subvention for GST registered MSME (Budget allocated: Rs. 350 crores)
- Infusion of Rs. 70,000 crores in public sector banks for easier financing
- Allocation of Rs. 100 lakh crores towards building critical logistics and transport infrastructure
- 118% higher allocation for cotton procurement by CCI with an allocated budget of Rs. 2,018 crores

- **RoSCL (Rebate of State and Central Taxes and Levies)**
 - The government approved the scheme for Rebate of State and Central Taxes and Levies for apparel and made-ups with an aim to make their exports zero-rated.
 - The Central Government shall provide for rebate of State and Central Taxes and Levies in addition to the Duty Drawback Scheme, through the Scheme for RoSCTL on apparel and made-ups exports at notified rates and value caps.
- **India Eases FDI Norms for Single Brand Retail**
 - Potential benefits of this initiative include:
 - Attract global investment in the country
 - Increase exports from India as exporting will be considered as a part of sourcing
 - Boost E-Commerce as operations can commence two years prior to opening physical stores
- **USA withdraws India's Generalized System of Preferences (GSP) status**
 - India enjoyed GSP status across 15 HSN categories of apparel.
 - India exports under only 2 categories (61171040 and 62141010), with a export value of US\$ 0.5 million in 2018.
 - The import duty under these 2 HSN codes is only 1.5% and 1.2%, respectively.
 - Hence, the removal of the GSP status will not have any significant impact.

- **Karnataka**

- The policy offers the incentives up to a range of 40-55% of Fixed Capital Investment in which capital subsidy is the major component (15-30%)
- Special incentive packages for establishing Mega textile & apparel units (investment of >Rs. 200 crore, minimum employment of 3,000 for first Rs. 200 crores and additional 1,000 per additional Rs. 100 crores)
- However, the policy excludes the rural and urban Bangalore districts from most of the incentives.

- **Haryana**

- The policy offers the following key incentives for garmenting units located in the textile parks:
 - Capital subsidy in the range of 10-50% of the project cost
 - Interest subsidy in the range of 3-8% for a period of 7 years
 - Employment generation subsidy of up to Rs. 36,000 per worker for a period of 7 years

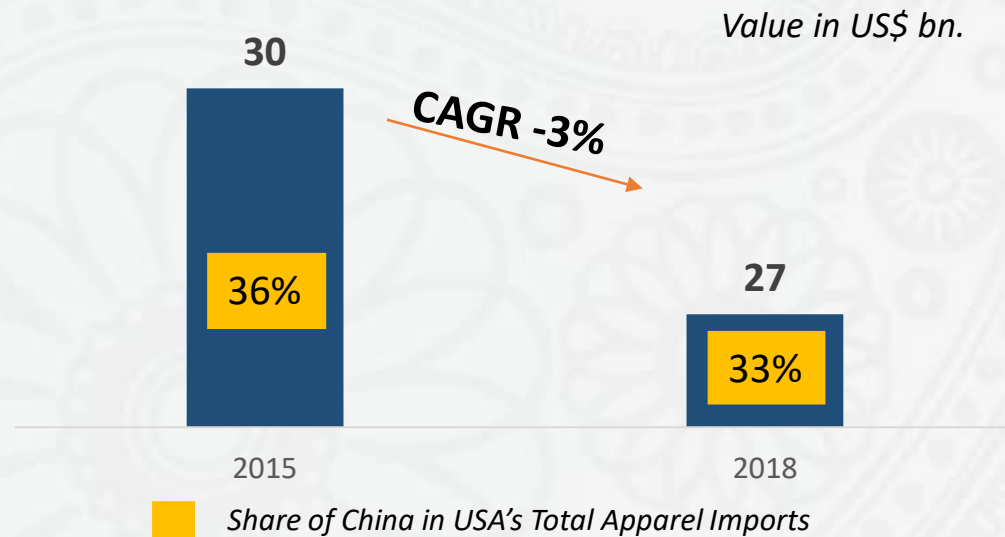
- **Tamil Nadu**

- The policy offers the following key incentives for garmenting units:
 - 40% of project cost with a cap of Rs. 40 crores for setting up textile park
 - 25% subsidy for machinery purchased for setting up training centres up to Rs. 20 lakh per centre.

• US-China Trade War

- USA had planned to put additional tariffs on more than US\$ 250 bn worth of Chinese goods, with a warning of further tariff increase on goods worth US\$ 325 bn.
- China's Share in USA's imports of textile & apparel has stumbled down by 3% since 2015

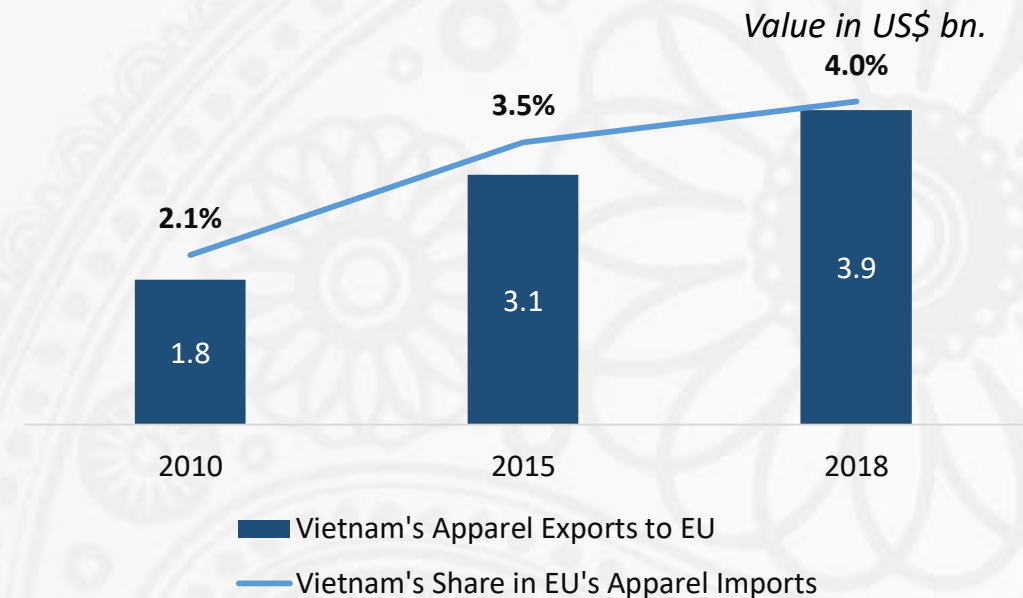
China's Apparel Exports to USA



• EU Vietnam FTA to be ratified soon

- With Vietnam's proposed FTA with EU, its share in EU's apparel imports is increasing and has also led to an influx of investment in the country

Vietnam's Apparel Exports to EU



- **Bangladesh raised minimum wages for garment workers**

- Operator's wages witnessed a 44% increase from 6,420 taka (US\$ 75) to 9,245 taka (US\$ 105)
- Helper's wages witnessed a 50% increase from 5,300 taka (US\$ 63) to 8,000 taka (US\$ 95)

- **USA ends trade benefits for four African Nations**

- **Cameroon, Niger, Gambia and the Central African Republic** lost their preferred trade status under the United States African Growth and Opportunity Act (AGOA) that allowed them to export apparel products to USA on a duty-free basis.
- Cameroon lost its status because of its human rights record, while the other three nations have not established effective visa systems and related customs procedures meeting the requirements of the AGOA legislation.



Thank you!