

INDIAN DENIM INDUSTRY FACING PROBLEMS

DR. B. BASU

Textile Industry Consultant

Denim fabric manufacturing was considered a sunrise industry in the entire textile value chain of India. Over the last decade, it was registering a 15% CAGR. (Compound Annual Growth Rate – CAGR) (1). The compound annual growth rate (CAGR) is the rate of return that would be required for an investment to grow from its beginning balance to its ending balance assuming the profits were reinvested at the end of each year of the investment's lifespan.

The industry has an annual installed capacity of 1.5 billion meters, which is the world's second largest, after China. Its sales turnover is estimated at Rs. 15,000 crores. The industry gives direct employment to four lakh workers, besides indirect employment. At present the total number of denim fabric mills operating in the country has reached 46 against 30 mills in 2012, representing an increase of 50%. The installed denim fabric production capacity has also increased from 800 million meters in 2012 to 1,500 million meters with still a capacity of 150 million meters in the pipeline for expansion.(2)

The current domestic consumption of Indian denim fabric is 750-800 million meters, growing at an annual rate of 12%. Also, denim fabric exports are estimated at 200 million meters. As per the Ministry of Commerce, denim exports for 2016-17 were moved at \$316 million, registering a total of 11% fall in comparison to 2014-15 which it was \$355 million. [2] "Post-GST, the denim industry has temporarily closed down 30-40% capacity across the board and at present is operating at 60-70% capacity due to slowdown in demand and



over-capacity in the industry. If the present trend continues there can be more production cuts," the DMA Chairman, Sharad Jaipuria, said.

"Besides over capacity, the industry has also been paralyzed due to the reasons that denim needs to be cut, sewn and washed before it can be marketed. These upstream activities are majorly done in the unorganized sectors located at the SSI hubs of Gandhi Nagar and Tank Road in Delhi, Ulhasnagar in Mumbai and Bellary near Bangalore. These hubs mainly slowed down due to the liquidity crunch in the economy post demonetization and the slow acceptance of GST by small players to become part of the formal economy. As almost 85% of the fabric is sold in the domestic market, denim mills are badly hit", stated by Akhilesh Rathi, Director, Bhaskar Denim.

According to Amit Dalmia of R & B Denims: "Since the upstream activities of garment sewing & washing in SSI hubs will take a while before they change for working smoothly with the formal banking system, we are not foreseeing any short-term recovery of the market. This has led to shutdown / slowdown of many denim mills and loss

of jobs in this industry."

"With oversupply in the denim industry as well as low demand and liquidity crunch in the domestic market, the negative impact has started becoming visible in the sales and profit volume of top denim mills in India in Q2 FY17-18 and the adverse impact would continue in Q3 as well", said Arpit Jain, Vice President (Research), Arihant Capital & Brokerage.

Atul Singh, Director, Ashima, stated that, considering the current problems of the denim industry, the Government has announced immediate enhancement in the duty drawback rates and also extending some more benefits under the ROSL scheme (Rebate of State levies) and MEIS scheme (Merchandise Export from India Scheme, Govt incentives for export of Goods -2 to 5%) the focus product and focus market scheme so that denim mills can tap the potential of export markets".(3)

Denim Market in India

Market Size and Growth Denim is of the most promising category in India's apparel market. In 2013 the denim market of India was worth INR 13,500 Cr. which accounts for 5% of the total apparel market of the country. The market is projected to grow at a Compound Annual Growth Rate (CAGR) of 15% to become an INR 27,200 Cr. market in 2018. (Source: Technopak Analysis) The denim market in India is skewed towards men's segments with 85% contribution coming from it. Women's denim segment contributes 9% to the market and the kids segment the rest 6%. The women's and kid's denim segments are expected to witness high-

er growth rates due to their lower base and increasing focus of brands.

Denim Market Size and Growth

The market size of Indian Denim Wear was estimated to be Rs 20,205 crore in 2016. The market is now projected to grow at a CAGR of 14.5 per cent and reach Rs 39,651 crore by 2021, and Rs 77,999 crore market by 2026. (4)

(i) Until a few years ago, denim was popular with men in the urban cities only, however, it has now gradually become popular in the semi-urban and rural markets also. Growing awareness and an increasing affinity for global fashion have led to this development. Denim is considered the most versatile fabric for men with multiple applications over casual wear, work wear and everyday wear.

(ii) Among Indian women, jeans or denim trousers are the most popular articles. Women across different age brackets and spanning all shapes and sizes like to wear denim as it is comfortable, functional and durable. Denim is also gaining popularity in athleisure form among women owing to the comfort provided by stretch denims. Women who are not at ease with western wear have taken up wearing jeans by pairing them with Indian ethnic wear like kurtis. This mix and match style is gradually picking up, particularly among women in small towns and those who come from a traditional background and is likely to further fuel the growth of the segment.

(iii) Kids' Denim Segment: This is the smallest segment in the domestic market but is expected to grow at a high rate primarily due to the availability of the products led by the innovations in the industry for natural, hygienic and flexible fabrics.

Comparison with Denim Consumption of Some Other Countries

In general, the western fashion has accelerated the trend of casualization across the globe. This trend has boosted the consumption of casual fashion apparel like denims, dress shirts, tees, casual shirts among both men and women consumers in all the developing countries including India. The average number of denim items owned by Indi-

an consumer is much lower in comparison to consuming market of the United States, Europe etc. The number is even lower than countries like Brazil and China. This difference in the number demonstrates the huge potential that exists for denim in the domestic market.(5)

City-wise Distribution of Denim Market

The value share of denim market is skewed in favour of mega metros and metros which account for almost half of the total denim market at a share of 49%. Though the markets of other urban areas and rural India contribute high in volume terms, their combined share in market value is only 51%. As the penetration of denim category and the awareness of denim quality increases in those cities and rural India, their share in market value will start increasing with a greater number of consumers willing to pay premium for the quality, design and fit.

Presence of Brands

In India unbranded denim products dominate the market with around 60% share of the market. The share of brands in denim market stands at 40%. Most of the unbranded players operate on the lower price segment of the market where awareness of quality of fabric, finishing and washes, design and fit are relatively low. (5) The emergence of semi-urban clusters, areas having a smaller number of farming communities, across the country has opened a plethora of opportunities for regional brands and retailers. A typical denim consumer of the semi-urban cluster demonstrates a blend of the characteristics of urban and rural consumers; like an urban consumer she/he shows awareness of brand and product quality and like a rural consumer pricing and affordability plays a crucial role in her/his purchase decision. The regional brands have focusing to cater to these typical requirements of the semi-urban consumers. However, presence of lots of unbranded players in such markets it a market of intense competition to many national level brands.

Driving Factors for Denim Market

Some of the key driving factors for the

denim market in India are:

- An aspiration youth ((15 to 29 year olds) with higher spending power than previous generations, which make 26% of the consuming population
- A wide range of consumer segment that consider denim as an apparel of choice owing to its comfort and style \
- Favoured preference for denim amongst youth owing to its versatile association
- Increasing usage of denim products by women and youth in smaller cities and rural India (6)

Denim Value Chain in India

India is the second largest producer of cotton yarn. The denim fabric production capacity of India is more than 1000 million meters per year, and India is still witnessing entrance of more denim fabric manufacturers in the industry. Denim fabric production in India is concentrated in the western and northern parts of the country with more than 45% contribution coming from Gujarat alone where Ahmedabad is the production hub. Denim apparel production in India remains a fragmented industry where only 20-30% of denim apparel is manufactured in the organised units. The denim apparel production activities are concentrated in Delhi/NCR, Mumbai, Bangalore and Ahmedabad.

Select Trends in Denim Market

In India most of the denim manufacturers focus on the domestic markets as the value realisation remains higher in domestic market than in export markets In the recent times the industry has witnessed entrance of new fabric manufacturers which is expected to make the market for denim fabric more price competitive in the coming years. Cotton remains the fibre of choice in denim apparel. In blended denim fabrics polyester is being used as weft threads. The demand for stretch denim is growing at a faster rate in India market due to its comfort and fit characteristics. The colour of denim jeans is no longer limited to traditional blue colours. Indian youth has started accepting denim in different colours including green, red, yellow etc.(7)

Issues and Challenges for Denim Market

- India at present lacks behind in its ability of the denim product development and innovation.
- There is a need to develop a larger portfolio of denim garments and accessories, including shorts, shirts, bags, dresses, accessories among others.
- At present the market is skewed towards denim jeans.
- The weight (gsm) range of available denim fabric could be broadened to widen denim application. Most of the Branded Companies manufacture the high class of denims only.
- Emphasis is also to be given on low price segment jeans for the rural and semi urban Population
- There is a lot of scope of improvement in right processing and value addition in denim through fashion-led processes and finishes.
- Establishment of high-quality processing and washing units could help to improve the quality of finishes and colours, this attracting more consumers to try denim.
- The increasing awareness of sustainable fashion provides additional opportunity to promote denim as a product of natural cotton fibre which is perceived as eco-friendlier than synthetics.

These are the major Denim Producers with Brand. There are in total 46 Mills in India (Page 1) and the production has gone much higher as against consumption of 750-800 millinium meter per annum. Besides, there are much more decentralised sectors. The major denim fabric manufacturers in India are Arvind Mills (market leader with 14% share in 2014), Aarvee Industries (9% share) and Nandan Denim (8% share). Some of them have slowed down their production rate.

Why the Organised Sectors of the denim Manufacturers are suffering?

- It is found to be over produced by the Organised sectors than that of the Consumption.
- More and more manufacturers are coming with varieties and qualities with less Raw material and Production cost to survive in the market.
- More cheap and durable Jeans are being produced by the Un organised sectors. (Sasta & Tikau)
- Bangladesh in a big competitor in the Export Market because of it's cheaper varieties. China is much ahead with fashion and varieties.
- The Organised Sectors are suffering due to more overhead cost, Larger Campus and it's maintenance, more Power Tariff, to face the Govt Duties etc.
- The Organised Sectors are mostly manufacturing the high standard products of upper segment.

The Suggestions and probable solutions:

- There should be Denim of lower segments also. Say 10-12 OZ with separate Brand name. The present brand name is known to a costlier Variety among the common people.
- The coarser yarn can be manufactured from O.E. Spinning rather than ring yarn. The more utilisation should be from OE yYarn in case of lower segment. The upper segment cloths can be manufactured with the permutation and combination of rotor yarn and ring yarn to reduce the manufacturing cost.
- The steps are the taken for more cost control, capacity utilisation, waste control and reduced electricity consumption. To see the possibilities of availing the subsidised electricity.
- Skill development scheme can be started for all the categories of the staff.

Directory of Denim in India (Branded) (9)

Sr.No	Name of the Organisation	Prodn in millennium mtrs per yr
1	Aarvee Denims and Exports Ltd.	85
2	AHT Denim International	NA
3	Arvind Limited	110
4	Ashima Group - Unit Denim	10
5	Bhaskar Industries Limited	42
6	Blue Blends (India) Ltd.	18
7	Century Textile and Industries Ltd.	20
8	Etco Denim Pvt. Ltd.	50
9	Ginni International Ltd.	18
10	Jatin Cotton Mills Pvt. Ltd.	NA
11	Jindal Worldwide Limited	20
12	Kanchan India Limited	20
13	KG Denim Limited	19
14	KG Fabriks Limited	12
15	LNJ Denim	18
16	Mafatlal Industries Limited	30
17	Mahak Synthetic Mills Pvt. Ltd.	NA
18	Malwa Industries Limited	20
19	Modern Denim Limited	20
20	Nandan Exim Limited(chiripal)	60
21	Oswal Denims	40
22	Partap Spintex Ltd	40
23	R & B Denims Ltd.	20
24	Rainbow Denim Ltd.	18
25	Raymond UCO Denim Pvt. Ltd.	40
26	Sangam (India) Limited, Denim Division	8
27	Shri Lakshmi Cotsyn Ltd.	18
28	Soma Textiles & Industries Ltd.	18
29	Sudarshan Jeans Pvt. Ltd.	40
30	Suryalakshmi Cotton Mills Limited	40
31	Vinod Denim Limited	18

Source: Market Survey

- The Officers must be given KRA. At every 6 months, they can be assessed by the External Expert for their awareness, contribution to the organisation, capabilities to handle more responsibilities and mental abilities.

- There should be mass awareness program, brain storming sessions and quality circle among the officers.

- The best performer award can be followed at each year.

- Today about 40% of the denim factories are underutilised. More advanced Technologies are required for the utilisation of denim cloths in the garment sectors in the washing lines.

- We can follow the International Brands in all aspects.

Conclusion

The main reasons of the sufferings of the Organised sectors in denim Industries are due to (i) Over Production (ii) More and More Industries are in competition field (iii) More Manufacturing cost than that of the decentralised sectors who are 60% in number (iv) Decreasing Export Market (v) They must be able to produce with low segment cloth with different Brand name (v) Cost cutting steps are to be considered

(vi) To penetrate in rural sectors.

Future of Denim

The event may throw light on the way forward.

PLANET TEXTILES SUMMIT TO PROVIDE A BLUEPRINT FOR CHANGE IN DENIM PRODUCTION

Global denim leaders, brands, retailers and alike will gather at the Planet Textiles Summit on Sustainability that will be held on June 22, 2019 at ITMA 2019 in Barcelona, Spain.

The key point of discussions will include how the denim manufacturing industry should make jeans by 2025? And what breakthroughs in technology and thinking are needed to make this happen?

Moderated by Andrew Olah, the summit will include panelists like Sanjeev Bahl, CEO and founder, of the Vietnamese denim mill Saitex, Alberto Candiiani, CEO of Italian jeans maker Candiiani Denim Mills, Miguel Sanchez, owner of Gavilan, along with Mike Kininmonth, denim specialist at cellulose fiber producer Lenzing, which is supporting this session.

The delegates at Planet Textiles will

discuss key changes in the denim production alongwith some of other predicted changes in the segment. A proposal to develop a 'blueprint' for real change that buyers' retailers and brands can use as a sourcing guide will also be outlined.

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NEWS

SRTEPC applauds the government for continuing the RoSCTL rates till 31st March 2024

Under the leadership of the Prime Minister, Shri Narendra Modi ji the Union Cabinet given go ahead for continuation of Rebate of State and Central taxes and Levies (RoSCTL) for exports of the Made-ups (covered under Chapter-63) along with Apparel/Garments (covered under Chapters-61 & 62) and the rates will be the same as notified by Ministry of Textiles vide Notification dated 8th march 2019. The scheme will continue till 31st March 2024.

However, the other Textiles products (excluding Chapters-61, 62 & 63) to be covered under the RoDTEP scheme and the RoDTEP rates are likely to be announced very soon by the government.

SRTEPC Chairman Shri Dhiraj Raichand Shah and Vice-Chairman Shri Bhadresh Do-

dhia thank Hon'ble Prime Minister Shri Narendra Modi, Hon'ble Finance Minister Smt. Nirmala Sitharaman, and Hon'ble Minister of Textiles, Commerce and Industry, Consumer Affairs, Food and Public Distribution Shri Piyush Goyal and Minister of State for Textiles Smt. Darshana V Jardosh for their kind consideration for continuing the RoSCTL rates till 2024.

SRTEPC Chairman Shri Dhiraj Raichand Shah informed that Made-ups is one of the highest value-added segments in the textile sector and currently around US\$ 1500 million of Made-ups made out of the MMF textiles are exported from India to various countries. Continuation of the RoSCTL will certainly

strengthen the Made-ups segment that is highly labour intensive and majority of the beneficiaries are the women, Shri Dhiraj Raichand Shah stated.

With regards to the supporting measures to the exporters SRTEPC Chairman Shri Dhiraj Raichand Shah and Shri Bhadresh Dodhia, Vice-Chairman of SRTEPC informed that Government should declare the RoDTEP rates as early as possible as the current situation is challenging and there is huge liquidity crunch. He also insisted that supportive measures need to be extended to the entire MMF textile value chain viz, fibre, yarn and fabrics under the RoDTEP scheme and minimum rates should be around 7 percent.