



2016 Top Markets Report **Technical Textiles** Country Case Study

India

The Indian market is one of the largest and fastest growing economies in the world. Growth of the industrial sector and automotive sector and increasing applications of technical textiles in the construction industry are the key factors fueling the demand for technical textiles. Exporters, however, need to be aware that India can be a challenging market to enter.



India is the 21st largest market for U.S. exports of textiles and apparel, even though India continues to be one of the most challenging markets for U.S. exporters of textiles and apparel.¹ In 2015, U.S. textile and apparel exports to India totaled \$179 million dollars, a 52.7 percent increase over the \$117 million exported in 2008.²

In 2014, India overtook Germany as the second largest textile exporter, with exports estimated at \$40 billion, and is expected to reach \$300 billion in exports by the year 2024 or 2025.³

As the world’s second largest producer of textiles and apparel, India’s textile and apparel sector is a major contributor to India’s economy in terms of direct and indirect employment numbers. The domestic industry contributes about 14 percent to India’s industrial production, 4 percent to the gross domestic product (GDP) and 27 percent to the country’s foreign exchange inflows.⁴

The textile and apparel sector is the backbone of the Indian economy, directly employing about 45 million

people and indirectly employing about 60 million people.⁵

India’s domestic industry accounts for 24 percent of the world’s spindle capacity and 8 percent of the global rotor capacity. The potential size of India’s textile and apparel industry is expected to reach \$223 billion by 2021.⁶

India’s domestic textile and apparel industry is highly diverse, consisting of hand-spun and hand-woven operations at one end of the manufacturing spectrum to sophisticated and modern mills at the other end. The domestic textile and apparel industry is vertically-integrated across the value chain and extends from fiber to manufacturing but largely operates in the form of manufacturing clusters, with roughly 70 textile clusters producing 80 percent of the country’s total textile production.

Even though India’s textile industry is a huge contributor in terms of exports, industrial output and employment, like China’s, India’s domestic industry is not without its challenges. The strength of

the Indian textile industry comes from its export earnings. The competitive advantage that India had in terms of its low labor costs has been eroding slowly due to competition from countries like Bangladesh and Vietnam that offer a skilled workforce and cheaper labor. Escalating energy costs, high transportation costs and obsolete labor laws are just a few of the reasons why India is shifting its focus from traditional textile manufacturing to the development of its technical textile sector.⁷

Overview of the Technical Textile Market

U.S. exports of technical textiles to India have grown at a compound annual growth rate of 8 percent between 2008 and 2015. U.S. exports of technical textiles are projected to be worth \$85 million by 2017, an increase of 18 percent from 2015.

Technical textiles continues to be one of the fastest growing sectors within India's textile industry. Currently, about 9 percent of the world's total consumption of technical textiles is made in India. India's market share in the technical textile sector is expected to grow from \$11.6 billion in 2013 to \$26 billion by 2017.⁸

Currently, India's technical textile industry is based on producing commodity products that are not very R&D intensive (i.e. tarpaulins), and therefore unlike conventional textiles, technical textiles is an import intensive industry. Many products, like disposable diapers, wipes, protective clothing, fabric for disposables and webbings, are imported to a large extent.⁹

The Indian government, in a response to capture this market, has pushed to shift the focus from the production of conventional textiles to technical textiles. It has developed a number of policies that are aimed to promote the development of the domestic technical textile sector. These programs have been vital to the rapid growth of the domestic technical textile industry, including:¹⁰

- Reduction in customs duties placed on imported technical textile machinery
- Investment promotion programs to assist companies that are developing and manufacturing technical textiles
- Market development support for both the domestic and international markets

- An exemption in custom duties for raw materials used in the manufacturing of technical textiles
- Strengthening of standards for technical textiles
- Introduction of a program to promote the use of agro-textiles in the northeast region of India
- The introduction of the restructured technology upgrade fund

Due to the commitment the Indian government has placed on the development and production of technical textiles, the Ministry of Textiles has also established eight Centers of Excellence (CoE) and has authorized the construction of integrated Textile Parks.¹¹

India's shift to focus on the development and production of technical textiles cannot be done with just monetary and tax incentives alone. In order to successfully compete globally in technical textiles, there needs to be investment from the private sector. Entrepreneurs are reluctant to invest in the development and production of technical textiles due to factors such as:

- **Marketing:** The marketing of technical textiles is more complex than conventional textiles.
- **Cost:** Manufacturing technical textiles demands specific raw materials, machinery and equipment that are not readily available in India. Importing those materials is expensive.
- **Time:** The technical textile sector is still in its infancy, and it takes a lot of time to commit to the research, development and production of a product. It could take a minimum of five years before entrepreneurs could see a return on their investment.

The domestic technical textile industry currently lacks the ability to domestically fulfill the rising demand for technical textiles. Currently, 12 percent of the technical textile products are manufactured by non-woven technology in India, as compared to 24 percent in the rest of the world. Therefore, India's technical textile industry has a long way to go in order to be globally competitive in the technical textile sector.¹²

Challenges and Barriers to Technical Textile Exports

The Indian market continues to be one of the most challenging markets for U.S. exporters of textiles and apparel to enter. U.S. exporters continue to encounter tariff and nontariff barriers that impede exports of U.S.-made textiles and apparel into India, including the government offering subsidies to its textile and apparel sector in order to promote exports that benefit the domestic textile and apparel sector.¹³

Challenges facing U.S. suppliers of technical textiles who are interested in entering the Indian market include:

Foreign Direct Investment: Technology transfers are one of the key factors that have driven the government's promotion of FDI, including the development of Special Economic Zones (SEZs),¹⁴ which may not be advantageous to the foreign investors looking to protect their intellectual property.

Price: Another challenge that U.S. suppliers of technical textiles must address when entering the Indian market is price sensitivity. U.S. suppliers need to offer competitive prices in order to compete in the Indian market because both Chinese and European suppliers are deeply entrenched in the market.¹⁵

Time: India's customs officials generally require extensive documentation, which may inhibit the flow of trade and lead to processing delays. These delays are a consequence of India's complex tariff structure and multiple exemptions, which vary depending on the product, user or intended use.¹⁶

Subsidies: India maintains several export subsidy programs that the Indian textile industry may benefit from, including:¹⁷

- Exemptions from taxes for exporters in the SEZs
- Duty drawback programs that appear to allow for drawback in excess of duties levied on imported inputs
- Pre-shipment and post-shipment financing to exporters at a preferential rate
- Exemptions from customs duties and internal taxes, which are tied to export performance

Other challenges facing U.S. exporters that are being addressed by the Indian government under various technical textile promotion programs but may impede entry into the Indian market include:¹⁸

- Awareness: consumers are not fully aware of the benefits of technical textiles, especially in the medical and agriculture sectors.
- Standard and Regulations: India lacks defined standards and regulations (i.e. building codes) that would promote the usage of certain products made from technical textiles.
- Cost: the cost of high-end products is causing low demand from consumers.

These challenges should not necessarily dissuade a U.S. supplier from entering the Indian market. U.S. suppliers should use due diligence and develop a comprehensive export strategy before attempting to enter the market.¹⁹

Opportunities for U.S. Companies

U.S. exports of technical textiles have grown at a compound annual growth rate of 8 percent between 2008 and 2015. U.S. exports of technical textiles are projected to be worth \$85 million by 2017, an increase of 17 percent from 2015.

Currently domestic consumption of technical textiles only accounts for 3 percent of the total world consumption; however, demand for technical textiles is growing at a faster rate than it is in most developed countries.²⁰ The demand of technical textile consumer products is due in part to India's growing middle class and its growing:

- acceptance of disposable products like diapers,
- preference for organized retail (i.e. supermarkets and retail stores),
- disposable incomes and
- preference for quality products

Twenty years ago, products like sanitary pads, baby diapers or wipes were concentrated in urban areas and were not widely used. Today, these products are now widely used even in rural areas. Unlike traditional textile sectors in India which are export intensive, the technical textile sector is an import intensive industry. About 30 percent of domestic demand is being met by imports. Technical textile

components used in applications, like baby diapers, incontinence diapers and fabrics used to manufacture clothing for high altitudes, are examples of best prospects for U.S. exporters looking to enter the Indian market.²¹

Non-wovens

India's non-woven fabric is still in its early stages and is a sector of the textile industry that relies heavily on imports.²² In 2015, U.S. exports of non-woven textiles to India totaled \$30 million, which is a 233 percent increase over \$9 million exported in 2008.

Non-woven fabrics used as applications in the construction, infrastructure, filtration and automotive sectors provide the best opportunities for U.S. suppliers of technical textiles.

Specialty and Industrial Fabrics

India's specialty and industrial fabric industry is highly fragmented and still in its infancy. India's share of the global specialty and industrial fabric market was about 9 percent in 2011 and 2012. About 67 percent of India's production is of commodities; only 33 percent is high-end products.²³

In 2015, the U.S. exported \$35 million in specialty and industrial fabrics to India. This was a 31 percent increase from the \$27 million exported in 2008. Indian domestic demands for specialty and industrial fabric include:²⁴

- Geogrids
- Geomembranes
- Umbrella fabric (used in sun umbrellas)
- Sail cloth
- Ballooning fabric

- Hoarding Fabric
- Airbag fabrics

Medical Textiles

In 2015, U.S. exports of medical textiles to India totaled \$3.9 million. The medical textile sector is still largely dependent on imports due to the lack of domestic manufactures making these products. Ninety percent of all disposable hygiene and medical textiles that are available in India are imported.

Disposable hygiene and medical textiles in demand are:²⁵

- Baby diapers
- Adult incontinence diapers
- Feminine hygiene Products
- Surgical disposables (masks, scrubs, gowns, booties, head coverings)
- Disposable wipes
- Surgical Dressings
- Artificial implants

Protective Apparel

In 2015, the U.S. exported \$3.5 million in protective apparel to India. This is a 59 percent increase over the \$2.2 million the U.S. exported in 2008.

The protective apparel sector of the Indian apparel industry relies on imports to meet domestic demand. U.S. suppliers of textiles used in the manufacturing of protective clothing will find the most opportunities for items like high altitude clothing and high visibility and reflective clothing.²⁶

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 - ⁷ Brief Report on the Textile Industry in India”. Corporate Catalyst (India) PVT LTD. July 2015.
 - ⁸ Nonwovens and Technical Textiles in India: Current Scenario, Seshadri Ramkumar, 2010
 - ⁹ Scheme to Promote Geotechnical Textiles in the Northeast, Ministry of Textiles, March 24, 2015
 - ¹⁰ Indotex.gov.in Domestic Technical Textile Industry, page 1
 - ¹¹ Technical Textiles, Government of India, Ministry of Textiles
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 - ¹³ Technical Textiles in India, Milin Patel, page 3
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 - ¹⁸ Technical Textiles, Government of India, Ministry of Trade
 - ¹⁹ India – Textile Sector – Technical Textiles, U.S. Commercial Service – Mumbai, 2014
 - ²⁰ India – Textile Sector –Technical Textiles, U.S. Commercial Service – Mumbai, 2014
 - ²¹ National Trade Estimate Report on Foreign Trade Barriers – India, Office of the U.S. Trade Representative, 2014
 - ²² Technical Textiles Overview, Parinita Devadiga , 2014
 - ²³ Technical Textiles: Overview, Parinita Devadiga , 2014
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 - ²⁵ 2013 State of the Industry, Specialty Fabrics Review, March 2013
 - ²⁶ India – Textile Sector –Technical Textiles, U.S. Commercial Service – Mumbai, 2014