

India Emerges as a Global Textile Destination



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India striving to be the next potential replacer

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I think it's not about the opportunity which is there today and not tomorrow. It's about ourselves who is ready to take that opportunity and using the potential that already exists when you look at the world coming out of recession and the demand coming back.

Let's look at India and China. Any industry anywhere in the world, if they are thinking of their business growth, they are thinking of India and China. They have to make a choice between doing business in India or China or both. In 1985 Indian economy and Chinese economy per capita income were almost neck to neck. Since then China has grown to almost five times the size of India's economy and their per capita income is Rs 3000 for a population of 1.4 billion people. The domestic market for apparel was 138 billion dollars in 2009. There is no instance of an economy growing so fast anywhere in the world. What the US achieved in 40 years China achieved in less than 15 years. India can achieve this not probably in 15 years but in 25 years.

In 2002 China was already bigger than India. We were wondering if China would be able to supply garments and textiles to the world if Chinese people start demanding them. That's exactly what's happening today. China is becoming a net importer of textiles. Eventually China may become a net importer of all kinds of textiles and apparel. China may become the largest partner of most European brands. That may be not more than five to seven years down the road.

China is a big competitor but they are becoming a big consumer themselves. Consolidated sourcing bases have become consolidated markets themselves. Both India and China are a case in point. The Indian domestic market is going from 45 billion to 95 billion in the next five years. That's something that's very exciting. So the clothes Indians have been buying in the last 5000 years, they will buy double that in the next five years. That's the kind of opportunity we are looking at. There's an incidental opportunity on the export side also.

However the kind of investment needed to service the domestic market alone, I don't see that happening despite all the government policies that are there. China has a total trade share of 300 billion dollars. If 10 per cent of that moves, India's projected share of 30 billion in 2014 can double. India will gain 30 billion dollars in the export market. And there's a huge possibility China will lose 10 per cent the way wages are increasing, the way buyers want to move out of there. On the other hand, they are unwilling to move because it's so large. You can't find a replacement quickly. And who will be the potential replacement? I think it's India. We have the raw material, the technology skills, the markets, but what we don't have is the capital. That's the biggest challenge we are facing as an industry today.

Indian textile companies' stocks are very cyclical. They go up marginally when the spinners start making money, they go up marginally when some textile company announces plans for real estate divestment. Otherwise nothing happens. We don't see any private equity investments happening in the textile sector. We don't see any investments happening in large infrastructure projects. Existing players have to do something, new players have to come into it. FDI has to come in. The textile industry has lost its sheen and is not attracting investors. Without investment nothing will happen. Capital is the bloodline of any business and we have to put our heads together to see how we bring it in.

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