

The Fashion Accessories Industry
In India
Market Research 2009



Market Research on Accessories Sector in India

Prepared for



ITALIA

Italian Trade Commission,

Trade Promotion Section of the Consulate General of Italy

Mumbai

By



Table of

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1. Introduction

This research study on Textile Clothing and Apparels sector in India has been commissioned by Italian Trade Commission (Trade Promotion Section of the Consulate General of Italy), Mumbai.

Ace Global Private Limited, a consultancy company based in New Delhi, has been appointed to undertake the study.

1.1 Objectives

The main objectives of the market research are to:

- Carry out market analysis of the production and distribution of textiles for Accessories sector in India, geared to the Italian entrepreneurs interested in the Indian market.
- Identify potential buyers of products/ operators in India, interested in Italian fashion products.
- Identify concrete forms of industrial cooperation, both with local firms of equal size (small and micro enterprise) and market bracket (high range) and with suppliers of raw materials (yarn, woven silk, cotton and cashmere).
- Examine the various aspects of law in commercial matters (procedures for opening a credit line in India, general rules on the procedure of customs clearance of goods, customs duties and other payments, rules of certification).
- Check the main features of competition and the increasing needs of local consumers.

1.2 Coverage

The research covers the following aspects of the sector:

- Market Characteristics
- Consumer Behaviour and Preferences
- Production in India
- Structure of foreign trade
- Competition
- Potential for European companies in Indian market
- Regulatory framework and Legislations
- Marketing and Distribution structure
- Opportunities for Italian companies to enter the Indian market

1.3 Methodology

The methodology followed for the research work constitutes both secondary and primary research. The details of the research work have been provided below:

Secondary Research

The secondary research has been carried out to obtain the information on:

- Macro-economic scenario of Indian economy
- Sector specific government policies and regulations including taxes and custom duties
- Present status, growth trends, and the future outlook for the sector
- Import-Export data
- Sector specific details and relevant information

The main sources of the information were:

- Government of India websites related to economy and trade like Ministry of Finance, Department of Commerce, Department of Central Excise and Customs etc.
- Import and Export data from Directorate General of Commercial Intelligence and Statistics (DGCI&S), Govt. of India.
- Company Websites
- Catalogues of Indian manufacturing and marketing companies

Primary Survey

Primary survey was conducted to assess the market structure, size, and growth trends of the sector in India. The primary survey was carried out through interviews based on structured questionnaires, with manufacturers, importers, retailers, and raw material/semi-finished goods suppliers in Delhi/NCR, Ludhiana, Coimbatore/Tirupur, Chennai, Mumbai and Ahmedabad.

A list of organizations covered through the primary survey is annexed. It is pertinent to highlight here that although most of the respondents were cooperative, some companies did not agree to meet the consultants while some shared only part of the information. In such cases, effort has been made to compile as much information as possible from secondary sources.

1.4 Draft Report

This Draft Report has been prepared based on the compilation and analysis of all information/data collected through secondary and primary research.

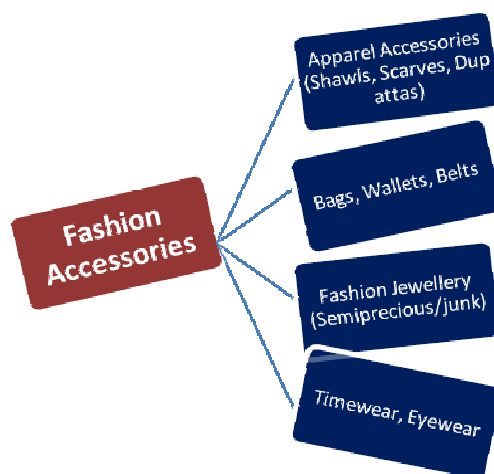
2. Market Characteristics

The Indian clothing and fashion accessory market has grown manifold over the past few years and is swarming with a vast range and variety of products it offers in apparel accessories, like stoles, scarves, etc., as well as hard accessories like bags, wallets, fashion jewellery, time wear and eyewear.

Accessories are no longer viewed as add-ons, but products in their own right. Fashion accessories come in a variety of product types; the term is extremely vast and covers almost any accessory related to fashion. In the context of urban India, fashion is no longer related to items of clothing; it has gone from a pair of shirt and trousers to the right match of tie, socks, shoes etc. Similarly, for a woman - the bag, the earrings, the stole or the scarf and the sunglasses hold great significance. However a very large part of the accessory market still remains untapped by the organized sector, being largely catered by unorganized sector, and hence offers high potential.

2.1 Market Segments

The key market segments in fashion accessories, relevant for consumption of textile fabrics are identified as follows. Among these apparel accessories segment is by far the largest fabric consuming segment followed by Bags. Other segments are at best marginal as far as use of textile fabrics is concerned.



2.1.1 Apparel Accessories

The urban Indian market for apparel accessories in 2008 was estimated at **Rs 9.1 billion** and is expected to reach Rs 12 billion in 2012. About 57% of the market at present is catered by unorganized sector suppliers, hence creating a huge potential for branded and organized sector. Purchase location for accessories is usually large traditional streets and neighborhood markets. . Apparel accessories include dupattas, stoles, scarves and shawls.

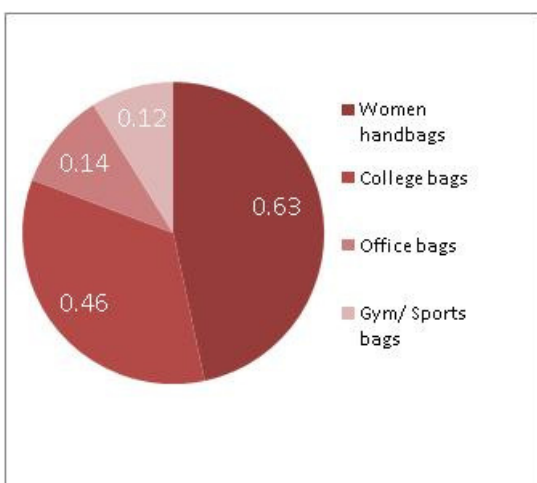
Indian industry has shown remarkable ability to blend Indian and international trends in terms of designs. As a result, product innovation has become one of the strengths of the sector, supported by availability of a wide variety of raw materials like wool, pashmina, silk, cotton, linen, synthetic, acrylic, viscose, and their blends.

2.1.2 Other Fashion Accessories, including Bags, Belts, Wallets etc.

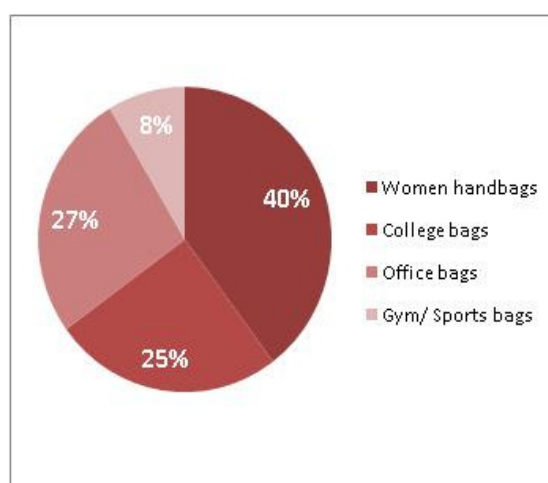
Bags and purses constitute an important category of the fashion accessories industry. While most of the bags are made up of leather, several other fabrics like cotton, denim, and nylon are also used. India is among the top eight countries manufacturing and exporting bags and purses.

Indian domestic market for bags, including handbags, college bags, office bags etc. was estimated at **Rs 15 billion** in value in 2008 which is growing at a scorching pace. The women’s handbag sector has emerged as a biggest market with a strong 47% market share by volume and 40% by value.

Market size by volume



Market size by Value



Source: Technopak

Market Size for Bags

Bags	Women handbags	College bags	Office bags	Gym/ Sports bags	Total
Value (Rs billion)	5.85	3.70	3.90	1.25	Rs. 15 billion
Volume (millions nos.)	6.3	4.6	1.4	1.2	13.5 million units

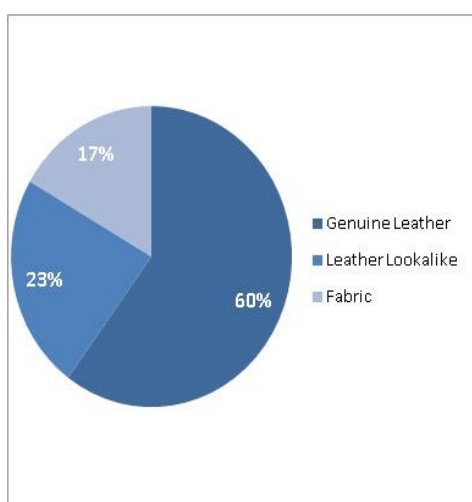
Bags, handbags and office bags in the premium range are usually purchased through organized sector retail outlets at high streets and malls. Although the presence of brands is certainly limited as 74% of the market is dominated by unbranded players, thus making it a style driven market. Leather bags are very popular with flashy shiny imported synthetic material. Several other fabrics like cotton, denim, and nylon are also popular among the bag buyers.

Exposure to international markets through participation in trade fairs, etc. has helped Indian manufacturers to catch up and keep abreast with international fashion trends. Liberal import policies of the Indian government, have facilitated ready access to latest technology and materials available internationally.

The urban Indian male today is also very conscious of the style of the wallets and bags he carries. Bags and wallets of all sizes and shapes are available in the market ranging from Rs 100 to Rs 2000 + for a double-decker and multi utility unbranded bag. Some of the brands which are popular in the Indian market are: Allen Solly, Baggit, Hidesign, and Footloose besides other.

BELTS

The market for belts is estimated at Rs 8.5 billion which includes leather belts, leather lookalikes and fabric belts. Leather belts command the highest market share of 41%, followed closely by leather lookalikes at 31% and fabric belts at 28%.



Source: Technopak

Belts	Genuine Leather	Leather Lookalike	Fabric	Total
Market Size (Rs billion)	5.05	1.95	1.40	8.40

Leather belts are mostly purchased from organized formats owing to the assurance factor attached to their quality. Presence of brands is limited and there are a handful of branded players like Bulchee, Allen Solly, Louis Philippe, Van Huesen, Hi design and a few clothing brands which offer belts as a part of their extended portfolio.

Jewellery

Fashion jewellery is an imitation of jewellery crafted out of materials like ivory, leather, semiprecious stones, etc. The three most important activities related to this industry are mining, polishing, and retailing. The various products produced by this industry are bracelets, necklaces, earrings, bangles, pendants, fingerings, toe rings, anklets and brooches.

The jewellery market was estimated around **USD 19 billion** growing at 15% per annum. This sector is also dominated by the unorganized sector. Branded jewellery presently accounts for less than 5% of

the overall market. However, with the consumer becoming more aware and quality conscious, branded jewellery is gaining popularity. Several brands like Nakshatra, Tanishq, and Gitanjali, D' damas, Sia are also present in the market.

The sector has a huge potential which can be endorsed by opening up of stores like Arcelia by Shoppers Stop.

Time Wear

The total estimated market for time wear is 42 million units by volume and about Rs 27 billion by value, growing at 10%~15% per annum. With only 27% of Indian population owning a watch, it is an underpenetrated market. Further, a major proportion of the market is for watches priced under Rs 500 (68% by value and 85% by volume).

With Indian companies going for a makeover and the International brands showing serious attention to this side, there is much action expected in the domestic time wear market in the coming years.

Eyewear

India's eyewear market is estimated at Rs 15 – Rs 18 billion (25 to 35 million units per annum in volume terms) growing at 15% ~ 20% per year. Only 10% of the market is organized.

While small retailers meet most of the demand, a few players have set up chain stores across the country to tap the brand space. Prominent among them are Lawrence & Mayo, Colorsoft's Ottica and Cartier. There are several other players like Fasttrack, Ray Ban, Polaroid in the sunglasses segment. Of late several foreign brands like Carrera, Armani, Diesel, Aldo, to name a few, have made their presence felt in the market. The entry of new players will not affect profitability. But it might force some small players to back off.

2.2 Key Market Drivers for Fashion Accessories

Over 1 billion population in the world's youngest country

In terms of the demographic "window of opportunity", India is home to 17 percent of the world's population, at 1.1 billion people. One of the youngest countries in the world, it is tipped to have one of the largest work forces for years to come. At 24 years, the country has the lowest median age of population in the world, with 50% of the population less than 25 years and 70% less than 35 years of age.

Growing prosperity of middle class

With around 700 million people between 20-60 years of age, India is expected to constitute 53% of the total population by 2020. Indian corporate salaries have grown at 14% per annum, which is considered to be fastest globally. Also the salaries given to % have increased manifolds over the decade or so.

Changing face of consumer

In spite of the economic meltdown in recent times, there has been a continuous and sustained shift in consumer demand pattern from basic necessities to spending on lifestyle products and services continues, largely due to:

- Higher Income
- Younger age profile
- Increasing literacy levels
- Increasing exposure and awareness levels
- Higher adaptability to technology
- Increasing urbanization
- Changing role of women and children in the decision making process
- Increased demand for better shopping experience
- Impulsive purchase behavior among youngsters
- Changing fashion trends and increased consciousness
- Catch up with International fashion styles
- In addition to the above, there certain specific factors which drive the market for respective segments, e.g. poor eye health due to lifestyles/ improper diet, etc. driving the demand for eyewear.

2.3 Market Size for Textile Fabrics in Fashion Accessories

Fabric usage in the accessories market is approx. Rs. 18-19 billion, of which bags alone account for 61% and apparel accessories other fashion accessories account for 29%.

The most common fabrics used in accessories are cotton, denim, silk, wool and raxene. Given the wide variety of products, with production largely concentrated in the unorganized sector, no official estimates for consumption of fabrics in the accessories sector are available. Therefore for the purpose of this study, the market size has been estimate based on discussions with key players and industry bodies during the primary research, as presented below.

Value of textile fabric used in Accessories	
Bags	Rs 11,000 to 11,500 million
Apparel & other fashion accessories	Rs 5,500 million
Belts	Rs 1,200 to 1,500 million
Jewellery	Rs 400 to 500 million
Time Wear	Rs 12 to 15 million
Eye Wear	Rs 7 to 8 million
Total	Rs. 18,119 to 19,023 million Or Rs. 18 – 19 billion

Jewellery, Eyewear and Time wear together have an insignificant share of around 2.5% of textile fabric consumption in the sector, and therefore not considered important in the context of this study.

The above estimate is based on segment wise assessment of fabric consumption, as below:

Total market for Bags	Rs. 15 billion
Value of textiles fabrics used as raw material @75%	Rs. 11 to 11.5 billion
- Use of textile fabrics @ 50% (balance 50% is leather)	Rs. 5.5 – 6 billion
○ Cotton (50%)	Rs. 2.5 to 3 billion
○ Denim, Nylon, Raxene etc (50%)	Rs. 2.5 to 3 billion

Total market for Apparel Accessories	Rs. 9.1 billion
Value of textiles fabrics used as raw material @60%	Rs. 5.5 billion
- Silk and Wool (50%) - used extensively in shawls and stoles	Rs. 2.5 to 3 billion
- Satin (25%) - used in premium products	Rs. 1.25 to 1.5 billion
- Others (25%)	Rs. 1.25 to 1.5 billion

Total market for Belts	Rs. 8.5 billion
Share of leather based belts @ 41%	Rs. 3.5 to 4 billion
Share of belts of other fabrics	Rs 4.5 to 5 billion
Value of textiles fabrics used as raw material @25%	Rs. 1.2 to 1.5 billion
- Use of textile fabrics @ 50%	Rs. 0.7 to 0.9 billion
- Others (50%)	Rs. 0.7 to 0.9 billion

Total Market for Jewellery	Rs. 855 billion
Cost of Packaging boxes @ 0.5%	Rs. 4 – 4.5 billion
Value of textiles fabrics (velvet and satin) used for inner and outer lining of boxes @10 to 15%	Rs. 0.4 to 0.5 billion

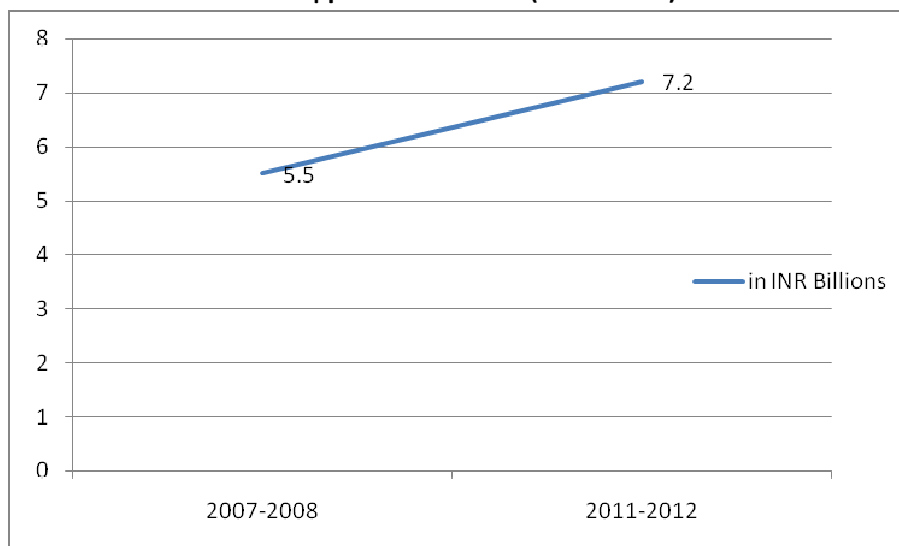
Total Market for Time wear	Rs. 27 billion
Cost of Packaging boxes @ 0.5%	Rs. 125 to 150 million
Value of textiles fabrics (velvet and felt) used for inner and outer lining of boxes @10 to 15%	Rs. 12 to 15 million

Total Market for Eye wear	Rs 15 – 18 billion
Cost of Packaging boxes @ 0.5%	Rs. 75 - 80 million
Value of textiles fabrics (velvet and felt) used for inner and outer lining of boxes @10 to 15%	Rs. 7 to 8 million

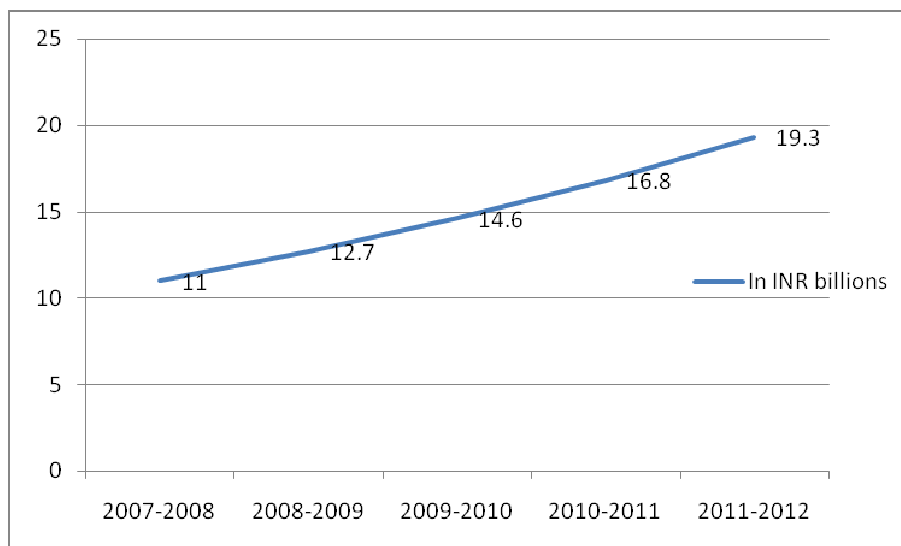
2.3 Assessment of Market Potential

Based on the estimation of present market size and the growth rates for each segment, the assessment of market potential in the next three years is presented below. The total demand for textile fabrics for the accessories sector is estimated to increase to Rs. 29.14 billion by 2011-12 as compared to Rs. 19-20 billion in 2008-09.

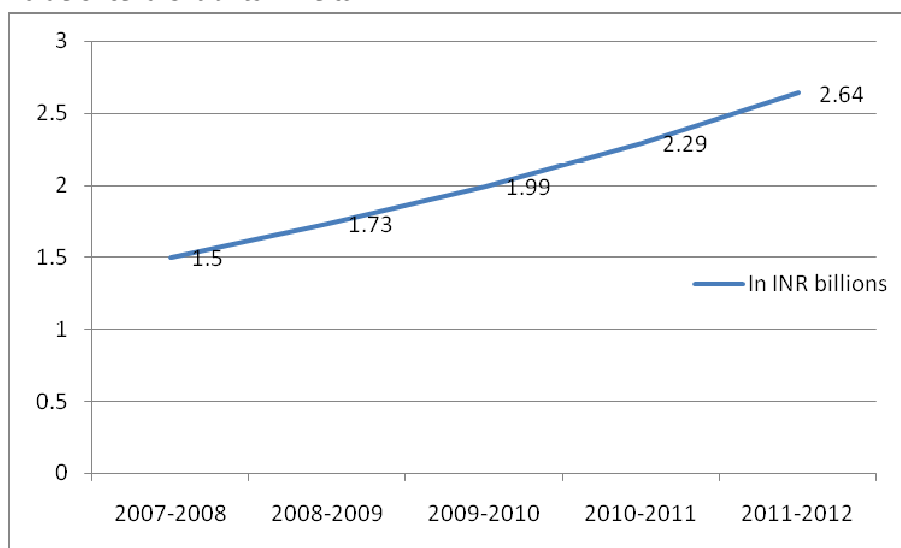
Value of textile fabrics in Apparel Accessories (in Rs billion)



Value of Textile fabrics in Bags (in Rs billions)



Value of textile fabrics in Belts



2.4 Price segmentation

The organized sector products are divided under distinct product categories based on price segments which in turn depend on quality. The market divide of the product categories based on price segmentation of 2008 is as follows:

Apparel Accessories	Price	Category
Shawls	Rs 10,000 +	Premium
Stoles/Scarves	Rs 2000 -Rs 3500	Premium

Dupattas	Rs 1500 - Rs 3500	Premium
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Bags	Price	Category
	Rs 100 -Rs 600	Lower
	Rs 600 - Rs 2000	Upper middle
	Rs 2000+	Premium

Belts	Price	Category
	Rs 100 -Rs 400	Lower
	Rs 400 - Rs 1500	Upper middle
	Rs 1500+	Premium

2.5 Regional Characteristics of the Consumers

- The consumer behavior of a particular region which is economically not so developed is different as compared to developed ones. The consumers in the less developed region are understandably, more price-conscious. Always on the lookout for quality products, their guiding principle is 'value for money'. A lower per capita income, in eastern region for example, compared to western and northern India leads to a lower per capita purchasing power. Additionally, Delhi being centrally located and Mumbai, being the financial capital have certain advantages. The consumers who live in these cities are more exposed to latest product collections and are more familiar with design, quality and latest trendy fashion, as well as the luxury of greater choice.
- The relatively undeveloped region offers several in-built advantages as well. Fashion contenders setting out to do business in these regions find to their advantage that the region has not been exploited commercially and is prone to competition. The market, therefore, offers much but it needs to be cultivated in an organized manner.
- Local ready availability of products also influences a consumer. The decision to stick to a particular available product/brand seems to govern the purchase decision than the rarely available choicest product. Logistics, convenience and easy availability are important considerations for a local consumer.
- Regional considerations, such as climatic conditions etc., play a major role in so far as the purchase decision of apparels is concerned. For instance, a consumer in Northern region would spend more on woolen shawls, stoles etc. than his counterpart in the west or south where the winter is much milder.
- There are certain common considerations for consumers regardless of locations. The consumers by and large are becoming increasingly more and more conscious of value of money. Price sensitivity is a common concern. Purchase decisions of consumers anywhere are more guided a combination of demographic and psychometric factors, such as, disposable income, age-

distribution, pattern of income distribution, quality of upbringing, aptitude, tastes and preferences and so on.

- These days, the purchasing behaviors in India are greatly affected by the western tastes. The role of media, magazines, televisions have been increasing in making people aware about the new trends. There is a craze to own the best brands and designs among the people. The premium luxury brands are available only in the tier1 and tier2 cities hence making them a good market.



3. Consumer Behavior and Preferences

3.1 Characteristics of Indian Consumers

The average disposable income of the Indian urban consumer is increasing hence the market for all consumer products is expanding, including for fashion accessories. Consumer demand for premium products is on the rise, and style conscious customers with money look for variety. Consumer inclination for mix-n-match to build their wardrobe is acting as a catalyst in the growth of accessories market.

Socialites: These are the upper class who shop in specialty stores and own exclusive accessories, and have a luxurious lifestyle. These people are ready to pay any amount on exclusive and stylish accessories, be it an Omega watch or a Prada eyewear. Luxury goods market in India was pegged at USD 4.35 billion in 2006 which is expected to triple to USD 14.35 billion on 2010 seeing the increasing number of millionaires in the country.

Conservatives: These are the middle class population of India, who are very price conscious and demand more value for money. A middle class man is discerning in how he spends, i.e. even though he is willing to spend a substantial amount of money, he demands the best option within that amount.

Working Women: Working women with disposable incomes are the key factors for the growth of women's accessories. An Indian woman is no longer just a homemaker. She is willing to buy designer products and is ready to pay high premium for them, which may be as high as Rs 15,000 per piece for a designer shawl.

Youth: With the increasing exposure to International fashion styles, the Indian youth is gaining more awareness and becoming style conscious. This segment believes in impulsive purchasing. The role of today's young generation has changed in the decision making process and is ready to pick up latest and trendiest accessories from the market.

3.2 Purchase pattern of Accessories

The purchases of different accessories are presented in summarized tables below:

- Apparel accessories

	Shawls	Stoles	Scarves	Dupattas
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Average spend per unit (Rs)	1200	-	-	250
Purchase incidence (%)	32%	51%	28%	66%

Source: Technopak

- Other Fashion Accessories

Bags	Women handbags	College bags	Office bags	Gym/ Sports bags
Average Spend per unit (Rs)	585	370	390	125
Purchase incidence (%)	41%	20%	4%	5%

Sources: Images

Belts	Genuine leather	Leather lookalikes	Fabrics
Average Spend per unit (Rs)	625	195	140
Purchase incidence (%)	6%	11%	17%

Source: Technopak

3.3 Preferred Brands

India is a globally lucrative market. Well known national brands at the entry level operate through the medium price segment. The serious players have invested time, money and expertise in establishing themselves, even reaching out to the smaller cities, which have been showing consistent long term growth. The preferred brands in the Indian market are the one's which have been global in its flavor and local in it's connect. These brands are present in the catchment areas or the target markets hence subsequently inspire walk-ins.

Preferred brands in Market (Segment-wise)

Apparel Accessories	Bags	Time wear	Eye Wear
Shaw Brothers	Hidesign	Maxima	Fast Track
Ahujasons	Allen solly	Titan	Ray Ban
Oswal	Baggit	Timex	Polaroid
Lakshita	Bulchee	HMT	Police



Apparel Accessories	Bags	Time wear	Eye Wear
Fab India	Jane shilton	Tommy Hilfiger	Guess
Westside	Footloose	Citizen	Armani
Biba	Sia	Esprit	Diesel
Lifestyle	Nakshatra	Swatch	Prada
Satya Paul	Tanishq	Omega	D&G
Gucci	D'damas	Longines	Versace
Saffires	Gitanjali	Rado	Aldo
Aldo	Aldo	Tag Heuer	
		Aldo	

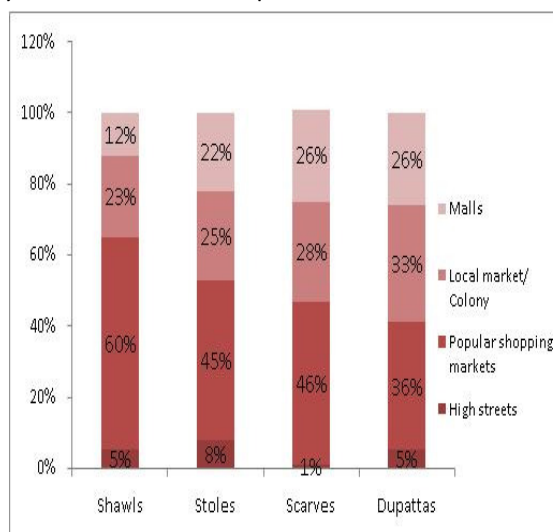
3.4 Factors influencing the Choices of Consumers

The consumers put major emphasis on product quality. Price is another important consideration attracting customers to a particular shop/brand/product. Pre and post sales services, parking facilities and ambience of the store or mall are the other major factors that attract local customers.

In the selection of products, the consumers do not give automatic precedence to local brands over national or foreign brands. Value for money has become the over-riding consideration. Fabric, texture and color followed by proper fits and sizing weigh more importance to the local consumers rather than just easy availability of local brands on account of proximity.

Local consumers of apparels in each region are also guided by:

- Window POS Displays
- Roadside Hoardings



- Gift Vouchers
- Fresh arrivals
- Event Sponsorships
- Discount Offers
- Celebrity Endorsements
- Advertisements / Features in Magazines
- Advertisements on TV/ Electronic Media

Around 25% of apparel accessory purchases took place in malls and high streets, hence creating a huge potential for the sector

Consumers in general look for certain suitable attributes in a store for such purchase.

These include:

- Availability of multiple brands- foreign and Indian under one roof
Source: Images
- Arrangement of catalogues to facilitate comparison of different brands in terms of price, quality and fitting
- More choices of colors, fits and prices
- Personalized shopping experience
- Parking facility

3.5 Degree of Elasticity of Demand of Local Consumers

Considering that price elasticity depends to a large extent on the extent of competition among the manufacturers, the Lower and Economy segments of the market are usually price-inelastic. These segments being highly competitive do not allow the manufacturers any leverage to increase the price.

Higher up along the value chain, the affordability or paying capacity of the consumer is higher. The product market which characterizes mid-product segment becomes increasingly quality oriented and more diversified. Despite competitive pressure, the price in this segment keeps on rising. The demand for the product becomes price elastic.

In case of premium and super-premium product segments, where entire focus is on quality, style and brand value, the consumer is insensitive to change in price.

As per the findings of retailer survey, even an increase of 5% in the price has an effect on low end / economy category products, while mid-end category is usually able to absorb a 5-10% price increase without a major adverse impact on the sales of a brand.

4. Production in India

4.1 Key Players

It is really difficult to pick up 'Key Players' from the large fragmented industry. The selection has been based on the following criteria:

- Manufacturers backed by sound production and marketing infrastructure and having organized sales at an All India Level
- Products having strong brand image at an All India Level

Profile of Key players

- **Apparel Accessories**
 - **Ahujasons**

The company is a specialist producer exclusive shawls in the country. The company offers an array of hand-crafted shawls, stoles, scarves and mufflers made of pashmina/cashmere, wool, silk, viscose, linen and blends.
 - **Shaw Brothers**

Exporter & manufacturer of shawls, scarves, pashmina shawls, jamavar, embroideries, throws, cushions, home furnishings, carpets, jacket, rugs, mats & durries, silk, silk fabric, shawls, pashmina, bedspreads, curtains, embroidered scarves, stoles, mufflers, tableware, linen items.
 - **Oswal**

Oswal Group is a premier textile group of northern India having its corporate office at Ludhiana, Punjab. Oswal Group was carved out of the Vardhman Group in the year 2003. Oswal Group is primarily in the business of spinning and dyeing of all types of yarns in different blends and manufacturing of garments. The group plans to diversify into various textile related activities in the near future.
 - **Lakshita**

Leading manufacturer of Western / Indian wear, coats, trousers, jeans, formal tops, unstitched suits, shawls and ethnic wear.
 - **FabIndia**

Fabindia Started as an export house has today become a successful retail business presenting Indian textiles in a variety of natural fibers, and home products including furniture, lights and lamps, stationery, home accessories. Fabindia sources its products from over 15000 craft persons and artisans across India and supports the craft traditions of India by providing a market and thereby encourage and sustain rural employment.

Fabindia has retail outlets in all major cities of India - 106 - in addition to international stores in Dubai, UAE; 3 stores in Bahrain; Doha, State of Qatar and Rome, Italy.

- **Other Fashion Accessories**

- **Bags**

- ❖ **Hi design**

Hidesign has been an international company, distributing under its own brand name across the world. Today Hidesign has its own manufacturing units, company tannery and buckle factory. Hidesign sells leather bags and garments under its own name in Australia, Greece, South Africa, United Kingdom and the United States.

Hidesign is the leading brand for wallets and leather bags in India.

- ❖ **Baggit**

Baggit is one of the leading manufacturers for women bags. Baggit retails are at selected outlets including the Shopper's Stop chain, the Crossroads - Piramyd Store, and their own bag boutique, Inxs. Prices range from Rs 375 to Rs 775 for bags and Rs 225 to Rs 375 for wallets.

- ❖ **Footloose**

VIP Industries Ltd manufactures Footloose Range of Casual Bags. It ranges from backpacks to duffels, shoulder bags to waist pouch, sling bags to duffel trolleys and anything from a college bag to a multi-purpose bag.

Besides the above mentioned brands, there are several international premium brands present in the Indian market.

Profiles of the key players in Jewellery, Time wear and Eye wear segments are provided at Annexure.

4.2 Foreign Collaborations in India

India has been a destination for consumer brands from other countries for possibly as long as there have been consumer brands. With active trade links to other parts of the world, the large and discerning population has attracted companies from around the world.

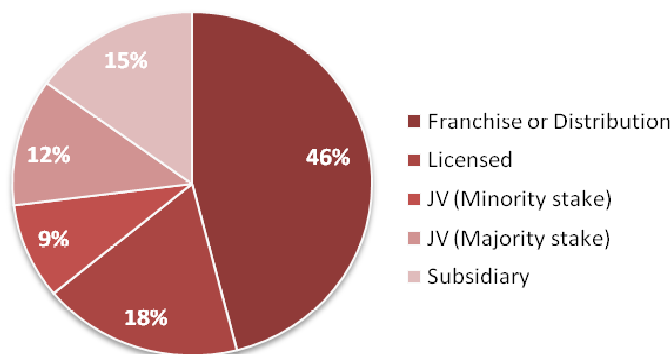
Few International brands were present in the country before the 90's. But the last two decades have witnessed an unprecedented influx. Today there are well over a hundred international apparel and accessory brands selling their merchandise here.

Some of the brands present in India are given below:

Brand	Country of origin	Product category	Indian JV/ Partner/ Franchisee/ Licensee/ Distributor/ Retailer	Current Operating Status
Louisse Philippe	UK	Men's accessory	Madura garments	Brand acquired- Licensed to Madura Garments
Aigner	Germany	Leather bags	Genesis Luxury	Franchise
Esprit	USA	Accessory	Madura garments	Exclusive distribution, marketing and retailing rights
Guess	USA	Accessories	Planet Retail Holdings Pvt Ltd	Licensed
FCUK	UK	Accessories	Murjani group	Franchise
Tommy Hilfiger	USA	Accessories	Murjani group	Distribution and Retail store license
Giorgio Armani, Emporio Armani	Italy	Accessories	DLF Retail Brands Pvt Ltd	51:49 Joint Venture
Harry Winston	USA/ Switzerland	Luxury Watches	Jot Impex Private Limited	Exclusive sales
Jimmy Choo	UK	Shoes, Bags, Accessories	Genesis Luxury	Franchise
Giordano	Hong Kong	Accessories	Ameer Hamsha Ahmed	Joint Venture (minority stake). The company is in the process of finalizing the joint venture agreement with Indian promoters.
Allen Solly	UK	Accessories	Aditya Birla Group	Brand acquired- Licensed to Madura Garments

Aldo	Canada	Accessories	NA	Franchise
Hi-design	Australia	Wallets and bags	NA	Wholly owned Subsidiary
Breguet	Switzerland	Luxury Watch & Cufflings	NA	Wholly owned group subsidy (wholesale trading to retailers and franchisee)
Omega	Switzerland	Luxury Watch	NA	Wholly owned subsidy
Tissot	Switzerland	Luxury Watch	NA	Wholly owned subsidy
Longines	Switzerland	Luxury Watch	NA	Wholly owned group subsidy (wholesale trading to retailers and franchisee)

Market entry business models (End 2008 includes only apparels, accessories brands)



Source: Third eyesight, Images

4.3 Availability of Raw Materials & Semi- processed Fabric

The industry consists of several sub-sectors: spinning, weaving, knitting and garmenting. It also uses different raw materials – cotton, Jute, wool, Silk, man-made and synthetic fibers.

Currently India is the second largest producer of raw cotton in the world next to China. Production of both cotton and MMF based fabrics have increased at a high rate in recent years because of

increased cotton production and availability, higher prices, healthy growth in demand and Government incentives.

Composite Mills

Composite mills are integrated large scale mills that combine spinning, weaving and sometimes fabric finishing. About 176 composite mills were operating in March, 2008 with an installed capacity of 5.63 million spindles. Between 1995 and 2008 the weaving capacity of the composite mills has declined from 111,540 looms to 55,480 looms. The decline has been compensated by increase of power loom in the hosiery sector.

Spinning Mills

These mills convert cotton or MMF in to yarn to be used for weaving and knitting. India had about 2,816 spinning mills including SSI units. These had an installed capacity of 34.41 million spindles.

Weaving and Knitting Mills

These mills convert cotton, man-made or blended yarns in to woven or knitted fabrics. This sector consists of about 3.89 million handlooms, 470, 000 units

Fabric Finishing Facilities

Overall about 2,300 processors are operating in India including about 2100 independent units and 200 units that are integrated with spinning, weaving or knitting units.

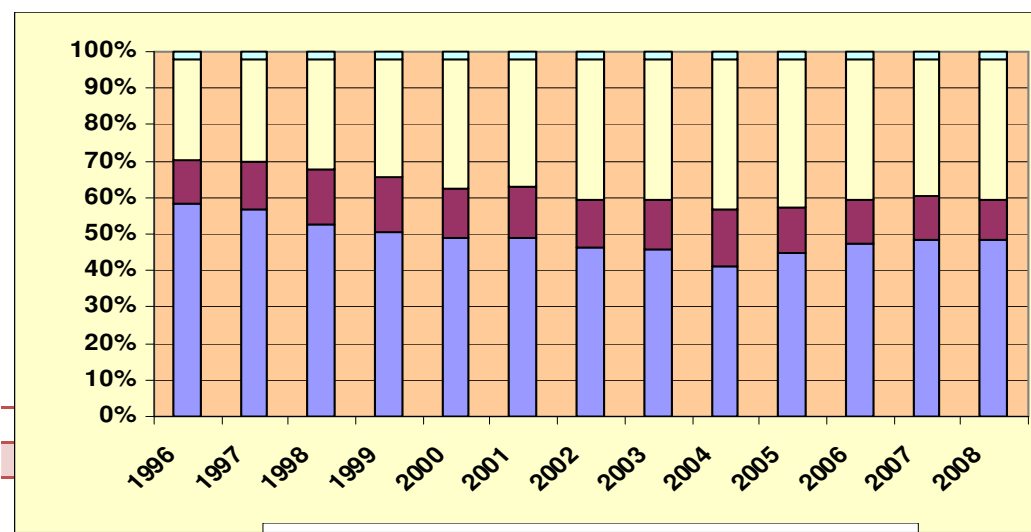
Fiber & Yarn

- Domestic cotton production has grown at 19% CAGR in the past 4 years. Approximately 62% of India's production comprises of cotton or cotton blends, with their share increasing during financial year 2005-08, primarily because of higher cotton availability. Domestic cotton production has grown at 19% CAGR in the past 4 years.
- India has great advantage in Spinning Sector and has a presence in all process of operation and value chain. India is one of the largest exporters of Yarn in international market and contributes around 25% share of the global trade in Cotton Yarn. India is the fifth largest producer of synthetic fibers/yarn. India accounts for 12 per cent of the world's production of textile fibers and yarn. The country has a strong base for man made fiber of cellulose and non-cellulose origin. Production of polyester staple fiber and viscose staple fiber has grown at 9% CAGR and 4% CAGR respectively during the past 4 years.
- India is the second largest producer of silk and the only country to produce all four varieties of silk – mulberry, TUSAR, ERI and MUGA. Silk production has grown at 7% CAGR during the past 4 Years.
- Indigenous wool, production, however, has not grown significantly.

Domestic Production of Raw Material and Semi-Processed Fabric

	Production (msm)						Growth		
	2004	2005	2006	2007	2008	2009 (H1)	2008	3-year	2009 (H1)
Cotton	18,040	20,655	23,873	26,238	27,205	13,371	3.7%	9.6%	-1.3%
• Mills	969	1,072	1,192	1,305	1,249	626	-4.3%	5.2%	0.5%
• Handloom	4,519	4,792	5,236	5,717	6,076	2,894	6.3%	8.2%	-3.8%
• Powerloom	6,370	7,361	8,821	9,647	9,932	4,717	3.0%	10.5%	-5.2%
• Hosiery	6,182	7,430	8,624	9,569	9,948	5,134	4.0%	10.2%	3.8%
Blended	6,068	6,032	8,298	6,882	6,888	3,630	0.1%	4.5%	6.3%
• Mills	253	243	252	330	422	256	27.9%	20.2%	26.1%
• Handloom	117	146	145	99	123	46	24.2%	-5.6%	-16.4%
• Powerloom	4,688	4,526	4,632	5,025	4,918	2,636	-2.1%	2.8%	8.7%
• Hosiery	1,010	1,117	1,269	1,428	1,425	692	-0.2%	8.5%	-5.5%
100% NC	17,613	17,998	18,637	19,545	21,175	10,102	8.3%	5.6%	-0.5%
• Mills	212	211	212	111	110	46	-0.9%	-19.5%	-14.8%
• Handloom	857	784	727	720	748	364	3.9%	-1.6%	-0.8%
• Powerloom	15,889	16,438	17,173	18,207	19,886	9,469	9.2%	6.6%	-0.6%
• Hosiery	655	565	525	507	431	223	-15.0%	-8.6%	6.7%
Total	41,721	44,685	48,808	52,665	55,268	27,103	4.9%	7.3%	-0.1%
• Mills	1,434	1,526	1,656	1,746	1,781	928	2.0%	5.3%	5.5%
• Handloom	5,493	5,722	6,108	6,536	6,947	3,304	6.3%	6.7%	-3.6%
• Powerloom	26,947	28,325	30,626	32,879	34,736	16,822	5.6%	7.0%	-0.6%
• Hosiery	7,847	9,112	10,418	11,504	11,804	6,049	2.6%	9.0%	2.8%
Khadi, Wool, Silk	662	693	769	724	763	381	5.4%	3.3%	0.0%
Total	42,383	45,378	49,577	53,389	56,031	27,484	4.9%	7.3%	-0.1%

Share of Different Fibres in Cloth Production



Import of Raw Material and Semi-processed Fabrics

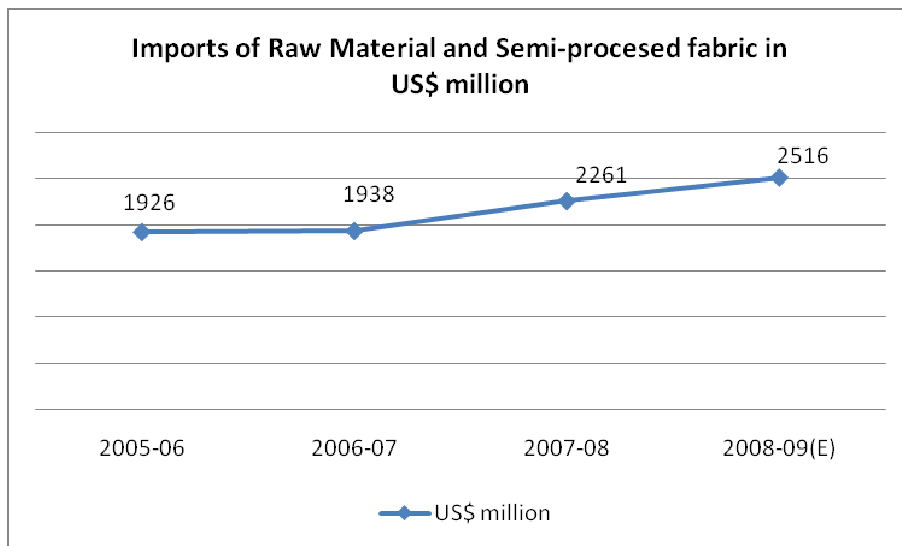
Total raw material imports into India, including raw wool, silk, cotton along with yarn and fabric for textiles was of worth US \$ 2260.52 million in 2007-08. In 2008-09 (April-Dec) it was US \$ 1886.63 million.

Imports – Raw, Yarn and Fabric (by Value- US\$ million)

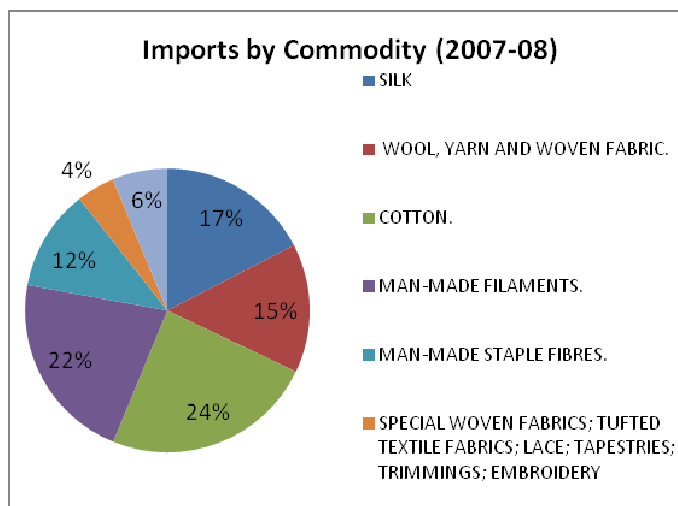
HS Code	Description	US \$ million			
		2005-06	2006-07	2007-08	2008-09 (Apr-Dec 2009)
50	Silk- Raw, Yarn and Woven Fabric	398.06	350.20	393.57	286.44
51	Wool- Raw, Yarn and Woven Fabric	265.50	281.86	331.55	242.68
52	Cotton- Raw, Yarn and Woven Fabric	438.09	464.75	545.65	552.98
54	Man-Made Filaments.	457.00	443.95	489.49	404.26
55	Man-Made Staple Fibres	180.66	208.02	260.76	216.78
58	Special Woven Fabrics; Tufted Textile Fabrics; Lace; Tapestries; Trimmings; Embroidery	85.98	88.36	97.79	74.72
60	Knitted Or Crocheted Fabrics	100.43	100.68	141.71	108.77
	Total	1925.72	1937.82	2260.52	1886.63

Source: Directorate General of Foreign Trade

The imports are increasing on a year to year basis; bit the rate of growth of imports has increased in the past two years. The average growth rate in this time was about 15%. This growth rate is fuelled by the increased imports of cotton – raw, yarn and fabric; man-made filaments and staple fibres; and knitted and crocheted fabrics in the given time period. The growth rate of other yarns and fabrics of wool and silk have kind of stagnated in the recent years.

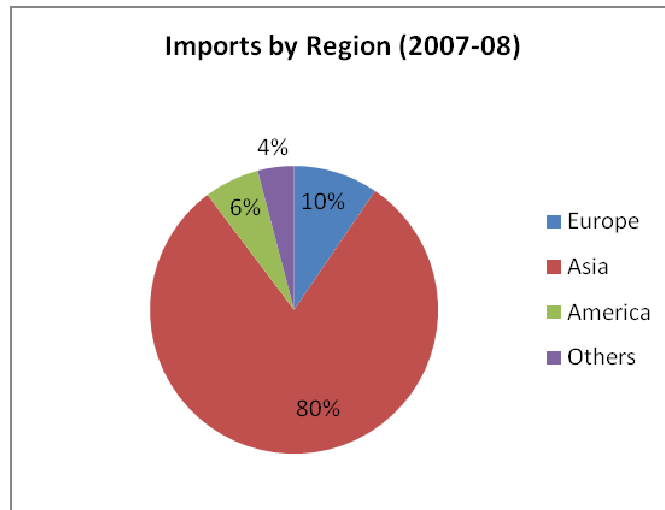


Import of cotton in various forms – raw, yarn and fabric – constitute the largest share in imports (24%), followed by man-made filaments (22%).



Asian countries are the biggest suppliers of raw material and semi-processed fabrics related to textiles sector in India. Their share is as much as 80% of all imports. The major Asian countries which supply raw material, yarn and fabric to India are China, Korea, Japan, Hongkong, Taiwan, Thailand, Vietnam, Malaysia, and Pakistan and Bangladesh.

Europe’s share in the imports is about 10%. Among the European countries, important are UK, Germany, France, Italy, Belgium, Turkey, and Spain. The share of North America, South America and Other counties is about 10% of total.



5. Structure of Foreign Trade

5.1 Import Scenario

Imports of apparel accessories to India remained at USD 2.12 million in the year 2007- 2008 with shawls, scarves, and mufflers of silk having a major share of the pie. According to the latest figures for 2008-2009 (April-Dec), imports were of the order USD 20.8 million.

Imports in USD million

HSCode	Commodity	2007-2008	%Share	2008-2009(Apr-Dec)	%Share
6214	Shawls, Scarves, Mufflers, & the Like	2.12	0.0008	2.08	0.0009
621410	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste	0.28	0.0001	0.33	0.0001
621420	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair	1.7	0.0007	1.51	0.0006
621430	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres	0.07	0	0.19	0.0001
621440	Shawls, Scarves, Mufflers, etc of Artificial fibres	0	0	0.01	0
621490	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials	0.08	0	0.05	0
611710	Shawls, Scarves, Mufflers & The Like	0.52	0.0002	0.55	0.0002
611780	Other Clothing Accessories, Knitted/Crocheted	0.46	0.0002	0.7	0.0003

Import Data in Volume in thousands

HSCode	Commodity	Unit	2007-2008	2008-2009(Apr-Dec)
6214	Shawls, Scarves, Mufflers, & the Like		384.22	318.78
621410	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste		52.95	30.24
621420	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair		288.37	221.72
621430	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres		14.03	60.05
621440	Shawls, Scarves, Mufflers, etc of Artificial fibres		0.54	0.95

621490	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials	28.32	5.81
611710	Shawls, Scarves, Mufflers & The Like	587.82	393.62
611780	Other Clothing Accessories, Knitted/Crocheted	505.59	1,194.39

5.2 Export Scenario

Exports of apparel accessories from India remained at USD 409.12 million in the year 2007- 2008 with shawls, scarves and mufflers of other textile materials having a major share of the pie. According to the latest figures for 2008-2009 (April-Dec), exports were of the order USD 453.02million.

Exports of Textiles Accessories (USD Million)

HSCode	Commodity	2007-2008	%Share	2008-2009(Apr-Dec)	%Share
6214	Shawls, Scarves, Mufflers, & the Like	409.12	0.251	453.02	0.3455
621410	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste	82.95	0.0509	73.41	0.056
621420	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair	81.62	0.0501	131.42	0.1002
621430	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres	87.66	0.0538	67.44	0.0514
621440	Shawls, Scarves, Mufflers, etc of Artificial fibres	16.5	0.0101	17.76	0.0135
621490	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials	140.39	0.0861	162.99	0.1243
611710	Shawls, Scarves, Mufflers & The Like	13.41	0.0082	14.02	0.0107
611780	Other Clothing Accessories, Knitted/Crocheted	2.89	0.0018	4.34	0.0033

Exports of Textiles Accessories – by volume ('000)

HSCode	Commodity	2007-2008	2008-2009 (Apr-Dec)
621410	Shawls, Scarves, Mufflers, & the Like	13,125.34	14,836.20
621420	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste	13,562.26	24,956.05
621430	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair	40,747.12	41,253.82
621440	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres	7,895.90	12,696.47
621490	Shawls, Scarves, Mufflers, etc of Artificial fibres	75,564.14	79,056.45

611710	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials	3,818.02	4,104.52
611780	Shawls, Scarves, Mufflers & The Like	995.29	1,305.96

Exports to Europe

Exports of apparel accessories from India to Europe remained at USD 166.92 million in the year 2007- 2008 with scarves, shawls and mufflers of other textile materials having a major share of the pie. According to the latest figures for 2008-2009 (April-Dec), exports were of the order USD 177.44 million.

HSCode	Commodity	2007-2008	2008-2009 (Apr-Dec)
6214	Shawls, Scarves, Mufflers, & the Like	166.92	177.44
621410	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste	36.54	34.24
621420	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair	34.62	50.82
621430	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres	34.94	26.32
621440	Shawls, Scarves, Mufflers, etc of Artificial fibres	6.11	5.88
621490	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials	54.71	60.18
611710	Shawls, Scarves, Mufflers & The Like	6.56	7.51
611780	Other Clothing Accessories, Knitted/Crocheted	1.15	2.8

Exports to Europe in Volume (in thousands)

HSCode	Commodity	Unit	2007-2008	2008-2009(Apr-Dec)
621410	Shawls, Scarves, Mufflers, & the Like		5,394.45	6,014.25
621420	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste		5,912.39	9,447.34
621430	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair		16,304.09	12,689.87
621440	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres		2,700.93	2,850.31
621490	Shawls, Scarves, Mufflers, etc of Artificial fibres		28,070.75	29,824.02
611710	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials		2,002.74	2,129.51

611780	Shawls, Scarves, Mufflers & The Like	357.61	838
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Exports to Italy

Exports of apparel accessories from India to Italy remained at USD 14.93 million in the year 2007-2008 with scarves, shawls of silk having a major share of the pie. According to the latest figures for 2008-2009 (April-Dec), exports were of the order USD 14.1 million.

Exports to Italy in USD million

HSCode	Commodity	2007-2008	2008-2009(Apr-Dec)
6214	Shawls, Scarves, Mufflers, & the Like	14.93	14.1
621410	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste	4.51	3.76
621420	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair	3.84	4.65
621430	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres	2.27	1.75
621440	Shawls, Scarves, Mufflers, etc of Artificial fibres	0.57	0.55
621490	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials	3.74	3.4
611710	Shawls, Scarves, Mufflers & The Like	0.46	0.92
611780	Other Clothing Accessories, Knitted/Crocheted	0.12	0.11

Exports to Italy in Volume (in thousands)

HSCode	Commodity	Unit	2007-2008	2008-2009(Apr-Dec)
621410	Shawls, Scarves, Mufflers, & the Like		550.71	568.65
621420	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste		445.25	468.18
621430	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair		1,062.52	748.7
621440	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres		212.84	273.66
621490	Shawls, Scarves, Mufflers, etc of Artificial fibres		1,579.05	1,365.90
611710	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials		90.77	131.95
611780	Shawls, Scarves, Mufflers & The Like		28.88	28.33

6. Competition – Indian Accessories Industry

6.1 Characteristics

The market is characterized by:

- Branding
- Offering variety: latest trendsetter and introducing novelty
- Quality standards-in material, design and cuts
- Moving up the value chain- ensuring better returns.
- Export market--, conforming to quality and quantity commitment, ability to interpret fashion changes.
- Highly dynamic market- design changing frequently.
- Substantial growth in domestic market

6.2 Main Competitors

With intense competition hotting up in the niche segments, leading players are busy in brand building exercise. The market leaders, in a bid to consolidate its premier position, are working on the strength of innovation, styling and pricing.

The presence of brands in the sector is extremely limited as 74% of the market is dominated by unbranded players, thus making it a style driven market. The leading companies and their brands are listed under section 4.1.

Some imported premium and luxury brands like Louiss Vitton, Aldo, Mango, Esprit, Guess, Agner are also present in the Indian market.

6.3 SWOT Analysis

Strength	Weakness	Threat / Concern	Opportunities
Excellent design capability of Indian designers. Robust R&D capability is another competitive advantage. Many suppliers are deploying CAD technology to improve turnaround times. Another increasing trend is tying up with designers in Europe and the US to enhance product range.	The industry is as fragmented as it is diverse. De-centralized operation promotes small scale operation but lacks focus on modernization. Prevalence of small scale units works as a major bottleneck to the development of the industry.	Rupee fluctuations with respect to US \$ and Euro affects the volume and value of exports as the price competitiveness of Indian exports.	There is potential in line of shawls, stoles, scarves and dupattas in the domestic market as this is an untapped area
Indian consumers are already exposed to a wide variety of accessories. As a result new products find ready acceptance and trial in the Indian market.	Kiosk retailing of accessories needs a greater push. Kiosk retailing should find a structured presence in the mall as there is ample opportunity to specialize in this format.	Absence of standardization and quality control and organized vendor-base characterizing the larger part of the industry	Currently there are no important chains of fashion accessories in both western and Indian Mix. This is an unexplored opportunity.
	Most accessory stores in India barely allocate 200-300 sq ft which should be increased. More brands should be introduced with most of the categories covered.		Great opportunity for designers to offer a distinctive high end accessory collection.
			There is an opportunity for boutique stores, a category witnessing rapid development, with new and creative products.

6.4 Growth Prospects

Future outlook of accessory depends on the design and brands of the accessory.

Large MNCs in retailing business around the world have already tied up with Indian manufacturers for sourcing. Recently Fendi, Diesel etc have also stepped in the Indian market. The growth potential of the industry looks optimistic. Burgeoning demand of the domestic market can be attributed to:

- **Rising per capita income:** As per the RBI, the average income in India is rising by 10 percent, and the same trend is likely to continue.
- **Rising Urbanization:** Urbanization is an irreversible trend. As per the census figure, urban population, as a percentage of total population, stands at 30% now, and will increase up to 42% by 2030 as more and more people would migrate to cities.
- **Young population:** Besides sheer number, the younger population has higher aspirational values, greater exposure to brands, and more disposable incomes to spend on fashion accessories.
- **Dropping dependency ratio:** Looking at the urban population across India, it can be said that the dependency ratio, which was 35% in 1991, is estimated to reduce to 28% by 2016. This implies that more and more people would move out of houses for working, and would be able to perceive themselves as separate individuals with selfish needs to be fulfilled. They are not governed by the needs of the family, but have the money to spend on high end products as well as expensive brands to suit their life styles.
- **Changing mindsets of a billion people:** Indians are moving from a saving and necessity driven living to a far more indulgent lifestyle. The result has been the birth of an era of consumption. Also, cashing in on this “indulgent living” and “status based needs” are international brands that have entered the country. Iconic brands like Esprit, Diesel, CK etc have entered the Indian market with promising growth figures and there are still more International players looking to seize the opportunity in the coming years.

7. Potential for European Companies in India

The manufacturing activity of accessories in the European Union has been tapering off since the ATC regime due to high cost of labor and raw materials. The situation has further worsened and more and large number manufacturing units have become un-viable and un-economic in view of intense global competition particularly during the WTO years. Dismantling of the quota system had left a significant impact on the production, export and employment of global textile industry as a whole. Developed countries particularly, EU, USA and Canada suffered badly on account of increased competition and decline in prices. By 2007, developing countries accounted for more than two-thirds of the world apparel exports (impacting under-garments segment as well).

Impact of Quota Elimination

The accessory industry is labor intensive and thus developing countries have intrinsic competitive advantage in having a large pool of unskilled and skilled labor force. Besides, relatively modern technology can be adopted as relatively lower investment costs. These technological features of the industry have made it suitable for the first rung of ladder in the developing countries.

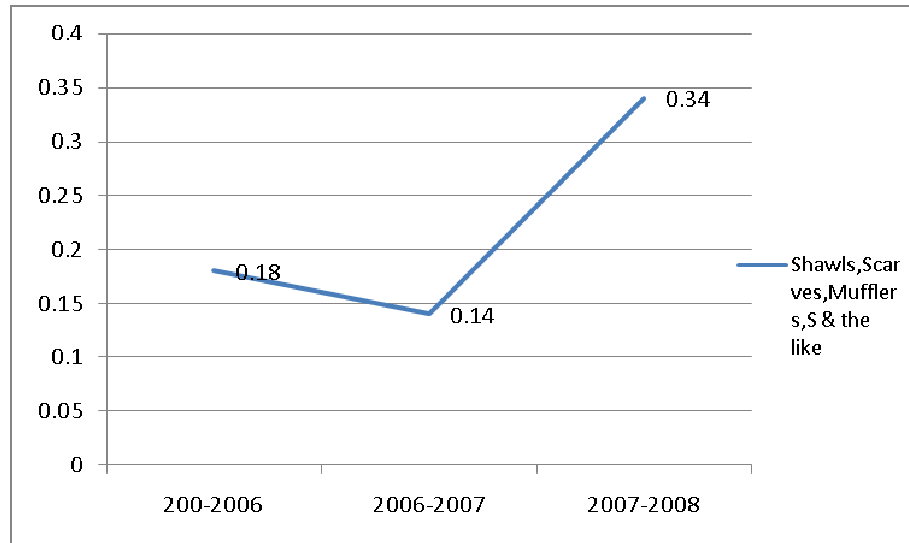
The abolition of quota system has been largely instrumental in the re-alignment of manufacturing activities across the globe. These countries have now been considered ideally suitable both for low, medium and high priced product segments. The production of lower and medium quality products, which constitute the mass-market segment, is being concentrated mostly in the developing countries. The developed countries which specialize in high value added segment where design, research and development are competitive factors are also increasingly re-locating the manufacturing plants to the developing countries.

European companies have played as major catalysts to the development of Indian market both as domestic players and as importers.

7.1 Growth of Imports from EU

There has been tremendous growth in India in imports of European apparel accessories in the past 3 years, both in volume and value terms. The 9-month import data for April to December 2008 (latest data available from the Ministry) also lends credence to the rising trend of imports. HS codes 621420 and 611710 constitute major share of imports.

**Import Trend of Apparel Accessories:
by value (in USD million)**



7.2 Main European producers present in India

Foreign Collaborations

Several Indian textile companies have formed alliances with their European counterparts, particularly those with strong front-end capabilities, in a bid to access global markets, tap technological know-how, design skills and branding and retailing ability. The alliances have been struck in most cases by way of JVs or stake acquisition. Tie-up with overseas companies will help them move up the value chain and focus on the more lucrative branding and retailing business.

Major European brands which have dominated Indian market include:

- Benetton, Italy
- Just Cavalli, Italy
- Adidas, Germany
- Aigner, Germany
- Armani, Italy
- Mango, Spain

7.3 Indian buyers / consumers of European products

The European products are positioned in the premium and super-premium product segments. The price points of these products are normally much higher as compared to Indian products. The purchasers mostly come from the following socio-economic backgrounds:

- Affluent and high middle class,
- Nuclear family with one or two children.
- Working un-married women / women professionals.
- Foreign traveled or exposure to latest products through fashion magazines etc

The Indian market is extremely important European companies in view of the large and growing domestic market; increasing purchasing power and consumerism.



8. Regulatory Framework and Legislations

8.1 Sector specific Regulations

The Ministry of Textiles has taken pro-active role to rejuvenate the textile industry. It is now working more as a facilitator.

Policy Initiatives

- 100 per cent FDI allowed through the automatic route.
- De-reservation of readymade garments, hosiery and knitwear from the small-scale industries (SSI) sector since end-2000.
- The Government is also working on '**Advance Authorization Scheme**' and '**Duty Exemption Pass Book**' to boost export in the textile and apparel sector.

Reform Measures

- Technology Up gradation Fund Scheme (TUFS) which was launched to facilitate the modernization and up gradation of the textiles industry in 1999 has been given further extension till 2011-12.
- The Government of India has introduced a package of measures to help the organized sector mills to restructure and lessen their accumulated debts. The Ministry of Textiles has taken the measure to issue 'letter of comfort' that would enable the mills to obtain loans from banks and financial institutions. The Government has made further investment of Euro 7.8 million towards purchase of improved machinery and Euro 0.06 billion as adjustment assistance to reduce labor surplus.
- The Government has formulated 'Handloom Reservation Order' to revamp the sector. The Order specifies that 11 textile products must be manufactured by the handloom industry.
- The Cotton Corporation India (CCI) constantly monitors the price movement of raw cotton. It extends price support as and when the price falls below 'Minimum Price Support'. The Government reimburses CCI for any losses incurred.
- In current times of a global meltdown, the government has come out with an economic stimulus package for the textile industry. This includes (i) Additional allocation of Euro 201.6 million to clear the entire backlog in the TUF Scheme, which would enhance cash flow of the exporters. (2) Extension of interest rate subvention of 2 per cent on pre and post shipment credit (3) Additional fund of Euro 158.4 million for refund of terminal excise duty.
- The Government also proposes 'Integrated Textile Parts Scheme, 2005 which combines 'Apparel Park of Export Scheme' and the 'Textile Centre Infrastructure Scheme' to promote textile clusters and infrastructure facilities.

Tariff Concession

- On the import front, the Government of India has reduced tariffs on textile machinery & equipment. It has identified 287 textile machinery items which will have a basic custom duty of 5%.

Export Fiscal Incentives and Concessions

India offers an attractive scheme of incentives on exports, especially through its Export Oriented Unit (EOU) Schemes. By definition, export oriented units are required to export all their production (less rejects and wastage), attaining a minimum specified level of net foreign exchange earnings from their operations.

The most important provisions concerning EOUs are as follows:

- All capital goods, raw materials and consumables are allowed to be imported **free of duties**, and all locally procured supplies are exempt from sales tax and excise duties
- Sales in the domestic market attract a **lower customs duty**: that is **half the normal tariffs** applying to imports.
- Profits of an export oriented unit are fully exempt from income tax until April 2010, including profits on domestic sales upto 25% of the production.

Environmental Clearances

Entrepreneurs are required to obtain Statutory clearances, relating to Pollution Control and Environment as necessary, for setting up an industrial project for 31 categories of industries in terms of Notification S.O. 60(E) dated 27.1.94 as amended from time to time, issued by the Ministry of Environment and Forests under The Environment (Protection) Act 1986.

Setting up industries in certain locations considered ecologically fragile (e.g. hill areas) are guided by separate guidelines issues by the Ministry of Environment and Forests.

8.2 Foreign Direct Investment (FDI) Policy

The essential provisions of foreign investment related approvals/ procedures and options for business structure are summarized below. For more details please refer the Government of India's official website <http://dipp.nic.in/>.

- In most sectors/activities, foreign direct investment up to 100% is allowed through the automatic route, subject to sector rules / regulations as applicable.
- Foreign investment in any small-scale undertaking requires prior approval of the Government of India and is not automatic. Investment in any small scale enterprise (SSI unit¹) by non-SSI undertakings, other SSI undertakings and even foreign investors, is restricted to 24% of the equity.
- All foreign investments are **fully repatriable** for both profit as well as principal values, subject to payment of applicable Indian taxes and obtaining due clearances from the Reserve Bank of India.
- Foreign investment is prohibited in
 - Retail Trade (except Single Brand product retailing, for which 51% FDI is permitted);
 - Lottery business;
 - Gambling and betting; and
 - Atomic Energy
- All Activities/ Sectors require prior Government approval for FDI in the following circumstances:
 - Where applications are from entities already having an existing previous joint venture/technology transfer/royalty agreement in the same field in India;
 - Where more than 24% foreign equity is proposed for manufacture of items reserved for the Small Scale sector.
- Franchising
Govt. of India is reviewing the policy on franchisee arrangements between Indian companies and overseas partners. Numerous international brands are present in India through the franchise route and more are also expected soon. However, the review of this policy with a view to prevent foreign retail companies entering the Indian market through franchisee route circumventing the FDI restrictions, has resulted in several ventures being put on hold or being modified, the most high profile example being that of Walmart's entry into through a joint venture with Bharti group.
- Foreign Technology Agreements
Foreign technology agreements are allowed in all industrial sectors. The approval is automatic for agreements involving Lump sum fee not exceeding US \$ 2 million, and royalties up to 5% on domestic sales and up to 10% on export sales.

For agreements where no technology transfer is envisaged, payment of marketing royalties- for use of brand name/ licence- up to 1% of sales is also allowed under the automatic route.
- Hiring of Foreign Technicians
No prior approval is necessary for engaging foreign technicians / experts on short-term basis, subject to guidelines relating to duration of engagement (max 12 man-months in a calendar year) and fee rates (not exceeding US\$ 1000 per day, subject to a ceiling of US\$ 200,000 in a calendar year).

¹ Small Scale industrial unit – defined as one where investment in plant & machinery is less than Rs. 5 million

8.3 Business Structure Options

A foreign company can set up operations in India by **incorporating a company** under the Companies Act, 1956, through setting up a private or a public company with limited liability, which can be either Joint Ventures; or Wholly Owned Subsidiaries. A private limited structure gives the most flexibility and involves fewer statutory requirements.

For registration and incorporation, an application has to be filed with Registrar of Companies (ROC). Once a company has been duly registered and incorporated as an Indian company, it is subject to Indian laws and regulations as applicable to other domestic Indian companies.

Foreign Companies can also set up their offices through **unincorporated entities**, which can undertake only the permitted business activities, namely

- **Liaison Office/Representative Office** acts as a channel of communication between the foreign company and the entities in India and collection of information about possible market opportunities. Liaison office can not undertake any commercial activity directly or indirectly and cannot, therefore, earn any income in India.
- **Project Office** is a temporary office in India for executing specific projects. Such offices can not undertake or carry on any activity other than the activity relating to execution of the project.
- **Branch Office** is allowed for trading, professional or consultancy services, research, promoting collaborations with Indian companies, representation as buying/selling agents in India etc. A branch office is not allowed to carry out manufacturing but is permitted to subcontract these to an Indian manufacturer.

Illustrative Business Costs

	Euros	Basis
Incorporation Costs	5000 - 6000	One time
Office rentals	250 to 300 per sq m per month	6 months advance (Interest free deposit) 3 year lease
Interiors	250 – 300 per sq m	
Work spaces	300 - 400 per seat	
Residential Apartment rentals	50 per sq m per month unfurnished, bare walls	6 months advance (Interest free deposit) 3 year lease
Industrial land	30 - 60 per sq m	Buy / 33 yr lease
Staff, junior management salary	150 - 500 per month	add 25% benefits
Middle management	1000 – 2500 per month	Performance based

Top management	3000 +/- month	Performance based
Vehicle lease (Toyota Corolla)	450 per month	15% advance 5 year lease

8.4 Practical aspects of doing Business in India

As per a World Bank Report, covering 181 economies, India's ranking has improved marginally in 2009, on various indicators of attractiveness as a business destination. However, in absolute terms the ranking remains quite low. Significantly, India is ranked a respectable 33 on the parameter of protecting the interest of the investors.

Ease of..... in INDIA.	2008 Rank	2009 Rank	Change in Rank
Doing business	122	120	-2
Starting a business	121	114	-7
Dealing with construction permits	136	131	-5
Employing workers	89	89	0
Registering property	105	114	9
Getting credit	28	25	-3
Protecting investors	38	33	-5
Paying taxes	169	167	-2
Trading across borders	90	81	-9
Enforcing contracts	180	180	0
Closing a business	140	140	0

However, Italian companies planning to enter Indian market need to consider carefully the 'need' for a local partner. In most activities, the government regulations allow a 100% foreign ownership. Therefore a Country Manager may serve the purpose instead of having an Indian investor partner.

However, if a local partner is preferred, a due diligence review must be carried out, before finalizing the tie-up.

Foreign entities can build in sufficient safeguards to protect their legitimate business interests in joint ventures. Some important issues arising in management control of joint ventures are explained below:

- All verbal understandings must be formalized in writing, even for confidential agreements.
- Ensure a provision for right to exit from a contract and clear procedures and triggers for termination and dispute resolution

- All intellectual property must remain the exclusive domain of the originator and only licensed to the joint venture / local agent.

8.5 Investing in Existing India Companies

Foreign companies planning to invest in existing Indian companies can do so under the general permission of RBI under Foreign Exchange Management Act (FEMA). The companies are required to notify the concerned Regional Office of the Reserve Bank of India (RBI) within 30 days of remittances, and within 30 days of issue of shares to the foreign investors.

Indian companies having foreign investment approval through FIPB route do not require any further clearance from RBI for receiving inward remittance and issue of shares to the foreign investors.

8.6 Taxes and Tariffs

Taxes & Tariffs	
Tax on Business Income	34%
Capital Gains Tax	10.5% - 34%
Dividend Tax	14.4%
Minimum Alternate Tax	11.5%
Withholding Taxes (On knowhow, royalty ...)	21%
Service Tax	10.3%
Import duty (average)	24.42%
Excise Duty	8%
Sales Tax / VAT (this is a turnover tax applying on sales, and varies state to state)	4 - 12.5%

8.7 Protection of Intellectual Property (trademarks, patents, etc.)

In the past, India's intellectual property rights regime was a cause for concern to several international investors, marked by infringements of international trademarks and patents under India's domestic laws on these subjects. However, there is now a well-established statutory, administrative and judicial framework to safeguard intellectual property rights in India, whether they relate to patents, trademarks, copyright or industrial designs.

Well-known international trademarks are protected in India even when they are not registered in India. The Indian Trademarks Law has been extended through court decisions to service marks in addition to trade marks for goods.

- **Indian Patents Act, 1970 / 2002 / 2004**

The Indian Patents Act, 1970, contains the law governing patents. The Act has been amended by the Patents Act, 2002 to meet with the second set of obligations (Term of Patent etc.). This amendment,

which provides for 20 years term for the patent, Reversal of burden of proof etc. came into force on 20th May, 2003. The Third Amendment of the Patents Act 1970, by way of the Patents (Amendment) Ordinance 2004 came into force on 1st January, 2005 incorporating the provisions for granting product patent in all fields of Technology including chemicals, food, drugs & agrochemicals and this Ordinance is replaced by the Patents (Amendment) Act 2005 which is in force now having effect from 1-1-2005 .

Once the patent application is filed, it goes through a process of scrutiny and publication (made open for public inspection). Any person can file an opposition to grant of patent after the application has been published and within a period twelve months after the grant of a patent. If the application satisfies all the requirements of the Patent Act, the patent is granted, and published in the official gazette. Every granted patent is valid throughout India, and gives the patent holder the exclusive right to make, use, sell, offer for sale and import the product or use the process. However, the government can make use of the patent for its own purposes or for distributing an invention relating to medicine to hospitals and dispensaries. Furthermore, any person can make use of the patent for experiment or education.

A patent holder may assign the whole or any part of the patent rights for the whole of India or any part thereof. A patent holder may also, by a license, permit others to make, use, or exercise, the invention which otherwise would not be allowed.

Infringement of a patent is the violation of the exclusive rights of the patentee. Determination of infringement depends on the scope of exclusive rights of the patentee, whether the infringer's acts amount to making, using, selling or distributing a product or using a method and if in fact the acts amount to an infringement. The burden of proof is on the patent owner for proving infringement.

- **Trade Mark Act**

Trade Marks Act, 1999 seeks to provide for the registration of trademarks relating to goods and services in India. The rights granted under the Act, are operative in the whole of India. The term of a trademark registration is for a period of ten years but may be renewed from time to time in the prescribed manner and on payment of the prescribed fee. A common ground for refusal is likelihood of confusion between the applicant's mark with registered mark or pending prior mark.

- **Design Act**

The essential purpose of design law is to promote and protect the design element of industrial production. The existing legislation on industrial designs in India is contained in the New Designs Act, aligned with the changed technical and commercial scenario and made to conform to international trends in design administration.

The registration of a design confers on its proprietor, copyright in the design for 10 years from the date of registration, extendable for another five years. However, it must be stated here that inspite of the well established legal framework for protection of intellectual property in India, the implementation and enforcement of these provisions still need substantial improvement.

9. Marketing & Distribution Structure

9.1 Trade channels

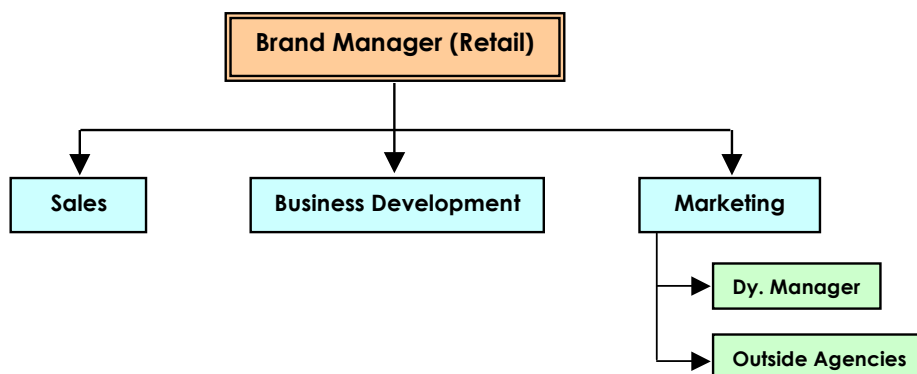
There is a commonality of approach adopted by manufacturers / importers for marketing their wares. Large manufacturers maintain an exhaustive marketing set-up at an all India level to reach maximum geographical spread and service customer requirements through various mechanisms.

Major functions of the marketing department include:

- Organizing sales promotion measures through interface with potential / existing customers
- Production of company literature, brochures, related ad materials
- Organizing marketing campaign – domestic & overseas market
- Appointment of dealership net-work & servicing the requirements of distribution network.

Structure of Marketing Department

The structure of marketing department varies with size and scale of operations, as well as the product range of individual companies. There is no uniform hierarchy in the marketing department. However the typical commonly used structure is as under:



Sales Network

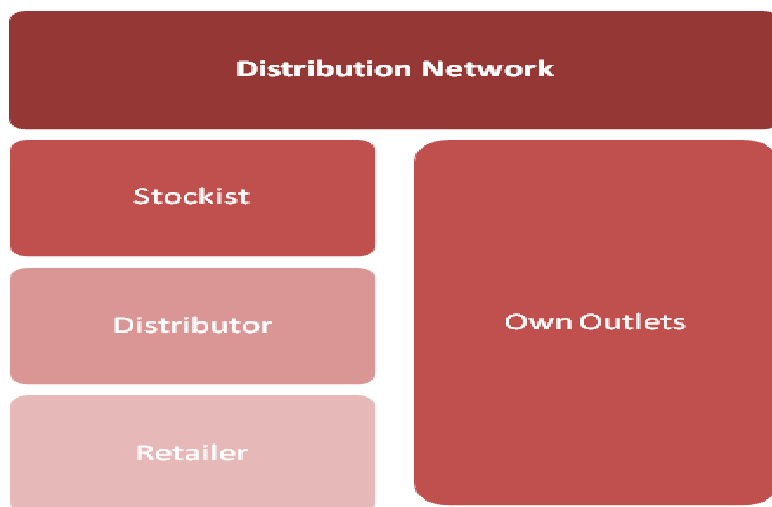
The products are mostly sold through a variety of channels. These include

- Sales through exclusive company owned retail outlets. One of the major players using this channel as a major route is Arvind Mills Ltd, Color Plus, (Raymond Ltd). Increasing use of retail space in various malls for showcasing products and maximizing sales.
- Outright sales to retailers. Majority of the players are using this channel. Prominent among them are Louis Philippe, Aditya Birla Group.

- Operating through franchisee arrangement. Foreign players without any joint venture collaboration or technology tie-up in India prefer this route. Major advantage of this system is that one need not make substantial investment for popularizing the brand. The main onus for development of the market lies with the franchisees. If the product does not sell well or there is a danger to brand reputation, the franchise agreements are terminated. This is a cost effective measure.

Distribution Network

More than 60% of products in the domestic market are sold through distribution network. Most extensively used and popular network is presented as under:



Major strategy of the manufacturers is creation of widest distribution network for reaching out to maximum customers across the country. In view of the expanding market demand, the manufacturers are streamlining and revamping their distribution network across various cities, hitherto untapped.

9.2 Key trends in the Retail sector

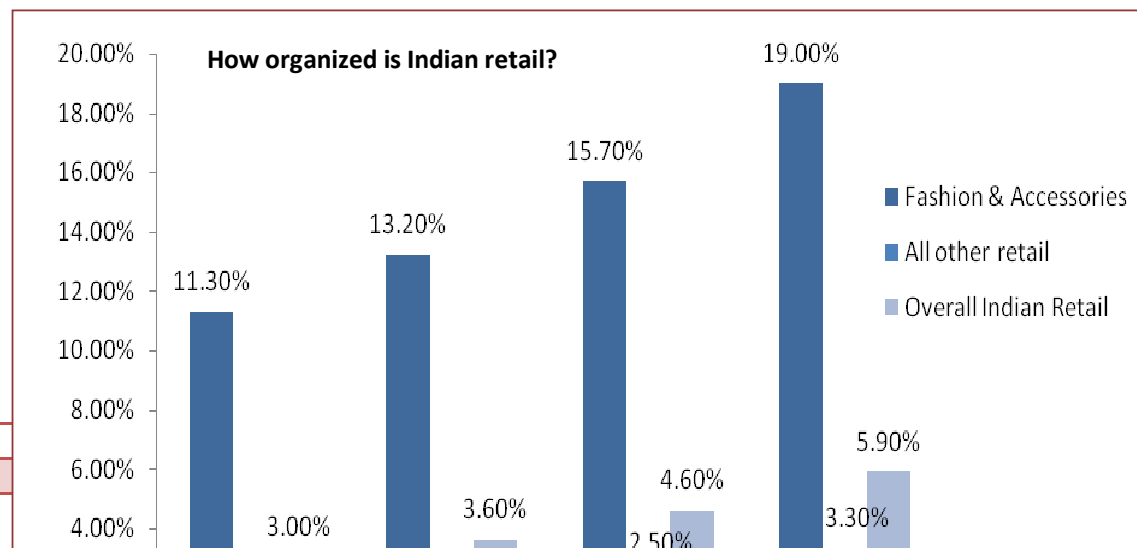
Domestic consumption market in India is estimated to grow approximately 7 to 8% with retail accounting for 60% of the overall segment. Of this organized retail is just 5-6%, which is comparatively lower than other countries with emerging economies. In developed countries organized retailing is the established way of selling consumer products. Despite the low percentage, Indian textile industry has grown noticeably in organized retailing of textile products. The negative phase in exports may have compelled the Indian textile retailers to explore the opportunities in the domestic market substantially causing the outstanding growth in the concerned segment. These indications give a positive notion that organized retailing has arrived in the Indian market and is here

to stay. It is expected to grow at 25-30 per cent annually and would triple in size from Euro 54.7 billion in 2004-05 to Euro 170.3 billion by 2010.

India is on the radar of the global retailers seeking entry into the Indian retail market. The market is growing at a steady rate and accounts for around 10 percent of the country GDP. The inherent attractiveness of this segment lures retail giants and investments are likely to sky rocket with an estimate of Euro 0.31 – 0.39 billion in the next 2-3 years, and over Euro 3.13 billion by end of 2010. Indian retail market is considered to be the second largest in the world in terms of growth potential.

A vast majority of India's young population favors branded garments. With the influence of electronic media, urban consumer trends have spread across the rural areas also. The shopping spree of the young Indians for clothing, favorable income demographics, increasing population of young people joining the workforce with considerably higher disposable income, has unleashed new possibilities for retail growth even in the rural areas. Thus, 85% of the retail boom which was focused only in the metros has started to infiltrate towards smaller cities and towns. Tier-II cities are already receiving focused attention of retailers and the other smaller towns and even villages are likely to join in the coming years. This is a positive trend, and the contribution of these tier-II cities to total organized retailing sales is expected to grow to 20-25%.

APPAREL AND CORE FASHION ACCESSORIES LIKE TIME WEAR, EYEWEAR, AND JEWELLERY TOGETHER CONSTITUTE 53.6% OF THE RS 783 BILLION ORGANISED RETAIL MARKET IN INDIA



Online Retail

The consumer has certainly moved on globally; the web is dynamically changing every day and it is high time that retailers catch up with the digital retail era. For many of the world's best known brands, their burgeoning online boutiques are contributing the most to top lines, sometimes far more than their flagship stores on expensive high streets.

The companies which based primary business model on the concept of e-commerce are way ahead in the league. In most cases, they cannot be compared or competed with. Today Ebay has become an important medium for sales and many companies, brands and even individuals run independent stores within E-bay. There are several other online portals like indiafashion.com for online retailing. The e-commerce world is going to change with web 2.0 far more than people realize. Both the delivery mechanisms and the involvement of consumer set to make the next five years challenging.

9.3 Trade Margins and Commercial terms

Terms of Credit

Extension of credit forms a major part of trade practice. Provision of credit as a structured trade practice is extensively prevalent in the lower priced product categories – lower, economy and mid segment.

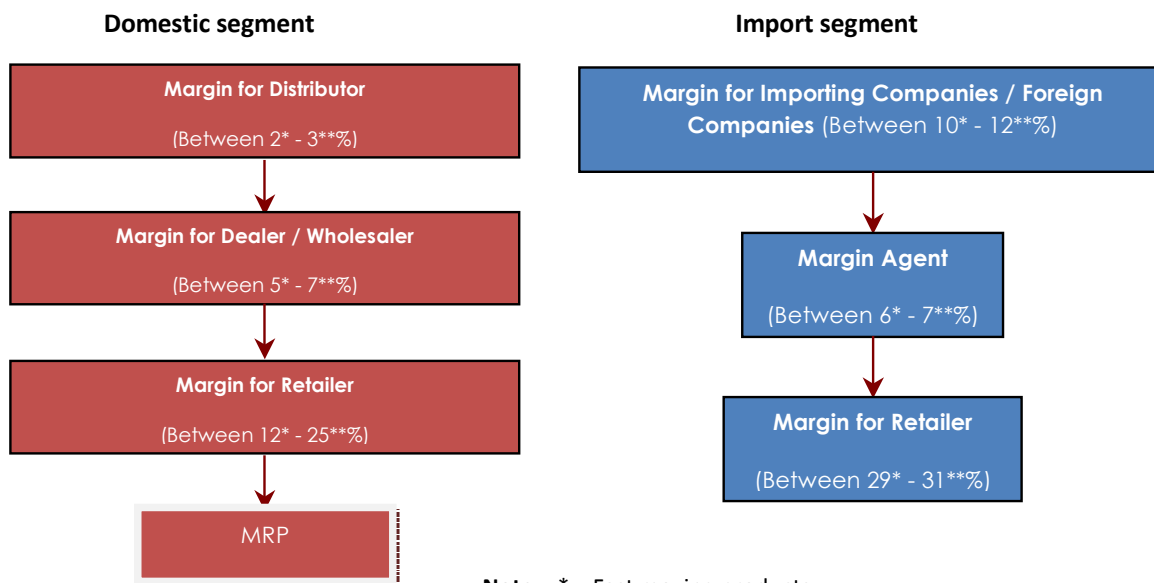
Minimum : 30 days credit

Maximum : 45 days credit

Extending credit facility to dealership network for premium and super-premium products has not been standardized as yet. The terms of payment depend on the durable business relationship between the manufacturer and the trading partners.

Trade Margins

The margin keeps on changing in accordance with business swing. Margins as prevalent at each stage in the entire chain are presented as under:



Note: * Fast moving products

** Slow moving products

10. Opportunities for Italian companies to enter the Indian market

10.1 Positive Experiences / Perceptions about Italian Products

Italy has been one of the key countries from where fashion clothing and garment products and raw materials are sourced in India. Many major companies in India have business tie-up with the Italian companies and they are involved in production and marketing of their products in India.

A large number of Italian companies and brands have a presence in India and are therefore known to Indian manufacturers, retailers and users. During the primary survey conducted for the purpose of this study, the manufacturing companies, importers and retailers were asked about their

experiences and perceptions about the Italian products. They were asked to rate the Italian textile clothing and garments on some key criteria, and the results are presented below:

Experiences / Perceptions about Italian products vis a vis Indian products

Parameter	Qualitative/Comparative Rating		
	Manufacturers	Distributors / Importers	Retailers
Performance	1.95	1.50	2.33
Durability	2.42	1.83	2.17
After Sales Service	2.29	2.00	2.50
Price	2.08	2.33	2.29

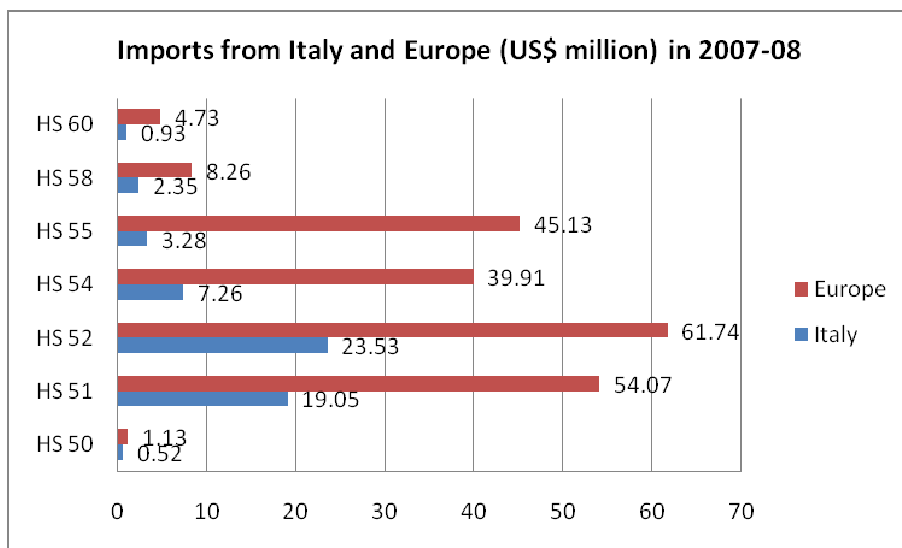
Rating Index: 1 – Much better; 2 – Better; 3 – Comparable; 4 – Worse

10.2 Increasing trend in Imports from Italy

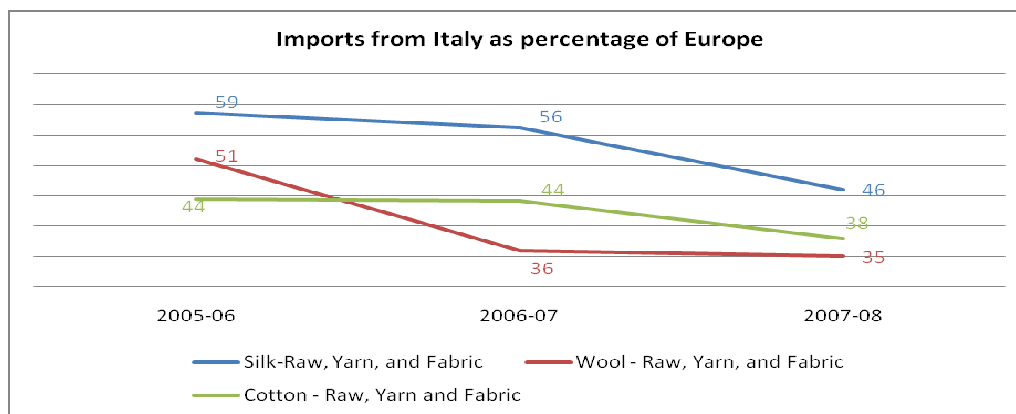
Raw Material and Semi-Processed Fabrics

As far as the raw materials are concerned, the share of Italy in the total imports in 2007-08 has been about 2.5% of total. But it has sizeable share of more than 26% in the total imports from Europe.

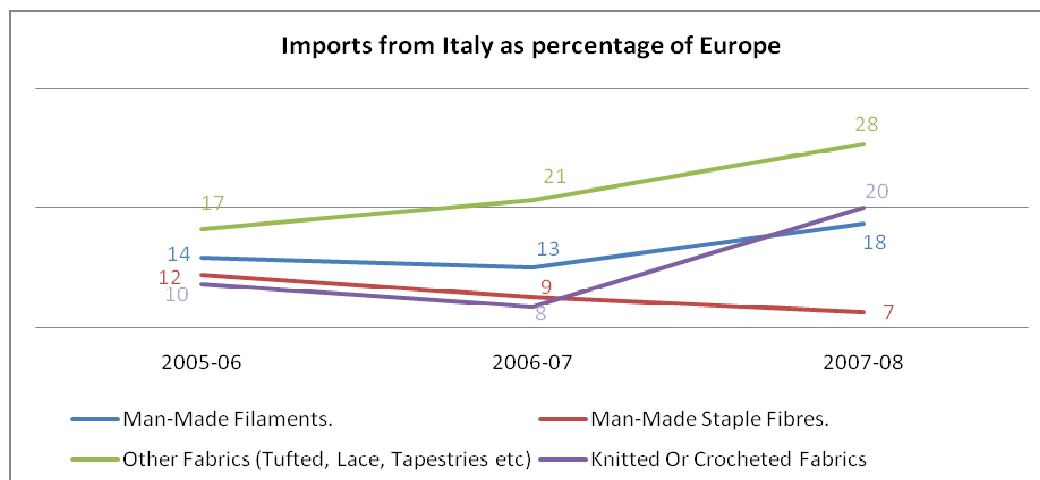
Share of Italy and Europe - Imports of raw material and semi-processed fabric in 2007-08



The share of Italy in total import from Europe has actually been fluctuating. In 2006-07, it was 45%, where as in 2005-06, it was 31%. The Italian share in the natural fibres – raw, yarn and fabric has been substantial but it is actually falling over last 3 years.



The share of man-made yarn and fabric, on the other hand is increasing, but has not been able to compensate for the decrease in the market share due to natural fibres and fabric. The import of special woven fabrics, tufted textile fabrics, lace, tapestries, trimming and embroidery has been increasing from Italy.



The major competitors of Italy from Europe which are exporting yarn and semi fabric into India are Germany, UK, Spain, Belgium and France. Among the imports into India, there has been few commodities where the share of Italy among the global imports has been substantial has been tabulated below. The Asian countries, especially from East Asia and South Asia are the main competitors of Italy in these commodities. China, Korea, Japan, Thailand, Malaysia, Pakistan, and Bangladesh are notable.

Imports of Fabric from Italy relative to the Largest Player

HS Code	Commodity	US \$ million in 2007-08		
		Total Imports	Italy's Share	Largest Player *
HS 5111	Woven Fabrics of Carded Wool or Of Carded Fine Animal Hair	28.54	3.24	13.26
HS 5112	Woven Fabrics of Combed Wool/Fine Animal Hair	12.88	5.63	2.26
HS 5208	Woven Fabrics Of Cotton Counting >=85% By Wt of Cotton Weighing not more than 200 G/M2	153.87	10.54	96.09
HS 5209	Woven Fabrics of Cotton, Counting >=85% Cotton by weight, Weighing >200 GSM	106.19	10.15	35.31
HS 5211	Woven Fabrics of Cotton, Counting <85% Cotton, mixed mainly with man-made fibres weighing > 200 G/M2	5.18	0.52	2.21
HS 5212	Other woven fabrics of Cotton	7.93	0.89	4.31
HS 5408	Woven fabrics of artificial filament yarn, including fabrics obtained from Materials of Heading No.5405	5.76	0.25	2.99
HS 5515	Other Woven fabrics of Synthetic staple	21.93	0.98	8.54

	fibres			
HS 5801	Woven Pile Fabrics & Chenille fabrics other than fabrics of Heading No.5802 Or 5806	13.38	0.18	10.15
HS 5806	Narrow Woven Fabrics except Goods of Heading 5807 narrow fabrics consisting of Warp without weft assembled by means of an Adhesive	36.3	1.37	10.48
HS 5807	Labels badges & similar articles of textile materials in Pieces/Strips/Cut to Shape/Size not Embroidered	20.78	0.48	14.73
	Total	412.74	34.23	200.33

* It is China except in HS 5807, where Hongkong is the largest player

Source: DGFT, India

Import of Finished Products

Imports of apparel accessories products into India from Italy have been witnessing a sustained increase over the past few years, both in absolute terms as well as in terms of share of total imports into India from European Union.

Barring 2006-07, imports from Italy are on the rise. The year 2008-09 has been particularly impressive.

Imports of Accessories from Italy – by volume (Qty. '000)

HSCode	Commodity	2005-06	2006-07	2007-08	2008-09 (Apr-Dec)
621410	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste	0.29	0.47	0.77	0.73
621420	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair	1.61	0.64	1.58	1.05
621430	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres	0.03	0.09	0.3	0.08
621440	Shawls, Scarves, Mufflers, etc of Artificial fibres	0	0	0.01	0.03
621490	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials		0.14	0.19	1.1
611710	Shawls, Scarves, Mufflers & The Like	7.67	5.7	6.35	13.27
611780	Other Clothing Accessories, Knitted/Crocheted	0	0	0.58	6.21
	Total	7.67	7.04	9.78	22.47

In value terms also, there has been an increasing trend, though in absolute terms the imports have been quite small.

Import of Accessories from Italy – by value (million USD)

HSCode	Commodity	2005-2006	2006-2007	2007-2008	2008-2009(Apr-Dec)
6214	Shawls, Scarves, Mufflers & the like	0.06	0.04	0.2	0.15
621410	Shawls, Scarves, Mufflers, etc Of Silk/Silk Waste	0	0.01	0.03	0.05
621420	Shawls, Scarves, Mufflers, etc Of Wool/Fine Animal Hair	0.06	0.02	0.17	0.07
621430	Shawls, Scarves, Mufflers, etc Of Synthetic Fibres	0	0	0	0.01
621440	Shawls, Scarves, Mufflers, etc of Artificial fibres	0	0	0	0
621490	Shawls, Scarves, Mufflers, Etc Of Other Textile Materials	0	0	0	0.02
611710	Shawls, Scarves, Mufflers & The Like	0.06	0.04	0.04	0.04
611780	Other Clothing Accessories, Knitted/Crocheted	0	0	0	0.05
	Total	0.18	0.11	0.44	0.39

Import Trend from Italy vis-à-vis Europe – by value (USD million)

COUNTRY	2005-06	2006-07	2007-08	2008-09 (estimate)
EUROPE	0.18	0.14	0.34	0.64
ITALY	0.06	0.04	0.2	0.15
ITALY'S SHARE	33%	29%	59%	23%

Source: DGCI&S, Ministry of Commerce, Government of India

10.3 Demand for Italian products

Only a handful of brands have significant presence in Indian market, with exclusive products on offer. Major players include Benetton, Giorgio Armani, Emporio Armani and Just Cavalli.

Italian accessories are positioned in the premium and super-premium segments. The products are targeted to the affluent sections of Indian population especially the younger generation. The purchase of these products is normally determined by what style looks best under certain types of clothing or what colors appear best.

10.4 Market opportunities

While doing business in India, European manufacturers rely on the intrinsic strengths of:

- Large and growing domestic market
- Provides opportunities for competitive advantage (low cost sourcing of products and services; exceptional quality; intellectual skills; etc).
- Many see India as key to their long-term global growth and competitive advantage.

The domestic market opportunity

India's vast population and its increasing purchasing power, offers a large and growing domestic market for Italian companies. While 50% of the India's population was classified in the low-income bracket in 1994-95, this percentage is rapidly declining accounting for about 17.8% of the population by 2006-07. At the same time, there is a rapid shift from the low-middle classes to the burgeoning middle class, and an even faster increase in the sizes of the high and upper middle class, fuelling growth in the economy. Equally more pronounced is the growth of a niche 'super-rich' class, now estimated to comprise of over 100,000 households with net worth of >\$1 million each.

Based on the assessment of opportunities in the Indian accessories sector, it is reasonable to infer that the opportunities for Italian companies in India are mainly in the nature of:

- Franchise / Licensing agreements with manufacturers/importers in India for marketing of products in India, with the Indian partners being responsible for market promotion, brand building, distribution and retailing in India. Besides, the Indian partner should also take care of compliances with Indian regulatory requirements.
- Joint Venture / technology tie ups with Indian manufacturers for production of apparel accessories and bags in India for supply in the domestic as well as overseas markets, under the Italian brands.
- Supply of raw materials and semi-finished fabrics to Indian manufacturers / retailers.
- Sourcing tie-ups for sales in Europe and other overseas markets