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# INDUSTRY SPOTLIGHT VOL III

## INDIAN TEXTILES & APPARELS INDUSTRY

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# INDIAN TEXTILES & APPARELS INDUSTRY

## Executive Summary

The textiles and apparels industry in India is one of the oldest and largest sectors of the economy, critical to the country's growth story. India is a world leader in textiles and possesses the entire manufacturing value chain from fibre to apparels, affecting the lives of several millions from farmers to end users. Constituted by players of all sizes, from large corporates to micro entities and spread across clusters throughout the length and breadth of the country, the textiles and apparels industry provides employment to as many as 45 million workers directly and another 6 crore in allied activities.<sup>1</sup>

### Sector Overview



**Total market size INR 10.26 lakh crore** constituting INR 7.31 lakh crore domestic consumption and INR 2.95 lakh crore exports (including handicrafts)<sup>2</sup>.

**5th largest exporter** globally contributing to **12%** of India's export earnings & **2%** to GDP.

Domestic market projected to increase to **INR 8.77** lakh crore by 2024<sup>3</sup>

### Credit Size



**Total amount of credit** availed (Credit value<sup>4</sup>) as of Dec 2020 is **INR 162K<sup>5</sup> crore**.

Y-o-Y decline of 20% due to lockdown from Mar 2020.

**By volume<sup>6</sup>** or number of active loans, the sector as of Dec 2020 stood at **426.53K**

### Credit Portfolio Health



**NPA** in Dec 2020 stood at **16.92%**, increasing by 0.94% Q-o-Q and 8% lower than Dec 2019

Decline in NPAs every quarter, over the last 2 years from 29.59% in Sep 2018 to 15.98% in Sep 2020

### Export Credit Growth



**Export credit** as of Dec 2020 stood at **INR 9K crore**, 25% lower Y-o-Y

Total amount of export credit (value) declined by 8.27% over the previous quarter as of Dec 2020

### 95% of the overall number of loans to the sector is concentrated in MSME borrower segment

**5 lakh** borrowers as of Dec 2020

**MSME** borrower segment constitutes **95%** of the overall number of loans (credit volume) to the sector and nearly **50%** of the overall amount of loans (credit value) as of Dec 2020.

76.7% of Credit Volume (number of loans) to Micro Borrowers as of Dec 2020

SME (Small & Medium Borrowers) segment constitutes **18.7%** of the Credit Volume (number of loans)



### 80% of the overall credit portfolio is in top 13 textiles and apparels regions

**Maharashtra** has largest portfolio at 25% of the overall country book size

MSME Borrower segment has **46.8%** share of the Total Credit Value (Amount of Loans) in the Top 13 regions



1 Ministry of Textiles, Annual report 2019-20

2 Textile & Apparel Industry: The Change Agent of India, Invest India, figures converted from USD Bn to INR crore at 1 USD = INR 73.13

3 Data released by Confederation of Indian Textile Industry (CITI), figures converted from USD Bn to INR crore at 1 USD = INR 73.13

4 Value, in the context of credit, refers to the Rupee value or amount of loans in Rupee crore, throughout this report

5 Figures in 'K' throughout this report refer to 'thousands'

6 Volume, in the context of credit, refers to the number of loans active/distributed as applicable, throughout this report

# INTRODUCTION & CURRENT MARKET SCENARIO

The Indian textiles and apparels industry is one of the oldest industries in India, having evolved notably from a domestic small-scale industry to one of the largest in the world. The sector today contributes immensely to the economy in terms of output, foreign exchange earnings and employment.

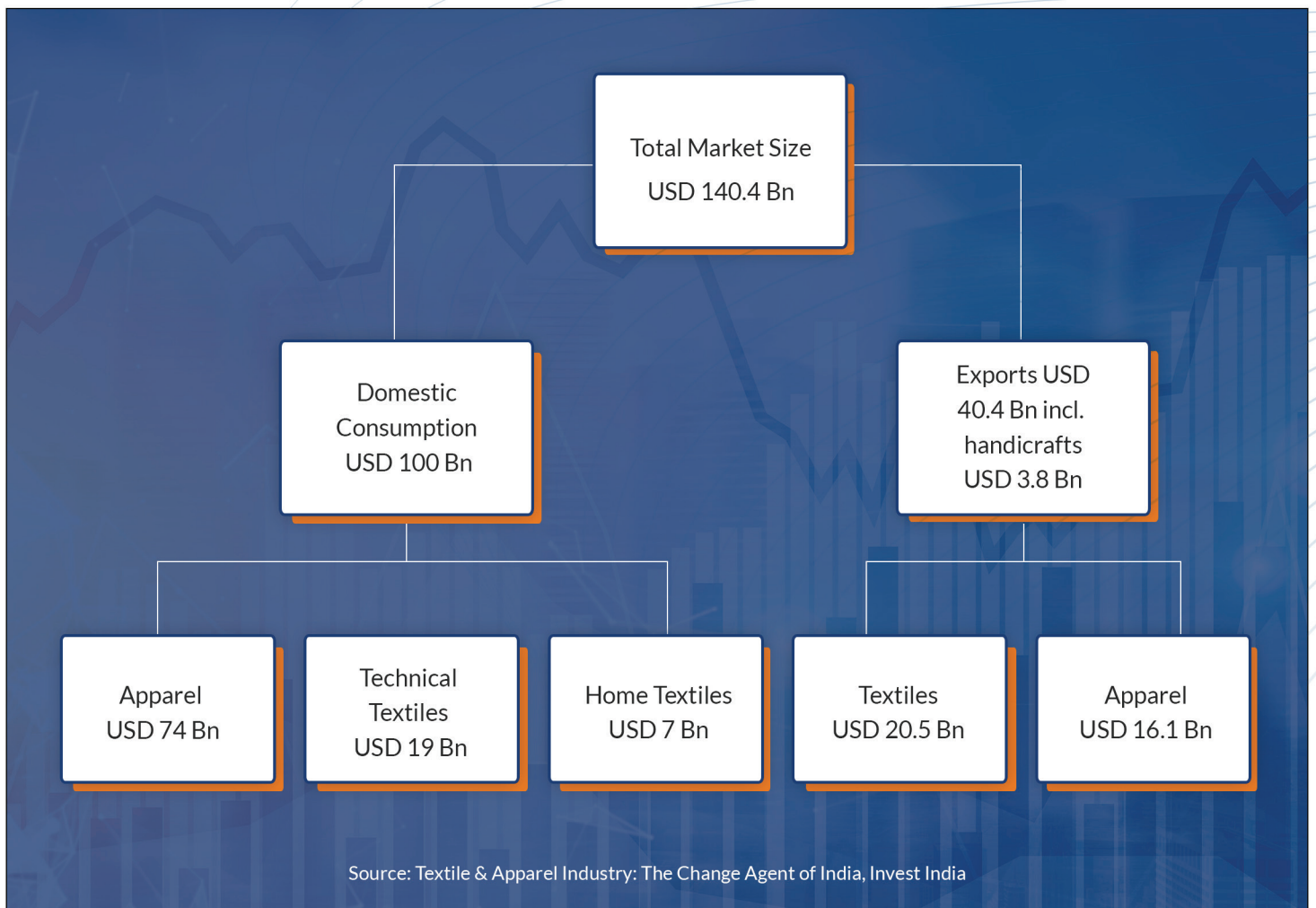


Source: Ministry of Textiles, Annual report 2019-20

A self-reliant sector from the production of raw materials to the delivery of finished products, each stage of processing offers substantial value-addition. The industry mostly comprises small-scale, non-integrated spinning, weaving and knitting, fabric finishing, and apparel-making enterprises producing the following output :



Source: Ministry of Textiles, Make in India



Despite the huge share in the global market and its contribution to national exchequer, the sector faced major impediments with the introduction of GST in the recent past, increasing imports from other low-cost manufacturing countries.

More recently, the COVID-19 pandemic, has had a huge impact on almost all manufacturing sectors, including textiles and apparels sector. A largely unorganised and labour-intensive sector, the lockdown announced by the Government in Mar 2020 end, left the sector with uncertainty in demand, supply chain disruptions, decline in raw material prices and loss of labour and livelihood impact due to reverse migration of labour force.

The sector which was once projected to grow at a CAGR of ~12% to reach INR 16.08 lakh crore by 2025-26<sup>7</sup> is said to have witnessed a 12-15 months' slowdown causing at least a 30% shrinkage in the FY 2020-21 market size globally led by the decline in sales mostly in the first quarter of FY 2020-21.

However, as markets have resumed near normalcy and manufacturing activities have gained pace, experts believe that the recovery in the domestic market will be steep. The domestic market which currently stands at INR 7.31 lakh crore is estimated to reach INR 8.77 lakh crore by 2024<sup>8</sup>.

<sup>7</sup>Data released by Ministry of Textiles, Government of India

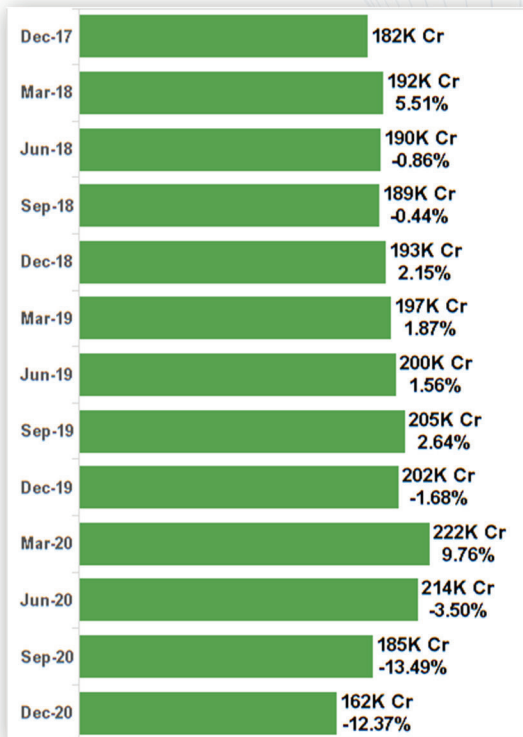
<sup>8</sup>Data released by Confederation of Indian Textile Industry (CITI), figures converted from USD Bn to INR crore at 1 USD = INR 73.13

# CREDIT LANDSCAPE IN THE TEXTILES AND APPARELS INDUSTRY

## Portfolio and NPA Trends

The textiles and apparels sector has seen a decline in the demand for credit across quarters in the current financial year due to the Covid-19 crisis led disruptions in domestic as well as global markets.

Chart 1: Credit Profile as of Dec 2020



### 162K crore Credit Portfolio by Value

-3.81%

3-Year CAGR

-19.8%

Y-o-Y Change

-12.3%

Q-o-Q Change

Source: CRIF Bureau, India

### 16.92% NPA

-16.6%

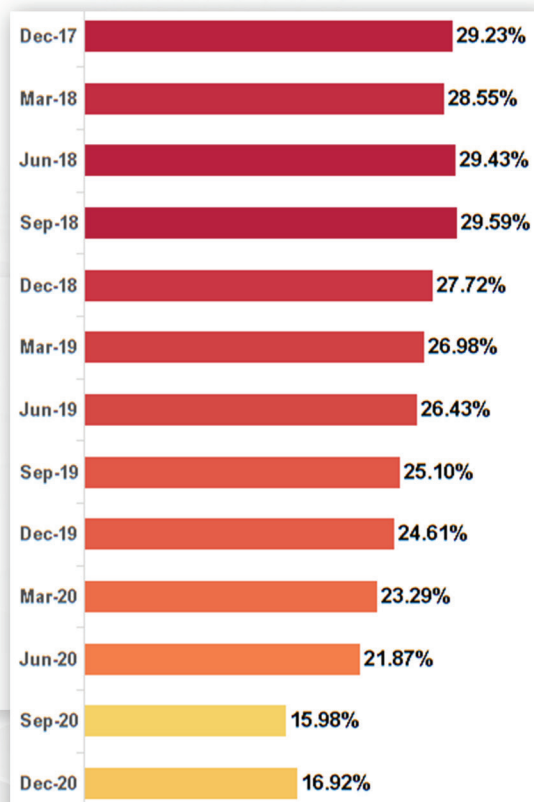
3-Year CAGR

-7.69%

Y-o-Y Change

0.94%

Q-o-Q Change

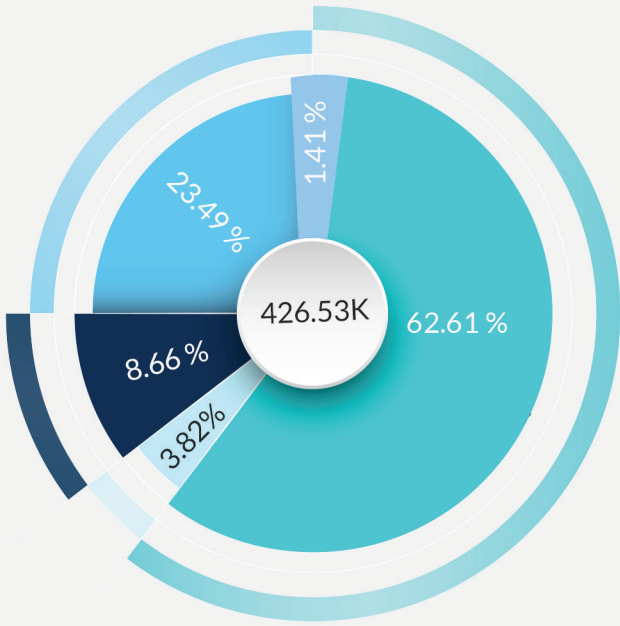


Percentage indicates the Delinquency Amount 90 or more days past due.

Source: CRIF Bureau, India

# Financing Pattern - Market Share

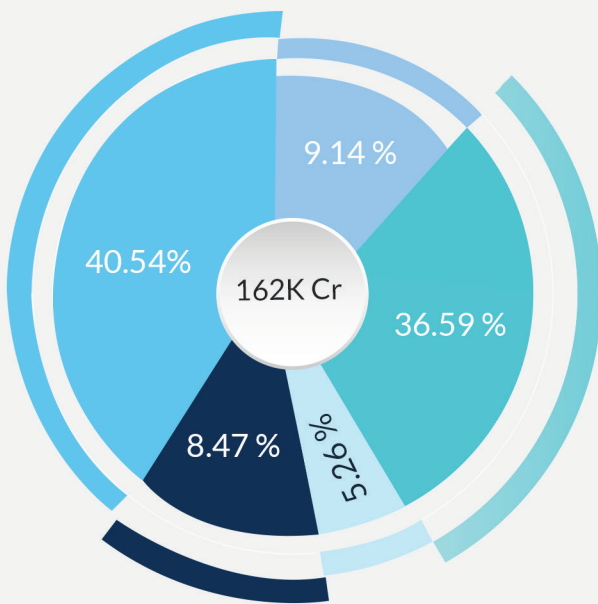
Chart 2a: Textiles and Apparels – Financing Pattern (Market Share by Volume)



- Public Sector Banks
- Foreign Banks
- Private Banks
- NBFCs
- Others

Source: CRIF Bureau, India

Chart 2b: Textiles and Apparels – Financing Pattern (Market Share by Value)



- Public Sector Banks
- Foreign Banks
- Private Banks
- NBFCs
- Others

Source: CRIF Bureau, India

95.8% of the number of loans (Volume Share) given by Public Sector Banks is to MSMEs

By Value (INR amount) the share is 47.5%

Public Sector Banks -largest share in credit volume (62.6%)

Private Banks -largest share of credit value (40.5%)

94.8% of the number of loans (Volume Share) given by Private Banks is to MSMEs

By Value (INR amount) the share is 49.5%



As of Dec 2020, term loans credit constitutes 47% of the total credit offered, Working capital credit at 40%

Table 1a: Product Categories and Lender Mix (Value)

Table 1b: Product Categories and Lender Mix Delinquency

Lender Type	TL	WC	OTHERS	Total	Lender Type	TL	WC	OTHERS	Grand Total
Private Banks	22K Cr 13.74%	38K Cr 23.20%	6K Cr 3.61%	66K Cr 40.54%	Private Banks	6.46%	3.86%	11.11%	5.38%
Public Sector Banks	33K Cr 20.66%	15K Cr 9.50%	10K Cr 6.42%	59K Cr 36.59%	Public Sector Banks	34.89%	36.89%	15.47%	32.00%
Foreign Banks	5K Cr 2.85%	8K Cr 4.85%	2K Cr 1.44%	15K Cr 9.14%	Foreign Banks	2.85%	2.63%	0.86%	2.42%
NBFCs	11K Cr 6.68%	2K Cr 1.15%	1K Cr 0.65%	14K Cr 8.47%	NBFCs	10.87%	10.31%	22.90%	11.72%
Grand Total	76K Cr 47.08%	65K Cr 40.08%	21K Cr 12.84%	162K Cr 100.00%	Grand Total	21.18%	13.21%	12.87%	16.92%

Lender Type 'Others' with a share of 5% of the total credit by value is not presented in this analysis.

Percentage indicates the Delinquency Amount 90 or more days past due.

Source: CRIF Bureau, India

Deteriorating 90+ days past due performance for:

- 1) Term loans given by public sector banks to mid and large corporates and MSME borrower segment up to FY 2016-17
- 2) Performance comparatively better for term loans given since FY 2017-18, with pockets of stress for MSME borrower segment
- 3) Working Capital loans given by public sector banks in the last 3 years across borrower segments

Stress for mid and large corporates stands at 3X level of that of MSME segment and it continues to deteriorate coming in to FY 2019-20.

For loans sanctioned since FY 17-18, sector delinquency is 5.9% and public sector banks

# Textiles & Apparels – Borrower Landscape

The textiles and apparels industry comprises of a diverse mix of players of all sizes and type of businesses.



**NUMBER OF BORROWERS**  
**5 LAKH**



**CREDIT ACTIVE BORROWERS**  
**3 LAKH**



Deteriorating 90+ days past due performance for:

- Term loans given up to FY 2017-18 to:
  - Micro segment borrowers which are public limited entities
  - Mid-corporates which are proprietorship-based entities
- Working Capital Loans given in FY 2018-19 to:
  - Large corporates which are partnership-based entities
  - Micro segment borrowers which are public limited entities

Table 2: Textiles and Apparels – Borrower Landscape

Borrower Segment	Proprietorship	Partnership	Private Limited	Public Limited	Grand Total
Micro	60.55%	5.88%	2.49%	0.38%	76.74%
	9.97%	7.85%	10.84%	49.67%	10.76%
Small	4.68%	4.16%	3.46%	0.29%	13.20%
	11.51%	10.03%	11.64%	27.06%	12.35%
Medium	0.72%	1.33%	3.03%	0.33%	5.49%
	14.23%	16.98%	14.48%	16.06%	15.41%
Mid-Corporate	0.15%	0.39%	1.15%	0.30%	2.04%
	46.02%	21.26%	10.03%	11.46%	12.33%
Large Corporate	0.06%	0.29%	1.29%	0.83%	2.53%
	24.66%	43.11%	11.41%	22.70%	22.88%
Grand Total	66.16%	12.06%	11.43%	2.13%	100.00%
	11.78%	17.01%	12.12%	20.65%	16.92%

First Percentage figure in the cell indicates the volume share (number of loans). Second percentage indicates the 90+ delinquency by value (Amount). The colored segments are based on the 90+ delinquency by value (amount).

- Working Capital Loans given in FY 2017-18 to mid corporates which are proprietorship-based entities

Source: CRIF Bureau, India

## NPA Trends in MSME Borrower Segment

Chart 3: Textiles and Apparels – Delinquency Trends by Borrower Segments

Borrower Segment	Dec-2018	Dec-2019	Dec-2020
Micro	20K Cr 9.91%	20K Cr 10.23%	18K Cr 10.76%
Small	32K Cr 10.19%	33K Cr 11.39%	30K Cr 12.35%
Medium	32K Cr 16.46%	34K Cr 18.35%	32K Cr 15.41%
Mid-Corporate	18K Cr 20.98%	21K Cr 15.44%	18K Cr 12.33%
Large Corporate	91K Cr 43.15%	94K Cr 36.58%	64K Cr 22.88%
Grand Total	193K Cr 27.72%	202K Cr 24.61%	162K Cr 16.92%

Figure in crore represents the portfolio outstanding of the segment. Percentage figure indicates the delinquency of the segment as of the observation period

Source: CRIF Bureau, India

As of Dec 2020, delinquencies for micro and small borrower segments have increased by 0.53% and 0.96% over the previous year, while those for Medium borrower segment, Mid corporates and Large corporates have reduced.

Large corporate borrowers have continued to face the maximum stress in their books even as the delinquency 90+ days past due has reduced by over 20% in a span of 2 years.

This is largely due to deteriorating 90+ days past due performance of Term Loans given to large corporates up to FY 2016-17, while Term Loans given post FY 2016-17 have much lower delinquencies.

## Borrowing Trends in MSME Borrower Segment

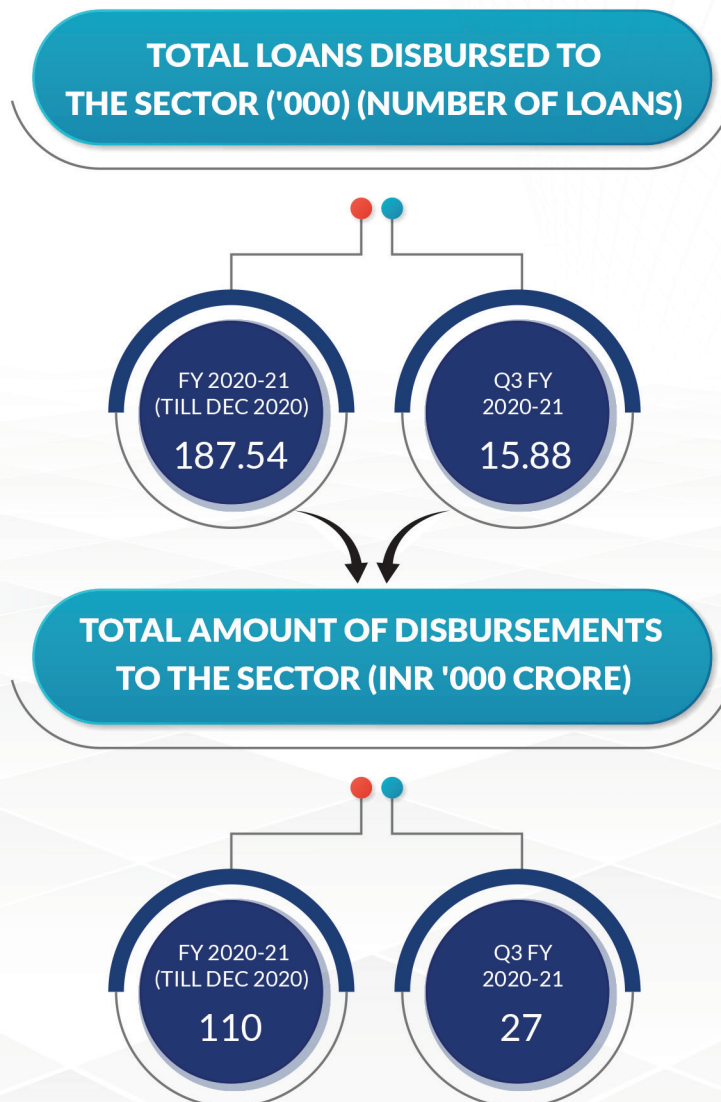
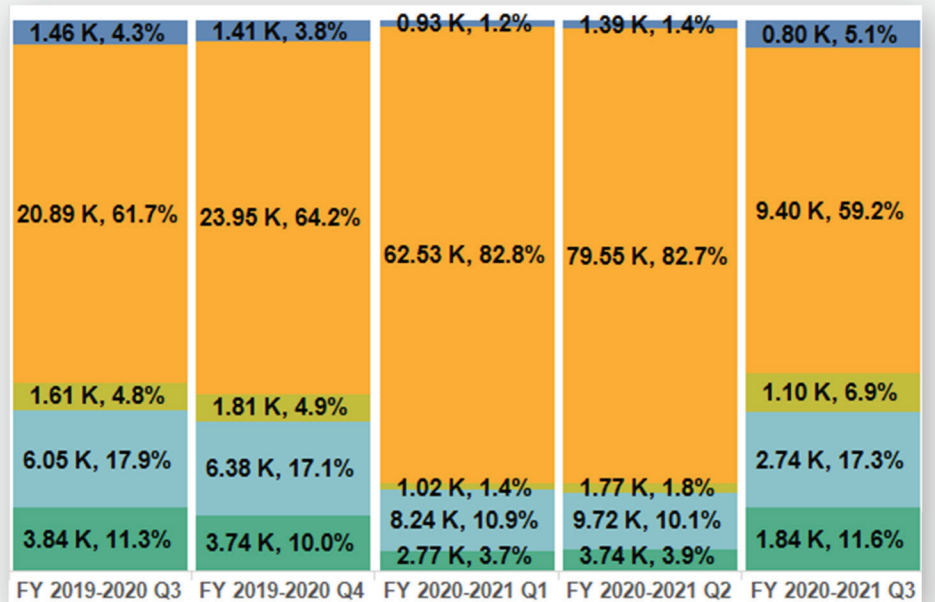


Chart 4a: Textiles & Apparels - Acquisition Trend by Borrower Segments (Volume)

- Large Corporate
- Micro
- Mid-Corporate
- Small
- Medium



Source: CRIF Bureau, India

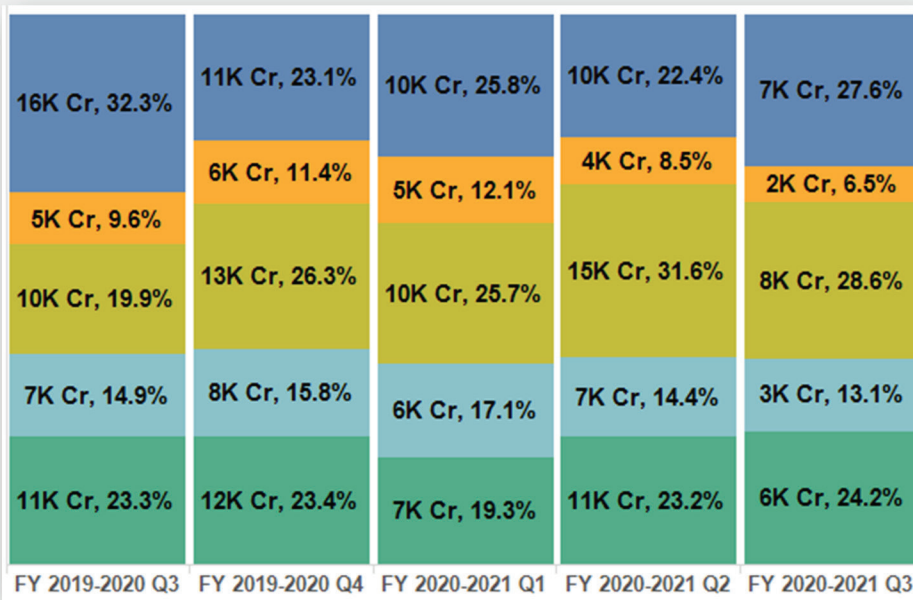


Chart 4b: Textiles & Apparels - Acquisition Trend by Borrower Segments (Value)

- Large Corporate
- Micro
- Mid-Corporate
- Small
- Medium

Source: CRIF Bureau, India

**81%**

Share of Micro segment borrowers in disbursements (by volume) in FY 2020-21 (till Dec 2020), 96% for overall MSMEs  
Driven by Emergency Credit Line Guarantee Scheme announced in May 2020

**61%**

Share of Micro segment borrowers in disbursements (by volume) in the entire FY 2019-20  
90% for overall MSMEs in FY 2019-20  
88% in FY 2018-19

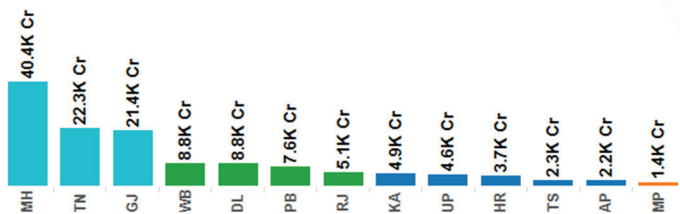
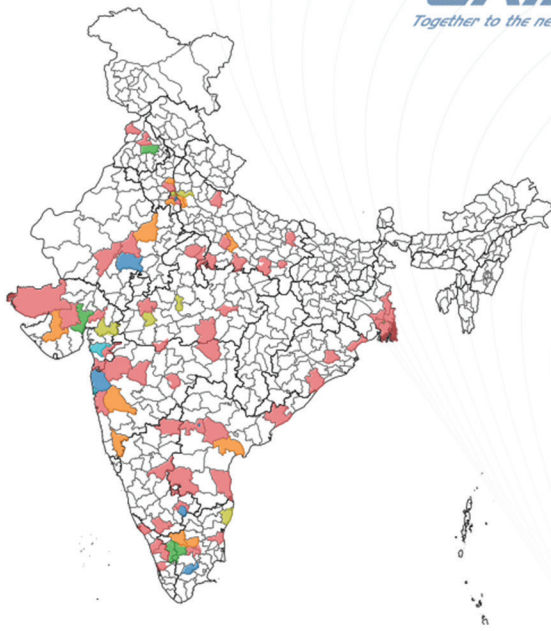
**46%**

Share of MSME borrower segment in disbursements (by value) in FY 2020-21 (till Dec 2020)  
48% in FY 2019-20  
32% in FY 2018-19

**59%**

Volume share of disbursements of Micro segment borrowers in Q3 FY 2020-21  
23% lower share as compared to Q2 FY 2020-21

## Textiles and Apparels Regions in India

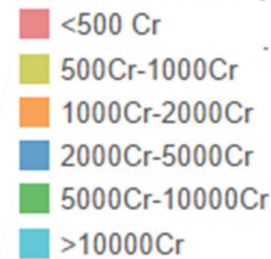


Source: CRIF Bureau, India

The textiles and apparels industry in India is spread across the length and breadth of the country. Nearly all states have districts manufacturing textiles and apparels, having several credit active units. Some districts such as Mumbai and Surat have >INR 10,000 crore credit portfolio as of Dec 2020.

**97% of the sectoral credit (INR amount) in the top states is concentrated in top 13 regions rich in textiles and apparels (Refer Table 4)**

### Credit Portfolio (Value)



Dec-20													
State	MH	TN	GJ	WB	DL	PB	RJ	KA	UP	HR	TS	AP	MP
Total Credit				10000-	10000-	10000-	5000-	5000-	5000-	5000-	<5000	<5000	<5000
Active Units	>25000	>25000	>25000	15000	15000	15000	10000	10000	10000	10000	<5000	<5000	<5000

Share of sectoral credit portfolio by value in the top 13 region (amount of loans)

**80%**

Country's credit active units (borrowers) in the top 13 region

**53%**

MSME share of the credit portfolio by value (amount of loans) in the top 13 region

**47%**

Top state Maharashtra's share of the sectoral credit portfolio by value (amount of loans)

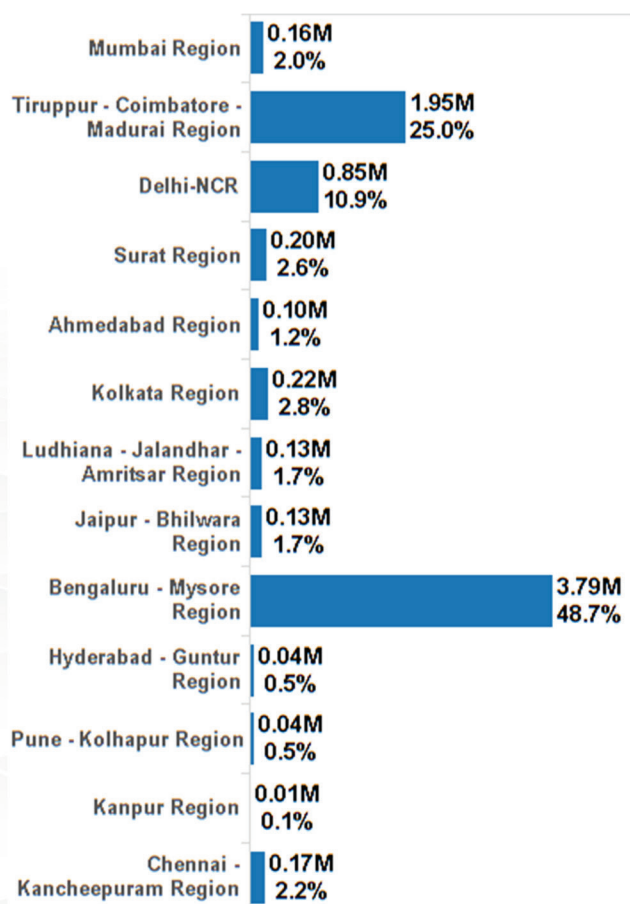
**25%**

Table 4: Textiles and Apparels – Comparison of Top Regions

	December 2020													
	Mumbai Region	Tiruppur - Coimbatore - Madurai Region	Delhi-NCR	Surat Region	Ahmedabad Region	Kolkata Region	Ludhiana - Jalandhar - Amritsar Region	Jaipur - Bhilwara Region	Bengaluru - Mysore Region	Hyderabad - Guntur Region	Pune - Kolhapur Region	Kanpur Region	Chennai - Kancheepuram Region	Total
<b>Overall</b>														
Portfolio Outstanding (Cr)	36.76K	20.76K	14.96K	11.77K	9.12K	8.77K	7.56K	5.13K	4.75K	4.01K	2.73K	1.73K	1.51K	129.56K
Y-o-Y Change	-15.7%	-7.4%	-40.6%	-18.8%	-23.3%	-6.1%	-6.7%	-17.0%	-26.3%	-26.0%	-5.0%	-42.0%	-26.6%	-19.6%
Delinquency 90+ %	13.74%	8.60%	21.35%	10.38%	8.24%	12.65%	28.79%	28.57%	19.71%	15.45%	31.80%	81.99%	42.61%	16.39%
WC Utilization Ratio	60%	26%	28%	38%	48%	55%	70%	58%	8%	63%	58%	73%	38%	36%
TL Utilization Ratio	57%	56%	57%	47%	54%	68%	54%	49%	74%	46%	58%	63%	62%	55%
<b>MSME</b>														
Portfolio Outstanding (Cr)	9.77K	13.07K	7.37K	10.00K	4.32K	3.24K	3.38K	2.38K	2.05K	2.05K	1.61K	0.34K	1.15K	60.74K
Y-o-Y Change	-6.5%	-0.1%	-8.3%	-12.7%	-11.9%	-13.2%	-8.3%	-8.4%	-11.8%	-10.5%	2.5%	-15.0%	-6.7%	-7.6%
Delinquency 90+ %	16.21%	10.13%	12.26%	10.17%	10.53%	14.92%	24.94%	5.19%	9.65%	22.83%	15.35%	8.28%	23.60%	13.08%
WC Utilization Ratio	53%	29%	43%	45%	52%	44%	56%	49%	45%	51%	45%	50%	39%	41%
TL Utilization Ratio	49%	54%	54%	46%	54%	57%	55%	61%	67%	46%	58%	64%	67%	52%

Source: CRIF Bureau, India

Chart 6: Top Textiles and Apparels Regions – Number of Persons Employed & Share in FY 2018-19



### Mumbai Region

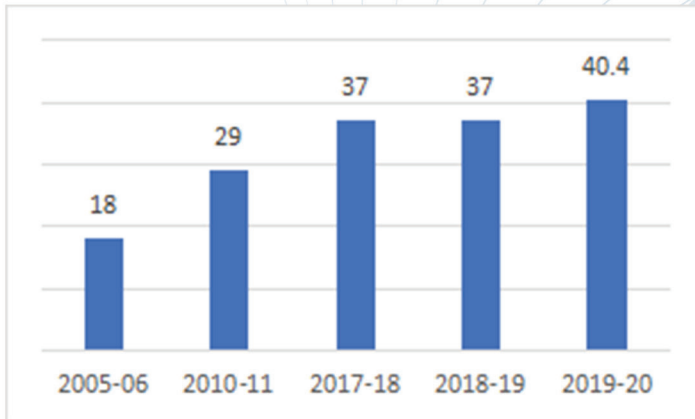
Largest by Credit Value

### Surat Region

Maximum Number of Credit Active Units

## Export Credit Landscape

Chart 7a: Textiles and Apparels – Exports  
(USD Bn)



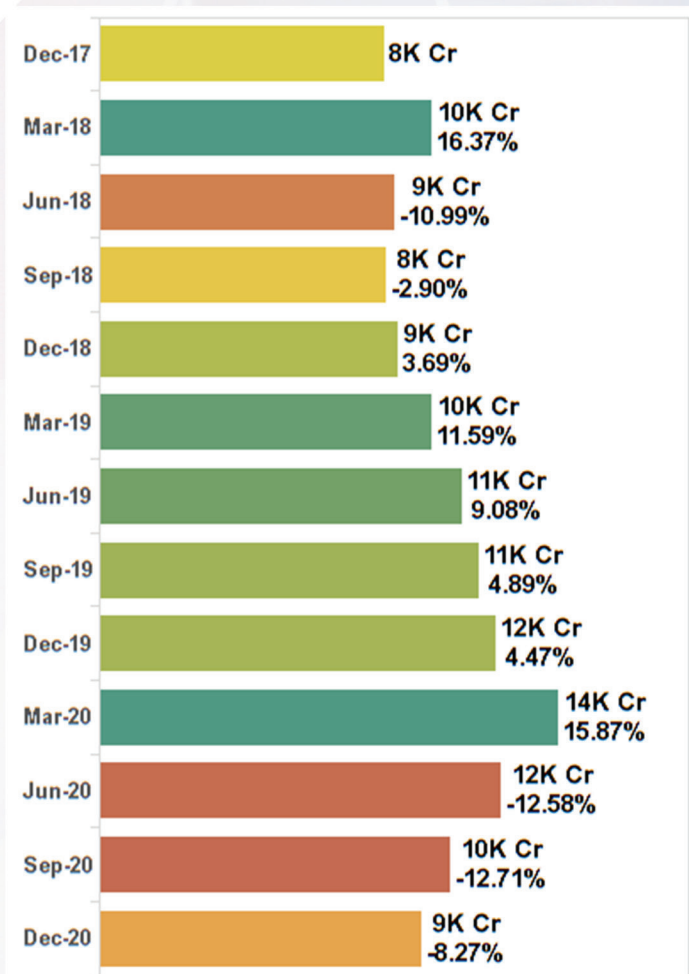
Source: Textile & Apparel Industry: The Change Agent of India, Invest India

India is the 5th largest exporter of textiles and apparels globally.

Over the years, apparels has contributed to the majority of exports, followed by home textiles and fabric.

India's top 5 textile export destinations are the USA, Bangladesh, China, Pakistan, and the UK.

Chart 7b: Textiles and Apparels – Export Credit Trends



Source: CRIF Bureau, India

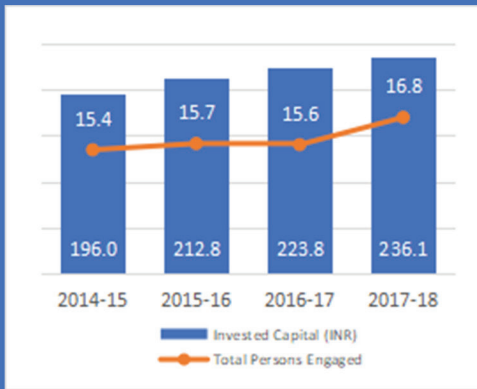
The recently introduced Scheme for Remission of Duties and Taxes on Exported Products (RoDTEP) is expected to bring cost competitiveness of exported products in international markets and create more employment opportunities in export-oriented manufacturing sectors such as textiles and apparels.

Export credit to the sector has witnessed decline in all the quarters of FY 2020-21, impacted by COVID-19 lockdown and the resultant demand slump.

In comparison to the previous year, export credit as of Dec 2020 stands 25% lower, at INR 9K crore, largely attributable to decline in exports due to the pandemic.

# WAY FORWARD FOR TEXTILES & APPARELS INDUSTRY

Chart 8: Investments and Employment (in Lakh)



## Top 5 States Generating Employment

- Karnataka
- Tamil Nadu
- Haryana
- Gujarat
- Maharashtra

**6.4%**

3-year CAGR  
Investments

**2.9%**

3-Year CAGR  
Employment

Source: Annual Survey of Industries FY 2013-14 to FY 2017-18, Ministry of Statistics and Programme Implementation, Government of India

The growth potential of the Indian textiles and apparels industry and its current contribution to industrial output, employment generation and export earnings, paints a promising future for the industry. The sector provides employment to a large number of women and to the rural population across the country thereby contributing to the economy in line with the Government's key initiatives of Make in India, Skill India, Women's Empowerment and Rural Youth Employment.

To support the sector and boost domestic manufacturing and exports, the Government, apart from allowing 100% FDI through automatic route, has introduced an array of schemes and initiatives in the form of technological upgradation, upskilling of manpower and infrastructural development. The Ministry of Textiles is also in the process of finalising a New Textile Policy 2020 which would help in promoting exports and creating employment opportunities.

More recently, in the Union budget 2021, the Government has proposed setting up of the Mega Investment Textiles Parks (MITRA), under which seven textile parks will be established over a period of three years – a plan welcomed by the textiles and apparels sector.

As the sector constitutes a large number of small-scale entities, the special economic package announced by the Government in May 2020 under Atmanirbhar Bharat has benefitted weavers and artisans across the country and helped them tide through the COVID-19 pandemic induced stress. This is also evident from the nearly 20% increase in share of loans taken by MSME borrowers in the first two quarters of this financial year as compared to the pre pandemic Q4 FY 2019-20. Following the Government's call for Atmanirbhar Bharat, the Government is also planning to extend production linked incentive scheme for the textiles and apparels sector.

## Technical Textiles: Future of Textiles

Currently estimated at USD 19 Bn, projected to increase to USD 40 Bn by 2023-24.

A sunrise sector, driving growth, the technical textiles sector has become even more relevant during the COVID-19 crisis, pushing the country to not only manufacture its own masks and PPE but also export it to other countries.

India is 2nd largest PPE manufacturer in the world producing around 4.5 lakh PPEs and more than 1.5 crore masks a day. Cost-effectiveness, durability, user-friendliness and eco-friendliness of technical textiles has led to the upsurge of its demand in the global market.

Source: Technical textiles: The Future of Textiles, Invest India



Reeling under the impact of coronavirus and the consequent lockdown, the industry is also faced with challenges and roadblocks at the ground level. A short survey administered by SIDBI conducted amongst textile and apparels units located in major industrial clusters in Tamil Nadu, Uttar Pradesh, Haryana and Gujarat, and involving a healthy mix of entities by constitution, turnover, investment in plant and machinery, manpower and nature of manufacturing activity, highlighted the following challenges that were faced by MSMEs and have been accentuated by the pandemic:



### Finance

- High rate of interest on loans to MSMEs
- Cash flow/liquidity constraints for MSMEs
- Working capital requirements are not being met

### Policy and Procedures

- Ongoing changes in GST portal & filing returns leads to confusion
- Lack of clarity in export benefits under RoDTEP
- IGST refund for exporters has become a major challenge

### Infrastructure

- Inadequate electricity and water supply in industrial areas for MSMEs
- Ever increasing fuel prices leads to high cost of transport and commuting
- Poor quality of roads, lack of basic amenities in the industrial areas

### Supply Chain

- Increase in yarn prices, raw material prices, fluctuations in cotton prices
- Lockdown in other countries due to COVID-19, hampering exports
- Dependence on migrant labour and shortage of semi-skilled and unskilled labour post lockdown

# DROC TEXTILES & APPARELS INDUSTRY

## Drivers

Abundant availability of raw material and manpower.  
Increasing income, population and evolving consumer preferences towards retail and online markets augurs well for increase in domestic demand.  
Generous fiscal support and policy initiatives from the Central and various State Governments has aided in boosting production and exports.

## Restraints

All round increase of cost of goods & services is a major setback, restricting execution and fulfilment of orderbook.  
Concentration of labour participation from high cost geographies.  
Liquidity constraints due to COVID 19 pandemic have pushed suppliers to reduce the credit period and buyers demanding more.

## Opportunities

Technical textiles market has grown by 20% in 3 years<sup>9</sup> proving its mettle and paving the way for future expansion.  
India is expected to become the world's fastest growing e-commerce market .  
New definition of MSMEs helps a large number of additional textiles and apparels exporters to avail 5% rebate under interest equalization scheme.

## Challenges

Skills gap particularly in the weaving, dyeing, processing and garment segment estimated to be at 26.2 mn in 2022<sup>8</sup> .  
Environmental and occupational hazards in the manufacturing life cycle of the sector pose a challenge to the targeted sustainability initiatives of the sector .  
Event driven disruptions in exports impact the entire value chain including cotton farmers, ginners, spinning mills, fabric manufacturers.

The contribution of the textiles and apparels sector to the country's economy has been enormous. The sector has a huge potential to absorb the surplus labour available in the country. Changing lifestyles, rising urbanisation and growing fashion consciousness among people, are set to give a boost to the sector in the coming decades.

At this time, when businesses and manufacturing activities are slowly resuming normalcy post lockdown, the Government's Make in India and Vocal for Local initiatives are even more relevant, thereby aiding the country's aim to become a \$5 trillion economy by 2025. Apart from the fiscal assistance, planned and systematic efforts by the Government and industry bodies to support Indian textiles and apparels will give the necessary fillip to the industry and help it to address various barriers to its growth, ultimately leading to economic prosperity.

<sup>8</sup> Human Resource and Skill Gap Requirements (2022), National Skills Development Corporation, Ministry of Finance, Government of India

<sup>9</sup> Baseline Survey of Technical Textile Industry, Ministry of Textiles, Government of India

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Small Industries Development Bank of India has been established under an Act of the Parliament in 1990. SIDBI is mandated to serve as the Principal Financial Institution for executing the triple agenda of promotion, financing and development of the Micro, Small and Medium Enterprises (MSME sector) and co-ordination of the functions of the various Institutions engaged in similar activities. Over the years, through its various financial and developmental measures, the Bank has touched the lives of people across various strata of the society, impacted enterprises over the entire MSME spectrum and engaged with many credible institutions in the MSME ecosystem. Under Vision 2.0, SIDBI has spearheaded various Initiatives to address the Information Asymmetry in MSME sector.