

Traditional Industries in Tamil Nadu

Textile & Garment, Leather and Handicraft sectors

Madras Consultancy Group, 2009

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The global economic environment

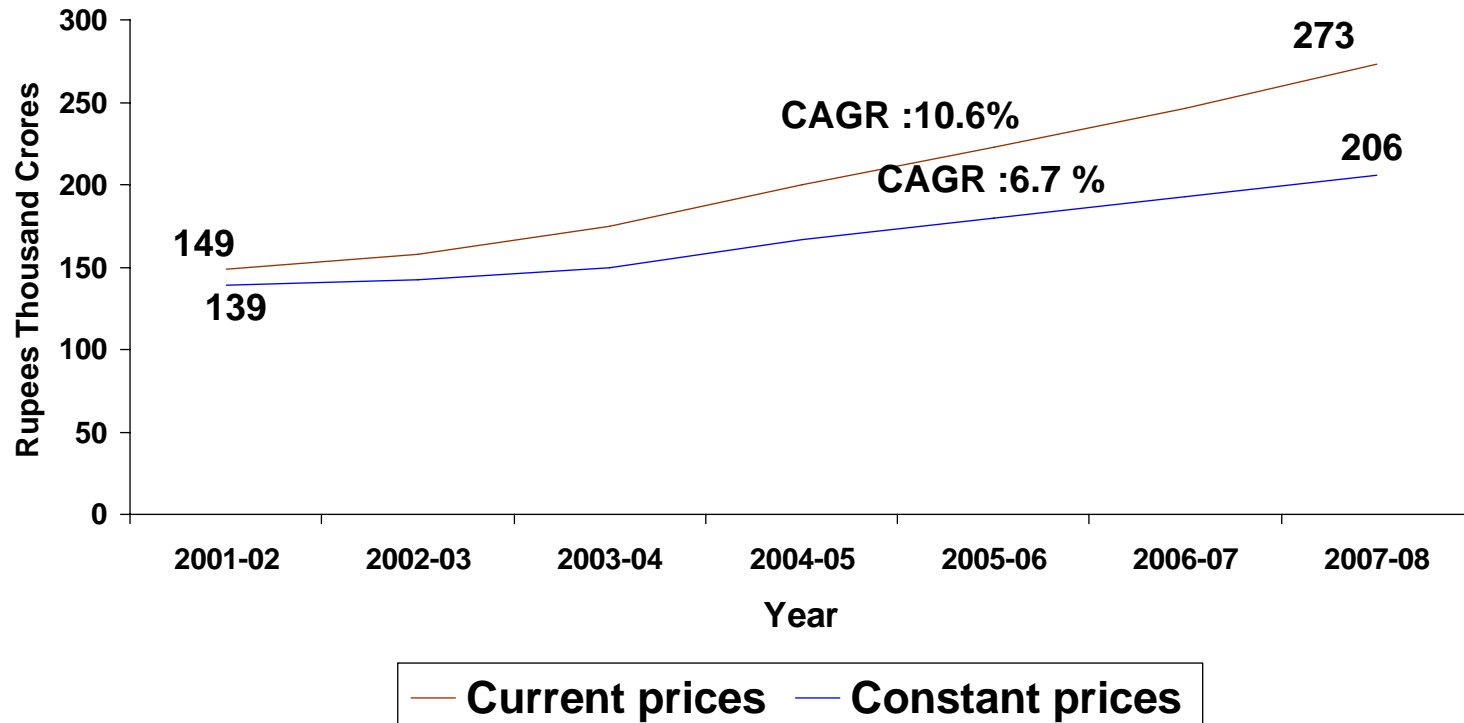
- The global economic environment is not very encouraging, at the moment
- Most of the developed nations are in recession with some, like Iceland, near collapse; revival of these economies is expected only sometime in 2010
- Countries dependent on exporting to these nations are quite severely impacted
- Emerging markets like China & India are likely to weather the storm better – however, their economies will grow at a slower pace than the last 5 years
- The Indian Government & industry need to quickly re-work their strategies to sustain and grow domestic demand

Tamil Nadu – key statistics

GSDP at current prices (2007-08)*	Rs. 273,350 crore
CAGR in GSDP *	6.7%
Population (2007-08 midyear)*	66.0 million
Per Capita GSDP (2007-08)*	Rs. 41,420
Literacy rate	79.2
HDI	0.736

* MCG estimates

Tamil Nadu : Gross State Domestic Product (2001-2007)

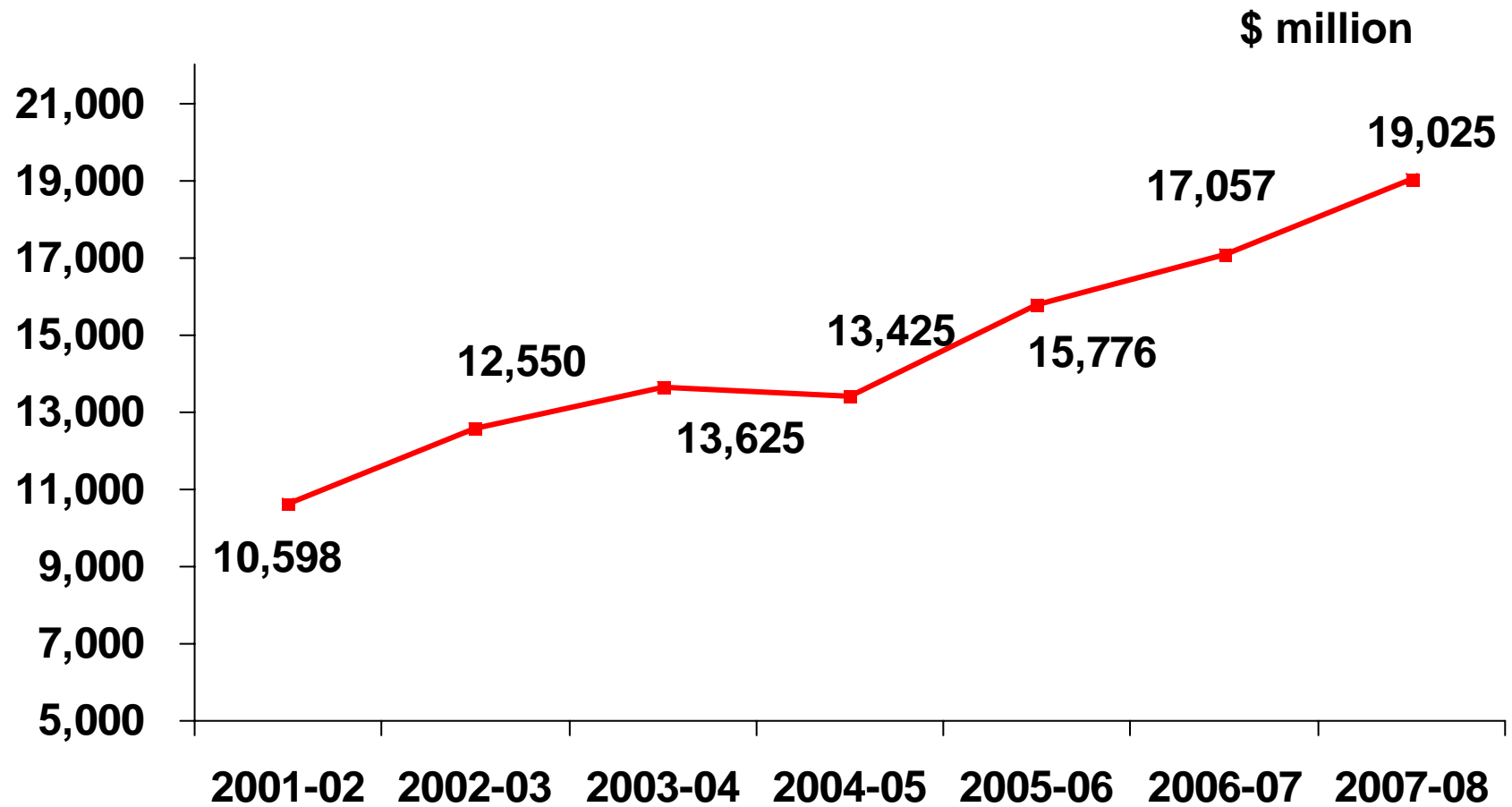


Textiles & Garments Sector in Tamil Nadu

The textiles & garments sector accounts for about 4.2% of India's GDP

- The T & G sector in India was worth nearly Rs.200,000 crore (\$49 billion) in 2007
- Global T & G business was valued at around Rs.19,500,000 crore (\$4,800 billion)
- The global trade of textiles and garments was about Rs.16,30,000 crore (\$360 billion) in 2006
- The T & G sector provides employment to about 35 million people in India

India's T & G export has been growing well.....



Tamil Nadu has a significant share in India ...

	India	Tamil Nadu
	Spinning Sector	
No.of Spinning Mills	3039	1248
Workers (in lakhs)	8.9	2.1
Spindles (in lakhs)	3930	1470
	Powerloom Sector	
Powerlooms (in lakhs)	19.0	3.7
Workers (in lakhs)	47.6	9.1
	Handloom Sector	
Handlooms (in lakhs)	34.9	4.1
Weavers (in lakhs)	65.5	6.1
Total employment (in lakhs)	65.5	17.3

Spinning mills in Tamil Nadu

- Various sector in the textile industry include Handloom, Powerloom, Spinning, Processing, Knitwear and Garment production
- Tamil Nadu has around 1248 spinning mills including 18 in co-operative sector, 8 National Textile Corporation mills 20 composite mills; the capacity of the spinning mills : 15 million spindles
- Tamil Nadu accounts for 40% of the countries yarn production
- Spinning mills provide employment to about 2.1 lakh workers
- Being a continuous process industry this sector requires uninterrupted power supply

Powerloom, handloom & processing units

- There are 3.7 lakh powerlooms in the state that provide employment to 9.1 lakh persons
- Handloom plays a key role in the Tamil Nadu economy – with 4.1 lakh handlooms, this sector provides employment to 6.1 Lakh weavers; 2.4 lakhs units are in the co-operative sector; exports were about Rs.875 crore in 2007-08
- The state has 2614 hand processing and 985 power processing units – the Government is taking steps to establish a Textile Processing Park at Cuddalore

Knitwear & Garments

- Tamil Nadu is home to some 4000 hosiery and garment production units, employing around 5 lakh people; these units contribute to 44% of the country's export effort
- Tirupur occupies a vital role in the hosiery segment and the cluster comprises around 2,900 units
- Of the total hosiery exports from India, Tirupur accounts for about 45% (Rs.9950 crore in 2007-08)
- Other centres such as Puthiamputhur in Thoothukudi district can be developed

The cluster approach

- The cluster approach is effective for competing in international markets and the government has proposed to establish high-tech weaving parks in different parts of the state

Name of the park	Project Cost (Rs. Cr)	Employment potential (No.)	Value of production (Rs. Cr)
1. Cauvery Hi-Tech Weaving Park, Kumarapalayam	110.0	1200	300.0
2. Vaigai Hi-Tech Weaving Park, Andipatti	96.2	1500	300.0
3. Palladam Hi-Tech Weaving Park, Palladam	118.3	2000	300.0
Total	324.5	4700	900.0

Skills upgradation

- In 2005, over 1000 weavers were identified to impart training and upgradation of skills as well as improving the designs
- Under the integrated handloom training project of Government of India Weavers are trained in weaving, dyeing, design development and upgrading their skills
- Over 4000 weavers have been trained so far and under this scheme

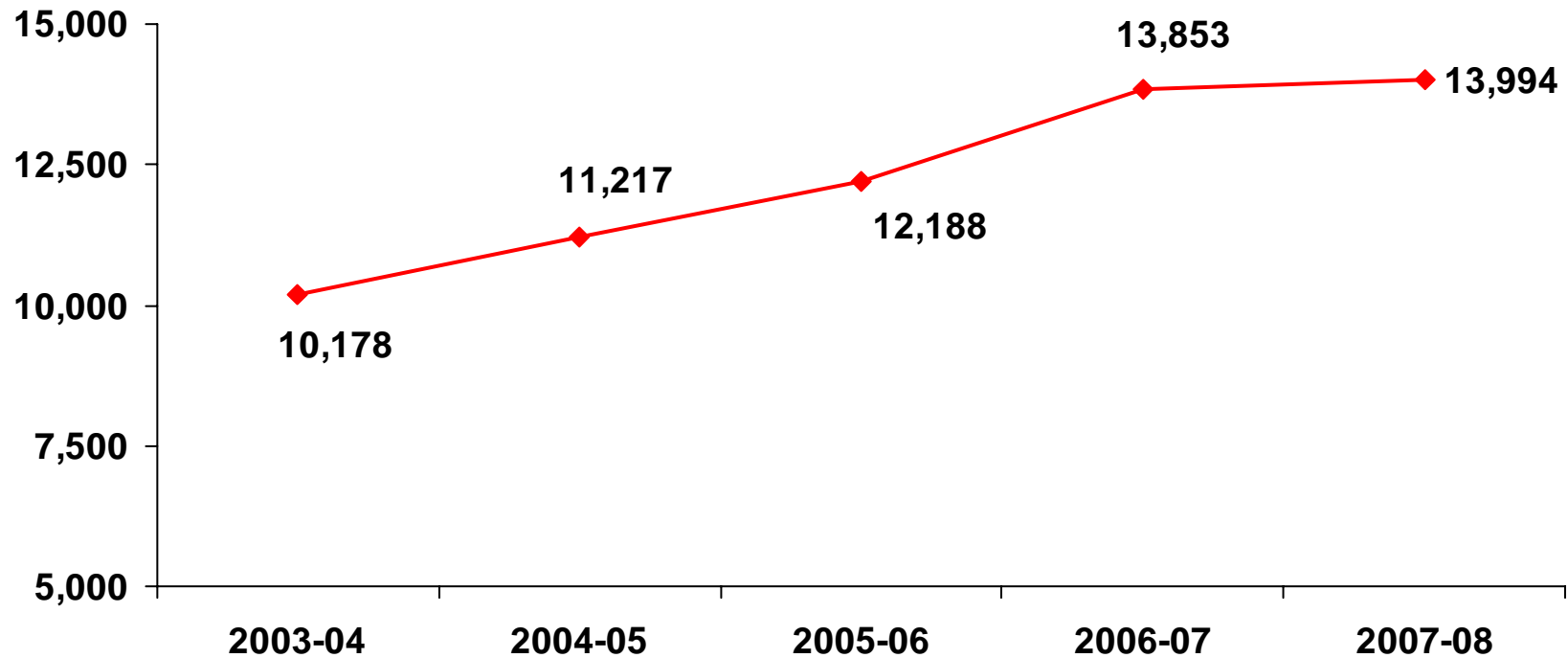
The Leather Industry in Tamil Nadu

Leather Industry in India

- In 2007, the global leather industry was valued at around \$90 billion (Rs.3,60,000 crore) and trade was about \$43 billion (Rs.1,72,000 crore)
- Indian export of leather & leather goods increased from Rs. 3100 crore in 1991-92 to Rs.14000 crore in 2007-08
- The major leather exports from India are hides and skins; leather products exports include footwear and footwear components, leather garments, leather gloves, leather saddlery goods, leather travel bags and totes, leather purses, wallets, briefcases etc.
- This industry provides employment to 2.5 million people and nearly 65% of the production is in the small and cottage sector

Leather exports : India

Rs. Crore



Tamil Nadu: Export of leather & leather goods (2007-08)

Segment	Quantity (lakhs)	FOB(Rs. in crores)	FOB (\$ million)	% Share (Value-wise)
Finished leather (Sq.ft)	2774	1,706	424	31.7
Footwear components (Pairs)	185	907	225	16.8
Leather Footwear (Pairs)	254	1,907	474	35.4
Leather Garments (Pieces)	13	381	95	7.1
Leather Gloves (Pairs)	32	89	22	1.6
Leather Goods (Pieces)	183	394	98	7.3
Total	3,441	5,385	1,338	100

Leather Industry in Tamil Nadu

- Tamil Nadu is the leading producer of leather and leather products in India
- Major production centres for leather and leather products in Tamil Nadu are located in Chennai, Ranipet, Ambur, Vaniyambadi, Erode, Tiruchirapalli and Dindugal
- The state accounts for 70% of India's total leather tanning capacity and 60% of the country's leather production; TN accounted for 44% of the total footwear export from India during 2007-2008
- Tamil Nadu's annual production of leather and leather products is estimated at Rs.15,000 crore (\$3.72 billion)

Leather Industry in Tamil Nadu (contd.)

- In Tamil Nadu, around 5 lakh persons are employed in the leather industry with women accounting for nearly 60% of the total workforce; availability of skilled labour has become an issue in recent years
- Tamil Nadu state government has given entrepreneurs a range of incentives to set up industries in certain backward regions and to provide equal employment opportunities
- A footwear SEZ park, which is the first of its kind in India, will be set at the SIPCOT Industrial Park in Irungattukottai; the Government is planning to set up another SEZ for the manufacture of leather products in Vellore district

R & D and Training ...

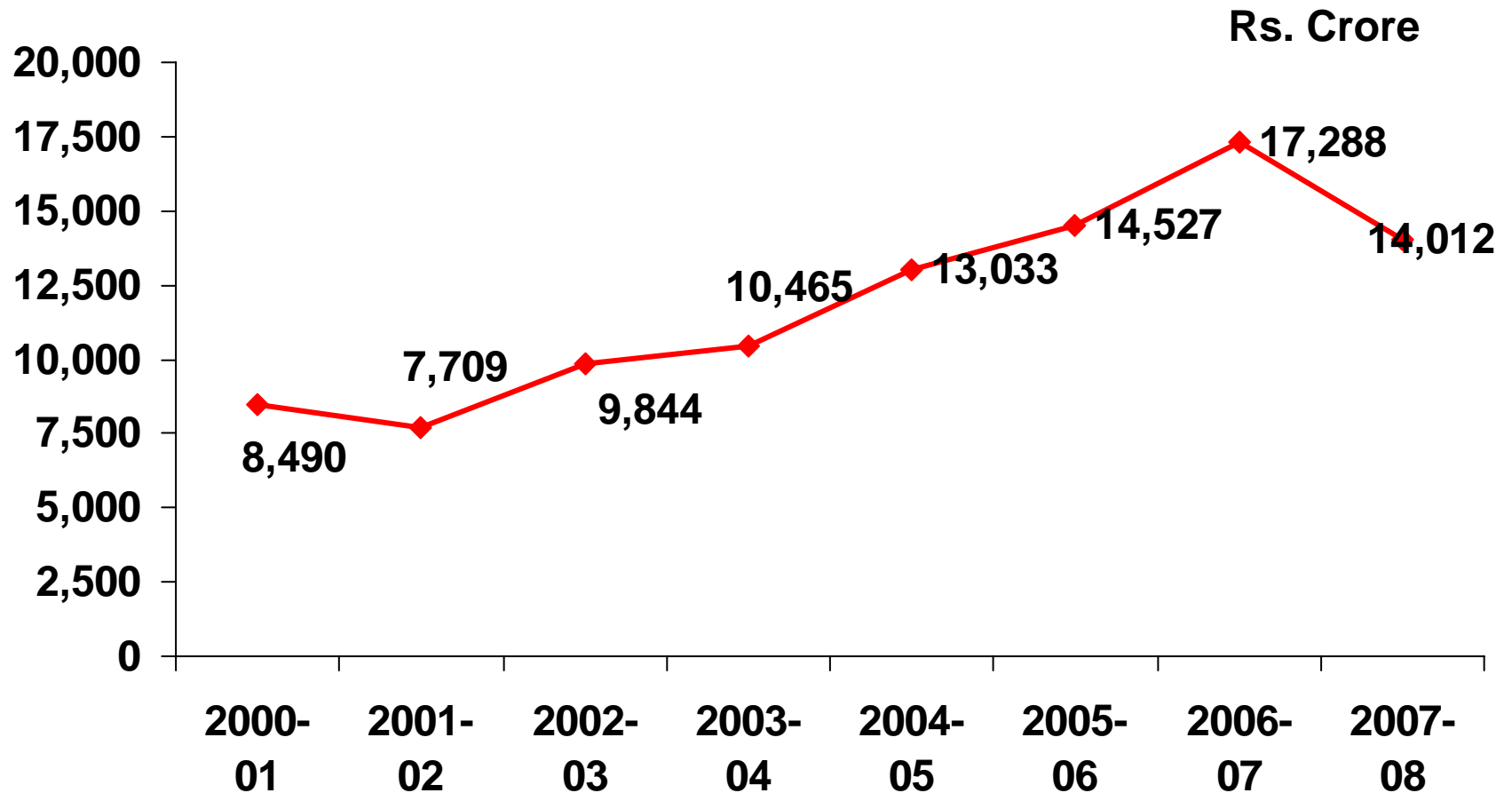
- Central Leather Research Institute, Chennai was set up by the Government of India – to undertake Research & Development activities as well as provide education and training; CLRI also provides its expertise on environmental aspects
- The Indian Finished Leather Manufacturers and Exporters Association (IFLMEA) have initiatives that provide advanced training to workers in the leather industry
- CLRI in collaboration with Anna University offers academic courses in Leather technology at graduate and post-graduate levels; Institute of Leather Technology and Central Footwear Training Institute also offer courses
- CLRI in Madras has set up a 'Center for Leather Apparels / Accessories Development' which has the state of the art facilities

Handicrafts Sector in Tamil Nadu

India is a key player in the global arena ...

- India plays an significant role in the world handicrafts market
- Production of handicrafts from \$4.8 billion to \$ 8.0 billion, between 2002 and 2006; exports increased from \$2.7 to \$4.3 billion
- Global trade in handicrafts was estimated at \$140 - \$150 billion in 2001-02
- The most popular articles of exports are art metalware, woodware, hand-printed textiles and scarves, embroidered and crocheted goods, shawls, zari products and imitation jewellery

Handicrafts exports : India



Handicraft sector in India

- Spread all over India, the handicrafts sector in India is primarily in the cottage sector and is highly labour intensive
- According to a census done by NCAER in 95-96, there were 1.2 million units producing handicrafts, employing 8.2 million persons
- GOI has set up “Towns of Excellence” that produces handicrafts in excess of Rs.1000 crore; e.g. Moradabad and Sahranpur
- GOI is planning to set up 25 handicraft sourcing hubs on PPP model, during the XI plan
- Some SEZs are also on the anvil

Handicrafts in India (contd..)

- The main markets for these handicrafts are the US, UK, Germany, France, Canada, the Netherlands and Saudi Arabia
- India accounts for the major share of carpet exports at 30%, ahead of China
- NIFT has helped train more than 10,000 rural craftsmen from different clusters in Gujarat, Madhya Pradesh, Karnataka, West Bengal, and Kerala – as a result, 2500 new products have been launched
- Similarly, some training to the craftsmen in Tamil Nadu, would be beneficial

India : Exports of Handicrafts

Rs. crore

	2005-06	2006-07	2007-08
Art Metalware	3,663	4,135	3,308
Woodware	853	1180	1,039
Hand-printed textiles and scarves	2,054	2,465	1,774
Embroidered and crocheted goods	4,711	5,860	5,145
Shawls as artware	110	217	214
Zari & Zari goods	347	392	349
Imitation Jewellery	275	386	351
Misc. Handicrafts	2,514	2,652	1,832
Total	14,527	17,288	14,012

Handicraft sector in Tamil Nadu

- Tamil Nadu Handicrafts Development Corporation has the responsibility for developing the handicraft sector in Tamil Nadu; with its well know brand name, "Poompuhar“, it is the storehouse for the best handicrafts in Tamil Nadu
- Bronzes, stone sculptures, artistic brass lamps, intricately carved art plates, woodcarvings, and applique work are some of the key products of this sector in Tamil Nadu
- The corporation markets the handicrafts produced by the artisans, imparts training and encourages innovative designs
- The Corporation has planned to revive the languishing crafts such as Lacquerware, Mat weaving, Papier mache craft , Terracotta craft and Thalaiyatti Bommai (Dolls)

Handicraft sector in Tamil Nadu (contd.)

- The corporation has proposed to develop craft clusters, viz: wooden etching craft in Krishnagiri District, Coconut shell and Seashell crafts in Kanniyakumari District and Wooden bead chains in Chennai and Tiruchirapalli District
- Development of Urban Haats at Mamallapuram and Kanniyakumari at an estimated cost of Rs.200 lakh is in progress
- Crafts Council of India, based in Chennai, helps in the development of the handicrafts sector including artisan training
- A major issue is that many in the new generation do not wish to pursue traditional family occupation and thus, skills that have been passed down from generation to generation, are in the danger of becoming extinct

Future prospects

- The current slump in the international markets has severely impacted the three sectors; job loss numbers are already running into lakhs
- GOI needs to invest in export marketing & promotion and offer additional export incentives
- The Governments at the Centre & the States, need to look at options to step up domestic demand for textiles & garments especially in the rural and semi-urban areas – reduction of input costs including transportation cost, dramatic reduction of cenvat, vat, service tax, etc.

Future prospects

- The power shortage situation in Tamil Nadu has further compounded the crisis in the textile industry; the industry needs a preferential treatment in power supply
- Long term, the industries (textiles & leather) need to enhance their competitiveness with modernisation, technology / design inputs and R &D
- Marketing of handicrafts needs to be brought to the centre-stage
- A key area is skills development in all these sectors; innovative schemes need to be brought in to retain traditional skills