

Market Research On Intimate Wear Industry In India (2015-16)



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Executive Summary

The study titled “Indian Intimate Wear Industry: Trends and Opportunities” analyzes the overall lingerie and lounge wear market in the context of growth and developments in the niche segment of the apparel industry.

This study is an attempt to explore the intimate wear industry through primary and secondary research and to bring out the market potential and major industry trends.

As classified on the basis of three broad segments of the industry—low and economy, mid-market and premium and super-premium—have been analyzed in-

depth to understand the growth pattern and functioning of the leading players in the respective segments.

Further, supply chain of the Indian intimate wear industry has been assessed and major sales channels for lingerie evaluated.

The positioning of the leading players in different segments has been analyzed in terms of brands, collaboration and distribution. The survey on consumer and retailers helped in developing an understanding of the market from both the business and consumer perspective.

About Market Resonance

Market Resonance is an independent full service Market intelligence agency offering both quantitative & qualitative research services to a diverse range of clients based in India and around the globe—helping them

make the right business decisions. Our clients include corporate companies, marketing research agencies and consulting firms.

Research Methodology

Market Resonance—a leading Market Intelligence (MI) agency in India conducted a comprehensive market survey between September 2014 and January 2015 to understand the business and consumer side of the intimate wear industry.

The study was conducted in the four metropolitan cities—New Delhi (National Capital Region), Mumbai, Gujarat, Kolkata, and Chennai.

From the consumer perspective, the survey was administered to a random sample of 1,600 women, 400 each from the five metropolitan cities, who had purchased intimate wear for themselves in the past 12 months.

From the business perspective, the study interviewed 400 retailers, 20 from each metropolitan city to understand

the performance and functioning of leading intimate wear brands.

Further, chief executives and prominent people from leading intimate wear manufacturing companies were also interviewed to gain an insight on the major developments in the industry.

The market research offers a collection of statistical anecdotes, market briefs, and concise summaries of research findings.

The report offers a ‘bird’s eye’ view of latest trends and consumer-dictated themes lending growth traction to this effervescent, ever-changing industry. The report comprises fact-rich market data tables and a concise summary of research findings.

Research Objective

- Carry out market analysis of the production and distribution of textiles for clothing and apparels in India
- Identify potential buyers of products/operators in India, interested in Ashapura Intimate Garments Limited
- Examine various aspects of law in commercial matters (procedures for opening a credit line in India, general rule, etc)
- Check key features of competition and the increasing need of local consumers

Research Methodology

The methodology followed for the research work constitutes both secondary (75 percent) and primary research (25 percent). The details of the research work have been provided below:

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, raw material/semi-finished goods suppliers, and industry bodies.

Secondary Research

The secondary research has been conducted utilizing the secondary data collected from various sources such as published statistics, reports, journals, thesis, Websites, catalogues of Indian manufacturing and marketing companies etc.

Indian Textile And Apparel Industry An Overview

The Indian Textile and Apparel (T&A) industry has emerged from the economic slowdown and is regaining forward momentum. T&A, being an important industry, contributes 5.4 percent of India's GDP. It was worth US\$ 95 billion (Rs. 5, 21, 000 crore) in 2013 and is estimated to grow at a promising CAGR of 9 percent over the next 10 years.

It includes both domestic and export markets. The value of the domestic T&A market is US\$ 59 billion, which exceeds the value of the exports market, reflecting higher domestic demand and consumption. Shifting demographics, shrinking households, a greater number of educated consumers, growing number of working women, changing fashion trends, rising disposable incomes, awareness levels, new retail formats, technological

innovations and changing consumer behavior are the trends powering the growth of the domestic market.

The apparel sector comprises 70 percent of the total domestic market, which in turn becomes the result of an increase in the per capita consumption by Indian consumers.

The textile and apparel industry is one of the leading segments of the Indian economy and the largest source of foreign exchange earnings for India. The industry accounts for 4 percent of the gross domestic product (GDP), 20 percent of industrial output and slightly more than 30 percent of export earnings. The textile and apparel industry employs about 38 million people, making it the largest source of industrial employment in India.

Textile Industry

India is the second largest producer of textiles and garments in the world. The Indian textile industry comprises three interrelated but competing sectors—the organized mill sector and the 'decentralized' handloom and power loom sectors. The organized mill sector consists of 285 medium-to-large-sized firms that are vertically integrated 'composite mills' that do spinning, weaving, finishing operations, besides the existing 2,500 spinning mills. The decentralized handloom and power loom sectors comprise thousands of small fabric-weaving units and processing (dyeing and finishing) units.

The Indian textiles and apparel industry is expected to grow to a size of US\$ 223 billion by 2021. The industry accounts for almost 24 percent of the world's spindle capacity and 8 percent of the global rotor capacity.

Abundant availability of raw materials such as cotton, wool, silk and jute, as well as skilled workforce have made the country a sourcing hub

The textiles industry has made a major contribution to the national economy in terms of direct and indirect employment generation and net foreign exchange earnings. The sector contributes about 14 percent to industrial production, 4 percent to the gross domestic product (GDP) and 27 percent to the country's foreign exchange inflows. It provides direct employment to over 45 million people. The textile sector is the second largest provider of employment after agriculture. Thus, growth and all round development of this industry has a direct bearing on the improvement of the India's economy.

Apparel Industry

Although official data on India's apparel production sector are not available, industry sources estimate that India's domestic production of readymade apparel totaled about \$19 billion (Rs.700 billion) in 1997. India's apparel sector is highly fragmented, comprising about 30,000 units and employing some 3 million people. Most apparel sector units are family-run businesses having 50-60 sewing machines, often on contract to apparel wholesalers, usually using old production equipment and methods.

The EOU's tend to operate on a much larger scale in more modern facilities and offer brand-name quality goods, especially menswear. Exporters of ready-made apparel are classified as either manufacturer-exporters or merchant-exporters. Some 2,000 manufacturer-

exporters export apparel, while the roughly 26,000 merchant-exporters serve as export brokers on behalf of apparel manufacturers.

For tax purposes, export-oriented apparel firms generally own several units registered as either manufacturer-exporters or merchant-exporters.

India has about 6,000 knitting units registered as producers or exporters; the majority of the units are registered as SSI units. The knitting segment has grown by 76 percent since 1993, with current annual output of knitwear (sweaters, polo shirts, T-shirts, and underwear) at 6.4 billion square meters, valued at nearly \$2 billion (Rs80 billion). Knitwear exports totaled \$1.5 billion in FY1998-99

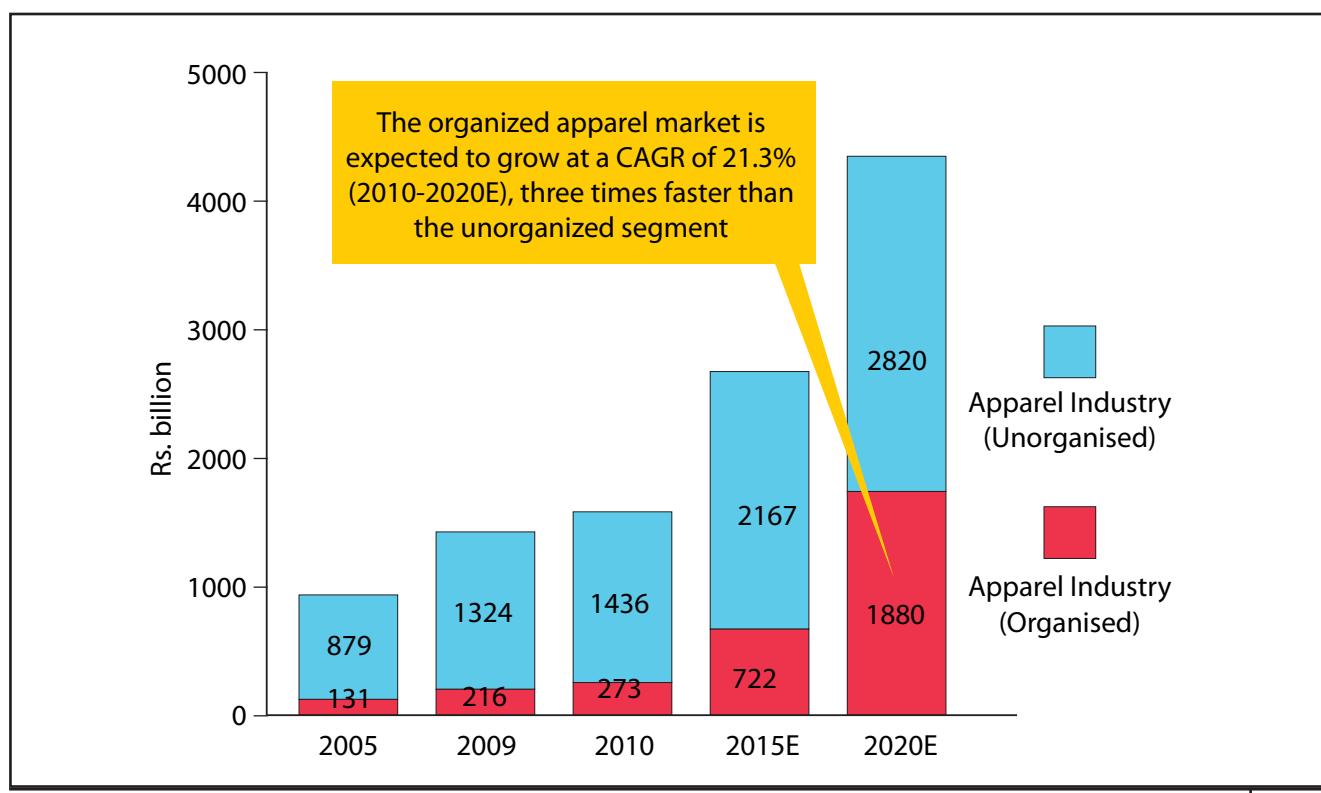
The Indian Apparel Market An Overview

The Indian apparel market has demonstrated resilience and growth in an environment characterized by slow economic growth. The domestic apparel market, which was worth INR 207,400 crore (~USD 38 billion) as of 2014, is expected to grow at a compound average growth rate (CAGR) of 9 percent over the next decade. Further, the recent omission of excise duty on branded apparel has provided an impetus to retailers in terms of the overall market sentiment.

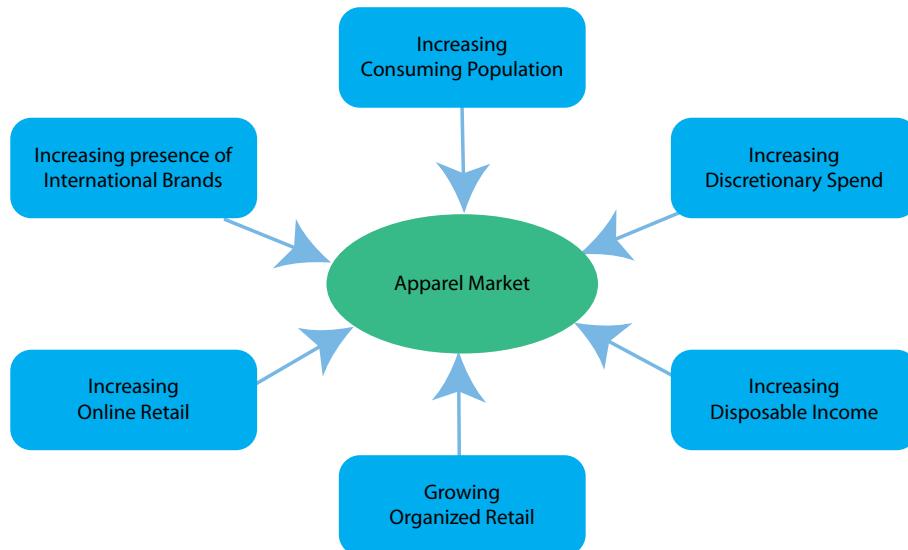
The Indian apparel industry has an overwhelming presence in the economic life of the country. It is one of the earliest industries to come into existence in the

country. The sector has a unique position as a self-reliant industry, from the production of raw materials to the delivery of end products, with considerable value-addition at every stage of processing.

Apart from providing one of the basic necessities of life, the apparel industry also plays a pivotal role through its contribution to industrial output, employment generation, and the export earnings of the country. Currently, it contributes about 14 percent to industrial production, 4 percent to the GDP, and 17 percent to the country's export earnings. It provides direct employment to over 35 million people.



Major Influencers Of Indian Apparel Market



The Indian Innerwear Market

The Indian innerwear market is estimated to grow at 13 percent to reach Rs. 59,540 crore by 2023.

Amongst the core apparel categories, innerwear appears to be a potential growth category across all segments. Currently, the Indian innerwear market is worth Rs. 17,750 crore (2013) and is estimated to grow at 13 percent to reach Rs. 59,540 crore by 2023.

The domestic apparel market, which is split into menswear, womenswear and kidswear was worth US\$ 41 billion in 2013, and is expected to grow at a CAGR of 9 percent to reach US\$ 101 billion in 2023. With a 42 percent market share, menswear leads the domestic apparel market followed by womenswear (38 percent), while kidswear accounts for 20 percent of the market.

Menswear has been the focus for many brands and retailers and is therefore comparatively more organized, with higher brand penetration and greater degree of brand awareness. The size of the menswear market was US\$ 17.3 billion in 2013—with growth at a CAGR of 9 percent expected over the coming decade, this may reach US\$ 39.6 billion by 2023.

Although womenswear market is relatively less organized and has lower brand penetration, its size stood at US\$ 15.5 billion in 2013. However, It is expected to grow at a CAGR of 10 percent over the next decade to reach US\$ 38.9 billion in 2023—thus becoming equal to the worth of the menswear segment.

The faster growth of this segment as compared to the menswear segment has attracted the attention of both

national and international brands and retailers. Several menswear brands and retailers have also tapped into this opportunity and have extended their presence into this segment as well.

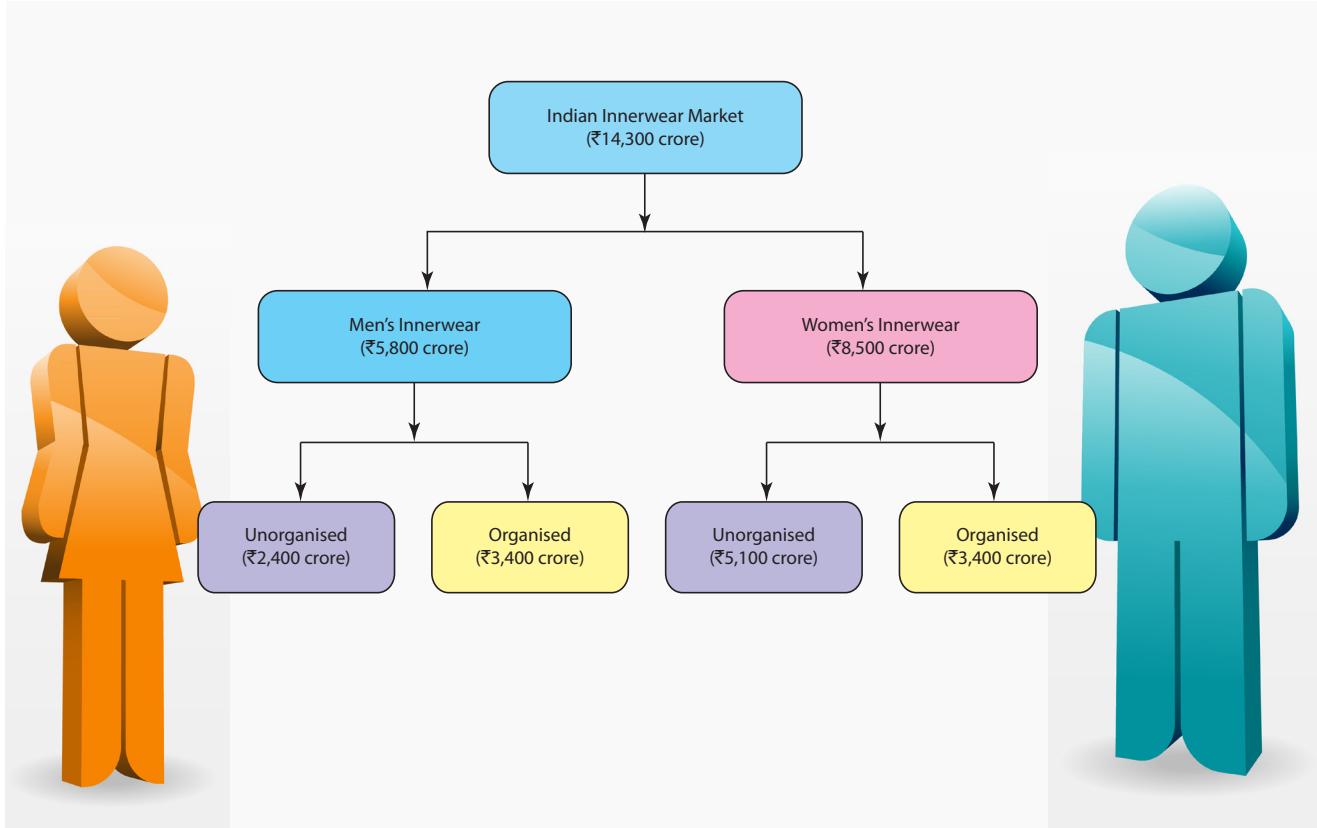
The kidswear market can be further split into boys wear and girls wear, each of which makes up for 10 percent of the domestic apparel market. The boys wear market was worth US\$ 4.3 billion in 2013 and is expected to grow at a CAGR of 10 percent to reach US\$ 11.2 billion in the next 10 years.

The value of the girls wear market is US\$ 4 billion which might be smaller than the boys wear segment, but the former boasts of a higher growth rate. Expected to grow at a CAGR of 11 percent, the girls wear segment will reach the same value as the boys wear segment by 2023.

Some of the key drivers of growth in the kidswear segment are the increasing affluence of Indian parents and the consequently increasing expenditure on kids and an increased awareness of kid's brands.

The Indian Innerwear Market in 2009 was USD 2 billion (Rs. 8,665 crore). The branded hosiery innerwear market in India is valued at USD 0.56 billion (Rs. 2,500 crore). With its rich history of textile traditions and the skills of its craftsmen, India has made a foray into the tough competition where Hong Kong, Taiwan and Bangkok are leading in the export of cotton knits and hosiery markets.

Innerwear/undergarment (intimate wear) segment contributes to more than 15 percent of the total apparel industry in India.



Highlights

Rising income levels, increasing urbanization and booming retail industry are the origin of 'look good and feel good' attitude. Within apparels, innerwear has become extremely popular owing to the higher degree of comfort it provides to the skin.

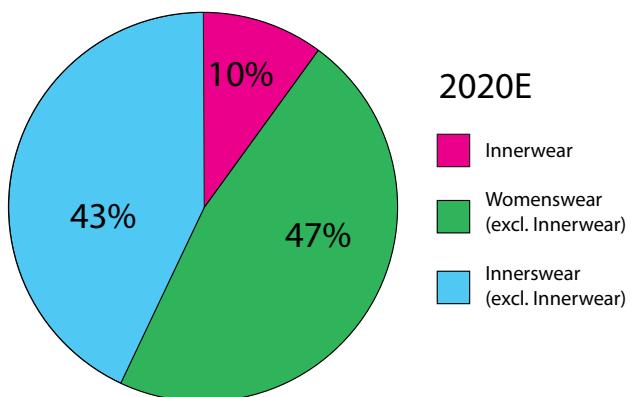
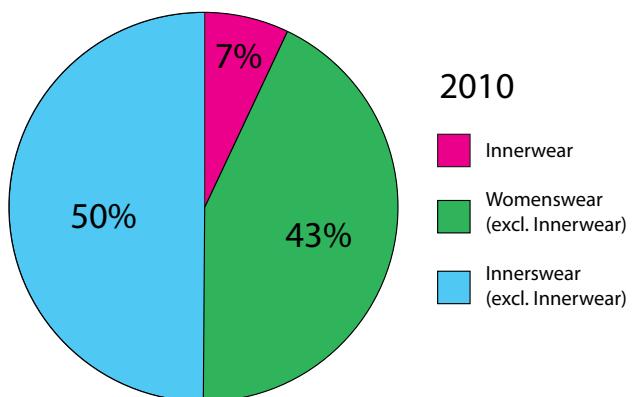
Geared up to the international needs, Indian innerwear industry has captured many untapped markets today. It accounts for about 35 percent of the total readymade garment exports from India. Knitted and hosiery products are the third major category of export fabric after woven

and non-woven fabrics.

Major Indian innerwear manufacturers have alliances with the international players to cater to the Indian markets— Maxwell Apparel with Lovable USA; Page Apparel with Jockey Intl USA; Arvind Mafatlal with LNG International; etc.

With changing lifestyles, the Indian innerwear market has showcased favorable growth trend. The most discerning and demanding consumers in India fall in the age group of 25 to 45 years.

Indian Apparel Market



Indian Lingerie Market An Overview

The lingerie industry has covered a long way to go since its initial days where the purpose of intimate apparel was totally different from what it is today. The credit of this metamorphosis of the entire industry indeed goes to technology and innovations.

Currently, 'lingerie' as a product category has a wide product base to offer, while innovative developments serving as its backbone. Modern consumers have an array of products to choose from that cover all possible aspects of fashion and styling to fabric and high finishing.

The fact that women's dresses have always reflected the dynamic changes in society cannot be negated easily. And as the Indian women are coming of age, the statement holds special significance when talking of their attire. Financial freedom is one of the top priorities of Indian women, especially in the urban cities. With financial freedom comes the choice of leading a lifestyle that suits ones tastes and preferences. Women like to wear expensive jewellery, carry high-end gadgets and buy apparel and footwear that make them look good, feel comfortable and also exude their style statement in a subtle way.

When it comes to enquire about innerwear or lingerie, the faces that used to give a shy and 'do-not-cross-your-limit' looks have turned less aggressive and more argumentative.

However, the scene was extremely different few years back when women were in the sole discretion of salesmen who used to decide about the piece of lingerie—size, fit and brand that are suitable for them.

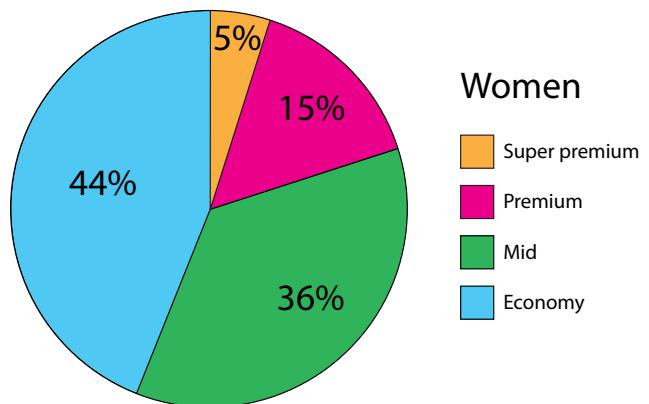
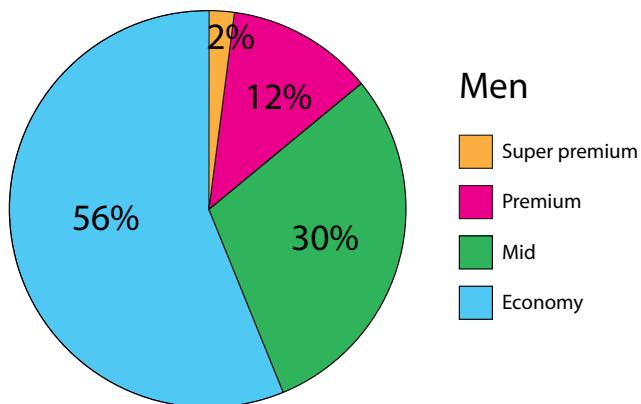
Indian women consumers are still very shy when it comes to the purchase of lingerie. But slowly and steadily, they are getting bolder in terms of selection of their lingerie and as a result they have started demanding lingerie of their choice, which is in effect helping the growth of branded lingerie in India.

Times have changed now and for the good. With factors like growing number of working women, changing fashion trends, rising information level and media exposure, and the foray of famous foreign brands in the Indian market, Indian women have become more conscious about the range of brands that should fill their wardrobes. The old practice of stacking lingerie in a corner of wardrobe no longer exists in the modern age.

Rather, the taste of women related to their undergarments has reached new heights and it will not be a hyperbole to say that it has become a fashion statement. An investigation of the reasons behind this metamorphosis signals towards the following trends—the main among them being the changing attitude of women towards their innerwear:

- First, the outerwear for women have undergone a tremendous change in the recent past—from salwar-kameez and saris to denims and t-shirts and feminine tops, especially in the urban areas.
- An increasing number of female demography is entering professional lives where they need different outerwear for office, parties and recreation, as a result of which, they opt for innerwear that matches the outerwear.
- Third, women are getting more conscious of their health and physique—a phenomenon increasingly witnessed with the sprawling gyms in the neighborhood basements. It is the fitness factor which has given rise to the sales of sports brassieres and briefs that suit the sporting activities of women.
- Last, but not the least, special occasions like a marriage ceremony or social gathering calls for a different outerwear and a matching innerwear.

Price Based Segmentation



Indian Lingerie Industry Supply Chain Analysis

With increased marketing channels, outsourcing options and fashions changing not only from season to season but also within the same season, it is important to have a responsive supply chain. Consumer awareness and satisfaction are probably the two most important factors in creating a sustainable business which is increasingly becoming global.

Lingerie which falls under the fashion segment is considered a dynamic and complex industry that requires its supply chain to be responsive and flexible.

Given the long lead times that there are in the industry, it is important to have an effective supply chain to help you buy products as close to the season as possible.

The key is to try and get through the line, as quickly as possible. This is where it becomes challenging since one must try to forecast demand as accurately as possible. The stages of supply chain in the lingerie segment are supplier, manufacturer/contractor, retail outlet and end consumer.

The manufacturer and contract apparel producer can also have subcontractors. The subcontractors bring in fabric, trim, and findings. Fabric mill agents and trim

consolidators are also part of this group. The agents deal with the fabric mills that supply yarn or fiber. The trim consolidator deals with all the trimmings.

Prime feature of any supply chain is the balancing the flow of demand by strategically positioning inventory at various nodes of supply chain. Therefore, two major components of supply chain-demand and inventory are discussed with respect to demand variability and inventory characteristics, before explaining various types of supply chain.

The consumer has all kinds of demands for apparel-apparel. The consumer demand can be broadly trifurcated into three segments-basic, basic-fashion and fashion apparel. Basic apparel consists of highest volume with moderate demand uncertainty and is priced relatively low.

On the other hand, fashionable attire comprises lowest volume with volatile demand, but is highly priced. Mass-product is the feature of basic-product segment and customized merchandise becomes the hallmark of fashion-product category. Therefore, depending to which demand-segment they cater to, apparel organization needs to formulate suitable supply strategy.

Type Of Inventory

- Cycle Stock:** Apparel operation usually is carried out in batches, which results into accumulated stock before and after a work-center unless the entire batch is completed. This kind of cycle inventory is direct manifestation of any batch process. Its level depends on batch-size and production rate.
- Work in Process Stock:** This is common to all kind of operation-batch and continuous. To keep running, every machine needs certain inventory, which is fallen under the present category. Type and productivity of machinery determine the level of this type of inventory.
- Decoupling Stock:** In apparel operation, seldom it is possible to balance productivity of every

workstation. Differential productivity between work-centers creates bottle-neck area across apparel manufacturing chain. Decoupling stock is created to nullify this bottleneck effect and to maintain smooth material flow. Its level is in proportion to the rate of differences in productivity between two work-centers.

- Safety Stock:** This is a result of supply or/and demand variability. To efficiently carrying out operation and satisfying consumer demand, organization needs to maintain stock at certain level, which depends on firm's policy and on fluctuation in supply/demand.



Therefore, there exist a wide gamut of demand and broad spectrum of inventory in the Indian apparel industry, which influence the types of supply chain management generally practiced in the industry.

Variants Of Apparel Supply Chain

Push Supply Chains

Push oriented supply chain caters to stable demand of homogenized products. In this type of supply chain, production and distribution decisions are based on long-term forecasts, as demand is stable. Push supply chain was characteristic of apparel organizations during the period from 1950 to 1970, when they had vertical organization structures and optimized activities focused on functions as companies were manufacturing oriented in a demand surplus environment of mass-products.

However, many present apparel organizations still have push oriented supply chain. Push system operates under make-to-stock environment.

A Push-based supply chain accumulates excessive inventory (cycle stock and work-in-process) by the time it responds to the changing demand. In addition, since long-term forecast plays an important role, it is difficult to match supply with variable demand. Push supply chain

also entails larger production batches, incompatible for catering demand of short quantity.

Moreover, the push supply chain generates more buffer/safety stock at every node of supply chain due to bull whip effect. This is due to inability of individual manufacturer of fibre, yarn, fabric and garment to access the actual demand.

The bull whip effect shows increasing demand variability in the upstream direction of supply chain. Due to poor visibility of actual demand by respective manufacturers in the apparel supply chain, each tries to build buffer against unforeseen demand-variability.

As each member superimposes its own guess on the demand forwarded by its immediate next organization, this amplifies the demand variability in a progressive manner in the upstream direction of supply chain.

Pull Supply Chains:

In the timeframe from 1970 to 1990, corporations were of both vertically and horizontally aligned, but apparel companies increasingly oriented towards market to sustain increasing competition. With the emergence of more volatile market-demand and powerful retailers, like Wal-Mart, K-Mart, apparel organizations unable to supply competitively small orders that seldom repeat. Long forecast-based production results into huge stocks piling up at every stage of supply chain. This accumulation of inventory is further aggravated due to bullwhip effect.

To survive in this competitive scenario, organizations fine-tune their production and distribution as per actual demand given by customer in a pull oriented supply chain. This enables reduction of unnecessary buffer stock, improvement in service level to supply what consumer wants, not what company makes.

However, as the entire supply chain is driven by actual demand, the time to market becomes long, depending on type of supply chain and number of players involved in it. Typical cycle time from order to market is 60 to 90 days in a pull or make-to-order system.

This long lead-time fails to address the other challenge of the market, i.e. quick response to customer demand. Also in a pull strategy, it is not possible to get advantage of economies of scale, since batch production or truckloads are hard to achieve. Another disadvantage is

proliferation of product mix. Moreover, as consumers demand drives manufacturing, it is normal for management to introduce as many variants as possible to capture market share. However, increasing product diversity spawns significant operational problems and reduces the responsiveness of the supply chain.



Push-Pull Supply Chains:

Starting from 90s, apparel corporations all over the world have experienced increasing national and international competition and have initiated horizontal alignment with leaner structure to better address dynamic demand situation in a capacity surplus environment.

The shift has taken place in the marketplace from mass products to customized products. In distribution channel, giant retailers like Wall Mart, K-Mart exercise even more power to the supply chain.

As mentioned in previous sections, the disadvantages of Push and Pull supply chains along with changes in global business landscape have forced companies to look for a new supply chain strategy that takes advantage of the best of both world. This results into a hybrid of the two systems Push-Pull supply chain system.

Push-Pull is also termed as synchronous supply chain. In this strategy, the initial stages of the supply chain are operated based on Push system, and the final stages are operated on Pull strategy. The interface between the Push-based stages and the Pull-based stages is referred as the Push-Pull boundary.

Postponement, or delayed differentiation, in product design is also an excellent example of a Push-Pull strategy. In postponement, the firm designs the product and the manufacturing process so that actual product differentiation can be deferred as much as possible down the pipeline when actual demand is known. Thus, the portion of the supply chain prior to product differentiation is typically based on push strategy, and the portion of the supply chain starting from the time of differentiation is based on Pull system. Postponement can be done based on time, place and form.

Conclusion

Following insights are arrived at from the above discussions:

Design of supply chain configuration depends on clock-speed of organization. Clock-speed of organization is the speed with which the product-portfolio and process change in response to market demand. So, organization having low clock-speed, i.e. with relatively stable demand may have push oriented supply chain. On the other hand, a high clock-speed organization with variable market demand may have pull oriented supply chain.

In the Push portion of a Push-Pull supply chain strategy the focus is on cost while in the Pull portion of the strategy, the focus is on service levels.

In a Push-Pull strategy, the Push part is applied to the portion of the supply chain where long-term forecasts have small uncertainty and variability. On the other hand, the Pull part is applied to the portion of the supply chain where uncertainty and variability are high and therefore decisions are made only in response to real demand.

In a Push-Pull supply chain, inventory is minimized as it is designed to eliminate the safety stock by make-to-order and long cycle-time is reduced by pre-arranging/pre-manufacturing part of the supply.

It is found that management of apparel supply chain moves from push to pull and finally to synchronous system. However, all three kinds of supply chain management co-exist in apparel industry as appropriate supply chain strategy depends on the industry, the company, and individual products. The higher the uncertainty in customer demand, the better to manage that part through Pull strategy.

Internet and related technology bring apparel manufacturer closure to actual consumer, with a need to cater individual choice in short time. This coupled with the variable demand of consumer makes it mandatory for organization to handle single item in short quantity in place of multiple items each in large quantity. This shift also increased the importance and the complexity of reverse logistics to efficiently handle customer-return.

Supply chain efficiency is about minimizing inventory, while responsiveness is about increased customer service. In a volatile market driven by flickering consumer moods, these two dimensions of supply chain management are often irreconcilable. Conflict between efficient supply chain and responsive supply chain has driven the evolution of supply chain configuration to better addresses both inventory and serviceability issue. By choosing right kind of supply chain with respect to market demand, infrastructure etc., apparel organization can address both issues effectively and maximize the value offering.

The way apparel organization embraces superior serviceability in shaping its appropriate supply chain configuration, will determine value of future business. Supply chain management deals with not only supply from manufacturers, but also demand from consumers filtered through various agencies. More than efficiently manage the supply chain, apparel organizations need to effectively manage the entire supply chain keeping both optimization of inventory level and fast responsiveness to market demand in mind.

Sales Channels For Lingerie

There is a commonality of approach adopted by manufacturers / importers for marketing their wears. Large manufacturers maintain an extensive 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:

Direct sales (institutional) take place from marketing department and retail sales are organized through company-owned retail outlets. Major sales, however, are routed through distribution network. Distribution network, which is the most important channel, has been revamped through large distribution net-work for maximum penetration.

Maxwell-VIP has appointed 400 dealers, 200,000 retail outlets, 6 regional offices and sales brigade of 700 personnel. Pawan Hosiery (Body Care) has 150 distributors and has presence in 1,800 retail outlets. Over 300 sales personnel are involved in distribution work. Page Industries (Jockey) mans 50 exclusive outlets and has presence at country's 16,000 retail outlets.

Some of the foreign manufacturers like Triumph (India) International operate in India through franchisee system. Triumph is available in 55 cities through 500 points of purchase including departmental stores, lingerie retailers and multi-brand outlets. It has 4 exclusive franchise outlets in Kolkata, Mumbai and Bangalore.

Key Market Drivers

The factors that have propped up demand for undergarments in the past few years have been summarized below:

- Indian economy has experienced GDP growth rate of 8 to 9 percent in the last few years. Sustained growth in economy in the past few years has contributed to the growth of massive middle income groups. This has propped up the sales of undergarments, particularly in the low and economy segment.
- Young generation of professionals, both men and women, form an important consumer group with high purchasing power. This buying group is more demanding in their choice of inner wear, looking for quality products that satisfy comfort, fitting, styling needs etc. It has resulted in a qualitative shift of consumers from low/ economy range to premium and super premium range of products. The past trend of the Indian market signals a gradual marginal shift towards the premium and super premium segments of the industry. This segment is now considered as the major growth segment. Despite being the smallest segment in the overall lingerie industry, the premium segment has been

growing at a compounded annual growth rate (CAGR) of about 30 percent in the last five years.

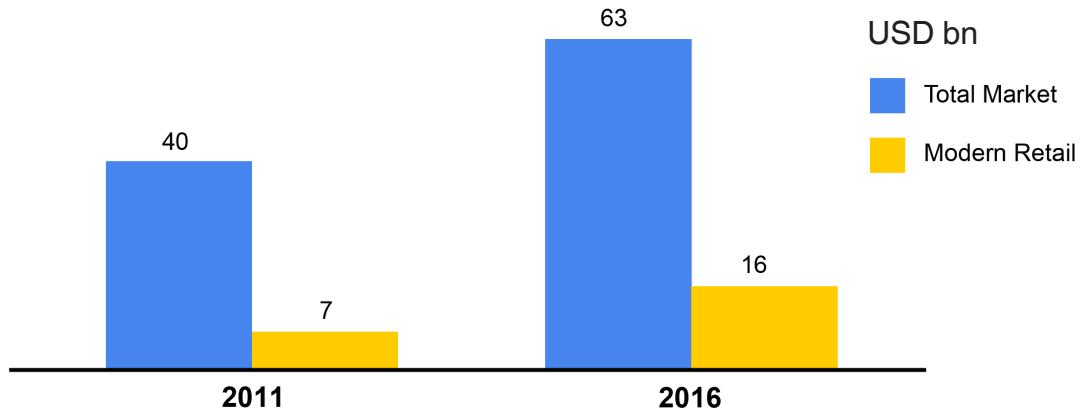
- Indian demographic structure has been undergoing transformation in the past few decades. India has one of the youngest populations in the world. An increasing shift of population in favor of the younger generation would encourage further qualitative transformation of the under garment market.
- Domestic undergarment manufacturers have realized the huge potential of partnering with the global luxury brands. This has helped them not only to extend their portfolio into the luxury super-premium and premium segments but also makes them preferred sourcing partners for these brands in India as well as internationally.
- Preference for recognizable brands and rapid growth of organized retail is anticipated to increase the current share of the organized lingerie market. Even though organized retailing is still at its nascent stage in India, restricted mainly to urban cities, undergarment market is likely to proliferate through increasing network of shopping malls across India and its geographical spread in the

rural sector as well.

- Large number of professional fashion and designing schools across the country, work of high profile designers towards innovative creations,

media exposure, use of movie stars both for advertising campaigns and as brand ambassadors are important instruments for popularizing demand for undergarments in the years to come.

Modern Apparel market share



Growth Prospects

Future outlook of undergarment segment is critically dependent on the prospects of textile industry. The textile sector witnessed a spurt in investment estimated at around US\$ 4.22 billion from 2004 to 2008 and is expected to further increase to US\$30 billion by 2012. India's expanding domestic market is estimated to grow over US\$ 50 billion by 2014 and over US\$ 125 billion by 2020.

Large MNCs in retailing business around the world have already tied up with Indian manufacturers for sourcing. Recently Hugo Boss has unveiled a sourcing deal with Hyderabad based apparel manufacturer.

Ministry of Textiles, Government of India has taken a series of corrective actions. Indian economy has started looking up since the past 2/3 months. Domestic sales are on the upswing. Capital market is on the road to recovery. All these factors will have a positive impact on the sustained growth of undergarment industry in the coming times.

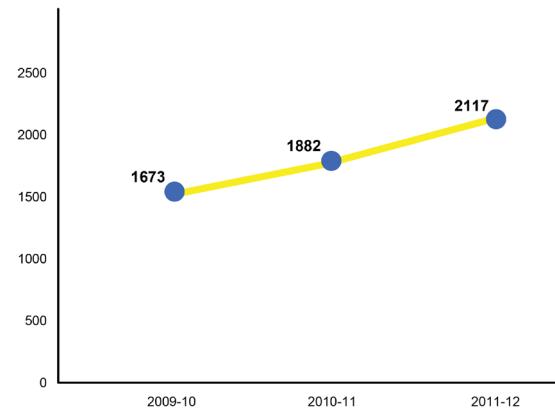
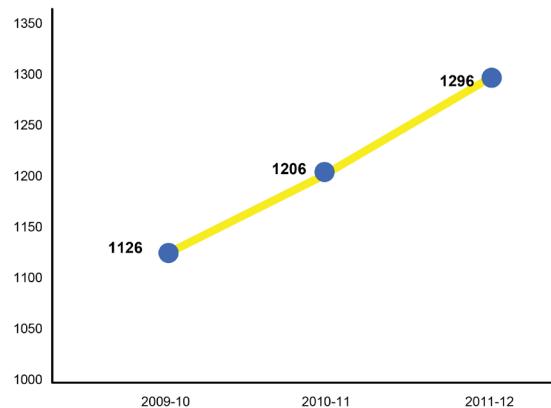
The key growth drivers of demand for the innerwear industry are:

- Increasing income levels and high spending power
- Preference for recognizable brands

- Growing urbanization
- Growth in penetration of organized retail
- Increasing penetration of electronic media leading to greater preference for branded products
- Increase of multinational brands, while increasing competition, will also help drive innerwear industry growth as consumers get increasing aware and brand conscious. Many of these brands are in the premium and super premium category and the emergence of higher price points at retail destinations will create opportunity for brands with value proposition
- Opening of exclusive brand outlets for innerwear has been a recent development and is expected to grow in days to come.
- We expect demand from rural market to grow by 17.4 percent CAGR and urban market by 13.1 percent CAGR over next 5 years (2010-2015).
- Higher rural market growth would be due to lower penetration of branded apparels against urban market.

Projected Demand

Projected Demand for Undergarments (@6.5 percent CAGR)



Market Trends

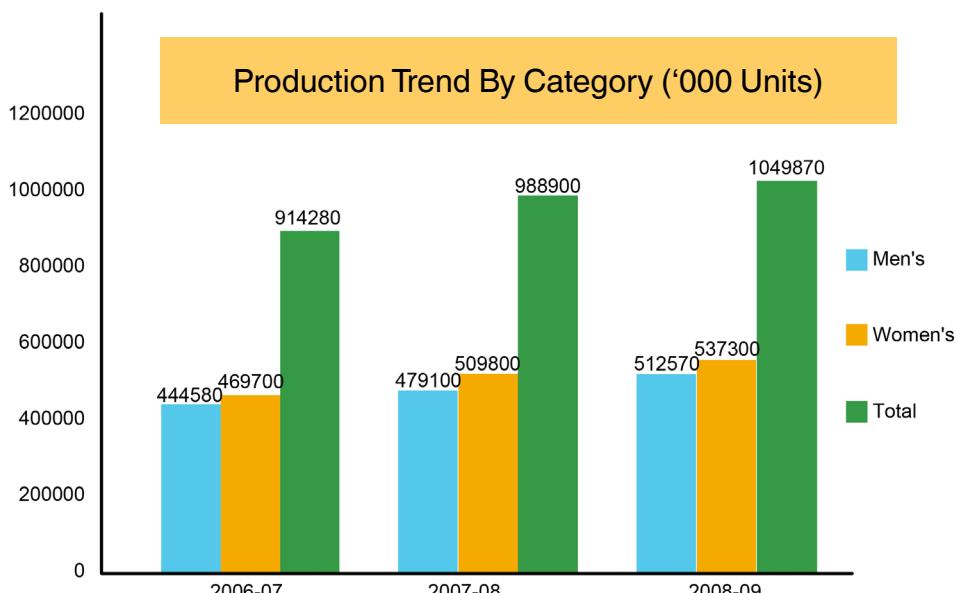
- Franchising
- International Touch
- Online Shopping
- Rising premium segment
- Specialized Offerings

With evolving perception, lingerie has managed to be an essential part of a woman's wardrobe from being just a bare necessity and this change has led to a growth wave in the industry. Along with this, rising disposable income, growing organized retail, rising awareness

among the consumer segment and growing focus on product extension and quality will further stimulate the gains for the industry. The industry, though faced with certain challenges will continue to march ahead driven by Indian consumption boom and compelling demand demographics in India.

The authors of this report have estimated the industry to grow at a CAGR of 18 percent till 2015 and would be soaring to new heights. Indian Lingerie industry currently pegged at USD 1.5 billion in 2011 will jump to USD 3 billion by 2015.

Production Trend



Consumer Trends

Consumer trends influencing Indian market

Increasing Consumerism

- Increasing income level
- Increasing discretionary spend
- Increasing urbanization

Preference for Readymade

- Convenience Exquisite designs and wide variety
- Mismatch between desired and actual product

Preference for Branded Products

- Growth in organized retail
- Increasing online retail

Indian Lingerie Industry: SWOT Analysis

STRENGTHS	WEAKNESS	OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • Outsize young customer base • No substitutes • Rising women populace • Non discretionary nature 	<ul style="list-style-type: none"> • Labour intensive • Wedged in licenses & regulations • Cultural constraints • Low brand loyalty 	<ul style="list-style-type: none"> • Rising middle class • Emergence of working women • Surge in disposable incomes • Growing urbanization 	<ul style="list-style-type: none"> • Change in consumer taste • Fluctuating raw material prices • FDI in retail • Competition

Strengths	Weaknesses	Opportunities	Weaknesses Threats/Concerns
Huge textile production capacity	Highly fragmented industry.	Tremendous boom in retailing as a result of change in consumption pattern and private incomes. Changing life style has led to dramatic shifts in buying pattern in favor of 'ready to wear'. Several large foreign players have been retailing branded products for years.	Rupee fluctuations with respect to US \$ and Euro affects the volume and value of exports as the price competitiveness of Indian exports.
Efficient multi-fiber raw material manufacturing capacity	Critically dependent on cotton. Raw cotton prices are highly fluctuating in India and impact the manufacturing industry adversely as well.	Elimination of Quota Restriction has helped India expand its global market further.	Rising ecological & social awareness in the west may impact sourcing from India
Large pool of skilled and cheap work force	Lack of modern technological development affects adversely major part of the organized sector.	Strong potential of retail industry signals huge untapped market opportunities and investor interest for financial investment in this segment.	Regional trade alliances may adversely affect export prospects

Strengths	Weaknesses	Opportunities	Weaknesses Threats/Concerns
Huge export potential	Imports of cheap textiles from other Asian neighbors	Outlook for more foreign investment brightens after several international giants have become active in Indian market.	The US & EU Governments discourage products from countries that use polluting dyes, deployment of child labor and unhealthy labor environment for production. This has resulted in putting pressure on buyers to limit their sourcing from
Large domestic market	Huge unorganized and decentralized sector		
Flexible textile manufacturing systems	Use of outdated manufacturing technology		
Paradigm shift from commodity based trading to high value – added fashion products	High production cost with respect to other Asian competitors		developing countries of the South.
Vertical integration & horizontal consolidation of production process leading to lowering of manufacturing cost.	Appreciation in the value of Indian rupee adversely affecting Indian exports		Increased global competition in the post 2005 trade regime under WTO
Efficient supply chain management,	Lack of standardization and quality control		

Retailer's Survey: Major Findings

The Indian fashion retail industry encompasses a plethora of opportunities. But tapping these opportunities and converting them to business value requires a holistic understanding of the industry— starting from fiber-to-fashion retail.

Fashion retailers have to go beyond the boundaries of sales, marketing, merchandising, and category management, and have to explore upstream and allied industries with accuracy. Often, an external agency, having a proven track record of working with the major international and Indian fashion retailers as well as textiles and apparel manufacturers, industry bodies and trade organizations, government agencies, banks and financial institutions, brings a deep and thorough understanding of the fashion market and provides effective and actionable solutions to retailers. Fashion retailers in India have to continue realigning and restructuring their models to cater to the evolving needs of this dynamic market. The opportunity in the fashion market is immense, but this opportunity exists only for those who can visualize the future and reinvent themselves in order to address the associated challenges.

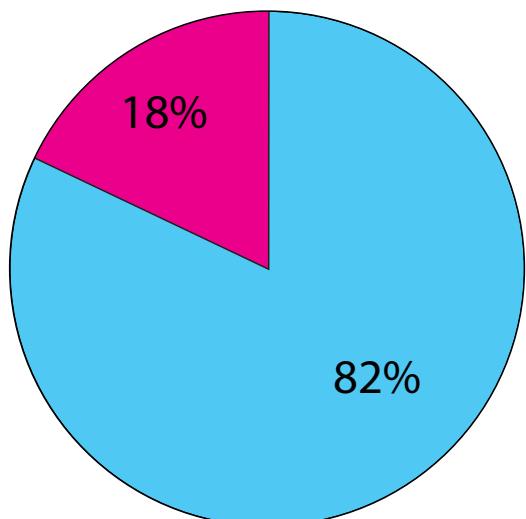


Customer Survey: Major Findings

Preferred brands

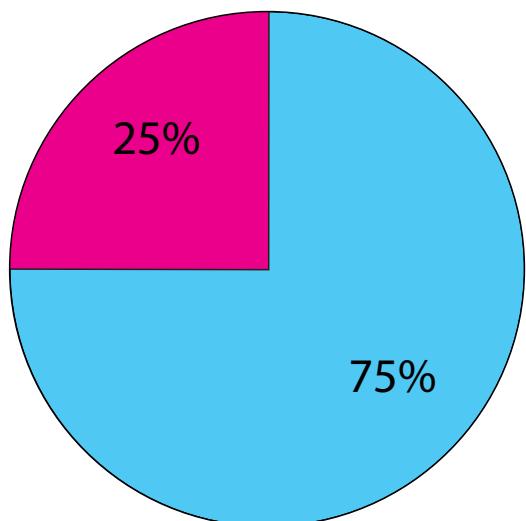
Well known national brands at the entry level operate through the medium priced segment.

Premium and super-premium product categories-highly branded and distinguished for exclusive product features operate at the high ends of the market. Logistics, efficient supply chain management system and media exposure have largely contributed to the popularity of these brands across the board. These are available in plenty at retail outlets in each region especially in the metros/ state capitals.



2011

Domestic Brands
International Brands



2016

Domestic Brands
International Brands



Factors Influencing Brand Preference

Brand preference pattern of consumers depends upon a host of factors such as:

- Combination of price, quality & fitting as major parameters of purchase decision for sensitive but smart consumers
- Track record of Indian manufacturer/ reputation of foreign joint venture partner.
- Reputation of international companies

Factors /elements influencing consumer choice

Indian consumers spread across different regions are not homogeneous entities. The consumers of each region are nurtured by its own culture, education and aptitudes which condition their purchase criteria.

Local consumers of innerwear in each region are guided by:

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

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
- 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

Urban women consumers in particular find themselves quite vulnerable in selecting a store for purchase of undergarments.

First, majority of counters at the retail stores are manned by men, making it difficult/awkward for a large percentage of women customers to communicate their preferences or enquire specific requirements.

Second, majority of stores are not equipped with sales persons who have sound knowledge about measurements and sizes that gives good fit to a woman. This is a typical problem all over India, including the stores in

Third, a trial room is an important requirement especially for women, which is often not available in retail stores.

Competitive Landscape

- The Indian textile apparel market has been growing at around 9 to 10 percent over the decade and innerwear industry is expected grow at the same level.
- The Innerwear industry in India is divided into various categories of segments and the scope for women's innerwear is expected to grow more than the normal growth of 10 percent.
- The outlook for the industry looks to be quite

challenging. The industry should see the current year provide better option to the consumers in terms of range and quality.

- On the commodity front the cotton price moved in a narrow range during the year leading to almost range bound movement in the Yarn price. The yarn export policy however can cause some vagueness to the yarn price.

Women's Innerwear Market

The women's innerwear market that has historically been smaller in size compared to the men's segment, which is expected to grow at a faster pace of between 12-13 percent CAGR.

The key growth drivers of demand for the innerwear industry are:

- Increasing income levels and high spending power
- Preference for recognizable brands
- Growing urbanization
- Changing Fashion Trends
- Growth in penetration of organized retail
- Increasing penetration of electronic media leading to greater branded products
- Entry of multinational brands, while increasing competition, will also help drive innerwear industry growth as consumers get increasingly aware and brand conscious.
- Many of these brands are in the premium & super premium category and the emergence of higher price points at retail destinations will create opportunity for brands with value proposition i.e.

fashion with quality at reasonable prices.

- All major international innerwear Brands have commenced operations in India realizing that Indian market is likely to emerge as one of the largest market in the world in next few decades. Innerwear industry is expected to grow at a CAGR of 13.2 percent to Rs. 437 billion by FY20. Over next few years, sales of innerwear is projected to rise at a CAGR of 18.61 percent by FY16 with an increase in number of shopping malls, MBOs and other retail outlets which offer a better buying space to consumers.



Overall Market Overview

Men's innerwear

The market is expected to grow at a CAGR of 9 percent whereas women's innerwear segment is expected to grow at a faster pace of 14 percent with share increasing from 59 percent to 70 percent by 2020.

Kidswear

The overall size of boys market stands at approximately USD 4 billion and is projected to grow at 10 percent CAGR to USD 11 billion by 2021. Girls market is also expected to grow in a similar way. The kids wear market is expected to see a high growth rate in years to come due to multiple factors.

Opportunities

Young population, high disposable income, growing media influence exposure, rising eve power, modern retail, increased urbanization, high marketing spends by companies creating awareness, shift from unorganized to organized sector.

Threats

All major international innerwear brands have commenced operations in India realizing Indian market is likely to emerge as one of largest market in the world in next few years.

Online retail

It's the next growing phenomenon in Indian retail growth story. Online sales account for 11 percent of sales of Jockey International Inc. USA.



Intimate Wear E-Tailing In India

Niche Play

Online stores selling intimate wear are seeing their sales soar as the range of products on offer and the privacy of Internet shopping draws customers by the hordes.

Online apparel sales have continued to capture a greater share of India retail ecommerce sales. This contribution is expected to grow to 42 percent of total retail ecommerce sales in 2015.

Average annual spending on online purchases is projected to increase by 67 percent to Rs 10,000 from Rs 6,000 per person.

In 2014, about 40 million consumers purchased online and number is expected to grow to 65 million by 2015 with better logistics and internet-ready devices fuelling the demand in e-commerce.



Industry estimates that the total spends on warehousing and sorting centers could be as high as 3-6 percent of top-line revenues, which totals to spend of \$450-900 million in warehousing till 2017-2020.

The sector is also projected to spend an additional \$500-1000 million in the same period on logistics functions, leading to a cumulative spend of \$950-1900 million till 2017-2020.

It is also estimated that currently over 25,000 people are employed in e-retailing warehousing and logistics. And even with efficiency improvements in the delivery networks, it is estimated that the online industry will add close to 100,000 people, in these two functions alone by 2017-2020.

The steady growth in the number of web shoppers also is helping to boost e-commerce sales. Many consumers prefer the web to bricks-and-mortar retailers in large part because of online deals.

Booming Intimate Wear Sites

While other fashion websites struggle to break even, online intimate wear sites seem to have cracked the space thanks to a wide range of innerwear in all sizes like cellulite-controlling innerwear, swimwear and shape wear and easy access. The market is currently pegged at Rs. 9,500 crore and is expected to grow at an annual rate of 14 percent.

The rapid pace of growth of inner wear manufacturing companies, which sell global and in-house brands, has

made this one of the fastest-growing segments in Indian e-commerce.

In evolving online marketplaces, lingerie has been pretty much under wraps. There are over 50 Webstores in India but lingerie is the fifth or sixth category for multi-product Webstores.

Besides, it's a small, unorganized market.

Why Are Retailers Bullish On Intimate Wear Market?

The demand for intimate or fantasy wear is growing in India even though Indians tend to be more conservative than their western counterparts. Also people like to browse fantasy intimate wear without the fear of running into someone they know.

It is best done from the comfort of their own homes. Many people prefer that their products come packaged very discreetly.

Secondly, shopping online bypasses any unpleasantness or discomfort one would witness in stores. Sometimes it's hard to be a man in a lingerie shop. Online, there is no need to have an uncomfortable conversation with the

sales staff while you choose a particularly erotic piece of lingerie.



Research also showed that men, who otherwise feel uneasy about venturing into a lingerie store, easily buy products for their partners online. A discreet delivery service which online e-tailers offer is the key to success in this market.

Thirdly, the convenience of summoning things home with a few clicks is not only luring upscale city women but also women in Tier II and Tier III cities due to the sheer variety of products that are not available in their local stores.

Innerwear Market Continues Its Hot Streak

- Innerwear industry is expected to grow at a CAGR of 13.2 percent to Rs.437 billion by FY20
- Currently, the intimate wear segment in India is estimated at about \$4 billion
- Men's innerwear is expected to grow at a CAGR of 9 percent, whereas women's innerwear segment is expected to grow at a faster pace of 14 percent with share increasing from 59 percent to 70 percent by 2020.
- The women's innerwear market that has historically been smaller in size compared to the men's segment is expected



to grow at a faster pace of between 12-13 percent CAGR

- The Innerwear industry in India is divided into various categories of segments and the scope for women's innerwear is expected to grow more than the normal growth of 10 percent
- Indian consumer spend on innerwear products is significantly lower than other Asian peers
- The innerwear market in India is under penetrated with per capita spend – 90 percent below Thailand and China (Please make some pictorial graphics for this segment)

Key Market Players

Maxwell Industries

Maxwell Industries Ltd. is leading Indian company engaged in manufacturing and marketing of innerwear. We market well-known brands like VIP Innerwear, Frenchie, Frenchie X, and VIP Feelings and all of their sub brands. Maxwell's brands and their extensions occupy leadership positions with significant market shares in the respective categories.

Maxwell Industries is present throughout the spectrum of innerwear industry, with VIP innerwear in budget and straddling across segments. Frenchie brand in briefs market of transformation conservative Frenchie X is present in the premium segment for youth where most of the action is seen as lot of international



brands are trying to enter.

In lingerie's segment VIP feelings represents Maxwell Industries. This brand is known for its innovations and creation of categories such as Nursing Bra's, Sanitary Panties.

Ashapura Intimate Fashion Ltd. (Valentine Group)

The group has carved a niche for itself in the 'family' intimate wear segment in the Indian listed space. It has a firm footing in the branded intimate wear and loungewear market, backed by a strong product line, large distribution network and robust expansion plan.

Ashapura Intimate Fashion Limited (Valentine Group) consists of two listed companies—Ashapura Intimates Fashion Ltd and Momai Apparels Ltd.

AFTL is listed on BSE with market cap of Rs. 308.95 and its sister company—Momai Apparels Ltd, which is listed on NSE with market cap of Rs.118 crore.

AIFL has over 13,000 point of sales across India. It has stormed the big league of innerwear companies globally, backed by a strong product basket.

It has created new grounds in the highly-competitive and domestic innerwear market with large product basket, innovative designs and patterns. A  wide product portfolio comprises lounge wear, bridal night wear, honeymoon sets and bathrobes under the "Valentine" and "N-Line" brands. It is one of the leading entities among few organised intimate wear players in India and faces no competition globally, thanks to its large product basket in the intimate wear genre. Its products are available through a large network of distributors in India and several other countries especially in the MENA region.

Its products, such as such as nighties, maternity feeding nighties and bridal night wear (two pieces) are marketed under the brand called "Night & Day".

In 2011, it commenced manufacturing sportswear, women's innerwear and lingerie's under brand name—"Valentine Sportswear", "Valentine Secret Skin" & "Valentine Pink."

"Valentine" is a premium category brand. The products are available in fabrics, such as viscose, knits, woven, satin, georgette, stretched, lycra-net and terry material etc., in vibrant styles.

With successful backward integration into manufacturing, the company went into forward integration by way of foraying into front-end retail. The company NOW Plans to set-up 100 retail stores across all major cities in next two years—of which, the company will open 25 owned retail outlets in and around Mumbai. The remaining, however, will be set up in cities like Ahmedabad, New Delhi and other mega cities.

The company also holds exclusive manufacturing and merchandizing license in India of international brands—Snoopy, Garfield, Joey and Joy.

Lovable Lingerie

It is one of India's leading women's innerwear manufacturers. Its products include brassieres, panties, slips / camisoles, homewear, shapewear, foundation garments and sleepwear products.

In 1995, the licensed the from Lovable Company, USA.



company was brand "Lovable" World Trading Lovable" and

"Daisy Dee" are its flagship brands. Lovable is amongst the top three most preferred brand in women's innerwear in India. The company is the market leader in southern states and is foraying in other regions with a focus on young generation with contemporary products.

Page Industries

The company is the exclusive licensees of JOCKEY International Inc (USA) for manufacture and distribution of the JOCKEY brand innerwear/leisurewear for men and women in India, Sri Lanka, Bangladesh, Nepal and UAE. It is also the exclusive licensee of Speedo International Ltd. for the manufacture, marketing and distribution of the Speedo brand in India.

Speedo products include swimwear, water shorts, apparel, equipment and footwear. The Speedo brand is available in 826 plus stores format stores in 70 cities and five Speedo exclusive brand outlets located in Delhi, Gurgaon, Pune, Bangalore, and Chennai.

Speedo is the number one brand and product choice for swimmers around the world. While swimwear in India is still at a nascent stage, the prospects for this category are exciting.

Rupa & Co

Rupa is a major knitwear brand in India, covering the entire range of knitted garments from innerwear to casual wear. Starting as a dream in the mindscape of vision and far-sightedness of three men Rupa has become the enterprise, evolved to frontrunner in India and a leading player in global markets with far-reaching footprints and millions of satisfied customers.



It is the largest manufacturer of hosiery products in India with product portfolio comprising men's, women's and kids innerwear, knitted bermudas, loungers, winterwear, footwear, leggings for women & jeans in varied colour and designs.

Overall Market Forecast

The future of the apparel market and innerwear category looks promising. At the same time, fashion retailers have to face some daunting challenges prior to tapping the extant opportunities.

Rising real estate costs, increasing power tariffs, and supply chain inefficiencies are some of the issues that have to be tackled with utmost prudence.

The growth story of Indian consumption is expected to revive in the medium to long term, but it will require improvements in the overall business performance and

managerial prudence of the highest degree to benefit from this growth.

To emerge a winner in a market marked by the presence of multiple players, brands and retailers have to optimize their business operations by addressing the challenges and harnessing market opportunities. Understanding the psyche of the Indian consumer, amalgamating Indian style of functioning with western management techniques, and tailoring fashion offerings is the need of the hour.

Forecast

India Innerwear/Loungewear Market By 2020



- USD 120 billion plus
- In top 5 markets in the world (7 percent market share)
- Women's wear (42 percent) would deservedly be bigger than men's wear (39 percent)
- Branded market (43 billion) will be bigger than total market today (40 billion)
- All major global brands will report India as a major contributor to sales
- Will have few many billion dollar brands and retailers
- Few fashion houses will have more than 20 brands' portfolio
- Couple of retailers will have 5,000 plus stores
- An online retailer would have crossed billion plus mark
- An online retailer may be the largest retailer

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