Chitrika –Artisan Development Organisation

Pan-Andhra Handloom Market Study

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Textile Industry Structure

Indian Textile Industry-An overview

1. Textile Industry Contributes -
    - 14% of the Industrial Production
    - 13.5% of Export Earnings
    - Contributes 4% to GDP and
    - Employs 35 Million People
2. Apparel Market Size will grow from Rs. 93,600 Crores in 2005 to Rs 394,400 Crores in 2025
3. Investments will increase from Rs 104,506 in 2004-08 to Rs 150,000 Crores by 2012 generating additional 17.37 million jobs.
4. India is next only to China as the worlds' largest producer of cotton yarn and fabrics

Textile Production

Growth in Fabric Consumption

India: Growth in fabric consumption by type, 1972-2002

Period	Cotton	Manmade and blended	Total	Real gross domestic product/capita
	Square meters			*1993/94 Rs*
Average for:				
1972-74	17.4	2.8	20.2	5,255
1979-81	14.5	6.4	20.9	5,782
1989-91	14.4	8.2	22.6	7,823
2000-02	14.5	16.9	31.3	12,166
		Percent		
Growth rates:[1]				
1973-80	-2.6	12.4	.5	1.4
1980-90	-.1	2.5	.8	3.1
1990-2001	0	6.8	3.0	3.7

[1]Growth rates between period average centered on years indicated.

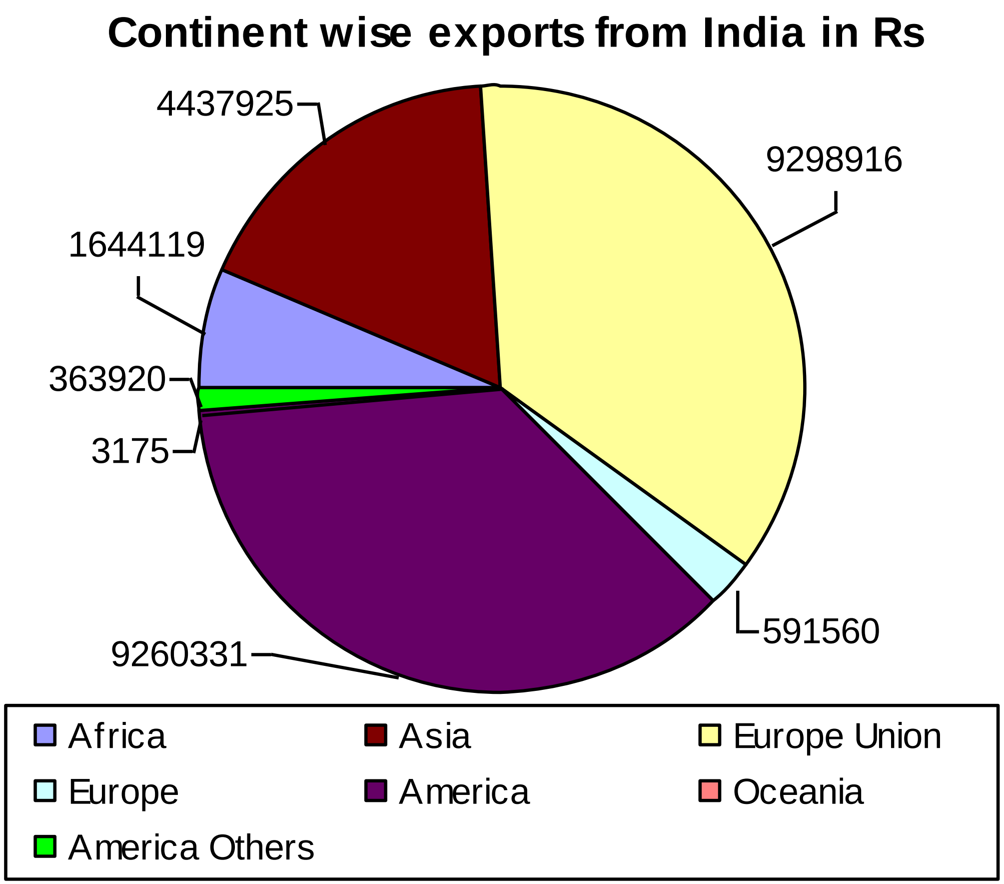
Source: Computed from data from the Government of India, Ministry of Textiles, Office of the Textile Commissioner, 2004, *Compendium of Textile Statistics;* Government of India, Ministry of Finance, *Economic Survey*, various issues.

Handloom Market Structure

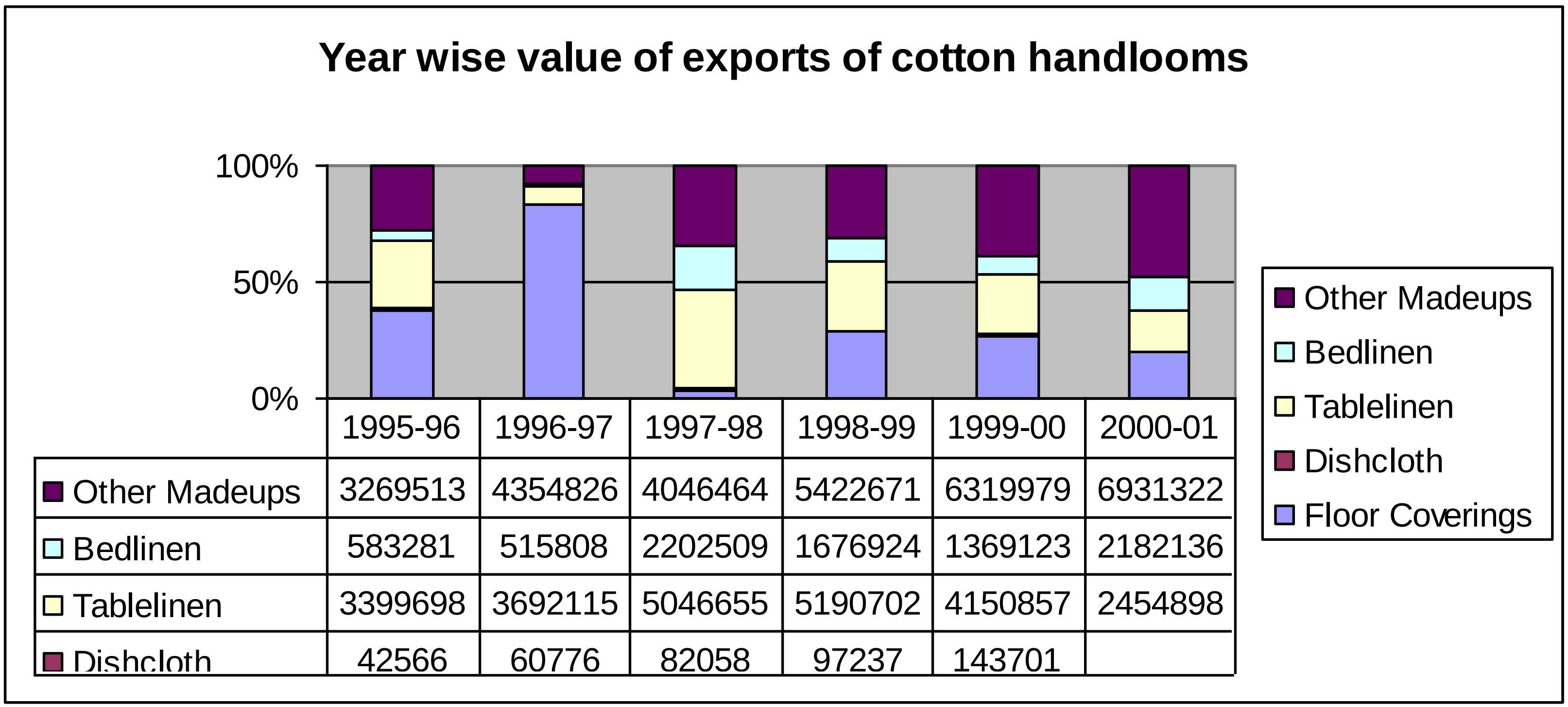
The Handloom Sector

1. 38 lakh looms, providing direct employment to over 124 lakh persons
2. 60% are women, 12% from SC, and 20% from ST
3. Production has fluctuated from 4 billion square meters in 1990 – 91 to 8 billion in 1996-97 to 6 billion again in 2004-05
4. 90% of Production caters to the needs of Indian Consumer
5. Most diversified, flexible and decentralised and the least capital- and energy-requiring livelihood system in India.

Handloom Exports – Continent Wise – Yr 2002 - 03



Handlooms Exports



	1995-96	1996-97	1997-98	1998-99	1999-00	2000-01
Other Madeups	3269513	4354826	4046464	5422671	6319979	6931322
Bedlinen	583281	515808	2202509	1676924	1369123	2182136
Tablelinen	3399698	3692115	5046655	5190702	4150857	2454898
Dishcloth	42566	60776	82058	97237	143701	

Government Support to Handlooms

1. Tax exemption for produce, low interest loans & rebate on products sold through cooperatives
2. Exclusive Rights to produce 11 items
3. Hank Yarn Obligation (HYO)
4. Market Promotion Program - Financial Support for encouraging participation in exhibitions and meets (Rs 10 Lakhs to Rs 200 Lakhs)
5. Handloom Mark Scheme for creating identity and certification

Gaps in Support

1. Failure to suit to ground realities of a particular region
2. Rebates are encouraging cooperatives to inflate their sales figures
3. Schemes on capacity building were much obsessed with irrelevant skill development rather than education on broader aspects.
4. On Missing Technology
   - Under Developed Pre-loom Technologies
   - Facilities for Local Design Experimentation
   - Accessibility of Technology
   - Standardization of Quality Assurance Systems

Bottlenecks in Handlooms

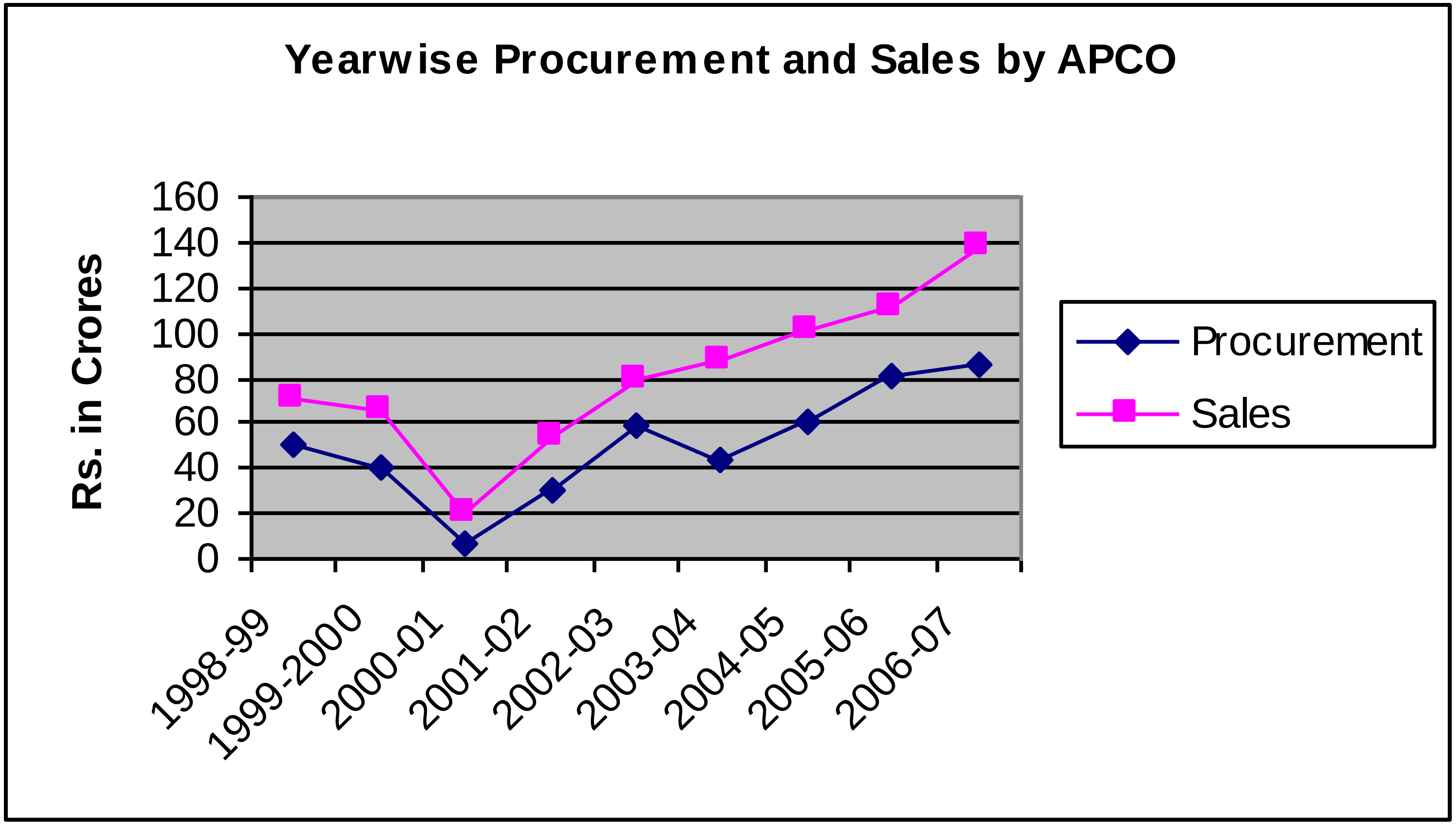
1. Weavers Share of %Consumer Rupee is only 7 – 10%
2. Disconnect between New Age Consumers and Producers - Lack of Market Intelligence
3. Largest Marketing Network – Cooperatives are Government Delivery Mechanisms – Loss Making
4. Weavers Relegated to Wage Earning & Not as Creative Product Developers
5. Lack of End Product Development Infrastructure
6. Value Addition in Handlooms – Seasons, Blended, Cost Reduction
7. Need for Production – for Changing Lifestyle Needs of Consumers

Andhra Pradesh Handlooms Market

Andhra Pradesh Handloom Scenario

1. Second Largest Concentration of Handlooms
2. Approx. Rs 750 to Rs 800 Crores - Market Size
3. Nearly 8 to 10 Lakh Weavers
4. Employment
    - 219,100 Full Time Weaving Labour;
    - 33,000 in Part Time;
    - 148,400 in Full-Time Preparatory Work
    - 52,400 in Part Time Preparatory Work
5. Produces both Low- End to High- End Varieties
6. Well- Networked APEX Marketing Body
7. Pochampally, Mangalagiri, Ponduru, Gadwal, Chirala are well-known clusters
8. GI Obtained for Pochampally Weaving Technology

Andhra Pradesh State Handloom Cooperative Society



Andhra Pradesh State Handloom Cooperative Societies

1. Annual Turnover - Rs.135 crores
2. APCO's gross margin is between 12-15%
3. APCO's accumulated loss is more than Rs.116 crores.
4. Key costs of APCO are Rs 12 Cr salaries, Rs 4 Cr trading costs and Rs 4 Cr towards interest.

Key Gaps - APCO's Performance

- Huge Overheads
- Piled up Stocks.
- Poor Quality Assurance System
- Political Lobbying from Weavers Groups
- Corrupt System among Weavers, Cooperatives and APCO

AP State Policy Priorities

- Encouraging Niche Products – Unique Distinguishable Attributes.
- Secure Markets through Government Departments and Public Sector Undertakings.
- Establishing Common Facility Centers for Natural Dyeing, Testing, Sourcing Market Information and Arranging Buyer Seller Interaction
- Organizing Exposure Visits, Overseas Exhibitions, and Improve Market Awareness

AP State Policy Priorities

1. Measures for IPRs and GIs
2. Setting up Netha Bazaars in all Districts
3. Encouraging National Institutions to establish their outreach centers in all the three regions of the State.
4. Motivating the Public to Patronize Handloom Cloth
5. Motivating the Weavers to Produce the Products as per Modern Market Needs.
6. Upgrading the Marketing Mechanism on Par with Branded Items
7. Strict implementation of Handloom Reservation Act, 1985.
8. Raw-material Service Centers - Run on Commercial Lines.

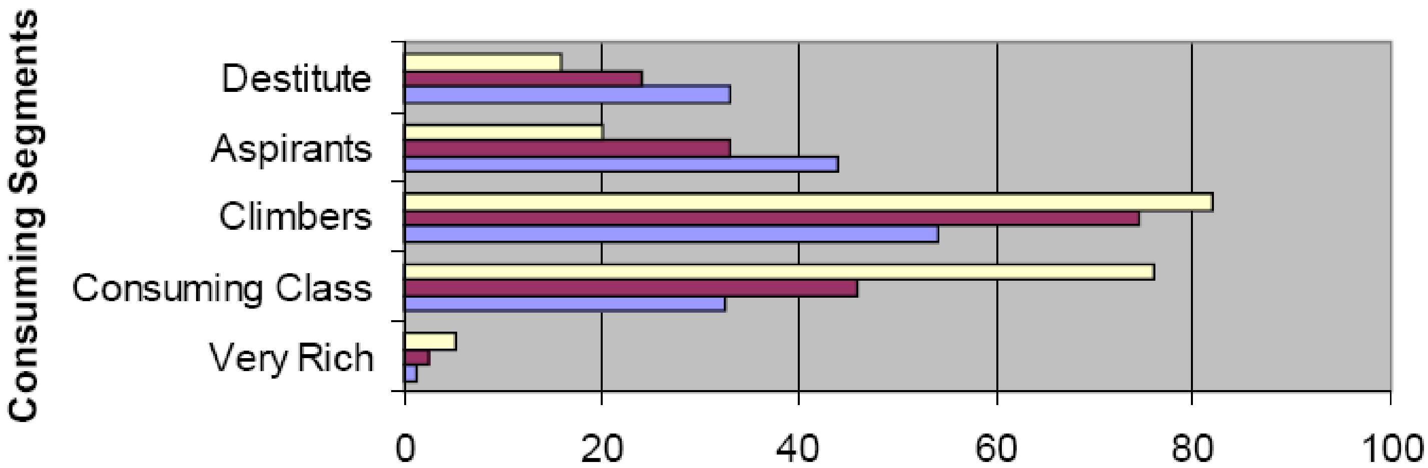
Key Gaps in AP Policies

- Focusing on Needs of Large Middle Class
- Developing Niche is one way of Creating Competitive Advantage
- Not Focusing on Developing Decentralized Value Addition Units
- Regulation of Millers for Supplying Sufficient Yarn
- Measures to Make Handlooms Price Competitive
- Subsidizing Only Temporary Solace
- Investments on Technology Development

Consumer Profiles, Needs & Behaviour

Growing Middle Class

Growth in Income Groups

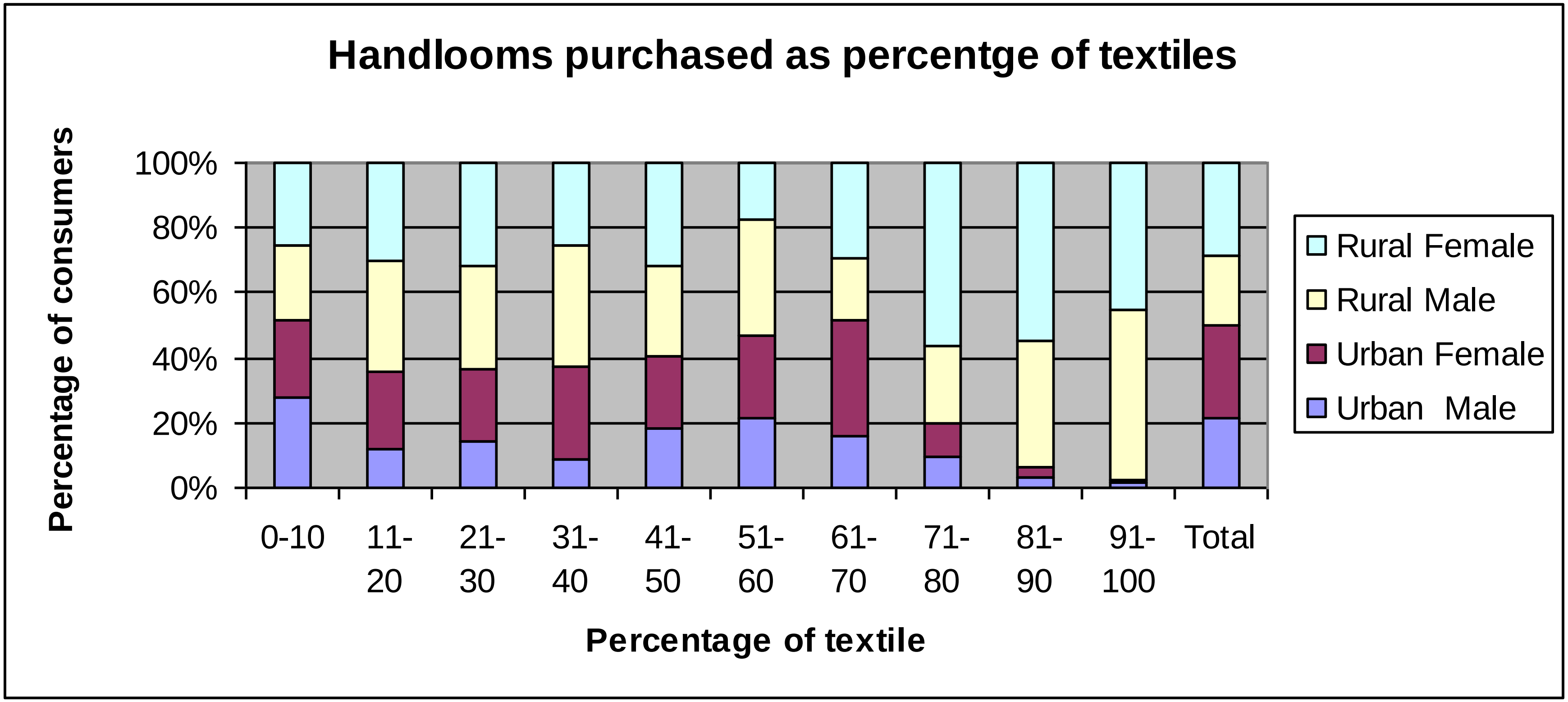


	Very Rich	Consuming Class	Climbers	Aspirants	Destitute
2006-07	5.2	76	82	20	16
2001-02	2.6	46	74.4	33	24
1995-96	1.2	32.5	54.1	44	33

Source: NCAER

Number in Million Households

Cotton Handloom % Share



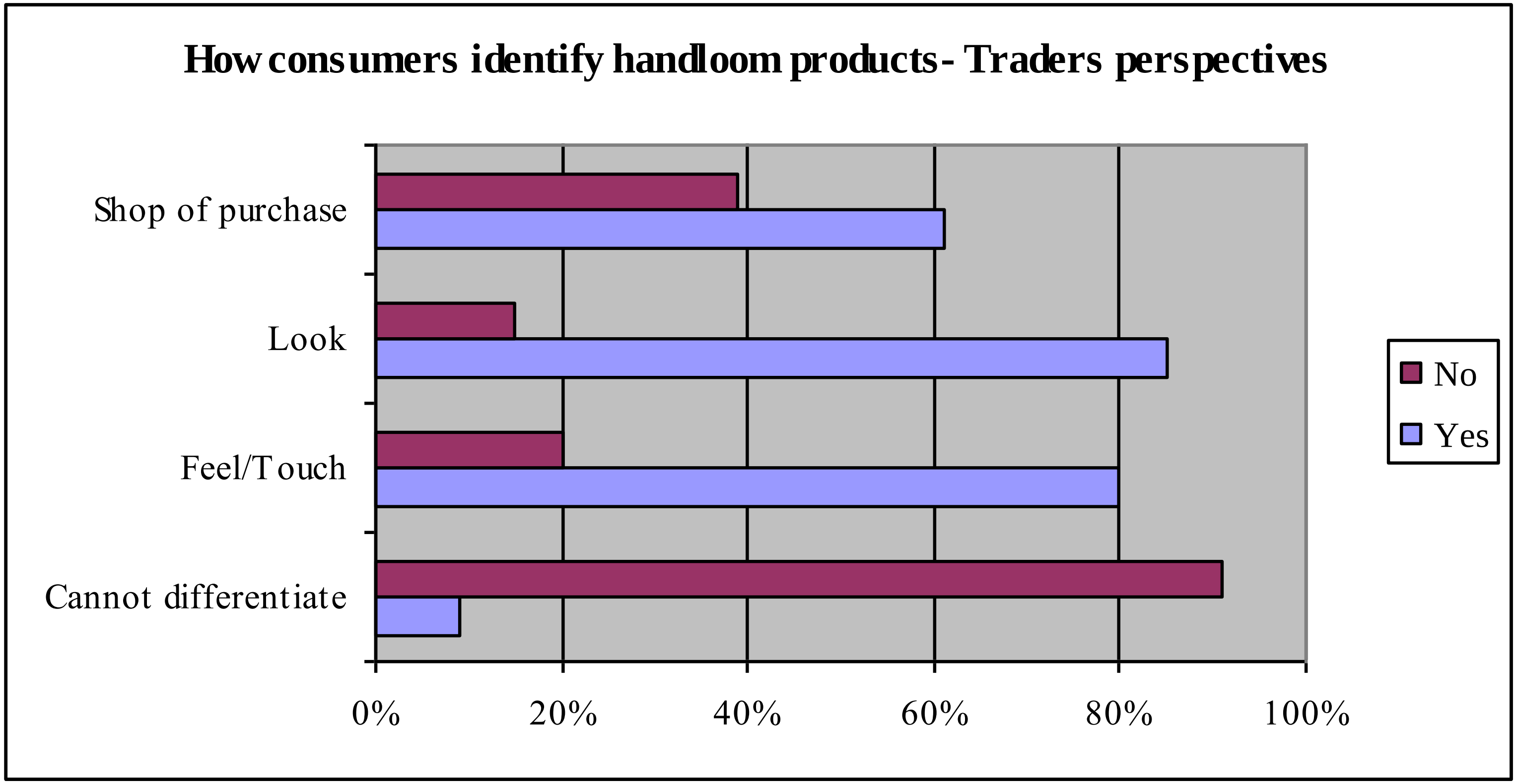
Consumption Pattern

1. Majority of consumers in rural and urban consumers are using handlooms very little (less than 30%) of their total textile consumption basket.
2. Females are purchasing more handloom material than the males.
3. Possibilities for Future
    - Need for Creating Wider Choices for Men
    - Improving the Utility of Handloom Clothes
    - Providing Wider choices Across Seasons

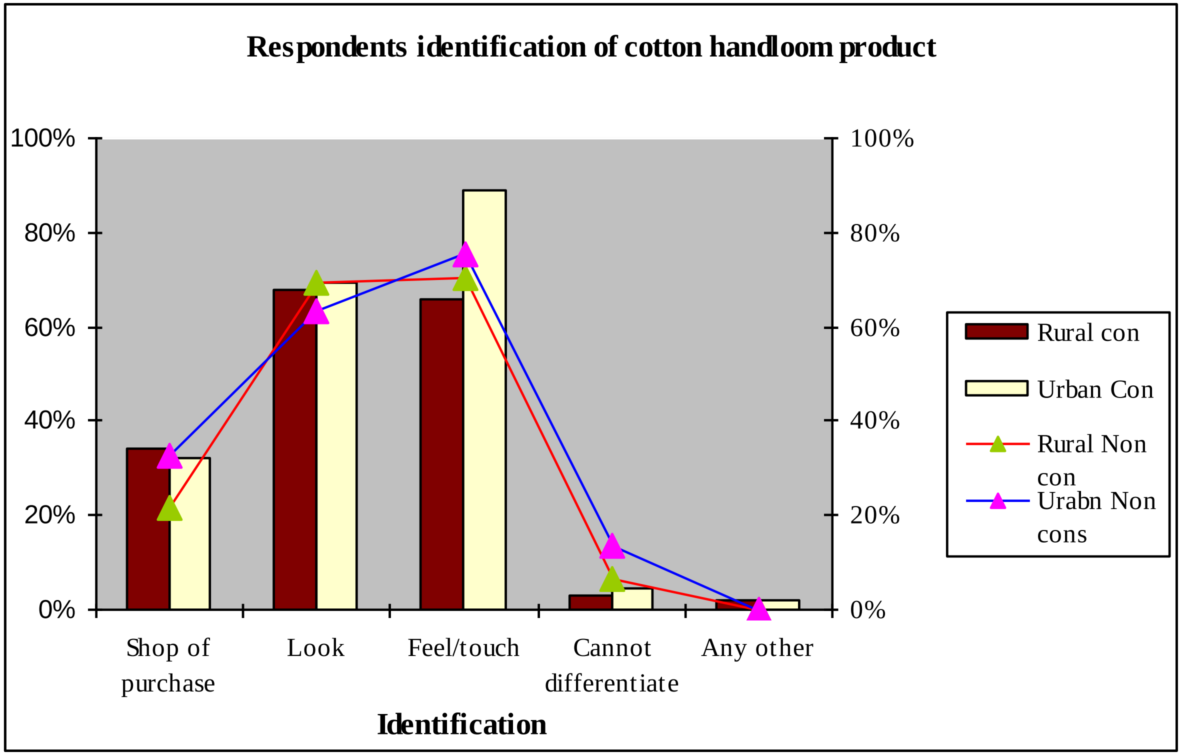
Purchase Behaviour

1. Rich account for 41.68**%** of total textile consumption Preferred Price Ranges above Rs 501.
2. Growing Middle Class - Next Decade Opportunity - Price Ranges Rs 250 to Rs 1,000 Account for 51**%** of the total textile consumption

Consumer Awareness



Consumer Identification of Handlooms



Non Consumers Identification Process