





Evolving with changing times



DENIM IS INCREASINGLY BEING ACCEPTED AS A FASHION CATEGORY FOR ALL

Denim apparel has traversed an interesting trajectory from being a workwear to an attire for all occasions, for age groups, for both the genders across the globe. In India as well, denim no more remains a men's-only category, penetration of denim has been increasing in both womens and kids segments. Though denim has higher acceptance among Indian youth, middle aged Indian consumers have also migrated from traditional westernwear categories like trousers to denim. Denim has also established itself as a fashion attire for choice for all kind of occasion ranging from casual parties to Friday dressing in business environment.

Per capita consumption of denim apparel in India is lower compared to markets of developed economies like the USA, EU and Japan. This indicates the huge untapped opportunities that the market offers for existing players as well as new entrants across the denim value chain.

DENIM MARKET IS EXPECTED TO GROW AT A CAGR OF 14 PERCENT FOR THE NEXT 5 YEARS

Denim market of India stood at INR 15,310 crores in 2014 and the market is expected to demonstrate an impressive CAGR of 14 percent to reach INR 30,070 crores in 2019.

THIS GROWTH OF DENIM MARKET IS EXPECTED TO BE BASED ON SEVERAL KEY DRIVING FACTORS THAT INCLUDE:

- Increasing spending power of an aspirational youth (15 to 29 year olds) of India that make 26 percent of the consuming population
- Growing versatile usage of denim apparel across genders, age groups, geographies and socio-economic strata.
- Rising acceptance of denim among women
- Increasing acceptance of denim among consumers beyond metros
- Increasing effort of brands and retailers

With very low per capita consumption currently, and increasing acceptance of denim as a major fashion choice, the denim sector is to grow at a much faster pace now. AMIT GUGNANI (Senior Vice President, Fashion) and KANTI PRAKASH BRAHMA (Principal Consultant, Fashion), Technopak, map the status of denims in india today.

DENIM MARKET IN INDIA *

EXHIBIT 1: DENIM MARKET IN INDIA (INR CR)

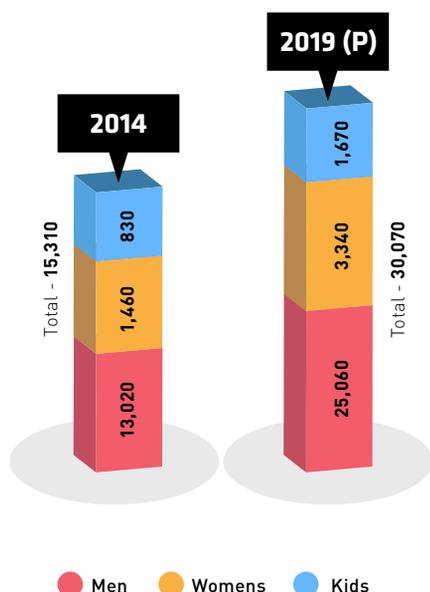


EXHIBIT 3: KEY THEMES OF INNOVATION IN DENIM

Product Innovation

01

- Denim fabric with better durability, recovery, comfort properties
- Denim from recycled raw material, organic cotton etc.

Design Innovation

02

- Denim apparel with embroidery, patchwork, prints etc.
- Bespoke denim jeans with impeccable custom-fit

Application Innovation

03

- Application in new apparel categories like ethnicwear, jackets, dungarees, jumpsuits etc.
- Application in non-apparel categories bags, wallets, caps, seat covers.

Retailing Innovation

04

- Retailing denim through omni-channel retailing
- Reaching out to a consumer segment hitherto unpenetrated

Source: Technopak Analysis

to introduce value added denims in the high-end of the market and denims at affordable price for economy and mass segment

MEN’S DENIM STILL DOMINATES INDIAN DENIM MARKET, BUT WOMEN’S AND KID’S DENIM SEGMENTS ARE EXPECTED TO GROW FASTER.

Men’s denim contribute a dominating share of 85% to the total denim market, followed by women’s denim at a share of 10 percent and kid’s denim at 5 percent. However going forward women’s denim is expected to grow faster than men’s. Women’s denim is expected to grow a CAGR of 18% , followed by kids’ and men’s at CAGRs of 15 percent and 14 percent respectively. The higher projected growth rates of women’s and kid’s denim could be attributed to their lower base as well as increasing penetration of denim as a category in these segments.

INDIA HAS AN INTEGRATED VALUE CHAIN FOR DENIM

India has an integrated value chain for its denim market- starting from fibre

to finished denim apparel, everything is manufactured within the country. Cotton is the most used fibre for denim manufacturing and India is the second largest producer of cotton in the world, just after China. India has a vibrant spinning industry for coarse count cotton yarn that are used in denim. Denim fabric manufacturing involves peculiar production processes like rope dyeing etc. for which there are more than 30 denim fabric mills within the country. India also has the capabilities for denim stitching and finishing.

Denim fabric production in India is concentrated in the western and northern parts of the country with Gujarat contributing around 50 percent of the total denim fabric production, Ahmedabad being the production hub. Punjab is the second largest denim fabric producing state.

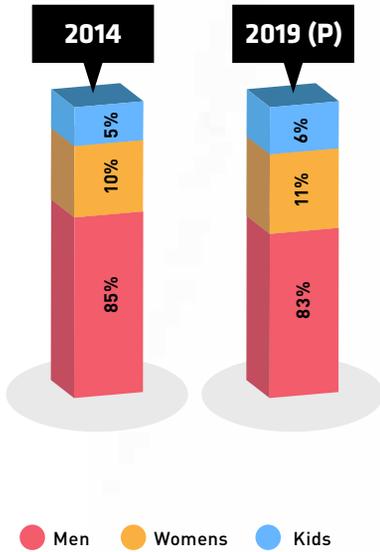
Delhi, Mumbai, Ahmedabad, Bangalore are among the key denim apparel producing cities. These cities have both organized and unorganized production units for denim apparel. India depends on imports for extremely high end denim fabric with advanced finish applications and also for several metal accessories that are used in denim apparel.

STRETCH DENIM IS PREFERRED BY INDIAN CONSUMERS

Most of the Indian consumers prefer stretch denim, that is denim that have elastomeric fibre content. Usage of stretch fabric is denim apparel is higher among women as stretch fabric tend to provide better fit. However, the demand for stretch fabric is also getting momentum among men consumers, especially in skin-fit styles.

Indian denim market is characterised by innovation across multiple themes Denim category has witnessed innovations that range from product characteristics to new applications to better ways to reaching out to the consumers. Considering the ongoing innovation and developments that are still prevalent in matured fashion markets of the west, Indian denim market is expected to continue witnessing introduction of new products and business concepts in the coming years as well. The key themes of innovation in Indian denim market is expected to revolve around four major themes: product innovations, deign innovations, application innovations and retailing innovations.

EXHIBIT 2: SPLIT OF DENIM MARKET OF INDIA

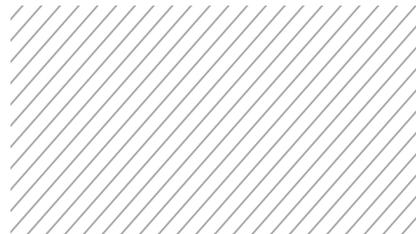


MOST OF THE INNOVATION HAVE BEEN IN THE AREA OF DEVELOPING ELASTOMERIC FIBRES THAT PROVIDE BETTER STRETCH RECOVERY, HIGHER DURABILITY AND IMPROVED COMFORT BEHAVIOUR.

THEME #1: INTRODUCTION OF FIBRES AND FINISHES TO IMPROVE PROPERTIES COMBINED WITH USAGE OF ECO-FRIENDLY FIBRES IS EXPECTED TO MAKE DENIM APPAREL MORE LUCRATIVE TO THE CONSUMERS

Denim apparel has evolved from 100 percent cotton to blends of cotton/polyester, cotton/nylon, cotton/elastomeric fibre, cotton/polyester/elastomeric fibres etc. for commercial applications. Additionally, fibre like regenerated cellulosic fibres, polypropylene, bamboo, hemp etc. have the potential to be used in denim apparel. However, most of the innovation have been in the area of developing elastomeric fibres that provide better stretch recovery, higher durability and improved comfort behaviour. Chemical finishes and washing technologies are also evolving to make





denim more attractive to the consumers with its soft feel and washed look. Eco-friendly denims, denims produced from organic cotton and recycled fibre, have also been introduced in the Indian market. Though these products are yet to achieve commercial success, it is expected the market will witness many more innovations in introduction of eco-friendly denims.

THEME #2: MANUFACTURERS AS WELL AS BRANDS/RETAILERS ARE EXPECTED TO CONTINUE THEIR FOCUS ON INNOVATIONS RELATED TO DESIGN AND FIT TO DIFFERENTIATE THEMSELVES

The Indian denim consumers are willing to experiment with denim with newer design elements. Consequently, the market has witnessed innovative denim jeans, shirts and jackets that have prints, patchworks, embroidery work, judicious application of studs and metals. Such design elements have provided a sense of exclusivity to the image seeking denim consumers.

Fit has always been one of the most important factor for denim consumers. The need of a perfect fit is increasingly being catered by bespoke denim jeans manufacturers and brands. These bespoke models provide the consumer the option to choose from a range of fabrics, trims, accessories and then they engage the consumers with design and style experts to get perfect fit in absolutely customised denims. The bespoke model is expected to witness innovation in terms of fabric range, finish selection, product delivery, marketing and advertisement, inventory management etc.

THEME #3: DENIM FABRIC IS EXPECTED TO FIND NEWER APPLICATIONS IN BOTH APPAREL AND NON-APPAREL CATEGORIES

Denim fabric is expected to go beyond traditional categories of jeans and shirts to new frontiers of usages in both apparel and non-apparel categories. Within apparel categories denim sherwani, denim jackets, denim jumpsuits, denim dungarees will strengthen themselves as niche categories. In non-apparel

categories; bags, wallets, caps, seat covers, sofa covers, curtains, carpets, kitchen apron, jewellery pouch etc. made of denim fabric will continue to emerge as niche categories.

THEME #4: DENIM RETAILING IS EXPECTED TO EVOLVE TO ENSURE WIDER REACH AND DEEPER PENETRATION

Indian fashion consumer witnesses denim as a must-have category. The aspirational Indian youth, both male and female, associate denim as a preferred apparel of choice for all occasion. **Though most of the brands and retailers have managed in catering to the consumer needs in metros, there is a lot of scope in markets beyond metros, in smaller cities and rural India. Though the consumers of smaller cities perceive denim as an aspirational fashion attire, they are relatively unaware of physical properties and fit requirements of denim apparel.**





Consequently, denim jeans manufactured in smaller unorganised units have been catering to the needs of a huge portion of this consumer segment. Brands and retailers have to innovate their business model, product assortment and pricing architecture to reach to such consumers in smaller cities and rural areas. In fact, there are only a limited number of denim brands in the Indian market compared to developed fashion markets of the west. This indicates at the huge scope that exists in bringing in new denim brands, both of Indian origin and international brands, to the Indian market. E-tailing has helped brands to increase their reach substantially without investing on physical store outlets. A consumer of a smaller city now can order a denim brand of choice that is not presence in her/his own city through online portals. Both brands and online retailers will continue to evolve to penetrate deeper into the untapped denim market of the country.

CONCLUSION: DENIM MARKET HAS HUGE UNTAPPED POTENTIAL IN INDIA. HOWEVER, DENIM BRANDS HAVE TO INNOVATE CONSTANTLY TO REMAIN RELEVANT IN THE MARKET

Indian denim market provides huge opportunities - both at the high-end of the market through better products and mass and economy segment of the market through better product availability and smart pricing. Evolution of multi-channel retailing coupled with increasing penetration of digital technologies and smart phones provide better access to brands and retailers to reach a wider consumer base. But long term survival of brands in denim market will depend on the ability of brands and retailers to innovate constantly and innovate in all possible aspects, from manufacturing to retailing and engaging with consumers, from brand building and marketing to optimizing pricing. Innovation also has to capture the peculiarity of the Indian market at a granular level and better ways of addressing the key needs of a heterogenous consumer base.

