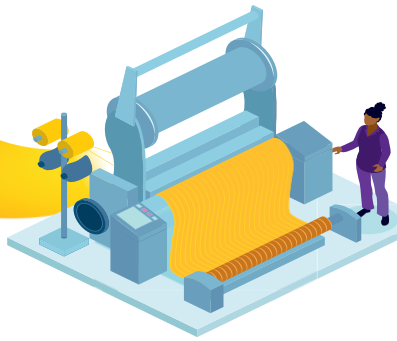
KIRTANE & PANDIT

INDIA'S TEXTILE INDUSTRY

Weaving the Future of Global Manufacturing

October 2025

TRANSFORMING TRADITIONAL CRAFTSMANSHIP INTO MODERN INDUSTRIAL LEADERSHIP



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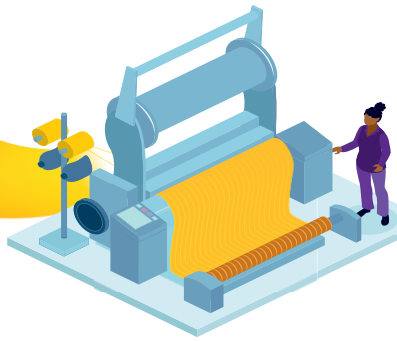


EXECUTIVE SUMMARY

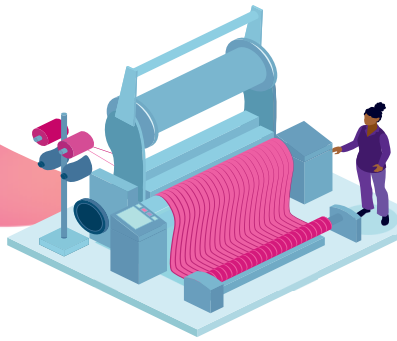
The Indian Textile Industry is a key growth engine for the nation, representing a mix of ancient tradition and modern ambition. As a cornerstone of the national economy, it is the second-largest employer after agriculture, providing direct livelihoods to over 4.5 crore people and contributing nearly 2.3% to the country's Gross Domestic Product (GDP). While India holds a strong position as the world's second-largest textile producer and sixth-largest exporter, its global market share of 3.9% shows there is significant potential for further expansion. The industry's journey is defined by a dual structure: a traditionally strong, but fragmented, reliance on cotton and a forward-looking pivot towards high-growth, high-value segments like man-made fibres (MMF) and technical textiles.

Recent global shifts, especially the supply chain realignment under the China+1 strategy, have created a huge opportunity for India to attract foreign direct investment and increase its export footprint. This is backed by a robust and expanding domestic market, which is being driven by rising disposable incomes and the rapid growth of e-commerce, which is changing how people shop and creating new avenues for brands.

However, the sector still faces major structural challenges, including fragmented manufacturing units, infrastructure bottlenecks, volatile raw material prices, and a persistent shortage of skilled manpower. The recent imposition of high tariffs by major trading partners, like the United States, poses an immediate threat to export competitiveness but also provides a strong incentive for the industry to speed up long-pending internal reforms.

The government's strategic programmes, such as the Production Linked Incentive (PLI) Scheme and the establishment of Mega Investment Textiles Parks (PM MITRA), are designed to address these core issues by promoting scale, vertical integration, and creating a globally competitive manufacturing ecosystem.

To achieve its ambitious vision of reaching a market size of US$350 billion by 2030, the industry must follow a strategic roadmap focused on policy-driven structural change, quick adoption of technology, and a firm commitment to sustainability. The recommendations in this report are aimed at helping the sector evolve from a traditional powerhouse to a modern, agile, and globally leading player.



1. A Look at the Indian Textile Sector

1.1. Economic Importance: GDP Share and Job Creation

The Indian Textile Industry is a foundational pillar of the nation's economy. As per official government data from the Ministry of Textiles, the industry contributes nearly 2.3% to the country's GDP. While this is the official figure, other sources offer a broader perspective, with some analyses suggesting a contribution of up to 6% or 2.3%. These variations can be due to differences in data scope, possibly including the informal sector, allied industries, and handicrafts, as well as the specific timeframe of the analysis. Regardless of the exact figure, the sector's impact is significant. It accounts for around 13% of India's industrial production and approximately 12% of its total exports.

In the global textile landscape, India is a strong player. It is the world's second-largest producer of textiles, a position that solidifies its importance in the global value chain. As an exporter, India ranks sixth globally, holding a 3.9% share of the world's trade in textiles and apparel. The country's export portfolio is diverse, with Ready-Made Garments (RMG) having the largest share at 44% of total exports during FY2024-25, followed by Cotton Textiles at 33% and Man-Made Textiles at 15%. The United States and the European Union are India's most important export destinations, together accounting for approximately 47% of total textile and apparel exports.

The industry's most significant contribution, however, is its role as the second-largest employer in the country, right after agriculture. It provides direct employment to over 4.5 crore people and is a vital source of livelihood for a large number of women and the rural population, which is in line with national goals of inclusive growth and empowerment. To meet its future growth targets, the sector is expected to create an additional 3.5 crore jobs, a formidable task that highlights its potential to drive socio-economic change.

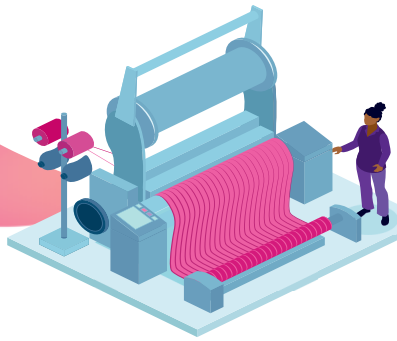
Overall, India's textile sector stands on a strong foundational base:
- Raw material abundance: World's largest cotton producer and second-largest silk producer.
- Skilled workforce: Over 45 million people are directly employed, with a large share of women.
- Policy environment: 100% FDI under the automatic route, PLI and PM MITRA incentives, and digitisation programs.
- Competitive cost structure: Favourable wage levels, tax incentives, and low-cost energy zones in industrial clusters.

These attributes collectively position India as a resilient and scalable alternative in global textile supply chains.

1.2. Industry Framework: The 'Farm to Fashion' Journey

India's textile industry is known for its deep vertical integration, covering the entire value chain from farm to finished product. This seamless Farm to Fibre to Factory to Fashion to Foreign vision, as highlighted in the government's PM MITRA scheme, aims to create an integrated ecosystem that reduces logistics costs and boosts competitiveness . The country's natural strengths range from cultivating natural fibres like cotton and jute to producing high-tech synthetic materials and creating traditional handloom products .

However, this structure is a double-edged sword. The industry is highly fragmented, with a large number of small, unorganised units operating with traditional methods and outdated technology. This fragmentation often leads to low productivity and an inability to achieve the economies of scale needed to compete on the global stage. The success of specialised clusters, which use a network of smaller units to achieve collective efficiency, offers a potential solution to this structural weakness.



1.3. Key Manufacturing Hubs and Regional Footprint

The Indian textile landscape is marked by distinct manufacturing clusters, each with a unique specialisation that contributes to the national value chain. The textile manufacturing ecosystem is strategically distributed across distinct regional clusters, each with specialised capabilities that collectively strengthen the national value chain. The Central Zone, comprising Gujarat, Maharashtra, and Madhya Pradesh, dominates cotton production, led by Gujarat's contribution. Gujarat, often called the "Textile Capital of India," produces over 30% of India's cotton while Surat functions as the synthetic textiles hub, manufacturing 90% of polyester used domestically. Ahmedabad, historically known as the "Manchester of India," continues to lead denim manufacturing.

The Southern Zone, encompassing Telangana, Andhra Pradesh, Karnataka, and Tamil Nadu, contributes 28.5% of national cotton output, with Telangana leading the zone. Tamil Nadu's Tirupur cluster exemplifies successful industrial transformation, contributing 55% of India's knitwear exports while pioneering Zero Liquid Discharge systems. This regional specialization creates competitive advantages through concentrated expertise, shared infrastructure, and collaborative innovation, positioning India's textile clusters as globally competitive manufacturing hubs.

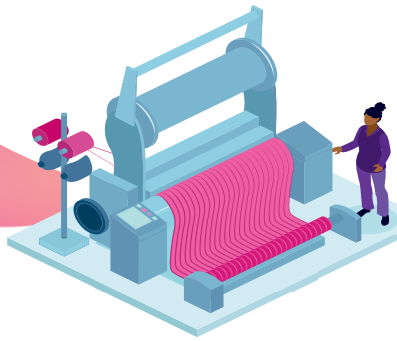
- **Tirupur, Tamil Nadu:** This city is globally renowned as the Knitwear Capital of India. It is a dominant player in the knitting garment sector, contributing nearly 90% of the country's cotton knitwear exports. Its competitiveness comes from a vertically integrated ecosystem where knitting, dyeing, and garmenting units are located within a small area, allowing for faster turnaround times and efficient production for international brands like Walmart, H&M, and Zara.

- **Karur, Tamil Nadu:** Known as the Textile Capital of Tamil Nadu, Karur has made a name for itself in home textiles and handloom made-ups . The region has a long history of producing home furnishings, with thousands of exporters supplying products to leading global retail chains like Target and IKEA.

- **Surat, Gujarat:** Often referred to as the Synthetic Capital of India, Surat is a hub for man-made fabrics, particularly polyester and viscose. It produces approximately 90% of the polyester used in India and is a major centre for yarn production, weaving, and dyeing.

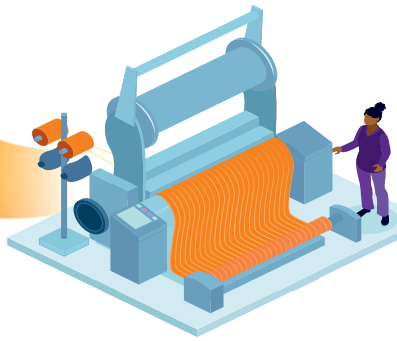
Comparative Analysis of Major Textile Clusters

Cluster Name	Primary Specialisation	Key Strengths	Key Weaknesses
Tirupur, Tamil Nadu	Knitted garments (cotton)	Vertically integrated ecosystem, skilled workforce, fast turnaround times.	Over-reliance on cotton, pollution, infrastructure deficiencies.
Surat, Gujarat	Man-made fibres, denim	Dominance in polyester production, well-established ecosystem for synthetic fabrics.	Vulnerability to trade shocks, recent production halts due to US tariffs .
Karur, Tamil Nadu	Home textiles, handlooms	Historical expertise in handloom made-ups, established export hub.	Fragmentation, difficulty in sourcing quality raw materials at stable prices for handloom weavers.



Other Key Clusters: In addition to traditional hubs like Tirupur, Karur, and Surat, the Government of India is strategically promoting regional diversification through initiatives such as the PM MITRA scheme. Seven mega integrated textile parks have been approved across Tamil Nadu, Telangana, Gujarat, Karnataka, Madhya Pradesh, Uttar Pradesh, and Maharashtra. These parks are intended to bring the entire value chain — spinning, weaving, processing, and garmenting — under one ecosystem, thereby enhancing logistics efficiency and attracting scale investments. For example, the PM MITRA Park in Virudhunagar (Tamil Nadu) and Navsari (Gujarat) have already seen major industry interest due to their proximity to cotton-producing zones and port access. This emerging cluster-based industrialisation is expected to address regional imbalances and offer integrated infrastructure, improving both productivity and compliance for global buyers. Other significant hubs include Mumbai, a historic centre for cotton textiles; Gurgaon and Noida in Haryana, which are major centres for readymade garment exports; and Bhilwara in Rajasthan, known as the Textile City of Rajasthan for its polyester fabrics. Amravati in Maharashtra has also been selected as a location for a PM MITRA Park, signalling its growth as a modern textile hub rooted in cotton farming.

The success of these clusters proves that fragmentation is not an insurmountable barrier to global competitiveness. When small units operate within a well-coordinated ecosystem, they can collectively achieve the scale and efficiency required by international buyers.



2. Market Pulse and Emerging Trends

2.1. Market Valuation and Segment Insights

The Indian textile and apparel market is on a strong growth path, with an estimated market size of US$ 195 billion in 2024 and the projected size of US$ 350 billion by 2030 with CAGR of more than 10% from current levels. FY25 exports reached US$36.61 billion, maintaining strong performance despite global headwinds. This growth trajectory positions India to achieve its ambitious export target of US$100 billion by 2030, representing a near-tripling from current export levels.

The market is segmented based on raw materials (e.g., cotton, man-made fibres), product types (e.g., apparel, home textiles, technical textiles), and applications. This segmentation highlights the diverse nature of the industry and its capacity to meet various consumer and industrial needs.

India's domestic market is a powerful growth engine, accounting for an estimated US$142 billion in the 2024-25 fiscal year. This market is growing fast due to a combination of demographic and economic factors. With a population of over 1.3 billion and a rising middle class, consumer demand for clothing and home textiles is substantial and growing. As disposable incomes rise, there is a clear shift in consumer preferences towards high-end, branded, and premium apparel, as well as eco-friendly products

The proliferation of e-commerce is further boosting this trend by making a wide variety of apparel and home goods accessible to both urban and rural consumers. Online shopping platforms are using digital media and AI-powered personalisation to enhance the customer experience, driving higher engagement and repeat purchases.

India's textile and apparel exports stood at US$36.61 billion in FY2024–25, reflecting a recovery amid global headwinds such as geopolitical tensions, shifting sourcing strategies, and inflationary pressures in key markets. While growth remained modest compared to previous peaks, the sector stabilised after disruptions in 2022–23, with strong contributions from Ready Made Garments (RMG), cotton textiles and Man Made Fabrics exports.

The export portfolio is dominated by Ready-Made Garments (RMG), followed by Cotton Textiles and Man-Made Textiles.

India's Textile and Apparel Export Performance (FY2024-25)

Export Value (USD Billion) : 15.99
Share of Total Exports (%) : 44%

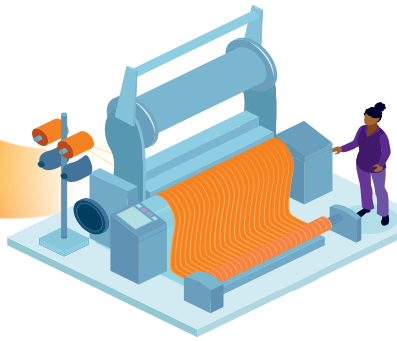
Export Value (USD Billion) : 4.87
Share of Total Exports (%) : 13%

Export Value (USD Billion) : 12.06
Share of Total Exports (%) : 33%

Total (incl. handicrafts) Export Value (USD Billion) : 36.61

Source: DGCIS

The primary export destinations for Indian textiles and apparel are the United States and the European Union, which together account for nearly half of all exports.



2.2. Major Domestic Players and Market Concentration

The Indian textile market is home to a mix of small, unorganised players and large, vertically integrated corporations. Key domestic players include:

- **Reliance Industries Limited:** A major player in the synthetic fibre sector, particularly polyester, with one of the world's largest textile complexes.
- **Arvind Limited:** A market leader in denim and woven fabrics, known for its innovation in advanced materials and a strong commitment to sustainability.
- **Vardhman Textiles:** One of India's largest vertically integrated manufacturers, specialising in high-quality yarns, fabrics, and threads for both domestic and international markets .
- **Raymond Limited:** A historic brand known for premium suiting fabrics, which has diversified into retail and ready-to-wear apparel.
- **Trident Group:** A global giant in home textiles, dominating the towels and bedsheets segments.
- **KPR Mill:** A major manufacturer of yarn, knitted fabrics, and ready-made garments with a strong export presence.

2.3. Global Brands and Sourcing Partnerships

India has solidified its position as a key sourcing destination for major international brands and retailers. These brands are increasingly diversifying their supply chains and leveraging India's strengths in a wide range of textile products. The list of international partners includes:

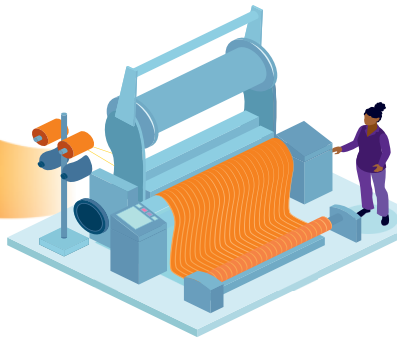
- **Global Retail Giants:** Walmart, Target, Macy's, and Gap Inc. . Walmart, for instance, has committed to sourcing US$10 billion worth of goods annually from India by 2027, with apparel as a central component.
- **Fast Fashion & Premium Brands:** Zara, H&M, Tommy Hilfiger, and Levi's . These brands value India's ability to produce quality goods at a competitive price and its growing focus on sustainable sourcing and speed.
- **Sportswear & Lifestyle Brands:** Decathlon and PVH Corp. Decathlon has announced plans to double its sourcing from India to US$3 billion by 2030, with a focus on sustainable, eco-designed products.

2.4. Tech Adoption and the Industry 4.0 Revolution

The adoption of Industry 4.0 technologies is slowly gaining momentum in the Indian textile sector, though progress is uneven. While large enterprises have a moderate digital maturity, small and medium enterprises (MSMEs) lag significantly, facing barriers such as limited awareness, high costs, and incompatible legacy systems. A key challenge is the shortage of skilled workers who can effectively operate and maintain these new systems. A study found that cybersecurity risk is the most significant barrier to Industry 4.0 adoption, highlighting a critical area for future investment and policy focus.

Despite these hurdles, pioneering firms are leading the way. Companies are deploying IoT-enabled equipment for real-time monitoring, using AI for predictive maintenance and inventory management, and implementing blockchain for enhanced supply chain transparency . This digital transformation is enabling businesses to achieve greater flexibility, precision, and efficiency, helping them to align with global standards.

The government is proactively addressing the digitalisation gap through targeted initiatives under the National Technical Textiles Mission (NTTM). Over 600 BIS standards have been developed, and 68 Quality Control Orders (QCOs) have been rolled out to support quality and compliance. The launch of India's first fashion forecasting lab, VisionjNXT, also enables manufacturers to reduce overproduction by predicting fashion cycles more accurately. These initiatives, combined with financial support for modern loom machinery and training schemes under Samarth, are driving Industry 4.0 integration — especially in MSME clusters.



Despite promising developments, Industry 4.0 adoption faces systematic barriers requiring targeted intervention. Research identifies high implementation costs, inadequate government support, and employee resistance as primary obstacles, with lack of trained staff and poor top management understanding serving as root causes. The sector is nevertheless witnessing transformation through IoT-enabled real-time monitoring, AI-powered predictive maintenance, and blockchain supply chain transparency. Leading manufacturers are transitioning from labour-intensive to automation-intensive operations, implementing data-driven quality control and inventory management systems. Government support through SAMARTH skill development and PM MITRA integrated ecosystems facilitates this technological evolution, though SMEs continue facing digital infrastructure and interoperability challenges.

2.5. Tech Pioneers and Innovation Leaders

Several Indian companies are at the forefront of the industry's digital and sustainable transformation. **Arvind Limited** is a prominent example, having invested in its Advanced Materials Division and implemented a benchmark Industry 4.0 factory in Bangalore . The company is deploying IoT, AI, and blockchain to enhance operational efficiency, ensure supply chain transparency, and achieve its sustainability goals . **Grasim Industries**, as part of the Aditya Birla Group, is shifting its business model from make-to-stock to a customer demand-driven make-to-order model, using digital platforms for real-time tracking and customer collaboration. Furthermore, companies like, **Lakshmi Machine Works (LMW)**, a leading textile machinery manufacturer, are actively modernising their digital presence and investing in R&D to provide cutting-edge solutions for the industry.

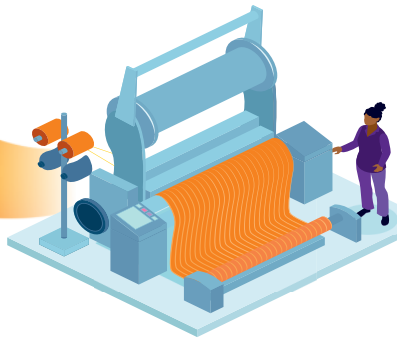
While India maintains tariff advantages under recent US trade policies (27% vs. Vietnam's 46%, Bangladesh's 37%), operational metrics reveal competitive gaps requiring urgent attention. India’s operational metrics show strength in raw material availability and policy support, but challenges remain compared to Vietnam and Bangladesh. Lead times in India are longer due to fragmented clusters and port congestion. Labour productivity is lower, especially in MSMEs, while rejection rates are higher due to outdated machinery. Energy costs and logistics timelines vary across states. Duty-free access is also limited due to fewer active FTAs. Bridging these gaps through park integration, training, and FTA acceleration will be key to enhancing India’s global competitiveness.

India's strategic response must focus on infrastructure modernization, skill enhancement, and policy streamlining to match competitor efficiency while leveraging inherent advantages in raw material access, democratic stability, and scale potential.

2.6. Sustainable Practices and Circular Economy Initiatives

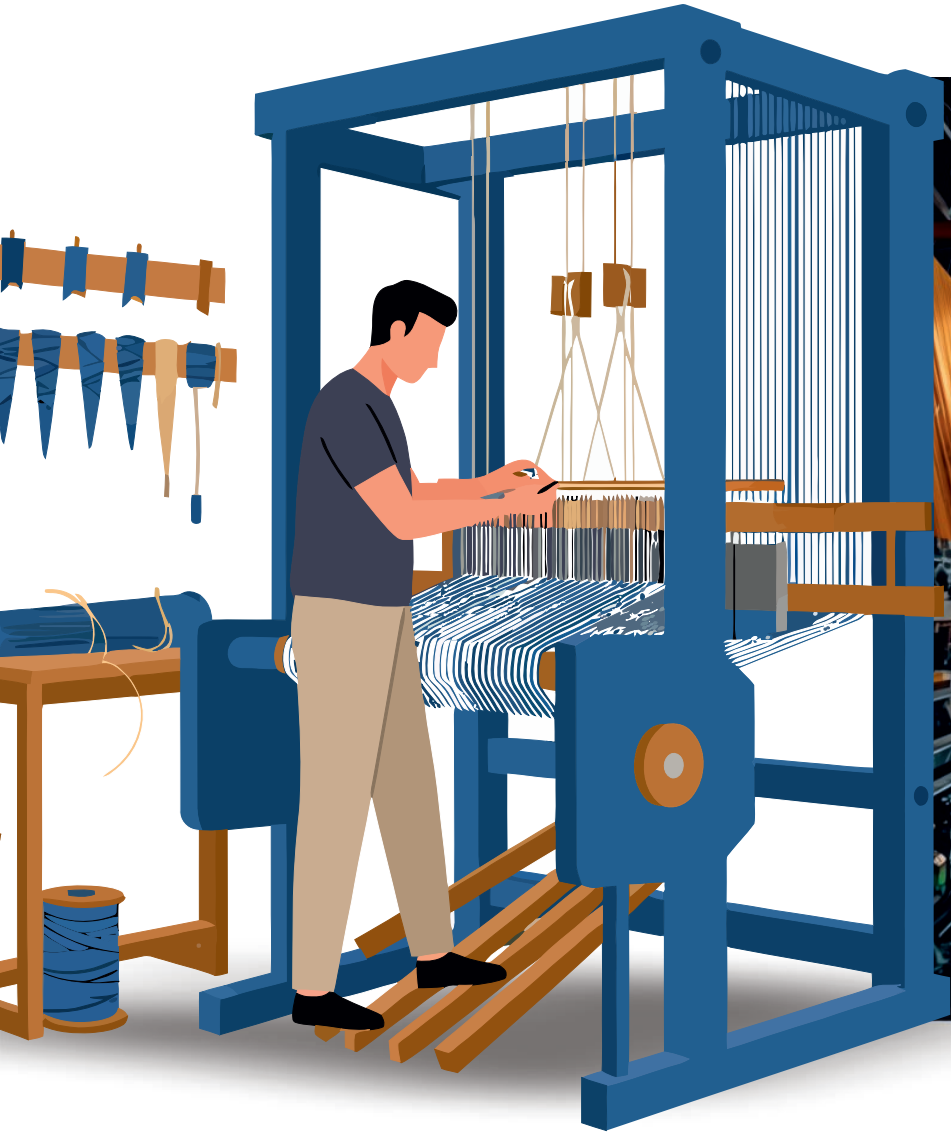
Sustainability has emerged as a crucial growth driver for the Indian textile industry, as global consumers and brands increasingly demand eco-friendly products and ethical production practices. India is in a good position to meet this demand, being one of the world's largest producers of organic cotton, with over 300 Global Organic Textile Standard (GOTS)-certified textile units.

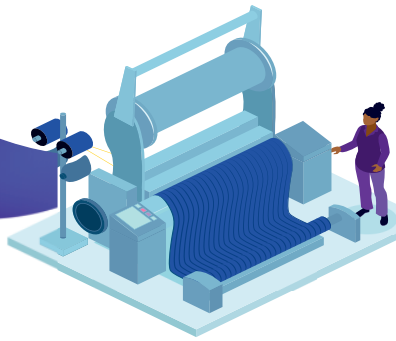
The industry is proactively adopting sustainable practices, including the establishment of Zero-Liquid Discharge (ZLD) dyeing units to minimise water consumption and the use of solar power. The government has also initiated policies to incentivise green textile production. Furthermore, Indian brands and companies are pioneering circular economy models, transforming textile waste into new collections, which positions them as leaders in a global shift towards mindful fashion. This commitment to sustainability is not just a compliance issue; it is a strategic asset that attracts international brands and strengthens India's competitive edge.



Indian textile companies are pioneering practical sustainability solutions with measurable impact. Tirupur's transformation from environmental polluter to sustainable manufacturing exemplar demonstrates industry capability - collective implementation of Zero Liquid Discharge systems has eliminated hazardous water discharge while maintaining 55% share of national knitwear exports. Sutlej Textiles operates a 120 tonnes-per-day recycled polyester plant converting PET bottles into fiber, achieving 90% water recovery through ZLD systems and renewable energy adoption.

The government's InTex India programme (2023-2027), collaborating with UNEP, targets SME clusters like Surat and Karur for circular economy adoption through life-cycle assessments. Additionally, Panipat's annual recycling of 100,000 tonnes discarded clothing showcases traditional craftsmanship aligned with contemporary environmental goals, while 'Project SU.RE' has secured commitments from 30 Indian fashion companies for sustainable sourcing by 2025.





3. Opportunities and Growth Drivers

3.1. The China+1 Strategy and Global Supply Chain Shifts

The global textile and apparel supply chain is undergoing a fundamental transformation, creating a significant opportunity for India. The China+1 strategy, which encourages companies to diversify their manufacturing and sourcing beyond China, has gained considerable momentum due to geopolitical tensions, rising labour costs in China, and supply chain disruptions during the COVID-19 pandemic.

India, with its large workforce, established manufacturing base, and government support, is seen as a primary alternative to China. This realignment is a direct opportunity for India to attract foreign investment, create jobs in labour-intensive sectors like textiles, and increase its share of global trade. The challenge for India is to effectively address its internal constraints to fully capitalise on this global shift.

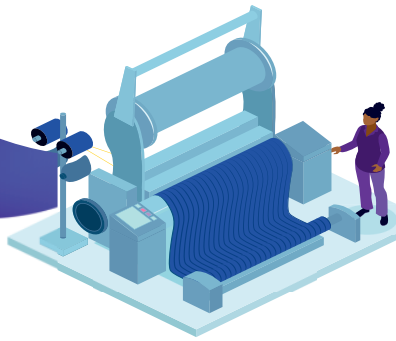
The shift toward a China+1 strategy among global buyers has created structural opportunities for India. Rising labour costs in China, combined with ESG scrutiny and supply disruptions, have made sourcing diversification a priority. India is capitalising on this trend with its robust domestic fibre base, skilled workforce, improving infrastructure, and focused policies like PLI for MMF/technical textiles and integrated PM MITRA parks. However, India must continue to improve lead times, logistics, and compliance standards to fully capture this reallocation of global demand.

India's positioning benefits from labour costs 33% lower than China, vast skilled workforce, stable democratic framework, and proactive government support through PLI schemes and infrastructure development. However, success requires addressing infrastructure bottlenecks, policy inconsistencies, and skill gaps to fully capitalize on this US$100+ billion market reallocation opportunity and achieve the target 10% share in global apparel exports by 2030.

3.2. Technical Textiles: A High-Growth Area

Technical textiles represent a high-value, high-growth area for the Indian textile industry. These specialised fabrics are engineered for performance and have diverse applications in sectors ranging from automotive and healthcare to aerospace and defence. While India currently accounts for only 3% of global technical textile production, the market is projected to grow at a compound annual growth rate (CAGR) of 6% from 2025 to 2030, reaching a revenue of US$28.7 billion. Medical textiles market projects 15% annual growth reaching US$22.45 million by 2027, while the composites market targets US$1.9 billion by 2026 with 16.3% CAGR. The sector's expansion across automotive, healthcare, construction, and defense applications, supported by R&D investments and 31 new HSN codes, positions India to capture a significant share of the projected US$309 billion global technical textiles market by 2047.

Recognising this potential, the government has launched the National Technical Textiles Mission (NTTM) with a budget of ₹1,480 crore to boost research, innovation, and market development in this segment. This strategic focus on technical textiles is a crucial step for the industry to diversify beyond traditional apparel and capture higher-margin market segments. Over 168 innovation and research projects worth ₹509 crore have been approved under NTTM. More than 600 BIS standards and 68 QCOs have been issued to improve quality control. Growth is particularly strong in meditech, agrotech, and protech. Dedicated Centres of Excellence and focused training modules are now operational across key institutions.



3.3. The Impact of E-commerce and Digitalisation

The rapid growth of the e-commerce market is fundamentally reshaping India's textile and apparel industry. The fashion e-commerce market, valued at US 21.6 billion in 2025, is projected to reach US 98.45 billion by 2032, at a remarkable CAGR of 24.2%. This digital revolution provides a direct-to-consumer (D2C) channel that bypasses traditional distribution bottlenecks, enabling smaller, fragmented players to build brands and reach a national audience.

Beyond sales, digitalisation is optimising the entire value chain. Companies are using data analytics and artificial intelligence for personalised recommendations, virtual try-ons, and enhanced customer experiences . The adoption of digital marketing, social commerce, and influencer collaborations is becoming a powerful tool for brand building and market expansion . This digital-first approach provides a crucial pathway for the industry to overcome its structural challenges and connect directly with a tech-savvy consumer base.

3.4. Raw Material Edge and Cotton's Key Role

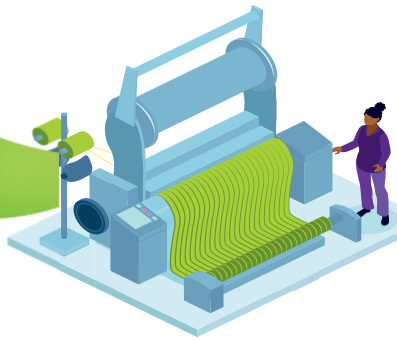
India’s position as a global leader in raw material production is a significant competitive advantage. The country is the world's largest producer of cotton, accounting for approximately 23-24% of total global production. This provides an abundant and cost-effective raw material base for the domestic industry. India is also a leading producer of jute and the second-largest producer of silk.

However, this dominance is also a double-edged sword. The global textile market has undergone a fundamental shift, with man-made fibres (MMF) now accounting for nearly 77% of the global market, while cotton's share has declined to about one-fifth. India's domestic consumption ratio in 2024 is disproportionately skewed towards cotton (60:40 cotton to non-cotton ratio) compared to the global standard (30:70). This over-reliance on cotton, combined with the volatility in cotton prices , creates a strategic vulnerability. The government’s temporary extension of the import duty exemption on cotton is a reactive measure to stabilise input costs , highlighting the need for a more proactive and strategic pivot towards MMF to align with global demand and seize new export opportunities.

India’s environmental compliance framework is being strengthened through several public-private initiatives. The PM MITRA Parks mandate environmental clearances and incentivise green production practices. Companies like Arvind Ltd have invested in ZLD dyeing technologies and solar-powered manufacturing. Similarly, Welspun has launched Wel-Trak 2.0, a blockchain-enabled system that provides fibre-to-shelf traceability. The government has also supported biodegradable and recycled textile R&D projects through the National Technical Textiles Mission. These developments demonstrate India’s ambition to lead on both sustainability and scale.

3.5. Rising Incomes and the Premiumisation Trend

The expansion of India's middle class is a powerful and reliable growth catalyst. As disposable incomes rise, consumer behaviour is shifting away from unbranded, low-cost products towards branded, high-quality, and fashionable apparel. This premiumisation trend creates lucrative opportunities for both domestic and international brands. Indian manufacturers can use this to move up the value chain by investing in product innovation, brand building, and direct-to-consumer models. This domestic market strength provides a stable foundation for the industry, mitigating some of the risks associated with volatile global export markets.



4. Government Policies and Strategic Programmes

4.1. The Production Linked Incentive (PLI) Scheme

The Production Linked Incentive (PLI) Scheme for Textiles is a landmark government initiative designed to address the industry's fragmentation and low scale. The scheme aims to incentivise the production of MMF apparel, fabrics, and technical textiles, aligning the industry's output with global demand trends . By providing a financial stimulus, the PLI scheme encourages large-scale manufacturing and vertical integration, which are critical for achieving global competitiveness. So far, 74 companies have been selected as beneficiaries, with a total committed investment of ₹28,711 crore . This initiative is a strategic effort to position India as a formidable competitor to global players like China and Vietnam in the MMF segment.

4.2. Mega Investment Textiles Parks (PM MITRA)

The PM MITRA scheme is another cornerstone of the government's strategy, inspired by the 5F Vision: Farm to Fibre to Factory to Fashion to Foreign . The scheme aims to develop seven world-class, integrated textile parks across the country with a total outlay of ₹4,445 crore . The selected sites are located in Tamil Nadu, Telangana, Gujarat, Karnataka, Madhya Pradesh, Uttar Pradesh, and Maharashtra.

These parks are designed to serve as integrated manufacturing hubs, bringing the entire textile value chain from spinning to garmenting under one location. This is a direct policy response to the industry's long-standing challenges of fragmentation and high logistics costs . The parks are expected to attract over ₹70,000 crore in investments and create nearly 20 lakh direct and indirect jobs . Progress on the ground includes site finalisation, land acquisition, and the initiation of infrastructure development, with environmental clearances already obtained for several sites.

4.3. Export Promotion and Trade Facilitation Schemes

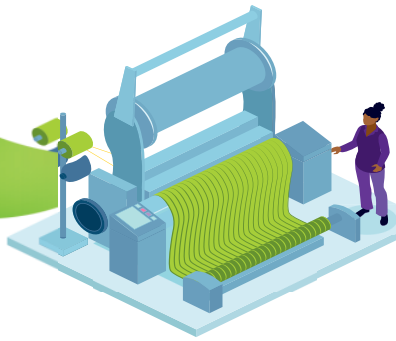
To boost India's export performance, the government is following a multi-pronged strategy. It is actively negotiating Free Trade Agreements (FTAs) with key markets like the United Kingdom, European Union, and Australia to eliminate tariffs and enhance export opportunities . In response to the high US tariffs, a new strategy is in place to diversify exports to 40 new markets, including Japan, South Korea, and Russia . The government is also promoting a unified Brand India vision to position the country as a reliable, quality, and sustainable supplier.

4.4. Labour Reforms and Boosting Manufacturing Flexibility

The regulatory framework for labour, with its complex web of laws, is a major roadblock to the sector's ability to achieve global scale. The rigidity of these laws and the high transaction costs they impose make it difficult for large-scale manufacturing to expand and gain global competitiveness.

To complement policy-level labour reform efforts, the PM MITRA Parks offer plug-and-play infrastructure and ease-of-doing-business features like pre-approved utilities, common effluent treatment plants (CETPs), and park-level digital portals. These significantly lower transaction and regulatory barriers. Further, schemes like Samarth and GIST under NTTM are not only focused on upskilling but also aim to align workers' competencies with evolving machinery and digital systems. This cohesive policy framework is helping build a more adaptive, technology-ready workforce capable of supporting high-value manufacturing. Structural improvements through Make in India include GST simplification, single-window clearance, and 22% corporate tax for new manufacturing units. However, fundamental labour law modernization remains critical to provide operational flexibility comparable to competitors like Vietnam and Bangladesh, enabling India to fully leverage its demographic dividend and achieve manufacturing scale required for US$350 billion sector vision.

While the government has launched the Samarth scheme to provide demand-driven, placement-oriented skill training, a more comprehensive review of labour laws is needed to attract the large-scale investment required for structural transformation. India's textile competitiveness requires comprehensive labour law reforms to achieve manufacturing flexibility essential for global competition. Current regulatory complexity creates rigidity hindering large-scale expansion and international investment attraction.



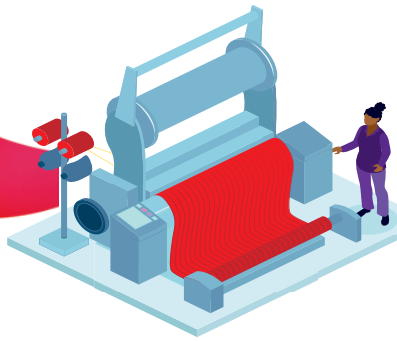
4.5. Sustainability Directives and Environmental Rules

The rapid growth of the e-commerce market is fundamentally reshaping India's textile and apparel industry. The fashion e-commerce market, valued at US21.6billionin2025,isprojectedtoreachUS98.45 billion by 2032, at a remarkable CAGR of 24.2% . This digital revolution provides a direct-to-consumer (D2C) channel that bypasses traditional distribution bottlenecks, enabling smaller, fragmented players to build brands and reach a national audience.

Beyond sales, digitalisation is optimising the entire value chain. Companies are using data analytics and artificial intelligence for personalised recommendations, virtual try-ons, and enhanced customer experiences . The adoption of digital marketing, social commerce, and influencer collaborations is becoming a powerful tool for brand building and market expansion . This digital-first approach provides a crucial pathway for the industry to overcome its structural challenges and connect directly with a tech-savvy consumer base.

Government Schemes: Status and Objectives

Scheme Name	Objective	Approved Outlay	Key Metrics/Status
PLI Scheme for Textiles	Promote production of MMF Apparel & Fabrics and Technical Textiles.	₹10,683 crore (over 5 years)	74 companies with committed investment of ₹28,711 crore selected. Application window extended to September 30, 2025 .
PM MITRA Parks	Establish world-class, integrated textile parksto reduce logistics costs and attract investment.	₹4,445 crore (over 7 years)	7 parks finalised. Aim to attract ₹70,000 crore investment and create 20 lakh jobs. Environmental clearances obtained for several sites.
NTTM	Position India as a global leader in Technical Textiles.	₹1,480 crore (FY2020-21 to 2025-26)	Focus on research, innovation, skill development, and market promotion. ₹393.39 crore used for various activities so far.
Samarth Scheme	Provide skill development and capacity building in the organised textile sector.	N/A	Implemented on a pan-India basis with active training centres to supplement industry efforts.



5. Key Challenges and Hurdles

5.1. Fragmentation and Lack of Scale

The Indian textile industry's highly fragmented structure is a primary barrier to its global competitiveness. Comprising a vast number of small-scale, unorganised units, the sector operates with outdated technology and lacks the economies of scale that are crucial for success in global markets. This structure leads to inefficiencies in production, distribution, and marketing, making it difficult for Indian manufacturers to compete on price and quality with large, vertically integrated firms in countries like China and Vietnam. While there are successful clusters, the majority of units operate below their potential, constrained by limited access to capital and modern technology.

5.2. Infrastructure Issues and Logistics Costs

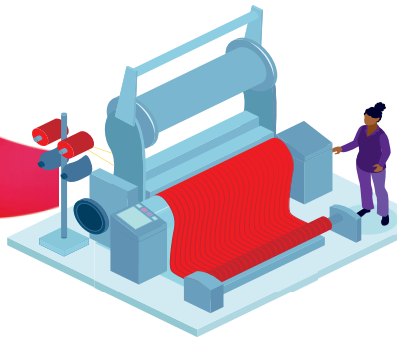
Despite rapid infrastructure development, Indian manufacturing, including the textile sector, continues to face fundamental constraints. Inadequate transportation networks, an inconsistent power supply, and outdated manufacturing facilities contribute to operational inefficiencies and significantly increase production costs, sometimes by as much as 15-20%. The process of acquiring land for large-scale projects is often very difficult, which further hinders the expansion of manufacturing capabilities. The PM MITRA parks are a direct attempt to mitigate these challenges by providing a plug-and-play infrastructure solution.

5.3. Raw Material Price Volatility and Supply Chain Risks

The Indian textile industry is highly susceptible to raw material price volatility, particularly in the cotton sector. Prices have experienced unprecedented fluctuations, soaring by over 100% in a two-year period, driven by factors such as global demand, production shortfalls, and speculation. This volatility creates a climate of uncertainty for manufacturers, who find it difficult to offer competitive, long-term pricing to international buyers . While the government has extended an import duty exemption on cotton to stabilise input costs, this measure highlights a fundamental vulnerability in the supply chain that requires more permanent solutions, such as greater investment in the MMF value chain.

5.4. Shortage of Skilled Manpower and Quality Norms

Despite having an abundant labour force, the Indian textile industry suffers from a crippling shortage of skilled workers. A large portion of the workforce lacks formal training or education beyond the primary level, which limits their ability to adapt to modern machinery and quality standards. This skill gap is a significant barrier to the adoption of advanced technologies and affects the industry's overall efficiency and productivity. Attracting and retaining skilled labour is a major challenge for employers, a situation compounded by low wages and high attrition rates in some segments. The government's Samarth scheme is a crucial step in addressing this issue by providing formal, skills-based training to the workforce.



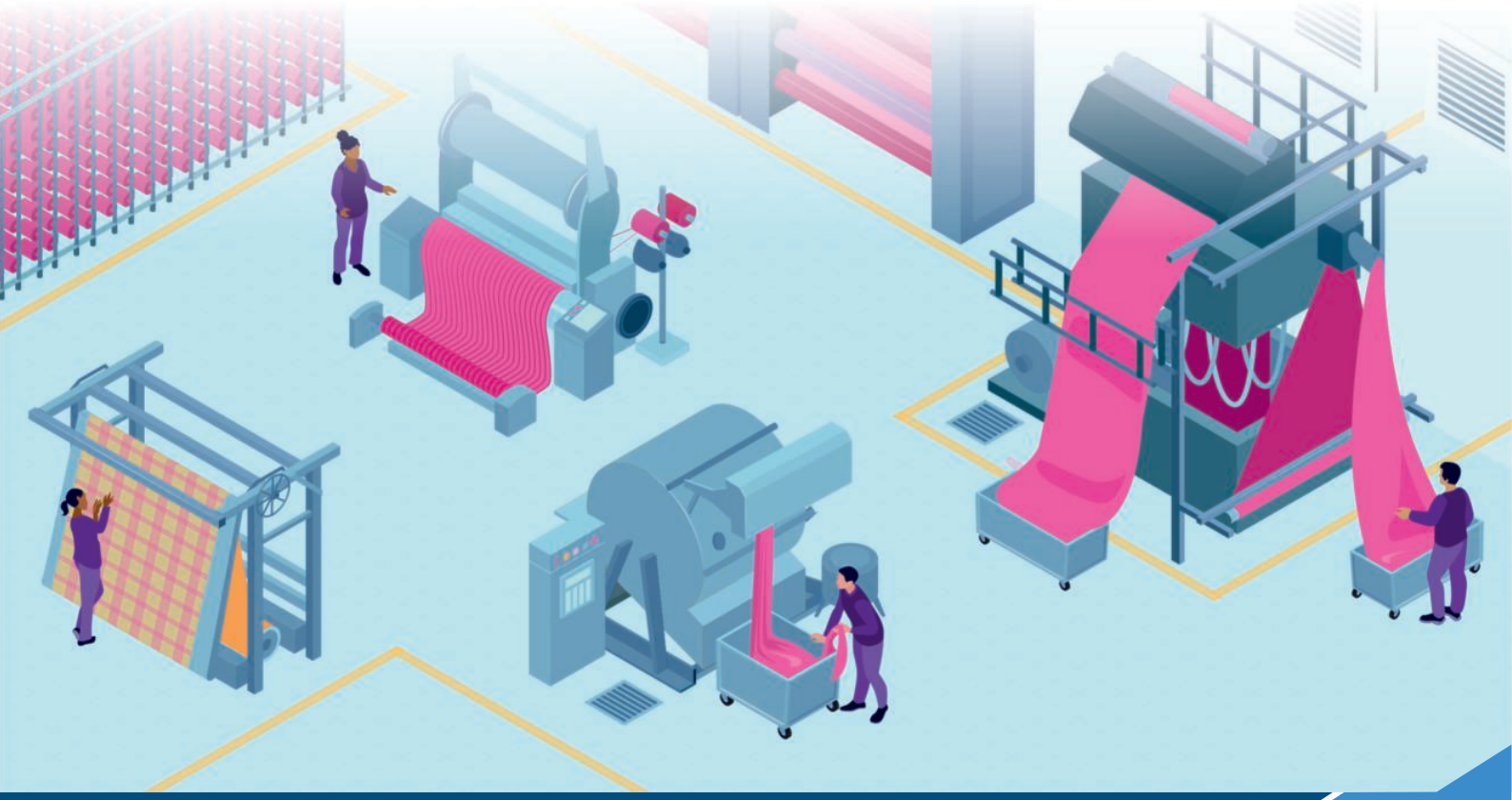
5.5. Environmental Compliance and Sustainability Pressures

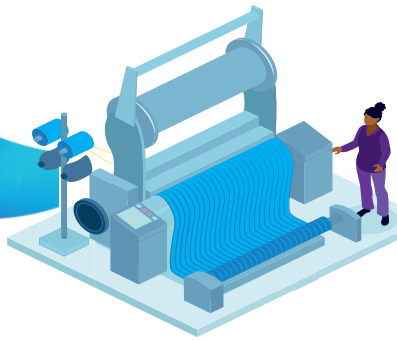
While a focus on sustainability offers a competitive advantage, it also poses significant challenges. Meeting stringent international environmental regulations and labour standards increases the operating costs for Indian manufacturers. This can put them at a cost disadvantage compared to rivals in countries with more lenient policies. Ensuring consistent compliance, particularly for the fragmented small and medium-sized enterprises (SMEs), is a complex and capital-intensive task.

5.6 US Tariff Impact and Trade Challenges

The August 2025 implementation of 50% US tariffs on Indian goods represents the most severe trade disruption facing India's textile sector. Combining 25% reciprocal tariffs with additional 25% penalties for Russian oil purchases, these measures impact US$48.2 billion in exports, with textiles constituting 34% of India's US shipments. Industry analysis predicts significant reduction in export in textiles, gems, and carpets, endangering thousands of jobs. Major textile hubs may face devastating impact, like Panipat's US$1.3 billion annual home textile exports represent 60% of city's total shipments, while companies report zero fresh orders and margin collapse as brands demand suppliers absorb 25% tariff burden.

To mitigate risks, India is actively pursuing FTAs with the UK, EU, and Australia, while also supporting domestic production through customs duty tweaks and PLI-linked cost reductions. Enhanced focus on alternative markets like Japan, South Korea, and the Middle East is also being encouraged through targeted outreach.





6. Future Outlook and a Strategic Roadmap

6.1. Policy Action for Structural Change

For the Indian textile industry to achieve its full potential, policy actions must be focused and targeted. A fundamental priority is to address the sector's fragmentation by providing incentives for consolidation and the creation of large-scale, vertically integrated firms and clusters. At the same time, there is an urgent need to reform labour laws to boost manufacturing flexibility, which is a key requirement for attracting large-scale, international investment. The government should also prioritise faster investments in transportation and logistics infrastructure to lower production costs and improve efficiency.

To achieve its ambitious vision of high production capacity, the textile sector requires a massive investment in financial terms as well. This is a formidable challenge that cannot be met by government initiatives alone. The funding landscape is shifting, with a growing focus on attracting foreign direct investment (FDI) and encouraging private sector participation. The government has already allowed 100% FDI via the automatic route in the textile sector, signalling its openness to foreign capital. The success of attracting this capital hinges on creating an attractive investment climate by addressing long-standing structural issues.

6.2. Automation and Tech Disruptions

The future of the industry will be characterised by a faster adoption of Industry 4.0 technologies. Automation, AI-driven predictive modelling for demand forecasting, and the use of blockchain for supply chain transparency will become commonplace. The focus will be on transitioning from outdated, labour-intensive practices to smart, agile manufacturing ecosystems. This transformation is crucial for enhancing operational efficiency, reducing costs, and improving product quality to meet global standards.

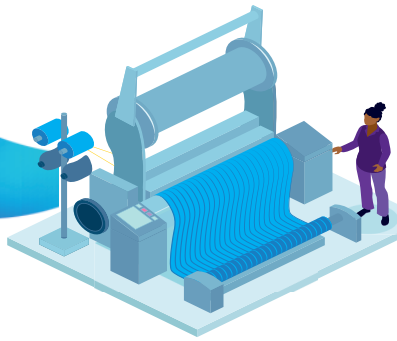
To meet its vision of becoming a US$650 billion production ecosystem, India's textile sector requires large-scale investments across infrastructure, technology, compliance, and skill development. Public investment is already underway: ₹4,445 crore for PM MITRA parks, ₹1,480 crore for NTTM, and over ₹1,783 crore combined under PLI and ATUFS. However, private sector participation — especially foreign direct investment (FDI) — remains crucial. The sector is fully open to 100% FDI via the automatic route, and recent DPIIT-led outreach aims to attract investors by positioning India as a cost-competitive and policy-supportive hub. The funding landscape emphasizes private investment mobilization through policy reforms, infrastructure development, and risk mitigation mechanisms to bridge the investment gap and achieve global competitiveness.

To bridge the digital gap, a strategic roadmap for technology adoption is essential. This roadmap should prioritise providing financial support and tax incentives to MSMEs to help them overcome the high costs of technology adoption. A phased approach, starting with foundational technologies like IoT for process monitoring and moving towards more advanced solutions like AI for demand forecasting and blockchain for traceability, will be crucial. Promoting public-private partnerships and innovation hubs can also help in speeding up the spread of modern technology and building the necessary digital infrastructure.

6.3. The Shift to Sustainability and ESG Integration

Sustainability will evolve from a niche trend to a core business imperative. The future roadmap includes a transition to a circular economy model, where textile waste is recycled into new products. Indian companies will continue to invest in eco-friendly practices, such as ZLD and renewable energy, to meet stringent global ESG (Environmental, Social, and Governance) standards . This transformation will not only ensure environmental compliance but also position Indian manufacturers as preferred partners for global brands and conscious consumers.

Sustainability must be integrated as a core business strategy, not just a compliance issue. The government should expand incentives for green manufacturing, including subsidies for ZLD plants and the adoption of renewable energy sources like solar power. A concerted effort to promote a circular economy, from textile waste recycling to new product creation, can position India as a global leader in sustainable fashion and secure long-term partnerships with international brands.



6.4. Skill Development and Human Capital Building

The skill gap is a significant constraint that must be addressed systemically. It is recommended that government and industry work in a genuine partnership to scale up vocational education and skill development programmes, ensuring that the curriculum is aligned with the needs of a modern, digitised textile industry. The goal should be to create a large pool of trained and certified manpower that can operate advanced machinery and adhere to international quality standards, thereby enhancing India's overall productivity and competitiveness.

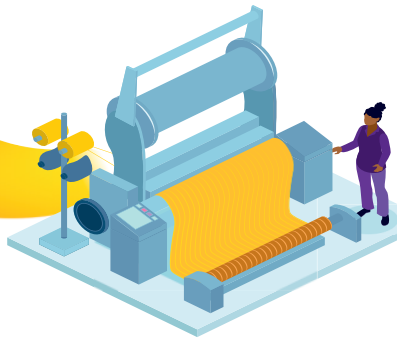
6.5. Market Access and Building a 'Brand India'

To increase its global market share, India must proactively work on market access and brand building. The government should prioritise and fast-track Free Trade Agreement (FTA) negotiations with key trading blocs to level the playing field against rivals who benefit from preferential tariffs . At the same time, a unified, long-term Brand India vision should be launched to position the country as a reliable, quality-conscious, and sustainable supplier in the global market. This strategy, backed by targeted outreach programmes in new markets, will be critical for diversifying exports and securing a leading position in the future of global textiles.

To mitigate risks associated with over-reliance on traditional markets like the US and EU, India's future strategy involves aggressive export diversification. The government's plan to target 40 new countries is a significant step in this direction, aiming to increase India's global market share from 3.9% to a target of 15-20% in the coming years. This will be supported by a focus on high-demand, high-value products and faster Free Trade Agreement negotiations.

Beyond current initiatives, India requires integrated policy intervention combining labour law modernization with infrastructure acceleration, technology democratization through MSME financial support and phased automation adoption, and market access optimization via expedited FTA negotiations and export diversification. Sustainability integration should expand ZLD incentives and renewable energy adoption, while human capital development must scale vocational training aligned with digital textile industry requirements.

Success depends on coordinated implementation across government levels, industry collaboration, and international partnership development to transform India from a traditional textile powerhouse into a globally competitive, technologically advanced, and sustainably operated manufacturing leader.



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