www.thedollarbusiness.com | Vol.4 | Issue 04 | April 2017 | ₹100 | $2

THE DOLLAR BUSINESS™

INDIA'S ONLY MAGAZINE ON FOREIGN TRADE

9 772349 509001

EXCLUSIVE INSIDE

SURESH PRABHU
Minister of Railways, Govt. of India

EDGAR VASQUEZ
Vice Minister of Foreign Trade, Peru

DR. BIBEK DEBROY
Member, NITI Aayog

Y. K. KOO
MD & CEO, Hyundai Motor India Ltd.

RAJESH MEHTA
Chairman, Rajesh Exports

RAKESH SHARMA
President – Intl. Business, Bajaj Auto

...AND MANY MORE!

STAR EXPORTERS

IN THE BACKDROP OF INDIA'S FLOUNDERING EXPORTS, *THE DOLLAR BUSINESS* SPEAKS TO LEADERS ACROSS A DOZEN HANDPICKED INDIAN COMPANIES, THOSE WHOSE SPECTACULAR PERFORMANCES OVER THE YEARS HAVE DEFIED ALL ODDS, MAKING THEM KEY EARNERS OF PRECIOUS FOREX FOR THE NATION.

BAJAJ AUTO LTD. | RAJESH EXPORTS LTD. | CYIENT LTD. | DABUR INDIA LTD. | INDO COUNT INDUSTRIES LTD. | INTEX TECHNOLOGIES (INDIA) LTD. | WNS GLOBAL SERVICES
KIRAN GEMS PVT. LTD. | SU-KAM POWER SYSTEMS LTD. | SONALIKA INTERNATIONAL TRACTORS LTD. | ASHOK LEYLAND LTD. | HYUNDAI MOTOR INDIA LTD.

Special Feature **DGFT'S RESTRUCTURING – IS IT A NECESSITY?**

AS THE GOVERNMENT REVIEWS A PROPOSAL TO REVAMP DGFT, *THE DOLLAR BUSINESS* ANALYSES HOW IT CAN BE TRANSFORMED TO TAKE ON THE CHALLENGES OF THE NEW WORLD ORDER IN FOREIGN TRADE.

Indo Count Industries Ltd.

"WE ARE EXPANDING TO NEW OVERSEAS MARKETS"

With a 100% focus on B2B exports, Indo Count Industries Ltd. has made a mark for itself in a highly-competitive global home textile market. It today stands tall as a go-to-exporter for many international home decor retailers. In an exclusive interaction with *The Dollar Business*, K. K. Lalpuria, Executive Director, Indo Count, shares his vision for the company apart from discussing the benefits of FTAs for the textile industry.

INTERVIEW BY AHMAD SHARIQ KHAN

TDB: You currently export to over 50 countries. Which are your largest markets?

K. K. Lalpuria (KKL): 70% of Indo Count's revenue comes from US, which is also the biggest home textiles market in the world. The remaining 30% comes from UK, EU, Middle East, Japan, Australia and other countries across the globe. While we believe that the US home textiles market is expected to grow at 3-4% annually, we are also expanding into newer geographies. For instance, there are many markets within Europe which Indo Count is yet to penetrate. So, we are strategising to enter those new markets. Our presence in Japan and Middle East is expected to increase in near future and we already have offices, showrooms and design studios in UK, Australia and US. We have also expanded into three new product lines which would be sold across geographies.

TDB: Can you offer a summary of your marketing and branding strategies with respect to international markets?

KKL: Indo Count is a B2B player, so all our branding and marketing strategies are to be viewed in that respect. We have created three in-house brands – Boutique Living, Pure, and Revival – and acquired three licensed brands i.e. Harlequin, Sanderson and Scion within the fashion bedding segment. Each brand is targeted towards a specific group of consumers and keeping in mind their age, we work around the colour, design, pattern, etc. We conduct a lot of consumer and market research and incorporate the findings in our design choices.

TDB: What sort of competition do you face from Chinese manufacturers and how do you stay competitive?

KKL: In the last decade, there has been a structural shift in the industry dynamics. China was the market leader in the sheets business in US till India grabbed this position a few years ago. India currently has a market share of 50% in the sheets segment. Internationally, India is in a sweet spot as we are backed by cotton raw material availability, an abundance of skilled labour and a well-established textile value chain. However, in the newer segments of fashion bedding, utility bedding and institutional bedding, currently, China is the dominant player with an 85% market share. Here too, the country-wide advantage will play a major role and we believe that with India now focussing on these segments, it will be just a matter of time before we gain market share from China. Investments in the latest technology, processes, systems, people, R&D and marketing will bring in the best of our efficiency and productivity, thus help us sustain and enhance our competitive advantage.

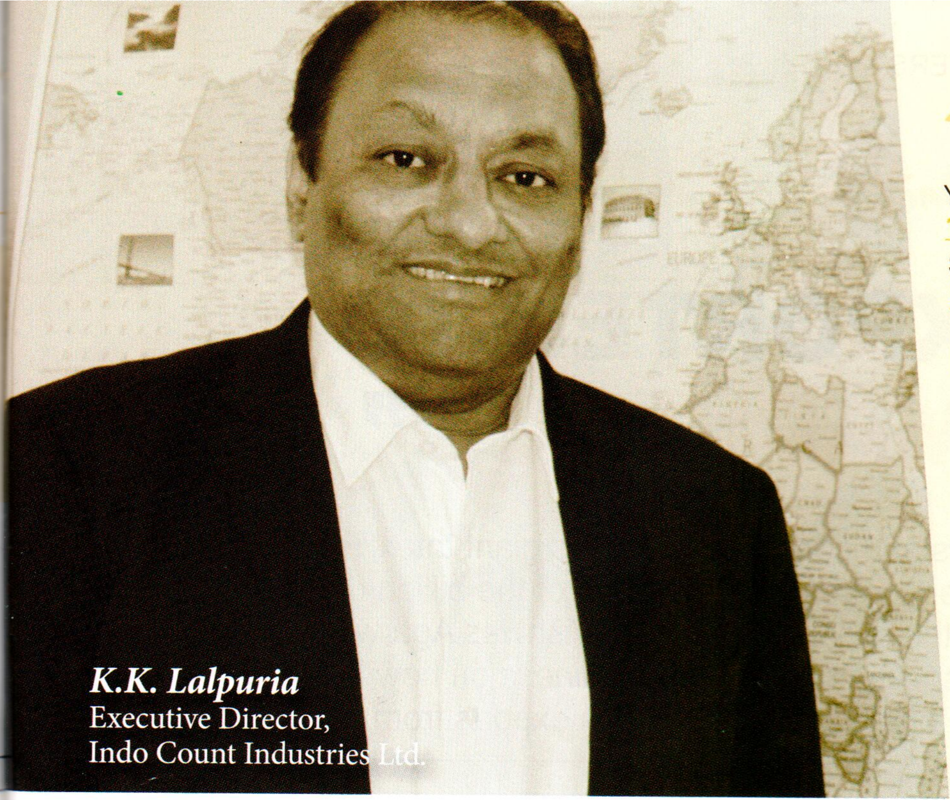
TDB: What are your raw material procurement strategies?

KKL: We follow a simple yet prudent raw material policy. As our business is completely 'Made to Order', it gives us visibility to manage our raw materials better. We book our raw materials as soon as there is order visibility and we also hold an inventory for 3-4 months, in turn reducing any knee-jerk reaction at our end as well as any major impact due to cotton price fluctuations. We export all our products from our fully integrated manufacturing facility at Kolhapur in Maharashtra. We do import some of our raw materials and accessories.

TDB: Are there any challenges that are hindering the company's growth in export markets?

KKL: Since we are an export-oriented company, macro global factors such as global warming, socio-economic and political changes affect our business. Besides that, acquiring raw material can become a challenge. For instance, price of cotton, being an agro-based commodity, fluctuates as per demand-supply. This may result in price volatility and availability constraints.

Similarly, various global trade pacts between different countries dynamically alter the dimensions of world trade. In some countries, protectionism through tariffs compels us to find different ways to promote our goods. In Europe, both Pakistan



K.K. Lalpuria
Executive Director,
Indo Count Industries Ltd.

Snapshot

YEAR OF ESTABLISHMENT
1988

STAR STATUS
Four Star

PRODUCT TYPES
Home Textiles

EXPORT MARKETS
54 Countries

TOTAL REVENUE IN FY2016
Rs.2,213 crore

REVENUE FROM EXPORTS IN FY2016
Rs.2,213 crore

SHARE OF EXPORTS IN REVENUE
100%

HEADQUARTERS
Mumbai

and Bangladesh have a duty advantage which India does not have, i.e., we pay 9.6% additional duty charges vis-à-vis both countries. Fluctuations in currency needs efficient management as it requires us to constantly monitor the scenario.

TDB: **What are the major factors that hinder the growth of Indian textile sector?**
KKL: The rising labour cost and power cost, both of which are integral components of textiles sector, will continue to impact the growth and margins of the textile companies. Stable and proactive policies on solving power costs as well as some incentives could offset rising labour costs and lead to an increase in India's competitiveness. Raw material required for textile industry should also be made available at competitive prices.

TDB: **Are you happy with the support extended by the government, in terms of export incentives, to the industry? Is 'Make in India' initiative a step in the right direction?**
KKL: Export incentives are adequate at present and our made-up industry is awaiting the new ROSL (Rebate of State Levies) scheme benefits. These benefits should be made available effective from the date as provided to the apparel sector. The incentives should be reimbursed in time. We also want the government to factor in transaction costs and internal logistics costs.

'Make in India' is a long-term vision of the government to utilise Indian resources and generate employment. We are exporters and we have been for long a believer of the 'Make in India' concept, as all our products are made in India and are sold on retailers' shelves across the world. The government should provide ease of doing business, long-term focused policies and a level-playing field for exporters.

TDB: **When you say ease of doing business, what exactly you want the government to do?**
KKL: In some export markets India is at a disadvantage compared to its peer nations due to import duties and certain trade pacts. For example, as mentioned earlier, Europe offers duty waivers to Bangladesh and Pakistan whereas we [Indian players] are paying a duty of 9.6%. We face a similar situation in many other markets. Hence, we would like the government to work towards streamlining our FTAs so that we remain competitive across inernational markets. Cotton is a global commodity and the backbone of the Indian textile sector. There is a lot of volatility in price and availibilty. We would like to see the government streamlining such volatility. Also, adequate steps need to be taken to provide labour reforms, which we believe will go a long way in making us competitive.

TDB: **What are your thoughts on Goods & Services Tax?**
KKL: The duty structure is fair in the current framework but there is room for improvement. If the government provides an investment-driven allowance in the capital-intensive textile sector, we will find support and investment both for growth and competitiveness. If the government extends support, we will be able to increase our market share. Existing players in the sector would be more than happy if we can avail immediate deductions against 'tax on exports' as we could reinvest this into the sector to make it more competitive.

We believe GST should be applied to exports at zero rates or at the minimum slab rate, i.e. there should be no tax burden on exporters so that India's competitiveness globally is not adversely affected. We believe, since textile is a low-value chain business and a need-based product for the masses, partly agro-based, and one of the largest employment generators in our country, taxes under GST should be applied with due care.

TDB: **Do you agree that most FTAs India has signed so far have not benefited the textile manufacturers?**
KKL: Any FTA is mostly a step in the right direction. We would like to see FTAs with EU, Canada and BRICS countries. TDB