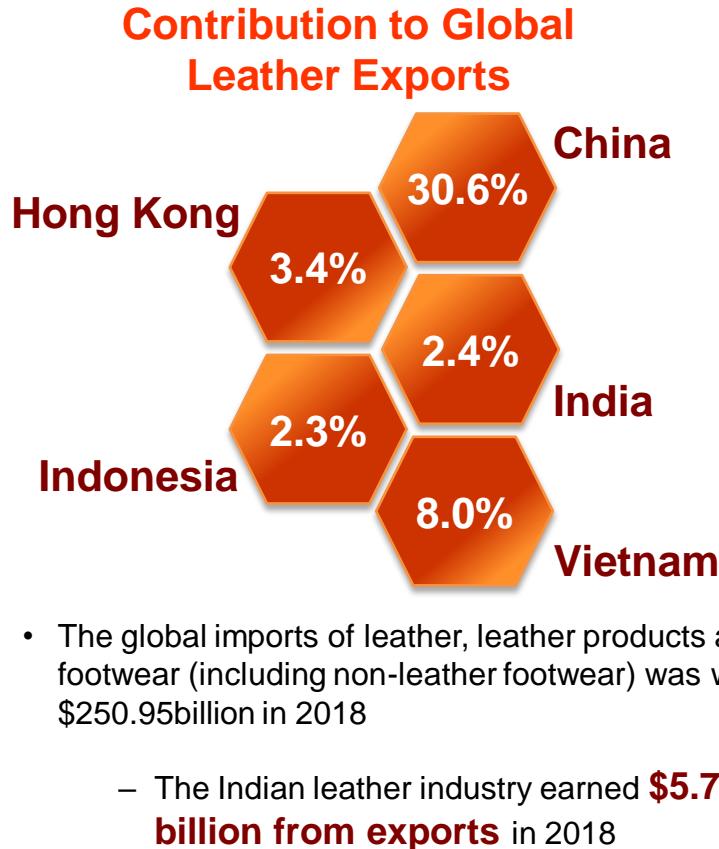




Way forward for the Indian leather and footwear industry

April 16, 2020

Growth potential for the Indian leather industry is underpinned by the strategic importance of the sector in domestic growth



- The leather industry in India accounts for around **13% of the global leather production**, manufactures products worth US\$18 billion
 - The country has **abundant access to raw materials** - 20% of global cattle and buffalo and 11% of the world's goat and sheep population - managing an annual production of about 3 billion sq feet of leather
- The industry accounts for more than **40 lakh people's employment**, with close to **30% being women**, making it easier for the industry to become a key contributor to the economy
- Given the potential of wide scale manufacturing across the value chain, leather is a **special focus sector in the National Manufacturing Policy**
- Rising trade wars and as part of efforts to reduce dependency on China, **global brands are looking at alternative markets**

Exponential growth of the sector has been restricted by challenges

Sector-specific challenges

Skewed tariff structure makes import of raw material more expensive than finished products

India lacks a strong brand in the global market, which makes it more of an offshore vendor for larger players

Lack of quality standards being consistently followed hinders international participation

Tanneries often lack infrastructure to manage affluent treatment

Low level of modernization and limited integration of technology, especially for testing and designing

Most leather clusters are land-locked and companies have to incur high logistics cost, making them uncompetitive wrt. to other markets

Cross-industry challenges

90% of domestic players are MSMEs, which struggle with access to finance and infrastructure, which restricts scaling of operations

Global brands in the sector prefer alternative markets owing to complex regulatory framework, especially labour laws, leading to higher time to market

Land acquisition challenges prove constraints for global players who want to invest in India

Interventions by various stakeholders can support growth of domestic players and attract global investments

- **SPV with a fund of INR3,000 crore for five years** to support the leather industry
 - **Easy access to financing** to scale-up their operations and enter new product segments
 - Provide funds to make investments in **technology and skilling**
- **Cluster development**, with **plug-and-play model** can enhance capacity-building efforts in the leather and footwear industry
 - Near-port zones can reduce logistics cost
 - Common infrastructure near tannery hubs can provide good affluent treatment facilities)
- **Review tariff structure** to ensure import duty on raw material is less than finished goods. Export duty should also be reduced to ensure high growth
- Enter into **partnerships or JVs with global players** to enable technology transfer and increase scale
- **Quality accreditation program**, to enhance 'Made in India' branding, India should introduce
- **Skilling and apprenticeship initiatives** to create the next wave of skilled labour across the sector value-chain
- Support acquiring **warehouse space globally**, to better serve key markets
- Organise **road shows in target markets** to increase awareness of India's leather and synthetic footwear capabilities
- Create **digital and offline platforms for communication and marketing** in select markets
- **Increase the scale of operations in leather and non-leather goods**, to strengthen domestic market and attract global players –synthetic (PU/PVC) material, metal (zinc and copper) components and hardware, machines in leather industry

Collaboration among domestic players and the Government can drive ‘Make in India – for India and the world’

Growth of the leather industry will strengthen domestic **manufacturing capabilities, to drive ‘Make in India’** across the value chain

A strengthened brand positioning for India in the leather segment would increase **forex earnings** and **increase India’s share in Global trade**

Significant **employment generation** will be the key achievement of the industry, leveraging the demographic dividend, especially women

Robust leather manufacturing capabilities, adherence to global quality standards and strong domestic demand will attract **FDI investments**
– an alternative to China

Timeline for growth

1x ←———— First 3 years —————→ Next 2 years → 10x

Incremental growth of 3x in first three years, with interventions being introduced and domestic players scaling operations

Exponential growth to 7x, as interventions start yielding results, global and domestic investments yielding increased revenues and export demand

Next Steps

- ASSOCHAM offers to undertake an in-depth study of the sector
 - Identify key hindrances to growth and map disruptive measures that can drive growth
 - Benchmark India with leading leather markets globally, to identify best practices adopted
 - The study will include focused discussions with various industry stakeholders, including domestic and global players, to understand areas where support is needed to drive growth
- Based on various inputs, ASSOCHAM will create a roadmap for Government interventions
 - This would include policy reforms that can help propel growth of the Indian leather industry
 - A framework will also be created to facilitate and regulate the use of Branding Fund, based on industry inputs
- ASSOCHAM, as part of its efforts to champion the growth of the leather industry, will also support policy implementation initiatives
 - ASSOCHAM will help existing firms come up the curve and support new players in establishing seamlessly

DISCLAIMER

The report is prepared using information of a general nature and is not intended to address the circumstances of any particular individual or entity. The report has been prepared from various public sources and the information received from these sources is believed to be reliable. The information available in the report is selective and subject to updation, revision and amendment. While the information provided herein is believed to be accurate and reliable, ASSOCHAM does not make any representations or warranties, expressed or implied, as to the accuracy or completeness of such information and data available in the public domain.

While due care has been taken while preparing the report, ASSOCHAM does not accept any liability whatsoever, for any direct or consequential loss arising from this document or its contents.