

# POTENTIAL NISTI INTERVENTION FOR THE GREATER GOOD OF THE TEXTILE INDUSTRY

## - A TECHNICAL BRIEF

*Submitted as part of a humble initiative by: Dr. Debasish Banerjee – PhD – Strategy and C.Text – FTI*

### ABSTRACT

The contemporary times are interesting in as much as the opportunities for innovating and creating value for posterity are immense. The Indian context of the textile industry is of pertinent relevance in the backdrop of significant investments over the past two decades and the accelerated shift of the world's manufacturing references to South Asia, South East Asia, China and Turkey as well as pockets in South Americas like Brazil and Chile.

Indian industry has had the vantage positioning to herald in expansion with the state of the art technologies; yet the opportunities have been largely wasted owing to the increased gaps in closing in on the costs of operations. As of now, the textile industry in India has lost its competitive advantages to smaller nations like Vietnam and Bangladesh in particular.

This initiative is directed to maximize the structural advantages within the industry and enable the nation to capitalize on the opportunities to be the clothiers of the world and rake in valuable foreign exchange and boost exports.

### STRUCTURING THE MACRO ECONOMIC SCENARIO

The primary elements of the macroeconomic scenario that have influences on the textile industry are highlighted in the enclosed chart herewith. The empirical understanding of the domain and the acquisition of knowledge on the sales forces of the businesses in the value chain of textiles have mapped the stochastic relationships with the demand aggregation, purchasing capacities as functionally determined by real incomes and changing sentiments of growing insecurity around the globe as well as the ruling effects of the health determinants.

Deflation and the concomitant features of debilitating influences shall rule the roost in shaping market sentiment. Product strategies in the textile value chain shall have to be re-engineered around these dominant sentiments for the up-coming five years on the trot to establish profitability in an anemic market.

The burgeoning fiscal deficit and the cascading effects of the NPA or growing non-performing assets in the banking and financial sector shall foresee credit squeeze especially in the textile sector owing to chronically weakened performances in the past. The precipitation of levies and a plethora of norms for doing business shall be inevitable

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thereby wringing the best of entrepreneurial skills backed by professionalism to the forefront for the baseline survival strategies of the industry.

Consequently, these are chronicled as the key challenges in the realm of macroeconomic context of the textile industry.

### STRUCTURING THE MICRO ECONOMIC CONTEXT OF THE TEXTILE INDUSTRY

Operating efficiency in the textile value chain would need fundamental changes in approaches from the historical past in order to survive and thrive in the times. The approaches would require engineering the process for improving on productivity, throughput and in-situ quality at every stage. Advanced inferential statistics and close monitoring of the trends in the processes have to be learned for implementing engineering solutions.

The equilibrium of performance indices in the yarns, fabrics and processing stages shall yield efficiency in the garment and cause major shifts in the cost sheet meriting accommodation of distress prices and building on the quality and product performance paradigms.

The technical superiority of the products in the value chain shall be integrated into creating value for the flourishing of the industry in otherwise distressing times.

Managing the micro enterprises shall require the financial re-engineering and working around the technical capabilities of higher thresholds of value to justify a recalibration of funds, organic liquidation of working capital loans and the eventual accelerated repayment of long term loans with market rates of interests.

Finally, the micro economic context shall succeed on faith and an overt decision to change the heart.

**The stochastic processes of the macro and micro economic integration shall be a quantitative mode meriting monitoring and calibration real time with ground realities.**

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### **MARKET RISK ASSESSMENT AND TRANSFORMATIONAL STRATEGIES FOR THE TEXTILE INDUSTRY - THE INDIA POTENTIAL**

SEGMENT	RISK ELEMENT	STOCHASTIC WEIGHT	5-POINT TRIGGERS	5 - POINT SECTOR-SPECIFIC SOLUTIONS	KEY TRANSFORMATION INDICATORS	STOCHASTIC WEIGHT OF SOLUTIONS EFFICACY
<b>MACRO-ECONOMIC RISK</b>	Aggregate demand	0.92	1. Aggregation of public and enterprise debt has long eroded the net worth and the intrinsic strength of organic capital formation in the economy	1. Integrate the value chain into institutional nodes of product - specific linkages to enable effective streamlining of the manufacturing activity, establish quality thresholds of higher and consistent order and importantly achieve product economy for absorbing distress prices at a net margin of greater than 15%	Supply chain efficiency elevation by 70% leading to 40% reduction in product costs on the apparel assumed as the final product	0.999
	Aggregate purchasing capacity	0.96	2. Burgeoning bad debt at scalar coordinates of corporates, MSME and private individuals have brought in the default contagion to seriously unsustainable levels			
	Classification of demand decline triggers	0.99	3. Skewed debt load has caused the collapse of demand triggers across the economy	2. Establish the best practices and operating protocols across the integrated value chain nodes for controls on important variables like fiber management, machinery quality, dynamic adjustment protocols founded	a) Product yield - 25%, b) Equipment and throughput Productivity - 35%	0.999
	Levies regime	0.77	4. Financing of fiscal deficit and public debt has no viable options left in the economy	c) Energy density - 40%,		

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<b>MICRO-ECONOMIC RISK</b>	Taxation and related costs in the product chain	0.77	5. Saturated taxation options for raising public funding for state projects and agenda thereby severely limiting the growth multiplier through investments and artificially boosting consumption levels	on lead indicators of the process, closed loop execution of trouble shooting measures in process controls, leveraging yarn clearing technologies for establishing the decision matrices and building real time cutting edge knowledge flux across the field	d) Labor density - 25% e) Reproducibility and consistency - 75%	
	Knowledge deficit	0.99	1. Investments have hit a dead end owing to demonetization of assets with the causal links of knowledge deficit and the cascading influences of adoption of wrong practices across the industry 2. Labor productivity has been a perennial issue with the textiles value chain owing to lack of synchronization and fundamental incongruence with the psychological DNA of the stakeholders	3. Consistently establish quality protocols for the products in the nodal value chain at thresholds of a minimum of 35% elevation from the world standards to drive brand equity, product performance reliability and pricing equilibrium at distress levels for achieving volumes and margins simultaneously in an otherwise depressed global market for a minimum anticipation of a five year timeline	a) Measurable quality - 10% improvements b) Downstream processing performance - 45% improvements c) Weighted average improvements over historical top 2 percentile - 35%	0.999
	Labor shortage	0.97	3. Learning curves have been short circuited owing to cultural traits and lack of mental discipline across the segments in the textile	4. Presenting a compelling case for the integrated nodes in the value chain for products for the mass market to the lending ecosystem and create s	a) Debt liquidation through organic measures - 100% with interests factored in over	
	Skill deficit	0.99				0.999

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	<p>Management - stakeholders trust definit</p> <p>0.99</p>	<p>industry</p> <p>4. Informal groups, nepotism and apathy for achieving the cornerstones of manufacturing excellence have always haunted the textile industry and prevented the realization of potential value</p>	<p>suspense account (<b>having a functional tenure of six months</b>) for past debt pile of the relevant enterprise stakeholders. This shall enable the value chain to begin functioning from scratch and trigger payouts for liquidating the suspense account debt pile post the moratorium of six months. The deleveraing can occur over a span of eighteen months post moratorium of six months as described above thereby leading to organic growth from thereon within the ecosystem. This shall trigger a cascading impact on the value chain efficiecny and establish a pathway for a generic transformation and mutation of the manufacturing DNA of the industry and the country</p>	<p>the timeline of 24 months b) Working capital reliance on credit line - nil within the timeline of the organic turnaround c) Minimum of 70% capital expenditure on plant and machinery to be through accruals</p>
	<p>Profitability triggers for a default contagion and liquidity crisis</p> <p>0.99</p>	<p>5. Banking consortiums and secondary market lenders have been shockingly compromised by the textile industry over decades thereby resulting in a virtual state of blacklisting of the industry</p>		

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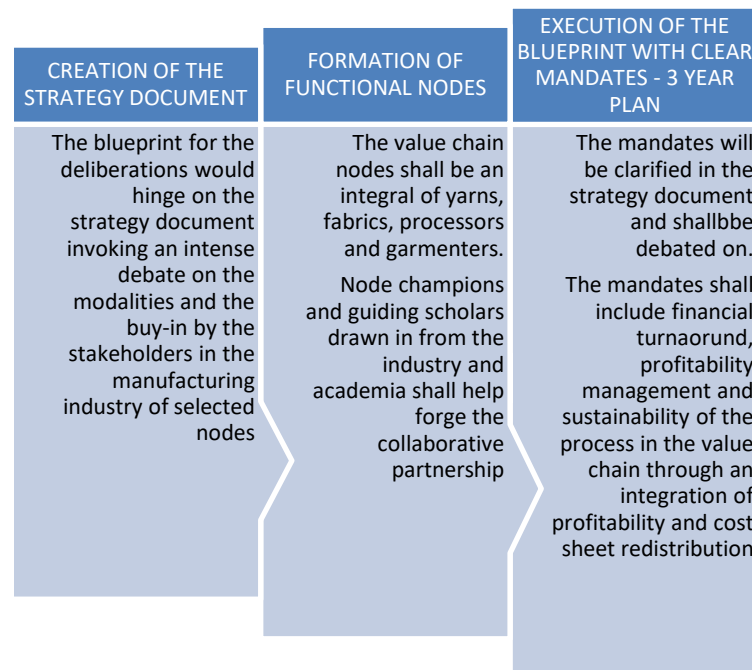
<b>CURRENCY RISK</b>	Federal government - fiscal deficit	0.99	1. Circumstantial impact on the fiscal deficit have pulled down the intrinsic value of the currency			
	Current account deficit	0.99	2. The opportunities in the textile industry for being the leaders in the world and thereby earn foreign exchange value have been severely impacted by the consistent non-performances in spite of several initiatives of the state and bankers alike over the past decades	5. Establish the high quality - economic product value for mundane products having mass applications in the market for promoting effective exports. Effectively, it would imply the simplification of premium goods to commodity segments and earn universal appeal for innovating on mass products over a larger spread of populace.	a) Garment leadership over Bangladesh, China and Vietnam	
	Quantitative easing multiplier contagion	0.99	3. Forced liquidity initiatives have plunged the country into a veritable depression that can only be overcome through steadfast transformation of the value chain efficiency across industries inclusive of the labor intensive textile industry	That shall be the harbinger for an export oriented industry for the nation true to its originally intended potential.	b) Major export earnings c) Employer of the nation tag	0.999
	Deflation	0.99	4. Prolonged cycles of low demand shall have the decelerating effect of grinding deflation in the economy			

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	<p>Real income and PPP impact</p> <p>0.99</p>	<p>5. Unsustainable levels of public and private debt have derailed development over several preceding quarters and have adversely affected survival wages in the market</p>
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### NECESSITATING STEPS FOR SEAMLESS EXECUTION OF PROCLAIMED SOLUTIONS:

1. Creating the detailed strategy paper that shall chronicle the changes articulated in the briefing to the last detail on threadbare note of the nuances of the value chain.
2. Presenting the Strategy document on an interactive session with the CITI and CITI induced ecosystem of a selection of medium sized players in a mass product value chain.
3. Getting the buy-in from the stakeholders.
4. Contracting NISTI as the nodal agency for implementation on at cost and non-profit modality in conformance with the laws of the relevant institutional act.
- 5. Creating a working model for posterity.**