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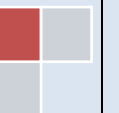
“Market Research Services to Assess Demand
for KVI Products in the International Market”

Final Report

8th November, 2017



ICRA Management Consulting Services Limited





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GLOSSARY

ADB	Asian Development Bank
APEDA	Agricultural and Processed Food Products Export Development Authority
ASEAN	Association of Southeast Asian Nation
ASPIRE	Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship
B2B	Business to Business
B2C	Business to Consumer
CAGR	Compound Annual Growth Rate
CHEMEXIL	Basic Chemicals, Cosmetics & Dyes Export Promotion Council
CY	Calendar Year
DGCIS	Directorate General of Commercial Intelligence and Statistics
DGFT	Directorate General of Foreign Trade
EPC	Export Promotion Council
EU	European Union
FIEO	Federation of Indian Export Organizations
FTA	Free Trade Agreement
FY	Financial Year
GI	Geographical Indications
GMP	Good Manufacturing Practices
GVA	Gross Value Added
HHEC	Handicrafts and Handlooms Export Corporation of India
ISEC	Interest Subsidy Eligibility Certificate Scheme
KRDP	Khadi Reform and development Programme
KVIC	Khadi and Village Industries Commission
MAI	Market Access Initiatives
MDA	Market Development Assistance
MENA	Middle East and North Africa
MoC	Ministry of Commerce and Industry
MPDA	Market Promotion and Development Assistance Scheme
MSME	Ministry of Micro, Small and Medium Enterprises
NIESBUD	National Institute for Entrepreneurship and Small Business Development
NTBs	Non-Tariff Barriers
PMEGP	Prime Minister's Employment Generation Programme
PMRY	Pradhan Mantri Rojgar Yojna
REGP	Rural Employment Generation Programme
SFURTI	The Scheme of Fund for Regeneration of Traditional Industry
UAE	United Arab Emirates
UK	United Kingdom
UN Comtrade	United Nations International Trade Statistics Database
US FDA	United States Food and Drug Administration
USA	United States of America

EXECUTIVE SUMMARY

The Khadi and Village Industry (KVI) sector has evolved significantly from the pre-independence era to the current stage indicative of the immense potential, both in domestic and international markets. In line with this, Government of India provided an outlay of INR 14,800 crore in the 12th five-year plan in order to achieve the broad targets for development of KVI sector such as:

1. At least 11% growth in Khadi sector and 13% growth in Village Industries
2. Develop domestic as well as export market with focus on innovations in design, technology, creation of entrepreneurship and growth in manufacturing
3. Enhanced cluster development programs including the development of 915 KVI clusters as part of SFURTI, the nodal scheme of the Ministry for resurgence of the Khadi and Village Industries

Given these ambitious targets and outlay, Khadi and village Industries Commission (KVIC) is keen to put in place a coherent strategy to exploit the export opportunities available for KVI products and as part of this initiative mandated ICRA Management Consulting Services Limited (iMaCS) to study the potential for export of KVI products to the right set of markets supported by streamlined marketing strategies. The broad scope of this study, derived from this specific need, was to understand the current demand for KVI products in the international markets and prepare a marketing strategy covering the following products categories: (1) Khadi, (2) Handmade Paper, (3) Honey, (4) Agro based and food processing, (5) Leather (6) Herbal, health and cosmetics.

KVI Product Exports – ‘As-is’ assessment:

The total export value for KVI products as reported by KVIC was INR 140 Crore in FY16 registering a Compound Annual Growth Rate (CAGR) of 7.6% during the period FY13 to FY16. The six product categories analysed in this study constitute around 90% of the total KVI product exports. Their cumulative exports as reported by KVIC grew from INR 89 Crore in FY13 to INR 122 Crore in FY16, registering a CAGR of 11%. Agro and processed food segment remains the largest contributor to KVI exports with an export value of INR 71 crore in FY16, growing at a CAGR of 23% during the period FY13 to FY16. Papad is the single largest export item in this category constituting over 95% of the segmental exports. The export of Herbal, health and cosmetics segment that include products such as Ayurvedic preparations, essential oils and herbal products for bath, beauty and wellness has registered the fastest short-term growth of 53% CAGR during the period FY13 to FY16.

Handmade paper products that constitute about 30% of the total exports of KVI sector, has also witnessed CAGR of 5% during the same period. While these products have registered growth in the short term, Natural Honey and Leather product exports have declined. The export of Khadi products has also not been positive during the last XX fiscals. While Natural Honey exports valued at INR 6 crore in FY16 registered a decline of a -4% CAGR during the period FY13 to FY16, export of leather products that was in excess of INR 5 crore in the year FY13 has registered a steep decline of (75%). The export value of Khadi products as reported by KVI societies is under INR 20 lakh. However, the actual export of Khadi from India as estimated from Bill of Lading data from ports is close to INR 4 crore. The unavailability of separate HS-codes for Khadi poses a significant challenge in tracking and monitoring of Khadi exports.

Demand estimation: Current trends and short to medium term forecast:

In addition to the analysis of historic export trends including market and competition assessment for each of the product categories, the information related to key markets and products available in the secondary domain were analysed to identify the drivers of growth. This was supplemented by primary interaction with exporters, bulk purchasers for exports and fashion designers/ experts to gather their insights so as to identify the current export market trends and short-medium term export potential. The current export market demand and forecasted short-medium term potential for each of the products included in the scope of study is summarised in Table 1:

Table 1: Current market demand and short-medium potential estimation for KVI products

Product	Current Market demand (INR Crore)	Actual KVI export (INR Crore)	Market Potential GAP (INR Crore)	Short-Medium Term Forecast (INR Crore)	Short-medium growth (CAGR)
Honey	24	6	18	38	12%
Agro products	101	71	30	123	5%
Papad	97	70	27	118	5%
WheatGrass	2	1	1	3	13%
Other Food Products	2	1	1	2	5%
Handmade Paper	47	43	4	63	8%
Leather	4	0	4	7	15%
Herbal, health and cosmetics	6	2	4	18	33%
Ayurveda	0	0	0	0	10%
Oils	3	2	1	12	48%
Soap	0	0	0	1	19%
Shampoo	1	0	1	1	18%
Cosmetics	2	0	2	3	15%
Khadi products	24	4	20	31	7%
Garments	18	2	16	21	5%
Fabric	4	1	3	7	10%
Furnishings/ Made-ups	2	1	1	4	13%

The Total Immediate Market (TIM), derived to represent the current market demand for KVI products is estimated to be around INR 200 crore as against the current export value of INR 126 crore. Thus a market potential gap of INR 80 crore is yet to be harnessed. The short-medium term forecast for export potential of these products is estimated to be around INR 280 crore, representing a head room for growth of 8% CAGR. Export demand for product segments such as Leather and Herbal, Health and Cosmetics product categories could grow in double digit given their current low base while the growth of larger export value contributing product categories like Agro products, Handmade paper and Natural Honey are expected to register single digit CAGR.

Market assessment: Factors impacting export of KVI Products

This study has indicated that quality issues is the most prominent barrier for export of KVI products, especially for higher value contributing categories such as Agro products and Handmade paper. The quality standards and mandatory certification requirements in developed markets such as Europe and USA prevent KVI exporters from expanding their market presence in these markets. In addition, shortfall in meeting the design requirements and latest market trends significantly impact the export of Khadi products. The extremely low awareness towards exports parameters such as market demand, export policies, marketing communications, business development, trade information etc. among KVI exporters is also a very important contributor to lower exports from this sector. Further, the absence of economical testing facilities to certify the export worthiness of products hinder the KVI entities intending to export. Lower realisations because of severe price cost competition from conventional manufacturing sector, increasing logistics and infrastructure cost and sales commissions to intermediaries also induce indifference towards exports in KVI entities thereby reducing the scope for improvement in their aptitude for exports. Given the small size of individual KVI entities their capacities across the value chain are inadequate to compete in the international markets.

However, on the demand front, opportunities such as changing market preference towards eco-friendly processes and unadulterated products are expected to aid the VI entities that have the capability and inclination to export. There is also an opportunity to diversify the product portfolio and improve on design, features, utility etc. with targeted assistance. The market view is that with focussed interventions by way of positive marketing communication and exposure to

international markets through trade fairs, buyer-seller meets could provide the required impetus to increasing exports in this sector.

Categorisation of export potential of KVI products:

As part of this study, the export potential of KVI products have been categorised as High (H), Medium(M) and Low(L) based on the qualitative factors identified under market assessment and quantitative factors estimated under demand estimation. The potential for VI items such as Natural Honey, Handmade Paper, Papad and Essential Oils are estimated to be High in the target export markets. Availability of good quality raw materials and limited processing requirements rendering easier quality approvals support the export potential for these products. Design skills and fashion requirements in international market restrict the potential for garments among Khadi products. However, there is significant export potential for Khadi fabrics and furnishing and made-ups. A summary of the product categorisation as H/M/L is given in **Table 2**

Table 2: Categorization of KVI products for export

Product	Total Global Import trend	India's Export trend	KVI market potential	Future trends	Technical/ Design Capability	Quality Standards	Skill Level	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Honey	Green	Green	Green	Yellow	Green	Red	Green	Yellow	Red	High
Papad	Green	Green	Green	Green	Green	Red	Green	Green	Yellow	High
Wheat Grass	Yellow	Green	Green	Green	Green	Red	Green	Green	Yellow	High
Other Food Products	Green	Green	Green	Yellow	Red	Red	Yellow	Red	Red	Low
Handmade Paper	Green	Yellow	Green	Green	Yellow	Red	Yellow	Yellow	Yellow	High
Leather	Green	Green	Red	Red	Yellow	Yellow	Yellow	Yellow	Red	Low
Ayurveda	Green	Green	Green	Green	Red	Red	Yellow	Green	Green	Medium
Oils	Green	Green	Yellow	Green	Red	Yellow	Yellow	Yellow	Yellow	High
Soap	Green	Green	Green	Green	Red	Yellow	Green	Yellow	Yellow	Medium
Shampoo	Green	Green	Green	Green	Red	Yellow	Yellow	Yellow	Yellow	Medium
Cosmetics	Green	Green	Yellow	Green	Red	Yellow	Yellow	Yellow	Yellow	Medium
Khadi Garments	Green	Green	Red	Yellow	Red	Yellow	Yellow	Yellow	Yellow	Low
Khadi Fabric	Red	Red	Green	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Medium
Khadi Furnishings	Green	Green	Yellow	Green	Yellow	Yellow	Yellow	Yellow	Yellow	Medium

Legend;

Colour	Green	Yellow	Red
Code			
Inference	Favourable	Neutral	Unfavourable

Target markets and projected exports:

While the developed markets of USA, EU that have stringent quality standards have the highest potential for exports of KVI products in the long term, the focus in short-medium term should be more to explore and develop the markets in Middle East, South Asia and South East Asia. Easier market access, reduced logistics cost, improved awareness due to presence of traditional customer groups including Indian diaspora, attainable quality standards and simpler packaging and labelling requirements contribute to a higher immediate potential for these markets. However, with interventions in capacity building and increase in export aptitude amongst KVI entities, the premium markets of Europe, USA and other developed countries can be targeted. The potential market for each of the product categories studied is summarized in Table 3:

Table 3: Target market and export potential

Segment	Top 3 target markets	Projected exports potential (INR Crore)
Natural Honey	North America	19.7
	MENA ¹	11.3
	Asia ²	4.0
Agro and Processed Foods	UK	62.6
	Asia	15.9
	Middle East	14.2
Handmade paper	North America	13.1
	South Asia	13.0
	Middle East	9.7
Leather	EU	1.5
	North America	1.1
	UAE	0.9
Herbal and Cosmetics	MENA	5.0
	Asia	3.1
	North America	0.9
Khadi	Asia	8.3
	Middle East	7.6
	North America	4.6

Way forward

The action points to be adopted to improve the exports from the KVI sector are categorized as below:

I. Increase export awareness amongst KVI entities:

¹ Middle East and North Africa

² Includes ASEAN and South Asian countries in addition to Japan, China and other large markets

The market assessment clearly points to a strong need for increasing the awareness of KVI entities in the areas of:

- Export market opportunities
- Quality consciousness in products and processes
- Standards and certifications
- Labelling and warranty requirements
- Tariff and Non-tariff barriers

This could be achieved through setting up of a dedicated wing/division in KVIC under Marketing Department. The objective of this institutional set up would be to constantly monitor the demand and supply side factors impacting exports and act as a one-stop facilitation agency for all KVI entities wanting inputs on exports. This wing/division could be modelled on the lines of the Centre for the Promotion of Imports from Developing Countries(CBI) of Netherlands. The core objectives would be assimilation of information on export markets, assisting in organizing and participating in trade fairs and exhibitions, buyer-seller meets in target markets, providing export marketing assistance for branding and promotion among others.

II. Enhancing export growth through facilitation of upstream value chain activities:

Under this initiative, the purpose would be to facilitate building export competitiveness of KVI entities. This can be achieved through:

1. Building scale of operations through aggregation of capacities adopting:
 - a. Cluster based development with focus on societies with adequate production capability starting with building a detailed data bases on direct and merchant exporters of KVI products, requirements of quality, standards and regulations for potential market etc.
 - b. Facilitation of availability of quality raw material (for e.g. LS and SS cotton for spinners, yarn for weavers and greige fabric of required count/finish for made-ups/garment manufacturers) for the given scale of operations thereby easing the strain of working capital requirement on weavers and artisans
 - c. Identification of y KVI institutions that have design and marketing capabilities which could drive exports of value added end products viz. Khadi garments, made-ups, etc.

2. The entities thus selected should to be trained on processes including Good Manufacturing Practices (GMP) and equipped with facilities to ensure that quality and consistency are maintained under the decentralised manufacturing units.
3. These exporters should be supported with economical access to testing and certifications.
4. Design specific export incentives under MEIS keeping in mind the fundamental difference of KVI versus conventional manufacturing. While doing so it is necessary to keep in mind that the support such as duty draw back does not help KVI sector as its completely indigenous adopting local equipment, raw materials and other inputs.

III. Adopt an omni-channel approach by leveraging E-commerce market players

- KVIC should also implement an online strategy by leveraging existing e-commerce market places so as to garner higher market share and consumer interest in KVI products. Online market places would supplement the current traditional channel of direct and merchant exporters and provide higher visibility and enhance the interest amongst direct buyers both from B2B and B2C category.

IV. Effective use of Khadi Mark

- During our interactions with exporters and manufactures alike, the strong competition and dilution of brand due to the presence of counterfeit products were highlighted. KVIC should adopt a way to check the production and sale of non-genuine products under the brand of “Khadi Mark” by effectively utilizing the existing management information system (KMIS) and employing some efficient additional mechanisms such as barcoding.

V. Support effective promotion and brand building activities in international markets

The export wing/division of KVIC shall facilitate promotional activities like:

1. Organizing buyer-seller meet for high potential products in their respective target markets to enable exporters address the need-gaps in those markets.
2. Considering the nature of KVI products, trade fairs and exhibitions remain one of the most efficient way for promotion in export markets. KVIC has to ensure participation of the right set of manufacturers and exporters in trade fairs specific to their target markets, including multiple visits, if required

3. Internet knowledge of KVI entities in usage of emails, handling on online channels and social media platforms to be improved to enable them to target communication with international customers.
4. Suitable guidelines should be developed for preparation of marketing collaterals especially for use in international trade fairs or exhibitions to ensure professionalism and adequateness.
 - It is essential to communicate using positive signs and visuals to the global audience in aspects such as describing social upliftment of villages through village industries and Khadi societies and the manufacturing processes and ingredients involved

VI. Create a Niche positioning for KVI products

- The inherent attributes of KVI products such as eco-friendliness, zero carbon footprint, 100% hand spun and hand woven, sustainable production practices etc. should be emphasized to create a niche positioning for KVI products.

In conclusion, this study reveals that the opportunities are aplenty, with KVI entities currently exporting well below their potential. However, in order to achieve the targets as envisioned by GoI in 12th Five-year plan a concerted effort is required to address the abundant headwinds and challenges through significant handholding of KVI entities and providing suitable incentives to enhance exports. This focused approach of endowing support and ensuring adequate access to enabling factors is essential to improve the aptitude and capability of KVI institutions and be export competent in the short-medium term.

1 Introduction

1.1 Study background

Khadi sector in India is of great importance as it generates livelihood and employment opportunities at the grass root level in the nation. When promoted in sustained manner, Khadi and village industries may lead to rural amelioration with industrialization leading to economic growth. This sector has evolved from pre-independence era to currently representing great potential for tapping a growing environmental conscious local and international market. Further impetus has been infused into the Khadi sector (Khadi essentially means any cloth woven on handlooms in India from cotton, silk or woollen yarn hand spun in India or from a mixture of any two or all of such yarns³) with the Khadi & Village Industries Commission floating various initiatives to increase the attractiveness and visibility (from its inception in 1956).

This sector has gained special prominence with the Five Year plans increasing the funding as well as the targets. The production has shown sustained growth as indicated below:

Figure 1: Khadi Production

Year	Details		
	Production (Rs crore)	Sales (Rs crore)	Employment (lakh)
2011-12	717	968	10.45
2012-13	762	1022	10.71
2013-14	811	1081	10.98
2014-15	880	1170	11.06
2015-16	1066	1510	11.07

Source: MSME, KVIC Annual Report

The 12th five-year plan has outlined broad targets for development of Khadi and Village industries sector with an overall sector outlay of Rs. 14,800 Crore⁴:

- At least 11% growth in Khadi sector and 13% growth in Village Industries
- Develop domestic as well as export market with focus on innovations in design, technology, creation of entrepreneurship and growth in manufacturing
- Enhanced cluster development - SFURTI, the nodal scheme of the Ministry for resurgence of the Khadi and Village Industries clusters, was launched during 2005-06 and was mostly implemented during 11th Plan period in 29 Khadi and 50 Village Industries Clusters. It has

³ Source: KVIC

⁴ Source: MSME



been proposed in the 12th plan to take up 915 KVI Clusters (15 KVI Heritage Clusters, 450 Khadi, & 450 VI Clusters) with enhanced quantum of grants under a scheme with a proposed outlay of Rs. 1000 crore

Given this ambitious targets and outlay, the Khadi and Village sector should look to tap the international markets.

Current export scenario

The main items exported under Khadi are Silk & Muslin, Ready Made Garments, Textile Based Handicraft and Charkha to USA, Japan, Italy, Poland, Australia, UK, Canada and Middle East nations. The Government, in order to boost export of Khadi products, has given deemed 'Export Promotion Council' status to KVIC under which KVIC has already enlisted more than 900 exporters⁵. In addition to the above products, there are also various products like Honey, Hand Made Paper, Leather, Agro based & Food processing (such as papad, pickle, jam, jelly, squash etc.) and Herbal Health and Cosmetics (such as henna, shampoo, face scrub, herbal body wash, moisturizer, face wash, lip balm etc.) which are gaining increasing prominence due to:

- Environmentally conscious segment of customers
- Lifestyle changes
- Increase in disposable income
- Increasing awareness on effect of overtly chemical products

Thus, the need of the hour is to enhance the export of the various products to the right set of markets with streamlined strategies. To form the right set of strategies, there should be adequate:

- Market understanding
- Customer preference knowledge
- Clear positioning initiatives
- Stakeholder perceptions

In light of the above, in order to formulate a positioning and market strategy KVIC wants to understand opportunities with respect to Khadi in the international market. In addition to the above, KVIC would also like to understand the perception of customers towards traditional village industry.

1.2 Scope of Work

The scope of work for this assignment was to understand the demand for Khadi and Village Industry (KVI) products in the international market and prepare a marketing strategy. The products included in the study are:

- 1) Khadi**
- 2) Village Industry products**
 - a. Honey
 - b. Hand Made Paper
 - c. Leather
 - d. Agro based & Food processing (such as papad, pickle, jam, jelly, squash etc.)
 - e. Herbal Health and Cosmetics (such as henna, shampoo, face scrub, herbal body wash, moisturizer, face wash, lip balm etc.)

1.3 Terms of reference

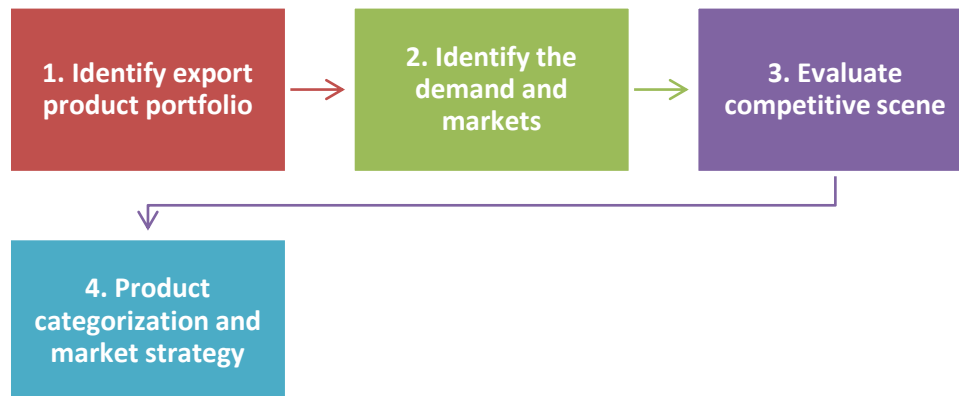
Terms of reference for this assignment are:

- 1) To assess demand for KVI products in international market (through survey of exporters in India and secondary research). Demand to be assessed across income segments and age groups
- 2) To categorize the identified products based on demand (high, medium and low)
- 3) To assess consumer awareness regarding Khadi Mark and to assess extent of implementation of Khadi Mark by entities engaged in production / sale of Khadi
- 4) To prepare a Market Strategy Report for promoting Khadi and VI Products in the international market with demand forecasting and related data of market share that can be achieved by KVIC in the international market

1.4 Approach and Methodology

We have approached the exercise as schematically represented in figure below and explained in detail subsequently.

Figure 2: Approach for Assignment



Though the study approach is demarcated in separate modules for the purpose of approach, the learning will be fluid and thus the preceding modules' learning will aid in the analysis of the subsequent modules with seamless quality control.

1.4.1 Module 1: Identify export product portfolio

The purpose of this module was to profile the As-Is of the KVIC export product portfolio namely:

- To understand in detail, the current export scenario - products manufactured or traded;
- Status of availability of infrastructure required for international trade of these products
- Growth trends
- Future prospects - to identify new or potential products
- Existing concerns, operational challenges and constraints to overcome

The above will essentially culminate in a Strengths, Weaknesses, Threat and Opportunities (SWOT) analysis for KVIC products; and identify natural advantages for developing export-oriented strategy in later modules.

1.4.2 Module 2: Identify demand and market for KVIC products

The purpose of this module was:

- To assess existing markets for exports in terms of their medium-to-long term prospects
- Track historical growth trends of exported products in these markets
- Identify the reasons for growth or decline; evaluate the impact of any recent state or central policy developments; assess the impact of external market developments of these products;
- To identify new or potential markets for products

- Assign reasons for selecting markets for the short or medium term exports; and assess basic preparedness for any evolving market trends.

Once the markets and products were finalized the demand for the products were estimated for required time horizon so that strategies may be detailed out.

1.4.3 Module 3: Evaluate the competitive scenario for the select products and its markets

This is a key module, which will build on the products, target markets and demand. The purpose of which was to identify local and international competition and their performance against established benchmarks. This module will thus assess the current export promotion initiatives and funds and identify the associated constraints. This module will map the awareness of key KVIC products (existing and prospective) across the following indicative factors:

- Knowledge of existing Khadi products
- Awareness of Khadi mark
- How Khadi products differ from usual products in market
- Avenues to buy Khadi products
- Their perception on products
- Any particular positive reinforcements
- Any particular other reinforcement, etc.

1.4.4 Module 4: Formulate market strategy and Product categorization

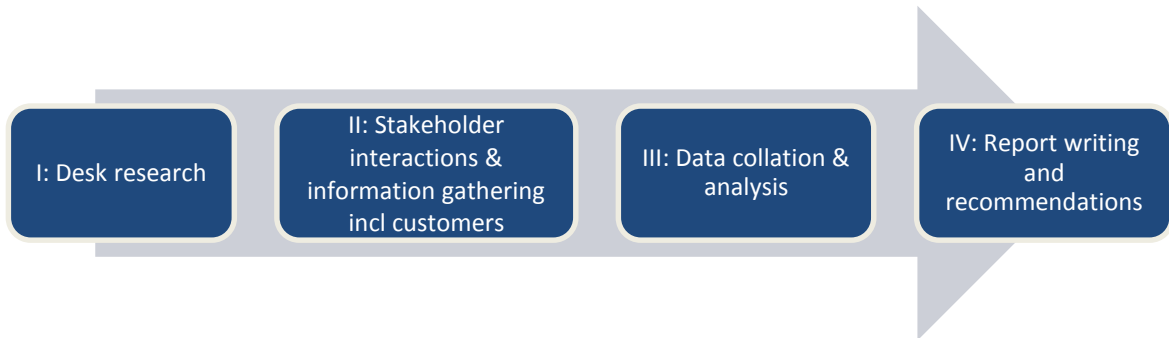
This module tied-in various strands of analyses namely products, markets, competitiveness, demand numbers and customer perception to:

- Prepare market strategy for Khadi products in international markets
- Categorize products as high, medium and low based on demand
- Outline interventions for achieving the demand targets
- Outline initiatives to manage stakeholder / customer perceptions

1.5 Methodology

Our methodology for conducting this assignment had the following four stages:

Figure 3 :Methodology for the assignment



Stage I: Desk Research

In this initial stage, we gathered relevant secondary data and information from credible sources for assessing growth; checking products, and market trends and new developments; studying impact of policies; and related analysis.

Stage II: Stakeholder interactions for information gathering including customers

In this stage, we have identified stakeholders to meet for gathering information related to:

- Current export trends and nature of business;
- Existing or anticipated concerns and constraints;
- Market inputs
- Product inputs
- Key reforms, facilitation and interventions sought by the stakeholders;
- Infrastructure providers' perspectives,
- Any other feedback, etc.

We have met the following respondents:

- Bulk purchasers for exports (Textile companies/ boutiques/ Marketing companies / corporate sector organizations with proportionate coverage in the selected cities) – 50
- Experts in textile / fashion designing – 19
- Large Khadi / VI institutions and private sector agencies and Institutions such as the Export Promotion Council (EPC), Federation of Indian Export Organisations (FIEO), Textile / Apparel / handicraft Promotion Councils, India Trade Promotion Organisation (ITPO), CII, ASSOCHAM, FICCI – 10

The detailed sampling plan is shared in *Annexure*



Stage III: Data collation and analysis

In this stage, we built a demand forecasting model and assumptions for estimating international targets. We have analysed the data and information gathered to get an understanding of trends and substantiated our findings and suggestions from stakeholder and customer feedback. Analysis tools have been utilized to obtain statistically relevant results.

Stage IV: Report writing and recommendations

In the last stage, we have worked on the draft report including the recommendations on market strategy and product categorization. Subsequent to the presentation to KVIC officials and detailed discussion on the draft final report, we have modified the draft report to include feedback from KVIC.

1.6 Limitations of the study

The limitations for the study are summarised as below:

1. The data sources used for our analysis are DGCIS, MoC database and UN Comtrade database. UN Comtrade data is on Calendar Year basis whereas DGCIS and MoC data is on Financial Year basis hence will these data sources does not exactly match. The corresponding sources of data used for our analysis have been highlighted as applicable.
2. UN Comtrade data can be extracted using HS code at 6-digit level while DGCIS and MoC data was extracted using HS code at 8-digit level.
3. As there are no exclusive HS codes for Khadi, the Indian Khadi export data was derived from Bill of Lading records taken from customs database. We have cleaned the data to eliminate counterfeit and incorrect entries of Khadi export to the best possible extent and reflected the same in our analysis
4. While there are certain aspects of the target consumer that have been captured as part of the primary survey, the target respondents are Bulk purchasers/exporters of both Khadi and VI products and hence the responses would therefore reflect the perceptions/understanding of these intermediaries and not that of the end consumer him/herself.

2 Institutional set-up to promote Khadi and Village Industries

Micro, Small and Medium Enterprises (MSME) is a highly vibrant and dynamic sector of the Indian economy. The sector is providing employment to 120 million⁶ people and contributing 45%⁷ to the country's exports. It is playing a crucial role in providing large employment opportunities and helping in industrialisation of rural and backward areas, thereby acting as the vehicle for inclusive growth and reducing regional imbalances.

Ministry of Micro, Small and Medium Enterprises is formed for the growth and development of the MSME sector, including Khadi, Village and Coir industries in cooperation with concerned Ministries/ departments and State Governments.

The Implementation of MSME schemes and policies is undertaken through its attached office, namely the Office of the Development Commissioner, National Small Industries Corporation (NSIC), Khadi and Village Industries Commission (KVIC), the Coir Board, and the training institutes: National Institute for Entrepreneurship and Small Business Development (NIESBUD) Noida, National Institute for Micro, Small and Medium Enterprises (NI-MSME) Hyderabad, Indian Institute of Entrepreneurship (IIE) Guwahati and Mahatma Gandhi Institute for Rural Industrialization (MGIRI) Wardha.

2.1 Macroeconomic profiling of Khadi & Village industry

The objective of the macroeconomic profiling of Khadi & Village industries is to highlight its importance and contribution in socio-economic development of the nation.

2.1.1 Indian Economy

India's Gross value added (GVA) at basic constant (2011-12) prices for the year 2016-17 is estimated at INR 111.85⁸ lakh crore and showing a growth of 6.6% over the GVA for the year 2015-16 estimated at INR 104.91 lakh⁹ crore. The manufacturing sector has 18%¹⁰ contribution in the total India's GVA. The growth of GVA of the manufacturing sector is estimated at 7.9%¹¹ at constant prices which includes 23%¹² contribution from Khadi and Village industry (KVI).

⁶ CII

⁷ CII

⁸ MOSPI

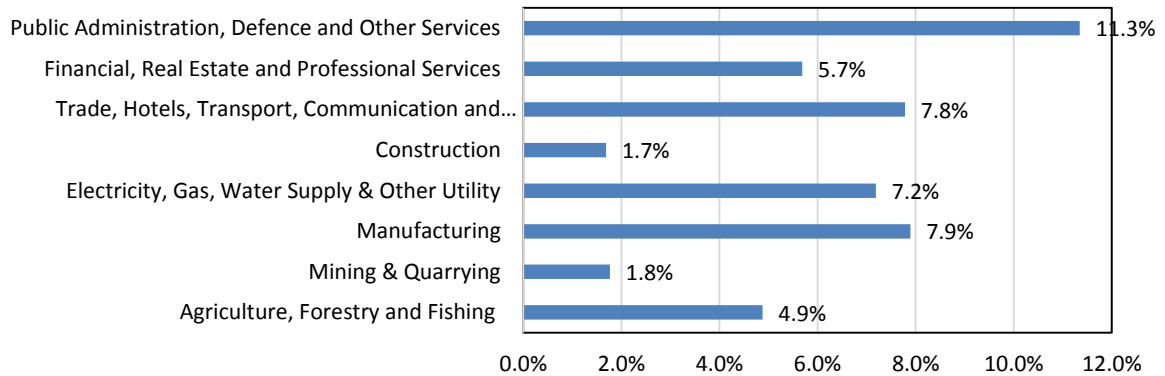
⁹ MOSPI

¹⁰ IMaCS analysis

¹¹ MOSPI

¹² MOSPI

Figure 4: GVA Percentage change in year 2016-17

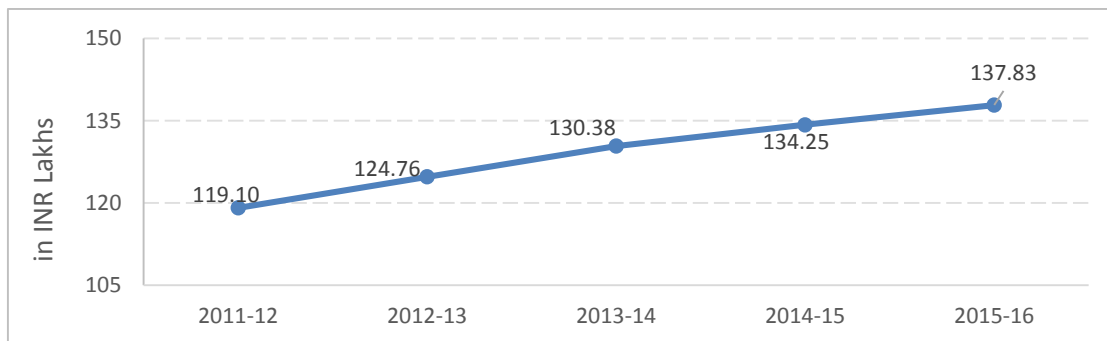


Source: MOSPI

2.1.2 Employment in Khadi & Village industries

Khadi and Village Industries (KVI) is the engine of growth and development of MSMEs and is estimated to play a major role in employment generation in future. The total employment generated in this sector in FY16 was 137.43 lakhs with CAGR of 3% between FY12 to FY16.

Figure 5: Employment in Khadi and Village Industry



Source: KVIC Annual report

2.2 Profile of KVIC

Khadi & Village industry Commission (KVIC) has been established as a statutory organisation under the Ministry of Micro, Small and Medium Enterprises (MSME) to provide employment opportunities and undertake activities like skill development, research and development, marketing etc. for the growth and development of the industry.

KVIC is responsible for planning, promotion, organisation and implementation of programs for development of Khadi and village industries in rural areas. The prime functions of KVIC are:

- Planning and organising capacity building programmes

- Building up of reserve of raw materials and implements for supply to producers
- Encouraging and assisting in creation of common service facilities for production and marketing of KVI products
- Promoting and marketing KVI products
- Undertaking studies for KVI products
- Encouraging and promoting research in production techniques and equipment used in KVI sector
- Providing assistance in developing and upgrading designs, prototypes and quality standards

2.2.1 Khadi & Village industries' products

Khadi programmes comprises of hand spun and hand-woven cotton, silk, muslin and woollen varieties, while village programmes comprise of following industries:

- Mineral based industry: It majorly comprises of pottery and lime based products.
- Forrest based industry: It comprises of Medicinal plants, Bee keeping and Honey industry.
- Agro based & Food processing industry: It includes palmgur and palm products, fruits & vegetables, bakery products, spices etc.
- Polymer & Chemical based industry: It comprises of footwear, leather products and Aggarbatti / incense sticks.
- Rural engineering & Bio-technology industry
- Handmade paper & Fibre industry: it covers wide variety of handmade paper including stationary items like files, letter pads, envelopes, fancy bags, visiting cards, greeting cards, watermark certificate and decoration materials like photo albums etc.
- Service and Textile industry

2.2.2 KVIC Institutional structure for export

KVIC has an extensive and well framed organisation structure with a purpose to promote marketing and exports of KVI products in domestic and international market. The directorate of Marketing, Government Supply and Exports is the department responsible for carrying out marketing activities and responsibilities of a deemed Export Promotion Council (EPC). Following are the objectives of KVI – EPC:

- Provide inputs for capacity building for exports under a single window system

- Organise and participate in trade fairs or exhibitions in India or abroad to explore overseas market opportunities
- Build database and provide data on the exports product as well as country-wise with relevant data on international market trends and legislations
- Channel for providing incentives under Market Development Assistance (MDA) and Market Access Initiatives (MAI) OF Ministry of Commerce and Industry, Government of India
- Provide platform for policy makers, national and international trade bodies

KVIC programmes are implemented through 33 state/ UT KVI boards (KVIB), 4,443 registered institutions and 6.71 lakh entrepreneurial units¹³.

2.3 Export Support from KVIC

Various initiatives taken by KVIC in terms of skill and capacity building, financial assistance, marketing, promotion and availability of raw materials to promote export from India are mentioned below:

2.3.1 Various schemes implemented through KVIC

Government of India has formulated various developmental schemes for implementation through KVIC. These schemes focus on employment generation, increase in productivity, wage enhancement, social welfare of artisans, marketing and increase in export in Khadi & Village industries. Following are the various schemes which are implemented through KVIC:

1. **Prime Minister's Employment Generation Programme (PMEGP):** PMEGP is a credit linked subsidy scheme of Government of India which was launched by merging erstwhile Rural Employment Generation Programme (REGP) and Pradhan Mantri Rojgar Yojna (PMRY) schemes for generation of employment opportunities by setting up micro enterprises in rural as well as urban areas. It has been the main contributor for the performance of KVI.
2. **The Scheme of Fund for Regeneration of Traditional Industry (SFURTI):** SFURTI scheme is being implemented through establishment of eight hundred new clusters (at least one in each district), with an aim to provide employment opportunities to four lakh people leveraging financial assistance from multilateral agencies.

¹³ KVIC Annual Report 2015-16

3. **Scheme for Promotion of Innovation, Rural Industry and Entrepreneurship (ASPIRE):** ASPIRE scheme has an aim to set up a network of livelihood business and technology incubation centers to promote startups for innovation and entrepreneurship.
4. **Market Promotion and Development Assistance Scheme (MPDA):** MPDA scheme provide assistance in market development, publicity, marketing and market promotion.
5. **Interest Subsidy Eligibility Certificate (ISEC) Scheme:** This scheme is introduced to mobilize the funds in order to bridge the gap in the actual fund requirement and availability of funds from budgetary source. Under this scheme, implementing agencies can avail bank loan as per the ISEC issued and they are required to pay only four percent of interest and difference between the actual interest charged by the bank and four percent is born by the KVIC as interest subsidy.
6. **Aam Admi Bima Yojna (Group Insurance Scheme for Khadi Artisans):** This scheme has been launched for the benefit of Khadi artisans, under which the premium is shared between KVIC, Khadi institutions, artisans and Government of India. Under the scheme, the following monetary benefits are extended:
 - i. Natural death – INR 30,000
 - ii. Death or Permanent disability – INR 75,000
 - iii. Partial permanent disability – INR 37,500
 - iv. Shiksha Sahayog Yojana – Scholarship of INR 300 per quarter to two children of Khadi artisan studying in Std IX to XII
7. **Strengthening the infrastructure of existing weak Khadi institutions and providing assistance for marketing infrastructure:** This scheme is for strengthening the weak Khadi institutions which have potential to achieve required productivity and create marketing infrastructure in identified outlets.
8. **Khadi Reform and development Programme (KRDP):** This scheme is approved by Government of India and will be implemented with the assistance from Asian Development Bank (ADB) for realising the growth potential of KVI sector by repositioning of Khadi with current market needs, employment generation and enhancing earning of artisans.

2.3.2 Incentives/ benefits

Various incentives provided by KVIC to provide financial assistance to KVI units to increase production and promote export are mentioned below:

- Market Development assistance (MDA) disbursement under various schemes in 2015-16 was INR 1646.85 crore which showed growth of 11.3% from 2014-15. Disbursement in Khadi Grants and Village Industries Grants was INR 168.47 and INR 56.45 crore, which grew by 10% and 3% from 2014-15, respectively¹⁴.
- Export incentive at 5% of actual export realization on FOB value of exports for KVI institutions/ REGP units registered under KVI sector
- Financial support up to INR 1.25 lakh under international cooperation scheme of Ministry of MSME to the KVI units/ institutions for participating in international exhibitions
- Reimbursement of To and From economy class air fare
 - SC/ ST, Women managed and units from NE region – 100%
 - All others – 75%
- Reimbursement of stall rent
 - SC/ ST, Women managed and units from NE region – 100%
 - All others – 50%
- 25% subsidy on KVI project cost

2.3.3 Skill and Capacity Building

The major function for KVIC is to create employment opportunities for the masses of the country. For the said objective, KVIC is engaged in imparting skill development training. Skill development program is implemented through 38 training centers and 89122 people were trained in 2015-16. The target group of beneficiaries is unemployed youth, in-job artisans, prospective entrepreneurs, PMEGP beneficiaries, employees of KVIC/ KVIB. KVI institutions and beneficiaries of different Government schemes desired of undertaking KVI activities. Initiatives have been taken for e-learning module to create awareness and covering more number of beneficiaries.

2.3.4 Marketing activities

Marketing and promotion activities are required to create awareness among the customers and increasing sales for the products. The initiatives taken by KVIC to increase sales in domestic market and international market are:

1. In several episodes of 'Mann Ki Baat', Hon'ble Prime Minister of India, urged countrymen to use at least one item of Khadi to support the rural artisans. Hon'ble Prime Minister has

¹⁴ KVIC Annual report

persuaded Government officials to wear Khadi in Govt. departments at least one day in a week.

2. E-commerce and Franchise Schemes have been introduced to strengthen the marketing of Khadi and Village Industries products.
3. Mobile sales vans have been launched in Mumbai and Delhi to create awareness
4. Sales counters have been opened in the Airports, Parliament Annexes, Office of Income Tax Commissioner, Mumbai etc to create awareness and increase sales
5. Jeans and T-shirts have also been introduced to cater to the teenage and youth segment.
6. Discounts are provided on 2nd of October to attract customers
7. Khadi Bhavans are being rebranded and developed as Khadi India outlets and uniform signage board of Khadi India has been designed for all over country.
8. KVIC provided platform to KVI units registered with KVIC/ KVIB to participate in various domestic as well as international exhibitions. KVIC Participated in 22 domestic and 3 international exhibitions in 2015-16.
9. KVIC organized 21 domestic exhibitions in 2015-16.

2.4 Sectoral Performance of Khadi & Village industries

KVIC schemes, skill and capacity building, financial assistance, marketing and promotion initiatives mentioned above have resulted in CAGR of 9.6%, 9.3% and 8.1% in production, sales and earnings, respectively during period 2012-2016.

Figure 6: Sectoral Performance of Khadi & Village industries

Performance parameters	Industry	FY 12	FY 13	FY 14	FY 15	FY 16	CAGR
Production	Khadi	716.98	761.93	811.08	879.98	1065.60	8.2%
	VI	21135.06	23262.31	25298	26689.39	33424.62	9.6%
	Total	21852.04	24024.24	26109.08	27569.37	34490.22	9.6%
Sales	Khadi	967.87	1021.56	1081.04	1170.38	1510	9.3%
	VI	25829.26	26818.13	30073.16	31965.52	40384.56	9.4%
	Total	26797.13	27839.69	31154.20	33135.9	41894.56	9.3%
Employment	Khadi	10.45	10.71	10.98	11.06	11.07	1.2%
	VI	108.65	114.05	119.4	123.19	126.76	3.1%
	Total	119.10	124.76	130.38	134.25	137.83	3.0%
Earnings	Khadi	449.02	459.18	469.56	483.37	604.29	6.1%
	VI	10034.11	10438.28	10767.09	11208.54	14875.53	8.2%
	Total	10483.13	10897.46	11236.65	11654.52	15479.82	8.1%

Source: KVIC Annual report



The various marketing and promotion activities have created awareness regarding KVI products in domestic market and have helped KVIC in getting following bulk orders:

- KVIC has received bulk order from Air India for Silk Sarees, Jackets, Trousers, Jodhpur Bandhgala Coats, etc.
- KGB, Mumbai has received order from Air India for supply of amenity kits valued at approximate INR 8.00 crore¹⁵.

The initiatives taken by KVIC have also led to increase in exports with CAGR of 13.7%¹⁶ during the FY 2012-16

¹⁵ KVIC Annual report

¹⁶ IMaCS Analysis

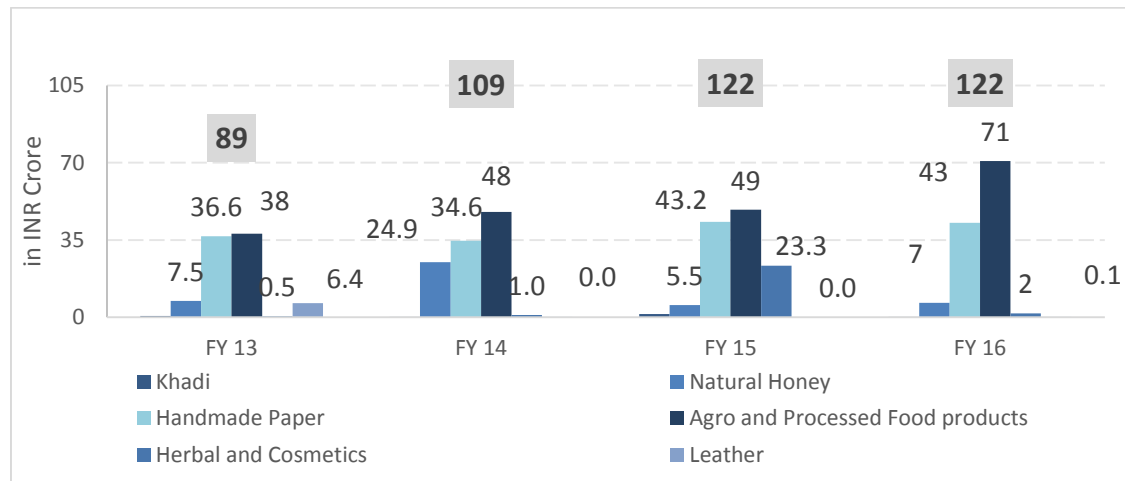
3 As is assessment of exports

3.1 KVIC Export scenario

KVIC as a deemed EPC registers and maintains record of KVI product exported by its members.

Figure 7 shows the export trend in KVI products from FY13 to FY16.

Figure 7: KVI export trend



Source: KVIC, iMaCS' analysis

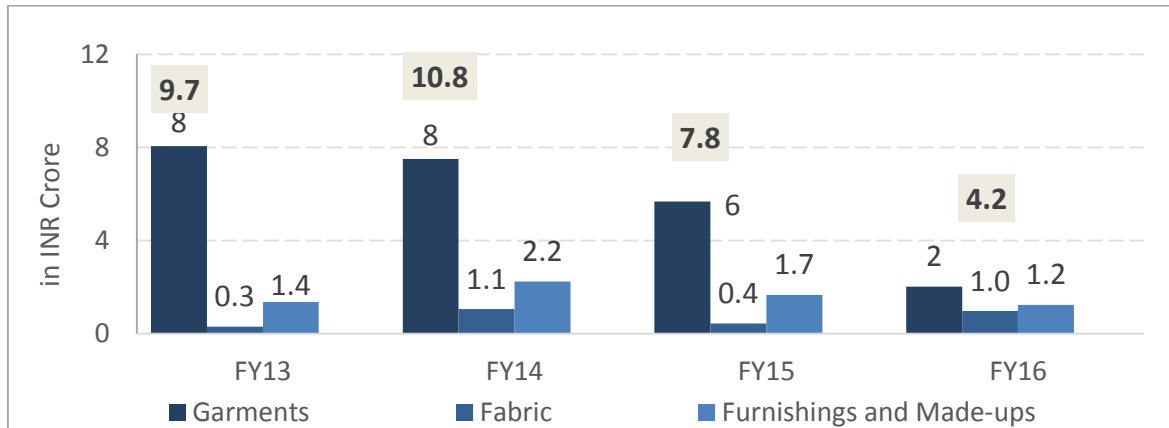
The main product categories considered for this study were Khadi products, Natural Honey, Handmade paper and products, Agro and Processed food, Leather and Herbal and Cosmetic products. The overall exports for these products as reported by KVIC grew from INR 89 Crore in FY13 to INR 122 Crore in FY16 and registered a growth of 11% CAGR. Agro and Processed food segment was the biggest contributor to KVI exports and it grew at a CAGR of 23% from INR 38 Crore in FY13 to INR 71 Crore in FY16. The key products exported under this category (as reported by KVIC) were Papad, Wheatgrass and Food items.

Export of Herbal and Cosmetic segment which include Ayurvedic products, Essential Oils and Herbal products, registered the fastest growth at a rate of 53% CAGR, while Handmade Paper products witnessed a growth of 5% CAGR. Natural Honey exports registered a decline of a -4% CAGR in the same period. The export of Khadi products including Khadi Garments, Khadi Fabric and Khadi furnishings and made-ups, as reported by KVIC registered a decline of CAGR -42% in last four years and that of Leather products registered the biggest decline of -75% CAGR. The detailed analysis of each product segment has been carried out in subsequent sections of the report.

3.2 Khadi exports

Khadi product exports as reported by KVIC has been inconsistent and hence bill of lading data from customs was corroborated and used for the following analysis. The trend in Khadi exports from customs data is shown in Figure 8.

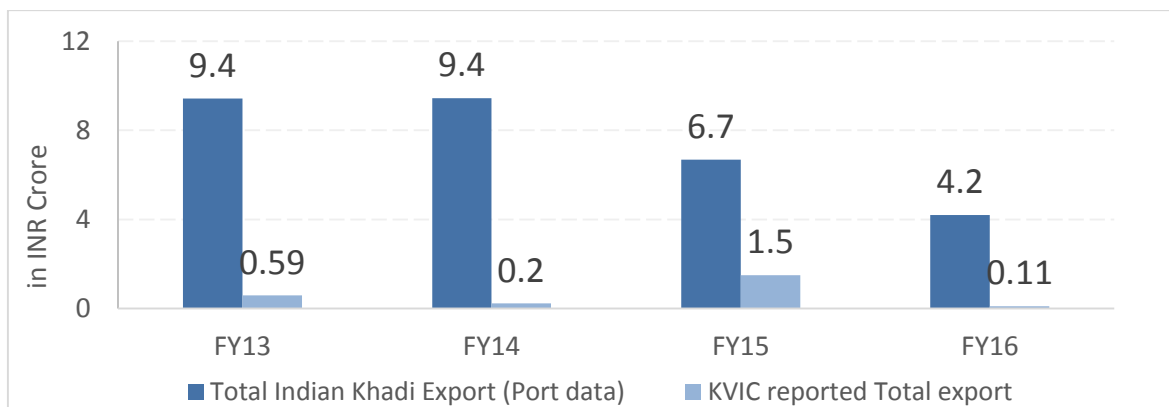
Figure 8: Khadi exports from India



Source: Customs data, IMAcS' analysis

The total Khadi exports from India have seen a decline from INR 9.7 crore in FY13 to INR 4.2 crore in FY16, declining at a CAGR of -24%. This decline has been mainly due to a considerable reduction in Khadi Garments exports, which constitutes the bulk of exports by value. This segment registered a decline of -37% CAGR in last four years. Exports of Khadi Furnishings and Made-ups which include items like Handkerchief, Bed Sheets, Curtains, etc. declined marginally from INR 1.4 crore in FY13 to INR 1.2 crore in FY16. The only sub-segment which registered growth was that of Khadi Fabrics, which grew at a CAGR of 46% from INR 0.3 crore in FY13 to INR 1 crore in FY16.

Figure 9: KVI Khadi export viz. a viz. Indian Khadi Export

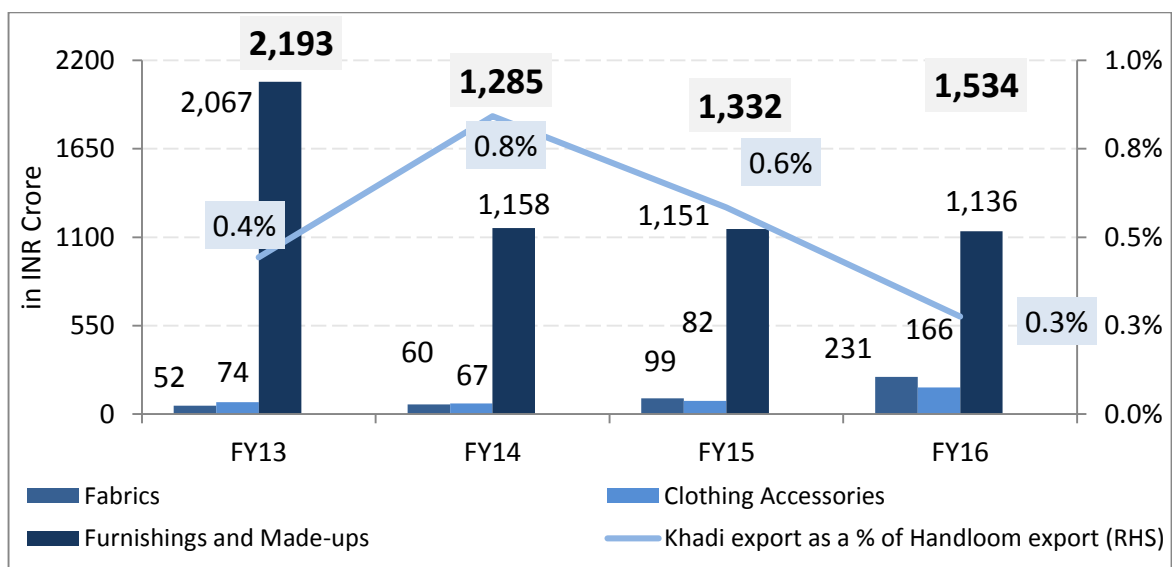


Source: Customs data and KVIC, IMAcS' analysis

Total export of Khadi products as reported by KVIC stood at INR 11 lakhs in FY16, down from INR 59 lakhs in FY13. The top destinations of Indian Khadi products as reported by bill of lading data in FY16 were UAE, Japan, USA, France and Canada. They together constituted a little more than 76% (INR 322 lakhs) of total Indian Khadi exports. UAE was the top most destination for Indian Khadi Products importing 25% (INR 105 Lakhs) of Indian Khadi exports, followed by the Japan with 23% (INR 96 Lakhs) and USA with 14% (INR 58 Lakhs) of Indian Khadi exports. Khadi Garments constituted 98% of Khadi products exported to UAE, while they were 75% of Khadi products exported to Japan and 67% of Khadi products exported to USA.

Since Khadi products do not have separate HS codes and are exported under Indian Handloom HS codes, an analysis of Indian Handloom exports have been carried out in order to understand the trend in Indian Handloom exports and draw a comparison with Khadi exports. The HS codes at 8-digit level considered for Indian Handloom export analysis were 62141030 (Garments and accessories), 50079010 and 52091119 (Fabric) and 63026010, 63041940, 63049241, 63049281 and 63049291 (Furnishings and Made-ups).

Figure 10: Indian Handloom exports



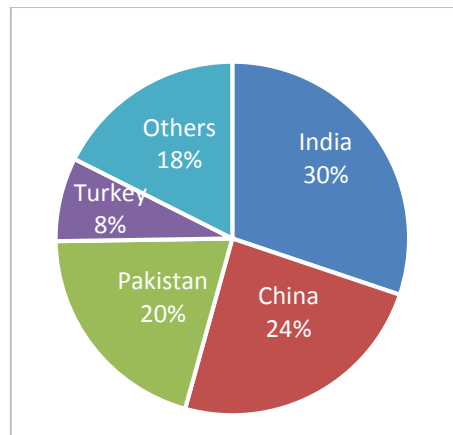
Source: HEPC and Customs data, iMaCS' analysis

Indian Handloom exports in FY16 stood at INR 1,534 crore down from INR 2,193 crore in FY13, registering a negative CAGR of -24%. Furnishings and Made-ups were the largest segment of Indian Handloom export contributing 80% of total exports in FY16 and de-grew by CAGR 18% since FY13. Fabrics and Clothing accessories posted a growth registering CAGR 64% and CAGR 30% growth respectively. The decline in Indian Handloom exports mirror that of Indian Khadi

exports thereby highlighting the need for a more dedicated focus to increase the exports from this segment.

The top destinations for Indian handloom exports in FY16 as reported by Handlooms Export Promotion Council (HEPC) included USA, EU, UK, UAE and Australia.

Figure 11: Major Competitors for handloom exports in India's key destinations



Source: UN Comtrade, iMaCS' analysis

Figure 11 represents the market share of competitors in India's top five destinations for Handloom products. India has the highest market share of 30% in its top destinations, followed by China at 24%, Pakistan at 20% and Turkey at 6%. Around 58% of Garments and accessories, 49% of Fabric items and 79% of Furnishings and Made-ups were exported to USA, EU and UK in 2015.¹⁷

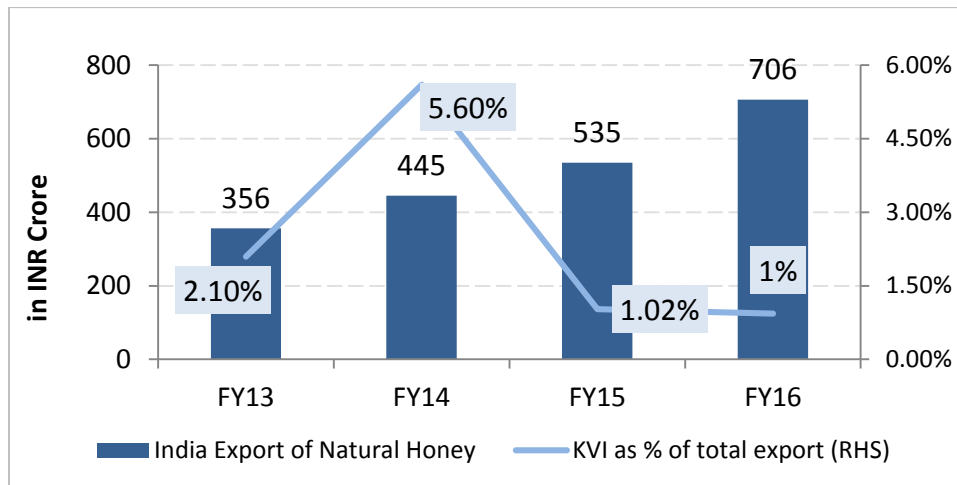
3.3 Village Industry exports

3.3.1 Natural Honey

Indian export of Natural Honey grew from INR 321 Crore in FY12 to INR 706 Crore in FY16 at a CAGR of 22%. Whereas export of Natural Honey under KVIC grew at a CAGR of 51% in same period and stood at INR 657 Lakh which was 0.93% of Indian export of Natural Honey as shown in *Figure 12*.

¹⁷ Source: UN Comtrade

Figure 12: Trend in Indian Natural Honey Export

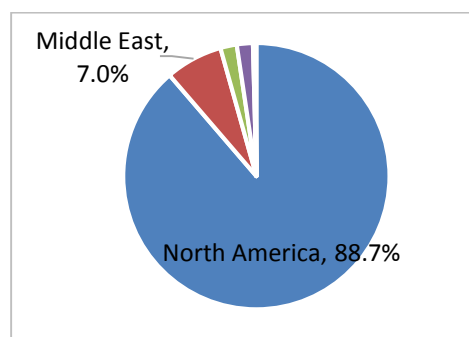


Source: DGFT, KVIC, iMaCS' analysis

The HS code used for export of Natural Honey is 040900. Indian export of Natural Honey contributed 4% of total Natural Honey export in the world. China with 14% contribution, New Zealand with 10% and Argentina with 9% contribution were the top three exporters in the world.

North America was the most preferred region as destination for Indian export of Natural Honey constituting 88.7% of total Indian export in FY16 followed by Middle East with 7% contribution. The top five destinations for Indian Natural honey in FY16 were USA, Saudi Arabia, UAE, Morocco and Bangladesh.

Figure 13: Region wise top destination for Indian Natural Honey

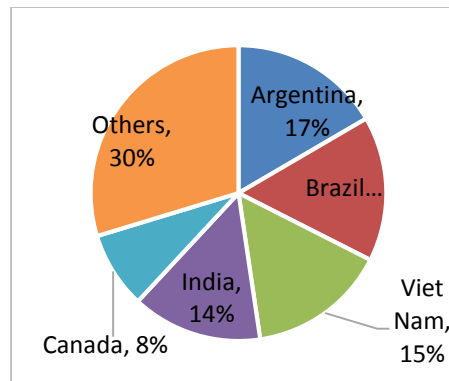


Source: DGCIS, MoC, iMaCS' Analysis

India's major competitors in these large Honey import markets are Argentina, Brazil and Vietnam. Together they constitute close to half of total import to these markets. Argentina leads with 17% of total market share in import of Natural Honey in 2016, closely followed by Brazil and Viet Nam with 16% and 15% respectively. India's share in the total imports was 14% in 2016, growing

marginally from 13% in 2011. The supply dynamics for Natural Honey has remained more or less stable with the top exporters remaining prominent, however the dominance of Argentina has reduced significantly since 2011 as shown in figure above. Imports from Canada, Viet Nam and Brazil have grown at the expense of Argentina’s imports. There is a strong potential for Indian exports to grow considering the recent supply shifts.

Figure 14: Major Competitors of Indian Natural Honey in key destinations

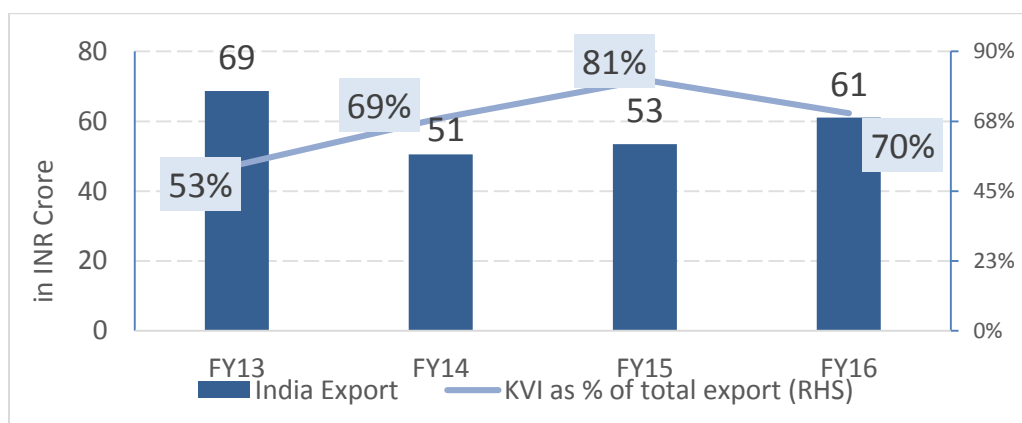


Source: UN Comtrade, iMaCS’ Analysis

3.3.2 Handmade Paper

Indian Handmade paper and products export registered a decline of -3.8% CAGR from INR 69 Crore in FY13 to INR 61 Crore in FY16. Export of Handmade paper and products as reported by KVIC grew by 5.3% CAGR in the same period and accounted for 70% of Indian export in FY16.

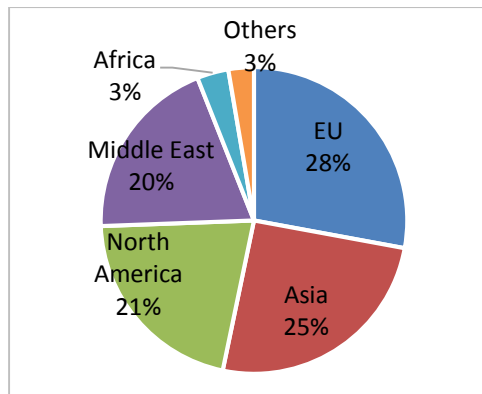
Figure 15: Indian Handmade paper export



Source: DGCI, MoC, KVIC, iMaCS’ Analysis

The HS code used for this analysis was 480210. Indian export of Handmade paper products contributed 13% of total Handmade paper export in the world. China with 26% contribution, USA with 9% and Thailand with 7% contribution were the other top exporters in the world.

Figure 16: Region wise top destination for Indian Handmade paper

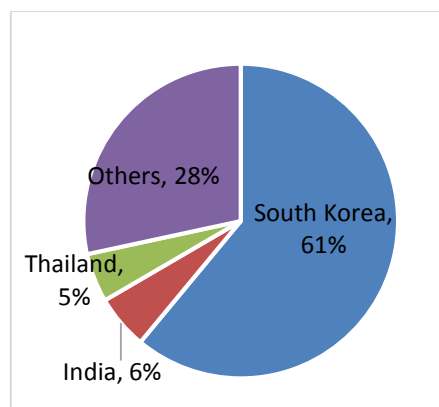


Source: DGCIS, MoC, iMaCS' Analysis

EU with a share of 28% was the preferred region for Indian Handmade paper export in FY16, followed by Asian countries with 25%, North America with 21% and Middle east with 20% of Indian Handmade paper exports. The topmost countries where India exported Handmade paper were USA, UK, Nepal, Iran and Bangladesh.

India's major competitors in these key Handmade paper import markets were South Korea and Thailand. They along with India constitute 72% of the total market. South Korea led with 61% share followed by India 6% and Thailand 5% respectively. India's share decreased from 19% in 2011 to 6% in 2015 whereas that of South Korea increased from 49% to 61% in the same period. While the supply dynamics have remained stable in last 5 years but India has lost ground to South Korea and needs to regain market share in these key markets.

Figure 17: Major Competitors of Indian Handmade paper in key destinations

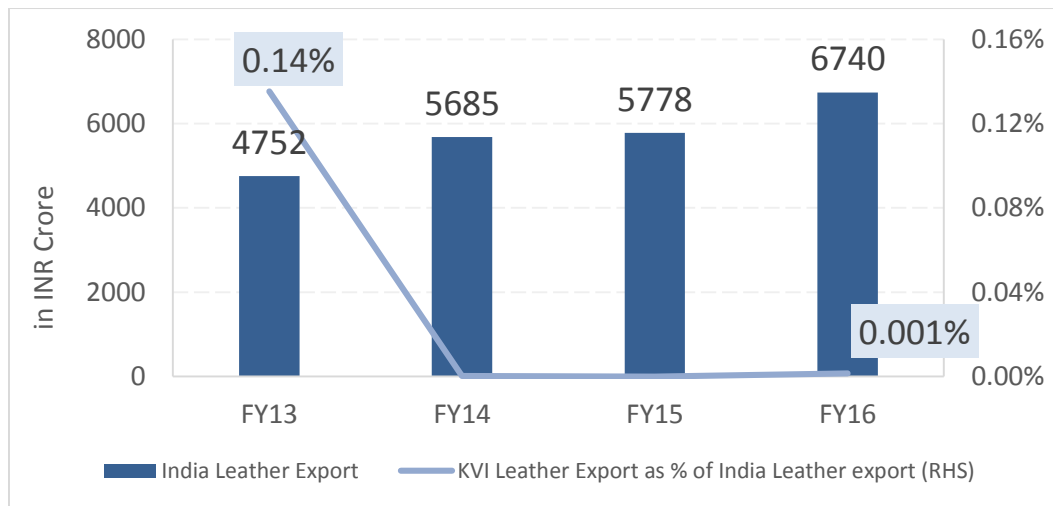


Source: UN Comtrade, iMaCS' Analysis

3.3.3 Leather

Leather product exports from India witnessed a growth of 12% CAGR from INR 4752 Crore in FY13 to INR 6740 Crore in FY16. Leather product exports as reported by KVIC registered a decline of -75% CAGR in the same period from INR 540 lakhs in FY13 to INR 10 lakhs in FY16 and accounted for 0.001% total Indian Leather product export.

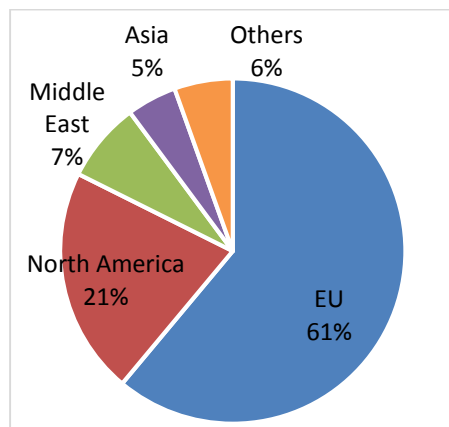
Figure 18: Trend in Leather Product Export from India



Source: DGCIS, MoC, KVIC, iMaCS' Analysis

The HS codes used for the analysis were 420231 (Leather bags and cases) and 420310 (Leather apparels). India contributed 13% of total World Leather products export in 2015. Italy was the largest exporter of Leather products with 18% contribution closely followed by China with 17% contribution. Italy, China and India were the top three exporters of Leather products.

Figure 19: Region wise top destination for Indian Leather

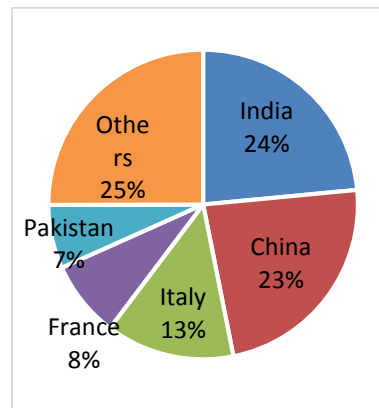


Source: DGCIS, MoC, iMaCS' Analysis

EU was the most preferred region as destination for Indian Leather product exports with a 61% share. North America with 21% and Middle East with 7% were the other two top regions for Indian Leather product exports. The countries apart from EU nations which were preferred destinations for Indian Leather products were USA, UK, UAE and Australia.

India's top competitors in these key Leather import markets in 2015 were China, Italy and France. India led the market by value with a share of 24% very closely followed by China with a share of 23% and Italy 13%. India has displaced China as the top Leather products exporting country in its key markets when compared to 2011. In 2011 China led in these key markets with a share of 28% with India being the nearest competitor with a 23% share of its key markets. This has been a positive trend for Indian exporters and KVIC Leather products exporters can utilize this opportunity in future.

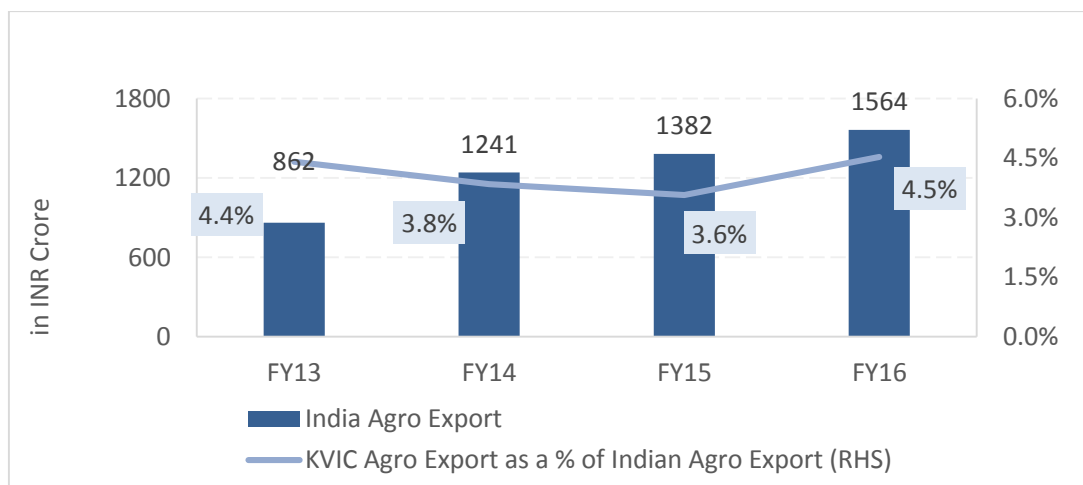
Figure 20: Major Competitors of Indian Leather products in key destinations



Source: UN Comtrade, iMaCS' Analysis

3.3.4 Agro and Processed Food products

Figure 21: Trend in Agro and Processed Food Products Export from India



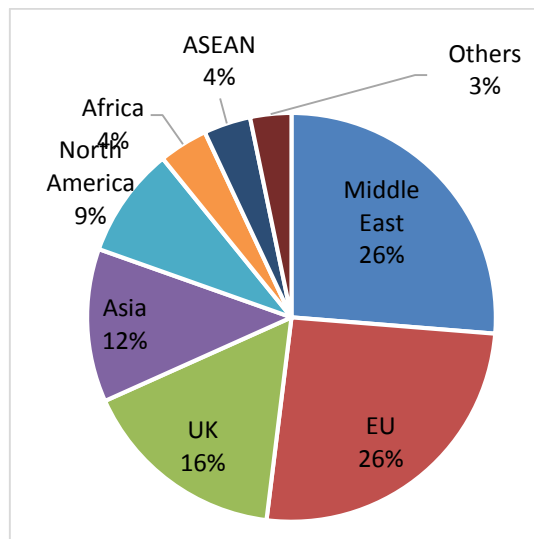
Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

The Agro and Processed Food products export from India witnessed a double digit growth of 22% CAGR from INR 862 Crore in FY13 to INR 1564 Crore in FY16. The export of Agro and Processed Food products as reported by KVIC grew at 23% CAGR from INR 40 Crore in FY13 to INR 71 Crore in the same period and accounted for 4.5% of total Indian Processed Food products segment. The products reported by KVIC under this segment were Papad, Wheat Grass and Food items.

The HS codes used for the analysis were 1143000 (Wheat Grass), 19059040 (Papad), 200799 (Jams and jellies) and 200899 (Squash). India contributed 1.3% of the World exports for these products in 2015, marginally improving its share of 1% in 2011. Germany led the exports with 11% share in 2015, followed by USA with 8.6% and France with 7.7% share respectively.

Middle East and EU were India’s largest region wise markets, importing 26% of Indian Agro and Processed Food products in FY16. UK with 16% and Asia with 12% were the next two largest markets. The top countries importing Indian Agro and Processed Food products were Netherlands, UK, USA, UAE and Saudi Arabia importing close to 57% of Indian Agro and Processed Food Products.

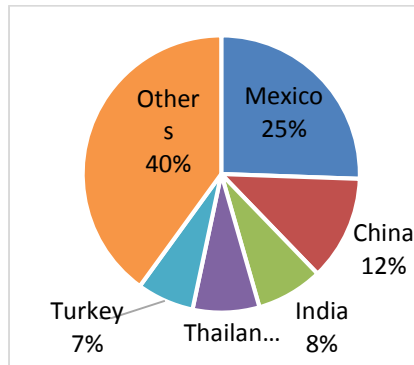
Figure 22: Region wise top destination for Indian Agro and Processed Food Products



Source: DGCI, MoC, iMaCS’ Analysis

Of these large importing markets for Agro and Processed Foods, USA, Canada and EU are mutual trading partners and are leading players in their partner’s respective market. Apart from these players, Mexico led the market with a market share of 25% in 2015, followed by China with 12% share. India and Thailand each with 8% share of the market were the next big players.

Figure 23: Major Competitors of Indian Leather products in key destinations

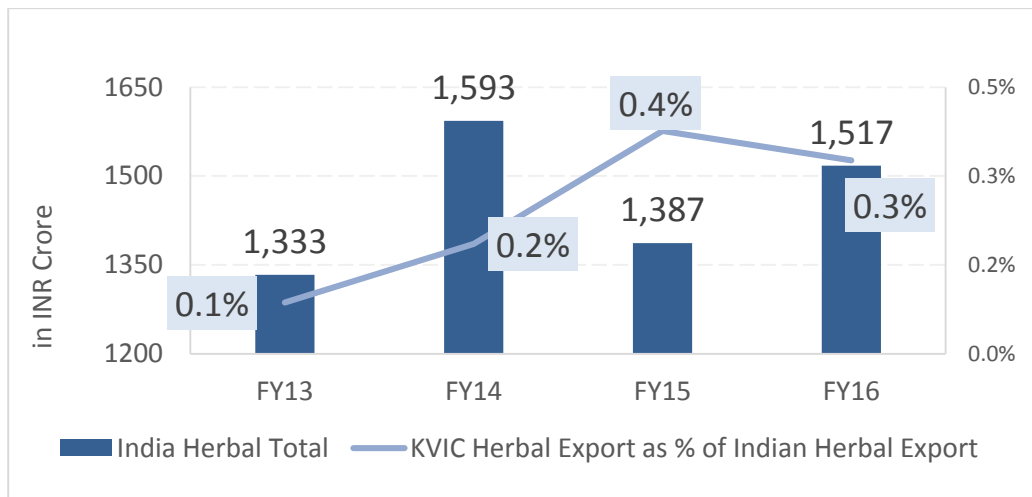


Source: UN Comtrade, IMaCS' Analysis

3.3.5 Herbal Products

India's export of Herbal products witnessed a slow growth rate of 4% CAGR, rising from INR 1,333 Crore in FY13 to INR 1,517 Crore in FY16. Export of Herbal products as reported by KVIC grew at significant rate of 55% CAGR from INR 1.15 Crore in FY13 to INR 4.96 in FY16 which was 0.3% of total Indian herbal product exports by value. The key products exported under this category included Ayurvedic products, Essential Oils and other Herbal and Cosmetic products like Soap, Shampoo, Hair oil, Moisturiser etc.

Figure 24: Trend in Herbal product exports from India

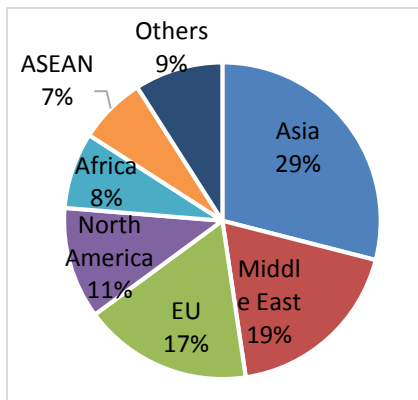


Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

The HS codes used in this analysis were 30039011 and 30049011 (Ayurvedic Products); 33059019 (Hair Oils); 330129 (Essential Oils); 34011990 and 34013090 (Soap); 33049110, 33049190 and 33049990 (Cosmetics) and 33051090 (Shampoo). Germany was the top exporters of Herbal Products contributing to 13% of World exports in 2015. India contributed 3% of World's Herbal product exports in 2015, marginally increasing its share of 2% in 2011.

Asia forms the largest market for Indian Herbal Products with 29% share of Indian Exports followed by Middle East with 19% and EU with 17% respectively. USA; EU members like Germany, France; Asian Countries like Nepal, Russia and Middle Eastern UAE are top countries importing Indian Herbal Products and importing 42% of the exports.

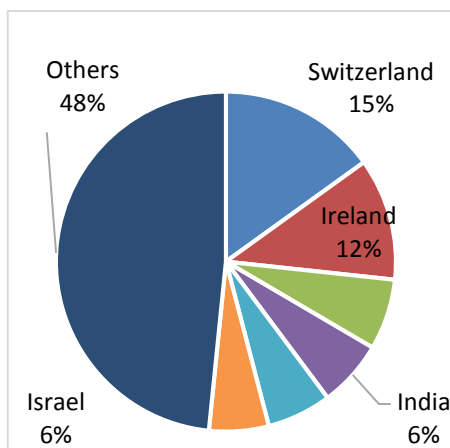
Figure 25: Region wise top destination for Herbal Products Exports



Source: DGCIS, MoC, iMaCS' Analysis

Switzerland was the leading player in these key markets for Indian Herbal Exports in 2015 with 15% of market share followed by Ireland with 12% and Netherlands with 7% of the market share respectively. India held 6% share of the market in 2015 increasing its share of 4% in 2011 which has been a positive trend for the industry.

Figure 26: Major Competitors of Indian Leather products in key destinations



Source: UN Comtrade, iMaCS' Analysis

4 Demand estimation and forecast

The objective of this segment is to arrive at the international market demand estimation for all KVI products as included in the scope of study and derive the short-medium term potential for the export of KVI exports to the international market. Based on the market potential as estimated by analysing the impact of both qualitative and quantitative factors, the product has also been categorized into the classification of High (H), Medium (M) and Low(L). In addition to the above, a SWOT analysis of each of the products has been captured in order to include the external and internal factors impacting their exports.

With these parameters established, the potential markets and geographies for the product in terms of future export targets has also been identified. Furthermore, the marketing strategies in terms of promotion, communication, distribution, product improvements and a slight overview of potential pricing strategies have also been captures in detail. The methodologies adopted for all the products in terms of (1) market demand estimation (2) product categorisation into H/M/L and (3) short-medium forecast for market demand is the same in structure with modifications/alterations to suit the specific product. These base methodologies are explained in the next section.

4.1 Framework and base methodology adopted

4.1.1 Methodology for market demand estimation

The current demand for KVI products was estimated using a funnel approach as depicted in **Figure 27**.

Figure 27: Framework for current demand estimation



1. The first step in the estimation framework is to analyse the total global imports for the select product. This data is used as the proxy for global demand for imports and is

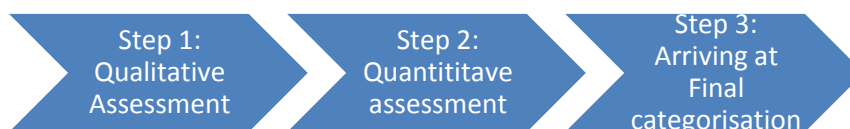
obtained from the database of UN Comtrade on a 6-digit HS code level as reported for the year 2015 or the latest available.

2. The second step in the estimation framework is to analyse the total exports from India for the product to the global markets. This data signifies the current total export value for the said product for Indian exporters. The data is obtained from either from the database of UN Comtrade or the reports of Ministry of Commerce (MoC), Government of India for the latest year reported.
3. The next step in the estimation framework is to derive the Total Addressable Market or TAM. In order to arrive at Total Addressable Market (TAM) for KVI exports we have factored in the following challenges faced by the KVI sector:
 - a. Stringent quality standards and certification requirements of various markets that prevent exports have been considered to decide whether the market is a potential target market
 - b. NTBs such as Phyto-Sanitary measures and labelling have been considered to decide whether the market is a potential target market
 - c. Capacity constraints have been considered to decide whether the market is a potential target market
4. In the next step, the Total Immediate market is derived by considering the historic high of KVI exports as well as the trend in KVI exports vis-à-vis Indian exports in the particular product category. Thus total immediate market is estimated as the highest of the two values between the historic high of exports in the past or the export value as derived from the highest ratio of KVI product exports to Indian exports.
5. In the last step of demand estimation framework, the current KVI export as reported in KVIC annual reports is listed down to arrive at the gap in export potential i.e. the difference between total immediate market and KVI actuals

4.1.2 Methodology adopted for arriving at Product Potential and categorization as H/M/L for all products

The product categorisation for all of KVI products as listed in scope/ Rfp is derived in a 3 step approach as depicted in Figure 28.

Figure 28: Framework for product categorisation



Qualitative Assessment: The first step in deriving product categorisation is a qualitative assessment of the product and its external environment. A SWOT analysis is done to analyse the internal factors such as strengths, weaknesses and external factors such as opportunity, threat and their potential impact on the product export for a KVI exporter.

Quantitative Assessment: Quantitative assessment follows a three tier approach as depicted in Table 3:

Table 3 : Framework for quantitative assessment of exports

Particular	Total exports in			Trend assessment		Impact
	2006	2011	2016	5 year CAGR	10 year CAGR	
Global imports demand	<i>Import data as derived from UN Comtrade</i>					<i>Categorized as High/medium/Low based on assessment of comparing CAGR trends, and current Market size</i>
India's total export to world	<i>Export data as derived from MoC/ UN Comtrade</i>					
Share of India's export to Total global exports	<i>India's export as a % of Global exports, from UN Comtrade</i>					

As depicted in the table above, the qualitative assessment for arriving at product categorisation follows three data sources namely, Global market, Indian exports and growth of share of market for India in comparison to global exports. The Global market depicts the total import market for the particular product as an indication for market potential. The analysis of the trends by way of a 5-year growth rate and 10-year growth rate on a CAGR basis helps in identifying the potential. This analysis of historic trend is followed for the subsequent step which involves analysis of India's export of the particular product to the world. The third step involves the analysis of the trend is share of market of India's exports vis-à-vis the total global exports. These three factors are analysed for the historic trend of growth or de-growth on a 5-year and 10-year CAGR basis to identify the short-term and long-term trends.

Final categorisation: The final categorisation for export market for the products as identified in scope/Rfp is arrived at by analysing the step 1 (Qualitative assessment) and step 2 (quantitative assessment). Based on the same, each product is categorised across High, Medium or Low

depicted as H, M or L. The template for the summary of qualitative and quantitative factors is depicted below:

Table 4: Template for product categorization

Product	Global market	Existing trade (India's)	KVI market potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Honey										High

Each of the parameter is ranked either favourable, neutral or unfavourable and the legends used for depicting the same is depicted below:

Arrow			
Inference	Favourable	Neutral	Unfavourable

4.1.3 Methodology for forecast of export potential for all products

The framework for arriving at the forecast for export potential for all products is as depicted in Table 5 below:

Table 5: Framework for estimating the export potential forecast

Estimation of short-medium term export potential		
Approach 1	Particular	Remarks
Estimate for Indian export growth	P1	Growth estimates from Government and other reliable secondary sources
Approach 2		
Target Market current size	TAM	Target countries/markets based on export potential Import trends of the specific product in Target markets
India's share in total import of Target market	Y1%	From UN Comtrade data, 2015
Short term growth of India's export to target countries	X1%	5-year growth in consumption from India's export, UN Comtrade/ MoC
Medium term growth of India's export to target countries	X2%	10-year growth in consumption from India's import, UN Comtrade/ MoC
Growth in market share as projected for India	X3%	With 75% weight for recent trend/ as suitable for product
India's expected Share of Market in short-medium term	Y2%	$=Y1%*(1+X3%)$
Projection for India's export – Approach 2	P2	$Y2%*TAM$
India's projected export in short-medium term	P	<i>A suitable average of Approach 1, 2</i>
KVI share in India's export – market demand	Z1%	<i>KVI exports to Indian export based on historic high projection/ TIM as derived from Demand estimation</i>
KVI share in India in short- medium term -	Z2%	$=Z1%/(1+variable)$ Variable for growth based on historic growth rate if available/ a % based on primary inputs
Projected market for KVI in short-medium term	Forecast	$Z2%*P$

As depicted in the framework, the forecast of export potential includes a cumulative assessment of both approach 1 and approach 2 that includes a trend based approach and benchmarking to a growth as forecasted by a government agency or export promotion agency. A weighted average of both these approach values ensure that the export potential forecasted is neither too aggressive nor too conservative. The derived value using approach 2 utilises the trend based approach and a suitable appropriation for short-term and medium-term growth in share of market of Indian exports. The target markets are identified as per the methodology explained in Section 4.1.1. The growth in share of market for Indian exports is arrived at as a weighted average of both short and medium term growth in the share of market. With the estimated share of market for Indian exports in short-medium term and the derived target market imports the forecast for Indian exports is arrived at. The KVI export for the particular product is then derived in the next step by estimating the share of KVI in total Indian export. The projected market for KVI in short-medium term is thus derived as the last step of this framework for all products.

4.2 Honey- Product wise strategy

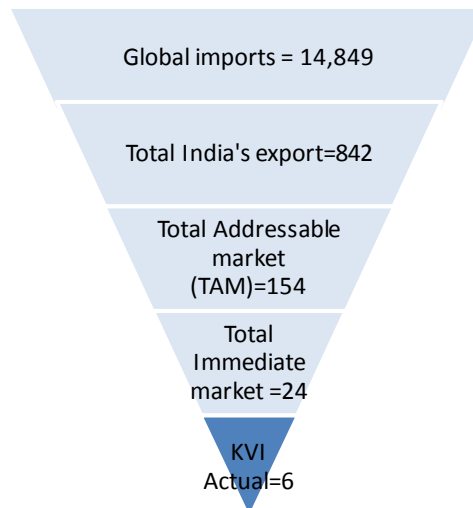
4.2.1 Introduction

Honey is sold by KVI entities from across the country. However, only a handful of these entities export Honey. The main type of Honey produced and sold in the country are Floral Honey including Litchi Honey or multi-floral honey. This type of Honey has high moisture content and is not suitable for exports as the major export markets require Honey that crystallises and has less moisture content. This type of Honey is extracted from the north Indian fields which grows mustard, sunflower etc. A few KVIC listed entities are involved in extraction of this honey and even exports. The main markets for Honey are USA, Middle East among others. As explained in section 0, the current export of KVI Honey as reported by KVIC is INR 6.57 Crore in FY16. The HS code used for the purpose of analysis is 040900.

4.2.2 Current Market Demand

The current market demand for KVI Honey is derived based on the framework as explained in Section 4.1.1. The current global market for KVI Honey can be estimated to be about INR 24 Crore as depicted in Figure 29 below.

Figure 29: Export demand estimation for KVI Honey (all values in INR)



The first step in the framework is estimation of global Import for Honey which is derived to be about INR 14,000 Crore in 2015. The next step involves estimation of India's Export of Honey which is derived to be INR 850 Crore in the same period. For the purpose of identifying target markets for KVI export of Honey, we have estimated low potential for markets such as USA, Europe due to strict quality restrictions and standards mandated. These markets also require a higher grade of honey which crystalizes limiting the potential for KVI made honey. An approximation of 10% and 30% of India's exports is considered for USA and European markets as the potential of KVI exports. Thus the total addressable market or TAM is derived as INR 154 Crore. Further the Total Immediate market is derived as INR 24 Crore. Considering the actual export by KVI entities as INR 6 Crore, the gap in market potential can be estimated as INR 18 Crore.

4.2.3 Assessment of Market factors

While VI producers of Honey face stiff competition from FMCG products in domestic market, there is a premium market for natural Honey internationally that can be targeted with some improvements especially in Quality. In this segment, the market factors impacting the export of honey by KVI entities are discussed further. Market factors are identified as internal factors including strengths and weakness and external factors including opportunities and threats.

Strengths:

- Presence of a strong bee-keeping industry with an estimated production of INR 476 Crore as reported by KVIC with geographical spread across India

- North Indian farms for Sunflower, Mustard etc. produces good quality honey with low moisture content in crystallised form in line with requirement of European markets
- Floral honey produced elsewhere in India is also competitive in South East Asian and Middle Eastern markets
- Perception of VI produced honey as unadulterated honey aiding in improved customer trust

Weakness:

- Except few entities, honey produced by village industries is not of appropriate quality to be exported to premium markets of Europe and USA
- Testing facilities available for village industries is not upto export quality standards and affordability and availability of the same for VI producers are a concern

Opportunities:

- Branded Honey of genuine make can fetch a very good premium in international market
- There is an opportunity for the producers with adequate capacity to turn contract manufacturers for International FMCG and Hospitality chains
- There is also an opportunity for the VI entities to diversify into Beeswax, Royal Jelly, Propolis, Honey Bee Venom, Bee Pollen for markets such as China, USA, Japan

Threats:

- There exists strict cost competition from countries such as China
- There is a lack of awareness of aspects such as purity of honey and quality parameters required in global markets among village industry entities

4.2.4 Product categorization as H/M/L

In addition to the qualitative market factors as identified in the section above, depicted below in Table 6 is the quantitative factors that impacts the product categorization.

Table 6: Assessment of quantitative factors impacting export of Honey

Particular	Total exports in INR Crore			Trend assessment		Impact
	2006	2011	2016	5 year CAGR	10 year CAGR	
Global imports demand	3703	7908	14849	17.06%	16.69%	High
India's total export to world	126	401	841	20.33%	23.39%	High
Share of India's export to Total global exports	0.21%	0.10%	0.18%	16.72%	-1.56%	High

Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

As depicted in the table above, all the three parameters such as (1) Global market (2) Indian export (3) Share of Market of Indian exports are growing and thus have been given an impact rating of High. Based on the same and the qualitative factors as identified in the prior section, the deciding factors involved in product categorization is summarized in Table 7.

Table 7: Final product categorization for Honey

Product	Global market	Existing trade (India's)	KVI market potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Honey	↑	↑	↑	↔	↑	↓	↑	↔	↓	High

Based on the assessment as depicted above, honey is to be viewed as a focus product for export promotion. We estimate the scope of product to be High for export.

4.2.5 Short-Medium term potential estimation

The demand for KVI export of Honey to grow to about INR 35 to 40 Crore in the short-medium term as depicted in Table 8:

Table 8 : Short-Medium term potential estimation for Honey

Estimation of short-medium term export potential		
Approach 1	Particular	Remarks
Estimate for Indian export growth	NA	Estimate for Indian export growth
Approach 2		
Target Market current size in INR Cr	5666	Current market of select target market (For honey USA, significant portion of EU are not immediate target markets)
India's share in total import of Target market	2.7%	
Short term growth of India's export to target countries	34.0%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	4.2%	10-year growth in consumption from India's import
Weighted Avg. growth of India's share	26.5%	
Growth in market share as projected for India	26.5%	
India's expected Share of Market in short-medium term	3.4%	
India's projected export in short-medium term in INR Cr	193	
KVI share in India's export – market demand	15.7%	

KVI share in India in short- medium term -	19.6%	Historic growth rate
Projected market for KVI in short-medium term in INR Cr	35 to 40	

Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

4.2.6 Potential markets for export

The markets with largest potential for KVI export of Honey are identified as Middle East and North American countries in addition to Asian markets. These markets should be the focus markets for immediate export promotions. However, for the long term market development initiatives developed markets such as USA and Europe could be targeted provided the quality and capacity concerns are addressed. A summary of the analysis of top markets and the endowing factors are summarised in table below.

Table 9: Potential market for export of KVI Honey

Country Names	Total Import market in CY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12- FY16)	KVIC Export Potential (INR Crore)	Remarks
Saudi Arabia	361	23.6	-1.6%	6.1	<ol style="list-style-type: none"> Existing market for Indian Honey Premium pricing Adaptable quality norms Market is increasing by value
UAE	178	14.5	NA	3.8	
Kuwait	45	1.4	NA	1.1	
Morocco	21	5.7	27.5%	1.5	
Jordan	27	2.8	22.8%	0.3	Market is increasing by value and CAGR
Singapore	150	4.2	24.0%	0.2	<ol style="list-style-type: none"> Asian markets have lesser quality restrictions Low cost of logistics Better margins Cost competitiveness
Bangladesh	10	8.9	51.7%	2.3	
Nepal	5	4.7	38.3%	1.2	
Germany	2084	5.2	187.8%	0.1	<ol style="list-style-type: none"> High growth potential Quality concerns to be addressed Market is increasing by value and CAGR
Japan	754	5.0	44.1%	0.2	
USA	3880	758.2	10.8%	19.7	<ol style="list-style-type: none"> Largest market for Indian Honey Tougher quality restrictions Logistics/ Infrastructure challenges

Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

The KVI Export potential for target markets has been arrived at by distributing the total forecasted market size for short-medium term as derived in Section 4.2.5 in the proportion of current market size of these countries.

4.2.7 Marketing strategy

Marketing strategy for export of honey by KVI entities in terms of distribution, promotion and pricing are described in brief in this section.

Distribution

The most suitable export channel for Honey are identified as the following:

- Trade fairs – In addition to some direct business prospects, trade fairs and exhibitions also lead to increased awareness for VI products in International market along with supporting business development
- Exporter-Importer model of exports– B2B mode of business that involves an exporter -importer model of exports helps in retaining customers with constant presence in market and quicker realization of the requirements and demand of market
- Online channels –The importance of online channels in both B2B and B2C mode of business is rising as they also supplement brand building and improved reach especially for exports at reduced cost.

Promotion

A few of the promotional strategies for improving the export of KVI Honey are identified as below:

- Regional Honey to be promoted e.g. Cluster wise promotion including GI tags for products such as Coorg Honey and Sundarban Honey
- National standardization under guidance from Central Bee Research and Training Institute, Pune
- In addition to the mandatory standards such as US/EU FDA, FSSAI, AGMARK it is essential to get Organic certification such as NPOP and NOP standards and removal of pesticide residue

Pricing

There exists the opportunity to have premium pricing for good quality honey in all markets. In addition, for Middle Eastern and North American markets, there exists stiff price competition from honey exporting countries such as China, Argentina etc.

4.3 Agro products- Product wise strategy

4.3.1 Introduction

Agro products are one of the largest export oriented sectors for KVIC. Papad and Wheatgrass are exported significantly in addition to other food items and these items constitute to about 50% of current export portfolio of KVIC. Papad is one of the single largest export item for KVIC and the largest Agro product that is exported. The exports of Papad were INR 70 Crore in FY16 growing at a CAGR of 16.4% during the period FY12 to FY16. The top export markets for Papad are North America and Middle East. Wheatgrass is also exported to many destinations, typically cold countries such as Jordan, Malaysia, USA and European countries from India. The export value of Wheatgrass in FY16 was INR 71 lakhs which de-grew at a CAGR of (4.1%) during the period FY12 to FY16.

Other Food items that are exported include processed food items such as Jams/jellies, Squash and Ready-to-Eat items and other food products such as Spices and organic products. In addition to the above, pulses and cereals also have export potential for KVI entities. The export of all these food products as reported by KVIC in FY16 was INR 42 lakhs. The top export markets are countries such as Netherlands, Iran, Saudi Arabia, USA etc. The HS-code used for analysis of Papad and wheatgrass exports was 19059040 and 11043000 respectively. As for other food items, the two HS-codes considered are 200799 and 200899.

4.3.2 Assessment of Market Factors

Although opportunities are aplenty, quality and standardisations are extremely tough for food products exports to markets such as Europe and USA. Higher logistics cost and lack of proper infrastructure also hinders export promotion for small scale village industries. In this segment, the market factors impacting the export of Agro products by KVI entities are discussed further. Market factors are identified as internal factors including strengths and weakness and external factors including opportunities and threats.

Strengths:

- Most of the products are traditional products such as Papad for which the technology and skill sets are already existing
- Strong customer base in export markets due to the presence of Indian Diaspora add to potential



- Endowed with high quality ingredients in abundance for items such as Wheat Grass, the quality of which is better when grown in tropical climate such as India's. In addition, the production of pulses and cereals are in abundance along with good quality products such as fruits which is used for processed foods such as jams/jellies and squashes

Weakness:

- Stringent quality and certification standards in many developed nations prevent export of processed food items
- Logistic issues such as incidence of high transport costs and non-availability of cold chain infrastructure prevent export of perishables

Opportunities:

- Government of India is reviewing the removal of ban on export of pulses as a measure to improve the prices. This opens the option for VI aggregators to export their excess pulses.
- The organic movement that is upcoming globally along with preference for genuine unadulterated products create an opportunity for VI products
- There is untapped opportunity for export of processed items with larger shelf life as compared to bulk exports of fresh items considering the infrastructure costs

Threats:

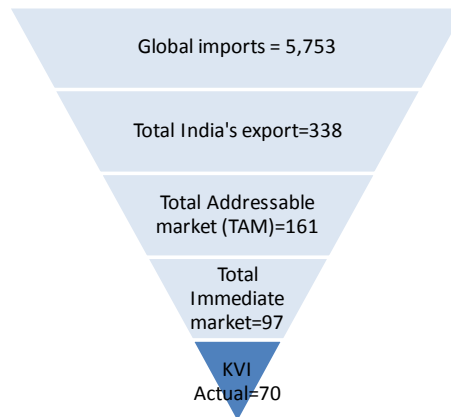
- Considering the difficulty in getting organic certifications many VI players are unable to export agro products to European and American markets

4.3.3 Market estimation, product categorization and short-medium term potential estimation for Papad

Current Market demand estimation for Papad

The current market demand for Papad is derived based on the framework as explained in Section 4.1.1. The current global market for Papad can be estimated to be about INR 97 Crore as depicted in Figure 30 .

Figure 30: Export demand estimation for Papad (all values in INR)



Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

The first step in the framework is estimation of global Import for Papad which is derived to be about INR 5,753 Crore in 2015. The next step involves estimation of India's Export of Papad which is derived to be INR 338¹⁸ Crore in the same period. For the purpose of identifying target markets for KVI export of Papad, we have estimated low potential for markets such as USA, Europe due to strict quality restrictions and standards mandated.

There have been also concerns among exporters that the quality of the product is on a decline trend, as captured during primary interactions. An approximation of 30% of India's exports is considered for USA and European markets as the potential of KVI exports. Thus the total addressable market or TAM is derived as INR 161 Crore. Further the Total Immediate market is derived as INR 97 Crore. Considering the actual export by KVI entities as INR 70 Crore, the gap in market potential can be estimated as INR 20-30 Crore.

Product categorization as H/M/L for Papad

In addition to the qualitative market factors as identified in the section above, depicted below in **Table 10** is the quantitative factors that impacts the product categorization.

¹⁸ There is mismatch in exports of Papad from MoC data and Uncomtrade data; This value has been corrected on the same ratio

Table 10: Assessment of quantitative factors impacting export of Papad

Particular	Total exports in INR Crore			Trend assessment		Impact
	2006	2011	2016	5 year CAGR	10 year CAGR	
Global imports demand	3703	4436	5753	6.71%	5.02%	High
India's total export to world	118	233	338	9.76%	12.42%	High
Share of India's export to Total global exports	0.04%	0.06%	0.03%	-15.91%	-3.15%	Low

Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

As depicted in the table above, of the three parameters (1) Global market (2) Indian export (3) Share of Market of Indian exports, the former two are growing and thus have been given an impact rating of High. The Share of market for India has however de-grown significantly and the impact of the same is considered to be low.

Based on the same and the qualitative factors as identified in the prior section, the deciding factors involved in product categorization is summarized in table below.

Table 11: Final product categorization for Papad

Product	Global market	Existing trade (India's)	KVI market potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Papad	↑	↑	↑	↑	↑	↓	↑	↑	↔	High

Based on the assessment as depicted above, Papad is to be viewed as a focus product for export promotion. We estimate the scope of product to be High for export.

Short-Medium term potential estimation for Papad

The demand for KVI export of Papad is estimated to grow to about INR 115 to 120 Crore in the short-medium term as depicted in the table below:

Table 12 : Short-Medium term potential estimation for Papad

Estimation of short-medium term export potential		
Approach 1	Particular	Remarks
Estimate for Indian export growth	NA	Estimate for Indian export growth
Approach 2		

Target Market current size in INR Cr	17575	Current market of select target market (For Papad, considering the issues of reducing quality we have estimated a lower share for USA, EU for target markets)
India's share in total import of Target market	0.9%	
Short term growth of India's export to target countries	7.2%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	10.6%	10-year growth in consumption from India's import
Weighted Avg. growth of India's share	8.03%	Weightage of 75% for recent trend
Growth in market share as projected for India	8.03%	
India's expected Share of Market in short-medium term	1%	
India's projected export in short-medium term in INR Cr	174	
KVI share in India's export – market demand	60.4%	
KVI share in India in short- medium term -	66.4%	10% growth assumed for share of KVI exports over Indian exports based on historic trend
Projected market for KVI in short-medium term in INR Cr	115-120	

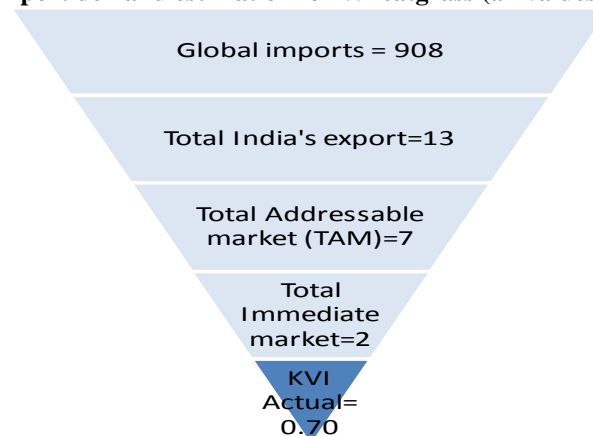
Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

4.3.4 Market estimation, product categorization and short-medium term potential estimation for Wheatgrass

Current Market demand estimation for Wheatgrass

The current market demand for Wheatgrass is derived based on the framework as explained in Section 4.1.1. The current global market for Wheatgrass can be estimated to be about INR 2 Crore as depicted in figure below.

Figure 31: Export demand estimation for Wheatgrass (all values in INR crore)



The first step in the framework is estimation of global Import for Wheatgrass which is derived to be about INR 908 Crore in 2015. The next step involves estimation of India's Export of Wheatgrass which is derived to be INR 13 Crore in the same period. For the purpose of identifying target markets for KVI export of Wheatgrass, we have estimated low potential for markets such as USA, Europe due to strict quality restrictions and standards mandated. There have been also concerns among exporters that the competition for the product is on the rise from China, New Zealand, as captured during primary interactions. An approximation of 30% of India's exports is considered for USA and European markets as the potential of KVI exports. Thus the total addressable market or TAM is derived as INR 7 Crore. Further the Total Immediate market is derived as INR 2 Crore. Considering the actual export by KVI entities as INR 0.70 Crore, the gap in market potential can be estimated as INR 1-2 Crore.

Product categorization as H/M/L for Wheatgrass

In addition to the qualitative market factors as identified in the section above, depicted below in the Table 13 is the quantitative factors that impacts the product categorization.

Table 13: Assessment of quantitative factors impacting export of Wheatgrass

Particular	Total exports in INR Crore			Trend assessment		Impact
	2006	2011	2016	5 year CAGR	10 year CAGR	
Global imports demand	439	1008	908	-2.57%	8.42%	Low
India's total export to world	9.9	5.4	12.7	23.86%	2.82%	High
Share of India's export to Total global exports	0.02%	0.05%	0.14%	26.29%	22.40%	High

Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

As depicted in the table above, of the three parameters (1) Global market (2) Indian export (3) Share of Market of Indian exports, the latter two are growing and thus have been given an impact rating of High. The global market demand has however de-grown slightly in the short term and the impact of the same is considered to be low.

Based on the same and the qualitative factors as identified in the prior section, the deciding factors involved in product categorization is summarized in table below.

Table 14: Final product categorization for Wheatgrass

Product	Global market	Existing trade (India's)	KVI market potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Wheatgrass	↔	↑	↑	↑	↑	↓	↑	↑	↔	Medium

Based on the assessment as depicted above, Wheatgrass is to be viewed as a focus product for export promotion. We estimate the scope of product to be Medium for export.

Short-Medium term potential estimation for Wheatgrass

The demand for KVI export of Wheatgrass is estimated to grow to about INR 3 to 3.5 Crore in the short-medium term as depicted in the table below:

Table 15 : Short-Medium term potential estimation for Wheatgrass

Estimation of short-medium term export potential		
Approach 1	Particular	Remarks
Estimate for Indian export growth	NA	Estimate for Indian export growth
Approach 2		
Target Market current size in INR Cr	528	Current market of select target market (For Wheatgrass, due to stiff price competition from China, we have considered lower share for USA, EU as target market)
India's share in total import of Target market	1.4%	
Short term growth of India's export to target countries	48.7%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	23.5%	10-year growth in consumption from India's import
Weighted Avg. growth of India's share	42.4%	Weightage of 75% for recent trend
Growth in market share as projected for India	42.4%	
India's expected Share of Market in short-medium term	2.0%	
India's projected export in short-medium term in INR Cr	10.4	
KVI share in India's export – market demand	18%	10% growth assumed for share of KVI exports over Indian exports based on historic trend
KVI share in India in short- medium term -	30%	
Projected market for KVI in short-medium term in INR Cr	3.1-3.5	

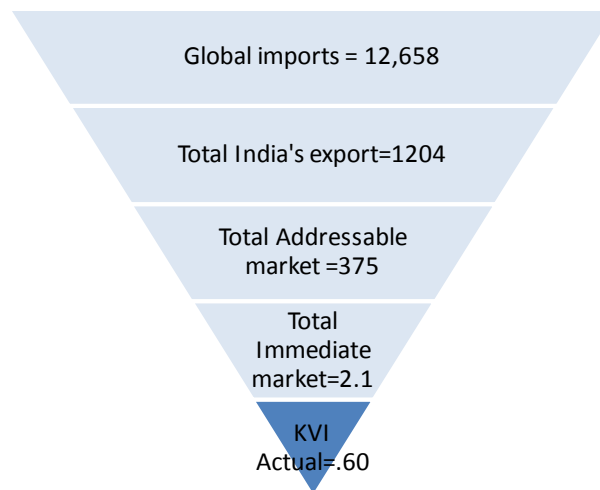
Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

4.3.5 Market estimation, product categorization and short-medium term potential estimation for Other food products

Current Market demand estimation for Other food products

The current market demand for Other food products is derived based on the framework as explained in Section 4.1.1. The current global market for Other food products can be estimated to be about INR 2 Crore as depicted in Figure 32.

Figure 32: Export demand estimation for Other food products (all values in INR)



The first step in the framework is estimation of global Import for other food products which is derived to be about INR 12,658 Crore in 2015. The next step involves estimation of India's Export of other food products which is derived to be INR 1,204 Crore in the same period. For the purpose of identifying target markets for KVI export of other food products, we have estimated low potential for markets such as USA, Europe due to strict quality restrictions and standards mandated. These markets demand high standards in quality and hygiene. These markets thus are not immediate target markets and are removed as the potential of KVI exports. Thus the total addressable market or TAM is derived as INR 375 Crore. Further the Total Immediate market is derived as INR 2.1 Crore. Considering the actual export by KVI entities as INR 0.60 Crore, the gap in market potential can be estimated as INR 1-2 Crore.

Product categorization as H/M/L for other food products

In addition to the qualitative market factors as identified in the section above, depicted below in the table are the quantitative factors that impacts the product categorization.

Table 16 Assessment of quantitative factors impacting export of other food items

Particular	Total exports in INR Crore			Trend assessment		Impact
	2006	2011	2016	5 year CAGR	10 year CAGR	
Global imports demand	1226	6279	12658	19.16%	29.61%	Medium
India's total export to world	340	697	1204	14.63%	15.08%	Medium
Share of India's export to Total global exports	2.81%	3.26%	3.58%	2.40%	2.75%	Medium

As depicted in the table above, all the three parameters (1) Global market (2) Indian export (3) Share of Market of Indian exports, are stagnant and thus have been given an impact rating of medium.

Based on the same and the qualitative factors as identified in the prior section, the deciding factors involved in product categorization is summarized in table below.

Table 17: Final product categorization for other food products

Product	Global market	Existing trade (India's)	KVI market potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Other food items	↑	↑	↑	↔	↓	↓	↔	↓	↓	Low

Based on the assessment as depicted above, other food items are to be viewed as a low focus product for export promotion. We estimate the scope of product to be Low-Medium

Short-Medium term potential estimation for other food products

The demand for KVI export of other food items is estimated to grow to about INR 2.7 to 3.0 Crore in the short-medium term as depicted in the table below:

Table 18 : Short-Medium term potential estimation for other food products

Estimation of short-medium term export potential		
Approach 1	Particular	Remarks
Estimate for Indian export growth	NA	Estimate for Indian export growth
Approach 2		
Target Market current size in INR Cr	4309	Current market of select target market (For other food items, due to stiff price competition from China, we have considered lower share for USA, EU as target market)

India's share in total import of Target market	8.7%	
Short term growth of India's export to target countries	1.1%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	-0.8%	10-year growth in consumption from India's import
Weighted Avg. growth of India's share	0.7%	Weightage of 75% for recent trend
Growth in market share as projected for India	0.7%	
India's expected Share of Market in short-medium term	8.8%	
India's projected export in short-medium term in INR Cr	377	
KVI share in India's export – market demand	0.6%	30% growth assumed for share of KVI exports over Indian exports based on historic trend
KVI share in India in short- medium term -	0.7%	
Projected market for KVI in short-medium term in INR Cr	2.7-3 Cr	

Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

4.3.6 Potential markets for export

The markets with largest potential for KVI export of Agro products are identified as United Kingdom, Middle East and Asian countries. These markets should be the focus markets for immediate export promotions. However, for the long term market development initiatives developed markets such as USA and Europe could be targeted provided the quality and capacity concerns are addressed. A summary of the analysis of top markets and the endowing factors are summarised in table below.

Table 19: Potential market for export of KVI Agro products¹⁹

Country Name	Total Import market in CY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Crore)	Remarks
United Kingdom	4872	166.5	6%	62.6	1. Existing market for Indian Agro produce 2. Premium pricing for organic certified products 3. Quality norms are tough 4. Market is increasing by value
Malaysia	256	22.5	5%	8.5	
Australia	1110	22.2	9%	8.4	
USA	9606	21.8	15%	8.2	1. US markets have strict quality restrictions 2. Lack of cold-storage facility

¹⁹ Note: Market for Papad was analyzed to arrive at the market for Agro produce; Papad constitutes more than 95% of current KVI product exports

UAE	768	22.0	30%	8.3	1. Traditional market for Indian Agro produce 2. Market is increasing by value and CAGR 3. Logistics cost is relatively less
Nepal	21	7.0	38%	2.7	
Oman	128	2.7	29%	1.0	
Bahrain	117	2.2	25%	0.8	
Saudi Arabia	595	10.8	14%	4.1	
Hong Kong	1024	2.5	23%	1.0	1. High growth potential 2. Market is increasing by value and CAGR
Singapore	538	10.2	11%	3.9	

Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

In addition to the markets identified above, the potential market for Wheatgrass includes USA, EU, Japan and other cold countries. The KVI Export potential for target markets has been arrived at by distributing the total forecasted market size for short-medium term as derived in Section 4.2.5 in the proportion of current market size of these countries.

4.3.7 Marketing strategy

Marketing strategy for export of Agro products by KVI entities in terms of distribution, promotion and pricing are described in brief in this section.

Distribution

The most suitable export channel for Agro products are identified as the following:

- Trade fairs – In addition to some direct business prospects, trade fairs and exhibitions also lead to increased awareness for VI products in International market along with supporting business development
- Exporter-Importer model of exports– B2B mode of business that involves an exporter -importer model of exports helps in retaining customers with constant presence in market and quicker realization of the requirements and demand of market
- Own outlets/ Direct presence – Direct presence such as tie-up with FMCG chains to access the B2C sales in the markets of interest provides wider visibility for the products. For e.g. Displaying of these Agro products in Walmart with adequate communications could direct some additional enquiries

Promotion

A few of the promotional strategies for improving the export of KVI Agro products are identified as below:

- National certification of agro products under guidance from APEDA. For e.g. “India Organics” certification is recognized worldwide for its authenticity for genuine organic products
- Frequent quality checks to be conducted and affordable and accessible testing facilities to be provided for these quality checks to exporters
- In addition to the mandatory standards such as US/EU FDA, FSSAI etc it is essential to get Organic certification such as NPOP and NOP standards and removal of pesticide residue
- A common e-portal to be implemented to facilitate buyer-seller interactions. In addition to the same, there should be an increased participation in various forums across the world to gather and discuss the latest trade information and prevailing and upcoming trends

Pricing

There exists the opportunity to have premium pricing for good quality products in all markets. “India organics” or similar recognized and valued certifications should be used to justify the price with quality offering. In addition, there exists stiff price competition from a few exporting countries such as China.

4.4 Handmade Paper - Product wise strategy

4.4.1 Introduction

Handmade Paper is produced from non-forest raw materials such as flower, bamboo, wood grass, rice and wheat straw, jute, cotton rags etc. and is considered environmental friendly. Indian Handmade Paper Industry is a low capital intensive and rural employment generating industry. Various value additions such as embroidery, embossing etc. are also done on handmade paper and a wide range of products ranging from stationery items like files, letter pads, envelopes, fancy bags, visiting cards, greeting cards, water mark certificate and decoration materials, photo album to paper bags are produced and exported from India. The industry has experienced growth in recent years due to such value addition activities which have broadened the spectrum of products and increased demand. Indian Handmade paper and products export registered a decline of -3.8% CAGR from INR 69 Crore in FY13 to INR 61 Crore in FY16. Indian export of Handmade paper products contributed 13% of total Handmade paper export in the world. China with 26% contribution, USA with 9% and Thailand with 7% contribution were the other top exporters in the world.

4.4.2 Assessment of Market Factors

In this segment a qualitative assessment of Indian Handmade Paper products from an export market perspective is done with the help of SWOT framework. The Strengths, Weaknesses, Opportunities and Threats for Indian Handmade Paper products has been discussed in details in this segment.

Strengths

Handmade paper products are produced from non-forest raw materials and are suitable for recycling. Given the current state of deforestation and the subsequent pressure on forests to provide raw material for traditionally made wood based paper, handmade paper is a suitable alternative and is thus considered eco-friendly.

The possibility of recycling waste paper, emanating from different paper consuming industries, for the production of handmade paper reduces cost as it eliminates various processes involved in procurement, transportation and warehousing of forest raw materials.

Since the Handmade Paper industry less technology intensive industry, the capital required for setting up a handmade paper producing unit is lesser than that of a mill based paper producing unit. This makes it a viable prospect in rural areas and also helps generate rural employment.

Since Handmade Paper is produced from non-forest raw material such as cotton rags, jute, used paper and other such fibrous materials, there is abundant raw material available for this industry.

Weaknesses

Since Handmade industry makes use of manual labour and is less technology intensive, the amount of production is limited. This leads to lower economies of scale compared to a mill produced paper.

This industry is manual labour driven and hence the quality of the product is dependent on the skill level of the work force. The workforce currently employed by this sector is not highly skilled. This coupled with lower technological advancement in the production process has led to inconsistent quality and reproducibility of products being sold in domestic as well as export markets.

Another issue that engulfs this industry is the lack of innovation and development in the field of product designs and variations. There is lack of variety in the products exported which leads to lower volume and value of exports.



Opportunities

The awareness regarding eco-friendly nature of Handmade paper has increased in recent years in the international markets. This has given an impetus to exporters of Handmade paper products to increase their exports and penetrate more in their existing markets.

There also exists an opportunity to diversify the product range made out of Handmade paper and target new industries such the packaging industry, filters for automotive industry etc. where the demand for paper is high.

Threats

There is high competition in international markets from countries like China, Thailand, South Korea etc. High cost competitiveness of Chinese products makes them more lucrative in international markets.

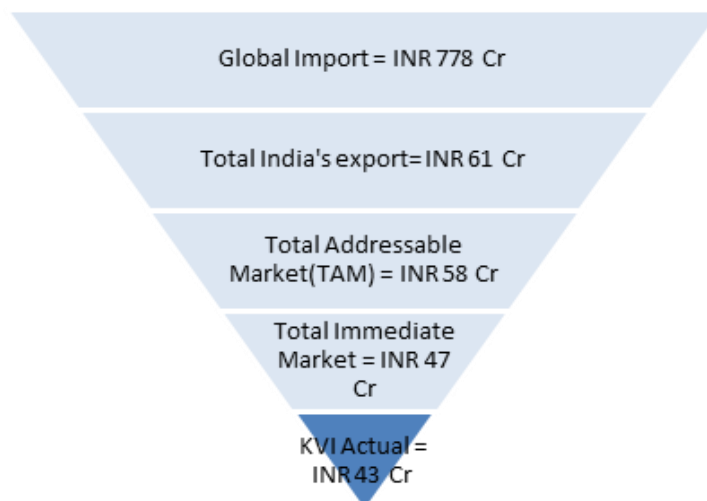
The focus on international marketing and branding of Indian Handmade paper products in low and needs more effort in order to sustain and improve exports. There has been not much focus on diversification of markets by exploring new destinations and avenues for exports.

4.4.3 Market estimation, product categorization and short-medium term potential estimation for Handmade Paper

Current Market demand estimation for Handmade Paper

The Global imports of Handmade paper products in 2015 was about INR 778 Crore and India exported INR 61 Crore in the same year. Given the competition of the markets and also the production volume constraints of KVI Handmade paper, it is estimated that KVI products will be able to service 95% of the market. Thus, the Total Addressable Market for KVI Handmade paper is estimated to be INR 58 Crore. The total immediate market was arrived at by considering the ratio of historic high of KVI exports to that of Indian exports. The ratio thus calculated is 0.81 and the Total Immediate Market is estimated to be INR 47 crore.

Figure 33: Total Addressable Market for Handmade Paper Products (All values in INR)



Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

Product categorization as H/M/L Handmade Paper products

In this section first the quantitative and qualitative assessment of the product categories has been carried out in order to categorize their export potential. The Global import market for Handmade paper in 2015 was INR 778 Crore. It grew at 11% CAGR over five-year period and at 2% CAGR over ten-year period. India's total export of Handmade Paper in 2015 was INR 55 Crore. It witnessed a decline at -3% CAGR over five-year period and at -9.9% CAGR over ten-year period. The trend in share of India's exports to global exports have also seen a decline from 23% in 2006 to 18% in 2011 and then to 13% in 2015, thus indicating growing competition in the international market.

Table 20: Assessment of quantitative factors impacting export of Handmade Paper products

Particular	Value in INR Crore			Trend assessment		Impact
	2006	2011	2015	5 year CAGR	10 year CAGR	
Global Import demand (Total Global Imports)	675	506	778	11%	2%	High
India's total export to world*	139	61	55	-3%	-9.9%	Medium
Share of India's export to Total global exports	25%	18%	13%	-7%	-7%	Medium

Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

The Global market for Handmade paper has grown at a healthy rate over five-year period as already discussed in the previous section. The KVI export potential has also grown in the same period. Although India's exports have plateaued, the future trends in international market for

Indian Handmade paper products are favourable, thereby signalling a positive impetus for KVI exports.

Table 21: Final product classification for Handmade Paper products

Product	Global market	Existing trade (India's)	KVI market potential	Future trends	Technical / R&D capability	Quality / Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Handmade Paper	↑	↔	↑	↑	↔	↓	↔	↔	↔	High

The technological and R&D capability of the sector and the skill level of the work force needs improvement in order to improve the quality of products and also to increase the scale of production. There are specialized training courses in Handmade Paper Technology being organized by KVIC in order to improve the skill level of the workforce involved in this industry which will have a positive impact on exports of this industry. The infrastructure of ports and warehouses needs to be improved in order to reduce time and costs which are the most important factors that impact export competitiveness. The cost of transportation and warehousing has a high bearing for the small KVI producers and exporters. Moreover, the absence of quality standards aligned with international markets also impact the exports of this industry.

There is an immediate need to address this problem so that good quality products are exported to international markets. Given these improvements and developments take place to improve KVI products aided with the future outlook for the Handmade paper industry, the export potential for KVI Handmade paper products is High.

Short-Medium term potential estimation for Handmade Paper

Approach 1

The Indian Paper exports are expected to grow at 8% CAGR in next five years as reported by Indian Paper Manufacturers Association (IPMA). The current exports of Handmade paper by India was INR 61 Crore. Hence, the projected export of handmade paper is expected to be about INR 66 Crore in short medium term.

Approach 2

The global import of Handmade paper in 2015 was INR 778 Crore. It is estimated that KVI exports could service 95% of this market. Hence the total import market size is estimated to be INR 740 Crore. India's share of world handmade paper export in 2015 was 13%. The five-year and ten-

year export CAGR were -7% and -10% respectively. Hence the weighted average growth rate of Indian exports has been estimated to be CAGR -8%. The weights assigned to five-year CAGR was 75% and that to ten-year CAGR was 25%. Applying a -8% CAGR to the current share of 13% it is estimated that India' share in global exports in short medium term would be 12%. The projected export of Indian Handmade paper products is INR 89 Crore.

KVI exports projection

The projected export of Indian Handmade paper products derived from the two approaches stood at INR 80 Crore. This has been derived by applying 40% weight to approach 1 value and 60% to approach 2 value. KVI handmade paper exports constituted 70% of Indian exports in FY16. The growth rate at which the KVI exports are expected to grow has been arrived at on the basis of historic high growth rate of 13%. Thus, the expected share of KVI Handmade paper exports in short medium term is expected to be around 79%. Hence the export of KVI Handmade paper in short medium term is being forecasted to be around INR 62 Crore to INR 65 Crore.

4.4.4 Potential markets for export

In this segment we would discuss regarding the markets that should be targeted and the estimated size of exports by value that could be achieved in short medium term.

Table 22: Major markets for Handmade paper exports

Country Name	Total Import market in CY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Crore)
USA	60	12.3	13%	13.1
United Kingdom	12	10.6	31%	11.2
Nepal	NA	8.6	16%	9.1
France	95	2.25	3%	2.4
Bangladesh	9.5	2.38	360%	2.5
Jordan	NA	0.96	118%	1
Bhutan	NA	1.28	75%	1.4
Iran	NA	8.14	74%	8.7

Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

The destinations to be targeted for Handmade Paper products have been listed in table above. USA, UK, Nepal and France have been traditionally strong markets for Indian Handmade paper with exports of INR 12.3 Crore, INR 10.6 Crore, INR 8.6 Crore and INR 2.25 Crore in FY16 respectively. These traditional markets except France have also grown at double digit CAGR in last five years. Hence KVI Handmade paper exporters should focus on these markets in order to

achieve high value exports. These markets could contribute to around 50% of total projected exports of Handmade paper in short medium term. The markets of Bangladesh, Jordan, Bhutan and Iran have registered significantly high growth in last five years and hence could be targeted to achieve high growth.

4.4.5 Marketing strategy

Distribution

The Distribution of Handmade paper in International market can happen through Exporter-Importer Channel, Trade Fairs and Exhibitions and through Distribution agents. Decisions of opting for a particular channel is associated with the cost incurred. While having a Distribution agent guarantees higher penetration, it is costly as compared to other channels. Since Handmade paper has not yet achieved higher economies of scale hence the traditional Exporter-Importer route should be followed to increase exports.

Promotion

The promotion of Handmade paper products should be effective and done through proper channels. One of the traditional ways of doing promotion is by conducting international trade fairs and exhibitions. But in order to have an impact of such a fair, proper focus should be given on branding VI handmade paper products. There is a need to organize more B2B fairs, so that direct contact between buyers and sellers can be established. Apart from doing promotion through traditional channels, online medium should also be used to promote KVI Handmade paper products. KVIC can look for possible tie-ups with e-commerce giants such as Amazon, E-bay etc. in order to promote KVI branded handmade paper products.

Price

The handmade paper export market is a highly competitive market. In order to capture market share, in such a competitive market, pricing becomes an important tool. Asian countries like China, Thailand and South Korea are established players in the market. The cost competitiveness of Chinese products is a challenge. A competitive pricing strategy as per the markets targeted should be applied in order to sustain exports and gain market share.

4.5 Leather- Product wise strategy

4.5.1 Introduction

Leather Industry under KVIC manufactures products made out of natural leather. Leather garments like jackets, accessories like gloves bags, purses etc., footwear and other decorative items are the key products of the sector. Major export markets for Indian Leather products are EU followed by the USA and other UAE. Total Leather products (apparels and accessories) Export Value from India stood at INR 6740 Crore in FY16. Exports from India registered a 10.4% CAGR growth in last five years. China is India's largest competitor followed by Italy, France, Pakistan and Viet Nam

4.5.2 Assessment of Market Factors

In this segment a qualitative assessment of Indian Leather products from an export market perspective is done with the help of SWOT framework. The Strengths, Weaknesses, Opportunities and Threats for this sector have been discussed in details in this segment.

Strengths

Leather industry is one of the leading export revenue earning industry for India. This sector has traditionally been strong in the export market. This indicates that Indian Leather products are acknowledged and accepted worldwide.

India is endowed with 20% of the world's cattle population and 11% of the world's goat and sheep population and is a strong base for raw material. India also produces close to 13% of world's leather.

Leather sector also employs close to 3 million skilled labourers of which 30% are women. Moreover, the Government of India has several schemes under Indian Leather Development Programme (ILDP) and has trained close to 2.8 lakh workers, upgrading the skill level of the existing workforce.

Weaknesses

Most of the leather manufacturers under KVIC have limited designs in Leather products which hinders their marketing potential in international markets. Also, there are no known brands among these small leather product manufacturers in the international market. These combined have a negative impact on promotional and brand building exercise required to promote KVI leather products.



The KVI leather product manufacturers and exporters have small manufacturing base, producing limited volume. This leads to lower economies of scale and thereby highly sensitive to marginal cost escalations of labour or raw material.

The environmental compliance is poor in this sector. There are very few manufacturing units which have incorporated all the processes and standards that reduce environmental degradation. This has led to the poor image of this sector in international market.

Opportunities

There are ample opportunities available for this sector to grow in international market. India's share in US market is a meagre 1.75% despite US being one of India's top destinations. This implies that there is a scope for more penetration of the US market in order to increase Leather exports from India.

There has been an adverse impact of increasing labour cost and costs associated with environmental compliance in China on Chinese exports. This escalating cost has forced some of the buyers to look for more avenues to source products from and India can seize this opportunity and improve its performance in leather product exports.

The leather industry needs to diversify its markets and look for new avenues such as Russia, South Africa, Japan etc. in order to counter the decline in exports to its existing markets.

Threats

Indian leather export is highly dependent on EU and US markets which import close to 70% of total Indian leather product exports. But recently the demand from these markets have gone down. Also these markets have introduced stricter quality norms and standards which act as Non-Tariff Barriers to trade and impact Indian exports.

The recent ban on animal slaughter by the Government of India has negatively impacting this sector. This ban has reduced the flow of raw materials thereby increasing their cost which has adversely affected the Leather Industry.

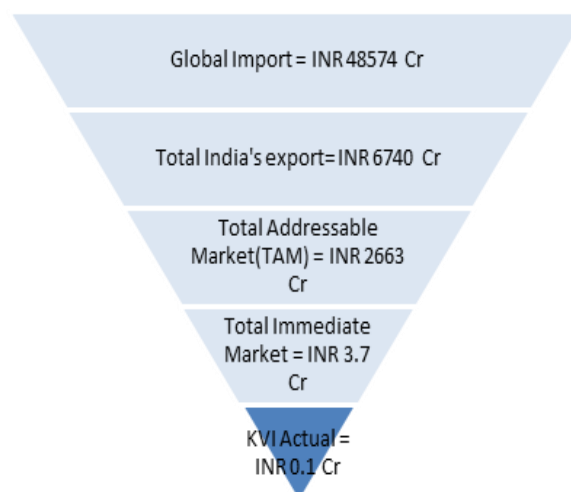
A revival in production in Italy, Portugal and establishment of new production centres in Eastern Europe could significantly impact the supply chain dynamics and could have an adverse impact on Indian leather exports.

4.5.3 Market estimation, product categorization and short-medium term potential estimation for Leather products

Current Market demand estimation for Leather products

The Global imports of Leather products in 2015 was about INR 48574 Crore and India exported INR 6740 Crore in the same year. Given the stringent norms in EU and USA and also growing sentiment against animal products we have assumed KVI Leather products can target 30% of EU and USA, and 80% of the rest of the world. Thus, the Total Addressable Market for KVI Leather products is estimated to be INR 2663 Crore. The total immediate market was arrived at by considering the ratio of historic high of KVI exports to that of Indian exports. The ratio thus calculated is 0.0014 and the Total Immediate Market is estimated to be INR 3.7 crore.

Figure 34: Total Addressable Market for Leather products (All values in INR)



Product categorization as H/M/L for Leather products

The Global import market for Leather products in 2015 was INR 48574 Crore. It grew at 9% CAGR over five-year period and at 7% CAGR over ten-year period. India's total export of Leather products in 2015 was INR 6728 Crore. It witnessed a growth of 11% CAGR over five-year period and of 12% CAGR over ten-year period. The trend in share of India's exports to global exports have also grew from 8% in 2006 to 12% in 2011 and then to 13% in 2015.

Table 23: Market Assessment for Leather products

Particular	Value in Crore			Trend assessment		Impact
	2006	2011	2015	5 year CAGR	10 year CAGR	
Global Import demand (Total Global Imports)	25544	34059	48574	9%	7%	High
India's total export to world	2445	4392	6728	11%	12%	High
Share of India's export to Total global exports	8%	12%	13%	3%	6%	Medium

Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

The Global market for Leather products has grown over five-year period. India's current exports of leather products have also grown at a healthy rate in the same period. But KVI export potential has plummeted and the future trend for Leather products also looks bleak given increasing consumer sentiments against animal products and various restrictions and barriers to trade in India's existing markets.

Table 24: Final Classification for Leather products

Product	Global market	Existing trade (India's)	KVI market potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Leather	↑	↑	↓	↓	↔	↔	↔	↔	↓	Low

The quality standards for Leather products have to be improved and aligned with international standards especially that of India's traditionally largest market, the European Union. The necessary process controls and environmental controls needs to be in place in order to eliminate usage of harmful chemicals, improve ergonomic conditions of the workforce and reduce the harmful impact of this industry on environment. This will improve the image of Indian leather products in international markets. The skill level of the workforce is also to be improved given the evolving need of the industry to be more environmental friendly. KVIC has been running various Leather products making courses such as Footwear making, Fancy leather goods making etc. to improve the skill level of the workforce. This will have a positive bearing in future. The Technological and R&D capability needs improvement to boost product design and quality. The infrastructure of ports and warehouses needs to be improved in order to reduce time and costs, two key factors which impact export competitiveness. The cost of transportation and warehousing has a high bearing for the small KVI producers and exporters. Based on the issues



KVI leather products are grappling with combined with declining market trend the export potential for KVI Leather products in low.

Short-Medium term potential estimation for Leather Products

Approach 1

The Indian Leather exports is expected to grow at 11% CAGR in next five years as reported by the Make in India website. The current exports of Leather products by India was INR 6728 Crore. Hence, the projected export of Leather products is expected to be about INR 7841 Crore in short medium term.

Approach 2

The global import of Leather products in 2015 was INR 48574 Crore. It is estimated that KVI exports could service 30% of US and EU markets and 80% of the rest of the market. Hence the total import market size is estimated to be INR 25333 Crore. India's share of world Leather products export in 2015 was 13%. The five-year and ten-year export CAGR were 11% and 12% respectively. Hence the weighted average growth rate of Indian exports has been estimated to be CAGR 11%. The weights assigned to five-year CAGR was 75% and that to ten-year CAGR was 25%. Applying a 11% CAGR to the current share of 13%, it is estimated that India' share in global exports in short medium term would be 14%. The projected export of Indian Leather products is INR 3664 Crore.

KVI exports projection

The projected export of Indian Leather products derived from the two approaches stood at INR 4483 Crore. This has been derived by applying 25% weight to approach 1 value and 75% to approach 2 value. KVI Leather product exports constituted 0.001% of Indian exports in FY16. The share of KVI exports has been arrived on the basis of historic high ratio of 0.14%. Hence the export of KVI Leather products in short medium term is being forecasted to be around INR 6 Crore to INR 6.5 Crore.

4.5.4 Potential markets for export

In this segment we would discuss regarding the markets that should be targeted and the estimated size of exports by value that could be achieved in short medium term.

Table 25: Major markets for Leather Product exports

Country Name	Total Import market in CY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Crore)
USA	7106	1342	22%	0.9
Germany	4817	1163	3%	0.8
Spain	1602	709	14%	0.5
UK	2826	580	17%	0.4
UAE	585	420	33%	0.93
France	3614	379	1%	0.25
Australia	642	113	16%	0.25
Canada	861	89	14%	0.2

Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

Traditional markets of USA, UK, Canada, Australia and EU countries like Germany and Spain have shown growth over five-year period. But these destinations have stringent quality standards and it will require some time for KVI Leather exporters to match those standards. Hence these markets should be targeted for long term growth. UAE has shown significant growth potential in short term. UAE and other such middle eastern countries should be targeted by KVI exporters in order to diversify the export market and achieve higher growth rates in short term.

4.5.5 Marketing Strategy

Distribution

The Distribution of Leather products in International market can happen through the traditional channels of Exporter-Importer (B2B) and through Trade Fairs and Exhibitions. Leather product exporters have had a trend of exporting directly to buyers in the international markets. In order to reach out to such buyers, more B2B trade fairs should be organised and relationships should be nurtured keeping long term growth of KVI leather exports in consideration.

Promotion

The promotion of Leather products should be effective and done through proper channels. One of the traditional ways of doing promotion is by conducting international trade fairs and exhibitions. But in order to have an impact of such a fair, proper focus should be given on branding VI leather products. There is a need to organize more B2B fairs, so that direct contact between buyers and sellers can be established. Apart from doing promotion through traditional channels, online medium should also be used to promote KVI leather products. KVIC can look for

possible tie-ups with e-commerce giants such as Amazon, E-bay etc. in order to promote KVI branded leather products. A different approach could also be employed by looking for potential tie-ups with international leather brands and routing the promotional activities through their retail chains in international markets.

Price

Leather products come in variety of size, quality, comfort and price range. In order to acquire new markets a competitive pricing strategy for low and medium end products should be used. Middle eastern countries like UAE, Saudi Arabia, etc. should be targeted with products having high cost competitiveness. Some high end products such as high value leather jackets, high end bags etc. could be exported at a premium price to such destinations. In countries where Indian products are exported traditionally and where there is high competition a competitive pricing strategy should be used to increase market share. In markets with less competition export of premium range products should be targeted.

4.6 Herbal Products- Product wise strategy

4.6.1 Introduction

India is one of the oldest as well as the largest tradition system for herbal products and is well-known for traditional knowledge and vast plant bio-diversity. Indian Herbal products consists of Ayurveda, Soaps, Oils, Cosmetics and Shampoo product categories, which are explained below:

Ayurveda

Ayurveda consists of Chawanprash, Individual herbs, herbal medicines, toothpaste and tooth powder. There has been constant demand for Indian Ayurvedic products around the world. The major markets for Indian Ayurvedic products are UAE, Russia, USA and Japan. CAGR of Indian export of Ayurvedic products is 19.4%²⁰ during the period 2011-15. Indian exporters are facing high competition from the countries like China, Japan and USA due to quality control issues and lack of research & development in this area.

Oils

Hair oils and essential oils are the products under Oils. Amla, Shikakai, Bhringaraj, Neem, Brahmi and Balsam are the popular items in hair oils. Tea tree, Lavender, Eucalyptus, Rosemary and Peppermint are the popular items in essential oils and are used in perfumes, cosmetics and

²⁰ UN Comtrade



scenting incense. The major markets for oils' export are USA, Japan, Saudi Arabia and UAE. CAGR of Indian export for oils is 18.5%²¹ in the year 2011-15. The export is expected to rise high in future due to increasing popularity of Aromatherapy around the globe. Countries like China, USA and France are giving huge competition in the international markets.

Soaps

Soap, body wash, shower gel, hand wash and face wash are the popular items in Soap product category and are mostly exported to Bangladesh, UAE, Nepal, Malaysia and USA. The products are preferred in international market because of its fragrance and quality. The Indian export of soaps has grown with CAGR of 17%²² during the period 2011-15, but the share of India's export has declined by 4.2%²³ during this period due to rising competition from China, Kazakhstan, Europe and USA, lack of advance technology and quality standardisation in production.

Cosmetics

India is acknowledged as one of the largest exporter in cosmetics category after China. Various items in cosmetics category are: Body lotion, cream, face mask, facial kit, sunscreen, lip balm, moisturizer and rose water. The major markets for exports are: Hong Kong, Saudi Arabia, Russia and USA. The export has increased with CAGR of 13.5%²⁴ during the period 2011-15 and the country has shown its ability to produce a wide range of products of good quality and price at par with international markets. The competition from countries like China, USA and France is very high in international markets.

Shampoo

Shampoo and conditioner are the products under Shampoos. Amla, Bhringaraj, Shikakai and Aloe Vera shampoos and conditioners are the popular items in this category and are preferred as ailments of dandruff and hair loss. The major markets for shampoo's export are Australia, Pakistan and Russia. CAGR IS 13.5%²⁵ during year 2011-15 and is expected to rise in future due to increasing demand for herbal products with no side-effects. China, USA and France are the major competitors in this category in international markets.

²¹ UN Comtrade

²² UN Comtrade

²³ UN Comtrade

²⁴ UN Comtrade

²⁵ UN Comtrade

4.6.2 Assessment of Market Factors

The purpose of SWOT analysis is to understand Strengths, Weaknesses, Opportunities and Threats of Herbal products.

Strengths

Customers in international market are aware of Ayurveda and Indian herbal products. Herbal products/ cosmetics from India have great demand in the overseas market and many products manufactured in India are supplied to international suppliers to branded cosmetics products²⁶.

It is considered as a traditional sector and have been practiced over ages. In India, there is strong infrastructure for education, research and manufacturing. There are 11 National institutes under Department of Ayush, 64 Post Graduate colleges, 254 Under Graduate colleges, 30 research institutes under Central Council for Research in Ayurveda and Siddha and 7494 manufacturing units²⁷. There are specialized courses and trainings to develop skills in advanced soap technology, herbal cosmetics, essential oils, hair oils, perfumery and shampoo.

Weaknesses

Khadi and Village Industry exporters mostly export herbal/ cosmetic products through importer-exporter channel. They maintain good relationship with the importer and procure products on order basis which leads to lack of knowledge regarding customer preference and market trends in international market.

There are no defined quality standards for herbal products. There are stringent rules on ingredients used in products and quality standards in international markets which prevent Indian exporters to cater high demand markets like Europe for their products.

Demonetization in 2016 led to fall in exports due to lack of cash with manufacturers and exporters and they are still recovering from the losses.

Opportunities

Many campaigns, marathons and other promotional activities are organized to promote herbal products all around the world. Media is also playing a major role in creating awareness and promoting healthy lifestyle. Customers are aware of herbal / cosmetic products and prefer them

²⁶ CHEMEXCIL

²⁷ Ministry of AYUSH



because of their eco-friendly nature which is leading to increasing demand for the products in international markets.

The Government of India has taken various initiatives to promote Ayurveda and Village products like celebrating National Ayurveda Day, providing financial support for implementing KVIC schemes for marketing, building capacity, developing skills and creating research infrastructure.

Threats

India has enormous natural flora and biodiversity comprising of trees, herbs, shrubs, ferns, algae and fungi. It is a habitat of various medicinal plants, but urbanization, pollution and destructive harvesting have led to depletion and extinction of some medicinal plants and their exports are prohibited in India.

Zandu, Himalaya, Dabur, Vicco, Emami and Baidyanath are the major players in herbal category. They have high brand recall, high quality standards and financial strength to increase their market share in established markets and explore new international markets, which is difficult for a village product manufacturer or exporter to compete with.

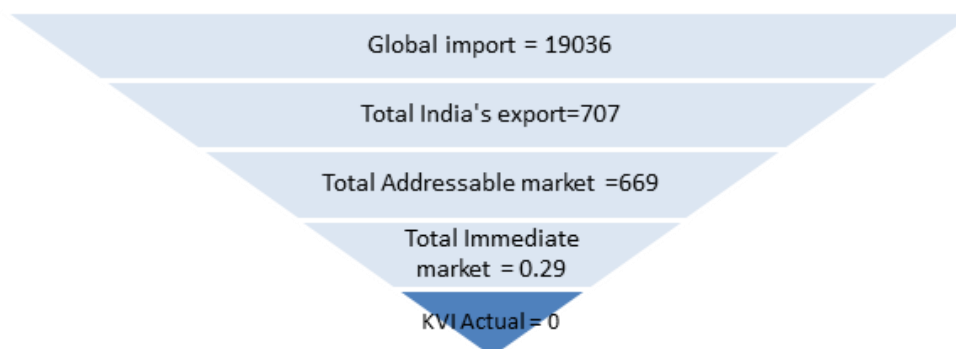
Due to lack of knowledge of international markets, inefficient distribution and taxation, Indian herbal products are facing huge competition in terms of pricing in international markets especially from China.

4.6.3 Market estimation, product categorization and short-medium term potential estimation for Ayurvedic products

Current Market demand estimation for Ayurvedic products

The global import of Ayurvedic products is estimated to be INR 19036 crore and India's total export of Ayurvedic products is estimated to be INR 707 crore in 2015. In European countries, it is difficult to promote Ayurvedic herbs and medicines because of stringent quality and labelling standards. Thus, the total addressable market after removing European region is INR 669 crore, while total market addressed by Indian KVI is INR 0.29 crore. The potential market gap is INR 0.29 crore.

Figure 35: Current Demand of Ayurvedic products (All values in INR)



Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

Product categorization as H/M/L for Ayurvedic products

The global import demand has grown with CAGR of 8.1% during the period 2011-15. The India's total export to world in 2015 was INR 707 crore which is 3.6% of total global exports. The share of India's export to total global exports has grown at CAGR of 14.7% during the period 2011-15. The global imports and India's exports have grown with time but CAGR during the period 2011-15 is less than what it is over 10 years, thus the overall impact of the product is medium.

Figure 36: Market assessment of Ayurvedic products

Particular	Total exports in			Trend assessment		Impact
	2006	2011	2015	5-year CAGR	10-year CAGR	
Global Import demand (Total Global Imports)	9371	13933	19036	8.1%	8.2%	Medium
India's total export to world	83	348	707	19.4%	26.9%	Medium
Share of India's export to Total global exports	1.0%	2.1%	3.6%	14.7%	15.9%	Medium

Source: UN Comtrade, MOC, iMaCS Analysis

As mentioned above, the demand for Ayurveda and India's export is increasing with time. KVIC export has reached INR 21²⁸ crore in 2015 and is expected to rise in the future because of Government support and increasing global demand. For growth of the sector, various initiatives have been taken by Government for skill development. There are 11 National institutes under Department of AYUSH, 64 Post Graduate colleges and 254 Under Graduate colleges in India²⁹. Ministry of AYUSH has taken various initiatives in developing research capability and developing quality standards in India. Development is going on for research on drug standardization and medicinal plant cultivation, but results are yet to be seen in future.

²⁸ KVIC Annual Report

²⁹ Ministry of AYUSH

The cost of logistics and warehousing is much higher for a VI manufacturer than an established FMCG company. Due to lack of research and development capability for high yielding varieties, irregular supply of raw materials, absence of standardized procedure to manufacture Ayurvedic products and rising competition from China which also has history of ancient science are causing barriers to entry in international markets. Considering all the factors mentioned above, the demand for Indian Ayurveda is categorized as medium.

Figure 37: Trend analysis of Ayurveda

Product	Global market	Existing trade (India's)	KVI export potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Potential
Ayurveda	↑	↑	↑	↑	↓	↓	↔	↔	↓	Medium

due to stringent quality standards. India's share is 5% in total import of Ayurveda in target markets. The growth of India's market share is estimated to be 22% which will lead to 6% India's share of market in target markets in short-medium term. The demand for India's export of Ayurveda is estimated to be INR 819 crore while projected market for KVI is estimated to be INR 0.43 crore in short-medium term.

Figure 38: Demand Forecast for Export of Ayurveda

Estimation short-medium term		
Approach 1		Remarks
Estimate for Indian export growth		Not Available
Projection for India's export – Approach 1		
Approach 2		
Target Market current size	13636	Current market of select target market
India's share in total import of Target market	5%	
Short term growth of India's export to target countries	21%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	27%	10-year growth in consumption from India's export
Weighted Avg. growth of India's share	22%	
Growth in market share as projected for India	22%	
India's expected Share of Market in short-medium term	6%	
Projection for India's export – Approach 2	819	

India's projected export in short-medium term	819	
KVI share in India's export current data	0.0427%	
KVI share in India in short- medium term	0.052%	<i>Based on historic growth</i>
Projected market for KVI in short-medium term	0.43	

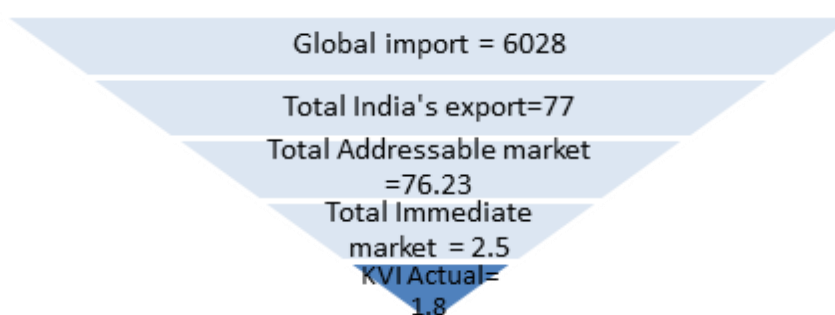
Source: MOC, UN Comtrade, IMaCS Analysis

4.6.4 Market estimation, product categorization and short-medium term potential estimation for Oils

Current Market demand estimation for Oils

The global import of Oils was estimated to be INR 6028 crore in 2015 and India's total export of Oils was INR 77 crore in 2015. European countries have stringent quality standards, but awareness of Indian herbal products is high in those regions, thus 50% of their export value can be considered for current demand estimation. The total addressable market is estimated to be INR 76.23 crore. The total market addressed by Indian KVI was INR 2.5 crore while export from KVIC was INR 1.8 crore in 2015. There is gap of INR 0.7 crore which clearly shows that export potential for Oils is underutilized.

Figure 39: Current Demand of Oils (All values in INR)



Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

Product categorization as H/M/L for Oils

The global import demand has grown with CAGR of 10.3% during the period 2011-15. The India's total export to world is INR 77 crore which is 1.4% of total global exports. The share of India's export to total global exports has grown at CAGR of 3.6% during the period 2011-15. CAGR of global imports and India's have increased over time and has the potential to grow in future due

to rising demand of Aromatherapy and well-being industry, thus the overall impact of the product is High.

Figure 40: Market assessment of Oils

Particular	Total exports in			Trend assessment		Impact
	2006	2011	2015	5-year CAGR	10-year CAGR	
Global Import demand (Total Global Imports)	2508	4071	6028	10.3%	10.2%	High
India's total export to world	22	39	77	18.5%	15.0%	High
Share of India's export to Total global exports	0.9%	1.2%	1.4%	3.6%	5.0%	Medium

Source: UN Comtrade, MOC, IMaCS Analysis

As mentioned above, Global imports and India's export has increased during the period 2011-15. KVI export potential has grown at CAGR of 3%³⁰ in FY 2012-16 and is expected to increase in future due to increase in demand for the product in international markets.

Institutes like FFDC, Kannauj, Aromahead etc are developing skills in Oils, but initiatives are required from the Government to build skills and develop research and development capability in hair oils and Essential oils. The cost of logistics and warehousing is much higher for a VI manufacturer than an established FMCG company. Quality of the Indian Oils is preferred in international market but absence of standardization of quality standards and competition from China, USA and European countries are causing barriers to entry in international markets.

Based on the factors defined above, the potential for the product is High.

Figure 41: Trend analysis of Oils

Product	Global market	Existing trade (India's)	KVI export potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Potential
Oil	↑	↑	↑	↑	↓	↔	↔	↔	↔	High

Short-Medium term potential estimation for Oils

The global import of Oils in target markets was INR 5409 crore in 2015. 50% of import of European markets is considered for calculation of target market current size as they have stringent quality standards, lack of standardisation and labelling issues. Indian exporters can

³⁰ KVIC Annual Report and IMaCS Analysis

target this market in future provided quality standards are improved. India's share is 1% in total import of Oils in target markets. The growth of India's market share is estimated to be 18% which will lead to 2% India's share of market in target markets in short-medium term. India's export of Oils is estimated to be INR 712 crore with CAGR of 0.73%, as projected by CHEMEXCIL. By taking suitable average of Approach 1 & 2, the demand for India's export of Oils is estimated to be INR 276 crore while projected market for KVI is estimated to be INR 12 crore in short-medium term and is expected to grow the fastest as compared to other KVI products.

Figure 42: Demand Forecast for Export of Oils

Estimation short-medium term		
Approach 1		Remarks
Estimate for Indian export growth	0.73%	Short-term CAGR as per CHEMEXCIL
Projection for India's export – Approach 1	712	Current export *(1+X%)
Approach 2		
Target Market current size	5409	Current market of select target market
India's share in total import of Target market	1%	
Short term growth of India's export to target countries	18%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	15%	10-year growth in consumption from India's export
Weighted Avg. growth of India's share	18%	
Growth in market share as projected for India	18%	
India's expected Share of Market in short-medium term	2%	
Projection for India's export – Approach 2	90	
India's projected export in short-medium term	276	A suitable average of Approach 1, 2
KVI share in India's export current data	2.76%	
KVI share in India in short- medium term	4%	Based on historic growth
Projected market for KVIC in short-medium term	12	

Source: MOC, UN Comtrade, iMaCS Analysis

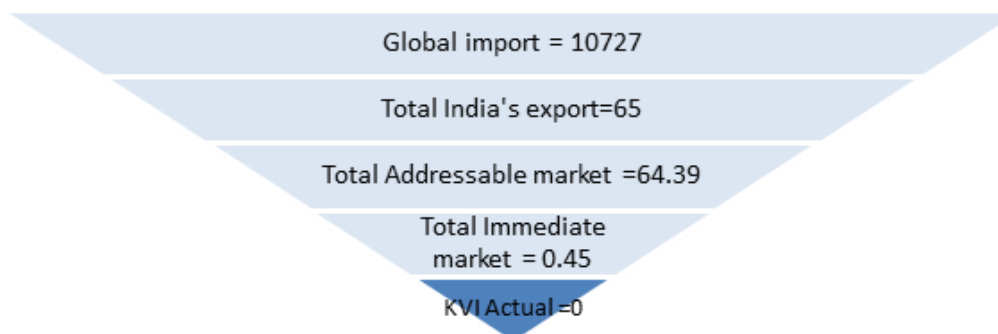
4.6.5 Market estimation, product categorization and short-medium term potential estimation for Soaps

Current Market demand estimation for Soaps

The global import of Soaps was estimated to be INR 10727 crore in 2015 and India's total export of Soaps was INR 65 crore in 2015. European countries have stringent quality standards, but

awareness of Indian herbal products is high in those regions, thus 50% of their export value is considered for current demand estimation. The total addressable market is estimated to be INR 64.39 crore. The total market addressed by Indian KVI was INR 0.45 crore whereas no export was reported under Soaps in 2015. There is market potential gap of INR 0.45 crore.

Figure 43: Current Demand for Soaps(All values in INR)



Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

Product categorization as H/M/L for Soaps

The global import demand has grown with CAGR of 13.5% during the period 2011-15. The India's total export to world is INR 65 crore which is 0.4% of total global exports. The share of India's export to total global exports has declined at 4.2% during the period 2011-15. Though the demand for soaps is increasing but India has not been able to tap the markets. Standardisation of quality standards and promotional activities are required to promote Indian Soaps in international market to achieve export potential. Thus, the overall impact of Soaps is Medium.

Figure 44: Market assessment of Soaps

Particular	Total exports in			Trend assessment		Impact
	2006	2011	2015	5-year CAGR	10-year CAGR	
Global Import demand (Total Global Imports)	2897	6454	10727	13.5%	15.7%	Medium
India's total export to world	9	35	65	17.1%	25.4%	Medium
Share of India's export to Total global exports	0.3%	0.5%	0.4%	-4.2%	5.4%	Low

Source: UN Comtrade, MOC, iMaCS Analysis

As mentioned above, global import and India's export for Soaps have increased during the period 2011-2015. There is demand for herbal Soaps in international market and it is expected to increase in future. Various specialized courses on Advance Soap technology and training programs have been started to achieve export potential in international market.

Figure 45: Trend Analysis of Soaps

Product	Global market	Existing trade (India's)	KVI export potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Potential
Soap	↑	↑	↑	↑	↓	↔	↑	↔	↔	Medium

Government initiatives are required to develop research and development capability to meet international quality standards requirements. The cost of logistics and warehousing is much higher for a VI manufacturer than an established FMCG company. Indian Soaps are preferred in international market because of its fragrance and quality, but absence of standardization of quality standards and competition from China, USA and European countries are the reasons which are not allowing Indian export to achieve its full potential.

Based on the factors defined above, the potential for the product is considered to be Medium.

Short-Medium term potential estimation for Soaps

The global import of Soaps in target markets was INR 9499 crore in 2015. 50% of import of European markets is considered for calculation of target market current size because customers in European markets have awareness about herbal Soaps, there is huge demand for the product and India has the potential to target these markets provided quality standards are developed and maintained. India's share is 0.8% in total import of Soaps in target markets. The growth of India's market share is estimated to be 19% which will lead to 0.95% India's share of market in target markets in short-medium term. India's export of Soaps is estimated to be INR 66 crore with CAGR of 0.73%, as projected by CHEMEXCIL. By taking suitable average of Approach 1 & 2, the demand for India's export of Soaps is estimated to be INR 83 crore while projected market for KVI is estimated to be INR 0.9 crore in short-medium term.

Figure 46: Demand Forecast for Export of Soaps

Estimation short-medium term		
Approach 1		Remarks
Estimate for Indian export growth	0.73%	Short-term CAGR as per CHEMEXCIL
Projection for Indiaer CHEMEXCILhoapsion o	66	Current export *(1+X%)
Approach 2		
Target Market current size	9499	Current market of select target market
India's share in total import of Target market	0.8026%	
Short term growth of India's export to target countries	17%	5-year growth in consumption from India's export

Estimation short-medium term		
Medium term growth of India's export to target countries	26%	10-year growth in consumption from India's export
Weighted Avg. growth of India's share	19%	
Growth in market share as projected for India	19%	
India's expected Share of Market in short-medium term	0.9581%	
Projection for Indiame as projected for In	91	
India's projected export in short-medium term	83	A suitable average of Approach 1, 2
KVI share in India's export current data	1%	
KVI share in India in short- medium term	1.1%	Based on historic growth
Projected market for KVIC in short-medium term	0.90	

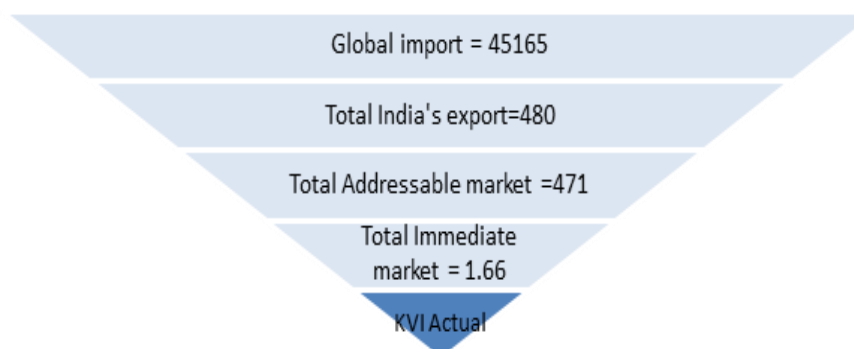
Source: MOC, UN Comtrade, IMaCS Analysis

4.6.6 Market estimation, product categorization and short-medium term potential estimation for Cosmetics

Current Market demand estimation for Cosmetics

The global import Cosmetics was estimated to be INR 45165 crore in 2015 and India's total export of Soaps was INR 480 crore in 2015. European countries have stringent quality standards, but awareness and potential for exports of Indian herbal products is high in those regions, thus 50% of their export value is considered for current demand estimation. The total addressable market is estimated to be INR 471 crore. The total market addressed by Indian KVI was INR 1.66 crore whereas no export was reported under Cosmetics in 2015. There is market potential gap of INR 1.66 crore and huge potential to tap international markets.

Figure 47: Current Demand of Cosmetics(All values in INR)



Source: UN Comtrade, MOC, KVIC Annual Report and IMaCS Analysis

Product categorization as H/M/L for Cosmetics

The global import demand has grown with CAGR of 14.4% during the period 2011-15. The India's total export to world is INR 480 crore which is 0.5% of total global exports. The share of India's export to total global exports has declined at 5.6% during the period 2011-15. Though the demand for cosmetics is increasing in the international markets but India has not been able to tap the market. Standardisation of quality standards and research and development capability are required to increase exports of Indian herbal cosmetics in international market to achieve export potential. Thus, the overall impact of Cosmetics is Medium.

Figure 48: Market Assessment of Cosmetics

Particular	Total exports in			Trend assessment		Impact
	2006	2011	2015	5-year CAGR	10-year CAGR	
Global Import demand (Total Global Imports)	16231	26371	45165	14.4%	12.0%	High
India's total export to world	96	230	480	20.2%	19.5%	High
Share of India's export to Total global exports	0.3%	0.6%	0.5%	-5.6%	5.8%	Low

Source: UN Comtrade, MOC, iMaCS Analysis

As mentioned above, global import and India's export for Cosmetics have increased during the period 2011-2015. Due to increasing awareness of herbal products and customer's preference towards eco-friendly products, the demand for herbal cosmetics is expected to rise in future. Absence of standardization of quality standards and lack of research and development capability are the reasons which are not allowing KVI export to reach its potential.

KVIC is providing platform for promoting products and developing infrastructure to facilitate exports of cosmetics in international markets, but the cost of logistics for VI manufacturers is higher than FMCG competitors. Lack of knowledge of international quality standards and high competition from China, USA and France are acting as barriers to entry in some of the major markets like USA, UK, Netherland, Poland and other European countries.

Figure 49: Trend analysis of Cosmetics

Product	Global market	Existing trade (India's)	KVI export potential	Future trends	Technical/ R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Cosmetics	↑	↑	↔	↑	↓	↔	↓	↔	↔	Medium

Short-Medium term potential estimation for cosmetics

The global import of Cosmetics in target markets was INR 40977 crore in 2015. 50% of import of European markets is considered for calculation of target market current size because customers in European markets have awareness and preference towards herbal cosmetics and India has the potential to target these markets provided quality standards are developed and maintained. India's share is 1% in total import of Cosmetics in target markets. The growth of India's market share is estimated to be 20% which will lead to 1.4% India's share of market in target markets in short-medium term. India's export of Cosmetics is estimated to be INR 483 crore with CAGR of 0.73%, as projected by CHEMEXCIL. By taking suitable average of Approach 1 & 2, the demand for India's export of Cosmetics is estimated to be INR 541 crore while projected market for KVI is estimated to be INR 2.9 crore in short-medium term.

Figure 50: Demand Forecast for Export of Cosmetics

Estimation short-medium term		
Approach 1		Remarks
Estimate for Indian export growth	0.73%	Short-term CAGR as per CHEMEXCIL
Projection for India's export – Approach 1	483	Current export *(1+X%)
Approach 2		
Target Market current size	40977	Current market of select target market
India's share in total import of Target market	1%	
Short term growth of India's export to target countries	20%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	20%	10-year growth in consumption from India's export
Weighted Avg. growth of India's share	20%	
Growth in market share as projected for India	20%	
India's expected Share of Market in short-medium term	1.4%	
Projection for India's export – Approach 2	566	
India's projected export in short-medium term	541	<i>A suitable average of Approach 1, 2</i>
KVI share in India's export current data	0.297%	
KVI share in India in short- medium term	1%	<i>Based on historic growth</i>
Projected market for KVIC in short-medium term	2.9	

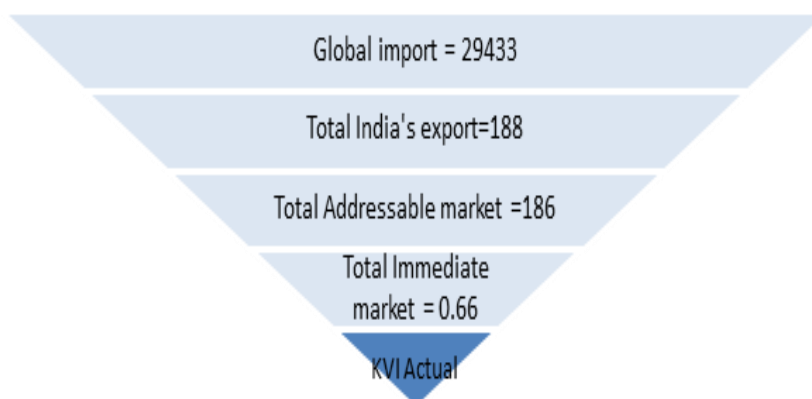
Source: MOC, UN Comtrade, iMaCS Analysis

4.6.7 Market estimation, product categorization and short-medium term potential estimation for Shampoos

Current Market demand estimation for Shampoos

The global import Shampoos was estimated to be INR 29433 crore in 2015 and India's total export of Soaps was INR 188 crore in 2015. European countries have stringent quality standards, but awareness and potential for exports of Indian herbal products is high in those regions, thus 50% of their export value is considered for current demand estimation. The total addressable market is estimated to be INR 186 crore. The total market addressed by Indian KVI was INR 0.66 crore whereas no export was reported under Shampoos in 2015. There is market potential gap of INR 0.66 crore.

Figure 51: Current Demand for Shampoos (All values in INR)



Source: UN Comtrade, MOC, KVIC Annual Report and iMaCS Analysis

Product categorization as H/M/L for Shampoos

The global import demand has grown with CAGR of 9.3% during the period 2011-15. The India's total export to world is INR 188 crore which is 0.6% of total global exports. The share of India's export to total global exports is 6.5% during the period 2011-15. The demand for Shampoos is increasing and exports from India are increasing as well. Standardisation of quality standards and research and development capability need to be built to increase share of India's export to total global imports of herbal shampoo. Thus, the overall impact of Shampoos is Medium.

Figure 52: Market assessment of Shampoos

Particular	Total exports in			Trend assessment		Impact
	2006	2011	2015	5-year CAGR	10-year CAGR	
Global Import demand (Total Global Imports)	13241	20606	29433	9.3%	9.3%	Medium
India's total export to world	29	93	188	19.3%	22.9%	Medium
Share of India's export to Total global exports	0.3%	0.4%	0.6%	6.5%	7.8%	Medium

Source: UN Comtrade, MoC, IMAcS Analysis

As mentioned above, global import and India's export for Shampoos have increased during the period 2011-2015. Due to increasing awareness of herbal products and customer's preference towards eco-friendly products, the demand for herbal Shampoos and Conditioners is expected to rise in future. Absence of standardization of quality standards and lack of research and development capability are the reasons which are not allowing KVI export to reach its potential. KVIC is providing platform for promoting products and developing infrastructure to facilitate exports of Shampoos in international markets, but the cost of logistics for VI manufacturers is higher than FMCG competitors. Lack of knowledge of international quality standards and high competition from China, USA and France are acting as barriers to entry in some of the major markets like USA, UK, Germany, France and other European countries. Thus, the export potential for Shampoos is Medium.

Figure 53: Trend analysis of Shampoos

Product	Global market	Existing trade (India's)	KVI export potential	Future trends	Technical / R&D capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Shampoo	↑	↑	↑	↑	↓	↔	↔	↔	↔	Medium

Short-Medium term potential estimation for Shampoo

The global import of Shampoos in target markets was INR 26855 crore in 2015. 50% of import of European markets is considered for calculation of target market current size because customers in European markets have awareness and preference towards herbal shampoos and India has the potential to target these markets provided quality standards are developed and maintained. India's share is 0.69% in total import of Shampoos in target markets. The growth of India's market share is estimated to be 20% which will lead to 0.83% India's share of market in target

markets in short-medium term. India's export of Shampoos is estimated to be INR 190 crore with CAGR of 0.73%, as projected by CHEMEXCIL. By taking suitable average of Approach 1 & 2, the demand for India's export of Shampoos is estimated to be INR 213 crore while projected market for KVI is estimated to be INR 1.3 crore in short-medium term.

Figure 54: Demand Forecast for Export of Shampoos

Estimation short-medium term		
Approach 1		Remarks
Estimate for Indian export growth	0.73%	Short-term CAGR as per CHEMEXCIL
Projection for India's export – Approach 1	190	
Approach 2		
Target Market current size	26855	Current market of select target market
India's share in total import of Target market	0.69%	
Short term growth of India's export to target countries	19%	5-year growth in consumption from India's export
Medium term growth of India's export to target countries	23%	10-year growth in consumption from India's export
Weighted Avg. growth of India's share	20%	
Growth in market share as projected for India	20%	
India's expected Share of Market in short-medium term	0.83%	
Projection for India's export – Approach 2	223	
India's projected export in short-medium term	213	<i>A suitable average of Approach 1, 2</i>
KVI share in India's export current data	0.351%	
KVI share in India in short- medium term	0.603%	<i>Based on historic growth</i>
Projected market for KVIC in short-medium term	1.3	

Source: MOC, UN Comtrade, iMaCS Analysis

4.6.8 Potential markets for export

Ayurveda

USA is the biggest market for Ayurveda, but competition and stringent quality standards are the challenging aspects for Indian exporters. South Africa, Russia, Sri Lanka and Vietnam are the major markets for export of Indian Ayurveda by market value. Brazil, Mozambique and Zimbabwe are the countries with high potential for export of Ayurveda because of increasing CAGR of exports. Malaysia, Japan and UAE are the well-established markets for KVI exports and the

demand is expected to rise in the future. European countries can also be targeted in future provided international quality standards are developed and monitored by Government of India.

Figure 55: Potential Markets for Export of Ayurveda

Country Name	Total Import market in CY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Lakhs)
USA	3119	343	29%	23
South Africa	74	24	22%	1.7
Russia	319	22	-1%	1.5
Sri Lanka	22	13	15%	0.9
Vietnam	100	12	18%	0.8
Brazil	157	12	28%	0.8
Mozambique	17	8.5	44%	0.6
Zimbabwe	10	6.6	53%	0.5
Malaysia	51	3.3	25%	0.2
Japan	969	2	14%	0.1
UAE	101	1.5	NA	0.1

Source: MoC, UN Comtrade, KVIC Reports, IMaCS Analysis

Oils

UAE, Saudi Arabia, Nepal, Singapore and Australia are the major markets for export of Indian Oils in terms of huge demand for the product. Demand for Oils' imports is increasing in Indonesia, Egypt and Malaysia and is expected to rise in future. Competition and quality standards are very high in USA, but it is the biggest market in terms of global imports and has potential for exports of Oils in short-medium term.

Figure 56: Potential markets for Export of Oils

Country Name	Total Import market in FY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Crore)
UAE	126	14	NA	2.3
Saudi Arabia	186	3.5	11%	1.2
Nepal	7.2	6	14%	0.9
Singapore	54	4.4	34%	0.7
Australia	136	3.5	24%	0.6
Indonesia	27	2.8	52%	0.4
Egypt	17.4	2.5	19%	0.4
USA	784	2.3	25%	0.4
Malaysia	33	1.6	44%	0.3

Source: MoC, UN Comtrade, KVIC Reports, IMaCS Analysis

Soaps

Asian and Middle East nations are the potential markets for Soaps. Bangladesh, Nepal, South Korea and Singapore are the major markets for export of Soaps from India. UAE, Saudi Arabia, Australia and Kuwait are the potential markets with increasing demand for Indian Soaps.

Figure 57: Potential markets for Export of Soaps

Country Name	Total Import market in FY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Crore)
Bangladesh	26	18	37%	0.26
Nepal	7	6	59%	0.09
South Korea	149	4.2	247%	0.06
Singapore	120	3.4	75%	0.05
UAE	175	2.9	NA	0.04
Saudi Arabia	151	2	79%	0.03
Australia	275	1.6	29%	0.02
Kuwait	37	0.75	60%	0.01

Source: MoC, UN Comtrade, KVIC Reports, iMaCS Analysis

Cosmetics

UAE and Saudi Arabia are the major markets in terms of value of imports of Indian Herbal Cosmetics. Singapore, Nepal, USA, Kuwait and Russia are the potential markets for the product due to increasing value of imports during the period 2011-15. USA and Netherlands are potential markets due to increasing imports during the period 2011-15. European countries can be targeted in future provided quality standards are developed and maintained.

Figure 58: Potential markets for Export of Cosmetics

Country Name	Total Import market in FY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Crore)
UAE	1030	157	NA	0.98
Saudi Arabia	779	98	5%	0.61
Singapore	1788	31	48%	0.19
Nepal	31	23	18%	0.14
USA	3893	22	9%	0.14
Kuwait	223	20	6%	0.12
Russia	883	10	13%	0.06
Netherlands	939	2	24%	0.01

Source: MoC, UN Comtrade, KVIC Reports, iMaCS Analysis

Shampoos

Australia is the biggest market for exports of Indian herbal shampoos. Nepal, Russia, Sri Lanka and South Korea are the major markets for KVIC as the demand for the product is increasing with time. Market is increasing by value in New Zealand, Bangladesh and Malaysia. The growth of exports of Indian Shampoos is plateaued in USA but should be targeted as it is the major market by value and India has the potential to capture more market share in future provided gaps in knowledge of market trends, skill and research are bridged in short-medium term. Europe countries have strict labelling and standardisation requirements in addition to high quality standards. KVI exporters should meet the defined criteria to export to European countries with high export potential

Figure 59: Potential markets for Export of Shampoos

Country Name	Total Import market in CY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY12-FY16)	KVIC Export Potential (INR Crore)
Australia	422	27	52%	0.33
Sri Lanka	12	6.8	41%	0.11
South Korea	426	6	247%	0.08
Russia	777	14	57%	0.07
Nepal	39	12	34%	0.06
New Zealand	129	7.2	61%	0.05
Bangladesh	27	6.8	22%	0.05
USA	1457	8.1	11	0.05
Malaysia	352	7.4	16%	0.04

Source: MoC, UN Comtrade, KVIC Reports, iMaCS Analysis

4.6.9 Marketing Strategy

Distribution

Exporter- Importer and Distribution agent channels are mostly used by Indian exporters to export herbal products in international market. The relationship should be maintained with exporters, importers and distribution agents to cater existing clients. A database of authentic Exporters, Importers and distribution agents should be developed to avoid monetary losses.

KVIC in Asian and MENA region can tie-up with retail giants like Walmart, Tesco etc. which can promote herbal/ cosmetic products in these established markets. The demand for Indian herbal products is increasing in these regions and have high potential for export in future. This will help in creating awareness, direct buying by customers and understanding purchase behavior of these regions to customize marketing strategies accordingly.



Internet retailing is the best option to target potential markets like America and Europe to create awareness among the customers by providing digital catalogue of products, highlighting the ingredients and certifications. Indian exporters can either create their own E-commerce website to sell their products or they can tie up with E-commerce companies like Amazon, Rakuten, Ebay etc. to cater the markets.

Price

Indian Exporters are facing competition from established companies like Dabur, Zandu etc. in herbal category, FMCG companies, and established local brands to increase their market share in the target markets. China is also giving competition to Indian exporters in terms of pricing. To gain market share for products like Soaps, Shampoos and Hair oils in target markets, competitive pricing could be adopted.

Premium pricing could be adopted for Ayurveda and cosmetic products. Attractive packaging, certification and labelling by mentioning ingredients should be done to justify authenticity and quality of products.

Promotion

To promote herbal products, products' quality, ingredients and its benefits should be emphasised in international markets.

Trade fairs and exhibitions are the best platforms to create awareness about Indian herbal products and getting exposure on available product ranges and promotional activities conducted in international markets.

Social media promotion and product pages on E-commerce giants like Amazon, Ebay and Rakuten etc. are very cost-effective promotional activities to reach out to customers in various countries and educating them on product, its various ranges, ingredients and benefits. The herbal products can be advertised in international airline magazines and trial packs can be distributed to stimulate product interest and purchase.

In established markets like Asian and MENA region, in-store promotions can be conducted to create awareness about herbal products and their benefits. Trial packs can be distributed to the customers stores to influence their purchase behavior. Customer's feedback should be taken and analyzed to understand customer's preference and increase sales in those regions.

Attractive product catalogues and packaging should be designed for herbal products in country's native language. Packaging should be done with minimum colours and bio-degradable materials to highlight the product's eco-friendly nature. The ingredients of the product should be emphasised on labelling for such products. New labelling methods can be devised to clear the confusion regarding the quality of products.

4.7 Khadi products - Product wise strategy

4.7.1 Introduction

Khadi products produced in India include fabric, garments and accessories, and furnishing items such as curtains, bedsheets, napkins etc. Indian Khadi products do not have separate HS code and are exported under the HS codes of Indian handloom. Major export markets for Indian Handloom products are USA, EU and Middle East. Fabrics are mostly exported to Viet Nam and China. Exports of Indian Handloom registered a decline of -11% CAGR in last four years and that of Khadi registered a decline of -24% CAGR. China is India's largest competitor in handloom sector followed by Pakistan and Turkey.

4.7.2 Assessment of Market Factors

In this segment a qualitative assessment of Khadi products from an export market perspective is done with the help of SWOT framework. The Strengths, Weaknesses, Opportunities and Threats for this sector have been discussed in details in this segment.

Strengths

India has been one of the established players in Handloom sector and has been one of the leading Handloom exporters of the world. Khadi products are solely made in and exported by India.

Indian handloom products are acknowledged and appreciated worldwide. This gives an added boost for Indian Khadi products as the recognition helps in competing with handloom products of other competing nations such as China and Pakistan.

Weaknesses

Since Khadi production is a time taking process, the production volumes are quite low as compared to mill produced products. This hampers servicing bulk orders in limited time.



Limited design capabilities in Indian handloom and Khadi sector hampers export growth. The design trends and requirements in the international markets are different from the domestic market and they keep changing from time to time. Indian Khadi designs do not tend to match with these changing trends thereby resulting in a mismatch in the type of design required and that being produced.

Opportunities

Chinese handloom exports have slowed down. This gives a chance to Indian players especially those exporting Khadi to grab this opportunity and penetrate more in US and European markets.

A shift in trend towards apparels in the long term is expected. Indian Khadi product manufacturers align their production to garments and apparel products. They should analyse the key markets, assess the demand both in terms of design and volume and accordingly supply the requisite products.

Threats

The skilled weavers employed by this industry are declining and hence cost of getting highly trained weavers has increased. Similarly cost of getting good quality raw materials have gone up and has put pressure on the margins of Khadi manufacturers and exporters.

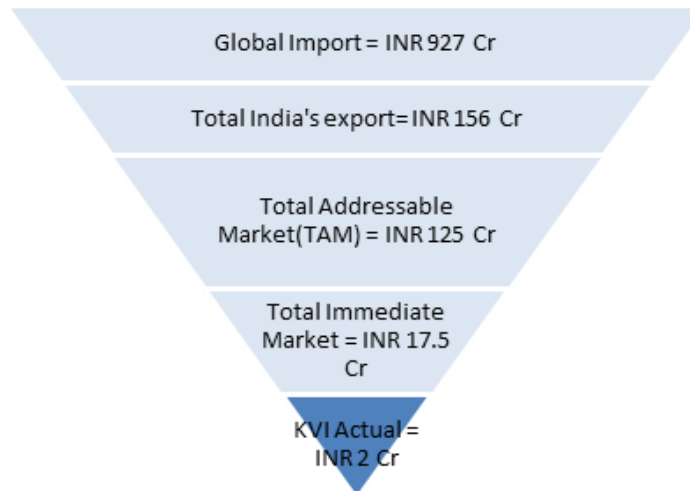
Labelling requirements, stringent quality checks and other such NTBs in the textile sector also hampers exports. Khadi products being handwoven have some irregularities which forms a part of the texture but it gets extremely difficult for exporters to convince international buyers of the same leading to high rejections. International buyers look for finish quality of that of a mill product which is extremely difficult to attain.

4.7.3 Current demand estimation for Khadi products

Khadi Garments

The Global imports of Handloom Garments in 2015 was about INR 927 Crore and India exported INR 156 Crore in the same year. Given the supply constraints we estimate that Khadi garments can service 80% of the value. Thus, the Total Addressable Market for Khadi Garments products is estimated to be INR 125 Crore. The total immediate market was arrived at by considering the ratio of historic high ratio of KVI exports to that of Indian exports. The ratio thus calculated is 0.14 and the Total Immediate Market is estimated to be INR 17.5 crore to INR 20 Crore.

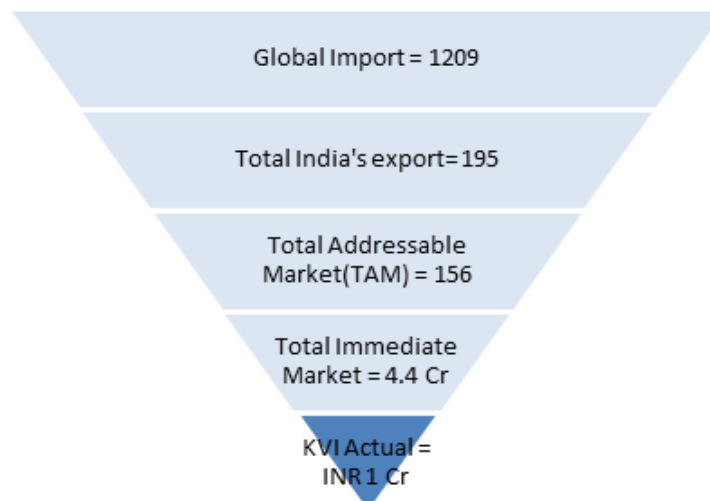
Figure 60: Total Addressable Market for Khadi Garments (All values in INR)



Khadi Fabrics

The Global imports of Handloom Fabrics in 2015 was about INR 1209 Crore and India exported INR 195 Crore in the same year. Given the supply constraints we estimate that Khadi Fabrics can service 80% of the value. Thus, the Total Addressable Market for Khadi Fabrics is estimated to be INR 156 Crore. The total immediate market was arrived at by considering the ratio of historic high ratio of KVI exports to that of Indian exports. The ratio thus calculated is 0.028 and the Total Immediate Market is estimated to be INR 4.4 Crore to INR 5 Crore.

Figure 61: Total Addressable Market for Khadi Fabrics (All values in INR)

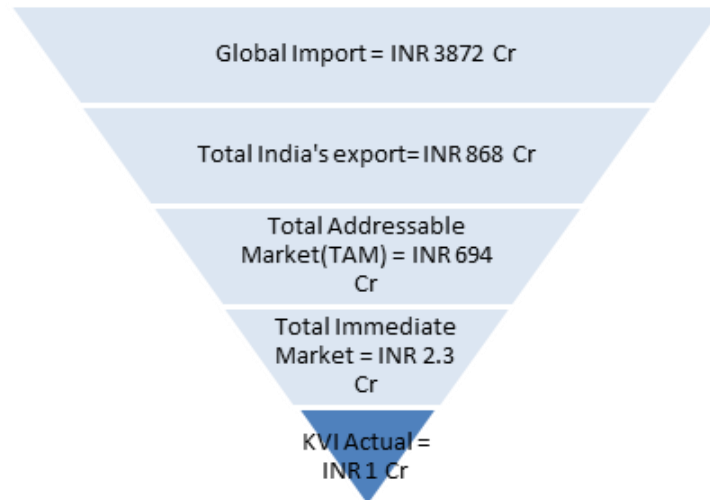


Khadi Furnishings

The Global imports of Handloom Furnishings in 2015 was about INR 3872 Crore and India exported INR 868 Crore in the same year. Given the supply constraints we estimate that Khadi furnishings can service 80% of the value. Thus, the Total Addressable Market for Khadi

Furnishings is estimated to be INR 694 Crore. The total immediate market was arrived at by considering the ratio of historic high ratio of KVI exports to that of Indian exports. The ratio thus calculated is 0.003 and the Total Immediate Market is estimated to be INR 1.3 Crore to INR 1.5 Crore.

Figure 62: Total Addressable Market for Khadi Furnishings (All values in INR)



4.7.4 Product categorization as H/M/L for Khadi products

Khadi Garments

The Global import market for Handloom Garments in 2015 was INR 927 Crore. It grew at 7% CAGR over five-year period and at 11% CAGR over ten-year period. India's total export of Handloom garments in 2015 was INR 156 Crore. It witnessed a growth of 7% CAGR over five-year period and of 8% CAGR over ten-year period. The trend in share of India's exports to global exports have declined from 19% in 2006 to 15% in 2011 and then marginally increased to 16% in 2015.

Table 26: Market Assessment for Khadi Garments

Particular	Value in INR Crore			Trend assessment		Impact
	2006	2011	2015	5 year CAGR	10 year CAGR	
Total Global Imports	358	710	927	7%	11%	High
India's total export to world*	81	118	156	7%	8%	High
Share of India's export to Total global exports	19%	15%	16%	2%	-2%	Medium

Source: MoC, UN Comtrade, KVIC Reports, iMaCS Analysis

Khadi Fabrics

The Global import market for Handloom Fabrics in 2015 was INR 1209 Crore. It declined at -6% CAGR over five-year period and at -1% CAGR over ten-year period. India's total export of Handloom fabrics in 2015 was INR 195 Crore. It witnessed a decline of -1% CAGR over five-year period and of -5% CAGR over ten-year period. The trend in share of India's exports to global exports increased from 15% in 2006 to 16% in 2011 and then declined to 10% in 2015.

Table 27: Market Assessment for Khadi Fabrics

Particular	Value in INR Crore			Trend assessment		Impact
	2006	2011	2015	5 year CAGR	10 year CAGR	
Global Import demand (Total Global Imports)	1301	1521	1209	-6%	-1%	Low
India's total export to world	306	199	195	-1%	-5%	Medium
Share of India's export to Total global exports	15%	16%	10%	-11%	-4%	Low

Source: MoC, UN Comtrade, KVIC Reports, iMaCS Analysis

Khadi Furnishings

The Global import market for Handloom Furnishings in 2015 was INR 3972 Crore. It grew at 7% CAGR over five-year period and at 6% CAGR over ten-year period. India's total export of Handloom furnishings in 2015 was INR 868 Crore. It witnessed a growth of 19% CAGR over five-year period and of 13% CAGR over ten-year period. The trend in share of India's exports to global exports increased from 20% in 2006 to 22% in 2011 to 30% in 2015.

Table 28: Market Assessment for Khadi Furnishings

Particular	Value in INR cr			Trend assessment		Impact
	2006	2011	2016	5 year CAGR	10 year CAGR	
Global Import demand (Total Global Imports)	2228	2934	3872	7%	6%	High
India's total export to world*	282	440	868	19%	13.3%	High
Share of India's export to Total global exports	20%	22%	30%	9%	5%	High

Source: MoC, UN Comtrade, KVIC Reports, iMaCS Analysis

The Global market for Khadi Garments has grown over five-year period. India's current exports of leather products have also grown at a healthy rate in the same period. But KVI export potential has declined in the same period and the future trend for Khadi garments are not encouraging. In case of Khadi Fabrics, the Global demand and India's exports have declined over last five years. But the KVI exports of Khadi fabrics has gone up in the same period. This coupled with improving

future trend as gathered from the primary exercise signal encouraging signs for Khadi Fabric products. The global demand in case of Khadi Furnishings segment has grown over the last five years. The Indian export of Khadi Furnishings have also grown in the same period. Although the KVI market potential for this sub segment has plateaued the future trend is positive signalling better growth opportunities for the segment.

Table 29: Trend Assessment for Khadi Garments

Product	Global market	Existing trade (India's)	KVI market potential*	Future trends	Technical / Design capability	Quality/ Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Khadi Garments	↑	↑	↓	↔	↔	↔	↔	↔	↔	Low

Table 30: Trend Assessment for Khadi Fabrics

Product	Global market	Existing trade (India's)	KVI market potential*	Future trends	Technical / R&D capability	Quality / Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Khadi Fabric	↑	↑	↔	↑	↔	↔	↔	↔	↔	Medium

Table 31: Trend Assessment for Khadi Furnishings

Product	Global market	Existing trade (India's)	KVI market potential*	Future trends	Technical / Design	Quality / Standards	Skill assessment	Infrastructure/ Logistics	Barriers to Entry	Export Potential
Khadi Furnishings	↓	↓	↑	↑	↔	↔	↔	↔	↔	Medium

There has not been much technological and R&D advancement in Khadi sector especially in terms of productivity improvement and design. Indian Khadi product designs are predominantly made by the weavers and they do not align with the trends of the international markets. There is a need for technology to be used in getting better designs for these products which align with the need of the market. Moreover, technological advancement in production of Khadi products is very limited and needs improvement. There are no set quality standards for Khadi products which leads to inconsistency of final output being sold in international markets.



The number of highly skilled weavers is low and this creates supply crunch of high quality products. KVIC has been running various courses on Khadi design, weaving, embroidery, etc. to improve the skill level of the workforce. This will have a positive bearing in future. The infrastructure of ports and warehouses needs to be improved in order to reduce time and costs, two key factors which impact export competitiveness. The cost of transportation and warehousing has a high bearing for the small exporters.

Given the issues Khadi Garments is facing along with the decline in international demand, the export potential of Khadi garments is low. In case of Khadi Fabric and Furnishings segments, the future demand is positive and there is a scope for improvement in other aspects as already discussed above. Hence the export potential for both Khadi Fabrics and Khadi Furnishings is medium.

4.7.5 Short-Medium term potential estimation for Khadi products

Khadi Garments

Approach 1

The Indian Textile exports is expected to grow at 15% CAGR in next five years as reported by the Make in India website. The current exports of Handloom Garments by India was INR 156 Crore. Hence, the projected export of Handloom Garments by India is expected to be about INR 179 Crore in short medium term.

Approach 2

The global import of Handloom garments in 2015 was INR 927 Crore. It is estimated that KVI exports could service 80% of the total market. Hence the total import market size is estimated to be INR 881 Crore. India's share of world Handloom Garments export in 2015 was 16%. The five-year and ten-year export CAGR were 2% and -2% respectively. Hence the weighted average growth rate of Indian exports has been estimated to be CAGR 1%. The weights assigned to five-year CAGR was 75% and that to ten-year CAGR was 25%. Applying a 1% CAGR to the current share of 16%, it is estimated that India's share in global exports in short medium term would be 17%. The projected export of Indian Handloom Garments is INR 148 Crore.

Khadi Garments exports projection

The projected export of Indian Handloom garments derived from the two approaches stood at INR 156 Crore. This has been derived by applying 25% weight to approach 1 value and 75% to



approach 2 value. Khadi Garments exports constituted 1% of Indian Handloom Garments exports in FY16. The forecasted share of Khadi Garments exports has been arrived on the basis of historic high ratio of 14%. Hence the export of Khadi Garments in short medium term is being forecasted to be around INR 20 Crore to INR 22 Crore.

Khadi Fabrics

Approach 1

The Indian Textile exports is expected to grow at 15% CAGR in next five years as reported by the Make in India website. The current exports of Handloom Fabrics by India was INR 197 Crore. Hence, the projected export of Handloom Fabrics by India is expected to be about INR 224 Crore in short medium term.

Approach 2

The global import of Handloom Fabrics in 2015 was INR 1209 Crore. It is estimated that KVI exports could service 80% of the total market. Hence the total import market size is estimated to be INR 967 Crore. India's share of world Handloom Fabrics export in 2015 was 6%. The five-year and ten-year export CAGR were -0.6% and -5% respectively. Hence the weighted average growth rate of Indian exports has been estimated to be CAGR -2%. The weights assigned to five-year CAGR was 75% and that to ten-year CAGR was 25%. Applying a -2% CAGR to the current share of 10%, it is estimated that India' share in global exports in short medium term would be 9%. The projected export of Indian Handloom Fabrics is INR 97 Crore.

KVI exports projection

The projected export of Indian Handloom Fabrics derived from the two approaches stood at INR 174 Crore. This has been derived by applying 60% weight to approach 1 value and 40% to approach 2 value. Khadi Fabrics exports constituted 0.5% of Indian Handloom Fabrics exports in FY16. The forecasted share of Khadi Fabrics exports has been arrived at on the basis of historic high ratio of 2.8%. Hence the export of Khadi Fabrics in short medium term is being forecasted to be around INR 6.5 Crore to INR 7 Crore.

Khadi Furnishings

Approach 1

The Indian Textile exports is expected to grow at 15% CAGR in next five years as reported by the Make in India website. The current exports of Handloom Furnishings by India was INR 868 Crore.

Hence, the projected export of Handloom Furnishings by India is expected to be about INR 998 Crore in short medium term.

Approach 2

The global import of Handloom Furnishings in 2015 was INR 3872 Crore. It is estimated that KVI exports could service 80% of the total market. Hence the total import market size is estimated to be INR 3098 Crore. India's share of world Handloom Furnishings export in 2015 was 30%. The five-year and ten-year export CAGR were 8.7% and 5% respectively. Hence the weighted average growth rate of Indian exports has been estimated to be CAGR 8%. The weights assigned to five-year CAGR was 75% and that to ten-year CAGR was 25%. Applying an 8% CAGR to the current share of 30%, it is estimated that India's share in global exports in short medium term would be 32%. The projected export of Indian Handloom Furnishings is INR 1002 Crore.

KVI exports projection

The projected export of Indian Handloom Furnishings derived from the two approaches stood at INR 1000 Crore. This has been derived by applying 50% weight to approach 1 value and 50% to approach 2 value. Khadi Furnishings exports constituted 0.14% of Indian Handloom Furnishings exports in FY16. The forecasted share of Khadi Furnishings exports has been arrived at on the basis of historic high ratio of 3%. Hence the export of Khadi Furnishings in short medium term is being forecasted to be around INR 3 Crore to INR 3.5 Crore.

4.7.6 Potential Markets for exports

In this segment we would discuss regarding the markets that should be targeted and the estimated size of exports by value that could be achieved in short medium term.

Table 32: Top Markets for Khadi product exports

Country Name	Total Import market in CY15 (INR Crore)	Import from India (FY16) (INR Crore)	CAGR of Indian exports (FY13-FY16)	KVIC Export Potential (INR Crore)
UAE	63	3.36	130%	8.25
Japan	280	0.5	-21%	7.59
USA	985	0.24	-46%	4.62
France	247	0.26	-9%	1.65
Canada	67	0.20	77%	1.32
Iran	NA	0.21	NA	0.66
Malaysia	52	0.05	NA	0.66

Source: MoC, UN Comtrade, KVIC Reports, iMaCS Analysis

Traditional markets of USA, France, Japan have slowed down over five-year period except Canada where the exports have registered a significant growth. Though majority of these markets have slowed down they still present an opportunity for high value Khadi products in short medium term. Hence these markets should be targeted for long term growth. UAE, Iran and Malaysia have shown significant growth potential in short term. Such Middle eastern and Asian countries should be targeted by Khadi exporters in order to diversify the export market and achieve higher growth rates in short term.

4.7.7 Marketing Strategy

Distribution

The Distribution of Khadi products in International market can happen through the traditional channels of Exporter-Importer (B2B) channel and through Trade Fairs and Exhibitions. Khadi exporters have had a trend of exporting directly to buyers in the international markets. In order to reach out to such buyers, more B2B trade fairs should be organised and relationships should be nurtured keeping long term growth of KVI leather exports in consideration. To facilitate the B2B trade an online platform for buying and selling Khadi products can be made where all sellers and buyers can directly contact each other and could trade Khadi products.

Promotion

The promotion of Khadi products should be effective and done through proper channels. One of the traditional ways of doing promotion is by conducting international trade fairs and exhibitions. But in order to have an impact of such a fair, proper focus should be given on branding Khadi products as eco-friendly, all weather wear products. There is a need to organize more B2B fairs, so that direct contact between buyers and sellers can be established. Apart from doing promotion through traditional channels, online medium should also be used to promote Khadi products. KVIC can look for possible tie-ups with established international apparel brands to promote Khadi at their retail stores. Another way to promote Khadi could be to use the GI tags of silk used to produce the cloth. Famous GI tags such as Muga, Kancheepuram etc. should be used to add brand value to Khadi products.

Price

Khadi products come in variety of size, quality, comfort and price range. In order to acquire new markets a competitive pricing strategy for low and medium end products should be used. Middle



eastern countries like UAE, Iran, Saudi Arabia, etc. should be targeted with products having high cost competitiveness. Some high end products such as Muslin Khadi products, Muga Silk Khadi products etc. could be exported at a premium price to such destinations. In countries where Indian products are exported traditionally and where there is high competition a competitive pricing strategy should be used to increase market share. In markets with less competition export of premium range products should be targeted.

5 Internal assessment

The scope of this segment is to summarise the key outputs from primary survey in terms of the perception of Khadi and Village Industry products and the challenges faced in their exports. This segment shall also capture the inputs from fashion experts on their perception of khadi. The demographics of the consumers of khadi and Village industry products are also described in detail. Furthermore, the awareness of “Khadi Mark” and the implementation of the same by entities shall be summarised.

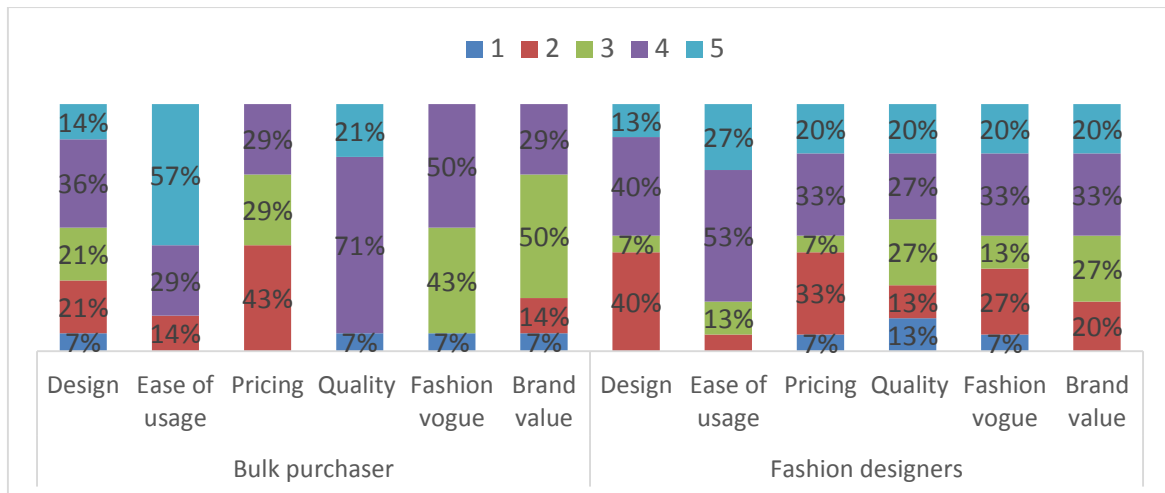
5.1 Perception Map for Khadi

In this segment the perception of Khadi vis-à-vis other textiles are captured from the perspective of Bulk purchasers of Exports and Fashion designers. The questionnaire was structured as a Likert scale ranging from the lowest score of 1, which translated to “*Not preferred at all*” and the highest score of 5, which translated to “*Highly preferred*”. Higher the value chosen by respondent, the preference shifted in favour of Khadi vis-à-vis other textiles. The factors that were asked to be ranked by the respondents were:

1. Design: Design features of the garments
2. Ease of Usage: Comfort in wearing the garment and care for garment
3. Pricing: Price perception for the garment
4. Quality: Quality of garment, longevity, colour retention, feel of texture etc.
5. Fashion Vogue: Adaptability to changing fashion needs
6. Brand Value: Brand perception for the garment

The respondents were asked to rank each of the above six factors on a scale of 1 to 5. A score of 5 would translate to a high preference for Khadi as compared to other textiles. The respondents were also categorised as bulk purchasers and fashion designers/ experts in order to analyse their responses separately. Based on the output on the study, the perception of khadi vis-à-vis other textile is described in the Figure 63.

Figure 63: Perception of Khadi vis-à-vis other textile



Source: Primary Survey, IMaCS Analysis

The above factors were analysed based on two parameters- frequency and weightage. Frequency was derived based on the count of responses against that particular factor. Weightage was derived based on the rank chosen the respondent against the factor. A weighted average approach was used to derive the final score of the factor using the result of these two parameters. For e.g. The Final score for the factor Design was derived at by multiplying frequency (in % terms) against the weightage corresponding. i.e. The final score for the factor Design for the bulk purchaser was derived as:

$$\text{Bulk purchaser}_{\text{Design}}: (14\%*5+36\%*4+21\%*3+21\%*2+7\%*1) = 3.3$$

Similar analysis was conducted for all factors and the results summarised in the Table 33 below.

Table 33: Summary of Perception map for Khadi

Factor	Bulk purchaser		Fashion designers	
	Score	Rank	Score	Rank
Design	3.29		3.27	
Ease of usage	4.29	I	4.00	I
Pricing	2.86		3.27	
Quality	4.00	II	3.27	
Fashion vogue	3.36		3.33	
Brand value	3.00		3.53	II

Source: Primary Survey, IMaCS Analysis

Ease of Usage and quality are perceived as the greatest strengths of Khadi vis-a-vis other fabrics from the perceptive of Bulk purchasers. Pricing and Brand value are perceived to be the weakest

selling points of Khadi by Bulk purchasers. Fashion designers perceived Khadi to be of high brand value in the international markets as most of their international clients are familiar with Khadi. Ease of Usage or comfort is also perceived to be of high preference for Khadi over other fabric. However, Design, Quality and Pricing are weak links for Khadi in comparison to other fabrics in the international market as opined by fashion designers and experts.

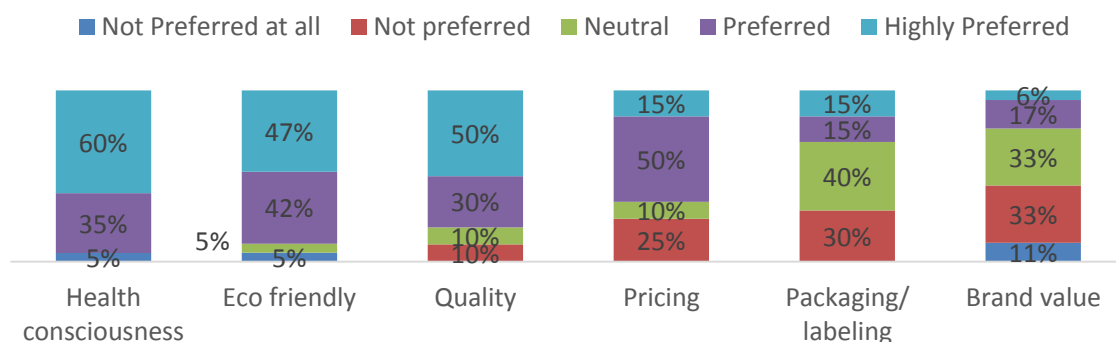
5.2 Perception Map for Village Industry products

In this segment the perception of Village Industries vis-à-vis other FMCG products are captured from the perspective of Bulk purchasers of Exports. The questionnaire was structured as a Likert scale ranging from the lowest score of 1, which translated to “Not preferred at all” and the highest score of 5, which translated to “Highly preferred”. Higher the value chosen by respondent, the preference shifted in favour of VI products vis-à-vis other FMCG. The factors that were asked to be ranked by the respondents were:

1. Health Consciousness: Perception as unadulterated products, health consciousness
2. Eco-friendliness: Perception as eco-friendly processes, ingredients
3. Pricing: Price perception for the product
4. Quality: Quality of product, Utility
5. Packaging/Labeling: Look and feel of product, packaging and labelling
6. Brand Value: Brand perception for the product

The respondents were asked to rank each of the above six factors on a scale of 1 to 5. A score of 5 would translate to a high preference for VI products as compared to other FMCG. Based on the output on the study, the perception of VI vis-à-vis other FMCG is described in Figure 64 below.

Figure 64: Perception of VI products vis-à-vis FMCG



Source: Primary Survey, iMaCS Analysis

The above factors were analysed based on two parameters- frequency and weightage similar to the analysis as mentioned above in section 5.1. The summary of the analysis conducted for all factors is shared in the Table 34 below.

Table 34 : Summary of Perception map for VI products

Factor	Bulk purchaser	
	Score	Rank
Health consciousness	4.45	I
Eco friendly	4.26	II
Quality	4.20	
Pricing	3.55	
Packaging/ labeling	3.15	
Brand value	2.72	

Source: Primary Survey, iMaCS Analysis

Health consciousness and eco-friendliness are perceived as the greatest strengths of VI products vis-a-vis other FMCG goods by bulk purchasers of exports. Packaging/ Labelling and Brand value are perceived to be their weakest selling points in comparison to other FMCG products.

5.3 Challenges faced in export of KVI products

In this segment the challenges faced by bulk exporters in export of Khadi and Village Industry products are captured. The questionnaire was structured as a Likert scale ranging from the lowest score of 1, which translated to “Not significant at all” and the highest score of 5, which translated to “Very significant”. Higher the value chosen by respondent, the challenge from the particular factor is perceived to be high. The factors that were asked to be ranked by the respondents were:

1. Competition: Competition from similar FMCG products from other countries
2. Low awareness: Low awareness of customers towards Khadi and Village Industry products
3. High transaction cost (including logistics): Higher incidence of transaction costs
4. Quality standards: Strict quality mandates in import markets
5. Import duties: Higher incidence of import duties including customs, taxes
6. Pricing: Unfavourable/ Inadequate pricing
7. Distribution: Challenges in distribution

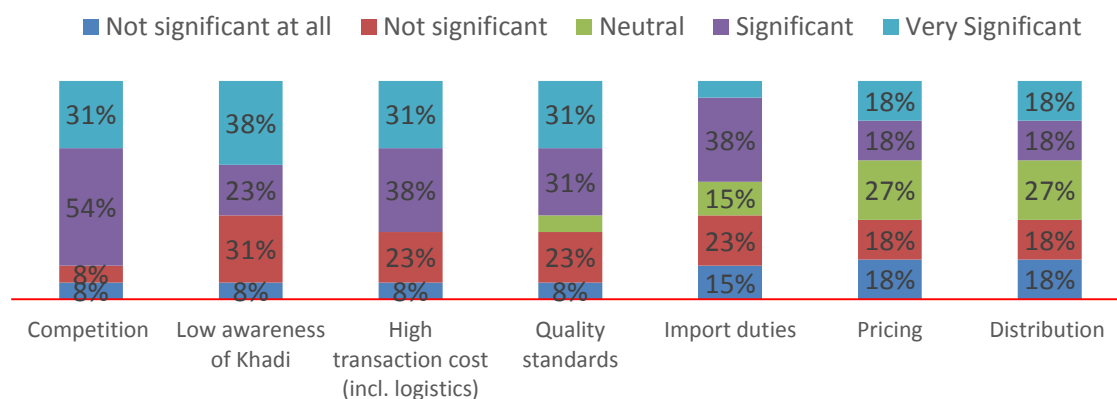
The respondents were asked to rank each of the above seven factors on a scale of 1 to 5. A score of 5 would translate to high challenger for exports. Based on the output on the study, the

challenges faced by Khadi exports and VI product exporters are summarised in the upcoming sections.

5.3.1 Challenges faced in Khadi exports

The challenges faced in export of Khadi products by bulk purchasers are analysed in the figure below.

Figure 65: Challenges faced in khadi exports



Source: Primary Survey, IMaCS Analysis

The above factors were analysed based on two parameters- frequency and weightage similar to the analysis as mentioned above in section 5.1. The summary of the analysis conducted for all factors is shared in the Table 35.

Table 35 : Summary of challenges faced in Khadi exports

Factors	Bulk purchaser	
	Score	Rank
Competition	3.40	I
Low awareness of Khadi	3.07	
High transaction cost (incl. logistics)	3.07	
Quality standards	3.13	II
Import duties	2.27	
Pricing	2.60	
Distribution	2.20	

Source: Primary Survey, IMaCS Analysis

Competition and High transaction cost are recognised as the most significant challenge to export Khadi products by bulk purchasers. Issues of quality standards and Low awareness of khadi are also perceived as challenges by exporters. A few other issues which were highlighted during the interaction with Khadi exporters are:

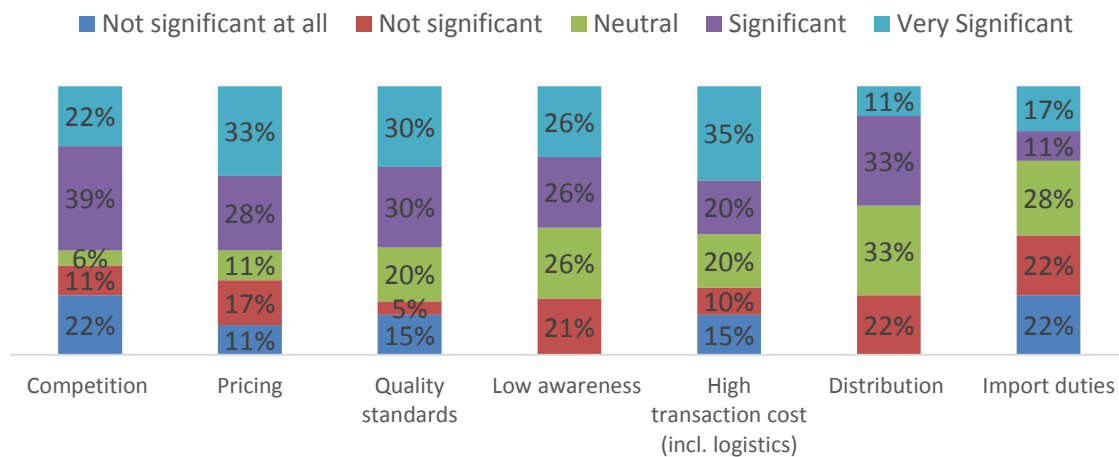
- Less production Capacity of yarn and fabric as a constraint for export

- Issues in marketing including retaining customers for repeat purchase
- Lower margins due to the presence of middle-men and brokers with higher commission rates

5.3.2 Challenges faced in export of VI products

The challenges faced in export of VI products by bulk purchasers are analysed in the figure below.

Figure 66: Challenges faced by exporters of VI products



Source: Primary Survey, iMaCS Analysis

The above factors were analysed based on two parameters- frequency and weightage similar to the analysis as mentioned above in section 5.1. The summary of the analysis conducted for all factors is shared in Table 36 below.

Table 36: Summary of challenges faced in VI exports

Factors	Bulk purchaser	
	Score	Rank
Competition	3.28	
Pricing	3.56	II
Quality standards	3.55	
Low awareness	3.58	I
High transaction cost (incl. logistics)	3.50	
Distribution	3.33	
Import duties	2.78	

Source: Primary Survey, iMaCS Analysis

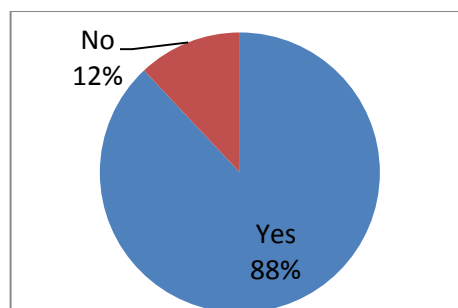
Low awareness and pricing are recognised as the most significant challenge to export VI products by bulk purchasers. Issues of quality standards and competition and high transaction costs are also perceived as challenges by exporters. A few other issues which were highlighted during the interaction with VI exporters are:

- Requirement for certifications in certain categories such as Agro products and Herbal products
- Higher transit time to certain markets and non-availability of cheaper infrastructure facilities such as cold storage etc.
- Lack of government funded affordable testing facilities
- Lack of technical know-how e.g. Knowledge of processing technology for Agro produces

5.4 Awareness of Khadi Mark and its perceived relevance in exports

The objective of this section is to analyse the response of respondents on their awareness of Khadi Mark. The perception of respondent on the relevance of Khadi Mark in improving their exports and any benefits on implementation of the mark is also captured. The awareness of Khadi mark among the respondents is captured in the figure below.

Figure 67: Awareness of Khadi mark among respondents



Source: Primary Survey, IMaCS Analysis

As shown in the figure above, 88% of the total respondents who participated in the survey were aware about Khadi Mark. The respondent set includes bulk purchasers and fashion experts. Most of the respondents who responded in negative to the awareness of Khadi mark were fashion experts/ designers who work independently unlike KVIC entities.

A majority of respondents opined that Khadi Mark is a relevant tool for improving exports. The relevance of Khadi Mark can be summarised from few responses collated as opinions from primary survey as shown below:

- Khadi Mark gives an added recognition to the product



- Khadi Mark helps in convincing the client of the ingenuity of the product
- Khadi Mark could be promoted as an exclusive luxury brand and Khadi garments could be sold as a premium product with this branding
- Khadi Mark supplemented with proper packaging can give the feeling of a luxury product

In addition to the above, the respondents who responded in positive to awareness of Khadi Mark were also asked about the status of implementation of Khadi Mark on the products. It was identified during the survey that all the respondents who deal in Khadi exports does implement Khadi Mark on their products as a mandatory requirement. A few respondents who are currently not licensed to use the branding have also applied for the same with KVIC. However, a prominent issue that was a shared as a common concern among all the respondents were about the presence of non-genuine khadi products using the branding of Khadi Mark.

The respondents opined that there were a significant number of such counterfeit products using the Khadi Mark mainly in the case of domestic sales. With respect to exports, the respondents felt that a few exporters are already selling non-genuine khadi to international customers disguised as genuine khadi without the branding of Khadi Mark, since the awareness of this branding is low among international customers.

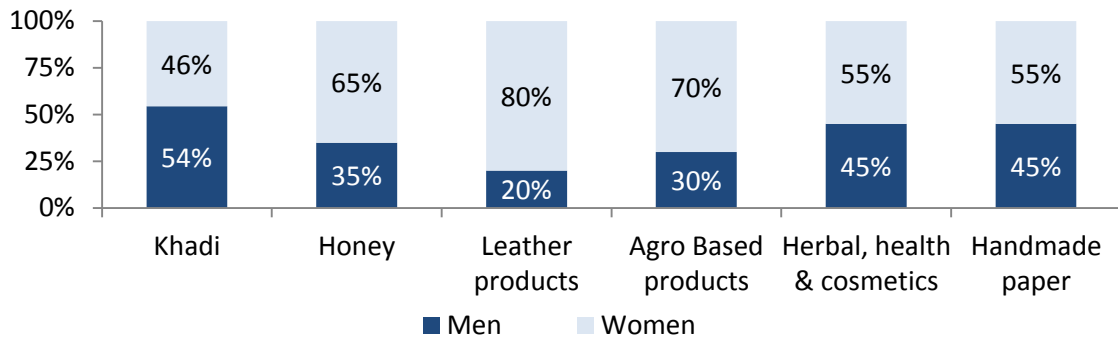
5.5 Demographics of consumers of Khadi/VI products

As part of this segment, the consumer demographics including age profile and gender, for Khadi/VI products were identified albeit from the perspective of bulk purchasers. Considering the limitation that the scope of this study included primary survey with respondents who are bulk purchasers, the perception of consumer demographics is entirely theirs and has not been verified with direct interaction with consumers and retailers.

Gender profile of consumers

While Khadi has close to equal preference among men and women buyers, VI products are purchased mostly by women as shown in the Figure 68:

Figure 68: Gender profile of consumers for Khadi and VI products



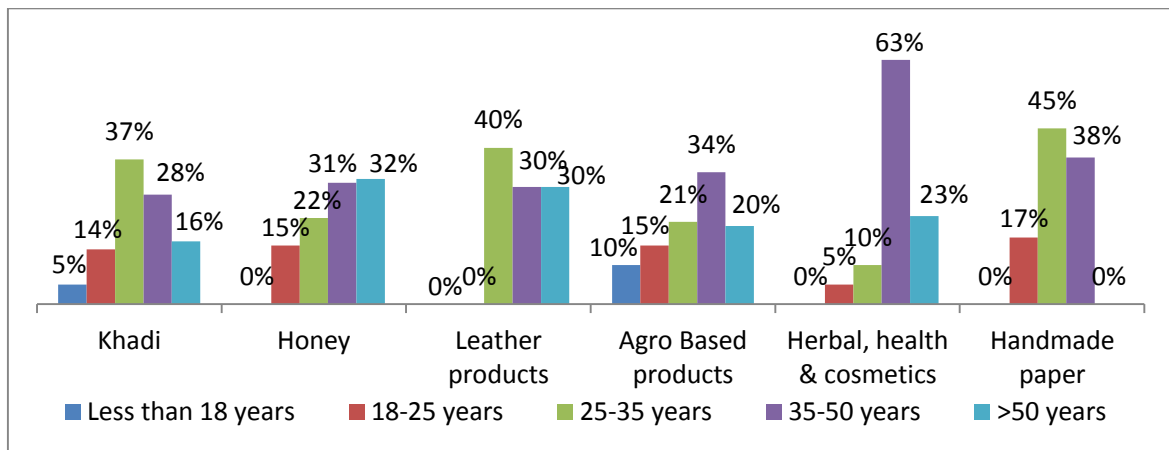
Source: Primary Survey, iMaCS Analysis

As depicted in the figure above, approximately 54% percent of the total international consumers of Khadi are men. This is supported by the fact that there is ready availability of various options like kurta, shirts and suiting for men. Home furnishings including cushion covers, bed covers, table runners etc. are also purchased by men in addition to the purchases made by women. Among the VI products, there is a clear dominance of women consumers for utility products such as Honey, Agro based products in addition to herbal, health and cosmetics products. Although there are varied options in leather products such as wallets, footwear, apparels, belts etc. for men, about 80% of the total demand is from women. This demand could be influenced by purchases of handicraft items by women in addition to apparels and footwear.

Age profile of consumers

While Khadi is preferred more by a younger age group, VI products such as Honey, Herbal, cosmetics and Handmade paper are purchased more by the age group 35 and above. The analysis is summarised in Figure 69 below.

Figure 69: Age profile of consumers for Khadi and VI products



Source: Primary Survey, iMaCS Analysis



Bulk of the demand for Khadi products is derived from the younger age group of 25-35 years for international customers as perceived by the bulk purchasers. Due to developing health consciousness and honey being a natural and healthier supplement to sugar, it has witnessed highest demand from the health conscious age group of 50 years and above. The availability of varied options satisfying fashion trends and needs of the younger age groups creates further demand for leather products among the youth. Rising trend in the use of natural ingredients and elimination of chemicals such as Sulphur and paraben etc. in cosmetic products has resulted in high demand for herbal cosmetic products among the age group of 35 to 50 years.

6 Marketing Strategy and recommendations

The objective of this section is to reflect on the way forward for KVIC in terms of export promotion of Khadi and Village industry products in the international markets. Through the course of this study, the current eco-system and export readiness were analysed in addition to the historic trends in exports with the objective of understanding the current capability of Khadi and Village industries. The interactions with Bulk purchasers of exports, KVI manufacturing entities, sector experts and officials from KVIC across the major cities in the country have aided in identifying the need-gap and further more in crystallising the recommendations and marketing strategies to be adopted to improve the exports from the KVI sector. The main action points identified for export promotion are shared below in detail.

6.1 Increase export awareness amongst KVI entities

Increasing awareness among KVI entities can be summarised as the primary step towards export promotion of KVI products. As identified from our primary interaction with Khadi and Village industry entities, there is a significant gap in awareness related to various export-related parameters. There requires an intervention for KVI entities for enhanced awareness in the following areas:

- a) **Quality parameters:** The quality parameters of products manufactured by KVI entities are varying from and often inadequate for international markets as defined by the export policies of various countries for their imports. However, in many cases these quality parameters are unmet due to lack of awareness of the same rather than capability issues. Such issues can be addressed effectively if there is awareness of various markets and quality parameters to be followed for export to those markets.
- b) **Standards and certifications:** There are strict standards to export to markets such as the European Union and United States of America. For instance, in the case of exports of agro produce, it is mandatory for the exporter to adhere to EFSA and USDA respectively in addition to a host of requirements particular to the product to be exported. In addition to such standards there are also certifications which could aid in exports even if the same is not a mandatory requirement. For instance, an organic certification on an agro product could supplement the positioning and improve exports in a strong organic conscious market such as Europe. Thus it is essential to support the artisans/ weavers/ manufacturers with information as relevant to the market and product they wish to export.

- c) Tariff and Non-tariff barriers: Non-Tariff Barriers (NTBs) are ways adopted by importing country to act as deterrents to export with the aim of safe guarding their domestic producers from excess imports. Although they are considered to be justified under UN laws, such actions often lead to disputes between nations. In addition to high import duties that act as tariff barriers, lack of awareness of NTBs act as headwinds for KVI exports. It is essential to compile and communicate the impact of NTBs to potential exporters to prepare them for identifying the same and alerting the export agencies/ Govt of such barriers.

There is a need for implementation of an Institutional set-up to cater specifically to exports. This could be achieved through setting up of a dedicated wing/division in KVIC under Marketing Department. The objective of this institutional set up would be to constantly monitor the demand and supply side factors impacting exports and act as a one-stop facilitation agency for all KVI entities wanting inputs on exports. This wing/division could be modelled on the lines of the Centre for the Promotion of Imports from Developing Countries(CBI) of Netherlands. The objectives of CBI, Netherlands are:

- a) Offers market information to exporters and Business Support Organisations (BSOs) in developing countries on latest development of the EU market
- b) Shares information about relevant NTBs
- c) Provides an on-line facility that links suppliers in developing countries to reliable importers in the EU
- d) Provides export coaching activities to assist entrepreneurs in developing countries on:
 - General export marketing and management
 - Trade promotion
 - Management of international trade fair participations
 - Developing client-oriented market information systems

The proposed institutional set-up in KVIC could be structured after a detailed look into the working model of the institute in Netherlands. The functions could be broadly identified as:

- a) Provide information on select markets to exporters on a product specific level
- b) Assist in organizing and participating in trade fairs/ exhibitions. Such exhibitions should be planned well-ahead for the year with a preparation time of three to six months. This enables the exporters enough time to plan for the same in terms of relating to the local

market with adequate research about products, design, quality, pricing and promotion to be adopted.

- c) Address exporter's queries on export related parameters such as NTBs, tariff information, logistics and transportation among others.
- d) Constant information gathering from fashion experts for Khadi related fashion trends and similarly from specific product experts for VIs to address issues of product improvement and modifications
- e) Provide marketing assistance including Branding
- f) Assist in relationship management with existing clients and specific lead generation for business

6.2 Enhance export volumes for high potential categories

Another aspect to consider for improvement of KVI exports is the enhancement of export volumes for high potential categories through facilitation of upward value stream activities.

6.2.1 Cluster based development:

Considering the assortment of products under the KVI umbrella and the fragmented nature of production, it is important to enable a cluster based approach for development of capacities and export volumes by facilitating the below:

1. Identify KVI institutions that have design and marketing capabilities to drive exports:

To strengthen the export promotions in particular, however, the focus should be only on societies and clusters with adequate production capacity and export capability. This will ensure a narrower attention funnel for the objective by supporting the societies and clusters with the right enablers sets to develop export markets.

2. Ensuring standard processes for manufacture of VI products such as Agro, Herbal etc. to bring in consistency across decentralized manufacturing capacities through adequate training. Training to be provided about Good Manufacturing Practices (GMP) in addition to standards, labelling that are standardized for all VI units. This ensures quality and consistency are maintained even in isolated manufacturing units enabling volumes of production

3. Facilitate availability of quality raw material for the given scale of operations:

For e.g. Ensuring availability of Long Staple and Short Staple cotton for spinners, yarn for weavers and greige fabric of required count and finish for made ups and garment manufacturers as required. Further in VI products, ensuring availability of consistent raw materials as required for manufacture of Soaps, Body wash etc across all identified clusters.

6.2.2 Facilitating marketing, testing and financial support to artisans and weavers

KVIC should facilitate for support in marketing, testing and financing by way of:

1. Building a detailed data base on the following:

- a) Data base on direct and merchant exporters of KVI products to enable dialogue and trust worthiness
- b) Date base on the requirements of quality, standards and regulations for potential market and regular updating along with the latest developments

2. Ease the strain on weavers, artisans in terms of working capital requirement: This will ensure a pipeline of raw material is maintained by cash-strapped artisans and weavers for a continuous supply of export volumes, even with inventory build-up that prevents quicker realization of cash.

3. Economical access to testing and certification: Facilitate testing and certification requirements for export markets that are today cumbersome in procedure in addition to being expensive and time taking. Due to the same, small scale VI manufacturers are today unable to get their products tested preventing exports.

4. Design specific export incentives keeping in mind the fundamental difference of KVI versus conventional manufacturing: The KVI sector is fully indigenous and utilizes zero import of raw material and equipment for their manufacturing. Thus schemes such as Duty Draw back that are designed to support exports by utilizing import subsidies are ill equipped to support VI exports.

6.3 Omni-channel approach by leveraging E-commerce market players

Today a significant portion of purchase of apparels and accessories including FMCG goods is moving to online based channels with large E-commerce companies enabling the same. There are offers and promotions to attract customers who move to this channel due to the convenience of shopping and unique marketing tactics. KVI products are currently missing out on a large market

by being absent on this channel as most of the KVI products are direct substitute for these mainstream products. Thus, to garner more market share and interest KVIC should implement an online strategy by leveraging existing e-commerce market places. A few individual KVIC entities have already adopted this channel for both domestic and international sales, however, to be promoted under the official banner of KVIC should improve the odds.

The handloom sector and a few artisans for handicrafts have moved on to online channels are seen by the following examples:

- GoCoop.com is an online aggregator for weavers from famous handloom clusters across the country including Boyanika, Kanchipuram etc.
- Amazon.in has on boarded various artisans and sellers in the arts and crafts segment such as Craftsvilla
- c) Myntra, owned by Flipkart has tied up with Ministry of textiles for a joint promotion of handloom garments

Online market places will supplement the current traditional channel of direct and merchant exporters. These online channels would provide higher visibility for KVI products in international market and enhance the interest amongst direct buyers both from B2B and B2C category.

6.4 Effective use of Khadi Mark

During our interactions with exporters and manufactures alike, the strong competition and dilution of brand due to the presence of counterfeit products were highlighted. This concern was further established by checking the customs data of Bill of Lading for presence of counterfeit and non-genuine khadi products. KVIC should adopt a way to check the production and sale of non-genuine products under the brand of “Khadi Mark”. KVIC could explore a way as to effectively utilize the existing management information system (KMIS) and employ some efficient additional mechanisms such as barcoding to check counterfeit products. These steps will ensure that only genuine Khadi exports are promoted.

6.5 Support effective promotion and brand building activities for Khadi in international markets

In addition to all the above mentioned suggestions, it is equally important to market the products in the right way and support strong brand building activities.

6.5.1 Promotional activities

Some of the promotional activities that KVIC could adopt for the international markets are:

- 1) **Organize buyer-seller meet for high potential products in their respective target markets:** This enables to keep the buyers in target markets aware of the products, their design, utility and price competitiveness and the changes to the same. This also enables the sellers to adapt to the latest developments in the target market and specifically address the need-gap in those markets
- 2) **Trade fairs and Exhibitions:** Considering the nature of KVI products, trade fairs and exhibitions remain one of the most efficient way for promotion in export markets. However, KVIC has to plan for the same well in advance and shortlist the right set of exhibitions for products based on their target markets. The exporters need to be given adequate training to prepare their products are per market requirement and sufficient time for preparations and readiness. While rotation scheme for enabling different exporters each time is considered positive for increasing market exposure, it will translate to inadequate support for the better suited exporters. Thus, KVIC has to ensure participation of the right set of manufacturers and exporters in trade fairs specific to their target markets, and for as multiple visits if required.

6.5.2 Marketing Communication

Some of the marketing communications that KVIC could adopt for international markets are:

- 1) **Promote internet literacy:** Internet knowledge of KVIC members to be improved if they were to target communication with international customers. They should be trained in usage of Emails and handling of online channels and social media handles such as Facebook, Instagram etc.
- 2) **Support in marketing collaterals:** KVIC should oversee the marketing collaterals used by members especially for use in international trade fairs or exhibitions. There could be a standard set of business cards bearing KVIC logo for these exporters which could increase their credentials to a potential customer. The entities with export potential should be aided in designing of their marketing brochures to ensure professionalism and adequateness.
- 3) **Local market connect:** Other aspects for marketing could include enabling a language expert for the exporters so that they could communicate and target in the language of local market.

4) **Positive communication:** It is essential to communicate using positive signs and visuals to the global audience. Attention should be given to even the smaller particulars such as:

- **While describing social upliftment of villages through village industries and Khadi societies:**

Negative Communication: Showing images of poverty and unkempt villages

Positive Communication: Showing images of happy weavers and artisans, weavers talking about the pride of weaving, khadi as a fabric for social upliftment etc.

- **While describing the manufacturing processes and ingredients:**

Negative communication: Workers handling Agro and herbal products with bare hands, ingredients kept in the open without proper hygiene, equipment or machinery that are old and rusty etc.

Positive communication: Showing natural and eco-friendly ingredients and processes such as sun-drying, natural dyes being extracted and used, well-trained staff handling raw materials with hygiene requirements, organic nature of products etc.

6.5.3 Create a Niche positioning for KVI products

Khadi and Village industry products are suited to be positioned as an exclusive and niche brand by utilizing the right communication for promotion. Some of the attributes of KVI products that could aid in this niche positioning are summarized below:

- a) Promoting Khadi as an eco-friendly fabric with zero carbon footprint
- b) Khadi as a unique fabric with adaptability for all climate types that is 100% hand spun and hand woven
- c) Sustainable production practices enhancing rural livelihood
- d) Natural and organic ingredients with corresponding certifications

7 Annexure

7.1 Sampling Plan

City	Classification of contact	Meeting Details
Bangalore	Bulk Purchasers for exports	Catena Technologies Private Ltd (Gisska- online store)
	Fashion experts	Metaphor Racha (Jayanagar)
	Fashion experts	Vimor Sarees
	Bulk Purchasers for exports	Karnataka Soaps and Detergents Ltd
	Exporters	Prakruthi Agro
	Bulk Purchasers for exports	Khadi Nation/ Nandi Khadi Gram
Bhubaneshwar	Fashion experts	Boyanika
Ludhiana	Bulk Purchasers for exports	Jonty Api Agro Services
Chandigarh	Fashion experts	Treasure Creations
	Exporters	Brij Kranti Madhu Agarbati & Dhoop
Delhi/ NCR	Fashion experts	Neeru Kumar
	Fashion experts	Samant Chauhan
	Bulk Purchasers for exports	Khadi Natural
	Bulk Purchasers for exports	Kailash Khadi Gramodyog
	Exporters	Apparel Export Promotion Council
	Fashion experts	NIFT
	Bulk Purchasers for exports	Abhinav Exports
	Exporters	The Handicrafts & Handloom Exports Corporation of India Ltd.
	Exporters	APEDA
	Exporters	Mr S N Shukla, Khadi Gramodyog Bhavan
Gangtok	Bulk Purchasers for exports	Sikkim Khadi & Village Industries Board/ Khadi
	Bulk Purchasers for exports	Tribes India Khadi shop
	Bulk Purchasers for exports	Mevedir
Guwahati	Bulk Purchasers for exports	S M Freshy
	Fashion experts	Fabric Plus
	Bulk Purchasers for exports	Nava Ayush Fragrances
Indore	Fashion experts	Eco Fab
	Bulk Purchasers for exports	Khadi Culture
	Bulk Purchasers for exports	Ethical India
	Bulk Purchasers for exports	Indore Khadi Seva Sangh
	Bulk Purchasers for exports	Leather Handicrafts
Kochi	Bulk Purchasers for exports	Kavery Organics
	Exporters	Shri I. Jawahar, Khadi Gramodyog Bhavan
Kolkata	Fashion experts	Weavers Studio
	Bulk Purchasers for exports	Bevel Trading and Marketing Pvt Ltd
	Bulk Purchasers for exports	Veda Commercial Pvt Ltd
	Exporters	Shri Siddhartha Rai, Khadi Gramodyog Bhavan,
Mumbai	Fashion experts	Ritu Kumar
	Bulk Purchasers for exports	Golden Crown Trading
	Bulk Purchasers for exports	Mikhadi and Company
	Fashion experts	Dharavi Mahila Udyog
	Bulk Purchasers for exports	Hamlog Auodhyogik Utpadak Sahakari Sanstha
	Bulk Purchasers for exports	Chimanlal Handmade Paper
	Bulk Purchasers for exports	M A Dryfruit

City	Classification of contact	Meeting Details
	Bulk Purchasers for exports	Shrijani Sticking
	Bulk Purchasers for exports	Kangaroo Leather Pvt Ltd
	Bulk Purchasers for exports	Popat Raja & Sons
	Bulk Purchasers for exports	Shree Krishna Udyog
	Bulk Purchasers for exports	Women & Children Welfare Society
	Exporters	Shri P.B. Bharne, Khadi Gramodyog Bhava
Pune	Bulk Purchasers for exports	A Charkha Story
	Bulk Purchasers for exports	Girme's Wheatgrass
Ahmedabad	Bulk Purchasers for exports	Arvind Mill
	Fashion Expert	Purvi Doshi
	Exporters	Alex Apparels
	Bulk Purchasers for exports	Yusa Natural
	Bulk Purchasers for exports	Parampara Organic
Rajkot	Bulk Purchasers for exports	Udhyog Bharathi - NGO
	Bulk Purchasers for exports	Saurashtra Creative Society
	Fashion Expert	Udhyog Bharathi
Jaipur	Fashion Expert	Tokree
	Exporters	Kagzi Industries
	Exporters	AL Paper
	Exporters	Paras Paper & Board Industries
	Exporters	Salim's Paper, Handmade Papers & Board Industries
	Fashion Expert	Rita Design
Coimbatore	Bulk Purchasers for exports	Gandhipuram – Gandhipuram Sarvodaya Sangh
	Bulk Purchasers for exports	Vadavalli – Gandhipuram Sarvodaya Sangh
	Bulk Purchasers for exports	Maruphumalai – Gandhipuram Sarvodaya Sangh
Chennai	Fashion Expert	Brass Tacks
	Bulk Purchasers for exports	Madras Sarvodaya Sangh
	Bulk Purchasers for exports	Josco Textiles Wholesale Merchant
Hyderabad	Bulk Purchasers for exports	Wavilal Khadi Gramayodya Pratishtan
	Fashion Expert	Bhagyanagar Khadi
Lucknow	Fashion Expert	I wear Khadi
	Bulk Purchasers for exports	Meghdoot Gramdyog Sewa Sansthan
Patna	Bulk Purchasers for exports	Tulina Kutir Udyog
Varanasi	Bulk Purchasers for exports	Ambika Handicrafts
	Bulk Purchasers for exports	Purwanchal Resham Khadi Sansthan
	Bulk Purchasers for exports	Sharp Laboratories
Total Meetings = 80		

Additional meetings conducted after the submission of draft report			
Delhi	81	Exporters	Surbhi Khadi Gramodyoga
Mumbai	82	Exporters	Mr. Manoj Chaturvedi - Sarvodaya
Mumbai	83	Exporters	Aatman Udyog

7.2 Survey Tools

Questionnaire for Bulk Purchasers for Exports - Khadi

Serial No.:

Name and address of the unit:

Respondent's Name:	
Designation:	
City of operation:	
Address:	
Contact Number:	
E-mail ID:	

1) What is your business model – B2B or B2C or Both? _____

2) What is the annual turnover and exports turnover for your business?

Client Base	Turnover - total (Rs. in lakh)		
	FY17	FY16	FY15
B to B sales			
B to C sales			
Exports – if applicable (Rs. in lakh)			
	FY17	FY16	FY15
B to B sales			
B to C sales			

3) Do you export Handloom, Khadi, Handmade textile products and readymade? _____

4) Please mention the break-up of revenue from sale of Khadi products:

Particulars	Format	% of Khadi
Domestic sales	B to B	
	B to C	
Exports sales	B to B	
	B to C	

5) International customers in the B to B format

a) Please mention the highest selling products in the categories as mentioned below

Eg: Men's wear: Shirt/Pants/Jackets/ Denim

Ladies wear: Saree/ Salwar/ Dupatta/Shawl/ Denim



Kids wear: Infant wear clothes/Denim/ other kid's clothes
 Furnishings: Table cloth/Curtains/Cushion cover

Men's wear	Ladies wear	Kids wear	Furnishings

b) Please share the trend in sales for the top products mentioned in Q5a.

Sr. No	Khadi products	Total sales value in FY17 (in lakhs)	Trend in sales	Reason for trend
	<i>Men's Shirt</i>	<i>100</i>	<i>Improving</i>	<i>Customer preference</i>

6) International customers in the B to C format

Kindly share the details of your international customer profile for Khadi products:

a. Gender profile (in % split for customers)

Male	Female

b. Age profile (in % split for customers)

Age group	% of customers
Less than 18	
18-25	
25-35	
35-50	
>50	

c) Are the customers aware of the Khadi products? Yes/No _____

d) Any specific Foreign Nationals who prefer buying Khadi? If yes, then of which countries

--

e) Please mention the highest selling products in the categories as mentioned below

Eg: Men's wear: Shirt/Pants/Jackets/ Denim

Ladies wear: Saree/ Salwar/ Dupatta/Shawl/ Denim

Kids wear: Infant wear clothes/Denim/ other kid's clothes

Furnishings: Table cloth/Curtains/Cushion cover

Men's wear	Ladies wear	Kids wear	Furnishings

f) Please share the trend in sales for the top products mentioned in Q6e.

Sr. No	Khadi products	Total sales value in FY17 (in lakhs)	Trend in sales	Reason for trend
	<i>Men's Shirt</i>	<i>100</i>	<i>Improving</i>	<i>Customer preference</i>

7) The following questions are applicable for both B2B and B2C

a) Preference for Color of Khadi products:

Product type	Color pref. 1	Color pref. 2	Color pref. 3	Color pref. 4
Mens wear				
Ladies wear				
Kids wear				
Furnishings				
Others				

b) Price range of products preferred

Product type	Price pref. 1
Mens wear	
Ladies wear	
Kids wear	
Furnishings	
Others	

- c) Are they satisfied with the products? Yes/No _____
 i. What are the reasons for?

Product type	Reasons
Mens wear	
Ladies wear	
Kids wear	
Furnishings	
Others	

- d) What are the other products you sell to these international customers? Eg: Non-Khadi Handloom, Powerloom

- e) In your opinion, how are Khadi apparels different from other textile products?(Please rate your preference against the feature impacting your purchase (1 being not preferred at all and 5 being very much preferred)

Particulars	Not preferred at all	Not Preferred	Neutral	Preferred	Highly Preferred
Design					
Comfort					
Pricing					
Quality					
Fashion vogue					
Brand value					

- f) Do people perceive Khadi as an eco-friendly product? (Yes/No) : _____
 g) In your opinion is there an increased preference of Khadi products in recent years from international customers (Yes/No) : _____
 i. If yes, which are the product segments that you are seeing an increased preference?



ii. If no, what do you think is the reason?

h) What are the emerging styles/requirements from international customers? Can Khadi products cater to the same? (For eg; type of fabric, pattern/ design, etc.)

i) What is the growth and demand that you estimate for Khadi products in the future from international customers? Any specific category that you anticipate growth?

j) From where do you source the products?

k) Is the supply adequate to cater to this future demand?

l) What are the value additions you do the Khadi products? (For eg; Design, tailoring, packaging, branding, etc.)

m) How do you market to increase the sale of Khadi products?

n) What are the issues preventing sales of Khadi products? (Please rank the issues from 1-5; 1 being not significant, 5 being very significant)

Particulars	Not at all significant	Not significant	Neutral	Significant	Highly significant
Low Awareness					
Price positioning					
Quality					
Convenience to use					
Competition					
Any other					

o) In your opinion, what are the challenges in promoting Khadi products internationally?

p) In your opinion, can Khadi become more relevant in today's market conditions? What are your suggestions to make Khadi more popular in international markets?

q) Are you aware of the "Khadi Mark"? Do you put the mark on the products that you sell?

s) Any other suggestions?



Questionnaire for Bulk Purchasers for Exports - VI

Serial No.:

Name and address of the unit:

Respondent's Name:	
Designation:	
City of operation:	
Address:	
Contact Number:	
E-mail ID:	

1) Please mention the details of your outlets/ stores:

Sr. No.	Outlets	City of operation

2) What is your business model – B2B or B2C or Both? _____

3) What is the annual turnover and exports turnover for your business?

Client Base	Turnover -total (Rs. in lakh)		
	FY17	FY16	FY15
B to B			
B to C			
	Exports –if applicable (Rs. in lakh)		
	FY17	FY16	FY15
B to B			
B to C			

4) Do you export VI products? _____

5) Please mention the break-up of revenue from sale of VI products:

Particulars	Format	% of VI products
Domestic sales	B to B	
	B to C	
Exports sales	B to B	
	B to C	

6) International customers in the B to B format

- a. Please mention the products you sell to international customers in the categories as mentioned below?

VI products	Total Sales value in FY17 (in lakhs)
Honey	
Hand Made Paper	
Leather	
Agro based & Food processing	
Herbal Health and Cosmetics	
Others – Bamboo, Coir, etc.	

- b. Please specify the VI product items in detail:

Refer products in detail: Honey(type of Honey in detail) / Hand Made Paper (type of paper in detail)/ Leather (leather bag/ leather shoes etc)/ Agro based & Food processing (such as papad, pickle, jam, jelly, squash etc)/ Herbal Health and Cosmetics (such as henna, shampoo, face scrub, herbal body wash, moisturizer, face wash, lip balm etc)

Sr. No	Main VI category	VI products	Total sales value in FY17 (in lakhs)	Trend in sales	Reason for trend
	<i>Herbal</i>	<i>Henna</i>	<i>100</i>	<i>Improving</i>	<i>Customer preference</i>

7) International customer profile in the B to C format

Kindly share the details of your international customer profile for VI products:



a. Gender profile (in % split for customers)

Male	Female

b. Age profile (in % split for customers)

Age group	% of customers
Less than 18	
18-25	
25-35	
35-50	
>50	

c. Are the Tourists aware of the VI products? Yes/No _____

d. Any specific Foreign Nationals who prefer buying VI products? If yes, then of which countries

--

e. Please mention the products you sell to international customers in the categories as mentioned below?

VI products	Total Sales value in FY17 (in lakhs)
Honey	
Hand Made Paper	
Leather	
Agro based & Food processing	
Herbal Health and Cosmetics	
Others – Bamboo, Coir, etc.	

f. Please specify the VI product items in detail:

Refer products in detail: Honey(type of Honey in detail) / Hand Made Paper (type of paper in detail)/ Leather (leather bag/ leather shoes etc)/ Agro based & Food processing (such as papad, pickle, jam, jelly, squash etc)/ Herbal Health and Cosmetics (such as henna, shampoo, face scrub, herbal body wash, moisturizer, face wash, lip balm etc)

Sr. No	Main VI category	VI products	Total sales value in FY17 (in lakhs)	Trend in sales	Reason for trend
	<i>Herbal</i>	<i>Henna</i>	<i>100</i>	<i>Improving</i>	<i>Customer preference</i>

8) The following questions are applicable for both B2B and B2C

- a. Are they satisfied with the products? Yes/No _____
 i. What are the reasons?

VI products	Reason
Honey	
Hand Made Paper	
Leather	
Agro based & Food processing	
Herbal Health and Cosmetics	
Others – Bamboo, Coir, etc.	

- b. What are the other products you sell to these international customers? (For eg; other FMCG products)

- c. In your opinion, how are VI products different from other FMCG products?(Please rate your preference against the feature impacting your purchase (1 being not preferred at all and 5 being very much preferred))



Particulars	Not preferred at all	Not Preferred	Neutral	Preferred	Highly Preferred
Packaging/ labeling					
Pricing					
Quality					
Health consciousness					
Brand value					

d. Do people perceive VI products as eco friendly? (Yes/No) : _____

e. In your opinion is there an increased preference of VI products in recent years from international customers (Yes/No) : _____

i. If yes, which are the product segments that you are seeing an increased preference?

ii. If no, what do you think is the reason?

f. What is the growth and demand that you estimate for VI products in the future from international customers? Any specific category that you anticipate growth?

g. From where do you source the product?

h. Is the supply adequate to cater to this future demand?

i. What are the emerging styles/requirements from international customers? Can VI products cater to the same?

j. What are the measures you have taken to increase sale of VI products in general?

k. What are the issues preventing sales of VI products? *(Please rank the issues from 1-5; 1 being not significant, 5 being very significant)*

Particulars	Not at all significant	Not significant	Neutral	Significant	Highly significant
Low Awareness					
Price positioning					
Quality					
Convenience to use					
Competition					
Any other					

l. In your opinion, what are the challenges in promoting VI products internationally?



m. In your opinion, can VI products become more relevant in today's market conditions?
What are your suggestions to make VI more popular in international markets?

n. Any other suggestions



Questionnaire for Fashion Industry Experts

Serial No.:

Name and address of the unit:

Respondent's Name:	
Designation:	
City of operation:	
Address:	
Contact Number:	
E-mail ID:	

1. Please mention the details of your outlets/ stores:

Sr. No.	Store Name	City of operation

2. Please mention the products you associate with?

Sr. No.	Products

3. Do you sell Khadi products?

a. If yes, please specify the items in detail?

--



b. Please mention the highest selling products in the categories as mentioned below in Khadi

Eg: Men's wear: Shirt/Pants/Jackets/ Denim
 Ladies wear: Saree/ Salwar/ Dupatta/Shawl/ Denim
 Kids wear: Infant wear clothes/Denim/ other kid's clothes

Men's wear	Ladies wear	Kids wear

c. Please share the trend in sales for the top products mentioned in Q3b.

Sr. No	Khadi products	Trend in sales	Reason for trend
	<i>Men's Shirt</i>	<i>Improving</i>	<i>Customer preference</i>

d. Preference for Color of Khadi products:

Product type	Color pref. 1	Color pref. 2	Color pref. 3	Color pref. 4
Mens wear				
Ladies wear				
Kids wear				
Others				

e. Do people perceive Khadi as eco friendly product? (Yes/ No) : _____

f. Are they satisfied with the products? Yes/No _____

i. What are the reasons?

4. Questions pertaining to international clients

- a. Do you have international clients? What are their preferences towards Khadi/ handloom products?

- b. Is there an increased preference of Khadi products in recent years from international customers (Yes/No) : _____

- i. If yes, which are the product segments that you are seeing an increased preference?

- ii. If no, what do you think is the reason?

- c. What are the emerging styles/requirements in the fashion industry globally? Can Khadi products cater to the same?

- d. In your opinion what is the most effective communication channel for Marketing Khadi product in international markets? *Please tick the appropriate option:*

Marketing channels	Remarks
TV commercials	
Print Ads incl. news papers	
Fashion shows	
Fairs/ Exhibitions	
Others	

- e. What are the challenges in branding and promoting Khadi apparels and products in International markets?

f. Apart from Q.4d, what are your ideas to promote Khadi apparels/ Khadi home textiles globally?

5. In your opinion, how are Khadi apparels different from other textile products?(Please rate your preference against the feature impacting your purchase (1 being not preferred at all and 5 being very much preferred)

Particulars	Not preferred at all	Not Preferred	Neutral	Preferred	Highly Preferred
Design					
Ease of usage					
Pricing					
Quality					
Fashion vogue					
Brand value					

6. From where do you source the product?

7. Is the supply adequate to cater to the future demand?

8. Can Khadi become more relevant in today's market conditions? What are your suggestions to make Khadi more popular in the Indian and international market?

9. What is your opinion of positioning Khadi as an exclusive brand?



10. Are you aware of the “Khadi Mark”? How important is this branding especially for Ethnic products?

11. Are customers aware of “Khadi Mark”?

12. Any other suggestions?



Questionnaire for Exporters - Khadi

Serial No.:

Name and address of the unit:

Respondent's Name:	
Designation:	
City of operation:	
Address:	
Contact Number:	
E-mail ID:	

1. What is your business model – B2B or B2C or Both? _____

2. What is your annual exports turnover for your business?

Client Base	Exports turn over (Rs. in lakh)		
	FY17	FY16	FY15
B to B sales			
B to C sales			

3. Please mention the break-up of revenue from export of Khadi products:

Particulars	Format	% of Khadi
Exports	B to B	
	B to C	

4. Please mention the highest selling Khadi products you export to international customers in the categories as mentioned below. Also identify the HS codes on a 6/8 digit level

Eg: Men's wear: Shirt/Pants/Jackets/ Denim

Ladies wear: Saree/ Salwar/ Dupatta/Shawl/ Denim

Kids wear: Infant wear clothes/Denim/ other kid's clothes

Furnishings: Table cloth/Curtains/Cushion cover

Men's wear		Ladies wear		Kids wear		Furnishings	
Item	HS code	Item	HS code	Item	HS code	Item	HS code

5. Please share the trend in exports for the top products mentioned in Q4.

Sr. No	Khadi products	HS-Code (6/8 digit level)	Total export value in FY17 (in lakhs)
	<i>Men's Shirt</i>		

6. Kindly share the details of your export profile for top product as mentioned in Q.4 & Q.5

Product	Top 5 Countries for exports	Recent trend in exports	Competition countries	Reason for the trend
<i>Men's shirts</i>	<i>Germany, Japan, USA, UAE, Australia</i>	<i>Improving</i>	<i>China, Taiwan, Bangladesh</i>	<i>Good market condition/ Less competitions/ export support from Govt/ Product is in demand</i>

7. Please mention the key products with **high potential** for exports other than the existing range. Which are the countries with demand for these products?

8. International customers in the B to C format

Kindly share the details of your international customer profile for Khadi products:

a. Gender profile (in % split for customers)

Male	Female

b. Age profile (in % split for customers)

Age group	% of customers
Less than 18	
18-25	
25-35	
35-50	
>50	

c. Preference for Color of Khadi products:

Product type	Color pref. 1	Color pref. 2	Color pref. 3	Color pref. 4
Mens wear				
Ladies wear				
Kids wear				
Furnishings				
Others				

d. Price range of products preferred

Product type	Price pref. 1
Mens wear	
Ladies wear	
Kids wear	
Furnishings	
Others	

9. What are the initiatives taken in branding and promoting Khadi products in International markets?

10. What are the challenges in effectively branding Khadi products in International markets?
How can we overcome these challenges?

11. Can Khadi products exports increase in today's export conditions? Yes/No_____

e. If yes, what are the potential trends in international markets where Khadi products can be relevant?

b. If No, then what is the reason?

12. What are the potential fashion trends in international markets where Khadi products can be relevant?

13. What are the major Channels of exports?

Channel strategy	% of share in total exports
Own outlet	
Exporter- Importer	
Distribution agents	
Sales persons	
Trade/ Fairs/ Exhibitions	

14. What are the challenges in promoting Khadi products in International markets? *(Please rank on a scale of 1-5; with 1 not significant to 5 being highly significant)*

Particulars	Not at all significant	Not significant	Neutral	Significant	Highly significant
Import duties					
Pricing					
Quality standards					
Low awareness of Khadi					
High transaction cost (incl. logistics)					
Competition					
Distribution					

Any other Non-Tariff Barriers					
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15. What are your views regarding **emerging trends** for demand of top 5 Khadi products country wise/ product wise?

Product	Countries	Emerging trend in exports	Reason for the trend
<i>Khadi shirts</i>	<i>Germany</i>	<i>Improving</i>	<i>Good market condition/ Less competitions/ export support from Govt/ Product is in demand</i>

16. Is the current supply adequate to cater to this future demand?

17. Do you get any kind of benefit from the Government on Khadi exports?

18. What are the assistance that you require from the government/ KVIC to improve Khadi exports?



19. What are your suggestions to make Khadi more popular in export markets?

20. Any other suggestions?



Questionnaire for Exporters - VI

Serial No.:

Name and address of the unit:

Respondent's Name:	
Designation:	
City of operation:	
Address:	
Contact Number:	
E-mail ID:	

1. What is your business model – B2B or B2C or Both? _____

2. What is your annual exports turnover?

Client Base	Exports turn over (Rs. in lakh)		
	FY17	FY16	FY15
B to B sales			
B to C sales			

3. Please mention the break-up of revenue from export of VI products:

Particulars	Format	% of VI
Exports	B to B	
	B to C	

4. Please mention the VI products you export to international customers in the categories as mentioned below?

VI products	Total export value in FY17 (in lakhs)
Honey	
Hand Made Paper	
Leather	
Agro based & Food processing	
Herbal Health and Cosmetics	
Others – Bamboo, Coir, etc.	

5. Please share the trend in exports for the products mentioned in Q4.

Refer products in detail: Honey (type of Honey in detail) / Hand Made Paper (type of paper in detail)/ Leather (leather bag/ leather shoes etc)/ Agro based & Food processing (such as papad, pickle, jam, jelly, squash etc)/ Herbal Health and Cosmetics (such as henna, shampoo, face scrub, herbal body wash, moisturizer, face wash, lip balm etc)

Sr. No	VI product- main category	VI product	Total export value in FY17 (in lakhs)	HS-Code (6/8 digit level)
	<i>Herbal Health and Cosmetics</i>	<i>Henna</i>		<i>41020201</i>

6. Kindly share the details of your export profile for top product as mentioned in Q.4/ Q.5

Product	Top 5 Countries for exports	Recent trend in exports	Competition countries	Reason for the trend
<i>Honey</i>	<i>Germany, Japan etc</i>	<i>Improving</i>	<i>China, USA</i>	<i>Good market condition/ Less competitions/ export support from Govt/ Product is in demand</i>



7. Please mention the key products with **high potential** for exports other than the existing range. Which are the countries with demand for these products?

8. International customers in the B to C format

Kindly share the details of your international customer profile for VI products:

a. Gender profile (in % split for customers)

Male	Female

b. Age profile (in % split for customers)

Age group	% of customers
Less than 18	
18-25	
25-35	
35-50	
>50	

9. What are the initiatives taken in branding and promoting VI products in International markets?

10. What are the challenges in effectively branding and promoting VI products in International markets? How can we overcome these challenges?

11. Can VI products exports increase in today's export conditions? Yes/No_____

a. If yes, what are the potential trends in international markets where VI products can be relevant?

b. If No, then what is the reason?

12. What are the major Channels of exports?

Channel strategy	% of share in total exports
Own outlet	
Exporter- Importer	
Distribution agents	
Sales persons	
Trade/ Fairs/ Exhibitions	

13. What are the challenges in promoting VI products in International markets? *(Please rank on a scale of 1-5; with 1 not significant to 5 being highly significant)*

Particulars	Not at all significant	Not significant	Neutral	Significant	Highly significant
Import duties					
Pricing					
Quality standards					
Low awareness of Khadi					
High transaction cost (incl. logistics)					
Competition					
Distribution					
Any other Non-Tariff Barriers					

14. What are your views regarding **emerging trends** for demand of top VI products country wise/ product wise?

Product	Countries	Emerging trend in exports	Reason for the trend

<i>Henna</i>	<i>Germany</i>	<i>Improving</i>	<i>Good market condition/ Less competitions/ export support from Govt/ Product is in demand</i>

15. What is the relevant quality standards/parameters based on region/country specific standards? (For eg; FSSAI, Agro mark, etc.)

16. Is the current supply adequate to cater to this future demand?

17. What are the value additions you do the VI products? (For eg; Branding, Packaging, etc.)

18. Do you get any kind of benefit from the Government on VI exports

19. What are the assistance that you require from the government/ KVIC to improve VI exports?



20. What are your suggestions to improve VI demand in export market?

21. Any other suggestions?

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