



Fashion Apparel Industry India Investment Outlook January, 2020

TRANSJOVAN CAPITAL

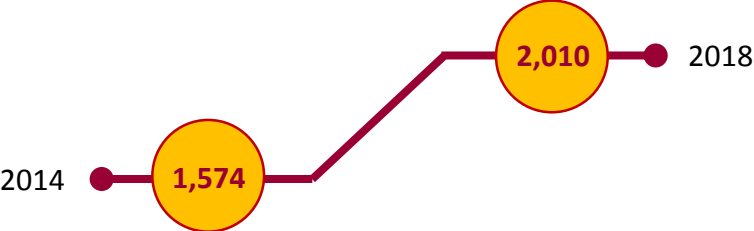
BOARD ADVISORY | CORPORATE FINANCE | STRATEGY

SECTOR OVERVIEW

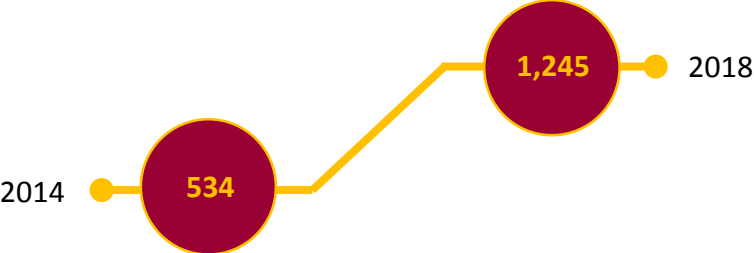
The fashion industry is evolving towards **shorter product cycles** and **faster product launches**. There is an evident shift from **high volume - low mix to low volume – high mix** in terms of apparel that a brand has to offer. As of FY19 the fashion apparel industry is estimated at **USD 74 Bn** and is poised to grow at a **CAGR of 12%**

GROWTH DRIVERS

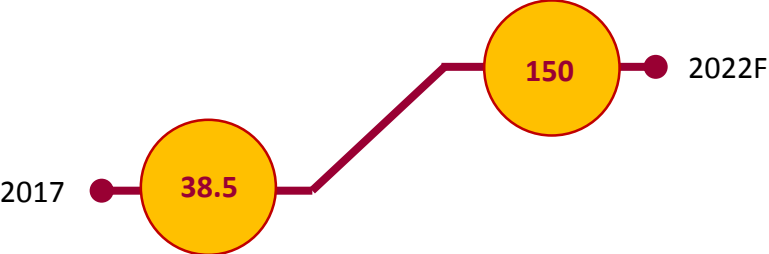
RIISING PER CAPITA INCOME IN USD



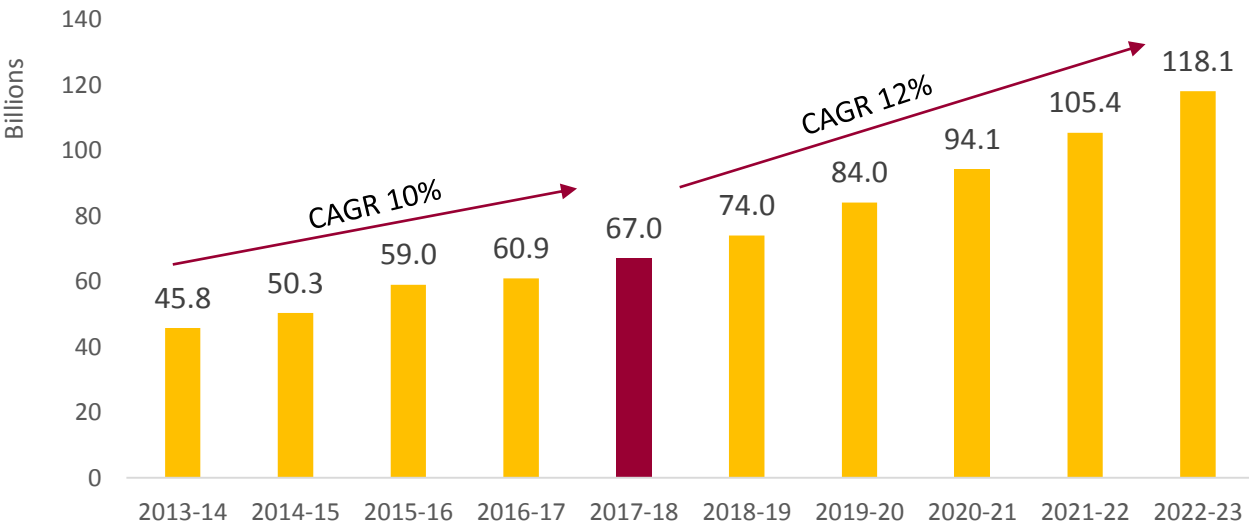
GROWING ORGANIZED RETAIL SECTOR, USD Bn



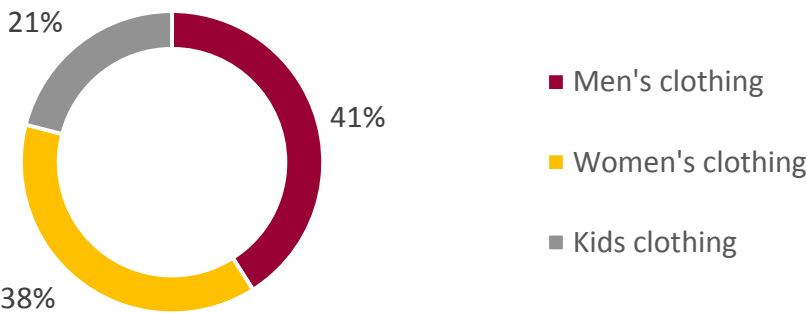
RIISING E-COMMERCE MARKET, USD Bn



CLOTHING INDUSTRY IN INDIA IN USD BILLIONS, FY13-FY23



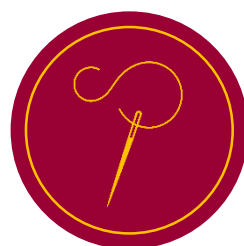
CLOTHING INDUSTRY IN INDIA SEGMENTATION BY TYPE, FY18



Source: Wazir Advisors, News articles, Care ratings, IBEF

SUPPLY CHAIN IN FASHION

Companies in different stages of the supply chain of Fashion Industry



Raw Materials
Manufacture/Procurement

Companies that manufacture or procure textiles

Manufacturing
of Apparel

Companies that manufacture garments by using textiles as raw materials

Brands

Companies that sell the garments under their label in their outlets or sell it to retailers

Retail of Apparel

Companies that have majority of their revenue from retail of clothing of other companies



Vardhmān



INVESTMENT HISTORY IN FASHION INDUSTRY

MAJORITY OF THE INVESTMENTS WERE RAISED BY E-TAILERS * THAT CREATED ONLINE CHANNEL FOR PEOPLE TO SHOP APPAREL

High Investments in E-Commerce, Marketplaces.

Cash burn model used by players by employing deep discounting to acquire new customers and to retain existing customers













Firms Shutdown, M&A Stage

Firms that were unable to sustain deep discounting or were not able to compete with marketplaces due to lack of follow on funding rounds were acquired, few of them shutdown, and the remaining were staggering




Acquisitions



Shutdown



Staggering Firms



New Investments

Investments by VCs began again into firms that are innovating the fashion industry by infusing technology such as AI, or IoT, or in the bespoke apparel segment



2007 - 2013

2014-2017

2017 - Present

*e-Tailers are the companies that started selling clothes online

MAJOR TRANSACTIONS BY RETAIL CHANNELS



OFFLINE



Reliance Brands has invested **USD 1.7 Mn** in the ethnic and bespoke label of Raghvendra Rathore for 15% stake



Carpedium Capital has invested **USD 6.5 Mn** in the retail chain **1 India Family Mart**



ARBFL has invested **USD 8.6 Mn** in the bespoke ethnic wear label **Shantanu and Nikhil** for 51%



OMNI-CHANNEL



Lightbox and Patni Group has invested **USD 9 Mn** in the bespoke shirt brand of Bombay Shirt Company



Blume ventures has invested **USD 2 Mn** in **Stage3**, that has created a portal that allows women to rent clothes



Zivame is a lingerie store that has raised a total of **USD 69 Mn** from **Chiratae, Zodius Capital, Avendus Capital and Ronnie Screwvala**



ONLINE – RECENTLY FUNDED



Fireside Ventures has invested **USD 3 Mn** in the custom work apparel brand **Fable Street**



LetsVenture and WEH Ventures have invested **USD 1 Mn** in the D2C brand **Henry & Smith** that uses ML powered supply chain



AMJ Ventures and Alia Bhatt have invested **USD 3 Mn** in **StyleCracker** that curates apparel based on user preferences



ONLINE – WELL FUNDED



Myntra is an online marketplace for clothing that raised **USD 342.6 Mn** from **Kotak Mahindra Bank, Tiger Global**.



Zilingo uses **technology-led solutions** to bridge the gap between creators and producers and has raised **USD 307.9 Mn** from **Sequoia, Tamasek, Sofina**



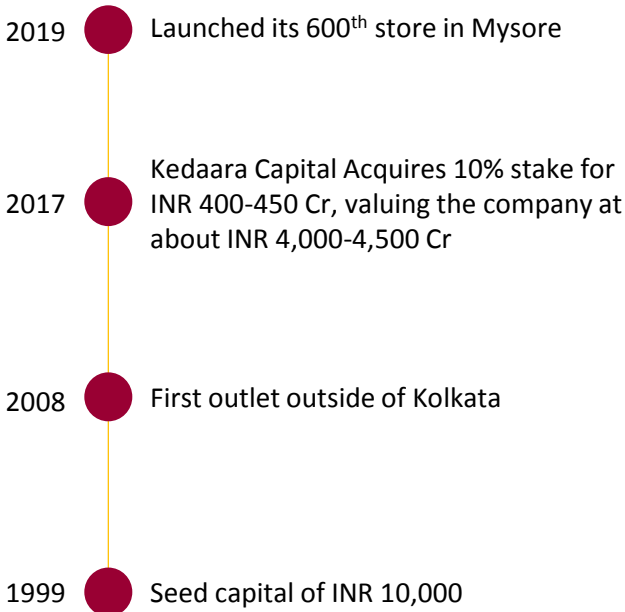
eShakti is an online women's clothing brand, that sells **bespoke apparel in India and US**. The brand has raised **USD 33.3 Mn** from **IvyCap, Paragon Partners, Infina Finance**

SUCCESSFUL BRANDS THAT EMPLOY OMNI-CHANNEL RETAIL

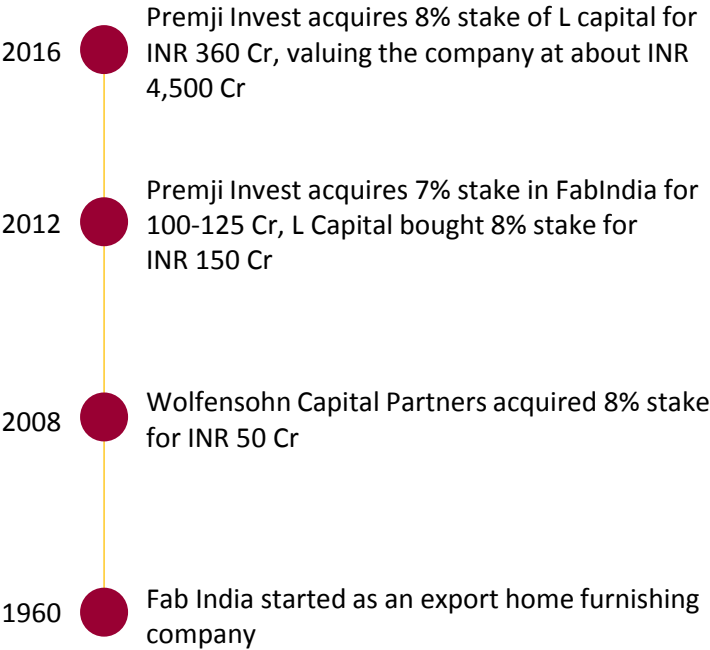
BRANDS THAT HAVE SCALED SUCCESSFULLY AND HAVE EMPLOYED OMNI-CHANNEL RETAIL



Presently, Manyavar is present across 173+ cities in India, USA, UAE, Bangladesh, and Nepal



Today, FabIndia has 211+ retail stores across India, 2 stores in Singapore, UAE, 1 in Italy, Nepal, Malaysia, and Mauritius



Presently, Biba has presence in 100+ cities in India, and is also present in Nepal



Source: Company websites, News articles

TECHNOLOGY IN FASHION

TRENDS IN FASHION-TECH BY SUPPLY CHAIN



Designing of apparel



Simbus is an Indian company that has provides a 3D designing software called **browzwear** reducing the iterations required for the final product



Textronics: The company provides CAD and web based 3D design and visualization solutions for apparel designing



Designing software: The export house uses software of TukaTech for designing patterns of apparel, resulting in increased efficiency



Manufacturing of Apparel



AR Tees: The tshirt brings the visual graphic to life when scanned through a mobile using an embedded AR code



Colour changing T-shirt: The company developed a solar active technology through which the fabric changes colour under sunlight



LED Clothing Line: The clothing is fitted with LED strips that are programmable through a smart phone



Retail of Apparel



Click and collect an omni-channel way to shop online and collect offline and **MPOS** enabling the customers to pay anywhere in the store



AI-powered tool to Interpret data collected predict trends and **Smart mirrors:** Personal shopping assistants to recommend various styles



RFIDs allow customers to checkout under 30 seconds. The tags when scanned by a screen give information about the product



Miscellaneous



Body Scanner: The company has a 3D body scanner that is able to take up to 150 accurate measurements in 5 seconds



Chat-bot: The online shopping company has incorporated the use of chat-bots for improving customer experience on the website



Companies are using **Instagram** as a platform for marketing by engaging influencers such as celebrities, who upload posts with the product.

TECHNOLOGY IN FASHION

TRENDS IN FASHION-TECH BY TECHNOLOGY VERTICALS



Internet of Things (IoT)

lifestyle®

MPOS is enabling customers to pay bills at any point in the store
Self checkout kiosk enables customers to bill their merchandise in a few steps

**The Roadster™
Life Co.**

RFID tags allow customers to select an apparel and checkout under 30 seconds. The tags when held against a screen also give information about the product

SYGNAL

LED strips that are programmable through a smart phone are installed in the apparel

Source: India Retailing, Forbes, Blogs



Artificial Intelligence

VERO MODA®

Interprets data collected across different digital platforms and aids in the prediction of trends that consumers will prefer

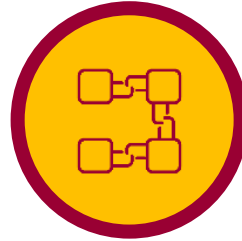
**TOMMY
HILFINGER**

Integrated IBM tools to decipher real time industry trends, customer sentiments, trending patterns and used the information for their next collection



STITCH FIX

Algorithm identifies the trends missing from the inventory of stitch fix and suggest new designs based on these to the human designers



Block Chain



PROVENANCE

Uses blockchain to track the movement of product through the supply chain starting from raw material until the retail

QUEEN OF RAW

Online marketplace for **leftover fabrics** that are tracked by using **blockchain technology** in the supply chain. Platform matches the buyer and seller in the vicinity to reduce transportation costs



Blockchain technology to track the movement of product through the supply chain from the raw materials to the finished product



E-Commerce

lifestyle®

An **omni-channel initiative** that allows to shop online and collect offline, or finding a missing size in store



Instagram has rolled out a shopping feature on its platform allowing users to buy product directly from the app

stylecracker

The company uses its website to deliver clothes curated according to the tastes and preferences of the consumer



Augmented/Virtual Reality

VERO MODA®

Smart mirrors will act as shopping assistants to recommend various styles creating an interactive fitting experience

**The Roadster™
Life Co.**

AR Tees: The tshirt brings the visual graphic to life when scanned through a mobile using an embedded AR code

SHOPPERS STOP

Smart mirrors: The mirrors aim to digitize the process of trying on clothes for the customers

OUR CONCLUDING REMARKS

- ❑ In FY2018, the men's segment stood at 41%, women at 38% and kids at 21%, we believe that in the coming years share of men's segment will reduce, and will be displaced by an increase in share of women and kids.
- ❑ Since many consumers prefer to research online and buy through offline channels or research offline and buy through online channels, omni-channel way of retailing in which the firm is retailing its clothes online and offline has been one of the key trends that many retailers and brands have adopted. Inclusion of features that let consumers bill through their phone or select a size online that is not available in the store have been incorporated by many retailers and brands to enhance the consumer experience.
- ❑ Most of the funding in 2019 and 2018 went to brands that were selling online or were employing omni-channel techniques to increase their retail footprint. We expect this trend to continue and more funding will be received by the firms employing omni-channel way of retailing in the coming years.
- ❑ Funding received by firms that were retailing purely offline were prominent fashion labels that manufactured bespoke apparel, specially in the ethnic category. Brands selling ready to wear garments by employing a pure offline strategy would need to retail online to increase their visibility and to compete with the brands that are employing omni-channel strategies.
- ❑ Consumer trends are now influenced through the use of social media platforms such as Instagram. Many brands now employ social media influencers such as celebrities to endorse their clothing line as a marketing initiative. This trend has been on the rise since the past few years and we expect this trend to continue for the next few years at least.

ABOUT TRANSJOVAN CAPITAL

TRANSJOVAN CAPITAL is a premier new-age Board Advisory firm, focused on providing advice to clients pertaining to Corporate Strategy, Mergers & Acquisitions (M&A), Joint Ventures (JV), Capital-raising (Equity & Debt) and Organization Development.

With offices in New Delhi and Mumbai, the Firm is a preferred Board-advisor to emerging as well as established corporates. The Firm’s team has advised clients spread across SMEs, large Indian Conglomerates, Institutional Investors, Fortune 500 Corporations, Government Authorities and New Ventures.

The Firm has received top industry recognition, some of them being:

'Fastest growing BFSI Companies in India' - 2016

'Most Promising M&A Advisory Companies in India' - 2015

'Most Promising Financial Consulting Companies in India' - 2014

Select Team Credentials:

- ✓ Advised on 100+ assignments for clients in the areas of corporate strategy and finance.
- ✓ Collective deal experience of USD 1+ Bn in the transaction advisory space.
- ✓ Access to 200+ PE/VC/Corporate investors
- ✓ Advised 4 of the top 10 largest Indian conglomerates in the areas of M&A advisory and business strategy.
- ✓ Advised across various geographies in India (i.e., Metros, Tier-II & Tier-III locations, etc.).
- ✓ Advised on India entry strategy and JV advisory to various MNCs.
- ✓ Extensive relationships with major Financial Institutions, Private Equity funds and various Institutional Investors - in India and globally.

For more info about the company, you may refer to: <http://www.transjovancap.com>

For any business inquiries, you may email at: info@transjovancap.com

Contact Us

TRANSJOVAN CAPITAL ADVISORS LLP
Level-2, Elegance Tower
Mathura Road
Jasola
New Delhi – 110 025
India
Website: www.transjovancap.com
Ph: 1800 102 5700

Transaction Team:

Should you require any clarifications, do feel free to get in touch with:

Gaurav Asthana	Managing Partner	gaurava@transjovancap.com
Bharat Mishra	Associate Vice President	bharatm@transjovancap.com
Rachit Kapoor	Associate	rachitk@transjovancap.com
Ananya Ranka	Analyst	ananyar@transjovancap.com