

# WALK INTO A WORLD OF OPPORTUNITY - 9th FOOTWEAR AND LEATHER FAIR'2017

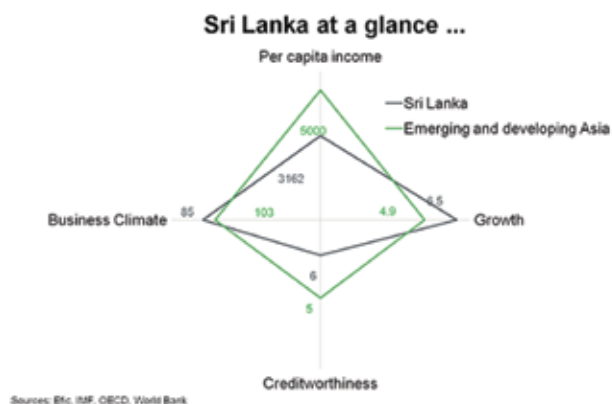
**3rd TO 5th FEBRUARY 2017 @ BMICH, SRI LANKA**

A report by P. Dhanasekaran, AEPO, CLE



## Economic outlook of Sri Lanka

Sri Lanka has been among Asia's fastest growing economies over the last five years. The business climate is on par with most developing Asia.



The above chart is a cobweb diagram showing how a country measures upon four important dimensions of economic performance - per capita income, compound annual GDP Growth, business climate and credit worthiness. Per Capita income is in current US \$ for 2013 provided by the IMF. Compound annual GDP growth is measured over the 15 years to 2013. Business climate is measured by the World Bank's Ease of Doing Business ranking of 189 countries. Credit worthiness attempts to measure a country's ability to honor its external debt obligations and is measured by its OECD country credit risk rating. The chart shows not only how a country performs on the four dimensions, but how it measures up against other comparable countries.

## Economic Outlook

Growth accelerated from 4.60% pa over 2001-2008,

to 6.7% over the last five years. After 2009 lifted private investment and consumption. Growth is projected to average 6.5% over the coming years underpinned by robust public and private investment. Firming global growth will lift the demand for manufacturing exports, particularly garments. Favorable demographics and increasing industrialization are also expected to support the long term outlook

## About the Fair

Sri Lanka has a strong and growing footwear manufacturing industry. The primary objective of CLE's participation in this fair is to create mutual awareness and establish direct linkages between manufacturers of Footwear Component & Accessories from India and the Manufacturers / Exporters, Artisans of Footwear & Leather Goods in Sri Lanka. The 9th edition of Footwear & Leather Fair 2017 provides an appropriate platform for our companies to show case their products in front of the international buyers.

Footwear and Leather Fair which was initiated by Sri Lanka Export Development Board in 2007 with relevant industry stake holders, held consecutively for the past eight years has made a valuable contribution to the industry by creating wider recognition to the industry locally and internationally and bringing together SME's and large scale manufacturer. Given the importance of greater involvement of private sector in organizing such events, the responsibility of organizing the fair was entrusted to the SLFLPMA under the guidance and support of EDB. The export sector of Sri Lanka which contributes nearly 20% to the country's GDP plays a vital role in achieving the development objectives of the government. Restoration of GSP+ in the year 2017 and initiatives to boost trade with USA, Japan, India,

Pakistan, Thailand, Malaysia and China will open up new opportunity for the export sector.

Sri Lanka's footwear and leather exports have increased by a strong 28 percent in 2016, Hon'ble Minister of Industry and Commerce Mr. Rishad Bathiudeen said at the inauguration of the fair.



Mr. Rishad Bathiudeen, Hon'ble Minister for Industry and Commerce, Govt. of Sri Lanka speaking at the inauguration of the fair



Mr. Rishad Bathiudeen, Hon'ble Minister for Industry and Commerce, Govt. of Sri Lanka interacting with the participants

"Sri Lanka footwear and leather exports in 2016 increased by 28% in comparison to 2015 revenues to \$140 Million showing strong growth trends," the Minister said addressing the opening of Sri Lanka's Annual Footwear Leather Exhibition on 3rd Feb at the BMICH in Colombo.

The three-day 9th Footwear & Leather Fair 2017 is organized by the Ministry of Industry and Commerce in collaboration with the Industrial Development Board, Sri Lanka Footwear and Leather Products Manufacturers Association, and Export Development Board.

In addition to Sri Lankan manufacturers, 34 Indian firms representing India's Confederation of Indian Footwear Industry, Council for Leather Exports and Indian Footwear Components Manufacturers Association also joined the event. India is the world's second largest leather shoe manufacturer.

Speaking at the event, Hon'ble Minister



Mr. Vipin Seth, COA member of Council for Leather Exports lighting the lamp at the Inauguration Ceremony



Mr. Sudhir Rustagi one of the exhibitors in the CLE India Pavilion lighting of the oil lamp at the Inauguration Ceremony

Mr. Bathiudeen said the Ministry is planning to set up Sri Lanka's first footwear and leather industry city in the Eastern Province.

"In a background of rising 'middle class consumption' and demand for luxury goods across the world, I believe that footwear has great promise for branding of Sri Lanka in international markets through a low cost export product," the Minister said pointing out that the global footwear is estimated to be around \$ 370 billion by 2020. The leather goods industry is estimated to reach \$ 247 billion by that time.

Explaining that athletic and sports footwear are also driving this growth, the Minister said since manufacturing costs are lower for athletic footwear, they offer bigger profit margins as much as 45%, and called on Sri Lankan manufacturers and exporters to pay closer attention to this sector and enter it by supplying more to established brands.

Speaking of the projects initiated by the Ministry to develop the footwear industry, the Minister highlighted that his ministry has invested over Rs. 19 million to establish a Footwear and Leather Goods Training School at Sri Lanka Institute of Textile & Apparel at Ratmalana. In addition, Cabinet approval has been obtained to set up a dedicated leather and leather goods manufacturing complex in Batticaloa District at an estimated cost of Rs. 450 Million.

Hon'ble Minister Mr. Bathiudeen said plans are afoot to set up a footwear and leather industry city in the Eastern Province with Public Private Partnership. Realizing that it is important to protect local manufacturers of this sector, the Government has increased the taxes on footwear imports and introduced duty exemption facilities for import of finished leather for manufacturing of Footwear and Leather goods products, the Minister said.

The Industry and Commerce Minister urged the footwear and leather sector of Sri Lanka to make use of these benefits and "grow from strength to strength in their efforts."

Welcoming the strong Indian delegation to the Fair, the Minister said a key objective of foreign participant facilitation to this series by the Ministry of Industry and Commerce is tech transfer.

Chennai based GTFC, a footwear materials and components supplier, and Germany's Rhenoflex are joining the Fair for the first time and showed high enthusiasm.

Rhenoflex's Vice Sales Director Rainer Godel said they are exploring to partner with Sri Lankan manufacturers in many ways.

### **Design Competition**

Parallel to the Fair, a Design Competition was also organized to encourage the upcoming designers and to give recognition to their talents. The design competition was organized to encourage the upcoming designers.

### **About the Sri Lankan Market**

The EDB has identified the footwear and leather industry as one of the industries which could significantly contribute to achieve national export target, if upgraded with appropriate technology and product development. Therefore, the EDB has taken the several measures to upgrade the industry by way of organizing product and market development programmes. One such initiative is the product development programme for the footwear

manufacturers in the year 2017 to upgrade the quality and technical aspects of the shoes by obtain in the service of an international expert.

The Footwear and Leather Industry of Sri Lanka is considered a key segment of entrepreneurship in Sri Lanka. The industry employs over 40,000 direct and indirect personnel and involves the participation of 10 large export companies, 30 companies of medium scale and about 3000 small scale manufacturers.

A highly labour intensive industry that focuses on outstanding quality, a comprehensive range of products such as Canvas shoes and rubber boots, sandals, sports shoes and leather shoes are made from many different materials.

There are about 100 local companies and 34 foreign companies, suppliers of raw materials components and Accessories displayed their products in 34 stalls.

The leather and footwear industry in Sri Lanka, producing processed leather, footwear and small leather goods such as gloves, wallets, bags, purses, belts and key tags, is also supported by eight large scale and five small tanneries operating in the country.

The local authorities believe that Sri Lanka can take advantage of the global footwear market and its growth potential, so they are investing in training and education for the sector's staff, and a Dedicated Leather and Leather Goods Manufacturing Complex is being set up in the Batticaloa District. On top of that a footwear and leather industry city in the eastern province with Public Private Partnership.

Authorities have also increased taxes on footwear imports and introduced duty exemption facilities for import of finished leather for manufacturing of Footwear and Leather goods products.

The export earnings from this sector shows an upward trend in recent years and has contributed to increased export earnings of the country, with footwear exports reaching over 100 Mn in 2016. This is clear evidence that Sri Lanka's exports of footwear and leather products have made inroads into the international market as suppliers of high quality footwear and leather accessories.

Sri Lanka's economy has witnessed a steady revival in growth during the past few months, with the country venturing into new avenues of product and service monetization. The benefits of investing in Sri Lanka include its resilient economy, supportive Government policies, its educated work force, strategic location, preferential access to large markets, fast developing infrastructure and increasingly vibrant business environments. All of this will be further enhanced by the regional trade agreements underway.

**Sri Lanka's Exports of footwear & Leather Products (Value in US \$ Millions)**

Year	2009	2010	2011	2012	2013	2014	2015	2016 Jan-Nov
Footwear	17.22	19.73	16.71	12.24	29.27	86.57*	86.31*	111
Leather & Leather Products	13.55	15.91	19.72	18.95	21.61	22.96	23.66	21
<b>Total</b>	<b>30.77</b>	<b>35.64</b>	<b>36.43</b>	<b>31.19</b>	<b>50.88</b>	<b>109.53</b>	<b>109.97</b>	<b>132</b>

Recent statistics provided by the SLEDB reveal an outstanding performance of the footwear exports in the last couple of years. Sri Lanka exported 12.24 million US dollars' worth of footwear in 2012, going by to 29.27 million US dollars in the following year, more than doubling the output of sales abroad. The same source estimates that another excellence performance took place in 2014, with the exports value reaching 86.57 million US, up by 196% from 2013.

The leather sector has shown a dynamic growth, although strongly more modest, going from 18.95 million US dollars' worth of exports in 2013 to 22.96 million US dollars in 2014.

Sri Lanka Export Development Board believes that all these elements will contribute to the realization of the country "significant potential for being a key contributor to the economy of the country".

**SRI LANKA'S IMPORT OF LEATHER & LEATHER PRODUCTS AND INDIA'S SHARE 2010-2015**

(Value in Mn US\$)

DETAILS	2010	2011	2012	2013	2014	2015
<b>Leather</b>						
Import	18.64	16.52	15.15	14.35	16.59	--
India's Export	5.67	5.46	4.73	4.08	3.16	3.80
<b>% Share of India</b>	<b>30.42%</b>	<b>33.05%</b>	<b>31.22%</b>	<b>28.43%</b>	<b>19.05%</b>	
<b>Leather Footwear</b>						
Import	1.37	2.35	3.29	4.73	10.86	--
India's Export	1.36	3.28	2.85	3.32	3.35	4.90
<b>% Share of India</b>	<b>99.27%</b>	<b>139.57%</b>	<b>86.63%</b>	<b>70.19%</b>	<b>30.85%</b>	--
<b>Footwear Components</b>						
Import	5.57	7.24	6.31	5.84	4.85	--
India's Export	0.19	0.01	0.48	1.58	0.29	0.53
<b>% Share of India</b>	<b>3.41%</b>	<b>0.14%</b>	<b>7.61%</b>	<b>27.05%</b>	<b>5.98%</b>	--
<b>Leather Garments</b>						
Import	1.83	2.35	2.32	1.11	1.44	--
India's Export	0.04	0.04	0.03	0.13	0.20	0.06
<b>% Share of India</b>	<b>2.19%</b>	<b>1.70%</b>	<b>1.29%</b>	<b>11.71%</b>	<b>13.89%</b>	--
<b>Leather Goods</b>						
Import	1.65	2.22	2.71	3.59	3.95	--
India's Export	0.85	0.98	0.96	1.47	1.53	1.54
<b>% Share of India</b>	<b>51.52%</b>	<b>44.14%</b>	<b>35.42%</b>	<b>40.95%</b>	<b>38.73%</b>	--
<b>Saddlery &amp; Harness</b>						
Import	NA	NA	NA	NA	NA	--
India's Export	0.03	0.00	0.02	0.02	0.03	0.01
<b>% Share of India</b>	--	--	--	--	-	--
<b>Non Leather Footwear</b>						
Import	3.97	4.17	9.44	13.93	16.65	--
India's Export	0.36	0.49	0.47	0.76	1.57	3.01
<b>% Share of India</b>	<b>9.07%</b>	<b>11.75%</b>	<b>4.98%</b>	<b>5.46%</b>	<b>9.43%</b>	--
<b>Total</b>						
Import	33.03	34.85	39.22	43.55	54.34	--
India's Export	8.50	10.26	9.54	11.36	10.13	13.85
<b>% Share of India</b>	<b>25.73%</b>	<b>29.44%</b>	<b>24.32%</b>	<b>26.08%</b>	<b>18.64%</b>	--

Source: SRI LANKA's Import - ITC Geneva / India's export DGCI&amp;S

From the above, it may be noted that footwear is the major item of export from India to Sri Lanka but there is good potential to export footwear components, considering the growth of footwear industry in Sri Lanka.

**CLE Pavilion**

The following CLE Member companies displayed their wide range of products at the 9th International Footwear and Leather Fair, Feb 3-5, 2017 in the CLE India Pavilion.

Sl. No	Company Name	Place	Display Products
1	Enkay India Rubber Co Pvt Ltd	Delhi	PU Soles, TR Soles, Rubber Soles, Sheets etc
2	Ess Aar Universal Pvt Ltd	NOIDA	PU Soles/Foot beds, Rubber Soles & TPR Soles
3	Global Polymers	Agra	PU, TPR & PVC Soles
4	GTFC Limited	Chennai	Insole, Toe puff Counter, Steel Shank etc
5	Kailash Trade Links	Chennai	Shoe Linings, Upper Fabrics and reinforcement
6	Kalpana Industries	Indore	PVC Compound, Flip Flop Straps & PU injected footwear
7	Sandeep Rubber Industries	Agra	Rubber Sheet, Rubber/TR Soles/PU Socks, Rubber / TR/Salpa Welts
8	Shreeji Polyfab Pvt Ltd	Delhi	Knitted Fabrics, PU Foam Laminated Fabrics, coated Fabrics, Fusible Interlinings etc
9	Swarna International	Agra	Leather/Tunit Sole, Sole welt, Laces
10	Versatile Enterprises Pvt Ltd	Delhi	PU Foam, Eva Laminated Fabrics, Fur Linings, Moulded In socks, Mesh Linings, Fleece, Air-mesh, Bonded Fabrics, check/Stripe fabrics, Woolen Fabrics, Knitted Ribs, Canvas articles
11	Council for Leather Exports	INDIA	Posters, LNI and participants profile booklet along with CLE's publication

**CLE PAVILION**





As per the feedback from the above exhibitors, 76 business meetings were held during the fair generating on-the spot business worth of US \$ 20,000 and future expected orders worth US \$ 4,60,000 (approximately). Many exhibitors expressed their assessment on the potential for Joint Venture between Indian and Sri Lankan Entrepreneurs and stated that there is huge potential for export of Footwear Components to Sri Lanka.

**CLE INFORMATION BOOTH**



(From Right Mr.Ranjith Hettiarachchi, Chairman Organizing Committee, Mr. S.K.Verma, Deputy Director, IFCOMA, CLE Rep Mr.P.Dhanasekaran, Asst. Export Promotion Officer, Council for Leather Exports, Mr.P.G.D.Nimalasiri, Chairman, Footwear and Leather Goods Manufacturers Association)

**CLE Pavilion**





Sri Lanka's first footwear and leather industry hub is coming up—and it's the Eastern Province that shall be hosting it. Meanwhile, Sri Lankan footwear and leather exports too have jumped by a strong 28%!

Rhenoflex Germany's Vice Sales Director Mr. Rainer Godel said that Germany's Rhenoflex, is the world leader in Thermoplastic materials for Toe, side and counterpart reinforcements in shoes and added that they are introducing modern, green manufacturing based, recyclable shoe components to Sri Lanka through their partner India's GTFC, for the first time through this Fair and added "We are exploring to partner with Lankan manufacturers in many ways".



Sri Lankan Minister of Industry and Commerce Rishad Bathiudeen (right) greets COA Member, Council for Leather Exports/ President of Indian Footwear Components Manufacturers Association (IFCOMA) Vipan Seth (left) at the 9th Footwear and Leather Fair 2017 at BMICH, Colombo on 3 February 2017.

**IFCOMA participants**



**Conclusion**

All the exhibitors participating through CLE have expressed their consent that CLE should organize participation again in this fair. Majority of exhibitors also wish to have exclusive BSM for Footwear components for reaching the targeted buyers. The fair organizers have also announced the date of the next event i.e. 2nd Feb to 4th Feb 2018 at the same venue.