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India

Product Brief

Hides and Skins

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Report Highlights:

With targeted leather/leather goods exports of \$5 billion by 2010, limited domestic availability of quality hides and skins, and increasing domestic demand for luxury leather products, India is set to become an attractive destination for US hides and skins.

Includes PSD Changes: No
Includes Trade Matrix: No
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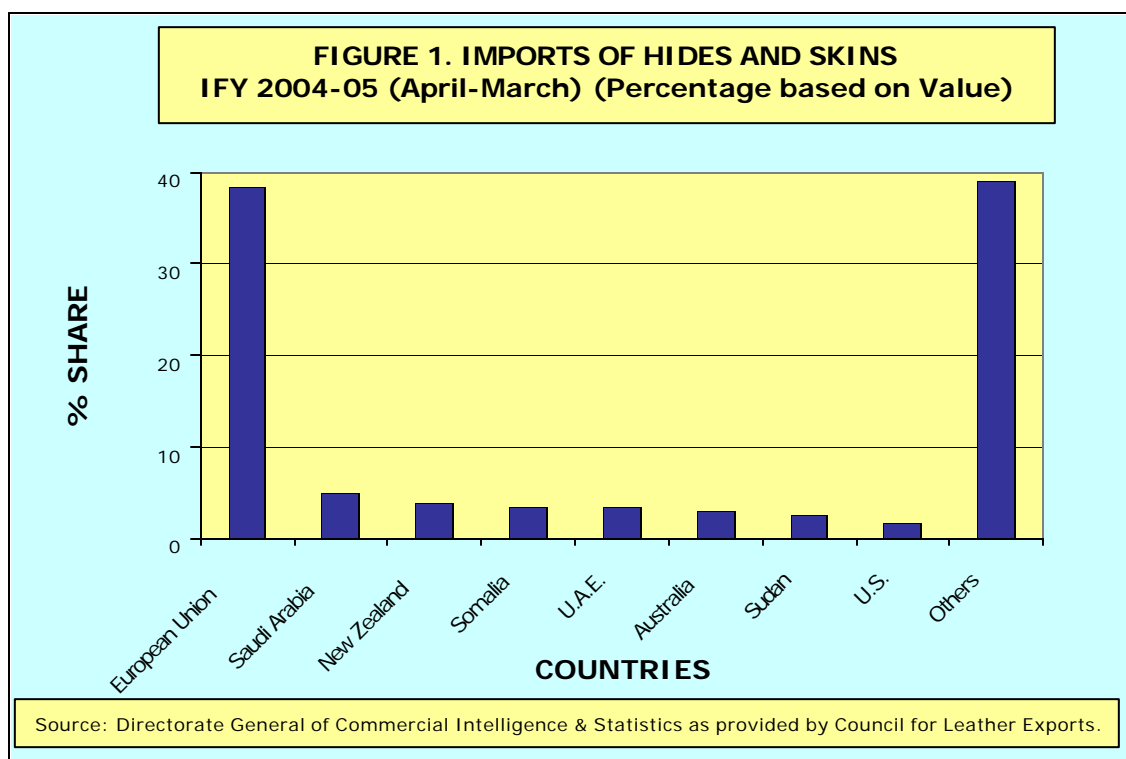
SECTION I - MARKET OVERVIEW

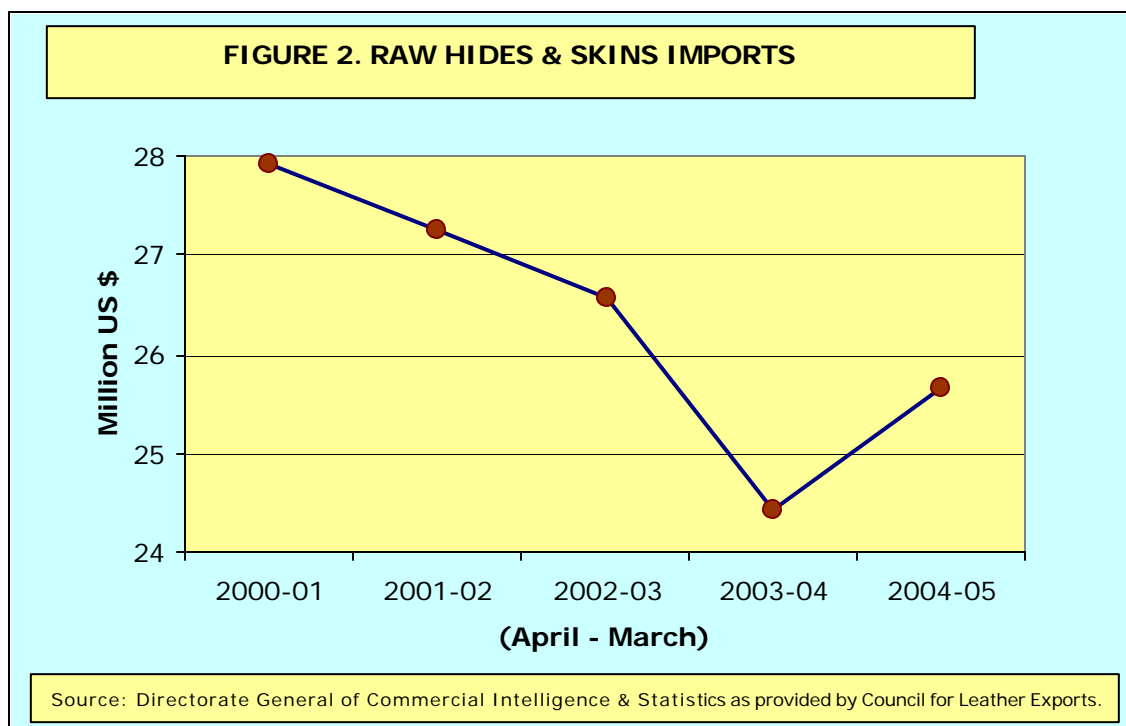
The Indian tanning industry's total installed capacity is 1.8 billion square feet per month, and it is spread over 1,600 units in the organized sector, of which eight percent is classified as large (more than 1 million square feet per month) and 63 percent as medium (0.5 – 1.0 million square feet per month). Most tanning plants are clustered within the states of Tamil Nadu, West Bengal, Uttar Pradesh, and Punjab.

Of the 185 million hides and skins processed annually by the tanning industry, 85 percent is sourced domestically. Cowhides are collected mainly from fallen carcasses and illegal slaughter houses. Buffalo hides are typically collected from organized and mechanized slaughterhouses in northern and western India, where buffaloes are reared mainly for their milk. Raw hides and skins are processed in tanneries to make wet blues ("WBs", semi-processed leather), which are further tanned to make finished leather. Most Indian tanners either have their own primary processing capacity, or they buy WBs from primary processors.

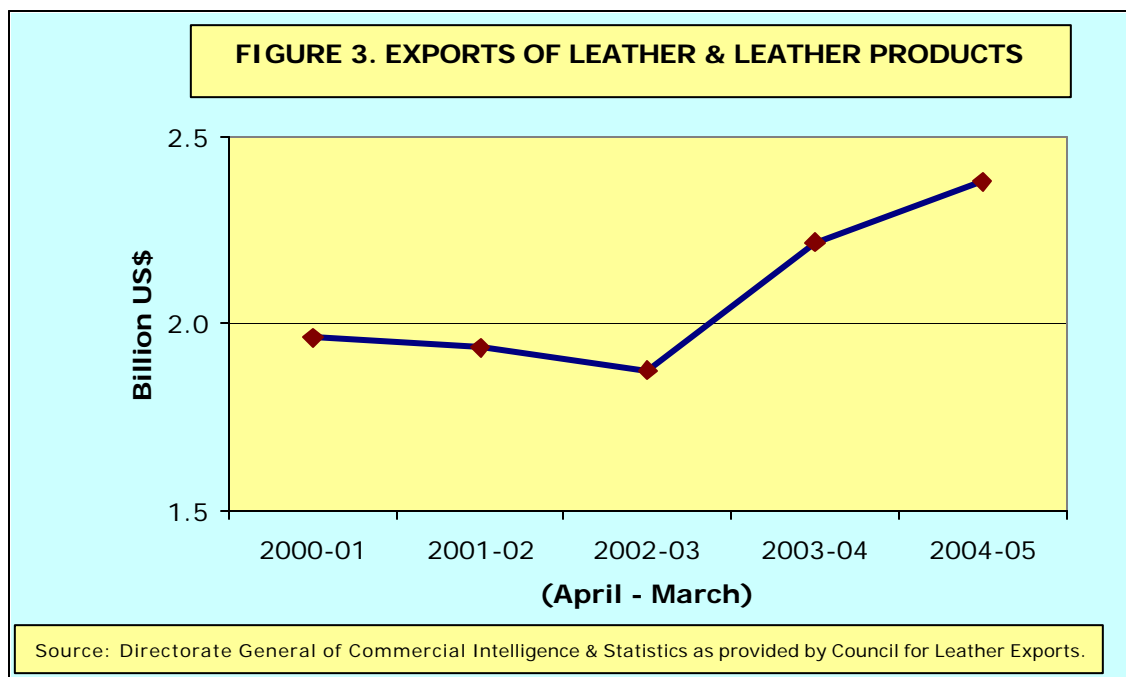
Hides and skins are imported into India mostly in WB form, due to the relatively high cost of raw hide imports (high transportation costs), the need for refrigerated containers (to avoid putrefaction), and in order to avoid the risk of buying damaged or inferior hides and skins. Germany is the main supplier of raw hides and skins to India, and is followed by Italy, Spain, the Netherlands, Saudi Arabia, and the United Arab Emirates (Figure 1). India imported \$47.2 million worth of hides and skins in IFY 2004-05 (April – March), and the US share was 1.7 percent. The European Union is the major source of WBs imported into India (\$19 million from all member countries), and it also is the major export destination for finished leather and leather goods exported from India.

Most of the medium and large tanners perform customized work for the larger manufacturers and exporters of leather goods on a fixed margin basis or on a pre-negotiated price for the finished leather. Leather goods manufacturers produce a wide variety of products, ranging from footwear, shoe uppers, garments, accessories, gloves, and saddlery, all of which are both for domestic distribution and export markets.





India exported \$2.4 billion worth of finished leather and leather products in IFY 2004-05, of which 76 percent was leather goods (footwear and footwear components, leather accessories, and leather garments). Finished leather and leather goods exporters use mostly imported hides and skins due to their superior quality. Rising incomes, increasing consumer awareness, and higher demand for luxury furniture and automobile upholstery support the growing leather upholstery segment. This, in turn, could lead to an increased demand for US hides, as Indian leather manufacturers believe that US hides are a perfect fit for their segment due to the smaller grains, texture, thickness, and most importantly, their size. Apart from the upholstery segment, trade sources identified the footwear and footwear-components segments as potential consumers of US hides and skins. Growth in this particular segment is largely driven by export demand.



Approximately 45 percent of finished leather is exported to China and Hong Kong, followed by the European Union (EU). Indian export statistics suggest that Italy is the largest EU importer of finished leather from India, followed by Germany, Spain, and France. Although Indian exports of finished leather to the United States make up only two percent of its global exports, they have registered a 50 percent growth in IFY 2004-05. The EU remains the major importer of Indian leather footwear and footwear components, with a share of 52 percent of India's exports, followed by the United States with a 14 percent share. Leather accessories, saddleries, and harnesses, are other major leather items exported to the United States. The Indian Council for Leather Exports (CLE) has set an ambitious target of doubling Indian leather exports to about \$5 billion by 2010.

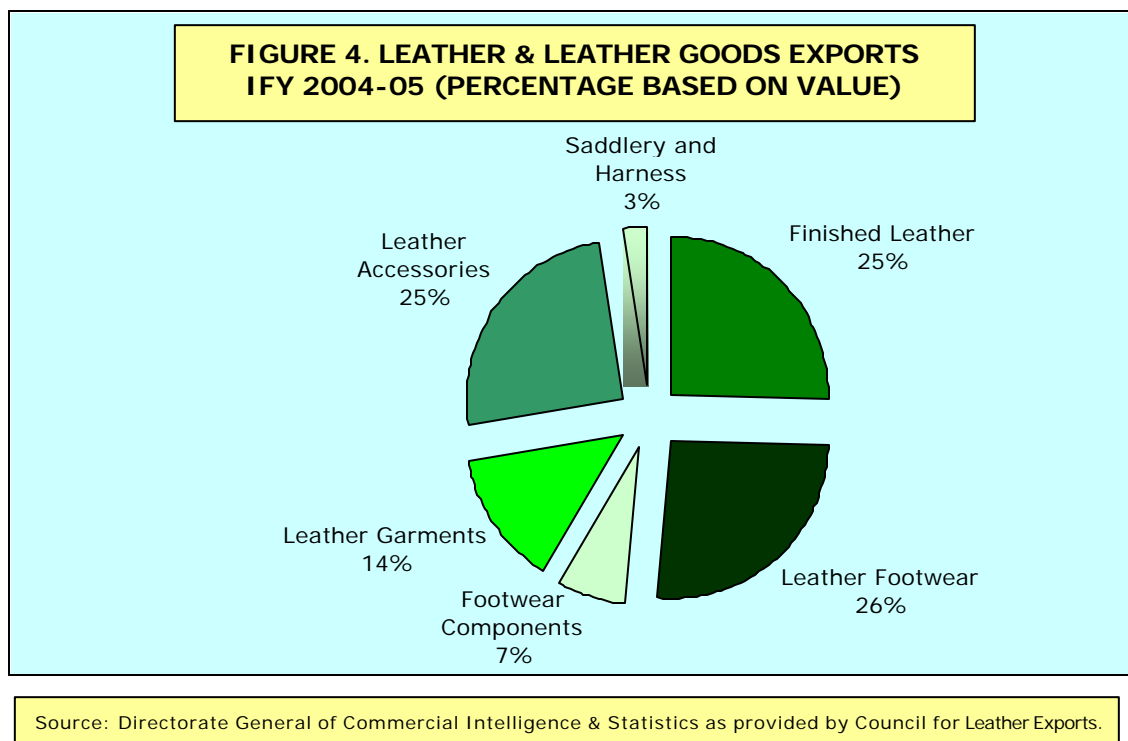
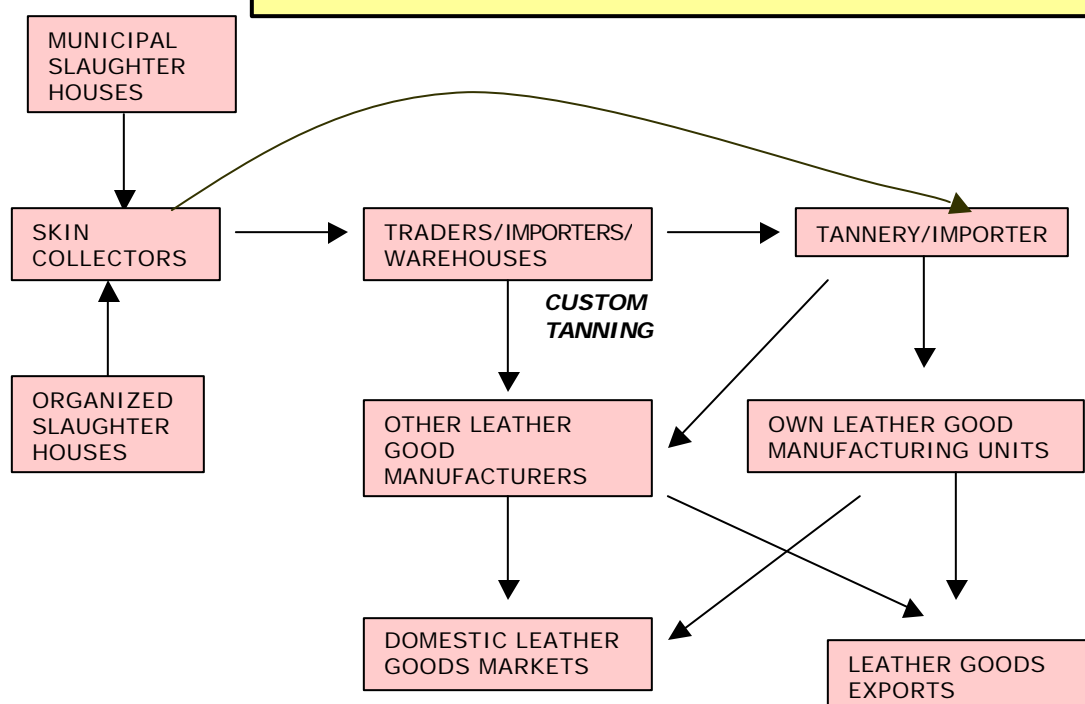


Table 1: Potential advantages and challenges for US Hides and Skins in the Indian Tanning Industry

Advantages	Challenges
Indian tanners consider US hides and skins to be superior quality.	US hides and skins are priced higher than their Eastern European and South American competitors.
Indian exports of branded leather products are increasingly leading to higher profits and potentially larger imports of U.S. hides.	Most Indian manufacturers do not have their own domestic or international brand.
Indian exports of high quality leather and leather products are increasing, but are limited by the domestic supplies of quality hides and skins.	Indian importers/tanners are not aware of raw-hide selections available in the United States, and their respective prices.
Indian manufacturers' exposure to the US and other international leather markets is growing.	Indian leather and related goods exports are focused toward the EU, due to existing commercial connections and customer preference for European leather.
Indian manufacturers are beginning contract-manufacturing for major US retail chains, including Walmart and JC Penney.	Most tanners have a capacity of less than 100,000 square feet/month which leads to higher tanning costs.
	Indian manufacturers regarded as suppliers to medium-quality mass-markets.

SECTION II - MARKET SECTOR OPPORTUNITIES AND THREATS

1. Market size, Structure and Trends

FIGURE 5: MARKET CHANNEL FOR HIDES & SKINS

Collectors located in rural markets are the primary procurement and processing point for domestic hides and skins. They either sell the raw hides and skins (salted) directly to the tanners, or operate through traders or procurement agents situated in major rural markets (Figure 3). Raw hides are then processed into wet blues. Most leather goods manufacturers have their own integrated facilities, which encompass tanneries and processing facilities.

Imported hides and skins, which enter mainly as WBs, are stored in warehouses for the buyers to inspect and select. Agents also import for the larger tanners on a commission basis. Most tanners and traders are knowledgeable about the various hide selections available in European and east European markets, but are generally ignorant about the variety and quality of the US hides.

Most of the bigger tanneries have added the manufacturing and exporting of leather goods to their operations over the past decade, mostly in order to reap the high margins in each segment of the value-addition chain and to take advantage of the growing export demand. Most tanning and leather goods manufacturing operations are family-operated and do not have foreign investors, although there is no government restriction on foreign direct investment in this sector.

Stringent labor norms, transparent accounting and book keeping rules; their ability to meet rigorous environmental norms; the finishing ability of the domestic tanners; the cheaper availability of skilled manpower; and customized designing of leather goods by reputable exporters are expected to provide an international advantage to the Indian leather exporters. However, with regards to their biggest competitor, China, India is still marked by a lack of infrastructure, higher labor and power costs, and the absence of economies of scale.

2. Entry Strategy

United States exporters of WBs who want to enter the Indian market should work through an import agent in India. This agent could be a technical and financial interface between the consumers and the exporters of US hides and skins, and could also provide warehousing facilities. While working with an existing import agent would provide access to their existing customer base, working with an exclusive agent would help promote the uniqueness and advantages of US leather since it would not include pre-existing imports from other origins. Most of the existing EU exporters have import agents working for them in India, who work with tanners and exporters to estimate their demand and accordingly import WBs to store them for sales over a period of time.

Another market entry model is to promote US hides and skins among Indian exporters of shoes, shoe components, and accessories by working with agents representing these exporters. If the selected agent is also a tanner, they could work with their Indian clients to develop products to suit their requirements. As the United States is the second largest importer by value of Indian footwear and footwear components, US hides have excellent prospects among those Indian exporters catering to the US market. Traditionally, Indian exports of footwear and related components prefer EU hides, simply due to the increased awareness of those hides, as are their major EU-based leather product buyers. Some major US branded players, such as Walmart and JC Penney, have recently started procuring from India in order to avoid the risk of depending on a single source, such as China. Current Indian suppliers to US branded companies, such as Suri Shoes and AVT Leather, and Allied Products, believe their exports could increase significantly, given feedback on their quality and price competitiveness, and the repeat orders from buyers.

Trade missions and reverse trade missions should be organized by the US hides and skins industry in order to increase Indian awareness regarding US product. Trade missions should

also be coordinated to coincide with the leather and leather- related trade fairs in India and the United States of America (see Appendix 1). Most importing agents for hides and skins work on a longer credit period due to the nature of demand, which is quite dependent on export orders. The USDA's Supplier Credit Guarantee Program could help exporters extend the credit period beyond the normal duration of 90 days, so as to make the US hides more competitive in India.

3. Company Profiles

List of Key Tanners & Leather Goods Manufacturers

Company/Contact Info	Contact/ Title	Business Model	Product Line/ Usage of Imported Leather
A. V. Thomas Leather & Allied Products Limited 118-A Velacheri Road Guindy Chennai, Tamil Nadu 600 032 Ph: 91-44-22201954 Fx: 91-44-22201959 Email: babu@avtleather.com	D. Raja Babu/ Managing Director	Leather accessories exporter. Gets leather finishing done on contract basis	Accessories - uses domestic and imported wet blues
Abdullah Tannery Pvt Ltd. 7/94 Tilak Nagar Kanpur, Uttar Pradesh 208002 Ph: 91-512-2461083 Fx: 91-512-2547628 Email: anumir@yahoo.co.in	Abdullah Soleja/ Managing Director	Tanner/ Contract tanner	Tans domestic raw hides and skins and imported wet blues
Jatin Dyes & Chemicals 15/9-B Civil Lines Kanpur, Uttar Pradesh 208001 Ph: 91-512-2305563 Fx: 91-512-2305563 Email: jatindyechem@sify.com	Devendra Pareek/ Proprietor	Importing Agent	Assists Indian tanners and manufacturers interested in imported wet blues
P & G Enterprises (Pvt.) Ltd. Plot No. 9 Sector 6, I.M.T. Manesar, Haryana Ph: 91-124-2290666 Fx: 91-124-2290579 Email: manoj@pgleather.com Webpage: www.pgleatherclothing.com	Manoj Tuli/ CEO	Garment Manufacturer	Garments. Uses largely domestic skins. Gets skins custom tanned. Importer of pork skin leather for garments
Prachi Leathers (P) Ltd. C-3, Udyog Nagar Kanpur, Uttar Pradesh 208022 Ph: 91-512-2295079 Fx: 91-512-2230630 Email: hkm@prachi.com	H. K. Mehrotra/ General Manager (Finance)	Tanner/Footwear/ Leather Accessories Manufacturer/ Exporter	Largely tans domestic hides and skins for footwear, components, and accessories. Interested in imported wet blues as domestic supplies of quality hides are declining
Presidency Kid Leather Limited 476 Kilpauk Garden Road Chennai, Tamil Nadu 600 010 Ph: 91-44-26461837 Fx: 91-44-26445837 Email: pkl@vsnl.com Webpage: www.pklindia.com	Zackria Sait/ Joint Managing Director	Tanner/footwear and components exporter	Tans imported and domestic wet blues for footwear and footwear components manufacture

Raasiga Leathers Pvt. Ltd. #701/1B, M.B.T. Road Cross Ranipet Ranipet, Tamil Nadu 632 401 Ph: 91-4172-272094 Fx: 91-4172-272809 Email: vinod@raasigaleatherslimited.com Webpage: www.indiamart.com/raasigaleathers	R. Vinod Gandhi/ Managing Director	Tanner	Tans and custom tans imported and domestic wet blues for footwear and leather accessory manufacturers.
Ram Leathers 41 SIPCOT Industrial Complex Ranipet, Tamil Nadu -632 403 Ph: 91-4172244491 Fx: 91-4172-244593 Email: baskaran@ramleathers.com	N. Baskaran/ Proprietor	Tanner/footwear and components	Tans domestic or imported wet blues for customers, and for own footwear and components manufacture
Saroj Leathers 85-B, Phase II Sipcot Ranipet, Tamil Nadu 632403 Ph: 91-4172-246148 Fx: 91-9842345034 Email: saroj_narayan@vsnl.net	C. Narayanan/ Proprietor	Tanner/Custom tanner/Agent for imported leather chemicals.	Tans domestic and imported wet blues for exporters of leather goods.
Shafeeq Shameel & Co. 55, E.V.K. Sampath Raod Vepery Chennai, Tamil Nadu 600 007 Ph: 044-25611431 Fx: 044-25610462 Email: shafeeq@sscgrp.com Webpage: www.sscgrp.com	N. Shafeeq Ahmed/ Managing Director	Tanner/footwear and components manufacturer.	Tans and custom tans domestic and imported wet blues for their 100 percent export - oriented footwear and component manufacturing unit.
Sunshine Tanning Industries 482-482 Wajidpur Jajmau Kanpur, Uttar Pradesh Ph: 91-512-2462506 Fx: 91-512-2465078	Faiyaz Ahmad	Tanner	Tans domestic buffalo and calf rawhides. Interested in imported hides.
Super Tannery Limited Jajmau Road Kanpur, Uttar Pradesh 208010 Ph: 91-512-2465362 Fx: 91-512-2460792 Email: supertannery@satyam.net.in Webpage: www.supertannery.org	Iftikharul Amin/ Managing Director	Tanner/Footwear and Components/Safety Shoes/Accessories/ Garments/Exporter and domestic branded company	Tans domestic and imported wet blues for own leather products manufacturing units.
T. Abdul Wahid & Co. 53, Vepery High Road Chennai, Tamil Nadu 600 003 Ph: 91-44-2561-0500 Fx: 91-44-2561-1277 Email: wahid@tawahid.com	T. Faizan Ahmed/ CEO	Tanner/Footwear and components manufacturers and exporters	Tans domestic and imported hides for own footwear and component manufacturing units.
Zaz Tannery 150 Feet Road	Zulfiqar Husain	Chemical/Vegetable Tanning/footwear/	Tans domestic and imported

Jajmau Kanpur, Uttar Pradesh Ph: 91-512-2462626 Fx: 91-512-2461069 Email: zasztannery@sify.com	Nadri/ Proprietor	Accessories/Saddlery/Safety shoes Manufacturer/ Exporter	hides and skins for manufacture of horse saddles, footwear, safety shoes, and leather accessories.
Mirza Tanners Limited A 7 – Mohan Coop Industrial Estate Mathura Road New Delhi – 110 044 Ph: 91-11-2695-9553 Fx: 91-11-2695-9559 Email: shalu@redtapeindia.com Web Page: www.redtape.com	Rashid Mirza/ Managing Director	Tanner/footwear and Components/ Safety Shoes/ Accessories/ Garments/ Exporter and domestic branded company in footwear	Tans domestic and imported wet blues for own leather products manufacturing units.
Suri Shoes Limited 117/Q/67, Sharda Nagar Kanpur 208 025 Ph: 91-512-258-1155 Fx: 91-512-258-1133 Email: shoe@surishoes.com Web Page: www.surishoes.com	Rakesh Suri/ CEO	Tanner/Manufacturer and exporter of footwear and footwear components.	Tans domestic and imported raw hides and skins and wet blues, or gets them custom- tanned for own footwear and component manufacturing.
Farida Prime Tannery Private Limited, 151/4, Mount Poonamalee Road, Ramapuram Chennai Ph: 91-44-2252-2518 Fx: 91-44-2252-2734	Mecca Rafeeqe Ahmed/ Proprietor	Tanner/Manufacturer and exporter of footwear and footwear components. Has own design lab for footwear and accessories.	Tans domestic and imported raw hides and skins and wet blues or gets them custom- tanned for own footwear, components, and leather- accessories manufacture.

SECTION III - COSTS AND PRICES

Importing agents import for themselves or on behalf of manufacturers, typically on a 90-day confirmed/irrevocable letter of credit. Depending on the buyers' creditworthiness and the import channel, the credit period and the payment instrument varies from the more secure tools such as an L/C (180 days) to the riskier tools such as "Cash Against Documentation." As the US exporters' shipping time is longer than for EU exporters, importing agents told Post that they would likely require a flexible L/C instrument with a longer credit period.

SECTION IV - MARKET ACCESS

Raw hides and skins and WBs can be imported into India without quantitative restrictions. Hides and skins attract a zero tariff, whereas WBs attract a 15.3 percent tariff. Imports are carried out with basic contracts involving quality parameters and a common health certificate issued by USDA's Animal and Plant Health Inspection Service on the VS form 16-4.

SECTION V - KEY CONTACTS AND FURTHER INFORMATION

1. Council for Leather Exports
3rd Floor, CDMA tower II
Gandhi Irwin Bridge Road
Egmore
Chennai – 600 008
Ph: 91 44 2859 4367
Fx: 91 44 2859 4363 / 4364
Email: cle@cleindia.com, cle@vsnl.com
Home Page: www.leatherindia.org
Contact: Mr. M. Rafeeqe Ahmed
Title: Chairman
Services: Distributes trade and commercial information on the Indian leather industry; organizes international leather fairs in India; Liaises with international organizations, etc.
2. Central Leather Research Institute
Adyar
Chennai – 600 020
Ph: 91 44 2491 0897
Fx: 91 44 2491 2150
Email: clrim@vsnl.com, directorsoffice@clrim.org
Home : www.clri.org
Contact: Dr. T. Ramasami
Title: Director
Services: Design and development; leather testing and certification; technology development, etc.

Appendix I : LEATHER AND LEATHER GOODS EXPOSITIONS IN INDIA

S.No	Details of the fair	Products	Particulars of the organizer
1	Delhi International Leather Fair May 2006 Pragati Maidan New Delhi (Annual Event)	Leather Goods (like wallets, purses, hand bags, travel accessories etc.), Leather Garments, Footwear (including non-leather footwear), Footwear Components, Finished Leather, Accessories, Saddlery and Harness items	India Trade Promotion Organisation Pragati Bhawan, Pragati Maidan New Delhi – 110001. Tel: 0091-11-23371390/23371822 Fax: 0091-11-23371874/23318142 E-mail : sraghavan@itpo-online.com , ppy@itpo-online.com Home Page: www.dilfleatherfair.com Contact Official: General Manager, Marketing
2	India International Leather Fair, Chennai Jan. 31 – Feb. 3, 2007 (Annual Event)	Leather Goods (like wallets, purses, hand bags, travel accessories etc.), Leather Garments, Footwear (including non-leather footwear), Footwear Components, Finished Leather, Accessories, Machinery and Chemicals	India Trade Promotion Organisation Pragati Bhawan, Pragati Maidan New Delhi – 110001. Tel: 0091-11-23371390/23371822 Fax: 0091-11-23371874/23318142 E-mail : sraghavan@itpo-online.com , Home Page: www.iilfleatherfair.com Contact Official: General Manager, Marketing