

# Doing business in Russia Challenges and opportunities

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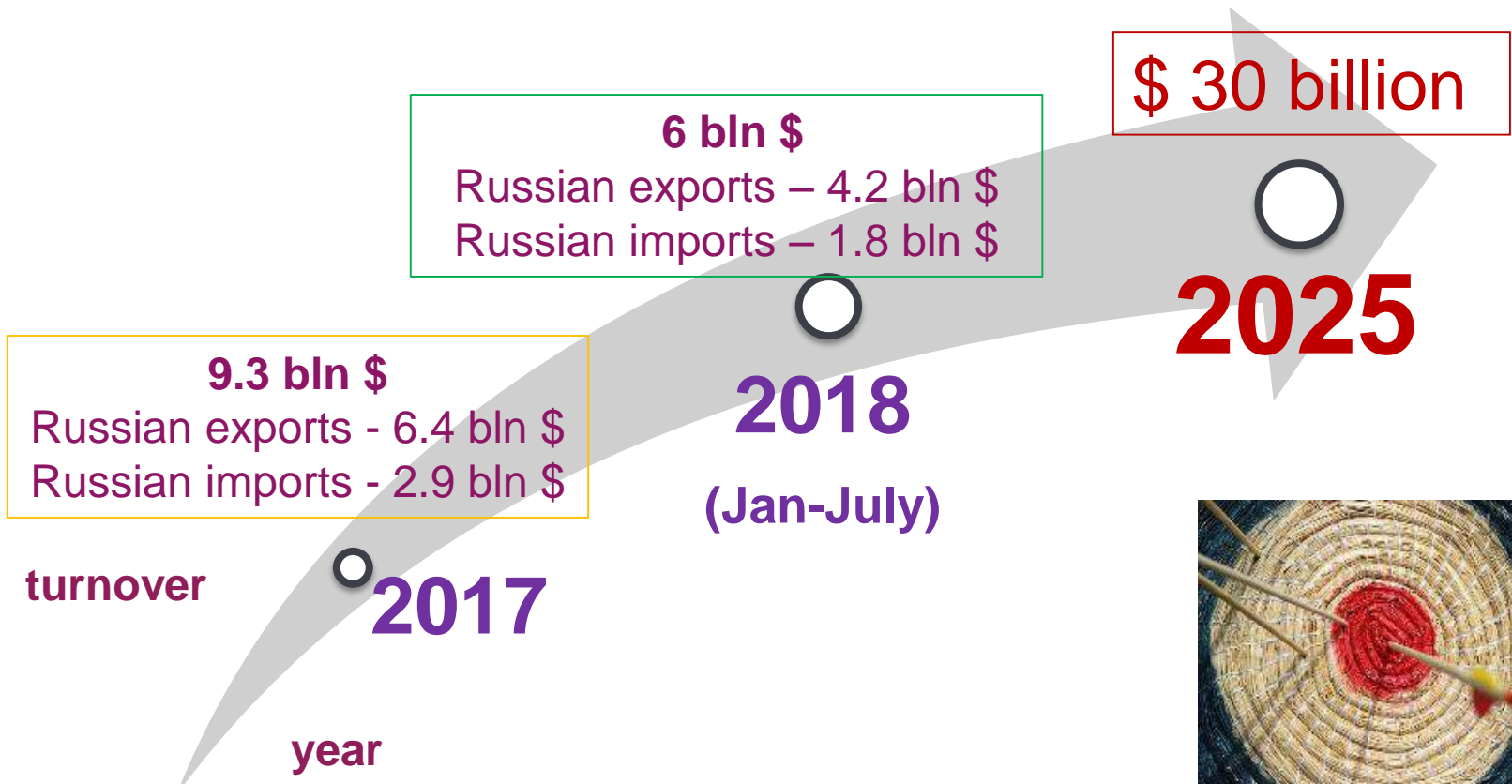
**3) Russian Textile Market**

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## Interstate relations of Russia and India



# Trade turnover of Russia and India



# Trade turnover of Russia and India

## RUSSIA EXPORTS TO INDIA

- ✓ mineral products;
- ✓ machinery,
- ✓ equipment and vehicles;
- ✓ precious metals and stones;
- ✓ chemical industry products;
- ✓ wood and pulp and paper products;
- ✓ metals and articles thereof;
- ✓ food products and agricultural raw materials.

## INDIA EXPORTS TO RUSSIA

- ✓ chemical industry;
- ✓ food products and agricultural raw materials;
- ✓ machinery, equipment and vehicles;
- ✓ **textiles and shoes;**
- ✓ metals and products from them.

# Textile imports in Russia. Setting up a business

*“What is the most effective solution for my business to enter the Russian market?”*



**Distribution network**



Fast but less control over the business

**Branch or representative office**



Feasible option but with more disadvantages (compared to other options)

**Russian LLC (100% or JV)**



Balanced option

# Textile imports in Russia. Setting up a business

## Finding a Russian partner (distribution agreement)

The fastest option to enter the market, **BUT** there is lack of control over the sales. Additionally, all conformity documents (e.g. declaration/certificate of conformity) will be issued in the name of the Russian distributor and can be used only by the Russian distributor for import of the products into Russia.

## Setting up the foreign company's branch office

For certification purposes, the branch office will still require having a Russian partner for obtaining conformity documents required for customs clearance and import of products into Russia (generally, the applicant for the conformity documents should be a Russian legal entity).

Additionally, the foreign company is directly liable for activities of its branch in Russia.

## Establishing a Russian subsidiary (LLC)

Although establishment and further operations of a local entity require a certain level of the shareholder's involvement, it is a very practical option from the perspective of entering the Russian market and increasing the number of Russian customers and volume of sales.

It will also allow controlling the certification and clearance formalities in the local entity, as well selling products further to the distributors and wholesalers.

## Textile imports in Russia. Customs duties

The customs duty for all products (including textile products) consists of different variables (e.g. VAT, import duty, excise duty, etc.) and generally depends on the assigned TN VED code (analog of the Harmonized Commodity Description and Coding System) for the products.

TN VED 6006331000 - textile fabric, machine or hand knitted, made of synthetic yarn, various colors (for curtain fabric):

- **import duty 5%**
- **VAT 18%**

TN VED 6006230000 - textile fabric, machine or hand knitted, made of cotton yarn, various colors:

- **import duty 8%**
- **VAT 18%**

TN VED 6301901000 - textile blankets, machine or hand knitted:

- **import duty 15%**, but no less than EUR 0.525 / kg
- **VAT 18% or 10%** (if textile products are for children)



# Textile imports in Russia. Product certification

## Compliance with the Technical regulations of the Customs Union (TR CU)

Almost all textile products will require obtaining a certificate or declaration confirming compliance with TR CU 017/2011 “On safety of products of light industry”. For instance, declaration is required for tablecloth, curtains and textile materials used for manufacturing clothing.

## National certification (GOSTs)

Applies to certain homeware products (e.g. wallpaper).

## Exemption letters

In some limited cases, the product may not be covered by the technical regulations or GOSTs (e.g. floor wipers, textile materials for industrial and protective clothing). In such cases, an exemption letter is obtained.

## State Registration

Textile products intended for newborns and kids, knit fabric and textile components for homewear products will additionally require state registration of such products and obtaining a state registration certificate.

# Russian textile market



## Nine Federal Districts of the Russian Federation

- |                                                            |                                             |
|------------------------------------------------------------|---------------------------------------------|
| <b>1 - Central</b><br>Center – Moscow                      | <b>6 - Urals</b><br>Center – Ekaterinburg   |
| <b>2 - North West</b><br>Center – St. Petersburg           | <b>7 - Siberian</b><br>Center – Novosibirsk |
| <b>3 - South</b><br>Center – Rostov-on-Don                 | <b>8 - Far East</b><br>Center – Khabarovsk  |
| <b>4 - North-Caucasian</b><br>Center – Pyatigorsk          | <b>9 - Crimean</b><br>Center – Simferopol   |
| <b>5 - Privolzhsky (Volga)</b><br>Center – Nizhny Novgorod |                                             |

- 300,87 thousand employees
- 14,000 textile and clothing manufacturers, incl. 458 big companies:
- Most of them (245) are in the Central FD - Moscow Region (43) and Ivanovo Region (45); 90% of all cotton fabrics, also linen and wool fabrics
- Many manufacturers in Volga FD (101) – nonwovens, knitwear, hosiery, garments, technical and home textiles; in the North-West FD (40) – garments, fabrics for home textiles, curtains, technical textiles, linen; Ural FD (23) – garments, technical and home textiles; South FD (21) – garments, terry fabrics, wool, technical textiles; and Siberian FD (19) – garments, linen, technical textiles, bed linen etc.

# Russian textile market

## Challenges:

- Import substitution – first of all in government contracts / orders and an overall tendency to replace imports by domestically produced substitutes (refers mostly to garments but also contract textiles or fabrics of different use)
- As a result – many Russian brands produce locally or source abroad (bed linen, down blankets and other goods, table linen, various interior textiles and fabrics)
- Therefore – beside the classical direct exports of ready made textiles to Russia why not to think about a production here (localisation) or at least about a possibility to be a sourcing partner for an established Russian brand?

# Russian textile market

## **Main driving factors:**

- construction boom (housing industry), massive flat renovations (demand for carpets, especially in the south and east of Russia, rugs, curtains, upholstery fabrics, other interior and home textiles)
- expansion of hotel business (2018 FIFA World Cup Russia / promotion of Russian tourism – Sochi etc.)
- Customs Union (Eurasian Economic Union) agreement between Russia, Belarus, Kazakhstan, Armenia and Kyrgyzstan
- Fast developing of e-commerce (online trade)

# Russian textile market

## How to proceed?

- Find potentially interested customers (wholesalers, retailers, manufacturers, online stores etc.).
- First contacts – fairs, further customer contacts through a Russian agent.
- Get the distribution through a/ direct imports of own brand or b/ production sourcing for the Russian brand.
- After achieving a wide distribution think about a possible localization (either joint-venture or daughter company) in Russia.

# Russian textile market

## Revenues from textiles products in Russia

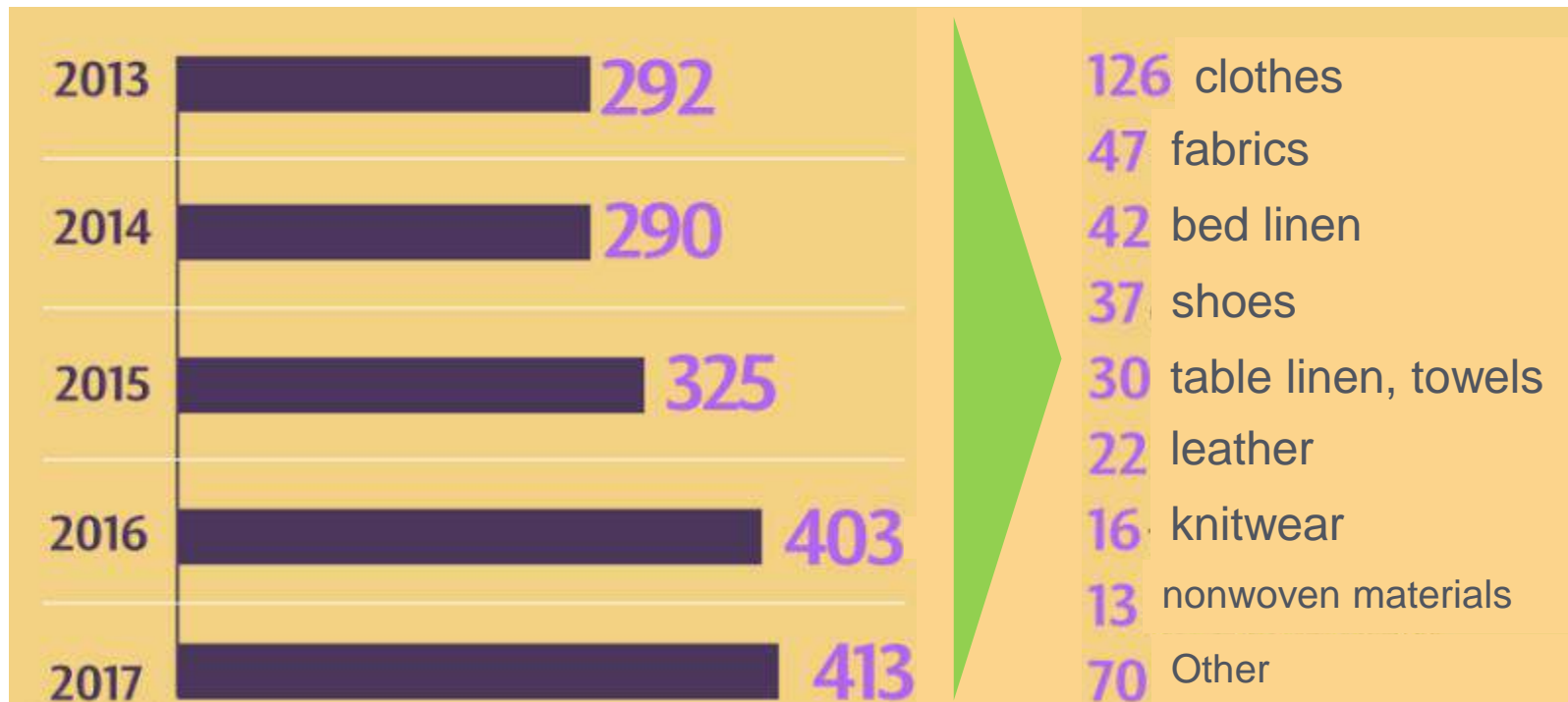
<u>100 YEARS AGO</u>		<u>NOW</u>
UP to 50%	Raw materials	Less than 10%
25%	Semi-finished products and trimming	Less than 25%
25%	Finished goods	More than 60%

## From spinning and weaving to finish products



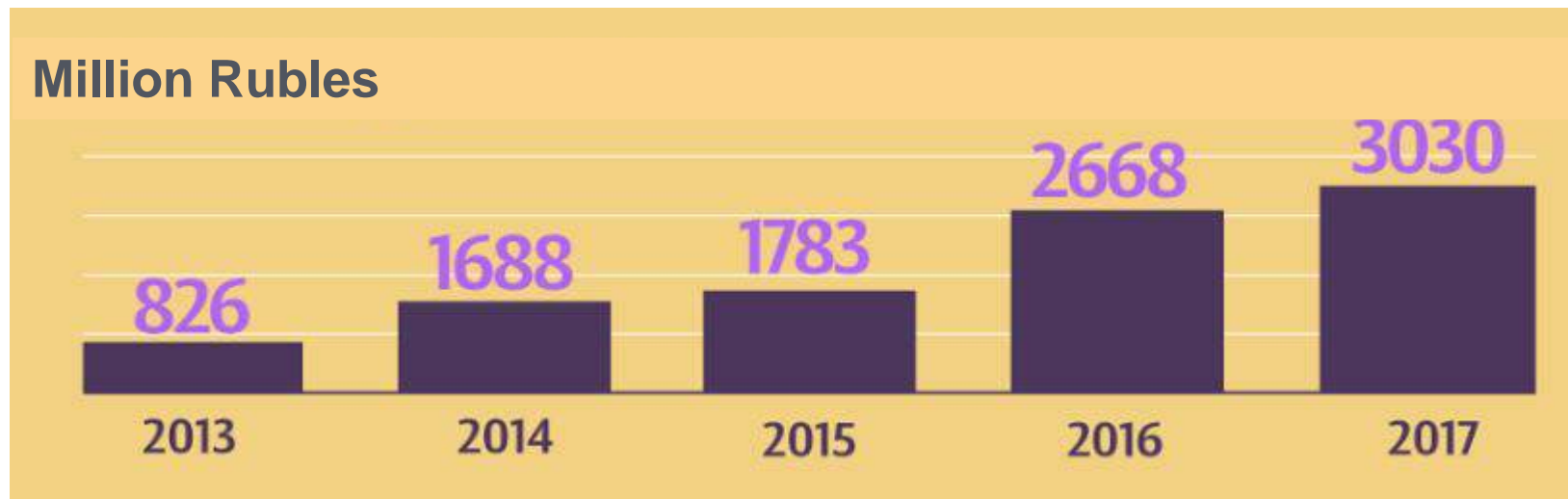
## Key indicators

Volume of production (bln rubles)





## The volume of Government support



## Some of main market players



- TOGAS – one of the biggest manufacturers and retailers of bed linen, blankets, terry products and interior textiles with 177 boutiques in Russia and other countries selling and manufacturing an average of 3,200,000 items a year
- TDL – big manufacturer of fabrics for bed linen, blankets and pillows, gobelins etc. with a yearly output of 71.5mn rm cotton fabrics and 7mn rm linen fabrics for home textile use



## Some of main market players

- GALLERIA ARBEN – big reseller of imported high-end interior fabrics and own brands to design studios, curtain salons, architects, designers and contract partners with 4,500 different fabrics
- AMETIST – one of the leading Russian wholesalers of imported upholstery fabrics, artificial and natural leather, contract materials and furniture components supplying 3,000 Russian furniture manufacturers
- ASKONA – one of the biggest East European manufacturers of anatomical mattresses, blankets, bed linen and other home textiles with 700 stores across Russia and other countries, producing own brands and international licensed ones







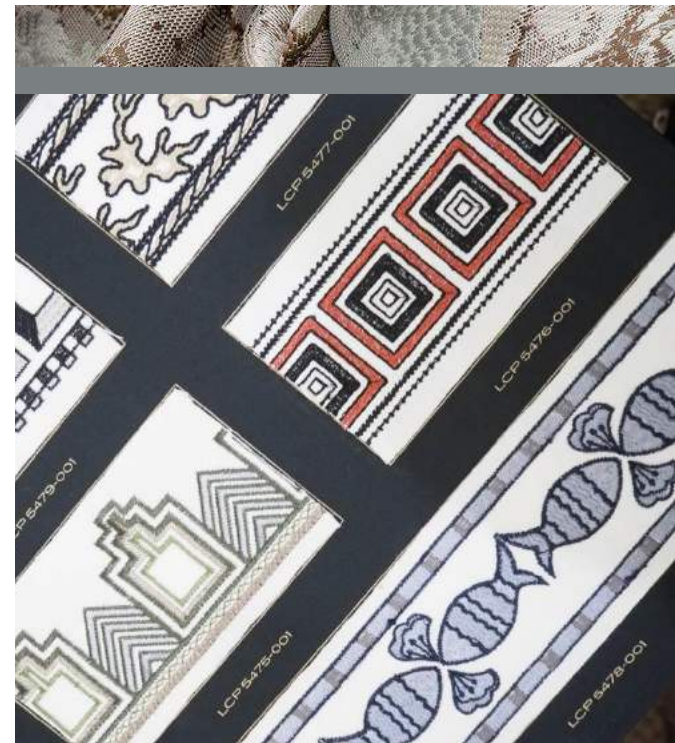
## Popular Fabrics in Russia







Popular in 2018







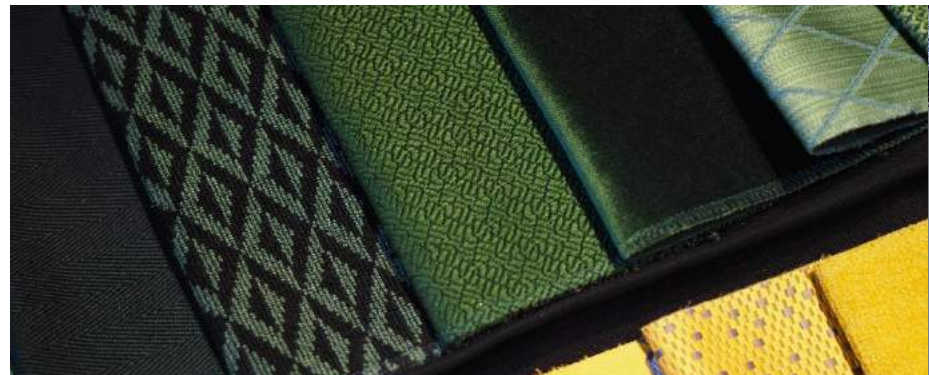
Popular colors







Popular colors





# TEXTILE FAIRS IN RUSSIA

Discover the Russian Market  
with Messe Frankfurt RUS



# heimtextil

RUSSIA

17 – 19 September 2019

IEC Crocus Expo, Moscow, Russia

## TEXTILE INSPIRATION

[www.heimtextil.ru](http://www.heimtextil.ru)

International Trade Fair for Home Textiles,  
Floor Coverings and Interior Furnishings



# HEIMTEXTIL RUSSIA 2018

## Product Groups



Bathroom Textiles



Kitchen Textiles



Window Decoration



Carpets and Floor Coverings



Sun Protection Systems



Digital Print on Textile



Furniture Fabrics, Leather



Bedroom Textiles



Wall Decoration



Fabrics for Interior Decoration



Textile for Children



Contract Textiles



# HEIMTEXTIL RUSSIA 2018

## Exhibitors

### Facts and Figures



**229** companies  
from **19** countries



**11 389 m<sup>2</sup>**  
Gross space



**82%** are planning to participate  
in Heimtextil Russia 2019

### Participating Countries



Austria



Armenia



Belarus



Germany



India



Italy



Kazakhstan



China



Moldova



UAE



Pakistan



Poland



Portugal



Russia



Thailand



Turkey



Uzbekistan



France



Japan



### Exhibitors' feedback

**Rajesh Satam, Joint Director**  
Texprocil (India)

“ The fair is well organized in terms of its entire infrastructure, and it offers a lot of scope. Organizer's work was fantastic, also in terms of variety of programs that have been set up. We are definitely looking forward to develop our co-operation with the organizer and involving more Indian companies next year. ”

**Svetlana Beznosiuk, Sales Manager**  
Decovilla (Turkey)

“ Our impressions about Heimtextil Russia are very good! There were very many visitors from all over Russia, including Siberia and the Urals. We are very satisfied! We liked both organization of the fair and the exhibition center. I think we will take part in Heimtextil Russia next year. ”



# HEIMTEXTIL RUSSIA 2018

## Visitors

### Facts and Figures



**17 101** professional  
visitors



from **39** countries



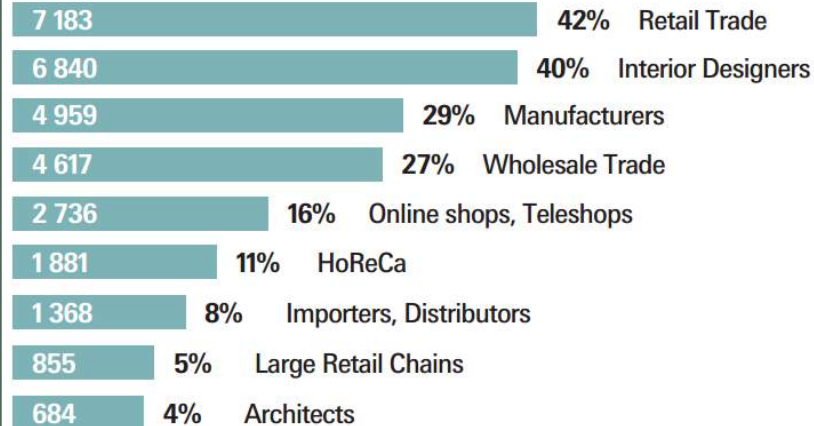
**81%** are decision  
makers

### Geography of visitors by Federal Districts of Russia

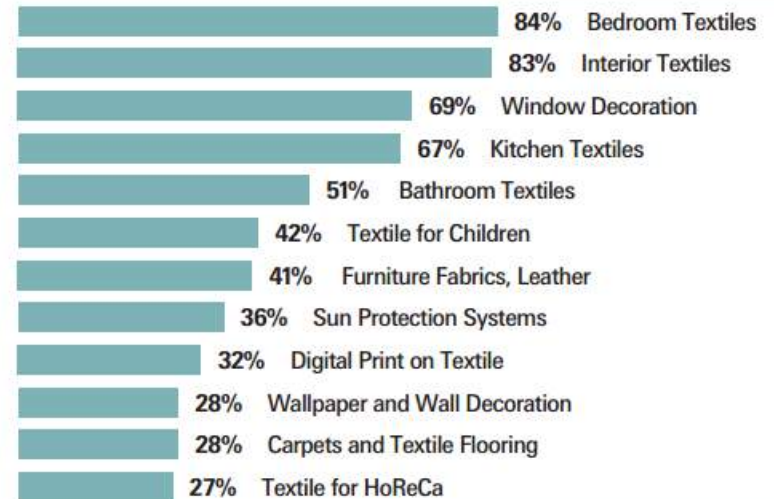


# HEIMTEXTIL RUSSIA 2018

## Visitors' Profile\*



## Most Popular Product Groups



\* Visitors could select multiple answers

# Textile Deco & Interior

presented by Heimtextil

Date: **March 12-15, 2019**

Location: **Pavilion 1, Hall 4, Crocus Expo,  
Moscow, Russia**

Exhibition Space: **1000 sqm**

Visitors 2018: **103 725**

# Textile Deco&Interior Facts & Figures

**Textile Deco & Interior presented by Heimtextil** – International exhibition-salon for Home Textiles and Textile Decoration.

## **Product groups:**

- Window decoration: curtains, sun protection systems, accessories
- Bedroom textiles
- Kitchen textiles
- Bathroom textiles
- Fabrics for interior decoration
- Contract Business Textiles

# Textile Deco&Interior

## Advantages of Participation

- Textile Deco & Interior goes in parallel with one of the largest and well-known international construction and interior exhibitions in Russia. By this **we offer our exhibitors new opportunities, new customers and fresh contacts.**
- **Special conditions for participating** that we can offer our exhibitors and potential clients on a new Show platform
- **More than 100 000 professional visitors** from Contract Business, Developers, Constructors, Big and medium Retail chains, luxurious and famous Designers and Design Agencies and etc.
- **Convenient time slot – the beginning of the interior decoration season,** preferable for great amount of professional visitors, as they can find everything needed for business at one time at one place.
- **Primary location** – special for exhibitors of TDI will be provided central location in the pavilion 1



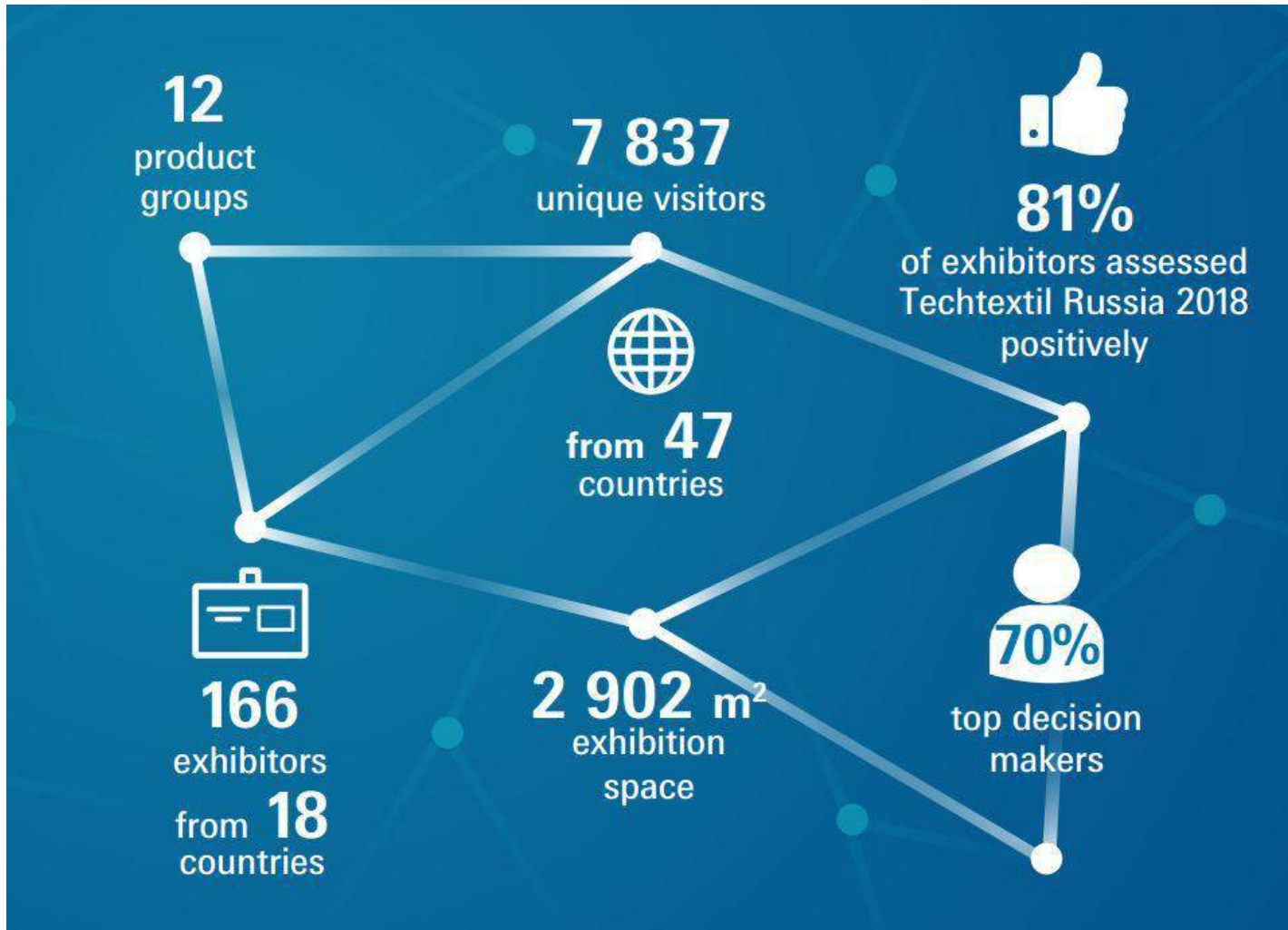
# techtex


RUSSIA

19 – 22 March  
2019

Moscow, IEC  
Expocentre

## TECHTEXTIL RUSSIA





Thank you for your  
attention!

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