Doing business in Russia
Challenges and opportunities

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Heimtextil Russia

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Content

1) Interstate relations of Russia and India

2) Taxes and Customs clearance

3) Russian Textile Market

4) International Textile Fairs in Russia – your way to discover the Russian market
Interstate relations of Russia and India
Trade turnover of Russia and India

2017

9.3 bln $
Russian exports - 6.4 bln $
Russian imports - 2.9 bln $

2018

6 bln $
Russian exports - 4.2 bln $
Russian imports - 1.8 bln $

2025

$ 30 billion

year

turnover

(Jan-July)
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

<table>
<thead>
<tr>
<th>Finding a Russian partner (distribution agreement)</th>
<th>Setting up the foreign company’s branch office</th>
<th>Establishing a Russian subsidiary (LLC)</th>
</tr>
</thead>
<tbody>
<tr>
<td>The fastest option to enter the market, <strong>BUT</strong> 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.</td>
<td>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.</td>
<td>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.</td>
</tr>
</tbody>
</table>
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

<table>
<thead>
<tr>
<th>Compliance with the Technical regulations of the Customs Union (TR CU)</th>
<th>National certification (GOSTs)</th>
<th>Exemption letters</th>
<th>State Registration</th>
</tr>
</thead>
</table>

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.

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

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.

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

- 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

<table>
<thead>
<tr>
<th></th>
<th>100 YEARS AGO</th>
<th>NOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>Raw materials</td>
<td>UP to 50%</td>
<td>Less than 10%</td>
</tr>
<tr>
<td>Semi-finished products and trimming</td>
<td>25%</td>
<td>Less than 25%</td>
</tr>
<tr>
<td>Finished goods</td>
<td>25%</td>
<td>More than 60%</td>
</tr>
</tbody>
</table>
From spinning and weaving to finish products
Key indicators

Volume of production (bln rubles)

<table>
<thead>
<tr>
<th>Year</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>292</td>
</tr>
<tr>
<td>2014</td>
<td>290</td>
</tr>
<tr>
<td>2015</td>
<td>325</td>
</tr>
<tr>
<td>2016</td>
<td>403</td>
</tr>
<tr>
<td>2017</td>
<td>413</td>
</tr>
</tbody>
</table>

126 clothes
47 fabrics
42 bed linen
37 shoes
30 table linen, towels
22 leather
16 knitwear
13 nonwoven materials
70 Other
The volume of Government support

Million Rubles

- 2013: 826
- 2014: 1688
- 2015: 1783
- 2016: 2668
- 2017: 3030
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 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

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

www.heimtextil.ru
HEIMTEXTIL RUSSIA 2018

Product Groups

- Bathroom Textiles
- Furniture Fabrics, Leather
- Kitchen Textiles
- Bedroom Textiles
- Window Decoration
- Wall Decoration
- Carpets and Floor Coverings
- Fabrics for Interior Decoration
- Sun Protection Systems
- Textile for Children
- Digital Print on Textile
- Contract Textiles
HEIMTEXTIL RUSSIA 2018

Exhibitors

Facts and Figures

229 companies from 19 countries
11 389 m² Gross space
82% are planning to participate in Heimtextil Russia 2019

Participating Countries

Austria Armenia Belarus Belgium Germany India Italy Kazakhstan China Moldova U.A.E
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 Beznosiyuk, 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**

<table>
<thead>
<tr>
<th>Segment</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Trade</td>
<td>7,183</td>
</tr>
<tr>
<td>Interior Designers</td>
<td>6,840</td>
</tr>
<tr>
<td>Manufacturers</td>
<td>4,959</td>
</tr>
<tr>
<td>Wholesale Trade</td>
<td>4,617</td>
</tr>
<tr>
<td>Online shops, Teleshops</td>
<td>2,736</td>
</tr>
<tr>
<td>HoReCa</td>
<td>1,881</td>
</tr>
<tr>
<td>Importers, Distributors</td>
<td>1,368</td>
</tr>
<tr>
<td>Large Retail Chains</td>
<td>855</td>
</tr>
<tr>
<td>Architects</td>
<td>684</td>
</tr>
</tbody>
</table>

**Most Popular Product Groups**

<table>
<thead>
<tr>
<th>Product Group</th>
<th>Count</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bedroom Textiles</td>
<td>84%</td>
</tr>
<tr>
<td>Interior Textiles</td>
<td>83%</td>
</tr>
<tr>
<td>Window Decoration</td>
<td>69%</td>
</tr>
<tr>
<td>Kitchen Textiles</td>
<td>67%</td>
</tr>
<tr>
<td>Bathroom Textiles</td>
<td>51%</td>
</tr>
<tr>
<td>Textile for Children</td>
<td>42%</td>
</tr>
<tr>
<td>Furniture Fabrics, Leather</td>
<td>41%</td>
</tr>
<tr>
<td>Sun Protection Systems</td>
<td>36%</td>
</tr>
<tr>
<td>Digital Print on Textile</td>
<td>32%</td>
</tr>
<tr>
<td>Wallpaper and Wall Decoration</td>
<td>28%</td>
</tr>
<tr>
<td>Carpets and Textile Flooring</td>
<td>28%</td>
</tr>
<tr>
<td>Textile for HoReCa</td>
<td>27%</td>
</tr>
</tbody>
</table>

* Visitors could select multiple answers
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


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
TECHTEXTIL RUSSIA

12 product groups

7,837 unique visitors

81% of exhibitors assessed Techtextil Russia 2018 positively

From 47 countries

166 exhibitors from 18 countries

2,902 m² exhibition space

70% top decision makers
Thank you for your attention!

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