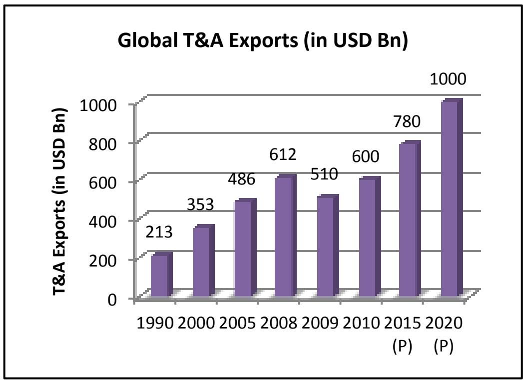
# Indian Apparel manufacturing – categories India is yet to develop!

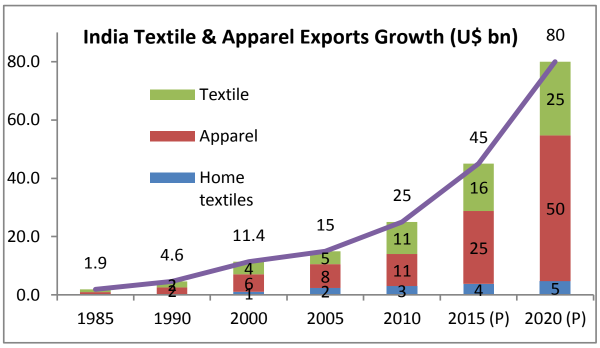
**The otherwise mature apparel industry in India, seems to be struggling to improve the share in the global apparel trade. The business seems to be losing shine because of lower profitability. Business growth into more value added segments can make a significant impact on the overall performance and help in improving the profitability.**

Global Textile and apparel exports increased steadily between the 1990's to the 2008 riding on increased demand and shift in sourcing to low cost Asian countries. The exports dipped in 2009 due to global recession and have been coming back to the levels of 2008 – rather cautiously. The exports are slated to grow to USD 780 Bn by 2015.



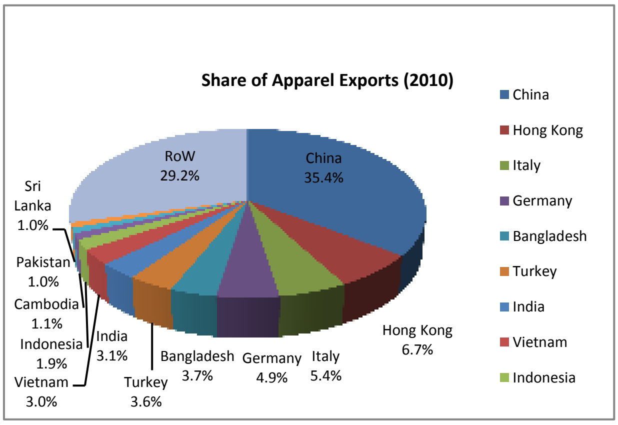

Apparel exports also had the same trend. It grew up to USD 362 Bn and then came down to USD 310 Bn and since then, it is cautiously increasing. The apparel exports are slated to grow to about USD 500 Bn by 2015.


India's Textile and Apparel Trade has been growing over the years. However, in the case of India, the trade in Textiles has grown more than the trade in apparel – which is not in sync with the global trends. Also, if we look at the growth of the percentage share in global trade, some of the other countries have been able to increase the global share faster than India.




China – which is more expensive with higher wage rates (as compared to Bangladesh or India) and has other issues of low labor availability (especially in South China), has not only retained but increased its % share in the global Textile and apparel trade.

Even Bangladesh has been increasing its apparel trade which stands at USD 17 Bn in 2010 compared to USD 11 Bn of India in 2010. Compared only on the apparel trade (and not Textile and apparel trade) the percentage share in global exports of the key supply countries are exhibited in the pie chart alongside.




So why is India not able to increase its percentage share, even though some of the key indicators favour India? To analyse this situation better, it is important to know the key strengths and weaknesses of the Indian apparel industry.

Major strengths of the Indian apparel export industry include:

- A large cotton base
- Design skills
- An ability to handle small order
- The presence of experienced firms
- Supply of trained and trainable manpower at all levels
- Flexibility, resilience and forward looking business approach

These strengths and advantages did contribute to the emergence of India as a popular supplier and sourcing base for foreign companies selling apparel in global markets. However, India has not been able to realize the available potential.

There can be various reasons which can be attributed to the above:
The apparel sector had limitations of SSI up till about the late 90's. The Industry developed only after the SSI limitation was removed i.e in the last 10-12 years or so.
India has seen a significant increase of other industries (including real estate) which have taken the fancy of the Indian entrepreneur more than the Textile and apparel industry, which is labor intensive and result in lower operational profits, if not run efficiently.
The Industry grew in the cities, which have become expensive over a period of time and hence put pressure on the bottom lines of the businesses.
The large labor pool itself became an issue. The cities started to offer more lucrative job options to the labor. The migration of labor has dropped down considerably, which has lead to industry facing issues of labor.

Category positioning: India was never perceived as a country which could offer all categories of apparel. There has been either a knit cluster: Tirupur – largely doing cotton knits or a shirts cluster: Chennai. Bangalore was slightly more progressive on categories with factory's doing outerwear, Denim or Formal suits. The north India specialized in hand work again for cotton Knit tee shirts or woven dresses

While all points mentioned above are important and can be discussed, i am restraining this article to the case of categories. The point being discussed here is that, because we are in certain categories – we have made the price sensitivity higher and cribbed about not making enough in the business. Again, i don't imply that the complete business need to be changed but a healthy mix of categories will ensure that the overall profitability increases. Let us look at this in detail:

**Knit Garments**:

Out of the top 5 traded categories in the world, India's top 5 overlap with only 2 categories: T shirts, singlets and other vests and Women's /girls blouses and shirts. Both these categories are base products and extremely price sensitive. The comparison of the top 5 categories on natural fibre, knits traded in the world vis a vis exported from India is illustrated below:

| **Traded in the World (of Natural Fibers)** | **Exported from India (of Natural Fibers)** |
|---|---|
| T Shirts, singlets and other vests | T-shirts, singlets and other vests |
| Pullovers, cardigans and similar articles | Men's /boys shirts |
| Women's /girls trousers and shorts | Babies garments and clothing accessories |
| Men's /boys shirts | Women's /girls blouses and shirts |
| Hosiery nes | Women's /girls nightdresses and pyjamas |
| **Traded in the World (of Man Made Fibers)** | **Exported from India (of Man Made Fibers)** |
| Pullovers, cardigans and similar articles | T-shirts, singlets and other vest |
| T-shirts, singlets and other vests | Men's /boys shirts |
| Women's /girls trousers and shorts | Women's /girls blouses and shirts of man-made fibres |
| Hosiery nes | Women's /girls dresses, of synthetic fibres |
| Women's /girls briefs and panties | Men's /boys ensembles, of synthetic fibres |

Pullovers, cardigans which is the 2nd largest category exported from the world, does not even exist in the top 5 categories exported from India. Pullovers have possibility of automation added on. Clubbed with hand embroidery, they also have the possibility of fetching additional profit as compared to basic T Shirt, thereby making it an interesting category to be in.

Also, if we look at the global trends, synthetic apparel has been increasing in large%. Although the export of synthetic apparel has also increased from India, it still does not match with the overall trade and there is a significantly large opportunity. Even in the category of synthetic garments, pullovers, cardigans are a large category of exports, where India has a very limited capability.

Intimate apparel is another category where India has not been able to develop significant capabilities. These are large traded categories and can provide a good opportunity on the profit margins. Sri Lanka, Indonesia and Thailand – apart from China are the key exporters of Intimate apparel to the world.

**Woven Garments**:

The largest traded categories in the woven garments category are Men's and women's trousers and shorts which do get exported from India but on limited levels. Similarly on the synthetic apparel, boys and girls anoraks (outerwear jackets – with or without hoods) are a significantly large traded category, which does not even exist in the top 5 categories exported out of India.

| **Traded in the World (of Natural Fibers)** | **Exported from India (of Natural Fibers)** |
|---|---|
| Men's /boys trousers and shorts | Women's /girls blouses and shirts, of cotton |
| Women's /girls trousers and shorts | Men's /boys shirts, of cotton |
| Men's /boys shirts | Women's /girls dresses, of cotton |
| Women's /girls blouses and shirt | Men's /boys trousers and shorts, of cotton |
| Women's /girls dresses, of cotton | Women's /girls skirts, of cotton |
| **Traded in the World (of Man Made Fibers)** | **Exported from India (of Man Made Fibers)** |
| Men's/boys anoraks and similar articles, of man-made fibres | Shawls, scarves, veils & the like, of other textile materials |
| Women's /girls anoraks & similar article of man-made fibres | Women's /girls trousers and shorts, of cotton |
| Men's /boys trousers and shorts, of synthetic fibres | Women's /girls blouses and shirts, of man-made fibres |

| | |
|---|---|
| Women’s /girls dresses, of synthetic fibres | Women’s /girls dresses, of synthetic fibres |
| Women’s /girls trousers and shorts, of synthetic fibres | Shawls, scarves, veils and the like, of synthetic fibre |

The fabric base of synthetic blends in India needs to be developed further to be able to gain a market share in the synthetic woven garments. China is a big player in the same. However, getting synthetic fabrics from China increases the lead time.

In the woven apparel, formal suits are another category where India developed some capability but the potential is significantly large. India has reasonably good worsted fabric capabilities and can develop capability in Formal suits quite quickly. The entry barrier is high in this case, as setting up a formal suits plant requires specific skills and technology. However, as a category – it has potential of higher profits to the business.

In both the cases of knits and woven’s, India will have to create a niche of its own, further to the one created on ladies high fashion garments with embroidery and hand work. These can come by aggressively reworking on the businesses of the past to move ahead with categories which can yield higher returns.

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