A MARKET SURVEY OF READYMADE GARMENTS APPARELS IN CHENNAI, TAMIL NADU

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Abstract

India is now a fast emerging market inching to reach half a billion middle income population by 2030. These factors are good for the Indian Textile Industry in a long run. Even though the global economic crisis is to be worsening day-by-day as long as economies are emerging and growing as those in South and South Asia, textile industry is here to grow provided it takes competition and innovation seriously. The Indian apparel industry in knit wear sector has phenomenal growth, sine the last decade. In textile export goods tirupur plays major role that contributes to 80% of the readymade garment. Knit wear produced are comfortable to wear soft and durable which makes suitable for innerwear, sportswear and casual wear for all age groups. The week links in the Indian conventional industry such as weaving and finishing have to be strengthened. A major thrust here is to have consolidated efforts by Indian Textile Machinery Manufacturers Association, end-users and the Government to undertake a moonshot and come-up with alternatives to European Machinery, which the weaving sector can afford. This should be doable within the next five years, if dedicated efforts are undertaken with the financial support for Research and Development by the Government through its various schems.
Key Words: *Indian Textile Industry, Market, Competition and Innovation.*

Introduction

Growth prospects of the readymade garment industry in India

Indians are recognized all over the world for their sense of fashion; the fashion statement is not only limited to celebrities but applies for the common masses as well. For the garment industry in India, industrialization has proved to be a blessing. Complying with the changing tastes of people and evolving market trends, the garment manufacturers in India are continuously striving to be innovative. India is engaged in heavy export of garments to the international markets.

According to a study conducted by the Confederation of Indian Industry (CII) and McKinsey & Company, India is expected to witness a seven-fold increase in its exports over the next decade. One of the sectors to be benefited is the apparel sector. The garment industry in India is completely self-dependent; right from manufacturing of fiber to finished garments, everything is done in the country itself.Factors such as ‘buyers are in town’ and ‘a heavy booking season’ affect garment exporting businesses in India. Buyers in town hints at the demand of the garment segment among people and a heavy booking season implies the peak time for shopping apparels and garments. With the early signs of recovery from the recessionary pressures, international fashion chains are queuing up to India.Indian garment manufacturers and exporters are adept at guessing 'what's in' and 'what's out', when it comes to garments. New sources of raw materials, designs and ideas go into the manufacture of readymade garments that help in increasing sales and maintaining a sense of uniqueness.

India has far to go…

India has already made a name for itself as far as manufacturing of readymade garments is concerned. There are some factors that go into the Indian garment industry's favour such as cost-effective procurement of raw materials, inexpensive skilled labour and quick adjustment to the kind of apparels that have potential to sell. Indian readymade garment industries rely on the aforementioned factors for growth prospects in future.However, the garment industry in India faces stiff competition from countries such as Bangladesh, China and Vietnam. There is a pressure on the Indian garment industries to produce finished garments at lower costs to survive the cut-throat competition. Today, around 45% of the total textile exports in India account for ready-made garments. There are various international brands which source readymade garments from the Indian markets.The future of the garment industry in India does not look bleak; on the contrary it is quite promising. The Indian garment industry alone provides employment to thousands of people, a high percentage among who are young women. Therefore, the significance of the Indian garment industry cannot be ruled out when it comes to employment generation and foreign exchange generation. The growth in the garment industry will boost the growth of Indian economy.

Competitiveness of Indian Textile & Apparel Industry

India is one of the few countries that own the complete supply chain in close proximity from diverse fibers to a large market. It is capable of delivering packaged products to customers comprising a variety of fibres, diverse count sizes, cloths of different weight and weave, and panoply of finishes. This permits the supply chain to mix and match variety in different segments to deliver new products and applications.This advantage is further accentuated by cost based advantages and diverse traditions in textiles. Indian strength in spinning is now well established – on unit costs on ring yarn, open-ended (OE) yarn as well as textured yarn, Indian firms are ahead of their global competitors including China. Same is true on some woven OE yarn fabric categories (especially grey fabrics) but is not true for other woven segments. India contributes about 23 per cent of world spindles and 6 per cent of world rotors (second highest in the world after China). Fifty five per cent of total investment in technology in the last decade has been made in the spinning sector. Its share in global shuttle less loom, however, is only about 2.8 per cent of world looms (and is ranked 9th in the world). The competitiveness in the weaving sector is adversely affected by low penetration of shuttleless looms (i.e., 1.69 % of Indian looms), the unorganized nature of the sector (i.e., fragmented, small and, often, un-registered units, low investment in technology & practices especially in the powerloom, processing, handloom and knits) and higher power tariffs. There is, however, a recent trend of investment in setting up hi-tech, stand-alone mid-size weaving companies focusing on export markets. India also has the highest deployment of handlooms in the world (handlooms are low on productivity but produce specialized fabric). While production and export of man-made fibre (and filament yarn) has increased over the years, Indian industry still lags significantly behind US, China, Europe, Taiwan etc. (Texmin, 2005.) Indian textile industry has suffered in the past from low productivity at both ends of the supply chain – low farm yields affecting cotton production and inefficiency in garment sector due to restriction of size and reservation. Add to this, contamination of cotton with consequent increase in cost (as it affects quality and requires installation of additional process to clean and open cotton fibres before carding operations), poor ginning (most equipment dates back to 1940s), high average defect rates in production process (which also leads to increase in effective labour and power costs), hank yarn requirement, etc. and its competitiveness gets compromised severely. Similarly, processing technology is primarily manual and small batch oriented with visual colour matching and sun drying. This leads to inconsistency in conformance quality. Lead times across the sector continue to be affected by variability in the supply chain – defect rates average over 5%, average % of orders on time is about 80%, variance in order size across firms is high (e.g., the coefficient of variability of average order size for spinning firms is about 2.6), and on an average, 16 days of sales as work-in-process inventory (the highest for garment firms) and an average of 30 days of sales in raw material inventory (the highest for spinning firms) (Chandra 2004). Some of the hurdles (eg., reservation in the garment sectors) including tariff distortions between the organized and unorganized sectors have now been systematically removed by policy initiatives of Government of India and have opened avenues for firms to compete on the basis of their capabilities. Trade data of post-MFA performance reveals some interesting trends – Indian firms registered a 27 per cent growth in exports to US (against China's 52 per cent) during the Jan-April 2005 time period. Most of this growth has been in textiles while apparels show marginal gains. Apparels & accessories constituted 78% of global exports to USA (FICCI 2005). (India is still a relatively small yet growing player in the global apparel market.) It is expected that India will soon replace Mexico as the second largest apparel supplier to the US.

Market Analysis of Readymade Garments

The Readymade garments industry is increasing day by day due to changes of fashion in day to day life. The readymade garment industry in India owes its existence to the emergence of a highly profitable market for exports. Ready-made garments account for approximately 45% of India's total textile exports. They represent value added and less import sub sector. In the recent years, however, the domestic demand has also been growing rapidly. The changes in the life style since the onset of the liberalization era, and given the base of the industry for the overseas market, Indian garments industry have taken big strides. The entry of the Indian and global fashion designers has stimulated the market further. With the rising tailoring costs and relatively low prices of standardized products, the Indian consumer is increasingly taking to readymades. In the past, the readymades market was confined mainly to baby dresses and small manila-shirts and dress shirts.Now it has extended to trousers, suits, and lady dresses and, of course, fashion garments for men and women.Readymades of specific brands have become not only a status symbol; these have brought a more contemporary style in offices as much as in social circles. Franchised boutiques have been established as tools for brand and image building.

The garmentsindustrycategorizesitselfintomanysegments: formal wear and casual wear; women's dresses, men's and kids wear; suits, trousers, jackets and blazers; shirts, sportswear, tee-shirts, denims, neckwear; undergarments (men's and women's),knitwear, saris. Denim is graded in clearly defined weight classes.Lightweight denim (cambray) is used in shirts and blouses.Heavy classical denim is used to make trousers, jackets or coats. The market segmentation by price differentials is notable: high-end for the affluent, medium priced for the core and high middle classes, low-end for the low and core middle class. Of the entire industry volume of about 5 million tonnes, polyester and polyester filament yarn account for about 1.7 million tonnes, and acrylic, nylon, and viscose taken together for 300,000 tonnes. The balance is represented by cotton textiles.

The Indian branded garment market, which is estimated at over Rs 185 billion, accounts for 25% of the Rs 745 billion readymades market. Following the entry of several new brands, the branded segment has grown at 25% annually. This represents a shift from unbranded to the branded segment. The market for men's innerwear is estimated to be worth Rs 25 billion, with branded market valued at Rs 7 billion. The Lead Players & Alliances in this sector globally includes Maxwell Apparel Ind., Lovable, USA, Page Apparel Mfg., Jokey Intl., USA, etc. Some of the major leading brands include Arrow, Allen Solly, Van Heusen, Louis Phillipe, Park Avenue, Zodiac, Lee, Excalibur, Flying Machine, Ruf n Tuf, Newport, Peter England, Louis Straus, Stencil, Wrangler, Rod Lever, etc.The textile industry occupies a leading position in the hierarchy of the Indian manufacturing industry. It has witnessed several new directions in the era of liberalization. While textile exports are increasing and India has become the largest exporter in world trade in cotton yarn and is an important player of readymade garments, country's international textile trade constitutes a mere 3% of the total world textile trade.Several mills have opted for modernization and expansion and are going in for export-oriented units (EOUs) focused onproduction of cotton yarn. It has passed through cyclical oscillations and at present, it is witnessing a recovery after a downturn.

A major improvement in weaving efficiency has been brought about by developments in spinning technology which has enabled production of yarn of higher quality. A major share of the looms installed in composite mills is now of automatic looms. However, auto looms installed in the decentralized and power loom segments are small in number. Shuttleless technology, direct wrapping, use of splicing technology, automatic doffing and knotting systems, help to increase mill productivity. Speed of the auto looms or shuttle less looms is 60% higher than that of non-auto looms.The textile industry has managed to modernize the spinning sector but there is a long way to go on the weaving front. India's power loom sector has over 10,000 shuttlesless looms as compared to 150,000 in China.The lead players in the Indian industry include Bombay Dyeing, Arvind Mills, Century Textiles, Coats Viyella, MorarjiGokuldas Spinning, JCT, Hindustan Spinning, etc.

Role of Textile Industry in India GDP

The role has been quite beneficial in the economic life of the country. The worldwide trade of textiles and clothing has boosted up the GDP of India to a great extent as this sector has brought in a huge amount of revenue in the country.In the past one year, there has been a massive upsurge in the textile industry of India. The industry size has expanded from USD 37 billion in 2004-05 to USD 49 billion in 2006-07.During this era, the local market witnessed a growth of USD 7 billion, that is, from USD 23 billion to USD 30 billion. The export market increased from USD 14 billion to USD 19 billion in the same period. The textile industry is one of the leading sectors in the Indian economy as it contributes nearly 14 percent to the total industrial production. The textile industry in India is claimed to be the biggest revenue earners in terms of foreign exchange among all other industrial sectors in India. This industry provides direct employment to around 35 million people, which has made it one of the most advantageous industrial sectors in the country.

The Role of Textile Industry in India GDP had been undergoing a moderate increase till the year 2004 to 2005. But ever since, 2005-06, Indian textiles industry has been witnessing a robust growth and reached almost USD 17 billion during the same period from USD 14 billion in 2004-05. At present, Indian textile industry holds 3.5 to 4 percent share in the total textile production across the globe and 3 percent share in the export production of clothing. The growth in textile production is predicted to touch USD 19.62 billion during 2006-07. USA is known to be the largest purchaser of Indian textiles. India holds 22 percent share in the textile market in Europe and 43 percent share in the apparel market of the country. USA holds 10 percent and 32.6 percent shares in Indian textiles and apparel.

- Few other global countries apart from USA and Europe, where India has a marked presence include UAE, Saudi Arabia, Canada, Bangladesh, China, Turkey and Japan
- Readymade garments accounts for 45 percent share holding in the total textile exports and 8.2 percent in export production of India
- Export production of carpets has witnessed a major growth of 42.23 percent, which apparently stands at USD 654.32 million during 2004-05 to USD 930.69 million in the year 2006-07. India holds 36 percent share in the global textile market as has been estimated during April-October 2007
- The technical textiles market in India is assumed to touch USD 10.63 billion by 2007-08 from USD 5.09 billion during 2005-06, which is approximately double. It is also assumed to touch USD 19.76 billion by the year 2014-15
- By 2010, India is expected to double its share in the international technical textile market the entire sector of technical textiles is estimated to reach USD 29 billion during 2005-2010.

The Role of Textile Industry in India GDP also includes a hike in the investment flow both in the domestic market and the export production of textiles. The investment range in the Indian textile industry has increased from USD 2.94 billion to USD 7.85 billion within three years, from 2004 to 2007. It has been assumed that by the year 2012, the investment ratio in textile industry is most likely to touch USD 38.14 billion.

Challenges Facing Indian Textile and Apparel Industry

Textile supply chains compete on low cost, high quality, accurate delivery and flexibility in variety and volume. Several challenges stand in the way of Indian firms before they can own a larger share of the global market:

Scale: Except for spinning, all other sectors suffer from the problem of scale. Indian firms are typically smaller than their Chinese or Thai counterparts and there are fewer large firms in India. Some of the Chinese large firms have 1.5 times higher spinning capacity, 1.25 times denim (and 2 times gray fabric) capacity and about 6 times more revenue in garment than their counterparts in India thereby affecting the cost structure as well as ability to attract customers with large orders. The central tendency is to add capacity once the order has been won rather than ahead of the demand. Customers go where they see both capacity and capabilities. Large capacity typically goes with standardized products. These firms need to develop the managerial capabilities required to manage large work force and design an appropriate supply chain. For the size of the Indian economy, it will have to have bigger firms producing standard products in large volumes as well as small and mid size firms producing large variety in small to mid size batches (the tension between the organized and un-organized sectors will have to be addressed first, though). Then there is the need for emergence of specialist firms that will consolidate orders, book capacities, manage warehouses and logistics of order delivery.

Skills: Three issues must be mentioned here : (a) there is a paucity of technical manpower – there exist barely 30 programmes at graduate engineering (including diploma) levels graduating about 1000 students – this is insufficient for bringing about technological change in the sector; (b) Indian firms invest very little in training its existing workforce and the skills are limited to existing proceses (Chandra 1998); (c) there is an acute shortage of trained operators and supervisors in India. It is expected that Indian firms will have to invest close to Rs. 1400 bn by year 2010 to increase its global trade to $ 50 bn. This kind of investment would require, by our calculations, about 70,000 supervisors and 1.05mn operators in the textile sector and at least 112,000 supervisors and 2.8mn operators in the apparel sector (assuming a 80:20 ratio of investment between textiles and apparel). The real bottleneck to growth is going to be availability of skilled manpower.

Cycle Time: Cycle time is the key to competitiveness of a firm as it affects both price and delivery schedule. Cycle time reduction is strongly correlated with high first pass yield, high throughput times, and low variability in process times, low WIP and consequently cost. Indian firms have to dramatically reduce cycle times across the entire supply chains which are currently quite high (Chandra, 2004). Customs must provide a turnaround time of ½ day for an order before 3w2Indian firms can they expect to become part of larger global supply chains. Indian firms need a strong deployment of industrial engineering with particular emphasis on cellular manufacturing, JIT and statistical process control to reduce lead times on shop floors. Penetration of IT for improving productivity is particularly low in this sector.

Innovation & Technology: A review of the products imported from China to USA during January–April 2005 reveals that the top three products in terms of percentage increase in imports were Tire Cords & Tire Fabrics (843.4% increase over the previous year), Non-woven fabrics (284.1% increase) and Textile/Fabric Finishing Mill Products (197.2% increase) (FICCI, 2005). None of these items, however, figure in the list of imports from India that have gained in these early days of post-MFA. Entry into newer application domains of industrial textiles, nano-textiles, home furnishings etc. becomes imperative if we are to grow beyond 5–6% of global market share as these are areas that are projected to grow significantly. Synthetic textiles comprise about 50 per cent of the global textile market. Indian synthetic industry, however, is not well entrenched. The Technology Up gradation Fund of the government is being used to stimulate investment in new processes. However, there is little evidence that this deployment in technology has accompanied changes in the managerial regimes – a necessary condition for increasing productivity and order winning ability.

Domestic Market: The Indian domestic market for all textile and apparel products is estimated at $26 bn and growing. While the market is very competitive at the low end of the value chain, the mid or higher ranges are overpriced (i.e., 'dollar pricing'). Firms are not taking advantage of the large domestic market in generating economies of scale to deliver cost advantage in export markets. The Free Trade Agreement with Singapore and Thailand will allow overseas producers to meet the aspirations of domestic buyers with quality and prices that are competitive in the domestic market. Ignoring the domestic market, in the long run, will peril the export markets for domestic producers. In addition, high retail property prices and high channel margins in India will restrict growth of this market. Firms need to make their supply chain leaner in order to overcome these disadvantages. Institutional

Support: Textile policy has come long ways in reducing impediments for the industry – sometimes driven by global competition and, at other times, by international trade regulations. However, few areas of policy weakness stand out – labour reforms (which is hindering movement towards higher scale of operations by Indian firms), power availability and its quality, customs clearance and shipment operations from ports, credit for large scale investments that are needed for up gradation of technology, and development of manpower for the industry. These are problems facing several sectors of industry in India and not by this sector alone.

Conclusion

Competitive strategies are developed by sector level firms and it's their individual and collective initiatives that secure higher market share in global trade. While one has to be ever vigilant of non-tariff barriers in the post MFA world, the new market will be won on the basis of capabilities across the supply chain. Policy will need to facilitate this building of capabilities at the firm level and the flexible strategies that firms will need to devise periodically. At present, India is being considered as the next pioneer country in the readymade garment export business. It is noticed that foreign buyers are keen on dealing with Indian garment exporters. In the face of such demand, Indian garment manufacturers and exporters constantly have to maintain high quality in finished products and continuously provide variations in style and design to attract the attention of prospective buyers.

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