Weaving a new success story

DPA

VALUE FOR MONEY: International brands are showing more faith in India

Indian apparel exports, which have grown dramatically over the last five years, are set to cross the $10-billion mark this year. A report by **Shivkamal**

India never had it this big. Standing at the threshold of crossing the $10-billion mark in apparel exports, the country's textile sector is poised for a big leap. India is now among the top five apparel exporters in the world. This has been made possible by liberalisation of rules that spawned economic growth, encompassing the textiles and apparel sector.

Apparel exports from India have risen exponentially in the last few years, and are expected to cross the $10-billion mark by the end of the current fiscal, up from $9.5 billion in the last financial year (2006-07). The re-imposition of quotas on China, increased entrepreneurship and fresh investments in the apparel sector are among the reasons for this development.

According to the Apparel Export Promotion Council (AEPC) of India, the future of apparel exports is bright. "We made rapid strides over the last few years," notes AEPC secretary-general K K Jalan. "We expect apparel exports to grow at a healthy rate of 12 per cent year-on-year. During the current financial year, we expect exports to be in excess of $10 billion."

His projection stems from the fact that a number of apparel export companies are making rapid progress, from the perspectives of growth and exports. "Indian apparel exporters have three years to explore inaccessible markets and establish their presence," points out Rajendra J Hinduja, executive director (finance), Gokaldas Exports, the largest apparel exporter from India. "This is the best chance for us to increase our footprints geographically. Most of the Indian apparel exporters have responded well by making huge investments in setting up new plants and factories."

Indian apparel exports have shown a dramatic increase over the last five years, an indication of what liberalisation has done to the industry. During 2003-04, Indian apparel exports stood at $4.6 billion. In 2004-05, it increased to $5.8 billion. It rose to a high of $8.4 billion during 2005-06 following increased demand for Indian apparel.

"International brands are showing more faith in India. And Indian garment manufacturers are known for their commitment and history of meeting deadlines," points out Hinduja.

For those in the garment exports business, the time is ripe to enhance their output. Bangalore-based Gokaldas Exports, which supplies ready-to-wear apparel to well-known international brands like Adidas and Reebok, is set to record over $245 million in revenues, up from $215 million in 2005-06.

The company is in the process of setting up a 100 per cent export-oriented apparel special economic zone (SEZ) near Bangalore. With an estimated investment of nearly $500 million from 50 players, the SEZ alone is likely to export apparel and accessories worth $1.25 billion every year.

Also, over a three-year period (2005-08) Gokaldas Exports is investing $55 million in expanding capacity. "We should take advantage of the situation," notes Hinduja. "Many international brands are simply shopping around for capacities. Capacity addition with an end-to-end approach will take the company forward. We have adopted this model."

This year the company commissioned two new facilities – a knitwear unit and a laundry. The Doddaballapur unit in Karnataka, which manufactures jeans, has been expanded and a new unit for structured suits will start in January. Work on the Mysore unit, also in Karnataka, and trial runs at an SEZ in Chennai have commenced. Work on the Hyderabad unit is scheduled to commence by year-end.

The firm is now totally integrated and other than importing the fabric, does everything itself. The result of the integration, which creates obvious efficiencies and the expansion is indicated in the head count. Last fiscal, it rose from 40,000 to 52,100. It is expected to cross the 60,000-mark in 2007-08, making it the largest garment exporter in terms of work force.

INTEGRATED UNITS: Companies like Gokaldas Exports have gained in efficiencies

With three decades of experience in the field, Gokaldas Exports supplies ready-to-wear apparel to more than 100 labels like Nike, Pierre Cardin, Adidas, Greg Norman Collection, Mexx, GAP and Tommy Hilfiger.

Indus Fila, another Bangalore-based garment manufacturer, launched its Initial Public Offer (IPO) earlier this year, to expand capacity and enhance exports. For the year 2006-07, the company saw a growth of 226 per cent in turnover and 406 per cent in net profit.

According to Nitin Mandhana, managing director, Indus Fila the firm, which is expecting a turnover of $100 million next year, will inject $40 million in capacity expansion and acquisitions. It supplies garments to the likes of Mexx, Armani, Levis, Nike, Tommy Hilfiger, Phillip Van Heusen, Haggar and Wal-Mart.

"Indian apparel is considered value for money," says Mandhana. "The confidence international brands have in Indian exporters is very high. This has enhanced brand value. International brand GAP, for instance, now sources nearly 30 per cent of its apparel goods from India, which is a very encouraging sign."

More than 75 per cent of the country's exports are to the US and the European Union and efforts are being made to explore newer markets. The AEPC is taking various initiatives to ensure accelerated growth of apparel exports. The thrust will be on three main areas – supply of professional trained manpower, productivity enhancement and quality improvement and an aggressive export promotion activity campaign.

The Council has undertaken various initiatives including the establishment of 22 Apparel Training & Design Centres (ATDCs) in various parts of the country. These centres have been set up to upgrade the technical skills of personnel, and have successfully trained and placed over 20,000 students in industry. AEPC will also participate in various buyer-seller meets and trade fairs across the world to explore the possibilities of increasing bilateral trade with other countries.

According to Technopak Advisors Ltd, which provides consultancy services to consumer product companies, the growth in textile and apparel exports was further supplemented by growth in the domestic sector.

"A number of developments happened in the Indian textile and apparel industry in 2005," says a Technopak study report, 'Indian Textile and Apparel Industry: Changing Gears.' "On account of increased exports, most of the major industry players announced increased investments for building capacities."

Technopak estimates that investments in the Indian textile and apparel sector increased by 71 per cent to reach $4.1 billion in 2005. Unlike earlier years,

Planned investments by Indian companies

MAHAVIR SPINNING (spinning and weaving)	$370 million
ALOK INDUSTRIES (apparel and terry towel)	$240 million
WELSPUN (terry towel and bed sheet)	$110 million
HIMATSINGKA SEIDE LTD (silk fabric, bed linen)	$95 million
ABHISHEK INDUSTRIES (yarn and terry towel)	$90 million
RAYMOND (denims, suits, trousers)	$56 million
ARVIND MILLS (denims and knits)	$45 million

Source: Company reports / Technopak

MANDHANA: Encouraging sign

Location of new Apparel Parks / Special Economic Zones

- VISHAKAPATNAM (Andhra Pradesh)
- BANGALORE, KANAKAPURA and MYSORE (all in Karnataka)
- TIRUPPUR and KANCHEEPURAM (both in Tamil Nadu)
- THIRUVANANTHAPURAM (Kerala)
- BUTIBORI (Maharashtra)
- SURAT (Gujarat)
- INDORE (Madhya Pradesh)
- JAIPUR (Rajasthan)
- TRONICA CITY and KANPUR (both in Uttar Pradesh)

Source: Union Ministry of Textiles / Technopak

HIGH FASHION: There has been a dramatic increase in apparel exports in recent years

the sector also witnessed an increasing interest by foreign players.

Brandix Lanka, for instance, announced the setting up of India's largest garment unit in Andhra Pradesh. It is expected to provide employment to 60,000 people and bring in an investment of $550 million.

Additionally, foreign suppliers also started investing in India. While Carrera Holdings of Italy has invested in textile processing and engineering, another Italian firm Tessitura Monti intends to start units for dyed yarn and premium fabrics. Other foreign investors in India include MAS Holdings (Sri Lanka) (for intimate apparel) and CIEL Group (Mauritius) (for shirt production).

Reflecting the growing interest in India, a number of international buyers established their sourcing offices in India. Major buyers included Marks and Spencer, Kellwood, Little Label, Boules Trading Company, Castle, Alster International, Quest Apparel Inc and Haggar Clothing.

GAP increased its sourcing from India to $850 million in 2005, a 113 per cent jump over 2003 figures. Similarly, Wal-Mart enhanced sourcing from India by 140 per cent to touch $1.2 billion. J C Penney doubled imports from India to $320 million, and AMC (Target) also increased its sourcing to $320 million.

Significant deals, involving both international and domestic players, were also witnessed in the apparels industry. Raymond formed a joint venture with United Cotton of Belgium, one of the largest manufacturers of high-end denim fabric.

Soda ash major GHCL acquired US firm Dan River Inc, one of the largest suppliers of home textiles to chains like J C Penney. Another company, Alok Industries, acquired Hamsard, a UK-based retail chain. The Ambattur Clothing Company acquired Celebrity Fashions. Bellora, a home textile company.

Apparel Exports from India

2003-04	$4.6 billion
2004-05	$5.8 billion
2005-06	$8.4 billion
2006-07	$9.5 billion
2007-08	$10 billion (projected)

Source: Apparel Exports Promotion Council

According to Technopak, there are several opportunities for Indian textiles and apparel exporters. There are many categories where India currently holds a small share; these include lingerie, work wear, suits, jackets, home textiles and technical textiles. For the Indian apparel sector, the future continues to remain bright and as colourful as many of its products that wow consumers in many leading countries.