CHAPTER - 7

CLOTHING AND APPAREL

INTRODUCTION

7.1 The clothing sector is the final stage of the textile value chain and the maximum value addition takes place at this stage. Clothing sector is an export intensive sector and contributes about 49 percent to total textile exports. The clothing sector is low investment and highly labour intensive industry. An investment of Rs. 1 lakh in the sector creates 6-8 jobs. This industry also has a women friendly employment orientation and provides employment to large number of women. In fact 38 percent of the total employment in clothing sector is accounted for by women. In countries such as Bangladesh, such employment has brought a major social change in the society. This sector is environment friendly as it is least polluting and it could provide employment to the rural population, as this sector does not need sophisticated skill sets. Considering the strengths of this industry, particularly in terms of employment and export, there is need to provide thrust to the growth of this sector.

7.2 The clothing industry is fragmented and pre-dominantly in the small-scale sector. Major manufacturers have at least 20-30 units each. The reason for this could be attributed to the SSI reservation policy which was in vogue till 2001 for woven apparels and upto March 2005 for knitwear. The quota policy which prevailed during the quota regime also did not encourage consolidation of the units. However, subsequent to quota phase out and dereservation, the process of consolidation has started but momentum is slow due to prevailing labour laws.

7.3 There were 12963 units (excluding tailoring units) comprising 12289 SSI units and 674 Non-SSI units. The total production of clothing sector was 7.85 billion pieces with a value of Rs. 93328 crore during 2005-06, comprising of 2.24 billion pieces with value of Rs. 37208 crore for exports and 5.61 billion pieces with value of Rs. 56120 crore for the domestic market.

7.4 The apparel industry is concentrated primarily in 8 clusters, i.e., Tirupur, Ludhiana, Bangalore, Delhi/Noida/Gurgaon, Mumbai, Kolkata, Jaipur and Indore. Tirupur, Ludhiana and Kolkata are major centres for knitwear while Bangalore, Delhi/Noida/Gurgaon, Mumbai, Jaipur and Indore are major centres for woven garments.

7.5 The clothing sector has been dominated by cotton fabric based manufacture and export. In the area of exports, about 80 percent of the total garment exports (in quantitative terms) is accounted for by cotton fabrics, followed by 11 percent for man-made fabrics and 2 percent for woollen fabrics. The same is, more or less, the position in case of domestic consumption and overall production.

7.6 India exports more than one hundred garment product categories, mainly falling in cotton, semi-fashion middle price segment of casual wear with the main product categories being T-shirts, men shirts, ladies blouses, ladies dresses and skirts. Member states of the EU, USA, Canada, UAE, Japan, Switzerland and Australia are the major markets for India's clothing exports. The share of knitted garments in value terms is about 38 percent in over all export of clothing, while in quantum terms it is 53 percent. There is no doubt that the knitted sector is emerging as the faster growing sector of the two and over a period of time, has succeeded in overtaking woven garment sector. Global investment and capacity creation patterns are also following similar trends.

7.7 India's unit value realization in clothing exports hovers around 3.81 US$ per piece, partly due to the fact that our concentration is mainly on cotton and low value knitted garments and our cotton fabric base is not upto international standards. The unit value realization in woven garment sector is about US$ 5.05 per piece while it is US$ 2.70 per piece in knitwear sector.

PERFORMANCE DURING THE TENTH PLAN PERIOD

7.8 The Clothing sector consists primarily of knitted and woven garment segments. The industry which has grown at the rate of 12 percent during the Ninth Plan picked up momentum during the Tenth Plan and initially grew at 15-16 percent. However, during the last year the growth has increased to about 20-22 percent. The catalyst for the accelerated growth rate are quota phase out in the international market and growth in organized retailing / growing consumerism in the domestic market. The sustained and vibrant growth of the Indian economy also bodes well for apparel sector in future.

7.9 During the tenth Plan period, exports of readymade garments have increased at the annualized rate of growth of 13.72 percent. The major increase was witnessed in 2005-06 when it increased by 28 percent.

7.10 Due to the dereservation during the tenth plan period the consolidation and merger process has started in the clothing sector and most of the companies are in the expansion mode. However, rigid labour laws are still restricting their merger / amalgamation. The clothing units have also taken advantage of TUFS to expand and modernize their units. Some of the units have also gone for backward integration to strengthen their position in the export market. As on 31.07.2006, project cost worth Rs.1844 crore has been sanctioned under TUFS.

APPROACH TO THE ELEVENTH FIVE YEAR PLAN

7.11 The garments are the main stay of our textile exports. In the domestic market also, the buoyant economy, growing purchasing power, increase in retail activity will contribute to increased consumption of clothing in the domestic market. Thus, there is a need for adopting 'garment led growth strategy' during the Eleventh Five Year Plan which would result in creation of tremendous employment opportunities and boost the prospects of upstream segments of the industry like spinning, weaving and processing.

7.12 The National Manufacturing Competitive Council (NMCC) has also mentioned that certain sub sectors are ideal candidates for attention by the Government as they are labour intensive and have competitive advantage in world market. Garments have been identified as one such segment by the NMCC. Therefore, during the Eleventh Plan, the approach is to provide a conducive environment for promoting the growth of this sector.

PROJECTIONS FOR THE ELEVENTH FIVE-YEAR PLAN

7.13 It is projected that 18.97 billion pieces would be produced in the year 2011-12 in clothing sector with a value of Rs. 2,99,300 crore. The export market would contribute 6.00 billion pieces at US$ 34.02 billion (about Rs. 1, 53,100 crore) and the domestic requirement would be 12.98 billion pieces with value of Rs.1, 46,200 crore.

7.14 The machinery requirement for producing 18.97 billion pieces would be 24 lakh machinery. Currently, this industry has about 9.50 lakh stitching machinery. Thus, the incremental requirement would be 14.5 lakh machinery. Considering 1.50 lakh investment per stitching machine, the investment requirement during the Eleventh plan period would be Rs.21, 800 crore.

RECOMMENDATIONS

7.15 NMCC has indicated in its report that the country will have to create 7-8 million jobs per year to remain at present unemployment level. Most of these jobs are required for persons who were earlier working in agriculture sector. These men may not fit the job requirement in the expanding services sector. Only the manufacturing sector can accommodate these workers. Garment manufacturing is one of the sectors which can provide sizable employment to such workers.

7.16 The clothing sector being one of the largest export earning sectors and having a large potential for decentralized employment generation, the development of this sector needs special attention. Thus the following measures need to be initiated to ensure the development and expansion of this sector.

Labour Laws

7.17 The labour productivity in the Indian clothing sector is one of the lowest. The labour law provisions retain the potential for last minute disruption of export orders fulfillment. The labour laws need to be restructured to create a productive and productivity – conducive environment to ensure smooth production. While the genuine interests of the labour need to be protected, the policy environment and the implementation machinery should induce confidence among the entrepreneurs. The labour law reform would lead to consolidation and merger of the units to achieve economies of scale and become internationally cost competitive in the globalised scenario. The requisite labour law reforms are discussed in detail in Chapter - 14 on Exports.

Brand Promotion

7.18 Retailing and Brand Promotion go together. If India's clothing manufacturers are to increase profits, they need to eliminate margins of middleman and reach retailers directly. There is a need to map our own brands, which can become popular and develop interest of investors. A study need to be carried out to assess the requirements for the launch of a brand, brand acquisition and brand promotion. The brand promotion has been discussed in detail in Chapter - 14 on Exports.

Setting up Fashion Hub

7.19 With objectives of strengthening the entire textile value chain and to provide an interface between stakeholders by creating a permanent market place for the Indian fashion industry, it is proposed to set up fashion hubs in the country, which would serve as a single stop fashion business point in India. These hubs would have latest collection ranging from textile accessories to the finished products. It is proposed to set up three hubs at an estimated cost of Rs. 30 crores during the Eleventh five year plan.

HRD needs of Clothing Industry

7.20 The Apparel Industry employs around 5 million workers, out of which around 2.5 million are employed in the export sector. It is estimated that the apparel industry needs 5 lakh trained workers. As per the study conducted by the Textiles Committee, 4.5 lakh operators, 0.22 lakh jobbers, 0.11 lakh pattern makers, 0.11 lakh technicians / quality controllers and 0.06 lakh managers would be required.

7.21 Thirteen Apparel Training and Design Centres (ATDC) are being run by Apparel Export Promotion Council (AEPC). ATDCs have trained over 21000 students since inception. In order to partially bridge the gap between the manpower requirement and current availability in the garment industry, AEPC plans to set up 25 new centers in 13 States. In addition to this, 15 mobile centers are also proposed to be set up in the Plan Period.

7.22 It is estimated that Rs. 80 lakh per ATDC would be required to set up classrooms, furniture, machines, CAD/CAM equipment, computers, library, and other facilities. In the case of Mobile Centres, only machines would be required at a cost of Rs. 10 lakh per mobile centre.

7.23 It is estimated that 57625 students would be trained in the plan period in addition to 30000 students being trained by existing ATDCs. Further, 15000 students would get trained through mobile centers in the plan period. There are no mobile centres operating at present.

Fiscal duty on clothing machinery

7.24 All the machinery for clothing industry is being imported. There is no indigenous angle, therefore, the excise duty on stitching machinery may be reduced to Zero which would have impact on CVD component of the import duty.

Continuation of TUFS

7.25 The clothing industry has taken benefit of TUFS to expand and modernize its capacity. Since significant investment has to come in this sector to meet the target, the TUF Scheme may continue during the Eleventh plan period without any modifications.

Compliance and Factory improvement Programme

7.26 Major apparel markets have strong legal and social obligations towards final consumer. USA and EU buyers are practicing ‘factory compliance’ and independent international agencies like NGOs are providing solutions for factory improvement. The industry has reported that ‘factory compliance’ has become a pre-condition before orders are placed by major retailers. An individual retailer has separate ‘code of conduct’ and is on ‘charge basis’.

7.27 There is a need for the development of a ‘Common Code of Conduct’ or ‘Compliance Code’ which is acceptable by majority of apparel buyers. The work involved is mammoth and costly. Thus there is a need to formulate a scheme for making apparel manufacturing units ‘compliant’ during the Eleventh plan period.

7.28 A consultant can be appointed by a manufacturing unit for educating the unit about the various rules / regulations, maintenance of records etc. The consultant charges around Rs.1 lakh per unit. The Government should encourage units to become ‘compliant’ by sharing the 25 percent of the expenses subject to ceiling of Rs.25, 000 per unit. The scheme can be operationalised through AEPC. It is estimated that 5,000 units will take advantage of this scheme during the Plan period. The share of Government would be Rs.12.50 crore. It is estimated that export of US$ 500 million can be generated by these units.