CHAPTER-1

PROFILE OF TEXTILE INDUSTRY

1.1 Historical Background

The Indian textile industry has a great legacy, which is perhaps unmatched in the history of India’s industrial development. India’s textile industry evolved and developed at a very early stage and its manufacturing technology was amongst the best. Prior to colonization, India’s manually operated textile machines were among the best in the world, and served as a model for production of the first textile machines in newly industrialized Britain and Germany.

Indian textiles were sought after for their finesse, quality and design. According to Chouta-Kuan, the Chinese observer preference was given to the Indian weaving for its and delicacy’ Prestige trade textiles such as Patola from Patan and Ahmedabad, coast were sought after by the Malaysian royalty and wealthy traders of the Philippines.

Textiles have historically formed an important component of India’s exports. Marco Polo’s records show that Indian textiles used to be exported to China and South-East Asia. Textiles have also comprised a significant portion of the Portuguese trade with India. These included embroidered bedspreads, wall hangings and quits of embroidered wild silk on a cotton or jute ground.
The attractiveness of the fast dyed, multi-colored Indian prints on cotton (chintz) in Europe led to the formation of the London East India Company in 1600, followed by Dutch and French counterparts. By the late 1600s there was overwhelming demand for their governments to ban the import of these cottons from India.

The legacy of the Indian textile industry stemmed from its wealth in natural resources silk, cotton and jute. The textile industry stemmed from its wealth in natural resources silk, cotton and jute, the technology used was superior and the skills of the weavers gave the finished product a most beautiful and ethnic look. The Indian textile industry with such a great pedigree could have gone only one way from here. But same did not happen.

1.2 Colonization - An End of the Indian Textile Legacy

Colonization put an end to India’s glorious textiles legacy. The British knew that they could not compete with Indian textile industry and as a result resorted to complete destruction of the industry. By 1880 the domestic market had grown to be serviced solely by the British manufacturers: India, once the world’s leading exporters of textiles, was forced to become a net importer. Tariffs were kept out of the British market.

One of the aspects of India’s freedom struggle, led by Mahatma Gandhi, was to weaken the British textile industry by wearing homespun
clothes. Gandhiji was convinced that the textile sector could a catalyst in advancement of the Indian population by creating employment for the excess labour pool.

Post-independence, till about the late 1980s, the Government of India put numerous policies and regulations in place to ensure that mechanization did not occur and that labour-intensive textiles were produced, large-scale production was discouraged by restrictions on total capacity and mechanization of mills. The labour regulations did not allow capital investment and resulted in high production costs. Imposition of price restrictions, along with decreased productivity, severely hampered the competitiveness of the sector.

Till 1985, the main concerns of Government policies were centered on import substitution, protection of existing employment in the organized sector and support for decentralized sector. These concerns were reflected in the government policies such as imposition of quotas on yarn export, strong exit barriers even for unviable operations, general discouragement of automation, stringent licensing for organized sector and price regulations to handle the shortages resulting from the licensing restrictions.

Restrictions of such nature only resulted in increasing costs, declining productivity and loss of competitive edge. The textile industry
A Study of Productivity and Financial Efficiency of Textile Industry of India

had to be set free from these regulatory burdens so that it could evolve, grow and remain competitive in the global market.

1.3 MFA Quota Removal and Indian Textile exports

Exports of garments from South Asian countries have been preponderantly dependent on quotas. The quota system was fashioned by industrialized countries under the MFA (Multi-Fibre Agreement) in 1974 as a temporary arrangement to protect their domestic garment industries from the onslaught of cheap imports from low wage countries.

As a result of the quota restrictions, those Asian countries, which had used up their quota, started establishing manufacturing platforms in other Asian countries, which were not in a position to fully utilize the available quota. Quota arrangements under MFA terminated in a phased manner by the end of the year 2004.

While vanishing of quota restrictions supposedly frees up the market for exporting countries to export garments without any restrictions, there is a great deal of apprehension that the jobs and incomes of a very large number of people in the garment industry would be in jeopardy when the exporting countries, particularly with resource endowment, textile and clothing tradition and efficient manufacturing base, jostle for market share. The world garment industry is on the threshold of far reaching institutional changes in the near future. Hitherto, despite being one of the most globalized industries in the world, it has
also been an example of how trade practices in a ‘globalizing’ world are still distorted in favour of advanced economies. Over the past three to four decades, trade restrictions, price and quantitative, have come to play a major role in conditioning patterns of the sector’s development.

The garment sector has been conventionally viewed as a major source of employment generation. Of late, in addition to this dimension, following the success of the East Asian economies low skill requirements and large labor absorption potential have made it an important source of non-agrarian employment for the rural populace of these regions.

To add, the garment sector is also seen to offer tremendous prospects for employment of women, unlike other traditional manufacturing sectors. Given these factors, it is of great importance to understand the labor market implications of the changes in the international trade regime

1.4 Overview of the Global Textile Market

“The end of the quota regime, which marks the phasing out of the MFA from January 1, 2005, has ushered a new phase of global opportunity for the Textile & Clothing Sector. The removal of quotas could witness the World Trade in Textile, which is at present US $ 395 billion to surge to over US $ 650 billion by 2010. The expected future CAGR is expected to be 8% with Textiles Accounting for 5.8% and Clothing being the real driver of growth with an expected CAGR of
9.6%. Hence, there lies a distinct opportunities for countries possessing competitive advantages resulting from labour, technology, and raw materials, rather than for those arising from favourable trade agreements.

Diagram 1.1

1.5 Changing Shares in World Trade

World trade in textiles and clothing amounted to US $ 395 billion in 2003, of which textiles accounted for 43% and clothing around 57%. Developed countries accounted for little over one-third of world exports in textile and clothing in 2002 with developing countries contributing to the remaining two-thirds. The scene was completely opposite in 1990 with the share of developed countries amounting to 52% and that of developing countries around 48%. In other words, in the period from
1990 to 2002, there has been a shift in worked textiles and clothing trade from developed to developing countries.

**Table-1.1**

<table>
<thead>
<tr>
<th></th>
<th>% share in 1990</th>
<th>% share in 2002</th>
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</thead>
<tbody>
<tr>
<td>World Exports</td>
<td>100.0</td>
<td>100.0</td>
</tr>
<tr>
<td>Developed Countries</td>
<td>52.2</td>
<td>37.8</td>
</tr>
<tr>
<td>Developing Countries</td>
<td>47.8</td>
<td>62.2</td>
</tr>
</tbody>
</table>

Source: Computed from data available with International Textiles and clothing Bureau (ITCB), Geneva

### 1.6 Share in World Trade by Region

The transition period, starting from 1995, has seen an increase in the share of Asia’s exports to the world in textiles rather than clothing. The share of Asia in textile exports rose from 42.6% in 1995 to 44.3% in 2003, while its share in clothing exports has remained stagnant at around 44%. Western Europe has seen a decline in share in both textile and clothing exports in the transition period. On the other hand North American textile exports have risen from 5.7% in 1995 to 7.8% in 2003 and fallen slightly in clothing exports, from 4.8% to 3.3% in 2003.
Table 1.2

Textile and Clothing Exports by Select Region (%)

<table>
<thead>
<tr>
<th>Regions</th>
<th>Textiles</th>
<th></th>
<th>Clothing</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>Asia</td>
<td>42.6</td>
<td>44.3</td>
<td>44.4</td>
<td>44.7</td>
</tr>
<tr>
<td>Western Europe</td>
<td>44.5</td>
<td>39.3</td>
<td>36.0</td>
<td>32.1</td>
</tr>
<tr>
<td>North America</td>
<td>5.7</td>
<td>7.8</td>
<td>4.8</td>
<td>3.3</td>
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Trade in textile and clothing was dominated by the developed countries in the MFA period with the European Union (15) accounting for about 49% of total textile exports and 42% of clothing exports in 1980. EU, USA, Canada, Japan and Switzerland accounted for 69% of total textile exports in 1980. Developed countries dominance in clothing exports was relatively less with USA and EU together accounting for around 45% of total exports in 1980. However, developed countries share in both textiles and clothing exports declined in the 90s and stood at around 47% and 28% respectively, in 2002.

The decline in the share of developed countries was driven by a sharp decline in the share of EU, in both textile and clothing exports. Leading exports amongst the developing countries, as per WTO
categorization, on the other hand have increased their individual shares during the MFA period, with China in the lead. Developing countries’ share in textile exports has increased from 17.3% in 1980 to 41.9% in 2003, while in clothing it has increased from 16.4% to almost 46.1% during the same period. China has increased its share in textile exports from 4.6% in 1980 to 15.9% in 2003 and an increase from 4% to 23% in clothing exports during the same period. However, while in textiles there has undoubtedly been a shift away from developing countries, with gains accruing to MFA constrained countries, in clothing the gains have mainly accrued to ‘preferred’ developing countries. The countries that have gained share in clothing exports are the ones who are a party to some kind of policy-induced preferential arrangement with the restricted markets, viz., USA EU and Canada. Countries like Tunisia, Turkey, Mexico, Romania and Dominican Republic are cases in point, since not only do these countries form a part of the ‘preferred’ group of exporters but also feature amongst the leading exporters of clothing.

1.7 Indian Textile Industry – Present Scenario

The Indian Textile Industry is a vertically integrated industry which covers a large gamut of activities ranging from production of its own raw material namely, cotton, jute, silk and wool to providing to the consumers high value added products such as fabrics and garments. India also produces large varieties of synthetic and man made fibres such as
filament and spun yarns from polyester, viscose, nylon and acrylic which are used to manufacture fabric and garments.

“The textile sector plays a significant role in Indian economy by contributing to the Gross Domestic product, generating employment and earning foreign exchange. An estimated 35 million people are directly employed in the Indian Textile Industry, which contributes to 4% of GDP and 21% of total export earnings.”

India is globally a significant player in the textile sector and is globally the

- Third largest producer of cotton and cellulose fibre/yarn.
- Second largest producer of cotton yarn.
- Largest producer of jute, second largest producer of silk.
- Fifth largest producer of synthetic fibre/yarn.

“Cotton is one of the major corps cultivated in India. India has the largest cotton acreage in the world and cotton is the dominant fibre in Indian Textile Industry. About 75% of the total yarn and about 56% of the total fabric produced in India was cotton in 2004-05. Almost all cotton used in India is grown locally and a tiny amount is imported. Cotton textiles account for 2/3rd of India’s textile exports”

“During the last five decades, the production of cotton in India increased from 30 lakh bales of 170 kgs each in 1950-51 to an estimated
213 lakh bales (170 kg each) in 2004-05. There has also been a rise in area under cultivation from 58.9 lakh hectres in 1950-51 to an estimated 89.7 lakh hectres in 2004-2004.”

1.8 Process of Globalization

The characteristics of garment production like low sunk costs and relative absence of advanced technology and skills, have always induced apparel firms in the advanced capitalist countries to shift labour intensive operations to peripheral economies. Studies supportive of the ‘New International Division of Labour’ hypothesis, in fact, view the process of globalization as a movement from high wage cost region to low wage cost ones.

This process has its origins in the 1950s when manufacturers began to shift production to Japan to take advantage of the lower wages prevailing there. This sourcing of garments from Japan with still lower wage levels followed the earlier movement of US garment production from the northern part of the country to the less unionized and lower waged southern regions.

Subsequent to the economic boom in Japan during this period accompanied by rise in wage rates, manufacturers began to shift production to Hong Kong. From Hong Kong, capital migrated to South Korea and Taiwan to tap the benefit from the lower wages prevalent in those economies.
The period thus witnessed a trend towards movement of Japanese apparel capital to offshore locations like neighboring South Korea. The 1980s witnessed the incorporation of other Asian countries with relatively low wage levels like China, Thailand, Indonesia, Sri Lanka, Pakistan, India and Bangladesh into the world garment trade. Between 1975 and 1990, the share of ‘third world’ in the total output of global textiles has increased from 18.6 percent to 26.1 percent, and that of clothing from 11.7 percent to 20.4 percent.

On the other hand, garment sector has become a growth pole for economies at lower levels of development like Bangladesh, China, Sri Lanka, Indonesia, India and Thailand.

As the leading sector of globalization, the garment industry continues to increase its share in world trade from manufactured commodities. World garment trade has in fact grown faster than trade in manufactured goods as a whole. Accompanying this global expansion, there have also been changes in the organization of production with important implications for garment production in peripheral economies.

1.9 Reforms Era: Re- Emergence of the Indian Textile Industry

The last decade has seen a progressive relaxation of regulatory policies with a view to increase the efficiency and competitiveness of the industry. The textile policy of 1985 heralded a new beginning in the history of the Indian textile industry. It accepted that the crisis in the
industry were neither cyclical nor temporary but were rooted in deeper structural weaknesses. It identified the main task of the textile industry as increase in production of cloth of acceptable quality at reasonable prices to meet the clothing requirements of a growing population. It identified the main task of the textile industry as increase in production weaknesses. It identified the main task of the textile industry as increase in production of cloth of acceptable quality at reasonable prices to meet the clothing requirements of a growing population. It was envisaged that this basic objectives would be met through cost efficiencies and a freer play of market forces rather than through controls and restrictions. Among other things, the Textile Policy of 1985 addressed the issues of raw material supply at reasonable and stable prices, progressive reduction of duties on synthetic raw material, removal of entry and exit barriers along with emphasis on technology modernization and increasing the competitiveness of Indian textiles in the international market.

The 1985 Textile Policy illustrated the government’s attempt to relax the regulatory burden on the composite mill sector by elimination of compartmentalization in the industry, lifting of restrictions on composite mill loom capacity expansion and equalization of taxation among composite mills, power loom and independent processing units.
The ushering in of reforms in the 1990s provided a further boost to the Indian textile industry. In line with the general policy of liberalization, several measures were undertaken to reduce controls and bring about greater transparency in the textile sector. The textile industry was de-licensed as per the Statement of Industrial Policy 1991 and the Textile Development and Regulation Order of 1992. Reforms on the fiscal and external fronts were also pursued with renewed zeal.

Those measures liberated the Indian textile industries from the shackles of regulation that were in place up to the late 80s. These steps were only a beginning in ensuring that the different segments of the textile industry become competitive in the wake of liberalization.

1.10 Present Situation in Indian Textile Industry

Fashions have always influenced creation of demand in this industry, especially after the rise of retailers; control of the commodity chain. Given their closeness and greater understanding of the market than manufacturers, these traders sought to compete through market innovations like new designs and fashion marketing rather than through cost reductions by innovations in production techniques. Here again, there are differences across various segments. Women and children’s ear is subject to more fashion based design changes as compared to men’s wear.
Further, socio-economics and related cultural changes have created a general trend in clothing towards more informal and casual wear since the 1970s. Consumption based identities have begun to play a bigger role in market niches. All these factors have led to the rise of distinct segments in the apparel market.

1. vibrant and growing up market fashion segment and
2. a relatively stagnant, low priced and standardized segment.

The former market is highly volatile and is characterized by short production runs, fast changing fashions and designs, aggressive marketing and higher mark-ups. In response to market instability, firms target smaller, more rapidly changing market niches, which require quick alteration of product designs. Here, cost advantages do not matter as much as in the mass-market segment. More important is the ‘quick response’ factor (QR), the ability to deliver in time and adjust production to changing designs and quantities.

In other words, ‘flexibility’ becomes an essential characteristic of production for this segment. Thus, the cost advantage gained in dispersing production to low wage areas tends to be offset by slowness in supply response. Production in distant locations is not further, the quality requirements of the fabric meant for such up-market garment production necessitates confinement of production to countries with better processing technologies. Nevertheless, garments of certain segments that are
relatively less intensely driven by fashion and requiring lesser quality may continue to be sourced from distant regions.

Textiles and Clothing Industry, contributing 35% of India’s total export earnings and one of its largest sectors in terms of output and employment generation, is aggressively modernizing and expanding its capacities. India’s share of the $560-billion world textile and apparel market is likely to double and reach a target of $50 billion a year by 2010. India’s edge of its low cost & skilled labor, raw materials and excellent designing skills are offset by factors like intense competition from china, higher power generating cost, relative interest cost, structural anomalies and low productivity levels. India’s multiple resource based advantages in cotton, silk, wool and manmade fibers in addition to capacity based advantages in the textile spinning and weaving is counteracted by the deficiencies of erratic supply of power and water, inadequacies in road connectivity, port facilities and other export infrastructure added to highly fragmented supply chain beset with bottlenecks. Garments Industry in India, concentrated in the small-scale sector till few years back, is now having large-scale units such as Reliance, Arvind Mills, Raymond’s, etc. the Industry is concentrated in a few clusters viz. Tiruppur, Delhi, Mumbai, Bangalore, Ludhiana, etc. It has a unique advantage of being a vertically integrated one from Fiber to Garment. Easy availability of raw materials, natural or synthetic fibers, world-class facilities in producing
synthetics filament yarn is the strengths. Indian Garment Industry has a significant presence in low value added items but is yet to make a mark in the high value added segments. The industry is not fully automated and the products are of low quality. The industry being concentrated in the small-scale sector, they are not equipped to produce on a mass scale and meet the changing fashion trends the world over. The industry has to reduce the lead time required to bring its merchandise to the final consumer. Adopting latest techniques such as effective supply chain management, e-commerce, etc. and diversifying and expanding its product range to include high value added items can make it competitive. The garment industry is increasingly being governed by ecological concerns. India’s growing, sophisticated and increasingly fashion conscious middle class forms a base for huge domestic demand presenting an opportunity to the garment producers to tap this market. However, there are many international brands that are waiting to have a share in the garment pie. The Indian units have to compete with these international brands on domestic turf. With the advent of Business Process Outsourcing, there is an outsourcing wave in the textiles and garment industry. The big retailers in the US and elsewhere are looking at ever possible opportunity to cut their costs and are out sourcing their activities to India. World’s leading garment retailers such as Wal-Mart, JC Penny and Gap are sourcing their garment requirements from India.
The retailers do not want to source from China alone. In the Post-MFA era, India needs to increase to the scale of production, improve the skill level, improve transportation and communications infrastructure, and adapt technology to improve the efficiency and productivity of the companies. India’s ministry of textiles is planning to help build 25 integrated textile parks within two years to support domestic manufacturers’ bid to take full advantage of post-quota trading. This and other institutional support could give a big fillip to this sector.

Indian companies were planning to invest INR300bn ($6.8bn) over the next two years to upgrade their facilities, to close the gap with China. A new Kurt Salmon Associates Technopak study estimates that the Indian textiles sector needs at least $15bn of investment throughout the textile chain. Indian Ministry of Textiles said that labour laws are restricting the sector and that changes could increase the scale of the industry and allows it to take on the large orders that make up 60% of global trade. The ministry wants to allow contract employment, to help producers cater for seasonal demand, as well as an increase in the working hours from 48 to 60 week, with overtime benefits. The whole industry is technologically backward, as a major share of the market is controlled SSI industries, which in turn affects the quality and productivity of the sector. The Government of India (GOI) encourages the Indian textile industry to upgrade its manufacturing technologies to remain globally competitive.
In an effort to encourage textile and apparel manufacturers to invest in modernizing their plants, the GOI realized the need to establish a focused and time-bound Rs 250bn Technology Up-gradation Fund (TUF) under the National Textile Policy 2000. Through TUF, the government offers an interest subsidy of up to 5 percent. In addition, the GOL offers incentives such as import duty waivers for the import of production machinery under its Export Promotion Capital Goods (EPCG).

Another important but a delicate problem India has to tackle is to restructure the industry without affecting seriously the majority players, the majority players, the handloom sector, who has contributed to the industry in a very big way. The informal sector, covering a wide spectrum of home-based production and cottage and small industries in India, has emerged as a dynamic and vibrant sector of the Indian economy. The sector contributes around 40 percent of the gross industrial value added to the Indian economy. It has made a commendable contribution of 40 percent in industrial production, 35 percent in direct exports, 45 percent in overall exports and 80 percent in industrial employment. Through over 32 lakh units, the sector provides employment to about 18 million people.

In a labour-abundant and capital-scarce country like India, with mounting problem of unemployment, the growth and development of the small and informal sector deserves utmost importance. Besides emerging as the engine of growth for Indian economy, the sector helps to achieve
important objectives like employment generation, more equitable
distribution of income, industrial dispersal, optimum utilization and
exploitation of local resources and capital and fostering entrepreneurship.
These sectors and associated entrepreneurs need institutional support for
technology up-gradation, infrastructure support for market penetration,
and adequate working capital finance from the banking sector. There is
also a need for small entrepreneurs to keep pace with the structural and
technological changes taking place in large industries. They should be in
a position to adjust so as to act as service providers as many larger
companies are keen on outsourcing, sub-contracting and ancillaryisation of
a number of job works/products manufactured by corporate. For the
development of this sector there needs to be a major thrust on technology
intervention in clusters which offers the small units an opportunity and
easier access to get acquainted with new technologies.

Since 1990, while India’s exports have grown from about US$5
billion to US$17 billion, China’s exports have grown from US$18 billion
to about US$ 60 billion. China’s exports also consist of more value added
products (80 percent is apparel and made-ups as compared to about 50
per cent for India) and are less quota dependent in comparison to India.
India should increase value addition and creating brands that would
increase the value of our exports and create a unique positioning for
India’s products rather than competing only on a cost basis. The price
points for Calvin Klein collection is about ten times the regular brands. And compare this to the cost of production of a shirt in India (less than half of the price of regular brands in the $10-20 range) and it is clear that the value of creating brands overshadows everything else in this industry.

If the rising crude oil prices continue to upsurge to over $80 a barrel, these will add to the already rising input costs to make its global export trade virtually uncompetitive. Transaction costs in case of textile exports which at present ranges over 10% will further go up with rising crude oil prices. The textile sector has not even received 1.5% of total FDI that India attracted in the last 10 years due to the inefficient operational costs incurred by Indian industry as compared to China and other similar competitors.

An inflexible labor policy and low application of Information technology are other issues ailing the industry. In textile industry information technology helps impart better quality, improved productivity, and savings in spare parts ordering and even in tackling absenteeism effectively. In items of mass customization, resource optimization, data warehousing, trade methodology and communication infrastructure to maintain its competitiveness textile industry is no exception to the general trend. The Indian textile industry today is faced with an urgent need to modernize its designing and manufacturing technique and make it viable and globally competitive. Application of IT
in textile spinning is by its use in the ring frame department, the most important departments in a spinning mill as it consumes about 60% of the overall conversion cost associated with the production. In weaving, computer Aided Design is very crucial. Computer Aided Mgt. and role of IT in garment manufacturing in the areas of pattern making and grading are crucial too. The importance of IT in documentation and standardization of MIS in running an organization is as crucial to textile industry as for any other industry today.

According to DK Nair, Secretary General of the Confederation of Indian Textile Federation, with the removal of quotas by the WTO the entire textile industry is going to become an Asian industry by 2010 because the west cannot sustain such a labour intensive industry. Infrastructure and other regulatory support apart, the Indian Garment Industry at the crossroads now, with the only option for survival being-scaling up and re-inventing it to take on the world competition and make the label ”Made in India” sell.

1.10 Vision for the Future

Given the opportunities arising out of the removal of quotas for expansion of trade, India with advantages of a large fibre base, spinning and weaving capacity, low cost skilled/semi skilled workforce, pool of
technical and management manpower is ideally placed to reap the advantages of free trade.

The Government and Industry have recently evolved a vision for the year 2010 for her textile sector aimed at:

- increasing growth of the textile economy from the current US$ 36 billion to US$ 85 billion
- Creation of 12 million new jobs
- Increase India’s share in world trade from the current 4% to 8%
- Achieve export value of US$ 50 billion
- Modernization and consolidation for creating a globally competitive industry

The above targets by all accounts are highly ambitious and many analysts and consultants have opined that given the massive scale of investments required to achieve an export target of US$ 50 billion (135000 crores). This in itself means that textiles and clothing exports are expected to more than double (from the current levels of US$ 17 billion) by the year 2010.

While the extent of growth in textile/clothing exports likely to be achieved can be debated endlessly, it is important to note that many textile companies are at present bullish and markets have also reacted positively to this sentiment as reflected in the rising value of the textile stocks.
Given the multiplicity of factors determining the outcomes of global integration, the outcomes cannot be, however, predicted with a great degree of certainty. Irrespective of the possible trajectories that the sector may assume, the immediate impact of quota removal on labour is likely to be negative.

It is generally recognized that the removal of quota restrictions would lead to an expansion of export markets for Indian garment producers. On the other hand, the lower labour productivity of Indian labour, as compared to some of its competing nations like China, Indonesia and Bangladesh, may threaten India’s competitiveness and hence lead to a decline in exports.

Since India seemingly has an edge in the semi-fashion segment where economies of scope rather than scale matter, it is possible that they may continue to retain or expand their shares in such markets. However, respondents from the industry and other secondary sources do indicate an anticipated threat from China even in this segment.

One require a spread to the mass market, through improved productivity, ensuring of scale economies by movement to large-scale production, installation of productivity enhancing techniques, etc.

Given the presence of a domestic base in cotton, a movement to the large-scale sector would definitely (Except for the knitwear sector, which
continues to operate in small-scale sector) benefit producers to compete in this segment.

India has a greater comparative advantage vis-à-vis some of its main competing economies in specific product categories. Targeting these specific niches and seeking to build competitiveness in these segments and to move up the value chain may therefore be a better competitive strategy.

The strategy involves higher marketing and selling efforts apart from considerations of quality and timeliness of delivery. This would involve creation of new institutions by the state that would enable producers to compete ‘actively’ as opposed to ‘passive’ competition based on lowering of wage costs.

Improvements in process and manufacturing techniques require installation of new machinery that warrants access to institutional credit, which is at present difficult to access for most firms in the apparel sector given their confinement to the ‘unorganized’ sector, in the global commodity chain, given the lack of access to high-fashion markets, producers may continue to face disadvantages.

However, as borne out by the experience of East Asian economies like Hong Kong, Korea and Taiwan, movement along the value chain and backward integration is feasible to an extent. A closer understanding of
the experiences of these economies may offer valuable lessons for South Asian garment exporters.

Diversification of output markets into new geographical regions would be another key component of strategy. Another complementary strategy to overcome this hurdle to enable the labour to retain or improve their incomes would involve expansion of the domestic market and competition in the domestic market through design and fashion.

Expertise built in the domestic market may serve to built competitiveness in the global premium segments.

**Introduction to Selected Units**

**Siyaram Silk Mills (SSML)**

Incorporated in June’78 as a private limited company, Siyaram Silk Mills (SSML) was converted into a public limited company in 1980. The company belongs to the Siyaram-Poddar group. Other group companies are Balkrishna Industries and Govind Rubber. Siyaram Finance is SSML’s subsidiary. The company manufactures and markets textiles, cotton, woollen synthetics and synthetic blends, etc. The main product of SSML is polyester blended worsted fabrics. In Jul.'93, SSML came out with a Rs 15.37-cr rights issue of 18% PCDs to part-finance the Rs 16.56 cr expansion-cum-modernization project. In 1998-99, the company installed 4 Sulzer Looms at Silvassa and 8 Dornier Looms at Tarapur Plants at a total cost of Rs 232 Lacs. During 2000-01 the company has
installed 16 Air Jet Looms along with the other preparatory machines at its silvassa plant. The total cost of the project is Rs.35 crores and this has been partly financed by bank and balance through internal accruals of the company. The balance 24 looms has commenced its commercial production in 2002-03.

**DIGJAM LTD.(DGL)**

Digjam incorporated in 1948, is one of the leading players in clothing and fashion industry. Being part of S K Birla Group Company, it was earlier known as Birla VXL (BVL). Later in May, 2008 the name was changed to present one. It is a leading textile company in India, manufacturer of fabrics for suiting and ready-to-wear clothing under its own brands. The company has received ISO 9001 certification for its quality management. Company has workforce of 1050 employees. The company has corporate clientele namely Aditya Birla Nuvo, Castrol India, ICICI, ITC, Mysore Cement, SAIL, Shopper Stop, HPCL are among others.

**Manufacturing Facility**

Company plant is located at Jamnagar is spread across on an area of 47 acres. It is well-equipped with state-of-the-art machinery imported from France, Germany, Switzerland and Italy. It is fully integrated plant that converts wool tops to finished fabrics through different processes of
Dyeing, Spinning, Weaving and Finishing. It has production capacity of over 5 million meters. Out of this, only 35%-40% (approximately) is exported to major countries across the globe. Annually, the company manufactures over 3000 design-shade combinations each year in Light Wool, Polyester Wool and Woolen fabrics and markets its under the brand name “DIGJAM”.

**Awards**

Digjam has received status 'ACCREDITED MILL by LYCRA ASSURED Network.

The company has also received export house certification for excellence in its export performance. For four consecutive years, DIGJAM Limited has received the highest Exporter Award, in the woolen worsted category, from the export Promotion Council, a Govt. of India Undertaking.

**Outlook**

Digjam has a tie up with Holland & Sherry, a Scotland based fabric maker for retailing its exclusive range in the Indian market. The company is planning to expand its ready-to-wear (RTW) range that would be available across India through a chain of select showrooms

**Oswal Spinning & Wvg. Mills Ltd. (OS&WML)**

In 1955, the company was originally incorporated under the name of Oswal Cotton Spinning and Weaving Mills Ltd. on 19th September,
under Indian Companies Act, 1913 and obtained certificate for Commencement of business on 19th September, 1955 from Registrar of Companies Punjab at Jalandhar. The name of the company changed to Oswal Spinning & Weaving Mills Ltd. and a fresh certificate of incorporation was obtained on 26th February 1965. The main objective of the company is to manufacture of textile, Vanaspati, Ghee and Alloy Steel Casting. Originally the company commenced its business with the manufacture of woolen and worsted yarn. The company was promoted by Mr. Dharam Paul Oswal and M. RajPaul Oswal under the able guidance of late Mr. Lachman Dass Oswal. 1972 - With a view to diversification set up a vanaspati ghee unit with a capacity of 25 tpd. The Company further diversified its activities by setting up steel casting unit in 1986 with a licensed capacity of 8000 tpa. 1990 - The Company undertook to expand and modernize its vanaspati ghee unit by increasing its capacity to 50tpd. As a measure of backward integration to its vanaspati unit, the company also undertook to set up a solvent extraction unit at its existing site Jugiana, Dist. Ludhiana. The company retained services of M/s. Deepak Glycerides (I) Pvt. Ltd., Ghaziabad for carrying out detailed study of the additions and alterations required for increasing the capacity of Vanaspati as well as carry out modernization. Orders were placed with Desmet Chemfood Engineers (P) Ltd. for supply of solvent Extraction plant on turnkey basis. The company issued 1, 37,500-14% FCD of Rs.
200 each on rights basis in proportion 1 deb: 10 equity shares held.
Additional 20625 debentures were allotted to retain oversubscription.
Another 2, 46,880 debentures were issued through the Prospectus of
which the following were reserved for allotment on a preferential basis:

(1) 19219 debts to employees;
(2) 25000 debts to SBI capital markets Ltd.
(3) 25000 debts to LIC Mutual fund;
(4) 25000 debts to Canara Bank Mutual fund;
(5) 25000 debs to UTI.

Balance 1, 27,661 debs. issued to the Public. Additional 37,030
debentures were allotted to retain subscription. Rs. 100 of the face value
of each debenture was converted into 5 equity shares of Rs. 10 each at a
premium of Rs. 10 each after 6 months from the date of allotment of
debentures. 13,75,000 No. of equity shares issued, subscribed and paid-
up. The company issued through a prospectus 44,20350 No. of equity
shares allotted on conversion of debentures. During 1993/94, 8693,025
rights equity shares were issued Prop. 3:2, Pre. Rs. 8) per share. 1993 -
The company undertook to set up a 100% EOU cotton spinning unit with
a capacity of 18144 spindles at Doraha, Dist. Ludhiana. The company
also undertook forward integration to its alloy steel unit for manufacture
of ERW GI tubes with a capacity of 50tpd at village Jugiana. 1997 - The
turnover and profits of the 100% EOU cotton spinning unit were also
affected due to abnormal hike in cotton prices and lower price realisation for cotton yarn.

**Shri Dinesh Mills Ltd. (SDML)**

Shri Dinesh Mills Ltd. was incorporated on July 1, 1935 at Baroda as Maharani Woolen Mills and received the certificate of commencement of business on February 17, 1936. Shri Dinesh Mills is a composite textile mill with a very strong presence in the textile industry for more than 60 years; manufacturing worsted fabrics menswear), paper makers felts and industrial textiles. They have scouring and combing plants, top dyeing, worsted and woolen spinning, shuttle less weaving and complete fabric finishing range for woolen, poly wool worsted and poly viscose fabrics. Shri Dinesh Mills markets different products and its marketing set up is divided for different product segments. At Shri Dinesh Mills Limited, it has products for:- general consumers, menswear, industrial consumers -- paper maker's felt --industrial textiles Their definition for quality is 'As perceived by customer'. They believe in upgradation of manufacturing facilities, quality development and management process besides development of human resources. The company fabrics go through a series of hot and cold processes with the use of special detergents, softeners and other specialty chemicals. These impart a permanent feel and form to the fabric which will endure years of exposure to the atmosphere and other factors like washing, abrasion, stretch, body sweat
etc. Suiting Fabrics manufactured by it find their way to the consumers' wardrobe via a network of multi brand outlets spread across the country and also in form of ready made apparels from the fabrics supplied by it to all major garmenters throughout the country and even abroad.

**Product Range of the Company Includes:**

- 100% Wool Worsted Fabrics
- 55% Polyester/45% Wool Worsted Fabrics
- 5% Polyester/35% Wool Worsted Fabrics
- Wool+lycra/55% Polyester/43% Wool/2% Lycra, other blends can be offered on specific request
- Suiting Fabrics -Suiting Fabrics are an integral part of the fashion industry To satisfy the demands of every discerning consumer, we have a vast range of weaves like plains, twills, gabardines, hopsack, barrathea, satins, herringbones and other fancy fabrics, woven in vibrant colors which are inspired by every facet of the universe from the sky to the seas, the forests, the mountains and every awe-inspiring facet of mother earth.

For International market it has been manufacturing and exporting worsted fabrics to various overseas markets since last 30 Years. It maintains the highest standards of quality to meet the requirements of its
discerning customers. It is exporting its products to various countries/continents i.e. USA, Canada, Australia, Europe, Middle East & Far East countries.

**Welspun India Ltd. (WIL)**

Welspun India Ltd. (WIL) a Welspun Group company, started its activities in 1985 as Welspun Winilon Silk Mills Pvt. Ltd, a synthetic yarn business which went on to become Welspun Polyesters (India) Ltd. and finally, Welspun India Limited emerged in the year 1995. The company offers a variety of products like towels in different sizes and qualities, bed linen using state of the art technology and the best quality of Egyptian cotton. Launched organic products utilizing the benefits of Soya, seaweed, milk and bamboo. WIL is Asia’s largest and amongst the top 4 Terry Towel producers in the World. Its business is spread across continents and a distribution network in 32 countries, like USA, UK, Canada, Australia, Italy, Sweden and France. 94% of the total products are Exported. The Company is the preferred supplier to 14 out of top 20 retailers in the world. It endeavors to reach the leadership position in each segment/sector of its product/service. The company is committed to satisfy its customers by providing such quality product/service, which gives highest value for money. Welspun believes that employees are its most important asset through which it can reach the top in each category
of its product / service. Therefore, the company will emphasize on their continuous improvement through up gradation of relevant knowledge and training. Welspun Terry Towels with the inexhaustible range and the claim to produce the softest towels, are engineered to the requirements of the consumer. Highly absorbent and long lasting towels are produced in a range of colors, which state to defy imagination. Today WIL is a $400 million company with manufacturing facilities in the US, UK, India, Mexico and Portugal, which is expected to become a $1 billion company by the year 2010.

**Product Range of the Company Includes:**

- **Bath** - Embroidered Towels - Sublistatic - Stripes - Bathrobe
- **Bed** - Bed Linen
- **Rug** - Embroidered Towels - Sublistatic - Stripes
- **Top of Bed** - Embroidered Towels - Sublistatic

**Achievements/ recognition:**

- 2008 Supplier of the Year
- 2008 Indian Exporters Excellence Awards
- 2008 Earth Care Awards “1st Runner Up - Greenhouse Gas Mitigation”
- 2007 Sustainability Award
A Study of Productivity and Financial Efficiency of Textile Industry of India

- 2007 4 Gold Trophies for Outstanding Textile Exports
- 2007 International Trade Awards - Outstanding Textile Exporter
- 2006 Gold & Silver Trophies for the year 2005-06
- 2005 Gold Trophy for Outstanding export Performance in Made-ups
- 2004 Leaders in Innovation And many more

Certifications:

- ISO 9001
- ISO 14001
- OEKOTEX, SWISS
- SUPIMA
- EGYPT LOGO
- EGYPT CERTIFICATE

Future Plans:

Welspun India envisions to become a fully integrated home textile company (Bed and Bath) from cotton farming to retailing by the year 2010 with the largest market capital in India and to be among the top three Home textile companies in the world.
S. Kumar Nationwide Ltd.(SKNL)

S. Kumar Nationwide (SKNL) is one of the leading textile and Apparel Company in India. The company is focused on three business namely textile, apparels and home textiles. When Mr. Nitin Kasliwal took over his family textile business, he brought his vision in reality through setting up SKNL. Currently the company owns 4 state of the art manufacturing units located at Mysore (Karnataka) and dewas (Madhya Pradesh). Collectively, it has a production capacity of 2,00,000 meters of high-quality fabrics each day. Two new plants at Bharuch, Gujarat for Cotton have been recently established. SKNL plans to introduce yet another facility, of the Ready-to-Wear SBU, near Bangalore to cater to the international market. It has a distribution network of 30,000 outlets and 300 dealers. Today the company has SKNL owns millionaire brands like Reid & Taylor, Belmonte, S.Kumars, Carmichael house and Stephens’s brothers. Reid & Taylor (India) is a subsidiary of SKNL.

Business Division

Fabrics- the Company manufactures range of textiles such as school fabrics, industrial work wear fabrics, military uniform fabrics, hospitality uniform fabrics and medical work fabrics. The company is known for manufacturing of premium suiting clothes. Apparels- Under
this the company manufactures a range of ready made garment exclusively for men. Home Textiles- The company manufactures bed linens, table linen, towels and furnishings.

**Outlook**

The company has acquired Leggiuno S.p.A, an Italian shirting fabrics company.

**Mafatlal Industries Ltd.(MFTL)**

Mafatlal Industries Ltd., a flagship company of the Arvind Mafatlal Group that has vertically integrated composite textile mills, was incorporated in 1913 at Ahmadabad. The company is engaged in manufacture of textiles and textile chemicals. The total capacity of the two mills, located at Navsari (near Surat) and Nadiad (near Ahmadabad) is 30 million meters per annum (85,000 meters per day). The mills are equipped to do bleaching, dyeing, calico printing, mercerising, calendaring, sanforising, anti-creasing and text rising. Mafatlal Industries has been a leader in textiles for nearly 100 years. It has an installed capacity of 100,000 spindles, 816 rotors and 492 looms and a capability to process 60,000 meters of fabrics per day. Mafatlal Industries produces some of the finest fabrics, in a count range of 12's to 105's, which are exported to the most demanding buyers of Europe, UK, USA and Middle
East.MIL produces a complete range of products in 100% cotton and in polyester/ cotton blends, consisting of yarn dyed and piece dyed shirting’s, poplins, bottom wear fabrics, cambric’s, fine lawns and voiles. In addition to these, the mills also have the capacity to produce printed voiles and dress materials.

**Product Range of the Company Includes:**

- **Shirtings**- It offers shirtings in multifarious designs and colours with unique patterns of textures and weaves, which suit casual as well as formal occasions.
- **Prints.**
- **Voiles**- the Company specialize in premium voiles. These voiles are available in floral prints, solids, lenos and dobbies.
- **Sleepwear**- the Company caters to sleepwear products which hold immense value for its superior quality and comfortable clothing, namely, lawn, voiles, satins and flannels.
- **Beachwear**
- **Bottom wear**- the Company offers a range of chinos and twills in 100% cotton & blend with surface, elegantly styled and available in two/ three folds and soft finish for you to enjoy a comfortable and an eye-catching wear.
Kid swear- Mafatlals has always had great endeavors to delight kids with bright colour schemes for woven’s and character prints along with soft and smooth flannels, which are eco-friendly, keeping in mind the comfort of the wearer.

Specialty Products

Other Group Companies:

- **Navin Flourine International Limited**- the Largest integrated Fluor chemicals complex in India, since 1967.
- **Mafatlal Denim Limited**- Mafatlal Industries Limited, India and Burlington Industries, USA joined hands to form Mafatlal Burlington Industries Limited. This joint venture company was established for the manufacture and marketing of denim fabrics. In April 2006, the Arvind Mafatlal Group - India acquired Burlington Industries' equity in the joint venture and the company is now called 'Mafatlal Denim Limited'.
- **NOCIL Limited**- NOCIL commenced its rubber chemicals manufacturing operations in the year 1976; it offers a wide range of rubber chemicals.

Milestones:

- 1905 First Textile mill set-up in Ahmadabad.
• 1912  Old unit bought at Nadiad
• 1916 Bought Jaffer Ali Mill & renamed it as Surat Cotton Spinning & Weaving Mills.
• 1919 Took over China Mill at Mumbai.
• 1958 Franchise retail shops opened for market Growth.
• 1962 New unit constructed at Nadiad.
• 1981 Set up direct distribution system.
• 1982 Set up 2 tier system (Wholesalers to semi-wholesalers).
• 1984 Tie-up with 'Total' for Technological up gradation
• Post 1990 focus on export of high-value products to European markets and on HR initiatives for People Development. Collaboration with Burlington; set-up state-of-the-art denim manufacturing. Joint Venture with Grupo la Perla & Silvia.

**Achievements/ Recognition:**

• ISO 9000 and Oekotex certified.
References:

1. Apparel expert promotion council, 2004 “Industry Statistics”
2. International Textiles and clothing Bureau (ITCB), Geneva
5. Ministry of Textiles Website and Annual Report 2004-2005