Chapter 4

Nature and Structure of the Readymade Garment Export Business in India
# CHAPTER IV

**Nature and Structure of the Readymade Garment Export Business in India**

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CHAPTER - IV

ORGANIZATIONAL NATURE AND STRUCTURE OF THE READYMADE GARMENT EXPORT BUSINESS IN INDIA

4.1 Introduction

Readymade garment exports are market driven, which implies what the foreign market wants and how the garment exporter could fulfill it, or product driven, which implies what the exporter has to offer and how can an appropriate strategy be applied to find the targeted buyers in the foreign market. The requisites of these are that the exporter must know the export plan, production procedure and export documentations. Exporter also must know his operational capacity, machines used in it, organizational nature and structure. An attempt is made in this chapter to understand and examine the nature and structure of the organization of the Readymade garment export business in India along with the producer, operational types of machines used and export documentations. The present study is carried out in Mumbai city on the basis of survey. The survey was carried out in Mumbai city during June 2007 to August 2007. One hundred and two exporters, who export readymade garments from India to UAE were selected following convenience and sampling procedure. Data was collected through a well drafted and pre-tested questionnaire administered personally to the respondents. The data interpretation and analysis regarding the organizational nature and structure of the readymade garment export business is presented in the present chapter, whereas factors influencing readymade garment exports from India to UAE is presented in Chapter Five followed by problems and prospects of the Readymade Garment exports from India to UAE in
Chapter Six. Thus the aim of this chapter is to analyze the nature and structure of the Readymade garment export business based on the survey method and collect data through a well drafted questionnaire.

In order to understand the organizational nature and structure of the readymade garment export business in India, this chapter is divided into seven sub-sections as under:

4.1 Introduction
4.2 Production Procedure in the Readymade Garment Export Firm
4.3 Types of Operational Machinery used in a Readymade Garment Manufacturing Export Firm
4.4 Export Documentation and Procedure
4.5 Organizational Nature and Structure of the Readymade Garment Export Business in India
4.6 Methods of Payment
4.7 Conclusion

4.2 Production Procedure in the Readymade Garment Export Firm

4.2.1 Export Plan

Developing an Export Plan is the first step in setting up an international readymade garment business in order to produce readymade garments. An effective export plan enables exporters to evaluate their strengths and weakness before entering the export market and start production. Chart 4.1 shows the outline of an Export Plan.
Chart 4.1 reveals that an export plan constitutes ten steps namely;

1. **Export Potential**: Proper analysis of the industry status, capacity of the firm to export and the prospects in the new foreign market are some of the most important requisites of an export plan.
2. **Market Research and Marketing Research:** Careful research and market intelligence enable an organization to indulge into healthy competition.

3. **Export Strategy:** An export strategy is an essential component of the business plan. Developing a sound export strategy helps the exporter to define his export aims and match the resources available, to those aims. Product positioning is a crucial aspect while planning the export strategy. Product positioning develops the brand image, creates demand, facilitates customer’s choice and enables the exporter to face competition, increase the sales and generate goodwill. Hence a garment exporter needs to develop an export strategy defining market entry, find trade leads and only then promote and sell the item of readymade garment accordingly.

4. **Export Pricing:** Export Pricing is the most important tool for promoting sales and facing international competition, hence the price has to be realistically worked out taking into consideration all the export benefits and expenses. Some of the crucial aspects that quote export pricing are the costs of production, cost of distribution, easy availability of fabric and accessories, type of readymade garment, nature of demand, international taxes, design, market information on bilateral agreements etc.

5. **Logistics and Transportation:** The most common mode of transport used for readymade garment exports from India to the United Arab Emirates is sea cargo. Air cargo is used only under unavoidable and urgent circumstances since the cost of air cargo is terribly high as compared to sea cargo.

6. **Trade Barriers:** Exporters should be well informed about the trade barriers related to the potential country for exports. They should also have advanced information pertaining to the tariff and non-tariff trade barriers.
7. **International Law, rules and Regulations:** The garment exporter should understand International Law, and comply with trade rules and regulations. There are various factors to be considered, like, the language of the contracts and documents between the exporter and the foreign customer, the dispute resolution clause, the contract terms and conditions, product liability, intermediary agreements (in case of an intermediary in between) and intellectual property rights. The contracts can be in Arabic as well as in English for the United Arab Emirates or any other Arab country.

8. **Financial Analysis:** For a readymade garment export firm, the external and internal sources of funds must be carefully analyzed. Similarly, the sales forecast related to the export plan must be effectively projected. The available pre-shipment and post-shipment finance options in the market help the readymade garment exporter to a large extent. In other words, efficient financial analysis acts as a foundation stone for a successful export organization.

9. **Risk Management:** Assess the various types of risks in exports. Country / political risk, currency risk, market risk and commercial risk are some of the regular known risks in the process of exports. An exporter must be well versed with the four basic risks involved in the business of exports, which are; Credit risk, Currency risk, Carriage risk and country risk.

10. **Plan Implementation:** Identification of the time frame, managing the prospective dates and selecting effective personnel responsible for key tasks initiates the apt situation for Plan Implementation.
4.2.2 Production Procedure in a Readymade Garment Export Firm

Whenever we see a beautiful piece of garment, we appreciate the quality of fabric, the design, the level of perfection and the workmanship involved but seldom do we realize how many skilled hands that one piece of garment passes through before finally reaching us.

The Production procedure in a readymade garment export firm is quite complex but very intriguing at the same time. The garment industry in India is very fragmented however there are garment exporters who have gone against all odds, made the best use of the government schemes and incentives and have managed to create a niche for themselves in the highly competitive international market. Full scale production commences only after the importer/buyer has given his final approval. Stringent quality standards along with efficient time management are adhered in order to succeed and survive the cut throat competition from other exporting countries.

The Production procedure of a readymade garment export firm which was observed during the time of the survey is presented in Chart 4.2.
Chart 4.2
Production Procedure for Readymade Garment Exports

STORY LINE / PURCHASE ORDER

STYLE -FIT SAMPLE

BUYER APPROVAL

COSTING/PRICING

PRODUCT PATTERN

SCALING SAMPLE

FABRIC PROCUREMENT

ORDER CONFIRMATION

ORDERING ACCESSORY

MARKER APPROVAL

CUTTING

STITCHING

PRODUCTION
Includes Marking, Cutting, Stitching

BUYERS COMMENTS

SHIPMENT OF SAMPLE
(Usually 6 pcs)

CHECKING/SORTING

FINISHING
Includes Washing, Pressing, and Tagging

FINAL INSPECTION

PACKING

SHIPMENT BY AIR / SEA TO THE IMPORTER / BUYER

STORAGE, CUSTOM & EXCISE CLEARANCE

INSURANCE

Source: The above chart is prepared on the basis of information provided by the respondents
4.2.2.1 **Storyline / Purchase order**: This is the first and most crucial stage in the working of the industry. An outline of the importer/buyer’s requirement, terms and conditions, rules and regulations, information regarding the size, colour, count construction of the fabric and description of the garment with regards to fullness (gathers/pleats), seam, smock, shirr, plackets and hem finish is presented to the exporter.

4.2.2.2 **Style - Fit Sample**: It refers to the first sample prepared as per the buyer’s style sheet. It is an important stage as the production sample could be accepted or rejected by the buyer, depending upon the merchandiser’s efficiency to ensure that the sample is precisely made as per the style described in the style sheet. The sample is initially prepared in any available fabric after which it is prepared as per the buyer’s requirement which is called the Proto Sample or Fit Sample. The loom bit, lab-dip and strike-off approval for the fabric is confirmed with the buyer.

- A sample copy of the Style Sheet is enclosed in the Annexure.

4.2.2.3 **Buyer Approval**: Once the proto sample is ready, it is sent to the buyer for approval. At times the buyer personally visits the exporter in order to verify the sample, as well as gauge the capacity and efficiency of the export house.

4.2.2.4 **Costing and Pricing**: This is one of the crucial stages in the export of Readymade Garments. A number of factors are taken into consideration when pricing a commodity for the foreign market. Additional costs such as marketing, communications, travel, currency fluctuations and collect foreign receivables need to be well considered. The export manager, the merchandiser, the accounts manager and
the managing director of the export firm together decide on the costing and pricing quotation. The Costing/ Pricing should be reasonable enough to suit the exporter as well as the buyer. The exporter should keep in mind all the costs to be incurred and accordingly provide guidelines regarding the cost of insurance, damage while in transit and other responsibilities. Pricing quotations can be on the basis of Free On Board (FOB), Cost and Freight (C&F) or Cost, Insurance and Freight (CIF).

4.2.2.5 Order Confirmation: The buyer/importer finally confirms the order after negotiations and detailed considerations. This is a crucial stage in the process of trade negotiations between the buyer and the exporter which can decide the fate of the order being materialized or scrapped. Tactful negotiations and reasonable price quotations facilitate the order to be confirmed.

4.2.2.6 Fabric Procurement: After the order is confirmed by the buyer, the fabric and trims are sourced and procured from a supplier. The count construction of the fabric is specified to the supplier to ensure that there is no mistake regarding the fabric quality. After the fabric is procured, the Fabric Inspectors check the fabric thoroughly.

4.2.2.7 Scaling Sample: Many a times the proto sample prepared contains certain variations due to which corrections are necessary. In such a case the modifications done should be done with the consent of the importer/buyer.

4.2.2.8 Product Planning: The pattern making master along with the merchandiser, makes a pattern as per the importer/buyer’s requirements. The style,
and picture of the garment in the spec chart and the size, measurements in the measurement chart are kept in mind before deciding upon the pattern. Grading / Sizing (adjusting the pattern to different garment sizes) is planned and worked out accordingly. The time factor is strictly considered as time is one of the most important deciding factors in the line of exports.

4.2.2.9 **Ordering Accessories**: Depending on the style and fit of the garment, the accessory is ordered. The importer/buyer’s requirement, the time taken to procure the accessories and the availability factor should be kept in mind before ordering the accessories.

4.2.2.10 **Marker approval**: The pattern master does the marker planning upon the fabric after considering the wastage and consumption level. The cutting department manager and the senior, junior merchandisers then approve the adjustment of the pattern on the fabric. The fabric is spread in layers upon the cutting tables and markers are placed on it.

4.2.2.11 **Cutting**: Cutting of the fabric commences after the pattern is made and the marker approval is done. The pattern pieces are first laid, then the marking is done after which the pattern is transferred upon the fabric, it is cut with complete caution and skill and finally bundled and forwarded to the stitching department.

4.2.2.12 **Shipment Sample**: This is the stage when the final samples are shipped to the buyer. In most export houses, six sample pieces of sizes as per the buyers specifications are sent across. However, this could vary depending upon the buyer’s
request. Each sample is labeled, ironed, packed and weighed after which it is handed over to the logistics manager who takes care of the delivery.

4.2.2.13 **Buyer's Comments:** After the importer/buyer receives the samples and is satisfied with the presentation, the exact production order quantity is then stated. The importer/buyer immediately reverts back to the exporter in case, the sample is not up to the importer's expectations and if further corrections or additional changes need to be incorporated. The merchandisers along with the export manager and the pattern master then work on implementing the requested alterations. A buyer's comment sheet is maintained for this purpose.

4.2.2.14 **Production:** As soon as the confirmed production order is attained from the buyer, full fledged production work starts. The export manager, merchandisers, the production manager, the cutting department manager, the embroidery manager and the stitching department manager together plan the production process so as to ensure proper consumption and efficient utilization of labour and material. Embroidery is of many types e.g. kashida, kantha, chikankari, zardozi, sindhi, phulkari, applique, kasuti, chamba and many more. Thus, depending upon the importer's design requirement, the time for completion of the embroidery work has to be stipulated. Many a times, the importer requests for certain printing/art work jobs to be done before the sewing process, thus the export manager and merchandiser should efficiently work out a time and product management strategy in order to avoid any further delays or unforeseen losses due to lack of control or co-ordination from their end. There are various commercial production methods a garment manufacturing exporter follows depending upon the market forecast and the importer's requirements.
Production can be of; Job or Individual production, Batch production (Progressive bundle system/Section system) or Mass production (Flow line/continual flow). The appropriate assembly line method of production should be selected keeping in mind the quantity of production and the dispatch time.

4.2.2.15 **Checking:** After the garment is ready, checking is done in order to ensure that the garment is made as per the measurements. If any extra threads or stains are visible on the garment, they are removed at this stage.

4.2.2.16 **Finishing (Includes Washing, Pressing, Labeling and Tagging):** This stage includes further processing of the garment if required by the buyer, for e.g. If the buyer desires further processing like dyeing, enzyme/stone/bleach/ball/silicon/pumic stone/leather wash, grinding, puckering, curing, hand sanding, spraying, hand scrubbing, whiskers, permanent creasing, tacking, tinting, tying or painting, it is done as per the requirements. After the processing and washing, the garment normally acquires a soft feel. The pressing or ironing is undertaken at this stage.

Tagging and labeling is then done to the garment as per the importer/buyer’s requirement which is duly mentioned in the style sheet. Labeling can be mandatory or voluntary. In Mandatory labeling, the fibre content, care labeling, wash instructions and size must be mentioned. In voluntary labeling, country of Origin, brand name and other consumer information is mentioned.

4.2.2.17 **Final Inspection:** 100% inspection of the ready garment is performed. The slightest fault found by the final quality controller leads to rejection of the piece.
4.2.2.18 **Packing:** After the final inspection, the pieces are packed according to the buyer/s requirement which could be using polybags, hangers and boxes. The exporters can also co-ordinate with the Indian Institute of Packaging (IIP) to keep themselves updated on the latest trends in packaging materials. A proper packing list should be prepared stating the country of origin, the weight, port of entry / destination, port of shipment, number of pieces along with the style and size. Proper Marking on the cartons makes the consignment easily identifiable throughout transit and on reaching the port of destination.

4.2.2.19 **Storage, Customs & Excise Clearance:** The pieces are packed in a carton and are kept in the warehouse until it is transported to the excise and customs departments for the necessary checks and verification. The warehouse manager makes the necessary entries in his records and the consignment is handed over to the external clearing agent for further clearance. If an export firm doesn’t have its own warehouse and a proper transport system to and fro the ports, excise and customs check points, a freight and forwarding agent is appointed who along with an external licensed clearing agent ensure the prompt and secured clearance of the consignment.

4.2.2.20 **Shipment by Sea/Air to the Importer/Buyer:** Once the consignment gets the excise and customs clearance, it is loaded aboard the specified vessel or flight which takes a couple of days to finally reach the importer after all the necessary clearance at the port of destination.
4.3 **Types of Machinery used in a Readymade Garment Manufacturing Export Firm**

The Readymade Garment Industry is fragmented but yet a very productive industry. Almost half of India's textile exports comprise of clothing. In order to be able to manufacture the garments of such a magnitude which invariably contributes positively to the national income of the country, the readymade garment factories should be well equipped with the latest technology and highly efficient machines. The machines used in a Readymade Garment Manufacturing / Export firm can be broadly classified into Cutting machines, Sewing machines, Pressing machines, Fusing machines, Processing and Finishing machines. All these machine categories can be further classified on the basis of their usage, speed and efficiency.

During the time of the survey, the researcher found out that different kinds of machinery were used by the producers of readymade garments. Below mentioned are the most common types of machinery used in the readymade garment manufacturing units. This is also presented in Fig. 4.1 and Fig. 4.2 whereas Chart 4.3 lists out the machinery used in a readymade garment export firm.

On the basis of Chart 4.3, Fig. 4.1 and Fig. 4.2, it is observed that Cutting machines, Fusing machines, Sewing machines, Processing machines, Pressing machines and Finishing machines are the main machineries used in Readymade garment export manufacturing unit. Therefore these business enterprises are employment oriented. The descriptions of these machineries are given in brief on the basis of Fig. 4.1, Fig. 4.2 and Chart 4.3 in section 4.3.1 to section 4.3.6.
**Fig 4.1**

**Machineries Used for Ready-made Garment Production: Graphic Presentation (A)**

- Cloth Inspection Machine
- Three Point Marking Machine
- Band Knife cutting Machine
- Round Knife Cutter
- Metal Gloves
- Fusing Machine
- Needle Detector
- Single Needle Sewing Machine
- Double Needle Sewing Machine
- Overlock Machine
- Lockstitch Machine
- Lockstitch with Bar Tacker
- Lockstitch with Thread Trimmer
- Feed of the arm
- Electronic Pattern Sewer
- Zigzag Sewing Machine
- Flat Button Feeder
- Automatic Belt Loop Sewer
- Eyelet Button Sewer
- Collar Turning & Trimming Machine
Fig 4.2

Machineries Used for Ready-made Garment Production: Graphic Presentation (B)

- Pocket Welt Sewing Machine
- Automatic Pocket Setter
- Embroidery Machine
- Electric Steam Iron
- Vacuum Table
- Automatic Pants Topper
- Utility Press
- Front off Press
- Collar Master Press
- Collar & Cuff Pressing Machine
- Back Press
- Side & Back Seam Open Press
- Indian Sleeve Seam Press
- Form Finisher
- Wrinkle Free Machine
- Thread Sucking Machine
- Thread Winding Machine
- Auto Cleaning Machine
- Dry Cleaning Machine
- Labelling Machine
Chart 4.3
TYPES OF MACHINERY FOR THE READYMADE GARMENT INDUSTRY

CUTTING MACHINES
1) CLOTH INSPECTION MACHINE
2) HOT DRILL
3) HOT NOTCH
4) STRAIGHT KNIFE MACHINES
5) 3 POINT MARKING MACHINE
6) ROUNDED KNIFE MACHINES
7) MINI ROUNDED KNIFE & HAND HELD MACHINES
8) EMERY BELTS
9) METAL HAND GLOVES
10) DYE MARKER
11) THREAD MARKER
12) SPreading MACHINES

FUSING MACHINES
1) MANUAL FLAT-BED FUSING PRESS
2) DIGITAL CLAM/SWING AWAY TRANSFER PRESS

SEwing MACHINES
1) SINGLE NEEDLE LOCK STITCH MACHINE
2) COMBINATION STITCH MACHINE
3) OVERLOCK MACHINE
4) 3/4/5 THREAD OVERLOCK MACHINE
5) INTERLOCKING MACHINE
6) NEEDLE DETECTOR MACHINE
7) POCKET-WELTING, POCKET ATTACHING MACHINE
8) SEAMING, SEAM SEALING MACHINE
9) HEARING MACHINE
10) ZIG-ZAG SEWING MACHINE
11) QUILTING MACHINE
12) BLIND STITCH MACHINE
13) FLATLOCK MACHINE
14) BARTACKING MACHINE
15) SHOULDER/PAD ATTACHING MACHINE
16) 2/3 FEED OF THE ARM MACHINE
17) SMOCKING MACHINE
18) ELECTRONIC PATTERN SEWER
19) AUTOMATIC BELL LOOPS SEWER
20) LOCK STITCH WITH THREAD TRIMMER

PRESSING MACHINES
1) STEAM PRESS
2) IRON GENERATOR (BOILER)
3) HEATED VACUUM PRESS
4) HANGING GARMENT STEAMER
5) COLLAR/BACK/SIDE/CUFF/UTILITY PRESS
6) LABEL TRANSFER PRESS
7) FORM FINISHER

FINISHING MACHINES
1) BUTTON ATTACHING & BUTTON HOLE MACHINE
2) FLOCKING MACHINE
3) PERFORATING MACHINE
4) THREAD WINDING MACHINE
5) COLLAR TURNING & TRIMMING MACHINE
6) THREAD SUCKING MACHINE
7) FORMER & TOPPERS
8) UPPER LOWER CONVEYOR SYSTEM
9) WRINKLE FREE MACHINE
10) SHIRT BOTTOM FOLDING MACHINE
11) SPOTTING STAIN REMOVING MACHINE
12) AUTO CLEANING MACHINE
13) SHOULDER PAD ATTACHING MACHINE
14) FLAT BUTTON FEEDER/EYELLET BUTTONER

PROCESSING MACHINES
1) SEQUIN MACHINE
2) EMBROIDERY MACHINE
3) GRINDING MACHINE
4) DYEING MACHINE
5) DRY CLEANING MACHINE
6) HYDRO EXTRACTOR
4.3.1 Cutting Machines

Any fabric sourced, tested and selected to be used for the mass production of readymade garments, is first sent to the Cutting department of the export firm. Here the fabric is checked, relaxed, spread, marked and cut as per the production requirement. The most common types of cutting machines and tools used in a readymade garment export firm are:

- Cloth Inspection machine
- Spreading machine
- Dye Marker
- Thread Marker
- Three Point Marking Machine
- Hot Drill
- Hot Notch
- Metal Hand Gloves
- Straight Knife Machine
- Round Knife Cutting Machine
- Mini Round Knife and Hand Held machines
- Emery belts

4.3.2 Fusing Machines

These are machines which are used to blend two different textile material's together under regulated heating temperature. Some of the Fusing machines commonly used are:

- Manual Flat-Bed Fusing Press
- Digital Clam/Swig Away Transfer Press
4.3.3 Sewing Machines

Once the fabric is cut in layers and fused (if required), it is forwarded to the stitching department. Depending upon the story line /style fit sent by the importer, the merchandiser, pattern master, export manager and line manager decide on the appropriate sewing and ancillary machines to be used in the production process. Some of the commonly used machines in the stitching department are;

- Single/Double Needle Lock Stitch machine
- Chain Stitch machine
- Blind Stitch machine
- Overlock machine
- 3/4/5 Thread Overlock machine
- Interlocking machine
- Lock Stitch with Thread Trimmer
- Flat Lock machine
- Zig-Zag sewing machine
- Feed of the Arm machine
- Needle Detector machine
- Electronic Pattern Sewer
- Pocket Welt Sewing Machine
- Automatic Pocket Setter
- Seaming/ Seam Sealing machine
- Hemming machine
- Automatic Belt Loop Sewer
- Quilting machine
- Bar Tacking machine
- Smocking machine
4.3.4 Processing Machines

These are the heavy duty machines which accentuate and enhance the look of the garment. The Processing machines add value to the garment hence increasing the overall worth of the piece. The commonly used machines in this category are;

- Sequin Machine
- Embroidery machine
- Grinding machine
- Dyeing machine
- Dry Cleaning machine
- Hydro Extractor / Dryer

4.3.5 Finishing Machines

These machines give the garment its final finish. Some of the common types of finishing machines used are;

- Flat Button Feeder/ Eyelet Button Sewer
- Shoulder-Pad attaching machine
- Flocking machine
- Perforating machine
- Thread Sucking machine/ Thread Winding Machine
- Collar Turning and Trimming machine
- Spotting / Stain Removing machine
- Auto Cleaning Machine
- Shirt/ Bottom Folding machine
- Upper/Lower conveyor system
- Former and Toppers/ Automatic Pants Topper
- Form Finisher
4.3.6 Pressing Machines

As the name suggests, these are machines that are used to iron the final garments. In the readymade garment production process, the pressing machines are very important as they give the garment its final grace and perfection, before the garment can be packed for dispatch. A few of the Pressing machines are stated below;

- Steam Press
- Vacuum Table
- Iron Generator (Boiler)
- Heated Vacuum Table
- Hanging Garment Steamer
- Collar/Back/Side/Cuff/Sleeve/Utility Press
- Wrinkle Free Machine
- Label Transfer Press/Labeling Machine

4.4 Documentation for the Export of Readymade Garments from India to the United Arab Emirates

Below mentioned are the mandatory documents and requirements for readymade garment exports to the United Arab Emirates. (2003).
4.4.1 **Preliminary Documentation for the Readymade Garment Exporters in India:**

1. **Bank Account:** An entrepreneur has to open a bank account in the name of the company or firm (any name as per their choice as long as it is not patented) at first. The Apparel Export Promotion Council does offer help in verifying if a particular name selected is already in use or no. The bank account should be opened with any commercial bank which is authorized to deal with foreign exchange.

2. **Importer – Exporter code number:** Once a bank account is opened in the name of the firm, the entrepreneur has to apply for an Importer-Exporter code number from the Director General of Foreign Trade (DGFT) or the Joint Director General of Foreign Trade. The customs, excise, post office does not entertain any export form which does not have the importer-exporter code number issued by the DGFT. Also, only one IEC number can be issued against a single Permanent Account Number (PAN). To obtain a PAN number the exporter needs to approach the Income Tax department. This code number is cited on all export declaration forms. Acquiring the importer-exporter code number is the most important step for an entrepreneur. After receiving this code number the entrepreneur can be called an exporter.

3. **Identity Cards:** To facilitate the collection of license, certificates, permissions and other such documents, the DGFT provides Identity cards to the proprietor/director/partners and the authorized employees of the export-import firm. However, not more than three identity cards are provided except in the case of limited
companies where in an application requesting for more than three identity cards can be submitted to the DGFT.  

4. **Issue of Registration-cum-Membership Certificate (RCMC):** The readymade garment exporter applying for a license/ certificate/ permission to import/export, (except items listed as restricted items in ITC (HS) or any other benefit or concession under the foreign trade policy is required to furnish the RCMC granted by AEPC or FIEO according to the procedure specified in the concerned handbook.  

5. **Mandatory Returns:** The exporter must furnish the yearly details of exports/imports made by him in the preceding licensing year by 31st October.

6. **Registration with the Apparel Export Promotion Council, Federation of Indian Exporter and other organizations involved in the promotion of readymade garment exports:** To avail various benefits and concessions, the exporter has to register himself with the various export promotion organizations.

7. **Certificate of Inspection:** This is one of the steps in the pre shipment stage of an export operation. The exporter should get the consignment inspected and maintain strict quality control measures. The EIA issues an Inspection certificate or a Rejection note depending upon his findings. However, exporters who are members of the International Standards Organization and have the ISO series of quality management, do not need to get their products inspected through the EIA.
8. Documentation for Central Excise Clearance:

Export goods are exempted from central excise duty, however, necessary clearance has to be obtained either by Export Under Bond where, the exporter does not pay excise duty but exports the goods under a bond supported by a bank guarantee, for a sum equivalent to the excise duty chargeable on such goods or Export Under Rebate where, the manufacturer pays the duty and then claims the refund.

i) **Invoice**: An invoice is a document without which the documents cannot be cleared from the factory. It is prepared in triplicate and contains basic details like the name of the exporter, value of goods and excise duty chargeable. ‘For Export Without Payment of Duty’ should be marked on the invoice if it is, Export Under Bond.

ii) **ARE-1 form**: The ARE-1 form is prepared in five or six copies depending upon the exporters requirement. If the exports are through a merchant exporter then it has to be prepared in six copies. Each form has a distinct colour to it which is easy to verify and process. The original copy is white, the duplicate is buff, the triplicate is pink, the quadruplicate is green and the quintuplicate is blue.

iii) **Application to Assistant Commissioner of Central Excise (ACCE)**: An application is to be given to the ACCE regarding the removal of goods from the warehouse for export purpose. Once the application is received, the ACCE informs the Range Superintendent of Central Excise (RSCE) under whose jurisdiction the goods are intended to be cleared for exports.

iv) **Deputation of an Inspector**: The RSCE then deputes an inspector to clear the goods, either at the factory or warehouse or the port.

v) **Processing of ARE-1 form**: The excise inspector endorses all copies of ARE-1 and returns the original, duplicate and quintuplicate copy to the exporter who
then submit it to the customs officer who examines the copies and permits the export of the goods. The customs officer cites the shipping bill number, the date, other particulars and makes endorsement of export on all the copies of the ARE-1. The customs officer then returns the original and the quintuplicate copy to the exporter and sends the duplicate copy to the ACCE. The triplicate copy is sent to the ACCE by the RSCE / excise inspector, after the goods are cleared from the warehouse. The quadruplicate copy is retained by the RSCE /excise inspector. If it is Export Under Rebate, the procedure is the same except that the duplicate copy is sent by the customs and the triplicate copy is sent by the RSCE, both, to the officer to whom the rebate claim is filed.

vi) **Refund or Release of Bond:** An application for the refund or release of bond is submitted to the excise officer attached with the original copy of the ARE-1 form who in turn verifies the original with the duplicate and triplicate copies which he had received earlier. If the copies match, the bond is released or the refund is given.

1. **Obtaining ECGC Cover:** Exporters must obtain an Export Credit Guarantee Corporation of India Ltd. cover, in order to be protected against non-repayment by buyers or credit risks. The ECGC cover also protects the banks against losses due to non-repayment of loans by the exporters. The covers issued by the ECGC include Standard policies, Specific policies, Financial guarantees and Special schemes. Each of these schemes are sub divided into other schemes. The exporter should know his preferences in order to select the policy most suitable for the export consignment.
2. **Marine Insurance Policy:** The garment exporters need to apply to the Insurance company for an insurance cover especially if it is a CIF (Cost, Insurance, Freight) Quotation or if the importer specifically asks for it. The policy is obtained in duplicate after attaining the Certificate of Origin. Insurance is specially required for high value garments for example the garment studded with precious stones and sworoski crystal.

3. **Documentation for Customs Clearance:** After completing documentation for the central excise clearance, the next step for the exporter is to gain the customs clearance. An exporter usually appoints a Custom House Agent or a Clearing & Forwarding Agent to perform the various formalities associated with the custom clearance, shipment and post shipment of the goods. The various steps involved are:

i) **Submission and Verification of the necessary documents:** The exporter has to submit the below mentioned documents to the customs department.

- **GR Forms – Guaranteed Remittances (Original and duplicate):** It used to be a mandatory form which was to be submitted by all the exporters in order to export to any foreign country other than by post. (GR Forms are not mandatory any more w.e.f. 2007)

- **Form SDF:** It is another mandatory form used for declaring exports in the case of specified customs offices and specified categories of shipping bills under the Electronic Data Interchange (EDI) system.

- **AR-4 (Original and duplicate):** It is a form, mandatory for export clearances under the central excise seal whether under claim for rebate or under bond.
- **Shipping Bill (5 copies):** It is an important document required by the customs authorities for allowing the shipment. It is prepared by the exporter and consists of the necessary details pertaining to the shipment. The shipping bill can be; Free, Dutiable, Drawback, Bond or For Shipment Ex-Bond, depending upon the exporters requirements.

- **Commercial Invoice:** It is the first evidence of the contract of sale and purchase. The exporter has to sign this invoice, without which it wont hold any importance.

- **Packing List:** It is a note which contains the date of packing, connecting invoice number, order number, details of shipping such as bill of lading number, name of the vessel, date of sailing, quantity and weight of the goods.

- **Inspection Certificate:** It certifies that the consignment has been inspected as required under the Exports Act (Quality control and Inspection), and is export worthy. This certificate is issued by the Export Inspection Agency (EIA).

- **Original Letter of Credit (L/C)/ Bill of Exchange:** The L/C is issued by the Importer’s bank in favour of the exporter giving him the authority to draw bills up to a particular price, covering a specified shipment of goods and services and assuring the exporter of payment against delivery of the shipping documents. A Bill of exchange can be Documents against Payments (D/P) or Documents against Acceptance (D/A). In both cases, if accepted by an importer, it legally protects an exporter against non payment by an importer.

- **Export Order:** An export order is a commercial transaction which directly relates to the importer and exporter and indirectly relates to the licensing authorities, exchange control authorities, banks concerned with exports.

- **Excise Invoice:** It is the invoice duly endorsed by the excise officer.
- **Certificate of Origin**: This certificate is issued by any authorized organization promoting exports and foreign trade, e.g. Any Chamber of Commerce, AEPC, FIEO, CMAI.

- **IEC code**: Importer Exporter code is the number allotted to the exporter by the DGFT. It is mandatory for all exporters to have an IEC code.

- **Shippers Declaration Form**: It is the typed declaration by the exporter regarding the value, specifications, quantity, and description of the goods being exported, on the shipping bill which has to be submitted to the customs authorities.

After submitting all the documents, the Customs Appraiser has to verify it all and appraise the value of goods. The Appraiser then endorses ‘Examination Order’ upon the copy of the shipping bill regarding the physical examination of the goods at the docks. All other documents except for the Original copy of GR (to be forwarded to the RBI), Original copy of the Shipping Bill and one copy of the commercial invoice are returned back to the exporter or the forwarding agent.

ii) **Carting Order**: Attaining the Carting order (permission to bring the goods inside the docks) is the next step for the exporter/agent. This order is issued by the Superintendent of Port Trust, after verifying the endorsement on the duplicate copy of the shipping bill, by the customs appraiser.

iii) **Storing in the Sheds**: Upon gaining the Carting order, the goods are moved inside the docks and are stored in the sheds built there.

iv) **Examination of Goods by the Customs Examiner**: After the goods have been moved to the shed, the exporter/agent have to approach the Customs Examiner in order to examine the goods. After examining the goods, the
Customs Examiner records his report on the duplicate copy of the shipping bill and accordingly endorses, 'Let Export Order'.

v) **Endorsement by the Customs Preventive Officer:** After 'Let Export Order' is signed on the shipping bill, the same has to be shown to the Customs Preventive Officer (CPO), along with the other documents who verifies everything and if finds it all in order, endorses, 'Let Ship Order'. Once this order is attained, the exporter/ the agent can load the goods on the ship.

vi) **Loading of the Goods:** Under the supervision of the CSO, the goods are loaded upon the ship, after which, the Cargo Officer / Chief Mate of the ship issues the Mate's Receipt which is directly sent to the Port Trust Office from where the exporter/ agent pays the necessary dues and collects the Mate's Receipt. The next step is to approach the CSO and attain certification of the shipment of goods on other documents including the AR forms.

vii) **Bill of Lading (B/L):** The Bill of Lading is a document issued by the shipping company, of the vessel upon which the goods are loaded, acknowledging the receipt of goods mentioned in the bill for shipment, undertaking to deliver the goods in the like order and condition as received to the consignee provided the freight and other charges specified in the Bill of Lading have been duly paid. The Bill of Lading is issued only after the exporter/ agent hands over the Mate's Receipt to the shipping company. The Bill of Lading is issued in either 2 negotiable copies which have title to goods or 12 non-negotiable copies which do not have title to goods. The Bill of Lading can be either Claused, Clean, Stale, Freight Paid, Freight Collect, Straight, Container, To Collect or On Board and Received depending upon the exporters /importers arrangement.
viii) **Airway Bill (AWB):** The Airway Bill is a document which is issued by the airline authorities, when the goods are exported by air. It is a non-negotiable document and is prepared in 3 copies. The contents of an Airway bill are similar to that of a Bill of Lading, however it is only an acknowledgement on the part of the airlines.

4. **Shipment Advice to the Importer:** After the exporter receives the Bill of Lading, the next step is to issue a shipment advice to the importer, stating the name of the vessel and the date of shipment enclosing a Packing List, a commercial invoice and a non-negotiable copy of Bill of Lading.

5. **Presentation of Documents to the Bank:** The exporter must submit all the necessary documents to the respected Bank for further processing, after which the bank will send back attested copies of commercial invoice and a Bank Certificate to the exporter. The exporter can also get his exports certified by an authorized dealer in foreign exchange in the form 'Bank Certificate of Export and Realization'.

6. **Realization of Export Proceeds and Incentives:** The bank of the exporter collects the export proceeds from the importer through his bank. The exporter can claim for the export incentives on the basis of the Bank Certificate.
4.4.2 Documentation required in United Arab Emirates for the import of readymade garments

Below mentioned are the mandatory documents required by the customs department for import of readymade garments, for the year 2003.

1. Submission and verification of the necessary documents for import: The below mentioned documents have to be submitted to the customs department of the port of destination in UAE (UAE comprises of seven emirates and each emirate has more than one major port) The documentation keeps changing every year
   - Delivery Order
   - Packing List
   - Commercial Invoice
   - Attested Original Certificate of Origin
   - Bill of Lading
   - Receipt of Duties/ Deposits settled
   - Inspection Report

2. Payment of Customs Duty: The United Arab Emirates (UAE) is a member of the Gulf Cooperation Council (GCC) a plan which calls for the economic integration of the six Arabian member states (Saudi Arabia, Kuwait, Bahrain, Qatar, Oman and the UAE). The Customs duty for most items is calculated on the CIF value at the rate of five percent (5%). For duty exempted goods, a fee of Dhs 20/- (Rs. 240/- approximately) is paid against issuance of a bill.
3. **Cash Deposit if the import documents are improper:** If the required documents are not presented to the customs department, the importer has to deposit Dhs.500 (Rs.6000/- approximately), until the time the importer presents the documents.

4. **Personal Identification Number (PIN):** The importer’s Personal Identification number is required if a shipment to the United Arab Emirates has to be cleared. The importer should also possess a valid trade license and should be licensed by the local municipality in order to import the garments.

5. **Customs Exit/ Entry Certificate for Re-exports:** A Customs exit or an Entry Certificate and cash or cheque deposit of 5% on the CIF value along with the registration fees is mandatory in the case of re-exports. United Arab Emirates is a major destination for re-exports.

4.4.3 **Aligned Documentation System (ADS)**

A Garment exporter has to prepare various types of documents at various stages, before and after the exports. These documents can be classified into Commercial or Regulatory documents. The ADS involves the preparation of documents on a uniform and standard A4 size paper. ADS simplifies the export documentation to quite an extent as the common items of information are placed in the same boxes in each of documents thus making it possible to prepare one Master Document which includes the information common to all documents included in the
aligned system. The ADS thus, enables an exporter to achieve efficiency in export operations management.

4.5 Organizational Nature and Structure of the Readymade Garment Export Business in India

In order to understand the above, this section is divided into six subsections as under;

4.5.1 Administrative Structure of a Readymade Garment Export Firm
4.5.2 Nature of Readymade Garment Business
4.5.3 Types of Ownership
4.5.4 Brand Name and Standardization on the basis of Quality Management System along with ISO Accreditation
4.5.5 Labeling, Tagging, Marking, Packing and Packaging
4.5.6 Methods of Payment

4.5.1 Administrative Structure of Readymade Garment Export Firm

Chart 4.4 presents the department wise administrative structure of a readymade garment export firm; whereas Chart 4.5 illustrates the staff wise administrative structure of a readymade garment export firm.

4.5.1.1 Managing Director/ Chairperson/ Partner/ Proprietor

The office of the Managing Director / Partners / Chairperson or Head of the Readymade Garment Export Firm occupies the top position in the organization structure of the firm. The crucial decisions with regards to exports are taken by the Managing Director of the firm.
Chart 4.4 - Department-wise Administrative Structure of a Readymade Garment Export Firm
Chart 4.5 Staff Wise Administrative Structure of a Readymade Garment Export Firm

MANAGING DIRECTOR → RECESSION DESK

EXPORT MANAGER

ADMINISTRATION MANAGER
- ACCOUNTS MANAGER
- HUMAN RESOURCE MANAGER
- OFFICE CLERKS

EMBROIDERY MANAGER
- EMBROIDERY WORKERS
  - washer
  - ironers
  - garment processors
  - checkers
  - taggers
  - packers

MACHINE MAINTENANCE DEPARTMENT MANAGER

SENIOR MERCHANDISER
- JR. MERCHANDISERS
- MACHINE REPAIR WORKERS

PRODUCTION MANAGER
- WAREHOUSE WORKERS
- FREIGHT & FORWARDING EMPLOYEES
- EXTERNAL CUSTOM HOUSE AGENT
  - relaxers
  - spreaders
  - checkers
  - pattern makers
  - cutters
  - packers

STITCHING DEPARTMENT MANAGER
- FLOOR MANAGER
- LINE SUPERVISORS

STOW KEEPER
- LAB. TECHNICIAN
- FABRIC INSPECTORS
- CUTTING QUALITY CONTROLLERS
- FINAL QUALITY CONTROLLERS
- MACHINE OPERATORS
4.5.1.2 **Export Manager / Chief Executive Officer**

An Export Manager is the heart of an Export Firm. It is upon the Export Manager’s negotiations and trade skills that take an export firm to high levels of prosperity. However, in many export houses, the Managing Director himself, or the Senior Merchandiser performs the role of an Export Manager or the Chief Executive Officer of the export firm. The various departmental heads of an export firm report to the Export Manager who in turn reports to the Managing Director. Some of the main functions of an Export Manager are:

- Liaison with company departmental heads, customers and outside organizations
- Travel abroad in order to source overseas customers and acquire overseas orders
- Attend and participate in exhibitions and trade shows to acquire market information and display company products.
- Record and supervise the progress of the company’s import-export orders and coordinate with the respective department’s in order to process the order efficiently.

4.5.1.3 **Administration Department**

This department takes care of the electronic as well as manual documentation involved in the export of Readymade garments. The Administration department consists of an Accounts department and a Human Resource Department. The Accounts department takes care of the day to day accounts, costing, pricing and calculations pertaining to the foreign exchange rates. The Human Resource department is responsible for selecting the appropriate and efficient staff at every level, in order to achieve maximum productivity. Due care is taken that the employees of the firm are well motivated and disciplined in their work ethics. All the documentation work of the an export firm, is handled by the administration.
department and its professional staff comprising of an Administration Manager, an
Accounts Manager, a Human Resource Manager and a few clerks.

4.5.1.4 Design Center

The design center is one of the most important departments of a garment export firm. The design center consists of a fabric (sourcing) department, a designing department, an accessory department and a sampling department.

(i) Fabric Department

The Fabric department is responsible for fabric sourcing and procurement. It is managed by a Quality Assurance Manager. This department looks after the sourcing of the fabric, the technical designing of the fabric and the garment, the blending of the fabric with the pattern desired, the strength of the fabric and dyeing. Most readymade garment fabric departments of renowned export houses have an in-house quality control laboratory headed by a laboratory technician wherein any defect in the continuous length of the fabric are checked for before checking the uniform colour of the fabric for the batch length. Various other testing standards such as AATCC and ASTM are used. The quality of the fabric is tested for seam efficiency, boweness, shrinkage and colour match.

(ii) Accessory Department

The Accessory department stocks all the fashion accessories required for the making of a readymade garment for example, polyester buttons, metal buttons, wooden buttons, plastic buttons, buckles, elastic, woven tapes, eyelets, zips,
trimmings, frills, belts, bows, peplums etc. Some firms appoint a store manager to manage the accessory department efficiently.

(iii) **Designing / Merchandisers Department**

It is in the design department that creation of designs using Apparel CAD (Computer Aided Design) software is done. The merchandisers, the pattern masters, the fashion designers, the quality assurance supervisors and checkers work together as a team in order to facilitate perfection in product development. If any later changes towards the sample are to be made from the buyer’s side, the same is done in the designing or merchandisers department.

(iv) **Sampling Department**

It is in the Sampling department that samples as per the designers and buyer’s style sheet are prepared and sent or shown to the buyer for final approval. This department has sufficient hangers and horizontal rods for the sample garments to be displayed to the buyer. This department consists of a Spreading table, a pattern making table, sewing tables and a cutting table.

4.5.1.5 **Production Department**

Full scale production of a garment begins only after the sample approval and confirmation from the buyer. This department is managed by a Production Manager. It consists of a fabric- spreading and cutting department, an embroidery department, a stitching department, and a finishing department. The first stage in full scale garment production is the marker planning and approval. Depending upon fabric and the size of the garment, the pattern master proceeds with marker planning, keeping the
wastage and consumption in mind and awaits the merchandiser’s approval regarding the adjustment of the pattern on the fabric. After the pattern is made and the marker approval is finalized, cutting of the fabric begins. If the buyer requests for some kind of embroidery on the garment, the fabric is then sent to the embroidery department for the required embellishment. Many Export firm’s have a washing and processing department where the ready garments are processed further if required and washed before being tagged, pressed and packed. The Production department is divided into;

A) **Spreading and Cutting Department**

After the fabric is procured, it is washed and relaxed after which it is spread equally and then the appropriate cutting is done. The cutting master along with the patter maker and merchandiser decide the most efficient technique keeping in mind minimal wastage.

B) **Embroidery Department**

After the cutting is done, the fabric is sent to the embroidery department that is only if the importer has asked for some embroidery / embellishment to be done upon the fabric.

C) **Stitching Department**

This is the department where the fabric is stitched and a garment par excellence is manufactured. The skilled tailors and masters of the stitching department are seated in a line assembly kind of arrangement. There are different job workers and checkers for each stage of the garment manufacture.
D) **Finishing Department**

This is the department which takes care of the final finish of the garment. The ready garment must have an impeccable finish, especially when it is to be exported to another country. The final product helps an exporter built up his clientele. The Finishing department consists of;

- a) Sorting Tables/ Room
- b) Thread Removal Tables
- c) Washing / Stain Removing Department
- d) Checking Department
- e) Ironing Table/Room
- f) Tagging Table/Room
- g) Final Inspection Table/Room
- h) Packing Room/ Section

E) **Machine Maintenance Department**

There are numerous machines which are used in a garment manufacture/ export firm. These machines have to be well maintained in order to facilitate constant productivity. Many large export houses have an in house machine maintenance department which is managed by a machine maintenance manager and a few workers who immediately attend to any mechanical problem likely to arise during the flow of production.
4.5.1.6 Logistics Department

This department takes care of the storage of the ready product, freight and forwarding of the consignment. This department is managed by a Store Keeper. A big export firm generally has its own Forwarding agent however in the absence of an in-house agent, an external licensed Clearing Agent is usually appointed, to clear the goods through the excise and customs department. The major garment export houses have their own warehouse facility, the smaller players rent such facilities at a nominal charge.

Fig. 4.3 illustrates the working of various departments in a readymade garment manufacturing firm.

4.5.2 Nature of the Readymade Garment Business

Readymade Garment export trade comprises Readymade Garment Manufacturer Exporters, Merchant Exporters, Sub-Contracting Manufacturer Exporters and Indenting Agents. Indenting agents do not manufacture the garments, they merely source it from known small scale geographically scattered manufacturers. The production in some manufacturing units is carried on solely for exports. These are the 100% export oriented Readymade Garment firms. The Sub-contracting manufacturing exporters commence production as per the requirements of their clients, who usually are the big brands from the developed nations. The nature of the readymade garment exporters is presented in Table 4.1
Fig 4.3

Working of an Export Firm
Table 4.1
Percentage analysis of the Nature of Business with reference to the Readymade Garment Export Units in Mumbai

<table>
<thead>
<tr>
<th>Nature of Business</th>
<th>Percentage (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readymade Garment Manufacturer Exporter</td>
<td>50.0</td>
</tr>
<tr>
<td>Merchant Exporter</td>
<td>34.3</td>
</tr>
<tr>
<td>Sub-Contracting Manufacturer (100% Export)</td>
<td>12.7</td>
</tr>
<tr>
<td>Indenting Agent</td>
<td>3.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
</tr>
</tbody>
</table>

It can be seen from Table 4.1 that, the Readymade Garment Manufacturer Exporters comprise of about 50 % of the total Apparel Exporters interviewed in Mumbai. Merchant exporters constitute 34.3 %, Sub-Contracting manufacturer exporters comprise 12.7 % whereas Indenting agents constitute a mere 3 % of the total Apparel Exporters interviewed.

4.5.3 Types of Ownership

The most common types of ownership pertaining to Readymade garment export business' are the Proprietary concerns, Partnership firms and the Private Limited Companies. Table 4.2 shows the percentage trend of the types of ownership pertaining to the readymade garment exporters in Mumbai.
Table 4.2

Percentage trend of the Types of Business Ownership amongst the selected group of Readymade Garment Exporters of Mumbai

<table>
<thead>
<tr>
<th>Types of Ownership</th>
<th>Readymade Garment Manufacturer Exporter (%)</th>
<th>Sub-Contracting Manufacturer Exporter (%)</th>
<th>Merchant Exporter (%)</th>
<th>Indenting Agent (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Proprietary Concern</td>
<td>25.5</td>
<td>2.9</td>
<td>17.6</td>
<td>2</td>
</tr>
<tr>
<td>Partnership</td>
<td>14.7</td>
<td>3.9</td>
<td>11.8</td>
<td>-</td>
</tr>
<tr>
<td>Private Limited.</td>
<td>9.8</td>
<td>5.9</td>
<td>4.9</td>
<td>1</td>
</tr>
</tbody>
</table>

It also reveals that the Indenting agents with Private Limited standing are scarce with just 1% of the exporters, as compared to the 9.8% of the readymade garment manufacturer exporters holding Private Limited companies. Further, this table highlights that 50% respondents were readymade garment manufacturer exporters. Out of these, 25.5% and 14.7% are Proprietary concerns and Partnership establishments. 12.7% were sub-contracting manufacturer exporters indicating their ownership as 2.9% of Proprietary concerns, 3.9% of Partnership establishments and 5.9% of Private Limited companies respectively.

It is surprising to note that more than 34% of the merchant exporters participated in the export of readymade garment business with UAE. Their ownership structure consisted of 17.6% Proprietary concerns, 11.8% Partnership establishments and 4.9% Private Ltd. companies. Thus, the ownership structure of the readymade garment exporters as pointed out in Table 4.2 is as under;
1. 48% exporters are Proprietary (Sole Trading) concerns,
2. 30.4% exporters are Partnership establishments,
3. 21.6% exporters are Private Limited companies
4. Proprietary (Sole Trading) and Partnership kind of ownership together constitute more than 78% which make them the majority in the non-company structure of ownership.

4.5.4 **Brand Name and Standardization on the basis of Quality Management System along with ISO Accreditation**

Brand name is a licensed proprietary name which publicly differentiates and distinguishes a product from the competitors. In the field of readymade garment exports, garments are manufactured as per the demand and requirement of the importing clients. Many a times the manufacture is on the basis of sub-contracts wherein the job is for a famous brand. The sub-contracting garment manufacturers do not export their garments under a brand name since they are given sub contracts by well known international brands to manufacture the garments as per the requirement of the client.

Most of the well known brands source their garments from other countries due to various socio-economic factors. Most of the Readymade Garment Manufacturer Exporters and Merchant Exporters export their garments under a brand name. When the production is for the local as well as the international market, the manufacturers assign a brand name to their garments which distinguish it from their competitors in the local as well as international markets. The relationship between brand name and the export of readymade garment from India to UAE is presented in Table 4.3.
Table 4.3

Percentage of the use of brand names by the Readymade Garment Export Units in Mumbai

<table>
<thead>
<tr>
<th>Nature of Business</th>
<th>Percentage of exporters who use a brand name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Readymade Garment Manufacturing Exporter</td>
<td>38.2 %</td>
</tr>
<tr>
<td>Merchant Exporter</td>
<td>13.7 %</td>
</tr>
<tr>
<td>Sub-Contracting Manufacturer (100% Export)</td>
<td>-</td>
</tr>
<tr>
<td>Indenting Agent</td>
<td>-</td>
</tr>
</tbody>
</table>

| Percentage of Readymade garment exporters in Mumbai, who export under a brand name | 51.9% |
| Percentage of Readymade Garment Exporters who do not export under a brand name     | 48.1% |
| Total                                                                               | 100%  |

Table 4.3 shows that the percentage of exporters who market their garments under a brand name. 38.2% of the Readymade Garment manufacturer exporters use a brand name to make themselves distinct from the rest as compared to 13.7% of the Merchant exporters.

A quality management system is a comprehensive set of documented policies, procedures and processes that comprise management's commitment to product and service quality in all their activities. Many readymade garment export firms have attempted to inject quality into their items by the use of quality control programs.
Quality is built into a product by the use of a quality management system that assures all activities associated with product quality (design, manufacturing, production, purchasing, quality control, packaging, handling, and storage, shipping and servicing) are appropriately managed and controlled.

ISO ("isos" is the Greek word for "equal" or "same") is a term created by the International Organization for Standardization to denote standards. The organization's objective is to promote the development of worldwide standards, for the purpose of improved operating efficiency, improved productivity, and reduced costs. Over 100 countries are actively involved in the development of worldwide standards for the purpose of improved operating efficiency, improved productivity, quality and reduced costs across international borders. In India, the ISO trend has yet to gain pace. The big players of the Garment Industry have understood the importance of global accreditation and hence have adopted the same; however the medium sized garment exporters have still to venture into the domain of quality management systems. As per the field work conducted, the number of readymade garment exporters having accreditation from the International Organization for Standardization is negligible. 11.2% of the garment exporters interviewed from Mumbai have some kind of ISO certification. ISO certification enhances an exporter's trade prospects especially when the importing country is highly quality conscious. ISO 9000 standards imply a set of rules for manufacturing a product or for a service which ensure the best quality practices. The ISO 9000 series vary as per the process involved in production. Apart from the ISO 9000 series, there are various other types of standardization series.
4.5.5 **Labeling, Tagging, Marking, Packing and Packaging**

Once the goods are manufactured or procured, the next step is to get the consignment ready for shipment. This involves labeling, packaging, packing and marking of export consignments. Labeling requirements differ from country to country and the same should be ascertained well in advance from the buyer. As English is the universal language, most of the labeling and tagging is in English, however there can be exceptions. In the United Arab Emirates it isn't mandatory for the labeling to be in Arabic, however a label with English as well as Arabic details is always impressive and depicts the seriousness of the exporter to penetrate the foreign market. The label should indicate quality, quantity, method of use etc. Special international care labels have been specified for the textile items for example instructions as to at what temperature the fabric should be ironed, whether it needs to be dry cleaned etc. Labels can be merely Brand labels where only the brand name appears on the garment or Informative labels where use, care, size, price and performance are mentioned or then Grade labels where by a certain grade is allotted to the particular pattern, size and quality of the garment.

Packaging fulfills a vital role in helping to deliver the garment exports to the overseas market in top condition, as well as in presenting your goods to the overseas buyer in an attractive way. While packaging, quality should not be compromised merely to cut down costs, packaging should also be in conformity with the instructions issued by the importer. Packing refers to the protective manner in which the garment is wrapped up safely, in the external cartons to be transported to the buyer. When outer clothing is shipped in folding cartons, it is essential, particularly for higher quality goods, that the folding cartons be lined with tissue paper or the like,
and the individual items be secured and interlayer used. The cartons meant for readymade garments consist of wet strength corrugated board.

The shape of packing cases play a very important role in packing the cargo, and the nature of packing material to be used depend upon the garment items exported. The consolidated statement of contents for a number of case is called the Packing List, which should be prepared in the prescribed standardized format Prior to packing and sealing the goods, it should be ensured that all the contents of the consignment are properly placed in the case and then the packing list be prepared so that the buyer, the Customs authorities and the Insurance authorities can easily check the contents of each and every case.

Garment containers are best suited to transport items of clothing, as they provide maximum protection against creasing, dust and dirt. Garment containers have bars for hanging up items of clothing on coat-hangers. The bars are generally anchored in perforated rails in the walls. The coat-hangers are secured by special clips. A horizontally open able curtain is located between the door and the inside. The wooden floor is impregnated and lined with floor covering (carpet).

In damp weather (rain, snow), the cargo must be protected from moisture, since garments are strongly hygroscopic and readily absorb moisture. Excessively low temperatures result in loss of strength. Excessively high temperatures result from solar radiation, for example, or from stowage too close to heat sources (heated tanks etc.) and not only lead to an increase in the risk from pests and microorganisms but also have a significant impact on the physical characteristics of the fibers, which may no longer comply with tolerance limits with regard to strength, elongation, shrinkage,
crease tendency, electrical conductivity and brittleness. Synthetic materials may even
develop permanent creases.

Excessively high humidity levels and seawater, rain and condensation water may cause mustiness, mildew stains and mold growth and increase levels of insect infestation. Rust stains may arise as a result of the corrosion of metal strapping. Natural fibers converted into woven fabrics have a high swelling index, caused by their histological microstructure. This has a significant effect on the physical characteristics of the fibers, such as strength, elongation, creasing tendency and electrical conductivity.

Fig. 4.4 illustrates a sample of the packing process and the symbols used for the shipment of Readymade garments.

Ready-made garments at times, release a slightly unpleasant odor. Since they are generally treated with impregnating and finishing agents, they should as a precaution not be stowed together with odor-sensitive goods. Garments are sensitive to mechanical stresses. Excessively thin plastic covers may tear if stowed too tightly and form chafing points, which cause undesirable pilling or snagging of the surface of the fabric. The coat-hangers must therefore be properly secured (clips) and the items of clothing adequately wrapped to protect them from rubbing together/chafing.

Marking means to mark the address, number of packages etc. on the packets. It is essential for identification purpose and should provide information on exporters' mark, port of destination, place of destination, order number and date, gross, net and tare weight and handling instructions. It is advisable to ensure that while marking, the
Fig 4.4

Packing Trends and Symbols used for the Shipment of Readymade Garments
Fig 4.5

Some of the Sample Tags used for Readymade Garment Exports by the Exporters

Handloom nature:
* Slubs, staple yarns, mild shade variations & uneven weaving are natural characteristics of handloom & not a defect.
* Normal shrinkage of 5% is likely.

Kashmiri represents a unique Indian identity. It’s a celebration of culture, art, craft and fashion. Its intricate embroidery and delicate stitching make it an example of fine craftsmanship. A rare blend of traditional art and modern outlook. Handcrafted by skilled experts, Kashmiri is more than just traditional fashion made modern. It’s a celebration of Indianess.

Twist Dry
Important: Twist gently by hand in line with pleats, leave twisted and lay flat to dry. DO NOT IRON.

CAUTION
IT IS CHARACTERISTIC OF THIS FABRIC TO FADE. PLEASE WASH SEPARATELY. COLOUR MAY TRANSFER ONTO OTHER GARMENTS OR UPHOLSTERY. PLEASE AVOID CONTACT WITH WHITE OR LIGHT COLOURED SURFACES.

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law of the importers country is duly complied with. Markings can be either Shipping Marks or Marks of Origin which clearly state the place of origin.

All shipping cases should be marked a number with special symbols selected by the exporters or the importers, so that the competitors cannot find out the details of the customers and the country of destination. Care should also be taken to ensure that the marking conforms to those written in the invoice, insurance certificate, bill of lading and other documents.

Fig. 4.5 illustrates the different types of tags used for readymade garment exports. The tags consist of fabric care, price and country of origin.

4.5.6 Methods of Payments

The terms of trade for the readymade garment export firms vary as per the size of the organization and the goodwill in the market. Terms of trade are on the basis of cash or credit. The working of most readymade garment export organizations are on the basis of credit which varies from 30 days to 90 days. The Letter of Credit (L/C) is the most favored method of payment amongst the readymade garment exporters as it is much more secure and fast as compared to the others methods of payment.

4.5.6.1 Letter of Credit (L/C)

A Letter of Credit is a kind of an undertaking, by the importer's bank, stating that the payment will be made to the exporter if the required documents are presented to the bank within the validity of the Letter of Credit. L/C's are of many types, the most common ones for example are, the Revocable or Irrevocable, Confirmed or Unconfirmed, Transferable or Non-Transferable, Fixed or revolving, Clean or
Credit is the most preferred method of payment in foreign trade as it considerably reduces the risk of bad debts and avoids blocking of funds.

### 4.5.6.2 Documentary Bills (D/A, D/P)

Documentary bills refer to the submission of crucial documents such as a bill of lading, invoice and marine insurance policy along with the bill of exchange, by the exporter, to his bank. The two basic types of documentary bills are; Documents against Payment (D/P) and Documents against Acceptance (D/A). Under D/P, the documents are released to the importer against payment whereas in D/A, the documents are released against acceptance of a time draft for which credit is allowed for a certain period. The exporter can discount the bill with the negotiating bank and avail his funds.

### 4.5.6.3 Payment in Advance

According to this method of payment, the exporter either bears a partial or totally no risk of bad debts as he gets a partial or full payment in advance. When partial payment is made to the exporter, a certain percent is paid in advance and the balance is paid on delivery. This is the most appropriate method of payment when the buyers credit worthiness is unknown.

### 4.5.6.4 Open Account

When the mode of payment is via open account, the garment exporter sends the documents of title of the goods to the importer along with his invoice and then waits for the payment. In the absence of a credit clause, the importer is likely to make
waits for the payment. In the absence of a credit clause, the importer is likely to make the payment immediately. This method of payment is suitable when the exporter is confident regarding the buyer/client’s financial reputation.

4.5.6.5 Payment against Shipping or Consignment

The risk involved under this method of payment is very high. The exporter supplies the goods to the overseas consignee/agent without giving up the title as the payment is made only when the goods are ultimately sold by the overseas consignee. Apart from the risk involved, the cost incurred is equally high due to the commission to be paid to the consignee and the other preliminary charges. Prior approval from the Exchange Control Department of the Reserve Bank of India is mandatory, under this method of payment. An outline of the methods of payment used by the different types of readymade garment exporters is presented in Table 4.4

<table>
<thead>
<tr>
<th>Methods of Payment</th>
<th>Readymade Garment Manufacturing Exporter (%)</th>
<th>Merchant Exporter (%)</th>
<th>Sub-Contracting (RMG) Manufacturing Exporter (%)</th>
<th>Indenting Agent (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Letter of Credit</td>
<td>44</td>
<td>27.4</td>
<td>2.9</td>
<td>1</td>
<td>74.4</td>
</tr>
<tr>
<td>Documentary Bills (D/P or D/A)</td>
<td>4.9</td>
<td>5.9</td>
<td>2</td>
<td>1</td>
<td>13.8</td>
</tr>
<tr>
<td>Payment in Advance</td>
<td>1</td>
<td>1</td>
<td>5.9</td>
<td>-</td>
<td>07.9</td>
</tr>
<tr>
<td>Open Account</td>
<td>-</td>
<td>-</td>
<td>2</td>
<td>1</td>
<td>03.0</td>
</tr>
<tr>
<td>Payment against Shipment or Consignment</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 4.4 shows that the percentage of the methods of payment adapted by the readymade garment exporters in Mumbai. The table shows that Letter of Credit is the most favored mode of payment for most exporters which is to the extent of 74.4% as compared to 13.8% of the exporters who opt for Documentary bills, 7.9% of the exporters prefer Payment in Advance as they have doubts regarding the credit worthiness of the importers from the United Arab Emirates and the remaining 3% who prefer an Open account. Payment against shipment or consignment method of payment is negligible with an exception of a few Indenting agents.

4.6 Conclusion

On the basis of the assessment of primary data from the organizational nature and structure of the readymade garment export business in India, it can be concluded;

1. Developing an Export Plan is the first step in setting up an international readymade garment business in order to produce readymade garments, which basically constitutes ten steps, namely-

   a) Export Potential
   b) Market and Marketing Research
   c) Export Strategy
   d) Pricing
   e) Logistics and Transportation
   f) Trade Barriers
   g) International Law, Rules and Regulations
   h) Financial Analysis
i) Risk Management and  
j) Plan Implementation

2. At least Twenty integrated stages are observed in the production procedure of Readymade garment export firms/units.

3. The six basic types of machinery used in a readymade garment industry consists of
   a) Cutting Machines
   b) Fusing Machines
   c) Sewing Machines
   d) Pressing Machines
   e) Processing Machines and
   f) Finishing Machines.

4. Preliminary documentation for the readymade garment exports from India to UAE as well as documentation for the import of readymade garments in UAE comprises one of the basic requirement for trade in readymade garments, between India and UAE.

5. Regarding the organization, nature and structure of the readymade garment export business from India to UAE;

   a) Majority (48%) of the readymade garment exporters from India to UAE hold Sole Trading/ Proprietary concerns. On the other hand, 30.4% of the readymade
garment exporters, exporting from India to UAE have partnership kind of ownership structure whereas 21.6% of the readymade garment exporters hold Private Limited Companies.

b) The nature of the readymade garment business shows that readymade garment manufacturer exporters, merchant exporters, sub-contracting manufacturers comprises to the extent of 50%, 34.3% and 12.7% respectively.

c) The relationship between brand name and export of readymade garment from India to UAE reveals that 38.7% of the garment exporters and 13.7% of the merchant exporters use a brand name, together 51.9% exporters use a brand name. In other words, 48.1% of the exporters do not use a brand name as an exporting strategy for readymade garment exports from India to UAE.

d) There is large scale modification in packing, labeling and tagging. It is changing at a faster rate as compared to the era of 70’s and 80’s. The Mumbai exporters are keeping pace with the new trends in packing, tagging and labeling while exporting to UAE and other parts of the globe.

e) Regarding the methods of payment adopted by the readymade garment exporters from India to UAE, it has been observed that the Letter of Credit (L/C) is the most favored mode of payment to the extent of 74.4%, for most RMG exporters as compared to 13.8% of the same who opt for Documentary bills and 7.9% who prefer Payment in Advance respectively.