CHAPTER - II

2.1 INTRODUCTION

India’s textile and clothing industry is one of the mainstays of the national economy. It is also one of the largest contributing sectors of India’s exports worldwide. The vision statement for the textile industry for the 11th Five Year Plan (2007-12), inter-alia, envisages India securing a 7 per cent share in the global textiles trade by 2012. At current prices the Indian textile industry is pegged at US$ 55 billion, 64 per cent of which has domestic demand. The textile industry accounts for 14 per cent GDP, employs 35 million people and accounts for nearly 12 per cent share of the country’s total export basket. RMG account for around 45 per cent of the total textile exports.¹

2.2 AN OVERVIEW OF RMG INDUSTRY:

The RMG industry is growing day by day due to changes of fashion in day to day life. The RMG industry in India owes its existence to the emergence of a highly profitable market for exports. The domestic demand has also been growing rapidly. With the changes in the life style since the onset of the liberalization, and given the

¹. Annual Report 2010-2011, Ministry of Textiles
base of the industry for the overseas market, Indian garments industry has taken big strides. The entry of the Indian and global fashion designers has stimulated the market further. In the past, the ready-mades’ market was confined mainly to baby dresses and small manila-shirts and dress shirts. Now it has extended to trousers, suits, and women’s apparel, besides fashion garments for men and women. Ready-mades of specific brands have become not only a status symbol; these have brought a more contemporary style in offices as much as in social circles. Franchised boutiques have been established as tools for brand and image building.

The garments industry categorizes itself into many segments: formal wear and casual wear; women's dresses, men's and kids wear; suits, trousers, jackets and blazers; shirts, sportswear, T-shirts, denims, neckwear; undergarments, knitwear, saris. Denim is graded in clearly defined weight classes. Lightweight denim is used in shirts and blouses. Heavy classical denim is used to make trousers, jackets or coats.

The market segmentation by price differentials is notable: high-end for the affluent, medium priced for the core and high middle classes, low-end for the low and core middle class. The Indian branded garment market, which is estimated at
over Rs.185 billion, accounts for 25 per cent of the Rs.745 billion ready-mades market².

Following the entry of several new brands, the branded segment has grown at 25 per cent annually. This represents a shift from unbranded to the branded segment.

The Lead Players & Alliances in this sector globally includes Maxwell Apparel Ind., Lovable, USA, Page Apparel Mfg., Jokey Intl., USA, etc. Some of the major leading brands include Arrow, Allen Solly, Van Heusen, Louis Phillipe, Park Avenue, Zodiac, Lee, Excalibur, Flying Machine, Ruf'n Tuf, Newport, Peter England, Louis Straus, Stencil, Wrangler, Rod Lever and the like.

2.2.1 GARMENTING

‘Garmenting is the process of manufacturing RMG. It is the final link in the entire textile value chain, where processed fabrics are converted into ready-to-wear apparels. RMG include shirts, trousers, T-shirts, jeans, etc., for men, women, and kids, and ‘garment’ is used interchangeable with ‘apparel’. The domestic RMG industry is highly fragmented and dominated by unorganized players.

India has a 3.28 per cent share in world clothing trade. Over 40 per cent of India's garments exports consist of apparel.³ Globalisation and increasing purchasing

2. NIIR Project Report
power within the country have seen the fashion industry's growth at 35 per cent per annum. Among the various segments, women's wear has witnessed the fastest growth, reflecting the changing consumer base. More than a stand-alone sourcing opportunity, India is emerging as a regional sourcing hub. India is an important supplier of RMG and other suppliers like Sri Lanka and Bangladesh have helped in the emergence of South Asia as the most preferred sourcing hub for apparels of all types.

The fragmented processing facilities and the reservation within the garmenting industry had led to a highly fragmented garmenting industry in India. So far the Indian garment industry had successfully leveraged the flexibility offered by the small production units. But fragmentation has also led to lower productivity, lesser investment in technology, non-integrated supply chain and few industry leaders for reference points.

3. The Indian Garments Journal, May 2008 issue
2.2.2 MARKET SIZE

The Indian RMG industry can be classified into domestic and export segments. In 2010, the total expenditure on RMG in India was about Rs.1,219 million, whereas the industry’s turnover from export was about Rs.491 billion⁴.

2.2.2.1 Domestic Segment:

About 70 per cent of India’s total population still resides in rural areas and contributes nearly 55 per cent to the total RMG industry in value terms. On the other hand, though the urban population constitutes only 30 per cent of the total population, its contribution to the RMG industry is about 45 per cent in value terms. This is because penetration of RMG is higher in urban areas than rural areas. During 2005-2010 demand from the rural market grew higher at 7 per cent compounded annual growth rate (CAGR) as compared to a 5.3 percent growth in the urban market⁵.

Rural markets are becoming increasingly important for RMG manufacturers, as increasing penetration in these markets reduces their dependence on urban markets, where demand is typically dependent on growth in the manufacturing and services sectors as well as the state of financial markets. On the contrary, growth in

⁵. Ibid.
rural areas primarily stems from agriculture and government programmes such as National Rural Employment Guarantee Act (NREGA). After economic downturn of 2008-09, sales of key RMG categories like shirts, trousers, etc., in urban areas declined by about 5-7 per cent. Conversely, rural sales were unaffected, growing at 10-12 per cent

CRISIL Research Committee has presented data about urban and rural sales in RMG sector from 2005 to 2010, the details of which are presented in Table 2.1 and a pictorial representation is given in Chart 2.1.

6. Ibid.
TABLE 2.1

Urban and Rural Sales in RMG sector

<table>
<thead>
<tr>
<th>YEAR</th>
<th>URBAN (in Billion Rs.)</th>
<th>RURAL (in Billion Rs.)</th>
<th>TOTAL (in Billion Rs.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>431 ( - )</td>
<td>472 ( - )</td>
<td>903 ( - )</td>
</tr>
<tr>
<td>2006</td>
<td>457 (6.03%)</td>
<td>507 (7.42%)</td>
<td>964 (6.76%)</td>
</tr>
<tr>
<td>2007</td>
<td>492 (14.15%)</td>
<td>536 (13.56%)</td>
<td>1028 (13.84%)</td>
</tr>
<tr>
<td>2008</td>
<td>477 (10.67%)</td>
<td>566 (19.92%)</td>
<td>1043 (15.50%)</td>
</tr>
<tr>
<td>2009</td>
<td>514 (19.26%)</td>
<td>611 (29.45%)</td>
<td>1125 (24.59%)</td>
</tr>
<tr>
<td>2010</td>
<td>558 (29.47%)</td>
<td>661 (40.04%)</td>
<td>1219 (33.89%)</td>
</tr>
</tbody>
</table>

SOURCE: CRISIL Research; Textiles Committee, Govt. of India
It is evident from Table 2.1, considering 2005 as base year the sales in urban areas have increased by 29.47 per cent in 2010. The increase in rural sales accounted for 40.04 per cent and overall sales recorded an increase of 33.89 per cent\(^7\).

**CHART 2.1**

**URBAN AND RURAL SALES IN RMG SECTOR**

2.2.2.2 Men’s Wear dominates the domestic market

The domestic RMG market can be classified into men’s wear (RMG for males aged above 15 years), women’s wear (RMG for females above 15 years) and kids wear (RMG for children aged upto 15 years).

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\(^7\) Ibid.
The domestic RMG market is dominated by men’s apparel. According to CRISIL research’s estimates for 2010, men’s apparel accounted for 48 per cent of total domestic RMG market, while women’s wear contributed 39.7 per cent. Kids wear accounted for the balance.

2.2.2.3 Shirts - The Most Dominant Category in Men’s Wear

Within men’s wear, readymade shirts form the biggest category, as the penetration is the highest in this category. Men’s innerwear contributes 9.6 per cent to the total men’s RMG market.

2.2.2.4 Sarees - Strong in women’s wear

The women’s wear segment is much less penetrated and organised as compared to the men’s wear segment. Sarees had the highest share in women’s wear at 39.7 per cent in 2010, while women’s lingerie (inner wear) contributed 15.3 per cent. Saree, salwar kameez and lingerie together contributed about 75.7 per cent of total women’s wear.

2.2.3 Indian Readymade Apparel Market

Despite substantial growth, compared to the international RMG market of nearly 183million US$, the Indian RMG market is still in a budding phase. Due to

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8. Ibid.
the higher introduction cost of brand in India for the foreign players, domestic players have no fear of any outside competition. The main obstacle to the organized players is the huge unorganized scenario of the market. In a move to compete, the organized players have rolled out their own strategy of standardizing the goods. The brands introduced by these major textile players hold much intrinsic power and are high on quality and pricing factors. They present the inheritance and consultancy in the garment piece.

Siyaram's is venturing into RMG to grip the continuously changing fashion trends. It is becoming a prominent designer of men’s RMG and accessories from fabric manufacturer. The two major unique selling points of Siyaram's brand, Monday to Sunday Dressing would be the widespread 30,000 retail outlets, where it is selling fabrics and second, the fabric quality that Siyaram's has, which guarantees that the buyer gets the high quality at a cheaper price.

In accordance of its venture into men's readymade clothing line, Siyaram's Monday to Sunday Dressing would include casuals, semi-formals, formals, club wear in the middle and premium segments, targeting the youth.

The leader in the suiting segment, S. Kumar’s Nationwide Limited (SKNL) is the newest enterprise to join the race. It has launched a brand, "Belmonte". The exclusivity of the brand is that it is the only brand in the economy section, which
brings both fabric and RMG under a single label. The brand targets the young group. The brand offers a wide range of styles with perfect fitting.

The other growing strategy major textile players adopted is ‘Acquisition’. Many companies have used his strategy to dive into RMG segment. Raymond's acquired ColorPlus to jump in casual-wear, adding brands like Raymond’s, Parx and Park Avenue. Opting the similar strategy, Indian Rayon acquired garments division of Madura Coats, “Madura Garments” and entered the luring apparels market with the successful brands like Van Heusen, Allen Solly, Peter England and Louis Philippe. Textile leader, Bombay Dyeing also gets hold of Proline to dive in the sportswear segment, as well as adding Vivaldi range to its formal menswear.

The above initiatives taken by the major brands depict that the textile players now started opting strategies to mark their presence in the RMG segment. Their sheer benefits laze in substantial production capacities, which can launch new products in minimum lead-time, offering high quality.

Though the smaller players in the unorganized market are in a more advantageous situation, in the long run they might loose out. Small players face problems such as smaller market, limited capacity, inadequate logistic and strength and insufficient funds.
Involving in foreign collaborations was another milestone in this sector. Textile Companies based in Rajasthan, Banswara Syntex shake hands with French readymade apparels major Carreman. It is a joint venture initiative with Carreman Michel Thierry. The joint venture company is called “Carreman Fabrics India”.

Dwarka Das Agarwal ventured in the luring exclusive menswear segment in 1998, with casual brand TNG. Many brands, such as Blackberrys, Freelook, Biba, Stori, Essence, Moustache, Natalia, Shapes, Ruff Kids, Koutons, LFC, Upper Class etc. are performing well in the cut throat competition in the RMG. A Hyderabad based player, Priyadarshini Spinning foray the RMG segment by establishing a shirt manufacturing unit at the Garment Park in Hyderabad. It is also collaborating with local and international players for marketing its shirts range.

Creation and focusing in the value chain strengthens the smaller players. The main factors where the brands need more concentration are designing, production, quality and merchandising. But, designing is the most significant of the value chain, which requires maximum focus. The merchandising is a noteworthy factor stage for the smaller players, as involvement, creation and fabric selection adds value to the creation. The retailing is also an important factor for the smaller players. They may face problem if their merchandize remains for long on retail shelves, since the value of the fashion drops, resulting increase in inventory costs.
At present, the buyers of RMG segment are aware of the running trends, and demand the newest in fashion and products at a reasonable cost. At the front position of this evolution are the smaller players, which private labels that are thoroughly transforming the dressing way of men, women and children. With the supply chain limitations eased, the RMG segment has become more lucrative.

2.2.4 Export Segment:

The garments industry has been a pioneer industry in India. India’s industrialisation in other fields has mainly been achieved on the back of the resources generated by this industry. However, from the early seventies to the introduction of liberalisation in 1992, the industry was neglected, as measures taken by the Government with the apparent objective of protecting the cotton growers and the large labour force have continuously eroded its profitability.

2.2.5 Technical Progress & Structural Changes in Garments Industry

Indian garments industry is the second largest in the world. For the Indian economy, the garments industry accounts for 20 per cent of its industrial production employing over 15 million people. About 30 per cent of India’s export basket consists of garments making them the largest contributors.

The industry has the right potential and a great challenge ahead. It is worth noting that China, Hong Kong, South Korea and Taiwan have registered their
presence significantly in the world garments market through conscious efforts while they continued to globalise their garments economy.

Global RMG exports have experienced extraordinarily high rates of growth, along with the continual entry of new suppliers. Global export of textiles and RMG exceeds US $ 300 billion\(^9\) per year, over one-third of which is accounted for by developing countries. Growth was particularly vivid in China with exports increasing several times over previous years. China exports textiles and RMG to Mexico, Turkey, Mauritius, Jamaica, and to few countries of East and South-East Asia.

Until the end of the 1980s the top four garment exporters were Hong Kong, Italy, Republic of Korea, and Taiwan. China emerged as a leading exporter in the second half of the 1980s and becomes Numero Uno in the world at present. In 1995 China and Hong Kong together had a share of 21.2 per cent of the world markets, and they pose a formidable challenge to other developing countries.

The United States and the EU together imported more than 70 per cent of world's clothing imports in 1996. In that year the United States and the EU imported clothing worth $43.3 billion and $80.9 billion respectively.

China is the largest garment exporter in the world and its share in the world garment exports amount to 20 per cent. Several developing countries such as India, Thailand, Bangladesh, Indonesia, Sri Lanka, Pakistan, East European countries and Turkey are all becoming sizeable producers of RMG.

Experts believe that the 2004 phase out of apparel export quotas currently in place under the multi-fiber agreement (MFA), garment manufacturing will shift to China at such a scale that it will become the producer of half the world's garments by the end of 2005.

Globalisation has brought opportunities for Indian garments industry. At the same time it is also exposed to threats, particularly from cheap imported fabrics. Thus, the industry has to fight for its share in international garments trade. Even if it is assumed that WTO will mean better distribution of the world trade, in no way will it be free for all and only the fittest will survive. The WTO benefits for India will not be any different from that of the other developing countries. Indian garments industry should not only rely on its strengths, but should also endeavour to remove its weakness.
2.2.6 Milestones of Global exports of RMG (RMG)

Global exports of RMG during 2007-08 were of the order of US $ 9.07 Billion, which increased to US $ 10.38 Billion during 2008-09 but declined by 3 per cent to US $ 10.04 Billion in 2009-10\(^\text{10}\).

Exports of RMG during April September, 2010 were of the order of US$ 4735.07 Million as against US$ 5010.57 Million during the same period last year, indicating a decline of over 5.50 per cent in US$ terms.

EU was the biggest destination for RMG exports, with over US $ 5.2 Billion worth of exports during the year ending March, 2010. However, there was a decline of over 3 per cent compared to exports in 2008-09.

US was the second biggest destination for RMG, with exports of US $ 2.6 Billion, though there was a decline of around 2 per cent compared to the preceding financial year.

UAE was the third biggest destination with around a Billion dollar worth of exports to that group.

Considerable appreciation of RMG exports was seen in South Africa, Singapore, Australia, Malaysia, Kuwait and Brazil.

\(^{10}\) Annual Report 2010-2011, Ministry of Textiles, Govt. of India.
2.2.7 Business Integration:

Business integration - especially forward integration -- by the larger garments companies has been prominent among Indian companies. Several companies that are engaged in fabric manufacturing, are keen to enter the RMG sector. Most of the large garments companies have opted for an inorganic growth strategy to scale up operations. Acquisition is the most logical step towards integrating operations and building the value chain. Some domestic acquisitions that have been executed include KSL & Industries’ acquisition of Deccan Cooperative, and Ambattur Clothing taking over Celebrity Fashions. Another growing phenomenon observed among Indian garments companies is the setting up of manufacturing facilities in strategic regions outside India, where they can avail of duty concessions and reduce export lead-time. Zodiac and Ambattur Clothing have set up facilities in the Gulf region to cut down on export delivery schedules to the European and US markets. Raymond’s has set up a unit in Bangladesh to avail of the zero duty access to the EU.

This trend is seen primarily among the large domestic players, who are trying to achieve sizable scales in order to win orders from the large retailers in the US and EU. Global retailers prefer large-sized companies that can scale up capacities consistently, keep up with delivery schedules and meet their growing demand. They have clear preferences for companies with integrated design, process and manufacturing facilities.
An interesting commonality in countries with successful garment exports is that they have a much lower level of sub-contracting than India. A study during the 1990s found that apparel firms in India subcontracted 74% of their output, as compared to only 11% in Hong Kong, 18% in China, 20% in Thailand, 28% in South Korea and 36% in Taiwan. Consequently, these countries have a wider base of exports and have done very well in the market for large volumes of uniform products.\footnote{Future Outlook, vol. XXXIII} The details of acquisitions are presented in Table 2.4.
## TABLE 2.2

**Foreign Acquisitions by Indian Garments Companies**

<table>
<thead>
<tr>
<th>Period</th>
<th>Acquirer</th>
<th>Acquired company</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 2001</td>
<td>Arvind Mills</td>
<td>Licence of ‘Healthtex Kidswear Brand of Vf Corpn. (USA)</td>
</tr>
<tr>
<td>June 2001</td>
<td>Ambattur Clothing</td>
<td>Colourplus (UK)</td>
</tr>
<tr>
<td>September 2001</td>
<td>Raymonds</td>
<td>Regency Texteis Portuguesa Limitada (Portugal)</td>
</tr>
<tr>
<td>September 2003</td>
<td>Jindal</td>
<td>Polyester Rexor Group (France)</td>
</tr>
<tr>
<td>December 2004</td>
<td>JCT Ltd</td>
<td>CNL Malaysia (Synegal)</td>
</tr>
<tr>
<td>May 2005</td>
<td>Reliance Group</td>
<td>ICI Pakistan Ltd (Pakistan)</td>
</tr>
<tr>
<td>June 2005</td>
<td>Zodiac Clothing</td>
<td>Shirting Company located in Alqoze Industrial Area (Dubai)</td>
</tr>
<tr>
<td>December 2005</td>
<td>GHCL</td>
<td>Dan River (USA)</td>
</tr>
<tr>
<td>May 2006</td>
<td>Malwa Industries</td>
<td>Emmetre Tintolavanderie Industrial (Italy)</td>
</tr>
<tr>
<td>May 2006</td>
<td>Malwa Industries</td>
<td>Third Dimension Apparels (Italy)</td>
</tr>
</tbody>
</table>
2.3 RMG INDUSTRY IN TAMIL NADU

The RMG Industry has grown rapidly in Tamilnadu over the past 10 years. Tamilnadu especially the region around Chennai, and the Madras Export Processing Zone is one of the country’s growing hubs in garments products along with Mumbai, Delhi and Kolkata. In Tamilnadu the RMG industry has spread over in Chennai, Tirupur, Coimbatore, Madurai, etc.

The main reason for this rapid growth in Tamilnadu was the spinning mills that have invested their surplus from the spinning boom of the early 1990s into higher –value added segments such as garments. Moreover, the investors are new, first time players, who took advantage of the garment’s erstwhile policy of reserving garments for exclusive production by small firms to get into a new and potentially lucrative market. The flow of funds from States outside Tamilnadu by the entrepreneurs who entered into the garments business was also another significant reason for this growth. Some of the capital in the garments sector was from

<table>
<thead>
<tr>
<th>July 2006</th>
<th>Welspun India</th>
<th>CHT Holding (UK)</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 2006</td>
<td>Spentex Industries</td>
<td>Tashkent-To’yetpa Tekstil Ltd (Uzbek)</td>
</tr>
<tr>
<td>July 2006</td>
<td>GHCL</td>
<td>Rosebys (UK)</td>
</tr>
</tbody>
</table>

Source: D&B Research
overseas, such as the Hong-Kong based ten equity firms in the Madras Export Processing Zone, and IKEA’s new investments in made-ups near Karur.

2.4 RMG INDUSTRY IN TIRUPUR

Tirupur is a star city with many first and best to its credit. Tirupur is an important trade centre of India. It is situated near Coimbatore, “the Manchester of South India.” It is known by various other names such as “Dollar City”, ‘Knit City”, “Cotton City” and mainly a hosiery centre. Tirupur is the “Knitwear City” of India. Tirupur contributes a huge amount of foreign exchange to India by its voluminous business. Tirupur has gained universal recognition as the leading source of hosiery knitted garments, casual wear and sportswear. The city accounts for 90 per cent of India’s cotton knitwear export, worth US$ 1 billion. Tirupur is basically a traditional centre of cotton ginning.

Although Tirupur is a small city compared to Coimbatore, it is the centre of Tamilnadu cotton knitwear industry and successfully markets its products in India and overseas. It is called the Knit city of India as it caters to famous brands and retailers from all over the world. Nearly every international knitwear brand in the world has a strong production share from Tirupur. It had a wide range of factories which export all type of knit fabrics and supply garments for kids, ladies, men’s garments - both underwear and tops. The city provides employment to about 300,000 people. Tirupur popularly known as a banian factory town of South India has come a
long way, from a small cotton marketing centre with a few ginning factories, to become a prominent cluster of small manufacturing enterprises gainfully engaged in a production and export of a range of knitted apparel.

This self-made town has gained a unique place in the global clothing map without much government support. Hard work, ability to adapt to changing business trends and passion for growth are the reasons for the success story.

A notable feature of the industry in Tirupur is its organisation of household workshop started mostly by owned funds by enterprising individuals. By virtue of having spent a lifetime in industry, the entrepreneurs have developed highly specialised skills and aptitudes, which have helped to seize the quota, generated opportunities of supply to overseas demand.

From being producers of basic knit garments of the lower end of the domestic market, Tirupur knitwear cluster has become manufacturers in diverse field such as production of T-shirts, polo shirts, sportswear, sweat shirts and the like.

Tirupur knitting industry is predominantly cotton based and CMT oriented. They do only stitching and finishing, outsourcing, knitting and processing facilities. The industry’s core strength lies in the rich raw materials base and skilled man power resource. As there are mills manufacturing hosiery and located near Tirupur, there
has been virtually no problem in sourcing the raw material without having to block funds in large inventories.

Around the knitting industry has sprung a large number of ancillary industrial units manufacturing elastic taps, zips, buttons, cartons, printed labels and other packing materials. The notable features of the knitting industry are that the majority of the units are in the form of sole proprietorship or partnership form of organisation controlled and directed by family management.

The knitwear industry in Tirupur has concentrated mainly on the production of garments for spring and summer season. Of late the industry has diversified its production range to include weather garments using polar fleece and blended fabrics. As cotton garments are meant for only spring and summer seasons which are short-lived in Europe and western countries, the industry has to take up production of winter garments which have year round demand in the international market.

2.4.1 RMG Exports from Tirupur

The garment manufacturing and export activities in India are mainly located in Delhi, Chennai, Tirupur, Jaipur and Ludhiana. The bulk exports are made to the USA, the EU, Australia, Canada and Norway. Mill-made garments constitute the bulk of Indian exports to almost all major markets in Europe, which had been a good
market for Indian knitwear. Men’s shirts made of cotton are another significant item in the garments exports.

The factories using power driven specialized machinery are mostly engaged in the production of standard garments. Diversified sub contracting system has also evolved as another form of production in the garment industry. This was characterized by a number of tailoring and fabrication units which operate under a contract from a parent company. The value of RMG export from Tirupur from 1996-2006 is presented in Table 2.3.

**TABLE 2.3**

RMG Exports from Tirupur

(Rs. in crores)

<table>
<thead>
<tr>
<th>Year</th>
<th>Value of Exports</th>
<th>Trend %</th>
</tr>
</thead>
<tbody>
<tr>
<td>1996</td>
<td>1892</td>
<td>100</td>
</tr>
<tr>
<td>1997</td>
<td>2214</td>
<td>117.2</td>
</tr>
<tr>
<td>1998</td>
<td>2540</td>
<td>134.25</td>
</tr>
<tr>
<td>1999</td>
<td>2968</td>
<td>156.87</td>
</tr>
<tr>
<td>2000</td>
<td>3423</td>
<td>180.92</td>
</tr>
<tr>
<td>Year</td>
<td>Value (INR)</td>
<td>Percentage</td>
</tr>
<tr>
<td>------</td>
<td>-------------</td>
<td>------------</td>
</tr>
<tr>
<td>2001</td>
<td>3700</td>
<td>195.56</td>
</tr>
<tr>
<td>2002</td>
<td>2932</td>
<td>154.97</td>
</tr>
<tr>
<td>2003</td>
<td>3937</td>
<td>208.09</td>
</tr>
<tr>
<td>2004</td>
<td>4500</td>
<td>237.84</td>
</tr>
<tr>
<td>2005</td>
<td>6000</td>
<td>317.12</td>
</tr>
<tr>
<td>2006</td>
<td>11000</td>
<td>581.39</td>
</tr>
</tbody>
</table>

**Source:** Tirupur Exporters Association

From Table 2.3 it is evident that the value of RMG exported from Tirupur to various countries increased from Rs.1892 crores in the year 1996 to Rs.11,000 crores in the year 2006, and an increase of 481 per cent. There was a sudden increase from 2004 to 2006 due to abolition of quota on textile and RMG w.e.f. December 31, 2004. As a result the value of export increased from Rs.4500 crores in 2004 to Rs.11000 crores in 2006.

### 2.5 EXPORT PROMOTION ACTIVITIES OF EPCs:

The Export Promotion Council’s (EPC) continued export promotion activities of textiles exports included participation in overseas exhibitions/fairs, organisation of Buyer-seller-Meets (BSMs) abroad and, sponsoring trade delegations for consolidating the existing markets and exploring new markets.
Major textiles fairs like India International Garment Fair and Indian Handicrafts & Gifts Fair were held in New Delhi, which attracted a large number of buyers from all over the world. The EPCs participated in all major fairs and exhibitions world-wide, and Textiles Mega Shows were jointly put up in Japan, South Africa and Latin America with the support of the Government.

2.6 APPAREL TRAINING & DESIGNING CENTRES (ATDCs)

The Apparel Training & Designing Centre was registered as a Society under Societies Registration Act on February 15, 1991 at New Delhi with the mission to upgrade the technical skills of the human resource employed in Garment Industry. There are 58 ATDC centres functioning across the country to provide trained manpower in the field of Pattern Making / Cutting Techniques and Production Supervision and Quality Control Techniques to the RMG Industry so that quality garments are manufactured for the global market. The ATDCs have been identified as implements for the Integrated Skill Development Scheme which was launched in September, 2010.

2.7 TUF SCHEME FOR GARMENT INDUSTRY:

The working Group on Garments and Jute Industry for the Tenth Five Year Plan has observed: “Technological obsolescence in garments machinery industry has inhibited its capacity to produce high-tech machines. The programme initiated by the Government as per the garments package for upgradation of technology in weaving
and processing segments coupled with launch of TUFS, the demand for hi-tech garments machinery is expected to increase. In order to meet the demand from the garments for latest generation machines and accessories, a number of units in the garments engineering sector would require rapid upgradation and modernisation". If the Technology Upgradation Fund (TUF) Scheme for garments industry is revamped and back-up measures to strengthen the garments engineering industry are invigorated, there will be a huge potential demand for garments machinery in the future. To cope with such a situation the garments machinery industry has to modernise its plant and machinery.

The garments machinery industry has to be encouraged to invest in technology and modernise itself to meet the demand for state-of-the-art machines. It is, therefore, essential that a Technology Upgradation Fund for this sector be set up.

Nowhere in the world have the machinery manufacturers produced all components of machinery because of the cost factor. The cost effectiveness could be achieved only if the machinery manufacturers get components manufactured by smaller units whose overhead is comparatively less, and who ensure lower cost of production, and high quality of production. It would be pertinent to know that by comparison the average labour cost is low in India.

India will be seen as a top outsourcing destination for garments machinery parts and accessories by leading garments machinery manufacturers and garments
industry all over the globe in the near future, as is the case of Information Technology and auto industries. This can be attributed mainly to the engineering capabilities of Indian manufacturers.

The future vision of the garments machinery parts and accessories manufacturers is to match world standards. In this context, more attention has already been given to total quality management, and a number of parts and accessories manufacturers have acquired ISO accreditation. With the existing installed capacity and the plans for progressive expansion and diversification, the garments engineering industry in general and manufacturers of parts and accessories in particular will be able to meet fully the growing domestic and international demand for parts and accessories in the years to come.

2.8 TEXTILE AND GARMENTS RESEARCH ASSOCIATION

Ministry of Textiles is functioning effectively in the research and development process for the constant upgradation towards the innovation and more advancement in the field of textiles and RMG industry. The research centres put up for the above mentioned cause are:12

12. Annual reports 2009-2010, Ministry of Textiles, Govt. of India.
• Cotton Textile Research Association (TRAS)

• Ahmedabad Textile Industry's Research Association (ATIRA)

• The Bombay Textile Research Association (BTRA)

• The South India Textile Research Association (SITRA)

• Northern India Textile Research Association (NITRA)

• Man-made Textiles Research Association (MANTRA)

• The Synthetic and Art Silk Mill's Research Association

• Wool Research Association, Thane

2.9 SWOT ANALYSIS OF RMG INDUSTRY IN INDIA:

The SWOT identified by the Ministry of Small Industries Service Institute, Govt. of India is presented as under:

13. Diagnostic Study Report for RMG, Government of India, Ministry of SSI, Small Industries Service Institute, Bangalore
2.9.1 Strength:

Market

- Strong presence in domestic market
- No huge import of RMG
- Highly developed customer relationship

Technology

- Low investment and Labour intensive
- Easy availability of domestic and imported machines
- Demonstration effect

Inputs Availability

- Easy availability of raw materials & other inputs

Skills

- Easy availability of skilled manpower
- Vast pool of skilled labourers

Innovation Capability
• Ability to develop new items as per customer’s requirement
• Flexible operating practices

Business Environment

• Stable business environment

2.9.2 Weakness:

Market

• Import started coming in
• Inadequate information on changing customer preference
• Major chunk of profit goes to Traders
• Unaware of market potential
• Lack of brand image
• Lack of effective agency to help in export marketing
• Unhealthy competition
• Delayed and irregular payment
Technology

- Traditional method of production
- Low level of technology development
- High rejection and rework rate
- Problems with quality and productivity
- No suitable training courses by institutions

Inputs Availability

- High cost of raw material
- Shortage of power
- Low productivity of labour
- High rate of interest

Skills

- No skill upgradation courses for workers
- Techno-managerial capabilities of entrepreneur are poor
- No tailor-made training courses for the industry
Innovation Capability

- Slow response to change in fashion design
- Hardly any change to technology, process and marketing

Business Environment

- Customers becoming brand conscious
- Increasing competition

2.9.3 Opportunities:

Market

- Growing domestic and international market
- Product diversification
- Quality and Productivity is the mantra
- Participation in domestic and international trade fairs
- Formation of groups by enterprises in international marketing

Technology

- Creating awareness of technology among entrepreneurs
• Prospects of setting up Common Facility Centre

• Possibility of setting up Design studios/Testing Centres

**Inputs Availability**

• Inputs will become cheaper

**Skills**

• Highly skilled workforce can be created

**Productivity**

• Innovation Capability

• Exposure visits to inland and foreign developed clusters

• Participation in national and international trade exhibitions

**Business Environment.**

• Removal of quota regime - a favourable business environment

2.9.4 Threat:

**Market**

• More Competition in future
• More imports in future

• Fittest will survive and weak will perish

**Technology**

• Major threat unless modernized

• Technology, an ever-changing process

**Inputs Availability**

• Government policy will make raw materials cheaper or costlier

• Quality of raw materials

**Skills**

• Skill base of workers need upgradation to adopt latest technology

**Innovation Capability**

• Innovation will make or break an enterprise

**Business Environment**

• Changing business environment - a challenge to the less enterprising units