

GARMENTS

Supplier capability in India

EXECUTIVE SUMMARY

India's garments industry has achieved worldwide prominence as a source of clothing that combines the latest global fashion trends with exquisite designs, which are resplendent of influences taken from the local culture.

As the sixth-largest garments exporter in the world, the country benefits from a number of competitive advantages. Foremost of these is an expansive pool of suppliers, which number more than 18,000. These companies are located in most major cities.

Another key benefit of sourcing from India is the stable supply of a variety of fabrics. A leading production hub for textiles, the country is also home to garment manufacturers that have easy access to a range of raw materials.

Most exporters ship the bulk of their output abroad. The major overseas markets are the US and the EU. Combined, both markets account for half of total export revenue.

Casual wear prevails as the most important product line. The sector makes up more than two-thirds of exports from suppliers featured in this report. Formal wear and children's garments are secondary lines. Sports apparel, undergarments and sleepwear are other product categories offered.

Raw materials are sourced from several locations. These include Delhi and the states of Tamil Nadu, Gujarat, Maharashtra, Haryana, Madhya Pradesh, West Bengal, Kerala and Andhra Pradesh.

Sales have been sluggish owing primarily to the effects of the global economic crisis. As such, the industry's growth has been halved compared with the previous year.

The following are some of the key trends we see in India's garments industry:

- Despite slow demand from traditional markets of the US and Europe, suppliers anticipate export

turnover to grow over the next 12 months. Most of them anticipate revenue to surge by as much as 20 percent, as they take a number of steps to encourage sales.

- Many suppliers will focus on the Asia-Pacific region to boost overseas shipments, while others increase sales in the domestic market.

- Manufacturers will emphasize design diversity in an effort to differentiate their products from competitors. Some will release models in functional or blended fabrics, and others will focus on improving fit and performance.

- Most makers will be keeping prices stable over the coming six months. Manufacturers planning to push up quotes will do so by a minimal margin.

This report covers the main types of garments produced in India, including casual, evening and cocktail dresses, polo and T-shirts, blouses, suits, pants, jeans, skirts, shorts, bras, corsets, and baby and children's wear such as rompers, shirts, shorts, sets, pants and school uniforms.

The *Products & Prices* section details the features and price ranges of each key product category. It also includes the latest trends in style and materials.

The *Industry Overview* discusses key issues affecting exporters and elaborates on the composition of the industry, highlighting key characteristics of different types of suppliers.

The majority of garment suppliers in India are small, locally owned enterprises. Most have more than a decade of experience, with a few having been in business since the 1950s.

Production is concentrated in Delhi, as well as the states of Haryana, Maharashtra, Tamil Nadu, Uttar Pradesh and Rajasthan.

In this report

- 13 in-depth company profiles
- 5 short company profiles
- 105 top-selling export products
- Supplier demographics
- Supplier survey
- Industry statistics and charts

OBJECTIVE & METHODOLOGY

This India Sourcing Report is part of a series designed to provide buyers with information on new products from export manufacturers in supply markets that specialize in handmade merchandise.

The Developing Country Sourcing Report series is part of Global Sources' corporate social responsibility initiatives. It is offered in conjunction with The Kearny Alliance, whose mission is Aid Through Trade. The objective is to help create jobs in developing Asia through export promotion.

To produce this report, larger, midsized and emerging manufacturers—all with substantial export experience—were surveyed. The selection of suppliers is designed to reflect the composition of the industry in India in terms of geographic location, materials used and range of products offered.

For in-depth profiles, our researchers visited the facilities of each company and interviewed senior executives who discussed their recent performance and provided forecasts for the next 12 months. All other companies in this report were either visited or contacted by phone.

In each case, companies were required to answer specific questions designed to verify their manufacturing and export credentials, including a breakdown of exports by product type and market. Suppliers also participated in a survey designed to provide insight into the industry.

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Published by Publishers Representatives Limited (on behalf of Trade Media Limited)
4th Floor, Century Yard, Cricket Square, Elgin Avenue, P.O. Box 32322 SMB, George Town, Grand Cayman, Cayman Islands
c/o 22/F Vita Tower, 29 Wong Chuk Hang Road, Aberdeen, Hong Kong
ISBN 978-988-18626-3-1

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INDUSTRY OVERVIEW

As one of the world's leading sourcing hubs for garments, India boasts a well-developed industry that produces models in an array of designs blending traditional styles with the latest and emerging trends from global fashion capitals.

The country is the sixth-largest garment exporter in the world, behind mainland China, the EU, Hong Kong, Turkey and Bangladesh. According to the Apparel Export Promotion Council (AEPC), India registered overseas sales of almost \$10.2 billion in the fiscal year 2008-2009. This amount equates to a 2.6 percent share of the overall global exports.

The line benefits from a large pool of exporters located in most major cities in the country. Most of them ship their entire output to overseas destinations.

Another key advantage is the steady domestic availability of most fabric types. With India being one of the world's chief textile producers, local garment suppliers enjoy easy access to most raw materials.

Challenges

Although major foreign markets have started to recover from the global economic crisis, India's garments industry continues to feel the effects of the slowdown. This is evident in weakened demand from leading importing countries.

Export figures for 2008-2009 reveal that turnover increased by just 4.9 percent, only half of the 9 percent growth registered the previous year.

Preliminary country-specific data from the AEPC estimates shipments to the US to have dropped 3 percent, while exports to the UK have slid 2 percent.

Due to sluggish sales, some small companies have laid off employees or are in the process of trimming their workforce. Other suppliers have shut down entirely.

To cope, makers are placing

emphasis on babywear and children's apparel since these lines have remained lucrative even as demand for other product categories was being affected severely by the slump.

Other companies are shifting focus away from foreign customers and concentrating on the domestic market instead.

Some suppliers are emphasizing design diversity in an effort to differentiate their products from those of other makers. This strategy is adopted as preparation for the expected demand upswing in key foreign markets in coming months. Product uniqueness is ensured by branching out to models made of functional or blended fabrics and releasing high-value styles that incorporate embroidery, washes, beads, sequins or a combination of these.

Another crucial challenge facing the industry is acute power shortage. Blackouts are common in India, with outages disrupting production for up to 12 hours a day.

Although the country has enjoyed more than a decade of rapid economic growth, its power infrastructure has been unable to keep up with the burgeoning industrial and commercial sectors. Government figures show that demand for electricity exceeds supply

Supplier summary

Suppliers surveyed	18
Export sales	\$82.9mn
Export ratio	63%
Capacity utilized	73%
Full-time employees	1,693

Data: All surveyed suppliers

by as much as 25 percent, particularly during the hot summer months.

Compounding the problem, power costs have gone up due to short supply. Electricity in India is up to 40 percent more expensive than it is in neighboring Bangladesh and Nepal.

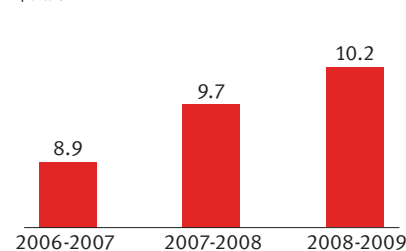
To alleviate the crisis, the government is planning to build several new power plants over the next four years in order to raise the current total capacity of 130,000 megawatts to 200,000 megawatts.

For their part, suppliers are minimizing the effects of these power interruptions by using generators. Large companies are able to acquire heavy-duty equipment that can provide electricity nonstop for several hours. Small and midsize makers utilize compact versions that can operate for a few hours.

Another issue confronting the garments line in India is the fluctuating dollar-rupee exchange rate. In early 2008, the US dollar traded at

Garments

Export value \$billion

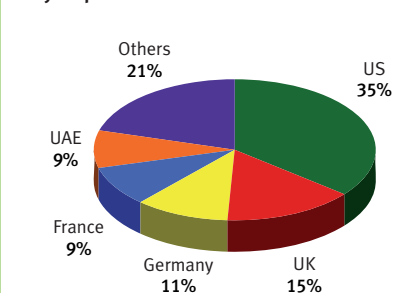


Fiscal year starts in April and ends in March

Note: Includes HS codes 61 (Articles of apparel and clothing accessories, knitted or crocheted) and 62 (Articles of apparel and clothing accessories, not knitted or crocheted)

Sources: Apparel Export Promotion Council and Directorate General of Commercial Intelligence and Statistics

Key export markets



Fiscal year 2007-2008

an average of Rs.39.82. About a year later, the rupee was down to Rs.51.68. By early November 2009, it was at Rs.46.57.

This instability in the exchange rate has prevented suppliers from setting firm quotes for extended periods of time, usually for as long as six months. As such, most are offering prices with a validity of just one to two months.

Other makers prefer to accept payment in euros instead of US dollars as this currency has experienced less volatility against the rupee since last year.

Industry composition

More than 18,000 garment exporters are established in India. Of this number, 78 percent are classified as small-scale, 15 percent are midsize and 7 percent are large enterprises. Companies falling under the first two categories are usually family-run businesses that employ up to 1,000 people. They can generate annual sales of \$20,000 to \$10 million.

Large suppliers are commonly publicly listed and have at least 1,000 workers. They have fully integrated manufacturing units, which include spinning mills located in various areas all over the country. Annual turnover can reach \$50 million.

Most garment exporters ship the bulk of their output to overseas markets. In fact, almost 90 percent of suppliers interviewed for this report send their entire output to foreign destinations.

The US prevails as the top export destination, capturing more than one-third of shipments. The UK is second, accounting for 15 percent of turnover.

The industry is supported by numerous sourcing hubs, each of which emphasizes a specific product type.

The National Capital Region, which consists of Delhi and a few urban areas in the neighboring states of

Haryana, Uttar Pradesh and Rajasthan, is a sourcing center for midrange and high-end apparel accented by various types of embellishments such as embroidery. Most suppliers in this area produce woven garments, including evening wear, polo and T-shirts, and girls' dresses.

The state of Maharashtra and the city of Mumbai, in particular, emphasize knitted and woven garments, including underwear and formal pants. Production costs have gone up in Mumbai, however, prompting some companies to set up workshops in other states such as Gujarat. Head offices continue to be run from Mumbai.

Key supply zones for knitted cotton garments include Ludhiana in the northern state of Punjab and Tirupur in the southern state of Tamil Nadu.

Manufacturing & QC

Production capability is determined by a company's size. For small and midsize enterprises with a monthly output of no more than 45,000 pieces, subcontracting a few processes is a common practice since it helps bring down costs.

Some suppliers engage in long-term partnerships with outside factories as a means to ensure consistency of workmanship. An example is evening wear specialist First Overseas, which has been subcontracting cutting and stitching to only one supplier for years now.

Other steps sent to subcontractors include dyeing, embroidery, printing, washing, and different types of handwork such as beading and sequin application.

Large enterprises, typically having a monthly output of at least 50,000 pieces, perform all manufacturing steps in-house. As such, they maintain a variety of equipment, including sewing, stitching, buttonhole-making, pocket/cuff creasing, folding, embroidery and silk-screening

machines. Makers such as Profile India and Rishabh import these types of equipment from Japan and China.

In general, the monthly capacity of suppliers ranges from a low of 2,000 pieces to as high as 375,000 pieces. Most featured manufacturers can produce up to 100,000 pieces every month. The full-time workforce is anywhere from 20 to 250. Counting temporary employees, suppliers can have as many as 500 personnel at a time.

Design departments are composed of up to seven stylists who can produce 30 to 300 new models every year. Some suppliers put special emphasis on design by hiring foreign designers. Profile India, for example, employs two contractual London-based stylists every year, who help create new collections for international trade shows.

Other companies such as Haria and DM do not have in-house design teams. They rely on buyers' specifications in creating new models since almost all orders received are on an OEM basis.

QC inspections are typically carried out by two to 10 specialists. Rishabh employs as many as 50 personnel to check all products after each manufacturing stage. LM Sagar divides QC into two units that look at production processes and finished items.

Aside from standard inspections, QC departments examine fabrics for stains and weaving defects, as well as ensuring goods are within acceptable shrinkage rates. Checks on subcontracted items are also carried out. This entails dispatching inspectors to partner factories and looking at the same items when the supplier receives them.

Packaging depends on buyers' requirements, although most makers use PE bags and cartons. Flat, hanger and box packing are a few alternatives. Hangtags and bar codes are optional.

Apex Overseas

A women’s garment specialist, Apex was established and started exporting in 2003. The company’s main overseas destinations are the UK, Germany, the Netherlands, Spain and Australia.

The best-selling items are cocktail and casual dresses. The company also manufactures blouses, tank tops, jeans and bridal wear, including gowns, headwear, gloves and bridesmaid dresses. Wedding gowns are decorated with glass beads and machine and handembroidery. Accessories such as veils and stoles are also offered.

Cocktail dresses are available for \$12 and made of polyester, satin or polyester-spandex. Upscale evening gowns are offered for at least \$15 and constructed with satin and chiffon fabric. Bridal dresses are priced about \$60. Georgette, chiffon, and satin and spandex blends are used.

All fabrics are sourced locally.

The company employs one designer who creates about 50 new styles every year. Buyers provide nearly 75 percent of designs, which are also developed in-house. Samples of cocktail and

evening dresses can be ready within two days. Models featuring decorations are available in at least one week.

Apex operates a 200sqm production facility. Designing, fabric sourcing, pattern making, cutting, sample making stitching, finishing and packing are performed in-house. Stitching, machine embroidery and other handwork are subcontracted to partner factories.

The workshop houses a three-needle flatlock, three five-thread overlock and 12 single-needle stitching machines from Juki.

The company has 20 full-time employees. QC is carried out by three personnel who check fabrics for stains and weaving defects. Before packing and shipping, all finished garments are measured to ensure they have the correct specifications.

Delivery takes 20 to 25 days.

Apex is a member of the India Trade Promotion Organization. It is planning to build a new factory in Gurgaon, Haryana state to meet its target of doubling the current capacity over the next two years.

Capability

Materials used

Cotton fabric	Yes
Polyester fabric	Yes
Nylon fabric	Yes
Functional fabric	No
Eco-friendly (organic) fabric	No
Silk fabric	No

Exports by product

Casual wear	40%
Formal wear	55%
Sportswear	—
Underwear	5%
Sleepwear	—
Baby and children’s wear	—

Exports by market

United States/Canada	—
European Union	60%
Europe (non-EU)	—
Asia-Pacific	40%
Middle East	—
Other	—

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Company facts

Year established	2003
Head office location	Delhi
Ownership	Locally owned
Factory location(s)	Delhi
Full-time employees	20
Total annual sales (all products)	\$20,000

Sales & output: Garments

Annual sales	\$20,000
Share of total sales	100%
Annual export sales	\$20,000
Total monthly capacity	3,500 pieces
Average monthly output	3,000 pieces
Capacity utilized	86%
Average monthly exports	3,000 pieces
Export ratio	100%
Major export customers	Sexy Designs, Coopers (UK)

Popular export models



Model: CDG-01
Minimum order: 36 pieces
Packaging type: Polybag, carton
Delivery time: 25 days
Indicated price: \$12
Description: Evening dress; polyester georgette with polyester lining; with satin belt, hidden back zipper closure; in sizes XS/6 to XXL/16; in various colors



Model: CDS-01
Minimum order: 36 pieces
Packaging type: Polybag, carton
Delivery time: 25 days
Indicated price: \$10
Description: Cocktail dress; satin with polyester lining; with floral lace trimming on the bust; in sizes XS/6 to XXL/16; in various colors



Model: DL-03
Minimum order: 100 pieces
Packaging type: Polybag, carton
Delivery time: 25 days
Indicated price: \$8
Description: Dress; polyester-spandex blend and cotton jersey; in sizes XS/6 to XXL/16; in various colors



Model: DL-05
Minimum order: 100 pieces
Packaging type: Polybag, carton
Delivery time: 25 days
Indicated price: \$8
Description: Dress; polyester-spandex blend and cotton jersey; in sizes XS/6 to XXL/16; in various colors



Model: DL-07
Minimum order: 100 pieces
Packaging type: Polybag, carton
Delivery time: 25 days
Indicated price: \$8
Description: Dress; polyester-spandex blend and cotton jersey; in sizes XS/6 to XXL/16; in various colors



Model: LDT-01
Minimum order: 36 pieces
Packaging type: Polybag, carton
Delivery time: 25 days
Indicated price: \$16
Description: Evening dress; taffeta with polyester lining; in sizes XS/6 to XXL/16; in various colors

PRODUCT GALLERY

Casual wear



Array
(profile page 22)
Model: 1
Minimum order: 200 pieces
Packaging type: Polybag, carton
Delivery time: 60 days
Indicated price: \$47.85
Description: Blouse; 60gsm silk satin; smocked neck; gathered sleeves; in sizes M to XL



Array
(profile page 22)
Model: 3
Minimum order: 200 pieces
Packaging type: Polybag, carton
Delivery time: 60 days
Indicated price: \$51.75
Description: Dress; 60gsm silk habutai; shirred shoulders and empire waist; flared sleeves; in size L



Array
(profile page 22)
Model: Strap Dress
Minimum order: 250 pieces
Packaging type: Polybag, carton
Delivery time: 50 days
Indicated price: \$18.25
Description: Dress; 40s cotton corduroy, 21 wales; with adjustable wool felt straps; back button closure; printed animal motif; in sizes S to XL



Array
(profile page 22)
Model: Bustier Dress
Minimum order: 200 pieces per color
Packaging type: 30 pieces per carton
Delivery time: 50 days
Indicated price: \$37.25
Description: Dress; 60gsm silk satin; with elasticized back and sash; in sizes M to XL; in buyer-specified colors



DM
(profile page 24)
Model: Fancy Dress
Minimum order: 2,000 pieces
Packaging type: Polybag, carton
Delivery time: 90 days
Indicated price: •
Description: Evening dress; cotton-polyester; with zebra print; in various sizes and colors



DM
(profile page 24)
Model: Fancy Ladies Gown
Minimum order: 2,000 pieces
Packaging type: Polybag, carton
Delivery time: 90 days
Indicated price: •
Description: Dress; 100% cotton; sleeveless; in various sizes and colors

• Information not disclosed