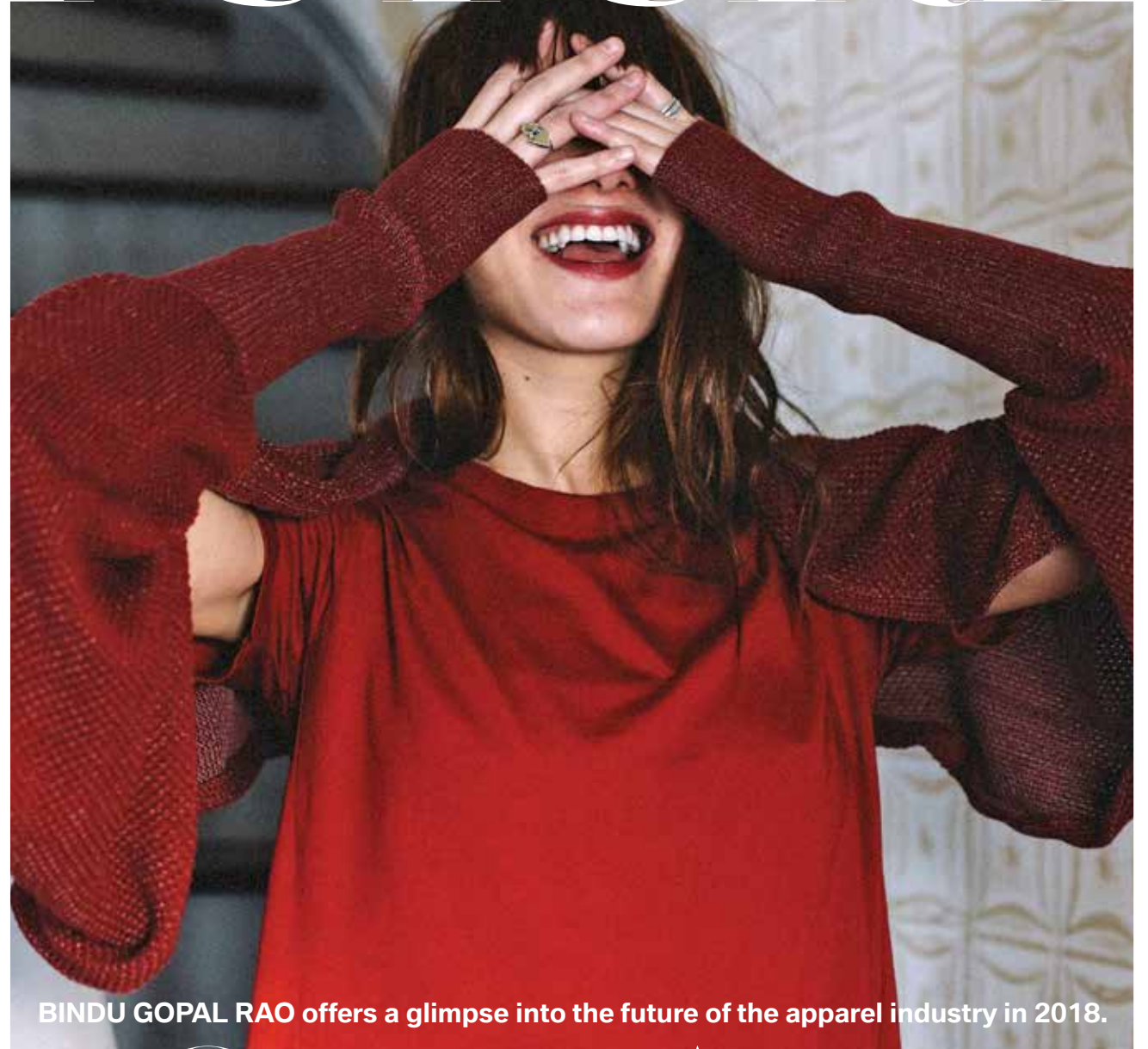




APPAREL/INSIGHTS



FUTURE



BINDU GOPAL RAO offers a glimpse into the future of the apparel industry in 2018.

FORWARD

As another year dawns, we look at the state of the apparel export market and predict its outcome for 2018. Statistical projections indicate that apparel exports are all set to reach \$20 billion in 2017-18, 13 per cent higher than the previous year, largely on policy support from the Government.

TAKING STOCK

The Textile Industry accounts for about 15 per cent of the total exports. Cotton apparels/textiles have seen a good growth in terms of exports every year. Bhavin Parikh, CEO, Globe Textiles (India) Ltd. opines, “The apparel export market in India has a long way to go, compared to competitors from other countries. In terms of volume of apparels exports in the last 5-7 years, exporters were performing significantly well. But from the past one year or so, apparel exports have been under-performing due to immediate impact of demonetisation, GST, rupee appreciation and other factors. Because of these reasons, exporters have, of late, shifted focus to Domestic Markets. Suppliers who have been consistent in terms of aspects like price and deliveries are doing well even now.”

As recently as Nov 2017, Indian apparel exports fell by 10 per cent. Apparel exports of India have stagnated in past three years at around US \$17 billion and have dipped in past three months. “Free Trade Agreements (FTAs) with India's rival textile-manufacturing countries have had a significant impact on India's export figures. The EU levies a 12 per cent duty on Indian cotton while Bangladeshi and Vietnamese cotton are exempt from any duties. Even after the roll-out of GST in India, taxes to the tune of 12 per cent have not been subsumed in GST, resulting in higher input cost resulting in costlier products. A serious cut in



export incentives such as duty drawback rates and in the Rebate on State Levies (ROSL) scheme that textiles enjoyed before rollout of the GST has played a major role in today's stumble. Garment exporters had to receive Rebate of State Levies (RoSL) of 11.30 per cent but now it has come down to 6.5 per cent” says Deepak Periwal, Founder & CEO, Yarn Live.

MARKET DRIVERS

The first quarter of 2018 is likely to remain flat, but exporters are optimistic for rest of the year. They anticipate an overall growth in demand and opportunities for increased orders.

“In any case, competitive pricing strategy, consistency in quality and delivery only would be able to drive the market going forward,” avers Parikh. Sunil Mehra, Founder & Designer at Sunil Mehra adds, “Indian fabrics like cotton, silk, woollen weaves, etc., are highly appreciated in the foreign countries but lack of modern technology and the production methods disturbs the export demand. With government taking important measures to support Indian apparel export market, it is likely to expand in the forthcoming years.”

According to D.R. Mehta, president of the Textile Association of India, the country

expects its textile and apparel exports to reach \$80 billion by 2020. GST is meant to make Indian manufacturing more competitive by reducing costs and eliminating the indirect tax system that entailed multiple taxes at every stage of the textile value chain. The immediate impact of GST has understandably been negative for the apparel industry, as evident by the dwindling export figures. “This is because the entire fabric industry that provides basic raw material for garments was brought under the tax net for the first time. In the short run, I expect the struggle to cope with the new GST regime to continue. The mandatory implementation of the e-way bill from February 1 will have a significant impact on the sector. There is still a large portion of the industry that is finding its way around GST but the e-way bill should plug that hole too. The real uptick will be noticed in the second half of 2018 when I expect all the teething problems to have settled and the industry to function like a well-oiled machine again. The Government can speed up the end of the gloom by announcing certain crucial incentives for the garments industry during the last budget session before the next Lok Sabha elections in February,” says Periwal.

CHALLENGE FACTOR

Doing business in the apparel sector is increasingly becoming

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a challenging task, so micro level challenges would remain and exporters have to work around them. “The apparel sector needs to gear up to meet the social and ethical compliances which are mandatory to work with international brands and retailers. We need remain updated with the latest trends and work to meet them. Also, fine tuning ‘Design to Delivery’ timelines can give us a competitive edge. Brands like ZARA have earmarked the fast-fashion concept and every other retailer wants to follow the same,” says Parikh. Despite being a highly sought segment abroad, the apparel export market has been in decline since the past few years. “The export market for menswear has been growing at a healthy pace in India and is one of the key contributors to the economy. With rising labour costs and shortage of labour at the same time, it is quite challenging for the Indian companies to meet the demand,” says Mehra.

SWOT ANALYSIS

Dubai and Saudi Arabia have imposed a five per cent VAT on a large number of goods, including garments, from January 1, 2018. Ludhiana-based exporters who export garments to these countries are feeling jittery over its possible impact on their trade. On one hand, GST has increased their costs of manufacturing and on the other, the garments will become more expensive for consumers in Dubai and Saudi Arabia after they impose VAT. “After GST implementation in India, cost of manufacturing readymade garments in Bangladesh is now lower than in India giving a rise to garments imports from Bangladesh into our country. Import of garments from Bangladesh jumped 56 per cent to \$87.4 million from July to November over the corresponding period last year. Of this, import of knitted apparel surged 69 per cent to \$30.1 million. Import of woven apparel jumped \$57.3 million, from \$38.1 million in the same period last year. Garment manufacturers in Bangladesh import fabric from China duty-free. They enjoy cheaper electricity and cheaper labour compared to India. Domestic garment manufacturers will keep losing orders if garments from abroad will be cheaper for buyers,” says Periwal. There is an urgent need to either restore the incentives that were enjoyed by garment manufacturers of India in the pre-GST regime. Post-GST,

manufacturers in India are not able to compete with the low taxation, cheap labour and subsidised electricity being offered to garment manufacturers in countries like Vietnam and Bangladesh. Specifically, the

duty-drawback on garments and the ROSL scheme that garment manufacturers enjoyed pre-GST need to be restored. “The major opportunity is the increase in demand for the exports of cotton apparel. Cotton production has risen by 11 per cent in 2017-2018. Today, the country is seeing a great boom in the production of organic cotton. This is so because Indian and international brands have understood the need for sustainable approach. Therefore, the production and the simultaneous export of the cotton apparel will make a larger difference in Indian apparel market,” avers Rina Nathani, Retail Head - India, SATVA Living.

RENEWAL THROUGH REFORM

The Indian apparel industry has to continuously thrive for excellence to find a place in the global market. The manufacturers need to be diligent in ethical business and employ the best practices in the industry. The UP government has granted the approval to Handloom, Powerloom, Textile and Garment Policy, 2017. Manufacturers will get help in finance and marketing through this scheme, apart from rebate in GST and

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electricity bill, along with reimbursement of transportation and Provident Fund. “In an effort to boost apparel exports from Gujarat, the Apparel Export Promotion Council (AEPC) has inaugurated its new office in Ahmedabad. The Gujarat Chamber of Commerce and Industries (GCCCI) has announced its international exhibition named ‘Farm to Fashion’ to promote textile and apparel industry of Gujarat. The exhibition will be held in the second week of March 2018,” says Periwal.

Despite all the challenges, it is widely expected that there will be a revival in the apparel sector, beginning in 2018. ■



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