

Textile industry back to good old days

With Recession Beginning To Ebb In Key Overseas Markets, Factories Are Humming Once Again

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THE deafening whirr of thousands of sewing machines at the factories of India's top garment exporters that was almost silenced by the Great Recession in the US and Europe, their key markets, seems to have returned.

Companies such as Alok Industries, Gokaldas Exports, Orient Craft and House of Pearls, which account for half of the market, say their factories are humming once again after an uptick in orders as the recession, which pocked revenues and stalled expansion plans for over a year, is beginning to ebb in key overseas markets.

"We are seeing robust demand in international markets, particularly America," says Alok Industries MD Dilip Jivrajka, adding that his factories are running on full capacity as the order book is full.

Gurgaon-based Orient Craft, which supplies apparel to global retailers like Marks & Spencer and Tommy Hilfiger, has seen its order book swelling to Rs 800 crore in January 2010. Orders were down 15% last year.

Gokaldas Exports, India's largest apparel exporter, says orders that were down 20% last year are again ticking.

Garment exporters say they have their hands full till June with orders worth Rs 500 crore pending and there is also an outpouring of enquiries for the period beyond June.

The return of jubilation in India's garment factories is in stark contrast to the gloomy scenes of last year. Exporters struggled to find new buyers as regular customers slashed and deferred purchases after the downturn. Garment exports were down 8% at \$10.2 billion up to November from a year ago. Teetering sales also saw many exporters up against a pile-up of inventory, which again gnawed at margins.

As profit margins continued to shrink, companies such as Gokaldas and Alok were soon staring at huge losses. They responded by holding expansion plans, laying off staff, cutting costs and redrawing strategies.

Gokaldas, for instance, began to emphasise more on Europe as well as ratcheting up sales in India. Others scoured new markets such as Australia, Latin America, Middle East and Japan. Though such moves stanching the bleeding, they never did banish the gloom. For Indian companies, the US and EU still account for the bulk of orders due to their market size and purchasing power. The new markets, say exporters, pale in comparison.

Bigger players such as Gokaldas and Orient Craft were able to arrest some of the sliding orders as many buyers in the international market began to look at consolidated players of their ilk. Smaller exporters took a hit as a result.

The steady return to bulging order books is driving companies to revive expansion and hiring plans. Gokaldas, a supplier to retail giants such as GAP, Nike, Reebok and Levis, is bumping up capacity at its manufacturing plants and doubling the head count from 500 at its newly-commissioned Hyderabad plant.



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"The industry will turn profitable by the year-end," says an upbeat Rajendra Hinduja, MD, Gokaldas Exports.

Anticipating increased demand, Orient Craft, meanwhile, has commissioned the first phase of its newly-acquired manufacturing plant at Bhiwadi, its biggest yet, by investing Rs 60 crore. The company plans to hike production capacity to about 70% by the year-end.

"The next quarter will be even better," says Orient Craft MD Sudheer Dhingra.

Despite the upbeat mood, Indian companies are taking the lessons learnt from the slowdown seriously. Exporters are increasingly employing India-specific workmanship details like embroidery and embellishments to woo international buyers and stand apart to discerning buyers after fierce competition from neighbours.

As the world's second-largest cotton producer, cotton garments have for long been the mainstay of India's exports. But workmanship details specific to the Indian subcontinent have become a telling factor in the last year.

"Indian fabrics are better in quality and our market can provide value-addition in the form of handicrafts," says House of Pearls director Deepak Seth. And with the western market veering towards oriental fashion trends, exporters say value addition has worked wonders for them.

"India's edge also lies in we handling even small orders and catering to a variety of fabrics," says Hari Kapoor, executive committee member, Apparel Export Promotion Council (AEPC).

Still, exporters are facing pricing pressures from neighbouring countries like Bangladesh, which supplies garments that are up to 25% cheaper. And India, the world's sixth-largest garments exporter, accounts for only about 3% of the total US garment imports.

AEPC's Kapoor is not worried though as he thinks the Indian market can ward off these challenges as it has moved towards specialised segments.

House of Pearls' Seth says any holes in exports due to pricing pressures can be filled by spiking volumes.