

Integration of Value Chain to Maximize Growth



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Premal Udani is the Chairman of the Apparel Export Promotion Council. Currently the council has 8500 members and actively works to promote India's garment exports. He also works closely with the government on various trade and policy matters.

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Integration or value addition is an extremely important and topical subject. Somehow we haven't performed as per our expectations. The frequent discussed topic is how we are the second largest producer of cotton and the second largest producer of cellulose fiber, second largest producer of synthetic fiber etc. But if we produce so much fiber, why aren't we the second largest producer of fabric? Or the second largest producer of apparel?

Basically we are interested in exporting our raw material. Even pre-independence we were a basic supplier of raw material. It seems nothing much has changed. The reason is that the textile industry has never spoken in one voice. We have our fiber lobby, whether it's the cotton lobby or the synthetic fiber lobby. Then there is the yarn lobby whether synthetic yarn or cotton yarn. Then you have the fabric lobby, whether powerloom fabric or millmade fabric or handloom fabric. And then you have the apparel lobby.

All these lobbies have worked at cross-purposes. Our apparel exports are today about 11 billion dollars. This is about four and a half per cent of the country's exports. But this export figure from a country like India is pathetic. In 2005 the quota regime ended. Predictions were that after China, India would be the biggest beneficiary of the post-quota regime. Bangladesh said the quota regime should continue for another five years because they felt they would be thrown off the map. But in five years Bangladesh's apparel exports have gone from \$ 3 billion to \$ 16 billion. Our apparel exports have gone from \$ 5 billion to about \$10 billion. A small country like Bangladesh with virtually no raw material has become a larger garment exporter than India.

The apparel export industry puts Rs 18,000 crores in the pockets of workers. But there is no recognition. If you were to double the apparel export industry it would pay Rs 36,000 or 40,000 crores to workers. Today the turnover of the largest garment exporter is Rs 2200 crores and it employs 60,000 workers.

If you were to increase apparel exports by just one billion dollars, it would mean an additional production of 200 million shirts. This would mean an extra production of 450 million meters of fabric. You will need 75 million kilos of yarn. You will need 60 billion meters of sewing thread. You will need \$ 80 million of accessories like buttons and zips. If these shirts were exported, they would need 30,000 containers.

As a country we haven't understood that what is good for the final link in the value chain is good for the entire industry. For every additional one billion dollar export, you will employ 400,000 additional workers. There is no other segment that employs that many workers for a limited increase in export turnover. Value addition or integration is necessary for a country like ours.

Can you build a brand by just being a yarn supplier? The only way you can build a brand is in value-added products whether in made-ups or apparel. Turkey used to be and is an extremely important producer of apparel. It has vacated the cheap garment space and it does value-added products in the European and American markets. But the Turks in the last five to ten years have developed their own brands. If Turkey had stuck to exporting fabrics or exporting yarns, it would not have been able to get into value addition and create brands.

Do we want to stay as a country which is very good in the production of raw materials? Or do we want to move up the value chain, create employment and add value within the country? Today we are selling our yarn and cotton to China. But China doesn't export a kilo of cotton and exports less than 1 per cent of its yarn. Because China has realized the importance of value addition within the country. About 40 per cent of our yarn goes into Bangladesh. And we have given 10 million pieces of duty-free access to Bangladeshi garments into India. And these directly compete with jobs here. So the policy seems to be let's export the raw material and import the finished product.

We should see how we can add value to our raw material. We have beautiful raw material. When can we say we are the second largest producer of fabric and the third or the fourth largest producer of apparel.

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