

Success Stories: India & Chinese Business Models



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Indian and China the growth drivers

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We can learn a lot from China, the way they have grown, especially in the textile industry. In 1990, the Chinese and the Indian economies were almost similar. The Indian economy was 320 billion dollars and the Chinese economy was 390 billion dollars. But for the last 20 years China has been growing at 8 to 9 per cent. Our economy has shown that kind of growth for the last four to five years. Now China's economy is four times India's. In 1990 we were exporting 4.6 billion dollars. China was exporting 16 billion dollars of apparels and textiles at that point of time. Now they are at 206 billion dollars. And we are at 25 billion dollars.

I think we lost the plot in the last five years especially after the phasing out of quotas. In 2005 we were at 15 billion dollars and China was \$100 billion. And they have increased their exports by \$ 100 billion. While we have increased our exports by just \$10 billion. The coming decade is going to be very important for us. We can still utilize the opportunities available to us. The Chinese get government support, subsidies, infrastructure available with them. Capital is available to government industry at lower interest rate. Additionally lots of FDIs has been coming into China. They had an investor like Japan next door. Large-scale capital investment has happened. A Chinese factory has millions of spindles under one roof. Factories are gigantic. There has been productivity improvement. Besides, our garment productivity is lower than Pakistan's, Bangladesh's, Sri Lanka's.

The exchange rate has helped China though that is changing now. The development of integrated zones and integrated clusters has led to their growth. In India we have some natural clusters like Ludhiana, Tirupur etc. But China created some artificial clusters as well. And they did it in a planned manner near the coast so that transshipment costs would be low. But in India we produce 50 per cent of our cotton in Gujarat and Maharashtra. That cotton would

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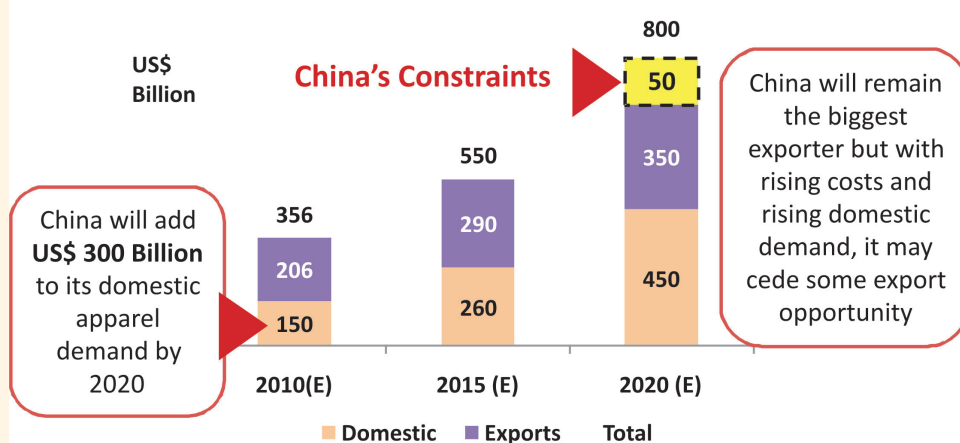
- Our garment productivity is lower than Pakistan's, Bangladesh's and Sri Lanka's.

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China's Exports May Be Constrained In Future...Creating Opportunities For Others

China T&A Industry Size – Some Projections



Source: National Bureau of Statistics, China, Technopak Analysis

typically go to Tamil Nadu to be spun as 50 per cent of our spinning happens in that state. From there the yarn would go to weaving centers in Bhiwandi, Surat or wherever the powerloom sector is there. The fabric would then go for garmenting in Delhi or Bangalore. And at every stage there is a logistics cost and a transport cost involved. Also China has created supply chains across the artificial clusters, fiber would come in and the garment would be produced. All this led to their growth and they could create mass scales. We do have textile parks and mega clusters but these have to be worked upon. China is relocating its production from coastal areas to inland China, where labor is cheaper. They are shifting their marketing focus.