

Sector:

Textiles

Project Title:

Ready Made Garment Manufacturing Unit

Project Description

Readymade Garment (RMG) industry in India has seen resurgence in the recent times. The industry has witnessed sluggish growth in the past decade, however the scenario has changed substantially due to globalization initiatives by WTO and subsequent phasing out of quotas by United States (US) and European Union (EU), the key export destination. Ample opportunities are there for Indian garment manufacturer, to tap in the international market.

To assist in this endeavor the Government of Madhya Pradesh (GOMP) proposes to establish an export oriented RMG unit in the State. The proposed unit would be a high-end fully automated manufacturing facility and would employ State-of-the-art machinery for producing high quality apparels especially shirts and trousers for men and women.

The unit would be set up on 5 acres of land and would be housed in multistory buildings. It would be an integrated facility and would have adequate operations functions from raw material (fabric) processing to final packaging and quality control to warehousing.

Further the center would have quality control and testing laboratory to monitor compliance of manufactured product with stringent international standard, imperative for exports. The unit would have a modern warehouse with hi-tech facilities such as grading, bar-coding, RFID etc.

For the envisaged project the GOMP invites participation from the leading garment manufacturer in the Country. The project is also opened for foreign investor as the sector is opened for 100% FDI.

Project Rationale

Madhya Pradesh has a prominent place as a leading textile center of the Country. The State has a thriving textile cluster in the southwest region (Malwa). Since the Malwa belt has a large cotton growing area, large number of textiles mills are clustered around Indore, Ujjain, Burhanpur etc.

At present there are around 51 textiles units in the State. From production of raw material, to the final manufacturing of RMG, the State has significant strength across the entire value chain. The presence of some of the leading textiles players in the State provides testimony to the significance of MP in the domestic textile industry. Some of the key textiles players present in the State are

Bhilwaras, Indo-Rama, Bhaskar, Oswals, S-kumar's, Maikal, Parasrampururia etc.

Despite of this, MP has not been able to take full leverage of its position. Presently the State's share in the total apparel exports from the Country is less than one percent. The key reason attributed to this is the high degree of fragmentation and lack of modern infrastructure facilities. The State Government has initiated several reforms aimed at modernization of existing unit and development of high end infrastructure facilities in the State.

There is an urgent requirement to upgrade the existing facilities and add new capacities of international standard to assist Indian textile industry tackle the rising competition and realize newer opportunities.

Proposed Facilities

The unit would employ the following key machinery:

Wrinkle Free Machine	Steam Irons
Fusing Machine	Electric Boilers
Needle/ Metal Detector	Form Finishers, Topjet & Rotor Cabinets
Clot Inspection Machine	Vacuum Tables
Auto Cleaning And Thread Sucking Machine	Embroidery Machines
Cutting Machine	Quilting Machines
Intermediate Finishing Machine & Steam Process	Dry Cleaning ,Machine
Industrial Sewing Machine	CAD Software

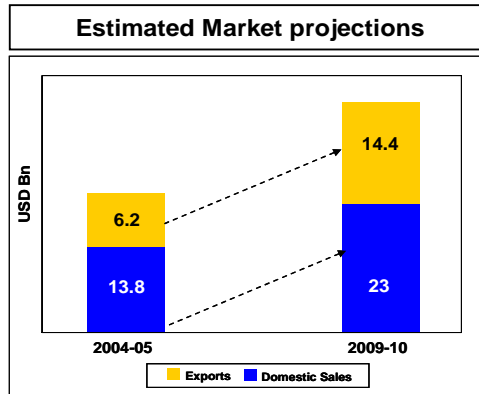
The unit would have the following facilities:

- ✓ Manufacturing Unit
- ✓ Design center
- ✓ Quality Control Lab
- ✓ Warehouse

Market Potential and Demand Dynamics

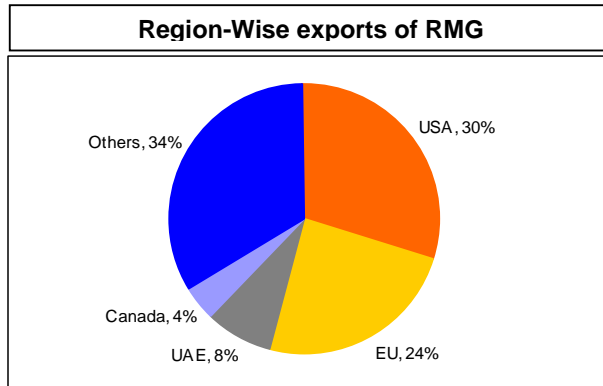
The total market for RMG in 2004-05 was estimated around USD 20.4 bn and is expected to rise to USD 38-40 bn by 2009-10 with a CAGR of 13-14% per annum. With a share of more than 68% in the total sales revenue generated in 2004-05, domestic market has significant impact over the health of textile sector. The total value of domestic RMG market in 2004-05 was around USD 14bn and is expected to grow to USD 24 bn by 2009-10 with a CAGR of 10-11%.

The Ready Made Garment sector is the biggest segment in the India's textile export basket contributing over 46% of total textile exports and a little over 12% of the total export of the Country. The exports of RMG have grown over the past one and the half decade at a CAGR of 13%.



Currently exports accounts for 31% of the total revenues of RMG sector. In 2004-05 the total exports market was estimated at USD 6.4 bn and is expected to become USD 16 bn opportunity by 2009-10 growing with a CAGR of 18-20%.

US and EU are two key exports destinations for Indian RMG Companies. Currently with an export value of USD 2.1bn India has a share of 3% in total US apparel imports (in terms of Sq. mt) and is expected to increase to 6% by 2010. The value of total exports from India in 2009-10 would be expected around USD 6.8 bn. The growth in



apparel exports to the US market would be largely driven by apparels made from cotton, the segment where India has natural advantage.

The quotas imposed over the exports from the low-cost manufacturing countries like India under the Multi-fiber agreement (MFA), were the key impediments that had hindered the growth of domestic RMG companies. During the quota regimen exports grew by a moderate CAGR of 6.3% from USD 4.6bn in 2000-01 to USD 6.2 bn in 2004-05. With the abolition of quotas exports are expected to grow exponentially with an estimated CAGR of 18-20 % to reach nearly USD 16bn in 2009-10.

At present, the textile export from MP is around USD 250 mn which is less than 1% of the national exports. MP textile sector has the potential to attract a total investment of approximately USD 2.2 bn in the next 5 years. For this, the GOMP has initiated a series of reform measures to promote the textile sector in the State. Since garment industries have the tendency to flock in clusters, especially nearby the sources of raw material, the State is focusing on cluster development

around sectors of strategic advantages by developing infrastructure in and around these areas.

Why Madhya Pradesh?

Key advantage offered by the State:

- Easy availability of raw material (cotton)
- Large no of ginning and pressing units
- Ample availability of skilled and semi-skilled manpower
- Strategic central location facilitate cost effective logistics functions
- Peaceful labour environment
- Separate incentives to the textile industry
- Established cotton and textile clusters
- Presence of prominent textile players in the State

Location Analysis

The project is proposed to be set up in the envisaged textile cluster at Ujjain. It would enable the RMG unit to realize higher growth avenues arising within the cluster.



Government Support

Highlights of Special Incentives Given to Textile Industry

- Special Incentives to Readymade Garment, Power looms and Made-up Garment industries:
 - Benefits under Government of India's schemes such as *Apparel Park Scheme, Textile Centre Infrastructure Development Scheme (TCIDS)*
 - Modernization of units of this sector through *Technology Upgradation Fund Scheme (TUFS), Group Work Shed Scheme*.
 - *Exempted from the binding of minimum wage fixation on a daily basis.*
- An *Apparel Training Institute* would be set up with the assistance of Apparel Export Promotion Council in the State, so that maximum number of trained worker could get employment in the Ready-made Garment industry.
- Efforts to establish a *national level fashion designing technology institute* in the State in order to facilitate textile industry of the State regarding the information for design development and to provide forecasts.
- In order to accelerate the pace of modernization of the unorganized power-loom sector, modern *power loom clusters would be developed at Burhanpur, Indore and Ujjain* with financial assistance sought under Government of India's Group Shed Scheme.
- Development of the process house through private participation by providing necessary facilities and if required their cases would be

considered by the committee for Mega Projects.

- The provision related to *labour laws declared for Special Economic Zone will be made applicable to the projects / special areas established such as Apparel Park, Garment Complex* and unit established/being transferred under *Group Work Shed Scheme*.
- Cotton ginning and pressing units would be provided high quality cotton and they would be encouraged for modernization under centrally sponsored schemes with the help of their recognized associations.
- Construction of tar roads for smooth transportation to Cotton Mandi and construction of cement platform for storage of cotton, using Mandi Board's fund would be taken up on priority basis.
- Units purchasing yarn produced within the State would be given a "set off" of 2% (Two percent) on Commercial Tax would be given.

Proposed Capacity

The unit would have the capacity of around 3500 pieces per day.

Proposed Investment

The total capital investment is estimated around USD 5.5 mn or INR 25 crores.

Returns

The Internal Rate of Return from the project is estimated in the range of 15 – 18%.

Coordinating Agency

Madhya Pradesh State Industrial Development Corporation