



DENIM: REVOLUTION IN TEXTILE MANUFACTURING

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Abstract: In countries like UK, USA, CANADA, JAPAN and CHINA, there was introduction of denim for clothing sometime two decade ago. The popularity of this fashion ware is due to many factors such as long durability, not frequently washing, no ironing, protection against cold etc.

It is observed that denim is also getting popularity in India by all age group of people like child, youth and older. In India, climate is not very cool but still preference is for denim in day to day use because it is available at affordable price.

Denim is the sweet gift of God for middle class family. However, higher income group families adopting it as more comfortable and fashionable dress code. People having traveling jobs and also in air conditioning offices, it is a pride of status symbol in wearing denim trousers.

In this paper, let us understand the contribution by Ashima and Arvind from Gujarat and try to observe these denim giant with their standing in retail garments business.

Keywords: Retail Business, Denim, Fashion.

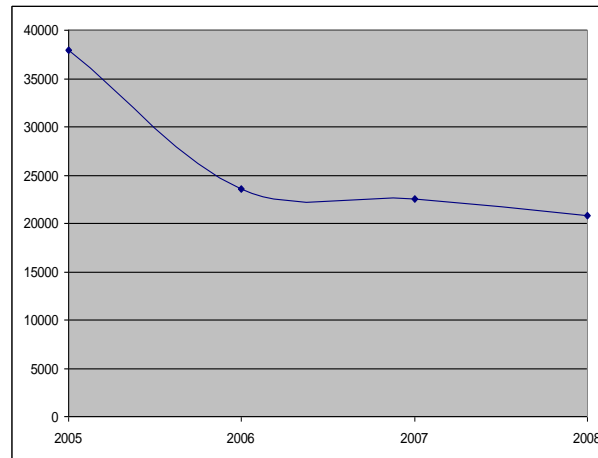
I. INTRODUCTION:[1]

“India textile industry largely depends upon the textile manufacturing and export. It also plays a major role in the economy of the country. India earns about 27% of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14% of the total industrial production of the country. It also contributes around 3% to the GDP of the country.

India textile industry is also the largest in the country in terms of employment generation. It not only generates jobs in its own industry, but also opens up scopes for the other ancillary sectors. India textile industry currently generates employment to more than 35 million people. It is also estimated that, the industry will generate 12 million new jobs by the year 2015.

India Textile Industry is one of the leading textile industries in the world. Though was predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world.” [Desai, 2009]

II. ANALYSIS OF DATA FOR ASHIMA:[1]



Ashima 2005 onwards

Actual performance in sales (Figures are rupees in lac) [4]

[1] The operational performance of the company during the year has not been satisfactory as compared to last period both in terms of sales and operational profitability. Unfavorable and sluggish market conditions in denim division, appreciation of rupee, increase in furnace oil cost, one time payment to workers of spinning division under voluntary retirement scheme, etc., have been responsible for decline in profit of the company. On a positive side, in these inflationary times company has been able to control its variable and fixed costs. The abolition of quotas has intensified competition from neighboring countries and put tremendous pressure on sales price and consequently the margins. The cotton prices have remained strong during the year and due to current liquidity constraints the company could not take any long term position on cotton procurement.

Company has closed down its spinning activities of shirting division and workers have been offered voluntary retirement scheme with an approximate outflow of Rs.1061.27 lacs.

It is seen that in both European Union and US markets, Indian unit prices are lower than China. India is suffering from several competitive disadvantages in the international markets in terms of slow pace in technology up gradation and process automation, lack of economies of scale in weaving and processing sector and low brand image in textiles and garment sector.

Years have been a tough one for the company. The denim manufacturing capacities in India increased during the year and denim industry in general continued to face recession due to oversupplies. The demand for major textile products like denim fabric and yarn dyed shirting dipped during the year, leading to pricing pressures.

The company's performance has not been up to the mark as compared to projections as most of the segments have operated below par in terms of volume and unit realizations and have been hit badly due to the global scenario in textile industry. The major impact came from denim segment which witnessed

oversupplies in the market, coupled with sluggish market conditions in yarn dyed and power becoming expensive for the company.

The company has continued to operate only in one segment i.e. Textiles. The denim segment has been one of the worst hit segments in textile industry. The denim market is likely to remain sluggish and marginal improvement can only be expected in near future. The company is continuously striving to explore newer markets as a part of the overall strategy for sustained business.

The shirting division of the company has also been facing tough times in terms of lower capacity utilization, lower order book position, declining export volumes and overall downward pressure on prices. The capacity utilization has gone down as compared to previous period. The share of exports in overall turnover too has gone down during the year.

The financial performance of the company has not been as per the projections and has been adversely affected due to factors such as overall sluggish market conditions, stiff competition in international market post quota regime, pressure on prices, rise in cost of furnace oil, etc. A major factor for the lower top-line is that the company decided to move out of low-margin trading business.

The cotton costs had hardened during the initial part of the year and have softened during later part of the year. The company could not take much advantage of the situation, due to liquidity problems, which otherwise would have enabled the company to improve its operational margins.

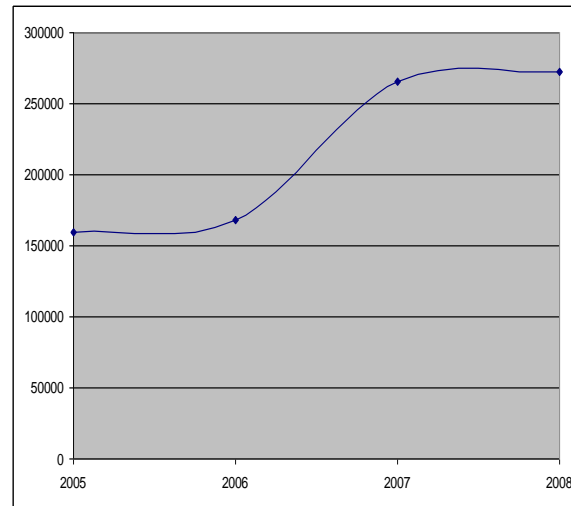
The resources and liquidity position remained tight during the years due to subdued performance of the company. The high interest burden continues to haunt the operations of the company and company is working to get its debts restructured which in turn will help the company to improve its resources and liquidity position. The company has managed its resources judiciously to ensure that operations of the company are not adversely affected. However, owing to liquidity constraints, company has not been in a position to take benefit of bulk purchases of cotton as the prices have softened in the year.

As there are no quota restrictions on exports, the company sees tremendous opportunities in export markets. With a varied product portfolio, enhanced product development capabilities and focus on development of new export markets, the company is in a very good position to improve its performance in the times to come.

Being agro product, the supply of cotton fluctuates based on crop conditions and seasonality. Further, change in crop volume as well as consumption pattern in other major cotton consuming countries like China adds to this volatility.

While doing the analysis of data obtain using simple retail marketing model, we find that there is consistence declined of business operation by this organization. It is seen that variance in upwards and downwards both are sensitive and management satisfy with the situations and conditions for variance such as closure of unit and offering VRS to their employees.

III. ANALYSIS OF DATA FOR ARVIND: [1]



Arvind 2005 onwards

Actual performance in sales (Figures are rupees in lac) [4]

[1] and [5] Company has made significant progress towards its stated goal of becoming a truly integrated organization that spans textile to retail. However, there have been temporary set backs caused by a slowdown in the denim products group.

Company operates across multiple products and businesses in diverse markets and environments. These include the Indian retail market for its brands, the Indian intermediary market for fabrics and the global market for the fabrics and apparel business. While its performance in most of these markets is satisfactory, the Indian intermediary market for the denim products group is suffering from a supply glut.

The situation is compounded by the fact that the Bangladesh market, which has traditionally been a first choice for export, is also experiencing a supply boom. Denim production capacity in Bangladesh is projected to increase. Company's shirting product group is also facing a challenge in the domestic intermediary market. Fabric retail is under tremendous pressure as markets rapidly shift towards ready-to-wear clothing. The proliferation of large-format retail stores is further contributing to the slowdown in demand for fabric.

The primary objective for Indian apparel manufacturers is to replace the space being vacated by Mexico, Honduras, Guatemala and other countries in South and Latin America. Further, in the total export basket of cotton apparels from Asian and Sub Saharan countries, the markets for Indian fabric have grown by an estimated 20%, demonstrating a positive and rapid shifting of sourcing base. The growth in apparel exports from the region will help strengthen the relationship that Company enjoys with major American brands to create larger business volumes.

In the near future, the revenue and earnings composition of the Company is set to shift in favor of the retail and apparel businesses. Business logic dictates that where apparel manufacturing is viable, the fabric business will follow.

Company is focused on becoming an end to end solution provider and results of this strategy are visible. From a 100% denim company in the late 90s, it has evolved to a stage where currently, denim accounts for less than 50% of its business. For the time being, denim continues to be the mainstay of the Company. Company pioneered the denim market in India and has been the undisputed market leader for the last two decades. Even during a slowdown of demand between 1997-2000, it continued to leverage opportunities in the domestic market. However, the current supply glut in the domestic denim domestic market has dragged down the entire company's financial performance. The situation is not expected to improve in the near term.

On the retail front, Company wishes to focus primarily on branded apparel retail. The strategy is to reposition Mega mart as a place to 'shop smart and feel smart'. As part of this strategy, there is an aggressive Expansion plan to open large format Mega marts in the top 15 cities. The order book for jeans is full and the Company is exploring organic and inorganic avenues to expand the business.

Shirt operations are operating at optimum capacity utilization and productivity has increased significantly. The Company is looking at methods to increase the capacity through third party tie ups or joint ventures. The shirting business continues to be stable. The business has suffered few temporary reverses due to the sluggish post-festival retail season. The Company is focused on offering only value added and mid premium products in the shirting sphere. It has made significant investments to move towards this goal. This includes a state-of-the art printing facility that will allow it to enter the women's top wear segment. The Company is also creating a dedicated ammonia finishing plant through third party investment. A first of its kind in India, this facility will allow significant up gradation of its product mix.

The outlook for shirting is stable. The Company is of the opinion that the current selling prices are sustainable and near term realizations are not likely to witness any significant downturn.

While doing the analysis of data obtain using simple retail marketing model, we find that there is consistence growth and business operation by this organization even though variations are observed from quarter to quarter. It is seen that from the first quarter of year 2008 there is stable growth observed.

IV. CONCLUSION

The textile industry has been thrown open under the new WTO regime and quota has since been dismantled from January 2005. The effect of the same has been that countries like India and China have directly come into competition with each other.

The Indian Textile industry has to strengthen relationships with global retailers through their key strengths of design and fashion capabilities. This will also help them in competing with China and other East Asian countries.

Consumers having the knowledge and ability to find a better bargain than clothing store who provide the lowest of low cost retail clothes shopping. Hence, Indian readymade garments retail business will have ample opportunity to capture it against imported items.

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