Readymade Garments

Industry Code (as per CMIE Prowess): 0101011520000000'

June 2022

Overall Industry Risk Score: 11/20 | Marginally Favourable

Sample Size: 31 Companies   **Median Rating Value of sample size:** BBB

Individual Parameters Contributing to the Score

Demand & Supply Balance   8/20

Moderate Over Supply

The volumes during FY21 were impacted by demand side challenges as also logistical constraints- both on domestic front and in export segment. On the export front, the exporters were facing challenges mainly on account of competition from countries like Bangladesh & Vietnam prior to pandemic. As per AEPC data, the exports increased by 30.4% to USD 16 billion in FY22 from USD 12.2 billion in FY21. The outlook for FY23 is expected to be healthy on back of economic revival and the already lifted restrictions on opening of offices and travel.

Extent of Competition   8/20

Fragmented Industry

Domestic industry is characterised by fragmentation and presence of several units across various product segments. Large established branded players like Page Apparels, Lux Industries exist in the organised sector with a presence in niche product categories in the mid to higher price segments. The US and Europe are the major markets for exporters. Competition in the export market is intense especially from countries like Bangladesh and Vietnam.

Regulatory Risk 16/20

Stable Regulatory environment

The policy has been supportive of the readymade garment segment in view of the high employment generation potential and export potential. The focus is on technology upgradation (TUF) in order to improve competitiveness of the domestic players in the international market.

Input Related Risk 12/20

Largely predictable supply of inputs from diversified sources or Raw Materials with rare, occasional disruptions / fairly predictable price band

This industry continues to face pressures on its profitability which are expected to continue over FY23. Labour availability had impacted the performance in FY21 however, the lockdown issues have been resolved to a great extent in readymade garment clusters.