

# A Glimpse into the Textile Cluster of Tirupur

A case study by Brickworks Analytics



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## 1. Executive Summary

The objective of this report is to provide an insight on Tirupur Textile Industry.

From academic researchers to financial analysts, from policy makers to small and big entrepreneurs, Tirupur attracts them all alike. This report is a humble effort to give an idea on its transformation from a simple town to a major industrial hub.

This piece entirely relies on secondary research method of ethnography, where the information is accessed from online news portals, articles and websites.

The report sheds light on the history of Tirupur cluster, growth and challenges, key players in the market and data on textile units and market growth.

Covid-19 has changed the world forever and due to it, Tirupur market has encountered several positive outcomes along with a few setbacks. The report makes an attempt to outline a few of them. To conclude, the report talks on PLI Scheme announced by the Government of India and how it can possibly change India's position in the global textile market.

## 2. Introduction and Historical Background

Tirupur (Tiruppur) branded as the Knitwear Capital of India, excels in knitted readymade garments. Located about 60 km east of Coimbatore (Tamil Nadu), it is popularly known by the names 'Dollar City', 'Small Japan' and 'Banian City', contributing to a huge amount of foreign exchange in India [1].

The history of Tirupur dates back to the era of Mahabharat. However, the world began to take notice of this place only in the early nineties. A series of events unfolding in the 20th Century pushed this town to the limelight. To name a few in the ascending chronology:

- In 1921 the first cotton market was set up [2]. Following this, the town became a centre for cotton trading in the coming years.
- In 1937, Mr Gulam Kadar introduced knitting to the town, through his venture 'Baby Knitting Industries'
- A series of strikes in the knitting factories of Madurai and Salem (in the late 1930's) became a boon, resulting in the addition of new knitting firms in Tirupur.
- By 1940's, the town emerged as the promising centre for knitwear in South India.
- From 34 production units in 1942 to 230 in 1961, the industry steadily rose. However, it catered only to the domestic markets till the 1970's.
- In 1978, Verona, a garment importer from Italy brought the first ever European business to Tirupur. Impressed by the quality, other foreign importers too followed suit

- By the 1980's, exports began to expand, making Tirupur a largest cotton exporter of knitwear from the country [1].

### 3. Success Story

How did this water-starved town in western Tamil Nadu make a mark in the world map? The land is not fertile and the rains are erratic. How did the people contribute to innovations and adapt themselves to the changing business trends?

- **Career switch:** Most of the industrialists today come from modest agricultural backgrounds. In many documented cases, ex-farmers switched to the knitwear firms to learn production first hand, eventually starting something on their own as small owners [3].
- **Water quality:** Back then the clothes bleached with local water, came out whiter due to the high mineral content. This was before the advent of chlorine in bleaching, which is routinely used in the textile industries. This is one of the desired features in domestic vests and briefs market, Tirupur got lucky!
- **Work ethics and community structure:** Before Tirupur became a textile hub, people would toil in the fields for long hours and they brought the same work ethic to the industry. Coming to the community, it is close knit and they often start firms/units in partnerships. Also, it is often seen that if a person who gets an order cannot execute it, he would pass on the offer to another community member [1].
- **Product Quality:** Quality of the products comply with the International Market Standards.
- **Proximity with Coimbatore:** Coimbatore was already an established textile manufacturing and trading centre when Tirupur was taking baby steps , which ensured the easy flow of required skills [4].

The economic activity of the entire town revolves around the manufacture of cotton knitwear, for use as banians (mostly sold in the Indian market) and T-shirts (mostly exported) [4]. Tirupur being one of the largest textile clusters of India, accounts for 90% of the country's cotton knitwear exports. Within a matter of three decades, the export has crossed Rs. 27,000 crores in 2018-2019 from a meagre of Rs. 10 crores in 1984. The sales turnover of Tirupur knitwear business in 2019-20 was Rs. 42,750 crores and to this the contribution of exports business was Rs. 24,750 crores and domestic 18, 000 crores [5].

### 4. Tirupur Industrial Cluster:

How is Tirupur Textile Cluster structured? How do the different unit's function in tandem or complementary to each other? How do MSMEs thrive in this business environment?

The presence of MSMEs (Medium and Small Manufacturing Enterprises) in a cluster results in the external economies; like the rise and growth of specialized suppliers for the raw material, component

and machinery, sector specific skills etc. It promotes the growth of technical, administrative and financial services, creating a conducive environment for the development of inter-firm cooperation. It also paves a way for the cooperation among public and private institutes to promote local production, innovation and collective learning.

What are the benefits of developing an Industrial Cluster?

- Room for innovations
- Improved access to information
- Reduction in the transaction cost
- Efficiency
- High potential for Technological up-gradation
- Co-operative competition
- High rate of Enterprise Development
- Comparative advantage [1]

Tirupur textile cluster has specialised units all along the value chain of knitwear, starting from spinning to knitting, from wet processing, printing, garment manufacturing, embroidery, compacting and calendaring to exports. In addition to it, there are also functional ancillary units supplying buttons, laces, embroidery, cones and yarn processing etc. From 6250 functional units along the value chain in 2008 [1] to 8350 in 2021[5], a steady increase in the units is observed. The table below shows the latest composition of different units, in the textile value chain of Tirupur.

**Table 1: Breakdown of Units in the Tirupur Textile Cluster [5]**

Value Chain Activities	Number of Units
Knitting	850
Dyeing	400
Bleaching	50
Printing	600
Garment Making Exporting units	1,200
Domestic and job working unit	3,000
Embroidery	400
Other Ancillary Units	1,100
Compacting and Calendaring	750
<b>Total</b>	<b>8,350</b>

## 5. Key Players

Without help and support from the ecosystem, how will a cluster function? Where is the assistance coming from and how?

From basic knit garments for the lower end of the domestic market to a range comprising sportswear, T-Shirts, polo shirts, ladies and children's garments, Tirupur textile cluster has successfully diversified its production basket. This was made possible with the high degree of specialisation in every area of manufacturing operation and it is the result of innovative business development services like pre-production checks, rigorous laboratory testing, sourcing assistance and production consultations provided by the enthusiastic entrepreneurs. There are a couple of influential commerce and industry associations that provide solutions to intra firm disputes, assistance with information and playing lobbying roles influencing the government decisions. As of 2021, there are more than twenty functional industry associations in Tirupur, playing a commendable role in helping the manufacturers. Some of them are:

- Tirupur Exporters Association
- Tirupur Export Knitwear Industrial Complex Association
- Tirupur Export Knitwear Manufacturers Association
- Tirupur Export Knit Printers Association
- Tirupur Hosiery Yarn Merchants Association
- Tirupur Kaja Button Owners Association
- Tirupur Merchants Association
- Tirupur Narrow Tape Manufacturers Association
- Tirupur Power Table Owners Association
- Tirupur Power loom Association
- Tirupur Screen Printing Association
- Tirupur Steam Calendering Association
- Textiles Committee
- Tirupur Collar Stitching Section Association
- Tirupur Cotton Merchants Association
- Tirupur Dyers Association
- Apparel Export Promotion Council (AEPC)
- Banian Cloth Manufacturers Association
- Computer Embroidery Association
- Indian Hosiery Yarn Mill Association
- South India Hosiery Mfrs. Association
- Tirupur Bleachers Association [1]

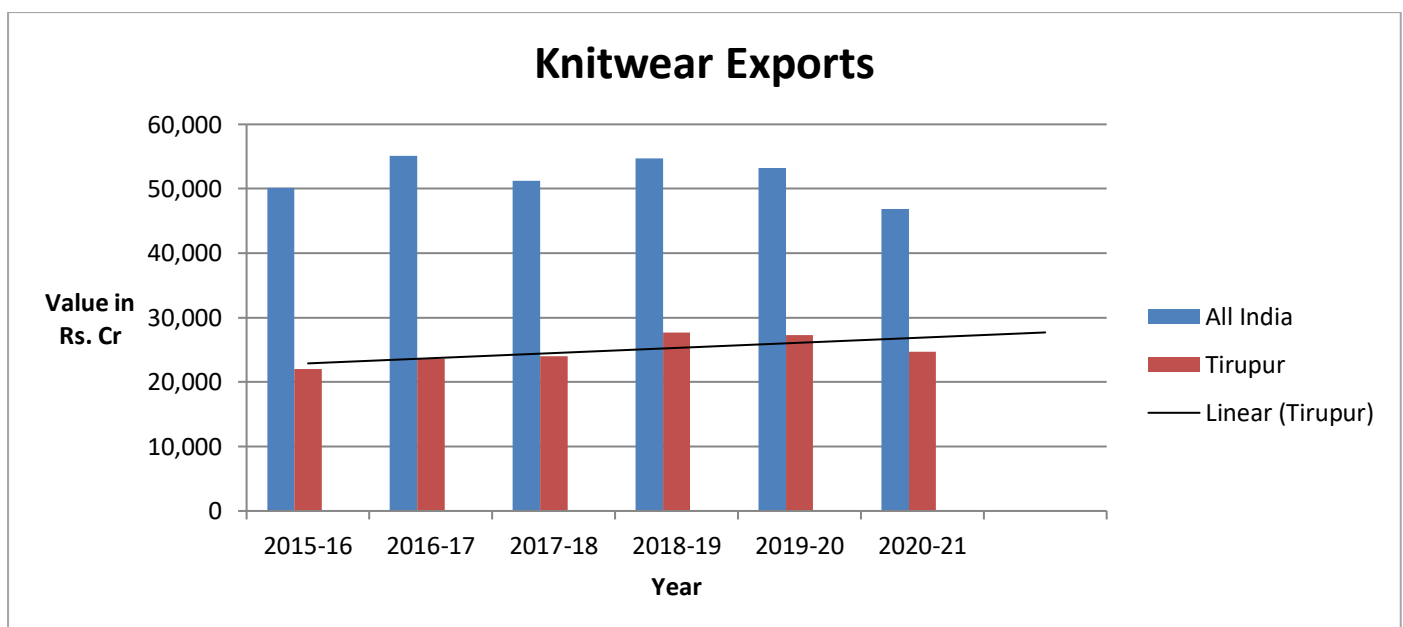
## 6. Tirupur Export data

Tirupur is not a brand exporter, meaning most of the exporters take up work for brand marketers and do not sell their own brands [4]. Some of the leading brands like Nike, Cutter & Buck, Tommy Hilfiger, Van Heusen, Point Zero, Fruit of Looms, Adidas, GAP, Katzenberg, Fila, Arrow, TESCO, S Oliver, Inditex (Zara), etc., and leading chain stores like C&A, Walmart, Target, Primark, Sears and Mothers Care, H&M, Decathlon, Carrefour, Lindex, Hanes Brand, Polo, Ralph Lauren, NEXT, Kiabi, Columbia Sportswear source from Tirupur. Tirupur contributes to about 45% of total knitwear exports from India and it exports 'only cotton-based garments'. As per the industry experts, there is a good scope to increase Tirupur's global market share if they venture into exporting synthetic garments. The Table 1 and Chart1 compares the knitwear exports of Tirupur with all India exports in the recent years [5].

**Table 2: Tirupur v/s All India knitwear exports [5]**

	2015- 16	2016-17	2017- 18	2018-19	2019-20	2020-21
<b>All India</b>	50,150	55,150	51,526	54,691	53,199	46,890
<b>Tirupur</b>	22,060	23,620	24,060	27,650	27,280	24,750
<b>Share (%)</b>	44.0	42.9	46.7	50.6	51.3	52.8

**Chart 1: Tirupur v/s All India knitwear exports**



**Chart 2: Tirupur's export data from 1984 to present**

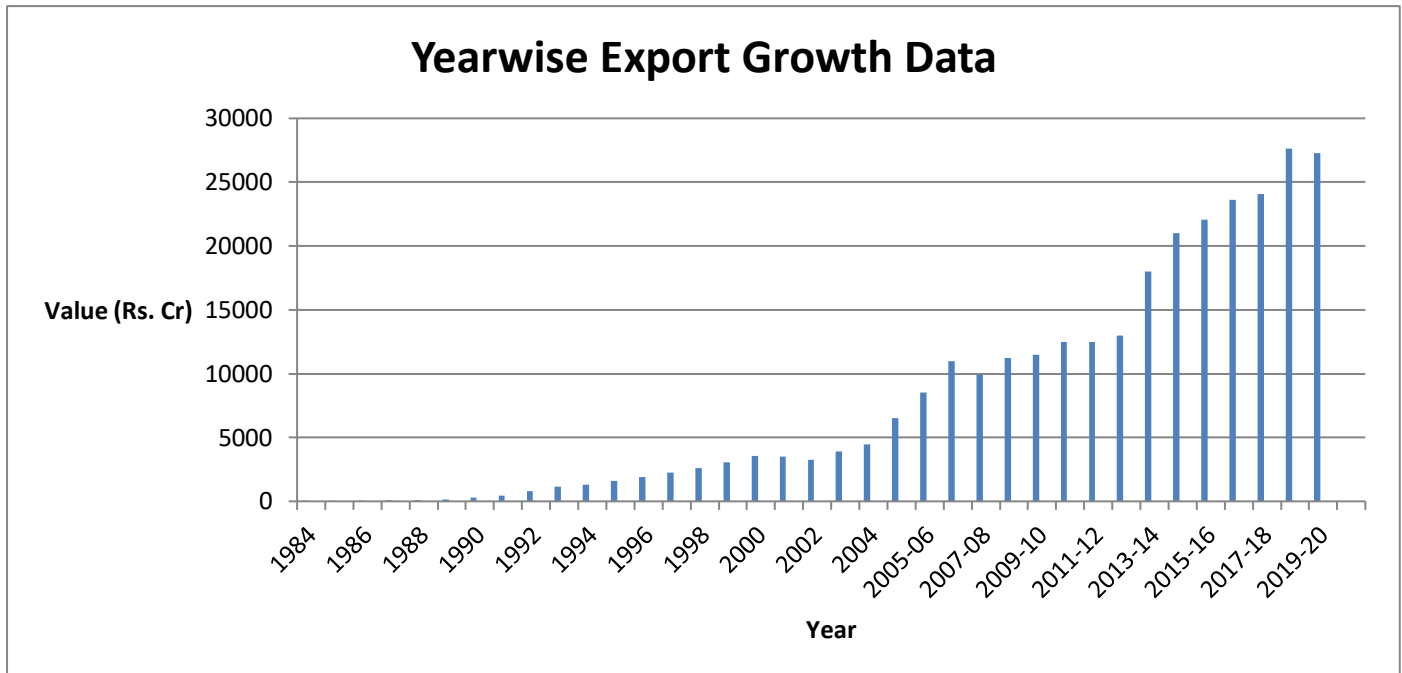


Chart 2 above, shows the export data from 1984 to 2021 and one can observe the rise in the export value every passing year [5]. From a humble beginning of less than exports of Rs.10 crore in 1984, to over 27000 crore in 2021, the industry has grown by leaps and bounds.

## 7. Challenges faced by the Tirupur Textile Cluster

Hurdles and obstacles are a part of every industry and Tirupur is not immune to it. A study carried out in 2015 has mentioned them in detail [7].

- **Fluctuation in the cotton yarn price:** This uncertainty is a major blow on the confidence of apparel exporters to accept a deal.
- **Exchange rate fluctuations:** Though depreciation of the Indian Rupee against the US Dollar or Euro is a welcome sign for the exporters, it clouds the judgement of the exporters when deciding on the final price. Also, the buyers sometimes ask for unrealistic discounts, following the Rupee depreciation.
- **Inadequate number of dyeing units:** Many dyeing units have been closed down by the government in an attempt to control water pollution in the city. This has forced the exporters to send their fabric/yarn to the nearby districts or northern states for dyeing which increases the production costs.
- **Labour Shortage:** Though the employee turnover is very high in Tirupur, the stability in the labour force is rarely seen.



- **Outdated machineries:** Many exporters often take initiatives to modernise their production process but some still stick to traditional/local machineries due to which the output suffers.
- **Poor Infrastructure:** Water supply, electricity, road facilities and other basic infrastructures are still not that great due to which production and transportation suffers, resulting in the increase in cost of production and poor health/ safety of workers.
- **Pollution:** There are all kinds of pollution ranging from water, air to soil pollution and 80 % of the pollution load is accumulated in Tirupur area (according to the estimate in 2012). The annual average rainfall 617 mm is not at all sufficient to reduce the severity of pollution.
- **Government support:** Though the government has taken many initiatives and measures to promote the exports, it still has not reached the exporters effectively [7] [8].

## 8. Covid-19 Impact

Around mid January 2020, the first massive blow came to the industry from the cancellation of export orders as corona virus had started to engulf Europe (majorly Italy) and China. Around March, the virus was spreading in India too which hampered the domestic business. The city employs over 6 lakh people and a majority of them are migrant labourers. According to Raja Shanmugam, President, Tirupur Exporters Association, everything happened so quickly and due to the lockdowns, there was insufficient time to ensure the safe return of migrant workers. He also mentioned that many exporters did not get their dues settled from overseas and domestic suppliers and the revival of the industry was solely dependent on governmental intervention [9].

In 2021, the industry had recovered from the first jolt of Covid, owing to the increased demand for casual wear. Due to this, the export orders increased by at least 15-20 % from pre-Covid levels. Around the time the second wave hit, exporters and manufacturers were busy working on their orders and with the lockdown looking imminent, many migrant workers left for their native. However, the manufacturers ran the show with local labourers, but the lockdown left them all in an uncertain situation [11].

The sector saw a drop of about 9 % in exports during the first wave as the earnings from exports dipped from of Rs 27,500 crore in 2019-20 to Rs 25,000 crore in 2020-21. However, the impact of Second wave in 2021 was worse because, almost 10 % of the global orders for the upcoming season got diverted to Bangladesh, Vietnam, Cambodia and China. According to Raja Shanmugam, another major setback the garment units faced during the second lockdown was staff shortage, as 20% of the workers did not return after the first wave. To make matters worse, cotton prices in the domestic markets shot up from Rs 35,000 to Rs 55,000 per candy in October 2020 [10].

Raja Shanmugam was the man behind 'vision document 2020', which outlined Tiruppur sales target (domestic and export market combined) and the intention was to cross 1,00,000 crore mark in 2020. But due to macroeconomic changes and Covid- 19, the target has now been revised to 2022 [5].

## 9. Latest Developments and Governmental Incentives

Even though India remains one of the largest textile producers globally, its share of global production and exports have gradually eroded in the past decade, as smaller nations like Bangladesh and Thailand have slowly taken over. To regain India's global position as one of the largest sources of apparels and textiles, the Indian cabinet has approved a Production-Linked Incentive (PLI) scheme for man-made fibres and technical textiles sectors. Textile Minister Piyush Goyal has briefed that the scheme runs for next 5 years and is expected to bring employment opportunities to over 7.5 lakh people. The scheme includes incentives worth Rs. 10,683 crore and a fresh investment of more than Rs. 19,000 crores for the eligible manufacturers. This is also an initiative to help Indian producers switch from cotton textiles to new products that accounts for two-thirds of global textile production and the states like Gujrat, Uttar Pradesh, Maharashtra, Tamil Nadu, Punjab, Andhra Pradesh, Telangana and Odisha are believed to be positively impacted. The scheme gives priority to women empowerment in the textile sector, while giving a lot of scope for investment in Tier 3/4 towns [12].

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