



INDUSTRY CAPABILITY REPORT



SRI LANKAN APPAREL SECTOR

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1. Introduction

When Sri Lanka liberalized its economy in 1977, the country's garment industry took off immediately. Initially quota-hopping East Asian garment exporters, attracted by the country's liberal trade regime, relocated their already well-established garment businesses to Sri Lanka. This relocation encouraged local entrepreneurs to start their own garment enterprises to exploit markets guaranteed by quotas, assisted by the liberal trade regime and incentives granted by the Sri Lankan Government.

Sri Lanka has since become a world class apparel manufacturer supplying to global super brands for over three decades. The industry upholds high ethical practices, eschews child and forced labor thus being known to the world as a producer of "Garments without Guilt".

2. Type of players

There are manufacturers and exporters of apparel under the large scale category as well as small & medium scale category. Most of the export oriented clothing factories are SMEs and they are scattered across the country.

3. Key products and varieties

Apparel categories span, sportswear, lingerie, lounge wear, bridal wear, work wear, swimwear and children's wear, etc.

4. Unique characteristics of the sector

The Sri Lankan garment industry has strong commitment to the welfare of its workers. Guided by the visionary slogan: "Garments without Guilt", ethical practices are at the root of the industry's success. Garments are made with conscience and care by protecting worker's rights, creating opportunities for education and personal growth, and helping to alleviate poverty in communities with the aim to create a more equitable society.

The apparel industry in Sri Lanka has also won many awards for green manufacturing. Sri Lanka is the world's number one ethical apparel sourcing destination.

The "Made in Sri Lanka" label is now synonymous with quality, reliability, social & environmental accountability. Sri Lanka is the first amongst seven apparel manufacturing facilities in the world to be awarded the LEED platinum rating, setting a global benchmark for Green Apparel factories.

5. Major Brands supplied to

The industry possesses an impressive partnership portfolio which includes world renowned labels such as Victoria's Secret, Gap, Liz Claiborne, Next, Jones NewYork, Nike, Tommy Hilfiger, Pink, Triumph, Ann Taylor, Speedo, Abercrombie & Fitch, Land's End, Marks & Spencer and Intimissi.

6. Geographical distribution across the country and known clusters if any

- Most of the apparel manufacturing firms are situated in the South West of the country

The following associations are involved which support the apparel sector by addressing the sector related issues through coordination with the government institutions.

- Joint Apparel Association Forum (JAAF)
- Sri Lanka Apparel Exporters Association
- Sri Lanka chamber of Garment Exporters
- Sri Lanka Apparel Sourcing Association
- Free Trade Zone Manufactures Association
- Sri Lanka Apparel Brands Association

7. Total exports of apparel in selected categories of the sector.

- The total value of exports in the apparel sector was US \$ 4675Mn in the year 2016 under the following chapters.

Selected Markets	US \$ Mn.
H.61 Articles of apparel and clothing accessories knitted or crocheted.	2705
H.62 Articles of apparel and clothing accessories not knitted or crocheted.	1897
H.63 Other made up textile articles; sets; worn clothing and worn textile articles; rags.	73
Total :	4675

USA and UK are the top markets for Sri Lankan apparel through-out the decades. Sri Lanka has GSP+ facility for its exports in to the EU which cover 28 markets.

8. Number of players

There are around 300-350 manufacturers of apparel.

9. Key Players

- Brandix Apparel Ltd.
- Mas Intimates (Pvt.) Ltd.
- Hirdaramani International Exports Ltd.
- MAS Active Trading Pvt. Ltd.
- Bodyline Pvt. Ltd
- Smarts Shirts Lanka Ltd..
- OMEGA LINE LTD
- EAM MALIBAN TEXTILES MAHIYANGANAYA PVT LTD
- COURTAULDS TRADING CO PVT LTD.
- LINEA AQUA PVT LTD.
- JAY JAY MILLS LANKA PVT LTD.
- Polytex Garments Ltd.
- ORIT TRADING LANKA PVT LTD.

10. Number of people employed in the sector

The industry provides direct employment opportunities to over 300,000 and 600,000 which include a substantial number of women in Sri Lanka.

11. Government support available in the sector

New areas are open for investment & expansion with the end of war. There are already 10 factories in construction in the North & East of the country and more projects are on the way.

12. Strengths in the Sri Lankan apparel industry.

a. Sustainability

- Industry sustainability has been a buzzword over the past few years. It has generally been defined by efforts to reduce the carbon footprint of both suppliers and retailers.
- Sri Lankan apparel's definition of sustainability incorporates its entire production, human resources and supply chain process.
- Developed into a sophisticated industry over the past 30 years, from mere tailors to total solutions specialists.
- An International reputation as a reliable and a quality manufacturer with a highly competent, compliant work force.
- Factories have focused on innovation as well as offering superior product development and design resources.
- Employee welfare and social accountability has always been inherent feature of its sourcing model.
- Over the past few years the industry has worked to raise the bar further by aspiring to a higher standard of social compliance and embarking on a number of green initiatives.

Ethical Sourcing Destination

- Commitment to 'Ethical Business & Manufacturing', free of discrimination, sweatshop practices and child labour.
- While the initial focus of GWG was establishing Ethical Working Conditions, today it has been extended to Green Manufacturing and empowering employees across the industry.
- Policies aimed at reducing waste together with the implementation of lean manufacturing have resulted in a much more efficient production process.

- As part of its drive for Ethical Employment and empowering our workers Sri Lanka has been able to attract and retain better talent.
- Lower employee turnover is resulting in a more skilled and capable workforce – making our factories more productive and improving overall quality.
- The industry has also implemented shorter process flows to reduce energy wastage and are using fully integrated services, which all result in a shorter lead time.
- Industry can provide comprehensive solutions and long term partnerships to apparel customers.
- Highest per capita apparel exports in the region, 2% of the US apparel imports, 11th ranked apparel supplier to US, 4th ranked Bra suppliers, 8th for briefs, 9th for cotton pants, 10th for nightwear and top three apparel companies amongst world's 50 most important suppliers.

C. A Flagship Green Destination

- The worlds' First Green Factories
- LEED Platinum and Gold Certified

d. Leading Design Innovation

- State of the Art Product Development Facilities
- Talented Pool of Sri Lankan Designers
- Collaboration with its customers
- Hub for South Asian Fashion
- Exposing and developing local talent
- On-line, real-time interaction with brands
- A number of courses at leading universities that are dedicated to the apparel industry and are turning out highly qualified graduates each year.

e. Hub for South Asia

- Large manufacturing capacity, 17% Market Share of US apparel imports, largest population, emerging domestic market, FTA with India and Pakistan, emerging fashion presence, largest Labour Force, 2nd largest cotton producer, large textile base.
- Sri Lanka Apparel is to position itself as a fast fashion and logistics hub for the entire South Asian Region. When viewed as a combined entity the statistics are even more

remarkable. Taken as a whole the South Asian region accounts for a 17% market share of US apparel imports and this figure is increasing on an annual basis. The large labour force and textile resources means that there is continually growing capacity available in the region, and the rapid emergence of the domestic apparel retail market has created a new market for both global brands and factories that supply to them.

f. Regional Collaboration

- Knowledge sharing and technology transfer
- Sri Lanka as the Hub for BPO services and Fashion, R&D, Innovation Centers
- 'Virtual' Vertical Integration within the region
- Sri Lanka to be used for Quick Response and Chase orders
- Preferential Market Access within the Region.
- Utilisation of Development Centres to provide BPO services as well as Innovation and research and development.
- Given our shorter shipping lead times and flexible production units, Sri Lanka can also be used by customers for initial Launches and Chase orders to supplement larger orders placed in countries such as Bangladesh.
- Sri Lanka has an FTA with India which includes Apparel. There are already a number of Indian retail brands that are sourcing from Sri Lankan factories and there is significant scope for global brands to use Sri Lanka as key hub to service the Indian market.
- Continual organic growth is planned by augmenting relationships with existing customers, penetrating emerging markets and capacity expansion in North & East
- Plan to enhance its traditional exports with Hub Services focusing on Logistics, Knowledge services and our Centers of Design Innovation.