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## **OPPORTUNITIES IN INDIAN MARKET FOR SRI LANKA'S APPAREL – HS 61 & 62**

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## **CONTENTS**

	<b>Page No.</b>
<b>1. MARKET OVERVIEW</b>	<b>2</b>
<b>2. TRENDS IN THE INDIA MARKET FOR APPAREL</b>	<b>8</b>
<b>3. INTERNATIONAL APPAREL BRANDS IN INDIA MARKET</b>	<b>9</b>
<b>4. CONCLUSION</b>	<b>11</b>
<b>5. SOURCES</b>	<b>11</b>

## 1. MARKET OVERVIEW

### 1.1. Introduction

Sri Lanka's apparel export industry is the most significant and dynamic contributor for Sri Lanka's economy. The industry has grown over the last three decades and has become the number one foreign exchange earner and employs about 15% of the country's workforce, accounting for about half of the country's total exports, and Sri Lanka is among the top apparel producing countries in the world relative to its population. India and Sri Lanka enjoy a robust trade and investment relationship, with bilateral trade growing rapidly in the last decade and Sri Lanka is India's largest trade partner in South Asia. India in turn is Sri Lanka's largest trade partner globally. Trade between the two countries grew particularly rapidly after the entry into force of the India-Sri Lanka Free Trade Agreement in March 2000. In 2011 – 2012 India's imports from Sri Lanka went up by almost 45% to cross US\$ 720 million and over the next eight years, bilateral trade multiplied nearly five-fold.

This report emphasizes information regarding the market opportunities of apparel sector in India for Sri Lankan exporters. Today, the total apparel and clothing market of India stands in Rs. 220,000 crore. The menswear segment is slightly bigger currently than women's wear, but by 2015 it estimates that the women's category would have grown larger than menswear.

### 1.2. HS code description

#### HS 61 & 62 – Apparel

HS Code	Product description
HS 61	Articles of apparel, accessories, knit or crochet
HS 62	Articles of apparel, accessories, not knit or crochet

### 1.3. Global market size and trend for apparel (HS 61 & 62) value in US\$ thousands

Global imports	2008	2009	2010	2011	2012
Value	346,654,839	311,925,212	339,535,172	390,603,674	384,583,422

According to the above table, apparel is being a one of main import items, it is noted that the import value has increased in considerable extent from 2008 to 2012.

### 1.4. Main world importers of Apparel, value in US \$ thousands

Importers	2008	2009	2010	2011	2012
<b>World</b>	<b>346,654,839</b>	<b>311,925,212</b>	<b>339,535,172</b>	<b>390,603,674</b>	<b>384,583,422</b>
USA	76,363,556	66,795,357	75,646,794	81,514,136	80,688,749
Germany	30,504,998	30,965,830	32,692,631	38,239,235	33,877,534
Japan	24,216,340	24,069,826	25,262,227	31,110,939	32,037,455
United Kingdom	23,427,436	20,765,953	22,041,572	24,889,191	23,754,957
France	22,341,200	20,250,543	20,690,019	23,497,877	21,051,592
Hong Kong, China	17,563,369	14,706,372	15,709,269	16,090,500	15,206,924
Italy	16,604,070	14,829,577	15,537,955	17,606,344	14,926,296
Spain	14,830,428	12,618,613	13,302,590	15,573,343	13,247,882
Netherlands	10,089,652	9,395,022	10,086,427	11,389,135	10,256,195
Canada	7,453,455	6,857,129	7,542,858	8,653,902	8,496,336
Russian Federation	4,225,362	3,674,312	5,552,075	6,741,465	8,184,769
Belgium	9,737,187	8,381,598	7,530,856	8,785,958	7,984,948
United Arab	2,617,275	4,676,604	4,807,255	6,126,044	7,179,546
Republic of Korea	3,993,304	3,161,659	4,124,146	5,722,012	5,899,087
Australia	3,901,163	3,714,135	4,439,679	5,354,352	5,583,487
Austria	5,750,958	5,038,466	5,218,822	6,032,151	5,380,388
Switzerland	5,361,205	4,860,236	4,907,518	5,697,242	5,316,776

Viet Nam	212,375	203,799	289,122	336,607	4,185,093
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Apparel is mainly imported by USA, Germany, Japan, UK and France. India is remaining as the 75<sup>th</sup> position. Even it accounts for a small share among the world, imports from Sri Lanka to India increased rapidly during the past decades.

### 1.5. Sri Lanka's Exports of apparel to World, value in US\$ thousands

HS Code	2008	2009	2010	2011	2012
HS 61	1,679,136	1,581,247	1,700,246	2,110,464	1,968,580
HS 62	1,606,314	1,538,147	1,612,070	1,873,721	1,812,190
<b>Total export</b>	<b>3,285,450</b>	<b>3,119,394</b>	<b>3,312,316</b>	<b>3,984,185</b>	<b>3,780,770</b>

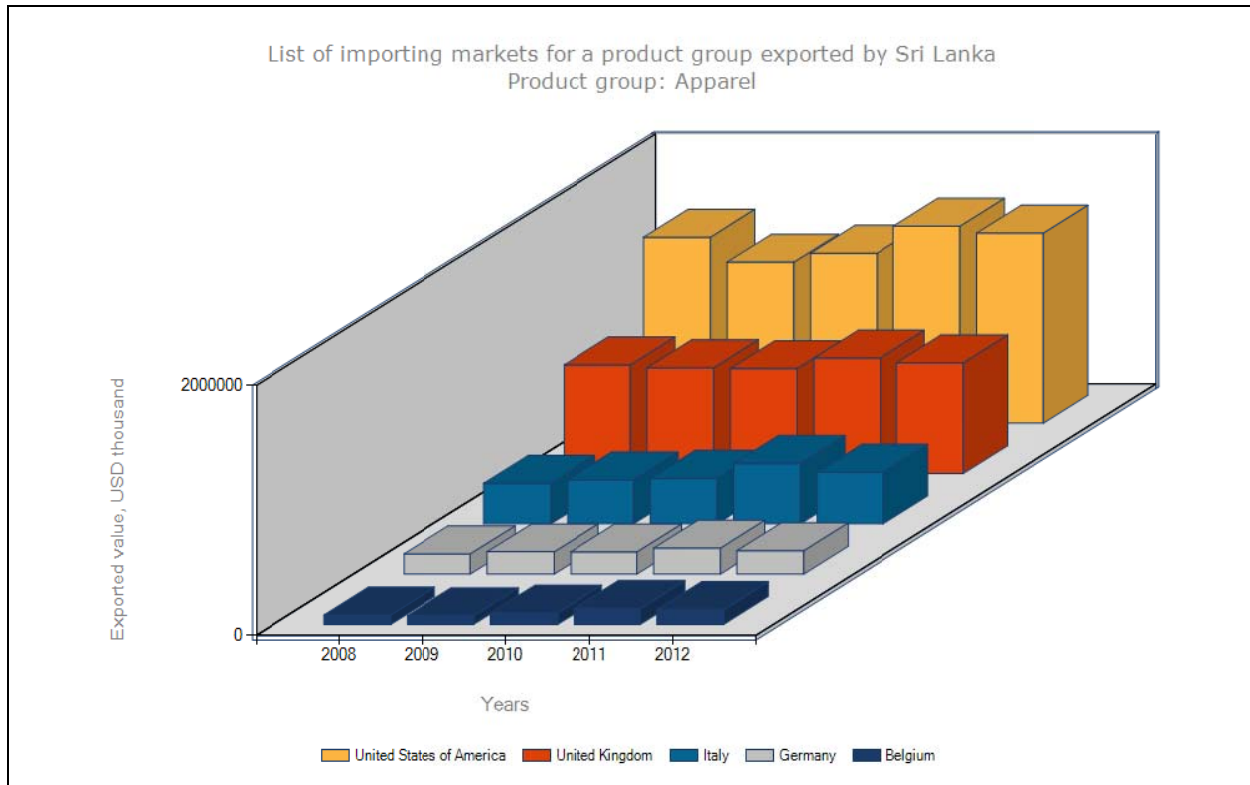
According to the given table, it shows that Sri Lanka's export of apparel has increased and HS 61(articles of apparel, accessories, knit or crochet) records the highest. The industry has enjoyed epic growth levels over the past decades and today Sri Lanka's primary foreign exchange earner accounting to 40% of the total exports.

### 1.6. Main world importers of Sri Lanka apparel, value in US\$ thousands

Importer	2008	2009	2010	2011	2012
USA	1,485,209	1,285,401	1,357,208	1,572,768	1,517,429
United Kingdom	867,107	843,864	837,646	921,682	883,611
Italy	323,866	349,064	362,003	480,774	411,252
Germany	161,904	178,112	177,688	208,029	187,728
Belgium	75,219	69,404	91,350	125,768	118,012
France	55,030	56,501	59,521	81,529	92,075

Canada	47,068	41,766	55,456	72,230	76,900
United Arab	7,965	19,273	24,891	46,085	43,497
Netherlands	46,940	59,431	77,388	69,892	42,648
<b>India</b>	<b>5,177</b>	<b>6,813</b>	<b>13,836</b>	<b>26,559</b>	<b>39,329</b>
Australia	7,918	9,240	13,765	23,123	29,140
Sweden	11,135	11,371	20,702	35,144	29,125
Hong Kong, China	24,539	17,392	15,080	26,816	27,197
Japan	11,604	12,412	19,036	22,982	27,147
Slovakia	13,119	19,600	18,671	28,310	17,811
Russian Federation	7,175	5,422	9,036	14,481	17,289
Spain	24,590	12,995	11,295	21,052	16,930
Mexico	10,429	10,198	10,596	15,928	15,774
China	4,416	4,377	3,456	8,775	15,026
Austria	6,001	5,533	6,129	11,911	14,426
Sweden	11,135	11,371	20,702	35,144	29,125
Hong Kong, China	24,539	17,392	15,080	26,816	27,197
Japan	11,604	12,412	19,036	22,982	27,147

As per the above table USA, UK, Italy and Germany are the main importing partners of Sri Lanka apparel and India is remaining at the 10<sup>th</sup> position. The demand for Sri Lanka apparel in India has increased rapidly during last five years period. It has increased US\$ 5 million in 2008 to nearly around US\$ 40 million by 2012, showing a high level of incensement for just five years time with the implementation of India Sri Lanka Free Trade Agreement (ISFTA)



## 1.7. India market position for Sri Lankan apparel, value in US\$ thousands

### 1.7.2. Sri Lanka's share in Indian market

code	Sri Lanka's exports to India			India's imports from world			Sri Lanka's share in Indian market		
	2010	2011	2012	2010	2011	2012	2010	2011	2012
HS 61	2,869	6,541	15,818	74,619	119,370	115,447	3.84	5.47	13.7
HS 62	10,967	20,018	23,511	101,356	166,449	197,049	10.82	12.02	1.93
<b>Total</b>	<b>13,836</b>	<b>26,559</b>	<b>39,329</b>	<b>175,975</b>	<b>285,819</b>	<b>312,496</b>	<b>7.86</b>	<b>9.29</b>	<b>12.58</b>

It is observed that around 10% to 12% of India's apparel import comes from Sri Lanka. The calculated figure for export of both category of apparel (61 & 62) is 12.58% in 2012.

HS code	Sri Lanka's exports to India			
	Value in 2012, USD thousand	Annual growth in value, between 2008 - 2012, %, p.a.	Share in Sri Lanka's exports, %	Equivalent ad valorem tariff applied by India to Sri Lanka
HS 61	15,818	73	0.8	0
HS 62	23,511	71	1.3	0

Analyzing the above table, it can be identified that export of apparel to India has rapidly increased by showing more than 70% growth for five years period of time. And the share for knitted apparel is 0.8% and for non knitted category remains as 1.3. %.

### 1.7.3. Tariff concessions under the ISFTA

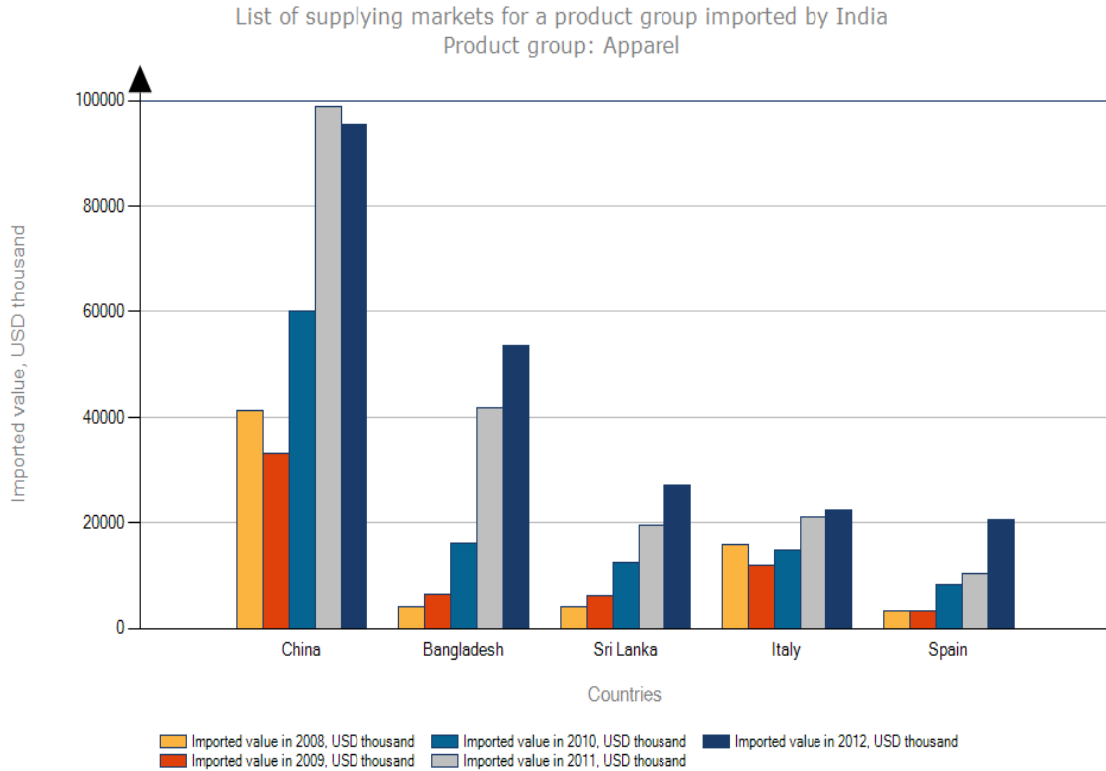
Eight million pieces of Apparel quota is allowed at zero duty with no fabric sourcing conditions under the ISFTA.

### 1.8. Main suppliers of apparel to India

Exporters	2008	2009	2010	2011	2012
China	41,266	33,264	60,177	98,864	95,589
Bangladesh	4,093	6,463	16,064	41,833	53,645
<b>Sri Lanka</b>	<b>4,088</b>	<b>6,227</b>	<b>12,577</b>	<b>19,443</b>	<b>27,260</b>
Italy	16,001	11,979	14,955	21,235	22,409
Spain	3,393	3,282	8,382	10,397	20,616
Hong Kong, China	10,351	6,816	8,265	7,046	8,965
United Kingdom	11,954	8,306	7,768	6,932	8,893
USA	2,461	2,905	4,346	8,041	8,624
Germany	2,601	2,570	3,825	8,676	6,979
France	6,423	4,532	4,399	6,593	6,569
Thailand	5,249	3,390	4,681	4,528	5,841
Turkey	1,589	620	1,771	3,591	4,446
Denmark	140	616	4,906	5,573	4,040
Cambodia	208	187	173	590	3,466
Viet Nam	1,199	704	1,031	2,081	3,408
Indonesia	1,450	844	841	1,566	3,040
Pakistan	1,149	656	1,487	2,615	2,960



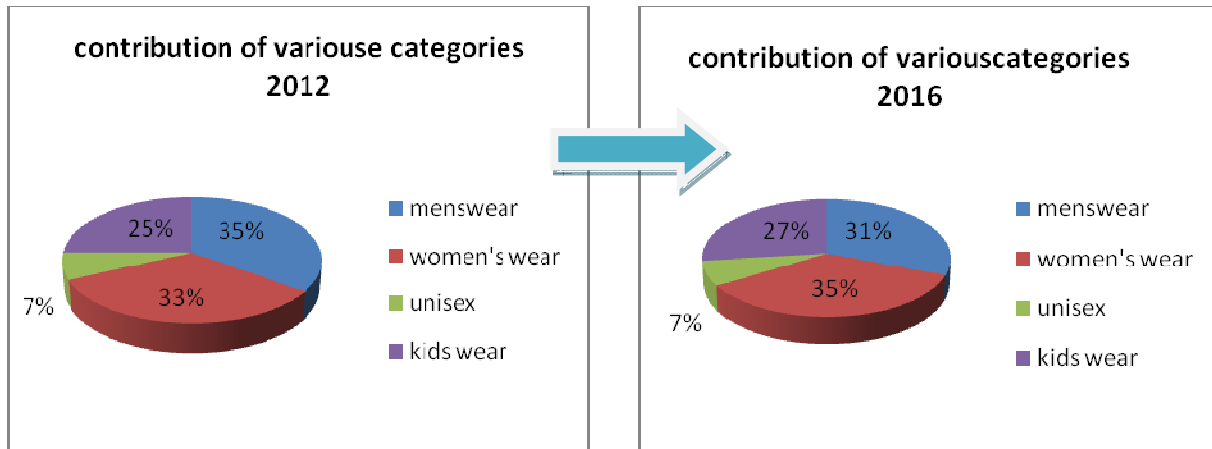
According to the above table, major import partners are China, Bangladesh, Sri Lanka, Italy and Spain.



## 2. TRENDS IN THE INDIA MARKET FOR APPAREL

- Apparel and clothing market of India stands at Rs. 220,000 crore, and estimated to increase over 400,000 crores by 2016.
- Apparel and clothing contributes to around 4% of the Indian’s household’s consumption expenditure every month.
- Factors like fast growing purchasing power, improving retail research, influx of international brands means the spend on the industry is expected to augment further in future..
- Segments like trousers/skirts, woven tops, lingerie, active sports wear represent good opportunities for growth.

- Menswear segment is currently bigger than women's wear, but by 2016 IRIS (Incorporated Research Institutions for seismology) estimates that the women's category would have gone larger in share than menswear. Kids wear is also expected to grow in relative contribution in next years.



- More and more brands are eyeing the country as a viable market to enter and consumers are becoming more discerning in their choice of what to wear according to the occasion and are fast adopting specialized categories and western – wear.

### 3. INTERNATIONAL APPAREL BRANDS IN INDIA MARKET

- Zara
- Mango
- GAP
- Arrow
- Diesel
- Massimmo Dutti
- Banana Republic
- Louis Philippe
- Allen Solly
- Lacoste
- Adidas
- Nike
- Tommy Hilfiger
- Marks Spencer
- Moustache
- Ralph Lauren Polo

### 3.1. Sri Lankan apparel brands in India market

- Amanté
- Avirate

## 4. CONCLUSION

India has now emerged as the largest and the most balanced trading partner of Sri Lanka, with high level of exports and imports taking place between the two countries.

Apparel retail in India is one of the most penetrated organized segments and is expected to grow rapidly over the next five years. International players such as Zara, M&S & Mango are actively scouting locations to open more stores across the country. With rising disposable income, there is a perceptible shift towards branded apparel even in tier 2 towns and in new segments like children's wear. Growth in the apparel market has also been driven by the rise of e-commerce and rapid expansion in lifestyle segments like children's apparel and sportswear. Easing of FDI restrictions will drive the next wave of brands that will enter the market to tap into the large Indian opportunity.

## 5. SOURCES

- [www.trademap.org](http://www.trademap.org)
- Sri Lankan custom statistics
- Hand book on ISFTA (published by High Commission of India)
- India Retail Report 2013

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