

# *Bellary Cluster: Diversifying to Denim Products*



*Source: Apparel India*

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Bellary is the second most important centre for manufacturing of readymade garments in Karnataka after Bangalore. It is one of the oldest garment manufacturing clusters renowned for traditional skills in tailoring. The genesis of the garment cluster in Bellary can be traced to the manufacture of uniforms of soldiers stationed at Bellary during the Second World War.

Most of the work was done by migrants from darji community of Maharashtra. After the war was over, the existing production facilities were used to manufacture school uniforms to fill up the void created by lack of demand for uniforms of soldiers.

Key Players		
Player	Characteristics	No. of units
Big Manufacturer	All Activity in-house	4 to 5
Trader Manufacturer	Mainly cutting, checking & packaging in-house, small part of sewing activity in-manufacturer	450
Jobbers	Cutting, sewing and embroidery	850
Service Provider	Ironing	150
Washer/Dyer	Bleaching and dyeing fabric, mainly denim	65
<b>Total</b>		<b>1520</b>

Subsequently, in response to changing demand and existing expertise, the cluster specialised in the production of bottom wear of men and children. Sensing the business potential of the garment industry in Bellary, traders mainly from Rajasthan came and established their bases in large numbers.

Cotton is grown extensively in the district. Ginning and spinning activities are present in the cluster. About 18,000 people are employed in 2,000 ginning and spinning units. However, there is no weaving activity in the cluster. Consequently, the value chain of the garmenting units starts from purchase of fabric from local dealers of mill owners located in Mumbai, Ahmedabad, Bhilwara, Ludhiana, Amritsar and south India. Manufacturers and jobbers form the largest segments in the value chain.

### Trader

### Manufacturers

There are about 450 trader manufacturers in the cluster. Average investment is about ₹ 80,000 to 1.6 lakh per unit. Most of them are members of Bellary Garment Manufacturers Association (BGMA). These trader manufacturers generally do not undertake stitching activity though they have installed small number of sewing machines for sampling and other exigencies like delivery in shortest possible time.

There are only four to five units which undertake the entire CMT (cutting, machining and trimming) work in-house. Most of the traders do cutting, checking and packing in-house while sewing, dyeing and other activities are outsourced to jobbers.

There are about 850 jobbers who cater to various activities outsourced by the trader manufacturers. The jobbers are located in Bellary and two other villages Hirehal about 15 km away from Bellary and Rayadurga which is 50 km away in Andhra Pradesh.

Very few of these units can be classified as medium size (who have more than 40 sewing machines) and the rest 99 per cent units are very small units (less than 40 sewing machines).

### Products Manufactured

The cluster specialises in manufacture of bottom wear primarily for men and to some extent for children. Around 90 per cent of the bottom wear is made for men and remaining 10 per cent for children. A few of them make shirts or women's garments. Though the cluster is famous as jeans capital of India, it also produces bottom wear made from 100 per cent cotton and blends like polyester viscose and polyester cotton.



Men's Wear	Kid's Wear	Ladies Wear
Jeans	Jeans	Trousers
Trousers (PV & 100% cotton)	Trousers	Skirts
Shirts	Shorts	Jackets
T-Shirts	Skirts	Churidar
Jackets		Jeans
Work-wear		



### Market Segments

The market of these products is largely restricted to the four south Indian states, Andhra Pradesh, Karnataka, Kerala and Tamil Nadu. Many manufacturers are targeting one or two states only. Select manufacturers are targeting other states like Orissa, Maharashtra and Rajasthan.

### Export Market

Only few manufacturers indirectly export to the UAE and Sri Lanka. There have been attempts by some manufacturers to sell to intermediaries who in turn export their products. These are few and far between and some have stopped after being misled by the intermediaries.

## Employment Generated

Type of Employment	No. of People
<b>Garment Manufacturing</b>	
Direct	15,000
Indirect	15,000
<b>Sub-Total</b>	<b>30,000</b>
<b>Ginning &amp; Spinning</b>	
Direct	18,000
<b>Grand Total</b>	<b>48,000</b>



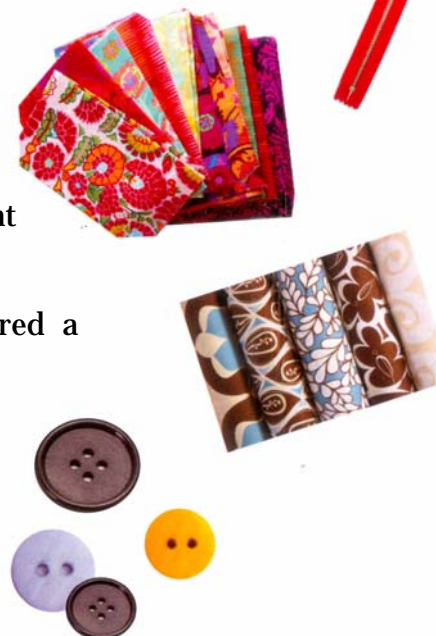
## Growth of the Cluster

The cluster has been growing steadily over the years at around 10 per cent per annum in recent times. Since the cluster caters to domestic market, it has not got affected by the currency fluctuation. Most of the units expect to maintain their growth in future to around 10-15 per cent per annum.

Even the number of trader manufacturers has registered a growth of around three per cent in the recent past.

## Total Annual Production

- Volume – 2 Crore pieces
- Value - ₹ 250 to 300 crores
- Average Capacity Utilisation – 50 to 60 per cent



## Prices of Raw Material

Approximate price of different raw materials used in the cluster are given below

Raw Material	Estimated Price
Fabric-Denim	₹ 92-108 per metre
Fabric-Cotton	₹ 85-145 per metre
Zip	₹ 3-9 per piece
Button	₹ 2-3 per piece
Packing Cloth	₹ 6-14 per pant

Fabric is the major raw material accounting for about 70 per cent of the raw material cost in the cluster. Other materials used are accessories, sewing thread and packing material.

## Cost Break-up of Jeans

A typical jeans trouser costing around ₹ 128 would have the following break-up.

Material	Cost ₹
Fabric	100
Pocketing Cloth	5
Zipper	5
Button/Rivets	4
Thread	6
Leather Label	5
Woven Label	3
<b>Total</b>	<b>128</b>

## Technology

There are about 10,000 sewing machines (some have specialised machines otherwise mostly single needle machines) of brands like Juki, Brother, Siruba in the relatively modern units and Usha, Singer, Panther, Darby and Perry in the traditional units. Among the jobbers about 50 units use modern machines while remaining over 800 units use old machines. The approximate distribution of sewing machines among various jobbing units is as follows:



No. of Machines	No. of Units
Less than 20	765
20-30	65
30-40	15
More than 40	5



Feed of the Arm, Flat Lock (Siruba), Overlock 5 thread, belt making, loop making, boiler and ironing machines are some of the other machineries used in the cluster. Some jobbers also have embroidery and laser printing machines.

## Access to Finance

There are about 129 commercial bank branches and 65 branches of regional rural banks in Bellary. Access to finance is not considered a problem by most cluster players. However, not many units borrow from banks which can be attributed to low capital requirements and unwillingness to undertake the discipline of borrowing from banks. About 90 per cent of the borrowings are from Marwari lenders.

Banks that are active in Bellary are SIDBI, State Bank of India, State Bank of Hyderabad, Canara Bank, Axis Bank and ID BI Bank. There are very few term loans as machine cost is very low.

### **Main Problems**

- People do not want to grow to avoid compliance with various statutory requirements-taxes, PF, ESI. Most entrepreneurs are not educated. They have poor washing and dyeing technologies.
- Unhealthy competition as they compete by cutting price at the cost of quality of product.
- Poor quality maintenance as most activities are outsourced. Non-usage of testing facilities is reflective of lack of concern for quality. They lack transparency in accounts which leads to their dependence on informal money market.

### **Future Prospects**

Output is expected to double in the next five years. There exists a growing and vibrant domestic market for the moderately priced products. There is scope for technological improvement as well as for improvement in the quality of products. Product profile may undergo some change as some units are diversifying to denim jackets and shirting (10 to 15 per cent). There is a need to supply to Bangalore and North India. With globalisation, the cluster would face increasing competition from imports. Proposals for apparel parks and women apparel parks are on the anvil for staving off competition.

### **Interventions for Boosting Growth**

- Change in the mindset of the people should be the first priority. The fear of compliance to PF, ESI and other such requirements needs to be driven away through seminars, training and interactive events with the concerned officials.
- Setting up of apparel parks would help to bring all units in one area to increase efficiency, quality and there would be better supervision.
- There is a shortage of trained manpower. Some manufacturers are of the view that labourers from other states should be allowed. Labourers need to be incentivised for improvement of work culture.
- Technological upgradation can be promoted through educational seminars/conferences on cost reduction, designing, quality improvement, efficiency in production, modern washing/dyeing techniques, etc.
- Strengthening linkages with financial institutions, trade promotion bodies (CMAI, AEPC), developmental bodies (DIC, CEDOK) and local associations (BGMA) would help.
- Since most jobbers do not have PAN numbers, TDS is not being done by merchant manufacturers leading to opaqueness in accounts. Benefits of PAN may be popularised in the cluster.

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**Image Courtesy:** bellary.com