

# Strong supply chain

Once mainly associated with readymade garments, Bangladesh is rapidly investing higher up the supply chain with significant developments in spun yarns and knitted fabric production. **A Z M Anas** reports

The strength and diversity of Bangladesh knitwear producers' supply chains is one reason why this key outsourcing location is so popular with international brands. And indeed, attention to the supply chain is the mantra of Bangladesh knitwear boss Mohammed Abdul Jabbar. He says he is constantly assessing units working within his company to ensure that "we've total control over supply chain."

As managing director of Bangladesh's sprawling DBL Group, he has always fretted over the quality and timely delivery of imported yarn. So, he established a spinning mill equipped with 50,000 spindles in 2006, barely a year after the abolition of quotas following the end of the World Trade Organisation's (WTO)

Agreement on Textiles and Clothing.

Its spinning unit is well equipped with cutting-edge machinery from Switzerland's Rieter and Japan's Toyota and Murata. DBL, whose group sales topped \$275m last year, has not been alone in paying attention to the supply chain.

Bangladesh saw a rapid pick-up in investment in the spinning industry in 2007 when the country became the third largest purchaser of spindles, behind China and India. As a result, Bangladesh has a well-established supply chain for its knitted apparel manufacturers.

Domestic suppliers can meet 90% of its requirement for fabrics and 75% for yarn.

Around 400 spinners linked to the Bangladesh Textile Mills Association

(BTMA) can produce 2.28 million tonnes of yarn a year. And fabric production has also grown, with capacity increasing from 702 million metres in 1973 to 2,650 million metres now. A dyeing and finishing sector has also emerged to support the knitwear industry.

Major brands regard Bangladesh backward linkages as more developed than its low cost rivals Vietnam and Cambodia. Experts in Bangladesh say vertical integration has helped knitters slash turnaround times for shipments, which are 60-80 days, compared with 90-120 days for woven exports.

So, local knitwear exporters have reason to cheer. Even as the country's regional rival Pakistan has been enjoying the benefits of GSP+ trade status with the European Union (EU) since January, Bangladeshi knitters appear unconcerned.

Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA) president A K M Salim Osman told Knitting International: "Our greatest strength is workers. They're our raw materials. We've no cotton, no chemicals. We're not worried about (Pakistan's GSP+ status). They'll never catch up with us," he says.

The latest knitwear exports figures from two countries back this optimism, with Bangladesh's overseas sale of knit goods totalling \$2.2bn in the first two months of the 2014-15 July-August fiscal year - almost five times Pakistan's export sales of knitwear in the same period.

Shipments from Bangladeshi knitters destined for the EU alone reached \$8.68bn in the 2013-2014 fiscal year, up from \$7.3bn a year earlier. Bangladesh is the world's second largest knitwear exporting nation after China. About 1.5 million workers are employed in nearly 2,000 knit firms, says the BKMEA.

An example of the vertical integration that helps boost these figures is the Noman

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Group, which has one of the largest spinning facilities in the country with 400,000 spindles manufacturing yarn for all segments, including knitting and hosiery.

Mohammed Mostofa Kamal, Noman's commercial chief, says its spinning mill can produce 220-250 tonnes of yarn per day. Noman imports cotton from top suppliers, notably US-based Allenberg Cotton Co, Britain's Cargill Cotton and Olam International, Singapore.

The group, whose monthly exports range from \$70m to \$75m, has also built a substantial warp knitted fabric manufacturing facility: "We export this kind of fabric to India, Vietnam and Hong Kong," he tells Knitting International.

Dr Mustafizur Rahman, executive director of Dhaka think-tank Centre for Policy Dialogue, said government cash inputs, user-friendly technology and EU rules of origin have helped encourage the development of integrated knitwear production in Bangladesh.

"We have a long tradition in knitwear. More importantly, production of knitted fabric - say for a T-shirt - is easier than for woven where product differentiation is high," Dr Rahman tells Knitting International.

Another example is Fakir Knitwears Ltd, part of the Fakir Group, whose founder began textiles business in the mid-19th century in Narayanganj, the knitwear capital of the country.

Saiful Islam, a deputy general manager overseeing commercial affairs, says the company imports yarn to manufacture fabric for its knitwear firm that sells clothing to Hennes &

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Mauritz (H&M), Primark, Zara and Tema. The company mainly imports yarn from Sudhan and Moral Overseas Ltd of India, nominated by retailers.

"We're now moving into high-value products. Primark, Zara and Tema are buying these items," Mr Islam says.

This shows how Bangladesh's knitwear industry is building on its low-cost labour to restructure and grow production, adding new technology and strengthening backward linkages to fortify its competitive position.

And further upgrades in the clothing manufacturing sector, in general, and knitwear, in particular, are underway after the Rana Plaza disaster.

The BKMEA chief says: "We're now more careful about... [building safety] than in the past."

Bangladesh's electricity supply is notoriously unreliable. So, DBL can't act as a bystander. Again, it has installed captive power plants in factories to keep production uninterrupted.

Looking ahead, Mr Jabbar says: "As long as we're in business, we have to invest and will continue to strengthen backward linkage."

That said, the country still needs to

import textile inputs, notwithstanding the expansion of domestic production. International trade data indicates that more than half of imported textile inputs come from mainland China, followed by India, Hong Kong, Pakistan, Thailand and South Korea.

Also, with few local supplies, the country imports cotton worth about \$4.5bn from international markets, making it one of the top importers in the world.

Currently, the BTMA said the country needs about 4.5 million bales of cotton to meet the annual demand of its textile and clothing sector.

Meanwhile, Bangladeshi knitters have started to look at exports of specialised yarn and manmade fibre, offering a niche for foreign suppliers, for instance Madhusudan Rayon Pvt Ltd, a Gujarat, India-based company. Prashant Birla, an export official at Madhusudan, said in Bangladesh, GMS Composite Knitting, Knit Concern and the Palmal Group are major knitwear sector buyers of his company's yarn.

"We're increasingly receiving queries from Bangladeshi customers. I believe demand will be huge in the near future," Mr Birla concludes.