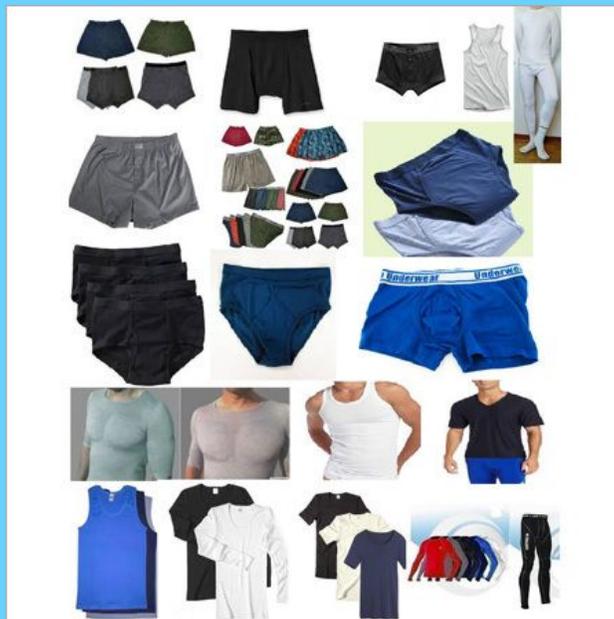


2019

Cluster Profile

Hosiery Products Cluster, Faisalabad



Turn Potential Into Profit

Small and Medium Enterprises Development Authority (SMEDA)
Ministry of Industries and Production (MoI&P)
Government of Pakistan

4th Floor, Building No. 3, Aiwana-e-Iqbal Complex, Egerton Road, Lahore
www.smeda.org.pk
P: 111 111 456



Table of Contents`

1	Description of Cluster	2
1.1	Introduction	2
1.2	Defining the Products	2
1.3	Core Cluster Actors	2
1.4	Other Cluster Actors	3
1.5	Geographical Location	4
1.6	Current Cluster Scenario	4
2	Analysis of Business Operation	4
2.1	Production Process	4
2.2	Raw Materials	5
2.3	Technology Status and Quality Assurance	6
2.4	Marketing & Sales	6
2.5	Financing	7
2.6	Human Resource Management	7
3	Institutional Setup	7
3.1	Entrepreneurs' Associations	7
3.2	Support Institutions	8
4	Major Issues and Problems	8
5	Investment Opportunities	9

1 Description of Cluster

1.1 Introduction

Faisalabad district has made rapid strides in terms of industrial development after independence. It is also recognized as "Manchester of Asia" for its extensive development of textile industry. This Industrial development has been made possible by the continued efforts of pioneering entrepreneurs, business community, Government support and skilled work force.

Hosiery Products are one of the key segment of Textile Apparel Sector, which is a major sub sector of Textile Industry. Predominantly, hosiery products are made of knitted fabric and mainly comprises of undergarments and related accessories for male, females and children. Modern Hosiery Products are usually tight-fitting by virtue of stretchy fabrics and meshes.

Since, Faisalabad being the hub of textile industry in Pakistan and is major producer of all kinds of fabric to cater for the local demand as well as exports. The existence of strong base of textile industry in Faisalabad has contributed to emergence of both downstream and upstream value added textile production in Faisalabad. Likewise, manufacturing of hosiery products is also one of the major part of this industrial landscape in Faisalabad. The location quotient of investment, employment and number of textile industrial units have significantly contributed to flourish the Hosiery Products Cluster. At the core of this cluster there are SMEs with exception of few large units, approximately 800 Hosiery Units are presently operative and around 500,000 people are directly and indirectly associated with the cluster. The basic reason for the development of this cluster in Faisalabad is the existence of a huge infrastructure of Hosiery in formal and informal sectors.

1.2 Defining the Products

The Hosiery Products are predominantly made from cotton, jersey and fleece fabrics. It mainly includes the following products:

- Under Garments
- Gloves
- Socks
- Leggings
- Tights

1.3 Core Cluster Actors

The manufacturers of all types of Hosiery Product are the core cluster actors. The major highlights of the cluster are as follows:



Table 1: Hosiery Cluster, Faisalabad

Number of Units	Approximately 800 units <ul style="list-style-type: none"> • Large and Organized Sector: 10 Units • Rest of all Small and Medium Size Units
Employment Generated	About 500,000 people are employed by the cluster.
Production Capacity	Approx. Rs. 900-1000 million
Total Investment	Approx. Rs. 2500-3000 million
Capacity Utilization	80% to 90%

Source: Pakistan Hosiery Manufacturers Association (PHMA), Trade Development Authority of Pakistan (TDAP) and Faisalabad Chamber of Commerce & Industries (FCCI).

1.4 Other Cluster Actors

The key cluster support actors who provide support services to the manufacturers of Hosiery Products mainly includes the Raw Material Suppliers, Finishing & Packaging Material, Chemicals and Dyes, and Machinery Suppliers.

Table 2: Other Support Actors, Hosiery Cluster, Faisalabad

Description	Details
Raw Material Suppliers	Cotton Fabric, predominantly Knitted Jersey, Fleece and Ribs, is the basic raw material required for manufacturing of hosiery products. There are large number of Textiles Mills who are operating in Faisalabad. They are not only fulfilling the fabric requirements of Hosiery Products Cluster Faisalabad but also supply the fabric to other parts of country as well as exports.
Supplier of Packing Material	The packaging material suppliers are concentrated in Karachi, Faisalabad and Lahore. They produce the PPT Poly Bags and Vinyl Poly Bags according to the requirements of cluster. Around 25 suppliers are providing PPT polybags and Vinyl poly bags to this cluster.
Chemical and Dyes Suppliers	To support the large number of weaving/knitting units, suppliers of chemicals dye and coloring products have also mushroomed in the Faisalabad region. Around 200 whole Sellers of Textile Chemicals & Dyes are presently operating in Faisalabad.
Machinery Suppliers	Numerous textiles related machinery supplier are found on Railway Road market, Mansoorabad and Samundri road. Most of the machines are imported and are second hand machines from China.

1.5 Geographical Location

The cluster is spread around the city; however main concentrations of the hosiery manufacturers are in the following areas:

- Jinnah Colony
- Ghulam Muhammadabad
- Satiana Road
- Mansoorabad
- Faizabad
- Chak Jhumra
- Khurrianwala
- Sheikhpur road
- Samanabad
- Dhudiwala

1.6 Current Cluster Scenario

Like the power loom sector, the hosiery exporters claim their segment is also on the downward trends and manufacturers are direly needed Government support in reducing the cost of production to become more competitive in both local and international markets. The hosiery exporters had been facing financial losses as the rates of yarn had increased in the local market and the exporters were not ready to purchase products on exorbitant rates.

Subsequently, unfavorable duty structure and taxation is also hampering the manufacturer drastically. The availability of yarn at competitive prices is the major hurdle for small and medium units.

The gas tariff is also burdened with various costs but exporters cannot pass on these system inefficiencies to the international buyers. Dozens of Hosiery factories have been closed in Faisalabad and hundreds of machines are being sold in parts at junkyards. The industry is still working on semi-auto conventional production processes. The atomization and technological advancement is direly needed for progression in the cluster.

Moreover, cluster is suffering from low production due to various internal and external factors as discussed above. Some business owners are also concerned regarding the power shortages that they believe is the main underlying reason for performing below capacity.

2 Analysis of Business Operation

2.1 Production Process

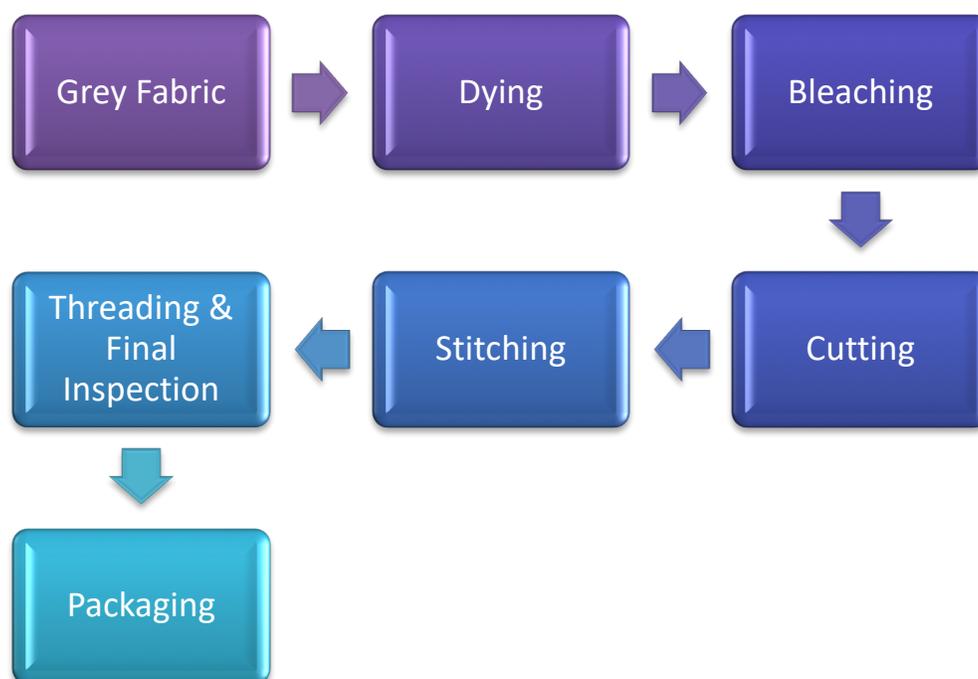
Majority of the Hosiery Product manufacturers procure yarn and converts it into grey fabric by paying conversion charges to the auto / power loom or knitting units. The grey fabric is provided



to printing and processing unit and printing charges are paid to get printing according to the given designs and colors.

The other possible option used in the market is to directly buy printed fabric from the market and convert it into Hosiery Products . Once the product is stitched, final inspection is done. All the sheets are checked for any defective stitching or loose threads and then they are packed in polyethylene bags along with insert, which is the printed material with brand name etc. and card called stiffener.

Figure 1: Production Process Flow Diagram



2.2 Raw Materials

The major raw material for hosiery products include Carded Yarn and Double Knit Yarn count. These raw materials are easily available from the different spinning mills in the Faisalabad on credit or cash basis.

Table 3: Major Raw Material, Hosiery Cluster, Faisalabad

Description	Sources
Fabric	Cotton knitted fabric is used as raw material for the manufacture of undergarments and other Hosiery Products. Generally, yarn of count 20s-40s is being used for the manufacturing of knitted Fabric used in production of Hosiery Products.

Packaging Material	Packaging material are easily available in the local market. Packaging material consists of stiffener, which is of cardboard material, an insert, which is a printed material with company's name and design and polythene bag, which is the plastic cover.
Stitching and Other Accessories	Stitching Thread, Buttons, Zips, Hooks and Elastic are the major accessories required in manufacturing of Hosiery Products. Suppliers of these items are easily available in Faisalabad. Suppliers are also import these Items from China, Thailand, Hongkong etc., as per the requirement of manufacturers.

2.3 Technology Status and Quality Assurance

Faisalabad is a pioneer in Hosiery fields and also have adopt modern technology according to all other countries like Europe, USA and Russia. But technology advancement is only limited to large r organized units, whereas majority of small size units are relying of low tech conventional and local machinery. Although cluster has the advantage of abundant raw material and cheap labor, however, the industry has not exploited the potential in real terms and has failed to make real progress in the international markets. The old machines need to be changed for increased productivity and better quality. For cutting procedure electric cutter is also being used, these cutters are usually imported from Korea, Japan and Germany.

2.4 Marketing & Sales

Faisalabad Hosiery Cluster is targeting both local and international market; around 70 percent of the total production is exported; whereas 30 percent is sold out in the domestic market. Major export destination of the Hosiery Products Cluster, Faisalabad are Europe, USA, United Arab Emirates, Spain, etc.

The major local markets for this cluster are upper Punjab and Karachi region. In order to target local market, manufacturers have developed a network of distributors across the country. Usually, 30 days' credit cycle is maintained in context of local trade. The sales and distribution network flow in local market trade is as follows;



Some of the manufacturers also have their own retail and distribution arrangements for distribution of products.

Although, export agents and local sales agents are also working to facilitate sale of Hosiery Products. But for export purposes majority of the items are directly exported by the

manufacturers. Only a small proportion is exported through commercial agents or intermediaries such as national and international import / export agents and traders. Generally, 60 days' cycle is maintained for international trade.

2.5 Financing

Generally, investors rely either on their personal investment or friends and family sources of financing. However, almost all the registered financial institutions of Pakistan have their branches within the geographical area of the cluster and are providing the financing. However, financing to hosiery manufacturers is predominantly limited to larger units. Banks are hesitant to finance the SMEs of the cluster due to small scale of business risk factor. Beside this as most of organizations are unorganized, therefore they are unable to furnish mandatory documentation for lending levied by State Bank of Pakistan.

At present, no financial institution has developed / offered any customized lending scheme for the requirement of hosiery product manufacturers. The available financial products are not appropriate to cater the requirements of the cluster, especially due to current hike of interest rates.

2.6 Human Resource Management

The Hosiery Unit sector is the labor intensive sector where the stitchers get on the job training through Tailor Master. Middle level management is non-existent in this segment; the entrepreneur himself is the manager. The stitcher in this segment does obtain professional training. The Master supervisors and managers should be familiar with electronic gadgets attached to high speed machines including (Jauji, Cutting, Press and Overlock).

The education level of workers / labor working in this cluster is very low, which is a major hindrance in learning and accepting new tools and techniques. The industry is forced to work on conventional lines. There are limited vocational training facilities for the training of workers of this cluster.

3 Institutional Setup

3.1 Entrepreneurs' Associations

Pakistan Hosiery Manufacturers Association (PHMA) Faisalabad Office

Address: 372/A, Gulistan colony #2, Sheikhpura Road, Faisalabad.

Tel: (+92) 41 8787400

Email: www.phmaonline.com

Web: phma.fsd@gmail.com

Faisalabad Chamber of Commerce and Industry (FCCI)

Address: FCCI Complex, East Canal Road, Faisalabad



Tel: (+92) 41 9230265-67
 Fax: (+92) 41 9230270
 Email: www.fcci.com.pk

3.2 Support Institutions

Junior Regional Business Consultant – SMEDA

Address: C/o FCCI, Faisalabad
 Tel: (+92) 3236054754
 Email: Shabankhalid540@gmail.com
 Web: www.smeda.org.pk

Trade Development Authority of Pakistan (TDAP) Faisalabad Office

Address: Taj Colony, Shiekhupura Road, Faisalabad
 Tel: (+92) 419210202
 Email: Tdap@tdap.gov.pk
 Web: www.tdap.gov.pk

Punjab Small Industries Corporation (PSIC) Regional Office

Address: Nalka Kohala Road, Faisalabad
 Tel: +(92) 41 9220041
 Email: info@psic.gop.pk
 Web: www.psic.gop.pk

4 Major Issues and Problems

Financial

No special financing scheme for Hosiery sector has been introduced by any of the financial institution in Faisalabad. There are two types of systems on which industry is operating. The units, which are comparatively structured and have a high number of looms, have good financial strength. These units procure their raw material with their own investment, go for their own production and earn good margins on the sale of fabric in the local market or by exporting it in the form of fabric or made-ups.

Whereas, due to lack of finances the small units operate on conversion basis. These units don't have the financial strength to procure raw material for themselves. The customers provide the main raw material that is yarn and these manufacturing units just take the conversion charges for converting yarn into fabric. In this case, the profit margins are limited. On the other hand these small units get yarn on credit for 10 to 30days hence they procure and sell the product and payback to yarn supplier.



Marketing

There is no proper marketing mechanism. Lack of modern marketing and branding techniques is an issue restricting the growth and development of this cluster, as there is not any specialized marketing department even in medium level units.

Further, absence of websites, branding and product advertisement, non-participation in national or international Exhibitions, lack of educated, certified and professionally trained / skilled workforce makes things more difficult. Trade Development Authority of Pakistan needs to enhance its cooperation with the manufacturers in international exhibitions.

Technology

Reliance on low technology for the production of fabric heavily influences the quality standardization of Hosiery Products. Majority of manufacturers are using old machines and the capacity of these machines is very limited, which is also hindering these units to compete in both local and export markets.

Technology is not an issue for large scale manufacturers but it is a major constraint for some of the medium and mostly all of the smaller units working on obsolete technology. The machines are handmade and take lot of energy, time and manpower to produce designs and accessories necessary for the Hosiery products.

Human Resource

Human Resources Development is the most critical area of intervention for this cluster. In order to achieve high degree of value addition the focus has to be laid on structured training programs with the objective to ensure a consistent supply of well-equipped workforce. Competent HR skill will enable the cluster to compete in the international markets.

Due to lack of finance and infrastructural facilities at their end, the small companies can only afford to employ ordinary level workforce. Hence, at the initial stage, an entrepreneur has to work with relatively unskilled workers. Educated and skilled personnel do not prefer joining small and medium enterprises, as SME cannot afford their high remuneration demands.

Utilities

The major component for production operation is electricity which is very expensive and affects the price of finished goods. Same is the case with gas, which is necessary for different machines and processes such as dyeing and printing etc. Apart from the high prices, the continuous availability of gas and electricity is also an issue for the cluster.

5 Investment Opportunities

Keeping in view the strong presence of Textile Industry in the area, there is an ample opportunity for investment in the cluster. Some potential projects for investment are as follows:

- Hosiery Stitching



- Apparel Printing Facilities
- Online Trading Store

Following Pre-feasibilities studies related to Hosiery sector are available on SMEDA website and can be downloaded for further information. These documents can be downloaded from www.smeda.org.pk.

- Bed Linen Stitching
- Socks Manufacturing unit
- Yarn Dying
- Fabric Dying