

Cluster Profile

Sports Goods, Sialkot



Turn Potential Into Profit

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

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1 Description of Cluster

1.1 History & Background of Cluster

Sialkot is known internationally as a producer of quality products in sports goods, surgical instruments, leather goods, sportswear and musical instruments. The local craftsmen produce immaculate products while export oriented entrepreneurs ensure that products reach international destinations. More than 200,000 people are engaged directly or indirectly with export activities, while the export earnings of the city hover around US \$ 900 million.

The manufacturing of sports goods in Sialkot can be traced back to 1883 when Sardar Bahadur Singh and Sardar Ganda Singh Oberoi built a factory to produce sports goods for the British Army soldiers stationed in the northern sub-continent. The products manufactured were wooden, such as cricket bats, hockey sticks, polo sticks, etc. In 1918, manufacturing of footballs was initiated for local troops of British Army and later on for supply to the British Army camped in Singapore.

The sports goods cluster in Sialkot bravely passed through the turmoil phase during the time of independence in 1947, because majority of factory owners, who were Hindus, migrated to India. However, the craftsmen, who were mostly Muslims, took over and greatly expanded the businesses. Presently, Sialkot caters to around 60% of total world demand of hand stitched inflatable balls, which translates into around 39 million balls annually. Pakistan's exports represent 12.2% of world exports for this product.

1.2 Defining the Products

The scope of sports goods contains quite a lot of products, however the flagship product of the cluster is hand stitched inflatable ball (mostly soccer ball). While, rest of the products made by the cluster can be considered as off shoot of soccer ball product line. The major products manufactured in the cluster with significant production quantities and having export potentials include the following:

Table 1: Product Classifications

Balls	Sports Wears	Hockey Sticks & Bats	Gloves	Protective Gears	Others
Football	Track Suits	Wooden Cricket Bats	Goalkeeper Gloves	Cricket Pads	Body Shaping Equipment
Rugby Ball	Knickers	Wooden Hockey Sticks	Cycling Gloves	Hockey Pad	Soccer Shoes
Volley Ball	Shirts	Wooden Base Ball Bats	Workout Gloves	Shin Guards	Leather Boots

Beach Ball	Karate Suits	Composite Material Hockey Sticks	Exercise Gloves	Thigh Guards	Horse riding Equipment
Exercise Ball	Wind Breakers	Composite Material Cricket Bats	Biking Gloves	Boxing Helmets	Discs & Cons
Cricket Ball	T-Shirts	Composite Material Base Ball Bats	Motto Racing Gloves	Protective Jackets	
Solo Ball	Polo Shirts	All Ice & Roller Hockey Sticks	Boxing Gloves		
Basket Ball	Sports Socks		Shooting Gloves		
Tether Ball	Coach Jackets		Golf Gloves		
Hockey Ball	Motorbike Jackets		Batting Gloves		
Training Ball	Formula 1 Uniform				

1.3 Core Cluster Actors

There are more than 6000 firms registered with Sialkot Chamber of Commerce & Industry (SCCI). Most of these are small firms dealing in trading activities also commonly known as ‘Commercial Exporters’. The breakup of the firms is as follows:

Table 2: Sports Goods Cluster, Sialkot

Number of Units	Large Firms: 47 Medium Firms: 200 Small Firms: 4000 (Active Member of SCCI)
Employment Generated	Around 150,000 People (48,000 registered employees with PESSI)
Revenues	Approximately Rs. 28 Billion
Capacity Utilization	85% to 90%

Source: SCCI and Directory of Industrial Establishment Ind. Department Government of Punjab

1.4 Other Cluster Actors

Raw materials used are both of foreign and local origins. High quality inflatable balls are made from imported artificial leather. Similarly specialty fabrics used in sportswear stitching are also imported. Natural leather used in sports gloves is produced locally by the tanneries or bought

from Kasur, Lahore and Karachi. Large and some medium level firms import materials directly, while others buy from local traders.

1.5 Geographical Location

The cluster is scattered around the city, however main concentrations are on:

- Daska Road
- Defence Road
- Marala Road
- Small Industrial Estate, Shahabpura
- Uggoki Road
- Kashmir Road
- Pasrur Road

Apart from these areas, numerous football-stitching centres are also established in the nearby villages by the factories.

1.6 Current Cluster Scenario

New and innovative sports equipment can be developed by introducing lightweight materials in modern day sports industry production lines. The properties of these new materials are expected to result in improved ergonomics, energy savings, increased flexibility and more robust equipment, which in the end will result in enhanced productivity. Although Sialkot is globally known as the producer of quality sports goods but the industry is passing through a deteriorating phase, as it fails to equip itself with the emerging demand of Composite Materials.

2 Analysis of Business Operation

2.1 Production Operations

Soccer ball and Sportswear comprise the largest chunk of the sports goods produced in the cluster. Production operations of these products along with flow charts are discussed below.

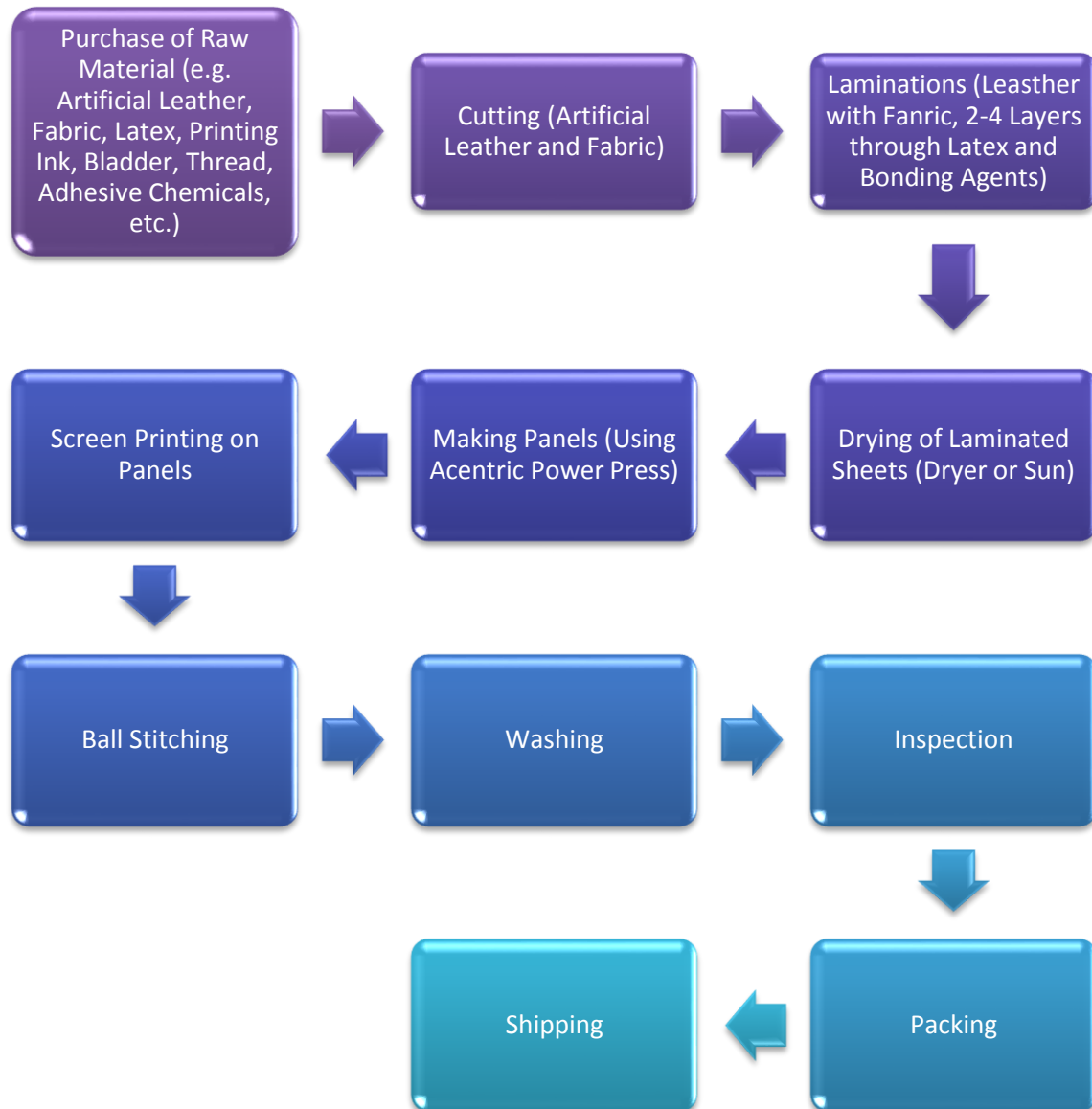
Figure 1: Soccer Ball Production Process Flow

Figure 2: Track Suit Production Process Flow

2.2 Raw Materials

Following are the main raw materials or inputs used in production of sports goods.

Table 3: Major Raw Materials

Raw Materials	Description	Source
Artificial Leather	Most widely used raw material in the sports goods industry. Two main types are in vogue, the PVC and PU based	Imported: Korea, Taiwan, Thailand Local: Lahore
Latex	Used to make bladders and as binding agent in lamination process	Malaysia
Leather	It is used extensively in the production of sports gloves. Mostly goat and cow leather are used. This raw material is now increasingly being replaced by artificial leather mostly due to cost concerns.	Kasur, Sialkot, Lahore and Karachi

Fabrics	Cotton, Polyester Cotton, Polyester, Nylon, Spandex, Lycra, etc base fabrics both knitted and woven	Local and Imports
Accessories	<p>Zippers, Buttons, Fusing Fabric, Eyelets, Snaps, Protective Pads, Gel Foams, etc.</p> <p>Sundries: Labels, Hang Tags, Poly Bags, Marking Tapes, Embroidery Patches, Thread, etc.</p>	<p>Mostly Imported (Hong Kong, Thailand, China etc.)</p> <p>For sundries local supplies from Lahore, Karachi, Faisalabad and Sialkot is also available</p>
Composite Material	<p>Carbon Fiber, Glass Fiber, Epoxy Resins, Fillers, Solvents, etc.</p> <p>For composite based sports goods, e.g. Rackets, Hockey Sticks, Golf Sticks etc.</p>	Mostly Imported
Woods	English and domestic willow, popular tree wood and cane	Local and Imports

2.3 Technology Status

Manufacturing of soccer balls is mostly based on manual skills of expert craftsmen barring only a few processes like bladder making and panel cutting. This manual skill in fact gives Sialkot the competitive edge in international markets.

Sportswear manufacturing on the other hand is mechanized using modern technology; but even then its labor intensive like anywhere else in the world. Manual pattern making is being replaced gradually with computerized pattern making. Similarly gloves manufacturing can be compared with sportswear in technology levels.

Composites based sports goods manufacturing can be termed as using mid-level technology, but only a handful number of units are into this business.

The modern technology and mechanization in soccer balls and composites based sports goods are changing very quickly. The introduction of mechanized ball technology and its subsequent successful deployment internationally has put the whole hand stitched soccer ball industry in a serious threat. Similarly the wooden based products like hockey, rackets, baseball bats, etc. have been almost eliminated by the advent of carbon based composite materials technology.

The cluster seriously lags behind in accepting and adopting the new technologies in manufacturing of soccer balls, hockey sticks, baseball bats, rackets, etc. Soccer ball is made by hand stitching and

only a few units manufacture composite based sports goods (hockey sticks, baseball bats & rackets).

2.4 Marketing & Sales

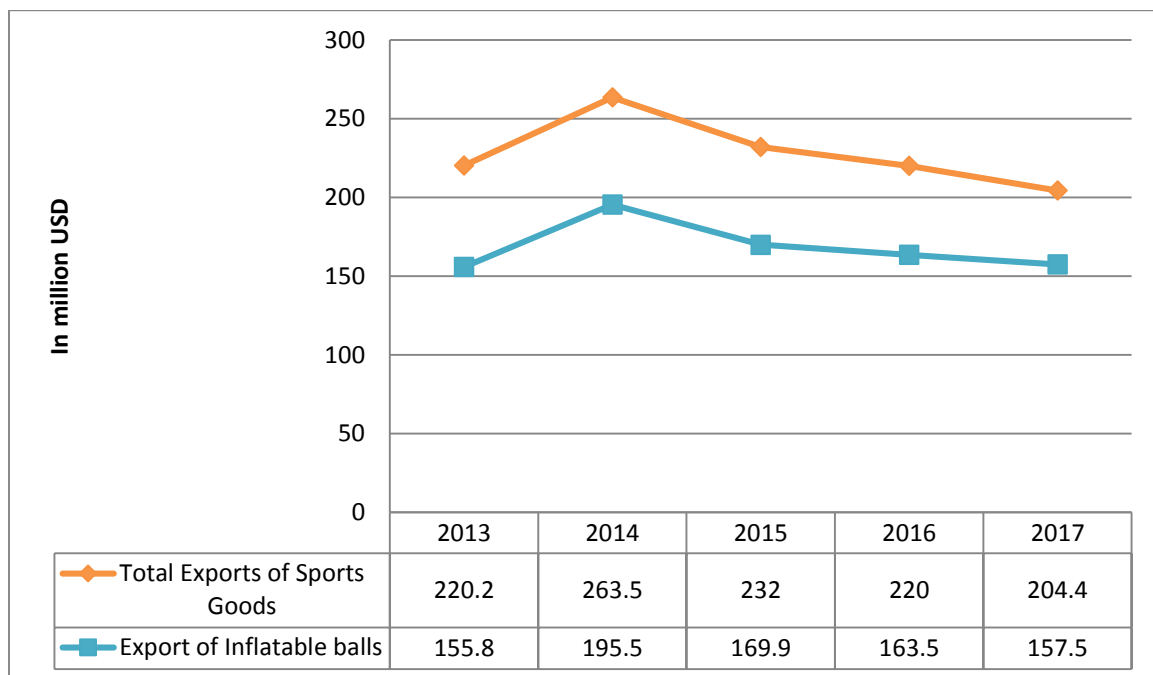
The cluster enjoys an impeccable position in international market of sports goods. World famous brands like Addidas, Micassa, Puma, Mitre, Select, Umbro, Lotto, Diadora, Decathlon, Wilsons etc. source their products from Sialkot. The major markets are EU, North America and South America. Around 98% of the total sports goods produced in the cluster are sold internationally. Large and organized sector companies have separate export departments to look after international sales. Main activity in international sales is participation in trade fairs in EU and USA. Usually owners attend the fairs themselves. Meetings with buyers and potential customers are also held during and after the trade fairs.

Cluster has been weak in developing its own brand(s) internationally; however there are a few examples of brands (mostly in domestic market) in cricket bats and hockey sticks, like CA, Ehsan, AS, etc.

2.5 Global Trade

During calendar year 2017 the cluster exported sports goods of worth US\$ 220 million. The inflate balls holds the larger proportion of exports with exports of US \$ 155 million. The export trends of sports goods both internationally and of Pakistan entails:

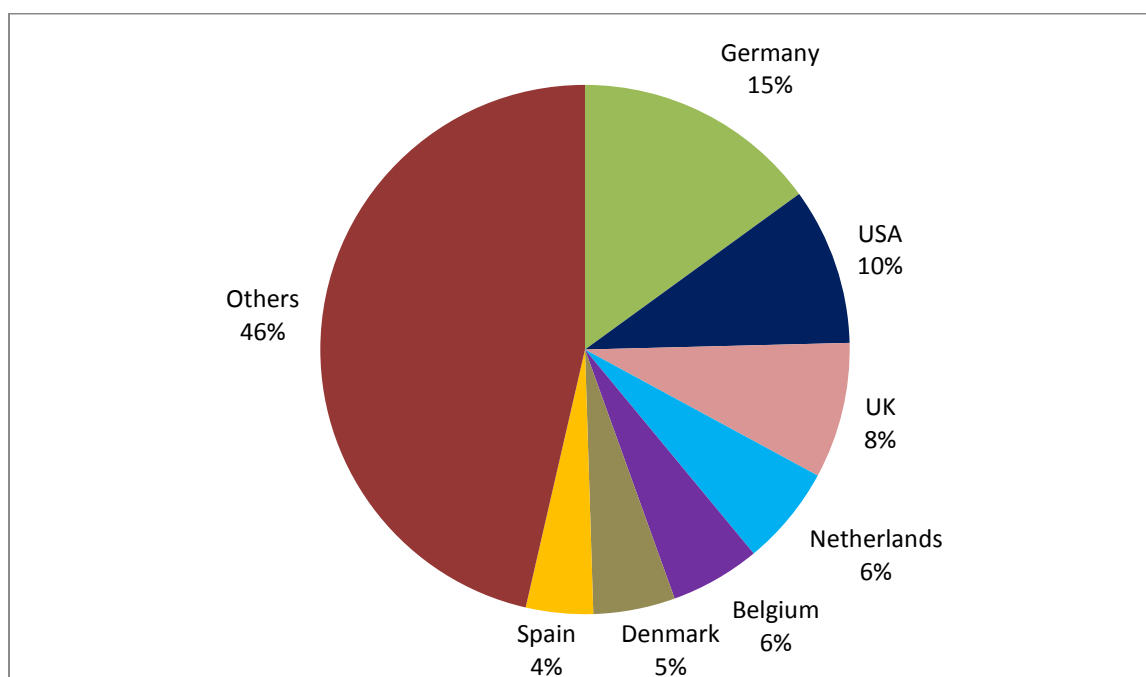
Figure 3: Growth Trend of Sports Goods Exports (Value US \$ Million)



Source: Trade Map

The major exporter of the sports goods in the world is Germany followed by USA and UK. The percentage share of the biggest exporting countries is exhibited below;

Figure 2: Global Share in Exports of Sports Goods in 2017



Source: Trade Map

2.6 Financing

Financing is easily available. All the financial institutions have their branches in the cluster. At the time of business startup; entrepreneurs rely on their own investment. To full fill working capital needs preference is given to “Export Refinance Financing” based short-term loans, which are provided by State bank of Pakistan through commercial banks at very nominal rates. Informal credit is also available in the form of credit on the purchase of raw materials or services by the raw material suppliers. PMYLS facilitated more than 90 entrepreneurs from the Sialkot.

2.7 Human Resource Management

Most firms prefer those individuals who have received some sort of formal training. Currently training facilities are being offered in garment stitching, pattern making and screen-printing by Vocational Training Institute (VTI) and MIDC. However a huge gap exists in provision of training on technologies used in manufacturing of composite based sports goods, specialized stitching machines, mechanized ball manufacturing, etc.

SMEDA has executed a project Sports industries development center (SIDC) to provide training on mechanized ball manufacturing technology.

2.8 SWOT Analysis

Strengths

- Strong and dynamic linkages in international markets due to long history of exports
- Entrepreneurial culture directed towards exports
- Flexibility in production runs with short lead times
- Skilled workforce
- Strong product mix
- Strong vendor network
- Good entrepreneurial skills
- Strong logistics infrastructure
- Sialkot dry port
- Sialkot international airport
- Sialkot International Airline
- Availability of training institutes for latest technology based manufacturing.

Weaknesses

- Small sized companies with weak management skills and structures
- Intra-market price competition
- No internationally accredited testing laboratory
- Limited product innovation
- Limited distribution channels
- No branding
- High power prices

Opportunities

- Emerging middle class in domestic market
- Better trade access in EU & USA (under GSP scheme)
- Attitude of end consumers changing towards health & fitness (domestic and international)
- Removal of subsidies by competing countries due to obligations under WTO
- Untapped potential markets of South America, Far East, Africa and Eastern Europe

Threats

- Domestic/international political situation
- Imposition of social, environmental, technical & compliance barriers to trade by importing countries
- Introduction of High-Tech balls MNCs like Adidas' TESLA-18
- Technological advancements in composite materials based sports goods

- Licensing requirements by international producers of raw materials (especially in sportswear)
- Issues related to IPRs

3 Institutional Setup

3.1 Entrepreneurs Associations

Pakistan Sports Goods Manufactures & Exporters Association (PSGMEA)

Address: 298/299 Shah Faisal Road, Model Town, Sialkot

Tel: (+92) 52 3256 930, 945

Email: psga@brain.net.pk

Pakistan Hosiery Manufacturers Association (North Zone)

Address: 243-Tippu Road, Near Manzal-e-Nau Hospital, Model town, Sialkot

Tel: (+92) 52 3563 105

Email: phmaskt@brain.net.pk

Pakistan Readymade Garments Manufacturers & Exporters Association (PRGMEA)

Address: Oberoi building, Paris road, Sialkot

Tel: (+92) 52 4592 683

Email: prgmea_sialkot@yahoo.com

Pakistan Gloves Manufacturers & Exporters Association (PGMEA)

Address: PGMEA building, Kashmir Road, Sialkot

Tel: (+92) 52 4272 959, 4279870

Email: pgmea@brain.net.pk

Sialkot Chamber of Commerce & Industry (SCCI)

Address: SCCI Building, Paris Road, Sialkot

Tel: (+92) 52 4261 881-3

Web: www.scci.com.pk

3.2 Support Institutions

Regional Business Center (RBC) – Small & Medium Enterprises Development Authority (SMEDA)

Address: SCCI Building, Paris Road, Sialkot

Tel: (+92) 52 4261 881-3

Web: www.smeda.org.pk



Email:	rbcisialkot@gmail.com
Metal Industries Development Center (MIDC)	
Address:	Allama Iqbal Raod, Sialkot Cantonment
Tel:	(+92) 52 9250 288
Sports Industries Development Center (SIDC)	
Address:	14 KM Daska Road, Sialkot
Tel:	(+92) 52 6227 310
Web:	www.sidc.org.pk
Trade Development Authority of Pakistan (TDAP)	
Address:	Paris Road, Sialkot
Tel:	(+92) 52 9250 081
Web:	www.tdap.org.pk

3.3 Banks and Financial Institutions

There are total 36 branches of commercial banks in Sialkot including SME Bank and Khushali Micro Finance.

3.4 Business Development Service Providers

A list of few private Business Development Service Providers and Independent Consultants operating in the cluster is provided in the table below:

Table 4: Private BDS Providers / Consultants

Field	Contact person	Contact Number	Email
Business Communication	Mr. M Nabeel A. Khakhar	(+92) 321 8717 575	nabeel.khokhar@hotmail.com
ISO Compliance	Mr. M Azam Bhatti	(+92) 345 6750 371	azambhatti71@gmail.com
Patent & Trademark	Ms. Shakra Khursheed	(+92) 323 2602 574	shakrakhurshid.ipo@gmail.com
Exports Marketing	Mr. Zahid Saeed	(+92) 304 9528 070	6dbrothers@gmail.com

Ecommerce	Mr. Faisal Qayyom	(+92) 314 7020 011	faisalqayyom@gmail.com
System Analysis	Mr. Muhammad Farrukh	(+92) 333 0771 739	mfarrukhmughal@gmail.com
Import Export Docs	Theta Sloutions	(+92) 52 3552 014	
Taxation	Mr. Muzammal Hussain	(+92) 345 1111 275	
Custom Clearance	Agility Pakistan	(+92) 52 3557 777	
Logistics	DHL	(+92) 52 4594 225	
Trade Procedure	The Linguist Institute	(+92) 300 6104 397	

4 Major Issues and Problems

- Soft and long-term loans are required to build cost saving high-tech new manufacturing units for composite based material goods production.
- Low capacity of branding is killing profits of sports industry. There is no recognized international brand of sports goods from Pakistan although major brands buy their products from Sialkot. There is severe need of specialized branding training for local exporters are required.
- Overall, Sialkot has best infrastructure comparative to other sister cities with major exports. A state of the art sorts goods testing and fabrication facility needs to be established in the city
- Joint working groups are required to bring latest technologies into Pakistan. Government should recognize Composite based sports goods as special sector. TDAP assistance is required to send more delegations of composite based sports goods manufacturers to visit composite industrial units in china, Taiwan, Korea.
- Government Technical College, Vocational Technical College, and MIDC etc. largely fulfill the technical and vocational training needs of the industry. However, formal training of mid-level managers is highly required to enhance their efficiency.

5 Investment Opportunities in Cluster

The growing market both at domestic and international levels offers many lucrative investment opportunities to the investors. Following are some potential projects with good rate of returns.

- Mechanized Ball Manufacturing Unit
- Basket Ball, Volley Ball and Beach Ball Manufacturing Unit
- Sports Socks Manufacturing Units
- Composite Based Sports Goods (Snow Skis, Roller Skates, Water Skis et.) Manufacturing Unit
- Retail Chain of Sports Goods in Pakistan