

Business Case: Creative Apparels (Pvt) Ltd. Lahore

1. About the Enterprise

Creative Apparels (Pvt) Ltd, established in 2003 and formally registered as a private limited company in 2006, is one of Pakistan's notable garment manufacturers located in Lahore. The company is registered with SECP, FBR, Social Security, EPA, and EOBI, fulfilling all procedural and regulatory requirements on a regular basis. Starting as a cut-to-pack garments facility, the enterprise evolved significantly and, in 2017, added a state-of-the-art knitting unit with 30 advanced machines, marking a transformative step toward vertical integration. The enterprise employs 250 workers, of which 44 are registered with FBR, while all employees are enrolled with Social Security and EOBI. Equipped with an ERP system, Creative Apparels ensures transparency, compliance, and efficiency across its operations. Today, the company exports garments to the US and EU markets, supplying global brands such as Zara, Bershka, ENZA, and Pull & Bear through buying offices, meeting all international compliance requirements.

2. Pre-Formalization Status

Before its registration in 2006, Creative Apparels operated as a small-scale informal garment unit, catering primarily as vendor for the exporters. The workforce was largely unregistered and without access to social protection, while transactions were handled manually with limited record-keeping. Procurement was heavily dependent on informal suppliers, leading to inconsistent quality and weak traceability. With no certifications or compliance mechanisms in place, the company lacked credibility with financial institutions and international buyers, which restricted its market reach. Like many informal enterprises in the garment sector, Creative Apparels faced barriers in accessing institutional finance, long-term contracts, and export opportunities until it embraced formalization.

3. Why They Decided to Formalize

The leadership of Creative Apparels willingly pursued formalization, viewing it as a pathway to business growth, employee welfare, and entry into global value chains. International buyers required documented compliance with labor, environmental, and quality standards e.g. ISO 9001, ISO 45001 / OHSAS 18001 ISO 14001, WRAP etc., making formalization essential for accessing export markets. Although the process involved multiple approvals, documentation, and delays due to bureaucracy, the company gained legal protection, enhanced credibility with suppliers and customers, and the ability to secure larger export orders. The management also stressed that Pakistan's regulatory regime and institutions such as ILO, ESSI, and EPA should benchmark regional competitors, focusing not only on employee rights but also clearly defining responsibilities and offering workable solutions for both employers and employees.



4. Comparative Analysis: Pre vs Post Formalization

Aspect	Pre-Formalization	Post-Formalization
Market Access	Local traders, small buyers	Exports to US & EU (Zara, Bershka, ENZA, Pull & Bear)
Workforce	Mostly unregistered, no social protection	250 employees fully registered with Social Security & EOBI
Finance	Cash-based, no institutional support	Access to institutional financing and legal protections
Technology	Manual production, limited capacity	ERP system, knitting unit with 30 advanced machines
Supply Chain	Informal, unregistered suppliers	60–70% formalized supply chain established
Reputation	Limited credibility	Trusted exporter recognized by global brands

5. Challenges Faced by the Enterprise

- Unfair competition from informal sector players avoiding compliance costs.
- Limited availability of registered raw material and accessory suppliers.
- Bureaucratic delays and multiple approvals in compliance processes.
- Corruption and inefficiencies in ESSI and EOBI discouraging worker trust.
- High logistics costs and inconsistent government policies hindering growth.
- Poor infrastructure including road networks, power supply, and digital connectivity.

- Weak performance of trade bodies in promoting exports and product diversification.
- Lack of industry-focused R&D to identify new markets, products, and global trends.

6. Strategies Adopted to Overcome Challenges

To address unfair competition from informal sector players, the company positioned itself as a reliable and compliant partner for global buyers, emphasizing quality, certification, and traceability. The scarcity of registered raw material and accessory suppliers was mitigated by nurturing long-term partnerships with compliant vendors and selectively developing in-house capabilities. Bureaucratic delays in compliance processes were handled through professional consultants, digital record management, and proactive engagement with regulators to reduce approval time. To counter corruption and inefficiencies in ESSI and EOBI, the company built worker trust by directly extending welfare benefits such as healthcare, insurance, and skill development programs. Rising logistics costs and inconsistent government policies were managed through bulk shipments, efficient route planning, and flexible business models. Infrastructure gaps were bridged with backup power systems, digital solutions, and investments in private logistics arrangements. Recognizing the weak role of trade bodies, the company sought direct representation in export forums and strengthened its own marketing networks abroad. Finally, the lack of industry-focused R&D was overcome by investing in market intelligence, global trade fairs, and collaborations with research institutions to identify new products, markets, and evolving trends.

7. Outcomes of Formalization

Formalization enabled Creative Apparels to build trust with suppliers, buyers, and regulators, opening access to export markets in the US and EU. By achieving a 60–70% formalized supply chain, the company improved quality consistency, traceability, and record maintenance, even though reliance on informal vendors persists in some areas. Registration with SECP, FBR, and social protection institutions provided legal security and credibility, while the ERP system enhanced operational transparency. The integration of a knitting unit not only expanded production capacity but also demonstrated the company's commitment to adopting best business practices. Formalization positioned Creative Apparels as a trusted partner for international brands and laid the foundation for future growth and competitiveness.

8. Recommendations from the Enterprise

The enterprise emphasizes the need for stronger government and donor support to sustain formalization and competitiveness. Suggested measures include reducing advance taxation, increasing access to finance, and lowering SME interest rates. Accelerated digitalization of FBR processes, along with reforms in ESSI and EOBI, are necessary to improve efficiency and restore trust. Establishing accredited testing and standardization labs, promoting industry-led R&D, and developing product diversification strategies are essential for enhancing global competitiveness. Additionally, employee training programs, gender balance schemes, and public-private collaboration on workforce development would create new jobs and improve

sectoral capacity. Incentives for taxpayers—such as travel rebates, exhibition discounts, and school fee concessions—could further encourage compliance.



9. Lessons Learned

- **Compliance Strengthens Trust:** Formalization builds credibility with buyers, suppliers, and regulators, enabling access to premium export markets.
- **Employee Welfare Improves Stability:** Registering all workers with Social Security and EOBI fosters loyalty and productivity, despite institutional weaknesses.
- **Technology and Integration Drive Growth:** ERP systems and vertical integration (knitting unit) enhance efficiency, transparency, and competitiveness.
- **Supply Chain Formalization is Critical:** Although challenging, moving suppliers into the formal economy ensures consistency and record-keeping.
- **Systemic Support is Essential:** Sustainable growth requires government facilitation, industry-specific R&D, infrastructure improvement, and effective trade bodies.

10. Conclusion

The case of Creative Apparels (Pvt) Ltd illustrates how deliberate formalization and strategic investments can transform a mid-sized garment unit into a recognized global exporter. By adopting ERP systems, integrating knitting facilities, and complying with international



standards, the enterprise has earned the trust of leading brands such as Zara, Bershka, ENZA, and Pull & Bear. Despite systemic challenges such as high logistics costs, poor infrastructure, and weak trade facilitation, Creative Apparels demonstrates that formalization provides legal protection, credibility, and access to global value chains. The journey highlights the importance of enterprise commitment, government incentives, and institutional reforms in driving sustainable growth across Pakistan's textile and garment sector.