

Investment Opportunities in the Textile and Apparel Industry in Sri Lanka

Textile and Apparel Industry in Sri Lanka

History of the industry

- Modest beginning in the 1950s, largely to the domestic market
- Broke into export markets in the late 1960s
- Contribution of export-oriented policies in the 1970s to the growth of the sector
- Role of the Multi-Fibre Arrangement or quota system in the rapid expansion of the industry in Sri Lanka
- Steady expansion of the industry even after the elimination of the quota system

Sri Lanka Apparel Today

- Range of products – active and sportswear, casual wear, children's wear, intimates and home linen
- Sri Lanka supplies to leading brands such as Victoria Secret, Nike, Speedo, GAP, Tommy Hilfiger, Abercrombie & Fitch, Liz Claiborne, C&A, Lands' End, Jones New York, Next, Triumph, Marks and Spencer, Ann Taylor
- Sri Lanka has developed a reputation for quality in time, delivery and speed
- Total solutions from front end to back end

Sri Lanka Apparel

- Accessories
 - Manufacturing of woven (dyeing/finishing only), warp knit, weft knit, lace and narrow fabrics
 - Facilities for garment dyeing, specialized washing, fabric printing, transfer prints, lamination and moulding, bra moulding, embroidery and other embellishments
 - Trimming items such as thread, buttons, hanger, zippers, labels, elastics, bra components and high quality form are available
 - Packing materials also available

Sri Lanka Apparel

- Around 300 manufacturers of apparel
- Contribution to the GDP – 7%
- Contributes to 39% of industrial production
- Provides direct employment opportunities to 600,000, of which 85% are women
- Present value addition – 60%

Export profile

- Total exports of textile and apparel products in 2014 – US\$4.9 billion
- Product share
 - Woven products – 48%
 - Knit products – 51%
 - Other products – 1%
- Main markets are the US and the EU
 - 47% to the US, with market share of 2.4%
 - 41% to the EU, with market share of 1.7%
- In 2014, apparel became Sri Lanka's main export to China, with almost US\$36 million, comprising 20.5% of Sri Lanka's exports to China

Export profile

- Highest per capita apparel exports in the region
- 2% of the US apparel imports
- 11th ranked apparel supplier to US
- Top 10 ranked for lingerie and nightwear
- Top three apparel companies amongst world's 50 most important suppliers

Future growth

- US\$8 bn in 2020
- US\$10 bn in 2025
- Organic growth
 - Penetrating into high levels of existing and new markets
 - Production capacity expansion in lagging regions
- Positioning as fashion and logistics hub for the region
 - Knowledge hub services
 - Logistic services
 - BPO services and fashion, R&D, Centers of Design Innovation

Investment in Sri Lanka

Why Sri Lanka?

- Resilient economy
- Supportive Government Policies
 - Liberalized international payment regime
 - Liberalized trade regime through new hub regulation
 - Electronic documentation for import – export trade
 - Predictable and dependable fiscal policy regime
 - Continued consistent policy framework
 - APTA preferential trade agreement and proposed China-Sri Lanka FTA
- Educated and Adaptable Workforce
- Location and Connectivity
- Access to Key Markets
- Fast Developing Infrastructure
- Vibrant Business Environment

Why invest in Sri Lanka industry?

- Comparative cost is less than China
- Chinese investors can establish their plants in Sri Lanka either to manufacture fabric, apparel or machinery
- Fabric and machinery plants will be for import replacement, while apparel should be for the export market
- Capable literate labour force and quality manufacturing capacity

Investment opportunities

- Investment in manufacture of textiles
 - Sri Lanka currently imports all its requirements of woven fabric, so there is opportunity to replace these imports
- Investment in apparel
 - Sri Lanka procures all its yarn requirements from knit products from foreign suppliers
 - Yarn imports – US\$140 million of which majority is imported from India
 - Opportunities for manufacturing machinery required for the industry
 - All machines related to sewing and finishing of garments, sewing machines, fabric spreading and cutting machines, wet & dry processing machines for garments, embroidery machines, all printing and labelling machines, inspection machines, etc

Concessions available

- No restriction on ownership either on manufacture of apparel, fabric or machinery
- Shares are freely transferrable
- Tax concessions on profits for a given period of time based on investment
- Inputs that are not available in the country can be imported without any duty if the finished goods are meant for export
- No location restrictions except that it be in an environmentally suitable place
- From April 2016, funds for share purchases can be transferred to any company and to any bank
- Dividend repatriation after settling local liabilities
- Export oriented companies will be exempt from exchange control