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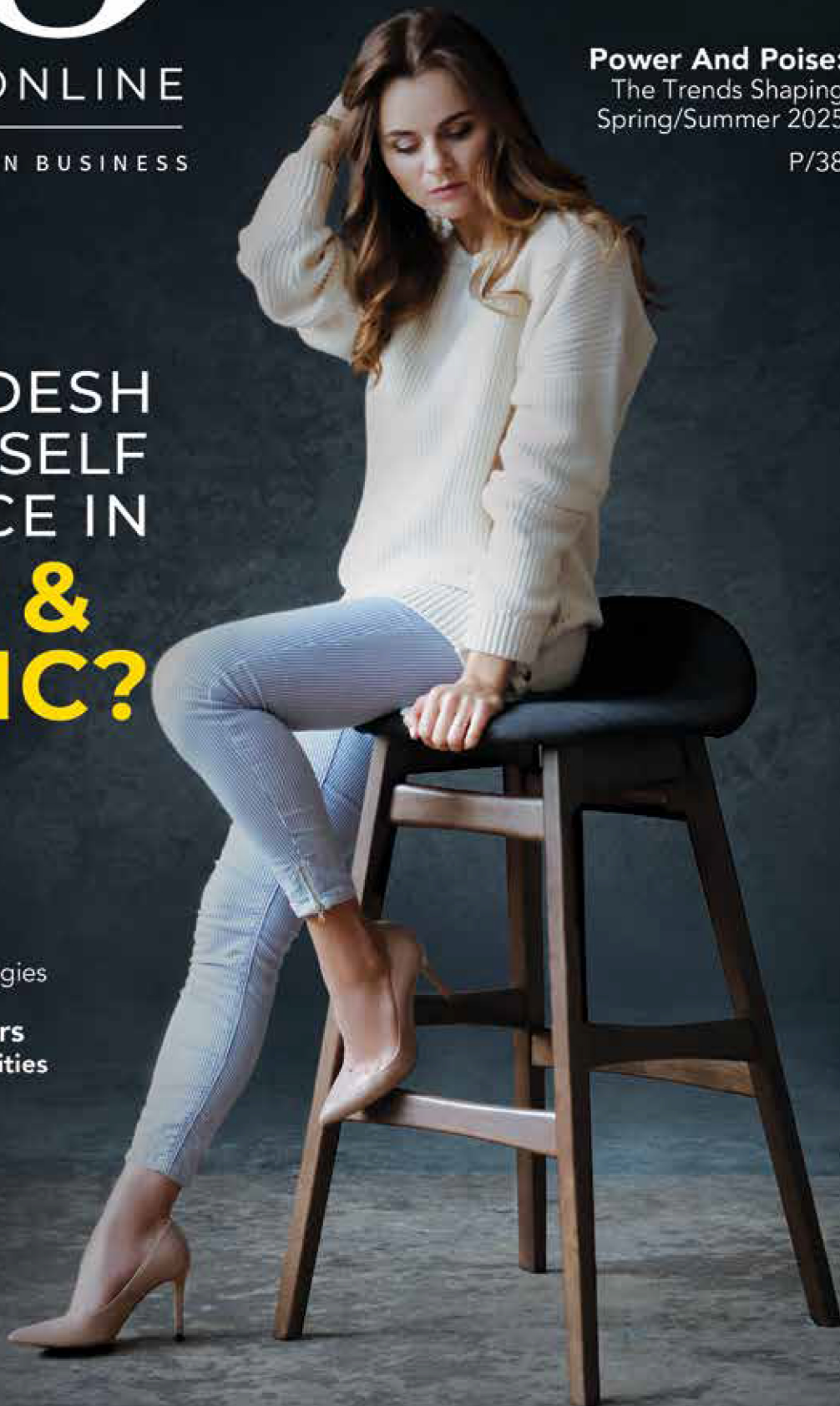
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# CAN BANGLADESH ACHIEVE SELF-RELIANCE IN YARN & FABRIC?

**W**ell, the challenge is immense! After all Bangladesh is the world's second-largest cotton importer after China. Between July and October (FY '24-25), yarn imports increased by 25.8 per cent and fabric imports by 26.9 per cent. According to reports, Bangladesh's import of RMG raw materials such as raw cotton, yarn fabric and dyeing materials was US \$ 7.92 billion in the first half of

FY '24. Moreover, Bangladesh imports around US \$ 10 billion worth of fabrics from China each year.

Despite this, Bangladeshi textile mills are striving for self-reliance, with significant investments in raw materials and vertically integrated set-ups. In recent times, they have tasted some success. For instance, the industry now fulfils nearly 85 per cent of the total requirement of the country's knitted fabrics. There are

more than 100 yarn and 200 fabric-producing mills in Bangladesh that have a reasonable scale of production and state-of-the-art infrastructure. Overall the country has annual yarn spinning capacity close to 4.5 billion kg and 9 billion metres of fabric.

Several companies are taking proactive steps to expand their raw material base. For example, **Envoy Textiles**, claiming to be the world's first LEED certified platinum denim manufacturing facility,





**Rayeed Chowdhury**  
*Director, Evince Group*



**Engr. Nazmul Islam**  
*Founder and CEO, Fabric Lagbe Ltd.*



**Mohammad Hatem**  
*President, BKMEA*

will invest around US \$ 8.11 million (Taka 97 crore) in a new spinning plant to boost blended yarn production capacity. The plant is expected to increase the company's manufacturing capacity by 4,550 tonnes per year. To be completed by December 2025, the facility will focus on cotton-polyester-spandex core-spun yarn as the demand in this segment is growing.

Last year, **DBL Group**, a diversified conglomerate with interest in apparel, textiles, textile printing, washing, garment accessories, packaging, ceramic tiles, pharmaceuticals, dredging amongst others, opened a new spinning mill. This mill has an annual production capacity of 15,000 tonnes of yarn.

The project cost around US \$ 80 million, with US \$ 52 million coming

from a loan provided by British International Investment (BII), the UK government's finance institution. The mill, having LEED-certified green building, produces cotton and MMF yarn, for in-house consumption of the group that already has three spinning mills.

Similarly, **Saiham Group**, a fully integrated textile company that handles everything from spinning to garment production, already has about 60,000 spindles installed. Its new facility, Saiham Denims Ltd., is planning to add another 70,000 spindles to produce Carded Compact Cotton yarn.

Additionally, **Noize Jeans**, a Hong Kong-based sourcing company with two RMG factories in Bangladesh, is planning to start a fabric facility and the thrust will be to create sustainable

products with new, alternate fibres, as the company is exploring innovations with banana and pineapple fibres.

### Challenges On The Path To Self-Reliance

There are many challenges on the path to self-reliance. Currently, the focus of fabric production remains mainly on basic knitted fabrics like single jersey and interlock. With the increase in local production, the key challenge is price, as local yarn production is not competitive in terms of cost.

"The cost of local fabrics can sometimes exceed that of imported counterparts, especially for basic commodities. However, the quality of locally produced fabrics is steadily improving. While some imported fabrics offer unique finishes and textures, local mills are making significant strides in producing high-quality fabrics that meet international standards," said **Engr. Nazmul Islam, Founder and CEO, Fabric Lagbe Ltd.**, a marketplace start-up known for fabric, which sources approximately 60 per cent of its fabrics locally and 40 per cent from imports.

Though the company prioritises local sourcing, certain specialised fabrics still require international procurement. Recent global supply chain disruptions and rising import costs have shifted the company's focus towards local sourcing,

### Increasing import of Bangladesh

PRODUCT	'23-24 JULY-OCT.	'24-25 JULY-SEP.	'24-25 JULY-OCT.	% CHANGES (COMPARISON BETWEEN JULY-OCT., '23-24 AND JULY-OCT., '24-25)
Raw cotton	1091.1	955.8	1258.8	15.4
Yarn	968.7	876.6	1218.8	25.8
Textile and Articles thereof	2363.8	2061.6	2998.4	26.9
Staple Fibre	436.9	349.5	517.8	18.5

Figures: US \$ million

Source: Bangladesh Bank



**Naveen Jha**  
*Founder and CEO*  
*The Sourcing Place Co., Ltd.*

however, ensuring consistent quality remains paramount.

“We believe that continued investment in local production will lead to further improvements in both pricing and quality,” added **Engr. Nazmul Islam**.

Whereas, **Dipankor Chakraborty, CEO, Ahona Textile Mills**, mentioned, “Without a steady supply of yarn, fabric production is simply not feasible. To ensure smooth business operations, we urgently



**Mukesh Bansal**  
*EVP, Marketing*  
*Vardhman Textiles*

need improved access to cotton.”

He also underlined that cotton production needs to be incentivised.

Many RMG exporters are witnessing a growing demand for synthetic fabrics, particularly in sportswear and outerwear. To meet this demand while ensuring quality, they collaborate with reputable suppliers who hold relevant quality and sustainability certifications.

Bangladesh’s synthetic yarn import

valued at US \$ 1.52 billion in the July-December period of FY ’24 which is almost 98 per cent of the country’s MMF demand. Experts say, if Bangladesh is able to have a strong MMF base within the country, it can even cross the RMG target of more than US \$ 100 billion.

“As the demand is also increasing for high-end fabric, MMF, now the focus is to produce the same locally as it is being majorly imported. Local production may take time but will happen for sure. The companies are also focusing on the production of polyester and rayon-based fabrics,” stated **Mohammad Hatem, President of Bangladesh Knitwear Manufacturers and Exporters Association (BKMEA)**, a trade body representing around 2520 knitwear member factories.

More thrust is required to produce performance-based fabric that can be used in sportswear as this is a growing segment. The Government is also supporting synthetic fabric as recently Bangladesh Bank announced 3 per cent cash assistance incentives for exporters of synthetic-fabric shoes and bags.

### Changing fashion

Market trends are more about high fashion and there is growing demand for very lightweight fabric having the feel and look of sportswear. There is also more thrust on polyester-based fabrics.

Different raw materials are the focus of companies as they are exploring open-end yarn, ring yarn, blend of Tencel, Lyocell, etc. The blend of Nylon and Tencel is also growing as it gives a softer and unique hand feel. The focus is on newer textures, finishes and functional fabrics.





## India And China Have Their Own Strategies

Bangladesh is already a major market for Indian and Chinese companies, and despite efforts to promote 'Made in Bangladesh' raw materials, these companies may not want to lose their hold on the market.

For Indian and Chinese fabric suppliers, there haven't been significant disruptions due to recent political events in Bangladesh. The main issue has been related to non-nominated fabric supplies, particularly when it comes to payment recovery. To avoid such problems, experts recommend to work with trusted buying houses or buyers and only accept LCs from reputable banks to ensure timely payments.

In fact, some Chinese companies continue to explore Bangladesh, seeing it as a key overseas market. They are looking to expand their presence and operations in Bangladesh to strengthen their market share. For some, the focus is on innovative fabrics and niche products to secure more business.

For instance, CHTC DAYAO Textile Co., Ltd., is actively exploring new clients in the market. The company has strength in woven fabric and is a nominated supplier for top brands like Zara, H&M, CNA, Best Seller, Costco and Walmart.

"As our Bangladeshi clients suggested producing locally, and we found it beneficial, we plan to set up a weaving unit next year and also establish a warehouse," said James Yang, Manager of Merchandising-Export.

Other companies like The Sourcing Place Co., Ltd., which already supply fabrics to Bangladesh, have partnered with key buyers to support their business by providing high-quality, cost-effective fabrics from China.

Naveen Jha, the Founder and CEO, has observed over 10 per cent growth in fabric exports from China to Bangladesh, while India's fabric exports to Bangladesh remain steady.

"Recently, China has shifted its focus away from conventional and traditional fabrics due to rising labour costs. The compliance and regulation standards are also stricter, leading to increased waste and pollution. Going forward, China may not be as active in the textile business, and many fabric orders could shift to India. These orders are expected to be cotton-based, especially due to water requirements and compliance issues with Xinjiang cotton. China is focusing more on MMF (man-made fibres) instead," highlighted Naveen.

According to industry estimates, about 65 per cent to 70 per cent of the fabric

India exports to Bangladesh comes through buyer nominations. Therefore, major Indian fabric suppliers haven't been impacted by Bangladesh's rising fabric production.

In fact, some of India's top fabric companies are expanding their capacities to capture more market share in Bangladesh. Mukesh Bansal, EVP of Marketing at Vardhman Textiles, mentioned, "Recent developments haven't affected our Bangladesh business, and we remain optimistic about strong growth. With our expansion, we will be able to handle more orders." Vardhman Textiles, based in Ludhiana, recently announced an expansion worth over \$41 million. The company has a strong presence in Bangladesh and supplies fabric to many top RMG exporters.

"We have a long-term relationship with Indian suppliers and don't expect any major changes in our imports from India. Yes, there's a need to boost local production, but more than increasing capacity, the real issue is cost. The cost in Bangladesh keeps rising, and some mills are barely operating just to survive," stressed Rayeed Chowdhury, Director, Evince Group, one of the largest conglomerates in Bangladesh, having its portfolio ranging from textile and RMG to the retail industry.

"We shall see a surge in demand for synthetic fabric following the government's cash incentives for synthetic shoes and bags which presents a golden opportunity for Bangladesh. To fully capitalise on this, we must focus on establishing and expanding our domestic synthetic fabric production capacity," said **Rasha Khan, Founder, Escape Bags**, a leading bag manufacturer in Bangladesh. "To fully capitalise on this, we must strengthen and

expand our domestic synthetic fabric production capacity."

Other stakeholders are also seeking more government support, as woven fabric production requires heavy investment that many companies cannot afford, especially new ventures. Currently, Bangladesh's local production only meets around 40 per cent of the demand for woven fabrics. For instance, the Bangladesh Textile Mills Association (BTMA), a trade

body representing 1,849 yarn and fabric manufacturers, is in touch with the authorities for wage subsidies and capital machinery incentives.

Experts say the interest rate is around 16 per cent which is not viable at all. To promote investment in the woven fabric segment, the Government should provide capital on a lower interest rate. Local spinning mills are also lobbying to make it a mandatory condition to procure 70 per cent of their total cotton

yarn from local sources. Though a balanced approach is crucial especially as there are limitations and challenges involved in local production.

## Banks Face Liquidity Crisis

Another issue is the severe liquidity crisis with outstanding bills totalling US \$ 270 million remaining unpaid across various banks. Recently BTM called on the Bangladesh Bank for assistance in recovering overdue payments from commercial banks related to back-to-back LCs for yarn and fabric supplied to the RMG sector.

The demand for funds pushed the interest rate in the inter-bank money market to a record high of 13.50 percent for 90-day term loans on November '23, showing a worsening financial crisis.

Similarly, the average overnight interest rate in the call money market rose to 10.04 percent in November, up from 8.19 percent in the same month last year.

The process of opening LCs has also become more complicated. Due to the dollar shortage, importing yarn has become difficult, particularly for companies or mills without direct export business.



Raw material volatility, rising costs and importantly severe gas crisis have impacted yarn production capacity for many players, especially those who have limited resources. These mills are forced to either import or subcontract their production. The country requires around 4,000 million cubic feet per day (mmcf) of gas, including imports, but the current supply falls short, leaving a deficit of over 1,000 mmcf.

“Due to the gas crisis, our monthly yarn production capacity ranges from 400 to 700 tonnes while we receive orders totalling 900 tonnes each month, of which we manage to fulfil around 200 tonnes through sub-contracting and external sources,” says **Abul Hasnat,**

**MD, Hasnat Textile Ltd.**

**(HTL),** a key player in polyester yarn and knitted fabric.

The spinning sector also faces a shortage of mid-level technical experts as well as lack of sufficient skilled operators

**For nine months of FY '24, yarn import of Bangladesh was around US \$ 2.32 billion, witnessing an overall increase of 10 per cent on a Y-O-Y basis.**

who can easily manage electronics-controlled machinery.

Talking about the labour unrest, **Md. Khairul Islam, Owner, M K Fabrics Fashion,** offering a large range of fabrics, “Labour unrest has increased the challenges. Also, many Bangladeshi companies must invest in state-of-the-art infrastructure to improve their quality and cost-competitiveness especially as Indian companies have good infrastructure.”

Some in the industry also highlight quality concerns, such as inconsistent locally produced fabrics. The lack of diverse and specialised yarns and fabrics limits design options. Due to this, most of the mills are not able to achieve desired production levels and quality standards.

