

# Bangladesh Crisis: \$200-250 Million Monthly Export Opportunity for India's RMG Sector in the near term

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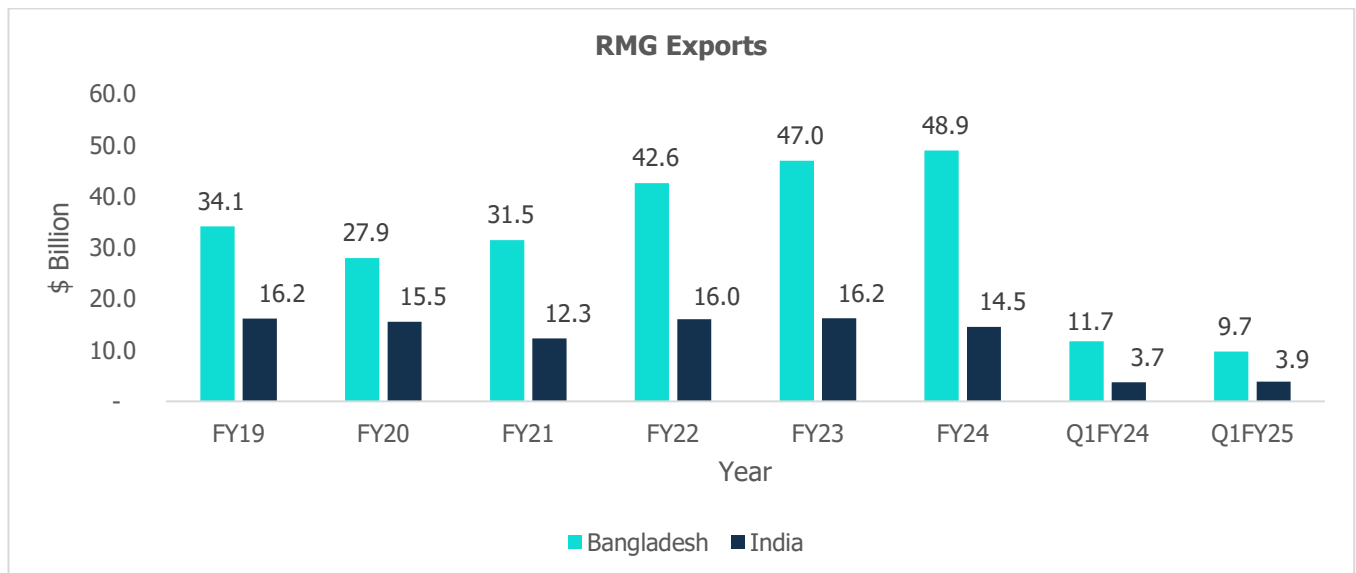
## Synopsis

- In the past, countries such as Bangladesh and Vietnam captured a large part of China's declining share in the global readymade garment (RMG) exports while India failed to adequately capitalise on China's losing share. Recent political upheavals and social unrest in Bangladesh, which is the second largest exporter of RMG after China, present an opportunity for the Indian RMG sector.
- If political instability and social unrest prolong in Bangladesh, around 10% of Bangladesh's RMG export orders could shift and this can present monthly export opportunities to the tune of USD 200-250 million in the near term and USD 300-350 million in the medium term.

## RMG Exports from Bangladesh and India

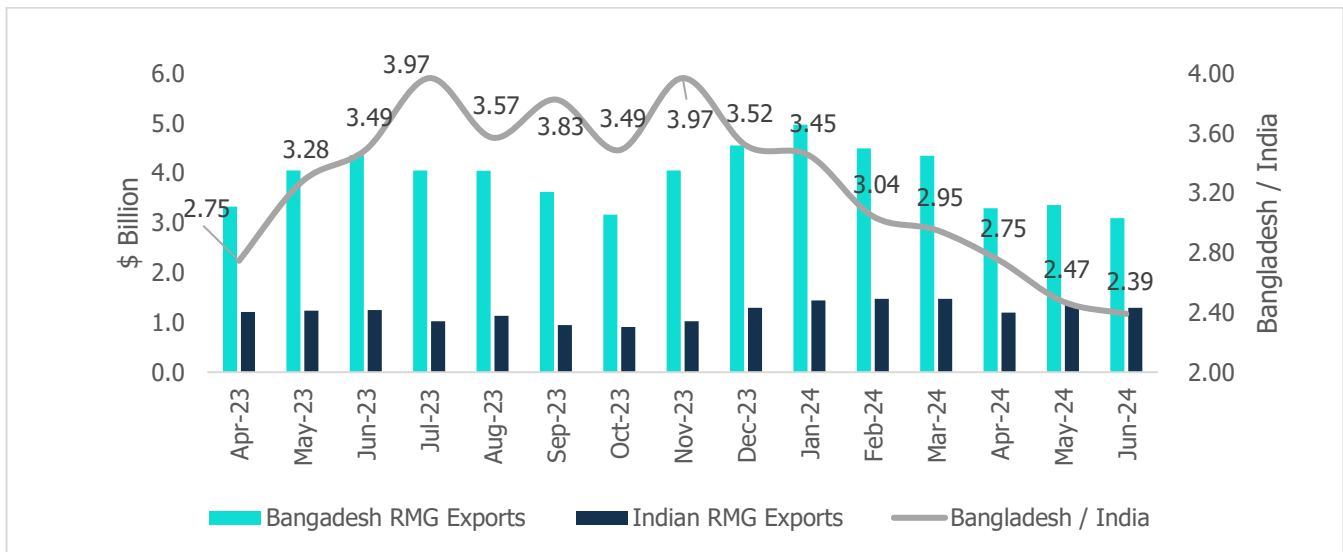
The global RMG trade was pegged at around USD 550 billion during CY23. Despite its declining share, China still dominates the global RMG trade with over 30% share in its exports. Bangladesh occupied the 2<sup>nd</sup> position with around 8.5% market share in CY23. Bangladesh's share in global RMG trade has consistently increased during CY15-CY23 largely at the expense of China. India remains a distant 7<sup>th</sup> in terms of global RMG trade with a market share of around 3-4% during this period.

Post Covid-19 pandemic, India's RMG exports grew in FY22 and FY23, however, they declined in FY24 as global retailers and brand owners liquidated excess inventories and delayed purchases amidst high inflation in Europe and the USA along with rising interest rates.



Source: DGCI&S, Bangladesh Garment Manufacturers and Exporters Association

During FY24, Bangladesh's RMG exports were around 3.2x of Indian RMG exports. However, during Q1FY25 this ratio narrowed down to around 2.5x reflecting India eating into the share of Bangladesh. Apart from the impact of socio-political upheavals in Bangladesh, this was also aided by various initiatives to enhance the competitiveness of Indian RMG exports.



Source: DGCIS, Bangladesh Garment Manufacturers and Exporters Association

The socio-political uncertainties prevailing in Bangladesh may result in global RMG brands and retailers with a significant presence in Bangladesh diversifying their sourcing for meeting their delivery schedules, especially if the crisis persists for more than a quarter or two. In such a situation, India is expected to gain around 6-8% of Bangladesh’s monthly export orders in the near term and around 10% of monthly export orders in the medium term (also aided by various Government initiatives) translating into monthly incremental export opportunity of around USD 200-250 million in the near-term and USD 300-350 million in the medium-term. India has enough headroom to increase RMG exports by 20-25% given the available capacities in the sector.

With the China+1 sourcing strategy already in the works, global RMG brands and retailers have limited alternatives such as India, Vietnam and Cambodia to replace Bangladesh. India is in a prime position to capitalise on the opportunity. India has its presence across the textile value chain from fibre to garment, unlike Bangladesh which is largely dependent on the import of yarn and fabric. Furthermore, various government initiatives such as PM Mega Integrated Textile Region and Apparel (PM MITRA) park, Production Linked Incentive (PLI) scheme, and free trade agreements (FTAs) with key export markets, are designed to enhance textile exports. These factors collectively position India as a strong alternative for global brands seeking reliable garment supplies.

**Major RMG exporters from India**

Entities with substantial capacities are likely to benefit the most, as they can manage large single orders from global brands. Additionally, those with operational efficiency and backward integration encompassing weaving, knitting, dyeing, and fabric processing, are poised to gain the most, as global brands prefer a one-stop solution. However, India’s RMG sector is very fragmented with the single largest exporter contributing less than 5% and the top 25 exporters contributing less than 25% of India’s total RMG exports.

Name of the company	Annual RMG Export (Million USD)
Shahi Exports Private Limited	1200-1300
Gokaldas Exports Limited	250-300
SCM Garments Private Limited	250-300
Richa Global Exports Private Limited	250-300
K.P.R Mill Limited	200-250
Eastman Exports Global Clothing Private Limited	150-200
Richaco Exports Private Limited	150-200

Name of the company	Annual RMG Export (Million USD)
Arvind Limited	150-200
Sahu Exports Private Limited	100-150
Paramount Products Private Limited	100-150

Source: Volza Inc

### CareEdge Ratings' View

Bangladesh's RMG exports have registered a 17% de-growth in Q1FY25 on a y-o-y basis while Indian RMG exports have grown by 4% during the same period. Bangladesh encountered some market share erosion in Q1FY25, especially due to the impact of socio-political disturbances and inadequate forex availability which benefited India leading to the narrowing down of the ratio of RMG exports of Bangladesh to that of India from around 3.2x in FY24 to 2.5x in Q1FY25.

"In case of sustenance of the socio-political disturbance for more than one or two quarters, Bangladesh exporters would face difficulty in ensuring on-time delivery to its customers. In such a situation, India is expected to gain monthly export orders of USD 200-250 million in the near term. As global RMG brands and retailers are relatively stickier with their sourcing partners, a large part of this market share loss could be permanent and lead to a gain in monthly export orders of around USD 300-350 million in the medium term," stated Akshay Morbiya, Assistant Director at CareEdge Ratings.

He further added that India in the recent past has demonstrated sustained monthly RMG exports of over USD 1.5 billion and hence, India can easily meet sharp rise in near term export orders given its available capacities. However, considering RMG exports account for more than 80% of Bangladesh's total exports, it is expected that the country would try to quickly stabilise the prevailing situation so that their garments sector is not affected for a prolonged period.

"RMG manufacturing is an asset-light albeit labour-intensive operation. It largely requires a skilled and trained workforce. The recent budget announcement on the Skilling Programme and Upgradation of Industrial Training Institutes apart from PLI benefit for the sector and potential FTAs with UK and EU, shall augur well for creation of incremental capacities in India given the export opportunities," said Krunal Modi, Director at CareEdge Ratings.

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