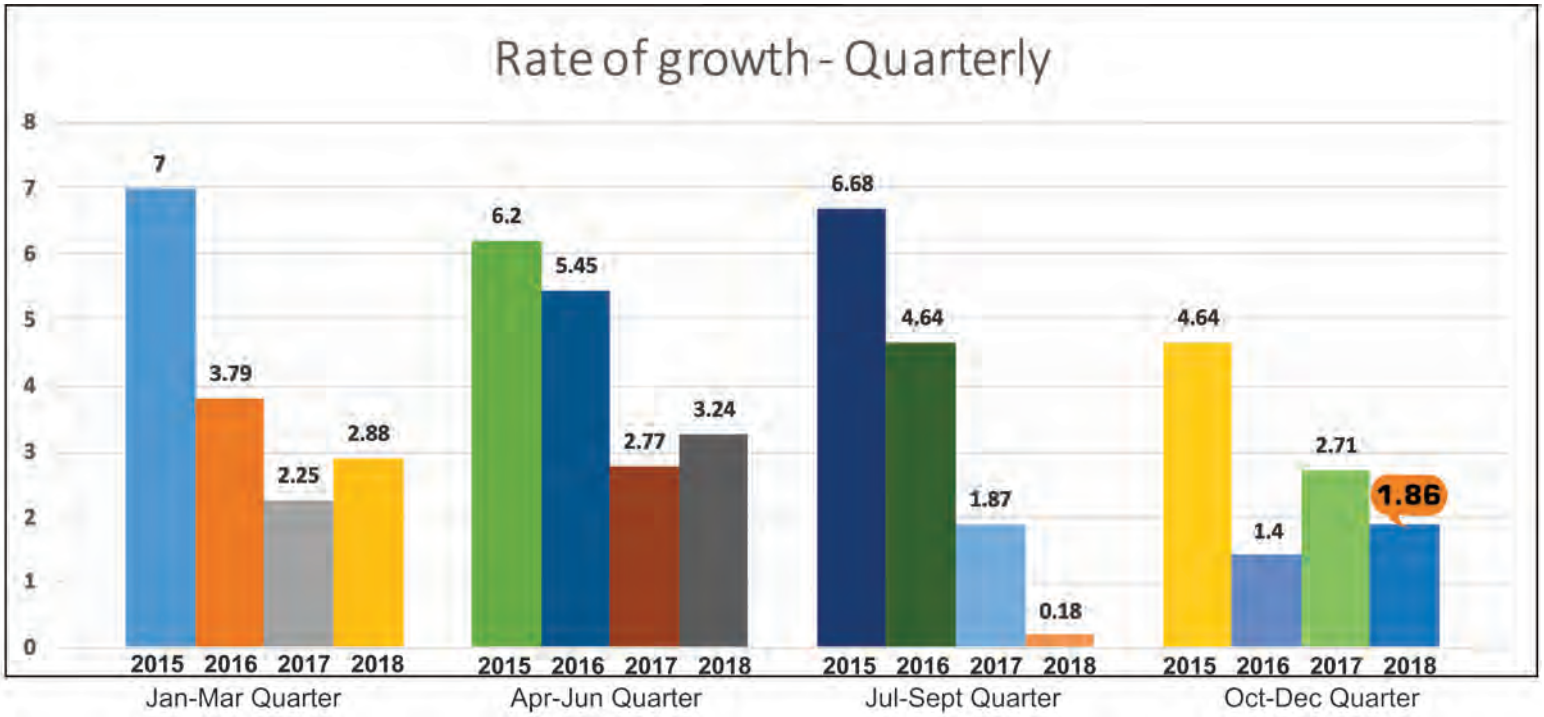
CMAI APPAREL INDEX

CMAI Q3 Apparel Index: At 1.86 points it grows over last quarter, small brands fair better

CMAI's Apparel Index for Q3 (Oct-Dec FY 2018-19) reveals growth rate was better than previous quarter but still lower than expectation. In fact, Giant brands at 6.00 points report a dip in growth, compared to Q2, when Giant brands reported an impressive growth of 8.36. However, all other brand groups have shown improvement over last quarter.



Mid and Small Brands do better

CMAl's Q3 Apparel Index recorded a growth of 1.86 points, which is 1.36 times higher than the Index for Small brands (turnovers of Rs 10 to 25 crores) at 1.37points. Mid brands (turnover of Rs 25-100 crores), growth is 3.32 points, almost 1.78 times that of overall Index; at 6 points Giant brands' growth is 3.22 times that of overall Index. Like all previous quarters Giant brands grew the most in this quarter as well. However, even though Giant brand's rate of growth is much higher than others but it is not as high as last quarter. At 1.86 points, overall Q3 Index is higher than previous quarter's (Q2 July-Sept FY2018-19) 0.18. In fact, Q3 index is close to Q1 index which was 1.87 points.

Big brands together have grown at 3.52 points, individually only Mid brands have shown some buoyancy as Large and Giant brands grew less than previous quarter. Much like previous quarters, the biggest brand group, Giant brands are still leading, outgrowing any recessionary trends. However, the gap this quarter is not as huge. And even though Small brands have done much better at 1.37 points compared to last quarter's -1.71 points, still they have not been able to manage even a moderate growth. In the past two years, they have not been able to control their business operations in a healthy manner. Overall growth Index is being pulled down by small players.

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Apparel Index	Cumulative	Small	Mid	Large	Giant
Total Brands	**100**	**68**	**17**	**8**	**7**
Sales Turnover	0.88	0.1	2.1	3.5	2.3
Sell Through	0.96	1.0	1.3	-0.6	1.7
Inventory Holding	1.6	1.5	1.8	1.9	0.0
Investment	1.62	1.8	1.7	1.0	2.0
Overall Index Value	**1.86**	**1.37**	**3.32**	**2.06**	**6.00**

If Sales Turnover was to be considered as the only parameter for determining Apparel Index, this quarter then overall Index would have reflected a growth of 0.88, which is much higher than previous quarter's -1.80 points.

Inventory Holding grows and Sales Turnover, Investment increase

Cumulative Sales Turnover in Q3 (0.88) is an improvement over Q2 (-0.72) but still much lesser than Q1(1.88). Around 48 per cent brands reported an increase in Sales Turnover this quarter. "Sales Turnover has grown because the season was festive and response was good. The market is also growing and demand has grown. We are preferred by customer because of our availability and reach. This has helped us in increasing our sales turnover," explains Mayank Jain, General Manager, Monte Carlo.

Almost 26 per cent brands reported a loss in Sales Turnover. Incidentally, all groups including Large and Giant brands, this time reported sales losses. Interestingly, the maximum drop in sales was reported by Giant brands. As Paresh Dedhia, Owner of Dare Jeans says, "Decrease in Sales Turnover was due to a slowdown in the market after Diwali. Demand was low, and it affected sales."

Sell Through on the other hand recorded an Index growth of .96 this quarter, showing stress on fresh good sales. The figure is lower than Q2's 1.14, this despite the fact that EOSS falls in Q2. Maximum growth in Sell Through was reported by Giant brands at 1.7, much lower than 3.2 points in the previous quarter followed by 1.3 points for Mid brands. Large brands however, clocked in a negative value of -0.6, indicating a drop in Sell Through, this also explains their lesser Index growth compared to Mid and Giant brand's. "Decrease in Sell Through is more related to online channels. Sales offline has gone down and this has impacted our sell through," says Radesh Kagzi, President, 109°F. And Manu Chawla, Proprietor, Taiga Kids explains, "Sell Through increased as cost realization is less. We were not able to make great profits. Raw materials have become costlier but we have kept our prices constant. Hence, sell through has increased."

Inventory Holding was 1.6 points which is lower than 2.1 points in Q2. Almost 58 per cent respondents across brands said their Inventory Holding moved north this quarter, indeed a big number and they were responsible for pulling down overall apparel index value. Increase in Inventory Holding impacts overall index negatively. Higher Inventory Holding indicates more stocks in warehouses or shop shelves. Maximum increase in Inventory Holding was among Large brands while Giant brands showed no change in Inventory Holding. "Inventory holding has not

increased as with our replenishment model, we were able to increase production so inventory holding moved on," points out Mohmaya, CEO, Celio. Chawla goes on to say, "Goods are manufactured based on orders, hence, we had no excess material. The team takes good care in maintaining it."

While 33 per cent (same as previous quarter) reported an increase of 1-20 per cent, 21 per cent reported an increase of 21-40 per cent, 4 per cent said their Inventory Holding went up 41 per cent or more. "We are cutting down lead time for deliveries; smaller run in manufacturing. This has helped us decrease inventory holding," opines Lubeina, Partner, Mustang.

Overall nearly 81 per cent respondents reported a rise in Investments which is lower than 86 per cent in previous quarter. High investments in last two quarters indicate most brands had to invest to manage albeit small growth which means growth is not coming easily. As Paresh Dedhia, Owner of Dare Jeans outlines, "There is a stretch on payments and cash flow is less in the market. Hence, payments are pending and extra money is poured in to balance it."

Mixed outlook for next quarter

Around 52 per cent brands say the outlook for next quarter is 'Average', while 40 per cent believe it will be 'Good'. Only 4 per cent feel the quarter will be 'Excellent'. However, another 4 per cent believe it will be 'Below Average'. Hence the outlook recorded in quarter is 'Average to Good'.

Generally, in Q4 of the fiscal, there is heavy EOSS in January and a good marriage season between January to March. But this quarter also marks the end of financial year FY 2018-19, forcing industry to catch up with the projections and targets.

CMAI's Apparel Index

CMAI's Apparel Index aims to set a benchmark for the entire domestic apparel industry and helps brands in taking informed business decisions. For investors, industry players, stakeholders and policymakers the index is a useful tool offering concrete and credible information, and is an excellent source for assessing the performance of the industry. The Index is analysed on assessing the performance on four parameters: Sales Turnover, Sell Through (percentage of fresh stocks sold), number of days of Inventory Holding and Investments (signifying future confidence) in brand development and brand building.