



## Case Study 8: Shiven Impex

### 1. Background

This case study has been developed on the basis of the SUSBIZ India programme running from 2007 to 2009 ([www.susbizindia.org](http://www.susbizindia.org)). The case studies were finalised in May 2009.

Shiven Impex Private Limited manufactures leather garments and was established in the year 2005. The company specialises in designer leather garments, leather goods and accessories. Shiven Impex can process approximately 1 million square feet of leather per month and has the capacity to produce more than 13,000 units of products (garment and accessories) per month.

The company is 100% export oriented and the products are supplied to customers in European countries and USA. In the financial year 2006-2007 turnover was at US\$ 625,000. The Danish SUSBIZ partner Auluna is the primary customer in Denmark and the business relation between the two companies has been growing steadily over the years. During the SUSBIZ project supplies to Auluna grew from 5% -54% (measured as the quantity of total production – not value). Thus, in the financial year 2007-2008, Auluna was one of Shiven Impex's prime buyers of leather products.

The unit is run by 3 partners as independent directors and the management also has a partnership stake in a tannery. The tannery used to supply most of the raw material to Shiven Impex, but as demand increased, hides

are now procured from other tanneries as well.

Apart from the partnership stake in the tannery, the company also has three stitching units along with the production unit in Gurgaon under the same management control. Two external contractors are exclusively producing for Shiven Impex. Approximately 100 tailors in total are working in these units. Another 20 workers are engaged in leather cutting and 40 workers are engaged in finishing and packing. Most of these workers are contract workers supplied by 5 different contractors. Shiven Impex has 18 regular employees, mostly in production, administration, accounts, quality control and merchandising departments. Also, a few homeworkers are engaged in the supply chain of Shiven Impex.

### Production Processes

Main raw material (raw hides/ skins of Sheep, Goat, Cow and Buffalo) is sourced domestically and also from various parts of the Middle East, Africa and Russia. Most of the hides are processed in the joint venture tannery. The company is supervising the operation of the tannery, thereby getting the advantage of maintaining the highest quality leather from the production. Other non leather accessories are sourced from domestic or international markets according to product requirements.

Most of the leather garments produced by Shiven Impex are designed by the in-house designing team. In some cases the products are also manufactured according to the designs sent by the customer. Some of the complicated designs - which require specific hand work - have been done externally by specialised workers.

## **2. Challenges Identified at Needs Assessments**

At Shiven Impex it was observed that the top management was overburdened with a variety of activities ranging from material procurement to product marketing. As a result, most of the operations were getting affected and production schedules were often not met. Hence, one of the important suggestions to Shiven Impex was to create a middle management structure in the company.

Looking into the labour practices followed by the company, improvements were needed in order to meet minimum standards. This was the case with regard to regular as well as contract workers. However, issues were most critical with regard to contract workers. As most of the workers were contract workers, the company left all responsibility for labour issues to the labour contractors. This was despite the fact that legal responsibility for labour standards always lie with the company itself, also in the case of contract workers. The contract workers were not covered under any social security scheme by the company, nor had the company instituted any system to monitor the contractors over issues related to extension of social security benefits to contract workers. Furthermore, Shiven Impex did not have licenses for hiring contractors and contractors did not have licenses for operating as contractors.

Uncertainty also prevailed with regards to wages paid. Shiven Impex followed a standard payment mechanism for stitching jobs based on the leather surface area and type of garment design. The company usually determines the cost of stitching a leather garment in consultation with the workers. As a standard practice, a worker was paid the set amount per garment and 50% of the stitching cost was paid to the labour contractor as contractual charge. Most of the contract workers in all departments were paid on piece rate basis. Therefore, the company was recommended to analyse the wage structure and to investigate whether the workers were getting minimum wage in accordance with the legal requirements.

Safe chemical storage and handling procedures were not in place, which resulted in problems related to workers health and safety. Emergency management was insufficient. Policies, procedures and equipment to handle first aid, fire and other emergency situations were not in place to a fulfilling extent.

## **3. Action Plan Implementation**

Shiven Impex started out by establishing a middle management. Four middle level managers with independent responsibilities in supervising and managing production activities have been appointed. Many of their activities relate to the continual CSR routines that have been implemented.

### **3.1 Labour Standards**

The need to improve on issues related to contract workers has been tackled on several fronts. Shiven Impex has started employing a few tailors and checkers as regular employees. The company has applied for registration under The Small Scale Industries Department (SSI), which is a requirement for

obtaining the different licenses needed to fulfil some of the compliance requirements. In April 2009 registration had not yet been approved, but the process was pending. However, Shiven Impex has obtained a temporary registration which has enabled the company to apply for a license for hiring contractors. Also, contractors have been assisted in obtaining their licenses to operate as contractors and Shiven Impex will further work to ensure that contractors provide legally mandated benefits to their workers. Furthermore, Employee State Insurance has been provided to all regular workers and though Shiven Impex is not required by law to provide Provision Fund to its employees (because of the small number of employees), this benefit will also be provided when the registration process has been finalised. A group insurance covering all regular employees has also been obtained.

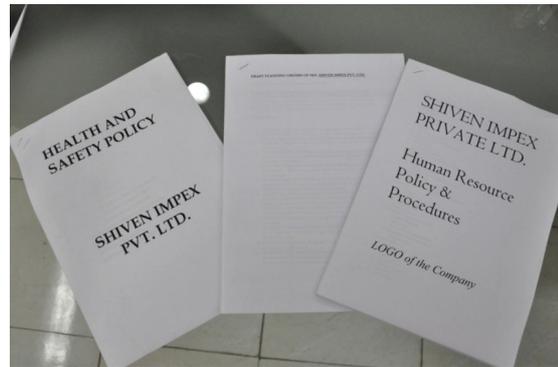


*Electronic time keeping system set up at Shiven Impex for correct tracking and registration of working hours*

All workers have been provided identity cards and electronic time registration has been installed, tracking working hours. Regarding wage levels, analysis was conducted into whether the piece rates that the workers were receiving were equivalent to the minimum wages. The results indicated that the piece rates paid comprise a sufficient foundation for workers to receive at least the

minimum wages and in most cases wages would be above the minimum wage level.

With regard to other labour standards, Shiven Impex has developed several company policy documents for which it has appointed an external consultant. A human resource policy, health and safety policy and a Standing Order document – explicating the legal disciplinary measures that the company can take towards workers – has been developed and implemented.



*Policies related to human resource management, Standing Orders and health and safety issues developed and implemented at Shiven Impex.*

### **3.2 Occupational Health and Safety**

The company has made tremendous improvements on emergency management practices. Risk of fire hazard has been sufficiently addressed by installing fire extinguishers in the production areas. Some of the workers have been imparted training on emergency preparedness and first aid techniques by an external agency. An additional emergency fire exit route has been constructed in the manufacturing unit and Shiven Impex plans to implement emergency preparedness practices in sites where work is being carried out on contract for Shiven Impex.

***"The larger achievement is that we have improved our working environment"***

*Jai Malhotra  
Director  
Shiven Impex*

Shiven Impex has also constructed a separate and secure chemical storage area in the unit and provided necessary personal protective equipment to the workers.



*A slide has been built on the side of the staircase for ease of transportation of heavy bags with leather. Before the workers were carrying the bags on their backs.*

Improvements are also noticed in providing basic amenities to workers like drinking water, toilets, and air coolers in each floor of the production area. An exclusive eating place also has been set aside on the rooftop for use by workers.

***"We air cooled this factory because of SUSBIZ"***

*Jai Malhotra  
Director  
Shiven Impex*

Furthermore, air cooling systems have been installed for lowering the temperature in the summer season, and a diesel generator - which was located at the ground floor - has

been moved to the roof of the building and provided with an acoustic enclosure to reduce noise. Previously, excessive noise from the generator was contributing to an unpleasant working environment.



*A chemical store has been built for safe storage of chemicals*



*New emergency exit established for quick and safe evacuation. In the background, part of the new air cooling system can be seen*

### 3.3 Environmental Improvements

The company has successfully implemented measures to reduce waste in production. Inspired by their Danish customer, Shiven has introduced a new design where waste leather pieces are utilised to make new products like bags and other accessories. The company has been realising great value for the new products designed from the waste leather pieces. Furthermore, workers have received training in waste minimisation processes.

***In the third workshop, Auluna saw some scrap leather and we got the idea from Auluna to make bags out of it. Bags were already on our agenda, but these ones made out of waste was a direct result of SUSBIZ. We don't even have enough scrap leather ourselves anymore - now we have to buy the scrap from outside"***

*Jai Malhotra  
Director  
Shiven Impex*

Proper waste collection bins have also been installed. The residual leather scrap generated from the accessories manufacturing process is planned to be sold to a shoe manufacturing company, where the leather scrap can be used as shoe board.



*The new design inspired by the Danish SUSBIZ partner. Waste leather pieces are utilised for production of new leather bags. Resources are saved and money is earned.*

### 4. Business improvements

The new management structure has not only contributed to improved CSR management but also freed up management time so that top management can now devote more time in marketing, research and development. A direct outcome of this has been the creation of new leather accessory products, which again has been the main foundation of increased orders from Auluna. Thus, the new structure has not only been an important part of managing CSR in the company. It has also been a contribution to the foundation the business growth of the company.

#### Business improvements

- Due to the collaboration between Shiven and its Danish customer Auluna, exports to Auluna grew from 5 % to 54%
- New middle management has provided top management the time to engage in marketing, research and development resulting in upgrading of products and increased sales
- Higher productivity as a result of a more content workforce
- Better ability to comply with buyers codes of conducts and thereby obtain more orders

The issues that have been covered by the action plan have been very much in line with the codes of conducts that the company is being confronted with from buyers. In this way, participation in SUSBIZ has helped the company prepare for and respond to CSR demands from buyers.

***“We are not doing anything for SUSBIZ, we are doing it for ourselves – from a business point of view - and to improve workers conditions. But we needed a little bit of the push which the SUSBIZ project gave us”***

*Jai Malhotra  
Director  
Shiven Impex*

Emergency preparedness has improved significantly which has drastically decreased the risk of financial loss from various types of accidents.

***“When you are giving something to your employees you get a better productivity. We are getting higher productivity.”***

*Jai Malhotra  
Director  
Shiven Impex*

The management also reports of higher productivity as a result of increased satisfaction among workers regarding overall job and working situation.

## 5. Future Activities and Challenges

Many improvement activities have taken place in the Shiven Impex manufacturing units. To improve performance on CSR standards further, attention could be drawn to improving conditions in the supply chain. Specifically focus should be drawn to the tannery, where the Shiven Impex management is holding a partnership stake. Indications are that improvements are critically needed both within labour standards, environment and occupational health and safety and since Shiven Impex is a

major customer of the tannery - and a stake holder - the potential of having an impact on the conditions in the tannery should be very apparent. In the future Shiven Impex wants to involve with the tannery more actively through its supply chain management process in improving overall working conditions including health and safety issues.

### Shiven Impex Improvements at a glance

- Fire fighting equipment installed
- Emergency preparedness training conducted
- Emergency fire exit route constructed
- First aid boxes installed
- Group insurance covering all regular employees obtained
- Scrap leather reused for new products
- Workers covered under ESI
- Policies on human resources, safety management and Standing Orders (explicating the legal disciplinary actions that company can take toward workers) developed and implemented.
- Slide for easier transportation of heavy bags has been built

Moreover the company now has the financial resources to invest in this direction and proceed towards implementing more improvement programmes. Shiven Impex has a long term plan of establishing its own tannery meeting environmental requirements.

With regards to the supply chain, further attention is also required around issues related to home workers performing outsourced work. In this matter Shiven Impex is also planning to initiate improvement programmes with its suppliers. For instance, the company is already engaging in a traceability project with its Danish SUSBIZ partner Auluna.

***“Our relation with Auluna has improved – we are now working with a traceability project with Auluna: From farmer to slaughter house, tannery and to us – I don’t think any other Indian companies are working with this”***

*Jai Malhotra  
Director  
Shiven Impex*

Thus, engagement in SUSBIZ has not only contributed to improvements at the production units of Shiven Impex. Capacity has also been built, so the company is now better prepared for - and aiming at – further CSR improvements in the future to come.

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