



## Case study 5: Sri Jaya Prabha Exports

### 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.

Sri Jaya Prabha Exports (SJP) was established by the two first generation entrepreneurs Rangaswamy and Gunashekar and is one of the success stories in the textile and garment town of Tiruppur in South India. During the last 10 years the company has grown continually and today boasts an annual turnover of over 2 million US\$. SJP supplies its textile products to well known brands in Europe, especially Denmark. The company manufactures various knitted garments with a special focus on kids and ladies wear and has factories in two locations with a separate fabric storage area. Employing over 100 tailors and allied staff, SJP produces high quality products custom made to specific designs.

The company is certified to ISO 9001 and at the time of becoming a part of the SUSBIZ project, steps were also in progress to obtain other certifications specifically those relating to fair trade, organic certification, labour standards and occupational health and safety. Hence, the management was optimistic about participating in the SUSBIZ project as they felt this would help them improve on CSR related issues, of which they had already felt the need. The need for CSR improvements came

both from customer requirements as well as from a wish to position SJP as a business focussing on CSR, thereby attracting new customers and secure continual growth. Despite the willingness of SJP, there was no clarity of the steps to take to tackle the problems and arrive at viable and sustainable solutions before SUSBIZ involvement.

### Production processes

The manufacturing activities at SJP begin with the purchase of fabric or yarn. Dyeing is carried out by the suppliers of SJP. The dyed fabric is received at the factory and stored for future use. As order processing begins, the fabric is sent to the cutting department to be cut for further stitching. In the meanwhile a sample is prepared and sent to the customer for approval. Approved samples are displayed on the production floor as a reference to the tailors.

The cut fabric is stitched as per customer requirement and is subject to quality checks at various stages in the production process and also prior to delivery. Prior to packing, the garment is checked for defects of any type and spots on the garment are removed. At the finishing stage, the garment is ironed and pressed, packed in plastic bags and packed into carton boxes ready to be shipped. Necessary labelling is fixed on the boxes as per customer requirement. Strict quality control is exercised and it is ensured that garments that do not meet quality requirements are set aside.

## 2. Challenges Identified During Needs Assessment

During discussions with management it was noticed that usually there were schedule overruns as a result of which around 25% of the orders were shipped by air to the customer at the expense of SJP. This was due to the production squeeze that SJP felt in the peak season. Activities at SJP followed the demand in Europe which was fluctuating significantly as most buyers place their orders in bulk only a few times during the year. In the peak season – approximately four months in a year - orders were available to ensure employment and operations round the clock. As a result of this, SJP had a large chunk of the workforce indirectly employed by the company through contractors so that the ups and downs in demand could be met easily. But contract workers increases costs especially due to the time it takes to make a new employee productive.

Another area of concern was the high overtime that existed in the company. This problem was also closely related to fluctuations in demand and was thus most critical during the peak season where it was indicated that an average of about 2 hours overtime was worked everyday. However, this was the lower limit and in most cases, employees worked even double shifts when deliveries had to be made. Since there was no system to track the actual hours worked, the full magnitude of the overtime problem could not be seen. There was no information available to analyse the overtime problem and arrive at a viable solution.

Overtime was not just imposed from the management. A key demand from the workforce was that overtime should be provided everyday to increase their income. The company had to bow down to this

demand as the availability of skilled workers was sometimes limited. It was indicated that demand for skilled workers in the garment industry of Tiruppur outstripped supply. The prevalence of overtime on a regular basis added to the cost of manufacturing without any substantial improvements in productivity. When workers work overtime the company has to pay for extra food to the workers; additional costs are incurred for the electricity consumed and other expenses increase. Furthermore, excessive overtime violated legal provisions.

There were compliance issues with the use of contract workers. The contract employees were not covered under applicable Provident Fund (PF) and Employee State Insurance (ESI) as per law and SJP did not have the required licenses for hiring contractors.

An associated area of concern was that wages were not in line with legal requirements as minimum wages and overtime premium was not paid. Employees were also not receiving details of wages paid to them as no wage slips were being provided.

Furthermore, issues related to human resources - for instance recruitment, disciplinary actions and holidays - were managed on an ad hoc basis and needed systematisation.

Apart from production and labour issues, health and safety and emergency management concerns also existed. Fire extinguishers and first aid boxes were not available as required, spacing was also not sufficient in some sections of the work place. For instance, cutting and finishing activities was being done in both the production units leading to a replication of infra-structure, additional handling costs and sub-optimal utilization of the workspace. Spot removal activities were being carried out but necessary

personal protective equipment was not available. Lunch was consumed in the spot removing area, since a designated lunch area was not available.

### **3. Action Plan Implementation**

#### **3.1 Labour standards**

As a first step on tackling the overtime issue, management agreed to install an electronic time recording system. Information from this system could then be used to record actual hours worked and track and control overtime. On the labour welfare aspect, meetings and discussions were conducted with employees to convince them that they should agree to a gradual reduction in overtime. At the same time employees were also educated on the benefits of paying ESI and PF as required by law.

Management also agreed to ensure that payment for overtime would be double the normal rates as required by Indian law. However, problems regarding overtime, minimum salary, contract workers PF and ESI are difficult to tackle and solutions do not come over night.

It was realised that problems related to overtime and schedule overruns were to be solved through better production planning. Hence, to improve production planning a dialogue was initiated with Sourcing House – SJP’s Danish customer within the SUSBIZ program. With active participation from Sourcing House, production planning was initiated and a system of pre-orders was set up. Samples were made with available fabric in the styles required and these were used to get initial approvals. When orders were confirmed, other down stream activities were planned and orders were placed in advance to ensure on-time deliveries; these deliveries were followed-up to ensure that inputs reached SJP

on time. Approvals - where required - were obtained by diligent follow-up with Sourcing House. As a result of this system of pre-order and production planning SJP was able to deliver orders order as per schedule. An important prerequisite of this improvement was the dialogue between SJP and Sourcing House. When SH became aware that bulk orders was or were a serious impediment to solve problems related to over-time, placement of orders was spread out during the year. Thus, overloads of orders in peak seasons decreased. As a consequence of these initiatives, overtime hours went down by an estimated 15%.

Focus was also on the supply chain as it was felt that some of the production problems were due to delays in deliveries from suppliers. Delving deeper it was found that dyeing activities contributed to a huge chunk of the 60-90 days taken to process each order. This time was due to the nature of the dyeing activity itself and also due to the small quantities of orders placed by SJP which did not allow large scale dyeing or other processing. The dye houses were more inclined to processing larger orders. Therefore, as part of the production planning activities, SJP actively encouraged its customers to obtain advance information about orders and initiate actions early to avoid delays. This further contributed to improvements in production planning as well as in tackling the issue of overtime. The system of Pre-ordering and production planning released resources (see the section on business improvements) that SJP could use to live up to various labour standards.

To date, SJP has managed to cover approximately 25% of the total work force under legal overtime pay, 100% under legal minimum wages and 60% under PF and ESI. SJP is continually working to improve on this area, e.g. by holding meetings with employees

explaining them the benefits of PF and ESI so they will be more inclined to pay their share. Furthermore, all new employees are being enrolled under ESI after a trial period of three months. For the contract workers enrolled under ESI, SJP is paying the contractor's share, making it easier for the contractor to enrol the workers under the scheme. SJP has also obtained a group insurance ensuring that workers not covered under ESI are covered under insurance.

*"One lady from our reception - her father had a major surgery and she applied for free surgery through ESI and had the benefit of saving the money. She didn't have to pay herself. And that was even though her father did not work here"*

*Rangaswamy, V.  
C.E.O  
Sri Jaya Prabha Exports*

Human resource management related procedures have also now been documented and a HR manager has been appointed with specific responsibility to manage activities regarding the SUSBIZ Action Plan and also to ensure continued compliance to various labour management policies that have been defined.

The problem regarding contract workers was dealt with by SJP supporting its contractors to obtain necessary licenses. Now, the necessary licenses permitting contractors and SJP to hire contract labour has been applied for and should be available by April 2009.

With regard to lack of employment letters, By 2009 all regular workers will be provided with written employment letters.

### 3.2 Occupational Health and Safety

Issues related to fire safety and first aid has been managed by providing sufficient fire fighting equipment and training workers in its use. Escape paths, aisles and exits have also been marked. First aid boxes have been

installed and their content is monitored and kept up to date. Personnel have been trained in first aid techniques and systems for identifying trained personnel have been set up. Personal protective equipment has also been provided and medical check ups have been conducted. This has identified workers with poor eyesight who have now invested in spectacles.

*"We started this company in 2000, so for 7 years we have not been doing any health or safety activities, this started with SUSBIZ"*

*Gunasekaran, R.  
C.T.O  
Sri Jaya Prabha Exports*

A Lunch room has also been built in the head office so lunch is no longer consumed in the spot removing area or anywhere else on the production floor.

Safety committee has been constituted and meetings are being held. An anti-sexual harassment committee is also operational in the company. Issues relating to sexual harassment have not been identified, but as a large part of the workforce is female, a committee on this issue seemed relevant.



*New finishing section has provided more space improving the working environment.*

A rationalization of the production layout was required to provide space and better work flow. Therefore, a decision was taken to rent a building opposite the head office to house a new centralised finishing section. This has improved the workflow as well as provided sufficient spacing in the workplaces. As the

workplace is no longer congested, an evacuation in case of emergency can now be conducted efficiently and swiftly.



Centralised energy efficient boiler established at SJP saving 40% of energy consumption and Rs. 10,000 per month

### 3.3. Environment

SJP has started to use spare raw material more efficiently. If excessive raw material is left after an order has been finalised, SJP now proactively offers its customer to produce more pieces of the given product. By utilizing excess raw material waste is reduced.

The new centralised finishing section has also enabled financial savings and environmental improvements. Ironing is done at the finishing unit and is thus now also centralised. Before, several decentralised electric boilers - providing steam for ironing - were located at the different units/sections where ironing was being done. Now, SJP has invested in one centralised and more energy efficient boiler, saving 40% of total energy consumption. Investment in the new boiler was a direct outcome of the LEAN workshop, during which SJP realized the economic and environmental inefficiency of the decentralised finishing sections.



Ironing being done at the new centralised finishing section.

## 4. Business Improvements

SJP is a good example on how business improvements can be linked to CSR, if the focus is also turned towards leveraging the connection between CSR and production efficiency.

### Business improvements

- Increased efficiency due to better production planning and optimization of production processes has:
  - o Reduced fluctuations in production level.
  - o Increased amount of orders meeting schedule
  - o Reduced costly shipping by air from approx. 25 % to 2,5 %. saving SJP Rs. 1,000,000 a year
- New energy efficient boiler has saved SJP Rs. 10,000 per month
- Ability to attract and maintain skilled workers has improved because of better working conditions
- Increased worker satisfaction has increased productivity
- Decreased rejection rates

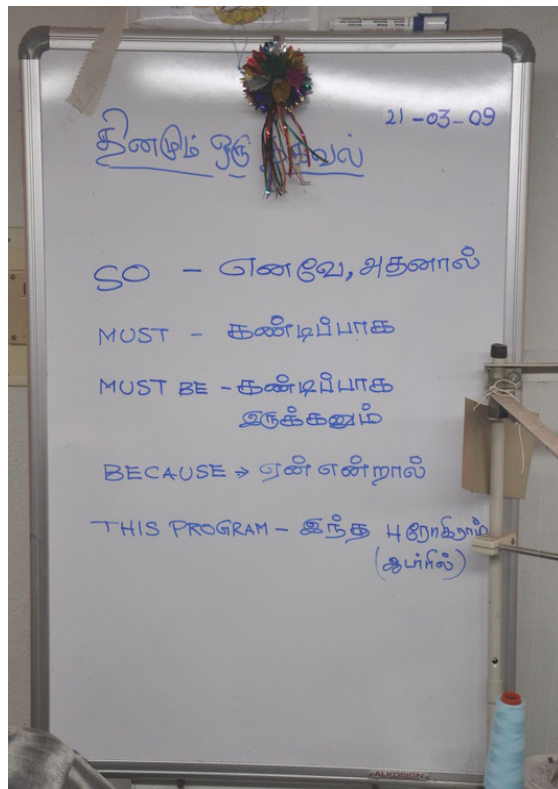
The system of production pre-orders and planning not only helped SJP deal with issues of overtime, it also helped SJP deliver orders on time, increasing customer satisfaction and releasing resources for engaging with new costumers. Since orders were met on time, a huge decrease in expensive shipments by air was realized. The amount of orders shipped by air was reduced from approx. 25 % to 2,5 % adding up to a financial saving of 1 million Rs. per year.

Another simple business improvement comes from reduced rejection rates as workers with bad eyes have been identified during health check ups. Now, they are wearing glasses and quality has improved.

***"We've been able to reduce overtime, improve quality, reduce rejection rates, make deliveries on time and introduce two more customers"***

*Rangaswamy, V.  
C.E.O  
Sri Jaya Prabha Exports*

Financial savings were also obtained from the new centralised energy efficient boiler. A total of Rs. 10.000 is now being saved per month because of reduced energy use.



*Five words of the week. Management is training the workers in English, improving their ability to read and understand labels etc. As a result, packing and handling of orders etc is improving and workers benefit in terms increased human capital.*

Altogether, financial savings obtained from various improvements has laid the foundation for the payment of increased wages and OT pay mentioned in the labour standards section.

Management also feels that because of the steps taken relating to occupational health and safety and labour standards employee morale has gone up. This way SJP has built a reputation as an employer concerned about the welfare of its workforce, making it easier to hire skilled employees and maintain the existing skilled employees. This improvement is warmly welcomed because of bottle-necks in attracting skilled labour.

Furthermore, apart from improving health and safety, changes in production layout have improved worker satisfaction and thereby impacted production efficiency.

## 5. Future Activities and Challenges

### Improvements at a glance

- Work time and over time is being recorded
- Overtime down by 15%
- 25% of workforce ensured legal overtime premium
- 100% of workforce ensured minimum wages
- 60 percent of workforce covered under Provident Fund, Employee State Insurance
- Work slip provided to all workers in the relevant language
- License to employ contractors and contract employees applied for and to be obtained by April 2009.
- Safety- and anti-sexual harassment committees established
- Fire fighting equipment installed and training provided
- First aid boxes installed and training of personnel conducted
- Decreased amount of waste due to more efficient use of raw materials

Even though SJP was a late entrant to the SUSBIZ project, the commitment of the management has helped SJP to make steady progress across all the focus areas of the SUSBIZ Action Plan. However, there is still room for improvement and SJP is committed to sustaining its initiatives on CSR.

It is a well known fact that many of the dyeing units in Tiruppur are major polluters. As mentioned, the dying process is also a major bottleneck for the smooth and timely flow of production processes at SJP. Therefore the Management of SJP has long term plans of

setting up its own dyeing unit and steps towards this have been initiated. This holds the potential for environmental improvements as well as business improvements in terms of shorter production times and improved production planning. Further steps have also been taken to reduce energy costs. For instance energy efficient CFL-lights are being installed.

***“We are planning to do the health checks up 2 to three times per year in the future because of the business benefits we get from managing workers health”***

*Komagan, A.S.  
Human Resource Manager  
Sri Jaya Prabha Exports*

Challenges ahead regarding excessive overtime, full overtime payment, PF and ESI coverage for all workers still exist. But it is the hope of SJP, that continual improvements in production planning will enable full coverage within these areas. However, as is the case with the other SUSBIZ companies, reducing overtime is difficult.

***“It has been very difficult to introduce a working week on 60 hours. Even if I pay double rates they will still want to work 12 hours per day, they will just go to other employers”***

*Rangaswamy, V.  
C.E.O  
Sri Jaya Prabha Exports*

Also the supply chain of SJP holds a large potential for progress. This is the case in relation to monitoring as well as increased CSR standards and quality standards. Therefore SJP has initiated an exercise to map its supply chain and engage with its suppliers for better relations. The next step will be to engage suppliers in improvements.

Due to the learning and improvements obtained from engaging in SUSBIZ, SJP feels better equipped to take on the process of obtaining Fairtrade certification and certification to the SA 8000 standard. All new

initiatives are now being taken with a long term view and with a focus on positively impacting employees, who in turn would help improve productivity, reputation and - last but not the least - the bottom line of the company.

#### **Text & Photo**

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