

## MERDS GARMENT CENTRE (MGC) – The Start-up January – March 2017

### Introduction to MERDS Garment Centre

In January 2017 two Dutch BenG volunteers, Thomas Out and Els van den Dries, together with MERDS-director ChandraSekaran organized the preparation and the start-up of the MERDS Garment Centre.

The concept of MGC is tailoring of 'bulk orders, starting with only stitching of pieces and buttoning. Later maybe also design, cutting and packing. The preparation involves a visit to Ashok, a similar garment centre in Natham; this gave insight in the work process, administration and the investment needed for a start-up in the DOC building in Natham.

*A visit to Mr. Ashok, owner of a garment factory in Natham. He is a big producer of gent's shirts. Ashok is ready to forward orders to MGC when he gets order, which are too big for the capacity of his factory with seven tailors.*

*He will deliver the pre-cutted parts of the shirts. MGC will only stitch and button them. Payment is per produced piece.*



Chandra has a contact in Natham where he could order the professional machines needed for MGC. Together with Els and Thomas the order is placed. The machines are perfect and tis local contact in Natham makes guarantee claims and maintenance easy. Mr Ashok accompanied them for advice and five machines are ordered mid January.

On 27 January the MGC has been opened by ChandraSekaran, in the presence of Thomas and Els. The women-workers were ready to start in the newly setup spacious production room on the first floor of DOC building. With five new electric machines and proper electricity wiring, in the workplace, manufactionoring could start.



*MERDS Garmenmt Centre in operation.*

In February the women were helped by a Madurai Tailoring Group, who gave them two



stitching orders. At the same time they trained them how to use the machines properly, to stitch nighties, to the required quality level and to reach the daily production figures. One woman should be able to stitch 30 nighties per day after proper training!!



*Picture left: A nightie is a woman's daily loose fitting working dress. Picture right: Madurai Group instructor with Chandra and Gé*

### **The Workflow – it seems so simple!!**

The visit to Mr. Ashok's factory gave a first impression of the steps involved in producing of men's shirt – from buying the material to selling it in the shops. It seemed so simple, but it really looks like this:

Buy materials → choose the patterns and sizes and cut the material → stitch the products → button them → iron them → then pack them → ready for the shops for sale.

The MGC women get orders from tailoring firms who do not have the capacity to stitch (large) orders themselves. They get ready-cut products and stitch the nighties, shirts etc. within a defined period of time and at a fixed price per piece.

Needless to say that with so many steps on the way – where everybody has to earn some money – the revenue for our MGC women is small. To give you an example – for stitching a nightly one would earn 6 rupees per piece. With a production of 30 per day this adds up to 180 rupees. Stitching men's shirts for Ashok at 16Rs per piece would add up to 400Rs per day (bases on 25 shirts per day). If they work full time for the MGC (= 20 workdays per month) they may realize a gross turnover of 3.600 for nighties to 8.000Rs for men's shirts.

This turnover can be realized only if they work full time, and with a constant flow of orders. For now turnover = income, as the income will not be enough to pay for the running cost and certainly not for contributing to the depreciation of machines etc.

### **Organisation of the MGC project:**

The great thing about Incredible India is that you just START when you're ready for it. And although not all conditions have been made clear before the start: it works!

The outline of the MGC organization at this moment is:

- MERDS is the owner of the MGC and of the available machines and materials. MERDS also provides working space in the DOC. Chandra Sekaran is in charge of getting orders from f.i. Ashok, Natham- and Madurai producers and negotiate piece prices and conditions. If necessary he will take care of transport of the products.
- The Women-Group of 5 (and ++ ) do the stitching and get paid per finished product. They work as a "cooperative" in the sense that they use the machines, get paid per piece and per working day. During start-up they will not have to (re)pay the cost of running the MGC or the Depreciation of the investment.

During the first year MERDS will not charge any salary or transportation cost to this project.

- In the course of 2017 MERDS will provide a full description of the MGC project, including the financial planning and the organization format. Of course BenG, volunteers and board members, are ready to help

The group consist of the following women and, if orders are available, they will work in the MERDS GARMENT Centre in the DOC building in Natham.



1. Mrs. Anitha

2. Mrs. Amaravathi

3. .Kasturi



4. Anuradha

5. Pandeswari

### **Context of the project:**

Producing and selling clothes has strong seasonal influences. The top-time is Divali (November) and the Tamil Nadu festival as Pongal (January) The marriage season is February to May. MGC, at this stage, depends on orders from other producers in the Natham area, like Ashok or the Madurai group. They cannot build up their own stock of products and sell them at peak times.

Moreover there is fierce competition in the Natham area, so it will be hard to negotiate a better price per stitched piece. And orders that come from further away (like Madurai) involve cost of transportation from-and-to the supplier; these transportation cost must be lower than the turnover/ income that the women get, a matter of good calculation.

### **Financial planning of the project**

ChandraSekaran told us that it will take at least a year to make the MGC work properly and make it profitable. The 5 (to 10) women who are involved have to be trained in stitching different products, delivering good quality and within the time limits. Once this level is achieved MGC can think of getting more profit out of the centre. Options might be to buy cut-materials and deliver the products to the MERDS Shop, who is next to the DOC; or buy and cut materials themselves so they will profit from more steps in the production process.

It is obvious that the first year hardly any income or profit can be expected. Chandra will take care of getting orders and arrange for transport, f.i. if the materials come from Madurai.

### **Investments 2017**

With BenG donations MERDS invested in 5 machines (97.125Rs) and electric wiring of the DOC (5.000Rs) and will add some benches and tables in order to make work conditions as good as possible. With an initial investment of 110.000Rs (approximately € 1.600) the factory could start.

Once production is well on its way, and the women are trained in producing different type of products, it may be wise to buy a locking machine (28.000Rs / € 400,-) which will speed up the work and guarantee good quality production.

Running cost per month is estimated at 7.000Rs (€ 100,-), which includes electricity (3000Rs), materials like threads, needles, zips, elastics and transportation (3500Rs) and some maintenance (500Rs).

In this first stage the women are not able to pay back any of the running cost or investments. MERDS will give periodical insight in the development of the turnover, production costs and “profits”; BenG will help as much as possible to establish a profitable business model. In this model MERDS will make provisions for depreciation of the machines (*now estimated at 10 years*) and for salaries of MERDS staff members.

First impressions of the MERDS GARMENT CENTRE (6/3/2017)