
Revised Social Accounts

IndusTree Crafts Pvt.
Ltd.

Mrinalini Shastry, March 2008

Table of Contents

| | |
|--|----|
| Acknowledgements | 3 |
| About ICPL | 5 |
| <i>Background</i> | 6 |
| <i>Operational Model</i> | 7 |
| <i>Scale and Growth</i> | 9 |
| Context, Scope and Methodology of Social Accounts | 11 |
| <i>Objectives of the SAA process</i> | 12 |
| <i>Scope</i> | 13 |
| <i>Stakeholders</i> | 14 |
| Objective-wise Reporting | 17 |
| Other views of Stakeholders | 34 |
| <i>Producers</i> | 35 |
| <i>Staff</i> | 35 |
| <i>Board Members</i> | 36 |
| <i>Customers</i> | 36 |
| <i>Partners</i> | 37 |
| Economic Impact..... | 38 |
| Recommendations and Plans for the Next Cycle | 43 |
| Financials | 46 |
| Dissemination and Dialogue | 50 |
| Annexures..... | 52 |
| <i>Annexure 1: List of Exhibits</i> | 53 |
| <i>Annexure 2: Background Note on Handicrafts Sector</i> | 54 |
| <i>Annexure 3: Secondary Data Sources</i> | 55 |
| <i>Annexure 4: Organizations ICF has partnered with</i> | 56 |
| <i>Annexure 5: Social Accounting Framework</i> | 57 |
| <i>Annexure 6: Geographies serviced year-wise</i> | 60 |
| <i>Annexure 7: List of Domestic Locations</i> | 61 |
| <i>Annexure 8: Craft Skills Imparted in Design Workshops</i> | 62 |
| <i>Annexure 9: Equipment Developed</i> | 63 |
| <i>Annexure 10:Agenda and Attendees at Meeting on Artisan Owned Branding</i> | 64 |
| <i>Annexure 11: Certifications</i> | 66 |
| <i>Annexure 12: Future Plans of ICPL</i> | 68 |
| <i>Annexure 13: ICF Accounts</i> | 70 |
| <i>Annexure 14: Sample Questionnaires</i> | 71 |

1

Acknowledgements

ICPL's first social accounts have been put together with continuous support from various people. Special thanks to Rathan and Devarajan and Martin for providing complete access to all information that was required to put this report together. Also, a special mention to all our stakeholders for being candid about our achievements and imperfections.

Thanks are also due to all the members of our Panel for taking time out of their schedules to evaluate these accounts. Their insights are invaluable, and will take ICPL to the next level in terms of performance and accountability. A special acknowledgement is due to Mr. Ashoke Chatterjee who has contributed the background note on the handicrafts sector which will make this report more clear to those unfamiliar with the sector.

All respondents to the primary survey- customers, staff, partner organizations, trustees and most importantly, the artisans working with ICPL in their three units gave us feedback that will only add to the seriousness with which ICPL takes its commitments to all its stakeholders. My sincerest thanks to them for this.

We would also like to thank Mrinalini Shastry, our consultant for drawing out and articulating our deep rooted social impact ideas so that these can be benchmarked and reported upon regularly.

Neelam Chhiber

March 2008

2

About ICPL

ICPL is a social enterprise based in Bangalore that distributes a wide range of furniture & home accessories hand-crafted by rural artisans. It specializes in using locally available natural materials such as river grass, banana bark yarn and palm leaves amongst others to create objects of everyday use. ICPL sources from a network of over 100 producer groups, most of which comprise women, and has developed production facilities in Bangalore as well as grass root facilities in Tirunelveli, Bhavani in Tamil Nadu and Kinnigoli in Mangalore district of Karnataka.

A member of International Fair Trade, it has links with over 5000 artisans and directly employs about 160 people. Its aim is to work with craftspeople in a self-sustainable fashion - marketing rural skills to urban markets all over the world. It supplies to leading home companies of the world, such as Ikea and Pier Europe as also to major retailers in India. It has, recently developed a significant relationship with Interface, UK, to develop a socially and environmentally sustainable carpet tile.

ICPL constantly meets the challenge of being a social enterprise by balancing its economic, environmental and social concerns. Some of these are: persisting and remaining profitable in an area associated with low returns, managing customer timelines, facilitating artisan development, and addressing environmental concerns. Women traditionally carry out much of the labour involved in natural fibre production, and IndusTree have helped to increase the value of this work through design innovation and the reduction of drudgery. These diverse and frequently contradicting concerns govern ICPL's day to day activities, and it is this nature of its chosen area of work that defines it as a social enterprise.

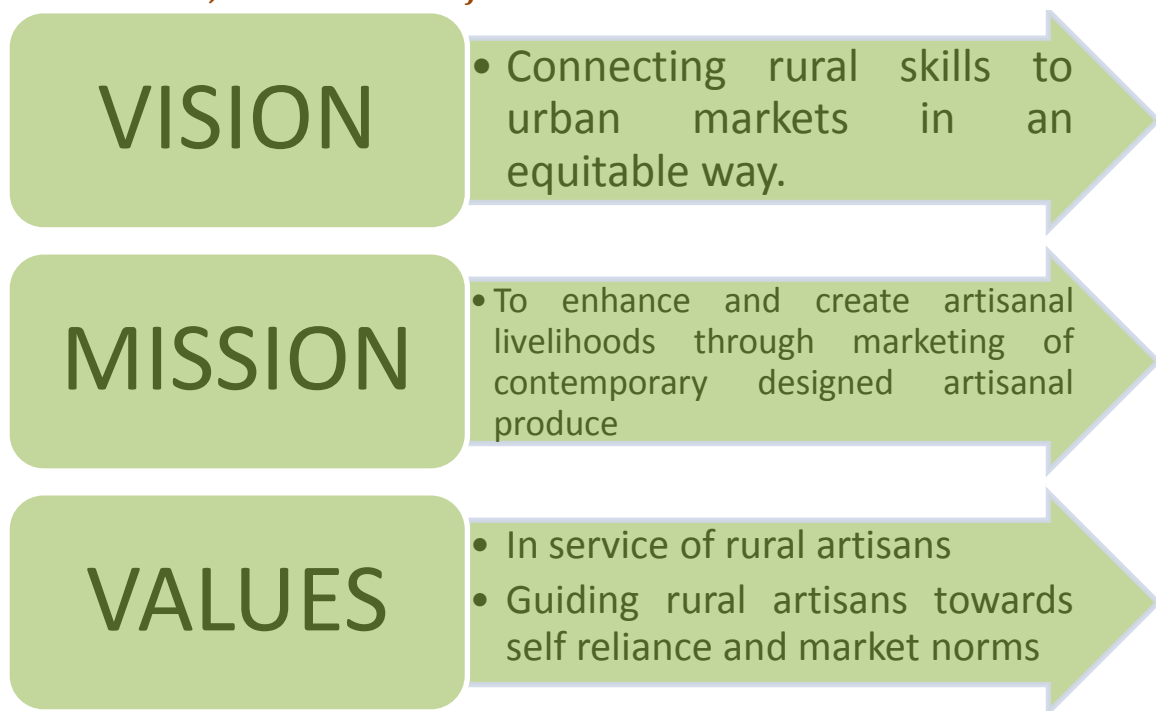
Background

Artisanal skills are significant as rural income providers in India. This includes what has so far been called the handicraft and handloom sector in India. India currently exports Rs.17, 000 Crores of handicrafts alone, and this is merely 3% of existing global markets. The industry is however heavily biased against the artisan, who receives a very minor portion of this. This sector has thrived because of the infrastructure and capital infusion provided by urban, mostly North and West India based

exporters, in towns and cities. Please find a background note about the Indian Handicrafts Sector in Annexure 2

At the same time India is witnessing an unprecedented domestic retail boom, with Indian retailers expanding into food, apparel & home in a large way, mostly importing artisanal home accessories from overseas. This indicates a huge market opportunity for the millions of under compensated handloom weavers and handicraft artisans, who represent a large traditionally skilled rural workforce, which is unorganized, and suffers from poor production infrastructure, access to working capital, and contemporary entrepreneurial skills. ICPL visualizes a large opportunity in linking micro finance with the development of these producers into production units, which when provided with appropriate markets, designs, production infrastructure and appropriate management tools, can help bridge the urban rural divide.

Exhibit 1: Vision, Mission & Values of ICPL



Operational Model

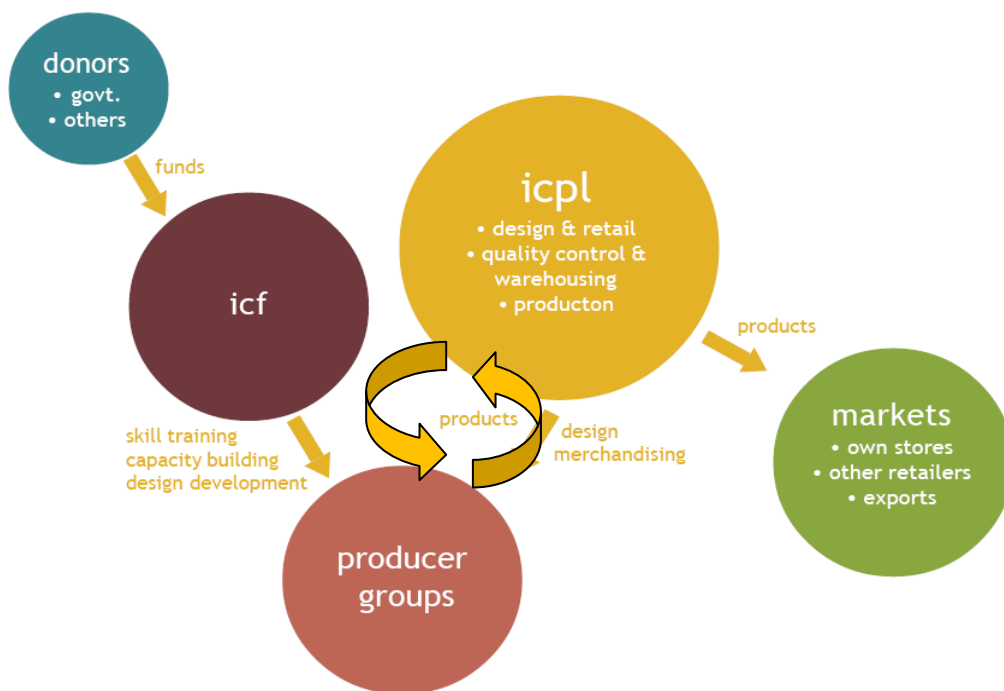
ICPL is a hybrid organisation; IndusTree Crafts Pvt. Ltd. is a for-profit organization, while IndusTree Crafts Foundation (ICF) is a non-profit acting as a channel for capacity building, design development and skill training funds. Together these organizations contribute to the social mission of encouraging

traditional Indian craft by providing it with a market. The founders and owners of both organizations are common, but they have distinct legal entities. ICPL Crafts Pvt. Ltd. is ably mentored by Mrs. Gita Ram who has 30 years voluntary experience in the craft sector. Neelam Chhiber, Industrial Designer, the Executive Director oversees the day-to-day operations. A team of dedicated staff who have been with the organisation for the last 10 years comprise design, merchandising, accounts, production and warehousing departments.

Currently the organisation has branches in 6 states and employs 160 people in Bangalore. The trust is involved in advocacy with the Government, and has worked on prestigious projects such as Ambedkar Hastashilp Vikas Yojana wherein it mobilised 7000 rural women from six states in India to promote natural fibre skills within them. Please refer to Annexure 4 for a list of organizations ICF has partnered with.

The relationship between ICPL and ICF is unique in the sense that while they represent either end of the spectrum that ICPL wishes to cater to-the market and the artisan, they have been able to work together in a collaborative manner as to cater to the unique demands of both segments. Throughout this report, ICPL is referred to as a common term for both ICF as well as ICPL’s activity.

Exhibit 2: ICPL’s Operational Model



Essentially, working with expert design teams to create contemporary products, manufacturing these products with unique sensitivity towards artisans and reaching out to customers across geographies is how ICPL operationalises its mission.

Scale and Growth

Exhibit 3: ICPL's Growth

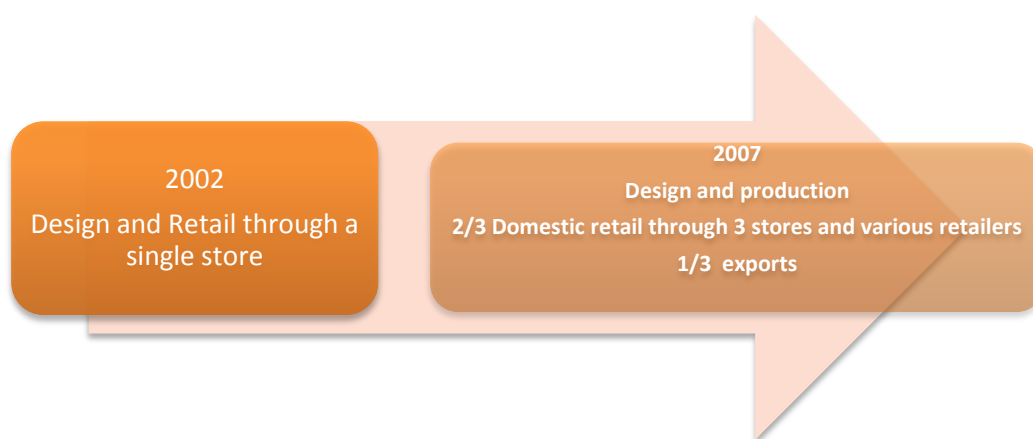
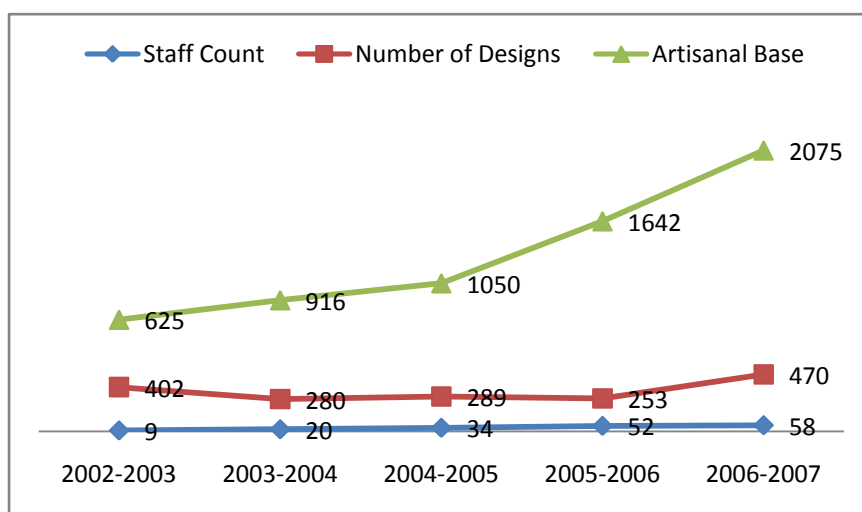


Exhibit 4: ICPL Snapshot



Since its inception, ICPL has seen significant growth. As can be seen in the graph, the number of artisans it works with has increased roughly three times from 625 in 2002 to 2075 in 2007. The staff-artisan ratio is very low- that

is to say the number of people employed by ICPL vis-a-vis the number of artisans benefitting from them is in the ratio of 1:36 roughly. Another interesting feature is the experimentation with design. Having started out with over 400 designs, they stabilized at between 250-300 designs for some years prior to peaking to 470 in 2007. Likewise, its profits in the same period have also grown by over 4 times from about Rs. 40 Lakhs to Rs. 1.8 Crores. It has been a conscious effort on ICPL's part to have as broad based and geographically diverse producer base as is commercially viable.

Exhibit 5: Year-on Year Turnover and Profit

| Year | 2002-2003 | 2003-2004 | 2004-2005 | 2005-2006 | 2006-2007 |
|----------------|---------------|-----------------|-----------------|-----------------|-----------------|
| Domestic Sales | Rs. 37,86,645 | Rs. 1,19,81,088 | Rs. 1,59,89,370 | Rs. 2,21,74,124 | Rs. 2,40,35,522 |
| Exports | Rs. 68,96,887 | Rs. 82,91,942 | Rs. 1,35,35,602 | Rs. 1,08,94,797 | Rs. 1,38,50,399 |
| Gross Profit | Rs. 39,83,930 | Rs. 81,98,884 | Rs. 1,18,52,095 | Rs. 1,09,78,334 | Rs. 1,84,20,093 |
| Gross Margin | 37% | 40% | 40% | 33% | 49% |

From the table above it is clear that ICPL is managing to keep costs and prices in a proportion that makes it highly profitable as a company. What is not apparent though is the fact that a large proportion of these profits is ploughed back into the business, usually as working capital advances to artisans, and that the promoters have not declared dividends despite being so profitable. As a business, ICPL has needed that reserve to keep to its social mission. See Design Innovation case study on P.20.

3

Context, Scope and Methodology of Social Accounts

ICPL is currently poised at a crucial leap-frog phase in its growth. Having successfully linked the artisan and the market in the natural fibre area, ICPL is firming up plans of a large multi-brand retail presence supported by artisan producer groups. It is on the verge of a significant scale-up, involving external investors as well as a proposed rebranding campaign. At this juncture, the management feels that a valuation of the social impact created by the organization would complement the commercial valuations, and would underline the social enterprise nature of the organization- especially going into the scale up stage.

Since business decisions in a social enterprise such as ICPL are governed not purely by commercial instinct, but also by social and environmental concerns, it is only fitting that the value of the organization be seen in entirety, rather than through the purely economic lens.

Also, it becomes necessary to embed social impact indicators, and their measurement in the monitoring and management information systems of the organization so as to continually be aware of performance on all three fronts-economic, social and environmental. It is in this context that ICPL seeks to engage in a Social Accounting and Audit (SAA) process.

Objectives of the SAA process

- To understand and articulate the mission centricity of ICPL
- To develop and embed social impact indicators into the measurement/monitoring systems of ICPL
- To articulate, in commercial terms, wherever relevant, the social impact of ICPL

Scope

| | |
|------------------------|--|
| Time Period | Financial Year 2002-2003 to 2006-2007 ICPL has been operational for over 10 years. The first few years were, however, formative and experimental in nature. Balancing this with the purpose of reflecting a reasonably clear picture of its outcomes, a time period of the last 5 years was chosen for the first social accounting cycle. From the next cycle on, ICPL will attempt to write its social accounts every year and intends to coincide it with its financial reporting cycle. |
| Framework Development | The mission of the organization was taken from documents in existence at the start of the Social Accounting period. The Memorandum of Association of the company and the website were referred to. This was then broken down into interim objectives, and in consultation with the senior management at ICPL, activities were mapped for the same. Indicators were then developed keeping in mind an ideal scenario. <u>However, since these accounts are retrospective in nature, there are some indicators for which data is unavailable. While these are listed in the report to bring in a sense of completeness to the mapping, they have been highlighted for the sake of reading clarity.</u> |
| Stakeholders Consulted | Producers Customers Staff Board Members Partner Organizations |
| Data Collection Modes | Primary & Secondary |

The first step in the social accounting process was to scope the activities that would be covered, and more importantly, those that wouldn't. This cycle, the accounts are largely reflective in nature, and do not really incorporate a lot of the proposals and activities that will be taken up in the near future. Even the mission statement as framed in these accounts will shortly be revisited in light of the imminent scale up. Please refer to Annexure 5 for the Social Accounting Framework. Every effort was made to map as many indicators as possible to secondary data so as to minimise data collection and reporting errors. Please refer to Annexure 3 for a list of all secondary data consulted. Primary data indicators were then mapped to stakeholders, both primary and secondary.

Stakeholders

A stakeholder mapping was undertaken to identify primary and secondary stakeholders, and every attempt was made to reach out to between 10% and 20% sample size. The stakeholder break up is as follows

Exhibit 6: Stakeholders Covered in Current Social Accounts

| Stakeholder | Nature | Status | Total(Estimated number impacted since January 2002) | Sample | Remarks |
|---------------------------------------|-----------|---------------|---|--------|--|
| ICPL Board Members | Primary | Consulted | 2 | 2 | |
| ICPL Staff | Primary | Consulted | 58 | 13 | Spread across Office, Sales, Packers & Checkers and Field Staff |
| Producers | Primary | Consulted | 390 | 59 | <ul style="list-style-type: none"> Spread across Veeravannalur, Bangalore and Bhavani. Stratified by the SHG that they belong to. In addition 35 were covered via Focus Group Discussions |
| Partner NGOs | Primary | Consulted | 27 | 3 | |
| Customers | Primary | Consulted | Unknown | 8 | 1 Export Customer. Others retail customers |
| Producers impacted through other NGOs | Secondary | Not Consulted | | | It was felt that given time and resource constraints, it would not be practicable to consult them |
| ICF | Secondary | Not Consulted | | | Not identified at the beginning of the Social Accounting cycle. Will be consulted in the next cycle |
| Contractors | Primary | Not Consulted | | | Not identified at the beginning of the Social Accounting cycle. Will be consulted in the next cycle |
| Wider NGO Sector | Secondary | Not Consulted | | | Not identified at the beginning of the Social Accounting cycle. Will be consulted in the next cycle |
| Relevant Government Departments | Secondary | Not Consulted | | | Not identified at the beginning of the Social Accounting cycle. Will be consulted in the next cycle |

Exhibit 7: Stakeholders- Topics and Tools

| Stakeholder | Topics on which consulted | Consultation Tools/Methodology |
|------------------------------|---|--|
| ICPL Board Members | Market Surveys, Design Logic and Utility, Procurement Policy, Training Policy and Utility, Design Technology and its Application, Leadership and Management Processes, Advocacy Efforts, Infrastructure Creation at Grassroots, Purpose of ICPL | A one hour semi-structured interview was conducted with Mrs. Gita Ram and Mrs. Neelam Chhiber |
| Producers | Income Increase, Quality of Life Improvement, Selling Experience, Training Policy and Utility, Design Technology and its Application, Leadership and Management Processes, Infrastructure Creation at Grassroots, Purpose of ICPL | 60 Questionnaires were administered by ICPL staff to the producers. Questions were asked in Tamil/Kannada and responses noted in English onto printed formats. 35 producers were covered via three separate focus group discussions. Questions were put to the group in English, and local staff translated them into Tamil. Responses were recorded by Mrinalini in English. Some translation was required in the responses. |
| ICPL Staff | Market Surveys, Design Logic and Utility, Procurement Policy, Training Policy and Utility, Design Technology and its Application, Leadership and Management Processes, Advocacy Efforts, Infrastructure Creation at Grassroots, Purpose of ICPL | Questionnaires were circulated over e-mail to 20 members of the staff. 13 responded. Responses from the office staff were over e-mail, and those of the field staff were filled into a format. |
| Partner Organizations | Training & Utility, Advocacy Efforts, Purpose of ICPL | E-mail requests were made to 5 organizations to respond to the questionnaire. 3 organizations responded |
| Customers | Marketing Efforts, Buying Experience, Advocacy Efforts, Purpose of ICPL | E-mail requests were made to 7 organizations covering both domestic and export customers. 1 organization responded. Retail customers were requested to fill out questionnaires at the Bangalore store |

An economic impact analysis has been attempted by quantifying the incremental income earned by artisans because of ICPL's intervention. This has been detailed further in the Economic Impact section. While there is a lot of data available on the more obvious commercial and monetary indicators, there are some simple additions that can be made to existing documentation systems to comprehensively capture social impact. This has been further detailed in the Recommendations.

4

Objective-wise Reporting

Summary of Objectives and Activities

Mission: To enhance and create artisanal livelihoods through marketing of contemporary designed artisanal produce

| Objectives | Activities |
|------------|------------|
|------------|------------|

OBJECTIVE 1

To design, create, manufacture and trade in products made in an environmentally and socially sustainable manner

- Gather consumer insight
- Product innovation and diversification
- Nurture production at an appropriate scale
- Encourage production through environmentally sustainable means
- Demand Creation and Demand Servicing

OBJECTIVE 2

To assist crafts people in gaining access to design, finance, technology, infrastructure as well as market linkages

- Provide design consultancy to organizations engaged in craft manufacture
- Provide access to technology of upgrading traditional tools, processes and materials
- Provide access to financial resources
- Work with sensitivity towards artisans' financial constraints
- Set up infrastructure for crafts people

OBJECTIVE 3

To create awareness and appreciation amongst the general public for traditional hand skills

- Undertake action research traditional crafts and raw materials
- Reach out to customers through brand building efforts
- Engage in advocacy with stakeholders

Objective1: To design, create, manufacture and trade in products made in an environmentally and socially sustainable manner

| Activity 1 | Quantitative Indicators | Qualitative Indicators |
|-------------------------|------------------------------------|---------------------------------|
| Gather consumer insight | Number of market surveys conducted | Range of Stakeholders Consulted |

One of the key elements of value addition that ICPL aims to bring to the traditional handicraft products market is to develop consumer insights with a view to design products that are functionally and aesthetically in line with consumer requirements. This would naturally mean that they aim to connect to customers on a regular basis.

There is no formal ‘market research’ process. Thus, there is no overt, obvious ‘consultation’ of the customers. There are, however, many ways in which the organization is connected to its customers. The monthly sales reports that flow into the central office are an indicator of the popularity of certain products/product lines. Similarly, in stores where ICPL follows a shop-in-shop format, the orders placed via ‘Store Requirements’ indicate the demand. In the export context, attendance at International trade fairs is an initiator to understanding the customer.

The export market is much more customized, and thus specific client requirements are catered to. The domestic market is mostly in a retail format, and therefore the product lines are more predictable, especially in terms of colour, patterns etc. Either way, the entire range of customers from walk in retail purchasers at stand alone stores to buyers’ agents in India as well as interfacing directly with export customers are continuously consulted in one manner or another about the design and construction of products.

| Activity 2 | Quantitative Indicators | Qualitative Indicators |
|--|--|---|
| Product Innovation and Diversification | Number of products designed | Feedback from customers about designs- functional and aesthetic |
| | Number in pipeline | Customer preferences in current range of products |
| | Number of prototypes developed | Customer preferences for future range of products |
| | Number of products launched in markets | Range of designs developed |
| | Number of Products failed | |

ICPL sells 470 products in 16 categories in the domestic market. These products range from storage items such as laundry bins and baskets to fashion accessories as well as home furnishing. The widest range is found in floor mats which have about 100 different designs. The export product list reflects close to 100 designs. Many of these are also present in the domestic products. The export products list is less exhaustive because there is a lot of customization that is not reflected in a standardised list. Information as to prototyping is not captured in the current systems. The numbers reflected above are those of products launched in markets- some are, of course, more successful than others.

An interesting piece of information here is that several products- specially in smaller sizes, such as wallets and key chains are designed with the waste generated from the larger products such as furnishings.

Feedback on design is very positive. . Almost all the customers' entries in the visitors' book said that the designs were contemporary and 'different'. In keeping with their aim of making products that are aesthetic as well as functional, thereby contemporizing Indian handicrafts, design has been the focus of ICPL's interventions.

Encapsulated is a short description of ICPL's design innovation.

There was also some feedback on price, which some customers felt was high. The most popular items are Table Mats, Floor Mats, and Cushion Covers in both domestic as well as export markets. Due to the nature of the products, there can be many expectations from customers for example, from the primary data, customers have suggested cotton mats as well as cots. Since there is no specific documentation to rely on, a comprehensive analysis of customer preferences for future products has not been done.

| Activity 3 | Quantitative Indicators | Qualitative Indicators |
|---|---|---|
| Nurture production at an appropriate scale | Number of production units trained | Description of quality control systems at units |
| | Number of production units equipped | Description of leadership development |
| | Number of production units delivering on time | Description of management processes at production units |
| | Average lag time in delivering orders | |

MANAPAD PALM LEAF WEAVERS' SOCIETY CASE STUDY ON DESIGN INNOVATION

ICPL started working with this society in 1996. It has 300 women members. They made simple, natural palm leaf products, and mostly supplied to SIPA (South Indian producers association). The products were palm leaf trays, flimsy shopping baskets, and items with limited contemporary use.

ICPL innovated through the use of colour. This society used colour only on rims of their articles and these colours used too were, not very contemporary and fashionable. Their weaving style was also very weak as their focus was on making cheap products for local tourists to Kanyakumari- their chief market.

In the first year, ICPL advised them to make products with solid colours, with a much stronger weave, making dustbins, laundry bins and storage boxes. These were immediately successful in the domestic market and export orders also came in . At one point, Target corporation, one of the largest US Home Chains, ordered 40, 40 foot containers of these baskets, but ICPL had to reject the order, as the society was not confident of being able to source the amount of raw material required, to process the order in the required time.

Following this ICPL noticed that the laundry and storage bins though successful, needed reinforcement, as when some weight was placed on them they buckled, and also, if they were carried about with a load full of clothes, they tended to be unable to absorb this wear and tear. From here the idea of reinforcing these products with metal frames came about, and a diploma project, of a design student from Indian institute of Craft and Design was initiated, to create a range of mixed material products with the society.

The products developed in this project were many. Planters, where palm leaf was wrapped around a metal mesh, with wooden bases, so that the weight of a heavy pot could be withstood. A racking, storage system, magazine holders, were developed. These products were all successful in the market.

All relevant stakeholders covered under the primary data have reported that while there is a significant training component involved in working with ICPL, it is mostly done on the job. Producers are trained in improved manufacturing methods- usually meaning that they are trained to produce more contemporary and international designs than they were making earlier. Purchase orders that go out to production units carry new designs and size descriptions wherever required, and local staff monitor the production to specification. The principal criteria that are monitored are the size and colour of the product. Again, while there are a lot of safety systems in place at the work floor (heavily influenced by the IKEA engagement), documented quality standards are unavailable. The quality control systems are, therefore highly centralized and person dependent.

Equipment and technology in the manufacture of their products is an area of work that ICPL feels strongly about since it reduces the drudgery in an artisan's work, especially for women and children engaged in the sector. It has, however, been unable to focus upon this issue at a large scale due to financial constraints. In the weaving set up, mostly handlooms are provided by ICPL to the producers. In Bangalore, where a wider variety of work takes place, the use of equipment for production is more prevalent. Leather Work, Banana Bark Yarn Production, Metal Frames and Furniture Making are areas where equipment is most often used. Wherever equipment has been provided, the producers have been trained on how to use it, albeit in the same on the job training model.

Leadership development of producer groups is under the control of ICPL in its captive units. Here, it has started encouraging producers to form their own groups and identify their own leaders. The periodicity and transfer of leadership is currently upon mutual agreement, but as the groups evolve, so will the systems. The leaders of the artisanal groups deal with local ICPL staff that provides the necessary guidance. The next level of leadership development is being explored, where these producer groups can become part owners of the production process by investing in working capital as well.

Almost uniformly, all respondents have stated that production units do not deliver on time. The most commonly cited reason for this is the fact that the peak export season happens to be in the monsoons in India. This interferes with production as the natural fibres used in production require sun exposure. There is, however no agreement on the average lag time in delivery of orders- opinion range from a few days to a few weeks. Since this data is not captured anywhere in the system, let alone monetized, only primary data has to be relied upon. The IKEA case study that follows is a case in point about the lack of preparedness in the Indian handicraft sector for large scale production where there is scale- quality juxtaposition.

IKEA CASE STUDY

IKEA SHIPMENT LOSS

DETAILS (Rs.)

| | |
|------------------------|-------------|
| Expenses | 30, 71, 105 |
| Invoiced Amount | 28, 72, 640 |
| LOSS | 1, 98, 465 |

At ICPL, we believe that it is key for the natural fibre sector to have regular orders. The domestic market in this sector is weak, but the sector is great for exports as globally there is huge buying. We were very keen to establish a relationship with IKEA, especially as they came to us, and we know how difficult that is. As a matter of fact at

Heimtextile 2007, we were visited by Max, India head for IKEA and told us, that of all the 1000 of stalls at the show ours was the most fascinating, because of the product line and the story behind it, what we were trying to do. This was after the successful first shipment we did for them. We did that first shipment at a great cost, We not only made a loss- we had over 5000 rejected place mats with us, which we till today are trying to sell at a discount. We had to ramp up production and systems overnight for IKEA, and we did it only because we knew if we succeeded with the relationship we would get regular orders and then we could look at long term investments to be able to do these shipments at profit, thus enabling hundreds of weavers to get work, we knew they next wanted yoga mats from fibre river grass and we knew we could work at Veeravannalur, develop a coir backing and work on new products constantly with them. KIDS, Kerala, our partner organization in this

engagement, too went out of their way to do their part of the order as well as they could. They re-dyed huge amounts of raw material to get the right colour as we were using new dyes specified by IKEA, which speaks for our relationship with them and the belief they have in our work. (It was a joint shipment KIDs and the Bhavani unit).

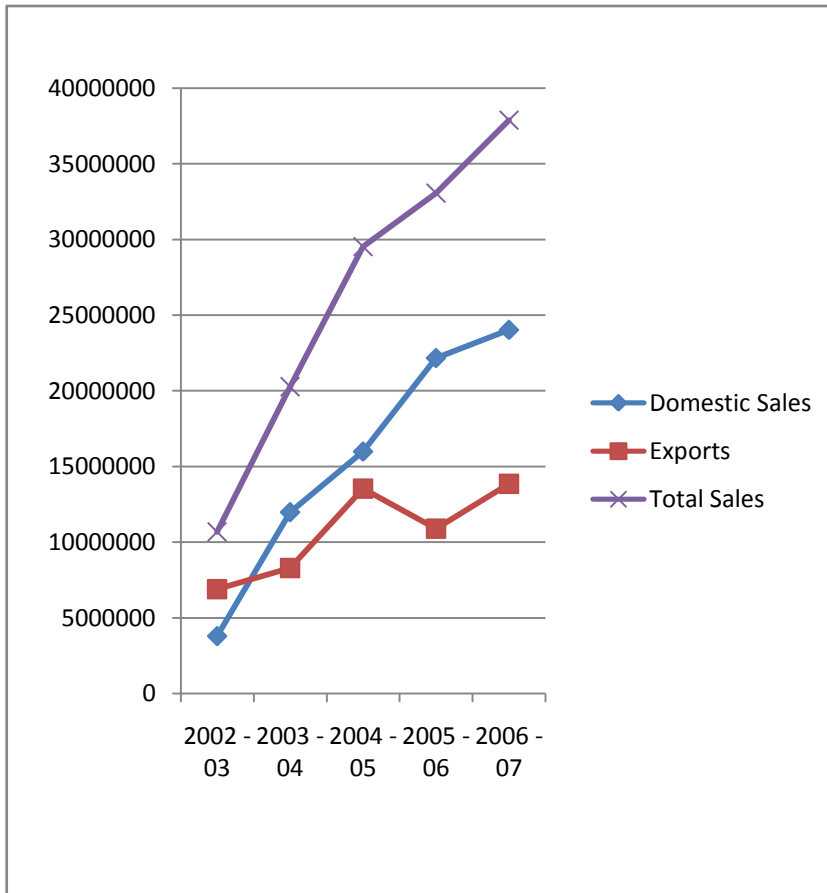
| Activity 4 | Quantitative Indicators | Qualitative Indicators |
|---|-------------------------------------|-------------------------------------|
| Encourage production through environmentally sustainable means | % of sustainable raw materials used | Description of Production Processes |

Description of waste disposal

The basic raw material that ICPL uses is all bio-degradable, long lasting and environmentally friendly. Except for metal frames that are used in the larger furniture and storage items, all material can be classified as sustainable. Production processes, again, are largely sustainable- they consist of soaking raw material, splicing it, and then weaving on a handloom. None of these processes involves an environmental burden. Even then, wastage is often recycled and reused in production- discards from mats are used to make wallets etc. The only production process that is yet to be made environmentally sustainable is dyeing. Dyeing of the raw material uses chemicals, and currently the effluents arising out of dyeing are let out into dirt canals. Some of the stakeholders also report burning of unusable raw material, which is a process that ought to be remedied soon.

| Activity 5 | Quantitative Indicators | Qualitative Indicators |
|--------------------------------------|---|--|
| Demand Creation and Demand Servicing | Number of export markets reached | Feedback from export customers on products, support services, buying experience etc. |
| | Sales Numbers/Profitability Numbers | Feedback from domestic customers on products, support services, buying experience etc. |
| | Number of stores retailing ICPL products | Description of Marketing & Sales Strategy |
| | Number of stand-alone stores Number of repeat orders | Feedback from retail customers on products, support services, buying experience etc. |
| | Number of 'marketing efforts launched | Feedback from staff on products, support services, buying experience etc. |
| | Customer retention rates Number of marketing materials designed and deployed | Feedback from stakeholders on marketing materials |

Exhibit 8: Sales Growth Trends



Every year since 2002, ICPL has been dealing with between 25 and 30 export customers. The geographies that they cater to are spread across about 12-16 countries, more concentrated in Europe and North America, with Asia and Latin America having a sporadic and dispersed presence. Please refer to a list of geographies serviced year-wise in Annexure 6. No

export customers responded to the questionnaire mailed to them. From earlier e-mail correspondence, however, it is quite clear that while export buyers are aware of and appreciate the natural fibre base of ICPL's products, they also insist on uniformity in the finished product. There is also documented correspondence of specific product related feedback they have sent to ICPL. Deliveries, it would seem are regularly delayed.

Exhibit 9: Gross Profit Margin



The sales figures of ICPL, mostly on an upward trend, clearly demonstrate that there is untapped potential in the natural fibre market

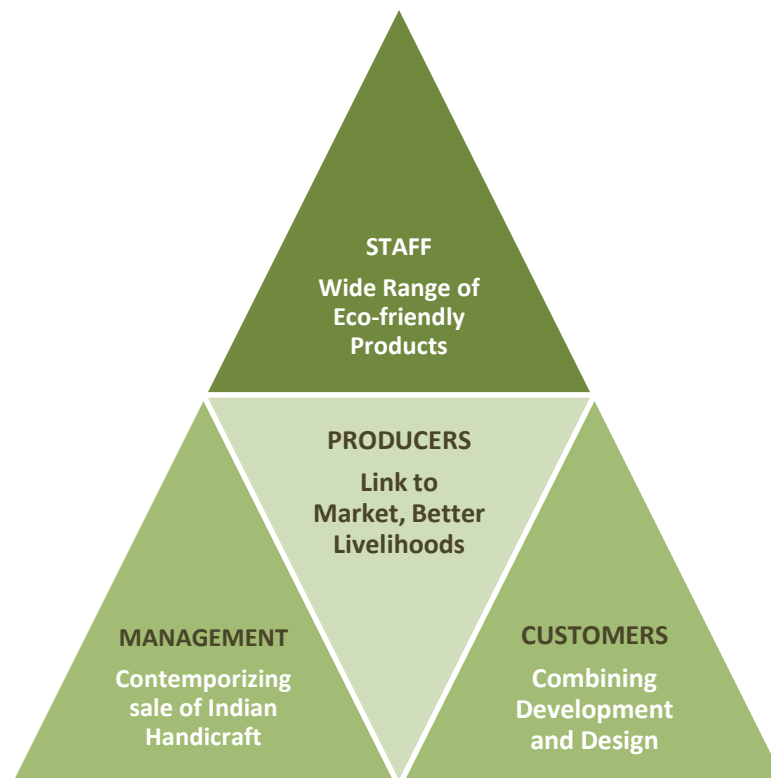
segment where they operate. It is interesting to note that exports as a percentage of total sales has steadily decreased. In 2002-2003, it was 65%. In 2006-2007, it declined to about 37% of total sales. The profitability has also steadily increased, starting at about 37% in 2002-03 and stabilizing at 49% after taking a dip in 2005-06. However, as mentioned earlier in the report, most of these profits are ploughed back into the business, and not taken out.

ICPL operates 3 stores on its own. These are located at Bangalore, Delhi and Calcutta. Besides this, there are several shop-in-shop outlets where ICPL retails as part of a larger store. These are located in Landmark, Central, Shoppers' Stop, Cottage and The Design Store, spread over Tier I cities such as Mumbai and Delhi as well as smaller cities such as Baroda. Please refer to Annexure 7 for a list of locations. In addition to these two formats of sale, ICPL also has customers that purchase its products outright. These customers number over 50 in 2007, and are spread across the country.

The sales staff has responded that they have been part of marketing and promotional efforts 6-8 times. Customers, however, have responded saying that ICPL has either not contacted them, or that they have been contacted only once. The response rate amongst customers was very low. Therefore, it would be safe to assume that the experience described is specific to the customer, and to the category. The response to queries/support services have been rated as satisfactory by domestic institutional customers. Retail customers, however, have clearly enjoyed their buying experience, especially in the environment of ICPL's own stores. About the products, all customers (11 out of 11 consulted) only have positive feedback to give- ranging from innovative to contemporary.

ICPL has positioned its products as functional, aesthetic and environment friendly. Almost all stakeholders have understood this positioning. The principal means of reaching out to its customers is through brochures, Media coverage as well as through ICPL's website. While customers say the brochures are very appealing and succinctly talk about all three elements of functionality, aesthetics as well as environment friendliness, they say the website could be structured better to communicate more precisely the purpose and values of ICPL. This feedback has also been provided by customers.

Exhibit 10: What is the purpose of ICPL?



Feedback Commentary

- There is very strong positive feedback from all stakeholders on product design.
- According to the staff and the Board Members Currently leadership within ICPL is quite centralized and person dependent
- Artisans are gradually being moved up the value chain from being individual suppliers to producer groups.
- There are several production constraints that ICPL works under, dealing with an 'erratic' export market on one hand and an unexposed local producer situation on the other
- The financials appear to be healthy and the dependence on exports has steadily decreased
- There is no formal process of reaching out to customers, especially, with regard to future product launches
- The bulk of ICPL's raw material usage and processes are sustainable, although some improvement is required in terms of treating dyeing waste.

Objective 2: To assist crafts people in gaining access to design, finance, technology, infrastructure as well as market linkages

| Activity 1 | Quantitative Indicators | Qualitative Indicators |
|---|--|--|
| Provide design consultancy to organizations engaged in craft manufacture | Number of organizations engaged with/Crafts People | Range of design consultancy assignments undertaken |
| | | Stakeholders' satisfaction with outcome of workshops |

ICPL, through its not for profit arm, ICPL Crafts Foundation (ICF) takes up design consultancy assignments with several organizations working with artisans. The training provided is usually on design improvement and the crafts are also spread across a wide range- stone craft to leather craft, basket weaving to embellishments. Please refer to Annexure 8 for a comprehensive list of crafts that ICF has trained artisans in. Since 2002, ICF has worked with 40 organizations training over 1000 artisans in the process. At the end of the workshop, the designs are left with artisans/organizations so that they can enjoy better bargaining power in their own selling. All three partners consulted as part of the Social Accounting exercise were satisfied with the training provided by ICF. They also feel that the artisans that underwent training with ICF are satisfied with the workshop, and feel that their skills have improved due to the training. Improvements to the workshops could be made via inclusion of integrated design techniques, more practical work as well as increased duration of training.

| Activity 2 | Quantitative Indicators | Qualitative Indicators |
|---|---|--|
| Provide access to technology of upgrading traditional tools, processes and materials | Number of tools developed | Benefits/Perceived Benefits of Tools Developed |
| | Number of tool prototypes created | Decision making process behind introducing new technologies |
| | Number of tools deployed in production | Incremental benefits of deploying new technology Perceived Benefits of Better Design Technology |
| | Number of enhanced designs passed on to weavers | Feedback on utility of training and increased income potential if any |
| | Number of crafts people trained in use of upgraded technology | Range of skills imparted to craftspeople |
| | Increased income due to better production techniques | Reduced dependence on money lenders |
| | Gender breakup of crafts people trained | Feedback from crafts people on improvement in quality of life |

Technology in the handicrafts sector involves a fine line of decision making. Since it is an industry where livelihoods are determined by hand skills, equipment and technology should enable hand skills rather than replace them. This has been ICPL's approach in developing and deploying technology in its production units. A number of tools have been modified- several from the leather industry, to suit the requirements of working with mats and other products that ICPL manufactures. Please refer to Annexure 9 for a list of equipments developed/modified.

From observation as well as the primary data survey, it was found that the captive units of ICPL at Bhavani and Veeravannalur do not use any upgraded technology/equipment. Handlooms have been made available to the weavers, but these are traditional looms. In Bangalore, where a lot of the finishing work is done, more equipment is in use. Preparation of metal frames, leather shaping, and embellishments to products etc., requires and uses equipment.

Wherever equipment has been provided, the uniform response of all workers is that they have been trained on the use of it, and the training has been on the job. There has been no data to correlate better income with equipment provided. There is an increased income of Rs. 1000 per month (median increase) per weaver, from the primary survey, but this is primarily due to enhanced design in the product being purchased rather than any significant technology upgradation.

From primary data, the perceived benefits of using better technology were increased speed and therefore higher productivity. Through ICF, as has already been reported, over 1000 artisans have been trained. The captive unit at Veeravannalur has also been taken through a workshop on design skills involved in Korai mat weaving. At the village level, almost all the artisans are women. There is no documentation of gender break-up of artisans attending the ICF workshops. Included is a case study on how these women artisans have moved up the value chain because of product innovation and design inputs.

CASE STUDY ON ARTIANS MOVING UP THE VALUE CHAIN BECAUSE OF PRODUCT AND DESIGN INPUTS

Veeravannalur Grass Mat Weavers Society
ICPL, Veeravannalur.

ICPL started work with Veeravannalur mat weaving society in 2000. It received a large order from Japan, for a large quantity of bags made from 80 count mat, made actually by weavers at Killimangalam in Kerala. But knowing that in Killimangalam, there were only 5, 6 practising weavers, it was obvious the order would have to be moved to an area with more weavers. Hence a visit to the area and a chat with the secretary of the society, Mr. Fakir Moiddin. The weavers in the society were then working on crude, 16 count mats for supply to Tamil Nadu State Transport bus conductors, to sleep on bus floors at night. These were plain without any design selling for rs 16 a piece. Here artisans would get Rs. 45 for a mat 1/12th the size.

The society rose to the challenge, but in consecutive orders, it was noticed that consistency on colours was a huge issue as also speed of processing orders. In 2002, when it received the sanction of the Ambedkar Hasta Shilpa program from office of Development Commissioner of Handicrafts, it mobilized 600 ladies in the area, some weavers and others non weavers.

The geography of the Pattamadai, Veeravannalur, Arikkesavannalur area is unique. The government resettled Tamil returnees from Burma, in the 1920's here. Every 5-10 kilometres, sometimes even more, there is a settlement or village, which has women and men who can weave grass mats. So locating more than 20 or 30 weavers in a single village is tough. Thus ICPL, panned out into villages, and mobilized weavers of predominantly 16 count rough mats. These ladies were given reeds for 40 count mats, and supplied grass dyed in the dyeing centre, and ICPL was thus able to access a peak of over 200 women artisans working at a time on orders for tie/dye place mats for Crate and Barrel. By weaving 40 count mats, which is what the market needed, as they are stronger and firmer, these ladies moved up the value chain and started earning more.

The introduction of tie /dye significantly helped improve incomes, as Indian plain grass place mats are unable to compete with Indonesian or Vietnamese makes. Thus the only way to get orders for the weavers was to create something unique. The tie dye placemats were a great success in the global market. The weaving is still 40 count, the dyeing technique, gets a market for the product at a great price, the price goes up just enough to make it saleable in global markets, as well as improve artisanal incomes.

Today with orders from Interface UK, coming for 50 count designs, most weavers have been trained in doing 50 count diamond and patterned motifs in 40 count, and this has further enhanced their incomes.

All artisans have stated that there is an improvement in quality of life after having worked with ICPL.

A large component in this is the security of income that is associated with supplying to ICPL as against supplying to a local trader who will not make any investments in working capital. This was brought out in all the Focus Group Discussion with over 30 artisans.

| Activity 3,4,5 | Quantitative Indicators | Qualitative Indicators |
|---|--|---|
| Provide access to financial resources | Investments in advances and other working capital paid to artisans | Feedback from weavers as to selling experience to ICPL vis-à-vis other buyers |
| Work with sensitivity towards artisans' financial constraints | Average time taken for settling payments to artisans | Description of facilities set up by ICPL for craftspeople |
| Set up infrastructure for crafts people | Loss absorption due to faulty production | Feedback from crafts people on utility |
| | Number of facilities created for crafts people | Interest saved by avoiding borrowing from money lender |

All equipment at the captive units is provided by ICPL. This includes handlooms, work sheds, a dyeing facility, a soaking facility and office infrastructure. The investments in ICPL's captive units are summarized as follows.

| Unit | Investments (Rs.) |
|---|-------------------|
| Veeravannalur | 1214502 |
| Udipi | 100000 |
| Bhavani | 126000 |
| Bangalore | 925000 |
| Total Investments in Captive Units | 2365502 |

The credit period that ICPL follows is 30 days from raising invoice, which is normal practice. There is no data to show that significant amounts have been tied up due to advances. Where sensitivity is shown is in investments in working capital. This is also the principal difference as reported by respondents in the primary survey.

While earlier artisans would have to invest in raw material, dyeing etc., with the intervention of ICPL, they are enjoying aggregation benefits of common facilities. There is also a sense of confidence that they have improved their skills in terms of weaving new designs. This does not directly translate into monetary benefits because currently ICPL is the only buyer that requires sophisticated designs to be made. There are instances of loss absorption due to faulty production. Summarized earlier (Page 20) is a case study of how ICPL has been unable to break even on a consignment in spite of having a price mark up of close to 60%.

Feedback Commentary

- ICF has been involved in training over 1000 artisans in a wide range of design skills. These workshops have been found satisfactory by the relevant stakeholders
- Equipment is modified from other industries, but is mostly used in finishing and accessorizing products rather than actual weaving
- There is very little baseline data available to determine income and spending pattern trends
- There is very little financial data capture on indicators such as loss absorption and advances made
- All producers consulted have reported an improved quality of life- usually because of wage security.
- The median monthly income increase per producer is Rs 1000.

Objective 3:

To create awareness and appreciation amongst the general public for traditional hand skills

| Activity 1, 2, 3 | Quantitative Indicators | Qualitative Indicators |
|---|--|--|
| Undertake action research on traditional crafts and raw materials | Number of research papers written & published | Description of information dissemination efforts through various media |
| Reach out to customers through brand building efforts | | Range of Stakeholders Engaged with in advocacy effort |
| Engage in advocacy with stakeholders | Number of policy level meetings/consultations at which ICPL is represented | Description of active advocacy efforts taken up |

As can be seen from the following list, the efforts to reach out have been dispersed. From export forums to retail customers via newspapers, from the benefits of purchasing contemporary furniture to the technical and managerial challenges facing the sector, ICPL has been involved in action research as well as information dissemination at all levels. There is also a policy representation on upgrading capacities of craft federations without burdening Government Infrastructure. ICPL has also been covered as a case study by the International Trade Centre, Geneva.

Exhibit 11: Papers Published



An active outreach effort was made in collaboration with Sandhi Crafts Foundation, in October 2007 to bring organizations working in the handicrafts sector to consider common branding that would be

artisan owned. Please refer to Annexure 10 for a list of attendees and agenda. Also key is the UNESCO seal of excellence for design and cultural sustainability and the Fair Trade Certification itself, which serve as a means of describing the nature and focus of the organization. Please refer to Annexure 11 for copies of the certification.

5

Other views of Stakeholders

While interacting with different stakeholders during the social accounting process, some key achievements and areas of concern have come to light. These are summarized stakeholder-wise below.

Producers

The producers are happy with the training provided and with the security of income that working with ICPL has brought into their lives. Although it was not specifically articulated by them, one area of concern for producer groups will be matching up to the scale and quality that will be required in a competitive market. Producer groups participating in the focus group discussions specifically asked for more work from ICPL- this is directly related to their performance and therefore ICPL's performance.

"I had to improve my work. I weave the mat quickly and of good quality. So I like to work with IndusTree"

***Parimala Devi
Producer***

Staff

ICPL has a core group of people that has worked with it for over 4 years. These staff members have grown with the organization and into their current roles. The other supporting staff and office staff is relatively new- between 1 and 2 years old in the organization. There is a fundamental gap between office staff and field staff in the understanding and appreciation of working with marginalized producer groups. While some of this is understandable from a distance perspective, there clearly is a need for more interaction of the office and sales staff with the production activity- even if it is only

"Those people dependent only on agriculture have got relief from worrying about earning during the dry season. ICPL provides them with a means of earning from home and sustaining themselves- unlike working 8 hours in an urban setting"

***Raju
Export Sales***

to sensitize them to the far reaching impact of their work. In this accounting cycle, the staff members were not consulted on their own areas of concern- the focus was on the producer groups. From the next cycle on, there could be questions specific to staff for inclusion in this section.

Board Members

Apart from the broad level challenges of catering to diverse stakeholders, the primary concern of the board members is the establishment and institutionalization of systems that will enable ICPL to realize its full potential- systems that will move ICPL from being a small social enterprise to a large component of the Indian Handicrafts market, without losing sight of its social and environmental objectives.

Financial management has been introduced from the time that the organization was set up. Inventory management systems have been automated since 2005. The human resources management systems are

the ones that are still evolving. While there is an appraisal process, it is taken up more for annual increments than for mentoring or career planning. These latter elements are ingrained in day to day working where operational staff is mentored by the management regularly.

Customers

Clearly ICPL's designs are very popular with its customers. On one hand, institutional customers are concerned about delivery schedules and uniform quality while on the other, retail customers are interested in a more diverse range of products. While ICPL may find itself limited by the natural fibre base it

"We wanted to set up a for-profit company right from the start because we knew that would make us competitive, and enable us to provide the best platform for our producers"

***Gita Ram
Board Member***

"For sales improvement, the purpose has to be communicated effectively and the buyer's demands need to be understood well"

***Wellspun,
Institutional Customer***

uses, customers are demanding product diversification into areas such as apparel and furniture.

Partners

The partner organizations that ICF provides design consultancy and training to are happy with the training provided, and believe that their own target groups have been benefitted by ICPL's influence. There is, however, a concern that design training ought to lead to better bargaining power and thereby improved income generation. This relationship is not clear from the information in the accounts, and deserves to be studied in detail.

"In 2006, ICF provided training to 13 members in the Bangarpet Area. But now these trainees are not working with this skill. Later, when another group expressed a desire to learn this skill, some members from the defunct rope making unit came as trainers"

***ADER-Bangalore,
Partner Organization***

6

Economic Impact

There are several layers to decision making in the day to day operations of ICPL. Many of these layers are socially and environmentally driven, and are often in juxtaposition with commercial principles. It follows, therefore, that a purely commercial evaluation of the organization would be missing out on crucial indicators of social impact. In this section, an attempt is being made to quantify wherever possible and with reasonable assumption, the commercial as well as the associated social impact of ICPL.

For instance, ICPL could easily source its material from middlemen and traders. It chooses, however, to work with artisanal groups wherever feasible. It could easily aggregate production at Bangalore or in a nearby town and replicate handicrafts from various parts of India. It chooses, however, to source from the place of origin so as to retain a sense of rootedness in handicraft. These two elements together pose a significant commercial challenge. The lack of infrastructure at the locations it sources from coupled with the longer learning curve of an unexposed artisanal group lead ICPL to absorb loss that it would probably otherwise not have incurred.

The clear indicator of an organization's commercial impact is its turnover and its profitability. In addition, the most apparent economic elements of ICPL's social approach could come from

- Increased artisanal income due to direct sourcing
- Loss absorption on account of delayed deliveries/returned goods
- Working capital invested on behalf of producers
- Local economy influence and multiplying effect of ICPL's investments in remote economies

These social accounts unfortunately cover only the first of these elements, as data was lacking to make reasonable assumptions about the other two elements. There have been instances given by various stakeholders of the constraints of working with artisans directly. There is, however, no financial record that can be referred to in order to make the appropriate estimations and correlations. Likewise, lacking a thorough baseline on spending patterns, local multiplication of

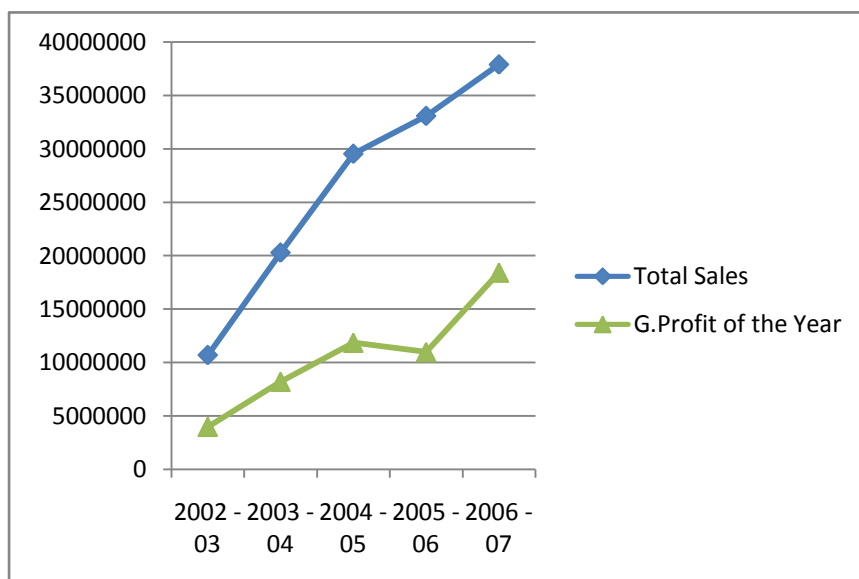
investments is difficult to calculate. However, putting in systems to capture crucial social data will enable us to depict a wider picture in the next cycle of social accounting. More on this is covered in the recommendations section.

Exhibit 12: Calculation of Cumulative Economic Value Added

| Indicator | 2002 - 03 | 2003 - 04 | 2004 - 05 | 2005 - 06 | 2006 - 07 | Cumulative |
|---|-----------------|-----------------|-----------------|--------------------|-----------------|----------------------------|
| I. SALES | | | | | | |
| Year | | | | | | |
| Domestic Sales | 3786645 | 11981088 | 15989370 | 22174123.61 | 24035522 | |
| Sales Export | 6896887 | 8291942 | 13535602 | 10894797 | 13850399 | |
| Total Sales | 10683532 | 20273030 | 29524972 | 33068920.61 | 37885921 | Rs. 13,14,36,375.61 |
| II. INCREMENTAL INCOME-CAPTIVE UNITS | | | | | | |
| Veeravannalur | 50 | 100 | 150 | 175 | 200 | |
| Bhavani | 0 | 0 | 0 | 60 | 90 | |
| Banglore | 30 | 40 | 50 | 70 | 100 | |
| Total number of artisans supported by ICPL | 80 | 140 | 200 | 305 | 390 | |
| Average monthly income increase | 1000 | 1000 | 1000 | 1000 | 1000 | |
| Annual incremental income | 960000 | 1680000 | 2400000 | 3660000 | 4680000 | Rs. 1,33,80,000.00 |
| III. INCREMENTAL INCOME-CONTRACT UNITS | | | | | | |
| Total number of artisans supported by ICPL | 545 | 776 | 850 | 1337 | 1685 | |
| Average Monthly Income Increase | 1000 | 1000 | 1000 | 1000 | 1000 | |
| Annual incremental income | 6540000 | 9312000 | 10200000 | 16044000 | 20220000 | Rs. 6,23,16,000.00 |
| TOTAL ECONOMIC VALUE CREATED | | | | | | Rs. 20,71,32,375.61 |

As can be seen from the above analysis, ICPL has steadily increased its contribution to the Indian economy over the last 5 years. The sales as well as gross profit have shown an upward trend except for the year 2005-06, because capacity investments were being made by the company. This is clearly brought out by the following graph

Exhibit 13: ICPL Sales and Gross Profit

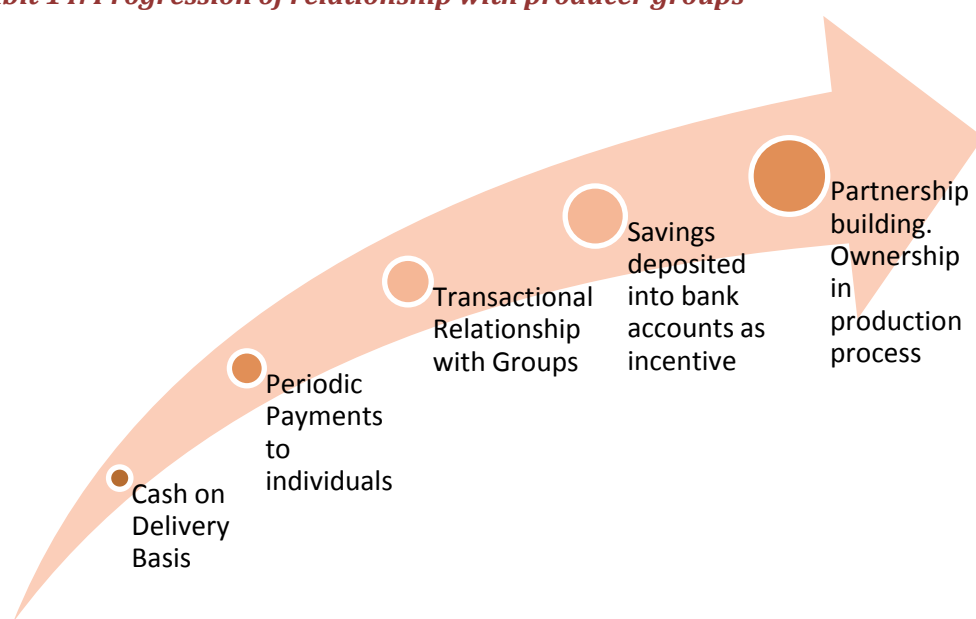


Contributions towards employees such as salaries, PF etc., are not shown specifically as the social impact of the organization is not dependent on that indicator. However, it is

worth noting that investments of about Rs. 12, 14, 502 (as on 31 March 2007) have been made in infrastructure in the Veeravannalur area.

The cumulative economic value that ICPL has added to the economy is over Rs. 20 Crores. However, what is even more striking is the fact that artisanal income, to which ICPL significantly contributes, because it deals directly with them forms a 37% of the total value added. This figure gains more meaning when we realize that for every Rs. 100 in ICPL's increased sales, the producers will receive an additional Rs. 58.

Exhibit 14: Progression of relationship with producer groups



The other aspect of economic impact is the economic empowerment of the artisanal groups that ICPL works in almost a captive sourcing arrangement. Originally when ICPL started working in Veeravannalur, it would deal with the cooperative society that aggregated production. However, finding the group reluctant to adapt to the design changes suggested by them, ICPL started sourcing directly from artisans. The initial payments would be on a 'Cash on Delivery' basis, where the artisans would take raw material from ICPL, weave mats in their own facilities and bring them back to collect an immediate cash settlement.

As payments became more regular and higher in amount, ICPL started making weekly, then bi-weekly, and now finally, monthly payments to artisans. From the financial year 2007-08, ICPL has taken this a step further, and has formed groups of artisans. Currently, raw material distribution, collection as well as payments are routed through the group. Loosely called ‘business groups’, these are modelled after the successful Self-Help Groups in the country. Incentivizing groups to perform was a challenge. In an attempt to encourage women to save, ICPL started depositing 10% of group earnings as ‘savings’ into bank accounts created in the name of each group. Although it is not feasible to extrapolate the economic impact of ICPL, it makes for a case study that can be replicated in other captive groups to begin with.

Exhibit 15: Data on earnings and savings of ICPL’s Business Groups from April-December 2007.

| | |
|--|----------------|
| Number of groups formed | 9 |
| Number of artisans per group | 12-20 |
| Total amount earned by these groups in FY 2007-08 | Rs. 4, 35, 976 |
| Total amount saved by these groups | Rs. 38, 513 |
| Highest amount earned by a group | Rs. 1,20,707 |
| Highest amount saved by a group | Rs. 9780 |

With the strong women’s groups’ movement in India, it is only reasonable to expect that these savings will lead to bank loans and investment. Ideally, ICPL would like them to become part owners in the production process by investing in working capital.

7

Recommendations and Plans for the Next Cycle

These first social accounts have the disadvantage of covering a very broad timeline. This is especially true for an organization like ICPL that has seen so much change and growth over the last five years. It has been difficult to equalize impacts over the five years covered under the scope of these accounts.

Dependence on specially commissioned sources can be reduced significantly for the next cycle of accounts. Even if a primary survey is to be done, the data collected via the same can be corroborated through secondary sources. This implies that baseline socio-economic information that is currently minimal in the documentation system needs to be strengthened.

A more detailed local area influence analysis on the lines of the 'Local Multiplier-3' was intended, but did not materialize due to difficulty in data collection as well as shortage of time. We hope to attempt it in the next cycle of accounts. Likewise, an energy/environment influence analysis also could be undertaken.

For future social accounts to present a comprehensive and credible picture of the organization there is a strong need to increase internal capacity to track indicators such as:

- Spin-off benefits of ICPL system such as their absorption of losses,
- Spin-off benefits of the training provided through ICF, such as increased bargaining power with other buyers
- Savings on working capital required through the reduction in interest paid to money-lenders,
- The multiplier effect of design intervention by ICPL, number of prototypes developed
- Cultural sustainability brought about by promotion of traditional handwork

Making social accounting an annual process and aligning the time period with the financial audit is something that ICPL intends to do. In the current cycle, stakeholders were not specifically consulted upon adherence of ICPL to its values. A multi-stakeholder consultation of the same will be attempted in the next cycle.

The need for these social accounting systems is even more pronounced in the proposed scale up since the commercial nature of day to day operations must not undermine the social intent of the idea. Having performance measures that stress social and environmental performance as well as financial performance of the organization is required to keep all stakeholders focused on the triple bottom line. Economic, environmental and social sustainability of the organization needs to be measured, monitored and continuously questioned in the face of day to day operational pressures.

8

Financials

FORM NO. 3CA

[See rule 6G(1)(a)]

Audit report under section 44AB of the Income-tax Act, 1961, in a case where the accounts of the business or profession of a person have been audited under any other law

1. We report that the statutory audit of *INDUS TREE CRAFTS (P) LTD. No - 497/A, Y Nanjappa Reddy Layout , 8th Block, Koramangala, Bangalore 560 095, PAN - AAACI 2963 D* was conducted by us in pursuance of the provisions of the *Companies Act 1956*, and We annex hereto a copy of our audit report dated *15-11-2007* along with a copy each of -
 - (a) the audited profit & loss account for the year ended on 31st March, 2007;
 - (b) the audited balance sheet as at 31st March, 2007; and
 - (c) documents declared by the said Act to be part of, or annexed to, the profit & loss account and balance sheet.
2. The statement of particulars required to be furnished under section 44AB is annexed herewith in Form No. 3CD.
3. In our opinion and to the best of our information and according to explanations given to us, the particulars given in the said Form No. 3CD and the Annexure thereto are true and correct.

Place: BANGALORE

Name:

For Chavan Associates

P. N. CHAVAN
M. No. 020553


Proprietor

Date: 15-11-2007

Address: 10/2 Khivraj Mansion, Kasturba Road, BANGALORE
560001

INDUS TREE CRAFTS PRIVATE LIMITED

BALANCE SHEET AS AT 31-3-2007

| Particulars | Schedule No. | As on 31-3-2007 | As on 31-3-2006 |
|---|--------------|--------------------|--------------------|
| SOURCES OF FUNDS: | | | |
| Shareholders' Fund: | | | |
| Share Capital | 1.1 | 2900000.00 | 1600000.00 |
| Reserves And Surplus | | 4793319.02 | 4446425.48 |
| Loan Fund: | | | |
| Secured loans | 1.2 | 7088282.59 | 3960089.89 |
| Unsecured loans | 1.3 | 5789958.78 | 1437967.19 |
| | | 12878241.37 | 5398057.08 |
| Deferred Tax Liability | | 0.00 | 0.00 |
| TOTAL | | 20571560.39 | 11444482.56 |
| APPLICATION OF FUNDS: | | | |
| Fixed Assets: | 1.4 | | |
| Gross Block | | 9889240.27 | 7563666.77 |
| Less: Depreciation | | 2665090.53 | 1563829.77 |
| | | 7224149.74 | 5999837.00 |
| Investments (at cost) | | | |
| Non Trade, Quoted | | | |
| 100 Equity Shares of Union Bank Of India of Rs.10/- each, fully paid up. (Market Value Rs.) | | 6400.00 | 6400.00 |
| Current Assets, Loans and Advance: | 1.5 | | |
| a. Inventories | | 9463351.50 | 3483104.50 |
| b. Sundry Debtors | | 3498236.16 | 4456369.88 |
| c. Cash & Bank Balances | | 496016.69 | 407725.99 |
| d. Loans & advances | | 7396953.02 | 3157461.75 |
| | | 20854557.37 | 11504662.12 |
| Less: Current Liabilities & Provisions | 1.6 | 7908146.72 | 6086016.56 |
| Net Current Assets | | 12946410.65 | 5418645.56 |
| Deferred Tax Asset | | 394600.00 | 19600.00 |
| TOTAL | | 20571560.39 | 11444482.56 |
| Notes on account | 3 | 0.00 | 0.00 |

As per our report of even date
For CHAVAN ASSOCIATES
Chartered Accountants

P.N.CHAVAN
Proprietor
Bangalore, Dated 1st September, 2007



For INDUS TREE CRAFTS PRIVATE LIMITED
For INDUS TREE CRAFTS PVT. LTD. For INDUS TREE CRAFTS PVT. LTD.

Gita Ram
Director
MS.GITA RAM
Chairman And
Managing Director

Neelam Chhiber
Director
MS.NEELAM CHHIBER
Director

INDUS TREE CRAFTS PRIVATE LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-3-2007

| Particulars | Schedule No. | Year Ended 31-3-2007 | Year Ended 31-3-2006 |
|-------------------------------------|--------------|----------------------|----------------------|
| INCOME: | | | |
| Sales-Local | | 28519122.05 | 25787269.18 |
| Sales-Export | | 9700613.95 | 10894797.76 |
| | | <u>38219736.00</u> | <u>36682066.94</u> |
| Balance W/O | | 217788.49 | 158122.45 |
| Commission Recd on Consignment sale | | 0.00 | 222282.00 |
| Exchange Rate Difference | | 0.00 | 109422.74 |
| Dividend Received | | 2000.00 | 600.00 |
| Interest On Fd | | 137945.10 | 39474.00 |
| Discount Received | | 2328.00 | 0.00 |
| Packing Charges | | 10000.00 | 0.00 |
| Carriage Outward | | 18595.00 | 0.00 |
| Sales Tax collected | | 0.00 | 109057.00 |
| Sundry Income | | 0.00 | 7497.00 |
| | TOTAL | <u>38608392.59</u> | <u>37328522.13</u> |
| EXPENDITURE: | | | |
| Cost of Goods | 2.1 | 17733854.20 | 17789608.80 |
| Administrative Expenses | 2.2 | 15112346.90 | 11854254.71 |
| Financial Expenses | 2.3 | 1181936.64 | 435529.15 |
| Selling Expenses | 2.4 | 2471380.59 | 3039413.27 |
| Depreciation | 1.4 | 1101260.76 | 722391.66 |
| Loss on sale of asset | | | 21100.00 |
| | TOTAL | <u>37600779.09</u> | <u>33862297.59</u> |
| Net Profit for the year | | 1007613.50 | 3466224.54 |
| Less: Provision for Taxation | 909333.00 | | 1263656.00 |
| Less: Fringe Benefit Tax | 108790.00 | 1018123.00 | 121287.00 |
| | | -10509.50 | 2081281.54 |
| Add: Deferred Tax | | 375000.00 | 28700.00 |
| Net Profit after taxation | | 364490.50 | 2109981.54 |
| Balance per last Balance Sheet | | 4446425.48 | 2336443.94 |
| | | 4810915.98 | 4446425.48 |
| Less: Tax of earlier years | | 17596.96 | |
| Balance carried to balance sheet | | 4793319.02 | 4446425.48 |

As per our report of even date
For CHAVAN ASSOCIATES
Chartered Accountants

P.N.CHAVAN
Proprietor
Bangalore, Dated 1st September, 2007



For INDUS TREE CRAFTS PRIVATE LIMITED
For INDUS TREE CRAFTS PVT. LTD. For INDUS TREE CRAFTS PVT. LTD.

(Signature)
Director
MS.GITA RAM
Chairman And
Managing Director

(Signature)
Director
MS.NEELAM CHHIBER
Director

9

Dissemination and Dialogue

ICPL intends to improve its social accounting systems and to report on its achievements and shortcomings annually. One of the first steps in this direction would be to share the findings of the present accounts with all the stakeholders consulted, and several that were not consulted as part of this cycle.

- A summary version of the audited accounts will be hosted on the ICPL website as well as on the ICF website.
- A printed version of the summary accounts will be published and shared with relevant stakeholders such as funders, possible funders, partner organizations, staff, institutional customers etc.
- A power point version of the findings of the accounts will be used as part of the communication materials that ICPL uses
- The full version of the accounts including notes of the panel meeting and all background data will be available at the ICPL head office in Bangalore for inspection upon request
- Discussions will be held via the field level staff to disseminate the key findings of these accounts with producer groups. This could also be the starting point of deeper involvement in terms of ownership of production by the groups.

10

Annexures

Annexure 1: List of Exhibits

- Exhibit 1: Vision, Mission & Values of ICPL
- Exhibit 2: ICPL's Operational Model
- Exhibit 3: ICPL's Growth
- Exhibit 4: ICPL Snapshot
- Exhibit 5: Year-on Year Turnover and Profit
- Exhibit 6: Stakeholders Covered in Current Social Accounts
- Exhibit 7: Stakeholders- Topics and Tools
- Exhibit 8: Sales Growth Trends
- Exhibit 9: Gross Profit Margin
- Exhibit 10: What is the purpose of ICPL? Exhibit 11: Papers Published
- Exhibit 12: Calculation of Cumulative Economic Value Added
- Exhibit 13: ICPL Sales and Gross Profit
- Exhibit 14: Progression of relationship with producer groups
- Exhibit 15: Data on earnings and savings of ICPL's Business Groups from April-December 2007.

Annexure 2: Background Note on Handicrafts Sector

The craft sector in India has had a history of planned development that stretches over six decades, rooted in much earlier thought and effort that helped mobilise the freedom movement. Yet today the sector is in crisis as it faces a market transformed by competition. Although widely regarded as the largest employer after agriculture, the size and contribution of India's handicraft and handloom sectors continue to elude understanding and priority. Huge and fundamental changes in recent economic policy and world trade that should have responded to the potential of crafts ---to help meet identified needs of growing markets in India and across the world, as an engine of environmentally sustainable development, as livelihoods for rural millions whom neither industry nor cities can absorb, as empowerment for communities at the margin, and as a force for social and political stability --- are instead the excuses used to dismiss hand production as outdated, irrelevant "sunset" occupations.

This reality of neglect is explicable partly by the lack of cohesion within the sector. Within Government structures, crafts have historically been promoted either as foreign exchange earnings (under ministries and departments linked to exports) or as "village industries" to be subsidised rather than made viable through entrepreneurship. Data is missing on the size, scale and contribution of the craft sector outside of exports of certain categories. No one is sure how many millions are involved, where they are located, what they contribute to national production, or what they need to flourish. The private sector dominates craft trade, but has little voice at policy levels. Hundreds of NGOs contribute to the sector, but there is no platform that brings them together as an influence. At home, promoting what the consumer needs tomorrow has been neglected by selling what artisans made yesterday. Overseas, India's grip on traditional markets is challenged by the 'Made in China' label. In a context entirely dependent on what consumers can be persuaded to prefer and buy, professional marketing is still critically absent. The sector remains identified with cheap 'ethnicity' sold at subsidised rates rather than with high quality sold at prices that deliver user satisfaction as well as sustainable livelihoods.

Yet the potential is huge for India's traditional hand skills in the contemporary market. A variety of factors is turning world attention to the need for dispersed, decentralised production at a scale that can ensure incomes as well as a quality of life. Ecological, economic and social arguments today provide hand industries with new relevance. To bring this potential to millions in India is dependent above all on one quality: successful entrepreneurship by artisans and artisan groups, linked to resources of technology, design, materials and marketing.

Annexure 3: Secondary Data Sources

- Visitors' book
- Statement of Sales
- Store Requirements
- Brochures
- Accounts Records
- Sales Reports
- Media Reports
- Billing Data
- Flyers
- Website
- Workshops Reports
- Order Forms
- Training Records
- Veeravannalur Baseline Document
- Inspection of research papers
- Earlier Feedback Efforts (Including E-mail)
- Work floor Inspection Reports (IKEA)
- HR Systems Documents- Employee Review, Assessments, Salary Hike, Accounts Info
- Labelling/Website/Brochures/Media Coverage
- Minutes of Advocacy Meetings

Annexure 4: Organizations ICF has partnered with

- 2007-08
 - Office of Development Commissioner (Handicrafts), Ministry of Textiles, Govt. of India
 - District Industries Centre, Nagapattinam
 - COHANDS, New Delhi
 - IL&FS - Cluster Development Initiative
 - National Centre for Jute Diversification, Kolkata
- 2006-07
 - KIDS, Kerala
 - ISED, Chennai
 - KGF women association
- 2005-06
 - Lace Park
 - Sandur Kushala Kala Kendra, Bellary
 - DRDA, Adilabad,
 - AWAKE, Bangalore
 - SASHA, Kolkata
 - Kalasrusti, Srikalahasti,
 - MP Handicrafts Vikas Nigam, Bhopal,
 - Vikasana, Mandya
 - KIDS, Kerala
- 2004-05
 - Anavur Mahila Samajam, Kerala
 - RDTDC, Bangalore
 - Karnataka State Handicrafts Development Corporation
 - Youth Club, Srikakulam
 - Indian Institute of Carpet Technology, Badohi, U.P.
 - Crafts Council of India, Chennai
 - Rural Development Society, Belgaum
 - Vimochana, Bangalore
 - HAWA, Warangal
 - AP Handicrafts Development Corporation, Hyderabad

Annexure 5: Social Accounting Framework

Mission: To enhance and create artisanal livelihoods through marketing of contemporary designed artisanal produce

| Objectives | Activities |
|--|--|
| OBJECTIVE 1 | |
| To design, create, manufacture and trade in products made in an environmentally and socially sustainable manner | Gather consumer insight |
| | Product Innovation and Diversification |
| | Nurture production at an appropriate scale |
| | Encourage production through environmentally sustainable means |
| | Demand Creation and Demand Servicing |
| OBJECTIVE 2 | |
| To assist crafts people in gaining access to design, finance, technology, infrastructure as well as market linkages | Provide design consultancy to organizations engaged in craft manufacture |
| | Provide access to technology of upgrading traditional tools, processes and materials |
| | Provide access to financial resources |
| | Work with sensitivity towards artisans' financial constraints |
| | Set up infrastructure for crafts people |
| OBJECTIVE 3 | |
| To create awareness and appreciation amongst the general public for traditional hand skills | Undertake action research traditional crafts and raw materials |
| | Reach out to customers through brand building efforts |
| | Engage in advocacy with stakeholders |

Objective1: To design, create, manufacture and trade in products made in an environmentally and socially sustainable manner

| Activity 1 | Quantitative Indicators | Qualitative Indicators |
|---|---|--|
| Gather consumer insight | Number of market surveys conducted | Range of Stakeholders Consulted |
| Activity 2 | | |
| Product Innovation and Diversification | Number of products designed | Feedback from customers about designs- functional and aesthetic |
| | Number in pipeline | Customer preferences in current range of products |
| | Number of prototypes developed | Customer preferences for future range of products |
| | Number of products launched in markets | Range of designs developed |
| | Number of Products failed | |
| Activity 3 | | |
| Nurture production at an appropriate scale | Number of production units trained | Description of quality control systems at units |
| | Number of production units equipped | Description of leadership development |
| | Number of production units delivering on time | Description of management processes at production units |
| | Average lag time in delivering orders | |
| Activity 4 | | |
| Encourage production through environmentally sustainable means | % of sustainable raw materials used | Description of Production Processes |
| | | Description of waste disposal |
| Activity 5 | | |
| Demand Creation and Servicing | Number of export markets reached | Feedback from export customers on products, support services, buying experience etc. |
| | Sales Numbers/Profitability Numbers | Feedback from domestic customers on products, support services, buying experience etc. |
| | Number of stores retailing ICPL products | Description of Marketing & Sales Strategy |
| | Number of stand-alone stores Number of repeat orders | Feedback from retail customers on products, support services, buying experience etc. |
| | Number of 'marketing efforts launched Customer retention rates | Feedback from staff on products, support services, buying experience etc. |
| | Number of marketing materials designed and deployed | Feedback from stakeholders on marketing materials |

Objective 2: To assist crafts people in gaining access to design, finance, technology, infrastructure as well as market linkages

| Activity 1 | Quantitative Indicators | Qualitative Indicators | |
|--|---|--|---|
| Provide design consultancy to organizations engaged in craft manufacture | Number of organizations engaged with/Crafts People | Range of design consultancy assignments undertaken | |
| | | Stakeholders' satisfaction with outcome of workshops | |
| Activity 2 Provide access to technology of upgrading traditional tools, processes and materials | Number of tools developed | Benefits/Perceived Benefits of Tools Developed | |
| | Number of tool prototypes created | Decision making process behind introducing new technologies | |
| | Number of tools deployed in production | Incremental benefits of deploying new technology Perceived Benefits of Better Design Technology | |
| | Number of enhanced designs passed on to weavers | Feedback on utility of training and increased income potential if any | |
| | Number of crafts people trained in use of upgraded technology | Range of skills imparted to craftspeople | |
| | Increased income due to better production techniques | Reduced dependence on money lenders | |
| | Gender breakup of crafts people trained | Feedback from crafts people on improvement in quality of life | |
| | Activity 3,4,5 Provide access to financial resources Work with sensitivity towards artisans' financial constraints Set up infrastructure for crafts people | Investments in advances and other working capital paid to artisans | Feedback from weavers as to selling experience to ICPL vis-à-vis other buyers |
| | | Average time taken for settling payments to artisans | Description of facilities set up by ICPL for craftspeople |
| | | Loss absorption due to faulty production | Feedback from crafts people on utility |
| | Number of facilities created for crafts people | Interest saved by avoiding borrowing from money lender | |

Objective 3:

To create awareness and appreciation amongst the general public for traditional hand skills

| Activity 1, 2, 3 | Quantitative Indicators | Qualitative Indicators |
|---|--|--|
| Undertake action research on traditional crafts and raw materials Reach out to customers through brand building efforts Engage in advocacy with stakeholders | Number of research papers written & published | Description of information dissemination efforts through various media |
| | | Range of Stakeholders Engaged with in advocacy effort |
| | Number of policy level meetings/consultations at which ICPL is represented | Description of active advocacy efforts taken up |

Annexure 6: Geographies serviced year-wise

| 2002 | 2003 | 2004 | 2005 | 2006 | 2007 |
|-----------------|----------------|----------------|----------------|-------------|-----------------|
| U.S.A. | FRANCE | FRANCE | SOUTH AFRICA | SWEDEN | CANADA |
| JAPAN. | UNITED KINGDOM | UNITED KINGDOM | SWEDEN | USA | ITALY. |
| FRANCE. | JAPAN | JAPAN | CHILE | FRANCE | GERMANY |
| HONG KONG. | NORWAY | NORWAY | FRANCE | SWITZERLAND | ENGLAND |
| GERMANY . | ITALY | ITALY | USA | GERMANY | BELGIUM |
| NEW ZEALAND. | UAE | UAE | DENMARK | BELGIUM | UNITED KINGDOM |
| SPAIN. | SOUTH AFRICA | SOUTH AFRICA | ITALY | CANADA | FRANCE |
| CANADA | PORTUGAL | PORTUGAL | HONG KONG | PORTUGAL. | COLOMBIA. |
| JAPAN | USA | USA | TURKEY | HOLLAND. | U.S.A |
| U A E | ISRAEL | ISRAEL | BELGIUM | SPAIN | MEXICO |
| BELGIUM. | USA | TURKEY | BRAZIL. | UAE | SPAIN |
| AUSTRALIA. | TURKEY | PARAGUAY | WEST INDIES | | THE NETHERLANDS |
| SINGAPORE | PARAGUAY | GERMANY | MADRID, SPAIN. | | |
| UNITED KINGDOM. | GERMANY | | CYPRUS | | |
| | | | SPAIN | | |
| | | | ARGENTINA | | |

Annexure 7: List of Domestic Locations

- BANGALORE
- HYDERABAD
- PUNE
- NOIDA (U.P)
- LUCKNOW
- AHMEDABAD
- KOLKATA
- BIWANDI
- INDORE
- MUMBAI
- KERALA
- CHENNAI
- DELHI
- GOA
- IMPHAL
- MANGALORE
- SURAT
- UDAIPUR
- VADODARA
- CHANDIGARH

Annexure 8: Craft Skills Imparted in Design Workshops

- Banjara Craft
- Banana Craft
- Product Development in North Eastern States
- Jute Craft
- Willow craft
- Sisal craft
- Terracotta workshop
- Sisal rope making
- Bag making craft
- Screw pine craft
- Bamboo Craft
- Silver Filigree craft
- Dokra Metal craft
- Palm leaf craft

Annexure 9: Equipment Developed

- Cylinder bed sewing machine
- High speed heavy duty sewing machine
- Long arm sewing machine for large patch work mat
- High post bed sewing machine to stitch wall of a cylinder construction
- Gumming machine to apply gum on mat and card board or fabric
- Card board edge cutter
- Hiliter riveting machine
- Jig saw hand held cutter
- Spray gun for spraying gum on the fabric which reduces gum consumption and equal spreadability.
- Introduced gauges and guides and folders for control quality
- Fabric cutting machine for cutting river grass mats
- Glue-stick guns for box zari finishing
- Banana rope making machine
- Banana splicing machine.

Annexure 10: Agenda and Attendees at Meeting on Artisan Owned Branding

| Sl. No. | Participant details |
|---------|--|
| 1 | Mr. Ashoke Chatterjee, Ex-President Crafts Council of India |
| 2 | Mr. Vithal Rajan, Chairman, Confederation of Voluntary Associations, Hyderabad |
| 3 | Mrs Vijaya Rajan, Chairperson, Crafts Council of India, Chennai |
| 4 | Mr. Sankar Datta, Managing Director, Indian Grameen Services, Basix, Hyderabad |
| 5 | Ms. Irish Hauswirth, Senior Market Development Officer (Creative Industries), International Trade Centre, Geneva |
| 6 | Mrs. Rama Kandarpa, Group Vice President, Institutional Development Services, Basix, Hyderabad |
| 7 | Mrs Roopa Mehta, Executive Director, Sasha, Kolkata |
| 8 | Mrs. Nandini Raju, Trustee, Byrraju Foundation, Hyderabad |
| 9 | Mr. Amarnath Rao, Byrraju Foundation, Hyderabad |
| 10 | Ms. Divya Thangadurai, Founder-CEO, Sandhi Craft Foundation, ICICI, Mumbai |
| 11 | Ms. Jayashree Krishnan, Sandhi Craft Foundation, ICICI, Mumbai |
| 12 | Ms. Bindu, ICICI Bank |
| 13 | Mr. Jospheh K.A., Vice President, Investments, The Network Enterprises Fund - IFMR Trust, Chennai |
| 14 | Prof Raghav Rajagopalan, Senior Visiting Fellow, IRMA |
| 15 | Mr. Rahul Barkataky, Community Friendly Movement |
| 16 | Ms. Lathamala, Myrada, Bangalore |
| 17 | Mr. Alex Rodrigues, Maya Organics, Bangalore |
| 18 | Mrs. Gita Ram, Trustee, IndusTree, Chennai |
| 19 | Mrs. Neelam Chhiber, Trustee, IndusTree, Bangalore |
| 20 | Ms. Chinmayee, IndusTree, Bangalore |
| 21 | Mr. Rathan Kumar, Coordinator, IndusTree, Bangalore |

| | |
|--------------------|--|
| 10 am – 10.05 am | Welcome – Mrs.Gita Ram, Industree Crafts Foundation |
| 10.05 am -10.15 am | Introductions |
| 1015 am - 10.30 am | The Gulf between rural producers and urban markets-an overview- Mr. Ashoke Chatterjee, Crafts Council of India |
| 10.30 am – 11 am | The Booming Indian and Global Market, in Food, Fashion and Home – The power of the Brand- discussion drivers Divya Thangadurai, Sandhi Foundation and Neelam Chhiber, Industree |
| 11 am – 1130 am | The Gaps in the Supply Chain at Rural Production End-discussion drivers Ms.Roopa Mehta, Sasha and Iris Hauswirth-ITC Geneva |
| 11.30 am – 1145 am | TEA |
| 11.45 am – 1230 | Bridging the gap – The Producer Company as a Model to fill the Supply Chain gap? -discussion drivers Sumita Ghosh, Rangasutra and Mr.Joseph KA, Network Enterprise Fund |
| 12.30 am | Field Trip and departure for lunch to ICICI bank premises. |
| 2.30 pm – 3.15pm | Producer Ownership in the Brand-discussion drivers Mr.Vithal Rajan and Mr.Sankar Datta, Basix |
| 3.15 pm – 3.45pm | The role of the government, public private partnerships, other collaborations discussion drivers Mrs.Vijaya Rajan, Crafts Council of India and Prof.Raghav, IRMA |
| 3.45 pm – 4 pm | TEA |
| 4 pm - 4.45 pm | Summing up- The group, discussion |
| 4.45 pm – 5 pm | Closure-Sandhi Foundation |

Annexure 11: Certifications

UNESCO
United Nations
Educational, Scientific and
Cultural Organisation

CCI

- Excellent
- Authentic
- Innovative
- Eco-friendly
- Marketable
- Fair

Seal of Excellence for Handicrafts

2006 South Asia Programme



Patta Madai Box
India
Submitted by *Industree Crafts Foundation*

The international jury acknowledges that this handicraft product conforms to the rigorous standards set by the criteria of the Seal of Excellence programme. More specifically, the Jury commended the innovative use of river grass mat keeping alive the very old traditional craft.

Minja Yang
Director & UNESCO Representative
UNESCO

Ashoke Chatterjee
Honorary President
Crafts Council of India

UNESCO
United Nations
Educational, Scientific and
Cultural Organisation

CCI

UNESCO CCI 2004 Seal of Excellence for Handicrafts Products in South Asia



UNESCO/CCI 2004
SEAL OF EXCELLENCE
For handicraft products

AWARDED TO

Product : *Hand Woven Kora Grass Floor Mat*

Producer : *Industree Craft Pvt. Ltd.*

Country : *India*

The SEAL is awarded in recognition of demonstrated excellence and standard setting high quality in craftsmanship, creative and successful alliance of traditional skills and innovative application of indigenous material, traditional technique and endogenous design, expression of culture identity and traditional aesthetic value, and respect of the environment.

Mr Indravan Venkateshwaran
Chief of the Section of Arts
Paris

Mrs Thana Jothi
Development Commissioner
(Handicrafts)

Vijaya Rajan
President
WCC, Asia Pacific Region

Mr Ashoke Chatterjee
President
Crafts Council of India

Certificate

to confirm that

Indus Tree Crafts Ltd, India

complies with the global standards for
Fair Trade Organizations and has been registered by

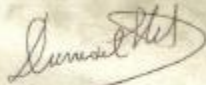
International Fair Trade Association (IFAT)

in the International Register of Fair Trade Organizations.

Registration number: 07 531

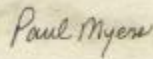
Date issued: July 2007

Valid until: end 2009



Stefan Durwael

(Executive Director)



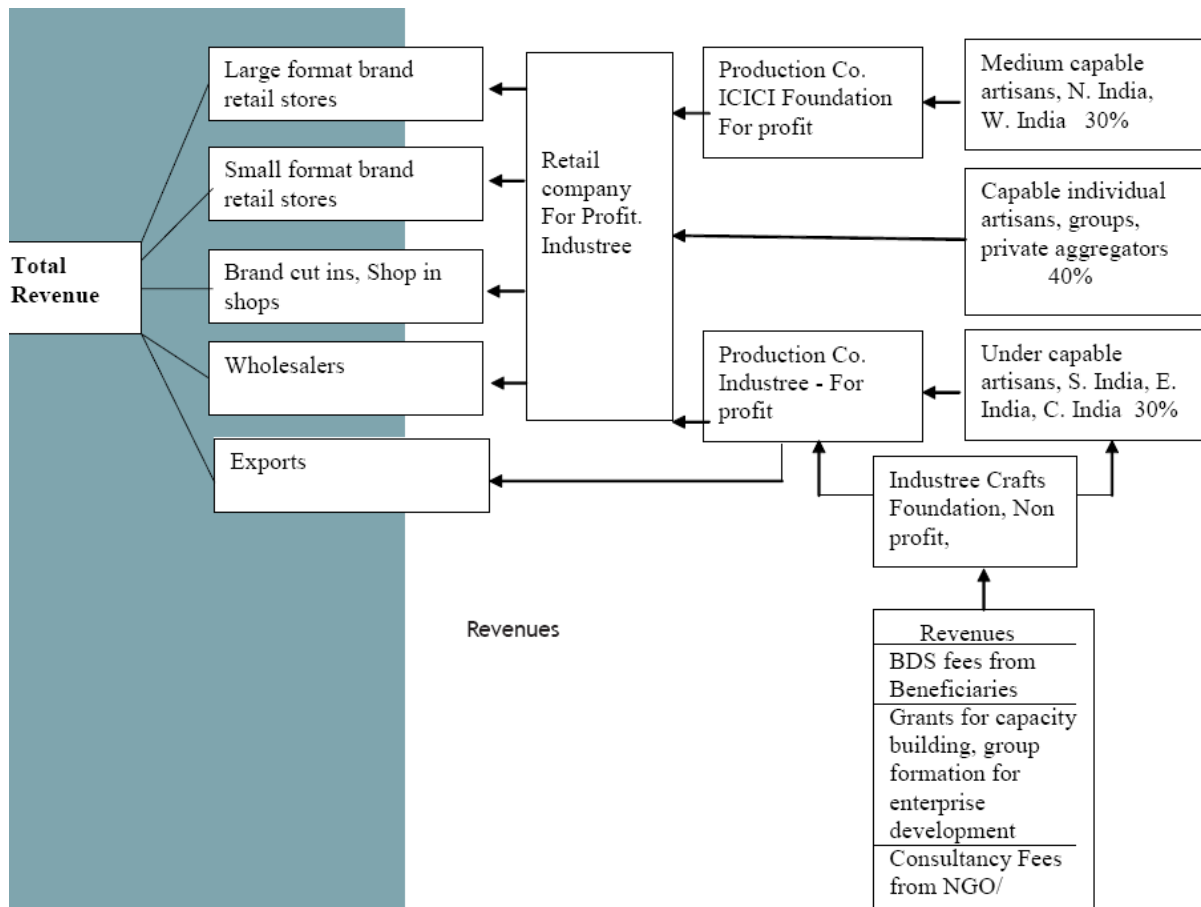
Paul Myers

(President)

IFAT is the International Fair Trade Association, the global network of Fair Trade Organizations (FTOs). Its mission is to improve the livelihoods and well-being of disadvantaged producers by linking and promoting Fair Trade Organizations and speaking out for greater justice in world trade. IFAT members have the respect of Fair Trade at the heart of their mission and at the core of what they do.

Annexure 12: Future Plans of ICPL

ICPL's scaling strategy involves a hybrid organizational approach. Key to its approach is its belief in artisanal ownership in the retail brand, as well as artisanal investments in production. Artisanal ownership in the brand comes from its belief that there is a cultural IPR involved in merchandise that bases itself on heritage. Artisanal investment in production is necessary to create a bottom-up organization, since this will ensure growth of artisans towards becoming owners of their enterprises, thereby encouraging oncoming generations to stay interested in their traditional occupations and gradually take charge of the intervening layers of external management, supervision and eventually even design, thereby building in appropriate sustainability measures.



To achieve this 3 organisations are needed, one that primarily drives retail and marketing, to the ultimate consumer in urban areas, and eventually global markets, another that focuses on production issues with rural producer groups. These 2 are “for profit enterprises”, ensuring self-sustainability and better wages for artisans, the clients. On matters of artisanal capacity building, towards productivity and community owned enterprises a third entity, a non-profit is essential, for a certain period.

Annexure 13: ICF Accounts

INDUS TREE CRAFTS FOUNDATION

BALANCE SHEET AS AT 31-3-2006

| Particulars | Sch. No. | BANGALORE | VIRAVANALLUR | | As on 31-3-2007 |
|--|----------|-------------------------|-------------------------|-------------------------|--------------------------|
| SOURCES OF FUNDS: | | | | | |
| General Fund | 1.1 | 412809.75 | 0.00 | 395000.00 | 807809.75 |
| Loan Fund: | | | | | |
| Secured loans | | | | | 0.00 |
| Unsecured loans | 1.2 | <u>200000.00</u> | <u>128110.00</u> | <u>0.00</u> | <u>328110.00</u> |
| | | 200000.00 | 128110.00 | 0.00 | 328110.00 |
| TOTAL | | <u><u>612809.75</u></u> | <u><u>128110.00</u></u> | <u><u>395000.00</u></u> | <u><u>1135919.75</u></u> |
| APPLICATION OF FUNDS: | | | | | |
| Fixed Assets | 1.3 | 49815.00 | 166976.35 | 0.00 | 216791.35 |
| Current Assets, Loans and Advances | 1.4 | | | | |
| c. Cash & Bank Balances | | 277763.94 | 2970.86 | 395000.00 | 675734.80 |
| d. Loans & advances | | <u>328378.00</u> | <u>251073.31</u> | <u>0.00</u> | <u>579451.31</u> |
| | | 606141.94 | 254044.17 | 395000.00 | 860186.11 |
| LESS: Current Liabilities & Provisions | 1.5 | <u>295742.50</u> | <u>40315.21</u> | <u>0.00</u> | <u>0.00</u> |
| | | | | | 336057.71 |
| Net Current Assets | | 310399.44 | 213728.96 | 395000.00 | 919128.40 |
| BRANCH/HEAD OFFICE ACCOUNT | | 252595.31 | -252595.31 | 0.00 | 0.00 |
| TOTAL | | <u><u>612809.75</u></u> | <u><u>128110.00</u></u> | <u><u>395000.00</u></u> | <u><u>1135919.75</u></u> |
| | | 0.00 | 0.00 | 0.00 | 0.00 |

INDUS TREE CRAFTS FOUNDATION

INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31-3-2006

| Particulars | Sch. No. | BANGALORE | VIRAVANALLUR | | Year Ended 31-3-2007 |
|--------------------------------------|----------|-------------------------|------------------------|-------------------------|--------------------------|
| INCOME: | | | | | |
| By Workshop & project grant received | | 712940.00 | 0.00 | 500000.00 | 1212940.00 |
| By Donation received | | | 0.00 | | 0.00 |
| By Other receipts | 2.1 | 222399.00 | 9137.48 | | 231536.48 |
| TOTAL | | <u><u>935339.00</u></u> | <u><u>9137.48</u></u> | <u><u>500000.00</u></u> | <u><u>1444476.48</u></u> |
| EXPENDITURE: | | | | | |
| To Administration | 2.2 | 83794.00 | 6226.00 | 0.00 | 90020.00 |
| To Financial | 2.3 | 1045.00 | 10175.00 | 0.00 | 11220.00 |
| To Research | 2.4 | 729812.50 | 541.00 | 105000.00 | 835353.50 |
| To Depreciation | 1.3 | 16868.00 | 8885.15 | 0.00 | 25753.15 |
| To Loss on Investment | | | | | 0.00 |
| TOTAL | | <u><u>831519.50</u></u> | <u><u>25827.15</u></u> | <u><u>105000.00</u></u> | <u><u>962346.65</u></u> |
| Net Surplus for the year | | 103819.50 | -16689.67 | 395000.00 | 482129.83 |
| Add: Profit of the Branch | | -16689.67 | 16689.67 | 0.00 | 0.00 |
| Net Surplus after taxation | | <u><u>87129.83</u></u> | <u><u>0.00</u></u> | <u><u>395000.00</u></u> | <u><u>482129.83</u></u> |

Annexure 14: Sample Questionnaires

A. CUSTOMERS

1. Name of the organization
2. What in your opinion is the purpose of IndusTree?
3. Have you seen any communication material from IndusTree? Please mark all relevant options
 - a. Website
 - b. Brochures
 - c. Media Coverage
 - d. Publications
 - e. Promotional Films
4. Do you think that the purpose of IndusTree is communicated effectively through such communication material?
5. Have you been informed when new designs/products have been launched?
6. If so, how many times have you been contacted?
7. How frequently have you received communication from IndusTree about its products?
8. How would you rate the buying experience from IndusTree?
 - a. Disappointing
 - b. Could be better
 - c. Satisfactory
 - d. Exceptional
9. What would you say could be done to improve the buying experience from IndusTree?
10. Which products do you prefer to purchase most from IndusTree?
 - a. Table mats
 - b. Floor Mats
 - c. Furniture
 - d. Storage Items
 - e. Others
11. Why?
12. Which products would you like IndusTree to manufacture?
13. Has IndusTree been able to respond to your support requests?
14. What is their average response time to a query/clarification?
15. Are you satisfied with the level of support provided by IndusTree?

B. PARTNER ORGANIZATIONS

1. Name of the organization
2. Staff Strength
3. How long has your organization been operational?
4. How many weavers/producers do you engage with?
5. How many of these weavers/producers were trained by IndusTree?
6. What were the skills in which they were trained?
7. Do you find that their skills in the above areas have improved?
8. On a scale of 1-4 where would you rate your own satisfaction with the training provided by IndusTree?
 - a. Dissatisfied
 - b. Indifferent
 - c. Satisfied
 - d. Highly Satisfied
9. On a scale of 1-4 where would you rate the satisfaction of the weavers/producers who participated in the training?
 - a. Dissatisfied
 - b. Indifferent
 - c. Satisfied
 - d. Highly Satisfied
10. What do you think could be added/ modified to the current training program to make it more effective?
11. What in your opinion is the purpose of IndusTree?
12. Have you seen any communication material from IndusTree? Please mark all relevant options
 - a. Website
 - b. Brochures
 - c. Media Coverage
 - d. Promotional Films
13. Do you think that the purpose of IndusTree is communicated effectively through such communication material?

C. STAFF

1. Name
2. Age
3. How long have you worked for IndusTree?
4. Have you ever interacted with customers? Yes No
5. How?
6. How many/What percentage of weavers is trained by ICPL?
7. What skills are they trained in?
 - a. Handling new equipment
 - b. Improved Manufacturing Methods
 - c. Management Skills
 - d. Design Skills
 - e. Any Other Skills (Please Specify)
8. Does IndusTree provide equipment to the weavers? Yes No
9. What sort of equipment does it provide?
10. Are the weavers able to deliver products on time? Yes No
11. If not, what is the usual time lag?
12. Have you ever been involved in a marketing effort launched by IndusTree? Yes No
13. On how many occasions?
14. How many tools/new equipment has been developed by IndusTree?
15. How many of these tools are deployed in production?
16. Have the weavers learnt anything new by supplying to IndusTree? Yes No
17. What would you say that was?
18. Are the weavers supplying products in new designs created by IndusTree to other buyers?
Yes No
19. Are the weavers able to enjoy better bargaining power with other buyers? Yes No
20. How is quality maintained at the ground level?
21. Who heads the weavers' groups? How is the weaving community structured to supply to IndusTree?
22. How does leadership form in the weavers' groups?
23. Please describe a typical day for the weavers supplying to IndusTree
24. Please describe a typical day in your work and interaction with weavers as well as the company
25. Do you feel that IndusTree products are different from other products in their category?
26. How?
Are you able to respond to customers on time? Yes No Sometimes
27. What percentage of times are you able to do so?
28. If not, what are your constraints?
29. Have you seen the IndusTree brochure, website etc.? Yes No
30. Do you feel they communicate the ideas behind the organization well? Yes No
31. What could be added/modified in them?
32. Do you feel that providing the weavers with tools is helping them? Yes No
33. How?
34. Do you feel that there is a need to improve technology in this sector? Yes No
35. Why?

36. Is the training provided by IndusTree useful for the weavers? Yes No

37. How?

38. Please fill out estimates of the following details to the best of your knowledge

| Weavers' Details | Prior to Association with IndusTree | After Association with IndusTree |
|-----------------------------|-------------------------------------|----------------------------------|
| Daily/Monthly/Annual Income | | |
| Daily Working Hours | | |
| Monthly Days of Work | | |
| % spend on | | |
| Groceries | | |
| Clothes | | |
| Rent | | |
| Savings | | |
| Investments | | |
| Children's Education | | |
| Entertainment | | |
| Other (Please Specify) | | |

39. Have you been involved in any activity that communicates the benefits of purchasing products from IndusTree? Yes No

40. Who are the usual visitors that you interact with?

41. Please describe your interactions with them.

42. Do you find that the weavers are able to lead a better life after associating with IndusTree?

43. Is the selling experience to IndusTree any different from selling to other buyers? How?

44. Has IndusTree set up any facilities for weavers? What are these? Do you find them useful? How?

45. How is waste treated at the production facility?

46. What do you think is the main purpose of IndusTree?

