

Code of Conduct on Business Responsibility for a MSME Cluster:

Ajmer Zila Laghu Udyog Sangh (AZLUS)

Brief Report of the Meeting

30th June, 2015, Ajmer

Consumer Unity and Trust Society (CUTS), with support from the Foundation of MSME Clusters (FMC) is developing a common 'Code of conduct' on Business Responsibilities for coke based cupola foundries operating under the Ajmer Zila Laghu Udyog Sangh (AZLUS) at District Ajmer, Rajasthan. The Research team at CUTS had undertaken desk research (literature review) on various facets of Environmental, Social and Governance issues present in the sector.

In this context, a meeting was conducted with the members of AZLUS to discuss general 'material issues' of the foundries sector and get an idea about AZLUS as well as its member's approach/perspective towards Business Responsibility (BR) issues. Further, few visits were organised at foundries (large and small) for greater understanding of the processes involved and measures undertaken for addressing the ESG issues.

In Attendance:

- Pankaj Singhal, President, AZLUS
- Ankit Fatehpuria, Joint Secretary, AZLUS
- Rajesh Sharma, General Secretary, AZLUS
- Pradeep Kumar Jain, Member. AZLUS
- Neetu Goel, Foundation of MSME Cluster
- Ravi, Foundation of MSME Cluster
- Vikash Batham, CUTS
- Tunisha Kapoor, CUTS

A brief introduction was provided to the members present about the project and their role by FMC and CUTS. The members mentioned that there had been various steps taken in the last few years in the areas of sustainability, energy, environment etc. Some of the key issues discussed were -

- * **Market Scenario:** A significant share of the market for these foundries was domestic, especially to South India with minimal exports if any. These industries primarily produce for the heavy machines and are majorly a customer driver market. However, with a slowdown in demand from the domestic customers there is a need to look for new markets and possibly export markets as well. Additionally, in terms of export promotion there is a lack of awareness and knowledge with regard to the processes, markets, specific products etc.
- * **Worker Safety:** Some changes had been made in terms of worker safety such as inclusion of a first aid box to take care of injuries. Cases of accidents were rare and key safety equipment such as gloves, helmets, sunglasses had been provided to the workers. The

workers however, preferred to work in a vest. A majority of the employees worked on daily wages. Though proper training was provided to each employee there was no formal mechanism for training.

- * **Working Environment:** Some of the key issues were safety and lack of skilled labour. The big foundries were designed in a manner to allow for cross ventilation thereby, controlling temperatures. The casting was done below ground which helped keep the temperatures low for this process.
- * **Impact on neighborhoods:** There had been issues raised from residential areas nearby in terms of ineffective waste disposal etc. Some of the foundry owners addressed these through a clean-up drive, getting trees planted among others.
- * **Impact on Environment:** The pollution control norms were followed by foundries. Air pollution included only smoke which was addressed by some foundries through mechanisms which used water. The Pollution Control Board also encouraged installation of meters on boring wells to record the water usage. There was minimal waste water and dust. The major waste included slag, a major part of which was also now being used as a raw material for cement bricks.
- * **Testing Facilities:** Testing of raw materials was usually not done. Some foundries had the facility for testing of final products in terms of composition, tensile strength etc. Alternatively, it was done through experience and hit and trial method.
- * **Raw Material:** The raw material was all procured locally. During one of the visits we saw that the coal used for drying up the mould was used without proper measurements.
- * **Energy:** Most foundries are coke based. In some cases there are issues of electricity supply which has the potential to raise costs. Many innovative mechanisms had been employed in some foundries which reduced the usage of energy and increased production.
 - The members discussed the usage of solar power for running the foundries as even though the one-time cost is high the running cost would be low. This was even discussed in the meeting with the Divisional Commissioner (DC).
- * **Government Policies:** Some of the governmental policies are a cause of concern for these foundries. One of the issues includes the excise exemption limit of 1.5 crores. This should, in their opinion, either be raised or the duty should be lessened from the beginning. However, they thought these would not be important once Goods and Services Tax (GST) was introduced. Lack of government procurement was another issue since HMT and Railway ancillary units were major buyers. Further, companies have lack of awareness regarding the government schemes, procurement among others.
- * **Innovative Mechanisms:** During the last few years various innovative mechanisms had been used to simplify process, reduce energy usage and address sustainability issues among others. One of the examples cited, was of a weighing mechanism incorporated within the trolley system itself which reduced a process and saved time as well as labour.

Two visits were also organised to large and small foundries to understand the processes and observe the functioning.

Large Foundry: The design of this foundry was big and airy with high ceiling which is transparent in certain parts to allow sunlight. There was a pollution control mechanism employed for the air pollution. Most of the heavy lifting and moving is done through cranes. Regular maintenance of all the machines takes place every month to ensure proper functioning. Managers are allocated for each area and their specific roles and responsibilities are documented. There are separate guard rooms, male, female washrooms etc. While the cupola is running there are various safety issues due to movement of heavy items, safety issues, high temperatures etc. In case of any grievances the employees approach the designated manager. Regular health check-ups and tetanus injections are provided to the employees and basic medicines are available in the First Aid box. In order to dry the mould, coal is used, however the amount of coal used was not measured.

Small Foundry: The design was covered with low ceiling which could make it very hot while the cupola is running. However, in order to protect against this heat, this was generally run early morning or after 4pm. There was no formal mechanism for quality checks and these were done on the basis of experience.