



## An Epic milestone for apparel made in Ethiopia

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**The scale of Ethiopia's ambition to become a world-leading apparel and textile hub is epitomised by the flagship Hawassa Industrial Park, where 60,000 jobs and US\$1bn in exports are targeted by the end of next year. In the latest milestone taking it closer to this goal, Hong Kong based Epic Group has completed its first commercial garment shipment to US retailer The Children's Place.**

"We are just a very small part of the very big vision for Made in Ethiopia," Ranjan Mahtani, Epic Group chairman and CEO, says with typical modesty.

Speaking to just-style at the inauguration of the company's latest venture, Epic Apparel Plc, he adds: "We're very excited about Ethiopia, we believe in Ethiopia. We're [all of us investors] crawling right now – but I definitely feel we'll be walking very soon, and hopefully running by next year. This is our starting point."

Ambitious as the plans might be for the US\$250m eco-facility some 275km south of the capital Addis Ababa – the largest specialised textile and apparel park in Africa – both the government and investors are working hard to deliver.

Built in just nine months and inaugurated last July, the 1.4m square metre facility provides 410,000 sq m of factory space across 37 sheds; along with a zero-liquid discharge facility – another first in Africa – to purify and recycle virtually all of the wastewater produced. There is also a one-stop-shop business centre providing everything from on-site banking to visa and immigration services, as well as residential quarters for 1000 people.

Around 15 international manufacturers have committed to setting up factories in the Chinese-built facility, including park 'anchor' PVH Corp, owner of the Calvin Klein and Tommy Hilfiger brands. They have spent the past nine months working to install machinery and equipment, recruit and train local workers, and carry out trial production runs.

All available units have been taken, and an extension underway to add another 15 factory sheds and, importantly, bring more fabric mills to the park, has also been fully reserved.



Ranjan Mahtani, Epic Group chairman and CEO, and Dr Arkebe Oqubay, special advisor to the Ethiopian Prime Minister, with some of the first garments produced at the Hawassa Industrial Park

Epic Group already operates 11 manufacturing units in Bangladesh (where it is the single largest producer of woven bottoms and shirts), two facilities in Vietnam and a denim jeans plant in Jordan, supplying customers such as Walmart, JC Penney, Levi Strauss, VF Corp, Tesco, Sainsbury's, Marks & Spencer and C&A among many others.

And it has taken less than a year from signing the lease on its units in Hawassa to delivering its first order.

"In any other business that's a long time, but for us this has been rapid fire. It may take us longer to get going here, it may be a larger investment here, but I think it's got more long-term perspective," Mahtani says. "There is a foundation here; we have something to build on."

## **Production potential**

Two years ago Epic was on the verge of agreeing a new operation in Kenya to add another duty-free centre to its supply chain. But drawn by the commitment of the Ethiopian Government and in particular Dr Arkebe Oqubay, special advisor to the Prime Minister, plans were switched to a country Mahtani describes as "totally uncut but with a lot of potential."

With the \$80-100 take-home salary for a factory worker in Ethiopia currently around half that of Kenya's \$180-200, the low labour costs and ability to develop a skillset from scratch mean "we already have an advantage."

Epic has taken two adjacent 11,000 sq m sheds at Hawassa Industrial Park, and is already considering two more. But first the aim is to get its initial plant up to full capacity, hopefully by December this year.

"If we can do that and also bring the efficiency up to 50%, our goal will then be to have a second shift of workers in the same building," Mahtani explains. Only then will it be ready to move into its second unit.

He adds: "There are only two simple things to focus on in a country like this: one is your efficiency, which means training the people and enhancing their skillset; and two is the logistics and the vertical part."

Production has kicked off with cotton bottoms, which benefit from duty-free access to the US under AGOA (the African Growth and Opportunity Act). This effectively means a saving of 16.8% on import duties for these products.

The future focus, however, will be more on synthetic products such as shirts, where the savings on import duties under AGOA will be even higher at 30%.

Ethiopia also benefits from duty-free access to the EU under the Everything But Arms Initiative (EBA).

"We make fashion basics; we're bringing value to the table, bringing a better quality to the table. We're looking at how we create a win-win where we can create margin for ourselves and yet be cheaper for the customer."

## **One step at a time**

Mahtani emphasises that Epic has "simple aspirations" for its first facility in Ethiopia. "This factory is our starting point, and our roadmap is very simple: we want to get this plant up-and-running. You have to allow natural progression."

The group as a whole makes 80m garments a year, so "the first thing was to create the right standardisation as per Epic standards: the lighting, the ventilation, the type of machinery, the layout of the floor creating a good work environment, the workers' uniforms," and even the chairs they sit on.

Another challenge is that "everybody is having to start from scratch." There's an abundance of labour – indeed, there are 5m people within 50km of Hawassa – "but there's no skilled labour."

In a country where the vast majority of the population derive their livelihoods from agricultural production, it is not surprising this is the first job for many of the new recruits as well as the first time they have ever seen a sewing machine.

So training has been a priority. Early on Epic took the initiative to set up a training room in a nearby town, so that when building work was finished on the factory it had workers ready to start production. This undoubtedly helped give it a headstart on completing the first garment shipment from Hawassa.

And training remains an ongoing priority, with 50 people at any one time to be found at the in-factory training centre. Here they spend around six weeks familiarising themselves with the machines, before moving into a sewing line. Once up to the required levels of quality and efficiency, they are ready to move into commercial production.

## **Growing production**

Currently, the Epic Apparel facility has six lines producing cotton bottoms – five of which are in commercial production – and 500 workers. The aim is to increase this to 18 lines and around 2,000 workers by the end of the year. The wet process and dry process areas, currently just at the pilot phase, will eventually be capable of producing 24,000 garments per day, while a laundry area will test garments to make sure they stand up to consumer demand.

Because efficiency is currently very low, the company has also taken the additional step of bringing in automatic machines for operations such as back pockets to supplement the pace of normal work.

But as products expand from core basics to more fashion denim, automation will become widespread. "We're going to try to go into a really high level of automation, automatic pocket, automatic loops, automatic bottom hems."

There will also be the INA computerised hanger system equipped with RFID technology that is already a key feature of other Epic Group facilities around the globe. Not only does this ensure a better way of managing production by automatically moving garments from one sewing station to the next without work piling up, but it also provides detailed and real-time information that controls quality and re-work, and helps to improve efficiency.

Efficiencies at the factory in Hawassa are currently hovering at around 25-30%, whereas some of Epic's other plants operate at levels up to 75-80% after ten years.

"The struggle is not going to be to go from 50% to 70%; the struggle right now is to go from 20% to 50%. If we can win that battle, then the other battles will become much easier."

Another turning point, Mahtani believes, will come when the fabric mills invest in the Hawassa Industrial Park and elsewhere in the country as planned.

Currently, most textile imports and finished garment exports from land-locked Ethiopia have to be transported via truck and container through the neighbouring port of Djibouti, so building verticalisation will bring greater competitiveness, enable speed-to-market, and the ability to produce more high fashion items.

"The textile guys are going to change the industry. If you bring the textile supply together with the garment supply you will be in to a winner."

## **Transparency and integrity**

While Mahtani says it is still too early to compare where the new Ethiopia factory sits within the rest of Epic's overall supply chain, he emphasises: "If we commit somewhere, we put our heart and soul behind it. We did it in Bangladesh. And we intend to put that same heart and soul here in Ethiopia.

"We believe in hand-crafting every garment. There is going to be a passion involved in every garment we make; we are not going to get lost in the millions of pieces.

"Walking around the factory I see the smiles from our workers; more importantly I see the hope in their eyes. I hope they understand the apparel industry is a tough industry, but it creates more jobs than any other industry.

"We'll give them good working conditions, we will ensure a very high level of human rights in the company. And if they get more and more skilful they can make more money in our company than in any other company, so we've just put an incentive scheme into place.

"But we also want them to think about how to run better quality, how they can use their machines to improve their lifestyle."

He adds: "We want to be the best, not the largest. And we put transparency and integrity at every level."

With 25,000 people across the business, each with an average of five people in their family, "you're dealing with 125,000 people. That's a very big responsibility. You cannot mess around with peoples' lives to make money."

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