

**THE COMPETITIVENESS PROGRAM (TCP)**

**Case Studies and other material on Evaluating  
Impact of USAID Assistance for Mature Private  
Sector Development Projects**

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**SUBMITTED TO**  
USAID/Colombo

**IN RESPONSE TO**  
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**SUBMITTED BY**  
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*Case Studies and other materials on Evaluating Impact for USAID Assistance  
for Mature Private Sector Development Projects*

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**Final Project Report**

***Case Studies Evaluating Impact of USAID Assistance for  
Mature Private Sector Development Projects***

**Prepared for:**

**The Competitiveness Program**

**Under:**

**USAID Contract No. PCE-I-00-98-00016-00**

**With:**

**Nathan Associates, Inc.**

**Prepared by:**

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- C - News articles for two case studies (hard copy and electronic)
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## A. Introduction

This report attempts to evaluate or measure the long term impact of earlier USAID development assistance in Sri Lanka toward the objective of improving monitoring and evaluation programs to better measure rural impact and to produce lessons learned for future assistance to private sector projects in Sri Lanka.

Case studies were prepared for two businesses in different sectors which received technical, financial and/or training support from the former USAID-funded Agro-Enterprises (AgEnt) project and the Technology Initiative for the Private Sector (TIPS) project. The two businesses selected for the case studies include: (a) Maxie's & Company (Pvt) Limited, a producer and processor of broiler chicken, which received AgEnt assistance during the period 1994-1996; and (b) Selyn Exporters (Pvt) Limited, a manufacturer and exporter of hand-woven fabric-based soft toys and handicraft products, which received TIPS assistance during the period 1995-1997.

## B. Summary of Work Performed

A preliminary meeting with TCP & USAID staff concerning case study selection was held on May 11, 2006. A review was then conducted of relevant documents pertaining to case study selection and a visit was made to the National Agribusiness Council to request copies of past reports prepared under the AgEnt project to assist in the selection. Tentative selection of the two businesses for the case study review were made and decisions confirming the selection were made (Maxie's and Company - May 15; Selyn Exporters on May 22) following initial visits to each.

Following the methodology and work plan submitted on May 17, 2006, initial visits were made on May 11 and May 19 to the two selected case study businesses: Maxie's & Company (Pvt) Ltd., which received assistance under the Agro-Enterprises Project (AgEnt); and Selyn Exporters (Pvt) Ltd., which received assistance under the Technology Initiative for the Private Sector (TIPS).

During these first visits the Founder and Managing Director of each business was interviewed and a *Business Profile Questionnaire* was given to each Managing Director to be completed by the business and collected at the time of the second visit.

Second visits were made to Maxie's & Company in Gampaha district on May 24 and to Selyn Exporters in Kurunegala district on May 30. During these second visits, tours of the production facilities of each business

were conducted along with visits to field broiler out-grower and hand-woven fabric producer operations supported by each company under buy-back arrangements. During these second visits, the completed *Business Profile Questionnaires* for each business were collected and reviewed for accuracy. Photographs were taken for all pertinent production/manufacturing processes of each business. At least two interviews were conducted for out-growers/producers for each business.

Trip notes were then prepared for the two visits to each of the selected case study businesses and included in the Mid-project Report submitted to TCP on June 2, 2006.

During the period June 1-12, 2006 case study reports were prepared by the Consultant for each of the two businesses selected following the outline for the same as provided in the Mid-project Report. In lieu of power point presentations (Statement of Work, Deliverables, Item 6), the Consultant was requested to prepare news articles for each of the two case studies. A meeting was held with USAID to discuss the format for such articles on June 1, following which articles for each case study were prepared in a newsletter format, together with photographs. A final meeting was scheduled with USAID the week of June 18 to present the findings of the work.

#### C. Highlights of training conducted

Two domestic consultants assisted the international consultant in conducting field interviews and gathering pertinent information on the sectors represented by the two case study businesses. The two domestic consultants were given on-the-job training by the international consultant on techniques for conducting business profile analysis and case study formulation following the methodology employed which included: the use of a *business profile questionnaire* tool, management interview, field interviews.

#### D. Findings and Conclusions

The two case studies reviewed in this report show that there was a direct correlation between the USAID project assistance given and resulting technology transfer and adoption, leading to growth and success of the business. The case studies also indicate that the USAID project assistance either directly or indirectly contributed positively to the development of the sectors and value-chains represented by the two businesses assisted. Both case studies also show a significant rural impact on job growth and the participation of women.

The case study findings show that it is important to monitor project impact over time in order to better measure long term value-chain benefits derived

from USAID assistance as well as identify opportunities for future program expansion.

While the two case studies chosen represent USAID-assisted private sector “success stories” it is important to recognize that failures may outnumber successes in technical assistance interventions, however, the overall value-chain impact of one or two successes can far outweigh the collective cost associated with the failures.

While there is no full-proof formula for identifying which entrepreneurs are likely to succeed or fail in any given private sector business undertaking, the case studies do show some common patterns for success. These include, a strong vision and drive to succeed, a thirst for knowledge or technology, the ability to find a market niche where demand is strong and growing, and the entrepreneurial talent to establish and maintain backward and forward linkages to value-added processes along the value-chain.

Finally, it is noted that for each of the case studies examined in this report that USAID project assistance provided directly to the private sector client helped reinforce and accelerate technology transfer and adoption as well as assist in market development. Exposure of entrepreneurs to technology through international observation study tours is an effective means to accelerate the pace of technology transfer and adoption. Donor programs can make a significant impact on the pace of technology transfer through the use of matching grant funding to support such international exposure.

#### **E. Recommendations for On-going and Future Technical Assistance**

In each of the two case studies prepared, recommendations are presented (Section 10) to the businesses concerned regarding possible future activities to be undertaken to address opportunities or threats currently facing their respective businesses. In each case, future external Technical Assistance would be required to assist the two businesses in implementing the recommendations.

Given the findings and conclusions presented, it would be useful to consider additional future Technical Assistance to examine other businesses in other sectors or sub-sectors of agriculture which were previously assisted by USAID projects to further measure the impact of this previous project assistance on technology transfer, rural employment, participation of women, and sector impact.

#### **F. Executive Summary of Case Study Findings**

##### **Maxie's & Company (Pvt) Limited**

##### **1. Business Overview**

Maxie's & Company (Pvt) Limited, "Maxie's," is the third largest fully-automated processor of fresh and frozen broiler chicken and chicken parts in Sri Lanka. The company, which had its early beginnings in 1978, grew rapidly during the mid-1990s as a result of modern technology adoption resulting from technical assistance and training grants provided under the USAID-funded Agro-Enterprises (AgEnt) project. Maxie's was the first company in Sri Lanka to introduce fresh processed chicken parts to the domestic market. The company received HACCP system certification in 2005 for meeting high standards in processing and cold chain handling and delivery of its products.

The company which operates two close-house broiler production farms in addition to its processing plant in Wennappuwa, Gampaha district also supports 500 independent rural contract poultry growers who sell their chickens directly to the company. Maxie's supplies these rural poultry producers with chicks, feed, medicine and technical, including veterinary, support. Maxie's processes over 4 million broiler chickens annually which it markets through direct dealers, food stores, hotels, restaurants, and its own chain of 15 retail farm shops in Gampaha, Colombo and Kandy districts.

Maxie's currently employs some 560 workers, 20 percent of whom are women, and has created close to 2,000 indirect jobs for rural poultry raisers and other service providers which support the business. During 2005, a year in which the bird-flu scare resulted in a greater than 30 percent reduction in the size of Sri Lanka's poultry industry, Maxie's generated \$7.5 millions in sales.

## **2. Impact of USAID project assistance on the Business**

The Agro-Enterprises (AgEnt) project provided financial, training and technical assistance to the client during the period 1994-1996. Financial assistance took the form of seven matching grants to finance overseas technology observation study tours and training programs. Technical assistance was provided to the client during this period in the form of technical advisers, both local and international, who assisted the client on a regular basis with production, processing and marketing bottlenecks associated with new technology adoption.

Clearly the assistance provided to Maxie's under the USAID-funded AgEnt project had a significant impact on the business' ability to source and adopt new technology at a critical time in the business' and the poultry industry's growth. The observational study tours, funded under the AgEnt matching grant program, to the international poultry exposition in Atlanta, Georgia in 1994 and the follow-on USA training and sector study tours in 1995 and 1996 to attend a 7-day course conducted by the University of Maryland's Poultry Science Department; a two-week poultry production and processing training program in

Corvallis, Oregon, organized by Oregon State University; and a trip to Des Moines, Iowa to study pork exports, were important milestones to the technology transfer needed for the business' growth.

Maxie's founder, chairman and managing director, Maxie Perera, who has now traveled to and studied poultry production, processing and marketing in some 15 countries says, "I learned the finer points of poultry production and processing from these AgEnt sponsored international trips. I was hungry and thirsty for knowledge," he says, "and I totally absorbed everything that I saw. Also, the hands-on technical assistance provided to my business by AgEnt was invaluable. AgEnt helped us in so many ways for which I'll always be grateful." According to Maxie Perera, "AgEnt also helped resolve sector development problems, by raising policy issues to address constraints facing the industry, like the restricted transport of birds, which was an early problem for us."

He goes on to say, "The technical assistance in processing and marketing provided by the AgEnt project was invaluable to our businesses growth and success. Today we are where the U.S. was 10 years ago in terms of technology. AgEnt helped put us at the front of the industry because of technology transfer."

### 3. Impact of USAID project assistance on the Sector

Interventions under the USAID-AgEnt Project (1992-2000) on technology transfer, including international assessment visits, made a significant contribution to the growth, development and the consolidation of the poultry industry in Sri Lanka, and resulted in the formation of two trade associations; the All Island Poultry Association (AIPA) in 1996 and the Sri Lanka Association of Animal Production (SLAAP) in 1997.

AgEnt worked with and assisted a number of the key players in the poultry industry during the mid-1990s to acquire and adopt modern industry technology. One client that the project assisted was Green Valley Farms, which today operates a modern hatchery, thanks in large part to technology adoption facilitated by AgEnt, and supplies day-old broiler chicks to Maxie's. A policy change ending AgEnt's direct grant assistance to private sector poultry operators like Green Valley and Maxie's in favour of providing assistance only to associations was introduced after 1997.

### Selyn Exporters (Pvt) Limited

#### 1. Business Overview

Selyn Exporters (Pvt) Limited, "Selyn," is one of the major soft toy manufacturers in Sri Lanka and the largest producer and exporter of hand-woven fabric soft toys in the country. The company, which

started business in 1991 with an objective to create jobs for rural women by producing handloom fabric products, grew rapidly during the mid-1990s following exposure to the international soft toy industry as a result of two observational study tour grants provided under the USAID-funded Technology Initiative for the Private Sector (TIPS). Selyn was the first toy manufacturer in Sri Lanka to use colorful cotton-based hand-woven fabrics in the production of its soft toy products.

The company's soft toy factory, main handloom factory, and showroom are located in the town of Kurunegala, North West Province. In addition to its main soft toy product line, the company produces a wide-range of hand-woven linen and handicraft products which are exported to nine countries in Europe, North America and Asia. Selyn also operates three rural handloom workshops and has buy-back arrangements with handloom household producers and mini-workshops located in rural communities of Kurunegala district. The company, which started in 1991 with only five workers, now employs 480 direct employees, 80 percent of whom are women, and has created another 300 indirect jobs for women handloom fabric weavers working at the village level. During 2005, Selyn generated \$1.1 million in sales, over 90% of which was from product exports.

## **2. Impact of USAID project assistance on the Business**

The Technology Initiative for the Private Sector (TIPS) project provided financial assistance to the client during the period 1995-1997. Financial assistance took the form of two grants to finance overseas technology observation study tours and technical assistance related to market development.

Sandra Wanduragala, Selyn's founder, chairman and managing director, was purpose driven to do something for her community, particularly for the women of the community who were underemployed. As many of the women of the community had skills in handloom weaving she thought doing something with handloom weaving would be the place to start. She almost missed the opportunity to get in contact with TIPS because as she says, "these projects are always located in Colombo and those living outside Colombo rarely hear about them. Small businesses outside Colombo have limited access to government or donor projects which assist small businesses like mine."

It was only by the chance reading of the news article in 1995 about toy exports that she came to learn about the USAID-funded TIPS, which was promoting the toy sector at the time. In response to her inquiry, EDB directed her to the TIPS office in Colombo.

Soon thereafter, Sandra Wanduragala signed a grant agreement with TIPS and was sent on two trips, one in 1995 and the other in 1996, to the New York Toy Trade Fair. The first trip opened her eyes to a wide-range of products, including soft toys. She thought that if she could make

some distinctive soft toys using handloom fabrics that she might be able to penetrate the export market. Her second trip was even more successful as she had in the interim year developed a broader range of soft toy products based on her experience from the first trip. TIPS put her in contact with a U.S. buyer, North American Bear, who she started to export soft toys to and still does business with today. This was her first major export customer.

During her second TIPS-financed trip she met some French buyers who she began exporting to and over the years she says "the two businesses have grown together" and today the French buyers are her number one customer.

She says, "the TIPS contribution was very important because it was the first outsider help to my business. It opened my eyes to the international market for soft toys and other handloom fabric product." She goes on to say, "Although TIPS had earlier programs that offered other types of technical assistance and training to businesses like mine, I guess I didn't find out about them in time, however, the overseas trips were enough." As an entrepreneur, Sandra Wanduragala is self-taught without having had any formal management training. "I didn't know that I could be an entrepreneur until I went overseas – I have TIPS to thank for that."

After the TIPS grant-financed trips abroad, the business began to grow. The original 5 workers became 50 and today the company employs 480 direct employees and another 300 indirect workers at the "grassroots" village level, 85 percent of whom are women.

### 3. Impact of USAID project assistance on the Sector

TIPS provided overseas exposure, technical and training assistance to a number of toy manufacturers like Selyn during the 1990s. This assistance made a significant contribution to improvements in quality standards and the adoption of new technology which enhanced the toy industry's competitiveness in the world market. As such, soft and wooden toys manufactured in Sri Lanka today have a good reputation for their quality and distinctiveness. This, in part, has allowed the toy manufacturers in Sri Lanka to serve high-end niche markets and remain competitive with other countries, like China, who are able to produce large quantities of toys at a significant lower price due to their cheaper labor advantage.

Since the TIPS financial assistance to Selyn, at least two competitors have followed the example of Selyn and now produce hand-woven fabric-based soft toys for the Sri Lankan domestic market. Neither competitor, however, has had much success with toy exports. By not selling toys on the domestic market, Selyn has been able to keep its unique product designs an industry secret and, as such, has been able

**to maintain its higher price advantage, as soft toys domestically sell for a much lower price than in the international market.**

**G. Case Studies**

**1. Maxie's & Company (Pvt) Limited**

**(Separate Attachment)**

**2. Selyn Exporters (Pvt) Limited**

**(Separate Attachment)**

## Attachment A

### STATEMENT OF WORK

#### Case Studies Evaluating Impact of USAID Assistance for Mature Private Sector Development Projects

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*Summary: USAID CTO has approved 30 days of STTA LOE for an expatriate specialist plus 30 days for one local consultant to design and carry out "up to two" case studies of USAID assisted private sector development project, including at least one in agriculture. The two projects will be selected with USAID from the portfolio of AGENT or TIPS projects supported in the 1990's. The purpose is to produce lessons and guidelines for better monitoring and evaluation and grants awards for current TCP programs in Sri Lanka.*

#### Background - General

The Competitiveness Program (TCP) is a major USAID-sponsored Project designed to help key business/industry clusters in Sri Lanka achieve sustained levels of improvement in productivity and international competitiveness. TCP is being implemented through a long-term consulting contract with the United States Agency for International Development (USAID) held by Nathan Associates Inc. (Nathan) with J.E. Austin Associates as the key subcontractor.

Four of the clusters assisted by TCP are agriculture-based: Tea, Rubber, Coir, and Spices. These industries include plantation-scale as well as small holder or SME activities. There is a strong desire to develop projects that have a measurable impact of rural standards of living in the short run. However, most practitioners recognize that demonstrable or sustainable benefits may only be achievable after a period of 3 years -- or longer in the case of some rubber, tea, and spice initiatives. And while some projects may not achieve commercial sustainability, others may succeed beyond expectations and go on to generate benefits beyond those contemplated at the planning stage. Conceptually two types of special benefits that might follow from a successful project include (a) replication owing to the demonstration effect and (b) productivity gains upstream or downstream in other links of the value chain.

#### Background - Particular

Promoting favorable impacts in rural areas is an important, featured task of the current Competitiveness Program. So is the work of devising and improving techniques for monitoring and evaluating rural impact. One deliverable (5.4) of

Task Order 841 is two case studies of impact of private sector and agriculture development initiatives launched under earlier USAID development assistance projects in Sri Lanka. These two studies will be used to discern longer term impact of development assistance projects, to improve monitoring and evaluation programs to measure rural impact, and to produce lessons learned for future assistance to private sector projects in Sri Lanka.

### Objective

To produce two case studies of examples of successful technical assistance project in Sri Lanka that have had more than 8 years of operations to evaluate, and to examine and report on benefit diffusion beyond the firms or institutions immediately touched by the technical assistance.

### Tasks

The specialist will undertake to design and carry out the case studies. The assignment will include the following tasks, which are meant to be illustrative but not necessarily exclusive. The specialist will:

1. Meet with TCP and USAID staff about selecting a case study
2. Develop a work plan within 5 days of arrival
3. Briefly review materials available for selection.
4. Make recommendations for case study selection
5. Get USAID and TCP agreement on case study selection
6. Organize and use other STTA (1 level 3 expatriate, 2 locals)
7. Carry out desk and field research of selected cases.
8. Prepare and an overview of initial findings and a draft outline of report
9. Prepare a draft final report
10. Make presentations to USAID, TCP, and the American Chamber of Commerce (if approved by USAID)
11. Prepare final report, including executive summary
12. Prepare news article with photographs summarizing the case study for inclusion on USAID website or print publications
13. Make presentations on lessons learned to seminar of TCP and USAID staff.
14. Provide on-the-job training to junior members of the team and write a short report about on-the-job training benefits from the technical assistance effort.

### Deliverables

In carrying out the above tasks, the specialist will direct a team of approximately two local staff. Under direction of the specialist, the team will produce the following deliverables at minimum.

- 1) A memo on methodology and work plan proposed for the two case studies. The methodology can be classical project evaluation, but should also address the salient issues listed in the section below.

- 2) A memo on case study selection.
- 3) A mid-project report on initial findings with case study outline.
- 4) A draft final report with recommendations for on-going and future technical assistance in Sri Lanka.
- 5) A special section in the draft report on involvement and impact on Sri Lanka women.
- 6) An executive summary and power point presentation of results
- 7) A memorandum on training provided during the assignment.

### **Salient Issues**

This project evaluation is meant to identify longer term impact of what are generally regarded as successful examples of technical assistance, whose benefits may have escaped the attention of USAID and contractors because they occurred years after a technical assistance effort was completed. In addition to developing and implementing some practical measures of rural impact for these past projects, TCP and USAID are interested in analysis and evaluation of the following questions and issues.

- (1) Was the implementing counterpart a private sector firm or association?
- (2) Any distinguishing insights into implementation capacity?
- (3) What can be said about dissemination of benefits?
  - a. Have benefits accrued mainly to the implementing partner?
  - b. Do other firms know about the success?
  - c. Have there been imitators? If so, document; if not why not?
  - d. Have there been other impacts along the value/supply chain as a result of this project? If so, document; if not, why not.
  - e. Are there opportunities for dissemination that have been missed and might be worth additional intervention now?
  - f. Would an intervention based on a private sector association or cluster be helpful?
- (4) How accurate were initial estimates of benefits in quality, quantity, and timing?
  - a. What did growth path of benefits look like over time?
  - b. Was project a measurable success within one year of the receiving USAID assistance?
  - c. Were there major benefits that occurred beyond the horizon of monitoring and evaluation efforts supported by the technical assistance effort itself?
- (5) Has the counterpart firm gone on to make significant investments in growth, productivity and employment without outside development assistance?
  - a. If so, document; if not why not?
- (6) Did project have any noteworthy impact on economic opportunities for women? If so, document; if not, why not?
- (7) What are lessons learned from these projects about successful technical assistance?
- (8) What are lessons for improving of monitoring and evaluation efforts?

### **Duration**

Up to 50 days starting in May 2006 and ending in July 2006.  
Approval for a six-day work week is requested.

#### Travel

Local travel in Sri Lanka

#### Reporting Relationship

The Specialist will report to the Chief of Party of TCP (John Varley) or to Deputy Chief of Party.

#### Qualifications

The Specialist should have a master's degree in a field relevant to economic development or private sector development and experience in project design and evaluation.

Previous experience in Asia and Sri Lanka is desired. Previous experience evaluating an agriculture development project is essential. Familiarity with precepts of Competitiveness (Michael Porter) and cluster-based development is desirable. The Specialist should have excellent communication skills, energy, efficient time-management and self-management; inter-personal skills, cultural sophistication, ability to conceptualize, analyze data and make presentations to different stakeholders. Analytical skills in preparing and evaluating proposals and monitoring and evaluations (M&E) systems are necessary. Experience in other developing country situations and work with associations of private sector firms is highly desirable. Knowledge of USAID contracting procedures is valuable.

#### Logistical Support

The TCP project will project logistical support: office, secretarial support, mobile telephone, transportation, introductions, and local staff and the junior expatriate.

## Attachment B

### Methodology and Work Plan

#### *Case Studies Evaluating Impact of USAID Assistance for Mature Private Sector Development Projects*

##### Methodology

The methodology proposed for conducting two case studies evaluating the impact of USAID assistance for mature private sector development projects is to first select and agree upon two candidate businesses for case studies which previously (at least 8-10 years ago) received funding, technical assistance and/or training support from a past USAID-funded project in Sri Lanka. The two USAID projects chosen for consideration are the AgEnt and TIPS projects, both of which supported private sector business growth.

Given time considerations, a preliminary visit and interview will be conducted for up to three private sector development project businesses previously assisted by these two USAID projects. TCP staff and consultants will accompany the expatriate specialist on these visits. At the time of the first visit, the CEO of the prospective case study clients will be requested to complete a *Business Profile Questionnaire* (see attachment A) which has been developed for the purpose of gathering pertinent present and past data and information regarding the business, including the nature and impact of previous USAID project assistance.

For those case study candidate businesses selected and agreed upon by the expatriate specialist, TCP and USAID, a second, more extensive visit will be made to each of the two selected case study businesses to study the impact of former USAID project assistance on their respective businesses, their business operations including growth over time, and their impact upon other similar businesses, if any, including impact upon the sector with which they are associated.

For each of the two selected case study clients, historical data and information will be gathered on their respective businesses and sectors which they are associated with over a period of approximately 15 days. This may include meetings or visits with their competitors, suppliers or business customers.

Upon completion of this information/data gathering phase, a draft final and final report for each of the two case studies selected will be prepared, and will include among others, news articles/photos for each case study (in an agreed upon format), lessons learned, an executive summary and a power point presentation on the case study findings.

##### Work Plan

**Attachments:  
Assistance**

***Case Studies Evaluating Impact of USAID  
For Mature Private Sector Development Projects***

**A work plan to guide the TOR for this assignment detailing major activities, milestones, reporting and outputs is presented on the following pages.**





**Attachments:  
Assistance**

***Case Studies Evaluating Impact of USAID  
For Mature Private Sector Development Projects***

**Attachment C**

**News Articles for the Two Case Studies**

**Attachments:  
Assistance**

***Case Studies Evaluating Impact of USAID  
For Mature Private Sector Development Projects***

**Attachment D**

**Photos taken of the Two Case Studies**

**(Separately attached)**

*Business Case Study :*  
*Maxie's & Company (Pvt) Ltd.*



**Sri Lanka:**

**Case Studies on Evaluating the Impact of USAID Private  
Sector Development Assistance Projects**

**The Competitiveness Program**

**USAID Contract No. PCE-I-00-98-00016-00**

**Business Case Study:**

**Maxie's & Company (Pvt) Limited**

**June 2006**

## Abbreviations and Acronyms

<b>AgEnt</b>	<b>Agro-Enterprise Project</b>
<b>AIPA</b>	<b>All Island Poultry Association</b>
<b>BDS</b>	<b>Business Development Services</b>
<b>BOI</b>	<b>Board of Investments</b>
<b>BPD</b>	<b>Birds-per-day</b>
<b>DAIPH</b>	<b>Department of Animal Production and Health</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GST</b>	<b>General Sales Tax</b>
<b>HACCP</b>	<b>Hazard Analysis Critical Control Points system</b>
<b>Ltd</b>	<b>Limited</b>
<b>MP</b>	<b>Maxie Perera</b>
<b>MT</b>	<b>Metric Ton</b>
<b>NPM</b>	<b>Net Profit Margin</b>
<b>Pvt</b>	<b>Private</b>
<b>Rs.</b>	<b>Sri Lankan Rupees (Rs. 103.00 = US\$ 1.00)</b>
<b>SLAAP</b>	<b>Sri Lanka Association of Animal Production</b>
<b>SLS</b>	<b>Sri Lanka Standards certification</b>
<b>SLSI</b>	<b>Sri Lanka Standards Institute</b>
<b>TCP</b>	<b>The Competitiveness Program</b>
<b>USAID</b>	<b>U.S. Agency for International Development</b>
<b>VAT</b>	<b>Value Added Tax</b>

This business case study report has been prepared for the Competitiveness Program under USAID Contract No. PCE-I-00-98-00016-00. Views expressed herein are those of the Consultants and are not necessarily those of the TCP or USAID.

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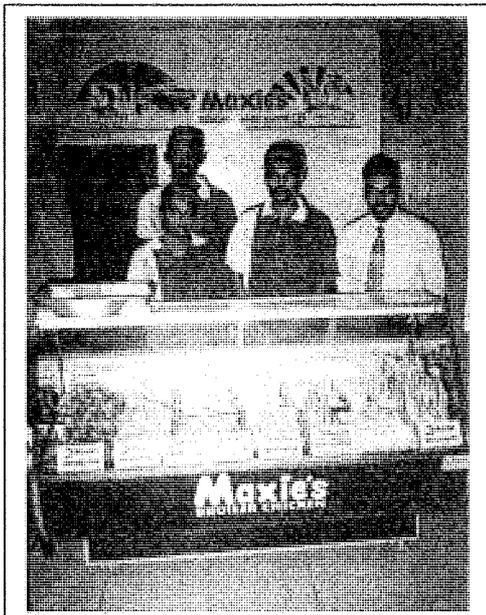
## Recommendations

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- A Draft news article on case study business
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-

**Business Case Study:  
Maxie's & Company (Pvt) Limited**



## 1. Overview of the Business

Maxie's & Company (Pvt) Limited, "Maxie's," is the third largest fully-automated processor of fresh and frozen broiler chicken and chicken parts in Sri Lanka. The company, which had its early beginnings in 1978, grew rapidly during the mid-1990s as a result of modern technology adoption resulting from technical assistance and training grants provided under the USAID-funded Agro-Enterprises (AgEnt) project. Maxie's was the first company in Sri Lanka to introduce fresh processed chicken parts to the domestic market. The company received HACCP system certification in 2005 for meeting high standards in processing and cold chain handling and delivery of its products.

The company which operates two controlled climate close-house broiler production farms in addition to its processing plant in Wennappuwa district also supports 500 independent rural contract poultry growers from Anuradhapura, and Gampaha districts. These growers sell their chicken directly to the company. Maxie's supplies these rural poultry producers with chicks, feed, medicine and technical, including veterinary, support. Maxie's processes over 4 million broiler chickens annually which it markets through direct dealers, food stores, hotels, restaurants, and its own chain of 19 retail farm shops in Puttalam, Kalutara, Colombo and Kandy districts.

Maxie's currently employs some 560 workers, 20 percent of whom are women, and has created close to 2,000 indirect jobs for rural poultry raisers and other service providers which support the business. During 2005, a year in which the bird-flu scare resulted in a greater than 30 percent reduction in the size of Sri Lanka's poultry industry, Maxie's generated \$7.5 millions in sales.

### Case Study Contacts:

**Date of Case**

**Study Visits:** 11 and 24 May 2006

**Address:** Kosgas Junction, Wennappuwa, Gampaha, Sri Lanka

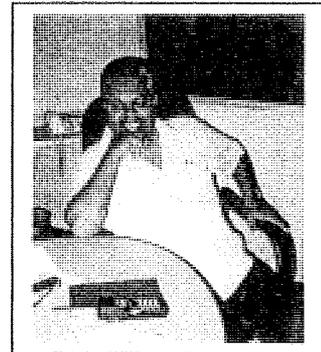
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Lalith Pathirana, Consultant  
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## 2. History, Development and Growth of the Business over time

### Early History of the Business:

Maxie Perera (MP), Chairman and Managing Director of Maxie's & Company (Pvt) Limited (Maxie's), grew up in a family with three siblings and a father who made his living buying and selling coconuts. During his high school years, MP helped his father with the coconut business delivering coconuts after school. From his savings he helped buy a small lorry to make his father's job easier. As the business grew, he continued to set aside 75 percent of his earnings over these early years to buy a small house.



Maxie Perera

His father wanted him to be an engineer and he completed his engineering studies but decided not to take his final exams. Engineering and coconuts were of little interest to MP. Yet, he wasn't sure what he really wanted to do with his future. One day in 1978 while at home, his grandmother encouraged him to raise some chickens. He decided to try it and applied for a Rs. 5,000 (\$50) loan from Peoples' Bank to buy 100 day-old chicks and enough feed to raise them. This was the first time he had been exposed to chicken raising. This first attempt didn't produce any profits for MP, but he did break even and decided to raise another batch of broilers. The second time he earned a five-fold return on his investment and promptly ordered another batch of chicks. These were the humble beginnings of MP in the poultry business.

While MP's brother joined his father in the coconut business, Maxie Perera continued to produce broilers at his home and to slaughter and dress them during the night in a small shed next to the house for market the next morning. This led to the original name of the business "Maxie House." In 1980 he developed the first logo for the business, a red and white picture of a chicken head with the words "Maxie's" underneath, which is still the logo used today by the company.

### Milestones in the Business' Development:

1984 – The Agricultural Development Authority helped encourage MP to apply for a 20-acre parcel of coconut land to expand his business. He obtains the land initially on a lease basis, as he didn't have the cash to buy it. After 3-4 years he was able to convert the lease into a purchase contract and began expanding his broiler production.

1989-90 - MP opens some small retail outlets to sell about 2,000 birds per day, but slaughtering was still being done in the small shed by his house. At the same time he continues to develop his 20-acre farm and support the

development of a network of rural poultry out-growers to increase the business' production.

1994 - MP hears for the first time about the USAID-funded AgEnt Project from the Agricultural Development Authority in Kurunegala which puts him in contact with the project office in Colombo. He also receives an award from North West Province as "*Entrepreneur of the Year – 1994.*"

During 1994, the AgEnt project extends a matching grant to MP to travel to the U.S. to study poultry processing technology. AgEnt assists MP with obtaining his visa for the trip. He attends the annual international poultry exposition in Atlanta, Georgia. This was the "eye opener" according to MP. "I was hungry and thirsty for knowledge," says MP, "and I totally absorbed everything that I saw."

Also during 1994, AgEnt assists Maxie's to import poultry processing equipment from the U.S. at a 40% price discount, including an automated poultry processing line rated at 1,000 birds-per-hour; an incinerator to handle waste; and a de-boning machine. AgEnt later assists the business to import a vacuum packing machine.

1995 - An article appears in the March 1995 edition of *Poultry International*, entitled "Backyard Poultry Farmer becomes Millionaire." Maxie's out-grower program creates income for 600 farm families who have entered the broiler raising business. MP receives, for the second year in a row, an award from North West Province as "*Entrepreneur of the Year – 1995.*"

1994-96 - MP continues to receive technical assistance, training and matching grant assistance from AgEnt, including additional observational study tours to the U.S. to attend a 7-day course conducted by the University of Maryland's Poultry Science Department (1995); a two-week poultry production and processing training program in Corvallis, Oregon, organized by Oregon State University; and a trip to Des Moines, Iowa to study pork exports.

2003 - Maxie's receives Sri Lanka Standards certification from the Sri Lanka Standards Institute.

2005 - Maxie's receives HACCP system certification. Maxie's upgrades its broiler processing plant, increasing capacity to 20,000 birds per day (BPD). Maxie's completes construction of its first close-house production farm, located in Arachchikattuwa, with a production capacity of 60,000 birds per production cycle.

#### Business Growth:

Maxie's, which received its Hazard Analysis Critical Control Points (HACCP) system certification in 2005, is now a leader in the Sri Lanka poultry industry. In 2005, the company replaced its original poultry processing line imported from the U.S. with AgEnt assistance with a new, fully automated production line imported from India and capable of processing 20,000 BPD. As such,

Maxie's is now the third largest processor of poultry products in the country today. In addition to its HACCP system certification, Maxie's is also certified by the Sri Lanka Standards Institute (2003) and is a certified *Halal* processor since opening its first processing plant.

Maxie's was the first poultry processor in the Sri Lanka to section its meat and sell processed chicken parts, skinned and unskinned, on the market. Today, it continues to be the leader in this field, along with its HACCP-certified cold chain handling system for chilled chicken from processing plant to customer under the highest sanitation and safety standards. Many others in the industry are now trying to copy the techniques of Maxie's in this regard and, as such, Maxie's is setting the standard for quality and price in the industry.

Maxie's now operates two close-house production farms, where birds are grown under a climatically controlled environment at 27°C, and is soon to add a third close-house production farm, bringing its production capacity per cycle up to 150,000 birds.

**Visit to Maxie's Close-House Production Farm # 2, Arachchikattuwa:**

Four (4) closed production houses were built in 2005 and are now in operation. Each house which has climatic temperature control, raises 15,000 birds at 27°C in 35-37 days to market weight. Each closed house measures 35 m<sup>2</sup> x 200 m<sup>2</sup>, and costs about Rs. 2.0 million to build (2005). The total current farm production capacity is 60,000 birds. The farm is located on an 18 acre parcel and has two small man-made tanks (water ponds) at end of production facility to meet water needs related to operating the close house cooling systems. The production farm has its own power supply. Maxie's currently has two such close-house broiler production farms and plans for a third to be added during 2006-2007, which will bring the companies broiler production capacity up to 150,000 birds per cycle.

In addition, the business now supports 500 contract growers which raise anywhere from 1,000 to 15,000 birds each. Birds are raised in 35-37 day cycles up to a harvest weight of 1.6 kg. Under this buy-back arrangement, Maxie's supplies all its contract growers with day-old chicks, feed, medicine, extension and veterinary support, and ready market. Contract growers provide bird house, labor, water and electricity. At any given time, 300 contract growers are under production.

Maxie's currently obtains its day-old chicks from Prima and Green Valley Farms and buys its poultry feed from Prima and Gold Coin.

Maxie's now processes over 300,000 birds per month, or about 25 MT of finished meat product per day, 65 percent of which is portioned and 35 percent of which is sold as whole chicken. Most products are marketed on a fresh, non-frozen, basis, however, the market for frozen chicken is increasing.

At the time of the first AgEnt assistance, Maxie's operated 10 lorries. By the time the USAID AgEnt project ended, in August 2000, Maxie's had extended its lorry fleet to 50, and today operates a fleet of 89 lorries.

Today, the number of farm stores operated by Maxie's which sell fresh whole and sectioned chicken direct to the public has grown to 15. The company also operates two wholesale distribution outlets in addition to wholesale marketing which is also done at their main processing plant.

In 1987 the company employed 75 workers. By 1994, this workforce had expanded to 151, and by the year 2000 the company employed 403 workers. Maxie's currently, as of June 2006, provides direct employment to 561 workers, 80 percent of whom are permanent and 20 percent of whom are considered casual labor.

Over the years, MP and Maxie's have received a long line of awards, including:

- Entrepreneur of the year 1994 Gold Award NWP Agriculture / Medium
- Entrepreneur of the year 1995 Gold Award NWP Agriculture / Medium
- Entrepreneur of the year 1996 Bronze Award NWP Agriculture / Large
- Livestock Farming & Processing Sector year 2000 Winner – Large Category
- Food Awards of Excellence 2001 Bronze Award - Frozen Foods
- Food Awards of Excellence 2002 Bronze Award - Frozen Large
- Food Awards of Excellence 2003 Silver Award - Frozen Large
- Entrepreneur of the year 2002 Silver Award NWP
- Entrepreneur of the year 2003 Silver Award NWP
- Entrepreneur of the year 2003 National Bronze Award

As part of its 20,000 BDP fully automated processing plant, Maxie's has recently installed an 8 MT food grade ice flake machine, a state of the art waste-water-treatment plant (2005), and a biometrically controlled fresh water system (2006). All data systems at the plant are fully computerized as are inputs and production inventory data and market data.

In addition to its broiler meat operation, Maxie's also produces and markets 20,000 eggs per day under its now famous "Golden Yolk" name brand.

Outside of the network of company-operated retail farm stores, other primary markets for Maxie's fresh poultry meat and egg products include major hotels in Colombo (e.g. Taj Sumudra, Ceylon Continental), Cargills retail food outlets, some Keels food outlets and other chain supermarkets (e.g. Royal Garden) in Colombo and Kandy districts. Maxie's also provides marinated chicken thighs to McDonalds outlets in Colombo.

Maxie's approach to marketing is "quality first, not price." Even so, Maxie's products command premium price over other brands in the market, and their higher price has not affected their sales.

### **Fully Automated Poultry Processors in Sri Lanka**

<b>Rank in size</b>	<b>Name of Processor</b>	<b>Year Automated</b>	<b>Number of Broilers Processed per Year</b>
1	Ceylon Agro Industries Ltd	1992	7,200000
2	Bairaha Farms Ltd	1979	6,912000
3	<b>Maxie's &amp; Company (Pvt) Ltd</b>	<b>1994</b>	<b>4,752000</b>
4	Farm's Pride (Pvt) Ltd	2002	3,744000
5	Weehena Farms (Pvt) Ltd	1998	3,744000
6	Pussalla Farm (Pvt) Ltd	1994	3,744000
7	Five Star Farms (Pvt) Ltd	2004	2,016000
8	New Anthony's Farm (Pvt) Ltd	2006	2,016000
9	Mahaweli Livestock & Agro Enterprises	1998	1,200000

Source: Compiled from industry sources, 2006

### **3. History, Development and Growth of the Poultry Industry in Sri Lanka**

Sri Lanka's poultry industry began in the mid-1950s, primarily producing eggs, not broiler meat. Up until this time chickens were produced at a subsistence backyard level with indigenous local birds, the descendants of the native red jungle fowl (*Gallus gallus*), renowned for disease resistance and survival under hot humid conditions. Egg yields were low, averaging 50–75 eggs/bird/year due to the absence of quality feed. Historically, Sri Lanka imported eggs and live birds from India.

In 1955, poultry production began to organize as an industry in Sri Lanka with the introduction of hybrid chicks. Male birds supplied by the government poultry extension program, during the period 1955-1964, increased production by 85 percent and egg imports were stopped in 1963. The private sector began importing commercial layers and parent stock in 1960. Imports during the period 1962-1967 included such breeds as Hy-Line, Shaver, Hubbard, Cobb, Isa, and resulted in the establishment of 22 parent domestic franchise breeder farms which marketed mainly layers (65 percent) up to 1980. As such, the "Poultry Belt" in the Western coastal areas was established.

Broiler production became popular only during 1979 when one private sector firm pioneered the marketing of frozen whole broiler chicken meat. In 1982, Hy-Line Layer & Indian River broiler Grand Parent stock was imported from the USA. During 1987 this company was the largest servicing 3,000 rural poultry producers. The incubator capacity of over three quarter million eggs, ensured an output of half a million chicks every three weeks. The only feed source at that time was the State-owned Oils & Fats Corporation which operated the only commercial feed mill in the country (started during the early 1960s). Before 1982, the State sector was the dominant provider of production inputs and perfected the Ranikhet vaccine (1951–1960) along with fowl pox. Superior breeds producing 250 eggs/year in confinement replaced the backyard 50-75 free egg layer. At this time there were no direct foreign investment in the sector, and local private sector investment was still considered small. The

entry, in 1982, of a multinational company with direct foreign investment, for feed milling and a complete package for out-grower operations, parent breeder/grand parent farms, large scale processing, value addition, packaging and marketing, expanded the industry to medium and large economic scales of operation with the transfer of best farming practices.

In 1990, the Government provided massive incentives for the expansion and growth of the poultry industry, including duty waivers on imports of chicks, equipment, feed ingredients, granting of BOI status, etc. This public sector support helped launch the industry. By 1997, three leading poultry companies were listed on the Securities Exchange Colombo (Stock Exchange). During 1993, more than six private sector feed millers were operating in Sri Lanka, with a business turnover of Rs. 1 billion per annum and reaching an annual production level of 240,000 MT. However, by the end of 2002, only four commercial poultry feed manufacturers were still operating. The implementation of the Animal Feeds Act of 1986, feed quality monitoring introduced in 1994, and the appointment of the animal feeds registrar in May 1997, ensured quality improvements to the animal feeds sector. The registration of breeder farms by the DAPH and disease surveillance available from the Veterinary Research Authorities ensured quality guaranteed commercial day old chicks and animal feeds to the industry. Of the 38 commercial broiler production farms registered up to 2005, 25 farms produce broilers and the rest a combination of broilers and layers. The introduction the 15 percent GST and later VAT during 2002 increased the cost of poultry production and consumer prices.

Interventions under the USAID-AgEnt Project (1992-2000) on technology transfer, including international assessment visits, made a significant contribution to the growth, development and the consolidation of the poultry industry in Sri Lanka, and resulted in the formation of two trade associations; the All Island Poultry Association (AIPA) in 1996 and the Sri Lanka Association of Animal Production (SLAAP) in 1997. AgEnt shifted its attention away from a client-focused approach after 1997, and the pace of technology transfer to the poultry industry of Sri Lanka slowed considerably.

According to the Census & Statistics Department, the average annual growth of the sector from 1960-1973 was nearly 11 percent with an increased egg production from 173 million eggs to 622 million eggs per annum. A drop in production occurred from 622 million to 360 million eggs per year during the period 1973-1978, attributed to the closed economic policies of the Government at that time. Opening of the economy in 1979 resulted in an average egg growth of 9 percent per annum reaching 830 million eggs by 1989 and a per capita availability of 50 eggs.

The broiler sector became visible from 1980 and increased from 2,740 MT of meat produced that year to over 83,000 MT of broiler meat produced in 2005. The broiler industry showed a decline in production growth by as much as 30 percent during the period 2003-2005 due to consumer fears generated as a result of the "bird flu" scare. Indirectly, this event helped benefit a portion of the industry by forcing the industry to shift away from its dependence on

importing bird parent stock from abroad and producing more of its bird parent stock locally.

Emerging from the backyard system in the 1950s, the poultry industry in Sri Lanka has been transformed into one of the more important and vibrant agro-industries in the country, contributing significantly to income and employment generation, nutritional well being of the nation, and adding about 0.7 percent of the overall GDP. Today it is the only means of livelihood for nearly 1 million people and self-employment for about 75,000 farmer families and 200,000 input providers. The poultry industry currently represents a Rs. 26.0 billion investment (\$260 million) and pays about Rs. 2.0 billion in annual taxes (\$20 million).

#### Historical Data - Poultry Sector:

##### *Price of Chicken*

Item / Year	1982	1989	1992	2001	2003	2004
Price of Chicken (Rs/Kg)	34.11	60.04	82.99	81.16	96.75	96.82

Source: Poultry Data Compiled by DAPH

##### *Sri Lanka Broiler Production/Per Capita Consumption / Availability*

Year	Annual Production		Per Capita Availability (Kg)
	No. Birds (Millions)	Meat (000'Mt)	
1980	2.1	2.7	0.10
1990	14.5	14.1	0.84
1991	15.6	14.8	0.87
1992	18.8	19.0	1.11
1993	25.2	25.2	1.45
1994	32.4	35.7	2.02
1995	37.9	38.8	2.15
1996	38.5	38.9	2.50
1997	40.7	45.9	2.84
1998	47.2	52.8	2.84
1999	50.4	56.2	3.52
2000	59.7	66.5	3.81
2001	63.7	71.3	3.95
2002	64.7	74.7	4.17
2003	67.0	77.0	4.32
2004	69.7	79.7	4.53
2005	73.7	83.7	6.00

Source: Poultry Industry Key Statistics- Compiled by the Department of Animal

*Import of Day Old Chicks (DOC)*

Type / Year	1991	1992	2000	2001	2003	2004
Broiler						
Parents	197,004	229,673	607,989	718,895	778,815	634,997
Grand Parents <sup>1</sup>	2,625	2,170	5,200	7,350	7,200	10,178
Layer						
Parents	40,878	46,911	67,093	98,899	56,970	78,113
Grand Parents	485	455	-	-	-	-

Source: Poultry Data Compiled by DAPH

*Commercial Day Old Chick Production*

Type / Year	1980	1990	1991	1993	1999	2004
Broilers (Mn)	0.1	14.5	15.6	25.2	50.4	67.0
Layers (Mn)	2.0	3.7	4.2	4.8	4.4	7.2

Source: Poultry Data Compiled by DAPH

**4. USAID project assistance and Impact on the Business / Sector**

Project Assisting: Agro-Enterprises Project (AgEnt)

Amount of Assistance: \$ 58,532 (7 grants) + TA; Client contribution \$88,490

Initial Year of Contact: 1994

Years of Project Assistance: 1994-1996

Type of Assistance Provided: 1) Matching grant assistance for overseas training and technology transfer;

2) Assistance to purchase and import poultry processing machinery from the USA, including 1,000 BPH processing plant, incinerator, vacuum packer and de-boning machine; and

3) Technical assistance in production, processing and marketing (LOE estimate: 3 person-months of International TA, and 3 person-months local TA)

**Business Impact:**

<sup>1</sup> Only three Grand Parent Farms exist in Sri Lanka, the latest of which began operation in 2004.

The Agro-Enterprises (AgEnt) project provided financial, training and technical assistance to the client during the period 1994-1996. Financial assistance took the form of seven matching grants to finance overseas technology observation study tours and training programs. Technical assistance was provided on an ongoing basis to the client during this period in the form of technical advisers, both local and international, who assisted the client on a regular basis with production, processing and marketing bottlenecks associated with new technology adoption.

Clearly the assistance provided to Maxie's under the USAID-funded AgEnt project had a significant impact on the business' ability to source and adopt new technology at a critical time in the business' and the poultry industry's growth. The observational study tours, funded under the AgEnt matching grant program, to the international poultry exposition in Atlanta, Georgia in 1994 and the follow-on USA training and sector study tours in 1995 and 1996 to attend a 7-day course conducted by the University of Maryland's Poultry Science Department; a two-week poultry production and processing training program in Corvallis, Oregon, organized by Oregon State University; and a trip to Des Moines, Iowa to study pork exports, were important milestones to the technology transfer needed for the business' growth.

Maxie's Chairman and Managing Director, Maxie Perera, who has now traveled to and studied poultry production, processing and marketing in some 15 countries says, "I learned the finer points of poultry production and processing from these AgEnt sponsored international trips. I was hungry and thirsty for knowledge," says MP, "and I totally absorbed everything that I saw. Also, the hands-on technical assistance provided to my business by AgEnt was invaluable. AgEnt helped us in so many ways for which I'll always be grateful." According to MP, "AgEnt also helped resolve sector development problems, by raising policy issues to address constraints facing the industry, like the ad hoc regulations in the transport of live birds, which was an early problem for us."

MP goes on to say, "The technical assistance in processing and marketing provided by the AgEnt project was invaluable to our businesses growth and success. Today we are where the U.S. was 10 years ago in terms of technology. AgEnt helped put us at the front of the industry because of technology transfer."

#### Sector Impact:

Interventions under the USAID-AgEnt Project (1992-2000) on technology transfer, including international assessment visits, made a significant contribution to the growth, development and the consolidation of the poultry industry in Sri Lanka, and resulted in the formation of two trade associations; the All Island Poultry Association (AIPA) in 1996 and the Sri Lanka Association of Animal Production (SLAAP) in 1997.

AgEnt worked with and assisted a number of the key players in the poultry industry during the mid-1990s to acquire and adopt modern industry technology. One client that the project assisted was Green Valley Farms, which today operates a modern hatchery, thanks in large part to technology

adoption facilitated by AgEnt, and supplies day-old broiler chicks to Maxie's. A policy change ending AgEnt's direct grant assistance to private sector poultry operators like Green Valley and Maxie's in favour of providing assistance only to associations was introduced after 1997.

## 5. Business' Impact on Rural Employment and Women

With respect to gender, 80 percent of the company's current 561 workers are male and 20 percent are female. Because of the company, employment has been created for some 500 farm family contract poultry growers in rural areas, including family members and outside laborers which have been hired by these contract growers, resulting in the creation of an additional estimated 2,000 full-time jobs. Most of the poultry farms operated by these contract growers are managed by rural housewives. Their leadership role and economic empowerment brought about as a result of participation in the out-grower program was quite apparent during field visits.

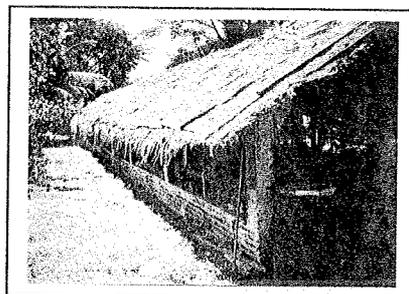
### Field Visit Notes:

The Consultants were accompanied on visits to two of Maxie's independent rural contract growers on May 24, 2006 by Mr. Roshan Perera, Senior Manager Extension Service for Maxie's, who is in charge of field out-grower operations and has been with Maxie's for 17 years, and by Mr. Lalith Pathirana, a company senior executive who has automated and computerized the entire operation of Maxie's.

### Visit to First Contract Grower:



Violet Pinto with Maxie's senior manager for extension services, Roshan Perera



One of three 1,000 bird poultry houses owned and operated by Violet Pinto

Violet Pinto, who grew up in a nearby village and completed her A-level education, has for the past 25 years raised her family of two children along with her husband on a piece of property owned by the local Urban Council of Chilaw. Ten years ago she started raising broilers under a buy-back agreement with Maxie's. Her first production level was 500 birds and she now has three locally constructed production houses and produces 3,000 birds per 35-40 day production cycle with live weight yields of 1.6 kg per bird. She has recently had to hire one full-time laborer to help her with the broiler raising operation, as one of her children is now studying in Japan and can no longer help with the family business. Violet plans to soon purchase a new piece of land to further expand the business. She says she is happy to be a contract

grower with Maxie's, as the company gives her good support and assists her with bio-security, an important consideration these days in the poultry business. It is obvious that Maxie's has developed a very close working relationship with its contract growers.

#### Visit to Second Contract Grower:



Rita Perera standing with her workers in front of her newly completed broiler house

Sepalika "Rita" Perera is an accomplished chef and previously ran her own restaurant in Colombo. She and her husband returned to Sri Lanka in 2005 from Australia where they had been living for a few years and now are developing a rural home site at Shandon Estate, Ambakandawila. In September 2005 she signed a contract grower agreement with Maxie's and is now producing 2,150 broilers. Her husband manages a small family piggery with five breeder pigs, however, the poultry is now the main income producer for this former urban dweller couple turned farm family. Rita manages the broiler operation with the help of one full-time laborer which she has hired from the local community. She says it's the first farm project she's ever been involved with in her life, and that she's thoroughly enjoying it. She says that she and her worker can easily manage the broiler production and Maxie's gives her A-Z support. She says she is very happy with her business relationship with Maxie's and that she would never have considered starting the family chicken raising business without their support and encouragement. She is now already thinking about further expanding her broiler production capacity.

#### **6. Strengths, Weaknesses, Opportunities and Threats associated with the Business**

Maxie's & Company (Pvt) Limited has achieved rapid growth over the past dozen years and has positioned itself well within the poultry industry. The company's strengths lie in its commitment to adopting the latest technologies in its industry and maintaining the highest level of broiler production, processing standards and quality. Also the strength of the business is its twin production strategy of maintaining its own production farms while at the

same encouraging the growth of its rural contract grower network which supplies two-thirds of the processing plant requirements. As such, the company has been able to successfully manage its investment costs to support further company growth.

The major weakness of the company is that it has not totally integrated its entire operation, relying on outside suppliers of animal feed and day-old chicks.

The company has many opportunities before it for further growth and diversification. Further value addition to its processed poultry products include packaged chicken meat-based food products, enhanced waste recovery through expansion to pet food product lines, and entry into fast food retail outlets for ready to eat chicken. The company also has the opportunity to further expand its current scale of production and further integrate its business by adding poultry feed manufacturing to its core business activity.

External threats to the business include reduced consumer demand for poultry products due to the fear of "bird flu" introduction to Sri Lanka and government policies which could disrupt its business operation. Recently the government temporarily halted the importation of yellow corn from India due to bird flu concerns. In May 2006 the government asked meat processors to suspend business for 7 days during the annual Vesak festival. While the decision was later reversed, it came at the end of the 7-day period and Maxie's lost one-week of operation in its processing plant. MP says, "if there was still an AgEnt, this would not have happened." One week lost production equals 2% of Maxie's annual sales.

Feed costs amount to between 70-80 percent of the cost of producing broilers. Sri Lanka now imports 70 percent of its animal feed ingredients used in commercially manufactured poultry feed. A sudden increase in feed prices or disruption of supply is a distinct threat to the company. As competitors integrate their operations, there may come a day when the company's present feed suppliers are either absorbed by other competitors or are unable to supply enough feed or assure the quality of feed required to support Maxie's current or expanded business operations.

## **7. Growth Strategy of the Business**

Maxie's growth strategy is based on "putting quality before price" and staying in the lead with respect to technology adoption. This strategy has worked well in the past for the company and has positioned them as the 3<sup>rd</sup> largest poultry processor in the industry. Sri Lankan per capita consumption of poultry products has shown steady growth, increasing nearly three-fold in the last ten years alone. Poultry is the meat of preference in Sri Lanka and Maxie's is committed to staying with its winning formula.

## **8. Lessons Learned**

The direct client contact which typified the AgEnt project approach during its early years worked well for the industry and well for entrepreneurs like MP. Technical assistance and training provided to the client helped reinforce technology transfer and adoption as well as assist in market development. When the project shifted its attention away from a client-focused approach, the pace of technology transfer to the poultry industry of Sri Lanka slowed considerably.

MP attributes his good fortune to obtaining the 20-acre land parcel from the government and receiving technology transfer and one-on-one technical and market support from the AgEnt project. He is a self-taught entrepreneur who gathered knowledge on his own and developed each facet of his business step-by-step.

International exposure of entrepreneurs to technology through observation study tours is an effective means to accelerate the pace of technology transfer and adoption. Donor programs can make a significant impact on the pace of technology transfer through the use of matching grant funding to support such international exposure.

Maxie's overall success in its industry can be directly linked to its pioneering efforts to offer the market fresh cut chicken products, its dedication to adopting the best technology and its ability or good fortune in being able to access that technology, and its steadfast commitment to quality, from producer to consumer.

## 9. Business Profile

### 9.1 Business Structure: Sector Represented, Age, Ownership

#### 9.1.1 Sector Represented by Business

<i>Sector represented:</i>	Name of Business:	Maxie's & Company (Pvt) Limited
• Agribusiness/agro-processing		X
• Manufacturing/local market		
• Manufacturing/export market		
• Construction		
• Hotel/tourism/food service		
• Imports/wholesale/retail		
• Transportation		
• Communications/IT/computer		
• Financial/insurance/real estate		
• Health/education/professional		
• Other services/non-professional		

#### 9.1.2 Age of Business

<i>Age of the business:</i>	Name of Business:	Maxie's & Company (Pvt) Limited
• Year business started		1978

#### 9.1.3 Business Ownership Structure

<i>Ownership structure of business:</i>	Name of Business:	Maxie's & Company (Pvt) Limited
• Public quoted company		
• Public non-quoted company		
• Private limited company		X
• Peoples company		
• Guarantee limited company		
• Partnership		
• Sole proprietorship		

#### 9.1.4 Ownership: Land, Buildings and Equipment

The company has its headquarters and poultry processing plant (20,000 birds-per-day) in Wennappuwa, North Western Province. The company also owns and operates two close house production farms (each with a capacity of 60,000 birds), one in Wennappuwa and the other in Chilaw. In addition the company either leases or owns property for its 15 retail and 2 wholesale outlets in the Gampaha, Colombo and Kandy areas.

The company currently owns and operates 89 lorries. The company has 500 village-based contract growers, at any given time, of which 300 are under production. The company provides technical specifications for building design, technical and veterinary assistance, chicks and feed under their buy-back grower arrangement. The contract grower provides land, building and labor.

<i>Business owns:</i>	Name of Business:	Maxie's & Company (Pvt) Limited
• Primary business premises		X
• Other land and buildings		X
• Equipment & furnishings		X
• Vehicles		X

## 9.2 Ownership / Management Profile: Gender, Age, Education and Experience

### 9.2.1 Owner / Management Profile – Gender

<i>Gender of business owner(s) / manager:</i>	Classification	Business Owner(s)	Business Manager
• Male		X	X
• Female			
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>		<b>1</b>	<b>1</b>

### 9.2.2 Owner / Management Profile – Age

<i>Age of business owner(s) / manager:</i>	Classification	Business Owner(s)	Business Manager
• Under 30 years			
• 30-39 years			
• 40-49 years		X	
• 50 years and over			X
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>		<b>1</b>	<b>1</b>

### 9.2.3 Owner / Management Profile – Education

<i>Education of business owner(s) / manager:</i>	Classification	Business Owner(s)	Business Manager
• University level			X
• Diploma level			
• Secondary level		X	
• Primary level			
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>		<b>1</b>	<b>1</b>

### 9.2.4 Owner / Management Profile – Experience

Classification <i>Experience of business owner(s) / manager:</i>	Business Owner(s)	Business Manager
• Number of years of professional work experience	25	23
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>	<b>1</b>	<b>1</b>

### 9.2.5 Owner's Role in Business Formation

<i>Owner's role in business formation::</i>	Name of Business: Maxie's & Company (Pvt) Limited
• Started this business	X
• Bought this business	
• Inherited this business	
• Other	

## 9.3 Employment Profile: Employees, Gender, Status, and Benefits

### 9.3.1 Scale of Employment

#### *Direct Employment*

<i>Number of employees (permanent &amp; casual)</i>	Name of Business: Maxie's & Company (Pvt) Limited	
	Number of Employees	Percent Change
Current (2006)	561	+2.0%
1-Year Ago (2005)	550	+36.5%
2000	403	+168.6%
10-Years Ago (1995)	150	+100.0%
1987	75	

#### *Indirect Employment*

<i>Indirect employment created by business:</i>	Name of Business: Maxie's & Company (Pvt) Limited
Current number of indirect jobs created by business	2,000

### 9.3.2 Employment by Gender

<i>Gender of employees:</i>	Name of Business: Maxie's & Company (Pvt) Limited
• male 100% - female 0%	
• male 90% - female 10%	
• male 80% - female 20%	X
• male 70% - female 30%	
• male 60% - female 40%	
• male 50% - female 50%	

• male 40% - female 60%	
• male 30% - female 70%	
• male 20% - female 80%	
• male 10% - female 90%	
• male 0% - female 100%	

### 9.3.3 Employment by Worker Status

<i>Status of employees:</i>	Name of Business	Maxie's & Company (Pvt) Limited
• permanent 100% - casual 0%		
• permanent 90% - casual 10%		
• permanent 80% - casual 20%		X
• permanent 70% - casual 30%		
• permanent 60% - casual 40%		
• permanent 50% - casual 50%		
• permanent 40% - casual 60%		
• permanent 30% - casual 70%		
• permanent 20% - casual 80%		
• permanent 10% - casual 90%		
• permanent 0% - casual 100%		

### 9.3.4 Employment Benefits

<i>Benefits offered to employees by business:</i>	Name of Business:	Maxie's & Company (Pvt) Limited
• paid vacation		X
• paid sick leave		X
• transportation allowance		X
• meals		X
• education/training allowance		X
• annual tour		X
• commissions		X
• bonuses		X
• maternity leave		X
• health insurance		X
• life insurance		X
• retirement benefits		X

## 9.4 Nature of Business: Products, Services, Markets and Linkages

### 9.4.1 Primary Business Description:

Production and processing of fresh and frozen broiler chicken and chicken parts.

#### 9.4.2 Products/Services Offered

- a) Whole chicken
- b) Skinless boneless chicken
- c) Chicken parts
- d) De-boned chicken
- e) Marinated chicken
- f) Golden yolk eggs
- g) Provision of production on special orders by customers/consumers
- h) Chain of farm shops and product marketing services

#### 9.4.3 Principal Markets

Principal market for company's products is the domestic market.  
Domestic markets include:

- a) Maxie's company-owned retail farm shops (15) and wholesale outlets (2 in addition to main plant)
- b) Hotels and restaurants (e.g. Taj Samudra, Ceylon Continental)
- c) Maxie's direct dealers
- d) Retail shops on selected routes
  - Marinated thighs to McDonalds
  - lower grade parts to John Keels for sausages
  - Cargills and other food chains in Colombo and Kandy

#### 9.4.4 Linkages

- a) **Integrated Linkages:** Maxie's production farms linked to processing and linked to Maxie's retail Farm Shops and wholesale outlets
- b) **Backward Linkages:** Village-level Contract Growers supply Maxie's Contract Growers technical support with chicks, feed, medicine, and market. Chicks, feed and medicine, in turn supplied to Maxie's by other commercial suppliers.
- c) **Forward Linkages:** Processed Broilers marketed to hotels, direct dealers and chain food stores

#### 9.4.5 Certifications

- a) Sri Lanka Standards (SLS) certification – 2003
- b) HACCP system certification - 2005

## 9.5 Financial Performance Indicators: Turnover, Debt-Assets Ratio, Net Profit Margin

### 9.5.1 Financial Statements / Audit Practices

Classification	Yes	No
<b>Financial Statements / Audit Practices:</b>		
• Business prepares monthly financial statements		X
• Business prepares annual financial statements	X	
• Business conducts annual audits (external)	X	

### 9.5.2 Average Annual Sales / Business Turnover

Name of Business:	Maxie's & Company (Pvt) Limited
<b>Average annual sales / business turnover:</b>	
Average annual sales / business turnover – Rupees	Rs. 776 Million
Average annual sales / business turnover – U.S. Dollars	\$ 7.5 Million

### 9.5.3 Debt-to-Asset Ratio

Name of Business:	Maxie's & Company (Pvt) Limited
<b>Debt-to-Asset ratio of business:</b>	
Debt-Asset ratio as a percent	49%

### 9.5.4 Annual Net Profit Margin

Name of Business:	Maxie's & Company (Pvt) Limited
<b>Annual net profit margin of business:</b>	
Annual NPM as a percent	4% <sup>2</sup>

## 9.6 Business Planning

### 9.6.1 Business Plan

Classification	Yes	No
<b>Written business plan:</b>		
• Business has a <u>written</u> Business/ Corporate Plan	X	

### 9.6.2 Market Plan

Classification	Yes	No
<b>Written market plan:</b>		

<sup>2</sup> Annual Net Profit Margin for the current year was reduced due to the company's self-financed expansion with respect to installation of a pure water system, food-grade ice flake plant, installation of a state-of-the-art waste water treatment system, and construction of two close-house production farms.

• Business has a <u>written</u> Market Plan	X	
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### 9.6.3 Vision / Mission Statement

<i>Vision / Mission statement:</i>	Classification	Yes	No
• Business has a <u>written</u> Vision and/or Mission Statement		X	

#### Vision Statement:

*“Maxie’s & Company (Pvt) Ltd aims to be a leader in providing high quality and consumer safety assured Broiler Chicken in the country.”*

#### Mission Statement:

*“Produce high quality, safe broiler chicken through strict adoption of GMP’s and HACCP system.”*

## 9.7 Borrowed Capital

### 9.7.1 Sources of Borrowed Capital

<i>Sources of borrowed capital:</i>	Name of Business:	Maxie’s & Company (Pvt) Limited
• Bank loans		
• Overdrafts from banks		X
• Private loans/money lenders/pawnshops		
• Lease companies		
• Trade credit		
• Family/friends borrowing		
• Don’t use borrowed capital		

<i>Reasons for not borrowing from banks:</i>	Name of Business:	Maxie’s & Company (Pvt) Limited
• Complicated loan application procedures		
• High interest rates and other costs		
• Burdensome collateral requirements		
• No need		X
• Own resources are sufficient		
• Don’t trust banks		
• Don’t want additional liability for business		
• Friends and family have enough lending capital		

## 9.8 Use of Computers, Internet and E-Commerce

### 9.8.1 Computer Use

### 9.8.1.1 Usage

Classification	Yes	No
<b>Computer Usage:</b>		
• Business uses computers for business applications	X	

### 9.8.1.2 Usage Period

Name of Business:	Maxie's & Company (Pvt) Limited
<b>How long computerized:</b>	
• Less than 2 years	
• 2-4 years	
• Over 4 years	X

## 9.8.2 Internet Use

### 9.8.2.1 Usage

Classification	Yes	No
<b>Internet Usage:</b>		
• Business connected to Internet	X	

### 9.8.2.2 Usage Period

Name of Business:	Maxie's & Company (Pvt) Limited
<b>Period of Internet usage:</b>	
• Less than 2 years	
• 2-4 years	
• Over 4 years	X

### 9.8.2.3 General Use of Internet

Name of Business:	Maxie's & Company (Pvt) Limited
<b>General purposes for which Internet used:</b>	
• E-mail	X
• Downloads	X
• Maintaining website	X
• Purchasing	X
• Sales	X
• On-line banking	X
• Net meetings	
• Research a product or a market	X
• Research pricing for a product or service	X
• Research technology or equipment	X
• Research suppliers or manufacturers	X

• Research competition	
• Research government licensing, export, tariff or taxation requirements	
• Look for government/private sector BDS providers	X
• Look for a loan or capital investment	
• Develop a business plan or prepare a feasibility study	X
• Assist with staff or management training	X
• Other	

#### 9.8.2.4 Importance of Internet

<b>Importance of Internet to business:</b>	<b>Name of Business:</b> Maxie's & Company (Pvt) Limited
• Very important	X
• Important	
• Not very important	
• Not important at all	

#### 9.8.3 Website / E-Commerce Use

<b>Website / E-Commerce use:</b>	<b>Classification</b>	<b>Yes</b>	<b>No</b>
• Business has its own website		X	
• Business plans to create a website			
• Business advertises in specialized web-portal			X
• Business plans to advertise in web-portal		X	

### 9.9 BOI Registration and Business Affiliations

#### 9.9.1 BOI Registered Business

<b>Board of Investments (BOI Registration):</b>	<b>Classification</b>	<b>Yes</b>	<b>No</b>
• Business is registered with the BOI			X

#### 9.9.2 Business Affiliations

<b>Business maintains affiliations with:</b>	<b>Classification</b>	<b>Yes</b>	<b>No</b>
• Chamber of commerce, industry		X	
• Business / trade / product associations		X	
• Civic organizations		X	

## 9.10 Business Development Services: Frequency of Use and Demand

### 9.10.1 BDS Already Used and Paid For

<i>Business development services already used:</i>	<b>Business Respons:</b>
Prepare a business or market plan	
Conduct a feasibility study	
Prepare a loan proposal	
Legal or tax Advice	X
Accounting	
Technical skills training	X
Business management training	
Engineering Services	X
Computer software/ website design or maintenance	X
Business registration/ licensing assistance	
Import/export assistance	
Market research/ information	
Technology research/ information	
Product research and development/Packaging & labeling	

### 9.10.2 New BDS Willing to Use and Pay For

<i>Business development services business willing to use if available:</i>	<b>Business Respons:</b>
Prepare a business or market plan	
Conduct a feasibility study	
Prepare a loan proposal	
Legal or tax Advice	
Accounting	
Technical skills training	X
Business management training	
Engineering Services	
Computer software/ website design or maintenance	X
Business registration/ licensing assistance	
Import/export assistance	X
Market research/ information	
Technology research/ information	X
Product research and development/Packaging & labeling	

### 9.10.3 BDS Best Provided by the Government

<i>Business development services that the government should provide:</i>	<b>Business Respons:</b>
Prepare a business or market plan	X
Conduct a feasibility study	
Prepare a loan proposal	

Legal or tax Advice	
Accounting	
Technical skills training	X
Business management training	X
Engineering Services	X
Computer software/ website design or maintenance	
Business registration/ licensing assistance	
Import/export assistance	X
Market research/ information	
Technology research/ information	
Product research and development/Packaging & labeling	X

#### 9.10.4 Most Frequent Use of a BDS Provider

<i>Business' frequency of use of business development services:</i>	Business Respons.
Every month	
Every 3 months	X
Every 6 months	
At least once a year	
Seldom use	
Never use	

### 9.11 Barriers Limiting Business Expansion / Productivity

#### 9.11.1 Barriers Affecting Business' Ability to Expand

<i>Barriers affecting business expansion / productivity:</i>	Major	Significant	Minor / No Barrier
	Response	Response	Response
Market opportunity			X
Availability of credit			X
Loan interest rates			X
Availability of Equity Capital			X
Access to technology	X		
Skilled labor		X	
Trade union			X
Labor regulations			X
Infrastructure (roads, power, telecommunications)		X	
Other government regulations		X	

#### Single largest barrier(s) to business' growth cited:

- 1) Access to Technology

### 9.11.2 Barriers Limiting Technology Sourcing, Adoption and Use

<b>Barriers limiting technology sourcing, adoption and use:</b>	<b>Major Response</b>	<b>Significant Response</b>	<b>Minor / No Barrier Response</b>
No availability of good local expertise	X		
Don't know which technology is most needed		X	
Don't know where to find the best technology		X	
Excessive cost of plant and equipment			X
Excessive cost of borrowed capital			X
Limited market opportunities for upgraded products and services			X

## 9.12 Factors Affecting Competitiveness and Business Viability

### 9.12.1 Factors Affecting Business Competitiveness and Viability

<b>Things which would improve business competitiveness and business viability:</b>	<b>Business Response</b>
Improved product or service quality from new technology adoption	X
Increased import tariffs	
Reduced import tariffs	
Affordable loan interest rates	X
Business-friendly banks	
Business-friendly Customs Department	
Business-friendly labor unions and workforce	
Affordable power costs	X
Other:	
Other:	

## 9.13 Business, Sector and Economic Conditions Comparison

### 9.13.1 Current Business Activity Compared to Past 12 Months

<b>Current business activity compared to 12 months ago:</b>	<b>Business Response</b>
• Improved	X
• Worse	
• Same/no change	

### 9.13.2 Current Sector Business Activity Compared to Past 12 Months

<i>Current sector business activity compared to 12 months ago:</i>	Business Response
• Improved	X
• Worse	
• Same/no change	

### 9.13.3 Current Overall Economy Compared to Past 12 Months

<i>Current overall economy compared to 12 months ago:</i>	Business Response
• Improved	X
• Worse	
• Same/no change	

### 9.13.4 Business Activity Forecast Next 12 Months

<i>Business activity forecast 12 months from now:</i>	Business Response
• Improved	X
• Worse	
• Same/no change	

### 9.13.5 Sector Business Activity Forecast Next 12 Months

<i>Sector business activity forecast 12 months from now:</i>	Business Response
• Improved	X
• Worse	
• Same/no change	

## 10. Recommendations

1. It is recommended that Maxie's consider adding poultry feed manufacturing to its business product lines to protect itself from future external threats.
2. As 70 percent of the raw ingredients for animal feed are now being imported to Sri Lanka, it is recommended that should Maxie's decide to manufacture its own animal feeds, that it should strongly consider

sourcing its main feed ingredients, including yellow corn and rice bran domestically, preferably from Anuradhapura and Polonnaruwa districts, thereby stimulating growth of domestic feed grain production and capturing cost savings over imported ingredients. Contract grower/supplier agreements could be established with commercial corn growers and rice mill bran suppliers to achieve this goal.

## **Attachments**

- A Draft news article on case study business**
- B Photos of business taken during case study review**

*Business Case Study :*  
*Selyn Exporters (Pvt) Ltd.*



**Sri Lanka:**

**Case Studies on Evaluating the Impact of USAID  
Private Sector Development Assistance Projects**

**The Competitiveness Program**

**USAID Contract No. PCE-I-00-98-00016-00**

**Business Case Study:**

**Selyn Exporters (Pvt) Limited**

**June 2006**

## Abbreviations and Acronyms

<b>BDS</b>	<b>Business Development Services</b>
<b>BOI</b>	<b>Board of Investments</b>
<b>CBI</b>	<b>Centre for Promotion of Imports from Developing Countries</b>
<b>EDB</b>	<b>Sri Lanka Export Development Board</b>
<b>GDP</b>	<b>Gross Domestic Product</b>
<b>GST</b>	<b>General Sales Tax</b>
<b>GTZ</b>	<b>German Technical Cooperation</b>
<b>ITC</b>	<b>International Trade Centre</b>
<b>Ltd</b>	<b>Limited</b>
<b>MT</b>	<b>Metric Ton</b>
<b>NPM</b>	<b>Net Profit Margin</b>
<b>Pvt</b>	<b>Private</b>
<b>Rs.</b>	<b>Sri Lankan Rupees (Rs. 103.00 = US\$ 1.00)</b>
<b>SBW</b>	<b>Sandra B. Wanduragala</b>
<b>Selyn</b>	<b>Selyn Exporters (Pvt) Limited</b>
<b>SIDA</b>	<b>Swedish International Development Co-operation Agency</b>
<b>TCP</b>	<b>The Competitiveness Program</b>
<b>TIPS</b>	<b>Technology Initiative for the Private Sector</b>
<b>USAID</b>	<b>U.S. Agency for International Development</b>
<b>VAT</b>	<b>Value Added Tax</b>
<b>Rs.</b>	<b>Sri Lankan Rupees (Rs. 103.00 = US\$ 1.00)</b>

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**Business Case Study:  
Selyn Exporters (Pvt) Limited**



## 1. Overview of the Business

Selyn Exporters (Pvt) Limited, "Selyn," is one of the major soft toy manufacturers in Sri Lanka and the largest producer and exporter of hand-woven fabric soft toys in the country. The company, which started business in 1991 with an objective to create jobs for rural women by producing handloom fabric products, grew rapidly during the mid-1990s following exposure to the international soft toy industry as a result of two observational study tour grants provided under the USAID-funded Technology Initiative for the Private Sector (TIPS). Selyn was the first toy manufacturer in Sri Lanka to use colorful cotton-based hand-woven fabrics in the production of its soft toy products.

The company's soft toy factory, main handloom factory, and showroom are located in the town of Kurunegala, North West Province. In addition to its main soft toy product line, the company produces a wide-range of hand-woven linen and handicraft products which are exported to nine countries in Europe, North America and Asia. Selyn also operates three rural handloom workshops and has buy-back arrangements with handloom household producers and mini-workshops located in rural communities of Kurunegala district. The company, which started in 1991 with only five workers, now employs 480 direct employees, 80 percent of whom are women, and has created another 300 indirect jobs for women handloom fabric weavers working at the village level. During 2005, Selyn generated \$1.1 million in sales, over 90% of which was from product exports.

### Case Study Contacts:

**Date of Case**

**Study Visits:** 19 and 30 May 2006

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Hilary Wanduragala, Director

## 2. History, Development and Growth of the Business over time

### Early History of the Business:

Sandra B. Wanduragala (SBW), Chairman and Managing Director of Selyn Exporters (Pvt) Limited (Selyn), was at an early age a self-accomplished lawyer, started her law practice in 1985, which she continued until 1998. Her husband at the time was employed by the Sri Lanka Export Development Board (EDB) and worked with, among other things, Sri Lanka's handloom weaving industry. While SBW enjoyed her law practice, she had a burning desire to help the less fortunate women that lived in the rural areas of Kurunegala district by improving their socio-economic living conditions.



Sandra Wanduragala

The handloom weaving industry was active in Kurunegala district, however, the industry was in decline due to product lines which held little market appeal and a aging population of women weavers, as younger women were not interested in carrying on the trade.

During the late 1980s, SBW met a lady from the Centre for Promotion of Imports from Developing Countries (CBI), a Netherlands' organization that was working with the Sri Lanka Export Development Board (EDB) to improve the quality and promote products produced by local handloom fabric weavers. This lady had a significant influence in stimulating SBW's early interest in handloom woven fabrics. Together, the two women, in 1990, attended an EDB-sponsored overseas program to study the handloom weaving industry and marketing of handloom products.

Following this trip, SBW decided to start a small handloom fabric production business in 1991. She started with 5 handloom machines using her own finances generated from her law practice. Initially the business, with five women workers, produced sarees and table cloths. Government promotion of the handloom industry in 1992 helped create profile for the business. In 1993, SBW convinced her 21-year-old younger brother, Hilary Wanduragala, who was about to go overseas to seek a career in the hotel industry, to join her in running the business. Early problems in the business were market related. The company was too product oriented rather than market focused. As such, the business was not too successful in the beginning.

Her first toy products were small dolls and elephants. One day she had a Japanese visitor who took interest in her business and she gave him a toy elephant when he departed. The next thing she knew the Japanese visitor placed a \$500 order for some of her woven fabrics toys, followed by \$10,000 order, then a \$15,000 order thereafter. This encouraged her to look more seriously at the soft toy market.

At about this time, SBW started the Royal International School<sup>1</sup> in Kurunegala, but her first love was her small business and her vision to help the poor rural women of her district improve their lives. She named the company after someone close to her heart, her daughter, Selyn.

#### Milestones in the Business' Development:

1991 - SBW starts the business with 5 handloom machines and 5 female workers.

1992 - President Premadasa promotes the handloom industry and organizes the country's first domestic exposition of hand-woven fabric products.

1993 - SBW's younger brother, Hilary Wanduragala, joins her in the business.

1994 - SBW meets others in the industry that produced a wider-range of products with handloom fabrics. She starts making small dolls and elephants which were her first toy products.

1995 - SBW sees a news article about toy exports and learns about the USAID-funded TIPS. She calls EDB to try to find out where the office of TIPS is located. EDB directs her to the TIPS office.

1995-1996 – SBW signs a grant agreement with TIPS and is sent on two trips to New York Trade Fair. The first trip opens her eyes to a wide-range of soft toy and handicraft products. The second trip introduces her to serious soft toy buyers in the USA and France.

2001 – USAID finances SBW to attend the Global Summit on Women in Chicago and Hong Kong.<sup>2</sup>

2004 - Selyn starts hand weaving apprenticeship training program for young women.

#### Business Growth:

Selyn's entry into the soft toy market began to grow following SBW's international exposure to the soft toy industry beginning in 1995. Thanks to two overseas trips to attend the New York Toy Trade Fair in 1995 and 1996, financed by grants under the USAID Technology Innovation for the Private Sector (TIPS) project, she saw a whole new range of soft toy products which could be produced using her hand-woven fabrics produced by the rural women of Kurunegala. During these overseas trips she also met soft toy buyers from the U.S. and France.

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<sup>1</sup> The Royal International School in Kurunegala is today the biggest international school in North West Province, with a current enrollment of 1,600 students, and is now being managed by SBW's husband.

<sup>2</sup> SBW is in Hong Kong on the fateful day of September 11, 2001 when disaster strikes the World Trade Center in New York.

Her first export customer was a U.S. buyer, North American Bear, which TIPS helped introduce her to. The French buyers, which she first met at the toy trade fairs in New York, also began placing soft toy orders. Initially the French buyers bought her designs, but later started sending their own designs. This was part of the key to the success of Selyn's business growth in subsequent years; being able to produce what the market wanted, not what the business thought the market wanted.

The soft toy production is now done in a separate factory which employs 265 workers and produces on average 750 toy products a day, operating 6-days per week. A wide-range of products are manufactured according to market demand. The plant receives its handloom material from the handloom factory which is in a separate location nearby. A designer develops new designs and prototypes based on customer requirements. Each stage of the factory production, from cutting to stitching to stuffing to parts assembly to final product assembly to quality and safety inspection<sup>3</sup> to packing is done systematically under safe and hygienic standards to produce products of the highest quality for international markets.

SBW claims that much of the growth of the business can be attributed to serving a "specialty product niche" in the market. She and her customers now practice "concept marketing" as opposed to product marketing. Selyn's ability to produce distinctive and colorful fabric-based toys has allowed the company to successfully penetrate the high-end market in Europe and elsewhere in the world. This has allowed the company to grow into one of the largest exporters of soft toys in Sri Lanka today, and the largest exporter of hand-woven fabric-based soft toys. The company's biggest markets are currently in France and Italy. In all, the company now exports its soft toy and handicraft products to nine countries, including: USA, Japan, France, Norway, Italy, Spain, Austria, Germany, and Australia.

Selyn's product range has now expanded beyond soft toys to include bed spreads for children, wall hangers, placemats, table runners, curtains, uniforms for hotel workers, lamp shades and a variety of other custom made products, all hand-crafted and made from handloom woven fabrics. Selyn has a tourist-class showroom which displays its product lines adjacent to its handloom factory in Kurunegala. While many of the company's products can be found in Colombo along Paradise Lane and in such popular outlets as *Barefoot*, 90 percent of the company's hand-woven fabric products are exported.<sup>4</sup>

The Selyn main handloom factory in Kurunegala produces the handloom fabrics used in Selyn's soft toy, linen and handicraft product lines and now employs 70 workers, including handloom weavers from Batticaloa district who were displaced during the Asian tsunami in December 2004. Additional weavers work from their homes and from rural-based workshops to support

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<sup>3</sup> Each soft toy product is inspected by hand and also placed through a scanner for detection of any metal elements, including needles, to ensure the highest in quality and safety standards.

<sup>4</sup> Selyn's exports 100 percent of its soft toys, which command a higher price on the international market than on the domestic market.

**fabric production. The pre-loom stage is all mechanized and produces threads from cotton yarn imported from India. In the past, yarn dyeing was outsourced but now is done at the factory.**

**In addition to its main handloom factory, the company operates three smaller handloom workshops, each employing close to 30 workers. One of these workshops, located in Welgala, a remote village in Kurunegala district, is now devoted to training young women how to carry on the tradition of handloom weaving. The training program which began in late-2004, provides six-months of on-the-job training for 15-20 young women a year who are interested in learning the art of hand weaving. During the training period, these young women are paid Rs. 3,000 per month by Selyn and, once they successfully complete their training, they are offered full-time employment by the company, earning on average Rs. 4,500 – 5,000 per month. One weaver can produce about 6 meters of lighter, finer-grade fabric or up to 12 meters of heavier, courser-grade fabric per month.**

Priyanka Kumnari, age 26, was born the youngest of a five-member family in a remote village of Welgala, Nelliya, located 31 Km away from the town of Kurunegala.

The livelihood of Priyanka's family was initially dependent upon her parent's farming income which was not sufficient to meet the day-to-day financial requirement to support a family. Because of this economic need, her family members were forced to start searching for jobs to supplement the family income. Her elder brother joined the Sri Lanka Army, while her elder sister has joined to the Sri Lanka Navy, leaving the two other family members to continue farming activities. Meanwhile, Priyanka pursued her schooling.



Priyanka Kumnari at work

Due to family hardship, Priyanka was only able to pursue her Studies up to the GCE Advance level in arts, but her grades were not satisfactory, so she decided to join Asian Cotton Mills, a company based in Colombo, as a machine operator. She worked for the company for three years, however, all her earnings from the job were spent on food, clothes, bus fares and room rent. With all those difficulties she continued to work hard at her job, but the company decided to close the factory and Priyanka had to again return to her village. Following her return home, she had an opportunity to join the Selyn Handloom Workshop located very close to her village as a hand-weaver trainee, an apprenticeship training program which Selyn initiated following the Asian tsunami in December 2004. Priyanka has now undergone six-months of on-the-job training and she is now able to work as a competent hand-weaver, earning an average monthly income of Rs. 3,500-5,000 (\$35-\$50) without difficulty, thanks in part to her previous job experience.

Priyanka was a member of the first batch to trainees to undergo training at this particular rural handloom workshop operated by Selyn. She says that she is enjoying her current work as it is located close to her home and, as such, there are no difficulties or additional expenses to be incurred, unlike her previous job.

**Over the years, SBW and Selyn have received a number of awards, including:**

- Ath Pehekam 1993, Best Stall Design, Ministry of Textile Industry**
- Entrepreneur of the Year 1995, Silver Award, North West Province**
- Entrepreneur of the Year 1997, Gold Award, FCCOSL, North West Province**
- Trade Expo 1998, Best Stall Design, SME, SLEDB and Central & North West Trade Chambers**
- Wayamba Wijeyabimani, Winner, Textile & Handloom Industry, WCCI/ISB/WET**
- NCE Export Awards 2000, Best Woman Exporter, Gold Award**
- NCE Export Awards 2001, Best Woman Exporter, Silver Award**
- NCE Export Awards 2001, Bronze Award, Small Industry Sector**
- NCE Export Awards 2002, Best Woman Exporter, Gold Award**
- NCE Export Awards 2002, Silver Award, Small Industry Sector**
- Special Award for Achievements in Handloom Industry, 2003, DTI**

- Priyadarshani Award 2003, Outstanding Woman Entrepreneur, Federation of Indian Women Entrepreneurs, India
- Zonta Woman of Achievement of 2004, Industry and Entrepreneurship

### 3. History, Development and Growth of Sri Lanka's Soft Toy Industry

The toy industry in Sri Lanka began around 1980 and was focused on two types of toys, wooden and soft, manufactured primarily for the export market. Of the two types of toys, soft toys historically have represented about 85 percent of the toy export value.<sup>5</sup>

The Korean-based company, C&H, one of the world's leading soft toy manufacturers, invested in Sri Lanka during the early 1980s, due in part to attractive economic and investment policies and the emergence of free trade zones, forming the company C&H Lanka. Soon, many of its closely associated Korean subcontractors followed suit and a number of smaller Sri Lankan companies began to emerge in the market. Toward the end of the 1980s the industry began to stabilize. Other smaller Sri Lankan toy manufacturers, many of them outside of Colombo, entered the business, employing staff trained by the Korean companies.<sup>6</sup>

The development of the soft toy industry in Sri Lanka was also aided by government and donor assistance, including promotion efforts of the EDB, and its bilateral agreements with the CBI (Netherlands) and ITC (Geneva). Other donors also supported the promotion of the soft toy industry, including GTZ (Germany), SIDA (Sweden) and USAID (USA).<sup>7</sup>

By the mid-1990s, another segment in the soft toy market emerged, companies like Selyn Exporters (Pvt) Limited, which produced soft toys using all local materials, including hand-woven textiles and natural filling materials, like *kapok*, a cotton-like material taken from seed pods of the tree for which it is named. These niche market manufacturers produced low volume, higher priced soft toys for up-scale export markets, mostly in Europe. By 1998, the number of exporting soft toy manufacturing companies in Sri Lanka totaled 13, and most of these were located in free trade zones.

Due to the labor intensive nature of the soft toy industry, price competition began to put pressure on Sri Lanka-based manufacturers beginning in 1997, as other countries with cheaper labor, like China, entered the world market. Korean foreign investors, like C&H, left Sri Lanka and, as a result, the value of Sri Lanka toy exports dropped dramatically during the years 1997-2001. The decline in export value of the toy industry began to slow in 2002, and by 2004 the industry was again showing positive signs of growth. Considerable consolidation occurred within the industry during these years.

<sup>5</sup> Wooden toys are now gaining prominence in exports. During 2002 the value of wooden toy exports amounted to \$13 million, or 49 percent of toy exports. In 2003, wooden toy exports grew to \$19 million, or 75% of toy exports. As such, soft toys now represent a much smaller portion of the industry than prior to 1995.

<sup>6</sup> A. Ponwerra; *Toy Industry in Sri Lanka*; USAID/TIPS Project; JE Austin Associates; 1998

<sup>7</sup> USAID support was directed through the Technology Initiative for the Private Sector (TIPS) project.

Today, Sri Lanka exports toys to 40 countries around the world. The number of local soft, wooden and plush toy manufacturers and exporters has now grown to around 45, but most of these are quite small and rural-based. Major soft toy manufacturers and exporters still include about a dozen companies, and account for about \$10.5 million, or one-third of Sri Lanka's \$35.2 million total annual toy industry exports.<sup>8</sup>

**Historical Data – Soft Toy Sector:**

***Largest Export Markets and Value of Exports for Sri Lanka Toy Manufacturers, 2005***

Rank	Country	Value of Exports (in US\$ million)
1	Germany	7.38
2	USA	7.00
3	United Kingdom	4.38
4	France	3.47
5	Austria	2.31
6	Italy	1.68
7	Netherlands	1.17
8	Spain	0.97
9	Norway	0.83
10	Japan	0.77
11	Singapore	0.63
12	India	0.53

Source: Sri Lanka Customs; and Export Performance Indicators, 1996-2005, EDB

***Total Value of Sri Lanka Toy Exports – by Year***

Year	Value of Exports (in US\$ million)	Percent Change from prior year
1996	66.21	-
1997	55.03	(16.9)
1998	49.09	(10.8)
1999	44.07	(10.2)
2000	35.66	(19.1)
2001	28.37	(20.4)
2002	26.52	(6.5)
2003	25.09	(5.4)
2004	31.54	25.7
2005	35.24	11.7

Source: Sri Lanka Customs; and Export Performance Indicators, 1996-2005, EDB

***Major Sri Lanka Soft Toy Manufacturers and Exporters, 2005***

<sup>8</sup> According to interviews with and reports published by the Sri Lanka Export Development Board.

Soft toy manufacturers and exporters	Location
Paradise Toys	Wattala
D.S.L. Lanka (Pvt) Ltd	Colombo
Selyn Exporters (Pvt) Ltd.	Kurunegala
Orchid Agencies (Pvt) Ltd.	Nugegoda
Penguin Lanka	Nittambuwa
Eagle Toys Exports (Pvt) Ltd	Battaramulla
Nangi Softcrafts (Pvt) Ltd.	Boralesgamuwa
Beula Geraldine Braine	Udugampola
Babara Sansoni Exports (Pvt) Ltd.	Colombo
Co-operative Wholesale Establishment	Colombo
Rebecca Design (Pvt) Ltd.	Colombo
Naito-Design Industries (Pvt) Ltd.	Kandy
Sathya Exports	Dehiwela

Source: Gathered from various industry sources

#### 4. USAID project assistance and Impact on the Business / Sector

Project Assisting: Technology Initiative for the Private Sector (TIPS)

Amount of Assistance: About \$ 15,000 (2 grants) + TA

Initial Year of Contact: 1995

Years of Project Assistance: 1995-1997

Type of Assistance Provided: 1) Grant assistance to attend two international Toy Trade Fairs in New York, USA;

2) TA to develop market links (LOE: 1 pm); and

3) Financial assistance for printing of brochures.

##### Business Impact:

The Technology Initiative for the Private Sector (TIPS) project provided financial assistance to the client during the period 1995-1997. Financial assistance took the form of two grants to finance overseas technology observation study tours and technical assistance related to market development.

Sandra Wanduragala (SBW) was purpose driven to do something for her community, particularly for the women of the community who were underemployed. As many of the women of the community had skills in handloom weaving she thought doing something with handloom weaving would be the place to start. She almost missed the opportunity to get in contact with TIPS because as she says, "these projects are always located in Colombo and those living outside Colombo rarely hear about them. Small

businesses outside Colombo have limited access to government or donor projects which assist small businesses like mine.”

It was only by the chance reading of a news article in 1995 about toy exports that SBW came to learn about the USAID-funded TIPS, which was promoting the toy sector at the time. In response to her inquiry, EDB directed her to the TIPS office in Colombo where she met Alex Ponweera who was working as a technical adviser for TIPS.<sup>9</sup>

Soon thereafter, SBW signed a grant agreement with TIPS and was sent on two trips, one in 1995 and the other in 1996, to the New York Toy Trade Fair. The first trip opened her eyes to a wide-range of products, including soft toys. She thought that if she could make some distinctive soft toys using handloom fabrics that she might be able to penetrate the export market. Her second trip was even more successful as she had in the interim year developed a broader range of soft toy products based on her experience from the first trip. TIPS put her in contact with a U.S. buyer, North American Bear, who she started to export soft toys to and still does business with today. This was her first major export customer.

During her second TIPS-financed trip she met some French buyers who she began exporting to and over the years she says “the two businesses have grown together.” Today, the French buyers are her number one customer.

Says SBW, “the TIPS contribution was very important because it was the first outsider to help my business. It opened my eyes to the international market for soft toys and other handloom fabric product.” She goes on to say, “Although TIPS had earlier programs that offered other types of technical assistance and training to businesses like mine, I guess I didn’t find out about them in time, however, the overseas trips were enough.” As an entrepreneur, SBW is self-taught without having had any formal management training. “I didn’t know that I could be an entrepreneur until I went overseas – I have TIPS to thank for that.”

After the TIPS grant-financed trips abroad, the business began to grow. The original 5 workers became 50 by 1996, and today the company employs 480 direct employees and another 300 indirect workers at the “grassroots” village level, 85 percent of whom are women.

#### Sector Impact:

TIPS provided overseas exposure, technical and training assistance to a number of toy manufacturers like Selyn during the 1990s. This assistance made a significant contribution to improvements in quality standards and the adoption of new technology which enhanced the toy industry’s competitiveness in the world market. As such, soft and wooden toys manufactured in Sri Lanka today have a good reputation for their quality and distinctiveness. This, in part, has allowed the toy manufacturers in Sri Lanka to serve high-end niche markets and remain competitive with other countries,

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<sup>9</sup> Alex Ponweera is, as of the time of this case study, currently working as a Program Specialist/Grants Manager for The Competitiveness Program (TCP), another USAID-funded program.

like China, who are able to produce large quantities of toys at a significant lower price due to their cheaper labor advantage.

Since the TIPS financial assistance to Selyn, at least two competitors have followed the example of Selyn and now produce hand-woven fabric-based soft toys for the Sri Lankan domestic market. Neither competitor, however, has had much success with toy exports. By not selling toys on the domestic market, Selyn has been able to keep its unique product designs an industry secret and, as such, has been able to maintain its higher selling price advantage, as soft toys domestically sell for a much lower price than in the international market.

## **5. Business' Impact on Rural Employment and Women**

From the start, Sandra Wanduragala (SBW) was purpose-driven to do something for her community, particularly for the women of the community who were underemployed. By capitalizing on indigenous hand weaving skills of older rural women, she was able to introduce quality standards, new designs and bright color schemes in fabric production which have significantly enhanced the marketability of the hand-woven fabric. This combined with the introduction of new value-added product lines for soft toys and other products and handicraft produced from hand-woven fabric has allowed Selyn to expand rural handloom fabric production and rebuild an ancient woven art industry which was in threat of disappearing.

The business has helped to modernize facilities and equipment for these village hand-weavers as well. In addition to the company-owned and managed handloom fabric production workshops, Selyn is encouraging more hand-woven fabric production at the village level. As such, the company during the past two years has set up mini-workshops in several villages attached to the house of a woman leader who has previously mastered the art of hand-weaving and who is willing to encourage other women within the community to join in production. These mini-workshops have between 5-15 handlooms each that are provided by the company which also supplies the materials for construction of the workshop as well as the weaving materials and designs and provides technical support. The woman leader supplies the land site and the labor and sells all production direct to the company. This buy-back outsourcing operation is now growing and is generating significant new job opportunity for rural women.

In recent years, many young village girls have not been interested in learning the handloom weaving trade, considering it to be a low status form of employment. However, Selyn's success has created new interest in rural hand-weaving and the company's recently introduced on-the-job skills training program and rural mini-workshops is beginning to show results in changing this mindset, as the story of Priyanka Kumhari in Section 2 of this study illustrates.

In addition to these village mini-workshops, Selyn's also has similar buy-back operations at the household level with women who are not able to leave the

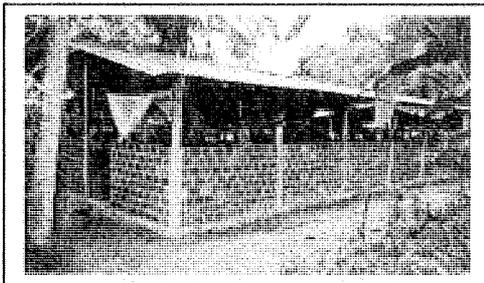
house because of young children or other domestic responsibilities. This single producer scheme is also part of the company's out-sourcing strategy and is popular with rural women as it gives them flexibility with respect to their work hours and mobility.

The economic impact that Selyn has had upon the rural communities in which it works with handloom weavers is quite apparent. Over 300 jobs have been created for women at the village level through Selyn's handloom outsourcing program in addition to the 480 workers that the company directly employs, 80% of whom are women.

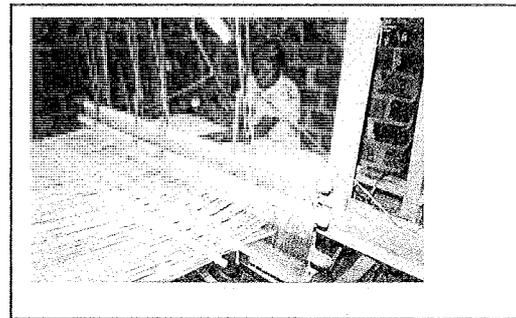
Field Visit Notes:

On May 30, 2006, the Consultants were accompanied by Selyn Director, Hilary Wanduragala, on visits to two rural handloom mini-workshops which Selyn has been able to establish under its buy-back outsourcing program.

Interview with First Mini-Workshop Woman Leader, Mrs Chandra Kumari:



Handloom mini-workshop at Wadakada



weaver employed at Chandra Kumari's workshop

The handloom mini-workshop is located in Wadakada, Pothuhera in Kurunegala district. Chandra Kumari, age 45, has three children, two sons and a daughter. The eldest son, 22 years, is currently working for Singer Sri Lanka as a delivery officer attached to the company's Pothuhera branch. The daughter, age 20, completed her studies up to the advanced level in bioscience and is currently working for Selyn Exporters (Pvt) Ltd in their accounts department. Her youngest son, age 15, is still schooling and her husband is a competent carpenter in the area.

Chandra Kumari began her career as a handloom weaver at the government-managed SALUSALA factory located Niyangoda, Galagedara in Kandy District. After the factory closed, she was able to joined Selyn Exporters (Pvt) Limited, "Selyn," at Wanduragala, Kurunegala. Following three years of work for Selyn, she proposed to the company, in November 2005, to run a handloom workshop at her home. Selyn agreed and spent about Rs.150,000 (\$1,500) to build a mini-workshop on her land, close to her home, and provided her with 15 handloom machines.

This is new village-based handloom mini-factory currently employs 15 workers, including three young women who are currently enrolled in Selyn's on-the-job handloom skills training program. Chandra Kumari, earns a total of

Rs. 7,000 (\$70) a month from this village business from a commission paid to her from the proceeds of the production output of the workshop as well as house (space) rental which Selyn pays directly to her. Selyn provides the workshop designs and technical support and in-turn buys all fabric produced by the village workshop weavers. Each worker is paid according to their production output.

Chandra Kumari is happy with this new arrangement and expects to expand the workshop and employ more unemployed youth in the village. She says the benefit of this village-based handloom mini-factory is that it is located close to where the workers live and, as such, commuting time is lessened and transportation costs eliminated, allowing workers to save the entire amount of what they earn.

Interview with Second Mini-Workshop Woman Leader, Mrs. Bandarmenike:

The handloom mini-workshop is located in Hettigama, Kumbukgate, Kurunegala district, adjacent to the house of Mrs. Bandarmenike. Bandarmenike, age 50, has four children, with ages ranging from 22 to 31 years. One is working for the Sri Lanka Army, another at a private hotel, and the younger two daughters are working abroad, in Kuwait, as housemaids. Her husband continues to be fully engaged in farming activities.

Bandarmenike began to recall her long-standing career experience as a handloom weaver. Her first exposure in this field was a government-sponsored six-month training program held at Maeliya. After the training, she was given a handloom machine as a grant to encourage her to commence fabric production at her home. She later joined the government-managed SALUSALA handloom factory at Welgala where she worked as a weaver for nearly four years.

Following the closing of the SALUSALA factory, Bandarmenike once again returned to her home-based weaving. After some time she heard that Selyn had acquired the handloom equipment of the closed SALUSALA factory and she approached Selyn to see if they would be willing to place some of the handloom machines in her village. Selyn agreed and assisted her to construct a workshop adjacent to her home and provided her with six handloom machines in addition to her own. Bandarmenike helped recruit and train six women from her village who previously were only engaged in farming. With further training and support from Selyn, now all seven women are producing fabric for Selyn.

As a result of the establishment of this village-based handloom mini-workshop, Bandarmenike and her other six workers are earning continuous additional income amounting to over Rs. 3000 (\$30) per month while still having the time to attend to their farming and other family commitments, including, for some, taking care of their school age children. According to Bandarmenike, the village-based mini-factory is a great relief for her and her fellow workers as it allows them to have a steady income throughout the year,

while most families in her village only have meager seasonal earnings from agriculture to rely on.

Bandaramenike also earns additional income amounting to Rs. 4,800 (\$48) a month from space rental which Selyn's pays her for maintaining the mini-workshop. She also receives a per piece commission from Selyn on the production of her six workers which amounts to Rs. 2 (\$0.02) for each piece produced. The commission is compensation for management of the workshop, as she is responsible for supervising the work of the other six workers, ensuring product quality assurance, and meeting production targets on time.

## **6. Strengths, Weaknesses, Opportunities and Threats associated with the Business**

Selyn still holds a preeminent position with respect to exports of soft toys produced from hand-woven fabrics. Their advantage in this area is due to the long-standing business relationship which they have established with their customers, their high quality production and timeliness in delivery, and their focus on producing only what the customer wants. Other strengths of the business include their current ability to out-source from rural handloom workshops the supply of quality handloom fabric used in the production of their soft toy product line.

The business is beginning to run into problems related to its limited production capacity, which is a current weakness for the company. Selyn's business has grown over the years in tandem with their customers demand, however, market demand is now growing beyond their capacity to produce and, as such, new capital investment and/or creative production practices will be required to enlarge their production capacity. While the company is considering building a new, enlarged toy manufacturing plant, it is also now having to do more outsourcing of fabric production requirements and is considering expanding hand-weaving fabric production into nearby India. The business is now facing the need to start "branding" their products, but doesn't know where to turn for technical assistance in this regard.

Also the business faces the need to modernize its systems and procedures and to adopt more of a corporate management approach to keep up with its growth. As such, SBW has been hiring more managers and delegating more authority to hired staff outside of the family. She complains though that hired managers don't have the same commitment to the business that she and her brother as entrepreneurs have. She now looks after the design and marketing side of the business, leaving production to her brother and other managers. Her son, still studying abroad, has helped to professionalize the management

and operations of the business and has drafted a Strategic Corporate Plan for the company.

SBW complains of the high cost of doing business these days and a lack of support from government to encourage private sector business growth. A new dyeing unit which they are building for example will require them to invest in a waste water treatment plant and, to connect to the three-phase power required. The government utility company is charging them Rs. 5 million (\$50,000) to connect to three-phase power which she considers a ridiculously high charge. She also complains that a previous 20% VAT imposed on imported yarn was reduced to 5% but now has been re-imposed at 20% by the current government.<sup>10</sup>

Opportunities for sustaining growth and protecting market share for the business lie in modernizing the management of the business and in staying at the cutting-edge of market technology. SBW believes that fair trade practices are important to her business' survival. She says that the market is growing, but so is the competitiveness. As such she is now focusing on concept marketing and specialty product niche markets to protect her business' market position.

Threats confronting the business' future include continued global competition from cheaper labor manufacturers in other countries such as China, lack of skilled workers, and access to the latest manufacturing technologies. A current threat facing the business is the land and building now used for the toy factory which is leased from the government. The previous government indicated that it wished to dispose of the property and would therefore be willing to sell the property to Selyn, however, the present government says that it now wants to reclaim the premises.

## **7. Growth Strategy of the Business**

Selyn's growth strategy is based on continuing to produce only what the market wants and working closely with its international buyers in this respect. To overcome handloom fabric supply constraints, the company plans to expand its outsourcing of fabric supply, particularly in rural areas, through its buy-back village-based mini-workshop scheme. Finally, the company's growth strategy shows a commitment to modernizing its management systems and adopting a more corporate, rather than entrepreneurial, approach to business management.

## **8. Lessons Learned**

The direct client contact which typified the TIPS project approach worked well for the industry and well for entrepreneurs like SBW. Access to industry-

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<sup>10</sup> According to the EDB the VAT was re-imposed in order to protect domestic manufacturers and that since Selyn is adding value to the yarn and re-exporting a finished product, it is entitled to a rebate for VAT paid on imported yarn.

related technology continues to be one of the greatest overall barriers to Sri Lanka's international competitiveness. The lack of sufficient business development services capacity in Sri Lanka to meet the growth needs of the private business sector points to the need for continued capacity-building effort in this regard. For Selyn, the TIPS project filled an important void in that respect. TIPS technical assistance also helped Selyn identify its first major international buyer.

SBW attributes her business' success to the opportunity provided to her by the TIPS project to gain international exposure to the technology and marketing sides of her business. She is a self-taught entrepreneur who gathered knowledge on her own, had a commitment to her vision, wasn't afraid to take risks, and knew the importance of maintaining a close working relationship with both her suppliers and as well as her buyers.

International exposure of entrepreneurs to technology and markets through observational study tours is an effective means to accelerate the pace of technology transfer and adoption. Donor programs can make a significant impact on the pace of technology transfer through the use of matching grant funding to support such international exposure.

Selyn's overall success in its industry can be directly linked to its pioneering efforts to combine traditional hand-woven fabrics as primary material for manufacturing colorful and distinctive soft toy products, its commitment to the preservation of rural-based handloom fabric craftsmanship, its close working relationship with its buyers in meeting market demand requirements, and its steadfast commitment to quality.

## 9. Business Profile

### 9.1 Business Structure: Sector Represented, Age, Ownership

#### 9.1.1 Sector Represented by Business

<i>Sector represented:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
• Agribusiness/agro-processing		
• Manufacturing/local market		
• Manufacturing/export market		X
• Construction		
• Hotel/tourism/food service		
• Imports/wholesale/retail		
• Transportation		
• Communications/IT/computer		
• Financial/insurance/real estate		
• Health/education/professional		
• Other services/non-professional		

#### 9.1.2 Age of Business

<i>Age of the business:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
• Year business started		1991

#### 9.1.3 Business Ownership Structure

<i>Ownership structure of business:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
• Public quoted company		
• Public non-quoted company		
• Private limited company		X
• Peoples company		
• Guarantee limited company		
• Partnership		
• Sole proprietorship		

#### 9.1.4 Ownership: Land, Buildings and Equipment

The company owns the land, buildings and equipment of its handloom factory and showroom in Kurunegala and its handloom workshop and training centre in Welgala, Kumbukgate. The company leases the land and building of its soft toy manufacturing plant in Kurunegala. The company has three other village based handloom workshops which are joint venture investments with community leaders (company provides

workshop building, equipment and materials, and community leader provides land and labor) and provides handloom and materials to some 20 other household-based community workers.

<i>Business owns:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
• Primary business premises		X
• Other land and buildings		X
• Equipment & furnishings		X
• Vehicles		X

## 9.2 Ownership / Management Profile: Gender, Age, Education and Experience

### 9.2.1 Owner / Management Profile – Gender

<i>Gender of business owner(s) / manager:</i>	Classification	Business Owner(s)	Business Manager
• Male		X	
• Female		X	X
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>		<b>2</b>	<b>1</b>

### 9.2.2 Owner / Management Profile – Age

<i>Age of business owner(s) / manager:</i>	Classification	Business Owner(s)	Business Manager
• Under 30 years			
• 30-39 years		X	
• 40-49 years		X	X
• 50 years and over			
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>		<b>2</b>	<b>1</b>

### 9.2.3 Owner / Management Profile – Education

<i>Education of business owner(s) / manager:</i>	Classification	Business Owner(s)	Business Manager
• University level			
• Diploma level		X	X <sup>11</sup>
• Secondary level		X	
• Primary level			
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>		<b>2</b>	<b>1</b>

<sup>11</sup> Managing Director is a practicing lawyer.

### 9.2.4 Owner / Management Profile – Experience

Classification	Business Owner(s)	Business Manager
<b>Experience of business owner(s) / manager:</b>		
• Number of years of professional work experience	15 & 21	21
<b>TOTAL NUMBER OWNER(S) / MANAGER(S)</b>	2	1

### 9.2.5 Owner's Role in Business Formation

Name of Business:	Selyn Exporters (Pvt) Limited
<b>Owner's role in business formation::</b>	
• Started this business	X
• Bought this business	
• Inherited this business	
• Other	

## 9.3 Employment Profile: Employees, Gender, Status, and Benefits

### 9.3.1 Scale of Employment

The company employs 265 full-time workers in its soft toy factory and another 70 full-time workers in its Kurunegala-based handloom factory. The balance of its present workforce is assigned to the head office, showroom and three other village workshops operated by the company. Indirect employment involves some 300 full-time and part-time village-based female workers. 85% of all employees of the company and 91% of all direct and indirect workers are female.

#### *Direct Employment*

Name of Business:	Selyn Exporters (Pvt) Limited	
	Number of Employees	Percent Change
<b>Number of employees (permanent &amp; casual)</b>		
Current (2006)	480	+42.9%
1-Year Ago	336	+572.0%
10-Years Ago	50	

#### *Indirect Employment*

Name of Business:	Selyn Exporters (Pvt) Limited
<b>Indirect employment created by business:</b>	
Current number of indirect jobs created by business	300

### 9.3.2 Employment by Gender

<i>Gender of employees:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
• male 100% - female 0%		
• male 90% - female 10%		
• male 80% - female 20%		
• male 70% - female 30%		
• male 60% - female 40%		
• male 50% - female 50%		
• male 40% - female 60%		
• male 30% - female 70%		
• male 20% - female 80%		X
• male 10% - female 90%		
• male 0% - female 100%		

### 9.3.3 Employment by Worker Status

<i>Status of employees:</i>	Name of Business	Selyn Exporters (Pvt) Limited
• permanent 100% - casual 0%		
• permanent 90% - casual 10%		
• permanent 80% - casual 20%		
• permanent 70% - casual 30%		X
• permanent 60% - casual 40%		
• permanent 50% - casual 50%		
• permanent 40% - casual 60%		
• permanent 30% - casual 70%		
• permanent 20% - casual 80%		
• permanent 10% - casual 90%		
• permanent 0% - casual 100%		

### 9.3.4 Employment Benefits

<i>Benefits offered to employees by business:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
• paid vacation		X
• paid sick leave		X
• transportation allowance		X
• meals		
• education/training allowance		X
• annual tour		X
• commissions		
• bonuses		X
• maternity leave		X
• health insurance		
• life insurance		
• retirement benefits		X

## **9.4 Nature of Business: Products, Services, Markets and Linkages**

### **9.4.1 Primary Business Description**

**Manufacturer and exporter of hand-woven fabric and fabric-based toys and handicrafts for export and local sale.**

### **9.4.2 Products/Services Offered**

- a) Soft toys using hand-woven fabric**
- b) Household linen using hand-woven fabric**
- c) Garments using hand-woven fabric**
- d) Other handicrafts using hand-woven fabric**

### **9.4.3 Principal Markets**

**The principal markets for the company's products are primarily export (90%). Virtually 100% of all soft toys produced are exported to long-time customers in the following countries:**

#### **Primary Soft Toy Export Markets:**

**France, Italy, Germany, Austria**

#### **Secondary Soft Toy Export Markets:**

**USA, Japan, Spain, Norway, Australia**

**Domestic markets for hand-woven fabric-based linen, garment and handicrafts include the Selyn retail showroom in Kurunegala, custom orders for hotels (e.g. Bentota Beach Hotel), and retail establishments in Colombo (e.g. Paradise Lane, Barefoot).**

### **9.4.4 Linkages**

- a) Integrated Linkages: Selyn handloom factory supplies fabric to toy showroom. factory, and linen and handicrafts to**
- b) Backward Linkages: Village-level had woven fabric linked to toy factory and handicraft finishing.**
- c) Forward Linkages: Soft toy and handicraft manufacturing linked to domestic wholesale and retail markets and export wholesale markets**

### **9.4.5 Certifications & Awards**

- a) Company is a registered exporter with the Export Development Board.**
- b) The company has received many awards for its achievements**

## 9.5 Financial Performance Indicators: Turnover, Debt-Assets Ratio, Net Profit Margin

### 9.5.1 Financial Statements / Audit Practices

Classification	Yes	No
<b>Financial Statements / Audit Practices:</b>		
• Business prepares monthly financial statements		X
• Business prepares annual financial statements	X	
• Business conducts annual audits (external)	X	

### 9.5.2 Average Annual Sales / Business Turnover

Name of Business:	Selyn Exporters (Pvt) Limited
<b>Average annual sales / business turnover:</b>	
Average annual sales / business turnover – Rupees	Rs. 110 Million
Average annual sales / business turnover – U.S. Dollars	\$ 1.1 Million

### 9.5.3 Debt-to-Asset Ratio

Name of Business:	Selyn Exporters (Pvt) Limited
<b>Debt-to-Asset ratio of business:</b>	
Debt-Asset ratio as a percent	25%

### 9.5.4 Annual Net Profit Margin

Name of Business:	Selyn Exporters (Pvt) Limited
<b>Annual net profit margin of business:</b>	
Annual NPM as a percent	17%

## 9.6 Business Planning

### 9.6.1 Business Plan

Classification	Yes	No
<b>Written business plan:</b>		
• Business has a <u>written</u> Business/Corporate Plan	X	

### 9.6.2 Market Plan

Classification	Yes	No
<b>Written market plan:</b>		
• Business has a <u>written</u> Market Plan	X	

### 9.6.3 Vision / Mission Statement

<i>Vision / Mission statement::</i>	Classification	Yes	No
<ul style="list-style-type: none"> <li>• Business has a <u>written</u> Vision and/or Mission Statement</li> </ul>		X	

#### Vision Statement:

*"We will build this business to retain our market leadership while uplifting the living standards of rural men/women by providing them with sustainable employment by keeping alive the local tradition of hand-weaving fabrics."*

#### Mission Statement:

*"The Company's mission is to be a socially responsible, law abiding company with an aim to enhance customer and employee satisfaction along with maximizing profits in order to retain market leasership."*

## 9.7 Borrowed Capital

### 9.7.1 Sources of Borrowed Capital

<i>Sources of borrowed capital:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
<ul style="list-style-type: none"> <li>• Bank loans</li> </ul>		X
<ul style="list-style-type: none"> <li>• Overdrafts from banks</li> </ul>		
<ul style="list-style-type: none"> <li>• Private loans/money lenders/pawnshops</li> </ul>		
<ul style="list-style-type: none"> <li>• Lease companies</li> </ul>		
<ul style="list-style-type: none"> <li>• Trade credit</li> </ul>		
<ul style="list-style-type: none"> <li>• Family/friends borrowing</li> </ul>		
<ul style="list-style-type: none"> <li>• Don't use borrowed capital</li> </ul>		

<i>Reasons for not borrowing from banks:</i>	Name of Business:	Selyn Exporters (Pvt) Limited
<ul style="list-style-type: none"> <li>• Complicated loan application procedures</li> </ul>		
<ul style="list-style-type: none"> <li>• High interest rates and other costs</li> </ul>		
<ul style="list-style-type: none"> <li>• Burdensome collateral requirements</li> </ul>		
<ul style="list-style-type: none"> <li>• No need</li> </ul>		
<ul style="list-style-type: none"> <li>• Own resources are sufficient</li> </ul>		
<ul style="list-style-type: none"> <li>• Don't trust banks</li> </ul>		
<ul style="list-style-type: none"> <li>• Don't want additional liability for business</li> </ul>		
<ul style="list-style-type: none"> <li>• Friends and family have enough lending capital</li> </ul>		

## 9.8 Use of Computers, Internet and E-Commerce

### 9.8.1 Computer Use

### 9.8.1.1 Usage

Classification	Yes	No
<b>Computer Usage:</b>		
• Business uses computers for business applications	X	

### 9.8.1.2 Usage Period

Name of Business:	Selyn Exporters (Pvt) Limited
<b>How long computerized:</b>	
• Less than 2 years	X
• 2-4 years	
• Over 4 years	

## 9.8.2 Internet Use

### 9.8.2.1 Usage

Classification	Yes	No
<b>Internet Usage:</b>		
• Business connected to Internet	X	

### 9.8.2.2 Usage Period

Name of Business:	Selyn Exporters (Pvt) Limited
<b>Period of Internet usage:</b>	
• Less than 2 years	
• 2-4 years	X
• Over 4 years	

### 9.8.2.3 General Use of Internet

Name of Business:	Selyn Exporters (Pvt) Limited
<b>General purposes for which Internet used:</b>	
• E-mail	X
• Downloads	
• Maintaining website	
• Purchasing	
• Sales	
• On-line banking	
• Net meetings	
• Research a product or a market	X
• Research pricing for a product or service	
• Research technology or equipment	

• Research suppliers or manufacturers	
• Research competition	
• Research government licensing, export, tariff or taxation requirements	
• Look for government/private sector BDS providers	
• Look for a loan or capital investment	
• Develop a business plan or prepare a feasibility study	
• Assist with staff or management training	
• Other	

#### 9.8.2.4 Importance of Internet

Name of Business:	<b>Selyn Exporters (Pvt) Limited</b>
<b>Importance of Internet to business:</b>	
• Very important	
• Important	
• Not very important	X
• Not important at all	

#### 9.8.3 Website / E-Commerce Use

Classification	Yes	No
<b>Website / E-Commerce use:</b>		
• Business has its own website		X
• Business plans to create a website		X
• Business advertises in specialized web-portal(EDB)	X	
• Business plans to advertise in other web-portal		X

### 9.9 BOI Registration and Business Affiliations

#### 9.9.1 BOI Registered Business

Classification	Yes	No
<b>Board of Investments (BOI Registration):</b>		
• Business is registered with the BOI		X

#### 9.9.2 Business Affiliations

Classification	Yes	No
<b>Business maintains affiliations with:</b>		
• Chamber of commerce, industry		X
• Business / trade / product associations	X	
• Civic organizations		X

## 9.10 Business Development Services: Frequency of Use and Demand

### 9.10.1 BDS Already Used and Paid For

<i>Business development services already used:</i>	<b>Business Respons</b>
Prepare a business or market plan	
Conduct a feasibility study	
Prepare a loan proposal	
Legal or tax Advice	
Accounting	X
Technical skills training	X
Business management training	X
Engineering Services	
Computer software/ website design or maintenance	X
Business registration/ licensing assistance	
Import/export assistance	
Market research/ information	
Technology research/ information	
Product research and development/Packaging & labeling	

### 9.10.2 New BDS Willing to Use and Pay For

<i>Business development services business willing to use if available:</i>	<b>Business Respons</b>
Prepare a business or market plan	
Conduct a feasibility study	
Prepare a loan proposal	
Legal or tax Advice	
Accounting	
Technical skills training	X
Business management training	
Engineering Services	
Computer software/ website design or maintenance	
Business registration/ licensing assistance	
Import/export assistance	
Market research/ information	X
Technology research/ information	
Product research and development/Packaging & labeling	X

### 9.10.3 BDS Best Provided by the Government

<i>Business development services that the government should provide:</i>	<b>Business Respons</b>
Prepare a business or market plan	
Conduct a feasibility study	

Prepare a loan proposal	
Legal or tax Advice	
Accounting	
Technical skills training	
Business management training	
Engineering Services	
Computer software/ website design or maintenance	
Business registration/ licensing assistance	
Import/export assistance	
Market research/ information	
Technology research/ information	
Product research and development/Packaging & labeling	

#### 9.10.4 Most Frequent Use of a BDS Provider

<i>Business' frequency of use of business development services:</i>	Business Response
Every month	
Every 3 months	
Every 6 months	
At least once a year	X
Seldom use	
Never use	

#### 9.11 Barriers Limiting Business Expansion / Productivity

##### 9.11.1 Barriers Affecting Business' Ability to Expand

<i>Barriers affecting business expansion / productivity:</i>	Major Response	Significant Response	Minor / No Barrier Response
Market opportunity			X
Availability of credit			X
Loan interest rates		X	
Availability of Equity Capital			X
Access to technology		X	
Skilled labor		X	
Trade union			X
Labor regulations		X	
Infrastructure (roads, power, telecommunications)			X
Other government regulations		X	

##### Single largest barrier(s) to business' growth cited:

- 1) Lack of skilled and committed labor
- 2) Hard to find good managers

### 9.11.2 Barriers Limiting Technology Sourcing, Adoption and Use

<b>Barriers limiting technology sourcing, adoption and use:</b>	<b>Major</b>	<b>Significant</b>	<b>Minor / No Barrier</b>
	<b>Response</b>	<b>Response</b>	<b>Response</b>
No availability of good local expertise	X		
Don't know which technology is most needed			
Don't know where to find the best technology			
Excessive cost of plant and equipment			
Excessive cost of borrowed capital			
Limited market opportunities for upgraded products and services			

## 9.12 Factors Affecting Competitiveness and Business Viability

### 9.12.1 Factors Affecting Business Competitiveness and Viability

<b>Things which would improve business competitiveness and business viability:</b>	<b>Business Response</b>
Improved product or service quality from new technology adoption	
Increased import tariffs	
Reduced import tariffs	X
Affordable loan interest rates	
Business-friendly banks	
Business-friendly Customs Department	
Business-friendly labor unions and workforce	
Affordable power costs	X
Other: More skilled and productive labor	X
Other: More productive time (too many holidays)	X

## 9.13 Business, Sector and Economic Conditions Comparison

### 9.13.1 Current Business Activity Compared to Past 12 Months

<b>Current business activity compared to 12 months ago:</b>	<b>Business Response</b>
• Improved	X
• Worse	
• Same/no change	

### 9.13.2 Current Sector Business Activity Compared to Past 12 Months

<i>Current sector business activity compared to 12 months ago:</i>	Business Response
• Improved	X
• Worse	
• Same/no change	

### 9.13.3 Current Overall Economy Compared to Past 12 Months

<i>Current overall economy compared to 12 months ago:</i>	Business Response
• Improved	
• Worse	X
• Same/no change	

### 9.13.4 Business Activity Forecast Next 12 Months

<i>Business activity forecast 12 months from now:</i>	Business Response
• Improved	
• Worse	
• Same/no change	X

### 9.13.5 Sector Business Activity Forecast Next 12 Months

<i>Sector business activity forecast 12 months from now:</i>	Business Response
• Improved	X
• Worse	
• Same/no change	

## 10. Recommendations

1. It is recommended that Selyn consider establishing a second showroom for its products in Colombo and broaden its domestic and international market outreach through the addition of a company

website and printed product promotional materials available to customers at its showroom(s).

2. It is recommended that Selyn develop a human resources policy and operational procedures manual along with a modern IT-based MIS system.

### **Attachments**

- A** Draft news article on case study business
- B** Photos of business taken during case study review

*Press Release  
Summaries*



# From Delivery Boy to Poultry Entrepreneur

## ***Maxie Perera's search for technology paid off.***

Maxie Perera is the founder, chairman, and managing director of Maxie's & Company (Pvt) Limited, the third-largest poultry producer and processor in Sri Lanka. Maxie was a hard-working poultry farmer when USAID introduced him to new techniques and new technology that helped him achieve exponentially greater entrepreneurial success.

As a teenager Maxie helped his father, who bought and sold coconuts for a living, by delivering coconuts on his bicycle after school. Maxie's father wanted him to be an engineer, but after completing his engineering studies, Maxie did not take his final exams. He was searching for something else.

His grandmother encouraged him to raise chickens. He knew nothing about raising poultry, but he decided to try. In 1978 he took out a Rs. 5,000 bank loan to buy 100 chicks and the feed to raise them. He didn't make any money on this first lot of birds, but he broke even, and the second crop earned him a five-fold return on his investment. So Maxie continued to produce broilers at home, dressing them at night in a shed next to his house for market the next morning.

In the 1980s and early 1990s, Maxie continued to build his business: acquiring a 20-acre parcel of land from the government, developing his poultry farm, and opening retail outlets that sold 2,000 birds a day. He liked what he was doing but he was still searching for ways to do more, better. As a man trained as an engineer, he put his hope in technology.

In 1994, he heard about the USAID-funded AgEnt project, which provided technical assistance and matching grants to small businesses. He applied for and received a grant to help pay for his attendance at the annual International Poultry Exposition in Atlanta, Georgia—his first trip overseas. According to Maxie Perera, "I was hungry and thirsty for knowledge, and I totally absorbed everything that I saw."

*"I was hungry and thirsty for knowledge,  
and I totally absorbed everything I saw"*

AgEnt also helped Maxie import from the United States equipment capable of processing 1,000 birds per hour. Later AgEnt sent Maxie to attend poultry production and processing courses at the University of Maryland and Oregon State University. Maxie

says, "I learned the finer points of poultry production and processing from these AgEnt sponsored international trips."

Maxie Perera received the Entrepreneur of the Year award from North West Province in 1994 and 1995, the first of many awards he has received.

Maxie's now operates two close-house production farms, where birds are grown in a controlled environment at 27°C for 35 to 37 days, until they reach a harvest weight of 1.6 kg. The firm plans to add a third close-house production farm soon, bringing production capacity per cycle up to 150,000 birds. In addition to its own production farms, Maxie's now supports 500 contract growers that raise

from 1,000 to 15,000 birds each. Under a buy-back arrangement, Maxie's supplies contract growers with day-old chicks, feed, medicine, and extension and veterinary support. Contract growers provide the bird house, labor, water, and electricity. At any given time, some 300 contract growers are under production.

Maxie's was the first poultry processor in Sri Lanka to section its birds and sell processed chicken parts. Today, it continues to lead the field, processing over 300,000 birds per month. Its main processing plant is in Wennappuwa. The plant has a HACCP-certified cold chain handling system in which chilled chickens travel from processing plant to customer following the highest sanitation and safety standards.

Maxie's also operates 15 farm stores that sell fresh whole and sectioned chicken directly to the public and two wholesale distribution outlets. Maxie's employs 560 workers, 20 percent of whom are women, and has created close to 2,000 indirect jobs for rural poultry raisers and other service providers that support the business.

Reflecting on the company's growth, Maxie Perera says, "The technical assistance in processing and marketing provided by AgEnt was invaluable to our business' growth and success. Today we are where the United States was 10 years ago in terms of technology." A large photo of Maxie Perera signing the memorandum of understanding with USAID hangs on the wall next to his desk, a constant reminder of that pivotal event.

### **Maxie's Contract Grower Violet Pinto**

Ten years ago Violet Pinto, a housewife from Chilaw who grew up in a nearby village with limited education, started raising broilers under a buy-back agreement with Maxie's, producing 500 birds at a time. Now she produces 3,000 birds per production cycle at three production houses. When one of her children recently left to study in Japan, she had to hire a full-time laborer to help with the operation. Violet plans to purchase a new piece of land soon to expand the business further.

She says she is happy to be a contract grower with Maxie's because the company gives her good support and helps her with biosecurity, an important consideration these days in the poultry business. Violet is an example of how Maxie's has developed a close working relationship with its contract growers.

## Lawyer Turned Soft Toymaker Finds New Market for Traditional Handicraft

***Selyn Exporters' founder, Sandra Wanduragala, translates her vision of helping others into export success.***

Sandra B. Wanduragala is the founder, chairman, and managing director of Selyn Exporters (Pvt) Limited, the leading manufacturer and exporter of soft toys made with locally handloomed fabrics in Sri Lanka.

Sandra practiced law for 13 years before she decided to follow her dream. Although she enjoyed law, she had a vision of helping the women in the rural areas of Kurunegala district, where by the mid-1980s, the handloom weaving industry was in decline. Product lines held little market appeal, and the younger generation of women was not interested in carrying on the trade.

When she met a representative of the Centre for Promotion of Imports from Developing Countries, Sandra's interest was peaked. The Centre is a Dutch organization working with the EDB to improve the quality of products made by local handloomed-fabric weavers. In 1990, she attended an EDB-sponsored overseas program to study the handloom weaving industry and marketing of handloomed products.

*"The TIPS contribution was very important .... It opened my eyes to the international market for soft toys and other handloom fabric products."*

In 1991, using her own money, Sandra started a small handloomed-fabric production business, Selyn Exporters. She began with five handlooms and five workers. Two years later

she convinced her younger brother to join the business. Initially producing saris and tablecloths, the business' early performance was not good, as she recalls, because it was product oriented instead of market oriented.

Selyn Exporters expansion and entry into the soft-toy export market began after Sandra's introduction to the international soft toy industry. In 1995 and 1996, the USAID Technology Innovation for the Private Sector (TIPS) project financed her attendance at the New York Toy Trade Fair, where she saw a range of soft-toy products that could be made from handwoven fabrics. She met buyers from the United States and France, which continue to buy Selyn Exporters' products today.

After Sandra's trips abroad, the business began to grow. Today the company has 480 direct employees and employs another 300 village workers indirectly, 85 percent of whom are women. Selyn Exporters has established long-term relationships with its overseas customers in Europe, Asia, and North America. The buyers supply the designs and work with Selyn Exporters on concept marketing for niche markets.

In addition to its soft-toy factory, handloom factory, and showroom in Kurunegala, Selyn Exporters operates three rural handloom workshops, where it teaches girls hand weaving. Selyn Exporters has

also financed construction of a number of handloom mini-workshops to encourage rural women to participate in this income-earning venture.

Sandra Wanduragala gives much of the credit for her business's success to her first trip abroad. She says, "The TIPS contribution was very important because it was the first outsider help to my business. It opened my eyes to the international market for soft toys and other handloom fabric products. I have TIPS to thank for that."

### **Handloom weaver Priyanka Kumhari**

Priyanka Kumhari at 26 is the youngest of a five-member family in a remote village of Welgala, Nelliya, 31 km from the town of Kurunegala. Priyanka's parents' farming income was not sufficient to support the family, so family members sought jobs to supplement the family income. Her elder brother joined the Sri Lanka Army and her elder sister joined the Sri Lanka Navy. After achieving the GCE advance level, Priyanka left school and worked as a machine operator for Asian Cotton Mills, a company based in Colombo. After paying her expenses, including transportation and rent, she had little left to show for her hard work. She returned to her village when the company closed its factory three years later.

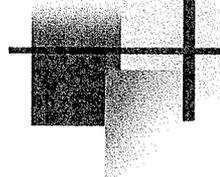
Back in her village, Priyanka joined the nearby Selyn Exporters handloom workshop, an apprenticeship program Selyn Exporters launched after the December 2004 tsunami. Among the first hand-weaver trainees to take the training, Priyanka has completed six months of on-the-job training. She is a competent hand-weaver, and with her work experience, easily earns an average of Rs. 3,500–5,000 (\$35–\$50) per month. She enjoys her work, and because it is close to home she does not incur additional expenses, such as travel, as she did at her previous job.

Power Point Presentation for  
USAID

Delivered on June 22, 2006

Includes Handout on  
“Hypothetical Financial Impact”

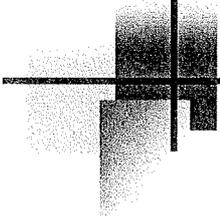




Case studies evaluating Impact of  
USAID assistance for mature private  
sector development projects

Maxie's & Company (Pvt) Ltd. - AgEnt

Selyn Exporters (Pvt) Ltd. - TIPS



# Maxie's & Company (Pvt) Ltd.

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- Project assisting : AgEnt
- Years of assistance: 1994-1996
- Value of assistance: \$58,000 grants + TA
- Type of assistance provided:
  - > Matching grants for overseas technology exposure and training
  - > Assistance to purchase & import processing equipment from U.S.A.
  - > Technical assistance in production processing and marketing (LOE: 6 pm)

## Maxie's continued...

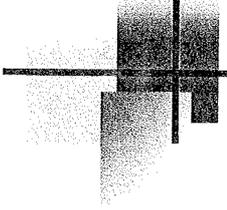
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- Business Founder : Maxie Perera
- Year started : 1978
- Business Location: Wennappuwa
- Hallmarks:
  - 3<sup>rd</sup> largest fully-automated producer and processor of broiler chicken and chicken parts in Sri Lanka*
- 2005 Total Sales: \$ 7.5 million

# AgEnt Impact and resulting business growth over time

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- Single largest project impact:  
“Technology transfer and adoption”
- Business direct employment:  
1995: 150 / 2006: 561 +274%
- Indirect rural employment impact:  
1995: 600 / 2006: 2,000 +233%
- Employment impact for women:  
Direct: 20% women / Indirect: 40% women



# AgEnt Sector Impact

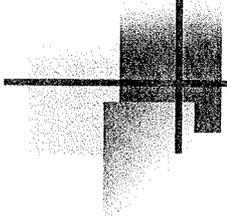
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- Helped facilitate technology transfer
- Helped promote growth and consolidation of poultry industry
- Helped organize:
  - > All Island Poultry Association (AIPA) in 1996
  - > Sri Lanka Association of Animal Production (SLAAP) in 1997
- Maxie's (HACCP certified) now sets quality & price standards for poultry industry

# Selyn Exporters (Pvt) Ltd.

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- Project assisting : TIPS
- Years of assistance: 1995-1997
- Value of assistance: \$15,000 grants + TA
- Type of assistance provided:
  - > Grants for overseas technology and market exposure
  - > Technical assistance to develop market linkages (LOE: 1 pm)
  - > Financial assistance for printing brochures



## Selyn's continued...

- Business Founder : Sandra Wanduragala
- Year started : 1991
- Business Location: Kurunegala
- Hallmarks:
  - One of largest toy exporters and the largest manufacturer and exporter of hand-woven fabric soft toys in Sri Lanka*
- 2005 Total Sales: \$ 1.1 million

# TIPS Impact and resulting business growth over time

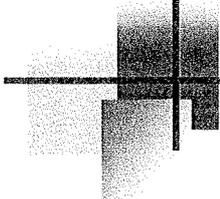
- Single largest project impact:  
“Technology transfer & adoption, market link”
- Business direct employment:  
1995: 50 / 2006: 480 +860%
- Indirect rural employment impact:  
1995: nil / 2006: 300 +9,000%
- Employment impact for women:  
Direct: 85% women / Indirect: 91% women

# TIPS

## Sector Impact

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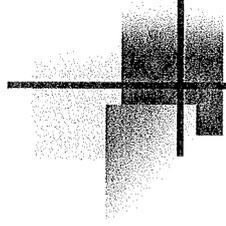
- Helped soft toy industry improve production quality standards and adopt improved technology to enhance competitiveness in global markets
- Helped Selyn's to find a product line and market to support handloom fabrics, thereby contributing to the rebuilding and expansion of the rural handloom industry in Kurunegala district



# Lessons Learned

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- Direct client contact under AgEnt and TIPS worked well for the industry and well for entrepreneurs
- Technical assistance, training and grant assistance for overseas exposure helped facilitate technology transfer and adoption.
- Sri Lanka lacks sufficient BDS to support the growth needs of businesses. Both projects filled a gap in this regard by providing needed technology, market and business services to entrepreneurs like Perera and Wanduragala



# Findings & Conclusions

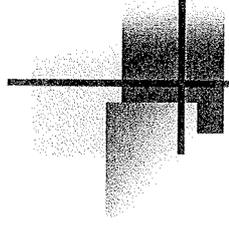
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- Direct correlation between USAID project assistance and resulting technology transfer and adoption, leading to business growth and success
- Project assistance also contributed to growth of the sectors and value-chains represented by the two case study businesses
- Both case studies show a significant rural impact on job growth and the participation of women

# Findings & Conclusions, cont..

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- Important to monitor project impact over time to better measure long-term value-chain benefits and identify opportunities for future programming
- Failures may outnumber successes, however, successes can be expected to outweigh the failures
- No sure way to identify successful entrepreneurs, however, common factors of success include:
  - > strong vision or drive to succeed
  - > thirst for knowledge or technology
  - > ability to find a market niche with strong and growing demand
  - > ability to maintain forward and backward linkages to value-added processes along the value-chain



# Recommendations

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- Specific recommendations presented for each case study business
- Useful to consider future TA to examine other businesses in other sectors, or agribusiness sub-sectors, previously assisted by USAID projects and to further perfect long-term impact monitoring tools

# Quick Hypothetical Financial Impact Calculation Index

## Maxie's & Company (Pvt) Ltd.

- Fact:**
- 1) Maxie's processes +300,000 birds per month
  - 2) 60 % of Maxie's bird supply comes from Contract Growers.
  - 3) Contract Growers make approximately Rs. 45 per bird in profit.

### Therefore,

Contract Growers supply +180,000 birds per month to Maxie's for processing.

At Rs. 45 profit per bird, Contract Growers' earnings equal US\$ 81,000 per month, which is equal to about US\$ 1.0 million per annum.

Divided by 300 active Contract Growers, at any give time, the annual net profit of a Contract Grower is US\$ 3,333, or about Rs. 28,000 per month.

In addition to the earnings of Contract Growers, Maxie's employs some additional 2,200 direct and indirect employees which each earn approximately US\$ 70 per month. That is equivalent to US\$ 154,000 per month, or US\$ 1.8 million/year.

Maxie's, as a business, also earns net profit on it's operations, estimated at a minimum 16% Net Profit Margin, or US\$ 1.2 million per annum.

### Therefore:

The Net Annual Income Impact of Maxie's (one client) and its employees and contract-growers can be estimated as follows:

#### Annual Net Earnings

US\$ 1.0 million	Contract Growers
US\$ 1.8 million	Earnings from Employment, direct/indirect
US\$ 1.2 million	Net profit of business

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**US \$ 4.0 million Total Annual Earnings**

Over 10 years in Constant Dollars = **US\$ 40 Million**

Cost of AgEnt Project----- = ?