

SDBL Child Labour Incident Casts a Cloud over India Inc's Supply Chains

ET ANALYSIS

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ET Intelligence Group: In the first such instance of a listed company found to be engaging in child labour, 58 children with burnt hands were reportedly rescued from a liquor factory of Bhopal-based Som Distilleries & Breweries (SDBL) last week.

The company, with a market cap of around ₹2,400 crore, informed the stock exchanges on Monday evening that the issue is concerning its associate private limited company where the labour is supplied by a contractor who may not have verified the ages of the workers.

The SDBL stock opened 16% down on Tuesday and closed 6.4% lower at ₹116.80.

"This is the first time we have seen an instance of child labour in such a big, organised setup," said Dhananjay Tingal, executive director of Bachpan Bachao Andolan, the organisation that assisted in the re-

Children of the Lesser God

India Inc's assessment of its manufacturing & supply chain regarding child labour

Assessment of cos' plants & offices by top **1,062** listed cos

694 cos had disclosed having assessed 100% of their plants & offices

347 cos had disclosed having not assessed any of their plants & offices



Source: primeinfobase.com

597 cos disclosed having assessed 0% of their value chain

148 cos disclosed having assessed 100% their value chain

227 cos did not disclose having assessed their value chain

scue operation at the SDBL plant in Raisen in Madhya Pradesh.

Listed companies are seldom found to perpetrate child labour practices. However, they do get indirectly linked to the practice often through their supply chains.

Child labour practices are typically associated with relatively smaller, unorganised players in sectors such as textiles, carpets, mining, firecrackers and agriculture where supply chains are complex and difficult to monitor.

Data sourced from Prime Database shows that 36% of value chain on an

average was disclosed to be assessed by the top 1,000 companies for child labour practices, among others.

"If one wants to verify, the evidence is hard to come by... But when one undertakes field research, one can come to know the incidence of child labour," said Bino Paul, professor at TISS. "In the past, the corporate brand, equipment and design were all integrated under one roof. However, now, all the processes are outsourced, leading to a disintegrated supply chain. A big contractor will outsource more work with pruned margins. A factory inspector cannot

supervise such a disintegrated supply chain where work can also be done in an indoor or home setting involving children. Disintegrated operations with an objective to reduce costs and protect the margins lead to such scenarios," he said.

"There is ample scope for institutions that specialise in ensuring corporate compliance in integrated reporting through their supply chain," Paul added. Some industry insiders said it's difficult to deal with child labour in India because it is linked to poverty.

"Child labour in India is different from what it is in Europe," said a sustainability head of a large business group, who did not wish to be named. "Most children are forced to work due to poverty. And unless the problem of poverty is addressed, it is difficult to eliminate child labour."

Incidentally, SDBL in its FY23 annual report had reported having complied with the Child Labour (Prohibition & Regulation) Act, 1986, and not receiving any complaints made by employees and workers regarding child labour.

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