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SAGS Apparels: Scaling Sustainability in a Cost-Driven Global Apparel Supply

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Abstract

In this teaching case, students are introduced to SAGS Apparels, a Tiruppur-based garment manufacturer. In just over 20 years, SAGS has evolved from a two-person trading company to one of the world's most sustainable apparel manufacturers. The case chronicles the company's sustainability strategy, changes to the supply chain, certification processes, partnerships with farmers, and how it is re-engineering the economics of the global textile manufacturing business. Students are asked to determine whether the sustainability-driven business model employed by SAGS is scalable, profitable, and defensible in the highly competitive global industry.

Keywords: *Sustainability strategy, Ethical supply chains, Global apparel industry, Competitive advantage, ESG compliance, Emerging-market manufacturing, Strategic trade-offs, Growth versus purpose.*

Case Narrative

On a steamy morning in Tiruppur (Tamil Nadu's garment hub), SAGS Apparels Managing Director Ganesh Anantharaman strolled past gleaming solar panels across the factory's expansive rooftop and down the evaporative cooling corridors, with rows of workers queuing up at ergonomically designed workstations, for his weekly review meeting.

The green factory was a thing of beauty. But as Ganesh surveyed the scene, one question nagged:

"How can SAGS replicate its sustainability model without losing out on cost competitiveness?"

Major global brands flocked to SAGS's story net-zero operation, use of Fair-Trade cotton, Cradle-to-Cradle Gold certification, supporting 2,000+ organic farmers, etc. But with rising demand, cost pressures were mounting.

Should the company scale up? Or would expansion erode SAGS's values?

Background of the company

SAGS was founded by brothers Ganesh and Sankara Narayanan in 2005. They started the business in a 500 sq ft office in Trippur. In 2010, SAGS began producing organic cotton products. Today, the company exports high-fashion knitted garments to Europe and North America. The company caters to the upper-middle segment for the premium brands. The key differentiating factors of SAGS from other players in Trippur are its philosophy, which prioritizes people and planet, where sustainability began. The vision

of the brothers in the last 25 years has made the company into a sustainable company. Currently, the company has 400 employees and a production capacity of 1,50,000 pieces per month.

Asia's First LEED Platinum Certified Garment Factory

World's First Fair-Trade Textile Standard Supply Chain

Cradle-to-Cradle Certified Gold Products

Net-zero water, waste, energy, and carbon (Scope 1 & 2)

95% lower carbon footprint per garment

The founders believe that “**profitability must follow purpose.**”

Sustainability Strategy: Beyond Compliance

Green Factory

The main building is covered by 70% toughened double-glazed glass. This helps the office function with natural light, eliminating the need for artificial lighting. This also keeps the building cooler in summer and warmer in winter. This helps lower the electricity consumption. These are high-performance solar control glasses with advanced thermal insulation, which block 77% of solar heat by reflecting it outside. Also, the company has installed evaporators, air coolers, and high-efficiency exhaust fans to ensure adequate fresh air circulation inside the factory. Interestingly, the company used high solar reflection index steel in the roofs, which has an SRI value of 90 or above. This helps reduce energy consumption by 15% and offers improved comfort inside the building by lowering the temperature by 6 degrees. This also helps the company achieve sustainability and green building standards, as well as obtain energy performance certifications, such as LEED and GRIHA.

The building has renewable energy 100% on-site through high-efficiency solar panels installed on the roof, which is 250 kws. As a result, it reduces carbon emissions by 1,030 metric tons per year. It also has rainwater harvesting, where even one drop of rainwater is not wasted. Rainwater harvesting sump tank has been installed with a maximum capacity of 5,00,000 Liters. Which can fulfil the 25-day water demand of work.

The company also installed a Rain Bird automated irrigation system that uses water in an intelligent way. If we use the conventional method of water spraying, we consume 6 litres per sqft. Using a Rain Bird irrigation system reduces it to 2 liters per square foot. So, we are saving 140,000 liters of water per day. Installed rain sensors in the landscaping area, so if we have rainfall in the last 12 hours, it will automatically deduct and not spray water.

The office furniture is sourced from Steelcase, which is made from either cradle-to-cradle certified or 60-70% recycled materials.

The company also provides green education to its employees. About environmental awareness, sustainability initiatives, and many more.

All these initiatives helps the company to reduce:

51% water usage

32% energy usage

95% carbon emissions

Ethical Working and Fair Business

The company prioritizes fostering strong relationships with its employees and suppliers. Most employees in the organization have been working for over 10 years. The company works with more than 2000 farmers to procure the organic cotton. €70,000 is paid as a premium to farmers and farmer societies every year. Establish a first supply chain to pay living wages across all processing stages.

Certifications as Strategic Differentiators

SAGS holds various sustainability certifications, including LEED Platinum - Leadership in Energy and Environmental Design, a globally recognized green building certification program developed by the US Green Building Council (USGBC).

Cradle to Cradle Gold - This certification is designed for a product standard that enables a healthy, equitable, and sustainable future. This certification is assessed according to five critical categories of sustainability performance: material health, product circularity, clean air and climate protection, water and soil stewardship, and social fairness.

GOTS (Global Organic Textile Standard) is one of the most rigorous and widely recognized standards for organic cotton. This certification is awarded to SAGS to ensure that cotton is farmed without the use of lethal chemicals, produced ethically, and manufactured responsibly under fair labor conditions.

Oeko-Tex is a globally recognized testing standard that ensures textiles are free from harmful substances. SAGS has also obtained this certification.

Amfori BSCI is the Business Social Compliance Initiative, a global supply chain monitoring program that ensures its suppliers meet ethical labour practices and workplace standards.

Fair-trade Textile Standard by Fairtrade prescribes the conditions that must be met to ensure fair labor and environmental practices in every stage of the textile supply chain, from production to the finished garment. It focuses on: paying a living wage within six years; guaranteeing safe working conditions; enforcing environmental protection measures, such as controlling chemical use; and ensuring worker rights, including the right to association and trade union membership. This standard also includes an assurance system with worker participation for effective identification and resolution of issues and requires brands to commit to fair terms of trade.

SAGS treats all these certifications as a market signal, an edge over our competitors, rather than a compliance burden.

Decision Point:

By 2025, SAGS had received a high volume of orders from European buyers seeking ethical sourcing partners. Ganesh was presented with three strategic options:

Alternative 1: Scaling up of Production Capacity

SAGS could buy land and construct another green factory.

Advantage: Increased capacity, revenue growth, and meeting global demand

Disadvantages: Highly investment-intensive; risk of loss of control; pressure on organic cotton supply.

Alternative 2: Collaborate with other Manufacturers.

Under stricter sustainability standards, SAGS may outsource certain production stages.

Advantages: Rapid increase in production capacity and low capital costs.

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Theme: Contemporary Context in Innovation, Inclusion, and Impact.

Cons: Loss of control over operations, issues based on compliance with certification, and a higher risk of greenwashing by partner entities.

Alternative 3: Keep small level of operation and raise prices.

Position SAGS as a niche, luxury, sustainable brand, with high-margin clientele.

Advantages: Maintains the integrity of the sustainability model and positions premium brands effectively.

Cons: Limits the size of a market and can lead to stagnant revenue.

Ganesh realized that sustainability was the primary competitive advantage of SAGS, rather than mass production. However, the world apparel market has been experiencing high turnover. The demand is growing towards sustainable sourcing in large quantities.

SAGS Apparels had to decide: growth or purity - or both?

Data Exhibits

Exhibit 1: Cost Comparison (Traditional vs SAGS Garment)

Cost Component	Traditional Manufacturer	SAGS Apparels
Raw Cotton	₹100	₹135 (Organic + Fair Trade)
Energy Cost per garment	₹12	₹4 (Solar)
Water Cost per garment	₹8	₹3
Labour Cost	₹55	₹70 (living wage)
Total	₹175	₹212

Exhibit 2: Carbon Footprint per Garment (kg CO₂-e)

Stage	Traditional	SAGS Apparels
Cotton Farming	1.8	0.4
Knitting	2.1	0.9
Dyeing	1.4	1.0
Cutting & Sewing	1.2	0.5
Packaging	0.3	0.1
Total	6.8	2.9

Exhibit 3: Buyer Expectations (2025 Survey)

<i>Region</i>	<i>Expectation</i>	<i>Weightage</i>
<i>Europe</i>	<i>Traceability + Low Carbon</i>	<i>45%</i>
<i>US</i>	<i>Competitive Pricing</i>	<i>40%</i>
<i>UK</i>	<i>Ethical Labour Practices</i>	<i>50%</i>
<i>Nordic Countries</i>	<i>Full Supply Chain Sustainability</i>	<i>65%</i>

Exhibit 4: Farmer Impact Metrics

<i>Year</i>	<i>Farmers Supported</i>	<i>Premium Paid (€)</i>	<i>Organic Yield Increase</i>
<i>2018</i>	<i>300</i>	<i>12,000</i>	<i>15%</i>
<i>2021</i>	<i>900</i>	<i>40,000</i>	<i>22%</i>
<i>2025</i>	<i>2,100</i>	<i>70,000</i>	<i>28%</i>

Discussion questions:

What is the core competitive advantage of SAGS Apparels: is it its green factory, certifications, linkages with farmers, or some other?

Is the green factory, ownership of the sustainability certifications, the direct linkages to the farmers, or is it another factor that gives SAGS the major competitive advantage?

Which strategic alternative is the most important to Ganesh: scaling or partnerships or niche? What is the reasoning behind this suggestion?

Does the sustainability model of SAGS scale without hindering its values?

What are the threats involved in implementing rapid expansion?

Will consumers accept to pay a high price to garments that are literally sustainable? In what circumstances could this be the case?

What can SAGS do to maintain complete traceability of their supply-chains as they expand?

Should SAGS become vertically integrated (i.e. to purchase or set up organic cotton farms and spinning plants)?

Is sustainability and cost competitiveness within the international apparel industry a possibility? Support your analysis with the help of Exhibits 1-4.

What would your international partnerships and capabilities be required in case of SAGS going international?

Can SAGS think of expanding the business in the US?

Teaching Objectives:

1. Appreciate sustainability as a strategic differentiator in international manufacturing situations.
2. Evaluate ethical supply chain business viability.
3. Explore the trade-offs of scale, profitability, and purpose.
4. Investigate the role of certifications on consumer buying.
5. Examine cost-benefit relations of brand premiums of sustainable textiles.
6. Discuss the strategic alternatives of expansion and niche specialization in sustainability-based firms.