

# Evaluation Study of Karnataka State Public Sector Enterprises

Karnataka Handloom Development Corporation Limited (KHDCL),  
Karnataka State Textile Infrastructure Development Corporation Limited (KSTIDCL)  
and Karnataka State Handicrafts Development Corporation Limited (KSHDCL)

Report by



Centre for Sustainable Development #381, 2nd Floor, 100 feet road, HAL 2nd  
Stage, Indiranagar, Bangalore – 560008

Year -2018

## **Acknowledgement**

First and foremost, we would like to thank the Principal Secretary, Department of Public Sector Enterprises, (DPE), Karnataka, Smt. Renuka Chidambaram, IAS for giving us the opportunity to conduct the evaluation study on the growth factors, gaps, challenges and remedial measures for Karnataka Handloom Development Corporation Limited (KHDCL), Karnataka State Textile Infrastructure Development Corporation Limited (KSTIDCL) and Karnataka State Handicrafts Development Corporation Limited (KSHDCL).

We are also thankful to the Deputy Secretary to Govt.(Tech), Ms. V.Rathnamma and Ms.Sneha from DPE for their cooperation.

We also thank the Managing Directors of all the three Public Sector Enterprises (PSE's), as mentioned below and their department heads who provided us with insights about the organization and to understand the nature of the corporations, followed by support in the collection of the data to complete the submission of our report successfully.

- KHDCL- Sri. N.L Shanthakumar , (IFS), Managing Director; Sri. Rabindranath BV, EO; Shri. C.P Kurte, Production Manager Cotton.
- KSTIDCL- Sri. G.P Srinivas, Joint Director; Sri. K Kodandaram, General Manager; Smt.Nirmala MN, Deputy Director; Sri. Laxman V,TPO; Sri. DuttaSaraf, Consultant.
- KSHDCL- Sri. Dr. Rajvir Prathap Sharma, IPS, ADGP, Managing Director KSHDCL; Sri. Jai krishna, General Manager (Development)

We would also, like to show our gratitude to the CSD team members Dr. SrinivasRavindra; Sri Rajib Kumar Debnath, Consultant CSD; Ms. PriyankaSaha, Asst. Manager Communication & CSR who have worked hard in completing this report.

## The Table of Contents

<b>Chapter # 1</b>	<b>A Broad Overview of the Engagement</b>	page #7
<b>Chapter # 2</b>	<b>The Reports Specific to each Public Sector Enterprise</b>	
Chapter # 2A	<i>The Report Specific to Karnataka Handloom Development Corporation (KHDC) Ltd.</i>	page #14
Chapter # 2B	<i>The Report Specific to Karnataka State Handicrafts Development Corporation (KHDC) Ltd.</i>	page #54
Chapter # 2C	<i>The Report Specific to Karnataka State Textile Infrastructure Development Corporation (KHDC) Ltd.</i>	page #77
<b>Chapter # 3</b>	<b>Specific Report for Department of Public Enterprises, Govt. of Karnataka</b>	page #98
<b>Annexure # 1</b>	<b>Abbreviations</b>	page #103

## List of Tables

Table #	Table Content	Page #
1	Assessment of the variation in number of working looms, based on performance of the past years, till FY 16/17	20
2	Number of silk and non-silk weaving looms of the past years and their respective performance, till FY 16/17	22
3	Performance of varieties of cloth production (in lakhs of metres) of the past years and their respective performance, till FY 16/17	22
4	Performance of varieties of cloth production (in lakhs of Rs.) of the past years and their respective performance, till FY 16/17	23
5	Current Scenario – Productivity of Weavers till FY 2017/18	28
6	Current Scenario – Percentage of conversion charges over total production cost of past years, till FY 206/17	31
7	Current Scenario – Total revenue generated till FY 206/17	33
8	Percentage of Sales to Inventories from FY 2007/08 till 2016/17; and projected of FY 2021/22 and FY 2025/26	34
9	Total Revenue and Expenditure from FY 2007/08 till 2016/17	34
10	Total Expenses of FY 2007/08 till 2016/17	38
11	Current Scenario – Total Assets, Current Liabilities, Total Net Worth & P/L from FY 07/08 till FY 15/16; Figures are in Lakhs of Rs. or in ratio, as applicable	41
12	Current Scenario – P/L from FY 07/08 till FY 15/16; Figures are in Lakhs of Rs.	42
13	Sales of Handicrafts and Raw Materials during the period FY 2007/08 to FY 16/17	56
14	Export sales and sale in domestic market during the period FY 2007/08 to FY 2016/17	57
15	Purchase charges made to craftsmen and total expenses during the period FY 2007/08 to FY 2016/17	60
16	Total Inventories and Sales during the period FY 2007/08 to FY 2016/17	62
17	Current Scenario - Assessment of trend based on performance of FY 10/11 to FY 16/17	64
18	Current Scenario - Assessment of net worth of KSHDC based on performance of FY 10/11 to FY 16/17	68
19	- Current Scenario - Assessment of Current Ratio, Quick Ratio and Cash Ratio of KSHDC based on performance of FY 10/11 to FY 16/17	69
20	Current Scenario - Assessment of performance of the past years, till FY 15/16	78
21	Current Scenario - Performance of Growth on a YoY basis of the past years, till FY 15/16	78
22	Current Scenario - Assessment of performance of the past years, till FY 15/16	80
23	Scenario - Performance of Growth on a YoY basis of the past years, till FY 15/16	81
24	Projected Scenario of the next years, till FY 22/23	81
25	Current Scenario - Assessment of Net-worth based on performance of the till FY 15/16	84
26	Current Scenario - Performance of Growth on a YoY basis of the past years, till FY 15/16	84
27	Current Scenario - Assessment of Current Ratio, Quick Ratio and Cash Ratio of KSTIDCL based on performance of FY 10/11 to FY 15/16	85
28	- Current Scenario - Performance of Growth on a YoY basis till FY 15/16	85

## The Table of Charts

Chart#	Chart Content	Page #
1A	Current Scenario – Strength of Weavers till FY 2016/17; Figures of every FY are in Numbers	14
1B	Projected Scenario – Probable Strength of Weavers till FY 2017/18; Figures of every FY are in Numbers	15
2A	Current Scenario – Strength of Working Loomstill FY 2016/17; Figures of every FY are in Numbers	15
2B	Projected Scenario – Probable Strength of Working Looms till FY 2026/27; Figures of every FY are in Numbers	20
3A	Current Scenario – Avg. of Total Number of Handlooms vs Working Handlooms of FY 2010/11 to FY 2016/17	20
4A	Current Scenario – Total Production of Cloth till FY 2017/18; Figures are in Lakhs of Metres	23
4B	Projected Scenario – Total Production of Cloth till FY 2026/27; Figures are in Lakhs of Metre	23
5	Current Scenario – Total Production of varieties of Cloth till FY 2017/18; Figures are in Lakhs of Metres	24
5A	Current Scenario – Share of varieties of cloth, based on their average production till FY 2017/18 Figures are in Lakhs of Metres	24
5B	Projected Scenario– Share of varieties of cloth, based on their average production till FY 2017/18; Figures are in Lakhs of Rs	24
Chart 6	Current Scenario – Total Production of varieties of Cloth till FY 2017/18; Figures are in Lakhs of Rs	30
Chart 6A	Current Scenario – Conversion Charges paid to Weavers vs Cost of Production of FY 2006/07 to FY 201/18; Figures of every FY in Lakhs of Rs	30
Chart 6B	Current Scenario - Conversion Charges paid to Weavers vs Cost of Production of FY 2015/16 to FY 2017/18; Figures of every FY in Lakhs of Rs	30
Chart 7	Current Scenario – Sales of Various Types of Cloth from FY 06/07 to FY 16/17; Figures are in Lakhs of Rs	32
Chart 8	Current Scenario – Share of sales of clothes produced based on averagefigures of FY 2007/08 to FY 2016/17; Figures are in Lakhs of Rs	32
Chart 9A	Scenario - Inventories vs Sales of FY 07/08 to FY 16/17; Figures are in Lakhs of Rs	33
Chart 9B	Projected Scenario - Inventories vs Sales till FY 2025/26; Figures are in Lakhs of Rs	33
Chart 10A	Share of various components of Expenditure, based on the average of FY 07/08 till FY 16/17; Figures are in Lakhs of Rs	34
Chart 14B	Projected Scenario - Share of various components of Expenditure based on average of FY 2017/18 to FY 2025/26; Figures are in Lakhs of Rs	34
Chart 11A	Share of Expenses based on the average of FY 2007/08 till 2016/17	36
Chart 12	Current Scenario – Performance of Current vs Non-Current Assets from FY 07/08 till FY 16/17; Figures are in Lakhs of Rs	40

Chart#	Chart Content	Page #
Chart 13	Current Scenario – Total Assets, Current Liabilities and Total Net Worth from FY 07/08 till FY 15/16; Figures are in Lakhs of Rs	40
Chart 14	Current Scenario – Profit or Loss from FY 07/08 till FY 15/16; Figures are in Lakhs of Rs	40
Chart 15	Current Scenario – Current Ratio, Quick Ratio and Cash Ratio of FY 07/08 to FY 15/16; Figures are in ratio	41
Chart 16A	Current Scenario - Assessment of trend based on performance of the past 10 years, till FY 16/17	53
Chart 16B	Projected Scenario till FY 22/23	53
Chart 17A	Scenario - Average of Sales of FY 07/08 to FY 16/17	53
Chart 18B	Predicted Scenario - Average of Sales of FY 17/18 to FY 22/23	53
Chart 19A	Current Scenario - Assessment of trend based on performance of the past 10 years, till FY 16/17	54
Chart 19B	Projected Scenario for next 5 years from till FY 22/23	54
Chart 23A	Current Scenario - Average of Sales of FY 07/08 to FY 16/17	54
Chart 23B	Predicted Scenario - Average of Sales of FY 17/18 to FY 22/23	54
Chart 24A	Current Scenario –Purchase Charges paid to craftsmen from FY 10/11 to FY 16/17	56
Chart 24B	Predicted Scenario - Purchase Charges likely to be paid to craftsmen from FY 17/18 to FY 22/23	56
Chart 25A	Current Scenario –Share of average of purchase made vs total expenses since FY 10/11 till FY 16/17	56
Chart 25B	Predicted Scenario - Share of average of purchase likely to be made vs total expenses likely to be incurred from FY 17/18 to FY 22/23	56
Chart 26A	Current Scenario –Sales and Inventories of FY 07/08 to FY 16/17	58
Chart 26B	Predicted Scenario - Sales and Inventories from FY 17/18 to FY 22/23	58
Chart 27A	Current Scenario – Share of inventories over sales based on average of FY 2007/08 to FY 2016/17	59
Chart 27B	Projected Scenario - Share of inventories over sales based on average of FY 2017/18 to FY 2022/23	59
Chart 27A	Current Scenario – Total Expenses, Total Revenue and Profit/Loss of FY 2010/11 to FY 2016/17	62
Chart 28A	Current Scenario – Break-up of Share of Total Expenses of the average figures of FY 2010/11 to FY 2016/17	62
Chart 28B	Projected Scenario Break-up of Share of Total Expenses of the average figures of FY 2017/18 to FY 2022/23	62
Chart 29A	Current Scenario – The Total Assets, Liabilities and Net Worth of FY 2010/11 to FY 2016/17	65
Chart 29B	Projected Scenario Break-up of The Total Assets, Liabilities and Net Worth of FY 2017/18 to FY 2022/23	65

Chart#	Chart Content	Page #
Chart 30A	Current Scenario – The Current Ratio, Quick Ratio and Cash Ratio of FY 2010/11 to FY 2016/17	66
Chart 30B	Projected Scenario Break-up of Current Ratio, Quick Ratio and Cash Ratio of FY 2017/18 to FY 2022/23	66
Chart33	Current Scenario – Trend defined by Revenue from Operations and Inventories of the past years, till FY 15/16	75
Chart 31A	Current Scenario – Total Expenses, Revenue and Profit after Taxes of FY 2010/11 to FY 2016/17; Figures are in Crs. of Rs	78
Chart 31B	Projected Scenario - Total Expenses, Revenue and Profit after Taxes FY 2016/17 to FY 2022/23; Figures are in Crs. of Rs	78
Chart 32A	Current Scenario – Break-up of Total Expenses, based on the average of FY 2010/11 till FY 2016/17; Figures are in Crs. of Rs	79
Chart 32B	Projected Scenario Break-up of Total Expenses, based on the average of FY 2016/17 to FY 2022/23; Figures are in Crs. of Rs	79
Chart 33	Current Scenario – Total Assets, Total Liabilities and Net Worth of the past years, till FY 15/16	82

Chapter # 1	
	A Broad Overview of the Engagement



### 1.01 The Broad Objective and Scope of the Engagement:

The broad objective and scope of the engagement is to:

- (a) Conduct an evaluation wrt. objectives with which the organizations had been established and identify the gaps and challenges that are faced by the following three Public Sector Enterprises (PSEs):
  - (i) Karnataka Handloom Development Corporation Limited (KHDCL),
  - (ii) Karnataka State Textile Infrastructure Development Corporation Limited (KSTIDCL) and
  - (iii) Karnataka State Handicrafts Development Corporation Limited (KSHDCL); and
- (b) Submit recommendations to rejuvenate the aforesaid PSEs.

### 1.02 The Tentative Timeline:

- (a) The engagement was officially awarded to Centre for Sustainable Development (CSD) in the middle of January 2018 by Department of Public Enterprises (DPE), Government of Karnataka (GoK). The overall timeline agreed for the assignment was 3 months. In the work order issued by DPE. However, the timeline in the MOA between CSD & DPE is 31<sup>st</sup> March 2018.
- (b) Although there was limited time available, the engagement has been eventually completed in a span of two and a half months.

### 1.03 Our Broad Approach and Methodology:

- (a) **Understanding the objective and the business operations of the 3 companies for a focused study:** CSD had shared a brief of the process to be adopted for carrying out the evaluation study, to the representatives of each of the 3 companies; the representatives of the 3 companies also shared a brief and broad understanding of the business and modus operandi of their respective companies to CSD;
- (b) **Request of relevant documentations from the 3 Companies:** CSD has sought relevant documented information from by the representatives of the three companies to be evaluated; while a maximum number of documents and information could not be furnished by the companies on account of paucity of time, CSD has therefore decided to proceed for the engagement on the basis of the documentations made available to CSD; there has been constraint cited by some of the departments in furnishing some information that were sought by us, this may therefore lead to some limitations in the engagement, although to the extent possible, we have tried to analyze the trend to arrive at the missing data of a particular year.
- (c) **Stakeholder consultation:** In context to the engagement, it was imperative to consult with the internal and external stakeholders of each of the 3 companies.
  - (i) Sample external stakeholders that are to be consulted for the purpose of the engagement were finalized by CSD in consultation with the respective management of the three companies. Site visits were conducted in this regard. The sample stakeholders

consulted, to represent the overall beneficiaries of each of the three companies are as follows:

- KSTIDCL – Trainees, under various schemes of the training institute at Dodballa Park, Karnataka; and out-sourced workers of various companies engaged in the training institute at Dodballa Park, Karnataka;
  - KSHDC – Skilled artisans engaged in the manufacture of toys in Channapatna, Karnataka and in the manufacture of wooden crafts in Mysore, Karnataka;
  - KHDC - Skilled weavers engaged in the manufacture of silk sarees in Aneekel, Karnataka and in Gadag, in Hubli, Karnataka;
- (ii) Post discussion with the sample external stakeholders, CSD had also consulted with the relevant personnel of the management of each of the three companies.

(d) **Request for further information, followed by documentation review:** Post discussion with the relevant internal and external stakeholders, CSD has sought for some additional documented information from the respective sites visited, wherever felt necessary, although very minimal response could be obtained from the three companies;

(e) **Broad methodology applied:** Post receipt of the information from the respective companies, both in the form of stakeholder consultation and documentations obtained, analysis was carried for the three companies to understand the performance of the respective companies on their objectives based on which the companies were set up. CSD has focused its study on the decade long performance of the 3 organizations, to understand their present status, based on the availability of information, primarily from the details obtained from the past financial year's annual reports and consultations carried out with the internal and external stakeholders of the organizations, i.e. primarily the employees of the organizations and the management personnel and the concerned employees of the company. Secondary research materials have also been referred to, to identify significant concerns, if any.

Following are the three stage exercise that was carried out:

(i) **Stage # I- Analysis of Critical Performance Parameters**

The performance of the past ten years or less has been assessed primarily on the basis of the annual reports, for critical financial performance parameters. The data of the past decade have been analyzed, wherever available, to understand how the company had been performing and thereby chalking the trend till FY 2016/17. Based on data obtained from the annual report, the variation in the change (i.e. either increase or decrease) in the data against the performance parameter, on a year to year (YoY) basis had been assessed for the current period till FY 2016/76. The average variation has been applied to predict the YoY figures of the subsequent years, till FY 2027/28.

To be able to draw some inferences and accordingly recommend measures, it is also imperative to understand how a performance parameter has been performing in the past few years and accordingly chalk out the likely projected path of performance for

the next few years. CSD has carried out the analysis of the past few years, followed by applying its data and the past trend to estimate the probable figures and the performance trend of the performance parameter for the next few years.

**Methodology of calculating projected data:**

Based on the data obtained for the past financial years (FYs), from the annual report, for a specific performance parameter, the variation in the change (i.e. either increase or decrease) in the figures on a YoY basis have been assessed. The average of these YoY variations has thereafter been calculated. This average figure has thereafter been applied to project the YoY figures of the subsequent years, to assess the projected scenarios till FY 2022/23.

Based on the analysis carried out for the current and projected figures, the inferences have been drawn by CSD and accordingly recommendations provided.

**(ii) Stage # II - Analysis Based on Inputs Obtained from the External Stakeholders Consulted**

The work-force of weavers are not employees and are hence external to KHDCL. Our observations and thereby the gaps based on inputs received from the beneficiaries, i.e. weavers consulted have been addressed, followed by carrying out the analysis and accordingly the inferences, followed by our recommendations on the same.

**(iii) Stage # III - Analysis Based on Inputs Obtained from the Internal Stakeholders Consulted**

In a manner similar to Stage # II, the same process has been followed for the internal stakeholders.

**(f) Preparation and submission of report:** This comprise of the following reports:

- (i) **Draft Report:** Post preparation of the First Draft Report, CSD shall submit the same to the DPE, GoK. For receipt of their comments, if any, on the same;
- (ii) **Final Report:** Post receipt of comments from the DPE, GoK on the First Draft Report, the same shall be included and accordingly the report finalized for further and final submission to the DPE.

**1.04 Broad Contents of the Report:**

The report to be submitted to the DPE by CSD, specific to every enterprise shall bear the following key contents:

- (a) Executive summary of the report;
- (b) Broad methodology of carrying out the assessments in the engagement;
- (c) Analysis of the key financial performance parameters of the organizations; followed by our inferences and recommendations, wherever felt necessary;

- (d) Analysis of the stakeholder consultation carried out with the employees of the organizations; followed by our inferences and recommendations, wherever felt necessary;
- (e) Analysis of the stakeholder consultation carried out with the management and concerned employees of the organizations; followed by our inferences and recommendations, wherever felt necessary; and
- (f) The report shall towards the end also carry specific recommendation to DPE, GoK.

<b>Chapter # 2</b>	
	<b>The Reports Specific to each Public Sector Enterprise</b>

<b>Chapter # 2A</b>		
	<b>The Reports Specific to Karnataka Handloom Development Corporation Ltd. (KHDCL)</b>	
<b>Stage I</b>	<b>Analysis of Key Performance Parameters based on Annual Report; Our Inferences and Recommendations</b>	page #14
<b>Stage II</b>	<b>Analysis of key inputs obtained from the internal stakeholders consulted; Our Inferences and Recommendations</b>	page #45
<b>Stage III</b>	<b>Analysis of key inputs obtained from the external stakeholders consulted; Our Inferences and Recommendations</b>	page #47

## Stage # 1: Analysis of Key Performance Parameters based on Annual Report; Our Inferences and Recommendations

All key performance parameters, extracted from the annual report have been analyzed for their past ten years of performance. The projected numbers of the next 5 years of performance have been assessed based on the past ten years of performance. Following are the key performance parameters that have been analyzed.

### 1. The timeline until which the weavers are likely to perform:

The weavers are the backbone of the handloom industry in Karnataka and will accordingly decide the fate and sustenance of the industry, it is therefore imperative to assess the time span till which the weavers continue their services in this industry sector. Three cases have been analyzed, on the basis of the following, to enable us to predict the probable scenario;

- Case #1 -The current strength of weavers;
- Case #2 - The total number of handlooms that are presently working; and
- Case #3 - The aging of the weavers.

Our projections for the performance parameters would accordingly be carried out only upto such a specific time span.

#### 1.01 Case # 1: Analysis of strength of weavers, based on information furnished by the management of KHDC

##### □ Inputs obtained from the external/internal stakeholders of KHDC:

- (a) We have been informed by the management of KHDC that the total number of weavers in FY 1990/91 was 40,000; currently the number of weavers at the end of FY 2015/16, stands at 10,000.

##### □ Our analysis:

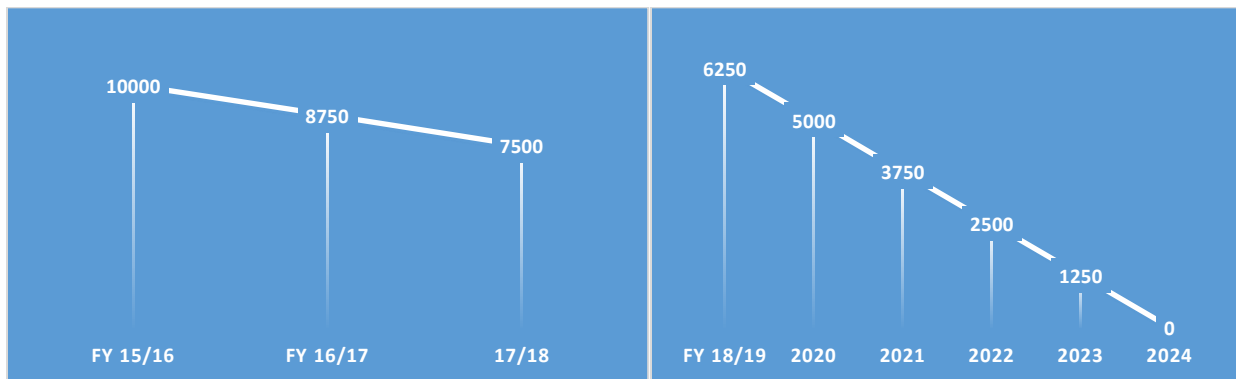


Chart 1A: Current Scenario – Strength of Weavers till FY 2016/17; Figures of every FY are in Numbers

Chart 1B: Projected Scenario – Probable Strength of Weavers till FY 2017/18; Figures of every FY are in Numbers

□ **Our inferences & challenges identified and recommendations:**

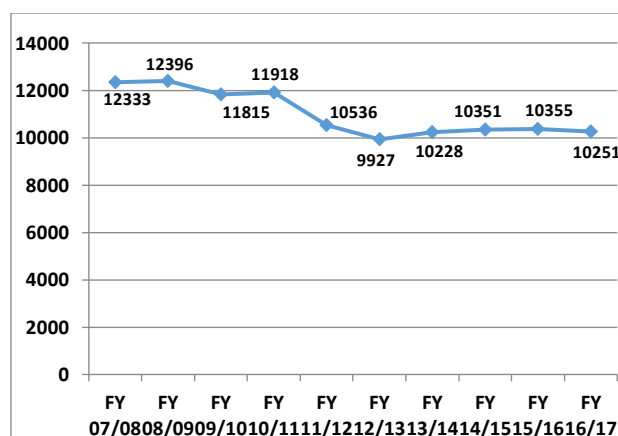
Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
	Based on the figures provided by the management of KHDC, it could be estimated that over the past 24 years the total number of weavers has got reduced at a simple average rate of 1235. This simple average rate, when applied in the subsequent years, indicates the YoY figures of the subsequent years. The YoY figures indicate that in most likelihood, by FY 2023/24, the total numbers of weavers in KHDC could get reduced to nil.	Nothing specific.	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	-	-	-

**1.02 Case # 2: Analysis of strength of working looms, based on data obtained from the annual report**

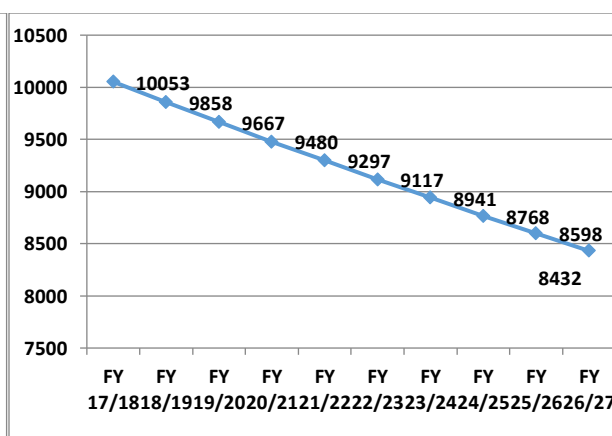
□ **Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:**

(a) We have been informed by the management of KHDC that every weaver is supported by a loom. Hence, presence of every single working loom indicates that a weaver is still sustaining his/her livelihood based on the looms; as such, as a thumb rule, every loom represents one weaver.

□ **Our analysis:**



**Chart 2A: Current Scenario – Strength of Working Loomstill FY 2016/17; Figures of every FY are in Numbers**



**Chart 2B: Projected Scenario – Probable Strength of Working Looms till FY 2026/27; Figures of every FY are in Numbers**



□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	(i) Based on the projected figures calculated, the number of looms by the end of FY 2027/28 will be approx. 8,432; this therefore leads to an inference that approx. 8,432 weavers could still be working until FY 2027/28; and (ii) The aforesaid number is however in contrast to the scenario of Case I, which indicates that no weaver is likely to be carrying out any handloom production beyond FY 2024/25.	No specific recommendation.	
<b>II</b>	<b>Critical Issues:</b>		
-	-	-	-

**1.03 Case # 3: Analysis of the ageing of the weavers:**

□ **Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:**

- (a) In our consultation with the management of KHDC, we have been informed that approx. 75% of the males are aged and are around 50 years of age; and the balance 25% of the males accounting to 1,500 males are aged below 50 years, of which a significant percentage of such males would soon become aged;
- (b) CSD had conducted a site visit in one of the major retail production project of KHDC in Gadag, near Hubli in Karnataka. The facts that have emerged based on discussions with the weavers in the site, followed by further consultations with the concerned employees and management level personnel of KHDC are presented below:
- The project site has approx. 750 weavers, of which approx. 450 are males (60%) and the rest 300 (40%) are females;
  - Further, of the female weavers, approx. 60% of them are aged in between 45 to 60 years; approx. 30% of them are aged in between 35 to 45 years; and the rest 10% of them are aged in between 30 to 35 years.

□ **Our analysis based on inputs obtained from the employees/management of KHDC and weavers of KHDC:**

- (a) Case # 1 indicates that there are approx. 10,000 weavers who are in operation and are dependent on KHDC for their livelihood;
- (b) The sample size of 750 that had been analysed in Gadag, when applied to a population of 10,000 weavers provides a confidence level of 99% at a margin of error at 5%. Therefore, it is statistically appropriate to apply the male:female ratio over the current population of 10,251 weavers of FY 2016/17 (say approx. 10,000 weavers);
- (c) The ratio of male and females when applied over the actual percentage of weavers, as per our discussions with the management of KHDC indicates that:

- (i) Approx. 75% of the 6,000 males (i.e. approx. 4,500) are aged around 50 years and the balance 1,500 males are aged below 50 years;
- (ii) Of the 4,000 female weavers, approx. 60% (i.e. 2400) of them are aged in between 45 to 60 years; approx. 30% (i.e. 1200) of them are aged in between 35 to 45 years; and the rest 10% (i.e. 400) of them are aged in between 30 to 35 years.

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	The aforesaid analysis of the numbers indicate that approx. 4500 males and 2400 females, totaling to approx. 7,000 weavers are aged; since these weavers are highly aged, therefore these weavers may not have the energy, zeal and enthusiasm to continue weaving for a longer term, going forward.	No specific recommendation.	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	<ul style="list-style-type: none"> <li>(i) Of the balance 3,000 weavers, around 1500 are males and around 1600 are females; this set of weavers may have the interest to carry on their jobs in the handloom industry, as they may not have skill on any other trade or the zeal to learn any additional skill at this old age or may not be willing to migrate to any other trade;</li> <li>(ii) Further of this 3,000 weavers, a significant number could be middle aged and a small number could be in their young age, who may actually like to continue with the handloom profession; there is also a possibility that this small number of weavers may actually consider this handloom profession as an additional source of income and not their primary source of income, for their livelihood and may migrate to other lucrative and less laborious form of trade.</li> </ul>	It is recommended that a detailed and thorough third party assessment be carried out to find the total number of weavers who could still be interested to pursue weaving as their profession in the handloom industry and the factors that motivates them for remaining in such a profession. This will enable the DPE, GoK to take appropriate and strategic measures on KHDC.	Short term action, within a year is proposed.

### 1.04 Our overall assessment based on the three cases that have been analyzed

Just to reiterate, the following cases have been analyzed and discussed earlier:

- (a) Case # 1: Analysis of strength of weavers, based on information furnished by the management of KHDC;

- (b) 1.02 Case # 2: Analysis of strength of working handlooms, based on data obtained from the annual report; and
- (c) 1.03 Case # 3: Analysis of the aging of the weavers.

The overall assessment based on the aforesaid Case # 1, Case # 2 and Case # 3 leads to the following inference wrt. the availability of weavers and thereby, the overall sustenance of the handloom industry:

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
-	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	(i) Case # 3 presents a scenario, whereby only a very small number of weavers, approx. 3,000, who are in an age group of approx. less than 45 to 50 years, could actually be interested to continue working in the handloom industry, going forward; (ii) Case # 3 also reflects a scenario that is close to scenario of Case # 2. An analysis of the projections of both these two cases, leads to the following inferences: <ul style="list-style-type: none"> <li>• The weavers are the backbone of the handloom industry in Karnataka and will accordingly decide the fate and sustenance of the industry. Based on the analysis of current strength of weavers, the total number of handlooms and the aging of the weavers, it is projected that the handloom industry is likely to see some sustenance for approx. another 6 to 8 years, says till FY 2025/26.</li> <li>• The primary reason behind this being the aging of the weavers; while currently approx. 70% of total weavers are highly aged and may not have the energy, zeal and enthusiasm to continue weaving for a longer term, in the future; of the balance 3,000 weavers, a significant number of weavers could be middle aged, while a small number could be in their young</li> </ul>	It is therefore recommended that a survey be carried out amongst the weavers to identify who amongst those weavers below the age of 50 years, could be interested to continue with the handloom profession. Accordingly, such weavers could be gradually trained and skilled on an alternative option of related trade, such as in powerloom, so that the weavers have an alternate source of livelihood and simultaneously facilitate KHDC in the gradual transition to a new alternate option.	Short term action plan proposed, within 1 year.

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	age, who may like to continue with the handloom profession; there is however also a strong possibility that this small number of weavers may consider this handloom profession as an additional source of income and not their primary source of income, for their livelihood.		

In view of the above, the future projections of all other critical performance parameters have therefore been assessed for a maximum period of another 8 years, i.e. till FY 2025/26, wherever felt necessary to understand the trend of performance. Accordingly, the recommendations, wherever applicable and necessary, have been appropriately presented.

## 2. The performance and productivity of the looms:

- Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:

We have been informed by the management of KHDC that since the start of the project, during FY 2009/10 the weavers had their own loom. Subsequently, with increase in demand in the market for handloom products at some stage, KHDC had supplied the weavers with an additional 500 handlooms.

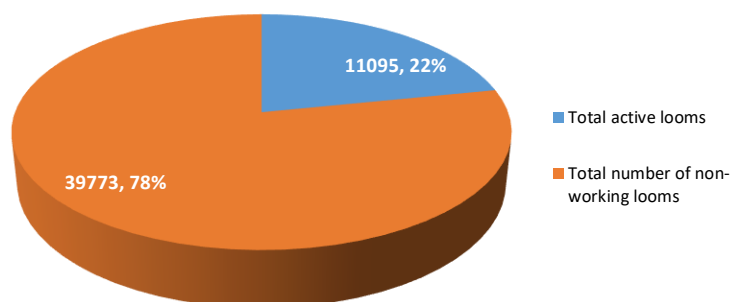
- Our analysis:

### (i) Comparison of working and non-working looms:

Table # 1: Assessment of the variation in number of working looms, based on performance of the past years, till FY 16/17

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
Number of working looms	12333	12396	11815	11918	10536	9927	10228	10351	10355	10251	11095
Number of non-working looms	36798	37172	38089	38388	40226	41341	41675	42037	42231	42335	39773
Total number of looms	49131	49568	49904	50306	50762	51268	51903	52388	52586	52586	50868
Percentage of working looms	25	25	24	24	21	19	20	20	20	19	22
Variation on a YoY basis (for working looms in %)		100.5	95.3	100.9	88.4	94.2	103.0	101.2	100.0	99.0	98.07

Chart 3A: Current Scenario – Avg. of Total Number of Handlooms vs Working Handlooms of FY 2010/11 to FY 2016/17



### (ii) Secondary research:

An 'ASU Machine' has been recently invented (in the district of Nalgonda) that runs through an electric-motor. This machine could become an asset to the handloom weavers, for its following benefits:

- Usually, a weaver has to move his or her hand almost 18,000 times to prepare the yarn, which therefore makes the weaver to become prone to arthritis in 7 to 8 years; this machine helps in relieving the stress;
- Comes in portable to weave the famous pochampally sarees, which are made out of tie and dye silk and cotton fabrics;
- Domestic power supply is sufficient to run the 0.25 hp motor attached to the machine;
- While in a highly efficient scenario, only two sarees can be woven in one day manually, whereas on an average only 33% of a saree is woven in a day, vis a vis ASU machine can weave approx. six sarees in 9 hours (say a day), thereby indicating that an ASU machine

is approx. 1700% more efficient as compared to hand weaving; the machine therefore saves a lot of time;

- The machine is eco-friendly and no extra skill is needed to operate it;
- The cost per machine is Rs. 12,000/-.

Sources: 1- <https://timesofindia.indiatimes.com/city/bengaluru/Machine-may-prove-boon-to-handloom-weavers/articleshow/716543575.cms>

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	The YoY variation indicates that the number of handlooms has been reducing at an average of 2% per annum.	No specific recommendation.	
<b>II</b>	<b>Critical Issues:</b>		
(a)	The average number of looms that were not performing in the past few years as compared to the total number of looms is 78%, which accounts for approx. 39,773 looms. Moreover, the trend of non-usage of handloom machines has been increasing every year. At an average selling price <sup>2</sup> of Rs. 10,000/- for an old handloom machine, the total value of asset that is currently lying unutilized is worth of Rs. 40 crores, for all the 39,773 unutilized machines combined together.	<p>KHDC could explore the following sequential steps of activities:</p> <p>(i) Completion of the aforesaid discussed survey will give a clarity to KHDC on the actual number of weavers, who may like to continue in weaving business; such weavers who are interested, could also be asked if they would like to move to an advanced form of weaving (ASU machine/powerloom);</p> <p>(ii) The makers of the ASU machine could be contacted and options explored whether the existing unutilized handloom machines of the weavers of KHDC could be converted into ASU machines; in such an event, at a minimal cost the replacement can be done. For those interested, KHDC may explore the options of providing an additional loan to the weavers for upgrading the technology of their looms;</p> <p>(iii) If the response of the makers of the ASU machine is in negative, then KHDC could explore the option of selling all these looms by taking the weavers into confidence and form a society; the society will have weavers who shall sell off their handlooms and jointly purchase ASU machines and work on the same.</p>	Short term action, within a year is proposed.

Source: 2- Olx;

### 3. The productivity of the silk and non-silk weaving looms:

- Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:

(a) Consultation with both the weavers and the officials of KHDC indicates that there is non-availability of raw materials, thereby, resulting in gradual reduction in the production of silk woven clothes;

- Our analysis:

#### (i) Comparison of productivity of silk and non-silk based working looms:

Table # 2: Number of silk and non-silk weaving looms of the past years and their respective performance, till FY 16/17

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
<b>I. Break-up of active number of silk and non-silk weaving looms</b>								
Total active number of silk and non-silk weaving looms	11918	10536	9927	10228	10351	10355	10251	10509
Looms weaving other than silk	9948	9317	9192	9398	9527	9560	9586	9504
Looms that weave silk	1970	1219	735	830	824	795	665	1005
<b>II. Performance of non-silk weaving looms</b>								
% of looms weaving non-silk	83	88	93	92	92	92	94	91
Variation on a YoY basis (for non-silk-based working looms, in %)		93.7	98.7	102.2	101.4	100.3	100.3	99.4
<b>III. Performance of silk-weaving looms</b>								
% of looms weaving silk	17	12	7	8	8	8	6	9
Variation on a YoY basis (for silk-based working looms, in %)		61.9	60.3	112.9	99.3	96.5	83.6	86

#### (ii) Comparison of production of silk and non-silk woven clothes (production length):

Table # 3: Performance of varieties of cloth production (in lakhs of metres) of the past years and their respective performance, till FY 16/17

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
<b>I. Total Production (in lakhs of metre)</b>											
Overall length of cloth produced	109	100	96	91	86	82	85	75	68	59	85.1
Production of Cotton cloth	54	49	46	40	26	10	7	5	6	7	25.0
Production of Polyester cloth	53	49	48	48	57	70	76	68	60	50	57.9
<b>Total of polyester and cotton cloth</b>	<b>107</b>	<b>98</b>	<b>94</b>	<b>88</b>	<b>83</b>	<b>80</b>	<b>83</b>	<b>73</b>	<b>66</b>	<b>58</b>	<b>83.0</b>
Production of Silk cloth	2.0	2.0	2.0	3.0	3.0	2.0	2.0	2.0	2.0	1.7	2.2
Variation on a YoY basis (for clothes production, in %)		91.7	96.0	94.8	94.5	95.3	103.7	88.2	90.7	87.4	93.6
<b>II. Performance of Cotton clothes</b>											
% of cotton based clothes production over total production	50	49	48	44	30	12	8	7	9	12	26.9
Variation on a YoY basis (for cotton clothes production, in %)		91	94	87	65	38	70	71	120	122	84.3
<b>III. Performance of Polyester clothes</b>											
% of polyester based clothes production over total production	0	0	1	1	1	1	1	1	1	1	0.7
Variation on a YoY basis (for polyester clothes production, in %)		92	98	100	119	123	109	89	88	84	100.3
<b>IV. Combined Performance of non-silk based clothes (Cotton and Polyester)</b>											
% of polyester and cotton based	98	98	98	97	97	98	98	97	97	97	97.4

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
clothes production over total production											
Variation on a YoY basis (for polyester and cotton clothes production, in %)		92	96	94	94	96	104	88	90	88	93.5
<b>V. Performance of silk based clothes</b>											
% of silk based clothes production over total production	0.02	0.02	0.02	0.03	0.03	0.02	0.02	0.03	0.03	0.03	0.03
Variation on a YoY basis (for silk clothes production, in %)		100.0	100.0	150.0	100.0	66.7	100.0	100.0	100.0	85.5	100.2

### (iii) Current and projected production of clothes (production length):

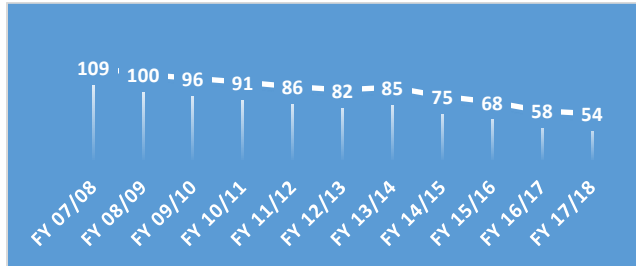


Chart 4A: Current Scenario – Total Production of Cloth fill FY 2017/18; Figures are in Lakhs of Metres

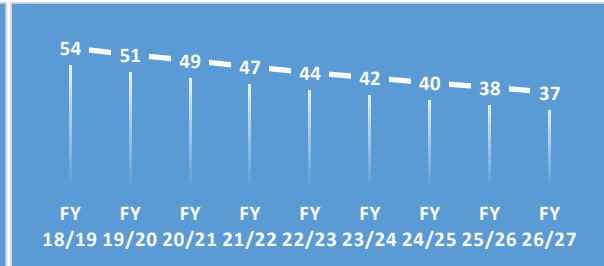


Chart 4B: Projected Scenario – Total Production of Cloth fill FY 2026/27; Figures are in Lakhs of Metre

### (iv) Comparison of production of silk and non-silk woven clothes (production value):

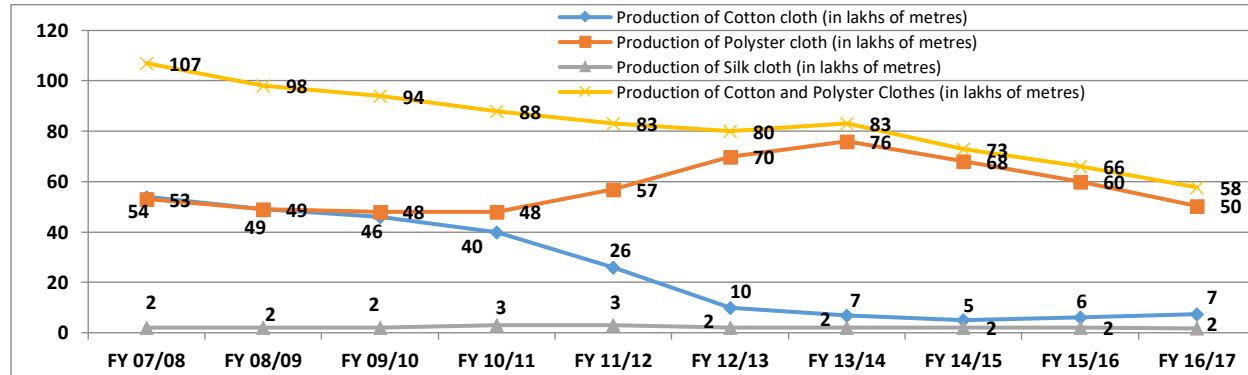
Table # 4: Performance of varieties of cloth production (in lakhs of Rs.) of the past years and their respective performance, till FY 16/17

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
<b>I. Total Production (in Lakhs of Rs)</b>											
<b>Overall value of cloth produced</b>	3250	3180	3452	3913	4777	5197	5849	6001	4932	4249	4480.0
Production of Cotton cloth	1152	1144	1165	1267	1144	651	530	626	453	352	848.4
Production of Polyester cloth	1663	1530	1654	1834	2605	3538	4196	4142	3568	3048	2777.8
<b>Total of polyester and cotton cloth</b>	<b>2815</b>	<b>2674</b>	<b>2819</b>	<b>3101</b>	<b>3749</b>	<b>4189</b>	<b>4726</b>	<b>4768</b>	<b>4021</b>	<b>3400</b>	<b>3626.2</b>
Production of Silk cloth	435	506	633	812	1028	1008	1123	1233	911	849	853.8
<b>II. Performance of Cotton based clothes</b>											
% of cotton based clothes production over total production	35	36	34	32	24	13	9	10	9	8	21.1
Variation on a YoY basis (for cotton clothes production, in %)		99	102	109	90	57	81	118	72	78	89.6
<b>III. Performance of Polyester based clothes</b>											
% of polyester based clothes production over total production	51	48	48	47	55	68	72	69	72	72	60.2
Variation on a YoY basis (for polyester clothes production, in %)		92	108	111	142	136	119	99	86	85	108.6
<b>IV. Combined Performance of non-silk based clothes (Cotton and Polyester)</b>											
% of polyester and cotton based clothes production over total production	87	84	82	79	78	81	81	79	82	80	81.3
Variation on a YoY basis (for polyester and cotton clothes production, in %)		95	105	110	121	112	113	101	84	85	102.8
<b>V. Performance of silk based clothes</b>											
% of silk based clothes production	13	16	18	21	22	19	19	21	18	20	18.75

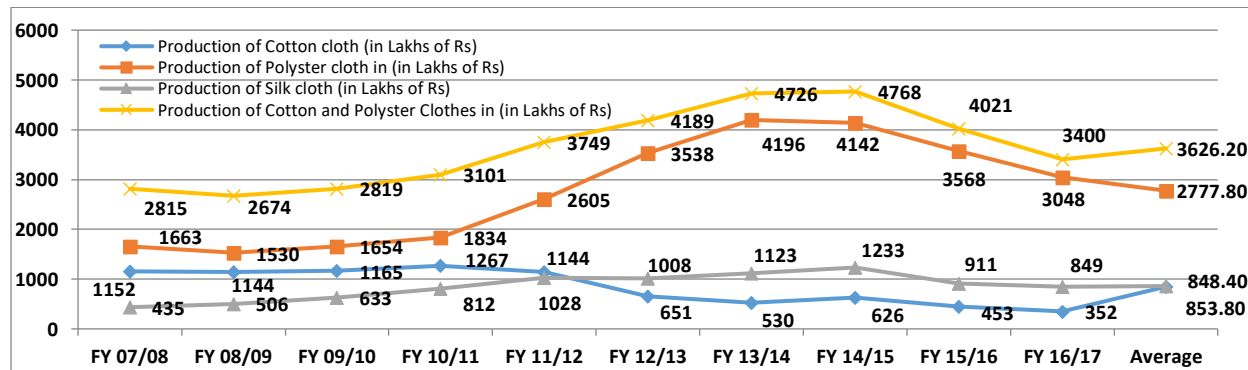


Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
over total production											
Variation on a YoY basis (for silk clothes production, in %)		116	125	128	127	98	111	110	74	93	100.6

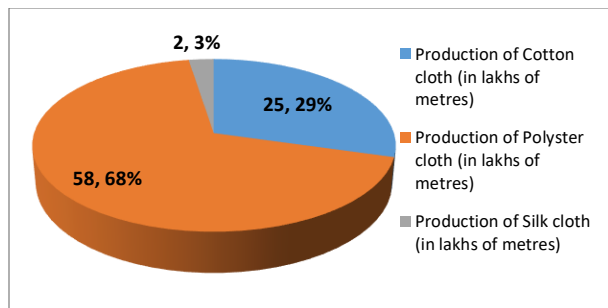
**(v) Comparison of production of silk and non-silk woven clothes (production value):**



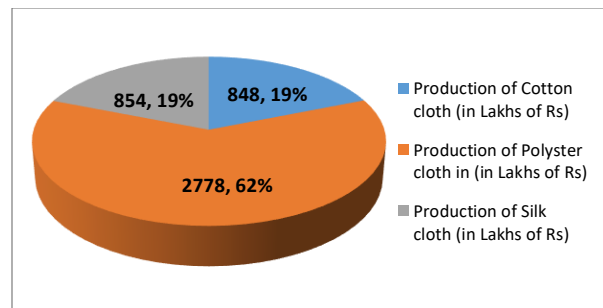
**Chart 5 (above): Current Scenario – Total Production of varieties of Cloth till FY 2017/18; Figures are in Lakhs of Metres**



**Chart 6 (above): Current Scenario – Total Production of varieties of Cloth till FY 2017/18**



**Chart 5A: Current Scenario – Share of varieties of cloth, based on their average production till FY 2017/18; Figures are in Lakhs of Metres**



**Chart 5B: Projected Scenario – Share of varieties of cloth, based on their average production till FY 2017/18; Figures are in Lakhs of Rs.**

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	<p>The following analysis indicates that there is a consistent demand for handloom woven silk clothes;</p> <p>(i) Overall the application of silk based looms has gradually reduced at an average of 14% (i.e. 100%-86%) till FY 16/17; also, on an average till FY 16/17, the percentage of silk based active handloom as compared to total active handlooms was 9%.</p> <p>(ii) Interestingly, although the number of silk based looms are getting reduced, the production length of silk clothes have remained more or less consistent at 2 lakhs metres on an average every year, till FY 16/17; moreover the price has been gradually moving upwards.</p>	The GoK could support in the supply of raw materials, which can enable in the increase of production, and thereby build up the revenue of KHDC and also increase the earnings of the weavers.	Short term action, within a year is proposed.
<b>II</b>	<b>Critical Issues:</b>		
(a)	The production cost of silk based clothes produced is almost 19% of the total production value of KHDC. A major part of the cost is attributed to the conversion charges paid to the weavers.	KHDC could explore initiatives of supplying alternate and efficient tools to the weavers that can increase the production efficiency of silk, on a per weaver basis.	Short term action, within a year is proposed.
(b)	<p>Overall production of clothes is gradually reducing at an average rate of 15% (i.e. 100% - 85.1%).</p> <ul style="list-style-type: none"> <li>• Since FY 07/08 till FY 16/17, the production has dropped from 109 to 59 lakhs metre, i.e. by 48%;</li> <li>• Since FY 12/13, the production has dropped from 82 to 59 lakhs metre, i.e. by 28%;</li> </ul>	KHDC should make strategic approach to enhance the demand of its manufactured clothes in the market; exercise aggressive marketing and sales strategy and request for support from GOK to provide it with an additional capacity from the annual demand that is created every year by GOK. In the way KHDC can increase its production and sales to sustain.	Short term action, within a year is proposed.

#### 4. The productivity of the weavers:

□ **Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:**

(a) Consultation with the weavers of Gadag have resulted in the following information:

- The women weavers work for an average of 1 to 3 hours per day (i.e. an average of 1.5 Hrs. per day), as they need to devote some part of their time on other household domestic activities, whereas the men weavers have indicated that they work for an average of 3 to 6 hours per day (i.e. an average of 4.5 Hrs. per day); further the production rate of cloth is one metre per hour; and the earning is at the rate of Rs. 29 per metre; and
- The male weavers have an opportunity of weaving for 8 hours per day, whereas the female weavers, can devote an approx. of 4 to 5 hours per day (i.e. approx. 4.5 hours per day) for weaving, keeping in view that they need to devote some time to domestic work; however, due to lack of job orders from KHDC the weavers are not being able to utilize their full capacity and need to survive on the meager earning level, facilitated with the subsidized support that they get from the government for ration, healthcare services, children's education, etc.

(b) Consultation with the management of KHDC, Bangalore have resulted in the following information:

- Approx. 120 lakhs metre of demand is generated annually by the Department of Education, GoK; presently an order book of approx. 55 lakhs metre and 2.5 lakhs metre of weaving are respectively awarded to KHDC and KSTIDCL, on an annual basis thereby accounting to a total of approx. 58 lakhs metre; and the balance 62 lakhs metre of production is awarded to other parties;
- GoK has a total annual demand of weaving an additional cloth of 380 lakhs metre, apart from the annual demand of 120 lakhs metre cloth of DoE.,GoK; this additional demand of 380 lakhs metre is currently e-auctioned, of which 90% of the 380 lakhs metre is bagged by third parties outside the state of GoK.

**Table # 5: Current Scenario – Productivity of Weavers till FY 2017/18**

Sl. #	Items	Units	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
<b>1</b>	<b>Cost of Production</b>												
(a)	Total production of cloth	in Lakhs of Metres	109	100	96	91	86	82	85	75	68	59	<b>85</b>
(b)	Total conversion charges paid	in Lakhs of Rupees	944	968	1075	1204	1367	1563	1726	1773	1634	1527	<b>1378</b>
(c)	Cost of weaving paid	Rs. per metre	9	10	11	13	16	19	20	24	24	26	<b>17</b>
<b>2</b>	<b>Total number of weavers</b>												
(a)	Male weavers <sup>1</sup>	in numbers	7400	7438	7089	7151	6322	5956	6137	6211	6213	6151	<b>6607</b>
(b)	Female weavers <sup>2</sup>	in numbers	4933	4958	4726	4767	4214	3971	4091	4140	4142	4100	<b>4404</b>
<b>(c)</b>	<b>Total number of weavers</b>	<b>in numbers</b>	<b>12333</b>	<b>12396</b>	<b>11815</b>	<b>11918</b>	<b>10536</b>	<b>9927</b>	<b>10228</b>	<b>10351</b>	<b>10355</b>	<b>10251</b>	<b>11011</b>
<b>3</b>	<b>Maximum Productivity</b>												
(a)	Male weavers <sup>3</sup>	in Lakhs of Metres	185	186	177	178	158	149	153	155	155	154	<b>165</b>
(b)	Female weavers <sup>4</sup>	in Lakhs of Metres	69	70	66	67	59	56	57	58	58	58	<b>62</b>
(c)	Avg. productivity of male (8 hrs/day) and female (4.5 hrs/day), for a total 12.5 hrs/day	in Lakhs of Metres per hour	<b>20</b>	<b>20</b>	<b>19</b>	<b>20</b>	<b>17</b>	<b>16</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>17</b>	<b>18</b>
<b>4</b>	<b>Current Productivity</b>												
(a)	Male weavers <sup>5</sup>	in Lakhs of Metres	79	73	70	66	63	60	62	55	49	43	<b>62</b>
		in metre/weaver	1071	978	985	926	989	1001	1007	878	796	703	<b>933</b>
(b)	Female weavers <sup>6</sup>	in Lakhs of Metres	30	27	26	25	23	22	23	20	19	16	<b>23</b>
		in metre/weaver	603	550	554	521	557	563	567	494	448	395	<b>525</b>
<b>5</b>	<b>Current Utilization</b>												
(a)	Utilization of male weaver	in %	43	39	39	37	40	40	40	35	32	28	<b>37</b>
(b)	Utilization of a female weaver	in %	43	39	39	37	40	40	40	35	32	28	<b>37</b>
<b>6</b>	<b>Potential to absorb additional capacity</b>												
(a)	Male weavers	in Lakhs of Metres	105	113	107	112	95	89	91	100	106	110	<b>103</b>
(b)	Female weavers	in Lakhs of Metres	40	42	40	42	36	33	34	38	40	41	<b>39</b>
<b>(c)</b>	<b>Total Production</b>	<b>in Lakhs of Metres</b>	<b>145</b>	<b>155</b>	<b>147</b>	<b>154</b>	<b>131</b>	<b>122</b>	<b>126</b>	<b>138</b>	<b>145</b>	<b>152</b>	<b>142</b>
<b>7</b>	<b>Additional Earning for Weavers</b>												
(a)	Male weavers	in Lakhs of Rupees	913	1093	1200	1486	1514	1697	1855	2375	2538	2832	<b>1750</b>
(b)	Female weavers	in Lakhs of Rupees	342	410	450	557	568	636	696	891	952	1062	<b>656</b>
<b>(c)</b>	<b>Total Earning</b>	<b>in Lakhs of Rupees</b>	<b>1255</b>	<b>1503</b>	<b>1649</b>	<b>2043</b>	<b>2082</b>	<b>2333</b>	<b>2551</b>	<b>3266</b>	<b>3490</b>	<b>3894</b>	<b>2407</b>

NB:

1 - considering 25% based on sample assessment at Gadag for females;

2 - considering 75% based on sample assessment at Gadag for males;

3- @ 8 hours per day and 1 m/hr., thereby resulting in 8 m/day; for 26 days per month for 12 months; based on sample assessment at Gadag for males;

4- @ 4.5 hours per day and 1 m/hr, thereby resulting in 4.5 m/day for females; for 26 days per month for 12 months; based on sample assessment at Gadag;

5 and 6 – Based on annual production of male and female, the production percentage is calculated

□ **Our analysis:**

Based on the inputs obtained from the stakeholders consulted, followed by extrapolation of the statistics based on assessment carried out in Gadag results in the following:

- The average production of a male and female is respectively 4.5 metre and 1.5 metre per day. Hence, at Rs. 28 per metre, the earning of a male weaver ranges around Rs. 3,300/- per month, whereas that of a female ranges around Rs. 1,100 per month, for an average of 26 working days per month;
- Overall number of weavers and thereby the looms have been reducing gradually at an average rate of 6%;
- Since, FY 07/08 till FY 16/17, the overall productivity of clothes has been reduced by 46%;

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	-		
<b>II</b>	<b>Critical Issues:</b>		
(a)	Based on the analysis provided in Table # 6, there is an additional potential of 101 m for a male weaver and 41 m for a female weaver respectively, thereby accounting for a total of 142 lakhs metre of cloth.	<ul style="list-style-type: none"> <li>• KHDC therefore has an ability to produce an additional length of 142 lakhs metre on an annual basis. This additional capacity could come from the following two sources:               <ol style="list-style-type: none"> <li>(i) Source # 1 - The DoE, GoK has an additional 62 lakhs metre that could be offered to KHDC as an additional order book every year; and</li> <li>(ii) Source # 2 - The GoK, apart from the order book of 120 lakhs metre of the DoE, GoK, it has an additional annual production requirement of 380 lakhs metre for its domestic consumption; presently the same is e-auctioned and mostly produced by third parties located outside the state of Karnataka.</li> </ol> </li> <li>• It is suggested that GoK could explore the possibility of awarding an additional 142 lakhs of metres of production to KHDC from the balance order book that it has in its kitty on an annual basis, from any of the aforesaid sources.</li> <li>• Award of this additional order book will enable the livelihood of both the male and female weavers to increase their livelihood by Rs. 17.5Cr. and Rs. 6.6 Crs., accounting to a total of Rs. 24 Crs.; This macro figure of Rs. 24 Crs. works to an additional earning of:               <ol style="list-style-type: none"> <li>(i) Approx. Rs. 26,500/- pa. (i.e. an increase of Rs. 2,208/-pm., over the</li> </ol> </li> </ul>	Short term action, within a year is proposed.

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
		<p>current average earning of Rs. 3,300/- pm., i.e. a jump by 66% for a male weaver;</p> <p>(ii) Approx. Rs. 14,900/- pa. (i.e. an increase of Rs. 1,300/- per month, over the current average earning of Rs. 1,241/- pm., i.e. a jump by 105% for a female weaver.</p>	

## 5. The conversion charges paid to weavers v/s cost of production:

- Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:

Nothing specific.

- Our Analysis:

### (i) Analysis of production costs vs conversion charges:

Table # 6: Current Scenario – Percentage of conversion charges over total production cost of past years, till FY 206/17

Sl. #	Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
(a)	Total production cost	3250	3180	3452	3913	4777	5197	5849	6001	4932	4249	<b>4480</b>
(b)	Total conversion charges paid	944	968	1075	1204	1367	1563	1726	1773	1634	1527	<b>1378</b>
(c)	% of conversion charges as compared to total production cost	29	30	31	31	29	30	30	30	33	36	<b>31</b>

NB: All figures are in Lakhs of Rupees in every FY, unless mentioned in %

### (ii) The current and projected scenarios of Conversion Charges paid to Weavers vs Cost of Production:

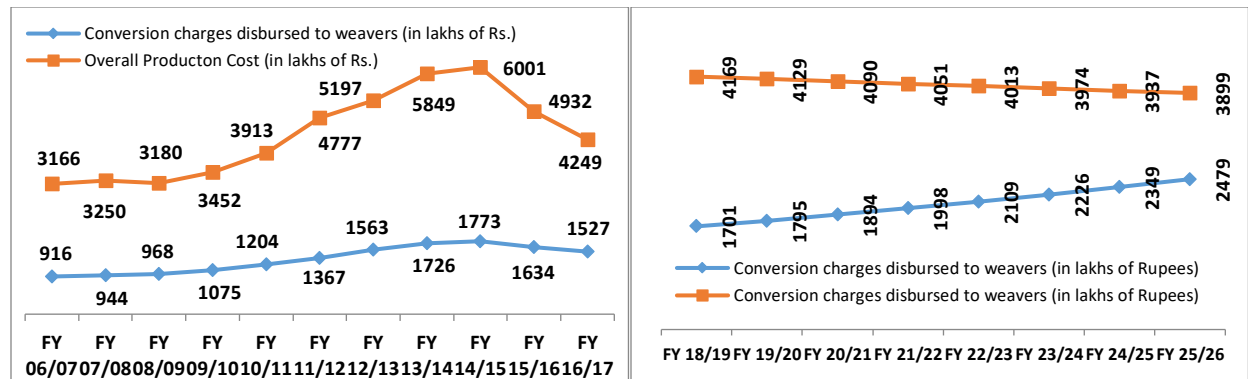


Chart 6A: Current Scenario – Conversion Charges paid to Weavers vs Cost of Production of FY 2006/07 to FY 201/18; Figures of every FY in Lakhs of Rs.

Chart 6B: Current Scenario - Conversion Charges paid to Weavers vs Cost of Production of FY 2015/16 to FY 2017/18; Figures of every FY in Lakhs of Rs

### (iii) Based on secondary research:

- A document on 'Analysis of data through application of statistical tools' reveals that the highest range of production capacity for handloom unit is between 2000-3000 meters per

year, whereas for a powerloom unit the highest range is between 5000-6000 meters per year. At this rate, the conversion charge per metre of production of cloth is almost double of that of a powerloom industry.

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	The conversion charge towards the cost of production of weaving in FY 2016/17 is 36%. Besides, since FY 2006/07 till end of FY 2016/17, the conversion charge is almost 31% on an average, which incidentally is very high. Further, at this trend the cost of conversion is likely to increase to almost 50% by end of FY 2021/22 and that in FY 2025/26, it is likely to touch 64%.	Handloom industry is a labour intensive industry and no matter how efficient a weaver could be in the handloom process, the rate of production of a cloth manufactured by handloom will in most likelihood always be much lower as compared to powerloom. It is advisable that such weavers are provided with advanced form of individual handlooms or powerlooms (or in a society) and accordingly, trained and skilled to be able to produce clothes through powerlooms.	Short term action, within a year is proposed.



## 6. Sales, Inventories, Revenue and Expenditure:

- Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:

Nothing specific obtained.

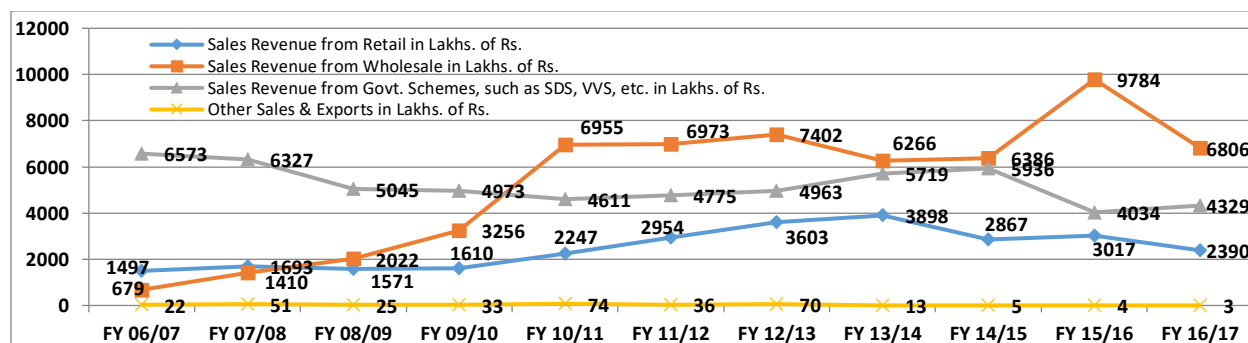
- Our analysis:

### (i) Total revenue generated:

Table # 7: Current Scenario – Total revenue generated till FY 206/17

Items	FY 06/07	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Avg.
Sales Revenue from Retail	1497	1693	1571	1610	2247	2954	3603	3898	2867	3017	2390	2486
Sales Revenue from Wholesale	679	1410	2022	3256	6955	6973	7402	6266	6386	9784	6806	5267
Sales Revenue from Govt. Schemes, such as SDS, VVS, etc.	6573	6327	5045	4973	4611	4775	4963	5719	5936	4034	4329	5208
Other Sales & Exports	22	51	25	33	74	36	70	13	5	4	3	31

Chart 7 (below): Current Scenario – Sales of Various Types of Cloth from FY 06/07 to FY 16/17; Figures are in Lakhs of Rs.



### (ii) Share of sales of clothes produced in lakhs of metres (based on the average of the figures of FY 07/08 till FY 16/17):



Chart 8: Current Scenario – Share of sales of clothes produced based on average figures of FY 2007/08 to FY 2016/17; Figures are in Lakhs of Rs.

(iii) The Inventories vs Sales:

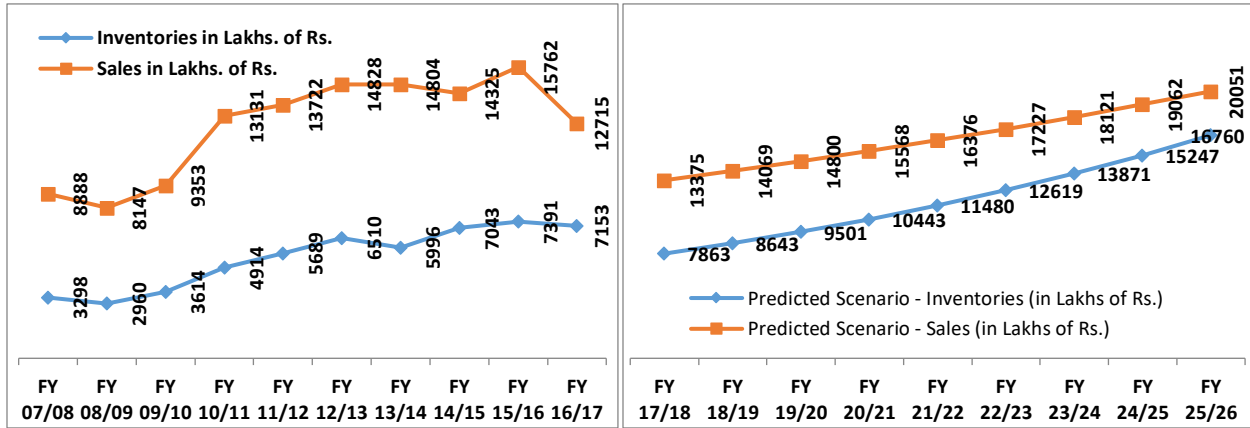


Chart 9A: Current Scenario - Inventories vs Sales of FY 07/08 to FY 16/17; Figures are in Lakhs of Rs.

Chart 9B: Projected Scenario - Inventories vs Sales till FY 2025/26; Figures are in Lakhs of Rs.

Table # 8: Percentage of Sales to Inventories from FY 2007/08 till 2016/17; and projected of FY 2021/22 and FY 2025/26

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Avg.	FY 21/22	FY 25/26
Inventories*	3298	2960	3614	4914	5689	6510	5996	7043	7391	7153	5457	11480	16760
Sales*	8888	8147	9353	13131	13722	14828	14804	14325	15762	12715	12568	16376	20051
Inventory as percentage of Sales (in %)	37	36	39	37	41	44	41	49	47	56	43	70	84

\*All figures in respective FYs are in Lakhs of Rupees, unless mentioned in %

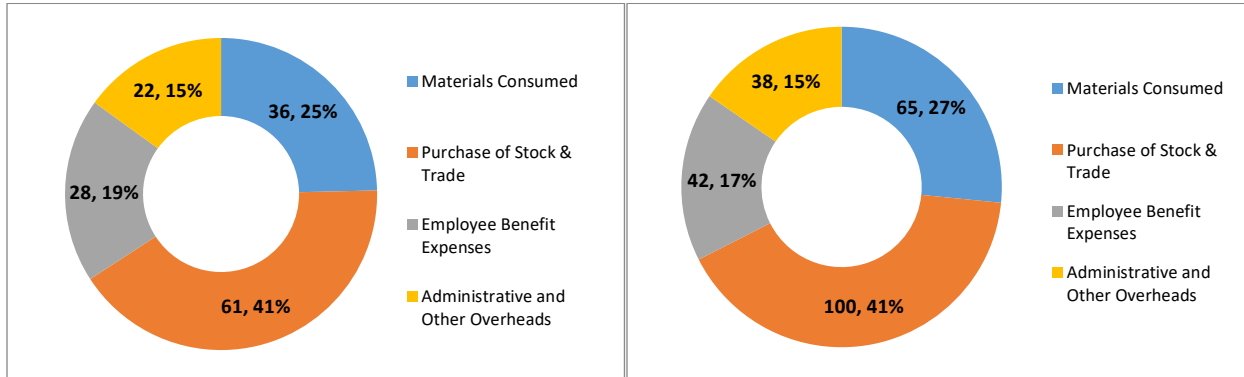
(iv) The break-up of various components of total revenue and expenditure:

Table # 9: Total Revenue and Expenditure from FY 2007/08 till 2016/17

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
<b>Total Revenue</b>											
Net Sales	8888	8147	9353	13131	13722	14828	14804	14325	15762	12715	12568
Other Operating Revenues and Other Incomes	10143	9342	10813	987	1368	1728	1647	1544	2149	1571	4129
<b>Total Revenue</b>	<b>19031</b>	<b>17489</b>	<b>20166</b>	<b>14118</b>	<b>15090</b>	<b>16556</b>	<b>16451</b>	<b>15869</b>	<b>17911</b>	<b>14286</b>	<b>16697</b>
<b>Total Expenses</b>											
Materials Consumed	1924	1938	1985	2474	4291	4651	5262	5129	4276	3618	3555
Purchase of Stock & Trade	4623	3721	4886	8069	5330	6040	5259	4891	8013	6050	5688
Employee Benefit Expenses	1965	1861	2914	3233	3084	4024	3815	4519	3620	2812	3185
Administrative and Other Overheads	1091	1112	1286	1541	1766	1780	1783	1613	1609	2208	1579
<b>Total Expenditure</b>	<b>9603</b>	<b>8632</b>	<b>11071</b>	<b>15317</b>	<b>14471</b>	<b>16495</b>	<b>16119</b>	<b>16152</b>	<b>17518</b>	<b>14688</b>	<b>14007</b>

\*All figures in respective FYs are in Lakhs of Rupees

**(v) The share of Materials Consumed, Purchase of Stock & Trade, Employee Benefit Expenses and Admin & Other Overheads, in the entire Expenditure:**



**Chart 10A: Share of various components of Expenditure, based on the average of FY 07/08 till FY 16/17; Figures are in Lakhs of Rs.**

**Chart 14B: Projected Scenario - Share of various components of Expenditure based on average of FY 2017/18 to FY 2025/26; Figures are in Lakhs of Rs**

**(v) Other analysis:**

(a) The current scenario indicates that clothes that are manufactured for wholesale sales and various GoK based schemes, such as VVS have very high sales; the projections for the period of FY 2018/19 to FY 2025/26 indicates that the sales from GoK schemes may increase and the rest of the other categories of sales will remain insignificant;

**Our inferences & challenges identified and recommendations:**

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	The sales figures of exports and retail are very low.	<ul style="list-style-type: none"> <li>While the quality of the handloom products may be very good and high, the design features of the retail clothes need to be made more trendy, catering to the present demand and taste of the modern generation, to be able to facilitate in the increase of its sales; the weavers could accordingly be given some awareness to manufacture trendy designed clothes;</li> <li>The sales department has to aggressively push the sales, beyond the conventional window of rebate period. It has to effectively do marketing of finished products in the domestic and international market and pick up orders (both advance</li> </ul>	Mid-term action plan proposed, spread over the next 3 years.

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
		<p>and for finished products sales); the performance appraisal of the relevant employees in the marketing department, needs to be effectively monitored during their annual performance appraisal, based on achievement of their pre - assigned targets that were set at the start of the financial year; the employees of the marketing department of KHDC could also be incentivized for sales that are facilitated by them;</p> <ul style="list-style-type: none"> <li>• KHDC may also explore the following options: <ul style="list-style-type: none"> <li>➤ Explore incentivization of employees of other departments, for sales facilitated by them, irrespective of whichever department they may belong to;</li> <li>➤ Closing showrooms that are not resulting in higher sales or otherwise make the marketing operations more effective in case the show rooms have a potential to earn large revenues;</li> <li>➤ Opening more showrooms, in places where there is a potential of high sales and revenue generation.</li> </ul> </li> </ul>	
(b)	The average percentage of Inventory to Sales, for the figures of FY 07/08 till 16/17 is 43%; the figures have mostly been on an increasing trend since FY 2007/08 till FY 2016/17; at the close of FY 2016/17 the ratio is very high at 56%; at this rate, the projections indicate that the Inventory in terms of Sales is likely to be at 70% and above from FY 21/22 onwards.	<ul style="list-style-type: none"> <li>• Such a huge stock is resulting in the loss of revenue for KHDC. KHDC has to focus on such a large inventory and take measures to reduce such a huge stockpile; simultaneously, KHDC also has to aggressively and improve upon the sales figures;</li> <li>• KHDC could open up more windows of sale period, with a rebate, primarily during the festive seasons that shall boost the sales and reduction of inventories. KHDC may also consider dynamic rebate options during various festivals, to attract more customers.</li> </ul>	Short-term action plan proposed, spread over the next 1 year.
(c)	The administrative overheads of approx. 15% and employee benefit expenses of approx. 19% are critical of the overall	<ul style="list-style-type: none"> <li>(i) Both account for approx. 34% of the total revenue, which incidentally is very high.</li> <li>(ii) KHDC could explore options of reducing the cost of these two</li> </ul>	Short-term action plan proposed, spread over the next 1

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
	expenditure.	components, by means of VRS or transfer to their parent Govt. department (from where they have come for deputation), followed by effectively utilizing the balance resources.	year.

## 7. The Finance Expenses:

- **Inputs obtained from the external/internal stakeholders of KHDC and the documentations reviewed:**

Nothing specific obtained.

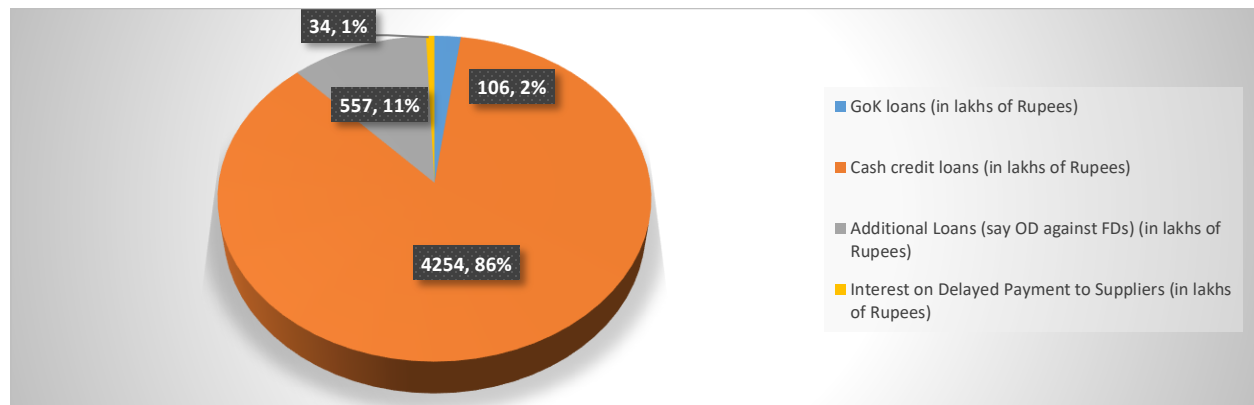
- **Our analysis:**

### (i) Share of Finance Expenses:

**Table # 10: Total Expenses of FY 2007/08 till 2016/17**

Items	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
GoK Loans	106	106	106	106	106	106	106
Cash Credit Loans	243	233	296	368	353	305	300
Additional Loans (say OD against FDs)	462	483	472	545	602	565	522
Interest on Delayed Payment to Suppliers	24	32	36	36	33	6	28

**Chart # 11A: Share of Expenses based on the average of FY 2007/08 till 2016/17**



- **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	While the other loans are being taken for managing the operational costs, the interest that is paid to the suppliers for delay on their payments, although, may not be a significant amount in the current period, is unnecessarily adding to the stress of KHDC.	KHDC may explore the possibility of making their operations effective and thereby identify the options, strategies and measures to clear the dues of the suppliers within the defined time-frame, and at the earliest reduce this component of unnecessary cost.	Short-term action plan proposed, spread over the next 1 year.

## 8. The Financial Performance:

### □ Inputs obtained from the stakeholders consulted and documentations reviewed:

Nothing specific obtained.

### □ Our analysis:

This includes an analysis of the following:

- (a) Net worth = Assets less Liabilities;
- (b) Current Ratio (i.e. Current Assets/Current Liabilities);
- (c) Quick Ratio (i.e. Current Assets less Inventories/Current Liabilities); and
- (d) Cash Ratio (i.e. Cash and Cash Equivalents/Current Liabilities)

In context to the above, the following have been considered:

- Total Assets - This includes the following two components, as presented below:
  - Non-Current Assets – this includes the following:
    - Fixed Assets (Own Funds, Grant Funds and Capital work-in-progress),
    - Non-Current Investments,
    - Deferred Tax Asset (net) and
    - Long term loans and advances
  - Current Assets – this includes the following:
    - Inventories,
    - Trade Receivables,
    - Cash and Cash Equivalents,
    - Short term loans and advances,
    - Other Current Assets and
    - Miscellaneous Expenditure, if any.
- Liabilities, Provisions & Loans - This includes the following two components:
  - Non-Current Liabilities – this includes the following secured and unsecured liabilities/loans:
    - ✓ Long-term borrowings,
    - ✓ Deferred tax liabilities, if any,
    - ✓ Other long term liabilities and
    - ✓ Long term provisions.
  - Current Liabilities – this includes the following:
    - ✓ Short-term borrowings,
    - ✓ Trades payables,
    - ✓ Other current liabilities and
    - ✓ Short term provisions.

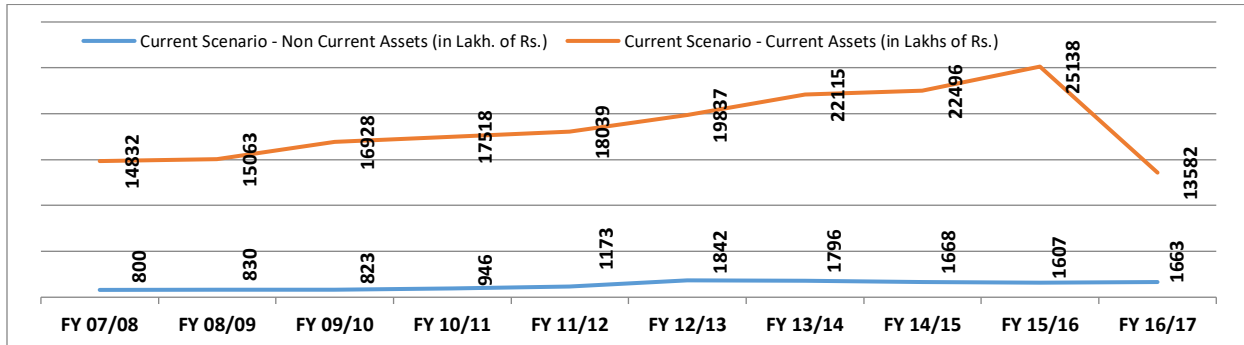
**(i) Analysis of the Balance Sheet for the FY 2007/08 to FY 16/17**

**Table # 11: Current Scenario – Total Assets, Current Liabilities, Total Net Worth& P/L from FY 07/08 till FY 15/16; Figures are in Lakhs of Rs. or in ratio, as applicable**

Sl. #	Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Avg.
<b>1</b>	<b>Assets</b>	<b>15632</b>	<b>15893</b>	<b>17751</b>	<b>18464</b>	<b>19212</b>	<b>21679</b>	<b>23911</b>	<b>24164</b>	<b>26745</b>	<b>15245</b>	<b>6174</b>
<b>(a)</b>	<b>Non-Current Assets</b>	<b>800</b>	<b>830</b>	<b>823</b>	<b>946</b>	<b>1173</b>	<b>1842</b>	<b>1796</b>	<b>1668</b>	<b>1607</b>	<b>1663</b>	<b>5378</b>
(i)	Fixed Assets	794	824	817	940	1167	1836	1790	1662	1601	1657	5629
(ii)	Non-Current Investments	6	6	6	6	6	6	6	6	6	6	5913
<b>(b)</b>	<b>Current Assets</b>	<b>14832</b>	<b>15063</b>	<b>16928</b>	<b>17518</b>	<b>18039</b>	<b>19837</b>	<b>22115</b>	<b>22496</b>	<b>25138</b>	<b>13582</b>	<b>6329</b>
<b>(i)</b>	<b>Inventories</b>	<b>3298</b>	<b>2960</b>	<b>3614</b>	<b>4914</b>	<b>5689</b>	<b>6510</b>	<b>5996</b>	<b>7043</b>	<b>7391</b>	<b>7153</b>	<b>5403</b>
<b>(ii)</b>	<b>Current Assets, Other than Inventories</b>	<b>11534</b>	<b>12103</b>	<b>13314</b>	<b>12604</b>	<b>12350</b>	<b>13327</b>	<b>16119</b>	<b>15453</b>	<b>17747</b>	<b>6429</b>	<b>5398</b>
1	Trade Receivables	5071	4794	5767	4194	4167	4948	5985	4793	5366	2958	4711
2	Cash and Cash Equivalents	4595	5186	5520	6082	5955	6500	8832	9101	10554	2631	4702
3	Short term loans and advances	682	1032	1068	1040	1018	1235	699	699	1080	634	4507
4	Other Current Assets	908	1001	959	1288	1210	644	603	860	747	206	4944
5	Miscellaneous Expenditure	278	90									5514
<b>2</b>	<b>Current Liabilities, Provisions &amp; Loans</b>	<b>12333</b>	<b>12295</b>	<b>15290</b>	<b>16265</b>	<b>17435</b>	<b>20217</b>	<b>23405</b>	<b>25464</b>	<b>28929</b>	<b>26253</b>	<b>5666</b>
(a)	Current Liabilities and Provisions	5358	5092	5911	7590	12648	14791	17993	20294	23845	21474	3312
(b)	Secured and Unsecured Loans	6975	7203	9379	8675	4787	5426	5412	5170	5084	4779	1275
<b>3</b>	<b>Total Net Worth (Assets less Liabilities)</b>	<b>3299</b>	<b>3598</b>	<b>2461</b>	<b>2199</b>	<b>1777</b>	<b>1462</b>	<b>506</b>	<b>-1300</b>	<b>-2184</b>	<b>-11008</b>	
<b>4</b>	<b>Profit/Loss</b>	<b>-5103</b>	<b>-5089</b>	<b>-6212</b>	<b>-7211</b>	<b>-7470</b>	<b>-8355</b>	<b>-9047</b>	<b>-10562</b>	<b>-11508</b>	<b>-12832</b>	

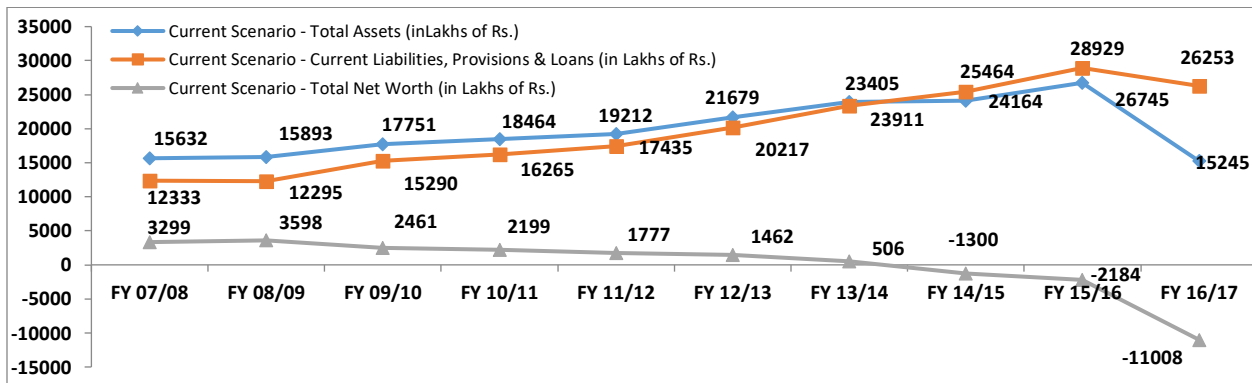


**(ii) Performance of Current vs Non-Current Assets:**



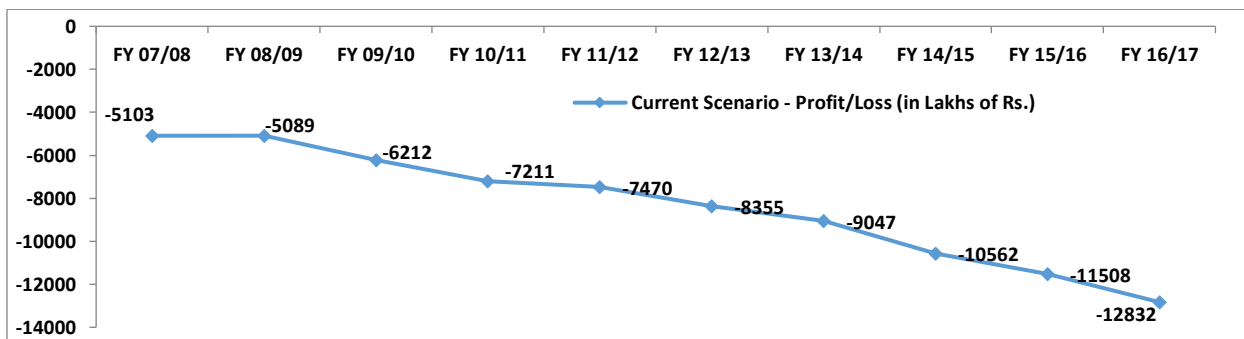
**Chart 12: Current Scenario – Performance of Current vs Non-Current Assets from FY 07/08 till FY 16/17; Figures are in Lakhs of Rs.**

**(iii) Performance of Total Assets, Current Liabilities and Total Net Worth:**



**Chart 13: Current Scenario – Total Assets, Current Liabilities and Total Net Worth from FY 07/08 till FY 15/16; Figures are in Lakhs of Rs.**

**(iv) Profit or Loss after Tax, inclusive of Losses Carried forward from Previous FY:**



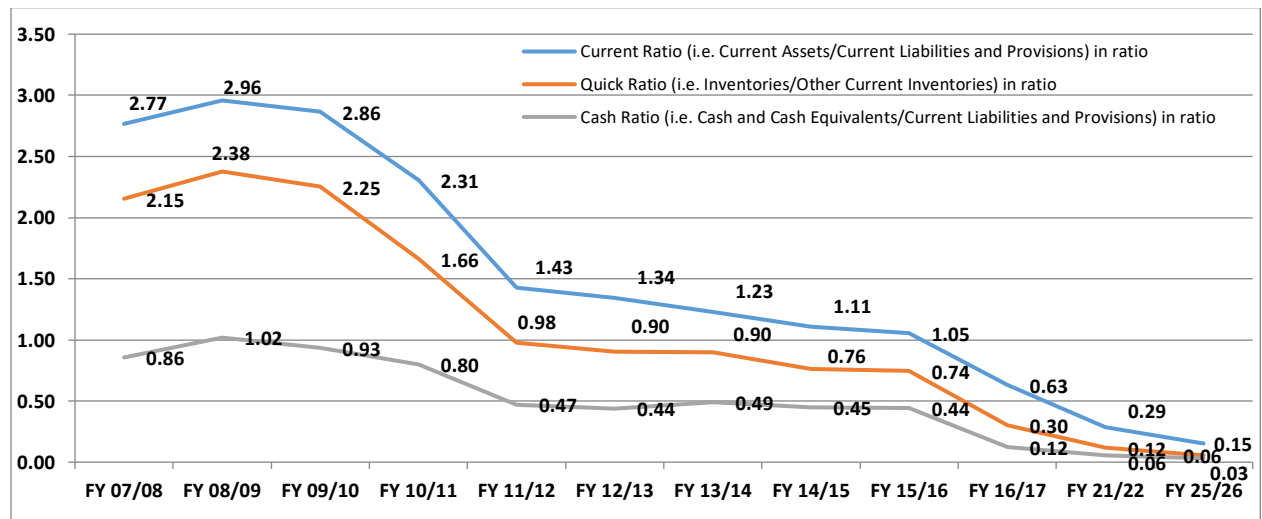
**Chart 14 (above): Current Scenario – Profit or Loss from FY 07/08 till FY 15/16; Figures are in Lakhs of Rs.**

(v) The Current Ratio, Quick Ratio and Cash Ratio:

Table # 12: Current Scenario – The Current ratio, Quick ratio and Cash ratio for FY 07/08 till FY 15/16; Figures are in ratios

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average
Current Ratio (i.e. Current Assets/Current Liabilities);	2.77	2.96	2.86	2.31	1.43	1.34	1.23	1.11	1.05	0.63	1.22
Quick Ratio (i.e. Current Assets less Inventories/Current Liabilities)	2.15	2.38	2.25	1.66	0.98	0.90	0.90	0.76	0.74	0.30	0.95
Cash Ratio (i.e. Cash and Cash Equivalents/Current Liabilities)	0.86	1.02	0.93	0.80	0.47	0.44	0.49	0.45	0.44	0.12	0.60

Chart # 15 (below): Current Scenario – Current Ratio, Quick Ratio and Cash Ratio of FY 07/08 to FY 15/16; Figures are in ratio



Our inferences & challenges identified and recommendations:

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	The Current Ratio, which is an indication of KHDC's ability to meet short term debt obligations over the next one year and reflects a company's ability to convert its finished goods into cash has been in the declining trend.	Ideally the current ratio should be at 2.	Short-term action plan proposed, spread over the next 1 year.
(b)	Quick ratio, which is a measure of a company's ability to meet short term obligations using its most liquid assets (i.e.	The commonly acceptable Quick ratio should ideally be 1.	Short-term action plan proposed,

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
	cash, near cash or quick saleable assets). The quick ratio of the company is calculated on the basis of Current Assets less Inventories/Current Liabilities. For KHDC this quick ratio has been showing a declining trend.		spread over the next 1 year.
(c)	The cash ratio of the company (i.e. cash and cash equivalent/ current liabilities and provisions) is also at a declining trend.	There is no fixed norm for cash ratio; KHDC should consider measures that shall facilitate in its increase of cash equivalents.	
(d)	As per the current data analysis, projected to a trend for the next few years, it is likely that the company's Current Ratio, Quick Ratio and Cash Ratio may eventually dip to zero around FY 2026/27;	The company should consider measures that shall facilitate the increase of the Current Ratio, Quick Ratio and Cash Ratio.	
(e)	The trend curve indicates that the total net-worth of the organization has been in the negative, since mid of FY 2014/15 onwards;	The company is running into substantial losses since FY 2007/08; its projected trend beyond FY 2018/19 is also in negative; KFDC needs to drastically cut down expenditure that is not necessary	

## Stage # II: Analysis of key inputs obtained from the external stakeholders consulted; Our Inferences and Recommendations

### 1. The stakeholders consulted and the sites visited:

CSD had carried out consultation with some of the beneficiaries, i.e. the weavers of the following manufacturing units:

- (a) Anekel, near Bangalore in Karnataka
- (b) Gadag, at Hubli in Karnataka.

### 2. The inputs obtained from the stakeholders:

In our discussion with the weavers, the weavers based out of:

- (c) Anekel have said that approx. 100 number of living cum working sheds have been provided to the weavers in 1985, at an EMI of Rs. 52 to 67 for 27 years;
- (d) Gadag have said that for a male weaver's earning is higher as compared to a female weaver; while the money earned from sale of manufactured cloth is not enough to sustain their livelihood, however the subsidies provided by Gol and GoK towards food, education, etc. somehow supports the weavers in their sustenance.

### 3. Our inferences & challenges identified and recommendations:

The consultation further led to identification of a lot of challenges that the weavers are currently facing, which are presented below. These challenges have been further analyzed by us, followed by submission of our recommendations.

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
I	<b>Non-Critical Issues:</b>		
(a)	<b>(i) Discussions in Anekel:</b> <ul style="list-style-type: none"> <li>• Lack of supply of materials, such as raw silk, has pushed the prices gradually spiraling upwards;</li> <li>• A large percentage of skilled weavers are aged and are above 45 years; while another large number is gradually becoming aged and is in the age bracket of 35 to 45 years; the balance which is a small percentage is still young and is</li> </ul>	(i) A survey could be carried out to find out how many of the young generation, who have the requisite skills intend to continue with their profession in the weaving industry; for the skilled weavers who have the interest to continue in the weaving industry, KHDC may explore the following options: <ul style="list-style-type: none"> <li>• Replace the existing handlooms with</li> </ul>	Short-term action plan proposed, spread over the next 1 year.

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
	<p>below 35 years;</p> <ul style="list-style-type: none"> <li>Some young weavers who are in the age below 35 years and have the skill are moving into powerlooms, most of such skilled weavers are not interested in the low returns the business of handloom or powerloom offers. They are therefore moving towards other trades that offer them higher returns, better livelihood and job security;</li> </ul> <p><b>(ii) Discussions in Gadag:</b></p> <ul style="list-style-type: none"> <li>A good number of weavers are fully dependent on weaving through handloom means, obtained as work orders from KHDC, for their livelihood;</li> <li>For a male weaver who is dependent on handloom weaving, the earning varies in the range between Rs. 3,000/- to Rs. 4,000/- per month; for a female weaver the earning is however approx. 50% of that a male, as she has to devote a lot of time in household activities.</li> </ul>	<p>modernized looms that could facilitate in increasing their weaving and thereby their production capacity; or</p> <ul style="list-style-type: none"> <li>Enhance and build their capacity and skillset, to deliver through powerloom technology.</li> </ul> <p>(ii) The above options, while may lead in increased production for KHDC, it shall simultaneously facilitate in increased financial returns, better livelihood and job security for the young generation weavers.</p>	
<b>II</b>	<b>Critical Issues:</b>		
(a)	-	-	-

## Stage # III: Analysis of key inputs obtained from the internal stakeholders consulted; Our Inferences and Recommendations

### 1. The stakeholders consulted and the sites visited:

CSD had carried out consultation with the management level personnel and other authorized employees of KHDC, in their respective offices at Bangalore, Hubli, Anekal and Gadag.

### 2. Inputs obtained from the stakeholders and subsequent analysis:

In the discussion that followed, the management level personnel of KHDC have conveyed the following, which has also led to an analysis of the following as presented below:

- (a) For multiple reasons, the handloom sector is seeing the reduction in the number of skilled weavers from approx. 40,000 in 1990 to approx. 10,000 in the current level; of these 10,000 handloom weavers, approx. 8000 are dependent for their livelihood on VidyaVikas Scheme; approx. 800 are in silk saree weaving; and the balance 2200 weavers are in retail and other weaving;
- (b) Every weaver has one loom each; while most of the weavers had their own personal loom, KHDC had issued only an additional 500 looms to the weavers; the age of all looms is approx. 50 years;
- (c) Approx. 90% of overall retail production of KHDC, accounting to approx. 5 lakh metre per annum is weaved in Gadag, by the weavers who are mostly dependent on VVS; of the 750 number of weavers in retail variety in Gadag, 450 are males and the rest are females; the ratio of male:female weavers is 450:300, i.e. 1.5:1 (approx. 60% male and 40% female); applying this ratio, for 10,000 weavers in KHDC, the total number of male weavers is 6000 and the balance 4000 are female weavers;
- (d) Consultation with the management of KHDC indicates that of the women weavers in retail variety and cotton weaving, approx. 60% of the weavers are aged in between 45 to 60 years; approx. 30% of the weavers are aged in between 35 to 45 years; and approx. 10% of the weavers are aged in between 30 to 35 years; application of the percentage across the 4000 female weavers of KHDC indicate that approx. 2400 weavers are aged in between 45 to 60 years; approx. 1200 weavers are aged in between 35 to 45 years and approx. 400 weavers are aged in between 30 to 35 years; this therefore infers that approx. 1600 weavers (approx. 16% of the present workforce of total male and female weavers) are still going strong and are below 46 years of age, who could be interested to work on handloom based weaving;
- (e) Most of the weavers weave the cloth in their living cum working sheds; raw materials for weaving the cloth is provided by KHDC, in the form of ready wrap beams; the woven cloth produced by the weaver is subsequently procured by the procurement centres of KHDC; Consultation with the management of KHDC also indicates that typically, it takes one hour for a weaver to weave one metre of cloth; a female weaver weaves approx. 2 to 4 metre per day, as compared to 6 to 8 metre per day by a male; the total

requirement of weaving under the VidyaVikas Scheme is 120 lakh metre, on a per annum basis; KHDC has a maximum annual production capacity of 60 lakhs metre, of which a substantial portion of approx. 55 lakhs metre is met through VVS;

- (f) KHDC has stopped further recruitment, since the last few years. It currently has 400 employees, of which approx. 80 are under deputation (i.e. 20% of the total employee strength) from other departments of GoK. Of the balance 320, on an average approx. 50 persons would be every year, in the next 5 years.

The aforesaid data and the analysis of the same have been further applied while carrying out for analysis of the key performance parameters. The consultation further led to identification of a lot of challenges that the handloom industry sector is currently facing, which are presented below, followed by our recommendations.

### 3. Our inferences & challenges identified and recommendations:

The consultation further led to identification of a lot of challenges that the handloom industry sector is currently facing, which are presented below. These challenges have been further analyzed by us, followed by submission of our recommendations.

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	<b>Discussion in KHDC, Anekel</b> - Handloom job requires a lot of manual concentration or otherwise quality of the product gets highly impacted; this at times becomes very much strenuous and burdensome for the weavers, which therefore results in the migration of the weavers into powerloom or into other trades from the handloom trade;	At Rs. 400/- per day earning, the total number of days for which a silk weaver get an employment is approx. 10 days on an average; therefore at a capacity utilization of 26 days in a month, the rate of actual utilization of a weaver is approx. 40%; this therefore means that there is still a room for utilizing another 60%, which can be increased to some extent through regular supply of order book, coupled with supply of raw materials (i.e. raw silk) at regular intervals; the GoK could also explore the option of providing the raw materials at an affordable rate.	Mid-term action plan proposed, spread over the next 2 year.
<b>II</b>	<b>Critical Issues:</b>		
(a)	<b>Discussion in KHDC, Anekel</b> - Despite of an improved quality of at least 50 to 70% in a handloom saree, as	<ul style="list-style-type: none"> <li>To combat the pricing and profitability of handloom sarees over powerloomsarees,</li> </ul>	Mid-term action plan

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
	compared to a powerloomsaree, the powerloom products are always able to fetch a much higher profit margin, although they may be priced approx. 20%, lower as compared to the handloom made sarees.	<p>awareness need to be created amongst customers, with a focus on the higher level of quality; the marketing department of KHDC needs to play an effective role and devise effective strategies that shall lead to higher sales and thereby larger revenue generation for KHDC;</p> <ul style="list-style-type: none"> <li>It is suggested that to increase the demand and thereby the sales, awareness amongst the weavers be created to gradually adopt the new designs to survive and sustain, or otherwise the weavers should opt for other trades for their livelihood.</li> <li>It is proposed to have a Finishing School for the weavers to equip them with specialized skill sets in design.</li> </ul>	proposed, spread over the next 2 year.
(b)	<b>Discussions in KHDC, Bangalore</b> - Post production, pricing of the finished product is not scientifically decided by the concerned department of GoK; this on most occasions is therefore resulting in substantial loss for KHDC;	<p>The following initiatives by the GoK may enable KHDC to gradually recover from its losses:</p> <ul style="list-style-type: none"> <li>For the finished product by the concerned department of GoK that is finalizing the price, it is recommended that the pricing be kept dynamic and at the minimum could at least cover the expenses incurred by KHDC in manufacturing the finished product;</li> <li>In a worst case scenario, the pricing could be kept at least at par with the price offered for the powerloom sector.</li> </ul>	Short-term action plan proposed, spread over the next 1 year.
(c)	<b>Discussion in KHDC, Anekal</b> – <ul style="list-style-type: none"> <li>Typically in a handloom industry, a silk saree may take 3 to 4 days (say an average of 3.5 days) for</li> </ul>	<ul style="list-style-type: none"> <li>The difference of earning between handloom weaver and powerloom weaver is an average of Rs. 300/-; handloom industry is a</li> </ul>	Mid-term action plan proposed, spread over



Sl. #	Inferences & Challenges	Recommendation	Action Proposed
	<p>manufacturing, which may yield in a return of Rs. 700/- to Rs. 2000/- (say an average of Rs. 1400/-) per saree; hence, the earning could be in the range of approx. Rs. 400 per day; due to unavailability of raw materials and enough of order book, the weavers do not have enough of job and have an average earning of Rs. 3,000 to Rs. 4,000/- per month, whereas, through powerloom, a silk saree could be manufactured in just one day by a single machine and a weaver; the earning of a weaver is Rs. 700/- per day for every saree manufactured. Such a huge variation in the daily earning is resulting in the migration of weavers to the powerloom sector, to a fairly large extent;</p> <ul style="list-style-type: none"> <li>For a male weaver dependent on handloom saree weaving, the earning varies between Rs. 3,000/- and Rs. 4,000/- per month, as compared to Rs. 12,000/- to Rs. 15,000/- by a weaver who is dependent on powerloom; for a female weaver the earning is however approx. 50% of that of the earnings of a male; The conversion charges of manufacturing a saree through handloom is approx. 3 times as compared to the one manufactured through powerloom.</li> </ul> <p><b>Discussions in KHDC, Gadag –</b></p> <ul style="list-style-type: none"> <li>Most of the weavers have semi-automatic (chalakaranji) type of wooden handlooms, which are approx. 50 years old, which is also a factor that contributes to overall low production;</li> </ul>	<p>labourintensive industry and no matter how efficient a weaver could be in the handloom process, the rate of production of a cloth manufactured by handloom is much lower as compared to powerloom; it is advisable that such weavers are provided with individual powerlooms (or in a society) and accordingly, trained and skilled to be able to produce clothes through powerlooms;</p> <ul style="list-style-type: none"> <li>The GoK could consider the replacement of the old looms with modernized ASU machine looms (as discussed earlier in this chapter) that could facilitate the weavers of KHDC to increase their weaving capacity significantly; this could facilitate in additional production of beyond the current order book of 55 lakhs metre per annum that is presently awarded by the Department of Education, GoK; this in turn could also increase the present monthly earnings of the weavers substantially.</li> </ul>	<p>the next 2 year.</p>

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
	<ul style="list-style-type: none"> <li>Machine made wraps that are wrapped in beams, produces approx. 220 metre of warpings in approx. 10 to 15 minutes, whereas sectional man-made warpings take approx. one manday (8 hours) to produce the same quantity;</li> </ul>		
(d)	<p><b>Discussions in KHDC, Bangalore</b> - A significant section of the handloom weavers in Karnataka are aged and are around 50 of age or are close to 50 years.</p>	<p>It is recommended that a survey be carried out amongst the weavers to identify who amongst those weavers below the age of 50 years, could be interested to continue with the handloom profession. Accordingly, such weavers could be gradually trained and skilled on an alternative option of related trade, such as in powerloom, so that the weavers have an alternate source of livelihood and simultaneously facilitate KHDC in the gradual transition to a new alternate option;</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
(e)	<p><b>Discussions in KHDC, Bangalore</b> - A significant section of the handloom weavers in Karnataka are aged and are around 50 of age or are close to 50 years.</p>	<ul style="list-style-type: none"> <li>The weavers are the backbone of the handloom industry in Karnataka and will accordingly decide the fate and sustenance of the industry. Based on the analysis of current strength of weavers, the total number of handlooms and the aging of the weavers, it is projected that the handloom industry is likely to see some sustenance for approx. another 6 to 8 years, says till FY 2025/26. The primary reason behind this being the aging of the weavers; while currently approx. 70% of total weavers are highly aged and may not have the energy, zeal and enthusiasm to continue weaving for a longer term, in the future; of the balance 3,000 weavers, a significant number</li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
		<p>of weavers could be middle aged, while a small number could be in their young age, who may like to continue with the handloom profession; there is however also a strong possibility that this small number of weavers may consider this handloom profession as an additional source of income and not their primary source of income, for their livelihood.</p>	

<b>Chapter # 2B</b>	
	<b>The Reports Specific to Karnataka State Handicrafts Development Corporation Ltd. (KSHDCL)</b>
<b>page #54</b>	<b>Stage # I: Analysis of Key Performance Parameters based on Annual Report</b>
<b>page #69</b>	<b>Stage # II: Analysis of key inputs obtained from the internal stakeholders consulted</b>
<b>page #72</b>	<b>Stage # II: Analysis of key inputs obtained from the external stakeholders consulted</b>

## Stage # I: Analysis of Key Performance Parameters based on Annual Report; Our Inferences and Recommendations

All key performance parameters, extracted from the annual report have been analyzed for their past ten years of performance. The projected numbers of the next 5 years of performance have been assessed based on the past ten years of performance. Following are the key performance parameters that have been analysed.

### 1. The total strength of craftsmen

- **Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

Based on the site visits conducted by us, it indicates that there are some jobs which are offered by KSHDC to the craftsmen. The craftsmen are however not fully dependent on their livelihood, based on the jobs of KSHDC.

- **Our analysis:**

#### (i) Based on the annual report figures of the strength of craftsmen:

- (a) The craftsmen form the backbone of the handicraft industry in KSHDC. The total number of registered craftsmen till the end of FY 2015/16 has been 4454 and the number has not changed since the past few years.
- (b) Based on the assessment carried out, it could be construed that the number of craftsmen for the projected scenario till FY 2022/23 could continue to remain the same.

- **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
I	<b>Non-Critical Issues:</b>		
			-
II	<b>Critical Issues:</b>		
	-	-	-

## 2. The Sales

- Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:

Nothing specific.

- Our analysis:

### (i) Revenue from various categories of sales in Crs. of Rs.

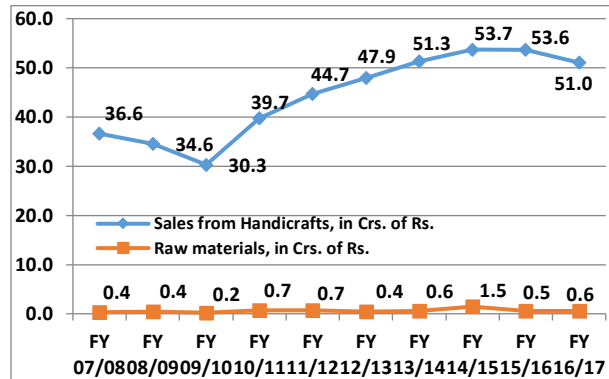


Chart 16A: Current Scenario - Assessment of trend based on performance of the past 10 years, till FY 16/17

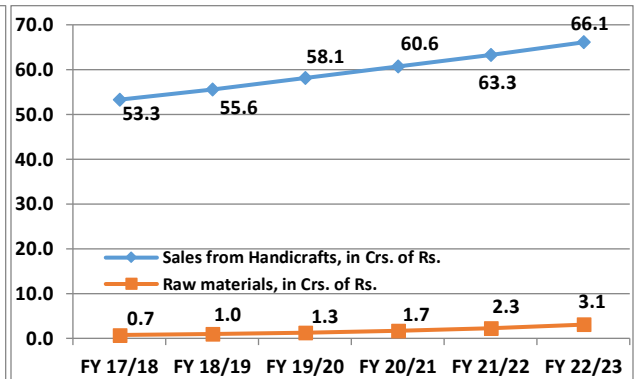


Chart 16B: Projected Scenario till FY 22/23

### (ii) Share of various categories of sales in Crs. of Rs.

Table # 13- Sales of Handicrafts and Raw Materials during the period FY 2007/08 to FY 16/17

Types of Products Sale	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Avg. of FY 07/08 to FY 16/17	Avg. Growth on a YoY basis
Sales from Handicrafts	36.6	34.6	30.3	39.7	44.7	47.9	51.3	53.7	53.6	51.0	44.3	1.04
Raw materials	0.4	0.4	0.2	0.7	0.7	0.4	0.6	1.5	0.5	0.6	0.6	1.33
<b>Sales</b>	<b>37.0</b>	<b>35.0</b>	<b>30.5</b>	<b>40.4</b>	<b>45.4</b>	<b>48.3</b>	<b>51.9</b>	<b>55.2</b>	<b>54.2</b>	<b>51.6</b>	<b>44.9</b>	

All figures in respective FYs are in Crs. of Rs.

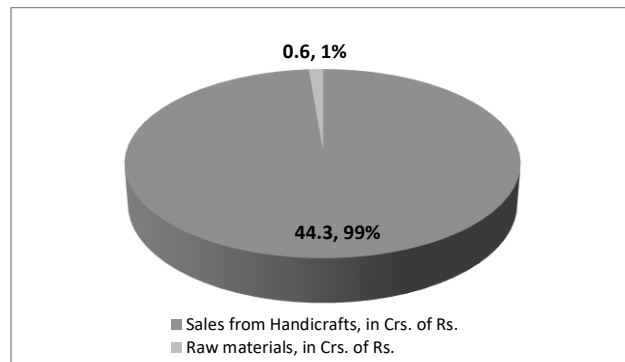


Chart 17A: Current Scenario - Average of Sales of FY 07/08 to FY 16/17

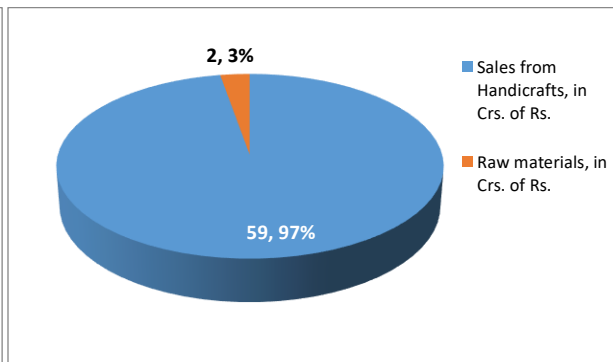


Chart 18B: Predicted Scenario - Average of Sales of FY 17/18 to FY 22/23

**(iii) Revenue sources of sales in Crs. of Rs.**

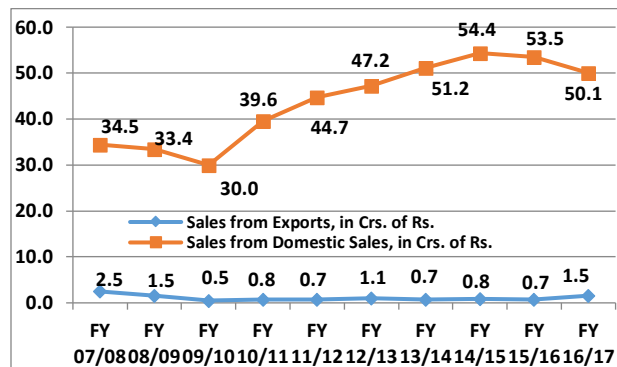


Chart 19A: Current Scenario - Assessment of trend based on performance of the past 10 years, till FY 16/17

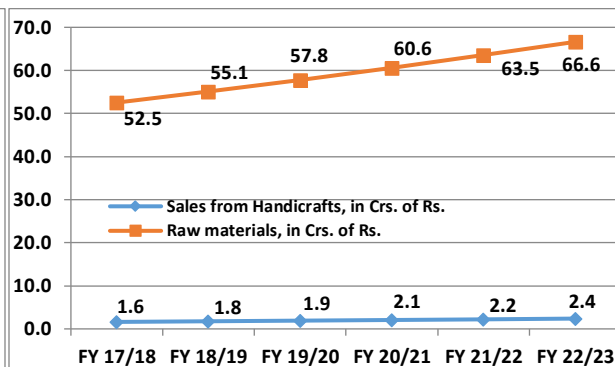


Chart 19B: Projected Scenario for next 5 years from till FY 22/23

**(iv) Share of various sources of revenue of sales in Crs. of Rs.**

Table # 14- Export sales and sale in domestic market during the period FY 2007/08 to FY 2016/17

Types of Products Sale	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average of FY 07/08 to 16/17	Avg. Growth on a YoY basis
Sales from Exports	2.5	1.5	0.5	0.8	0.7	1.1	0.7	0.8	0.7	1.5	1.08	1.08
Sales from Domestic Sales	34.5	33.4	30.0	39.6	44.7	47.2	51.2	54.4	53.5	50.1	43.9	1.05
<b>Total Sales</b>	<b>37.0</b>	<b>35.0</b>	<b>30.5</b>	<b>40.4</b>	<b>45.4</b>	<b>48.3</b>	<b>51.9</b>	<b>55.2</b>	<b>54.2</b>	<b>51.6</b>	<b>45.0</b>	

All figures in respective FYs are in Crs. of Rs.

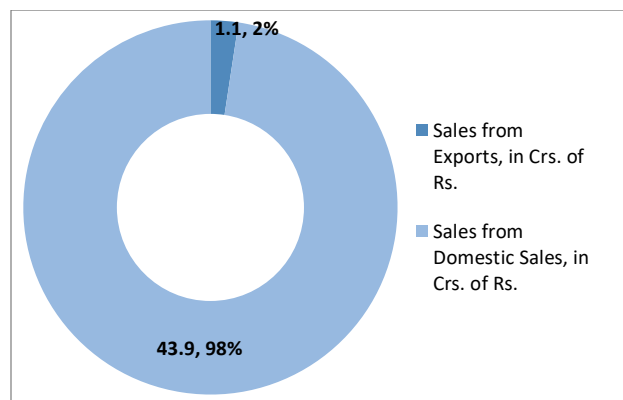


Chart 23A: Current Scenario - Average of Sales of FY 07/08 to FY 16/17

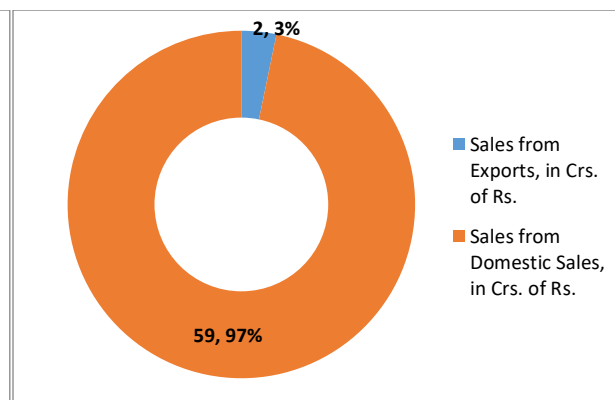


Chart 23B: Predicted Scenario - Average of Sales of FY 17/18 to FY 22/23

**(iv) Other analysis:**

**(a) Sales revenue on the basis of types:**

(a) The average growth on a YoY basis for FY 2007/08 till 2016/17, for revenue earned from sales of handicrafts and raw materials have been 4% and 33% respectively;

- (b) For the average figures assessed both for revenue from sales of handicrafts and raw materials for FY 2007/08 to FY 2016/17, the percentage share of revenue from sale of raw materials is approximately 1% of the total sales. This share of revenue from purchase of raw materials is likely to increase on an average by 3% pa. over the next few years from FY 2017/18 to FY 2022/23;and
- (c) At the aforesaid trend, the projected scenario for the next 5 years indicates that sales figures of both handicrafts and raw materials will increase beyond FY 2017/18 onwards.

(b) **Sales on the basis of sources of revenue:**

- (d) The average growth on a YoY basis for FY 2007/08 till 2016/17, for revenue earned from export sales and domestic sales have been 8% and 5% respectively;
- (e) For the average figures assessed both for revenue from export sales and domestic sales for FY 2007/08 to FY 2016/17, the percentage share of revenue from exports is approximately 2% of the total revenue of domestic and exports sales. This share of revenue from exports is likely to double by 4% on an average, over the next few years from FY 2017/18 to FY 2022/23; and
- (f) At the aforesaid trend, the projected scenario for the next 5 years indicates that sales figures of both handicrafts and raw materials will increase beyond FY 2017/18 onwards.

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	The sales figure from exports is an insignificant figure.	<ul style="list-style-type: none"> <li>• KSHDCL may explore strategies to have a wider outreach in the international market and look for strategies and options for improving the sales overseas.</li> <li>• It could explore the option of opening up showrooms in places where there is a demand for Indian handicraft items.</li> <li>• It should also be pro-active of showcasing for the sale of Indian craft-work in international events.</li> </ul>	Mid-term action proposed over the next 2 years.
<b>II</b>	<b>Critical Issues:</b>		



### 3. The purchase charges paid to craftsmen vs total expenses:

The purchase charges and total expenses have the following references, in context to the following assessments:

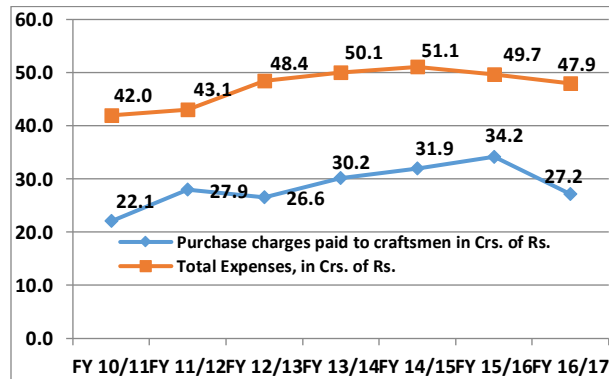
- The purchase charges refer to the payment made to the craftsmen;
- Total expenses refer to the summation of - purchase of stock-in-trade; changes in inventories of finished goods, work-in-progress and stock in trade; employee benefit expense; financial costs, depreciation and amortization expense, administration and other expenses and grant expenses.

□ **Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

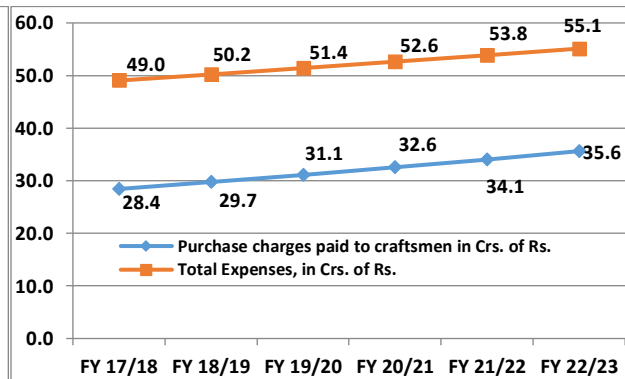
Nothing specific.

□ **Our analysis:**

**(i) Purchase Charges vs total expenses (in Crores of Rupees):**

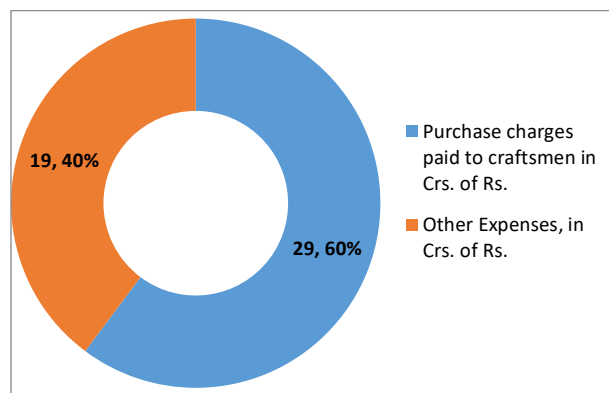


**Chart 24A: Current Scenario –Purchase Charges paid to craftsmen from FY 10/11 to FY 16/17**

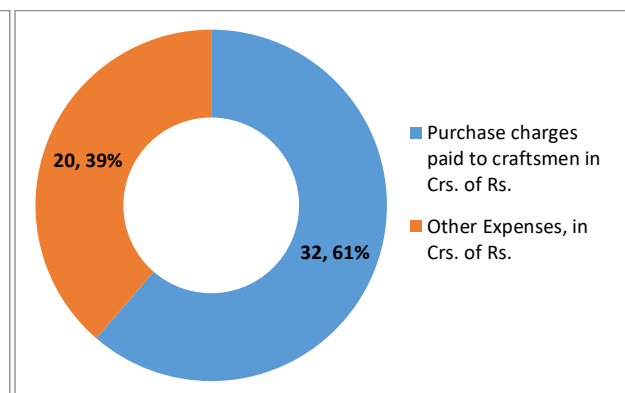


**Chart 24B: Predicted Scenario - Purchase Charges likely to be paid to craftsmen from FY 17/18 to FY 22/23**

**(ii) Share of purchase charges made vs total expenses (in Crores of Rupees):**



**Chart 25A: Current Scenario –Share of average of purchase made vs total expenses since FY 10/11 till FY 16/17**



**Chart 25B: Predicted Scenario - Share of average of purchase likely to be made vs total expenses likely to be incurred from FY 17/18 to FY 22/23**

**Table # 15- Purchase charges made to craftsmen and total expenses during the period FY 2007/08 to FY 2016/17**

Types of Products Sale	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average of FY 10/11 to 16/17	Avg. Growth on a YoY basis
Purchase charges paid to craftsmen	22.1	27.9	26.6	30.2	31.9	34.2	27.2	<b>29.0</b>	<b>1.05</b>
Total Expenses	42.0	43.1	48.4	50.1	51.1	49.7	47.9	<b>47.5</b>	<b>1.02</b>
Percentage of Share of Charges paid to Craftsmen as compared to Total Expenses (in %)	52.5	64.8	54.9	60.2	62.5	68.8	56.7	<b>60.2</b>	

All figures in respective FYs are in Crs. of Rs. otherwise when mentioned in %

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)			-
<b>II</b>	<b>Critical Issues:</b>		
(a)	For the average figures assessed both for the purchase charges paid to craftsmen and the total expenses incurred for FY 2007/08 to FY 2016/17, the percentage share of purchase charges paid to craftsmen is approximately 60% of the total expenses incurred.	This rate of purchase charge at 60% is high. KSHDC may consider appropriate measures of reducing this amount.	Mid-term action proposed over the next 2 years.

#### 4. Comparison of Sales and Inventories:

Hereby, the sales and inventories have the following meanings:

- Sales indicate the sales figure of handicrafts and raw materials;
- Inventories indicate inventories of Handicrafts, Goods in Transit and Raw Materials

□ **Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

Nothing specific.

□ **Our analysis:**

##### (i) Sales vs Inventories (in Crs. of Rupees):

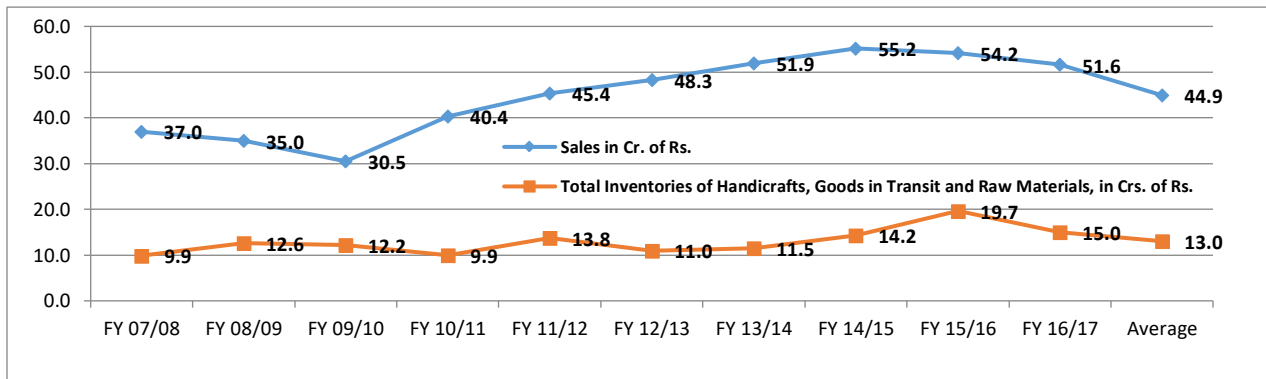


Chart 26A: Current Scenario –Sales and Inventories of FY 07/08 to FY 16/17

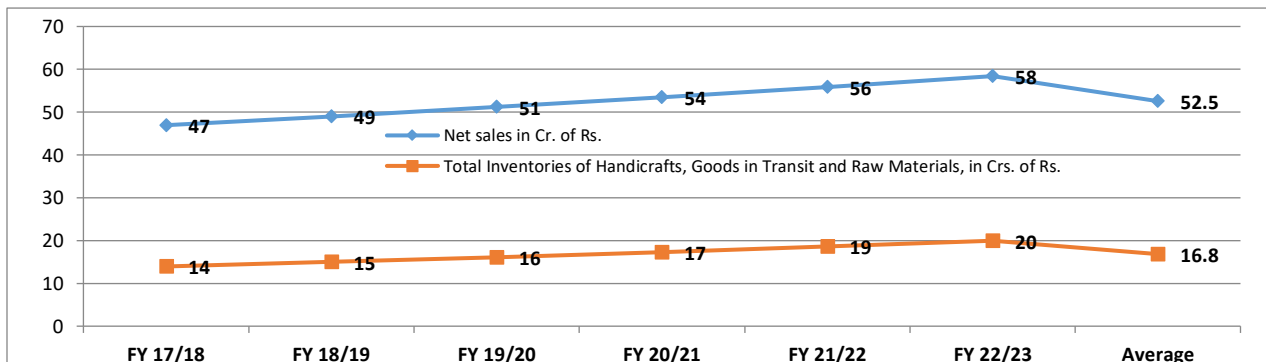
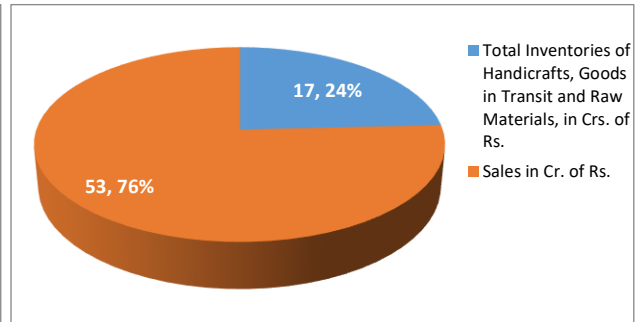
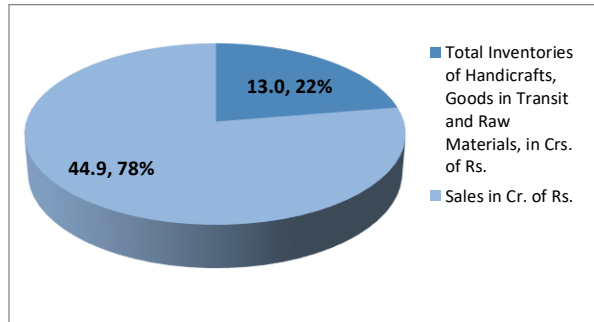


Chart 26B: Predicted Scenario - Sales and Inventories from FY 17/18 to FY 22/23

**(ii) Share of sales vs Inventories (in Crs. of Rupees):**



**Chart 27A: Current Scenario – Share of inventories over sales based on average of FY 2007/08 to FY 2016/17;**

**Chart 27B: Projected Scenario - Share of inventories over sales based on average of FY 2017/18 to FY 2022/23**

**Table # 16- Total Inventories and Sales during the period FY 2007/08 to FY 2016/17**

Items	FY 07/08	FY 08/09	FY 09/10	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Avg. of FY 07/08 to FY 16/17	Avg. Growth on a YoY basis
Sales in Cr. of Rs.	37.0	35.0	30.5	40.4	45.4	48.3	51.9	55.2	54.2	51.6	44.9	1.04
Total Inventories of Handicrafts, Goods in Transit and Raw Materials, in Crs. of Rs.	9.9	12.6	12.2	9.9	13.8	11.0	11.5	14.2	19.7	15.0	13.0	1.07
Percentage of Inventories over Total Sales figures, in Crs. of Rs. (in %)	26.7	36.1	40.0	24.6	30.3	22.8	22.2	25.8	36.3	29.0	28.9	

All figures in respective FYs are in Crs. of Rs. otherwise when mentioned in %

**Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	For the average sales figures assessed for FY 2007/08 to FY 2016/17 for both sales and total inventories, the percentage share of total inventories is approximately 29% of the total sales.	<ul style="list-style-type: none"> <li>Such a high inventory as compared to the sales indicates that strategic and effective effort has to be put in by the marketing department for reducing the inventory at the close of every year;</li> <li>The sales department has to aggressively push the sales, beyond the conventional window of rebate period. It has to effectively do the marketing of finished products in the domestic and international market and pick up orders (both advance and for finished products</li> </ul>	Short-term action proposed over the next 1 years

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
		<p>sales);</p> <ul style="list-style-type: none"> <li>• The performance appraisal of the relevant employees in the marketing department, needs to be effectively monitored during their annual performance appraisal, based on achievement of their pre - assigned targets that were set at the start of the financial year; the employees of the marketing department of KSHDC could also be incentivized for sales that are facilitated by them;</li> <li>• KSHDC may also explore the following options: <ul style="list-style-type: none"> <li>➤ Incentivizing employees of other departments of KSHDC for facilitating the sales;</li> <li>➤ Closing showrooms that are not resulting in higher sales or otherwise make the marketing operations more effective in case the show rooms have a potential to earn large revenues; Instead of a full -fledged showroom, a Handicraft Kiosk can be set up which has lesser operational expenses.</li> <li>➤ Opening more showrooms, in places where there is a potential of high sales and revenue generation;</li> </ul> </li> <li>• KSHDC could also open up more windows of sale period, with a rebate, primarily during the festive seasons that shall boost the sales and reduction of inventories. KSHDC may also consider dynamic rebate options during various festivals, to attract more customers. Special discount offers for unsold inventories should be well publicized. Can consider online sale promotions as well.</li> </ul>	

## 5. Analysis of Statement of Profit and Loss for the Year Ended

The analysis of the statement of profit or loss for the year ended has been carried out on the basis of the following:

- **Total Expenses:**
  - Purchase of stock-in-trade;
  - Changes in inventories of furnished goods, WIP and stock-in-trade;
  - Employee benefit expenses;
  - Financial costs;
  - Depreciation and amortization expenses;
  - Administration and other expenses; and
  - Grant expenses
- **Total Revenue from operations:**
  - Revenue from sale of products that include handicrafts, other metals and textile items and raw materials;
  - Other income that includes – income from grants utilized; interest on deposits and advances; rent; exchange difference (net); provisions withdrawn; other receipts; and transfer from Grants Reserve Accounts towards Depreciation.

- **Profit or Loss for the Period:**

The profit or less for the year reflects the figures after tax

- **Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

Nothing specific.

- **Our analysis:**

**(i)The Statement of Profit and Loss for the Year Ended:**

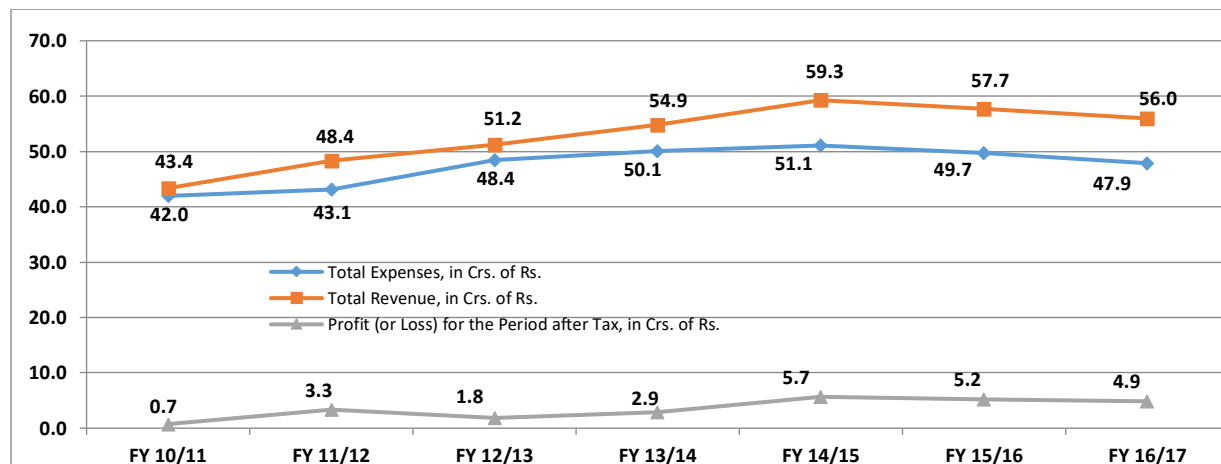
**Table # 17 - Current Scenario - Assessment of trend based on performance of FY 10/11 to FY 16/17**

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average of FY 10/11 to FY 16/17	Variation Average of FY 11/12 to FY 16/17
Purchase of stock-in-trade	28.6	28.6	27.2	32.3	33.2	34.9	28.1	30.4	1.04
Changes in inventories of furnished goods, WIP and stock-in-trade	-1.9	-1.9	1.5	-0.9	-0.7	-2.7	2.3	-0.2	0.06
Employee benefit expenses	8.7	8.7	11.4	10.4	9.6	7.9	7.2	9.3	0.95
Financial costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.1	1.17
Depreciation and amortization expenses	0.4	0.4	0.5	0.6	0.7	0.5	0.9	0.6	1.18
Administration and other expenses	6.7	6.7	7.6	7.4	8.0	8.4	8.3	7.5	1.06
Grant expenses	0.5	0.5	0.3	0.2	0.3	0.7	1.0	0.6	1.17

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average of FY 10/11 to FY 16/17	Variation Average of FY 11/12 to FY 16/17
<b>Total Expenses</b>	<b>43.1</b>	<b>43.1</b>	<b>48.4</b>	<b>50.1</b>	<b>51.1</b>	<b>49.7</b>	<b>47.9</b>	<b>47.6</b>	<b>1.02</b>
Revenue from other operations	40.4	45.4	48.3	51.9	55.2	54.2	51.6	51.6	1.04
Other incomes	3.0	3.0	2.9	3.0	4.1	3.5	4.4	4.4	1.08
<b>Total Revenue</b>	<b>43.4</b>	<b>48.4</b>	<b>51.2</b>	<b>54.9</b>	<b>59.3</b>	<b>57.7</b>	<b>56.0</b>	<b>53.0</b>	<b>1.04</b>
<b>Profit (or Loss) for the Period after tax</b>	<b>0.7</b>	<b>3.3</b>	<b>1.8</b>	<b>2.9</b>	<b>5.7</b>	<b>5.2</b>	<b>4.9</b>	<b>3.5</b>	<b>1.74</b>
<b>Variation in Profit (in %)</b>		<b>447</b>	<b>54</b>	<b>163</b>	<b>193</b>	<b>91</b>	<b>95</b>	<b>174</b>	<b>1.16</b>

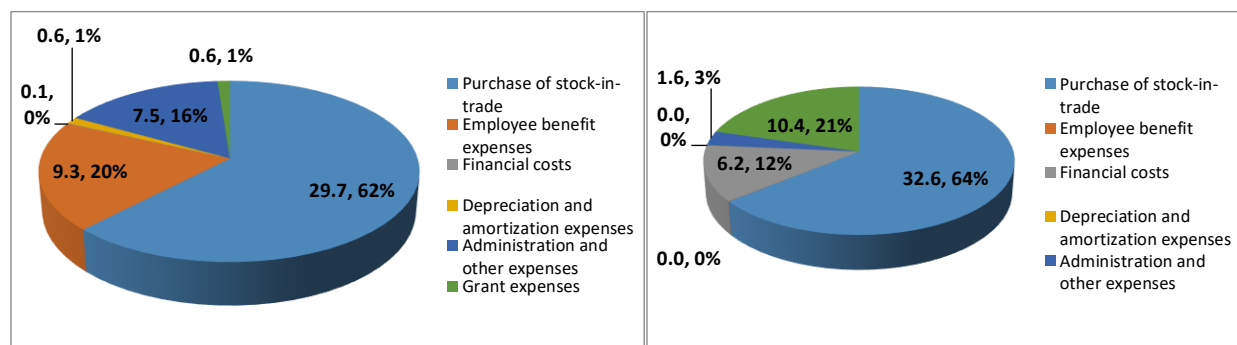
*All figures are in Crores of Rupees in every FY, unless mentioned in %*

**(ii) The Total Expenses, Total Revenue and Profit and Loss for the Year Ended:**



**Chart 27A: Current Scenario – Total Expenses, Total Revenue and Profit/Loss of FY 2010/11 to FY 2016/17;**

**(iii) The share of various components of Total Expenses:**



**Chart 28A: Current Scenario – Break-up of Share of Total Expenses of the average figures of FY 2010/11 to FY 2016/17;**

**Chart 28B: Projected Scenario Break-up of Share of Total Expenses of the average figures of FY 2017/18 to FY 2022/23;**

**(iv) Other analysis:**

(a) The average growth on a YoY basis based on the figures of FY 2010/11 till 2016/17, for the total expenses, total revenue and profit after tax have been 2%, 4% and 74% respectively; at this trend, the total expenses, total revenue and profit after tax for the projected period of FY 2017/18 till 2022/23 is in an increasing trend;

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	For the average figures assessed for the various components of expenses for FY 2010/11 to FY 2016/17, the percentage share of employee benefits and administration and other expenses account for approx. 20% and 16% respectively, i.e. a total of 36%. This expense is quite high	KSHDC may explore the possibility of reducing the costs of these two components.	Mid-term action proposed over the next 2 years



## 6. Net Worth and Finance Ratio Analysis

This includes an analysis of the following:

- (a) Net worth = Assets less Liabilities;
- (b) Current Ratio (i.e. Current Assets/Current Liabilities);
- (c) Quick Ratio (i.e. Current Assets less Inventories/Current Liabilities); and
- (d) Cash Ratio (i.e. Cash and Cash Equivalents/Current Liabilities)

In context to the above, the following have been considered:

- **Total Assets** - This includes the following two components, as presented below:
  - ✓ Non-Current Assets – this includes the following:
    - Fixed Assets (Own Funds, Grant Funds and Capital work-in-progress),
    - Non-Current Investments,
    - Deferred Tax Asset (net) and
    - Long term loans and advances
  - ✓ Current Assets – this includes the following:
    - Inventories,
    - Trade Receivables,
    - Cash and Cash Equivalents,
    - Short term loans and advances,
    - Other Current Assets and
    - Miscellaneous Expenditure, if any.
- **Liabilities, Provisions & Loans** - This includes the following two components, as presented below:
  - ✓ Non-Current Liabilities – this includes the following secured and unsecured liabilities/loans:
    - Long-term borrowings,
    - Deferred tax liabilities, if any,
    - Other long term liabilities and
    - Long term provisions.
  - ✓ Current Liabilities – this includes the following:
    - Short-term borrowings,
    - Trades payables,
    - Other current liabilities and
    - Short term provisions.
- **Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

Nospecific input.

□ Our analysis:

(i) The Net Worth:

Table # 18 - Current Scenario - Assessment of net worth of KSHDC based on performance of FY 10/11 to FY 16/17

Sl. #	Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average of FY 10/11 to FY 16/17	Average Variation of FY 10/11 to FY 16/17
I	<b>Assets</b>	<b>36.9</b>	<b>40.0</b>	<b>46.5</b>	<b>46.3</b>	<b>68.2</b>	<b>62.3</b>	<b>72.3</b>	<b>53.2</b>	<b>1.13</b>
1	<b>Non-Current Assets</b>	<b>7.6</b>	<b>7.2</b>	<b>9.5</b>	<b>9.0</b>	<b>22.9</b>	<b>9.1</b>	<b>8.9</b>	<b>10.6</b>	<b>1.19</b>
(a)	Fixed Assets (Own Funds, Grant Funds and Capital WIP)	4.9	4.7	6.3	6.6	19.9	6.9	6.8	8.0	1.28
(b)	Non-Current Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
(c)	Deferred Tax Asset (net)	1.1	1.0	1.3	1.0	1.2	1.0	0.9	1.1	0.98
(d)	Long term loans and advances	1.6	1.5	1.9	1.4	1.9	1.2	1.2	1.5	0.99
2	<b>Current Assets</b>	<b>29.3</b>	<b>32.9</b>	<b>37.0</b>	<b>37.3</b>	<b>45.3</b>	<b>53.2</b>	<b>63.5</b>	<b>42.6</b>	<b>1.14</b>
(a)	Inventories	5.1	7.0	5.5	6.4	7.2	9.8	7.5	6.9	1.10
(b)	Trade Receivables	0.3	0.4	0.8	0.5	0.4	0.6	1.1	0.6	1.34
(c)	Cash and Cash Equivalents	19.5	18.9	23.6	23.7	26.1	31.7	46.7	27.2	1.17
(d)	Short term loans and advances	0.8	0.7	0.3	0.2	0.3	0.3	0.5	0.4	1.00
(e)	Other Current Assets	3.6	6.0	6.8	6.3	11.3	10.8	7.7	7.5	1.20
(f)	Miscellaneous Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
II	<b>Liabilities, Provisions &amp; Loans</b>	<b>16.8</b>	<b>16.6</b>	<b>21.4</b>	<b>18.3</b>	<b>18.3</b>	<b>13.1</b>	<b>22.0</b>	<b>18.1</b>	<b>1.09</b>
(a)	Non-Current liabilities (Secured and Unsecured Loans)	6.4	5.6	6.3	6.2	5.5	5.3	4.7	5.7	0.95
(b)	Current Liabilities	10.4	11.0	15.2	12.2	12.8	7.9	17.3	12.4	1.18
III	<b>Net Worth</b>	<b>20.1</b>	<b>23.4</b>	<b>25.1</b>	<b>28.0</b>	<b>50.0</b>	<b>49.2</b>	<b>50.3</b>	<b>35.2</b>	<b>1.19</b>

It may be noted that the component of shareholder's funds has not been included in the liabilities, in the calculation of net worth.

(ii) The Total Assets, Liabilities and Net Worth:

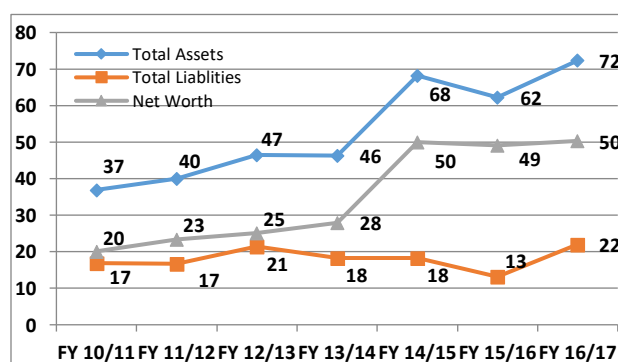


Chart 29A: Current Scenario – The Total Assets, Liabilities and Net Worth of FY 2010/11 to FY 2016/17;

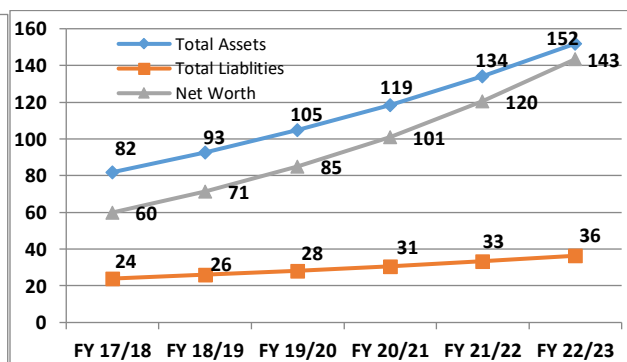
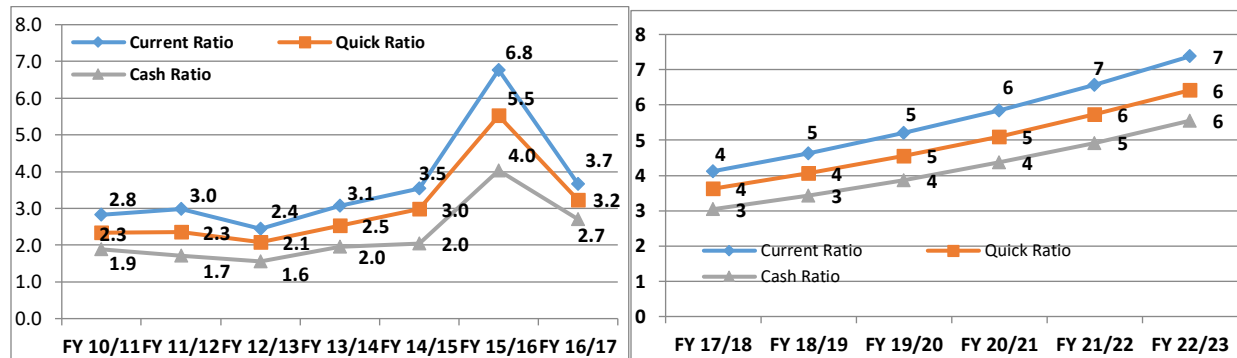


Chart 29B: Projected Scenario Break-up of The Total Assets, Liabilities and Net Worth of FY 2017/18 to FY 2022/23;

**(iii) The Current Ratio, Quick Ratio and Cash Ratio:**



**Chart 30A: Current Scenario – The Current Ratio, Quick Ratio and Cash Ratio of FY 2010/11 to FY 2016/17;**

**Chart 30B: Projected Scenario Break-up of Current Ratio, Quick Ratio and Cash Ratio of FY 2017/18 to FY 2022/23;**

**Table # 19 - Current Scenario - Assessment of Current Ratio, Quick Ratio and Cash Ratio of KSHDC based on performance of FY 10/11 to FY 16/17**

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	Average of FY 10/11 to FY 16/17	Average of the Variations of FY 10/11 to FY 16/17
Current Ratio	2.8	3.0	2.4	3.1	3.5	6.8	3.7	3.6	1.12
Quick Ratio	2.3	2.3	2.1	2.5	3.0	5.5	3.2	3.0	1.12
Cash Ratio	1.9	1.7	1.6	2.0	2.0	4.0	2.7	2.3	1.13

**(iii) Other analysis:**

- (a) The average of the rate of growth since FY 2010/11 till 2016/17 on a YoY basis, for the assets, non-current assets, current assets, liabilities and net-worth have been 13%, 19%, 14%, 9% and 19% respectively;
- (b) The Current Ratio, which is an indication of KSHDC's ability to meet short term debt obligations over the next one year and reflects a company's ability to convert its finished goods into cash has been healthy and is above 2; ideally the current ratio should be at 2;
- (c) Quick ratio, which is a measure of a company's ability to meet short term obligations using its most liquid assets (i.e. cash, near cash or quick saleable assets). For KSHDC this quick ratio has also been healthy and above 1; the commonly acceptable Quick Ratio should ideally be 1;
- (d) The Cash Ratio of the company has been in the increasing trend; there is however, no fixed norm for cash ratio;
- (e) As per the current data analysis, the projections of Current Ratio, Quick Ratio and Cash Ratio shall be in an increasing trend from FY 2017/18 to FY 2022/23;

**Our inferences & challenges identified and recommendations:**

No specific recommendation.

## Stage # II: Analysis of key inputs obtained from the external stakeholders consulted; Our Inferences and Recommendations

### 1. The stakeholders consulted and the sites visited:

CSD had carried out consultation with some of the beneficiaries, i.e. the craftsmen of the following locations, whereby working cum living sheds have been provided to the artisans:

- (a) Channapatna, near Bangalore in Karnataka and
- (b) Mysore in Karnataka.

### 2. The inputs obtained from the stakeholders:

#### (a) Discussions in Channapatna:

- The earning of the artisans was varying between Rs. 20,000/- and Rs. 25,000/- during 1995 to 2005. This has however dropped drastically to a current level of Rs. 12,000/- to an average of Rs. 14,000/- per month, i.e. Rs. 1.5 lakhs to Rs. 1.8 lakhs per month. This amount, according to the artisans is not sufficient to lead a comfortable livelihood;
- Cost price of the primary raw material, i.e. wood has gone up substantially; moreover quantity of supply of raw material has got reduced by 10% since the last 5 years; and
- The young generation has started moving towards other trades, which offer them better stability and a secured source of monthly livelihood;
- Products that are sold through architectural/construction firms bag a low return, although more laborious and fine work, as compared to products that are sold through local salesman (such as mandir);
- Increased competition in the market, owing to increase in number of artisans who are willing to lead a life out of this trade at the current level of earning that this trade offers.

#### (b) Discussions in Mysore:

- The earnings of the artisans vary on the basis of the product that they manufacture; the earnings of the artisans range in between Rs. 0.50 lakhs to Rs. 2.5 lakhs.

### 3. Our inferences & challenges identified and recommendations:

The sample craftsmen, with whom we had a discussion, have cited the following as challenges that they are facing:

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	<b>Discussions in Channapatna and Mysore</b> - The new Goods and Service Tax (GST) inclusion in this sector has also dampened and thereby affected the sales of the products that are currently being manufactured by the artisans that have unfortunately dampened their sales and have added to their woes.	The GST council member representing GoK could be requested for facilitating in policy level changes, in the removal of GST from handicraft items, with special mention to low priced items, such as toys, which anyways have a low price.	Mid-term action proposed over the next 2 years
<b>II</b>	<b>Critical Issues:</b>		
(a)	<ul style="list-style-type: none"> <li>• <b>Discussions in Channapatna –</b> <ul style="list-style-type: none"> <li>➤ Lack of aggressive marketing by KSHDC, leading to low sales volume;</li> </ul> </li> <li>• <b>Discussions in Mysore –</b> <ul style="list-style-type: none"> <li>➤ KSHDC is not marketing the skills of the artisans effectively;</li> <li>➤ Low or insignificant order book from KSHDC; besides, lack of continuous supply of raw materials is also leading to lack of assurance of job to the artisans by KSHDC;</li> <li>➤ No effective marketing by KSHDC, leading to low sale of products that are manufactured by the artisans for KSHDC, which is a dampening, as their money is stuck, till the time the product gets sold through the approved showrooms of KSHDC; according to some of the artisans they do not find it very encouraging to manufacture a product for KSHDC, on account of such reasons;</li> <li>➤ Lack of effective marketing by KSHDC has led to migration of artisan's preference to manufacture and sell products for private players, who are able to give them a quick return that helps them to sustain their livelihood,</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• KSHDC should have an aggressive marketing strategy. It should have effective strategic connections with private or government players, to be able to win large order from such players, which shall enable the artisans to sustain and have a continuous flow of business/work-orders.</li> <li>• The marketing department also needs to be more aggressive in marketing the skills of the artisans, as well as the products, with a focus on sales offshore, to have a higher margin, especially in such countries which recognizes and appreciates such handicraft manufactured products.</li> </ul>	Mid-term action proposed over the next 2 years

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	as the private players provide a better and quick return for their finished goods;		
(b)	<b>Discussions in Mysore</b> - Cumbersome and tiring process of obtaining micro-credits/loans from banks for strengthening their business; in some cases loans cannot be obtained, as the living cum working shed is still a property of KSHDC, GoK, as such they have no other asset or source for keeping anything as a guarantee or mortgage, for the loan to be availed;	KSHDC may explore the option of funding such artisans possibly through low interest and security free loan, who are in need of funds for expanding their business or to facilitate a better livelihood of dignity.	Mid-term action proposed over the next 2 years
-	-	-	-

## Stage # III: Analysis of key inputs obtained from the internal stakeholders consulted; Our Inferences and Recommendations

### 1. The stakeholders consulted and the sites visited:

CSD had carried out consultation with the management level personnel and other authorized employees of KSHDC, in their respective offices at Channapatna, Mysore and Bangalore.

### 2. Inputs obtained from the stakeholders and subsequent analysis:

In the discussion that followed, the management level personnel of KSHDC have conveyed the following, which have also led to an analysis of the following as presented below:

#### (a) Discussions with KSHDC representative in Channapatna:

- The artisans of the toy factory in Channapatna have been provided with basic facilities. KSHDC has provided 254 living cum working sheds and tool-kits to the artisans;
- KSHDC also provides necessary training at periodic interval.

#### (b) Discussions with KSHDC representatives in Mysore:

- For approx. 1200 to 1500 artisans, 480 living cum working sheds have been provided, with provision of tool-kits; on an average 2 to 3 artisans are residing in each shed;
- KSHDC also provides necessary training at periodic interval.

#### (c) Discussions with KSHDC representatives in Bangalore:

- KSHDC should be given the freedom by the government machinery to operate and expand its own business, in a manner similar to a private business; there is a need for the government machinery to understand that goodwill equity is generated over a long period of time;
- Effective strategies of KSHDC could enable the profit to increase by 8% to 9% in the next FY;
- Introduction of new products having enhanced quality, as compared to products that are currently sold in the market; followed by expanding the market for its sale;
- Winning and making long term customers, through customer loyalty cards, etc.;
- Setting up showrooms in locations that have a larger online market share, such as Kolkata that has recently registered an online market share of approx. 15% of a total sales of Rs. 1 Cr.; and
- Appropriate financial support to the artisans.

### 3. Our inferences & challenges identified and recommendations:

The consultation further led to identification of a lot of challenges that the industry sector is currently facing, which are presented below. These challenges have been further analyzed by us, followed by submission of our recommendations.

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	<b>Discussions in KSHDC, Bangalore</b> - Difficulty to compete with private showrooms, on account of policy level changes, impacting an increase in GST both for handicrafts and furniture items, at the national level has dampened the sales volume.	Requests could be made to the GoK through the GoK's GST Council member, for reducing or waiving off the GST charges for products that have a low price so that the livelihood of the small artisans are not affected.	Mid-term action proposed over the next 2 to 3 years
(b)	Import of Chinese machine made handicraft items sold in the Indian market, which are priced very low. The Indian artisans are also selling such Chinese made products in exhibitions. Moreover Chinese items have a high level of toxic chemicals – lack of awareness is leading to purchase of such items by consumers, besides consumers in most cases are not able to detect the difference between Chinese and Indian manufactured products;	<ul style="list-style-type: none"> <li>• To compete with the Chinese low priced machine made items and to ensure that the international market demand for the finished products is not lost to the Chinese market, KSHDC may explore the following for an enhanced production and more favorable returns: <ul style="list-style-type: none"> <li>➤ Replacement of 50 year old technologies with alternative and advanced high production new technologies;</li> <li>➤ Skilling the existing workforce and help them to switch over to machine made items.</li> </ul> </li> <li>• Policy level decisions could be taken by the local government wrt. ban of import of toxic based Chinese handicraft items into the state of Karnataka;</li> </ul>	Long-term action proposed over the next 3 years.
(c)	Product is not patented, hence the product is replicated by other artisans or private players, leading to loss of revenue.	KSHDC may explore the possibility to patent their products to prevent infringement of copyrights by the private players;	Long-term action proposed over the next 3 years.
<b>II</b>	<b>Critical Issues:</b>		
(a)	<b>Discussions in KSHDC, Channapatna</b> - Unwillingness of artisans to change their mindset to produce new varieties of products, instead of sticking to	<ul style="list-style-type: none"> <li>• The behavioral pattern/mindset of the artisans need to be changed through appropriate training programs that are focused on the</li> </ul>	Mid-term action proposed over the next 2 years



Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	conventional products, which have low demand in the market;	reasoning and need of switching over from conventional to new products that have more demand in the market; <ul style="list-style-type: none"> <li>The artisans need to be made aware that for their own sustenance and livelihood they need to change their mindset and explore varieties to meet up to the taste, trend and market competition.</li> </ul>	
(b)	<p><b>Discussions in KSHDC, Bangalore</b> - Difficulty to compete with private showrooms, on account of policy level changes at the national level, have further dampened the sales volume:</p> <ul style="list-style-type: none"> <li>Increase in GST price – both for handicrafts and furniture items;</li> <li>Products that are priced at Rs. 2 lakhs and above, which call for sale in cheque is becoming a threat to KSHDC showrooms, as compared to private showrooms which could probably be accepting the payment in cash;</li> </ul>	<ul style="list-style-type: none"> <li>In order to curb tweaking of rules by private players and or not deprive the artisans from their legitimate fee for their effort, policy level decisions could be made by the GoK. Such a policy could be introducing a Quality Assurance Trade mark similar to Hall Mark for gold. All KSHDC products could carry this Trade Mark.</li> <li>Also mandating the sale of any single high priced item (say, above Rs. 25,000/-) only through centralized govt. showrooms of KSHDC only, irrespective of whether the contract for manufacturing the product is given by a private or government party.</li> <li>A particular percentage of fee could be kept assigned as fee for the legitimate fee of the artisans. This will also enable the artisans to get a decent earning for the items produced by them.</li> </ul>	Mid-term action proposed over the next 2 to 3 years
(c)	No provision of incentives to middleman/brokers who bring customers for purchase of finished products, unlike what is paid by the private players to such persons who bring customers to their showrooms;	<p>In terms of adopting effective marketing strategies by KSHDC, following are our recommendations:</p> <ul style="list-style-type: none"> <li>Private players are driven by numbers and are aggressive in marketing and therefore have higher sales. Hence, while the private players may look for options to tweak the rules, the marketing department of KSHDC has to set up effective strategies to be able to</li> </ul>	Mid-term action proposed over the next 2 years.

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
		compete with the private players; <ul style="list-style-type: none"> <li>Effective marketing could be made by introducing Kiosks at important locations such as airports and railway stations, to create awareness on why customers/consumers should avoid middleman for purchase of handicrafts and why it makes sense to purchase handicraft items from KSHDC showrooms. Policy level decisions could be simultaneously explored on provision of incentives to middleman for bringing customers to their showroom</li> </ul>	
(d)	Some technologies that are being used are over 50 years old, leading to lower production volume.	KSHDC may explore the options of the schemes that are offered by the GoI for funding the new and modernized technologies for improving the efficiency of the artisans and the quality of products, apart from increasing the volume of finished products.	Mid-term action proposed over the next 2 years.

<b>Chapter # 2C</b>	
	<b>The Reports Specific to Karnataka State Textile Infrastructure Development Corporation Ltd. (KSTIDCL)</b>
<b>page #77</b>	<b>Stage # I: Analysis of Key Performance Parameters based on Annual Report</b>
<b>page #86</b>	<b>Stage # II: Analysis of key inputs obtained from the internal stakeholders consulted</b>
<b>page #87</b>	<b>Stage # III: Analysis of key inputs obtained from the external stakeholders consulted</b>

## Stage # I: Analysis of Key Performance Parameters based on Annual Report; Our Inferences and Recommendations

All analysis of the key performance parameters, extracted from the annual report have been analyzed for their past ten years of performance. The projected numbers of the next 5 years of performance have been assessed based on the past ten years of performance. Following are the key performance parameters that have been analyzed.

### 1. The Revenue from Operations (Gross) and Inventories

Analyses of the following have been carried out:

- (a) Revenue from Operations (gross)- This includes the sale of cloth or readymade garments;
- (b) Inventories – This is the stock and or product development stock.

- **Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

No specific input.

- **Our analysis:**

#### (i) Revenue from operations vs Inventories.

**Table # 20: Current Scenario - Assessment of performance of the past years, till FY 15/16**

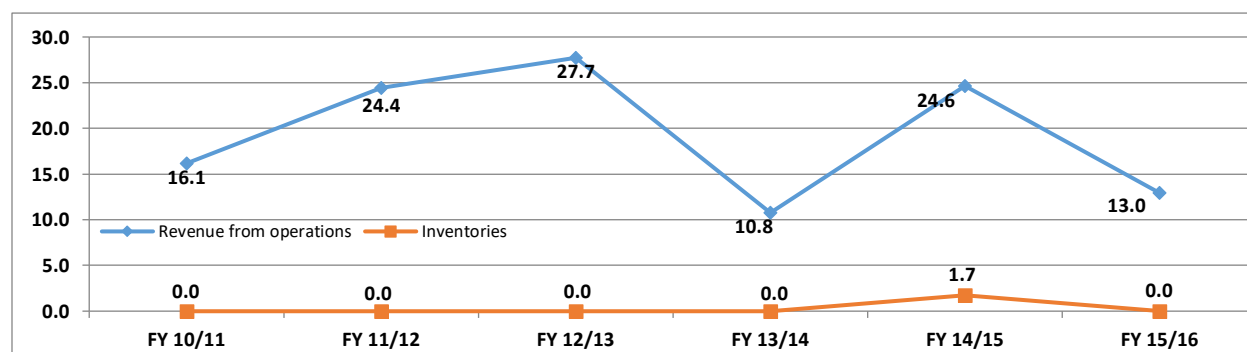
Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average
Revenue from operations	16.14	24.45	27.72	10.77	24.62	12.96	19.44
Inventories	0.02	0.02	0.02	0.02	1.74	0.01	0.30

*All figures are in Crores of Rupees in every FY*

**Table # 21: Current Scenario - Performance of Growth on a YoY basis of the past years, till FY 15/16**

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average
Revenue from operations	0.00	1.51	1.13	0.39	2.29	0.53	0.98
Inventories	0.00	0.88	0.91	0.98	102.17	0.01	17.49

*All figures are in %*



**Chart # 33: Current Scenario –Trend defined by Revenue from Operations and Inventories of the past years, till FY 15/16**

**(ii) Other analysis:**

The inventories have been fairly low, except in FY 14/15.

**□ Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	The sale curve has been making undulating movements	The sale curve has been making undulating movements, thereby calling for the need of sustained aggressive process of winning orders by KSTIDCL, to eventually be able to increase the revenue and have a sustainable growth every year; the marketing department of KSTIDCL has to set up effective strategies to ensure sustained flow of business every year and not be dependent on the market or the GoK.	Short-term action proposed over the next 1 year.

## 2. The Revenue, Expenditure and Net Profit for the Year after Taxes

An analysis of the revenue, expenses and net profit of KSTIDCL, encompassed the following parameters.

(a) Total Revenue– This included the following parameters:

- Revenue from operations (gross);
- Other operating revenue; and
- Other income.

(b) Total Expenditure – This included the following parameters:

- Raw materials consumed/Purchase of Stock-in Trade;
- Cloth Testing Charges;
- Weavers Welfare Expenses;
- Employee benefit expenses;
- Finance costs;
- Depreciation; and
- Other expenses.

(c) Net Profit – This is the net profit for the year after deduction of taxes.

**Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

No specific input.

**Our analysis:**

### (i) Analysis of the Total Expenses, Total Revenue and Profit after Taxes

**Table # 22: Current Scenario - Assessment of performance of the past years, till FY 15/16**

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average
Raw materials consumed/Purchase of Stock-in Trade	15.1	23.2	26.0	10.1	23.2	12.1	18.3
Cloth Testing Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Weavers Welfare Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Employee benefit expenses	0.5	0.6	0.8	0.8	0.8	1.0	0.7
Finance costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.1	0.1	0.1	0.1	0.1	0.2	0.1
Other expenses	0.7	0.4	0.5	0.5	0.6	0.7	0.6
<b>Total Expenses</b>	<b>16.4</b>	<b>24.4</b>	<b>27.4</b>	<b>11.5</b>	<b>24.7</b>	<b>13.9</b>	<b>19.7</b>
Revenue from operations (Gross)	16.1	24.4	27.7	10.8	24.6	13.0	19.4
Other operating Revenue	0.0	0.0	0.4	0.3	0.4	0.0	0.2
<b>Total Revenue from operations</b>	<b>16.1</b>	<b>24.4</b>	<b>28.1</b>	<b>11.0</b>	<b>25.0</b>	<b>13.0</b>	<b>19.6</b>
Other incomes	1.1	1.3	0.8	1.2	1.0	1.3	1.1
<b>Total Income/Revenue</b>	<b>17.2</b>	<b>25.7</b>	<b>28.9</b>	<b>12.2</b>	<b>26.0</b>	<b>14.3</b>	<b>20.7</b>
<b>Profit (or Loss) for the Period after tax</b>	<b>0.6</b>	<b>0.9</b>	<b>1.2</b>	<b>0.4</b>	<b>0.9</b>	<b>0.7</b>	<b>0.8</b>
<b>Variation in Profit (in %)</b>		<b>138</b>	<b>136</b>	<b>33</b>	<b>229</b>	<b>78</b>	<b>122.7</b>

All figures are in Crores of Rupees in every FY, unless mentioned in %

**Table # 23: Current Scenario - Performance of Growth on a YoY basis of the past years, till FY 15/16**

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average
Raw materials consumed/Purchase of Stock-in Trade	0.00	1.54	1.12	0.39	2.29	0.52	1.17
Cloth Testing Charges	0.00	0.00	0.26	0.00	0.00	0.00	0.05
Weavers Welfare Expenses	0.00	5.10	0.00	0.00	0.00	0.00	1.02
Employee benefit expenses	0.00	1.22	1.27	1.04	0.98	1.24	1.15
Finance costs	0.00	1.02	4.03	0.83	1.29	0.46	1.53
Depreciation	0.00	1.53	1.08	0.84	1.13	1.44	1.20
Other expenses	0.00	0.53	1.33	0.91	1.30	1.16	1.05
<b>Total Expenses</b>	<b>0.00</b>	<b>1.49</b>	<b>1.12</b>	<b>0.42</b>	<b>2.14</b>	<b>0.57</b>	<b>1.15</b>
Revenue from operations (Gross)	0.00	1.51	1.13	0.39	2.29	0.53	1.17
Other operating Revenue	0.00	1.01	13.76	0.67	1.68	0.00	3.43
<b>Total Revenue from operations</b>	<b>0.00</b>	<b>1.52</b>	<b>1.15</b>	<b>0.39</b>	<b>2.27</b>	<b>0.52</b>	<b>1.17</b>
Other incomes	0.00	1.17	0.63	1.45	0.82	1.33	1.08
<b>Total Income/Revenue</b>	<b>0.00</b>	<b>1.49</b>	<b>1.13</b>	<b>0.42</b>	<b>2.13</b>	<b>0.55</b>	<b>1.14</b>
<b>Profit (or Loss) for the Period after tax</b>	<b>0.00</b>	<b>1.38</b>	<b>1.36</b>	<b>0.33</b>	<b>2.29</b>	<b>0.78</b>	<b>1.23</b>
<b>Variation in Profit (in %)</b>	<b>0.00</b>	<b>0.00</b>	<b>0.99</b>	<b>0.25</b>	<b>6.83</b>	<b>0.34</b>	

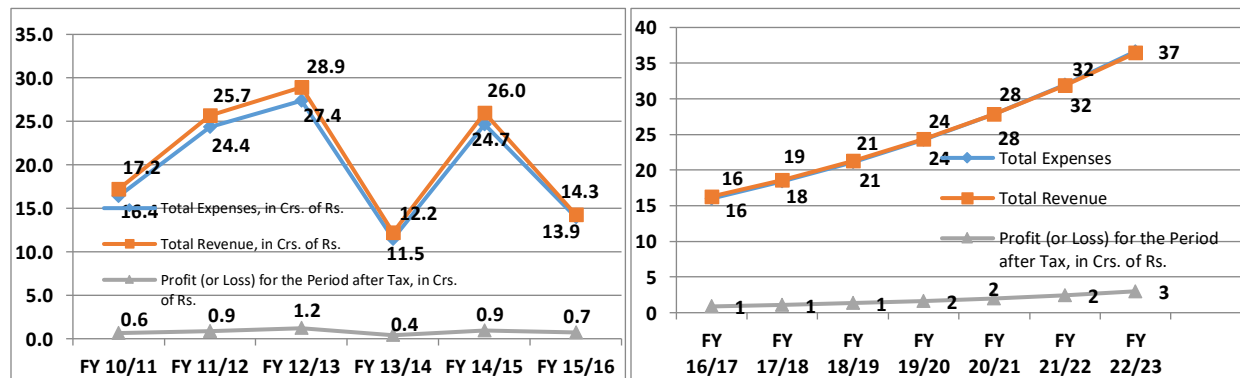
*All figures are in Crores of Rupees in every FY, unless mentioned in %*

**Table # 24: Projected Scenario of the next years, till FY 22/23**

Items	FY 16/17	FY 17/18	FY 18/19	FY 19/20	FY 20/21	FY 21/22	FY 22/23
Raw materials consumed/Purchase of Stock-in Trade	14.2	16.6	19.4	22.8	26.6	31.2	36.5
Cloth Testing Charges	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Weavers Welfare Expenses	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Employee benefit expenses	1.1	1.3	1.5	1.7	2.0	2.3	2.6
Finance costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Depreciation	0.2	0.2	0.3	0.3	0.4	0.5	0.6
Other expenses	0.7	0.8	0.8	0.9	0.9	0.9	1.0
<b>Total Expenses</b>	<b>16.0</b>	<b>18.4</b>	<b>21.1</b>	<b>24.2</b>	<b>27.8</b>	<b>31.9</b>	<b>36.7</b>
Revenue from operations (Gross)	15.2	17.7	20.8	24.3	28.4	33.3	38.9
Other operating Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Total Revenue from operations</b>	<b>15.2</b>	<b>17.7</b>	<b>20.7</b>	<b>24.2</b>	<b>28.3</b>	<b>33.1</b>	<b>38.7</b>
Other incomes	1.4	1.5	1.6	1.8	1.9	2.1	2.2
<b>Total Income/Revenue</b>	<b>16.3</b>	<b>18.6</b>	<b>21.3</b>	<b>24.4</b>	<b>27.9</b>	<b>31.9</b>	<b>36.4</b>
<b>Profit (or Loss) for the Period after tax</b>	<b>0.9</b>	<b>1.1</b>	<b>1.3</b>	<b>1.6</b>	<b>2.0</b>	<b>2.4</b>	<b>3.0</b>
<b>Variation in Profit (in %)</b>	<b>257.9</b>	<b>542.0</b>	<b>1139.1</b>	<b>2394.0</b>	<b>5031.4</b>	<b>0.0</b>	<b>10574.5</b>

*All figures are in Crores of Rupees in every FY, unless mentioned in %*

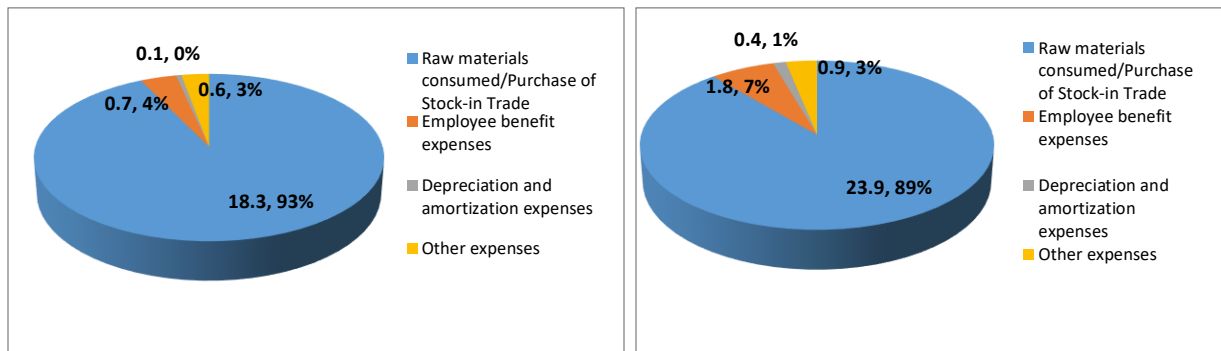
**(ii) Analysis of the trend of Total Expenses, Total Revenue and Profit after Taxes**



**Chart 31A: Current Scenario – Total Expenses, Revenue and Profit after Taxes of FY 2010/11 to FY 2016/17; Figures are in Crs. of Rs.**

**Chart 31B: Projected Scenario –Total Expenses, Revenue and Profit after Taxes FY 2016/17 to FY 2022/23; Figures are in Crs. of Rs.**

**(iii) Analysis of the trend of Total Expenses, Total Revenue and Profit after Taxes**



**Chart 32A: Current Scenario – Break-up of Total Expenses, based on the average of FY 2010/11 till FY 2016/17; Figures are in Crs. of Rs.**

**Chart 32B: Projected Scenario Break-up of Total Expenses, based on the average of FY 2016/17 to FY 2022/23; Figures are in Crs. of Rs.**

**(iv) Other analysis:**

- (a) On a YoY basis, since FY 2010/11 till FY 2016/17, the average:
  - Growth in profit has been @ 22.7%;
  - Expenses has been increasing @ 15%;
  - Total Revenue from operations has been increasing @ 17%;
  - Total Revenue has been increasing @ 14%;

**Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	Expenses arising from employee benefits and other administration expenses account for approximately 7% of the total expenses on an annual basis.	Although this figure is not very significant, KSTIDCL could explore the possibilities of reducing the expenses.	Long term action plan proposed over 2 to 3 years
<b>II</b>	<b>Critical Issues:</b>		
(a)	Total Revenue from operations has been increasing @ 17%; growth has however been unpredictable, as the curve of growth is undulating; KSTIDCL should consider effective measures to ensure sustained growth in every year.	KSTIDCL should consider effective measures and strategic means for winning of large and sustained order books on a YoY basis to ensure sustained growth in every year	Short term action plan proposed over 1 to 2 years.



### 3. The Net Worth and Finance Ratio analysis

This includes an analysis of the following:

- (a) Net worth = Assets less Liabilities;
- (b) Current Ratio (i.e. Current Assets/Current Liabilities);
- (c) Quick Ratio (i.e. Current Assets less Inventories/Current Liabilities); and
- (d) Cash Ratio (i.e. Cash and Cash Equivalents/Current Liabilities)

In context to the above, the following have been considered:

- **Total Assets** –This includes the following two components, as presented below:
  - ✓ Non-Current Assets – this includes the following:
    - Fixed Assets (Own Funds, Grant Funds and Capital work-in-progress),
    - Non-Current Investments,
    - Deferred Tax Asset (net) and
    - Long term loans and advances
  - ✓ Current Assets – this includes the following:
    - Inventories,
    - Trade Receivables,
    - Cash and Cash Equivalents,
    - Short term loans and advances,
    - Other Current Assets and
    - Miscellaneous Expenditure, if any.
- **Liabilities, Provisions & Loans** –This includes the following two components, as presented below:
  - ✓ Non-Current Liabilities – this includes the following secured and unsecured liabilities/loans:
    - Long-term borrowings,
    - Deferred tax liabilities, if any,
    - Other long term liabilities and
    - Long term provisions.
  - ✓ Current Liabilities – this includes the following:
    - Short-term borrowings,
    - Trades payables,
    - Other current liabilities and
    - Short term provisions.
- **Inputs obtained from the external and internal stakeholders of KSHDC and the documentations reviewed:**

No specific input.

□ **Our analysis:**

**(i) Assessment of Net-worth**

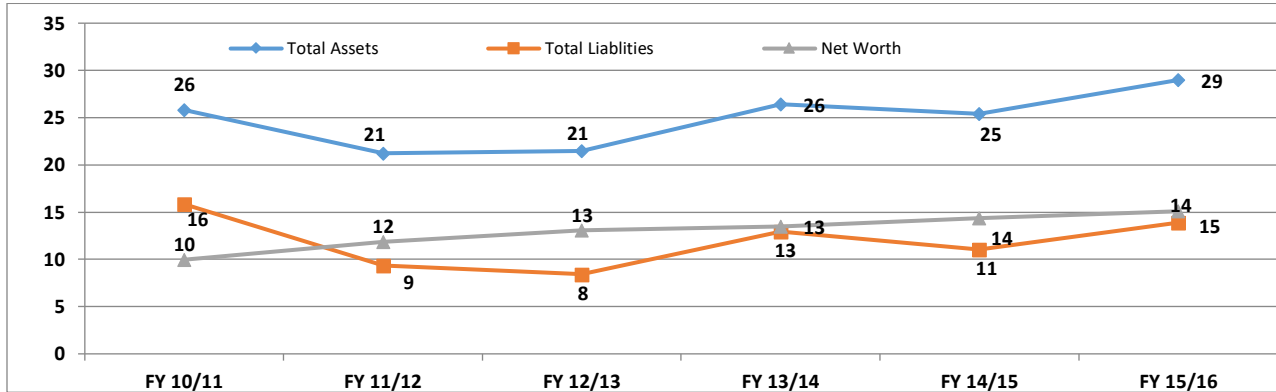
**Table # 25: Current Scenario – Assessment of Net-worth based on performance of the till FY 15/16**

Sl. #		FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average
I	<b>Assets</b>	<b>25.8</b>	<b>21.2</b>	<b>21.5</b>	<b>26.4</b>	<b>25.4</b>	<b>29.0</b>	<b>24.9</b>
1	<b>Non-Current Assets</b>	<b>0.8</b>	<b>1.2</b>	<b>1.0</b>	<b>0.9</b>	<b>1.8</b>	<b>2.9</b>	<b>1.4</b>
(a)	Fixed Assets (Tangible and Intangible Assets)	0.5	0.9	0.8	0.7	0.6	1.7	0.8
(c)	Deferred Tax Asset (net)	0.1	0.1	0.1	0.0	0.0	0.0	0.1
(d)	Long term loans and advances	0.2	0.2	0.1	0.2	1.2	1.2	0.5
2	<b>Current Assets</b>	<b>25.0</b>	<b>20.1</b>	<b>20.5</b>	<b>25.6</b>	<b>23.6</b>	<b>26.1</b>	<b>23.5</b>
(b)	Inventories	0.0	0.0	0.0	0.0	1.7	0.0	0.3
(c)	Trade Receivables	11.4	4.3	0.1	0.1	0.0	0.0	2.7
(d)	Cash and Cash Equivalentents	8.5	11.6	16.0	20.7	17.5	21.7	16.0
(e)	Short term loans and advances	4.8	3.3	3.4	3.8	3.7	3.8	3.8
(f)	Other Current Assets	0.3	0.9	1.0	1.1	0.6	0.5	0.7
II	<b>Liabilities, Provisions &amp; Loans</b>	<b>15.8</b>	<b>9.4</b>	<b>8.4</b>	<b>12.9</b>	<b>11.1</b>	<b>13.9</b>	<b>11.9</b>
(a)	Non-Current Liabilities (Long-term borrowings; Other long-term liabilities; Long term provisions)	3.3	1.9	1.7	1.7	1.7	5.3	2.6
(b)	Current Liabilities (Short term borrowings; Trade payables; Other current liabilities; short term provisions)	12.5	7.5	6.7	11.2	9.3	8.6	9.3
III	<b>Net Worth</b>	<b>10.0</b>	<b>11.9</b>	<b>13.1</b>	<b>13.5</b>	<b>14.4</b>	<b>15.1</b>	<b>13.0</b>

**Table # 26: Current Scenario –Performance of Growth on a YoY basis of the past years, till FY 15/16**

Sl. #		FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average
I	<b>Assets</b>		<b>0.82</b>	<b>1.01</b>	<b>1.23</b>	<b>0.96</b>	<b>1.14</b>	<b>1.03</b>
1	<b>Non-Current Assets</b>		<b>1.45</b>	<b>0.84</b>	<b>0.88</b>	<b>2.12</b>	<b>1.61</b>	<b>1.38</b>
(a)	Fixed Assets (Tangible and Intangible Assets)		1.91	0.88	0.87	0.86	2.94	1.49
(c)	Deferred Tax Asset (net)		0.69	1.09	0.24	1.67	1.07	0.95
(d)	Long term loans and advances		0.91	0.54	1.49	7.52	0.98	2.29
2	<b>Current Assets</b>		<b>0.80</b>	<b>1.02</b>	<b>1.25</b>	<b>0.92</b>	<b>1.10</b>	<b>1.02</b>
(b)	Inventories		0.88	0.91	0.98	102.17	0.01	20.99
(c)	Trade Receivables		0.37	0.03	0.41	0.98	1.00	0.56
(d)	Cash and Cash Equivalentents		1.36	1.38	1.29	0.85	1.24	1.23
(e)	Short term loans and advances		0.69	1.03	1.11	0.98	1.04	0.97
(f)	Other Current Assets		2.94	1.07	1.04	0.60	0.78	1.29
II	<b>Liabilities, Provisions &amp; Loans</b>		<b>0.59</b>	<b>0.90</b>	<b>1.54</b>	<b>0.85</b>	<b>1.26</b>	<b>1.03</b>
(a)	Non-Current Liabilities (Long-term borrowings; Other long-term liabilities; Long term provisions)		<b>0.56</b>	<b>0.92</b>	<b>1.00</b>	<b>1.00</b>	<b>3.04</b>	<b>1.30</b>
(b)	Current Liabilities (Short term borrowings; Trade payables; Other current liabilities; short term provisions)		<b>0.60</b>	<b>0.89</b>	<b>1.67</b>	<b>0.83</b>	<b>0.92</b>	<b>0.98</b>
III	<b>Net Worth</b>		<b>1.19</b>	<b>1.10</b>	<b>1.03</b>	<b>1.07</b>	<b>1.05</b>	<b>1.09</b>

**Chart # 33: Current Scenario –Total Assets, Total Liabilities and Net Worth of the past years, till FY 15/16**



**Table # 27– Current Scenario – Assessment of Current Ratio, Quick Ratio and Cash Ratio of KSTIDCL based on performance of FY 10/11 to FY 15/16**

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average of FY 10/11 to FY 16/17
Current Ratio	2.0	2.7	3.1	2.3	2.5	3.0	2.6
Quick Ratio	2.0	2.7	3.1	2.3	2.3	3.0	2.6
Cash Ratio	0.7	1.5	2.4	1.8	1.9	2.5	1.8

**Table # 28–Current Scenario –Performance of Growth on a YoY basis of the past years, till FY 15/16**

Items	FY 10/11	FY 11/12	FY 12/13	FY 13/14	FY 14/15	FY 15/16	Average of FY 10/11 to FY 16/17
Current Ratio		1.34	1.14	0.74	1.11	1.19	1.11
Quick Ratio		1.34	1.14	0.74	1.03	1.29	1.11
Cash Ratio		2.27	1.55	0.77	1.02	1.34	1.39

**(iv) Other analysis:**

- (a) The average of the rate of growth since FY 2010/11 till 2016/17 on a YoY basis, for the assets, non-current assets, current assets, liabilities and net-worth have been 3%, 38%, 2%, 3% and 9% respectively;
- (b) As per the current data analysis, the projections of Current Ratio, Quick Ratio and Cash Ratio is in a rising curve; and
- (c) The Cash Ratio of the company has been in the increasing trend; there is however, no fixed norm for cash ratio.

□ **Our inferences & challenges identified and recommendations:**

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
	-	-	-
<b>II</b>	<b>Critical Issues:</b>		
(a)	The Current Ratio, which is an indication of KSTIDCL's ability to meet short term debt obligations over the next one year and reflects a company's ability to convert its finished goods into cash has been healthy and is above 2;	Ideally the current ratio should be at 2; KSTIDCL may look into the options of increasing this ratio.	
(b)	Quick ratio, which is a measure of a company's ability to meet short term obligations using its most liquid assets (i.e. cash, near cash or quick saleable assets). For KSTIDCL this quick ratio has been close to 1.	The commonly acceptable Quick Ratio should ideally be 1; KSTIDCL may look into the options of increasing this ratio.	
(c)	The Cash Ratio is hovering over 1, which too is a fairly healthy sign.	There is no such fixed cash ratio analysis.	

## Stage # II: Analysis of key inputs obtained from the external stakeholders consulted; Our Inferences and Recommendations

### 1. The stakeholders consulted and the sites visited:

CSD had carried out consultation with some of the beneficiaries, i.e. the trainees who were undergoing training in KSTIDCL's Textile Training Institute in Doddaballapura Park, near Bangalore in Karnataka.

### 2. Observation:

Consultation with some of the women trainees undergoing training, indicates that the training imparted by the KSTIDCL's Textile Training Institute in Doddaballapura Park, enables them to earn the certificate, which in turn facilitates them to seek an employment in the neighboring textile industries or otherwise become an entrepreneur and thereby, contribute to the earnings of their family and lead a life of dignity.

### 3. Our inferences & challenges identified and recommendations

No specific recommendation.

## Stage # III: Analysis of key inputs obtained from the internal stakeholders consulted; Our Inferences and Recommendations

### 1. The stakeholders consulted and the sites visited:

CSD had carried out consultation with the management level personnel and other authorized employees of KSTIDCL, in the following locations:

- (a) KSTIDCL's Textile Training Institute in Doddaballapura Park, near Bangalore; and
- (b) Head office in Bangalore

### 2. Inputs obtained from the stakeholders and subsequent analysis:

In the discussion that followed, the authorized personnel of KSTIDCL have conveyed the following, which have also led to an analysis of the following as presented below:

#### □ **Discussions with KSTIDCL representatives in KSTIDCL's Textile Training Institute at Doddaballapura Park, near Bangalore:**

(a) KSTIDCL has two training institutes located in the following places:

- Doddaballapura Apparel Park that is located near the city of Bangalore in Karnataka; and
- Bellary in Karnataka; The Bellary Textile institute of KSTIDCL offers a three years B.Sc. graduation course in Garment and Apparel Science.

(b) The Doddaballapura Apparel Park spreads over 750 acres; apart from KSTIDCL's Textile Training Institute, there are over 20 number of private textile industries that are present in the Doddaballapura Apparel Park.

#### □ **Discussions with KSTIDCL representatives at their Head Office in Bangalore:**

(a) The target for employment generation was 10 lakhs over a period of 5 years as per the textile policy laid down by the GoK that is expiring in March 2018, however the employment generated was approx. 50% of the target, i.e. approx. 5 lakhs. Of these 5 lakhs weavers, currently there are approx. 1.25 lakhs power loom weavers in the state of Karnataka who are working in the micro and small industries; apart from this, there are approx. 0.75 lakhs of additional set of pre-loom and allied activity power-loom weavers. This takes the total number of workers dependent of weaving through the power loom infrastructure to approx. 2 lakhs;

(b) A major part of the employment was created by setting up textile parks in 8 to 10 districts, each spread over 3 to 8 acres of land that provide textile infrastructure and facilities;

### 3. Our inferences & challenges identified and recommendations

#### 3.01 Based on the consultations carried out with the employees and management personnel of KSTIDCL

The representatives of KSTIDCL with whom we had a discussion, have cited the following as challenges that they are currently facing:

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	Each of the various training courses that are provided under the various Government of India or Government of Karnataka schemes are a mix of theory and practical courses that both consume equal training hours, spread over a span of 2 months. This time-span is not sufficient for practical job training.	KSTIDCL may explore the necessity and thereby the possibility to restructure their current training program module, to accommodate more practical on-job training hours that is focused more on the current business designs and requirements to accommodate the current market trend and thereby, facilitate in quick absorption of the trained workforce by the other textile industries that are located the nearby areas of the training institute of KSTIDCL in Doddaballapura Park. As mentioned earlier the present Institute can be made into a Finishing School for Textile Design and Technology with proper accreditation and exposure to best available technologies.	Mid-term action proposed over the next 2 years
(b)	To save the cost of KSTIDCL's training institute located in Doddaballapura Park, the Principal of the institute is taken from another Govt. organization and is placed on deputation.	Onus of responsibility could be missing, if a person is put on deputation from other his/her parent organization into some other organization. This in turn may actually not result in the desired and appropriate outputs. Hence, it is advisable that a person, is put in the KSTIDCL's training institute in Doddaballapura Park for a long duration, who could effectively run things from an end to end level.	Mid-term action proposed over the next 1 to 2 years
<b>II</b>	<b>Critical Issues:</b>		
(a)	<ul style="list-style-type: none"> <li>Despite of an offer of govt. recognized certificate and a monthly stipend for the trainees to undergo training through the</li> </ul>	<ul style="list-style-type: none"> <li>KSTIDCL should devise some other strategy to increase the number of persons who could be interested to take training from them. The</li> </ul>	Mid-term action proposed over

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	<p>Integrated Skill Development Scheme (ISDS) of GoI, KSTIDCL has not been able to mobilize more than 50% of its target of 600 students; KSTIDCL lacks in providing appropriate jobs to enable a secured source of livelihood to the trained workforce. This reason, therefore results in migration of its trained work force from KSTIDCL's Textile Training Institute in Doddaballapura Park for appropriate job security to the 20 number of neighboring private textile industries of the Doddaballapura Apparel Park, which spreads over 750 acres.</p> <ul style="list-style-type: none"> <li>The modus-operandi of trainings provided by the private players that are located in the Doddaballapura Apparel Park is strategic, as compared to the ones provided by KSTIDCL. While, the private players do not offer the trainees any certificate for the training undertaken, they however have an on-job training programme that is more oriented towards market needs and or design. These on-job trainings that are provided by the private players are typically designed for a period of approx. 10 to 15 days. Moreover, during this training period, the trainees get better wages, as compared to the two months certificate training programmes conducted by KSTIDCL. Moreover the money to the trainees is immediately paid off by the private players, as compared to the late stipend that is offered by KSTIDCL. Post completion of the training programme the trained workforce is then absorbed at a better monthly charge-out rate as compared to the otherwise, lesser monthly stipend amount that is offered by KSTIDCL's</li> </ul>	<p>trainees could be made aware by the mobilisers (i.e. the persons who reach out to villages, to look for interested candidates) that the training offered by KSTIDCL will enable them to learn every component of preparing a garment, whereas in a training offered by a private player, a trainee can learn only limited components of preparing a garment and not the full job. This may encourage the trainees to take up the training in KSTIDCL, thereby facilitating KSTIDCL to utilize the budget allocated for it under the Integrated Skill Development Schemes (ISDS).</p> <ul style="list-style-type: none"> <li>Trainings imparted through the organization's training institute of Doddaballapura Park, while it definitely facilitates in women empowerment, yet the importance of the certificate that is awarded to a trainee by KSTIDCL, post completion of the training program has to be assessed in the context that the private players are recruiting workforce, who may not be having any training certificate. This clearly indicates that the private employers may not be keen on the certificate awarded by KSTIDCL but are keen on the quality implanted in the trainees – and it is immaterial for them, whether the quality comes from their in-house or ex-house training. Unless there is a necessity felt by the trainees to attend the training programs organized by KSTIDCL, the workers in need of money will continue to flock to private players for an on-job training, which will also give them some earning for their livelihood, during the training period, with an added benefit of being absorbed for a job, post completion of training. Some policy level decisions need to be adopted</li> </ul>	<p>the next 2 years</p>



Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	training institute.	by the GoK in regard to this, such as trained workforce bearing a certificate, could only be absorbed by any organization for employment;	
(b)	KSTIDCL, in Doddaballapura Park has 75 to 80 machines, which are worth Rs. 75 to Rs. 80 lakhs (i.e. approx. @ Rs. 1 lakh per machine). Of that approx. 25 machines are provided on rent on a monthly basis to the neighboring textile industries. This enables KSTIDCL to earn a revenue of approx. Rs. 10,000/- per month, i.e. @ Rs. 400 per machine per month. The maintenance cost of the machines work out to approx. Rs. 1 lakh on a pa. basis. There are also additional machines worth approx. Rs. 2 Crores in the Bellary training institute of KSTIDCL;	Of the machines that are present in Dodballapur and Bellary, only 33% of the machines are currently in utilization and the balance 67% are not in utilization. Aggressive efforts could be taken by KSTIDCL in reaching out to the neighboring textile industries for outsourcing of more jobs to the textile institute of KSTIDCL. This will enable the institute to run all machines in full utilization and thereby, enable KSTIDCL to earn approx. Rs. 3.6 lakhs per annum in Doddaballapura Park. In similar lines, @ Rs. 1 lakh per machine, for 67% of the Rs. 2 Cr. worth machines that are in KSTIDCL, Bellary, there are approximately 134 machines that remains idle on a per annum basis. At the rent price of Rs. 400 per machine per month in KSTIDCL, Doddaballapura Park, for 134 machines in Bellary textile training institute, this proportionate cost could be = 134 machines x Rs. 400/machine x 12 months = Rs. 6.43 lakhs pa. In view of the above, an amount of Rs. 3.6 lakhs and Rs. 6.43 lakhs of opportunity is getting lost on an annual basis, due to non-utilization of 67% of actual capacity of the machines of Doddaballapura Park and Bellary Textile training institutes. Memorandum of Understanding culminating to long term contracts could be signed with these textile companies, who apart from outsourcing the business to KSTIDCL shall also bear the other operating and maintenance costs of the machines. Besides, this will also enable some of the trained workforce of the institute to be absorbed for employment, by the external textile companies;	Mid-term action proposed over the next 2 years
(c)	(i) The approximate administration (salary) cost of	The Doddaballapura Park textile institute has	Long-term

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	<p>running the expenses of the following textile training institutes of KSTIDCL accounts to over Rs. 50 lakhs per annum;</p> <p>(ii) The Bellary textile institute of KSTIDCL is presently running at an approx. 50% of its total intake capacity of 40 per batch every year; the revenue generated by the institute is approx. Rs. 9 lakhs per annum, whereas, its expenses is Rs. 40 lakhs per annum;</p>	<p>enough of unoccupied space that is sufficient enough to set up large classrooms. A major part of the cost of the training institutes in Bellary and Doddaballapura Park could be managed by allowing these institutes to offer B. Tech. courses, approved by the GoK/Gol and affiliated to any university. This will also enable KSTIDCL to get some funds from the Gol to run the technical course, as well as enable GoK to set up an institute of repute in Karnataka. Such an approved B. Tech course could be a mix of Garment and Textile Engineering, in alignment with courses that are offered by National Institute of Fashion Technology or National Institute of Fashion Design, to be able to attract more and good talents and thereby enable the institute to manage its own operating cost, in the long run;</p>	<p>action proposed over the next 3 years.</p>
(d)	<p>Some of the district administrations have not been showing active interest in giving the land, thereby resulting in unnecessary delay in the creation of additional textile parks in approx. 25 to 27 districts, which could otherwise result in local production and creation of local employment of approx. 5000 in every smaller district and approx. 10,000 in every larger district;</p>	<p>(i) Each acre of land also provide a project-cost margin of 5 to 6% to KSTIDCL for setting up the powerloom infrastructure. Considering every textile cluster to cost an average of Rs. 2 crores per district, this margin money accounts to approx. Rs. 10 to 12 lakhs per cluster (say an average of Rs. 11 lakhs per cluster) ,which unfortunately, is currently not being realized by KSTIDCL, therefore resulting in loss of revenue for KSTIDCL; Considering 26 number of districts (average of the 25 to 27 number of districts), the revenue lost by KSTIDCL is approx. Rs. 3 crores.</p> <p>(ii) Considering 26 number of districts (average of the 25 to 27 number of districts) and considering an employment of 7,500 (average of 5,000 in smaller districts and 10,000 in larger districts), the state of Karnataka is losing an approx. employment of another = <math>26 \times 7500 = 1,95,000</math> ~ approx. 2 lakhs;</p>	<p>Short-term action proposed over the next 1 year.</p>

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
		(iii) The district administrations which are lagging behind in early handover of area for textile infrastructure development to KSTIDCL could be subjected to some pressure for giving the appropriate land to KSTIDCL by the concerned department of GoK, so that KSTIDCL could start developing the infrastructure facilities for powerloom at the earliest, which in turn shall facilitate in more employment of weavers, increased production and revenue generation of KSIDCL.	
(e)	<ul style="list-style-type: none"> <li>Unlike GoK, the Tamil Nadu and Orissa governments have a policy of placing garment orders through a single window. In Karnataka, various government departments have their own procurement procedure, which results in e-auctioning by the respective departments, leading to loss of revenue by the GoK, as over 90% of contracts, of substantial value are mostly won by organizations that are based outside the state of Karnataka. The total market demand that is generated every year on an average by the various government departments of Karnataka is approx. 500 lakhs metre length;</li> <li>Considering the average production cost at Rs. 85 per metre, the total market size for the 5 Croresmetre length is approx. Rs. 425 Crores, of which, approximately 90% worth of contract, i.e. equivalent to approx. Rs. 383 Crores is sourced to other organizations that are based outside Karnataka, which otherwise is also a loss of revenue to GoK; of this a very small percentage (approx. 2.4 lakhs metre of length) worth Rs. 2.05 Crs. has been awarded to KSTIDCL and around</li> </ul>	<ul style="list-style-type: none"> <li>In view of a large market demand of Rs. 425 Crores of weaving in Karnataka on an annual basis, policy level decisions could be taken by the Govt. of Karnataka to produce the cloth through KSTIDCL and KHDC, which shall enable both KHDC, KSTIDCL and its weavers to sustain, apart from keeping the tradition and heritage of local weaving alive.</li> <li>If the GoK is able to route a larger share of the Rs. 425 crore annual market demand to KHDC and KSTIDCL, both these two organizations can easily manage their costs and become profitable apart from providing increased earnings to the weavers. Further, it has been discussed earlier in case of KHDC that from 500 lakhs metre of annual demand of GoK, approx. 58 lakhs metre of cloth is awarded to KHDC and KSTIDCL annually. Further, there is an additional capacity of 142 lakhs metre that could be consumed by the weavers of KHDC. Hence, a balance of 300 lakhs metre (i.e. 442 – 142) could be awarded to KSTIDCL by the GoK.</li> <li>Further, in case of KHDC it has been calculated that on an average, every women @ 0.5</li> </ul>	Short-term action proposed over the next 1 year.

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	<p>55 lakhs metre is awarded to KHDC on a per annum basis; of the Rs. 2.05 crore of work order bagged by KSTIDCL, it is able to retain a small margin of just 6%, i.e. Rs. 12.3 lakhs, which is not sufficient enough to meet its total average operating expenses of approx. Rs. 1.5 crores per annum, nor is the quantity sufficient enough to sustain the weavers of KSTIDCL for a long span of time, for their livelihood.</p>	<p>manday can manufacture ~1400 m of cloth pa., whereas a male can manufacture ~2500 m. pa., @ 1 manday for a time span of 26 days per month for 12 months, taking it to a combined production figure of ~2900 m pa.. It can therefore be said that 3000 metre per annum is weaved by ~1.5 weavers; hence per weaver can weave approx. 2000 metres pa.</p> <ul style="list-style-type: none"> <li>• Also, considering that the productivity through powerlooms double that of handloom, hence based on the assessment carried out for the productivity of a weaver in case of powerloom. Therefore the production of a weaver through powerloom = 2 x production of handloom = 2 x 2000 metre pa. = 4000 metre pa.</li> <li>• It could therefore be estimated that for an additional 300 lakhs metre of cloth, if awarded to KSTIDCL by GoK; @ 4000 m of weaving per weaver, KSTIDCL can engage = (300 Lakhs metre of Demand)/(4000 m of weaving per weaver) = 7,500 weavers. At an average weaving rate of Rs. 28/metre, the total livelihood that could be created for the 7,500 weavers for weaving the additional 300 lakhs metre is = 300 Lakhs metre x Rs. 28/metre = Rs. 84 Crores;</li> <li>• The aforesaid figures indicate that the average earning per weaver = Rs. 84 crores/7500 = Rs. 1,12,000/- pa., i.e. ~ Rs. 9333/- per month.</li> </ul>	
(f)	<p>For the weavers who are largely dependent on the work orders provided by KSTIDCL, @ 8 hrs. per day, over a period of 25 working-days per month, the earnings range in between approx. Rs. 10,000/- to Rs. 15,000/- per month, spread over a maximum period of 3 months. However, this amount earned is not sufficient enough to manage the livelihood for</p>	<p>Lack of an assured job becomes a burden for a weaver for the remaining 9 months when there is no work available, as the weaver is not able to sustain his family. At an average monthly income of Rs. 12,500/- per weaver (average of approx. Rs. 10,000/- to Rs. 15,000/- per month) for the family, the total income per annum is approx. Rs. 0.38 lakhs/weaver.</p>	<p>Short-term action proposed over the next 1 year.</p>

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	a year. Hence, lack of assured jobs to the weavers is leading to their migration to other trades that provide a job-security and a monthly salary, such as security guards, restaurant/hotel industry, etc.	For further analysis, refer to the aforesaid discussed point.	
(h)	The orders for garment manufacturing, under the VidyaVikas Scheme (supply of school uniform to students of government aided schools) are given by GoK at the late hours. Lack of sufficient time results in non-production of the goods within the scheduled time-frame. While the processing period is approximately 8 months, the orders are given at the month of Dec. end, with a target for delivering the manufactured cloth within the next four months (i.e. by March). This therefore becomes a challenge for the weavers too, who may be having other works or may be finding it difficult to deliver the desired length, within the defined time-frame. Therefore the weavers are left with no other option but to outsource half of the order book to third parties (mostly private players), which in turn reduces their earnings by half.	An early processing of the VVS order book, followed by the award of the work order to KSTIDCL, at least by the month of June can enable the weavers to deliver the full contract value by the month of March the next year. This would enable the weavers to have an income increase by three folds, which at present is substantially reduced on account of award of the job in the month of December, with an expectation to deliver by March next year.	Short-term action proposed over the next 1 year.

### 3.02 Based on our secondary research

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Non-Critical Issues:</b>		
(a)	India's exports as comparison to Vietnam, Bangladesh and Pakistan have been gradually declining. While part of that is attributed to duty levied and new GST charges, other factors attributing to loss of business are non-conducive working conditions of workers. Big brands would not like to be viewed as socially irresponsible in the	GoK should encourage the textile industries in Karnataka to focus on the working conditions of the workers and also in improving the environmental conditions that are attributed to the operations of textile industries. GoK could also provide incentives to improvise their working and environmental conditions. This shall enable the textile industries of	Mid-term action proposed over the next 2 years.

Sl. #	Inferences and Challenges	Recommendation	Action Proposed
	<p>manufacture of their finished products by outsourcing the production in non-conductive, ethically and morally wrong business environment, thereby resulting in an outcry at a later stage, which may result in social boycott of their products by their customers. Exposure to toxic chemicals; high noise level; unsafe working conditions, such as fire prone, hazardous old machines; poor ergonomic working conditions; exposure to significant amounts of respirable cotton dust particles, which could lead to respiratory disorders; non-recycling of waste, resulting in huge landfill and effluent resulting from textile dyeing, etc. are some factors that large brands are very much sensitive of. Indian companies are yet to graduate to such level of maturity, which is thereby leading to loss of business, even to countries like Vietnam, Bangladesh and Pakistan who have over a period of time, gradually set up effective process to combat such challenges.</p>	<p>Karnataka to at least be at par, if not at an edge with their peers at the global level. This shall facilitate in the continuous flow of textile exports from Karnataka;</p>	
<b>II</b>	<b>Critical Issues:</b>		
(a)	<p>Presently the textile industries in Maharashtra are at a loss and losing out business primarily to Gujarat and Karnataka, where the power tariff is at the rate of 4 to 6 per unit respectively. The new textile policy of Maharashtra focuses on encouraging weavers and insisting them in the installation of solar panels, which shall facilitate in reducing the power tariff to Rs. 3.5 per unit.</p>	<p>Reduction of the present tariff in Maharashtra by Rs. 2.5/- (i.e. Rs. 6 less 3.5) is likely to make the price of the finished goods manufactured in Karnataka costlier than in Maharashtra, which may eventually lead to a loss for the textile industries in Karnataka. GoK should therefore explore setting up policies that shall facilitate in bring the tariff rate at par with Maharashtra and be at an advantage when compared with Gujarat. GoK could also explore offering subsidies, if possible.</p>	<p>Mid-term action proposed over the next 2 years.</p>



<b>Chapter # 3</b>	
	<b>Report specific for Department of Public Enterprises, Govt. of Karnataka – Our Key Observations and Recommendations</b>
<i>page #98</i>	<b>Part 1: Our Specific Observations and Recommendations to DPE, GoK on Karnataka Handloom Development Corporation Ltd. (KHDCL)</b>
<i>page #100</i>	<b>Part 2: Our Specific Observations and Recommendations to DPE, GoK on Karnataka State Handicrafts Development Corporation Ltd. (KSHDCL)</b>
<i>page #101</i>	<b>Part 3: Our Specific Observations and Recommendations to DPE, GoK on Karnataka State Textile Infrastructure Development Corporation Ltd. (KSTIDCL)</b>



**Part 1: Our Specific Observations and Recommendations to DPE, GoK on KHDC**

□ **An overview:**

CSD has mentioned its findings on the basis of its importance against the key parameters or the internal and external stakeholder consultations assessed, followed by recommendations. It has also laid down a proposed time plan, within which KHDC or DPE, GoK could act accordingly.

□ **Our inferences & challenges identified and specific recommendations:**

CSD however feels the necessity to mention the following information, in addition to what has been mentioned for KHDC. This could be considered as the last option for DPE, GoK, should it not be able to find any other means of rejuvenating KHDC. DPE, GoK should be extremely sensitive of the livelihoods of the following stakeholders:

- Current population of weavers, who are still being able to manage some livelihood from the order book awarded to them by KHDC; and
- Existing employees of KHDC.

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
<b>I</b>	<b>Critical Issues:</b>		
(a)	<ul style="list-style-type: none"> <li>• Although training and stipend are being provided to the weavers to upgrade themselves on better and new modern designs, weavers are not keen to continue with their job in the handloom sector, as it is not adequate to cover their basic costs of livelihood and are hence</li> </ul>	<p>(i) The number of weavers has dropped significantly by 75% since FY 1990/91 till the current level, @ 2.7% per annum. This therefore indicates that at this rate of 2.7%, KHDC may see the non-existence of registered handloom weavers, approx. within the next few years, as already discussed in the past; let aside the workers who are aged around 50, by the next 5 to 7 years, the total number of skilled weavers who may have the zeal, enthusiasm and energy to weave and manufacture handloom products, may be left to a handful number of approx. 3000 weavers;</p> <p>(ii) In view that number is not very significant to sustain the corporation, the corporation may adopt appropriate strategies, keeping in view that the livelihood of the beneficiaries and the personnel working with KHDC is not impacted; in a worst case scenario, should the DPE, GoK decide to close KHDC or merge KHDC with any other organization, it has to be cognizant of the livelihood of some of the weavers, who are still dependent on the order books awarded by KHDC, with a special mention to the 1600 women weavers who may still find their source of</p>	Mid-term action plan proposed, spread over the next 2 to 3 years.

Sl. #	Inferences & Challenges	Recommendation	Action Proposed
	<p>moving to new trades, such as security guards, hotel industry business, etc. which offer them better returns and job security;</p> <ul style="list-style-type: none"> <li>• A significant number of weavers are getting old and most of the young generation are not interested to pursue with this trade in view of better livelihood opportunities, emerging from other trades; and</li> <li>• Needless to mention, such a trade also becomes strenuous and cumbersome for the workforce, eventually leading to some chronic diseases and thereby an impact on the health.</li> </ul>	<p>livelihood from the order books of KHDC; this earning, while it helps in sustaining the livelihood for her family, it also empowers her and improves her confidence level;</p> <p>(iii) KHDC should therefore ensure that all the men and women weavers have been provided with alternate source of livelihood, in the event of taking a decision on closure of KHDC's business operations;</p> <p>(iv) In a span of another 5 years, approx. 250 persons in KHDC could be retiring; this would leave the total strength of employees of KHDC to a small number of 70; considering 20% as employees on deputation, hence the original and actual number of employees in KHDC shall be approx. 80% of 70 = 56; in the view that with number of handloom weavers are gradually getting reduced on an annual basis, KHDC may actually see sustenance for another 8 to 9 years. In this regard, the following options could be explored by the concerned department of GoK:</p> <ul style="list-style-type: none"> <li>• The balance number of non-retiring workforce of KHDC could be proportionately shifted every year to the other departments of GoK, over the next few years where the skills of the workforce will find an application;</li> <li>• Shifting the balance workforce of KHDC gradually to KSTIDCL, as both these two organization have a lot of similar operations and it will become easy for the KHDC employees to gel well with the system of KSTIDCL; since KSTIDCL is maintaining a fairly stable financial status and could gradually see some growth, it therefore has a possibility to recruit resources. It is therefore recommended that such resources could be recruited directly from the balance workforce of KHDC, who would otherwise continue to be in service with KHDC, even after another 5 years.</li> <li>• Offering VRS to employees who are above the age bracket of 50 years or otherwise could be offered to work with other departments;</li> <li>• Merging KHDC with KSTIDCL after 5 years. This will allow KSTIDCL to use the then existing infrastructure and facilities of KHDC. The then existing employees of KHDC, who would then be shifted to KSTIDCL, will serve as a strong support in managing such infrastructure and facilities.</li> </ul>	

## Part 2: Our Specific Observations and Recommendations to DPE, GoK on KSHDCL

### □ **An overview:**

CSD has mentioned its findings on the basis of its importance against the key parameters or the internal and external stakeholder consultations assessed, followed by recommendations. It has also laid down a proposed time plan, within which KSHDCL or DPE, GoK could act accordingly.

### □ **Our inferences & challenges identified and specific recommendations:**

No specific recommendation.

### Part 3: Our Specific Observations and Recommendations to DPE, GoK on KSTIDCL

□ **An overview:**

CSD has mentioned its findings on the basis of its importance against the key parameters or the internal and external stakeholder consultations assessed, followed by recommendations. It has also laid down a proposed time plan, within which KSTIDCL or DPE, GoK could act accordingly.

□ **Our inferences & challenges identified and specific recommendations:**

No specific recommendation.

<b>Annexure # 1</b>	
	<b>The Abbreviations</b>

Following are the abbreviations that have been applied in the conduct of this engagement.

<b>The Code</b>	<b>The Abbreviations</b>
CSD	Centre for Sustainable Development
DPE	Department of Public Enterprises
GOI	Government of India
GOK	Government of Karnataka
KHDCL	Karnataka Handloom Development Corporation Limited
KSHDCL	Karnataka State Handicraft Development Corporation Limited
KSTIDCL	Karnataka State Textile Infrastructure Development Corporation Limited
PSE	Public Sector Enterprises
YoY	Year to Year
FY	Financial Year