

# Evaluation Study of Karnataka State Public Sector Enterprise

Karnataka State Coir Development Corporation Limited (KSCDCL)  
For  
Department of Public Enterprise, Govt. of Karnataka

Report by



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

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## **Acknowledgement**

First and foremost, we would like to thank the current Principal Secretary, Department of Public Sector Enterprises (DPE), Karnataka, Shri Kapil Mohan, IAS and his predecessor 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 State Coal Development Corporation Limited (KSCDCL).

We are also thankful to the Deputy Secretary to Govt. (Tech), Ms. Rathnamma and Ms. Sneha from DPE for their kind co-operation.

We also thank the Managing Director, Sri Kumaraswamy, the department heads, the employees and workers of KSCDCL, a special thanks to Mr. Venkatesh, who provided us with insights about their organization and to understand the business and operations of the corporation, followed by support in the collection of the data to complete the submission of our report successfully.

We would also, like to thank the CSD team members Dr. Srinivas Ravindra; Sri Rajib Kumar Debnath, principal advisor and consultant of CSD for this assignment; Ms. Kshama Rangan, Ms. Keerthana Suresh and Mr. Rohit who have also supported and acted as per the guidance of Rajib Kumar Debnath and collectively put in their effort to complete this report within the scheduled time-frame and to the satisfaction of the DPE, GoK and KSCDCL.

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Part # I	
	The Report

Final Report of KSCDCL for DPE, GoK

**1.01 The broad objective of the assignment:**

Karnataka State Coir Development Corporation Limited (hereinafter as 'KSCDCL') has engaged Centre for Sustainable Development hereinafter as 'CSD'), Bengaluru to:

- (a) Conduct an evaluation of KSCDCL's status with its laid down objectives;
- (b) Review of the gaps and constraints of various schemes implemented by KSCDCL and measures that need to be taken to restructure the present schemes; and
- (c) Assess whether KSCDCL has shown an appreciable growth, since the past few years.

Based on a review of the above, identify the gaps and challenges; and accordingly submit the recommendations to rejuvenate KSCDCL.

**1.02 CSD's overall approach and methodology:**

In line with objective of the assignment, CSD has:

- (a) Selected some sample production sites and showroom, in consultation with KSCDCL and visited the same;
- (b) Held discussions with sample artisans and workers, permanent and temporary employees, inclusive of the functional heads and the Managing Director of KSCDCL;
- (c) Reviewed the annual reports, objectives, schemes and other relevant documentations of the last few years of KSCDCL, for a minimum of 3 years, subject to availability of data;
- (d) Referred to our own source of secondary research materials and good or best-known practices, pertaining to coir industry;
- (e) Done analysis of the observations to draw our inferences, followed by providing our relevant recommendations for strengthening of business performance of KSCDCL.

**The key focus of our review:**

While the objective of KSCDCL is to support coir industries and the beneficiaries of this sector, it is imperative that the company itself becomes commercially self-sustainable to cater to the developmental needs of the target beneficiaries. Hence, CSD has focused its review primarily across 'Development' and 'Commercial' categories.

**1.03 Key challenges and recommendations in the 'Development' category:**

- (a) **Review of KSCDCL's objectives:** Based on our review of the six objectives and forty-nine other matters that drive these six objectives, as laid down in

'Memorandum of Association' and 'Articles of Association' of KSCDCL, we arrive at the following:

- ☑ Prima-facie KSCDCL is in alignment with the objective of carrying out the business of developing, promoting and stabilizing the coir, coir based and coconut-based industries in Karnataka, apart from providing livelihood to certain section of the society. It outsources approx. 95% of its business production, which account for approx. 87% of its business revenue. For a business to sustain, it is also important that KSCDCL focuses on significantly improving its own self-production.
- ☑ KSCDCL is currently manufacturing traditional and conventional products, which face a lot of competition with other alternate low-cost durable products that are available. Moreover, the workers too are not trained for improved commercially driven products which unfortunately pose a significant challenge to KSCDCL to improve its revenue. It is advisable that KSCDCL explores manufacturing products that have more commercial demand and simultaneously adopt effective marketing strategies for the sale of conventional products manufactured by it.
- ☑ The activities of some objectives are found to be repetitive and hence, could be merged together. Moreover, in some cases it has been found that multiple activities are being clubbed in one objective, which could be separated and aligned with other relevant objectives.
- ☑ It is also recommended that KSCDCL develop its own coir policy, keeping in view its objectives.

**(b) Schemes implemented:** Currently, there is no mechanism to track and account the impact on the livelihood of the target beneficiaries who had attended the training programs conducted by KSCDCL. However, based on assessment carried out by CSD, the Social Returns on Investment (SRoI), i.e. wealth that has actually been created post implementation of the project, as compared to the overall investment has been estimated at approx. 50% for various categories of programmes. While, it is difficult to achieve a SRoI of 100%, it is advisable that KSCDCL develops a robust mechanism to ensure that the investment is done on real beneficiaries and further ensure that the SRoI impact is close to 100%, on account of the training investments made. It is also recommended that KSCDCL should start collecting the database of trainees for the on-going training programs, to establish a tracking mechanism. Database can include their aadhar card numbers (UDI), GPS tracking systems etc. to analyze the effectiveness of training programs.

#### 1.04 Key challenges and recommendations in the 'Commercial' category:

##### (a) Review of KSCDCL's objectives:

- ☑ The objectives that have been laid down by KSCDCL are primarily developmental in nature and have less of focus on the commercialization of

the organization. It is important to note that while the objective of KSCDCL as a govt. entity is to support coir industries and provide livelihood to beneficiaries of this sector, it is imperative that KSCDCL becomes commercially self-sustainable to sustain such beneficiaries and the supply chain in the coir sector. In view of the above, it is highly recommended that KSCDCL lays down some commercial focused objectives for itself, with a focus on the following:

- (i) Production of high-end products, which have high commercial value in the domestic and or international market; and
- (ii) Effective marketing and sales strategy to ensure sizeable returns.

Further, under the 'Developmental' and 'Commercial' categories, the objectives could be further bifurcated into – (i) Core and (ii) Additional objectives.

- ☑ KSCDCL is yet to initiate the process of developing, owning, leasing, maintaining coconut nurseries and groves. Such an initiative will help in sustainable sourcing of raw materials and in avoiding the delay of its production, apart from keeping the price of the primary raw material under check. With the average increase in purchasing price of coconut fibre @ 18% pa., it is recommended that KSCDCL starts exploring a long-term contract with its loyal and bulk suppliers to ensure long-term availability of husk at a lesser price.

#### **(b) Review of efficiency of man and machines:**

- ☑ In consultation with KSCDCL, CSD has calculated the 'Designed Production Capacity' of all production process, i.e. primary raw materials, intermediate products and finished goods. Based on the average of the past 5 years of performance, our assessment indicates that:

- Production target assigned is 66% of designed production capacity;
- Production target achieved is 19% of designed production capacity; and
- Production target achieved is 35% of production target assigned.

The aforesaid figures therefore indicate that there is substantial room for increasing the production, subject to the condition that the sales are effectively managed.

- ☑ The following factors put a lot of stress on the economic viability of KSCDCL:
  - Overheads on account of wages/salaries of employees/artisans and miscellaneous expenses, since the past 5 years, till FY 17/18, which has been climbing significantly to a range of 30% to 50% of the operating expenses, in every FY;

- Shutdown due to non-functional machines for 2 to 3 weeks resulting in 5% to 7% of revenue loss, coupled with another loss of approx. 5% to 10% on account of power outages;
- Bad and doubtful debts accounting to an average of 5% since the past 5 years till FY 17/18, vis a vis the total trade receivable, coupled with increasing finance charges and loans taken to meet the operating expenses.

It is recommended that KSCDCL trims its manpower; empowers its management to take prompt decision; install captive power plants wherever practicable; and design an effective mechanism to recover its bad debts.

**(c) Legal compliance:** KSCDCL should explore compliance with key matters, such as provision of provident fund benefit to temporary employees and workers; obtain factory license from factory inspectorate; various consents from the local pollution control authorities and district authority for running of the plants and its equipment, etc. that are emanating from a lot of commercial, health, safety and environmental laws. The company should explore the option of providing appropriate personal protective equipment and hygienic facilities for the factory employees.

**(d) Sales and Marketing:**

- ☑ Lack of a scientifically estimated and predicted demand of the market for products at the beginning of every FY, is at times leading to setting of non-realistic targets that are higher than the annual 'Designed Production Capacity'. It is recommended that production target is set on the basis of 'Designed Production Capacity' on a basis that these are scientific and SMART, i.e. specific, measurable, achievable, recordable and time-bound. The same also applies for sales target.
- ☑ Fear of losing the salary for non-recovery of receivables on account of goods sold on credit is discouraging showroom managers from selling its products. The closing stock of inventories over the sale of finished goods, due to lack of effective sales and marketing strategy of the past 3 years till FY 17/18 is approx. 32%. In FY 17/18 this ratio stood at approx. 50%. It is advisable that:
  - Effective reforms are made to recover the debt without penalizing the showroom managers; showroom managers are effectively motivated and trained to sell and market products; resources are reshuffled and the ones who are effective salesman are given the responsibility of showrooms;
  - Every personnel in the function of 'sales and marketing' from the highest to the lowest level of KSCDCL are made responsible for sales and their performance appraisal is accordingly conducted.
  - All employees of KSCDCL are encouraged and accordingly incentivized for selling its products;



- Showrooms which don't have good sales potential and aren't able to recover the monthly operating expenses are shut-down and simultaneously explore opening more showrooms in places where there is a potential of high sales, within and outside the state of Karnataka in India or abroad;

- ☑ KSCDCL should explore the option of selling products through online e-commerce platforms of Amazon, Flipkart and international sites such as Alibaba.com. This may facilitate KSCDCL to get an access to larger market, get a larger visibility and therefore be able to sell off their products at a much higher price, which may easily help KSCDCL to recover the cost of the logistics and in turn may result in larger revenue generation for KSCDCL. KSCDCL may also explore establishing its own e-commerce platform.

**(e) Choice of products:** KSCDCL is currently manufacturing traditional and conventional products, which have less demand in the domestic and international market. It is advisable that KSCDCL explores manufacturing products such as, coir pith manure, coir mattress, tufted floor mat, coir white fibre and sisal fibre that have more commercial value and demand in the domestic and international market. A brief of the market size and the potential it holds for KSCDCL is captured below.

Sl. #	Product Segment	Market Size	Market Share of KSCDCL	Potential Investment	Potential Turnover
1(a)	Coir Mattress (Option # 1 – Based on Feedback from KSCDCL)	2,400 to 12,000	75 to 400	25	80 (@ 30% profit)
1(b)	Coir Mattress (Option # 2 – Based on sources of CSD)	2,400 to 12,000	75 to 400	6.6	47 (@ 700% profit)
2(a)	Coir Pith Manure (Option # 1 – Briquette in the form of single small blocks, say blocks of 1 kg.)	20,000	290	1.04	290
2(b)	Coir Pith Manure (Option # 2 – Briquette in the form of bulk sales, say blocks accounting for 25 kgs. or more)	20,000	7	1.04	7
2(c)	Coir Pith Manure (Option # 3 – Loose but say in small quantities of 1 to 2 kgs. pouches)	20,000	35	0.7	35
2(d)	Coir Pith Manure (Option # 4 – Loose but say in bulk quantities of 25 kgs. or more packages)	20,000	4	0.7	4
3	PVC Tufted Door Mat	142,690	12	14	50
4	Coir White Fibre	550	9	1.4	9

5	Sisal Fibre	2,500	2.5	0.3	2.5
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All figures are in crores of Rupees

For details of assessment carried out for the above, please refer to Annexure # 1 of this report.

### 1.05 Our Conclusion:

Based on the review carried out by us, we believe that KSCDCL has a lot of potential to emerge as a promising business entity in its business sector, in view the rising demand for coir-based products primarily in an environmentally sensitive international market. It is suggested that KSCDCL explores measures to close the gaps identified in the due course of the engagement and explore means to implement the suggested recommendations. KSCDCL could request for appropriate budget from the GoK and the Coir Board of India to install the up-to date technologies to facilitate in the production of such export oriented high revenue generating value added products.

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**2.01 The Broad Objective and Scope of the Engagement:**

The broad objective and scope of the engagement is to:

- (a) Conduct an evaluation with respect to status of implementation of the objectives with which the KSCDCL had been established;
- (b) Assessment of whether KSCDCL has shown an appreciable growth, since the past few years and accordingly, identify the gaps and challenges that are faced by KSCDCL;
- (c) Identify the loop holes and constraints in the various schemes implemented by KSCDCL and the measures that need to be undertaken by KSCDCL to restructure the present schemes; and
- (d) Submit recommendations to rejuvenate KSCDCL.

**2.02 The Tentative Timeline of the Deliverable:**

- (a) The overall timeline agreed for the assignment is 3 months. The work order has been officially issued by DPE, GoK to Centre for Sustainable Development (CSD) on the 31<sup>st</sup> of July 2018. Accordingly, with a scheduled time-span of three to four months for execution, the engagement should have been closed by the end of October 2018.
- (b) The assignment had its run for two fortnights from the date of issuance of the work order till the mid of August 2018, during which the site visits had already been completed by the concerned personnel and representatives of CSD. However, due to technical reasons, the project had to be put on hold till the first week of January 2019. The assignment commenced thereafter, and was completed with an ideal timeline, as per CSD's discussions with DPE.
- (c) With the submission of this final report on this engagement, it is envisaged that the assignment would be completed.

**2.03 Our Broad Approach and Methodology:**

- (a) **Understanding the objective and the business operations of KSCDCL for a focused approach and study:** CSD had discussed in details, with the Managing Director and senior functional heads of KSCDCL, on the objective of the engagement and the process that shall be carried out by its representative for the evaluation study. The representatives of KSCDCL also shared a broad understanding of the business and modus operandi with the representatives of CSD.
- (b) **Sample site selection, conducting site visit and stakeholder consultation:** In context to this engagement, it was imperative to conduct sample site visits to some of the manufacturing facilities of KSCDCL, followed by consultation with the internal and

external stakeholders of KSCDCL, to primarily understand their concerns and expectations; the various challenges that they were facing; and the support that they wished to further seek from the management of KSCDCL or the DPE, GoK to further strengthen the performance of KSCDCL.

(i) **Sample sites selected and visited:** For the purpose of this engagement, conducting a physical verification to some of the sites, on a sample basis was important to get a representation of the other existing sites. To serve the purpose, the sites that were eventually selected in consultation with KSCDCL, whereby site-visits were also carried out are the following:

- Raw material production house: De-fibring production house located at Navile Thimmalapura, Channarayapatna Taluk;
- Finished product manufacturing house: Manufacturing site at Tiptur Taluk in Tumkur District; and
- Sales of finished product: Showroom located at Mysore.

(ii) **Stakeholder Consultation:** It was critical that the stakeholders, who had to be selected for the purpose of conducting a discussion, should ideally represent the various categories of beneficiaries of KSCDCL. Following are the different categories of stakeholders consulted:

- **External Stakeholders:** The category of stakeholders with whom discussions have been conducted, included the following:
  - ✓ A mix of male and female artisans, who work on contract basis in the finished product manufacturing site of Navile Thimmalapura Channarayapatna Taluk;
  - ✓ Female workers, who work on contract basis in the de-fibring production site of Tiptur in Tumkur District.
- **Internal Stakeholder Consultation:** CSD had also consulted with the relevant temporary and permanent employees and management level personnel, who are employed both at the manufacturing sites and at the corporate office of KSCDCL, in Bengaluru.

(c) **Submission of forms/formats and request of relevant documentations from KSCDCL:**

Post completion of the site visit to the manufacturing houses of KSCDCL and first level of discussion with the relevant internal and external stakeholders of KSCDCL, in the manufacturing sites, a preliminary level of discussion had also been conducted with the functional heads in the office of KSCDCL, Bengaluru.

Based on the discussion that followed, CSD felt the necessity of some other additional documented information from the functional heads of KSCDCL, for the purpose of this study. CSD had prepared and submitted certain customized

forms/formats and checklist of documentations to KSCDCL for submission to CSD. This may therefore, please be noted that non-submission of some documentations may lead to some limitations in carrying out logical analysis in the engagement, although to the extent possible, CSD has tried to conduct a logical assessment from the available information to arrive at a justified conclusion wherever required.

- (d) **Review of secondary reports:** The personnel of CSD have referred to various external and secondary sources, inclusive of web-based materials for collecting data and information pertaining to KSCDCL's performance vis a vis the good/best known practice in such an industry category. Accordingly, the gaps and areas of improvements have been identified, data analyzed and recommendations provided for strengthening or improving the performance of KSCDCL.
- (e) **Broad methodology of our analysis:** Post receipt of the information from KSCDCL, both in the form of stakeholder consultation and documentations obtained, inclusive of the past financial year's annual reports and secondary research, an analysis was carried to understand the performance and status of KSCDCL on its laid down fundamental objectives, based on which KSCDCL was constituted.

Following is the stage-wise exercise that was carried out:

- (i) **First Stage: Analysis based on review of some select and key financial and non-financial performance parameters**

The performance of the past five years has been assessed primarily on the basis of the analysis of data of the annual reports for critical financial performance parameters, wherever available, to understand how KSCDCL had been performing for such performance parameters, till the end of the last financial year (FY), FY 2017/18.

Based on the analysis carried out for the past performance, the inferences have been drawn by CSD and accordingly the recommendations have also been provided.

- (ii) **Second Stage: Analysis based on site visits conducted in the manufacturing sites**

The concerned personnel of CSD had conducted physical site assessment of the production houses of the sample manufacturing facilities discussed earlier in this report, to understand the process that goes in the production of the finished goods and for identification of gaps in the production process/site, if any, and areas of further improvement. Wherever it was felt appropriate, the personnel of

CSD have also considered relevant documentations and inputs obtained from the artisans and employees, in the analysis exercise.

**(iii) Third Stage: Analysis based on inputs obtained from the external and internal stakeholders on the objectives with which KSCDCL had been established; schemes, pertaining to grants, implemented by KSCDCL since the past five years and other related matters**

This refers to a consultation with the internal and external resources of KSCDCL for an analysis and assessment of the following:

- Achievement of the objectives, with which KSCDCL had been established, followed by our evaluation of the gaps and recommendations to close the gaps and further strengthen the performance, wherever practicable;
- Status of the various schemes that have been implemented by KSCDCL, followed by identification of gaps and constraints, to facilitate our analysis and accordingly present our inferences and recommendations on the same for further restructuring of future schemes, if any.

The resources consulted include:

- Shop-floor level workers of KSCDCL that include the artisans, who work on contract basis and are hence are external to KSCDCL;
- The temporary and permanent employees of the manufacturing sites and showroom of KSCDCL; and
- The staff and management of the Head Office of KSCDCL, Bengaluru, who serve as full-time employees.

- (f) Preparation and submission of report:** Based on the above, the report has been prepared by CSD. The report includes the following:
- Our observation, assessment and analysis of the observation;
  - Our inference and accordingly the submission of our recommendation;
  - Time-line within which CSD expects KSCDCL and or the DPE to act on our recommendations.

Our submission of the report shall be in the following phases:

- (i) Submission of 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 above;
- (ii) Submission of Final Report:** Post receipt of comments from the DPE, GoK on the First Draft Report, the changes shall accordingly be incorporated and the report finalized for further and final submission to the DPE, GoK.

#### 2.04 Broad Contents of the Report:

This report to be submitted in connection to this engagement shall contain the following key contents:

- Chapter 1: Executive summary of the report;
- Chapter 2: Broad overview and methodology to conduct the engagement;
- Chapter 3: Broad overview of the objectives of KSCDCL and schemes implemented by KSCDCL;
- Chapter 4: Analysis of key financial and non-financial performance parameters based on annual reports; our inferences and recommendations;
- Chapter 5: Analysis of key inputs obtained from the external stakeholders consulted; our inferences and recommendations;
- Chapter 6: Analysis of key inputs obtained from the internal stakeholders consulted; our inferences and recommendations;
- Chapter 7: Summarizing the key findings and Recommendations

**3.01 A broad overview on the purpose of KSCDCL as a coir industry in Karnataka:**

Coir is an environment friendly bio-degradable organic product, which has been primarily flourishing in areas where there is a huge concentration of coconut cultivation and availability of coconut husks. Both the coir that is extracted from the coconut husks in the form of fibre and the pith that is generated during the process of removal of the fibre have a lot of commercial value in the market. Karnataka accounts for the largest producer of coconut husks after Tamil Nadu and Kerala. KSCDCL is a GoK based public sector enterprise that was registered at Registrar of Companies, Bangalore on the 28<sup>th</sup> of February, 1985. It had been primarily established to capitalize on the opportunity of large availability of coconut husks in Karnataka and utilization of its fibre, in the manufacture of products, with an objective of commercialization and providing livelihood to the socially and economically backward section of people in Karnataka.

**3.02 A broad overview of the key objectives of KSCDCL:**

As per the Memorandum of Association (MoA), the GoK had established KSCDCL with an objective of developing facilities that could primarily cater to the following six broad objectives:

1. To carry on the business of developing, promoting and stabilizing the coir, coir based and coconut-based industries in Karnataka.
2. To develop, own, lease, maintain and manage coconut nurseries, groves, processing units and testing and research facilities.
3. To undertake and promote research and development of coconut, coir and its products.
4. To support, protect, maintain, increase and promote the production and sale of coir, coir products and coconut products.
5. To establish and work as an Export House for Coir, Coir products and coconut products.
6. To carry on the business of cultivation, production and harvesting of all kinds of Sisal Fibre or any other fibre and fibre based products and to trade in the said -products either in India or abroad and to impart training, knowledge and expertise in the related fields.

Further, the MoA mentions forty-nine matters to facilitate the aforesaid six objectives.



### 3.03 A broad overview of the various schemes that have been implemented by KSCDCL, since the past 5 years:

Following are the various schemes that have been implemented by KSCDCL, since the past 5 years.

Year	Scheme	Order No./Date	Activities	Financial (In Lakhs of Rs.)			Remarks
				Released	Expenditure Incurred	Balance	
2013-14	Modernization and Technology Training	No.CI 96 CSC 2013, Dated:27.06.2013	75.00	75.00	0.00	Upgradation of Machineries, Providing Infrastructure facility, Imparting Training etc.	
		No.CI 95 CSC 2013, Dated:21.03.2014	44.25	44.25	0.00		
	Working Capital	No.CI 156 CSC 2013, Dated:21.11.2013	100.00	100.00	0.00		
			<b>219.25</b>	<b>219.25</b>	<b>0.00</b>		
2014-15	Assistance to Coir Sector (Thenggu Bhagyee)	No.CI 94 CSC 2014, Dated:13.06.2014	40.15	40.15	0.00	Upgradation of Machineries, Providing Infrastructure facility, Imparting Training etc.	
		No.CI 66 CSC 2014, Dated:21.08.2014	85.02	54.32	30.70		
	Assistance to Coir Sector (Coir Activities at Naxal Affected Areas)	No.CI 66 CSC 2014, Dated:19.02.2014	57.15	57.15	0.00	Action has been taken to utilise the balance amount for Civil Works for Coir Production Centre. Further, imparted training to the people located at Naxal affected areas etc.	
			<b>182.32</b>	<b>151.62</b>	<b>30.70</b>		

Year	Scheme	Order No./Date	Activities	Financial (in Lakhs of Rs.)			Remarks
				Released	Expenditure Incurred	Balance	
2015-16	Assistance to Coir Sector (Thengu Bhagya)	No.CI 216 CSC 2015, Dated:20.08.2015 and 09.02.2016	Establishment of Coir Tech Park at Vasanthanarasapura, Tumkur District, Common Workshed at Muduru, Udupi District and Participation of Exhibitions	190.00	87.36	102.64	Land purchase at a cost of Rs.86.03 lakhs for Coir Tech Park. Participated in various exhibitions etc.
			<b>Total</b>	<b>190.00</b>	<b>87.36</b>	<b>102.64</b>	
2016-17	Assistance to Coir Sector (Thengu Bhagya)	No.CI 216 CSC 2015, Dated:20.08.2015 and 09.02.2016	Establishment of Coir Tech Park at Vasanthanarasapura, Tumkur District and upgradation of Coir Production centres.	134.00	84.00	50.00	Upgradation of Coir Production Centres at various locations.
			Living Cum Workshed for SC Beneficiaries - 50	112.50	61.50	51.00	Constructed Living Cum Workshed for SC Beneficiaries
			<b>Total</b>	<b>246.50</b>	<b>145.50</b>	<b>101.00</b>	
2017-18	Assistance to Coir Sector (Thengu Bhagya)	No. CI 62 CSC 2017 Dated:26.05.2017 and 03.03.2018	Upgradation of Coir Defibring Unit at Navile Thimphalipeta, Hassan, Channarayana Taluk	128.11	13.51	114.60	Repairs and Maintenance of Machineries and Building at various production centres.
			Repairs & Maintenance of Machineries Building.	50.00	44.93	5.07	Upgradation of Coir defibring unit is under progress
		No. CI 49 CSC 2017 Dated:19.02.2017	Matching Wages to Coir Workers	5.00	5.00	0.00	Matching Wages to Coir Workers of the production centres
		No. CI 62 CSC 2017 Dated:02.06.2017 and 15.12.2017	Working Capital Loan	19.80	13.93	5.87	Procurement of raw materials for Coir Production Centres
	Special Component Plan(SCP)		Training Programme for 100 beneficiaries	7.42	2.33	5.09	Imparted Training programme for SC beneficiaries
	Tribal Sub Plan (TSP)		Training Programme for 50 beneficiaries	210.33	79.70	130.63	Imparted Training programme for ST beneficiaries
			<b>Total</b>	<b>210.33</b>	<b>79.70</b>	<b>130.63</b>	

## Chapter # 4: ANALYSIS OF KEY FINANCIAL AND NON-FINANCIAL PERFORMANCE PARAMETERS BASED ON ANNUAL REPORTS; OUR INFERENCES AND RECOMMENDATIONS

The data of some of the key financial performance parameters of the past few years (and a minimum of three years) have been extracted from the annual reports of KSCDCL and accordingly their performance have been analyzed.

Following are some of the broad financial and non-financial areas that have been reviewed:

- 4.01 Products sold, the value of products sold and inventory;
- 4.02 Efficiency of man and machines in the production of raw material and finished products manufactured in KSCDCL;
- 4.03 Cost of wages versus material;
- 4.04 Bad and doubtful debts over total trade receivables; and
- 4.05 The macro level financials.

The key performance parameters relevant to the aforesaid areas have accordingly been further dissected, reviewed and analyzed for arriving at a suitable inference for providing a suitable conclusion on recommendation.

#### 4.01 Products sold, the value of products sold and inventory:

##### 4.01.01 Our analysis, based on data provided by KSCDCL:

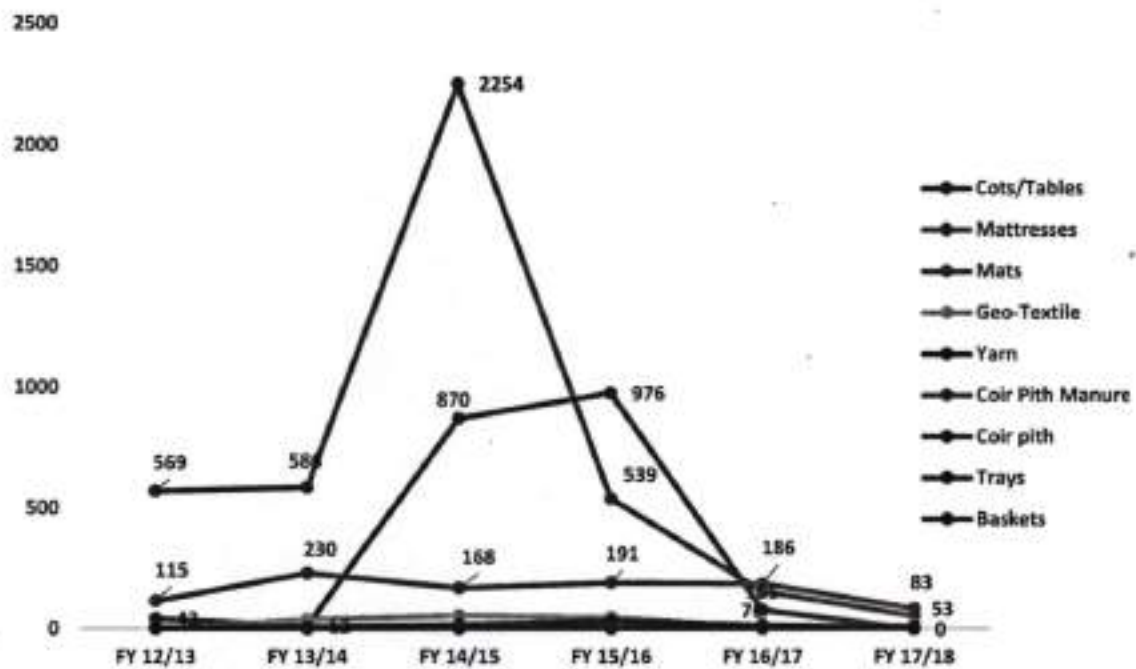
KSCDCL primarily produces materials made out of brown fibre, extracted from the coconut husks. We have been informed during the course of our discussions with the functional heads of KSCDCL that the key products that are manufactured and sold by KSCDCL are trays, cots/tables, baskets, mattresses, mats, geo-textiles, coir pith, coir pith manure and yarn.

##### (a) Chart # 4.01.01.01(A) - Value of various products sold from FY 12/13 to FY 17/18 (in Lakhs of Rupees)

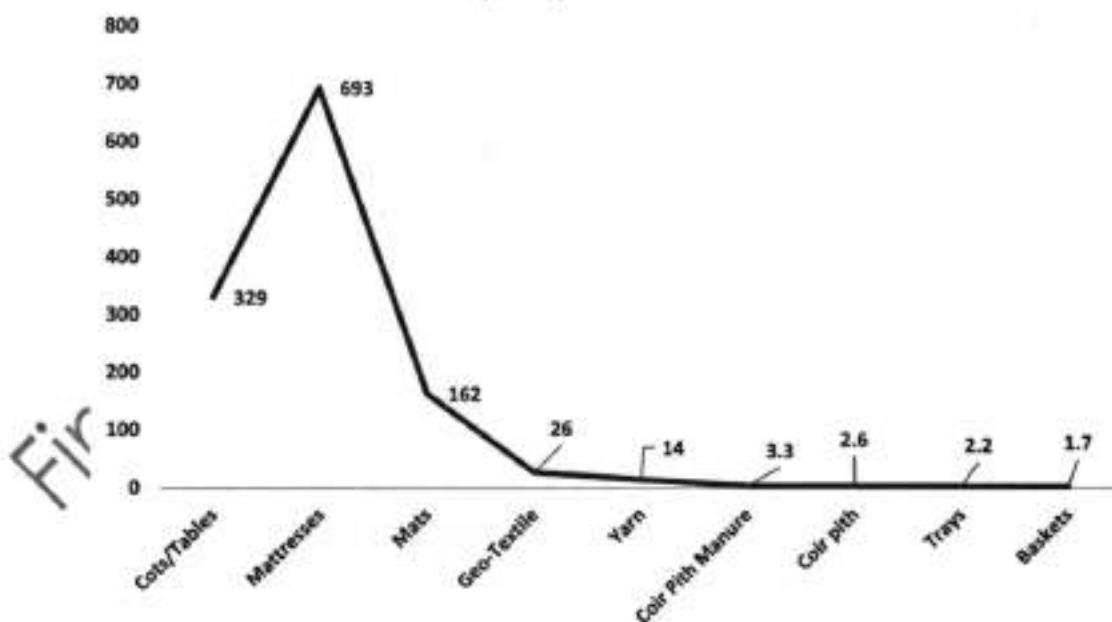
Types of Products Sold	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Average Value of FY 12/13 to 17/18	Overall Contribution in Sale Value (in %)
Cots/Tables	42.72	11.58	870.10	976.00	76.00	0.00	329.40	26.69
Mattresses	568.93	585.86	2253.64	539.00	155.00	53.00	692.57	56.12
Mats	115.22	230.21	168.30	191.00	186.00	83.00	162.29	13.15
Geo-Textile	0.06	37.25	53.63	46.28	6.00	15.00	26.37	2.14
Yarn	5.39	7.01	16.70	31.51	15.00	6.00	13.60	1.11
Coir pith manure		3.59	6.5	3.99	1.07	1.32	3.29	0.27
Coir pith		2.57	2.76	3.11	2.59	1.76	2.56	0.21
Trays	0.61	0.81	0.88	0.78	7.60	2.50	2.20	0.18
Baskets		0.24	0.27	0.38	2.70	5.00	1.72	0.14
Total								100.00

##### (b) Chart # 4.01.01.01 (B) - Trend curve of the total value of all products and of each of the key segment of products sold from FY 12/13 to FY 17/18 (in Lakhs of Rupees)

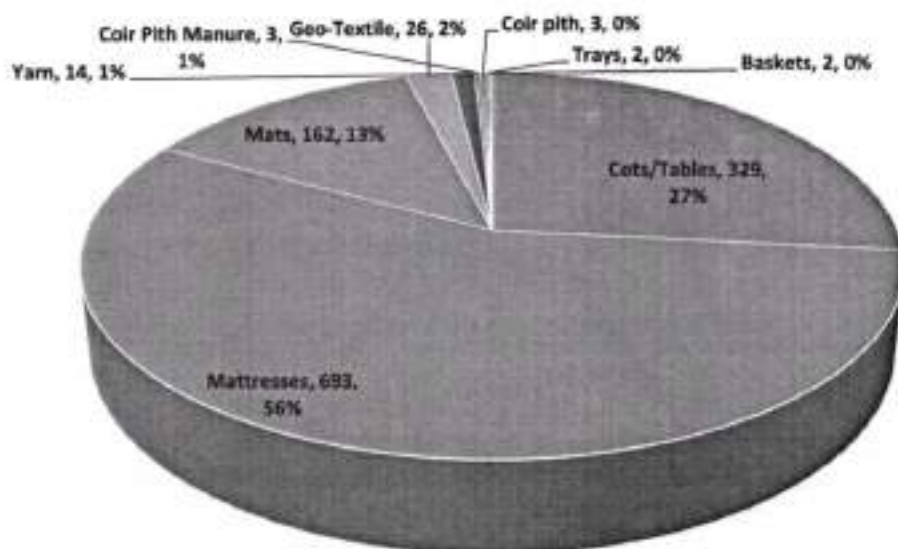
Of the aforesaid products, the seven key segments of products that constitute over 99.7% of products come from the segment of cots/tables, mattresses, mats, geo-textiles, coir pith, coir pith manure and yarn. The trend curve of the total value of products sold since FY 12/13 to FY 17/18, is depicted below.



(c) Chart # 4.01.01.01 (C) – Average of the total of each type of products sold since FY 12/13 to FY 17/18 (in lakhs of rupees)



(d) Chart # 4.01.01.01(D)–Average proportion of various products sold from FY 12/13 to FY 17/18(in lakhs of Rs.)



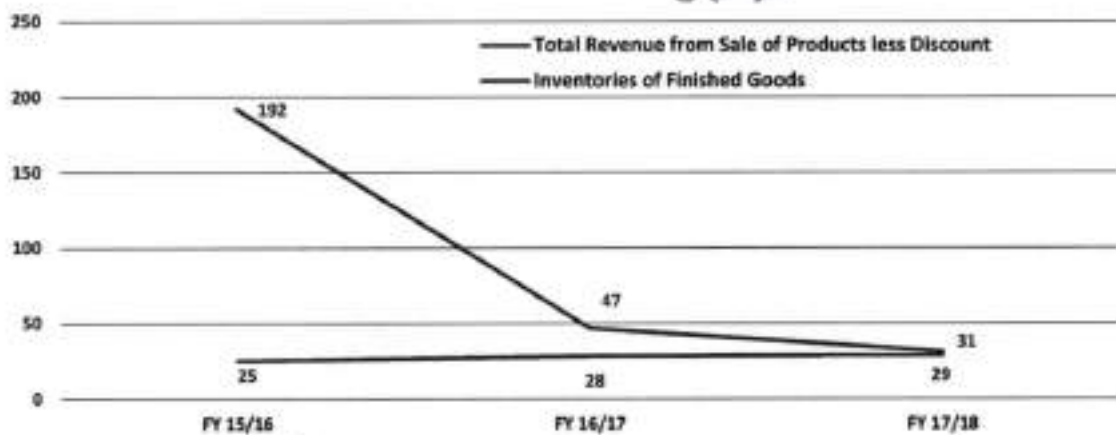
(e) Chart # 4.01.01.02– Average value and share of the key type of products sold from FY 12/13 to FY 17/18 by KSCDCL (in lakhs of Rupees)

Products Sold	FY 12/13	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	CAGR
Cots/Tables	42.72	11.58	870.10	976.00	76.00	0.00	0.27
Mattresses	568.93	585.86	2253.64	539.00	155.00	53.00	-1.00
Mats	115.22	230.21	168.30	191.00	186.00	83.00	0.66
Geo-Textile	0.06	37.25	53.63	46.28	6.00	15.00	-0.33
Yarn	5.39	7.01	16.70	31.51	15.00	6.00	-0.05
Coir pith manure		3.59	6.5	3.99	1.07	1.32	-0.15
Coir pith		2.57	2.76	3.11	2.59	1.76	-0.06
Trays	0.61	0.81	0.88	0.78	7.60	2.50	1.51
Baskets	0.00	0.24	0.27	0.38	2.70	5.00	0.02
<b>Total</b>	<b>732.32</b>	<b>871.91</b>	<b>3362.37</b>	<b>1783.79</b>	<b>438.00</b>	<b>157.00</b>	<b>-0.22</b>

(f) Chart # 4.01.01.03 (A)– Comparison of revenue from sale of finished goods, discounts offered and inventories of finished goods of FY 15/16 to FY 17/18

Items	Unit	FY 15/16	FY 16/17	FY 17/18	Average of FY 15/16 to FY 17/18
A	B	C	D	E	F
Revenue from Sale of Products (A1)	in Million of Rs.	203	56	36	98
Total Revenue from Sale of Products less Discount (A2)	in Million of Rs.	192	47	31	90
Discounts Offered (A3 = A1 – A2)	in Million of Rs.	11	9	4	8
Percentage of Discount over Sale of Finished Goods [A4 = (A3 x 100)/A1]	in %	5	16	12	11
Inventories of Finished Goods (A5)	in Million of Rs.	25	28	29	27
Percentage of Finished Goods over Actual Revenue Realised from Sale of Finished Products [A6 = (A5 x 100)/(A2+A5)]	in %	12	38	48	32

(g) Chart # 4.03.01.04 (B) – Comparison of revenue from sale of finished goods less discounts offered vs inventories of finished goods of FY 15/16 to FY 17/18



(h) Chart # 4.01.01.05 – Comparison of the key type of products produced in-house and procured from outside sources, since FY 13/14 till FY 17/18 (in lakhs of Rupees)

Three finished products - cots/tables, mattresses and mats that are manufactured/traded by KSCDCL account for approximately 95% of its total sales.

Segment of Products	FY 15/16			FY 16/17			FY 17/18			Average of FY 15/16 to 17/18					
	PIH	POS	T	% of POS over T	PIH	POS	T	% of POS over T	PIH	POS	T	% of POS over T			
Cots/Tables		976	976	100%	0	76	76	100%	0	0	0	NA	1052	1052	100%
Mattresses		539	539	100%	0	155	155	100%	0	53	53	100%	712	712	100%
Mats	148	43	191	23%	132	54	186	29%	35	48	83	58%	292	113	28%
Total	148	1558	1706	91%	130	285	417	68%	35	101	136	74%	292	1877	87%

NB: All Figures are in Lakhs of Rupees; PIH – Produced in-house by KSCDCL; POS – Procured from outside sources by KSCDCL; T – Total produced in-house and procured; NA-Not Applicable;



(i) Chart # 4.01.01.06(A) – Sales by Showroom, since FY 13/14 till FY 17/18 (in lakhs of Rupees)

- First Part – for sales starting from FY 13/14 to FY 15/16:

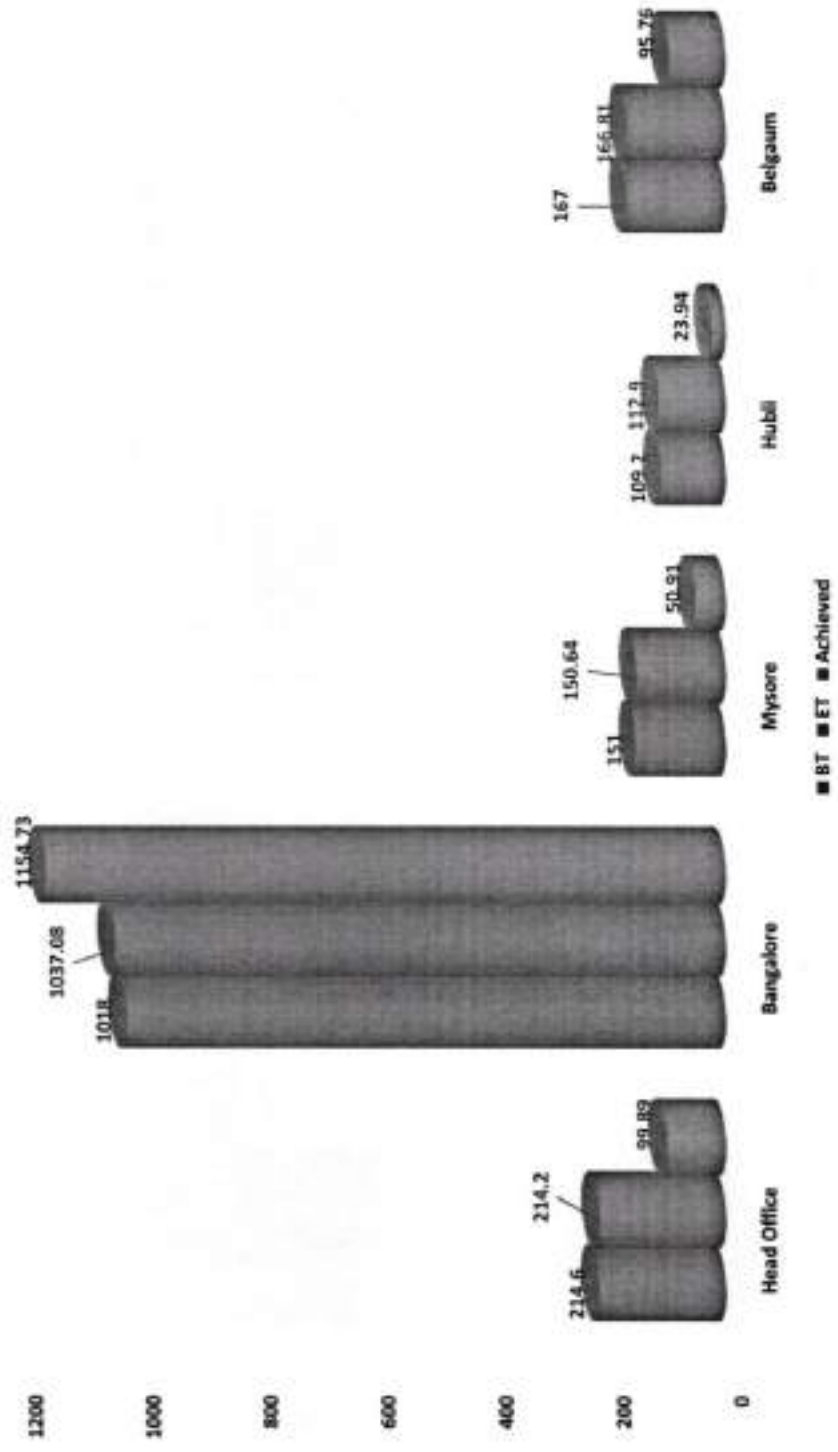
Sl. #	Name of Showroom	Sale in FY 13/14		Sales Achieved	Sale in FY 14/15		Sales Achieved	Sale in FY 15/16		Sales Achieved
		Start of FY (BT)	End of FY (ET)		Start of FY (BT)	End of FY (ET)		Start of FY (BT)	End of FY (ET)	
1	Head Office	240.0	240.0	318.0	88.0	96.0	103.7	105.0	105.0	42.1
2	Bangalore	1400.0	1400.4	553.0	795.0	840.0	3326.9	925.0	925.0	1730.1
3	Mysore	70.0	70.2	43.0	100.0	84.0	55.5	100.0	100.0	64.3
4	Hudli	30.0	30.0	30.0	36.0	40.5	24.8	45.0	45.0	17.5
5	Belgaum	100.0	100.0	89.0	100.0	93.0	101.9	100.0	100.0	100.4
6	Davanagere	20.0	20.0	16.0	50.0	55.5	20.5	60.0	60.0	20.6
7	Shimoga	25.0	25.2	36.0	0.0	0.0	Closed	0.0	0.0	Closed
8	Saathana	40.0	40.0	12.0	43.0	43.5	35.2	50.0	50.0	22.9
9	Tiptur	15.0	15.0	7.0	20.0	25.5	12.6	30.0	30.0	17.5
10	Mangala	10.0	1.1	4.0	10.0	6.0	3.2	7.5	7.5	2.1
11	Ranganathapura	15.0	15.0	0.0	6.0	6.0	1.8	7.5	7.5	3.1
12	Peenya (Bengluu)	0.0	0.0	0.0	100.0	60.0	5.9	65.0	65.0	6.4
13	Chickmagalur	20.0	20.0	18.0	0.0	0.0	0.0	0.0	0.0	Closed
14	Channarayana	15.0	15.0	2.0	0.0	0.0	0.0	0.0	0.0	Closed
15	Chidrevel	0.0	0.0	2.0	0.0	0.0	0.7	0.0	0.0	0.0
16	Deodiyathra	0.0	0.0	7.0	0.0	0.0	2.0	5.0	5.0	0.7
17	Bellary Franchise	0.0	0.0	Closed	0.0	0.0	1.4	0.0	0.0	Closed
18	Ranevra	0.0	0.0	Closed	0.0	0.0	Closed	0.0	0.0	0.0
19	Gandini	0.0	0.0	Closed	0.0	0.0	Closed	0.0	0.0	Closed
20	Bagalate	0.0	0.0	Closed	0.0	0.0	Closed	0.0	0.0	Closed
<b>TOTAL</b>		<b>2000.0</b>	<b>1991.9</b>	<b>1132.0</b>	<b>1350.0</b>	<b>1350.0</b>	<b>3496.0</b>	<b>1500.0</b>	<b>1500.0</b>	<b>2027.5</b>

- Second Part – for sales starting from FY 16/17 to FY 17/18 and average of all the previous 5 years

Sl. #	Name of Showroom	Sale in FY 16/17		Sale in FY 17/18		Average of FY 13/14 to FY 17/18		Sales Achieved over Total Figure (in %)		
		Sales Target		Sales Target		Sales Target				
		Start of FY (BT)	End of FY (ET)	Start of FY (BT)	End of FY (ET)	Start of FY (BT)	End of FY (ET)			
1	Head Office	0.0	0.0	640.0	630.0	35.7	214.50	214.20	99.89	6.68
2	Bangalore	1500.0	1500.0	470.0	520.0	130.7	1018.00	1037.08	1154.73	77.23
3	Mysore	225.0	225.0	260.0	274.0	46.5	351.00	150.64	50.91	3.40
4	Hubli	175.0	175.0	260.0	274.0	19.8	109.20	112.90	23.94	1.60
5	Belgaum	275.0	275.0	250.0	266.1	29.0	167.00	166.81	95.76	6.40
6	Davanagere	175.0	175.0	250.0	258.0	12.7	113.00	113.71	18.38	1.23
7	Shimoga	0.0	0.0	0.0	0.0	Closed	5.00	5.04	7.20	0.48
8	Sasthans	100.0	100.0	100.0	98.5	13.8	67.00	66.29	18.94	1.27
9	Tiptur	50.0	50.0	75.0	74.0	12.6	38.00	38.90	13.57	0.91
10	Mirgola	0.0	0.0	0.0	0.0	0.3	5.50	2.92	1.91	0.13
11	Ranganathapura	0.0	0.0	0.0	0.0	Closed	5.70	5.70	2.38	0.16
12	Peenaya (Bengluru)	0.0	0.0	0.0	0.0	Closed	33.00	25.00	2.45	0.16
13	Chickmagalur	0.0	0.0	0.0	0.0	Closed	4.00	4.01	1.20	0.08
14	Channarayana	0.0	0.0	0.0	0.0	Closed	3.00	3.00	0.40	0.03
15	Chidambalur	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.51	0.04
16	Goddolphota	0.0	0.0	0.0	0.0	Closed	1.00	1.00	1.94	0.13
17	Bellary Franchise	0.0	0.0	0.0	0.0	Closed	0.00	0.00	0.27	0.02
18	Banavara	0.0	0.0	0.0	0.0	0.0	0.00	0.00	1.06	0.07
19	Gondal	0.0	0.0	0.0	0.0	0.1	0.00	0.00	0.03	0.00
20	Aogalkote	0.0	0.0	0.0	0.0	0.0	0.00	0.00	0.00	0.00
<b>TOTAL</b>		<b>2500.0</b>	<b>2500.0</b>	<b>2450.0</b>	<b>2430.1</b>	<b>351.3</b>	<b>1960.0</b>	<b>1954.4</b>	<b>1495.6</b>	<b>100.0</b>

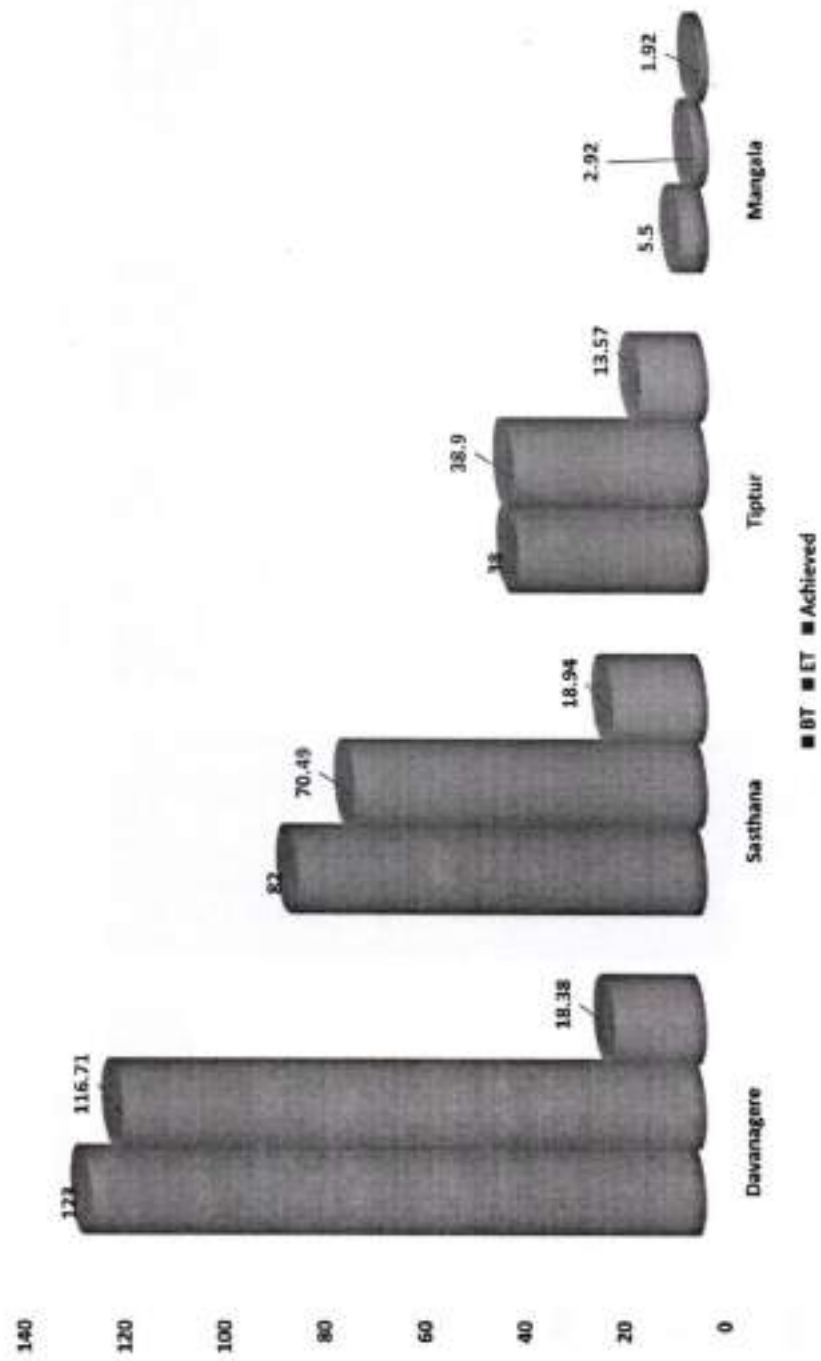
NB: BT indicates Target at the beginning of a FY. ET indicates target at the end of a FY; Highlighted in yellow are the outlets with production unit, others are main showroom.

(J) 4.01.01.07 (B1) – Sales by Showroom (Average of FY 13/14 to FY 17/18 (in lakhs of Rupees)), with a sales target greater than Rs. 5 lakhs



Final

(k) 4.01.01.07 (B2) – Sales by Showroom [Average of FY 13/14 to FY 17/18 (in lakhs of Rupees)], with a sales target greater than Rs. 5 lakhs



Final

#### 4.01.02 Our secondary research, analysis and assessment of market potential for some key coir-based products that has immense market potential:

CSD has carried out secondary research analysis for some key coir-based products, which have an immense market potential. These products are mattresses, coir pith manure, tufted coir mats and white coir fibre. Following is the result of our study for these four emerging market segments in the coir business.

##### **Market potential of coir mattress:**

###### **On the basis of TechSci Research<sup>1</sup> Report:**

- Estimation of market size on the basis of TechSci Research<sup>1</sup> Report, indicates that the Indian coir mattress market revenue has grown on account of rising demand of good quality mattress, entry of foreign players, rising health consciousness, entry of new players in organized segment of mattress industry, increased income levels in the domestic market and also on account of growth in the construction, real estate and tourism & hospitality sectors. The mattress market in India was at around USD 800 million in 2016. This market is anticipated to grow at a Compounded Annual Growth Rate (CAGR) of over 5% to 6% during the next five years and reach around USD 1,100 to USD 1,200 million (say, around Rs. 8,000 crores) by the year 2022;
- The key types of mattresses that are primarily in demand in India are of coir, PU foam and spring mattress types. The market size of spring mattress is 40% and that of foam and coir mattresses (inclusive of sandwiched, rubber and others) is 30% each. Hence, at this rate, one could assess that the market size of coir-based mattress could be approx. Rs. 2400 crores;
- Currently, there are around 25 major organized industries and almost an equal number of unorganized industries, in the mattress segment. Usually the major organized industries command 80% of the market share. Hence, @ 80%, of Rs. 2,400 crores, the market size that could be captured by these 25 organized mattress industries could be = 80% x Rs. 2400 crores = Rs. 1920 crores; and
- This therefore reflects an approximate market potential of Rs. 77 crores per organized industry (i.e. Rs. 1920 crores /25 industries). Such an opportunity could also be captured by KSCDCL on a per annum basis.

###### **On the basis of middle-income section of India secondary research report<sup>2</sup> and Deutsche Bank Research<sup>3</sup> Report:**

A report by a website (Source, Dated 24<sup>th</sup> Feb. 2019, 12:23 PM. - <https://www.equitymaster.com/diary/detail.asp?date=12/22/2017&story=1&title=016-of-Indias-Population-Pays-76-of-Income-Tax-Paid-by-Individuals>) indicates that 0.16% of India's Population Pays 76% of Income Tax Paid by Individuals;

- Estimation of market size on the basis of middle-income section of India report<sup>2</sup> indicates that just over 3% Indians filed tax returns, of which 1.7% actually paid taxes in the AY 2015-16. This doesn't however necessarily mean that only 3% Indians are fairly doing well financially and belong only to the middle class segment.

- Indian middle class is 3% or 40 million of Indian population and is likely to touch 270 million by another 5 years, further another estimate put the Indian middle class as numbering 475 million people by 2030 [Source, 24<sup>th</sup> Feb 2019, 2:35 PM - [https://en.wikipedia.org/wiki/Standard\\_of\\_living\\_in\\_India#cite\\_note-4](https://en.wikipedia.org/wiki/Standard_of_living_in_India#cite_note-4)]
- Further Deutsche Bank Research<sup>3</sup> Report indicates that there is approx. 30 million and 270 million middle-class people (say an approximate of 120 million) in India. Another estimate put the Indian middle class as 475 million people by 2030.
- A larger number of families belonging to this middle-income section shall be inclined to purchase such affordable coir mattress or rubberized coir mattresses.
- For the purpose of this report, we have considered a conservative scenario of 120 million people. Considering one fifth say, 20% of the population size will be the target consumers for coir mattress, the approximate market share that could be captured by the coir mattress manufacturers, @ an approximate price of Rs. 4,000/- to Rs. 6,000/- per mattress (say Rs. 5,000/- on an average), is approx. =  $20\% \times 120 \text{ million} \times \text{Rs. } 5,000 = \text{Rs. } 12,000 \text{ crores}$ ;
- Currently, there are around 25 major organized industries and almost an equal number of unorganized industries, in the mattress segment. Usually the major organized industries command 80% of the market share. Hence, @ 80%, of Rs. 12,000 crores, the market size that could be captured by these 25 organized mattress industries could be =  $80\% \times \text{Rs. } 12,000 \text{ crores} = \text{Rs. } 9,600 \text{ crores}$ ; and
- This therefore reflects an approximate market potential of Rs. 384crores (say approx. Rs. 350crores) per organized industry (i.e. Rs. 9,600crores /25 industries). Such an opportunity could also be captured by KSCDCL on a per annum basis.

**Market caution:**

- While, currently there is a demand for coir mattresses in India, its demand is also gradually diminishing on account of its low comfort level, although, it may be eco-friendly and highly popular, on account of its affordability primarily for the middle-middle income group and lower middle-income group in India. However, with rising income level of Indians, a larger section of Indians is now gradually moving towards spring or foam mattresses. Globally too, majority of sales comes from the spring mattress segment.

**Market potential of coir pith manure:**

- The ability of coir pith to hold water makes it vital in farming and is also a key ingredient for organic manure. As per a report<sup>4</sup>, this characteristic of coir pith has resulted in an export of Rs. 900 crores in FY 15/16 and has a potential to touch Rs 20,000 crores by 2020. Currently, good quality coir pith manure has a lot of demand in the countries that value environment friendly agricultural products but are deprived of coconut plantations. Developed countries, such as Germany, Japan, Australia, Canada, China, Netherland, etc. are these days importing this product from Indian manufacturers, in substantial quantity.
- KSCDCL has a designed production capacity of 1620 MT of coir fibre. Hence, the likely quantity of coir pith that could be produced by KSCDCL is twice the quantity of coir fibre, i.e.  $2 \times 1620 \text{ MT} = 3240 \text{ MT}$ .; for production of good quality

coir pith manure, for every 1 MT of coir pith, approx. 5 kg. of urea and 200 kg of poultry litter should be mixed (Source: [http://agritech.tnau.ac.in/org\\_farm/orgfarm\\_coircompost.html](http://agritech.tnau.ac.in/org_farm/orgfarm_coircompost.html)), to result into 1.2 MT of garden manure; Hence, for a production of 3240 MT of coir pith per annum, the total volume of coir pith manure that could ideally be produced by KSCDCL is =  $3240 \times 1.205 = 3904.2$  MT per annum. (say, 3904 MT per annum);

- We have been conveyed by KSCDCL that the coir pith and coir pith manure is sold at Rs. 2 per kg. and Rs. 5 per kg. respectively. KSCDCL may explore the possibility of converting the coir pith into garden manure and sell it through online e-commerce sites, such as Amazon, Flipkart, Indiamart, etc. or international e-commerce platforms such as Alibaba, etc. This could substantially increase the revenue generation of KSCDCL.
- **Option # 1 – For sale in the form of briquette:**
  - ☑ **Option # 1 (a) - Briquette in the form of single small blocks (say blocks of 1 kg.):** The online discounted price of coir- pith based compost in the online e-commerce sites of Amazon varies from Rs. 250 to 500 per half a kg of briquette (say, i.e. an average of approx. 750 per kg.), depending on the quality of the manure. KSCDCL may explore the option of selling the coir pith manure through such online e-commerce sites. This could result in a revenue generation of = Rs. 750 per kg x 3904 MT = Rs. 750 per Kg. x 3904 x 1000 Kgs= ~ Rs. 293 crores on a per annum basis. (say ~ 290 Crores)
  - ☑ **Option # 1 (b) - Briquette in the form of bulk sales (say blocks accounting for 25 kgs. or more):** The online discounted price of coir- pith based compost in the online e-commerce sites of Indiamart is approximately Rs. 18 per kg of briquette, depending on the quality of the manure. KSCDCL may explore the option of selling the coir pith manure through such online e-commerce sites. This could result in a revenue generation of = Rs. 18 per kg x 3904 MT = Rs. 18 per Kg. x 3904 x 1000 Kgs = ~ Rs. 7.03 crores on a per annum basis. (say ~ 7 Crores)
- **Option # 2 – For sales in the form of loose quantity, produced through conventional 'bed method':**
  - ☑ **Option # 2 (a) – Loose but say in small quantities of 1 to 2 kgs. pouches:** KSCDCL currently sells at approx. Rs. 5 per kg. to the local farmers. It is proposed that KSCDCL may explore the option of selling the coir pith manure through such online e-commerce sites, such as Amazon, Flipkart, Indiamart, Alibaba.com, etc. @ approx. Rs. 90 per kg. This could result in a revenue generation of = Rs. 90 per kg x 3904 MT = Rs. 90 per Kg. x 3904 x 1000 Kgs= Rs. 35,13,78,000 on a per annum basis. (say ~ 35 Crores)
  - ☑ **Option # 2 (b) – Loose but say in bulk quantity of say, 25 kgs. and above sized packages:** It is proposed that KSCDCL may explore the option of selling the coir pith manure through such online e-commerce sites, such as Amazon, Flipkart, Indiamart, Alibaba.com, etc. @ approx. Rs. 10 per kg. This could result in a revenue generation of = Rs. 10 per kg x 3904 MT = Rs. 10 per Kg. x 3904 x 1000 Kgs= Rs. 3,90,40,000 on a per annum basis. (say ~ 4 Crores)

□ **Market potential of door entrance coir mats:**

☑ **On the basis of 'Entrance Matting Market by type (Walk-off, Anti-fatigue, Logo and Specialty), by Material (Nylon, Coir, Rubber, Vinyl, and Others), by Utility (Indoor and Outdoor), by Application (Residential and Non-residential) - Global Forecast to 2020' Report<sup>6</sup>:**

- Estimation of market size on the basis of this report, indicates that the entrance matting market is influenced by the increasing importance of safety at workplaces and the growing flooring and hospitality industry. The demand from industries such as hotels, gyms, swimming pools, and sport complexes are projected to further drive the growth of entrance matting market.
- The market size of entrance matting market, with a focus on tufted mat, across the globe is projected to be USD 6,722.3 Million (approx. Rs. 470,561 crores) by 2020, growing at a CAGR of approx. 4.8% from 2015 to 2020.
- India accounts for over 60% of the global coir fibre market<sup>6</sup>. Proportionately, it could be construed that very likely that India will have a larger volume of market share in the production of tufted coir mattress. Considering, even 50% is used for tufted coir mat production, then the potential global market share of India =  $(50\% \times 60\%) \times \text{Rs. } 475,061 \text{ crores} = \text{Rs. } 142,683 \text{ crores}$ ;
- Currently, there are limited number of major organized industries and almost an equal number of unorganized industries, in the coir mat segment. The 63<sup>rd</sup> annual report<sup>7</sup> released by the Coir Board, against FY 16/17, indicates that there are approximately 16,142 number of coir units that are registered in India. Considering that approx. 75% of these units manufacture entrance coir mats, the total number of coir industries =  $75\% \times 16,142 = \sim 12,107$  units;
- This therefore reflects an approximate market potential of =  $\sim \text{Rs. } 12 \text{ crores per organized industry (i.e. Rs. } 142,683 \text{ crores / } 12107 \text{ industries)}$ . Such an opportunity could also be captured by KSCDCL on a per annum basis.

□ **Market potential of white fibre:**

- Tender coconuts are soaked in sea water to produce smooth white fibre which has greater allure. Such fibres have a lot of demand in the international market and hence are largely exported. White fibre is used to produce products like mats, mattresses, curled ropes, etc., a major advantage with these white fibres is that it can absorb and hold artificial colour better than brown fibre. Brown fibres are otherwise coarse and rough and don't carry much of an appeal in the mind of a consumer – these have a diminishing attraction and appeal.
- India has a huge production potential of white fibre. Currently, the global production is approx. 250,000 MT (Source: Dated 14 Feb 2019, 11:50 AM; <http://www.indianmirror.com/indian-industries/coir.html>) of which Kerala has a market share of 60%, Sri Lanka has market share of 36% and the rest of 4% (i.e. 10,000 MT) is produced by other coastal belts of India and other countries. Karnataka has a huge coastal belt and the third largest producer of coconut. KSCDCL currently does not produce any such white fibre based products.



- The coir white fibre is priced at approx. Rs. 22,000/- per MT in e-commerce sites like Indiamart (Source: Dated 14 Feb 2019, 11:50 AM; <https://dir.indiamart.com/search.mp?ss=white+coir+fibre&src=as-context%3Akwd%3Dwhite+coir+fibre%3Apos%3D1%3Acat%3D7%3Acat%3D2&prdsr=1&lang=en>)
- On account of Karnataka being the third largest producer of coconut, it could be assumed that 15% of the production of white coir fibre comes from the tender coconuts that are produced in the state of Karnataka, i.e. 30% of 10,000 MT = 3,000 MT.
- Of the aforesaid figure of 3000 MT, supposing it is assumed that 30% of the market size is capitalized by KSCDCL, i.e. 900 MT., hence at the aforesaid market price of Rs. 22,000/MT, the estimated revenue of KSCDCL could approx. increase by Rs. 1.98 crores (say approx. Rs. 2 crores).

□ **Market potential of sisal fibre:**

- Sisal is a drought resistant crop, that can be commercially cultivated in unproductive agricultural lands also providing direct employment in rural area. The tremendous potential of sisal a natural fibre has not been fully exploited in our country. The leaves of sisal yield a strong fibre, which is primarily used for making ropes, cordage and twines. Its potential can be visualized from the fact that a quantity of 1000 Kg sisal leaves are estimated to produce 30 Kg fibre, 1 Kg hecogenin (a steroid used in pharmaceuticals), 3.75 Kg wax and 33 Kg paper (Saxena.M, Amlathe.S, Roy.A and R.Dasgupta, Sisal –A versatile plant, Udhyamita News letter, Govt. of M.P, pp.17-18,1994). Sisal fibre is a very strong, lustrous natural fibre and can take the wear and tear equivalent of coir. The huge advantage of sisal fibre over coir is that it is a white material which takes the dye very well and is softer than coir.
- In recent years annual production of sisal in the world has been recorded as 250,000 MT. Brazil is the largest producer in the world accounting for more than 40% (source: <https://www.frontiersin.org/articles/10.3389/fmicb.2018.01227/full>). India produces only 1000 tons currently, less than 1% of the total world's demand. (<https://pdfs.semanticscholar.org/37ae/a8c936b02afc91981ed398946f86b642d78e.pdf>)
- KSCDCL currently does not produce sisal fibre, it could potential capitalize hot and arid climate of cities in Northern parts of Karnataka for commercial cultivates of sisal plant and manufacture sisal fibre to capture the domestic and international market.
- Sisal fibre is priced at approx. Rs. 100/- per kg in e-commerce site like Indiamart (Source: Dated 26 March 2019; 11:00AM; <https://www.indiamart.com/proddetail/sisal-fibre-10546666448.html> ).
- Assuming that KSCDCL capitalizes on the opportunity of commercial sisal plantation on a 100 ha land, it produces 250 tons/yr of sisal fibre, hence at the aforesaid market price of Rs. 100 Rs/kg, the estimated revenue of KSCDCL could approx. increase by Rs. 2.5 crores.

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4.01.03 Our observations, assessment, inferences and recommendations and proposed timeline for closure of issues:

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Issues:</b></p> <p>On account of market demand, KSCDCL procures rubberized coir mattresses from outside sources and trades this category of product with other buyers, primarily in the domestic market. Moreover, the demand for mattresses from external sources has come down drastically, leading to low revenue generation for KSCDCL since FY 16/17 till FY 17/18.</p>	<ul style="list-style-type: none"> <li>The coir mattress segment has a sound market potential, based on the secondary research carried out by us. In view of the market potential assessed, it is recommended that KSCDCL:                             <ul style="list-style-type: none"> <li>Targets its marketing strategy in wooing the middle-income section of Indians for an increased sale of the coir-mattress based products;</li> <li>Explores the possibility of setting up an upgraded technology and skilled artisans' coir-mattress based manufacturing set up in Karnataka, to meet the market demand;</li> </ul> </li> <li>As a caution, it is also recommended that keeping in view that the coir mattress market is not a preferred mattress in view of lesser comfort that it offers as compared to the other types of mattresses; and that the consumers are gradually moving towards other type of mattresses that offer higher comfort, KSCDCL could simultaneously start exploring the possibility of developing more hybrid based coir based mattresses, so that KSCDCL is able to sustain smoothly in the coir mattress market in the long run.</li> </ul>	Mid-term action plan proposed, spread over the next 3 years.
2	<p>of aggressiveness in pursuing the production and marketing coir pith manure is resulting in loss of substantial</p>	<ul style="list-style-type: none"> <li>Keeping in view the increasing demand of the eco-friendly coir-pith based manure in the international markets, it is recommended that KSCDCL consults National Coir Research and Management Institute on the recent technology developed by them, for faster production of coir pith.</li> <li>The market potential assessed by us therefore calls for an introspection of the immense market potential that could be capitalized by KSCDCL by</li> </ul>	Mid-term action plan proposed, spread over the next 3 years.

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
	revenue for KSCDCL.	<ul style="list-style-type: none"> <li>producing coir pith compost and facilitate KSDCL to come out of red, with lesser capital investment.</li> <li>This would enable KSCDCL to also achieve two of its objectives in letter and spirit:               <ul style="list-style-type: none"> <li>✓ Producing compost from coir pith and supplying to farmers for horticulture crops and nurseries; and</li> <li>✓ Supplying pith briquettes to scientific greenhouse horticulture plantations.</li> </ul> </li> </ul>	
3	<p>We have been informed by the functional heads of KSCDCL that the following factors are hurting the overall financial health of KSCDCL:</p> <ul style="list-style-type: none"> <li>A major part of KSCDCL's revenue comes from trading of products and not from its in-house manufactured products;</li> <li>Bulk discounts are offered to finished goods that are sold to other departments of Govt.</li> </ul>	<ul style="list-style-type: none"> <li>Based on the analysis carried out by us, on the basis of data presented by KSCDCL, it has been assessed that:               <ul style="list-style-type: none"> <li>✓ Three of its key products - galls/tables, mattresses and mats that are manufactured/traded by KSCDCL account for approximately 95% of its total sales.</li> <li>✓ Further, it can be seen that for the average figures of FY 15/16 till FY 17/18 for all the aforesaid segment of products, approximately 87% of the revenue has come from trading of such products by KSCDCL;</li> <li>✓ The percentage of discount that has been assessed over the sale of finished goods since the past 3 years till FY 17/18 is 8%, which is fairly an increased discounted ratio.</li> </ul> </li> <li>Remaining dependent on trading of products is not a sustainable form of doing business for KSCDCL, as the end-consumer would anyways identify the actual producer and thereafter, start engaging in business contracts directly with such manufacturers. It is therefore recommended that:               <ul style="list-style-type: none"> <li>✓ KSCDCL aggressively considers marketing its products both in the domestic and international markets and selling the finished products in the open market at a high profit, rather than being significantly dependent on the sale of its products to the govt. enterprises in Karnataka, at a substantial discount; moreover, the discount should also be curbed to the extent possible;</li> <li>✓ KSCDCL explores the option of selling products through the online e-commerce platforms of Amazon, Flipkart and international sites such</li> </ul> </li> </ul>	Short-term action plan proposed, spread over the next 1 year.

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
		<p>as Alibaba.com. This may facilitate KSCDCL to get an access to a larger market, get a larger visibility and may therefore be able to sell off their products at a much higher price, which may easily cover the cost of the logistics and in turn may result in larger revenue generation; and</p> <p>✓ KSCDCL explores displaying the products of these three segments in various national and international exhibition events, to create awareness amongst prospective buyers/investors to win more orders and further boost its sales.</p>	
4	<p>Very low revenue from the products that has good market potential, such as mattress, mats, coir-pith based compost, cois/tables, etc.</p>	<ul style="list-style-type: none"> <li>• Since the past five years, of the various products sold by KSCDCL, three products – cois/tables, mattresses and mats have contributed to approx. 95% of business value for KSCDCL. The other end products such as, trays and baskets contributed to an insignificant business value. It is therefore recommended that the production cost vis a vis the revenue generated from the sales of such types of products, could be assessed and accordingly, steps could be initiated by KSCDCL on whether the production of such products should be pursued.</li> <li>• Our assessment of the Compounded Annual Growth Rate (CAGR) of three key segments of products sold by KSCDCL, i.e. cois/tables, mattresses and mats since FY 15/16 till FY 17/18 reflects a low growth rate of 0.27%, -1% and 0.7% respectively. The market research carried out by us, indicates that there is a good demand of such products in the domestic and international market and it is likely to grow further. The CAGR of these key segments of products in the market is approx. in the range of 5% to 6%.</li> <li>• Our assessment indicates that KSCDCL on a per annum basis, has a market potential to grow the segments of mattress, coir pith manure and coir mats to approx. Rs. 100 crores; Rs. 290 crores and Rs. 12 crores respectively.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
5	<p>Currently the showroom managers</p>	<ul style="list-style-type: none"> <li>• Deduction of an employee's salary, when the salary is itself very low, it significantly impacts the livelihood of an employee's family. Such a</li> </ul>	<p>Short-term action plan</p>

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
	<p>are penalized through deduction of their salaries, for not being able to realize/collect the payment for products sold on credit from the buyers.</p>	<p>practice by KSCDCL is therefore not encouraging the showroom managers to push the sales, as a result of which there is always a huge stockpile of inventories at the end of every FY.</p> <ul style="list-style-type: none"> <li>• It is therefore recommended that: <ul style="list-style-type: none"> <li>✓ The current practice of penalizing the showroom managers be stopped; rather than making sales as the sole responsibility of the showroom manager, such a critical business activity should be a collective responsibility and a group target of all concerned individuals, linked with the sales and marketing department of the company, preferably from the highest level of the organization to the lowest rung in the organization;</li> <li>✓ The showroom managers should be motivated and trained on how to improve the sales, followed by incentivizing them with bonus and or promotion, as and when required; employees who are naturally good in marketing and sales could be rotated from other departments to the sales and marketing department.</li> <li>✓ The performance appraisal of the relevant employees in the sales and marketing department, needs to be effectively monitored on a periodic basis, and primarily during their annual performance appraisal, based on achievement of their pre - assigned targets that were set at the start of the financial year; accordingly, on achievement of targets, the employees of the marketing or any other department of KSCDCL could also be appropriately incentivized for sales which were facilitated by them;</li> </ul> </li> </ul>	<p>proposed, spread over the next 1 year.</p>
6	<p>Very low sales of products by KSCDCL, resulting in high closing stock of finished goods inventory, at the end of every FY.</p>	<ul style="list-style-type: none"> <li>• The closing stock of inventories that has been assessed by us, over the sale of finished goods of the past 3 years till FY 17/18 is 32%, which is incidentally a very high ratio. KSCDCL has to strategically work on its marketing plan and aggressively push and improve its sales figures. The sales department has to aggressively push the sales, beyond the conventional window of rebate period and explore other forms of selling.</li> <li>• KSCDCL may also explore the following options:</li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
	<p>Currently, the products in KSCDCL are sold primarily over the counter through retail outlets and wholesale dealers.</p>	<ul style="list-style-type: none"> <li>✓ Motivate the employees of such showrooms to push the sales, to prevent higher stock of finished goods;</li> <li>✓ Explore incentivization of employees of other departments, for sales facilitated by them, irrespective of whichever department they may belong to;</li> <li>✓ KSCDCL 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. KSCDCL may also consider dynamic rebate options during various festivals, to attract more customers;</li> <li>✓ Selling products through the online e-commerce platforms of Flipkart, Amazon, Snapdeal, FabFurnish, Urban Ladder, Pepperfry, etc. or on the company's own personalized website, for an improved sales figure and revenue and international sites such as Alibaba.com. This may facilitate KSCDCL to get an access to a larger market, get higher market visibility and may therefore be able to sell off their products at a much higher price, which may easily cover the cost of the logistics and result in larger revenue generation;</li> <li>✓ Exhibit their products in the domestic and international market for winning bulk business orders and for larger sale of products.</li> </ul>	
7	<p>The performance of sales by various showrooms of KSCDCL varies significantly.</p>	<ul style="list-style-type: none"> <li>• Our assessment of the average sales by various showrooms, for the period from FY 13/14 to FY 17/18, indicates the following: <ul style="list-style-type: none"> <li>✓ At the end of FY 17/18, approx. 13 showrooms/accounts, inclusive of the Head Office have been operating. Of the 13 showrooms/accounts, approximately 5 of them have achieved no or insignificant sales. Neither did any of these 5 units have a sales target. Considering an operational cost of approx. a minimum of Rs. 3 lakhs per showroom, on a per annum basis for the showrooms, it is very likely that a sizeable amount of cost is not leading to any benefit to KSCDCL. KSCDCL may explore the viability of showrooms which are not resulting in a minimum revenue to manage its operational cost or is having a huge inventory of unsold finished goods. KSCDCL, as felt</li> </ul> </li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
		<p>appropriate may decide to close them or otherwise, if such showrooms have a potential, then it could reshuffle the existing resources of such showrooms with other departments. It is therefore necessary that the minimum operational expenses of each of these showrooms are recovered to ensure sustenance of the showrooms. The improvement of the marketing and sales strategy for these showrooms could accordingly be explored from the options provided earlier, in this report; or otherwise, wherever felt appropriate, KSCDCL may explore the option of closing some of these sales showroom;</p> <ul style="list-style-type: none"> <li>✓ KSCDCL may explore opening more showrooms in places where there is a potential of high sales and high revenue generation. Accordingly, new sites for opening new showrooms could be explored, which have a potential of more acceptance for purchase of coir products by the local people;</li> <li>✓ Whichever showrooms have a sound potential of sales, and if the current showroom manager is not efficient, then KSCDCL may explore the option of reshuffling/replacing such showroom managers with other appropriate resources and shift the current sales managers of such low revenue generating showrooms to other suitable department.</li> </ul>	
II	Non-Critical Issues No such observation has come to our attention.		

**NB:**

- Source 1: Jan 9, 2018, 12:58 AM - <https://www.financiatexpress.com/industry/a-springet-bounce-for-branded-mattresses/1002104/>
- Source 2: Mar 25, 2018 - <https://www.quora.com/What-percentage-of-the-Indian-population-are-middle-and-upper-class>
- Source 3: Jan 27, 2019 - [https://en.wikipedia.org/wiki/Standard\\_of\\_living\\_in\\_India](https://en.wikipedia.org/wiki/Standard_of_living_in_India)
- Source 4: September 12, 2018 4:08 AM - <https://www.financiatexpress.com/market/commodities/nrcmis-pith-technology-to-boost-coir-exports/331018/>
- Source 5: Feb. 10, 2019, 4:16PM - <https://www.marketsandmarkets.com/PressReleases/entrance-matting.asp>



- Source 6: Feb. 10, 2019, 7:45PM - <https://www.fibre2fashion.com/news/textile-news/india-s-cotton-industry-going-strong-with-rising-exports-178636-newsdetails.htm>
- Source 6: Feb. 10, 2019, 8:09PM - <http://caitboard.gov.in/>

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#### 4.02 Efficiency of man and machines in the production of raw materials, the key intermediate and finished products:

##### 4.02.01 The three stages of production process in KSCDCL:

KSCDCL is primarily engaged in the production process of the following:

- **First stage production –production of raw materials:** Producing brown fibre from the coconut husks. In the process of extraction of the fibre, coir pith is also generated;
- **Second stage production –production of intermediate products:** Curling and yarning of the fibre for conversion of intermediate products; and
- **Third stage production – production of end products:** The aforesaid intermediate products are thereafter sent to the production houses for manufacture of various segments of finished products. There are however only three key segment of products that are manufactured by KSCDCL, which are the end products, namely cots/tables and mats. Besides, coir pith manure which has a huge market potential, is unfortunately produced only in limited quantity by KSCDCL. There is also a small volume of curling which is sold directly by KSCDCL. Coir mattresses are procured from outside and traded.

##### 4.02.02 Assessment of efficiency of every stage of production in KSCDCL:

The personnel of CSD had a detailed discussion with the heads of various functions of KSCDCL, and primarily the senior level employees of the production department of KSCDCL. Based on the inputs provided by the personnel of KSCDCL consulted, the designed production capacity of raw materials, intermediate and finished products have been assessed, as presented below.

#### **First stage production – production of raw materials:**

##### **Production of coir fibre:**

- The designed production capacity, per de-fibring machine per shift of 8 hours, by a team of 5 workers, as conveyed by KSCDCL is = 0.54 MT/shift; per shift is of 8 hours;
- For a total of 10 such de-fibring machines, spread over a span of 300 days, the potential production as per designed production capacity =  $0.54 \times 10 \times 300$  MT = 1620 MT per annum.
- The labour charge is Rs. 350 per shift per person.

##### **Production of coir pith:**

- We have been told by KSCDCL that for every gram of fibre extracted in the process of de-fibring, an approximate volume of two grams of coir pith is produced;

- Hence, for every 1620 MT of coir-fibre produced per annum, the ideal production of coir pith by KSCDCL is =  $1620 \text{ MT} \times 2 = 3,240 \text{ MT}$  per annum;
- The number of resources however remains the same, as the set of persons who are involved in the de-fibring process.
- The labour charge is Rs. 350 per shift per person.

□ **Second stage production – production of intermediate product (Yarn):**

☑ **Manual (or Hand) based spinning yarn production:**

- The designed production capacity, per shift of 8 hours, by a team of 3 workers, as conveyed by KSCDCL is = 0.015 MT/shift; per shift is of 8 hours; there are only 300 shifts in a year; total number of workers engaged for this job in a year = 125;
- Ideal production capacity per month by a team of minimum 3 persons for 300 shifts by all the 50 machines =  $0.015 \text{ MT/shift} \times 300 \text{ shifts} \times (125/3) = 187.5 \text{ MT}$  per annum (say 188 MT/annum);
- The labour charge is Rs. 75/- per person per shift.

☑ **Two Ply Yarn (Machine automated) based yarn production:**

- The designed production capacity, per shift of 8 hours, by 1 worker, as conveyed by KSCDCL is = 0.03 MT/shift; per shift is of 8 hours; there are only 300 shifts in a year; Total number of machines available = 30;
- Ideal production capacity per month by one person for 300 shifts by all the 30 machines =  $0.03 \text{ MT/shift} \times 300 \text{ shifts} \times 30 = 270 \text{ MT}$  per annum
- The labour charge is Rs. 12/- per kg, per person.

☑ **Three Ply Yarn (Machine automated) based yarn production:**

- The designed production capacity, per shift of 8 hours, by 1 worker, as conveyed by KSCDCL is = 0.015 MT/shift; there are only 300 shifts in a year; total number of machines available = 15;
- Ideal production capacity per month by a team of minimum 3 persons for 300 shifts by all the 50 machines =  $0.015 \text{ MT/shift} \times 300 \text{ shifts} \times 15 = 67.5 \text{ MT}$  per annum (say 68 MT/annum);
- The labour charge is Rs. 10/- per kg, per person.

☑ **Solar based yarn production:**

- The designed production capacity, per shift of 8 hours, by 2 workers, as conveyed by KSCDCL is = 0.015 MT/shift; there are only 300 shifts in a year; total number of machines available = 75;
- We have been told that in one day, only one shift operates for a span of 8 hours; there are only 300 shifts in a year;
- Ideal production capacity per month by a team of minimum 2 persons for 300 shifts by all the 75 machines =  $0.015 \text{ MT/shift} \times 300 \text{ shifts} \times 75 = 337.5 \text{ MT}$  per annum. (say 338 MT/annum);
- The labour charge is Rs. 112.5/- per person per shift.

Total designed production capacity of various types of yarn = (188+270+68+338) MT  
= 864 MT

□ **Finished (End) products production:**

☑ **Production of coir pith manure:**

- We have been told that in one day, only one shift operates for a span of 8 hours; there are only 300 shifts in a year;
- The designed production capacity by a team of 3 workers, as conveyed by KSCDCL is = 1 MT/shift; moreover, since the coir fibre and coir pith production takes place in 12 manufacturing facilities of KSCDCL, therefore, it is very likely that coir pith manure is produced in these 12 manufacturing facilities;
- For production of good quality coir pith manure, for every 1 MT of coir pith, approx. 5 kg. of urea and 200 kg of poultry litter should be mixed (Source: [http://agritech.tnau.ac.in/org\\_farm/orgfarm\\_coircompost.html](http://agritech.tnau.ac.in/org_farm/orgfarm_coircompost.html)), to result into 1.2 MT of garden manure;
- Hence, for a production of 3240 MT of coir pith per annum, the total volume of coir pith manure that could be produced by KSCDCL is = 3240 x 1.205 = 3904.2 MT per annum. (say, 3904 MT per annum);
- The labour charge is Rs. 350 per manday;
- **Basis of setting target by KSCDCL:** The target set is 0.1 MT per worker per shift per manufacturing facility; hence for 300 shifts across 12 manufacturing facilities, the target production by a minimum of one worker in each facility = 0.1 x 300 x 12 = 36 MT

☑ **Curling production process:**

- The designed production capacity, per shift of 8 hours, by 1 worker, as conveyed by KSCDCL is = 0.2 MT/shift; there are only 300 shifts in a year; total number of manufacturing facilities, whereby such production process takes place = 6;
- Total curling production in a year across all the 6 manufacturing facilities for 300 shifts @ 0.2 MT/shift = 6 x 300 x 0.2 MT = 360 MT;
- The labour charge is Rs. 2 per kg. of curls produced, which is similar to the market practice.

☑ **Production of mats:**

- The designed production capacity, by a machine per shift of 8 hours, by a team of 4 workers, as conveyed by KSCDCL for manufacturing = 32 pieces; per pieces of size 14" x 24" (i.e. 336 sq. inch., i.e. 2.33 sq. ft.);
- We have been told that in one day, only one shift operates for a span of 8 hours; total number of machines available = 36;
- For a total of 35 such machines, spread over a span of 300 shifts, the potential production as per designed production capacity = 36 x 32 x 300 boards =

pieces per annum. = 3,45,600/- pieces; and @ 336 sq. inch. per piece, the total production = 3,45,600x 336 sq. inch. = 11,61,21,600 sq. inches per annum;

- The labour charge is Rs. 10/- per piece per person.

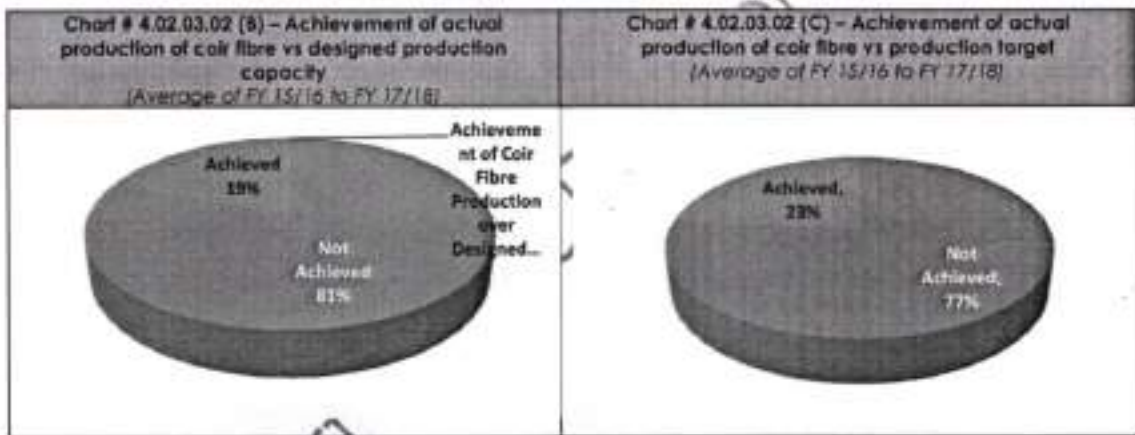
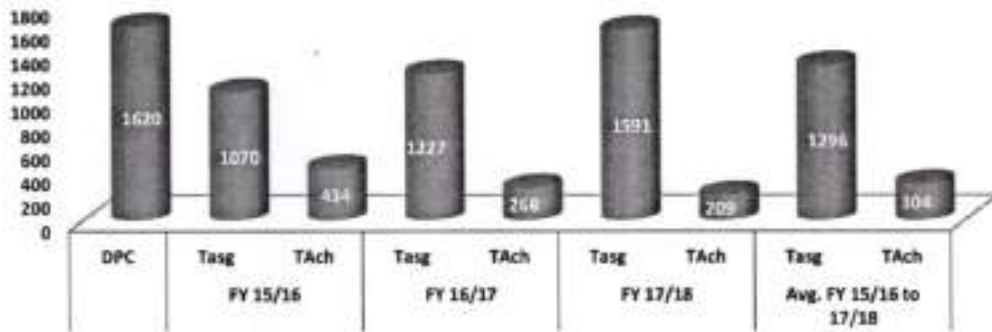
**Production of cots/tables:**

- The designed production capacity, by one machine, per shift of 8 hours, as conveyed by KSCDCL for manufacturing = 140 boards; per board of size 6' x 2.5' x 0.06' (i.e. 0.9cubic. ft.);per shift is of 8 hours; total number of machines is 1;
- Spread over a span of 300 shifts, the potential production as per designed production capacity = 300 x 140 boards = 42,000 boards per annum.; and @ 0.9 cu. ft. Per board, the total production = 42,000x 0.9cuff. = 37,800 cu. ft. per annum;

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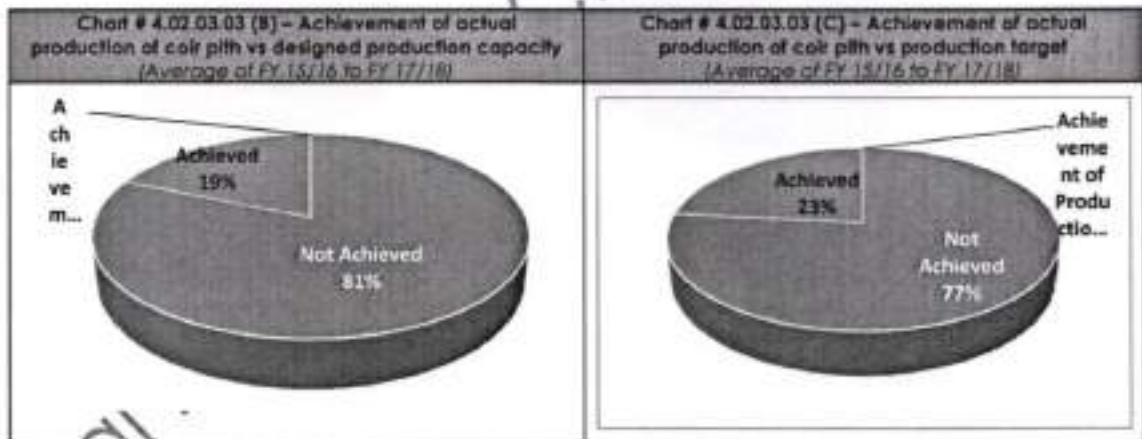


(b) Chart # 4.02.03.02 (A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for production of coir fibre production from FY 15/16 to FY 17/18 (all figures are in MT)



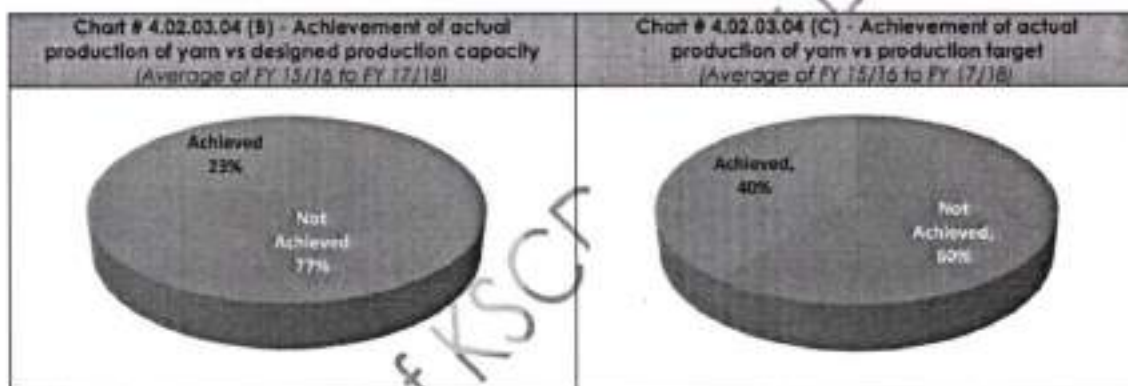
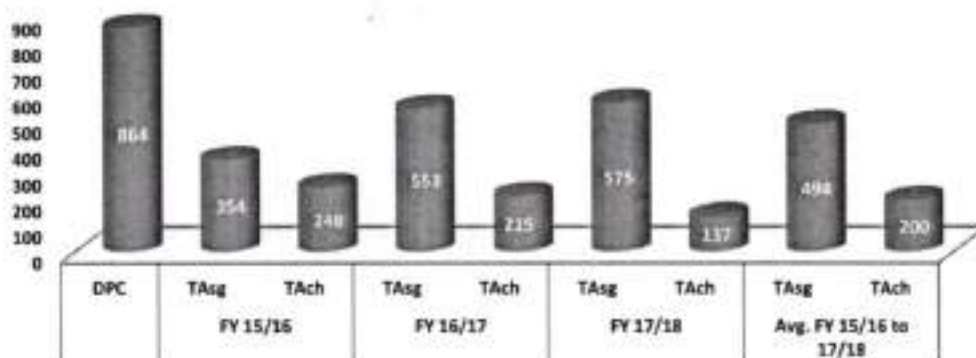
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(c) Chart # 4.02.03.03 (A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for production of coal pith production from FY 15/16 to FY 17/18 (all figures are in MT)



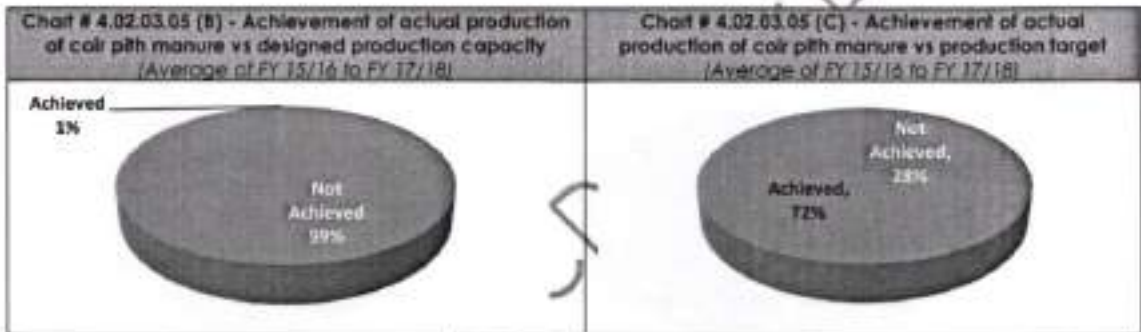
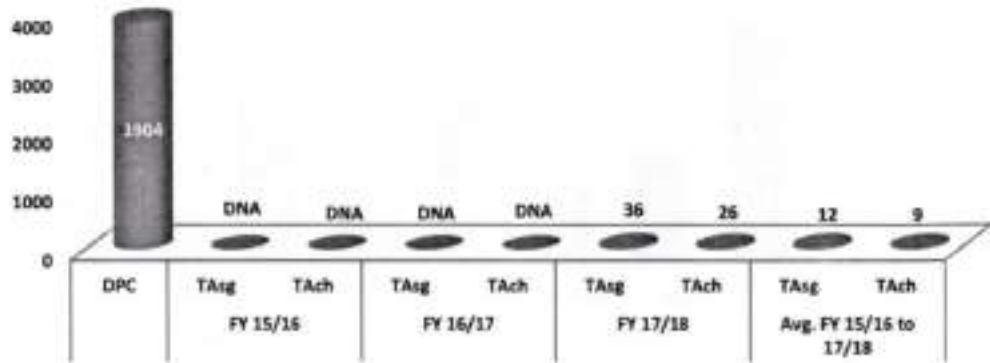


(d) Chart # 4.02.03.04 (A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for production of yarn production from FY 15/16 to FY 17/18 (all figures are in MT)



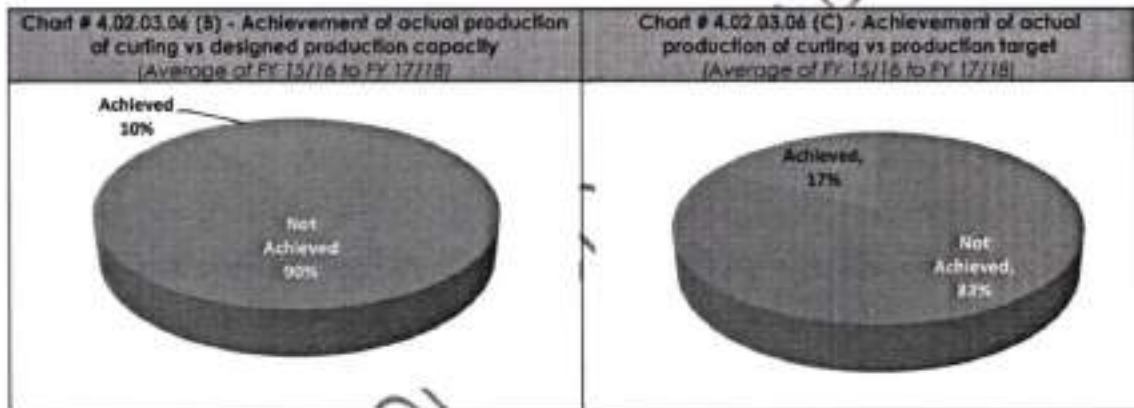
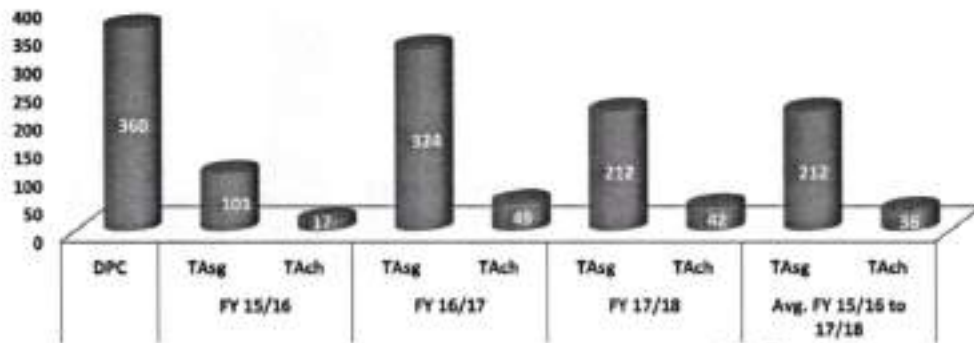
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(e) Chart # 4.02.03.05 (A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for production of coir pith manure from FY 15/16 to FY 17/18 (all figures are in MT)



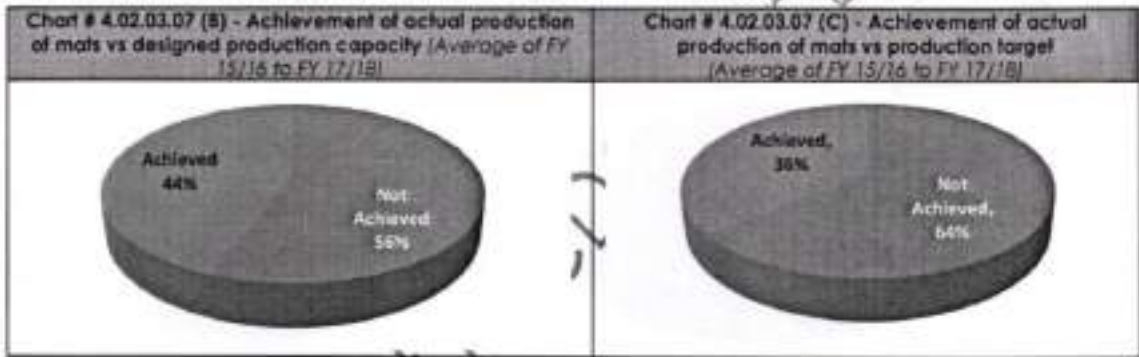
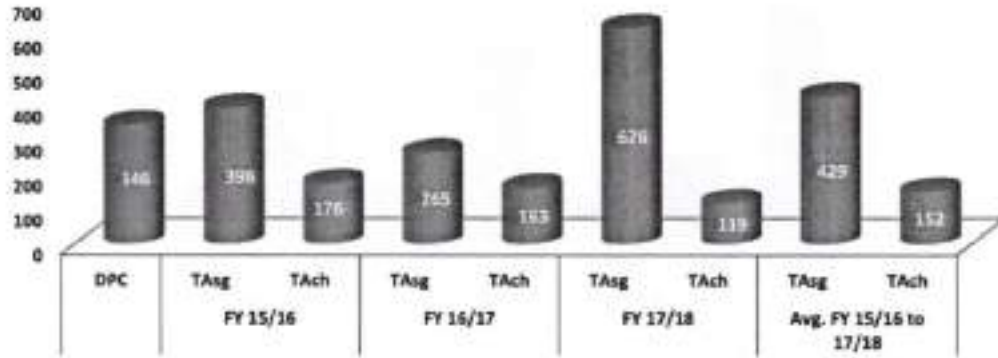
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(f) Chart # 4.02.03.06 (A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for production of curling from FY 15/16 to FY 17/18 (all figures are in MT)



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(g) Chart # 4.02.03.07 (A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for production of mats from FY 15/16 to FY 17/18 (all figures are in number of pieces in Thousands; per piece is @ 2.33 sq. ft./piece)



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- (h) Chart # 4.02.03.08 (A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for production of cots/tables from FY 15/16 to FY 17/18 (all figures are in number of pieces in Thousands; per piece is @ 2.33 sq. ft./piece)

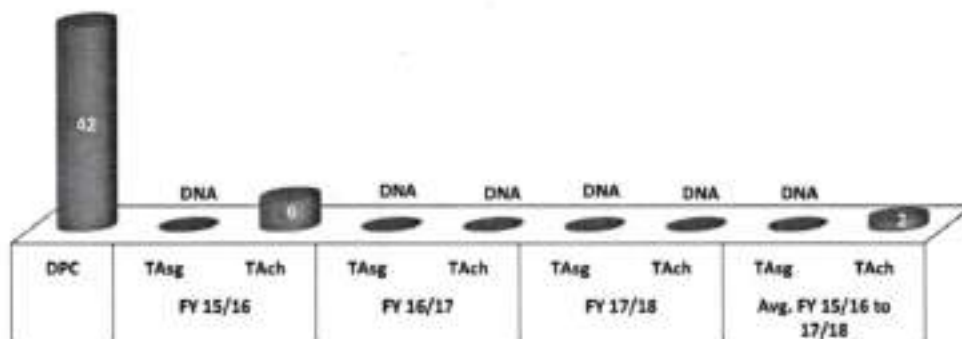
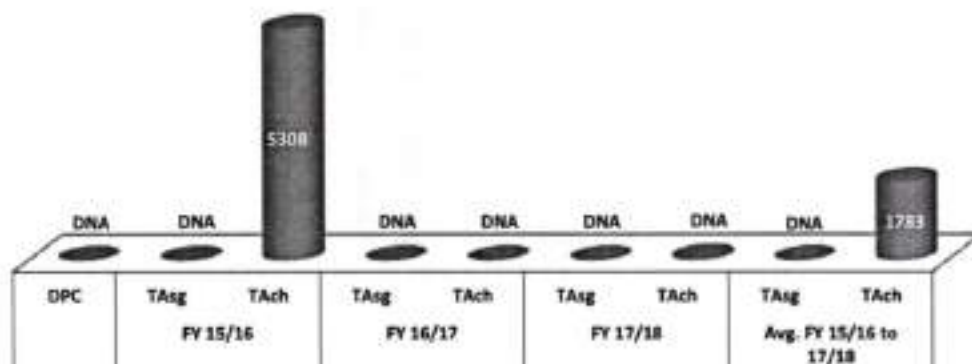


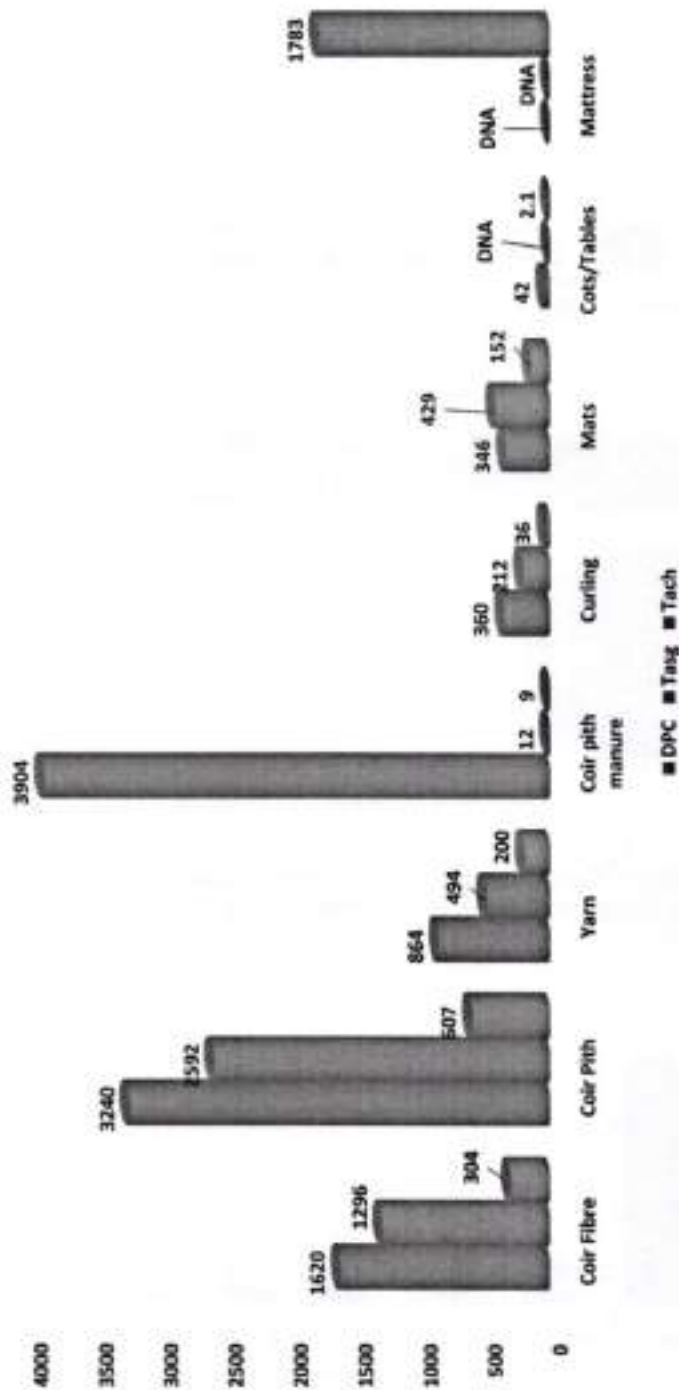
Chart # 4.02.03.08 (B) - Achievement of actual production of cots/tables vs designed production capacity (Average of FY 15/16 to FY 17/18)



- (i) Chart # 4.02.03.09(A) – Comparison of designed production capacity (DPC), target assigned (TAsg) and total achieved (TAch) for trading of mattress from FY 15/16 to FY 17/18 (all figures are in number of pieces)



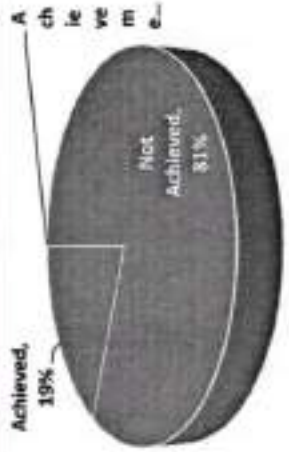

(i) Chart # 4.02.03.10 (A) - Comparison of average of designed production capacity (DPC), target assigned (TAsg) and total achieved (Tach) for production of various raw materials, intermediate and finished products from FY 15/16 to FY 17/18.



NB: DNA - Data not available

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Chart # 4.02.03.10 (8) - Achievement of actual production of oil products vs designed production capacity (Average of FY 15/16 to FY 17/18)	Chart # 4.02.03.10 (C) - Achievement of actual production of oil products vs production target (Average of FY 15/16 to FY 17/18)
 <p>Achieved, 19%</p> <p>Not Achieved, 81%</p>	 <p>Achieved, 35%</p> <p>Not Achieved, 65%</p>

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**The key take-aways from the above analysis carried out:** The analysis carried out by us for production of various raw materials, intermediate and finished goods, lead us to the following assessment:

• **First stage production - production of raw materials:**

- ☑ Coir Fibre Production:
  - ✓ Production target assigned vs DPC is 80%;
  - ✓ Production target achieved vs DPC is 19%;
  - ✓ Production target achieved vs target assigned is 23%;
- ☑ Coir Pith Production:
  - ✓ Production target assigned over DPC is 80%;
  - ✓ Production target achieved vs DPC is 19%;
  - ✓ Production target achieved vs target assigned is 23%;

• **Second stage production - production of intermediate raw materials:**

- ☑ Yarn Production:
  - ✓ Production target assigned vs DPC is 57%;
  - ✓ Production target achieved vs DPC is 23%;
  - ✓ Production target achieved vs target assigned is 40%;

• **Third stage production - production of finish goods:**

- ☑ Coir Pith Manure Production:
  - ✓ Production target assigned vs DPC is 1%;
  - ✓ Production target achieved vs DPC is 1%;
  - ✓ Production target achieved vs target assigned is 72%;
- ☑ Curling Production:
  - ✓ Production target assigned vs DPC is 59%;
  - ✓ Production target achieved vs DPC is 10%;
  - ✓ Production target achieved vs target assigned is 17%;
- ☑ Mats Production:
  - ✓ Production target assigned vs DPC is 124%;
  - ✓ Production target achieved vs DPC is 44%;
  - ✓ Production target achieved vs target assigned is 36%;
- ☑ Cots/Tables Production:
  - ✓ Production target assigned over DPC could not be assessed, since production target has not been defined;
  - ✓ Production target achieved vs DPC is 5%;
  - ✓ Production target achieved vs target assigned could not be assessed, since production target has not been defined;
- ☑ Mattress Production – Nothing could be analyzed, since mattresses are not manufactured in KSCDCL. Such products are only traded by KSCDCL.



• **Average of production of raw materials, intermediate products and finished goods:**

- ☑ Production of all raw materials (coir fibre and coir pith combined together):
  - ✓ Production target assigned vs DPC is 80%;
  - ✓ Production target achieved vs DPC is 19%;
  - ✓ Production target achieved vs target assigned is 23%;
- ☑ Production of intermediate products (yarn):
  - ✓ Production target assigned vs DPC is 57%;
  - ✓ Production target achieved vs DPC is 23%;
  - ✓ Production target achieved vs target assigned is 40%;
- ☑ Production of all finished products (coir pith manure, curling, mats, cots/tables and mattresses combined together):
  - ✓ Production target assigned vs DPC is 61%;
  - ✓ Production target achieved vs DPC is 15%;
  - ✓ Production target achieved vs target assigned is 45%;
- ☑ Production of all raw materials, intermediate products and finished goods (coir fibre, coir pith, yarn, coir pith manure, curling, mats, cots/tables and mattresses combined together):
  - ✓ Production target assigned vs DPC is 66 %;
  - ✓ Production target achieved vs DPC is 19 %;
  - ✓ Production target achieved vs target assigned is 35 %.

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4.02.04 Our observations, assessment, inferences and recommendations and proposed timeline for closure of issues:

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Issues:</b></p> <ul style="list-style-type: none"> <li>No assessment has been done by KSCDCL to assess the designed production volume, on the basis of resources available on a per annum basis, primarily in the form of manpower hired and machines available.</li> <li>Currently, the target that is set for production of raw materials or intermediate or finished products is on arbitrary basis.</li> </ul>	<ul style="list-style-type: none"> <li>The scenario presented in the aforesaid chart clearly exhibits the under-performance of the machines and of the hired manpower to deliver the raw materials, intermediate and finished products, vis a vis the designed production capacity. Such an efficiency loss has a cascading impact on the production thereby hurting the financial health and may impact the sustenance of KSCDCL in the long run.</li> <li>There is no scientific basis of setting a production target for production of raw materials or intermediate finished product in KSCDCL – it is all set on arbitrary basis, as is evident from the target assigned vis a vis the Designed Production Capacity (DPC).</li> <li>There is also a difference between target assigned and the actual designed production capacity, for a lot of products. The difference in between the production target assigned and DPC Capacity for all raw materials, intermediate and finished goods is approx. 66%. There is also a significant difference between the achieved figure of production and the rated efficiency, with significant variations seen in each of the processes. Overall, based on the average production achieved for the period FY 15/16 to FY 17/18, approx. 81% of the production ability has not been explored, vis a vis the designed production capacity. Moreover, as compared to targeted figures, on an average KSCDCL has not been able to achieve 65 % of the targeted figure. Besides, in some instances, the target assigned is higher than the production capacity, as reflected in the figures against production target for mats in FY 15/16 and FY 17/18. The average of the production target assigned for mats, since FY 15/16 to FY 17/18 was 25% higher than the designed production capacity.</li> <li>Based on the designed production capacity assessed at each</li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
		<p>level of production, the targets for production could now be set and periodically monitored and reviewed. Emphasis could primarily be given on the production of raw materials and finished products that have very high CAGR.</p> <ul style="list-style-type: none"> <li>Every permanent and temporary employee of KSCDCL from the level of Managing Director to the lowest level shall have to play their respective role in aggressively pushing the production figures and motivating the employees and workers for improved production. In this regard, appropriate standard operating procedures could be developed that shall include it in it the defined accountability and responsibility of every personnel involved in the achievement of the production target, within the specified timeframe. This could be one of the Key Performance Indicator (KPI) of every personnel involved in the purchase and production department, irrespective of levels. Accordingly, such a KPI could be connected with the compensation of every line of command of all the concerned personnel of these departments. Such a strategy will therefore facilitate in group responsibility rather than individual responsibility.</li> </ul>	
3	<p>Coir pith manure is being produced in a very small quantity. No specific target has been set for mattress.</p>	<ul style="list-style-type: none"> <li>Coir pith manure, which has such a large potential in the export market is not being produced in substantial quantity.</li> <li>Mattresses too have a larger market potential, which too is not being aggressively pursued from production perspective.</li> <li>Appropriate targets in conjunction with sales target, could be set for such products by KSCDCL.</li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
II	<p><b>Non-Critical Issues</b> No such observation has come to our attention.</p>		

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#### 4.03 Cost of wages versus material:

##### 4.03.01 Our analysis of the data provided by KSCDCL:

KSCDCL has fairly a large number of workers/artisans, who are primarily paid on the basis of per unit of production. However, based on the analysis carried out for the efficiency of the machines and production, it could be inferred that there lies a lot of room for improvement of the efficiency of manpower in KSCDCL.

##### (a) Chart # 4.03.01.01 – Break-up of manpower in KSCDCL:

Employees (Temporary)			
General	OBC	SC/ST	Total
2	30	13	45
Employees (Permanent)			
General	OBC	SC/ST	Total
	28	7	35
Workers			
General	OBC	SC/ST	Total
			350
Total Workforce			
General	OBC	SC/ST	Total
2	58	20	430

**(b) Chart # 4.03.01.02—Key segment of expenses, which have room for further cost reduction**

Besides, based on the assessment carried out by us, we have identified three other areas in the financial domain, where there lies an opportunity of cost reduction, i.e. other expenses; wages of workers/artisans and employee benefits.

Items	Unit	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Average of FY 15/16 to 17/18
Printing and Stationary	in Rs.	321760	518380	222001	216610	228543	301459
Vehicle Maintenance	in Rs.	1088322	501478	890591	750954	1006150	847499
Travelling and Conveyance	in Rs.	614516	838175	421018	453945	507566	567044
Sales Incentive	in Rs.	283440	266747	238619	0	218408	201443
Repair, Maintenance and Others	in Rs.	145694	808334	1005581	738243	275427	594656
Professional Charges	in Rs.	332152	697651	430366	467681	402900	466150
<b>Total of the above Expenses (1)</b>	<b>in Rs.</b>	<b>2785894</b>	<b>3630765</b>	<b>3208176</b>	<b>2627433</b>	<b>2638994</b>	<b>2978250</b>
<b>Total of Other Expenses (2)</b>	<b>in Rs.</b>	<b>5433435</b>	<b>6350598</b>	<b>5414775</b>	<b>4380615</b>	<b>4938911</b>	<b>5303667</b>
<b>Percentage of Total Expenses of (1) over Total Expenses of (2)</b>	<b>in %</b>	<b>51</b>	<b>57</b>	<b>59</b>	<b>60</b>	<b>53</b>	<b>56</b>

**(c) Chart # 4.03.01.03 —Comparison of Expenses of Wages, Salaries of Workers & Employees and Other Expenses over Total Expenses**

Items	Unit	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Average of FY 15/16 to 17/18
Expenses on Wages of Workers	in Million of Rs.	11	20	16	13	8	14
Employee Benefit Expenses	in Million of Rs.	12	14	20	18	17	16
Other Expenses	in Million of Rs.	5	6	5	4	5	5
<b>Total Expenses towards Employees and Workers and Other Expenses</b>	<b>in Million of Rs.</b>	<b>28</b>	<b>41</b>	<b>41</b>	<b>35</b>	<b>30</b>	<b>35</b>
<b>Total Expenses from Operations</b>	<b>in Million of Rs.</b>	<b>120</b>	<b>374</b>	<b>223</b>	<b>80</b>	<b>61</b>	<b>172</b>
<b>Percentage of Total Expenses of Workers and Employees and Other Expenses over Total Expenses from Operations</b>	<b>in %</b>	<b>24</b>	<b>11</b>	<b>19</b>	<b>44</b>	<b>49</b>	<b>29</b>

4.03.02 Our observations, assessment, inferences and recommendations and proposed timeline for closure of issues:

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
I	<p><b>Critical Issues:</b></p> <p>The average expenses on account of the following, as compared to total cost of operations for FY 13/14 to FY 17/18 are very high:</p> <ul style="list-style-type: none"> <li>• Wages of workers;</li> <li>• Salaries of employees; and</li> <li>• Other expenses.</li> </ul>	<ul style="list-style-type: none"> <li>• The average expense of FY 13/14 to 17/18 for the following three segments constitute for approximately 29% of the total expenses of operations:                             <ul style="list-style-type: none"> <li>✓ Wages of workers;</li> <li>✓ Salaries of employees; and</li> <li>✓ Other miscellaneous expenses.</li> </ul> </li> <li>• The percentage of expenses on wages, salaries and other expenses has been in the rise since the last few years, which calls for an urgent attention. In the last two years, the contribution was approx. over 40%, which is significantly very high.</li> <li>• It is highly recommended that an option of reducing the cost of the wages towards workers and salaries of the employees by approximately 10% to 15% be explored. This will enable reduction of expenses of wages and salaries of workers and employees by approximately Rs. 30 to 45 lakhs per annum on an average.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
II	<p><b>Non-Critical Issues:</b></p> <p>No such observation has come to our attention.</p>		

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**4.04 Bad and doubtful debts over total trade receivables:**

**4.04.01 Our analysis of the data provided by KSCDCL:**

**(a) Chart # 4.04.01.01 –Comparison of Bad and Doubtful Debts over Total Trade Receivables of FY 13/14 to FY 17/18**

KSCDCL has some bad debts every year.

Items	Unit	FY 13/14	FY 14/15	FY 15/16	FY 16/17	FY 17/18	Average of FY 13/14 to 17/18
Bad and Doubtful Debts	in Lakhs of Rs.	28	28	28	26	26	27
Total Trade Receivables	in Lakhs of Rs.	432	866	557	632	495	597
Percentage of 'Bad and Doubtful Debts' over 'Total Trade Receivables'	in %	6	3	5	4	5	5

**4.04.02 Our observations, assessment, inferences and recommendations and proposed timeline for closure of issues:**

Sl. #	Observations	Assessment, Inference and Recommendation	Timeline of Action Proposed
<b>I Critical Issues:</b>			
	No such observation has come to our attention.		
<b>II Non-Critical Issues:</b>			
I	On an average, since the FY 13/14 till FY 17/18, KSCDCL had approx. 5% of bad and doubtful debts, vis a vis the total trade receivable.	KSCDCL may explore an option of reducing the bad and doubtful debts every year. Even a 50% reduction in bad and doubtful debts, will facilitate in the increase of trade receivables by another Rs. 1.5 million.	Mid-term action plan proposed, spread over the next 3 years.

#### 4.05 The macro level financial indicators:

##### 4.05.01 Parameters evaluated:

The following key macro-level financial parameters have been analyzed for the assessment of the financial status of KSCDCL at an umbrella level for the organization;

- (a) Total Revenue;
- (b) Total Expenses;
- (c) Interest and Finance Charges;
- (d) Profit Before Tax;
- (e) Net worth (i.e. Total Assets less Total Liabilities);
- (f) Current Ratio (i.e. Current Assets/Current Liabilities);
- (g) Quick Ratio (i.e. Current Assets less Inventories/Current Liabilities); and
- (h) Cash Ratio (i.e. Cash and Cash Equivalents/Current Liabilities)

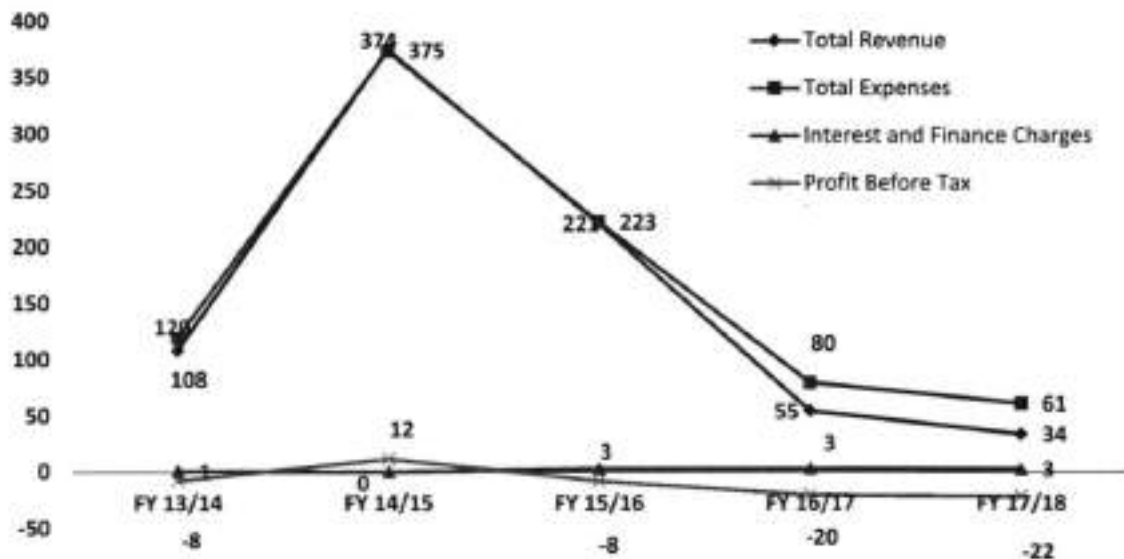
In context to the above, the following have been considered for the assessment of Net Worth, Current Ratio, Quick Ratio and Cash Ratio:

- Total Assets - This includes the following two components, as presented below:
  - Non-Current Assets – this includes the following:
    - ✓ Fixed Assets (i.e. both tangible & intangible assets) 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 and
    - ✓ Other long-term liabilities and provisions, inclusive of unutilized grants received from government.
  - Current Liabilities – this includes the following:
    - ✓ Trade payables,
    - ✓ Other current liabilities,
    - ✓ Short term provisions and
    - ✓ Short-term borrowings, if any.

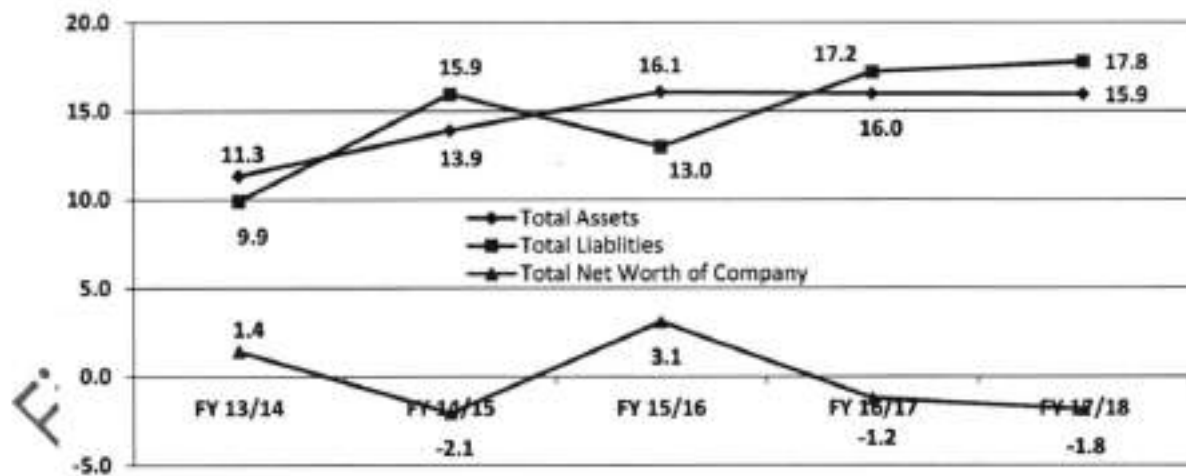


4.05.02 Our analysis of the data provided by KSCDCL:

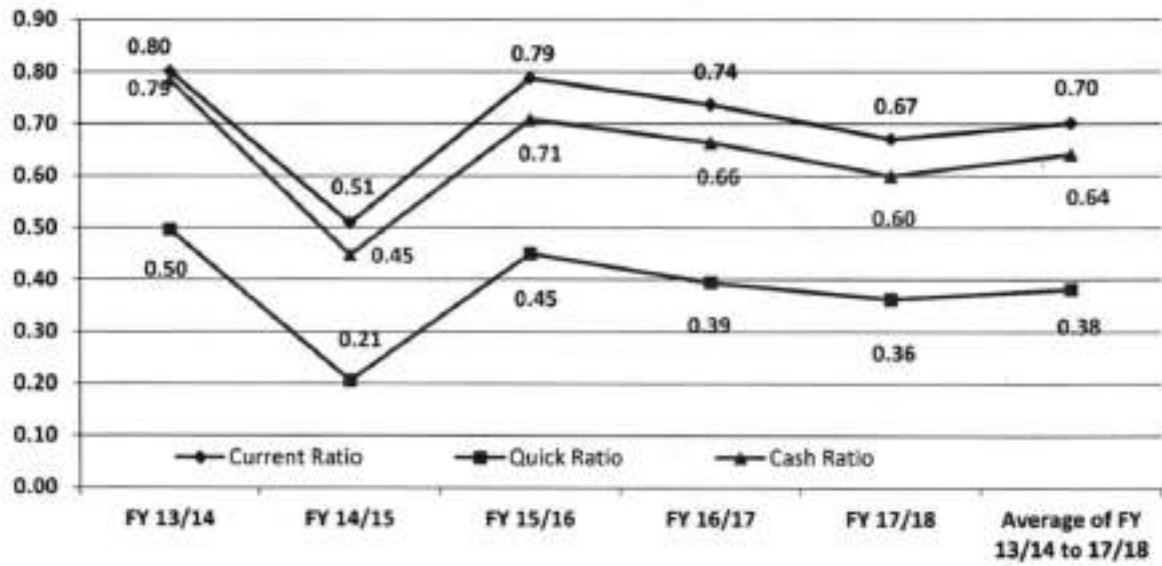
(a) Chart # 4.05.01–Past Performance of the Revenue, Expenses, Profit Before Tax and the Finance Charges of FY 13/14 to FY 17/18 (in Million of Rupees)



(b) Chart # 4.05.02–Past Performance of Total Assets, Total Liabilities and Total Net Worth of FY 13/14 to FY 18/19 (in Crores of Rupees)



(c) Chart # 4.05.03—Past Performance of Current Ratio, Quick Ratio and Cash Ratio of FY 13/14 to FY 18/19



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4.05.03 Our observations, assessment, inferences and recommendations and proposed timeline for closure of issues:

Sl. #	Observations	Assessment, Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Issues:</b></p> <p>The average current ratio of the past 5 years till the end of FY 17/18 is 0.7 since the past few years.</p>	<ul style="list-style-type: none"> <li>Current ratio is an indication of KSCDCL'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. Unfortunately, trend analysis of the current ratio seems to be stagnant and has been in the declining trend. It is advisable that KSCDCL explore option of improving its current ratio, based on the recommendations provided earlier in this report and take it to a minimum good practice ratio of 2.</li> </ul>	Short-term action plan proposed, spread over the next 1 year, for improving the Current Ratio.
2	<p>The average quick ratio of the past 5 years till the end of FY 17/18 is 0.64, since the past few years.</p>	<ul style="list-style-type: none"> <li>Quick ratio 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 KSCDCL the Quick ratio has also been in a declining trend.</li> <li>It is advisable that KSCDCL explore option of improving its quick ratio, based on the recommendations provided earlier in this report and take it to a minimum good practice ratio of 1.</li> </ul>	Short-term action plan proposed, spread over the next 1 year, for improving the Quick Ratio.
3	<p>The average cash ratio of the past 5 years till the end of FY 17/18 is 0.7 since the past few years.</p>	<p>While there is no fixed norm for cash ratio, it is recommended that KSCDCL consider measures that shall facilitate its increase of cash equivalents.</p>	Short-term action plan proposed, spread over the next 1 year, for improving the cash ratio.
4	<p>The total net-worth and liabilities of KSCDCL as compared to total assets of KSCDCL are in positive direction.</p>	<ul style="list-style-type: none"> <li>The trend curve indicates that the total net-worth of KSCDCL has been in the negative, since the past few years;</li> <li>The liabilities of the company are also in an increasing trend and are placed much higher than the curve of the total assets of KSCDCL.</li> </ul>	Mid-term action plan proposed, spread over the next 3 years.

SL #	Observations	Assessment, Inference and Recommendation	Timeline of Action Proposed
		<ul style="list-style-type: none"> <li>It is recommended that KSCDCL considers all options to reduce the liabilities of the company, to improve its overall financial health and net worth.</li> </ul>	
<b>II</b>	<b>Non-Critical Issues:</b>		
	No such observation has come to our attention.		

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## Chapter # 5: ANALYSIS OF KEY INPUTS OBTAINED FROM THE EXTERNAL STAKEHOLDERS CONSULTED; OUR INFERENCES AND RECOMMENDATIONS

### 5.01 Inputs obtained in the manufacturing unit of Kunthurdodi

#### 5.01.01 Brief of the discussions held with the artisans:

- KSCDCL has set up approx. 44 production centers till the end of FY 17/18, primarily in the smaller cities/remote locations of the state of Karnataka. This has facilitated in creation of employment for the social backward and financially weaker section of the society, primarily belonging to SC/STs and the other backward classes. The women of those locations have primarily benefitted from such employment opportunities.
- The production unit has one production manager who is the only permanent employee. In addition to a production manager, there are 30 number of artisans/workers, who work on contract basis, of which 10 are females and the balance 20 are males. Of the 20 male workers, 4 are in the role of team leaders and around 26 of them are shop floor workers. Women are involved more in support functions, such as cleaning and pouring fibres, etc. All workers work for 8 hrs. per day both in board and mat manufacturing.

#### 5.01.02 Our analysis of secondary research:

##### Applicability of ESI Act and Rules:

- ESI scheme is a self-financing social security and health insurance scheme for Indian workers. This fund is managed by the Employees' State Insurance Corporation (ESIC) according to rules and regulations stipulated in the ESI Act 1948. The ESI Act is designed to accomplish the task of protecting employees working in factories, against the impact of incidences of sickness, maternity, disablement and death due to employment injury and to provide medical care to insured persons and their families.
- The ESI Scheme applies wherein 10 or more persons are employed and in some states the threshold limit is 20. As per the rules specified, an employee drawing wages up to Rs. 21,000/- per month is entitled to social security cover under the ESI Act.
- The ESI Scheme is financed by contributions from employers and employees. The rate of contribution by employer is 4.75% of the wages payable to employees. The employees' contribution is at the rate of 1.75% of the wages payable to an employee. Employees, earning less than Rs. 137/- a day as daily wages, are exempted from payment of their share of contribution.

##### Applicability of Factory's Act and Rules:

- The Factories Act, 1948 (Act No. 63 of 1948), as amended by the Factories (Amendment) Act, 1987 (Act 20 of 1987) and serves to assist in formulating national policies in India with respect to occupational safety and health in factories and

docks in India. It deals with various problems concerning safety, health, efficiency and well-being of the persons at work places. The Act is administered by the Ministry of Labour and Employment in India through its Directorate General Factory Advice Service & Labour Institutes (DGFASLI) and by the State Governments through their factory inspectorates. DGFASLI advises the Central and State Governments on administration of the Factories Act and coordinating the factory inspection services in the States.

- The Act is applicable to any factory using power & employing 10 or more workers and if not using power, employing 20 or more workers on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on with the aid of power, or is ordinarily so carried on, or whereon twenty or more workers are working, or were working on any day of the preceding twelve months, and in any part of which a manufacturing process is being carried on without the aid of power, or is ordinarily so carried on; but this does not include a mine, or a mobile unit belonging to the armed forces of the union, a railway running shed or a hotel, restaurant or eating place.

□ **Applicability of The Contract Labour (Regulation & Abolition) Act and Rules:**

- The Contract Labour (Regulation and Abolition) Act, 1970 & Rules 1971, has been enacted by the Indian legislature from the year 1970. The Act intends to prohibit the employment of contract labour in certain circumstances and to regulate the working conditions of contract labour during employment.
- The Contract Labour (Regulation and Abolition) Act applies to:
  - ✓ Any establishment in which twenty or more workmen are employed on any day of the accounting year as contract labour (Sec 2(e) of the Act defines "establishment" as - (i) any office or department of the Government or a local authority, or (ii) any place where any industry, trade, business, manufacture or occupation is carried on);
  - ✓ Any contractor who employs or who employed twenty or more workers on any day of the accounting year (hereby, a contractor is a person who takes over the responsibility to produce a given result for the establishment, other than a supply of goods or services of manufacture to such establishment, through contract labour or the person who provides contract labour for any work of the establishment and includes a sub-contractor).
- The Contract Labour (Regulation and Abolition) Act does not apply to the establishments if any work performed is of intermittent nature or is not performed for more than one-twenty days in a year or if the establishment is situated in the special economic zone (SEZ) or if the establishment for any work performed is of seasonal nature and is spread for more than sixty days in a year.
- KSCDCL's establishment in Channarayapatana has over 10 workers/artisans. Moreover, KSCDCL as a government organization is an establishment as a whole, which has around 350 workers who work on contract basis. In view of the above requirements, it is very likely KSCDCL comes under the applicability of rule # 1 (4) (a) and 2 (e) (i) and of the Contract Labour (Regulation & Abolition) Act, 1970 & Rules 1971. This therefore calls for maintenance of Muster Roll, Wages Registers, Deduction

Register and Overtime Register as per rule # 78 of the said rules, apart from other requirements.

□ **The Contract Labour (Regulation & Abolition) Karnataka Rules 1974 and Contract Labour (Regulation and Abolition) Karnataka Rules, 1974**

- The Contract Labour (Regulation & Abolition) Karnataka Rules, 1974 applies to whole State of Karnataka and for all the units in Karnataka other than Central Government; it governs the appointment and working conditions of contract labour in Karnataka;
- The Contract Labour (Regulation and Abolition) Karnataka Rules, 1974 requires every principal employer employing contract labour as specified (currently it is specified as 20 or more number of contract workers) on any day of the preceding 12 months as contract labour to register itself under Contract Labour (Regulation and Abolition) Act, 1974 and requires the contractors to apply for a license before engaging any contract labour - the license is subject to certain conditions as specified in Contract Labour (Regulation and Abolition) Act, 1970; it also makes provisions for the issue of duplicate or amended certificate and the renewal of certificate of registration;
- Contract Labour (Regulation and Abolition) Act, 1970 and the Contract Labour (Regulation and Abolition) Karnataka Rules, 1974 mandate that the contractor must provide canteen (above 100 contract labours), rest-rooms, latrines, urinals and first-aid facilities to the workers. In case of failure to do so, the principal employer must provide these facilities to the contract workers employed at their establishment.
- The wage period must be fixed and notified; the contractor and the principal employer must also maintain the registers specified in respect of the contract workers, display notices and abstracts as specified and file returns half yearly and annually, as the case may be.

□ **Environmental based regulations**

- On account of very likely applicability of the Factory's Act and Rules, various environmental based regulations such as, Water Act and Rules; Water Cess Act and Rules; Air Act and Rules; Hazardous Waste Management and Handling Rules; Indian Boiler Act and Rules; The Electricity Act and Rules; The Environmental Protection Act 1986 and Rules 1986; Local municipality ground water withdrawal regulatory requirements, etc. and other rules that may have an application in the manufacturing units of KSCDCL are very likely to come into application in the manufacturing facilities of KSCDCL.

In view of the above-mentioned eligibility requirements, it is very likely that the KSCDCL will fall under the applicability of such laws. It is therefore recommended that KSCDCL explores the compliance requirements with such laws.

**5.01.03 Our observations and assessment, inferences and recommendations and proposed timeline for closure of issues:**

Our consultation with the select beneficiaries has led to identification of some gaps and challenges that are currently faced by them, which are presented below. These challenges have been further analyzed by us, followed by the submission of our recommendations.

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Observations</b></p> <p>The contract workers are aggrieved that they are not provided with Employee State Insurance (ESI) benefits as per ESI Schemes. This unfortunately, impacts their sustenance very severely, when subjected to medical expenses.</p>	<ul style="list-style-type: none"> <li>It is very likely that the production facility comes under the purview of the ESI Act and Rules, since the number of contract employees working either as temporary employees or artisans/workers in the manufacturing unit is more than 20, whereby, none of the artisans/temporary employees draw a wage equal to more than Rs. 21,000/- per month.</li> <li>Hence, to be in compliance with the applicable legal requirements it is recommended that the contract artisans/workers and employees are provided with medical insurance/ benefits, as per the requirements of the ESI scheme.</li> </ul>	Short-term action proposed over the next 1 year.
2	<p>Toilet facilities are available but are not well maintained, thereby leading to serious unhygienic issues. Women in general have expressed that they are highly uncomfortable with the existing toilet facilities.</p>	<ul style="list-style-type: none"> <li>Since the manufacturing unit employs more than 10 contract workers/artisans inside its manufacturing facility, which runs through the application of power, it is quite likely that the production facility comes under the purview of the following rules that are notified by the Gov:                             <ul style="list-style-type: none"> <li>Factory's Act and State Factories Rules, and</li> <li>Contract Labour (Regulation and Abolition) Act, 1970 and the Contract Labour (Regulation and Abolition) Karnataka Rules, 1974; and</li> <li>The Contract Labour (Regulation &amp; Abolition)</li> </ul> </li> </ul>	Short-term action plan proposed, spread over the next 1 year.



Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
		<p>Karnataka Rules 1974 and Contract Labour (Regulation and Abolition) Karnataka Rules, 1974.</p> <ul style="list-style-type: none"> <li>Unhygienic conditions become a deterrent for workers to work in such manufacturing facilities, as it may impact their health. As such, it is recommended that: <ul style="list-style-type: none"> <li>Basic health and hygiene facilities for the workers are ensured for the workers and accordingly basic hygiene facilities, such as clean and secured toilets are set up and managed inside the manufacturing facility, in alignment with the requirements of the said rules;</li> <li>Hereby, since the contractor itself is the principal employer, hence it becomes the responsibility of KSCDCL, in the likely applicability of the rules, to provide rest-rooms, latrines, urinals and first-aid facilities to the contract workers employed at its establishment.</li> </ul> </li> </ul>	
3	<p>No license obtained by KSCDCL to employ contract workers, as per provisions of The Karnataka State Contract Labour Act and Rules.</p>	<ul style="list-style-type: none"> <li>Since it is very likely that KSCDCL will come under the applicability of the following rules, it is therefore being recommended that KSCDCL accordingly obtains the necessary approvals as per the requirements of the following rules: <ul style="list-style-type: none"> <li>Contract Labour (Regulation and Abolition) Act, 1970 and the Contract Labour (Regulation and Abolition) Karnataka Rules, 1974; and</li> <li>The Contract Labour (Regulation &amp; Abolition) Karnataka Rules 1974 and Contract Labour (Regulation and Abolition) Karnataka Rules, 1974.</li> </ul> </li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
4	<p>KSCDCL being the principal employer is not maintaining appropriate registers as specified in respect of the contract workers. Neither they file</p>	<p>Since, it is very likely that KSCDCL comes under the applicability of the Contract Labour (Regulation &amp; Abolition) Act, 1970 &amp; Rules 1971, it is therefore recommended that it complies with the requirements of</p>	<p>Short-term action plan proposed, spread over the</p>

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
	returns on half yearly and annually, as the case may be.	maintenance of Muster Roll, Wages Registers, Deduction Register and Overtime Register of the said rules, apart from other requirements, such as filing of returns at an appropriate periodic frequency.	next 1 year.
<b>I</b>	<b>Non-Critical Observations</b>		
5	<p>GoK's Anurupa scheme that has come in application since 2017 facilitates a worker/artisan to receive an equal amount of wage that is paid to them by KSCDCL. However, the payment pertaining to the Anurupa scheme is released by the Govt. after a few months.</p> <ul style="list-style-type: none"> <li>Inclusive of the component of Anurupa scheme, the artisans have said that as compared to the production of MDF boards, the production of mats, which require more effort, yield in lower wages. Needless to mention, production of MDF boards itself is a low wage job. The artisans have said that they are barely able to manage to meet their livelihood needs with such low wages.</li> </ul>	<p>Although some cheer has been brought to the workers on accounting of doubling of their pay package through the Anurupa scheme, yet on an overall, such artisans/workers aren't very much satisfied or happy. Based on discussion with the artisans/workers, the earnings of a male employees inclusive of the Anurupa scheme, has been assessed to be varying in between Rs. 8,000/- to Rs. 12,000 per month, i.e. @Rs. 96,000/- Rs. 1,44,000/- per annum; and that of a female on an average of Rs. 6,000/- per month, accounting to Rs. 72,000/- per annum.</p> <ul style="list-style-type: none"> <li>It is recommended that KSCDCL aggressively pushes the sales, which in turn will propel more production, thereby resulting in increased wages for the artisans. Low take-home wages may result in gradual attrition of workers/artisans in KSCDCL, as these artisans may start seeking employment with other private players in the coir business or may move to other trades.</li> </ul>	Mid-term action plan proposed, spread over the next 3 years.

**5.02 Inputs obtained in the manufacturing unit of Navile Thimmalapura, Channarayana Taluk**

**5.02.01 Brief of the discussions held with the artisans:**

The working hour of the unit is from 9am.to 5pm.A majority of the workers are female barring a few men.

**5.01.02 Our analysis of secondary research:**

Same as the manufacturing unit of Kunthurdodi.

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### 5.02.03 Our observations, assessment and recommendations:

Our consultation with the select beneficiaries has led to identification of some gaps and challenges that are currently faced by them, which are presented below. These challenges have been further analyzed by us, followed by the submission of our recommendations.

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Observations:</b></p> <p>The workers are aggrieved that they are not given masks, gloves and boots while handling the coir fibre or the dust that is generated during the de-fibering process.</p>	<p>It is very likely that the production facility comes under the purview of Factory's Act and State Factories Rules, notified by the Gov. As such, it is recommended that face masks be provided to the workers to prevent the inhalation of respirable dust particles that are harmful and is likely to cause health problems in the long run.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
2	<p>Similar to observations # 1 to 4 of Section # 5.01.03 pertaining to the manufacturing unit of Kunturhoddi.</p>	<p>Since, KSCDCL is likely to come under the applicability of the Contract Labour (Regulation &amp; Abolition) Act, 1970 &amp; Rules 1971 and the Karnataka State Contract Labour (Regulation &amp; Abolition) Rules, it is therefore recommended that KSCDCL complies with the requirements of maintenance of Muster Roll, Wages Registers, Deduction Register and Overtime Register of the said rules, apart from other requirements. This information is currently not being documented by KSCDCL.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
3	<p>There is a disagreement in between the workers and the production manager at the site, who disburses the wages to the workers on a monthly basis. The production manager has mentioned that:</p> <ul style="list-style-type: none"> <li>He calculates the wages of all workers using the attendance register that he maintains for his own reference and accordingly, gives away the wages as per the days the workers have worked;</li> <li>On some occasions, the wages exceed the amount disbursed by KSCDCL. Hence the production manager pays the wages from his own</li> </ul>	<ul style="list-style-type: none"> <li>It is highly being recommended that:                             <ul style="list-style-type: none"> <li>The aforesaid documentations are maintained by the manufacturing facilities of KSCDCL;</li> </ul> </li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
	pocket.	<ul style="list-style-type: none"> <li>✓ Moreover, based on the registers maintained, the wages could be disbursed by the head office of KSCDCL.</li> <li>✓ KSCDCL may like to enquire of the incidence and accordingly find out the truth behind the discontent, if any and accordingly, settle the matter.</li> </ul>	
<b>II Non-Critical Observations:</b>			
4	The workers are aggrieved that their wages, especially the Anurupa component reaches to them after 3 or 4 months. They have also expressed their desire of transfer of their money directly into their bank account.	It is being recommended that KSCDCL could explore the option of depositing the wages of the workers well in time, directly into their bank account, to prevent an unnecessary impact on their livelihood.	Mid-term action plan proposed, spread over the next 3 years.

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**Chapter # 6: ANALYSIS OF KEY INPUTS OBTAINED FROM THE INTERNAL STAKEHOLDERS CONSULTED: OUR INFERENCES AND RECOMMENDATIONS**

**6.01 Inputs obtained from the production manager of the manufacturing unit of KSCDCL, Kuthuriodi**

**6.01.01 Brief of the discussions held with the production manager:**

Total production on a monthly basis is Rs. 25 lakhs to Rs. 30 lakhs worth of products, including both board and mats production, of which the total production cost/month is approximately Rs. 8 to 10 lakhs.

**6.01.02 Our observations, assessment and recommendations:**

Our consultation with the production manager has led to identification of some gaps and challenges that are currently faced by them, which are presented below. These challenges have been further analyzed by us, followed by submission of our recommendations.

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Observations</b></p> <p>The facility has a potential to manufacture 100 mats per day. Both a female and male can manufacture the same number of mats in the same time. A maximum of 10 mats could be produced per day in a span of 8 hours per day by every worker. However, only 50 mats are being produced per day. The production manager has also mentioned that is no issue with availability of raw materials.</p>	<ul style="list-style-type: none"> <li>With a minimum of 10 workers, the facility therefore has a potential to manufacture up to the full capacity of 100 mats per day, whereas it is currently limited to 50% of its full capacity.</li> <li>For a loss of production of 50 units of mats per day, for approx. 300 working days, the loss in revenue in a year @ Rs. 51 per mat is = Rs. 50 x 300 x 51 = Rs. 765,000 /-.</li> <li>With no issues in availability of raw material and subject to the condition that there is substantial demand of the product in the market, KSDCDL may consider the increase in</li> </ul>	Short-term action plan proposed, spread over the next 1 year.

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
2	<p>Documentations pertaining to legal approvals pertaining to the following could not be provided by the facility:</p> <ul style="list-style-type: none"> <li>License for running the factory from Factory Inspectorate as per Factories Act and State Factories Rules;</li> <li>Boiler certificate or fitness certificate, as per Indian Boiler Act and Rules;</li> <li>Approval for withdrawal of water from the bore-well from the local municipality authority;</li> <li>Water Act and Rules; Water Cess Act and Rules; Air Act and Rules; Hazardous Waste Management and Handling Rules; The Environmental Protection Act 1986 and Rules 1986;</li> <li>Approval as per Air Act and Rule and EPA Act and Rules from the concerned local pollution control authority, for the installation and running of the stack; and</li> <li>Approval for treatment and appropriate discharge of the treated effluent from the concerned local pollution control authority.</li> </ul>	<p>the production and thereby, the revenue from the sale of this product.</p> <p>Absence of the applicable legal approvals, if any, may result in closure of the manufacturing unit. KSCDCL may therefore take appropriate measures to obtain necessary approvals of the said regulatory requirements, wherever found to be applicable.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
3	<p>The production unit manager gets a meager wage of Rs. 14,000/month but without medical and PF benefits.</p>	<ul style="list-style-type: none"> <li>It is very likely that the production facility comes under the purview of the ESI Act and Rules, since the number of contract employees working either as temporary employees or artisans/workers in the manufacturing unit is more than 20, whereby,</li> </ul>	<p>Short-term action plan proposed over the next 1 year.</p>

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
		<p>none of the artisans/temporary employees draw a wage equal to more than Rs. 21,000/- per month.</p> <ul style="list-style-type: none"> <li>Hence, to be in compliance with the applicable legal requirements it is recommended that the contract artisans/workers and employees are provided with medical insurance/ benefits, as per the requirements of the ESI scheme.</li> </ul>	
4	<p><b>II. Non-Critical Observations</b></p> <p>The workers have said that they could barely manage to make ends meet with the wages they receive during production of MDF board but when it comes to production of mats, they complained that the wages are too small compared to the effort that needs to be put in.</p>	<p>Further, with the workers complaining of low wages earned through mat production, KSCDCL could explore the possibility of investment and production of PVC/Latex Tufted mats through machines. Such machines have a capacity to produce 100 sq.m. of mats with 12 mm to 30 mm height in one hour<sup>1</sup>. Moreover, these tufted mats have a lot of significant demand both in the international and domestic market.</p>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

NB: 1 – A report published by MSME on Coir Floor Coverings, published by India International Coir Fair 2016, Coimbatore

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## 6.02 Inputs obtained from the production manager of the manufacturing unit of KSCDCL, Navile Thimmalapura

### 6.02.01 Brief of the discussions held with the production manager:

- This unit produces only coir fibre and coir pith. Coconut husks are bought at a rate of Rs. 750 per 1000 coconut husk units. Approx. 12,500 coconut husk units are required to produce 1 ton of fibre and 2 tons of pith. The unit has a large de-husking unit and a bursting unit which separates the fibre from the pith, thus producing these two as finished raw materials. The fibre and pith production is in 1:2 ratio, i.e. for every ton of fibre produced, twice the quantity of pith is produced. The fibre production is approx. 6 to 7 tonnes/month and pith production is approx. 12 to 14 tonnes/month.
- All fibre produced is transported to KSCDCL production centres for the production of other end products, such as mats, curled rope, boards, etc. Only pith is sold in the open market at the rate of Rs. 2/kg, which is bought mostly by private nurseries.
- There is one production manager and around 10-15 female workers who have been recruited on contract basis. However, on an average 8 workers are present at a given time. The workers work for an average of 22 days per month.
- Wages are paid on the basis of Rs. 3.50/kg of fibre produced. With the introduction of Anurupa scheme from April 2017, the workers get an equivalent amount with respect to their wage. Hence, an equal amount of Rs. 3.5/kg. is additionally added to their wages to make it a total of Rs. 7 per kg. of fibre produced. The production manager however doesn't pay to each worker, on a per piece rate, rather the payment is done on the basis of a fixed rate of Rs. 150/- for every 8 hours of job in a day. However, only an approximate of 2 to 3 number of workers actually work for the full schedule of 8 hours.
- The production manager says he receives on an average Rs. 25,000/- to Rs. 27,000/- per month from KSCDCL as wages that needs to be given to the workers. The production manager gets around Rs. 10,500/month as salary.

#### 6.02.02 Our observations, assessment and recommendations:

Our consultation with the production manager has led to identification of some gaps and challenges that are currently faced by them, which are presented below. These challenges have been further analyzed by us, followed by submission of our recommendations.

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
I	<b>Critical Observations</b>		
1	Frequent power outages prevent the facility from reaching its full capacity of production.	Loss of production could be assessed and accordingly the installation of a generator could be explored at the site, to ensure continuous availability of power.	Mid-term action plan proposed, spread over the next 3 years.
II	<b>Non-Critical Observations</b>		
2	Temporary employees are aggrieved that there has not been conversion of the contract workers to permanent employment, for quite a long span of time.	It is recommended that KSCDCL explores the provision of converting the contract employees to permanent employment to motivate the contract employees.	Mid-term action plan proposed, spread over the next 2 to 3 years.

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**6.03 Inputs obtained from the Sales Showroom Manager of KSCDCL, Mysore**

**6.03.01 Brief of the discussions held with the manager of the showroom:**

KSCDCL was started in 1985 for the benefit of the coir sector - predominantly its workers. Most of the works are from socially disadvantaged sections that include SC/ST & OBC beneficiaries.

**6.03.02 Our observations, assessment and recommendations:**

Our consultation with the manager of the showroom has led to identification of some gaps and challenges that are currently faced by them, which are presented below. These challenges have been further analyzed by us, followed by the submission of our recommendations.

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Observations</b></p> <p>There is no basis of setting targets to contract employees. Targets are arbitrarily increased by double, in the subsequent year. Targets change at will or with the change in top management, which is quite frequent.</p>	<p>It is recommended that target need to be ideally set on the basis of market demand and economic conditions. It should also be set on the basis of some scientific analysis. (Detailed recommendation on this issue has been presented in this report, earlier.)</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
2	<p>There is a discontent that the concerned department in KSCDCL is not being procuring and or transporting the raw materials timely, which further becomes a challenge for the contract workers in the timely achievement of their production target.</p>	<p>To prevent further unrest in the mind of the contract employees and to motivate them to give their best, it is recommended that timely delivery of the raw materials is made accessible to the workers, in their respective manufacturing facility.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
3	<p>For failing to deliver on the assigned production targets, the monthly wages of the contract employees get significantly affected, as their wages are directly linked</p>	<p>It is recommended that the concerned employees of the KSCDCL, across all levels connected with the marketing and sales of products should be made responsible and accordingly motivated to</p>	<p>Short-term action plan proposed, spread over the</p>

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
4	<p>to the production delivered by them on the basis of assigned targets. As such, if the production targets are not met, a percentage of the employee's salary is deducted - this unfortunately on most occasions significantly impacts their livelihood.</p> <p>Approximately 20% to 30% of the products manufactured by KSCDCL are primarily sold in the domestic and the balance 70% to 80% of the products are sold in the govt. departments of Karnataka, which quite often are sold at a large discount. This hurts the ability of KSCDCL to meet its production cost and attain free market price realization.</p>	<p>aggressively push and deliver the sales figure jointly and accordingly, take a deduction in their salary on pro-rata basis, if KSCDCL as a whole has not been able to achieve the sales volume target. This will in turn bring some accountability and zeal in the management level to deliver on the overall sales target of KSCDCL.</p> <p>It is recommended that KSCDCL aggressively considers marketing its products both in the domestic and international markets and selling the finished products thru e-commerce platforms or in the open market at a high profit, rather than being significantly dependent on the sale of its products to the govt. enterprises in Karnataka, at a substantial discount.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
5	<p>Lack of availability of appropriate skilled workers in KSCDCL and their outdated skills is not enabling increase in production and/or productivity, thereby leading to under or inefficient capacity utilization.</p>	<ul style="list-style-type: none"> <li>Such factors hurt the ability of KSCDCL to meet its annual production target, thereby resulting in loss of revenue and negligible profits or no profits, which in turn has a cascading effect of KSCDCL's inability to pay sufficient wages. Such a viscous cycle continues year after year, which unfortunately results in discontent in the mind of the workers, resulting in low morale, low productivity or a gradual surge in attrition.</li> <li>Coir sector is a labor-intensive industry and has the potential of providing employment especially to the underprivileged sections of society. At the same time, with rapid mechanization of this business sector, it is recommended that KSCDCL invests in machine technologies and in training and motivating its</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
6	<p>Employees are aggrieved that there is lack of transparency, as salary slips with details of the break-up is not provided either to permanent or temporary workforce; neither travel allowance nor payment for leave encashment is paid to the workforce. ID cards too have not been distributed to the workers.</p> <p>Temporary employees are aggrieved that they are not being provided with medical insurance/benefits, which unfortunately makes their sustenance difficult in case of medical exigency.</p>	<p>workforce, to be able to cater to the market demand of value-added products and also contribute in efficient and higher production.</p> <p>It is recommended that the KSCDCL deals more transparency on such matters, to boost the confidence of the employees, with a special mention to financial matters that has a legal connotation, such as, provision of a break-up in the salary slips.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
7	<p>Temporary employees are aggrieved that they are not being provided with medical insurance/benefits, which unfortunately makes their sustenance difficult in case of medical exigency.</p>	<p>Benefits as per ESI Schemes could be explored for the temporary employees, drawing a salary of less than Rs. 21,000/- per month. (Detailed recommendation on this issue has been presented in this report, earlier.)</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
8	<p><b>II Non-Critical Observations:</b></p> <p>Managing Directors (MDs) in KSCDCL are being reshuffled quite often, as such the employees have a feeling that the MDs are not being able to get a full understanding of the grievances of the employees or have a grasp over the affairs of the industry as a whole. This according to the employees of KSCDCL, hurts the interest of the employees and of KSCDCL as a whole at an overall level, on account of lack of continuity or probable commitment and in addressing the grievances of the employees on the part of the MDs.</p>	<p>Such factors demotivate the morale in employees. It is therefore recommended that employee grievances be addressed by MD, on periodic basis.</p>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
9	<p>KSCDCL has approx. 35 permanent and 45 temporary contract employees who have been working since 1991/92 and currently of the age bracket of 51 to 52 years:</p> <ul style="list-style-type: none"> <li>• These old employees are yet to be made permanent;</li> <li>• Moreover, the salary too has not increased significantly – since the first salary of Rs. 750/- in 1991, the salary currently stands at Rs. 6,300/-. As such, since, these employees are paid a meager salary, therefore they quit after a few months;</li> <li>• Salary at times is not paid in time and gets delayed by over 3 to 6 months.</li> </ul>	<p>Such poor salaries provide no incentive to such employees and are therefore not motivated to give their best. Moreover, such instances don't create an appeal in the mind of the budding new and skilled talents to engage with KSCDCL as an employee, it is therefore recommended that:</p> <ul style="list-style-type: none"> <li>• The concerns of the contract employees of KSCDCL are addressed at the earliest, with a focus on disbursement of the salary in time, to be able to retain the existing skilled workforce and for attracting new and young talents;</li> <li>• KSCDCL also explores the option of converting the contract employment to permanent employment for employees who are old in the system and explore medical benefits for such employees.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
10	<p>Lack of availability of appropriate skilled workers in KSCDCL and their outdated skills is not enabling increase in production and/or productivity, thereby leading to under or inefficient capacity utilization.</p>	<ul style="list-style-type: none"> <li>• Such factors hurt the ability of KSCDCL to meet its annual production target, thereby resulting in loss of revenue and negligible profits or no profits, which in turn has a cascading effect of KSCDCL's inability to pay sufficient wages. Such a vicious cycle continues year after year, which unfortunately results in discontent in the mind of the workers, resulting in low morale, low productivity or a gradual surge in attrition.</li> <li>• Coir sector is a labor-intensive industry and has the potential of providing employment especially to the underprivileged sections of society. At the same time, with rapid mechanization of this business sector, it is recommended that KSCDCL invests in machine technologies and in training and motivating its</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

Sl. #	Observation and Assessment	Inference and Recommendation	Timeline of Action Proposed
		workforce, to be able to cater to the market demand of value-added products and also contribute in efficient and higher production.	

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#### 6.04 Inputs obtained from the Heads of various functions of KSCDCL, of the Head Office of KSCDCL, Bangalore

##### 6.04.01 The critical internal stakeholders consulted:

The personnel of CSD had discussions with the respective departmental heads of KSCDCL for understanding the challenges across each department and accordingly has proposed the recommendation for improving the performance of KSCDCL and in further strengthening its business operations. Details of the persons consulted is presented in the table below.

##### (a) Chart # 6.04.01.01 - Names of heads of various functions of KSCDCL, consulted

Sl. #	Name of Department	Name of Person	Designation
1	Marketing	Mr. Teertharaj	Marketing Manager
2	Development	Mr. Rajsekhar H K	Deputy Production Manager (Development section)
3	Administration	Ms. Uma	Manager Admin.
4	Production	Mr. Ravi Kumar	Production Manager
5	Accounts	Mr. Venkatesh D	
		Ms. Usha K M	Accounts Manager

The discussion with the respective departmental head at the corporate office of KSCDCL, focused on the following subject matters:

- Review of the annual reports of the past 5 years;
- Inputs obtained from the consultation process with the internal and external stakeholders during the site visit to the various production facilities of KSCDCL that were conducted by CSD personnel;
- Review of the objectives with which KSCDCL was set up; and
- Review of the various central and state government schemes implemented by KSCDCL, in consultation with the departmental heads of KSCDCL.

##### 6.04.02 Our observations, assessment and recommendations based on various challenge faced by KSCDCL:

Our consultation with the aforesaid personnel of KSCDCL has led to the identification of some of the challenges that are currently being faced by KSCDCL, which have led to our following key inferences and recommendations, which are as presented below.



Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
1	<p><b>(a) Critical Observations Administration Department</b></p> <p>The production manager in-charge of the facility is paid on the basis of percentage of target achieved. If the stipulated target is not achieved then a certain percentage is cut from his monthly wages. The consequences of the percentage-wise break-up of salary, if the production target is not achieved, is presented below:</p> <ul style="list-style-type: none"> <li>• Less than 25% of target achieved: The salary is withheld;</li> <li>• 25% - 50% of target achieved: The salary is deducted;</li> <li>• Greater than &gt;50% of target achieved: The fully salary is paid.</li> </ul>	<ul style="list-style-type: none"> <li>• Achievement of target is not possible through intervention of the concerned personnel, primarily the ones representing the production, marketing and HRD departments. The compensation of the personnel of the production department and training departments, wherever applicable, should also be held accountable if the training imparted is not adequate;</li> <li>• It may be construed as an unfair practice that on account of lack of support from the higher-ups, the production managers are not able to achieve the targets, which may result in no or very poor low take home salary. It is therefore recommended that such personnel representing the aforesaid departments explore various means and options that shall ensure full capacity utilization of the workers and accordingly conduct frequent monitoring of the workers and their producing capability.</li> </ul>	Short-term action plan proposed, spread over the next 1 year.
2	<p><b>(b) Production Department</b></p> <p>The possibility of applying monthly wage framework becomes futile as it was found that the production of the workers in KSCDCL decreases considerably when workers are guaranteed a fixed wage instead of a wage rate on a piece rate basis. This is also the practice in the private sector in Karnataka.</p>	<p>While the piece rate basis for disbursement of wage to the workers in KSCDCL could be continued, the wages however, need to be higher and more attractive for the workers. The salary given in the private sector is higher than that of KSCDCL and hence, it becomes difficult for KSCDCL to attract labor towards the government sector. GoK could explore opportunities of more government funds and grants for KSCDCL, in this regard. Besides, incentives like PF for the permanent employees and ESI benefits for the workers could also</p>	Short-term action plan proposed, spread over the next 1 year.

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
3	<p>The closing stock of the inventories of finished goods stands at approx. Rs. 2.8 crores vis a vis the sale of products of Rs. 5.6 crores in the FY ending 2017/18.</p>	<p>be explored to further motivate the workers.</p> <ul style="list-style-type: none"> <li>• Tamil Nadu has a temperature that is much conducive for a faster production of coir fiber as compared to Tamil Nadu, whereby in the latter, on account of its hot climate, the fiber dries faster in an average of 1 to 2 hours, as compared to an average of 1 week (i.e. 168 hours) in Karnataka. A significant number of manufacturing units in Tamil Nadu do not make any end products, as their earnings from the export of the bulk dried fibre to China is much higher as compared to sale of manufactured end products, unlike the case in KSCDCL, where the extracted and dried fibre cannot be exported but has to be used for the production of intermediate and finished products, such as yarns, curts and coir products, such as mats, mattresses, boards, etc.</li> <li>• Almost 50% of finished good as compared to its sale revenue in FY 2017/18 is yet to be sold. Moreover, the loss of KSCDCL too in FY 17/18 is approx. Rs. 2 crores. It is therefore recommended to KSCDCL to adopt the following step-wise strategy: <ul style="list-style-type: none"> <li>✓ Step # 1 - Design and implement an effective marketing and sales strategy;</li> <li>✓ Step # 2 - Manufacture optimum end products, as per the scientifically estimated and predicted demand of the market, at the beginning of every FYs; and</li> <li>✓ Step # 3 -for the balance portion of raw materials, such as fibre and coir pith left in the beginning of every month of March in every FY as a potential closing stock in that FY, KSCDCL</li> </ul> </li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
4	Lack of a study with respect to good practice of fibre extraction per unit of husk.	<p>could explore the option of transporting and drying the fibres faster, in a hot climatic belt in and around its de-fibring units and export it to countries like China. This will result in minimal closing stock, as well as give KSCDCL an opportunity to improve its revenue.</p> <ul style="list-style-type: none"> <li>A report by the World Bank mentions that approximately 130 kg of coir fibre is produced from every 1000 coconut husk, i.e. @ 0.13 kg. of fibre/husk. Another report by FAO3 indicates, 1000 husks may yield 90 kg fibres, i.e. @ 0.09 kg/husk in Alleppey. The production of KSCDCL is approx. 1 ton of husk from 12500 husks, i.e. @ 0.08 kg/husk. The fibre production in KSCDCL is behind both the reports mentioned in the adjacent column and is approx. 40% lower as compared to the good practice.</li> <li>It is advisable that efficiency is brought in the system in KSCDCL by improving the production, either through effective training or by installation of modern technologies.</li> </ul>	Short-term action plan proposed, spread over the next 1 year.
5	Being a public sector enterprise, KSCDCL is bound by the bureaucratic protocols which at times prove very costly for the organization, primarily with respect to Repairs and maintenance of machines, during which the company has to rout the process of procurement of the service through the process of e-tendering, which unfortunately is	<p>The bureaucratic protocols don't offer greater flexibility to the concerned personnel in KSCDCL to take quick and smart decisions, even for the smallest of problems, which unfortunately results in losses for the corporation. It is therefore recommended that a cap of Rs. 10,000/- could be set for any repair and maintenance for which no approval is required from the board of KSCDCL and could be approved by the MD of the KSCDCL itself, thereby cutting the lag time of seeking approval; and the flexibility to select the vendor below an amount of Rs. 10,000/- (Rupees Ten Thousand only) could be</p>	Short-term action plan proposed, spread over the next 1 year.

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
	<p>time-consuming, during which the company suffers a lot of losses on account of loss in production, unless the same is approved by the concerned personnel.</p>	<p>given to the concerned personnel of KSCDCL, instead of awaiting approval from the higher ups.</p>	
6	<ul style="list-style-type: none"> <li>The overall production of various products is approximately in the range of 50% to 75% through manual process. For example, yarn production is at 50% effectiveness through manual process.</li> <li>KSCDCL produces some types of products and procures some other types of products, such as rubber bound mats, mattings, raw materials for mattresses and thick mats from other players of other states, primarily Kerala or from within Karnataka, which are largely in demand and are then further sold off to other buyers. The revenue of products manufactured by KSCDCL and that which are procured are in the ratio of 13% and 87% respectively. Unfortunately, KSCDCL does not manufacture such procured items, due to lack of technology and skilled</li> </ul>	<ul style="list-style-type: none"> <li>There is a significant variation, in between products purchased by KSCDCL and products manufactured by KSCDCL, which jointly contributes to its revenue generation. A major cause of concern for KSCDCL is its age old equipments/technologies and the in-house processes in practice, apart from the availability of skilled workers, which is unfortunately impacting the increase in the revenue of KSCDCL. The technology currently used in KSCDCL is partially mechanized and is largely dependent on skilled manpower.</li> <li>KSDCDL needs to be supported by GoK with appropriate grants/funds for purchase of upgraded technology of the current generation, to increase the production, primarily for manufacturing products which have a high demand in the market, such as pith block making machine, which is able to manufacture product which are of very high demand in the coir business market. Accordingly, relevant and appropriate training should also be imparted to the workers, so that the workers are rehabilitated in other jobs.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
	manpower within KSCDCL.		
(G)			
7	<p>There has been no significant up-gradation or innovation in the manufacture of products, since the past 30 years. There is lack of innovation in the look and variety of products. As of now, KSCDCL only produces thin mats, mattings and mattresses for sale in the open market, some of which unfortunately don't have much of a market demand.</p> <ul style="list-style-type: none"> <li>• KSCDCL is not very active in the marketing and sale of its products.</li> <li>• KSCDCL currently sells products over the counter, as such, it has limited access to customers across the country or the globe.</li> <li>• The expense of KSCDCL is approximately Rs. 20 lakhs per month. At a profit margin of 10%, pegged at Rs. 20 Lakhs, KSCDCL has to achieve a minimum sales target of Rs. 2 crores per month (i.e. Rs. 24 crores pa.) from its products. Currently, approx. Rs. 1.4 Crores is achieved through the procured items and the</li> </ul>	<p>It is proposed that KSCDCL manufactures innovative furniture products, such as larger mats, coir board, foot mats, coir matting, coir with rubber mats, pith blocks, it is recommended that KSCDCL focuses on production of high-quality coir pith manure, coir mattress, tufted coir door mats, etc. which currently have a very high demand in the domestic and international market, for significantly increasing their revenue.</p>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
8	<ul style="list-style-type: none"> <li>• KSCDCL becomes aggressive in marketing and accordingly seeks a separate fund from the GoK for the purpose of marketing and advertisement of its products;</li> <li>• Appropriate training be imparted to the concerned employees and further motivated for aggressively marketing and selling of the products, so that KSCDCL is able to have a minimum monthly cash of Rs. 2 crores per month, in hand;</li> <li>• Awareness among the public about such eco-friendly products needs to be created;</li> <li>• The GoK could support KSCDCL in sponsoring the cost of attending more exhibitions and display of their products in various exhibitions in India and abroad to attract the attention of potential customers;</li> <li>• KSCDCL may explore more of sale through the retail market, e-commerce platforms and export of</li> </ul>	<p>It is proposed that:</p> <ul style="list-style-type: none"> <li>• KSCDCL becomes aggressive in marketing and accordingly seeks a separate fund from the GoK for the purpose of marketing and advertisement of its products;</li> <li>• Appropriate training be imparted to the concerned employees and further motivated for aggressively marketing and selling of the products, so that KSCDCL is able to have a minimum monthly cash of Rs. 2 crores per month, in hand;</li> <li>• Awareness among the public about such eco-friendly products needs to be created;</li> <li>• The GoK could support KSCDCL in sponsoring the cost of attending more exhibitions and display of their products in various exhibitions in India and abroad to attract the attention of potential customers;</li> <li>• KSCDCL may explore more of sale through the retail market, e-commerce platforms and export of</li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
	<p>balance through self-produced items. While 100% of procured items are sold every month, an average of 20% to 25% of self-produced items does not get sold by KSCDCL, accounting to a closing stock of Rs. 12 to 15 lakhs per month. Such self-produced goods of KSCDCL do not get sold due to competition in price faced from other coir market players based out of other states, such as Orissa, Andhra Pradesh, Tamil Nadu and Kerala. Karnataka is not able to sell these products at such a low price on account of higher price of its product due to better quality and higher labour cost in Karnataka, as compared to other states. On an average KSCDCL is able to achieve a target of 94% of Rs. 24 crores per annum, which therefore means that there is a deficit of approx. Rs. 1.44 crores per annum. KSCDCL faces a hard time to meet its operating expenses on months when it is not able to achieve the monthly sales target of Rs. 2</p>	<p>coir-pith based products, which have a large demand in the international market, for increasing its revenue;</p> <ul style="list-style-type: none"> <li>GoK should ideally promote environment friendly products. As such, it could request its various government departments to procure environment friendly coir products and accordingly, specify the technical requirements and conduct a minimum quality check of the materials/goods, prior to purchase and post receipt of products (and prior to release of payment to the supplier), to give a boost to the sale of environment friendly products manufactured by KSCDCL;</li> <li>KSCDCL may consider exploring the option of offering a substantial discount to its customers to clear the closing stock, primarily during the period of March of any FY to increase the lastminute revenue.</li> </ul>	

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
9	<p>There are 7 showrooms of KSCDCL in Karnataka. Three showrooms are each managed by only one manager and the rest of the 4 are manned by two managers. It becomes a tedious task for the single manager to procure the orders, accumulate, supply and sell the products, inclusive of maintenance of accounts and day to day ledgers, at a meager salary of Rs. 10,000/-. These managers have also not been given any promotion or any incentive, since the past 30 years. Moreover, any discrepancy in accounts or delay in payment by the purchaser is deducted from the salary of the managers. Such a potential scenario scares the showroom managers from taking a proactive initiative to sell more products to customers on credit, due fear of non-payment by the customer.</p>	<p>It is recommended that the strategy to penalize the showroom managers for non-payment for products purchased by customers is rolled back - instead the showroom managers should be motivated and trained on how to improve the sales, followed by incentivizing them with bonus and or promotion.</p> <ul style="list-style-type: none"> <li>On account of lack of resources, coupled with the demand of coir-based products in the current locations and the aggressiveness of the showroom managers for marketing and selling the end products, a decision could be taken on which showroom are to be retained or otherwise closed. Accordingly, new sites for opening new showrooms could be explored, which have a potential of more acceptance and sale of coir products. KSCDCL could also explore the option of opening showrooms in states which do not grow coconut trees but may have demand for products that are manufactured by KSCDCL. Accordingly, the current showroom managers could be reshuffled.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 2 to 3 years.</p>
10	<p>Swelling in board or other matters related to quality of products, need to be checked.</p>	<p>It is recommended that appropriate quality control measures are adopted and considered:</p> <ul style="list-style-type: none"> <li>At respective stages of development of the products;</li> <li>During the display of the same in the showrooms for sale;</li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
11	<p>Online sale of coir products could not be explored by KSCDCL, since such coir products are bulky and heavy, which may increase shipping costs and eventually the overall cost of product for the customer.</p>	<ul style="list-style-type: none"> <li>Post-sale, during the agreed warranty period; or for a fairly long period during the life-span of the products, to win the confidence of the customers.</li> </ul> <p>It is advisable that KSCDCL explores the option of selling products through the online e-commerce platforms of Amazon, Flipkart and international sites such as Alibaba.com. KSCDCL may also explore the option of setting up their own e-commerce platform. This may facilitate KSCDCL to get an access to a larger market and in most likelihood international base and customers. This may therefore enable KSCDCL to sell off their products at a much higher price, which may easily cover the cost of the logistics and result in larger revenue generation.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
12	<p>In Kerala, tender coconuts are soaked in sea water to produce smooth white fibre which has greater allure. Such fibres have a lot of demand in the international market and hence are largely exported. White fibre is used to produce products like mats, mattresses, curled ropes, etc, a major advantage with these white fibres is that it can absorb and hold artificial colour better than brown fibre. Brown fibres are otherwise coarse and rough and don't carry much of an appeal in the mind of a consumer - these have a diminishing attraction and appeal. KSCDCL currently does</p>	<ul style="list-style-type: none"> <li>India has a huge production potential of white fibre. Currently, the global production potential is approx. 250,000 MT [Source: Dated 14 Feb 2019, 11:50 AM; <a href="http://www.indianmirror.com/indian-industries/coir.html">http://www.indianmirror.com/indian-industries/coir.html</a>] of which Kerala has a market share of 60%. Sri Lanka has market share of 36% and the rest of 4% (i.e. 10,000 MT) is produced by other coastal belts of India and other countries. Karnataka has a huge coastal belt and the third largest producer of coconut. KSCDCL currently does not produce any such white fibre based products.</li> <li>The coir white fibre is priced at approx. Rs. 22,000/- per MT in e-commerce sites like Indiamart [Source: Dated 14 Feb 2019, 11:50 AM; <a href="https://dir.indiamart.com/search.mp?ss=white+coir+ fibre&amp;src=qs-context%3Akwd%3Dwhite+coir+fibre%3Apos%3D1%3Acat%3D7%3Amarcat%3D-2&amp;prdstc=1&amp;lang=en">https://dir.indiamart.com/search.mp?ss=white+coir+ fibre&amp;src=qs-context%3Akwd%3Dwhite+coir+fibre%3Apos%3D1%3Acat%3D7%3Amarcat%3D-2&amp;prdstc=1&amp;lang=en</a>];</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>



Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
13	<p>not produce any such white fibre based products.</p> <p>GST of 5% has been attached to sale of coir-based products, which unfortunately is hitting the sales of the products of KSCDCL.</p>	<ul style="list-style-type: none"> <li>If KSCDCL could capitalize on this emerging market segment of white fibre and start producing white fibre across its coastal belt. Even if KSCDCL could explore capitalizing 10% of the balance market share of 10,000 MT, i.e. 1,000 MT, at a market price of Rs. 22,000/MT, the estimated revenue of KSCDCL could increase by Rs. 2.2 crores.</li> </ul> <p>It is recommended that GST Council of Karnataka could be approached for removal of GST from sale of products that are sold in domestic market, which unfortunately do not attract very high revenue. An appeal could be made to the GST Council to waive off GST rates for the sale of products which have a very low price in the market. Seeking GST waiver on such products could be explored by KSCDCL in consultation with the GoK.</p>	Mid-term action plan proposed, spread over the next 3 years.
(d)	<b>Accounts Department</b>		
14	No specific timelines have been set for spent of the money, in the schemes awarded to KSCDCL by the GoK.	<p>This may result in laid back attitude to complete the projects faster and in time to bear the fruit of success and for reducing the cost of interest on the loan, if taken. It is therefore recommended that time bound programs should be implemented for each of the programme/schemes. The accountability of every personnel in KSCDCL connected with the schemes and their roles and responsibilities should be clearly defined against the timeline. Any specific personnel responsible for the delay of the scheme, at any stage in KSCDCL should be held responsible and accordingly should reflect in his performance appraisal, irrespective of whether the person continues with his responsibility in KSCDCL or is transferred to some other department by the GoK.</p>	Short-term action plan proposed, spread over the next 1 year.

II Non-Critical Observations			
<b>(a) Administration Department</b>			
15	<p>The following factors also significantly impact the overall performance of KSCDCL;</p> <ul style="list-style-type: none"> <li>Interference by political parties and individuals/employees associated with such parties, at times create a non-conducive and uneasy business environment;</li> <li>Besides, unlike private players, KSCDCL cannot be firm with its employees or works to get a job done within a specified time frame.</li> </ul>	<p>It is recommended that the GoK allows some flexibility to KSCDCL to pursue and take some decisions similar to a corporate, so that it is able to compete with the private sectors to be able to make its operations more productive and accordingly sustain in the long run.</p>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
16	<p>The primary challenge in KSCDCL lies in recruiting and attracting workers on account of low wages and meager employee incentives. We have been told that the morale of the employees is currently very low and are not motivated to give their best, on account of low salary or due to non-confirmation of temporary employees as permanent employees, who have been working since a long span of time.</p>	<p>Low salary is one of the critical reasons for the employees of KSCDCL for not being able to deliver their best. The employees of KSCDCL need to be better incentivized and options need to be explored for converting the temporary workers as permanent workers for further motivation.</p>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
<b>(b) Production Department</b>			
17	<p>According to the information, provided by KSCDCL, the following</p>	<p>Given the fact that KSCDCL serves as a purpose of livelihood for a lot of financially weaker section of</p>	<p>Mid-term action plan proposed,</p>

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
	<p>factors have also contributed in decelerating the growth of KSCDCL:</p> <ul style="list-style-type: none"> <li>• While the price of coconut husk, the cost of raw material and other logistics cost, inclusive of transportation have kept on increasing significantly, the market price of a significant number of the end coir products have remained constant since the past few years which unfortunately have also resulted in the fall of the profitability of the products. This increase in the price of coconut husk is primarily due to purchase of 90% of the coconut husk produced in Karnataka by Tamil Nadu.</li> <li>• Labor is available in Tamil Nadu at Rs. 180 to Rs. 200 per day, as compared to Rs. 300 per day in Karnataka, which thereby, makes coir business in Tamil Nadu more profitable than in Karnataka.</li> <li>• Unlike the production units in Karnataka, the production units in Tamil Nadu get support from their local government in the form of subsidies on electricity</li> </ul>	<p>people in Karnataka and considering that it also currently faces a lot of competition from other coir manufacturers within and outside the state of Karnataka, it is recommended that the GoK could explore the following:</p> <ul style="list-style-type: none"> <li>• Provide subsidy/grant to KSCDCL to procure the coconut husk at the existing market price;</li> <li>• Provide subsidy/grant to KSCDCL in respect to availability of electricity;</li> <li>• Needless to mention, approximately 70 to 80% of the products of KSCDCL are purchased by other departments of GoK at a discounted price. If the products from KSCDCL are purchased by the other govt. departments at no discount, then a larger part of non-profitability can be curtailed in KSCDCL;</li> <li>• Explore more options of manufacturing pith blocks, similar to private players in Karnataka, which they are able to sell at an attractive price.</li> </ul>	<p>spread over the next 3 years.</p>

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
18	<p>supplied to the units (almost 30% electricity subsidy).</p> <p>The productivity of workers in KSCDCL is well below the optimum level.</p>	<p>In order to ensure higher productivity, the following is recommended:</p> <ul style="list-style-type: none"> <li>• KSCDCL in consultation with GoK should consider taking significant steps in conducting appropriate training and skill development programs, so that the skills of the workers are upgraded in tandem with the constant changes in the technology. Accordingly, the human resource department (HRD) needs to take an active interest in acquiring the appropriate labor with the right skill sets as well as impart adequate and appropriate training to upgrade their skills to increase the productivity; and</li> <li>• KSCDCL should adopt the best practices observed in the coir business industry, and primarily the ones in the private sector.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
<b>(b)</b>	<b>Accounts Department</b>	<p>19 Operation and maintenance (O&amp;M) contracts have been signed for the first year only, for the machines purchased by KSCDCL. The O&amp;M charges for later years turn out to be much higher, thereby making the entire costing a costly affair.</p> <ul style="list-style-type: none"> <li>• The O&amp;M contracts should ideally be signed for the entire life-span or for a substantial time-period with the supplier of the machine, with conditions of payment, post annual maintenance or repair of the equipment. This could facilitate in improved costing and savings for KSCDCL.</li> <li>• Apart from technology, it is also proposed that there must be thinking on the repair and upkeep of the existing machinery and there should be a maintenance department to repair the defunct machines.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>
<b>(c)</b>	<b>Marketing Department</b>	<p>20 The central go-down is in Tiptur. The distance between Tiptur and</p> <p>It is recommended that setting up of intermediate go-downs by KSCDCL along such long routes could be</p>	<p>Mid-term action plan proposed.</p>

Sl. #	Observation	Our Assessment, Inference and Recommendation	Timeline of Action Proposed
21	<p>Hubli is approx. 475 kms. A trucker would take around 3 days of time to cover this distance. Customers placing some bulk orders in a showroom in Hubli may not be willing to wait for such a long span of time, as it may have a demand to deliver the end products much faster.</p>	<p>explored and accordingly set up in places, which have a higher demand for coir products manufactured by KSCDCL, to cut down the travel time and to meet the expectation time of the customers for the delivery of the purchased goods.</p> <p>In a price sensitive market, people buy products that are available at a cheaper price, keeping in view that there is minimum assurance of expected quality. It is therefore recommended that:</p> <ul style="list-style-type: none"> <li>The quality and benefits of the product manufactured by KSCDCL vis a vis similar one available in the market are displayed in the product of KSCDCL for educating the customers, which in turn will be able to make an appeal in the mind of their customers to buy coir products, instead of the low-quality plastic Chinese products;</li> <li>Options are explored by KSCDCL to design and make new value added and other types of products that can stand the competition against the Chinese products.</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

NR: Source 1, Dated Sept. 12, 2019; 1:19 AM- documents; wordbank.org/urroted/ent/307941468180567229/pdtr/FAU4.pdf

Final Report

6.05 Inputs on the various schemes implemented by KSCDCL, by the personnel of CSD the internal and external stakeholders of KSCDCL, by the personnel of CSD

6.05.01 Our analysis of the data provided by KSCDCL:

(a) Chart # 6.05.01.01 – Production and pricing of basic raw material (coconut husk) of FY 2013/14 to FY 2017/18

Financial Year	Quantity (in numbers)	Value (in Lakhs of Rs.)	Cost of husk (in Rs. per unit)	Average increase in price over previous year (in %)
2013-14	5185175	17.25	0.33	70%
2014-15	5034253	28.11	0.56	7%
2015-16	5727300	34.35	0.60	-25%
2016-17	4932750	21.96	0.45	20%
2017-18	1261500	6.84	0.54	18%
Total	22140978	108.51	0.49	

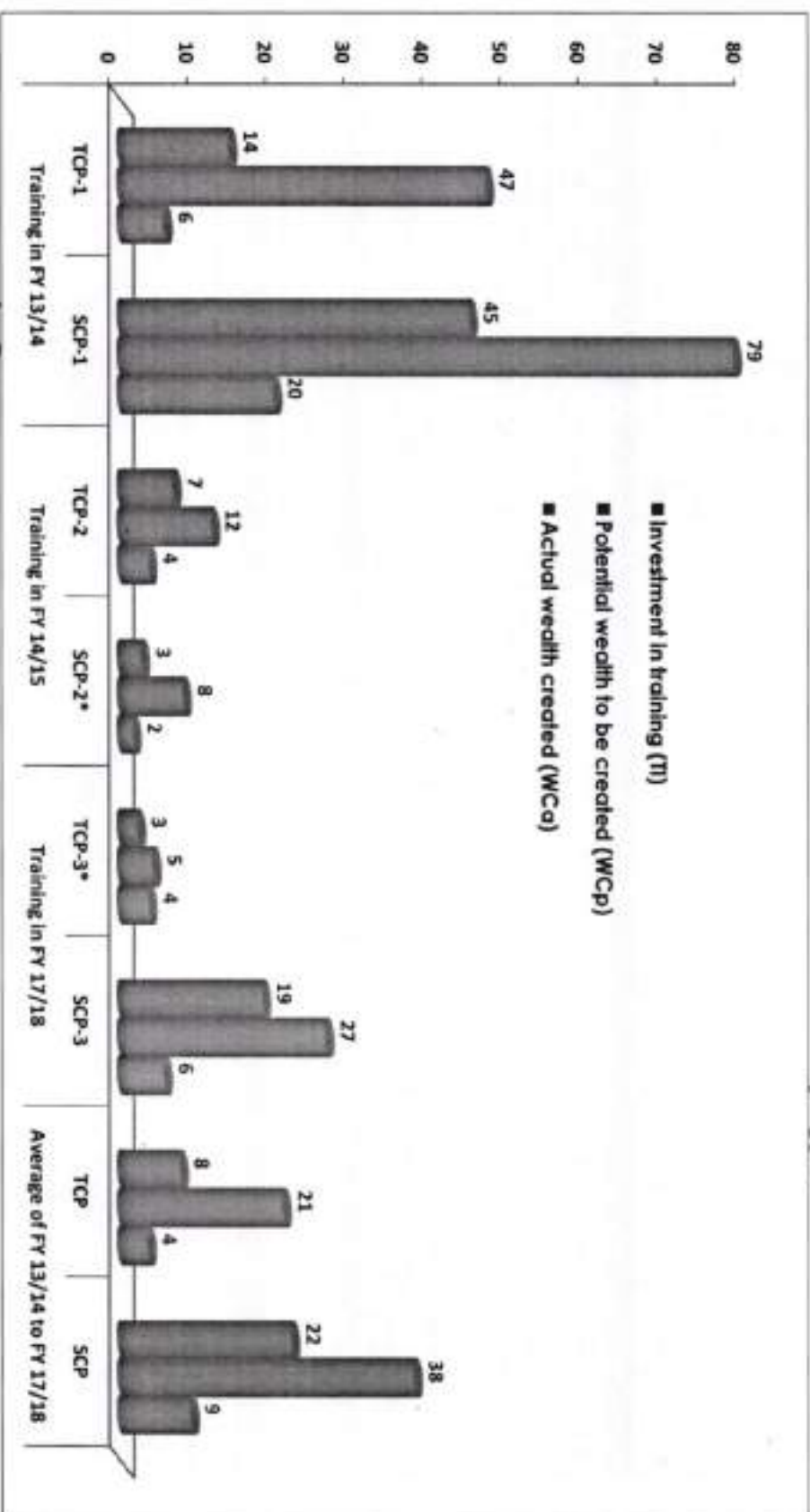
(b) Chart # 6.05.01.02 (A) – Estimation of Average Wealth Created and Social Returns on Investment for Training Programs Imparted by KSCDCL since FY 2013/14 to FY 2017/18

Items	Training in FY 13/14		Training in FY 14/15		Training in FY 17/18		Average of FY 13/14 to FY 17/18		
	TCP-1	SCP-1	TCP-2	SCP-2*	TCP-3*	SCP-3	TCP	SCP	
<b>1. Baseline Information</b>									
1.01 Total amount spent for training (in lakhs of Rs.) (say, T1)	14.30	44.99	7.16	3.11	2.55	18.57	8.00	22.22	
1.02 Total number of trainees, who have enrolled for the training programs (in numbers)	196.00	328.00	50.00	35.00	19.00	111.00	88.33	158.00	
1.03 Per person training cost (in lakhs of Rs.)	0.07	0.14	0.14	0.09	0.13	0.17	0.12	0.13	
<b>2. Objective: the training program intends to deliver</b>									
2.01 Wealth to be created for all forgotten trainees, at the end of the training program @ Rs. 2,000 per trained person, on a per month basis for a minimum period of one year (in lakhs of Rs.) (say, WCP)	47.04	78.72	12.00	8.40	4.56	26.64	21.20	37.92	
<b>3. The Expected Social Returns on Investment prior to conducting the trainings</b>									
3.01 The expected returns on investment (in %)(R/Invp = WCP/T1)	298.9%	174.97	167.83	270.10	178.82	143.46	265.00	170.63	
<b>4. Assessment of Impact, post completion of training</b>									
4.01 Number of trainees who have completed the training program (in numbers)	198.00	328.00	50.00	35.00	19.00	111.00	88.33	158.00	
4.02 Approximate number of trainees who have been absorbed in jobs in KSCDCL, post completion of training program (in numbers)	30.00	100.00	20.00	10.00	6	30.00	19.2	46.67	
4.03 Wages earned by a worker @ Rs. 2K per month for a period of 10 months in an overall span of one year (in lakhs of Rs.)	0.20	0.20	0.20	0.20	0.20	0.20	0.20	0.20	
4.04 Wealth created in the form of wages earned by all workers @ Rs. 2K per month for a period of 10 months, in an overall span of 1 year (in lakhs of Rs.)	6.00	20.00	4.00	2.00	4.00	6.00	3.84	9.33	
<b>5. The Actual Social Returns on Investment, post the completion of training</b>									
5.01 Percentage of wealth the project has actually created (in %) (i.e. WCA/WCP)	13	25	33	24	88	23	19.86	18	
5.01 The actual returns on investment achieved on the total investment (in %) (i.e. WCA/T1)	42	44	56	64	157	32	52.50	47.02	

NR: TCP-1: Modernization and Technology Training; SCP-1: Special Component Plan/Rural Sub-Plan; TCP-2: Assistance to Coir Sector; SCP-2: Assistance to Coir Sector (Maxal Affected Area); TCP-3: Tribal Sub-Plan; SCP-3: Special Component Plan; \*Training is in progress.

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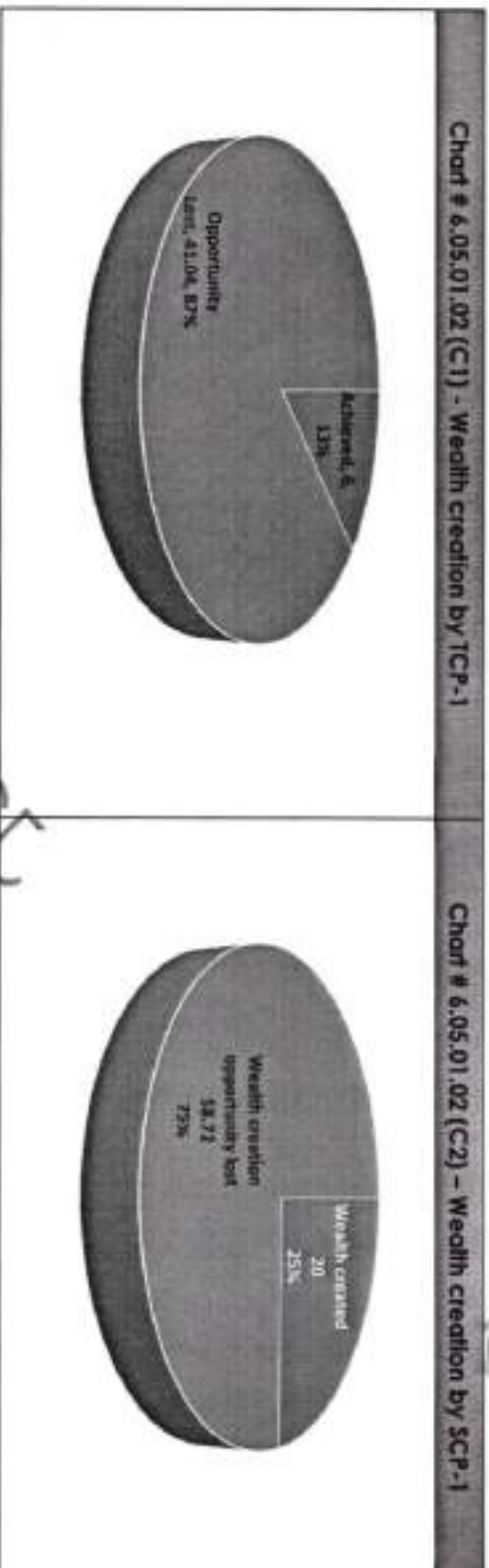
(c) Chart # 6.05.01.02 (B) -Investment on Training Programs Imparted by KSCDCL vs the Potential and Actual Wealth Created, since FY 2013/14 to FY 2017/18



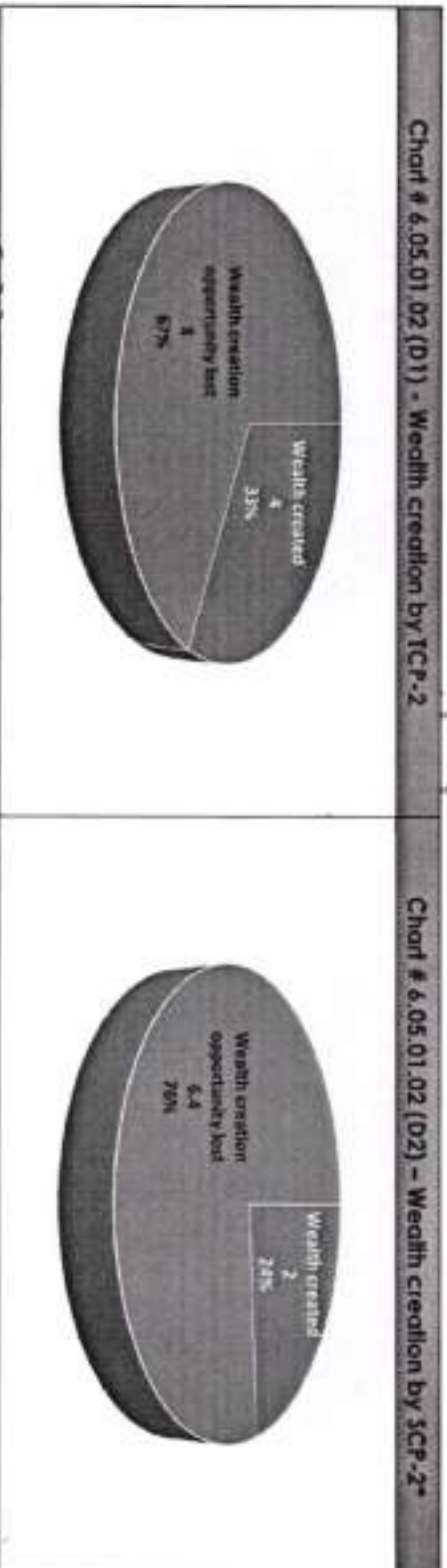
NB: Modernization and Technology Training : SCP-1 Special Component Plan/Retired Sub-Plan; TCP-2 Assistance to Coir Sector; SCP-2 Assistance to Coir Sector (Woad Affected Area); TCP-3 Tobacco; Plan; SCP-3 Special Component Plan; Training in progress.



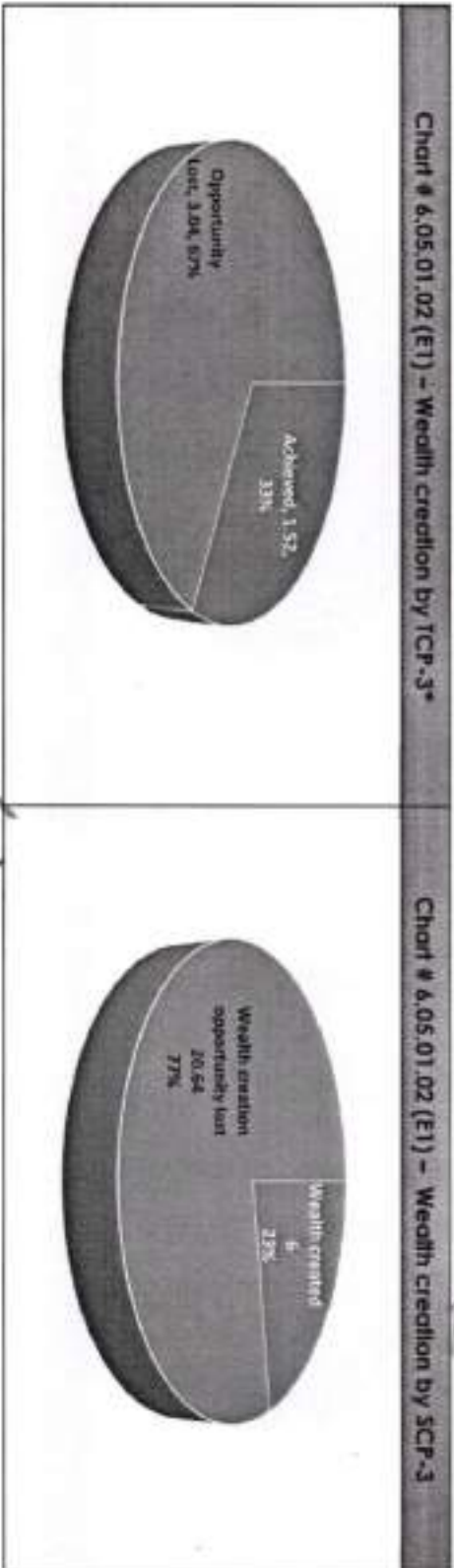
(d) Chart # 6.05.01.02 (C) – Wealth creation by training programs in FY 2013/14



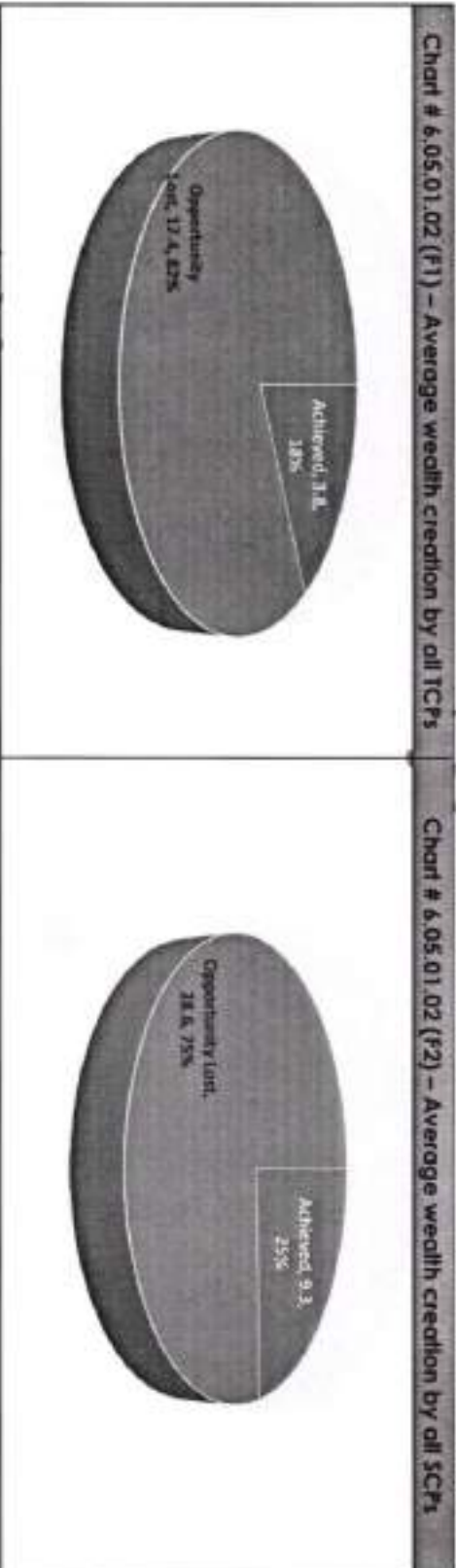
(e) Chart # 6.05.01.02 (D) – Wealth creation by training programs in FY 2014/15



(f) Chart # 6.05.01.02 (E) – Wealth Creation by Training Programs in FY 17/18



(g) Chart # 6.05.01.02 (F) – Average of wealth creation from training programs from FY 13/14 to FY 17/18



**6.05.02 Our observations, assessment and recommendations based on various challenge faced by KSCDCL:**

The personnel of CSD had held discussions with various internal and external employees of KSCDCL for understanding the strengths and weakness of the various schemes that have been implemented by KSCDCL. Based on the same, we have construed our assessment, inferences and accordingly submitted our recommendations on the aspects that could be considered for effectively designing such schemes in the future.

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
1	<p><b>Critical Observations</b></p> <p>Based on the assessment of the schemes of the past 5 years, it has been observed that for the funds that have been made available to KSCDCL, no baseline scenario assessment has been carried out for the funds provided to KSCDCL by the Gok in the form of grants/schemes. Further, while the overall objective for the scheme has been undefined, no assessment of the potential impacts in quantitative form that the project should deliver has been set</p>	<ul style="list-style-type: none"> <li>• It is necessary that the baseline scenario be drawn for any fund that is disbursed primarily for up-gradation of coir production centres, trainings or for setting up a new coir production facility, as these subject matters call for high investment.</li> <li>• In this connection, it is advisable that Gok considers the following post implementation scenarios, to assess the degree of returns on the investment in terms of revenue generation and social and livelihood impact the fund has created on beneficiaries, i.e. primarily the workers and or employees, from the perspective of wealth creation:             <ul style="list-style-type: none"> <li>✓ How much of productivity is expected to be delivered or increased from such an initiative/upgradation?</li> <li>✓ How much revenue is expected to increase due to the setting up of/upgradation of such new machineries in the facility?</li> <li>✓ How many new employment opportunities will be created through such an initiative or upgradation?</li> <li>✓ What could be the increase in livelihood per annum at an individual level for every beneficiary and the other social impacts it could accrue to the family of the beneficiary as a whole?</li> <li>✓ What could be the overall wealth that would be created for the beneficiaries on a per annum basis?</li> <li>✓ What is the timeline for completion of the project/scheme?</li> </ul> </li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
2	<p>Non-functional machines take approx. two to three weeks to get repaired.</p>	<ul style="list-style-type: none"> <li>✓ Whether upgradation of machines may call for retrenchment of existing workers and whether rehabilitation plan has been drawn for the workers who could be potentially impacted and retrenched?</li> <li>✓ What is the overall returns on investment in terms of the revenue generated?</li> <li>✓ What is the social returns on investment in terms of wealth created for the total target beneficiaries, over the total investment made?</li> <li>• Such an assessment will lead to better utilization of the funds, as it will bring in more accountability for the organization that is seeking and utilizing the fund for achieving the targeted quantitative objectives on the completion of the implementing the schemes. Besides, it will also bring in better accountability for the concerned personnel who are responsible for implementing the schemes.</li> <li>• It can be construed that on account of current form of inefficient practice, on an average for 300 days of operation, a shutdown for 2 to 3 weeks is likely to result in substantial production loss, which may eventually cost KSCDCL an approx. of 5% to 7% of revenue loss, which incidentally is significant for a company that is struggling for profitability.</li> <li>• It is recommended that the following measures could be explored, which could significantly reduce the unplanned shut-down period: <ul style="list-style-type: none"> <li>✓ A maintenance fund be created at the beginning of every year, so that the time that is lost for seeking for budget approval is reduced significantly;</li> <li>✓ Periodic maintenance and inspection of the machines could be explored on a half yearly basis, to check the health of the machines. Such inspections could be carried out in the evening after the completion of working shift hours. This will therefore not impact the production hours. Contracts in line with such an approach could be explored with the suppliers of services or of</li> </ul> </li> </ul>	<p>Short-term action plan proposed, spread over the next 1 year.</p>

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
3	<p>The market demand of coir fibre in the international market is increasing, which may pose a major challenge to KSCDCL in the long run. While the average price of the coconut husk has Prices of coconut husk is very high in some pockets, as these are usually sold off to suppliers in Tamil Nadu or Kerala, resulting in unavailability of coconut husk at a lesser price.</p>	<p>Based on the analysis carried out by us, the purchase price of coconut husk by KSCDCL has been increasing at an average rate of 18%, since the past 5 years till FY 17/18. Besides, the secondary research carried out by us, indicates earlier in this report that the coir fibre and coir-pith based market is exponentially growing. The coir product-based export market is envisaged to be of the size of approx. Rs. 20,000 crores around the year 2022. In view of the same, it is very likely that the price of coconut husk is likely to increase in the future and put a stress in further meeting the production cost, let aside profitability for KSCDCL, primarily, since the selling price of the products that are sold by KSCDCL is not appreciating proportionately, in view of the stiff market competition that the products of KSCDCL is facing.</p> <ul style="list-style-type: none"> <li>It is therefore recommended that KSCDCL may sign at least 3 to 5 years of long-term forward contracts with some of the large and loyal suppliers for supply of coconut husk, at an escalated price of approx. 10% every year. This will enable KSCDCL to save at least another 8%, over the average price increase of 18%.</li> </ul> <p>More awareness could be created in the market focused on the young generation and middle-aged skilled talents in the market on the benefit of earning double the wage, on account of Anurupa scheme. This may facilitate KSCDCL to attract more capable workers.</p>	<p>Short-term action plan proposed, spread over the next 1 year.</p>
4	<p>Retaining existing employees and attracting new talents is a challenge in some of the production facilities in KSCDCL.</p>		<p>Mid-term action plan proposed, spread over the next 3 years.</p>
5	<p>Lack of a system to monitor the outcome of the trainings conducted by KSCDCL for the grants received.</p>	<ul style="list-style-type: none"> <li>Currently there is no system to assess the impact that could be explored from the amount invested on the training programs that are conducted by KSCDCL. Lack of a tracking system impacts the ascertaining how many of the trainees who have completed the training program have been either absorbed by KSCDCL in their manufacturing facilities or have sought employment elsewhere or</li> </ul>	<p>Mid-term action plan proposed, spread over the next 3 years.</p>

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
		<ul style="list-style-type: none"> <li>• are doing no job. KSCDCL has conveyed that an approximate of 40% of workers, who had been trained have been absorbed, although there is no such documentary evidence to support the same.</li> <li>• Based on the assessment carried out by us, for the average of the past 5 years of various training programs conducted by us, it leads us to the following: <ul style="list-style-type: none"> <li>✓ Gap in percentage of wealth actually created by KSCDCL, as compared to the expected wealth that should have been created is approx. 20% in case of TCP and 18% in case of SCP;</li> <li>✓ Social Return on Investment (SROI), i.e. wealth created as compared to overall investment is 53% for TCP and 47% for SCP;</li> </ul> </li> <li>• It is recommended that: <ul style="list-style-type: none"> <li>✓ An effective monitoring system be established to assess the outcome on account of the trainings imparted, on a per trainee basis, at least for a period of one year, to assess the degree of SROI;</li> <li>✓ The degree of SROI achieved could be considered as one of the performance parameters of the annual appraisal of the concerned personnel of the human resources and production department, responsible for imparting effective training to the fresh trainees;</li> <li>✓ The process of identifying trainees through the 'trackers/mobilisers' need to be made more effective. Instead of just paying such trackers for just mobilizing trainees from villages for attending the training program, it is recommended that such trackers are paid on the basis of how many trainees have continued to serve in KSCDCL or in other coir industries or have started their own independent business in coir sector. The trackers could furnish quarterly reports of every trainee. The same could be independently verified by the KSCDCL personnel on periodic basis. Payment post satisfaction of the verification could</li> </ul> </li> </ul>	

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
6	No partner could be identified to establish a coir mattress industry on a public private partnership model.	<ul style="list-style-type: none"> <li>An external consultant hired by KSCDCL has submitted a report indicating that a capital investment of Rs. 14 crores would be required for establishing a coir mattress industry. KSCDCL has been sanctioned Rs. 1.5 crores for the project of which approx. Rs. 86 lakhs has been spent in the purchase of a land and a balance of approx. Rs. 1.14 crores remain. It is very likely that no equity partner is coming forward on a public private partnership model for this project with KSCDCL, since over 90% of capital investment has to be brought in by the investor, which otherwise may not make commercial sense for the equity partner to enter in this project.</li> <li>The prospects of the coir mattress market have been discussed in details in this report, earlier. It is recommended that keeping in view the huge potential that is in store in the coir mattress segment, KSCDCL may seek the balance fund of 90% from the coir board through the GoK, and establish their own coir mattress production centre.</li> </ul>	Short-term action plan proposed, spread over the next 1 year.
<b>II. Non-Critical Observations:</b>			
7	The attrition rate in KSCDCL, as conveyed by its senior officials is 5% on an average per annum. However, retaining existing employees and attracting new talents is a challenge in some of the production facilities in KSCDCL.	More awareness could be created in the market focused on the young generation and middle-aged skilled talents in the market on the benefit of earning double the wage, on account of Anurupa scheme. This may facilitate KSCDCL to attract more capable workers.	Mid-term action plan proposed, spread over the next 3 years.
8	There lies a risk that the beneficiaries may	<ul style="list-style-type: none"> <li>Requirements have been specified by KSCDCL to the beneficiaries that to be able to avail the benefit of amount for constructing a</li> </ul>	Short-term action plan

Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
	<p>quit the job in KSCDCL post receipt of all money required for constructing their work cum living sheds.</p>	<p>living cum work shed, the beneficiaries should own a land of a minimum of 500 sq. ft. and should have worked for a minimum of 2 years with any of the facilities of KSCDCL. Based on the assessment carried out by us, following are our findings:</p> <ul style="list-style-type: none"> <li>✓ No clarity has been provided against the actual meaning of 'work cum living shed' by the Gok. Such a terminology of 'work cum living shed' ideally refers to a place of stay, whereby, the beneficiary has installed some tools/machines/equipments for manufacturing some products in the same shed, for earning his/her livelihood for the next years of his/her lifespan. Whereas in this case, there is no such mention of any such equipments – the money is just being given to the beneficiaries to construct their own house of stay, free of cost by the Gok;</li> <li>✓ There is a likely possibility that the workers have remained loyal with KSCDCL to avail the benefit of the housing scheme. Post receipt of the entire money for the construction of their house, there is a possibility that the workers may quit their job and switch over to other forms of trade or may join other private players, who may offer them a higher salary;</li> <li>✓ No assessment has been done to assess how wealthy or needy or poor is the beneficiary, which unfortunately may shut the door of opportunity of genuine beneficiaries, who should have otherwise been the ideal beneficiaries for such Gok funds.</li> <li>• In view of the above, it is recommended that: <ul style="list-style-type: none"> <li>✓ Gok clearly defines the actual meaning of 'work cum living shed' and sets the criteria and eligibility requirements for availing the benefits of these funds by the ideal beneficiaries;</li> <li>✓ The best performers could be identified based on their performance of the past one or two years, for availing this benefit, instead of making it accessible to anyone who has worked for a minimum of 2 years; further the beneficiary availing the benefit of the fund, should continue to give a minimum level</li> </ul> </li> </ul>	<p>proposed, spread over the next 1 year.</p>



Sl. #	Observation	Assessment, Inference and Recommendation	Timeline of Action Proposed
9	Lack of a mechanism to capture the business benefits on account of participation in exhibition by KSDCL.	<p>of performance, if not higher, for a minimum period of 3000 working days (during his period of survival). subsequent to which the beneficiary could become the legal owner of the 'work cum living shed'. In the event of his/her death, within the period of 3000 days, the nominee of the beneficiary could become the legal owner of the 'work cum living shed'.</p> <ul style="list-style-type: none"> <li>For an investment of Rs. 5 lakhs, there has been a sale of approx. Rs. 2 lakhs of finished goods in the exhibitions by KSDCL. At this stage the actual returns on investment is just 40%.</li> <li>While, KSDCL has indicated that a lot of business opportunities have subsequently resulted on account of display of their items in such exhibitions, there is however no mechanism to assess the actual returns. It is therefore recommended that the impact of such marketing initiatives be captured in the form of returns on investment, to provide more confidence and reasons on why marketing in the form of display of items in various exhibitions is desirable.</li> </ul>	Mid-term action plan proposed, spread over the next 3 years.

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6.06 Overall inputs on the achievement of the objectives with which KSCDCL was established:

6.06.01 Our observations, assessment and recommendations based on the Objectives of KSCDCL and the various Matters that are to be pursued by KSCDCL to achieve the objectives:

We have reviewed the six objectives and forty-nine other matters that facilitate the six objectives that have been laid down in the 'Memorandum of Association' and 'Articles of Association' for KSCDCL. Based on the assessment carried out by us for the six key objectives and its associated matters (as indicated in the list of 49 matters to facilitate the 6 key objectives) we could arrive at the following broad conclusions on its implementation and achievement, with which KSCDCL had been established.

Objective #	Broad Objectives	Broad Assessment of the Objective	Our Broad Inferences and Recommendations
1	To carry on the business of developing, promoting and stabilizing the coir, coir based and coconut based industries in Karnataka.	<ul style="list-style-type: none"> <li>KSCDCL is carrying out business activities relevant to the coir sector and developing coir products in a very small quantity. However, its outsources approx. 95% of its business production, which account for approx. 87% of its business revenue.</li> <li>KSCDCL is also promoting the coir based products that are being manufactured through various exhibitions.</li> </ul>	The company is broadly in alignment with the stated objective.
2	To develop, own, lease, maintain and manage coconut nurseries, groves, processing units and testing and	<ul style="list-style-type: none"> <li>While KSCDCL has some processing units, it is yet to initiate the process of developing, owning, leasing, maintaining and coconut nurseries and groves. As conveyed by KSCDCL, it has set up a testing facility for bare block testing. Based on demand, KSCDCL appoints a lab-technician</li> </ul>	<ul style="list-style-type: none"> <li>The company is partially in alignment with the stated objective.</li> <li>The following are however recommended:                             <ul style="list-style-type: none"> <li>With the price of coconut husk increasing @ 18% pa., it is advisable that KSCDCL starts exploring the option of developing, owning, leasing, maintaining and managing coconut nurseries and groves, to facilitate uninterrupted flow of raw material for</li> </ul> </li> </ul>

Objective #	Broad Objectives	Broad Assessment of the Objective	Our Broad Inferences and Recommendations
	research facilities.	to carry out tests, but lacks full-time appropriate resources to man its R&D function, as it involves a larger expense, which unfortunately, KSCDCL is not being able to bear, on account of its poor financial condition.	production of intermediate and finished products; ✓ Explore the necessity and accordingly the arrangement of the cost required for managing the testing facility by appropriate resources. KSCDCL could seek appropriate funds from Gok for setting up new research facility.
3	To undertake and promote research and development of coconut, coir and its products.	KSCDCL is yet to explore this objective	<ul style="list-style-type: none"> <li>The company is yet to be in alignment with the stated objective.</li> <li>The following are however recommended:               <ul style="list-style-type: none"> <li>✓ Explore the necessity and accordingly set-up testing and research facility(ies), supported by appropriate resources to promote and develop coconut, coir and its products.</li> </ul> </li> <li>Objective # 3 is similar to objective 2, hence it is recommended that it is merged with objective # 2.</li> </ul>
4	To support, protect, maintain, increase and promote the production and sale of coir, coir products and coconut products.	<ul style="list-style-type: none"> <li>In continuation to objective # 1, KSCDCL is engaged in supporting, protecting, maintaining, increasing and promoting the production and sale of coir, coir products and coconut products for its outsourced suppliers, i.e. the coir industries of Karnataka.</li> <li>KSCDCL is however, yet to explore the coconut products business sector.</li> </ul>	<ul style="list-style-type: none"> <li>The company is not fully in alignment with the stated objective.</li> <li>While KSCDCL is engaged in supporting the coir industries of Karnataka, it is itself not being able to increase the production and sale of coir and coir products, due to lack of strategic focus on sale of its products, thereby resulting in substantial inventory at the end of every FY. Such a high inventory obviously doesn't facilitate in boosting the production. KSCDCL is currently manufacturing traditional and conventional products, which face a lot of competition with other alternate low-cost</li> </ul>

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- durable products that are available, which unfortunately is a challenge to KSCDCL in improving the sale of its own products, which in turn is not facilitating KSCDCL to improve its revenue.
- The following are however recommended:
    - ✓ For a manufacturing business activity, significant dependence only on a trading business doesn't become sustainable in the long run. It is therefore advisable that KSCDCL explores options of its own manufacturing finished products that have a larger demand in the market on a priority basis.
    - ✓ While KSCDCL is facilitating the growth, promotion and stabilization of coir-based industries in Karnataka, it itself also needs to stabilize its own growth – its financial performance, since the past few years has been in the decline. It needs to strategically focus its production, marketing and sales effort on an immediate basis.
    - ✓ KSCDCL on a priority basis could also explore the production of value-added products, such as coir mattress, tufted coir door entrance mats, coir pith, tender white coconut fibre, etc.
    - ✓ In the long run, KSCDCL could explore manufacturing some specific value-added coconut products, such as coconut oil, coconut sugar, coconut flour, coconut jam, coconut nectar, coconut vinegar, which

Objective #	Broad Objectives	Broad Assessment of the Objective	Our Broad Inferences and Recommendations
			<p>have a good demand in the market and accordingly seek funds from the Gok or Coir Board.</p> <ul style="list-style-type: none"> <li>Objective # 4 is similar to objective 1, hence it is recommended that it is merged with objective # 1.</li> </ul>
5	<p>To establish and work as an Export House for Coir, Coir products and coconut products.</p>	<p>KSCDCL is yet to explore this objective.</p>	<ul style="list-style-type: none"> <li>The company is yet to be in alignment with the stated objective.</li> <li>There are a lot of products that have a lot of demand in the domestic and international market, such as coir mattress, tufted coir door entrance mats, coir pith, tender white coconut fibre, etc. The market potential of all such products combined together is approximately Indian Rs. 300 crores as assessed by us, based on market analysis. It is therefore recommended that KSCDCL emphasis on the production and export of the aforesaid products.</li> </ul>
6	<p>To carry on the business of cultivation, production and harvesting of all kinds of Sisal fibre or any other fibre and fibre based products and to trade the said products either in India or</p>	<ul style="list-style-type: none"> <li>Sisal fibre - KSCDCL is yet to explore sisal cultivation, harvesting, production, trading of sisal-based products and or imparting training on the aforesaid areas of sisal based products.</li> <li>Coconut husk fibre - KSCDCL is yet to venture in the business of cultivation and harvesting of coconut. However, it has been producing coconut fibre and fibre based products which are being traded in India and not abroad.</li> </ul>	<ul style="list-style-type: none"> <li>The company is partially in alignment with the stated objective.</li> <li>Sisal fibre is an emerging segment and has a lot of demand in the international market, on account of its strength and silk type glowing polish and finish. It is therefore recommended that KSCDCL may try to explore the possibility of entering this market segment at the earliest and become one of the first entrants in this segment in India to get an advantage over its peers.</li> </ul>

Objective #	Broad Objectives	Broad Assessment of the Objective	Our Broad Inferences and Recommendations
	abroad and to impart training, knowledge and expertise in the related fields.	KSCDCL has also been imparting training and disseminating knowledge and expertise in the field of coconut-fibre based products.	

#### 6.06.03 Our overall analysis:

Based on the assessment carried out above, at a macro level, across the six objectives, KSCDCL is primarily in alignment with only one objective; partially in alignment with three objectives; and is yet to explore the other two objectives, primarily with a focus on research and development of coconut, coir and its products and establish an export house for the same.

#### 6.06.04 Our additional recommendations based on our assessment:

- Our additional recommendations, apart from the ones stated against the respective objectives are laid down below:
  - Some of the objectives laid down by KSCDCL overlap. It is therefore recommended that **some of the objectives could be merged**, as presented below:
    - ✓ Objective # 1 and 4 could be merged as far as supporting the coir industries in Karnataka is concerned.
    - ✓ Objective # 2 and 3 could be merged as supporting in testing, research and development is concerned in the coir sector.
  - The objectives laid down by KSCDCL are developmental in nature. While the objective of KSCDCL is to support coir industries and the beneficiaries of the sector, it is important to note that the company's financial condition is not healthy, hence, it is imperative that the company becomes commercially viable to be able to sustain itself and the needs of the beneficiaries and of the coir industries in Karnataka. **In view of the above, it is highly recommended that KSCDCL lays down some commercial focused objectives for itself, with a focus on – (a) production of high value end products, which are highly valued in the domestic and international market and (b) sale of end products, ensuring a sizeable margin.**
  - Assessment of the green-house gas emission abated on account of manufacturing and/or using coir products, as compared to conventional products, as a marketing tool for export of such products in the environmentally sensitive countries, to be able to make an appeal and attract a niche export market.

- Further some of the objectives laid down by KSCDCL may be futuristic and not clearly aligned with the core objectives of the car sector. In view of the assessment carried out by us, it is therefore recommended that KSCDCL could bifurcate the objectives in the following two categories:
  - (a) Developmental objectives; and
  - (b) Commercial objectives.Further, each of the aforesaid categories of objectives, could be further divided into - (a) Core Objectives and (b) Additional Objectives. For example, part of the contents, pertaining to goal in objective # 6, could be captured under the 'Additional Objectives' category of 'Developmental Objectives'.
- In some of the objectives a multiple number of activities have been clubbed, as evident in objective # 5 and 6. **It is recommended that such objectives are split into specific objectives, such as production of coconut fibre based products and coconut products or training and manufacture of products**

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Based on the analysis of the data carried out by us, in conjunction with the market research analysis, we believe there is a lot of potential for KSCDCL to capitalize on the upcoming opportunities in the coir business sector and turn around the company as a substantial profit-making government enterprise. Summary of our detailed analysis with conclusions and recommendations have been explained in this chapter.

**7.01 Review of core objectives of KSCDCL:**

We have reviewed the six objectives and forty-nine other matters that facilitate the six objectives that have been laid down in the 'Memorandum of Association' and 'Articles of Association' for KSCDCL. At a macro level, across the six objectives, KSCDCL is primarily in alignment with one objective; partially in alignment with three objectives; and is yet to explore the other two objectives, primarily with a focus on research and development of coconut, coir and its products and establish an export house for the same.

Based on the review carried out by us, it is recommended that KSCDCL could explore the following:

- Revisit the objectives and matters that overlap and accordingly draw a revised version of the objectives and matters to further the revised objectives.
- In view of becoming commercially viable, to be able to sustain itself, it is highly recommended that KSCDCL lays down some commercial focused objectives/matters for itself, with a focus on the following:
  - (a) Production of high value end products, which are highly valued in the domestic and international market; and
  - (b) Effective sales and marketing of end products, ensuring a sizeable margin.
- In view of the assessment carried out by us, it is recommended that KSCDCL could bifurcate the objectives and matters, broadly in the following two categories:
  - (a) Development objectives; and
  - (b) Commercial objectives.
- Further, each of the aforesaid categories of objectives could be divided into – (a) Core Objectives and (b) Additional Objectives. Objectives and matters that are not a priority at the moment for KSCDCL could be placed under the bucket of 'additional objectives'.
- Since, some of the objectives/matters are of similar nature, it is therefore suggested that such objective(s) could be merged, such as # 1 and 4; # 2 and 3, etc.
- Since a multiple number of activities have been clubbed in some objectives/matters, such as objective # 5 and 6, it is recommended that such objectives/matters are split into specific objectives/matters.



For respective function, we infer the following as key factors that pose a challenge to the growth of KSCDCL and our further recommendations on the same:

#### 7.04 Review of sites and inputs received based on discussion with relevant stakeholders of KSCDCL

(a) Our assessment of the Compounded Annual Growth Rate (CAGR) of three key segments of products sold by KSCDCL, i.e. coir mats/tables, mattresses and coir pith since FY 15/16 till FY 17/18 reflects a low growth rate of 0.27%, -1% and 0.7% respectively. KSCDCL does not produce white fiber at present and could explore the possibility of producing coir based white fiber.

(b) The market research carried out by us for coir mats/tables, mattresses and tufted door-mats based coir products indicate that there is a good demand of such products in the domestic and international market and it is likely to grow further. The CAGR of these key segments of products in the coir market is approx. in the range of 5% to 6%, if not less. Our market analysis of another product, white fiber indicates that it has a huge international market potential.

(c) Our assessment indicates that KSCDCL could capitalize on the market demand of the aforesaid four segments of coir products mattress, coir pith manure, tufted coir mats and coir white fiber and earn a potential revenue of approx. Rs. 75 crores, to as high as over Rs. 400 crores; Rs. 290 crores, Rs. 12 crores and Rs. 2 crores respectively across these products.

#### 7.03 Review of market potential that could be capitalized by KSCDCL:

(a) Based on the average of the past 5 years of performance, our assessment indicates the following for production of all raw materials, intermediate products and finished goods (coir fiber, coir pith, yarn, coir pith manure, curling, mats, coir/tables, and mattresses combined together):

- Production target assigned as compared to designed production capacity is 66%;
- Production target achieved as compared to designed production capacity is 19%; this indicates that there is substantial room for improvement; and
- Production target achieved as compared to production target assigned is 35%.

(b) Based on the secondary research carried out by us, the production of the basic raw material, i.e. coir fiber is at approx. 40% lower as compared to the good practice, on the basis of per unit of coconut husk.

#### 7.02 Review of efficiency of man and machines in KSCDCL:

KSCDCU has to strategically work on its marketing plan and aggressively push and improve its sales figures; the sales department has to motivate the employees and aggressively push the sales, beyond the conventional window of rebate period.

- Every permanent and temporary employee of KSCDCU from the level of Managing Director to the lowest level connected with the marketing and sales department shall have to play their respective role in aggressively pushing the sales figures and in motivating the employees for improved sales. This could be

#### □ Our broad recommendations:

- It is observed that KSCDCU does not have a clear sales strategy of their in-house products. Further, there appears to be lack of motivation from the sales forces due to certain stringent norms for non-achievement of targets as well as non-recovery of debts, thereby resulting in low sales and high inventory generation at the close of every FY.
- Absence of scientific estimated and predicted demand of the market, at the beginning of every FYs is also leading to high inventory. The closing stock of inventories over the sale of finished goods of the past 3 years till FY 17/18 is 32%, which is incidentally a very high ratio. In FY 17/18 the closing stock of the inventories of the finished goods stands at approx. 50% vis a vis the sale of products.
- Inclusion of GST in sale of products that have a lower revenue generation, is hurting the sales of such products.
- Large discount is provided for sale of products to government department, which incidentally significantly reduces the margin and is also hurting the company financially; competition in pricing, such as choice of plastic over fiber-based products or preference of comfort, such as spring/foam mattress over coil mattress is further dampening the sale of products manufactured by KSCDCU.
- At the end of FY 17/18, approx. 13 showrooms/accounts, inclusive of the Head Office have been operating. Of the 13 showrooms/accounts, approximately 5 of them have achieved no or insignificant sales. Neither did any of these 5 units have a sales target. Considering an operational cost of approx. a minimum of Rs. 3 lakhs per showroom, on a per annum basis for the showrooms, it is very likely that a sizeable amount of cost is not leading to any benefit to KSCDCU.

#### □ Conclusion:

#### (a) Sales and Marketing:

considered as one of the Key Performance Indicator (KPI) of every personnel for performance appraisal, involved in the sales and marketing responsibility. Accordingly, such a KPI could be connected with the compensation of every line of command of all the concerned personnel of these departments. Such a strategy will therefore facilitate in group responsibility rather than individual responsibility.

- Any employee irrespective of sales and marketing department could be incentivized for sale.
- Instilling of fear in the mind of sales personnel on account of non-recovery is not facilitating the purpose of sales. It is therefore recommended that such a practice be put to a closure.
- Production target has to be assigned on the basis of the designed production capacity of the man and machines that have been assessed for every category of production, for every year.
- With a low margin available on sale of coir products, it is recommended that GOK considers the option of buying the products of KSCDCL at a minimum of no profit and no loss basis.
- For products which face a stiff competition in the market, on account of availability of alternate products, KSCDCL may explore whether to continue with such products or explore innovative form of marketing.
- It is advisable that KSCDCL explores the option of selling products through the online e-commerce platforms of Amazon, Flipkart and international sites such as Alibaba.com. KSCDCL may also explore the option of setting up their own e-commerce platform for direct sale of their products. This may facilitate KSCDCL to get an access to a larger market and in most likelihood international base and customers.
- GST Council of Karnataka could be approached through the Gok with an appeal for removal of GST from sale of products that are sold in domestic markets which unfortunately do not attract very high revenue and makes it a costly for the target consumers.
- For the balance portion of raw materials, such as fiber and coir pith in stock, in the beginning of every month of March of every FY, which could stay as a potential closing stock of that FY, KSCDCL could explore the option of transporting and drying the fibers faster, in a hot climatic belt in and around its de-fibering units and export it to countries to improve its revenue.

KSCDCL may explore the viability of showrooms which are not resulting in a minimum revenue to manage its operational cost or is having a huge inventory of unsold finished goods. KSCDCL, as felt appropriate may decide to close them or otherwise, if such showrooms have a potential, then it could reshuffle the existing resources of such showrooms with other departments. KSCDCL may

- Measures need to be taken to reduce the increasing cost of wages/salaries and reduction of increasing liabilities;
- The accountability of every personnel in KSCDCL connected with the schemes and their respective roles and responsibilities should be clearly defined against

#### □ Our broad recommendations:

- While, the bad and doubtful debts too are adding to the liabilities of KSCDCL, which account to an average of 5% since the past 5 years, as a vital trade receivable, the increasing finance charges too that is paid off every year, on loans taken to meet the operating expenses is also hurting the financial performance of the company.
- Higher overheads of wages/salaries of employees/artisans and miscellaneous expenses as compared to overall operating expenses of the past 5 years, account to an average of approx. 30%, which is high; the proportion was almost 50% in FY 17/18, which is significantly very high.
- The average current ratio, quick ratio and cash ratio of KSCDCL of the past 5 years stands at 0.7, 0.64 and 0.7 respectively, which is unfortunately below the expected good and ideal practice of 2, 1 and 1 respectively.
- KSCDCL's ability to meet short term debt obligations based on finished goods and liquid assets in the past years shows a downward trend; and with liabilities of the company increasing, the net-worth of the company has been trending in negative since the past few years.
- During site visits carried out by us to different manufacturing facilities/showroom, contract employees expressed grievances on the non-issuance of salary slips, leave encashment, travel allowance, ID cards etc. This might affect the faith and confidence of the contract employees on the management. However, the management clarified that salaries are electronically transferred to the beneficiaries and there is no necessity to issue the salary slips.
- No specific timeline is set for spent of the money obtained through various schemes that are awarded to KSCDCL by the Govt.

#### □ Conclusion:

##### (b) Finance:

- explore the possibility of opening showrooms in other states of India, which have a good demand of its products.
- KSCDCL may consider exploring the option of offering a substantial discount to its customers for clear the closing stock, primarily during the period of end of March of any FY, to increase the last-minute revenue from unsold stock.

the timeline and included as a key performance indicator for the annual performance appraisal. Moreover, the impact of such a performance appraisal should have bearing on the person, irrespective of whether the person continues with his responsibility in KSCDCL or is transferred to some other department.

(c) Production:

□ Conclusion:

- Lack of up-to date technologies and equipment is impeding the growth and becomes a major challenge for KSCDCL to manufacture value added products that are currently in substantial demand, primarily in the international market. Further, factors, such as high inventory, low sales, lack of skilled resources and old machines which are more than 15 to 20 years old, are also leading to substantial under-utilization of the production units. Lack of updated technology impacts the production of export oriented high revenue added products. As such KSCDCL is compelled to continue with the manufacture of conventional and low-priced products.
- Since the past five years, of the various products sold by KSCDCL, three products – cots/tables, mattresses and mats have contributed to approx. 95% of business value for KSCDCL. Some of the other finished products such as, trays and baskets contribute to a very low business value.
- A large volume of products sold by KSCDCL, in terms of value are actually procured from outside sources of KSCDCL, such as rubberized coil mattresses. Based on our estimate of the average of the past 5 years of performance, approximately 87% of business volume in terms of value is procured from external buyers.
- There is no scientific basis of setting a production target for production of raw materials or intermediate or finished product in KSCDCL – it is all set on arbitrary basis. No assessment was carried out for the designed production capacity of each of the earlier processes earlier in KSCDCL – this resulted in assignment of target on arbitrary basis by KSCDCL in the past. Based on the review carried out by us, we could identify that the design production capacity of mats is 3.46 lakh numbers per annum while the average assigned target of mats since FY 15/16 to FY 17/18 is 4.29 lakh number per annum. In another case, the design production capacity of yarn is 864 MT/annum, while the target assigned for the yarn production in FY 13/14 is 354 MT/annum.

- It is recommended that the production cost vis a vis the revenue generated from the sale of products, such as trays and baskets could be assessed and machines.
- thereby the loss in production on account of non-functioning of the in-operable contracts with suppliers of machines could be explored to reduce the time and continuous production and signing periodic maintenance and inspection otherwise impacts substantial production could be explored for ensuring installation of DG sets where there are substantial cases of power failure, which i.e. specific, measurable, achievable, recordable and time-bound.
- target for every production process. Moreover, the target set should be SMART, recommended that CSD could consider this as the baseline before setting a them for every production stage. Based on the DPC assessed by CSD, it is production team, have assessed the DPC for all processes, in agreement with discussion spanning over couple of days, with the senior officials of the manufacturing and finished/produced goods, CSD, based on a detailed (DPC) for the processes of raw material extraction, intermediate product The company did not have an assessment of the design production capacity have a larger demand in the market.
- KSCDCL explores options of manufacturing value added finished products that business doesn't become sustainable in the long run, it is therefore advisable that For a manufacturing business activity, significant dependence only on a trading

#### □ Our broad recommendations:

- beyond the first year, as the charges for subsequent years are very high.
- with the suppliers of the machines for the first year only. No O&M is signed Operation and maintenance (O&M) contracts have been signed by KSCDCL interest of the employees and of KSCDCL.
- grasp over the affairs of the industry as a whole, which unfortunately hurts the understanding of the grievances of the employees or are not able to have a employees have a feeling that the MDs are not being able to get a full Managing Directors (MDs) in KSCDCL are being reshuffled quite often. The consuming and lengthy process, during which there is a production loss.
- approval of funds from the higher-ups for the repair of machines is a time on a per annum basis; moreover in the present circumstances the time taken for production loss and thereby, a proportionate revenue loss of approx. 5% to 7% repair work for a period extending in between 2 to 3 weeks, is resulting in frequent power outages and unplanned shut-down of machines on account of to loss in timely achievement of the assigned production target.
- of the production manager. At times, lack of timely supply of raw materials leads Non-achievement of production target, results in reduction of take-home salary

accordingly measures be initiated, on whether the production of such products

should be pursued by KSCDCL.

- During our course of site visit, the production managers have expressed grievances against timely availability of raw materials, logistical constraints and production targets assigned in the mid-month or mid-year, lack of support from the top management for the proper execution leading to their non-achievement of the targets assigned. In this context we suggest that holding only the production manager responsible for not being able to deliver the target production volume, may be not be construed as a fair and good practice. Without appropriate support from the higher-ups, the production managers may not be able to achieve the targets, which unfortunately, currently results in deduction in salary and very poor take home package which thereby impact their livelihood and sustenance. It is therefore recommended that KSCDCL in consultation with the concerned personnel representing the production, marketing and HRD departments jointly explore options to ensure full capacity utilization of the workers and the machines. Accordingly, they may conduct quarterly monitoring and assessment of the performance that is achieved by the production managers/workers vis a vis the target assigned and accordingly guide them on deviation, if any.

- KSCDCL could request for appropriate budget from the Gok to install up-to date technologies to facilitate in the production of export oriented high revenue value generating value added products, such as coir pith manure (compost), coir mattress, tufted door mats and white coir fibre, which have a lot of demand in the international coir market. Gok could place a request to Coir Board of India, with a proposal in this regard.

- In order to improve higher productivity, KSCDCL should undertake appropriate training and skill development programs, so that the skills of the workers are upgraded in tandem with the constant changes in the technology. Accordingly, the human resource department (HRD) needs to take an active interest in acquiring the appropriate labor with the right skill sets as well as impart adequate and appropriate training to upgrade their skills to increase the productivity.

- It is recommended that a cap of Rs. 10,000/- could be set for any repair and maintenance for which no approval is required from the board of KSCDCL. Such approvals could be taken from the MD of the KSCDCL itself, thereby, cutting the considerable lag time for seeking the necessary approvals for the funds.

- The O&M contracts with the suppliers should ideally be signed for the entire life-span or for a substantial time-period with the supplier of the machine, with conditions of payment only after annual inspection, maintenance and repair of the equipments, if any. This could facilitate in improved costing and savings for KSCDCL.

manager pays the wages from his own pocket. the wages exceed the amount disbursed by KSCDCL, hence, the production maintains a wages register for his personal record and that on some occasions, the site, wrt. disbursement of wages. The production manager has conveyed there is a disagreement in between the workers and the production manager of the nearby land.

sludge collected at the bottom of the tank, without appropriate treatment, to floor washings to a collection tank; disposal of the decanted trade effluent and discharge of emission from a stack; washing and discharge of pollutant bearing KSCDCL unit of Channarayana were observed, such as, running of a boiler; On the day of the site visit by the evaluation team, a lot of operations in the workers

• Inappropriate maintenance of registers pertaining to wages disbursed to damaging consequences on their health, respirable particulate matter, which otherwise, in the long run, could have are not wearing face masks, to prevent themselves from the inhalation of During our site visit to Channarayana, it has been observed that the workers toilets are not provided in the sites that have been visited.

• Provision of appropriate basic health and hygiene facilities, such as, clean medical expenses; and when they are subjected to medical needs and are required to incur large ✓ Medical benefits for them has a huge hit on their sustenance and livelihood, basis are aggrieved, on account of lack of employees, the temporary employees and workers who are working on contract while KSCDCL provides 12% provident fund benefit to all the permanent

□ Conclusion:

(d) Legal Compliance:

KSCDCL. the equipments, if any. This could facilitate in improved costing and savings for conditions of payment only after annual inspection, maintenance and repair of span or for a substantial time-period with the supplier of the machine. with

- The O&M contracts with the suppliers should ideally be signed for the entire life- and 90% of the designed production capacity. presented in the report. Ideally, the target production should be in between 80% intermediate and finished products that are manufactured by KSCDCL and capacity for respective production process. The designed production capacity of the respective production process. The designed production Production target should be assigned, based on the designed production



□ Our broad recommendations:

- KSCDCL as government establishment has over 20 contractual employees/workers; moreover, a significant number of its temporary employees are drawing wages/salaries of less than Rs. 21,000/-, as per feedback collected during our site visit. It is very likely that KSCDCL comes under the applicability of the ESI Act. As such, KSCDCL should explore the applicability of the requirements of the rules, with a focus on provision of ESI benefits to the artisans/workers and temporary employees who are drawing wages/salaries of less than Rs. 21,000/- on a per monthly basis.
- It is very likely that some of the manufacturing facilities of KSCDCL comes under the applicability of Factory's Act and Rules notified by the GoI. In view of the total number of workers the manufacturing facilities engage and on account of the nature of production process in existence in such facilities. As such, KSCDCL should explore the applicability of the requirements of the rules in its manufacturing facilities, with a focus on factory license requirements and establishment of health and hygiene facilities such as, provision of toilets, face-masks, etc. needs to be explored.
- It is very likely that KSCDCL comes under the applicability of Contract Labour (Regulation & Abolition) Act, 1970 & Rules 1971 and The Karnataka State Contract Labour (Regulation & Abolition) Rules notified by the GoI and GoK respectively. In view of the total number of workers the manufacturing facilities engage, KSCDCL should explore the applicability of the requirements of the rules in its manufacturing facilities, with a focus on compliance with the requirements of license to engage contract workers and maintenance of documented registers, such as muster roll, wages registers, deduction register and overtime register.
- KSCDCL may like to enquire of the incidence of disagreement in between the workers and the production manager and accordingly settle the matter in the manufacturing unit of Navelli.
- On account of likely applicability of the Factory's Act and Rules and the various activities that are currently in operations in the KSCDCL unit of Channarayana, call for assessment of its applicability and compliance with various environmental regulations that have been notified by the GoI, KSCDCL should explore the applicability of the requirements of the various environmental based regulations.

there is no such mention of installation of any machine/equipment. The money is just of the funds allocated for 'work cum living shed' for the beneficiaries of KSCDCL for earning his/her livelihood over the next years of his/her lifespan. Whereas in case tools/machines/equipments for manufacturing some products in the same shed, refers to a place of stay, whereby, the beneficiary must install some disbursed against the schemes. Such a terminology of 'work cum living shed' ideally lack of on the actual meaning of 'work cum living shed' by the Gok for the funds (details);

imposed by KSCDCL, since FY 2013/14 to FY 2017/18 in Chapter # 6 for more Average Wealth Created and Social Returns on Investment for Training Programs parameter from FY 13/14 to FY 17/18 Refer to Chart # 6.05.01.02 (A) – Estimation of TCP are average value under different training categories for the mentioned which incidentally is not a very healthy return on the investment made. (NB: SCP and compared to the overall investment is 53% and 47% in TCP and SCP respectively, i.e. wealth that has actually been created post implementation of the project, as in case of TCP and 18% in case of SCP; and the Social Returns on Investment (SROI), ideally created post completion of the training programs is indicated in, approx. 20% created by KSCDCL, as compared to the expected wealth that should have been average performance assessment of the past 5 years, the gap in wealth actually although there is no such documented evidence to support such a claim. An approximate of 40% of workers, who had been trained have been absorbed, some form of livelihood in the coir sector. KSCDCL has conveyed that an how many of the trainees who had completed the training program are earning amount that was invested on the training programs, as such it is difficult to assess Currently there is no system to track the impacts that have resulted out of the loss, which incidentally is significant for a company that is struggling for profitability.

Non-functional machines take approx. two to three weeks to get repaired. It can be 17/18. KSCDCL has been increasing at an average rate of 18%, since the past 5 years till FY major challenge to KSCDCL in the long run. The purchase price of coconut husk by anticipated to be of the tune of Rs. 20,000/- crores by the year 2022. This may pose a • The market demand of coir fibre in the international market is increasing and is and specific objective set for the training programs conducted.

• Currently, there is no assessment being done for the training programs to understand the benefits or impacts the training programs have delivered. Neither is any material

□ **Conclusion:**

**7.05 Review of the schemes of the past few years implemented by KSCDCL:**

• Currently, there is no assessment being done for the training programs to understand the benefits or impacts the training programs have delivered. Neither is any material

- being given to the beneficiaries to construct their own house of stay at free of cost by the Gok. There is a likely risk that the workers may quit their job and switch over to other forms of trade or may join other private players, who may offer them a higher salary.
  - No assessment has been done to assess how wealthy or needy or poor is the beneficiary, which unfortunately may shut the opportunities of genuine beneficiaries, who should have otherwise been the ideal beneficiaries for such Gok funds.
  - Lack of a mechanism to capture the business benefits on account of participation in exhibition by KSDCL.
- Our broad recommendations:**
- Gok should consider the post implementation scenarios of the impacts or benefits the projects could deliver, for the fund disbursed against any scheme. Post implementation of the schemes, Gok should assess the following:
    - ✓ The wealth the project has created for the target beneficiaries, through the sources of various livelihood obtained by them;
    - ✓ The various forms of social benefits accrued;
    - ✓ Returns on the investment, in terms of the revenue generated over the investment made; and
    - ✓ Social Returns on the investment, in terms of the actual wealth created for the target beneficiaries over the investment made.
  - Such assessments will lead to better utilization of the funds, as it will bring in more accountability for the concerned personnel in an organization, who are responsible for implementing the schemes.
  - In view of the increasing demand of car fibre in the international market, it is recommended that KSCDC may explore signing of at least 3 to 5 years of long-term forward contracts with some of its large and loyal suppliers for the supply of coconut husk, at an escalated price of say approx. 10% every year. This will enable KSCDC to save at least another 8%, over the average price increase of 18%.
  - It is recommended that the following measures could be explored, wrt. repair of machines, which could significantly reduce the unplanned shut-down period:
    - ✓ Further periodic maintenance and inspection of the machines could be explored on a half yearly basis, to check the health of the machines. Such inspections could be carried out in the evening after the completion of working shift hours. This will therefore not impact the production hours. Contracts in line that is lost for seeking for budget approval is reduced significantly;
    - ✓ A maintenance fund be created at the beginning of every year, so that the time that is lost for seeking for budget approval is reduced significantly;

with such an approach could be explored with the suppliers of services or of the machines.

- In view of the training programs imparted as a part of the scheme to the TCPs, SCPs or to the other target beneficiaries, it is recommended that:

✓ An effective monitoring system be established to assess the outcome on account of the trainings imparted, on a per trainee basis, at least, for a period of one year, to assess the degree of SROI. Further the degree of SROI targeted to be achieved, could be considered as one of the key performance parameters for the annual appraisal of the concerned personnel of the human resources and production department who are responsible for imparting effective training to the trainees;

✓ Further, it is also recommended that such trackers who identify and mobilize the trainees from various places, shall be paid on the basis of the number of trainees who have continued to serve in KSCDCL or in other coir businesses. The tracker may be requested to furnish quarterly reports. The concerned personnel of KSCDCL may conduct independent verification to assess the authenticity of the information furnished by the trackers and accordingly the payment be released to the trackers.

- In view of the 'work cum living sheds', it is recommended that the actual meaning of 'work cum living shed' and the criteria and eligibility requirements for availing the benefits of such GOK based funds, by the deal beneficiaries is defined. The best performers of KSCDCL could be identified based on their performance of the past one or two years, for availing this benefit, instead of making it accessible to anyone who has worked for a minimum of 2 years. Further the beneficiary availing the benefit of the fund, has to continue to give a minimum level of performance, for a minimum period of 3000 working days (during his period of survival), subsequent to which the beneficiary could become the legal owner of the 'work cum living shed', in the event of his/her death, within the period of 3000 days, the nominee of the beneficiary could become the legal owner of the 'work cum living shed'. It is therefore recommended that the impact of marketing initiatives taken by KSCDCL be captured in the form of returns on investment, to provide more confidence and reasons on why marketing in the form of display of items in various exhibitions is desirable and makes commercial sense.

## 2.06 Broad Commercial Recommendations to KSCDCL to boost its revenue:

Based on our overall analysis of their sales, production and financing, following are our recommendations to KSCDCL to explore further to increase their revenue:

- A declining trend is observed in the demand for coir-mattresses from external sources from FY15/16 to FY 17/18. To make the business sustainable in the longer run,

it is recommended that KSCDCL explores the possibility of setting up an upgraded technology for a coir-mattress based manufacturing set-up in Karnataka, to meet the market demand. The market assessment done by CSD indicates that KSCDCL on a per annum basis has a market potential to grow the coir-mattress segment to approximately Rs. 100 crores.

- While, our assessment of the Compounded Annual Growth Rate (CAGR) of mats in KSCDCL, since FY 15/16 till FY 17/18 reflect a low growth rate of 0.7%, the market research carried out by us for this emerging market segment, indicates a good market potential, which could enable KSCDCL to earn approx. Rs. 12 crores in the domestic and international market on a per annum basis, which is very likely to grow further.
- The market potential assessed by us for coir pith manure calls for an inspection of immense market potential it holds in the international market, which are environmentally conscious, on account of it being an organic manure coupled with other added benefits. This segment of product has a potential of approx. Rs. 290 crores on a per annum basis that could be capitalized by KSCDCL by producing coir pith manure and briquettes. This not only gives an opportunity for KSCDCL to enter the international market but also could make windfall gain with lesser capital investment. In addition, KSCDCL can consult National Coir Research and Management on the emerging technologies for the faster production of coir pith. KSCDCL could be supported by Govt with appropriate grants/funds for the purchase of upgraded technology of the current generation, such as, pith block making machine.
- KSCDCL could capitalize on the emerging market segment of white fibre that is produced from tender coconut fibre and start producing such a product, across the long coastal belt of Karnataka for export to other countries. KSCDCL could explore capitalizing approx Rs. 2 crores on a per annum basis.
- KSCDCL should explore the option of selling products through online e-commerce platforms of Amazon, Flipkart and international sites such as Alibaba.com. This may facilitate KSCDCL to get an access to larger market, get a larger visibility and therefore be able to sell off their products at a much higher price, which may easily cover the cost of the logistics and in turn may result in larger revenue generation source for KSCDCL. KSCDCL may also explore establishing its own e-commerce platform.
- KSCDCL should consider focused and strategic marketing of its products both in the domestic and international market and accordingly explore options to sell the finished products in the open market, at a reasonable margin. KSCDCL may explore opening more showrooms in places where there is a potential of high sales and high revenue generation, within and outside the state of Karnataka in India or abroad. Accordingly, new sites for opening new showrooms could be explored.

which have a potential of more acceptance of KSCDCL's products by the local people.

- With the price of coconut husk increasing @ 18% pa, coupled with increasing demand of coconut fibre in the international market, it is advisable that KSCDCL starts exploring the option of developing, owning, leasing, maintaining and managing its coconut nurseries and groves, to facilitate uninterrupted flow of raw material for production of intermediate and finished products. KSCDCL may also explore option of signing long term forward trading agreement for at least a minimum of 5 years, with its loyal and bulk suppliers of coconut husk, at an incremental cost, on a per annum basis.

- It is recommended that KSCDCL could act immediately on setting production targets on a scientific basis, in conjunction with appropriate sales target for its value-added products such as coir pith, mattresses and mats. In addition, factors such as ensuring timely availability of raw materials; immediate repair and maintenance of machines; setting production targets on a scientific basis; avoiding frequent outages of power by facilitating DG sets; exploring options of trimming manpower to cut down wages/salaries, wherever felt necessary; investment in upgraded machines to cater to value-added products; and most importantly, to keep the employees motivated to achieve the target and push KSCDCL's revenue to reach break-even point, even if not in profit.

The Annexures	
	Part # II

Final Report of KSCDCU for DPE, GOK

## 1(a). Assessment for Cot Mattress (Option # 1 – Based on Feedback from KSCDCL):

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	
Potential Investment	Based on consultation with KSCDCL	<ul style="list-style-type: none"> <li>An investment of Rs. 25 crores can facilitate manufacturing approx. 225 mattresses/shift.</li> </ul>
Likely Turn-over	Based on consultation with KSCDCL	<ul style="list-style-type: none"> <li>Hence for three shifts per day, for 300 working days, KSCDCL has a potential to manufacture = <math>225 \times 3 \times 300 = 200,700</math> units of mattresses;</li> <li>Putting a sale price of Rs. 4,000 [inclusive of a profit margin of 30%], the estimated turnover = <math>2,00,700 \text{ units} \times \text{Rs. } 4,000/\text{unit} = \text{Rs. } 80,28 \text{ crores (say, Rs. } 80 \text{ crores)}</math>;</li> <li>The sale price of Rs. 4,000 would be a competitive price, as compared to the higher price offered by peers in the private sector of similar quality.</li> </ul>

## 1(b). Assessment for Cot Mattress (Option # 1 – Based on Secondary Research of CSD):

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	
Potential Investment	<a href="https://www.nitr.org/profile/project-reports/profile/2050/cot-mattresses-manufacturing-plant-detailed-project-report-profile-business-plan-industry-trends-market-research-survey-manufacturing-process-machinery-raw-materials-feasibility-study-investment-opportunities-cost-revenue-plant">https://www.nitr.org/profile/project-reports/profile/2050/cot-mattresses-manufacturing-plant-detailed-project-report-profile-business-plan-industry-trends-market-research-survey-manufacturing-process-machinery-raw-materials-feasibility-study-investment-opportunities-cost-revenue-plant</a>	<ul style="list-style-type: none"> <li>A total capital investment of Rs. 6.6 crores can facilitate manufacturing approx. 390 mattresses/day;</li> </ul>



Item	Source	Method of Assessment
Likely Turn-over	Based on consultation with KSCDCL <i>Source: Final</i>	<ul style="list-style-type: none"> <li>Hence for 300 working days, KSCDCL has a potential to manufacture = <math>390 \times 300 = 1,17,000</math> units of mattresses;</li> <li>Production cost (considering the investment cost is recovered at the completion of the first year) = <math>6,60,000/1,17,000 = \text{Rs. } 563/\text{unit}</math> of mattress</li> <li>Putting a sale price of Rs. 4,000 (inclusive of a profit margin of approx. 800%), the estimated turnover = <math>1,17,000 \text{ units} \times \text{Rs. } 4,000/\text{unit} = \text{Rs. } 47 \text{ crores}</math>;</li> <li>The sale price of Rs. 4,000 would be a competitive price, as compared to the higher price offered by peers in the private sector of similar quality.</li> </ul>

**2 (a). Assessment for Coir Pith Manure (Briquette in the form of single small blocks, say blocks of 1 kg.):**

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	
Potential Investment	<a href="https://smallbizbooks.com/default/files/knowledge-base/coir_pith_block_making_unit.pdf">https://smallbizbooks.com/default/files/knowledge-base/coir_pith_block_making_unit.pdf</a>	An investment of 1.04 crores can facilitate manufacturing of approx. 3,904 MT/ annum of either 650 gms. or 5 kgs. coir pith manure blocks with modernized machines.
Likely Turn-over	Refer to Section # 4.01.02 of this report	Putting a sale price of Rs. 750/kg for e-commerce customers, estimated turnover is 293 crores (say Rs. 290 crores).

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**2 (b). Assessment for Coir Pith Manure (Briquette in the form of bulk sales, say blocks accounting for 25 kgs. or more):**

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	
Potential Investment	<a href="https://smallbizbig.com/sites/default/files/knowledge_base/coir_pith_block_making_unit.pdf">https://smallbizbig.com/sites/default/files/knowledge_base/coir_pith_block_making_unit.pdf</a>	An investment of 1.04 crores can facilitate manufacturing of approx. 3,904 MT/ annum of either 650 gms. or 5 kgs. coir pith manure blocks with modernized machineries.
Likely Turn-over	Refer to Section # 4.01.02 of this report	Putting a sale price of Rs. 18/kg for e-commerce website customers, estimated turnover is approx. Rs. 7 crores.

**2 (c). Assessment for Coir Pith Manure (Loose but say in small quantities of 1 to 2 kgs. pouches):**

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	
Potential Investment	Based on consultation with KSCDCL and secondary market research	An investment of 0.7 crores can facilitate in production of approx. 3,904 MT/annum.
Likely Turn-over	Refer to Section # 4.01.02 of this report	Putting up a sale price of Rs. 90/kg for e-commerce customers, estimated turnover is approx. Rs. 35 crores.

**2 (d). Assessment for Coir Pith Manure (Loose but say in bulk quantities of 25 Kgs. or more packages)**

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	
Potential Investment	Based on consultation with KSCDCL and secondary market research	An investment of 0.7 crores can facilitate in production of approx. 3,904 MT/annum.
Likely Turn-over	Refer to Section # 4.01.02 of this report	Putting up a sale price of Rs. 10/kg for e-commerce customers, estimated turnover is approx. Rs. 4 crores.

**3. Assessment for PVC Tufted Coir Doormats:**

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	
Potential Investment	Based on secondary desk research of CSD - <a href="http://coirboard.gov.in/wp-content/uploads/2016/03/FINAL-ECOL-Coir-Pollockh-Wrlwup1.pdf">http://coirboard.gov.in/wp-content/uploads/2016/03/FINAL-ECOL-Coir-Pollockh-Wrlwup1.pdf</a>	The source indicates that approx. of Rs. 98 lakhs of land cost for a 12,500 sq. ft. building area which can hold two machines, with a capacity of producing 800 sq.m. of mats per shift; machinery cost of approx. Rs. 2.6 crores; cost of raw materials of approx. Rs. 8.65 crores and working capital of approx. 5% of the aforesaid costs, say Rs. 1.8 crores for 3 shifts. These in total accounts for an investment of Rs. 14.07 crores (say, Rs. 14 crores).
Likely Turn-over	Based on secondary desk research	<ul style="list-style-type: none"> <li>KSCDCL in 3 shifts, spread over 300 working days, @ 800</li> </ul>

Item	Source	Method of Assessment
	<a href="http://coirboard.gov.in/wp-content/uploads/2016/03/FINAL-ECO-COI-Pollock-Writeup1.pdf">http://coirboard.gov.in/wp-content/uploads/2016/03/FINAL-ECO-COI-Pollock-Writeup1.pdf</a>	<ul style="list-style-type: none"> <li>sqm. of production per shift, can manufacture = 300 x 3 x 2 x 800 = 14,40,000 sqm./annum of PVC tufted mats.</li> <li>Putting a sale price of Rs. 350/sqm., estimated turnover is 50.4 crores (say, Rs. 50 crores).</li> <li>The sale price of Rs. 350 would be a competitive price, as compared to the highest price offered by peers in the private sector of similar quality.</li> </ul>

#### 4. Assessment for Coir White Fibre:

Item	Source	Method of Assessment
Market Size	Refer to Section # 4.01.02 of this report	With market size (in qt) of 2,50,000 MT and cost of white fibre of Rs. 22,000/MT, the market size (in value) is = 2,50,000 MT x Rs. 22,000/- per MT = Rs. 550 crores.
Market Share of KSCDCL	Refer to Section # 4.01.02 of this report	<p>Potential investment of Rs. 1.4 crores, can result in de-husking of 16,000 husks/day, thereby resulting in the following benefits:</p> <ul style="list-style-type: none"> <li>Production of white-fibre, @ 1.4 MT of fibre/day for 300 working days = 1.4 x 300 = 4,200 MT pa.; hence, @ Rs. 20,000/- per MT, the potential revenue = Rs. 20,000 x 4,200 = Rs. 8,40,00,000/- (say Rs. 8.5 crores)</li> <li>Production of coir pith, @ 0.8 MT of coir-pith/day for 300 working days = 0.8 x 300 = 240 MT pa.; hence, @ Rs. 250/- per MT, the potential revenue = Rs. 250 x 240 = Rs. 60,000/- (say Rs. 0.01 crores)</li> <li>Production of bio-gas: @ 800 cum./day for 300 working days = 800 x 300 = 2,40,000 cum. pa.; hence, @ Rs. 5/- per cum, the potential revenue = Rs. 2,40,000 x 5 = Rs. 12,00,000/- (say Rs. 0.12 crores)</li> </ul> <p>Total of all the above = Rs. 8,71 Crores (say Rs. 9 crores)</p>
Potential Investment	Based on secondary desk research	Potential investment of Rs. 1.4 crores

Item	Source	Method of Assessment
Likely Turn-over	<p><a href="http://www.nist.res.in/english/wp-content/files/tetting.pdf">http://www.nist.res.in/english/wp-content/files/tetting.pdf</a></p> <p>Based on secondary desk research</p> <p><a href="http://www.nist.res.in/english/wp-content/files/tetting.pdf">http://www.nist.res.in/english/wp-content/files/tetting.pdf</a></p>	Same as indicated in the market share

#### 5. Assessment for Sisal Fibre:

Item	Source	Method of Assessment
Market Size	<ul style="list-style-type: none"> <li>Refer to Section # 4.01.02 of this report.</li> <li>Price of sisal fibre:</li> </ul> <p><a href="https://www.indiamart.com/proddetail/sisal-fibre-10546666448.html">https://www.indiamart.com/proddetail/sisal-fibre-10546666448.html</a></p>	<ul style="list-style-type: none"> <li>With global market size of 2,50,000 MT and cost of sisal fibre of Rs. 1,00,000/MT for high quality sisal fibre, the market size for is = 2,50,000 MT x Rs. 1,00,000/- per MT = Rs. 2,500 crores.</li> <li>The concept of sisal fibre is picking up in India and is currently valued at just 1% of the global market share, i.e. = 1% of Rs. 2,500 crores = Rs. 25 crores</li> <li>Considering a lease area of 100 hectare, the yield of sisal is likely to be = 250 MT pa.;</li> <li>@ Rs. 100,000 per MT, for a yield of 250 MT, the market share is = 250 MT x Rs. 1,00,000/- per MT = Rs. 2.5 crores.</li> <li>Investment cost – Lease of land @ Rs. 25 lakhs pa.;</li> <li>capital/operating expenses @ Rs. 3.27 lakhs pa.;</li> <li>Total investment = Rs. 28.27 lakhs (say, Rs. 0.3 crores)</li> </ul>
Potential Investment	<p>Refer to Section # 4.01.02 of this report</p> <p>Based on secondary desk research</p> <p><a href="http://www.dcmrme.gov.in/reports/MediumSisalFiber.pdf">http://www.dcmrme.gov.in/reports/MediumSisalFiber.pdf</a></p>	<p>Based on secondary desk research</p> <p><a href="http://www.dcmrme.gov.in/reports/MediumSisalFiber.pdf">http://www.dcmrme.gov.in/reports/MediumSisalFiber.pdf</a></p>
Likely Turn-over	<p>Based on secondary desk research</p> <p><a href="http://www.dcmrme.gov.in/reports/MediumSisalFiber.pdf">http://www.dcmrme.gov.in/reports/MediumSisalFiber.pdf</a></p>	Same as indicated in the market share.

The Code	The Abbreviations
AY	Assessment Year
FY	Financial Year in India
CSD	Centre for Sustainable Development, Bengaluru
CAGR	Compounded Annual Growth Rate
ESI	Employees' State Insurance
DPE	Department of Public Enterprises
GOK	Government of Karnataka
GoI	Government of India
KPI	Key Performance Indicator
KSCDCU	Karnataka State Co-operative Development Corporation Limited
MOA	Memorandum of Association
PF	Provident Fund
PSE	Public Sector Enterprises
SROI	Social Returns on Investment
YoY	Year on year

Following are the abbreviations that have been applied in this report.