



FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)**

EIGHTH REPORT
(Presented on 8th November, 2016)

**SECRETARIAT OF THE KERALA LEGISLATURE
THIRUVANANTHAPURAM**

2016

FOURTEENTH KERALA LEGISLATIVE ASSEMBLY

**COMMITTEE
ON
PUBLIC UNDERTAKINGS
(2016-2019)**

EIGHTH REPORT

On

**Kerala State Handloom Development Corporation Limited
(Based on the Report of the Comptroller and Auditor
General of India for the year ended 31 March,
2012 (Commercial))**

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COMMITTEE ON PUBLIC UNDERTAKINGS (2016-2019)

COMPOSITION

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Smt. P. K. Girija, Additional Secretary

Smt. Manju Varghese, Deputy Secretary

Smt. Deepa. V., Under Secretary.

INTRODUCTION

I, the Chairman, Committee on Public Undertakings (2016-2019) having been authorised by the Committee to present the Report on their behalf, present this Eighth Report on Kerala State Handloom Development Corporation Limited based on the Report (commercial) of the Comptroller and Auditor General of India for the year ended 31st March, 2012 relating to the Public Sector Undertakings of the State of Kerala.

The Report of the Comptroller and Auditor General of India for the year ended on 31st March 2012, was laid on the Table of the House on 18-2-2013. The consideration of the audit paragraphs included in this Report and the examination of the departmental witness in connection thereto were made by the Committee on Public Undertakings constituted for the years 2014-2016.

This Report was considered and approved by the Committee (2016-2019) at its meeting held on 4-11-2016.

The Committee place on record their appreciation for the assistance rendered to them by the Accountant General (Audit), Kerala in the examination of the Audit Paragraphs included in this Report.

The Committee wish to express their thanks to the officials of the Industries Department of the Secretariat and the Kerala State Handloom Development Corporation for placing before them the materials and information they wanted in connection with the examination of the subject. They also wish to thank in particular the Secretaries to Government, Industries and Finance Departments and the officials of the Kerala State Handloom Development Corporation who appeared for evidence and assisted the Committee by placing their views before the Committee.

Thiruvananthapuram,
8th November, 2016.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

REPORT

ON

KERALA STATE HANDLOOM DEVELOPMENT CORPORATION Ltd.

Audit Paragraph

The main objective of Kerala State Handloom Development Corporation Limited (Company) is developing the Handloom Industry in the State. The Company functions with a Corporate Office at Kannur and three Regional Offices at Kannur, Ernakulam and Thiruvananthapuram. It has 33 procurement centres, four processing units/dye houses and three regional stores.

The Company had been continuously incurring operating losses during the five year period ending 31 March 2011 (Annexure 25). We observed that high operating expenditure, insufficient margin, poor sales performance etc. were the major reasons for the continuous losses as discussed below:

Operational issues

The Company procures yarn mainly from National Handloom Development Corporation Ltd. which is issued at cost to the registered weavers for making different kinds of fabrics. These fabrics are purchased back at pre-determined prices i.e. cost plus wages and are marketed by the Company at prices fixed by adding 15 to 38 per cent towards margin, through showrooms and direct sales.

We identified the following areas of operational inefficiency:

High Operating Expenditure

We found that during the review period, to generate one rupee sale the Company had to spend ₹1.41 on an average (Annexure 26). The major elements forming part of the expenditure of the Company were material consumed, employee cost and wages and production incentive to weavers. While accepting our contention, the Company stated (September 2012) that it was not in a position to reduce the high operating expenses.

Meagre monetary benefit to weavers

The basic objective of the Company is to Develop Handloom Industry. We, however, found that the benefits accrued to weavers were negligible. Though there were 6500 weavers registered with the Company, only 1200 to 1580 weavers (22 per cent) were active during the review period, indicating poor achievement of its social objective.

As on 31 March 2011, the Company had 297 staff to support the activities of the weavers and to carry out other operations. We observed that for every rupee of sale, the weavers on an average received only 25 paise as against 37 paise paid to the staff of the Company. Further, average annual monetary benefit received by a weaver during the period was only ₹ 0.25 lakh as compared to ₹ 1.58 lakh received by an employee.

While accepting that low earnings of the weaver was the main reason for downfall in weaver strength, the Company stated that the wage of the weavers was fixed based on the industrial standards. It was also clarified that a proposal for semi-automation of production was submitted to Government for increasing the productivity and the earning capacity of the weavers. The fact, however, remained that the Company could not achieve the social objective which was to uplift the living conditions of the traditional weavers in the State.

Poor sales performance

The sales of the Company through showrooms (56 showrooms and two mobile sales vans) accounted for 71 per cent (₹ 39.46 crore) of the total sales (₹ 55.35 crore) during the period from 2006-2007 to 2010-2011 and the balance was through seasonal exhibitions, agency showrooms and direct sales. We observed that despite the huge infrastructure for marketing, the Company took, on an average, 262 days¹ to sell its finished fabrics indicating poor marketing strategy. Further analysis revealed that:

82 per cent of showroom sales were during the rebate period of 71 days² per year on an average.

¹ Days in Inventory = 365 days (Cost of sales/average inventory)

² Period during which Central and State Governments allow rebate for handloom products.

The balance 18 per cent sales were achieved during the remaining period of 294 days for which the showrooms functioned throughout the year. As a result, the margin achieved during the rebate period was wiped off by the expenses during the remaining period.

The Company did not undertake adequate promotional activities and also did not fix any monthly/ annual sales target. As such the showroom staff did not have any pre-set goal to achieve and had no motivation which led to piling up of finished products. During the year 2010-11, the Company held an average monthly stock of ₹ 960.23 lakh against the average monthly sale of ₹ 84.72 lakh. Further, the selling and distribution expenses incurred by the Company were only 2.24 to 3.20 per cent of sales.

The Company stated that showroom-wise targets were given and closely monitored to improve the performance. During non-rebate period sales staff was used to canvas institutional orders. It was also stated that hectic efforts were being made to obtain bulk orders from Government departments. However, the Company has yet to get any favourable orders from the Government.

Insufficient margin-a pointer to increase sales and reduce cost of sales

The need for increasing sales and reducing cost was evident from the low sales margin which was insufficient to meet the operating expenses. We observed that, during the period from 2006-2007 to 2010-2011, the average margin³ obtained by the Company was ₹ 323 lakh. This was not sufficient to meet even the salary and wages paid to the staff and administration and selling expenses amounting to ₹ 688 lakh. The Company concurred with the audit observation.

Government assistance

The Government of Kerala had invested (March 2010) ₹ 18.08 crore as equity in the Company. Against the above, the Government suffered a loss of ₹ 2.33 on every rupee of its investment. During the five year period, the Government disbursed an amount of ₹ 41.22 crore to the Company by way of equity (₹ 10.90 crore), loans (₹ 0.87 crore) and grants etc. (₹ 29.45 crore). Despite this, the Company continued to incur losses. This indicated failure of the Company to capitalise on the substantial financial assistance extended by Government.

³ Sales less (material consumed and manufacturing expenses)

[Audit paragraph 4.1.2 contained in the Report of the Comptroller and Auditor General of India for the year ended 31st March 2012]:

Notes furnished by the Government on the audit para is given in the Appendix II.

1. The committee enquired about the audit objections regarding high operating cost, low sales margin, poor sales performance and meagre monetary benefit to weavers of Handloom Industry. Then the witness replied that the mismatch between the selling price and production cost was the basic issue facing them owing to the high production cost of the handloom fabrics that make it difficult to compete with the powerloom fabric. The witness also stated that 50% of the showrooms are running at a loss which clearly indicates the current plight of Industry. In order to sort out these problems, the Corporation had earlier submitted a revival package to Government seeking permission for the closure of unviable showrooms, one regional office and reduction of staff strength from 295 to 208 through VRS/redeployment. The above proposal was under consideration of the Government and if implemented, the Corporation would be able to reduce its operational cost about 5 crores annually and could achieve break even from 2014-15 onwards with a targeted sales turnover of ₹ 22 crore per annum. He further added that an alternate revival package was also submitted to Government by avoiding VRS clause.

2. The Committee was surprised to note that the management did not review the sales performance given that 82% of the show room sales were during the rebate period of 71 days while the meagre rest in the remaining 294 days. The Principal Secretary informed that since the monetary benefits accrued to the weavers were meagre, number of people engaged in weaving were considerably less. This has adversely affected the production of high quality handloom fabrics. As a result of this the Corporation was purchasing handloom from other states and selling it through the showrooms of the Corporation at a 38-40% margin.

3. The Principal Secretary also added that the main reason behind the drop in weaver strength was the meagre wages of the weavers as compared to other jobs. The Corporation had little impact on its social objective of uplifting the living conditions of the traditional weavers and the Corporation was totally

ignoring the weaver's interests and was concerned only about its employees' welfare. Even though there were many schemes for the welfare of weavers, it never reaches the weavers. He also informed that though the handloom products have high demand, quality handloom products are not produced due to the scarcity of expert weavers.

4. The Committee at this juncture, enquired about the steps taken by the Corporation for improving the sales performance. The Principal Secretary, Industries Department replied that they have already implemented some promotional activities such as celebration of handloom week, lucky draw coupons to the customers, advertisement in the social media using celebrities etc, to improve the marketability of the products and the Corporation was able to increase the sales during the financial year 2012-13 to that of the previous year.

5. To a query of the Committee regarding the action taken by the Corporation to reduce its operational expenditure, the witness explained that they had already closed 7 unviable show rooms and the proposal for reducing the number of employees from the present strength of 295 to 208 was also under consideration of the Government. Owing to the failure of the Corporation in achieving its social objectives, the Committee suggested some proposals such as semi automation for the revival of the sector and opined that the Corporation is committed to protect the interests of traditional weavers.

6. When the Committee sought further clarification on the audit objection regarding the high operating expenditure, the Managing Director explained that the basic issue was the mismatch between the production cost and selling price of the handloom products and they were not able to meet the high production cost from the present selling price of the handloom products. In order to compete with the powerloom, the Corporation was forced to restrict the selling price of their products and it was not sufficient to cover the huge administrative expenses.

7. When the Committee enquired whether the Corporation refused any assistance offered by NHDC (National Handloom Development Corporation), the witness replied that they were purchasing the yarn through NHDC only and the benefits of 10% yarn subsidy reaches the weavers. The Principal secretary, Industries Department informed that in order to revive the Corporation, Handloom

should be sold at higher rates than the mill clothes by highlighting the quality of handloom materials, by projecting Hanveev as a premium brand and introducing new schemes of the Central Government, marketing of handloom products could be increased. He also informed that since the Corporation was not able to maintain its present staff strength, steps should be taken to minimize the staff strength through VRS.

8. The Committee was not fully convinced with the arguments of the witness and opined that the Corporation had totally deviated from its social objective of uplifting the living conditions of the traditional weavers and was concerned only about its employees. Therefore the Committee suggested that while implementing the revival package to make Corporation viable, the protection of traditional industry as well as the reduction in its operational cost should be taken in to account and the Corporation's sales and purchase policy should be carried out in such a manner that the traditional weavers should get maximum benefits. The Committee directed to close the unviable showroom and to downsize the staff strength for reducing the establishment cost. The Committee also urged that the Corporation should evolve an effective marketing strategy that should focus on both international and domestic markets and earnest effort should also be taken to generate maximum profit thereby attaining a good position in the handloom Sector.

Conclusions/Recommendations

9. The Committee observes with concern the lacklustre performance of the Corporation and its high operating cost. It is seen that the Corporation is following an irrational policy of purchasing fabrics from other states and selling them through Corporation showrooms at exorbitant prices thereby alienating a vast majority of customers. The Committee therefore, recommends that the policy of procuring handloom fabrics from other states should immediately be disposed off and instead, the Corporation should devise a plan to procure good quality handloom fabrics directly from weavers.

10. The Committee learns that the weavers are not being compensated adequately. This has paved the way for the weavers dropping out from the weaving Industry. The Committee, therefore

urges that the Corporation should execute some prudent plans to entice the services and skills of the traditional weavers by providing them with ample remuneration.

11. The Committee is also aware of situations where though there is high demand for certain handloom like Kannur Handloom in world market, the production of the same doesn't match its huge demand. When the supply does not meet the demand for a prolonged period, demand for it slows down and product gets wiped out from the market. The Committee is of the view that thrust must be given to profit assured products /schemes in order to revive the Handloom Industry. Therefore the Committee opines that immediate steps must be taken to revive Kannur handloom by attracting more weavers by giving them incentives, loans etc.

12. It has come in to the notice of the Committee that owing to utter laxity in fixing a sagacious sales target , a large number of showrooms are running at a loss. Moreover, the burden of excess staff has worsened the situation. The Committee, therefore, suggest that the Corporation should formulate and fix an objective sales target for each show room and entrust showroom persons to achieve the sales target. The Committee firmly opines that, even after taking all earnest efforts to make profit, if a show room fails to achieve the proposed target, such a showroom should be shut down permanently. The Committee therefore recommends to close all unviable showrooms and to curtail the number of staff.

13. It is also found that even though the Corporation had already launched some sales promotion programmes, nothing has brought a result as expected. The Committee noted with displeasure the laxity from the part of Government to implement the Government Order to purchase school uniform from handloom and recommends to implement the Government order atleast in the next academic year. The Committee recommends the government to insist all departments to purchase clothes for Government purpose from

handloom only. The Committee also recommends that a proactive awareness programme, highlighting the use of handloom products should be implemented among school children and Government Servants and earnest efforts should be taken to popularise the use of handloom clothes.

14. It is a time when the world is turning to hand made, ecologically and environment friendly items including fabrics. Quality hand made products are in high demand world wide. Handloom should explore that opportunity by coming up with innovative products and developing a global customer base. The Committee further suggests that the Corporation should approach the Central Government for assistance in gaining access to the international markets for the export of handloom products. The Corporation should also explore the possibility of a tie-up with Tourism Department, which has been successfully conducting tourism promotional activities internationally, for publicising and promoting handloom products in international markets. As a part of the Heritage Tourism activities it may be possible to introduce tourists to villages dedicated to the handloom weaving industry, that in turn may boost up the direct marketing efforts of the Handloom sector.

Thiruvananthapuram,
8th November, 2016.

C. DIVAKARAN,
Chairman,
Committee on Public Undertakings.

APPENDIX 1
SUMMARY OF MAIN CONCLUSIONS/RECOMMENDATIONS

Sl. No	Para No.	Department Concerned	Conclusions/Recommendations
1	2	3	4
1	9	Industries department	<p>The Committee observes with concern the lacklustre performance of the Corporation and its high operating cost. It is seen that the Corporation is following an irrational policy of purchasing fabrics from other states and selling them through Corporation showrooms at exorbitant prices thereby alienating a vast majority of customers. The Committee therefore, recommends that the policy of procuring handloom fabrics from other states should immediately be disposed off and instead, the Corporation should devise a plan to procure good quality handloom fabrics directly from weavers.</p>
2	10		<p>The Committee learns that the weavers are not being compensated adequately. This has paved the way for the weavers dropping out from the weaving Industry. The Committee, therefore urges that the Corporation should execute some prudent plans to entice the services and skills of the traditional weavers by providing them with ample remuneration.</p>

1	2	3	4
3	11		<p>The Committee is also aware of situations where though there is high demand for certain handloom like Kannur handloom in world market, the production of the same doesn't match its huge demand. When the supply does not meet the demand for a prolonged period, demand for it slows down and product gets wiped out from the market. The Committee is of the view that thrust must be given to profit assured products/schemes in order to revive the Handloom Industry. Therefore the Committee opines that immediate steps must be taken to revive Kannur Handloom by attracting more weavers by giving them incentives, loans etc.</p>
4	12		<p>It has come in to the notice of the Committee that owing to utter laxity in fixing a sagacious sales target , a large number of showrooms are running at a loss. Moreover, the burden of excess staff has worsened the situation. The Committee, therefore, suggest that the Corporation should formulate and fix an objective sales target for each show room and entrust showroom persons to achieve the sales target. The Committee firmly opines that, even after taking all earnest efforts to make profit, if a show room fails to achieve the proposed target, such a showroom should be shut down permanently. The Committee therefore recommends to close all unviable showrooms and to curtail the number of staff.</p>

1	2	3	4
5	13		<p>It is also found that even though the Corporation had already launched some sales promotion programmes, nothing has brought a result as expected. The Committee noted with displeasure the laxity from the part of Government to implement the Government Order to purchase school uniform from handloom and recommends to implement the Government order atleast in the next academic year. SThe Committee recommends the government to insist all departments to purchase clothes for Government purpose from handloom only. The Committee also recommends that a proactive awareness programme, highlighting the use of handloom products should be implemented among school children and Government Servants and earnest efforts should be taken to popularise the use of handloom clothes.</p>
6	14		<p>It is a time when the world is turning to hand made, ecologically and environment friendly items including fabrics. Quality hand made products are in high demand world wide. Handloom should explore that opportunity by coming up with innovative products and developing a global customer base. The Committee further suggests that the Corporation should approach the Central Government for assistance in gaining access to the international markets for the export of handloom products. The Corporation should also explore the possibility of a tie-up with Tourism Department, which has been successfully conducting tourism promotional activities internationally, for publicising and promoting handloom products in international markets. As a part of the Heritage Tourism activities it may be possible to introduce tourists to villages dedicated to the handloom weaving industry, that in turn may boost up the direct marketing efforts of the Handloom sector.</p>

Appendix II

ACTION TAKEN STATEMENT ON THE RECOMMENDATION OF COMPTROLLER & AUDITOR GENERAL ON PSU's P.L. & THE YEAR ENDED 31.03.2012

Sl No (1)	Report para No.(2)	Action taken (3)
1	1.28	The Statutory Audit of Kerala State Handloom Development Corporation(HANVEEV) for the financial year 2012-2013 is already completed and approved by the Board. Further it is to inform that the accounts finalization work of the Corporation is upto date and there is no backlog in finalization.
2	4.9	HANVEEV have already furnished the replies to the Inspection Reports for the financial year ending 31 st March 2012 to Accountant General and Additional Chief Secretary to Government. Regarding the Accounts Audit of the Accountant General for the year 2012-13, HANVEEV have received a NIL comment. As such there is no arrear in the submission of Action Taken Report.
3	4.10	It is to inform that all Action Taken Reports have been submitted to Accountant General . There is no pending ATR to be submitted in the case of HANVEEV.
4	4.11	Hanveev have already submitted replies to the following pending paras. 2008-09-Part IIB - Para VIII 2009-10-Part IIA- Para I Part IIB- Para VII,X 2010-11- Part IIA- Para I Part IIB- Para I, III, V, VI, VII, VIII & IX

5
Para
4.1.2

Summarised financial results

The Corporation is selling its products by fixing 38% profit on the selling price except for bathing towel and this is not sufficient to cover the administration expenditure which is very huge in the Corporation. In fact when compared to the turnover of last few years, the administration expenditure would be around 60%. Besides, the interest on Government loan will be around 15% of the turnover and it is not possible to absorb such huge expenditure on the selling price which will increase the cost of our products to an abnormal stage, thereby the marketability of the products will be affected. Under such a situation the Corporation is forced to restrict the present selling price of their products.

Now-a-days it is found difficult to compete with mill clothes as the handloom products costs will be 200 to 250% more than the mill products. There was a rule framed during 1986 by giving protection for the production of certain categories of clothes reserving to handloom industry. There were around 22 categories of clothes reserved for handloom industry and such type of products have the ban to produce by the Mills. Thereafter during 1996 the number of items was reduced to the tune of 11 and now it is found that all these items are also being produced by the Mills. If the decision is strictly implemented by curtailing the production of such items by the Mills, the handloom products will have more marketable as the same products could not be competed in the market due to high product cost of handloom products when compared to that of mill products.

Operational Issues

National Handloom Development Corporation Ltd is a Government of India Undertaking (NHDC) and it is a nodal agency for supplying yarn to various State level handloom organisations and societies. Besides for the purchase of yarn from NHDC, Government is giving bank yarn subsidy, depot operationsubsidy and transportation subsidy to the Corporation if the yarn is purchased directly through NHDC. Further

Corporation is also exempted from the provisions of Stores Purchase rules in this regard.

High Operating expenditures

The Corporation is selling its products by fixing 38% profit on the selling price except for bathing towel and this is not sufficient to cover the administration expenditure which is very huge in the Corporation. In fact when compared to the turnover of few years, administration expenditure would be around 60%. Besides, the interest on Government Loan will be around 15% of the turnover which is around 200 lakhs per year and it is not possible to absorb such huge expenditure on the selling price which will increase the cost of their products to an abnormal stage, thereby the marketability of the product will be affected. Under such situation the Corporation is forced to restrict the present selling price of their products.

By considering the above matter and to make the Corporation viable, the Corporation has submitted a Revival package to Government which is under consideration of Government. The package contains proposal for closing of unviable showrooms, closing one Regional Office, reducing the number of employees from the present strength of 295 to 208 by giving VRS/redeployment and conversion of Government Loan and interest into equity by which it is expected to reduce the operational expense of ₹ 502/- lakhs every year, then the position of the Corporation will improve and the Corporation can break even if the Corporation achieve the sales turnover of ₹ 22 crores per annum from 2014-15 onwards. The Corporation has already closed 5 showrooms and the shifting of Regional office Ernakulam is in progress.

Meagre monetary benefit to weavers

The average earning to a weaver is, around ₹ 250/- per day whereas areas like construction work and other labourers the wages is ₹ 450/- to ₹ 600/- per day. The wages of handloom weavers are fixed based on the industrial standards and wages

paid by other similar handloom organisations in the State of Kerala. The Corporation cannot suo moto take a decision to increase the wages of the weavers under its fold. The suggestion to increase the earnings of the weavers is to implement semi automation in the production and thereby the productivity could be increased and earnings of the individual weavers could be increased.

The Corporation implemented the following measures in order to improve the productivity and thereby improve the earnings of the weavers.

1. To visit handloom production centres outside the State so as to improve the awareness of the weavers regarding the innovations in the operations and products.
2. Special production incentive as per the Weavers Motivation Programme scheme of the State Government in order to improve the earning the existing weavers and to attract new generation in this field.
3. For applying semi automation in this field, distributed 500 number of motorised charka by the assistance from State Government, which reduces work load and there by improve the productivity as well as earning capacity of the weavers.
4. Also implemented a scheme with the help of State Government as a retirement benefit scheme, which is called "Contributory Thrift Fund."

Apart from that installed Spool Sizing Machine and Pre loom-Post loom machineries so as to improve the quality of the products.

Poor sales performance

The Corporation is trying its level best to give wide publicity to their products through various methods like advertisement through Print and Electronic Medias including Television & Radio. Further to the wide range of their products, Corporation is also procuring handloom sarees which are not able to be produced by their weavers, from other Government Handloom

Organisations outside the State like West Bengal and Andhra Pradesh so as to enable to purchase all the cloth products under one roof. The showrooms are given specific target for sales during each year including major festival seasons like Onam/Ramzan, Vishu, and Christmas etc. Close monitoring of the showrooms and reasons for non achieving the targets are also analysed so that to improve the performance and to achieve the breakeven. During non-rebate periods where sales are relatively less in the showrooms, the sales staff are being used for canvassing institutional orders and school uniform, thereby the sales during non-rebate periods also being improved.

During the Onam 2013 season the Corporation has issued lucky draw coupons to the customers, and given one car as the bumper prize and some other prizes. In order to improve the productivity and motivation of the employees of the Corporation, the Corporation conducted one workshop in each Regions. As a part of sales promotion, the Corporation has declared a special cash incentive schemes to sales staffs and some other prize schemes to non sales staffs in the Onam 2013 season. Also given Chairman's Special Trophy to the Showroom having highest turnover. These promotional techniques helped to improve the marketability of our products.

Now after adopting few of the above the Corporation was able to increase the sales during the financial year 2012-13 to the tune of about 40% when compared to that of last year.

Besides the showroom sales/institutional sales, hectic efforts are being made to obtain bulk orders from Government Departments like Health, Tourism, Tribal and ITIs by which it is expected a turnover of ₹ 17 crores through showrooms and the Corporation will be able to break even during the financial year 2014-15 with a turnover of ₹ 22 crores as stated earlier.

Insufficient margin- a pointer to increase sales and reduce cost of sales.

The Corporation is adding 38% margin on selling price and this is not sufficient even to cover the overhead cost. Further adding more margin will not suffice any purpose, as it will affect the marketability of the products where the cost is now on higher side when compared to mill products. As stated earlier the Corporation has submitted a Revival Package to Government by which it is expected to reduce the operational expense of ₹ 502/- lakhs every year, which may help to cover the operational expense within the present margin of 38%.

Government Assistance

As stated above, the Corporation has submitted a Revival Package to Government which is under consideration of Government. The package contains proposal for closing of unviable showrooms, closing one Regional Office, reducing the number of employees from the present strength of 295 to 208 by giving VRS/redeployment and conversion of Government loan and interest into equity, by which it is expected to reduce the operational expense of ₹ 502/- lakhs every year, then the position of the Corporation will improve and it is expected that the Corporation can break even if the Corporation achieve the sales turnover of ₹ 22 crores per annum from 2014-2015 onwards and thereby the Corporation will be able to survive by its own generation without resorting to more Government assistance. Also Corporation could improve its operation and will be in a position to generate profit within next two years.

Annexure 25

Statement showing operating loss in respect of
Kerala State Handloom Development Corporation Limited for the five years up to 2010-11
(Referred to in paragraph 4.1.1)

(₹ in crore)

Sales	14.94	13.44	13.82	17.17	13.76	14.62	
Material Consumed	8.43	6.07	5.50	8.14	3.86	6.40	31
Employee cost	4.87	4.29	5.08	6.65	6.21	5.42	26
Wages and PI paid to weavers	2.53	3.30	3.65	4.12	4.75	3.67	18
Other expenses (includes dyeing charges, power etc.)	4.52	5.04	4.97	5.65	5.55	5.15	25
Total Expenditure	20.35	18.70	19.20	24.56	20.37	20.64	100
Loss	5.41	5.26	5.38	7.39	6.61	6.01	

Annexure 26

Statement showing expenditure incurred on every rupee of sales revenue in respect of Kerala State Handloom Development Corporation Limited for the five years up to 2010-11
(Referred to in paragraph 4.1.2)

(Figures in ₹)

Material Consumed	0.56	0.45	0.40	0.47	0.28	0.43
Employee cost	0.33	0.32	0.37	0.39	0.45	0.37
Wages and PI paid to weavers	0.17	0.25	0.26	0.24	0.35	0.25
Manufacturing Expenses (Dyeing, printing etc.)	0.05	0.11	0.09	0.10	0.11	0.10
Other expenses (Admu., selling, interest & depreciation)	0.25	0.26	0.27	0.23	0.29	0.26
Total Expenditure	1.36	1.39	1.39	1.43	1.48	1.41

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