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H A N T E X :

An Economic Appraisal

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Introduction

Most governments in Third world countries have actively promoted cooperatives in the traditional sectors of the economy with a view to overcoming the diseconomies of small size. Characterised as these sectors are by numerous small producers at the mercy of traders both in the input and output markets, a cooperative form of organisation appears to hold tremendous potential for increased production by overcoming the technical and managerial problems of horizontal integration. However a number of studies have shown that contrary to expectations, the performance of most cooperatives in particular those initiated by the state has been rather dismal[1]. A major causal factor appears to be the tendency towards imposition of a state type bureaucratic structure with possible political interference, on most such cooperatives distancing them from their members, which affects their functioning both in terms of motivation as also increased overhead costs.

The present study is also an enquiry into the functioning of a state sponsored cooperative society and though our focus is primarily on an economic analysis, it does corroborate the above finding. An obvious policy implication then would be the need for restructuring cooperatives to improve their working.

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[1] See in this context the collection of essays in D.W. Attwood and B.S. Baviskar (ed) Who Shares: Cooperatives and Rural Development, OUP Delhi, 1988.

However, since this would involve an indepth study of existing structures and broadening the scope to include other apex organisations, we have not attempted the task here but merely indicated the ways in which it impinges on the functioning of Hantex.

The Kerala State Handloom Weavers' Cooperative Society Ltd. (hereafter **Hantex**) was set up by the Government of Kerala in 1961 as an apex body with the objective of organising the handloom industry in the State on a sound commercial basis. However, its continuing losses for the past decade or so despite considerable financial support given by the Government and its inability to discharge its primary function of assisting primary weavers cooperative societies satisfactorily creates serious cause for concern.

The problem in brief lies basically in the failure of Hantex to push through the sales of handloom cloth sufficiently. Its efforts to do so, based as they were on building up an elaborate marketing structure, without an innovative sales policy, did not produce the desired results; on the contrary by pushing up its overhead costs, compounded the problem. The consequent stock piling of cloth, aggravated to some extent by a socially committed procurement policy, inevitably led to a cut back in procurement as the only way of reducing costs in the face of accumulating losses. While on the sales side the constraints largely appear to be: (a) the absence of a well-thought out marketing strategy linked to reorienting the production pattern in the cooperative handloom sector; and (b) sharp increases in prices of handloom cloth; on the organisational side the problem appears to be: (a) its own dynamics of growth as an apex organisation acquiring a bureaucratic, administrative structure; and (b) the growing debt burden, understated to a large extent by non-payment of dues.

The study is organised in five sections. In Section 1, we briefly describe the state of the Handloom industry in Kerala, in particular the growth of the cooperative sector and trace the emergence of Hantex in 1961. Its macro growth performance in relation to its primary objective viz. to organise the handloom industry in the State on a sound commercial basis and to market the handloom fabrics produced by the primary weavers' societies, is examined in Section 2. In Section 3, we study in some depth the marketing network of Hantex, highlighting some of its limitations. The financial performance of the company for the period 1978-79 to 1988-89 has been analysed in Section 4 to evaluate its record from a commercial perspective. An attempt is made to link the growing expenditure on establishment to its bureaucratic set up. Finally in section 5 in the light of this appraisal we discuss certain policy suggestions.

It may be clarified at the outset that this analysis does not purport to be a study of the handloom industry. In so far as specific problems of the industry have a bearing on Hantex working, in particular yarn availability and the potential market for handloom cloth, we have discussed them albeit briefly.

Section 1

The Background

Next to coir, handlooms is the second most important traditional industry in Kerala, employing a little over a lakh of workers directly. However, the latest all-India Handloom Census (1987-88)([2]) indicates asharp decline in employment andloomage in the industry. While employment has fallen from about 1.19 lakh workers in 1976([3]) to about60,000 in 1987-88, the number of looms shows a reduction from 90,030 looms in 1976 to 54,000 looms. Estimates of employment and capital equipment in traditional, household industries are always subject to large variations over time and between sources, because of the nature of work in such industries. However, that an exodus of male workers has occurred in this industry,reflected in the sharp increase inthe worker sex ratio is not improbable given the fact that average earnings of a weaver household have remained relatively low. Whether theextent is as sharp asis suggested by the figures requiresfurther probing since a few years earlier, in 1983-84, a Survey of the Primary Weavers' Cooperative Societies undertaken by the Directorate of Handlooms, Kerala had estimated about 64,000 looms in the

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2 <u>Census of Handlooms in India, 1987-88</u>, Development Commissioner for Handlooms, Ministry of Textiles, Government of India.

3 <u>Report on Census of Handlooms, 1976</u>, Directorate of Industries and Commerce, Kerala.

cooperative sector alone, and 95,000 totally([4]).

Althpugh the industry exists almost throughout the State, historically it has tended to concentrate in Cannanore and Trivandrum. These twodistricts continue to dominate the industry, Cannanore with a share of 40 percent of the looms and Trivandrum, 22 percent (in 1983-84). However, Trivandrum has the largest number of looms and weavers in the cooperative sector which historically struck stronger roots in the erstwhile princelystate of Travancore.

The cooperativereorganisation of the handloomindustry in the country had been favoured from early years to protect the unorganised weaver from middlemen both in the yarn and cloth markets. Early attempts at cooperativisation however, were intermittent. A sustained effort with very active state involvement was made only in the post-Independence period, in particular from the mid-50's when the handloom industry, (as a constituent of the decentralised sector of the textile industry) was assigned a major role in planned national development. Since then, the cooperative reorganisation of the industry has been the major supportive policy of the Government of India through which planned efforts have been channelisedat the state level. Notonly have the State governments participated directly by contributing to the share capital of cooperativesand providing other financial

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4 Report of the Survey on Primary Handloom Weavers' Cooperative Societies in Kerala 1983-84 Director of Handlooms, Vikas Bhavan, Kerala.

assistance through loans and cash credit arrangements, they have also intervened in the yarn and product markets toensure a better deal for the weavers. These efforts, were implemented with differing intensity between states and have met with varied success. However, despite the generally low rate of success of "official" cooperatives, governments continue to advocate them, especially for traditional household industries, because of their tremendous potential for increased production.

In Kerala too, attempts at organising handloom weavers into primary cooperatives in Travancore State are recorded in the 30's([5]). However in the course of time most of these primary societies failed to function profitably. Perhaps they were not organised with an adequate capital base, or lacked the necessary managerial expertise. As early as 1947 therefore, a central cooperative society was set up, with a larger financial base to assist the primary cooperatives in the Travancore region in marketing their output. This was the Travancore Sree Moolam Handloom Weavers Central Cooperative Society, Trivandrum. Subsequently, central cooperative societies were set up in the other two erstwhile regionsof Kerala State - Cochin and Malabar -

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5 See V. Rajagopalan, The Handloom Industry in North and South Kerala: A Study of Production and Marketing Structures, Centre for Development Studies, 1986, M.Phil Thesis.

The Cochin Central Cooperative HandloomWeavers' Society, Trichur[6] and the Keralâ Handloom Weavers Society, Calicut([7]).

However, even these regional societies ran into financial problems - bythe late fifties, the Travancore Sree Moolam Society was seeking a temporaryaccommodation from the governmentto enable it to continue its activities([8]). Since this was around the time of unification of the three regions into the State of Kerala, the Government took the decision to merge the three societies into an apex organisation coveringthe whole state. A Special Bill called the Kerala State Handloom Weavers' Cooperative Society (Special Provision) Bill 1960, was passed by the legislature in March 1960 and Hantex came into being in July 1961.

Section 2

Performance of Hantex: Some Macro Indicators

The membership of Hantex is open to (a) primary handloom weavers cooperative societies (hereafter PWS); (b) Cooperative Spinning Mills; and (c) Government of Kerala (as per the Bye-laws

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6 Earlier the central cooperative society in Cochin included handicrafts besides handlooms and was called the Cochin Cottage Industrial Marketing Society. Itwas later bifurcated into two.

7 In Malabar the primaries were originally attached to Cooptex.

8 See Proceedings of the Second Meeting ofAd Hoc Advisory Committee on Handloom Finance, Reserve Bank of India, Bombay 1961.

amended upto 31.12.88). With the latter accounting for over 50 percent of the share capital when it was set up, Hantex is, what in cooperative literature, would be termed an 'official' or state sponsored cooperative. The government did attempt to foster 'local' initiativeby permitting PWS to own40 percent of the share capital and prime importance had been given to mobilising share capital from member societies, as a way of raising resources to achieve its objectives([9]) However, over the years, the pattern of ownership changed drasticallyin favour of thegovernment which now owns almost 95 percent of the share capital (See Table 1), while, thePWS account for a meagre 4percent. Hence rather than standing on its own, Hantex has tended to depend heavily on government support over time.

For all practical purposes then, Hantex is a government organisation, though thecomposition of the Board ofDirectors does allow it relativeautonomy. However, a crucial functionary of the organisation - managing director - isa government nominee. Ofthe 16 members, 12are representatives of theprimary cooperatives from the different districts and four are government nominees,of which oneis the managing director, anotheris Director of Handlooms, and the remaining twoare representatives of political parties. It is important to notethat there are at least threebuilt - in features of the organisation which can impinge on its functioning as a business/commercial entity:

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[9] See the Society's Bye-Laws.

(a) Beingan official cooperative, itsadministrative structure and mode of functioning closely resemble that of a bureaucratic government organization which makes decision making cumbersome involving elaborate procedures,while raising establishment costs; (b) Atthe same time given thatconsiderable control can be wielded by member societies, non market pressures can be made to bear on procurement/distribution of cloth inimical to the organisation's own plans based on market trends; and (c) given that representation on the Board is heavily weighed in favour of Trivandrum region, which happens to have the largest number of primary weavers societies,such pressures can also have a regional bias.

While our analysis strongly suggests the operation of the first, the inferential evidence on (b) and (c) indicates that in recent years pressures appear to have operated on what and from whom cloth is procured rather than the total quantum of procurement.

Growth of the Cooperative Sector.

Since the setting up of Hantex, there has certainly been a growth of the cooperative handloom sector, though its extent and coverage has been subject to vastly differing estimates. While earlier figures suggested that almost 37 percent of the looms had been brought underthe cooperative sector by the late fifties, the 1976 Census revealed that only25 percent of the loomswere covered by cooperatives (relatively low against the all-India average of about 33 percent in mid seventies([10]). However, by 1983-84, the Survey of PWS estimates a substantial growth in cooperative coverage. Of the estimated 95,000 looms that year almost 64,000 were in thecooperative sector, suggesting that over two thirds of the industry had been covered and the State government target of covering 60 percent of the industry by the end of the Sixth Plan (1980-85) also achieved. Almost 42.3 percent of the looms, that is 27,000 loomswere in Trivandrum and only8 percent in Cannanore. In 1987-88 the Census estimates that about 52 percent of the weavers were covered by the cooperatives.

Concomitantly, the number of societies has registered an impressive increase (See Table 2) though in the years immediately followingthe setting up of Hantex,the growth was rather sluggish. It really accelerated in the early eighties, which in fact came under grave suspicion, a number of them suspected to be 'bogus'*. However, numbers alone do not give a correct picture of the size and growth of the cooperative sector. Working of looms in a household industry is not like that of looms in a mill - very rarely are looms discarded if not being used. Therefore thetotal number of looms actually working is more appropriate as an indicator of the size of the industry. In 1976, almost 9 percent of the looms were idle; in1983-84 the proportion was higher at 35

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10 See Report of the High PoweredStudy Team on the Problems Industry, 1974 Government of India, Ministryof Commerce popularly known as the Sivaraman Committee.

percent and 5 percent of the looms were damaged, that is 38,000 looms out of 64,000 looms only were active. The estimate of idleness in 1987-88 is for the whole handloom sector - 18 percent of the 54,000 looms were idle viz only 44,280 looms were working.

Similarly more than half of the cooperative societies are small in size with 10-100 looms. A large number are dormant, and of those working much less than half make a profit. In 1983-84 while three fourths of the 565 societies in existence were working, that is 433 in number, less than half, or 185 societies only were running at a profit. About 16 percent or 92 societies were under liquidation. (None of the factory type societies were reported to be dormant). It mayalso be pointed out that 85 ofthe societies reported as working were producing cloth but had no sales[11]. And although over half theworkers in the industry are covered by the cooperative societies, only about 30 percent get near full time employment, that is more than 250 days in a year; more than half have work for barely 200 days.

Hence it would appear that the growth of the cooperative sector in terms of looms/societies/employment has been more quantitative than real. When we examine production of cloth, even this cannot be said withgreat confidence. It is difficultto talk of long termtrends because of sharp changes in production figures in certain years, reflecting the problems of estimatingproduction

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11 1983-84 Survey, op.cit.

in the handloom sector[12]. Onthe whole production has stagnated around 300 lakh metres and in fact declined in the seventies and early eighties to 250 lakh metres. (However, an earlier series from thesame source gives somewhat higher estimates of production for the yeara 1979-80 to 1983-84 which is also included in the table). Since 1983-84 production has shown a considerable upward trend reaching a peak of 600lakh metres in 1988-89, but given the findings of the 1987-88 Census in respect of working looms, it is likely that these estimates are to some extent overstated.

However, in relative terms the cooperative sector must have grown since production in the private sector has declined faster and the cooperatives now account for a little over half the total production. Productionin value terms has shown a distinct upward trend, partly on account of changes in product mix towards the highervalued items and partly because of rising prices especially since the late seventies (as we observe later).

In brief then, the performance of the cooperative sector was far fromenviable and the industry can hardly be said to have been

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12 Estimates of handloom production are generally derived estimates based on assumptions regarding no. of looms working (estimated only at discrete time intervals), quantity of yarn consumed and average daily production. In the case of cooperatives information is supposed to be directly collected from the production units through a quarterly return. However all districts do not regularlycollect data nor is it certain that the direct method is always followed. The estimate beingextremely sensitive to the assumption regarding number of active looms, given the sharp fall in loomsbetween 1983-84 and 1987-88, it is pertinent to ask on what basis have the estimates since 1983-84 been made?

organised on a sound commercial basis. Problems such as non-availability of yarn at reasonable prices, stocks of unsold cloth leading to under employment, exodus of maleworkers, low earnings, persist. What is very disturbing is the information thrown up by the 1987-88 census according to whichthe average monthly earnings per weaver in Kerala is less than Rs.200 per month (the lowest in India), compared toRs.346 in Andhra Pradesh, Rs.315 in Tamil Nadu and Rs.292 in West Bengal.

The state of the industry reflects to some extent the inabilityof Hantex to intervene effectivelyin the procurement and marketing of handloom cloth, as also the purchase of yarn for supply to member societies. This is revealedby Table 3. Most of the data wehave on procurement, sales and stocksis in value terms whichfails to bring out the growthrecord of Hantex in real terms. Hence using the implicit price series generated in Table 2 (total value of production divided by the quantity of cloth produced) to deflate procurement by Hantex in value terms, we derived a series on procurement in quantity terms. This throws up a very interesting result, demolishing to a large extent theargument put forward by the Hantex officials that accumulation of stocks was primarily due to over procurement. It also raises severe doubts on the method used by Hantex for evaluating stocks. However we defer discussion on this till afteran analysis of its activity in the yarn market.

Procurement and Sale of Yarn by Hantex

That procurement and sales of yarnby Hantex has by and large accounted for a small proportion of the yarn requirements of weavers, becoming almost negligible inrecent years, is wellknown. While in the sixties and seventies, sales of yarn increased significantlyfrom about Rs.27 lakhs in1966-67 to over Rs.2 crores by 1979-80, in the eighties there was very little progress. It fluctuated between Rs. 2.0 - 2.50 crores declining to as low as Rs.86 lakhs in 1988-89. It isnot easy to obtain estimates of the annual consumption of yarn by the cooperative handloom sector. Someperiodic estimates reveal that itwas valued at around Rs.5.00 crores in 1976; 10 crores in 1983-84 and recent estimates put it at Rs.16 crores or 3.75mn kg. Comparing this broadlywith Hantex' sales to PWS we find that it provided about a quarter of their requirements in 1976, which declined to 20 percent in 1983-84 and in recent years it was as low as 5 percent.

However, this poor performance of Hantex has to be viewed against the anomalous yarn situation existing in the state, which can be summed up in the statement that though the State produces almost 75 percent of the yarn (in hank form) required by the handloom sector, the weavers depend largely on yarn from outside the state. Let us elaborate it further. There are 30 spinning mills in the state of which almost 14 are government or quasi government mills - five are cooperative spinning mills, four are under Kerala State Textile Corporation, four with NationalTextile Corporation and one with the government. All the mills are entirely dependent on raw cotton from outside the state. These mills produce almost 21 mn kgof yarn annually valued at Rs.90-100 crores. Of this 26 percent or 5.5 mn kg is yarn in hank form (incidentally much below the TextileCommissioner's stipulation of 50 percent). The cooperative sector as we noted earlier requires about 3.75 mn kg of yarn and if we assume a similar quantum of consumption by the private sector the total hank yarn requirement of the state would be 7.5 mn kg valued at Rs.32 crores. In aggregate terms therefore, the mills are producing only about 25 percent less thanwhat is required for the entire handloom sector. However of the total hank yarn being produced only 1.37 mn kg or Rs. 5.8 crores worth, is sold inside the state and the rest moves out of the state primarilyto checkposts connected withMaharashtra and the neighbouring state of Tamil Nadu (a portion of which is rerouted back to Kerala). It implies that internal production of hank yarn meets less than 20 percent of the requirements of the weavers and almost 6 mn kg ofyarn or over 25 crores worth of yarn has to come in from outside[13]. Hence we note that although in aggregate terms, the production of hank yarn by mills within the stateis only marginally inadequate, thedeficit is magnified since more than 75 percent of this hank yarn is movingout of the state.

A major reason cited forthe movement of yarn out ofthe state was the differential rate of sales tax on yarn between Kerala and TamilNadu. While the sale tax on yarn within Kerala is 3 percent

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13 Data on interstate movement of goods into and out of Kerala, prepared by the Bureau of Economics and Statistics for 1975-76 and 1980-81 confirm such atrade.

plus additional sales tax of 25percent on sales tax (that is 0.75 percent)which adds up to 3.75 percent,in Tamil Nadu the total tax is only 2 percent. This would make yarn from Tamil Nadu cheaper and induce traders to move yarn out of Kerala because of lower demand. (In this year's KeralaBudget after repeated requests, the government has agreed to scaleit down to 2 percent). However, the differential rate of sales tax is not the only reason why yarn moves out of the state and is not consumed within. In our discussions with officials at Hantex, Directorate of Handlooms, Kerala State Textile Corporation (KSTC) and the few primaries we visited, at leastthree important reasons mentioned were: (a) very little production by our mills ofcertain high counts of yarn like 80s, 100s, 120s and virtually no production of combed yarn; (b) price on average being higher of yarn produced indigenously; and (c) poorquality of yarn produced by most of the Kerala mills with a few exceptions. While there is a mismatch between the pattern of production (in counts) by mills and the pattern of consumption by the cooperative sector, it is not primarily in terms of the very fine counts of yarn. Although it is true that production of counts above 80s is still only to the extent of 3 percent (and of combed yarn almost negligible) while the cooperatives requireover 7 percent of such yarn, the deficit is much larger in respect of the major counts of yarn consumed by the handlooms viz. upto 40s.Total production of such yarn is about two-thirds while its share in consumption is over three fourths[14]. There is a shortage in respect of 1-10s and 21-40s; 11-20s is being over produced. This count of yarn appears to have a market outside. Similarly there is a relative over production of counts 41-60s, which too has a market outside; the requirement of 61-80s almost match. Hence, although the deficit in counts 21-40s is much larger, shortage of the finer countstends to get exaggerated since (a) it forms a high proportion of the yarn being consumed by the societies in Trivandrum district, in particular Neyyattinkara and hence attracts immediate attention; and (b) prices of these yarns have generally increased at much faster rates than of the lower counts[15].

As regards the price of yarn produced indigenously being on averagehigher than the yarn producedin Tamil Nadu or Maharashtra, some data with the KSTC confirms this. Also average price of 40s and 60s produced in the cooperative spinning mills in Kerala are estimated to be higher than in Tamil Nadu[16]. However, it is still surprising that with the addition of transport and other charges it is more economical for societies to purchase the yarn comingfrom outside. On closer enquiryit appears that the problem

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14 Data on Pattern of Production is from AnnualStatistical Bulletin, Southern India Mill Owners' Association, Coimbatore.

15 This is revealed by data on yarn prices supplied by Hantex.

16 See Report of the All India Federation of Cooperative Spinning Mills, (AIFCOSPIN) Bombay, 1984-85.

is not so much higher prices of indigenous yarn, as poor quality in general which is a really serious shortcoming. There are certainother region specific problems. The societies in the north interact much more with the spinning mills buying directly and paying withoutdelay. However, the societiesin the south are well known defaulters; also the mismatch in counts is relatively more serious in this region.

We have dwelt in some depth on the yarn problem since the question is, why cannot the indigenous mills produce at least sufficient good quality hank yarn upto 40s. By a reorganisation of the production structure in at least some mills to meet the entire demand for yarn upto 40s (without forgetting the need for raisingexisting quality standards) and greater mutual interaction among all the organisations connected with yarn production and consumption, the former agreeing to produce good quality yarn of required counts and the latteragreeing to make payments promptly, it should not be impossible to make another but more serious attempt to rectify this anomaly.

Prices of different varieties of handloom cloth have been increasing fast in recent years, as our subsequent discussion confirms. Theofficials at Hantex plead helplessness. They argue that prices have to be raised since procurement prices are going up and the latter are increasing primarily because of high wage cost and high yarn cost. While it is true that wagerates per item produced or perkg of yarn are on averagehigher in the cooperative sector and otherbenefits too are given, the ironyof the situation is that the Kerala weaver remains the poorest in the country. In so far as yarn is concerned there is no doubt regarding the fluctuations in its price, with an upward trend, particularly in respect of the finer varieties. Hence our objective should be to reduce the cost of yarn by making adequate hank yarn available to the societiesfrom indigenous production withHantex increasing its role in the yarn market (whatever the past experience). However, a fact thrown up in the course of our study, which has also contributed to increasing prices needs to be taken cognizance of. And that is, the ad hocfixation of margins on different items and varieties of cloth by Hantex in an effort to increase total sales revenue which we will discuss later.

Sales of Cloth through Hantex

Unlike its marginal intervention in the yarn market, procurement and sales of cloth is the major activity of Hantex. Not only hasthe proportion of societies from which procurement is made increased significantly, its geographical spread within the stateis much wider. However,the societies in Trivandrum continue to dominate not only because their share at 40-42 percent intotal procurement is the highest though it has declined overtime (See Table 4) but also because a much larger proportion of their production is procured[17].

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[17] For instance in 1983-84 the proportion of production procuredin each region (in value terms) is given below:

	Procurement as percent of Production (in %)
Trivandrum	46.1

In value terms there has been an impressive increase in the volumeof cloth procured from over Rs.50 lakhs in 1966-67 to about Rs.350 lakhs in the late seventies (as givan in Table 3) and then a sharp increase in the earlyeighties to over Rs.750 lakhs; since then it has stagnated around Rs.650 - Rs.700 lakhs exceptin 1986-87 when it almost reached the level of 1982-83.

As a proportion of total production in the handloom sector procurement by Hantex was around 15 percent in the sixties; increased to about 25 percent by the mid seventies; there was a sharp increase in the latter half of seventies primarily because production declined. In the early eighties it was around 40 percent; however its share since then is stagnant around 25 percent.

However whenwe look at the series on procurement of cloth in real terms the picture is rather startling (See Table 5). After an increasing trend, starting from about 48 lakh metres in 1966-67, it reached about 80 lakh metres in 1973-74, since then the quantum procured has fluctuated between 80-85 lakh metres upto 1980-81. The increases in 1981-82 and 1982-83 are aberrations

Quilon	29.8
Kottayam	50.0
Ernakulam	17.8
Trichur	28.5
Palghat	32.9
Kozhikode	23.5
Cannanore	8.3

Source: Derived fromSurvey Report 1983-84 op.cit and Hantex Annual Report, 1983-84.

because of ourmethodology - a decline in productionwith more than a proportionate decline in value, results in a 'fall' in price. It isnot possible that actual prices have fallen. In 1986-87 and 1987-88 too, production has increased but value increases by a smaller proportion and hence implicit price again 'falls'. Hence we find thatprocurement has remained sluggish around a quantum of 80-85 to 90 lakh metres for almostthe last one and a halfdecades.

A few aspects of Table 5 should be noted (1) The methodology for computing procurement in quantitative terms can only give the estimates an upward bias and no downward bias since procurement prices, which are inclusiveof a margin of around12-15 percent for the societies, are higher than productionprices. (2) It could be argued that the pattern of procurement may vary from the pattern of production, since the societies may be disposing low valued, slow moving items to Hantex. Hence, a weighted implicit price deflator should be used. However, from table 6, we can see that the pattern of procurement follows very closely the production pattern; moreover, very few societies appeared to be in a sound financial position to undertake marketing on a large scale.
(3) There is as we mentioned earlier, some problem with the estimates of production of handloom cloth and to that extent our

Table 6

Variety -wise Production of Handloom Cloth and Sales through Hantex - 1983-84

(in percent)

	Production	Sales thru Hantex@
Dhoties	29.1	33.5
Saris	6.4	6.1
Lungis and Kailies	13.4	11.2
Shirting and Coating	8.9	7.4
Bed sheets	4.4	7.3
Towels	16.5	13.7
Others	21.3	20.6
Total	100.0	100.0

Source: 1983-84 FWS Survey op.cit

@ Salesthrough Hantex by the Societies is Procurement by Hantex.

series can vary. However, unless the Director of Handlooms declares a very drastic revision in these figures, the derived estimates are valid. (4) Given such a situation the validity of stock estimates given by Hantex are highly questionable (See table 3). Without very significant changes in the quantum of procurement, the value of stocks could have risen so rapidly, either because the stocks are being overvalued (of which there is evidence) or the product mix has changed overwhelmingly in favour of higher valued fabrics, which does not appear to have happened. (5) These data strengthen our argument that it is not too much procurement but inadequate sales which have augmented stocks.

However it is possible that what was procured was based on larger social considerations or non - market pressures. Data suggest that it did happen in a few years in favour of Trivandrum societies which produce an overwhelmingly large proportion of dhotis. The latter is generally acceptedas a slow moving item and should be the first tobe reduced in a year ofreduced procurement. However, this isnot always true in actual practice. From the data in Table 7 which gives the annual absolute change inprocurement - region wise, in an attempt to capture the proportionate share of each region in an increase or decrease - we see that in certain years when procurement declined sharply, the share of Trivandrum fell much less oras in 1987-88 it in fact increased. However, in 1988-89, we do find a large decrease in the amount procured from Trivandrum.

We now turn to Hantex' involvementin marketing of cloth. On the procurement price of cloth, Hantex puts on averagea margin of 20 percent at which price it is sold. The margin varies from 10 percent on small items such as 'thorthu' to about 30-35 percent on polyester material. and even 40 percent on kasava items. The average margin has recently been raised to 25 percent.

Sales of handloom cloth by Hantex (in value terms) also progressed rapidly fromabout Rs.58 lakhs in 1966-67to almost Rs. 5 crores by the end of the seventies. After a sharp increase in 1980-81 the rate of growth has become sluggish. Subsequently in fact it was negativefor a few years in the eighties. In relation to total sales of handloom cloth Hantex'share increased to almost 50 percent in 1982-83 (the target envisaged by the Sivaraman Committee, though it is not very clear whether they meant it in value or quantity terms). Since,then, it declined sharply to 25-

30 percent.

Summing up: There is no denying that Hantex' activities have decelerated since the early eighties both in terms of procurement and sales (in value terms); procurement of cloth in real terms appears to have stagnated since the second half of the seventies. However, the sharpfall in its relative share (that is in relation to total production and sales in the cooperative sector) is a bit perplexing. Arethe societies able to bearthe burden of disposing of a largerproportion of production, therebyaccounting for almost 70-75 percent of the sales. Given the overall performance ofthese societies this does not seem possible. Or, is production being over estimated as also sales? While data on looms from the 1987-88 Census suggests that production could in fact bemuch less than what is claimed now, estimatesof total sales from 1979-80to 1983-84 could very well be exaggerated, since in conjunction with production figures they imply very little stocks[18]. Hence, we can conclude, thatthere appears to be a stagnancy/deceleration in Hantex' activities in the eighties, though not as sharp as is brought out by published statistics since the latter tend to overstate the growth of the cooperative sector. Inthe following section we examine the marketing structure and policy of Hantex, supported by a field visit to almost all the sales depots in the Trivandrum region.

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18 If we compare Sales (in quantity) with production (in quatity) there is very little stock as estimated under Probable Stock.

	Production Q (in lakh metres)	Production V (in Rs. lakh)	Implicit Price	Sales Q (In lakh metres)	Probable Stock Q (in lakh metres)	Probable Stock V* (in Rs. lakh)
1979-80	210.67	1264.79	6.0	204.55	6.12	36.74
1980-81	242.82	1893.82	7.80	223.96	18.86	147.09
1981-82	225.39	1664.63	7.38	252.54	-27.15	nil
1982-83	242.46	1571.33	6.48	216.74	25.72	166.69
1983-84	295.84	2304.38	7.78	293.20	2.64	20.56

Source: Survey Report 1983-84.

* Value ofquantity not sold is estimated by multiplying with implicit price.

Section 3

The Marketing Network

Hantex organises the marketing of cloth it procures from the member societies primarily through about 200 depots (of which 14 are interstate) spread all over the state which has been divided into eight regions (inter statedepots constitute the ninth region which we have not studied). The larger majority ofthe depots are one-person (or 2 person) establishments and each region has at least one emporium and show room. There is also an international ready made garments show room attachedto the Trivandrum show room marketing the products of Hantex International. Besides these, salesare also done through agencies(not many) open air stalls and at exhibitions etc. Each depot stocks fabrics in accordance with the insurance amount fixed for it and sales are in cash or credit to government servants and departments (the latter can be quite substantial particularly in Trivandrum). It is well known that over three fourths of the sales in a year are during the rebate period adding upto 80 days (earlier it was for 103 days) which covers the majorfestivals. Onam alone accounts for 40-45 percent of the sales followed by Christmas, Deepavali, Vishu and Bakrid. The proportion ofsales during rebate appears to have increased in recent years. It was about 75 percent in 1987-88 and 87 percent in 1988-89.

Earlier the depot managers prepared quarterly indent of the items they required which was forwarded to the Regional Managers who in turn consolidated these and sent them to the Head Office. The latter then consolidated the region wise specifications, classifying them into two broad categories (a) cloth required by a region; and (b) cloth required from a region. The latter was then sent back to the regional managers in the formof procurement orders, to bedistributed to the cooperative societieswithin their region. Some check was kept on whether the goods were being produced and once ready were brought from the societies to the Central depot attached to each regional manager's office and despatched to otherregions as per their requests in category (a). The problems with this lay primarily in the lead time given for production and matching of supply with what the depots had asked for([19]). While from the side of the depots, the latter was a big problem - often items notbased on original requests wouldbe given to make up the insurance amount;from Hantex' side the problem was more on account of the former. The requests would come perhaps very close to rebate period, leading to a scramble to get things produced and despatched. As far as the societies were concerned, becauseof delay in processing procurementorders, very little time was given to them to execute the orders. Amore basic problem was that the system was not based on any scientific system of determining/predicting consumer preferences. The whole exercise depended on impressions of the depot managers regarding market demand. The weavers largely produced what they had been always

19 See Rajagopalan *Op.cit.*

producing and Hantexmade very little attempt togain control over whatshould be produced in linewith market demand if not directly, then at least through the PWS. While some stream lining was recently introduced, requiring each depot manager to give a statement showing their stock in hand, anticipated stock after 3 months and a montnly requirement after that for the next 6 months in an attemptto procure what was required ontime, there was still no basic change in the procedure for determining what is required which we bring up later.

We have a region wise list of the depots with certain performanceindicators like sales,expenditure, and profit/loss for the last fouryears 1986-87, 1987-88, 1988-89 and 1989-90. The age wise distribution of the depots (See Table 8) shows that almost half are 'old' while a quarter numbering about 53 are very old, being set up on 24.7.61 when Hantex was established; the next largest number, 31 was between 1967-69. Around 56 of the depots were opened duringthe seventies; opening of new depots was rather sluggish in the 80s - only around 30 - presumably because of Hantex' growing financial difficulties.

Table 8

Age Distribution of Depots and Estimates of Four Year Profit/loss making Depots by Age

Year of Opening	No.of Depots	As % of Total*	No.of Depots making profits 1986/87-89/90	As % of Total P-making Depots	No. of Depots making loss 1986/87-89/90	As % of Total L-making Depots
1. Old						
1960s	97	50.2	46	64.8	17	44.7
Very old						
b.1961	53	27.5	29	40.0	8	21.1
2. Middle-Aged						
1970s	56	29.0	23	32.4	7	18.4
3. Young						
1980s	33	17.1	2	2.8	14	36.8
Total	186	96.3	71	100.0	38	100.0

Notes: * Total is taken as 193 (i.e. including 7 for which no date of opening is given)

An analysis of thelist of depots, however shows thatof these 193 state-wide depots, only about 71 or 36 percent were making a profit in all thefour years and about 43 incurred lossin all four years. The rest, thatis about 79 depots alternated betweenprofit and loss (If we list the depots making profit for the last two years at least, the number is marginally enhanced to 78).

~~In Appendix I we have given~~ The available information on the four-year profit making depots ~~which~~ enables us to discern the followingdistinguishing characteristics of these depots: (a) what strikes oneimmediately is that almost twothirds of the depots are the 'old' ones set up in the sixties, and of these more than half are 'very old', that is set up in 1961; a little less than one third - 32 percent are 'middle -aged', that is set up in the seventies and only three percent are 'young' that is those established in the eighties (see table 8); (b) surprisingly the lowest proportion of these profit making depots is in Trivandrum (both as a proportion of thetotal profit making depots as also of the total number of depots in the region). Trichur, Kottayam, Kollam, Ernakulam and Kozhikode account for most of the profit making depots[20] (See Table 9). However it must be remembered thatthis forms on average not morethan 35-55 percent of the total number of depots in each of these regions. Trivandrum's share in the 4 year loss making depotsis also the highest. (c) the emporia

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20 In fact, ideally, our field survey should have included a visit to the depots in at least one of these regions, perhaps Kozhikode, to capture north-South differences.

and show rooms have in general performed well; almost 2/3rds of them are includedin this group; no show room/emporium is included in the list of 4 year loss making depots. (d) Sales of these depots are among the highest. If the total number of depots is ranked according to sales in 1989-90, almost all these 72 odd depots fall within the top 85 depots but not with a similar ranking. Thissuggests that higher sales is anecessary and by and large a sufficient condition for earning profits but not a sufficient one for earning high profits; ability to reduce expenditure counts.

Before we draw some lessons from this exercise we should explain how profit is calculated for the depots. As mentioned earlier,on the procurement price ofcloth Handtex adds a 20 percent margin on average, as its profit. Hence what is done for each depot is - 20 percent of the sales is estimated as the surplus generated through sales. From this the expenditure on wages and salaries, rent and interest (at 10 percent on stock) is deducted. Theresidue is the profit or loss as the case may be. It is clear why sometimes say Depot A having higher sales than another Depot B can incur a loss; it is because its expenditure is higher or sales not high enough. Since wagecosts would be more or less the same between thesetwo depots if they are under two person depots, and interest will be high only if stocks are high (or alternately sales are low) rent could perhaps be the single most important reason, reducing profit in the case of a depot with higher sales. One of the reasons whya large number of the 'very old' depots are making a profit would be the saving in rent. Well located, reasonably big shop spaces, are becoming increasingly prohibitive in terms of the rental. Hence in respect of rent and wage cost there is not much scope of reducing the total amount; however a larger volume of sales, will bring down cost per unit and by reducing stocks reduce interest cost even further. Emporia and show rooms have performed better largely due to such economies of size. Of course other characteristicsof emporia viz more spacious and attractive show rooms, better facilities for display, much larger number of items and varieties, would also interact to influence performance.

The overriding importance of alarge volume of businesscannot be denied. In fact a distinguishing characteristic ofthe 43 loss making depots (in all four years) is the small sizeof their sales - ranging from Rs.35,000 to a maximum of about Rs.2.5 lakhs ~~(see Appendix 2).~~ On the other hand the lowest sales figure recorded for the 71 profit making depots was over Rs.3 lakhs. Hence, as suggested earlier, highersales would generally resultin a profit.

However, another way to make profit in such a situation isto increase the margin which is one of the measures Hantex has resorted to in its attempts to increase sales revenue. Not only has the average margin increased to 25 percent in the last year 1989-90, it has raised margins very sharply on at least one fast moving item - polyester shirting([21]) presumably on the assumption of an inelastic demand. It was perhaps on suchan assumption also that theBengal Saris, very popular in Kerala also, were priced at exorbitant rates (almost Rs.250 per Sari). That it was an incorrect assumption is borne out by the large unsold stocks of these saris in almost every depot we visited. The intricacies of Hantex pricing policy are still notvery clear to us but one thing which struck us was the very sharp increases in prices sometimes even twice in ayear for almost all items and varieties. Even the Kerala 'torthu' of the cheap variety showed an increase from Rs.3.50 two years back to Rs.6.30 now; a double dhoti (100 x 100s) was priced at Rs.75 in 1989 Onam;Rs. 85 at last Onam and nowcosts Rs.96. A Kasava sari which was priced at Rs.345 last year was costing Rs. 450 now; price of Lungi material had increased from Rs.13 toRs.22 per metre; satin sheets (90 x 108) cost Rs.190 last Onam and were priced now at Rs.214. Theincreases did not seem to have any pattern and were apparently very ad hoc in nature. The newly designed tie and die cotton saries (with blouse pieces) a welcome effort at diversification of the product were however priced at Rs.245 and above completely out of line with prices of similar type of non-handloom cotton sarees. Though we have compiled a table on prices of Hantex cloth, both procurement (PP)

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21 Infact Hantex has indulgedin an 'unfair' practice which could also be described as a shrewd sales policy by stamping a new price of Rs.42 on existing stocks of polyester shirting priced earlier at Rs.36, a 13percent increase.

and selling prices (SP) it relates to a very few varieties (see Table 10). Evenso it does give a feel ofthe fast changing prices - increase in PP and SP move similarly (hence only increase in SP is given) till 1988-89. In the last year the change is higher in SP because of the increase in the margin (SP/PP x 100) to 25 percent.

Atthis juncture when there isalready a tendency for handloom prices to increase rapidly each year such adhoc pricing measures we feel are shortsighted and liable to boomerang as was suggested very forcefully to us in the course of our field visit. It is no wonder that thereis further bunching of sales around rebate time. Also,though sales (in value) haveincreased for almost all depots, it was generally conceded that this was more due to increasing prices than increases in quantities sold. We compared this price movement with theConsumer price index as a pointof reference; the rates of changein the latter are much lowerthan in handloom cloth prices([22]). And from a quicksurvey we could simultaneously do on prices of some comparable millitems, like dhoti, settmund, cotton sari,polyester shirting and sari, itwas evident that the increase in handloom prices was higher.

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22 Consumer Price Index for Different Centres in Kerala

(1970-71 = 100)

	1985	1986	1987	1988	1989
Trivandrum	321	350	378	395	420
Percentage Change		+9.0	+8.0	+4.5	+6.3

Source: Kerala Economic Review, Various Issues.

It may be noted that the frequent change in prices also affects off season sales. This as we could gather, in the course of our visits is a serious problem. Consumer psychology, being what it is, there is no denying the fact that consumers wait for the rebate periodto purchase handloom fabrics. But consumers are also rational and it is because the earlier notion of handloom cloth being cheaper and of better quality is fast being eroded through their experience that they prefer to purchase non - handloom cloth in the off season. The increases in prices of handloom cloth, are in our view a major constraint on promoting sales.

Our survey confirmed the suspicion that hardly any efforts have gone into making the product saleable and attractive. There is almost a complete absenceof change in design, colouror pattern in traditional items of production, addedto which is a decline in quality. Hence, there appears to be lack of variety even in its staple products. The changes being introduced in certain newer items are welcome but inadequate. Besides being hardly publicised these are also sometimes out of line with market trends. For instance even in respect of a fast moving item like polyester shirting, check/stripe designs which may have beenin fashion some years back are completely out now in favour of plain single coloured material. The sales ofprinted sheets which appear to be a popular item can certainly be boosted with gooddesigns. Herein lies the basic problem with the marketing system. While the infrastructure for marketing in terms of shop space and location of depots is quite impressive (though not entirely faultless)[23], there is no innovative sales policy based on market research and sustained effort at product design. Hantex has made some attempt at planning what the societies should produce through its Demand Oriented Production Programme[24]. However, this is nota sustained effort, had affects less than 2-3 percent of production; it has helped largely in streamlining procurement by the depots.

Summing up; this analysis of the marketing network of Hantex reinforces our emphasis on increasing sales and reducing expenditure as the only way of generating surpluses for the organisation. The attempts at increasing margins, and frequent changes in prices to sustain sales revenues are seen to be short sightedand ad hoc with possibledeleterious effect on sales, while some attempts made at product diversification are welcome but inadequate.

Before we attempt to analysethe financial performance of the organisation, we digress a bit to answer a question that may very well be raised: Is it feasible to significantly increasethe sales of handloom fabrics in Kerala? The handloom sector as we know

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23 For instance, in a bustling, commercial town like Attingal the depot, was too small and badly in need of renovation or in Chirayankil, given its insuranceamount was too small. We were told that these problems were already taken cognizance of. Another defect we noticed was the completeabsence of some notice boardto announce new items/varieties. Also most of the depots did not have any display space or provision of good show cases.

24 See Report on Performance Evaluation and Action Plan, prepared by Hantex, 1989-90.

continues to face tremendous competition from cheaper mill and powerloom cloth despite the protection it enjoys. (In Kerala, it faces competition from the cheaper handloom cloth from Tamil Nadu too). Powerlooms,as is well known have, brazenly violated orders on reservation of items to be exclusively produced on handlooms (the list has recently been enhanced). And all this in an environmentin which non-cotton and blendedfabrics have made a big entry into the market, production of which on handlooms is still very small, and per capita consumption of cloth has tended to remainsluggish. Hence, there isan in-built constraint to raising sales of handloomcloth substantially. However what prompts us to assumethat these possibility of Hantexincreasing its share of the market is the vast potential that exists in the state on account of :(a) a high propensity to consume cloth as indicated by a much higher than all India average of proportionate per capita expenditureon clothing, and (b) thelarge scale movement of cotton piece goods into the state (since Kerala hardly produces any mill cloth) and even handloom cloth,from outside, primarily Tamil Nadu and Maharashtra. A large amount of clothcomes into Kerala through informalchannels too, particularly throughthe Gulf and other non-residentKeralites returning home on leaveor otherwise. There are also itinerantsellers from other parts of India primarily dealing with handloom sarees of those statesmore visible of course in the cities - suggesting a growing taste towards cotton sarees. At least a part of this could be substituted by Hantex handlooms.

While in 1975-76 the value of cotton piece goods coming into

Kerala through the formal channels was Rs.2261.72 lakhs and of handloom goods was Rs. 1575 lakhs (by road alone) the sales of Hantex in that year wereRs.260 lakhs or 16 percent ofthe incoming handloom cloth and 6.7 percent ofall cloth. By 1980-81 the value of cotton piece goods had risen to Rs.3076 lakhs and of handloom cloth only marginallyto Rs.1678 lakhs. Sales through Hantex that year had risen to Rs.673 lakhs or40 percent of handloom 'imports' alone and 14 percent of the total[25]. To some extent we may conclude that Hantex has cornered the market. (Of course these 'imports'may be for more than a year. The data only indicate the largeness of the market). Hence there does exist a potential market that can be tapped by Hantex.

Section 4

Financial Performance of Hantex

In examining thefinances of the Society we can state without mincing matters that considerable window dressing has been done with stocks (in value) while preparing the accounts thereby understatingits losses. We haveanalysed the accounts for roughly the last decade 1978-79 to 1988-89 (See Appendices 3 and 4 for a summary of the Profit and Loss Accounts and Balance Sheet).

In almost every year the society incurred a loss which with the carry-forward loss from the beginning of the period resulted

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25 Reports on Inter State Movement of goodsinto Kerala and out of Kerala, 1975-76 and 1980-81, Bureau of Economics and Statistics, Kerala.

in an accumulated loss of over Rs.3 crores by 1988-89. In fact loss in certain years was assessed to be higher asper the audited statement, largely because closing stocks had been overvalued or the interest due had been understated. The audit statement for 1984-85 for instance pointed out that the loss for that year was Rs.64.15 lakhs, and the accumulated loss, Rs.176.31 lakhs, while the company's ownaccounts showed a current loss of Rs.26.84 lakhs and an accumulated loss of Rs.136.60 lakhs, a deficit of almost37 lakhs. This was partially adjusted over the years 1985-86, 1986-87 and 1987-88; however about Rs.20 lakhs still remains outstanding. Although loss last year is seen to have declined, it is not possible to state this with confidence without the audited statement. In fact allowing for the above pending adjustment and perhaps more, the accumulated loss could very well be over Rs.3.5 crores thuswiping out the net worth of the company. In financial terms this would mean that the company had become insolvent([26]).

It is not very difficult to see how this has happened: while sales, which constitute the effective volume of business for the society failed to grow fast enough, expenditure (inthe aggregate) increased at a much higher rate. The compound rate of growth in sales was 5.85 percent per annum over this period, but it was

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26 It may be noted that except for the meagre amount of Reserve and Capitalfund, the rest of thereserves, being in the nature of provisions reflecting liabilities like gratuity or valuation of assets eg. depreciation arenot included in shareholders' net worth See <u>Bombay Stock Exchange Official Directory</u>, Bombay, Vol.I, Explanatory Notes.

between 12-14 percent forestablishment charges and administration and other expenses. In fact between the years1983-84 and 1988-89 in four years when the annual percentage change in sales was negative, rates of change in the above mentioned items of expenditure were positive and high. Needless to say the rate of return on investment,ROI (that is net profit/loss as a percent of capital employed), the central profitability ratio, was negative for most of the years (See Table 11). Similarly the ratio of net profits to sales was negative which suggests that despite a 20 percent margin it provides for on sales, Hantex has not been able to generate asufficient surplus since expenditure is too high and sales are notlarge enough. Certain factors whichhave a dampening effect on income from sales should be noted: a/ the unnecessarily long delay by the government in clearing up its dues to the organisation, thereby reducing the latter's liquidity. It still owes Hantex about Rs.1.4 crores in rebate and another Rs. 1.5 crores on credit account to government servants. This represents as Table 11 shows almost 3.6 months' sales. However the amount Hantexowes to its sundry creditors,viz the primary societies from which it procures cloth is much higher at Rs.5 crores; (b) a high inventory to sales ratio which increases costs without adding to income. Inventory/sales ratio was over 12 months' sales in 1988-89! Though it is not as high as it appears in value terms for reasons discussed earlier, in physical terms there is certainly a serious problem ofstocks of unsold cloth which should be disposed of.

On the expenditure side the question is why and what costs were rising so fast. We use the common sizedincome statement for this analysis wherethe various items of expenditure (upto the net profit/loss stage) areexpressed as a percentage of sales taken as 100. It shows what percentage of net sales is absorbed by each individual cost item and the underlyingtrends (See Table 12). The major item of expenditure is of course cost of goods procured/ purchased since it is a marketing organisation. The next largest item of cost is establishment charges (wages and salaries), followed byadministration and other expenses(which includes rent, bonus,insurance and advertisement/publicity). 'Interest' has been given separately since it is an important item of cost to the organisation. Since a large proportionof the interest due has not been paid (on Government loans) its burden is understated. This is reflected also in Table 11 in the ratio Interest and Bank Charges as a percentage of total loans (short term andlong terms) which is fairly low at 7 percent.

The picture is somewhat skewed because of the large losses. However the broad trends are clear. While the expenditure on procurement is seen to be very high in the initial years as to reduce the proportionate shares of the other items to very small numbers, the larger increases in establishment charges and other overheads inabsolute quantum, in particularestablishment charges, has led to fairly sharp increases in their relative shares since 1984-85. Hence there was a sharp decline in the proportion of sales absorbed by cost of procurement/purchase in the last two years,while establishment charges increased to11 percent by 1988-89, (from about 5.7 percent in 1978-79); administration and other expenses account for 8.3 percent and interest for 7.04 percent.

The above analysis suggests that inthe face of a slow growth in sales and a high rate of growth in overheads, the company had to adjust by reducing its proportionate and later absolute expenditure onprocurement, since increasingly a larger proportion of its revenues were being used up to support its own staff and administration. What is of interest to us is how were the funds being generated to enable the society to continue functioning in such a situation.

The answer is that long term funds of the company (made up largely of government funds) were being used for short term purposes which becomes evident from an analysis of the Balance Sheet. (See Tables 13 & 14). While Table 13 shows the situation in respect of working capital, Table 14 indicates the sources of long terms funds and their use. From the former it would appear that the working capital position is very comfortable: current assets exceeding current liabilities and the current ratio being overone almost throughout the period. However, it is evident that the ratio in this case does not indicatehigh liquidity because of the existenceof very non-liquid, overestimated stocks. The quick ratio which indicatesa more correct picture shows afigure of less than half for recent years. Table 14, gives the sources of long term financeand its utilization. We find that,there is an excess of long term finance exactly equal to the working capital. Hence long term finance is being used for revenue purposes implying a growingdependence of the society ongovernment loans and even more so on increasing share capital participation by the government. This has kept the society's debt/equityratio low - less than one.

From the above analysis one can visualise the dilemma the society is in. Any increase in its procurement activity without a guaranteed increase in sales, would immedietely raise the percentage of sales absorbed by procurement which with the committedexpenditures on establishmentand administration (growing each year) would result in increasing losses. Hence the urgent necessity to push up sales, and identify other sources of funds.

The question is why are establishment chargesgrowing at such a high rate? This, if we look at the staffing pattern in the organisation appears to have been due to the growing tendency towards a topheavy bureaucratic structure in theorganisation from the early eighties precisely at the time when the rate of growth in sales decelerated. Let us look at Table 15 which gives us a time series on the staff pattern andgrowth in Hantex from 1973-74 collated from theAnnual Reports. In termsof actual numbers there appears to be a slight deceleration in growth. Fromabout a staff strength of 380, the number increased to 480 in 1986-87 and then declined to some extent, however some categories (fitter, cutting master, garment manager) are now included in sister concerns and so the fall in numbers may be minimal. However, what is immediately striking from the table is that from 1981-82, the top quarter of the chart starts filling up. While in the early seventies therewas a Finance Officer-Cum-Secretary, from the early eighties there is a Finance Manager, and a Financial Assistant. Similarly, the Chief Marketing Officerof the seventies isreplaced by a whole team - Marketing Manager, Deputy Marketing Manager, a Deputy Finance Manager (general) and a Deputy Marketing Manager (technical) which is envisaged to be filled up soon and an Assistant Marketing Manager. In 1987-88 the post of Special Officer (on Deputation from the Department of Industries) was filled up, the need forwhich is not very clear, sincethe Director of Handlooms is already on the Board. With the creation of new posts/upgradation at the top, the logic of increase in the lower categories has also to be followed through given the 'blue print' approach of official cooperatives for their organisational structure. Hence there are 10-12 senior Superintendents, 11 Technical Supervisors and almost 70 UDC and LDC, (the latter numbered 36 in 1978-79). An addition of numbers takes place all the way down to drivers and last grade workers. The largest numbers employed areas Depot Managers - Grade I and II. It would have been useful if the annual report had continued to give the break up between gradeI and II (unless its abolished) since there does appear to be a tendency at times (as in 1981-82) for large - scale upgradation of grade II Managersto Grade I. It appears to have occurred again very recently but cannot be shown because of the absence of a breakup.

We havenot been able to study the proportion of total salary bill accounted for by the different levels of staff as also the changes in paysales over time which would haveadded to the costs. Our intention here was merely to indicate the bureaucratic expansion of the organisation, which in the absence of a rapid increase in the volume of business has created large committed costs.

From the above, the urgency to increase sales in a situation of growing overheads, without resorting to a further reduction in procurement, comes out very sharply. In the following section we examine the marketing network and policy of Hantex, supported by a field visit to almost all the sales depots (now termed Hantex Houses) in the Trivandrum region, to understand possible constraints in effecting a quantum increase in sales.

Section 5

Policy Implications

From the above analysis one can visualise the dilemma the society is in. Any increase in its procurement activity without a guaranteed increase in sales, would immediately raise the percentage of sales absorbed by procurement which with the committed expenditures onestablishment and administration(growing each year) would result in increasing losses. Hence the urgent necessity to push up sales, and identify other sources of funds.

Hence, a majorpolicy conclusion that emerges is the need for evolving a dynamicmarketing policy which is feasibleand pragmatic and does not at the same time, add substantially to costs.

First, of overriding importance is the clearance of accumulated stocks. However, before it is done, there is need to verify it physically which would also give us a firm idea of what percentage ofthe stock is fast moving or slow moving, a necessary piece of information for market analysis.

Second, and an essential pre requisite for such a policy is a collation annually, of the amount procured, sold and unsold in physical terms by item and variety, which would be in the nature of an ex post market survey on current trends. Some information should also be collected on prices of broadly comparable mill items. We now come to the core component of this policy viz. a product design and diversification cell which with feed back on market trends based largely on the above data collated, would relentlessly be tryingout new designs, patterns and products. On the basis of this Hantexwould prepare an ex -ante production-cum-sales plan which would determine the production pattern of the societies. There is endless scope for creation of demand in the area of cloth consumption in particular of Saris which should be fully exploited. We recommend a gradual diversificationwhich does not alter the character of Kerala handlooms and is adaptable to the rhythm of handloom production. To start with there should be areduction in the production of dhotis and a shift towards the production of saris. Saris hold a large potential,(but not at the prices now being fixed for them). Evidence from other states such as Andhra Pradesh and West Bengal, where there is relatively greater buoyancy in the handloom sector, indicates that saris constitute almost 31 percent and 36 percent of total production respectively; while in Kerala it is 6 percent and the proportion of dhotis is about 30 percent. There is potential for increasing the sale of sheets and furnishings. Even in the case of traditionalitems design changescould substantially improve sales; for instance in the dhoti - as we were told in many depots - the unattractivebroad one coloured 'kara' could be easily replaced by a thin designed line (so commonly seen in mill dhotis).

Diversification itself is not sufficient - product design is thesecond important element of theprogramme. Just producing more saris or more sheets is not what we envisage - new varieties with new designs.patterns and colour combinations,which are attractive will be saleable. The Hantex Process House at Balaramapuram would have to play an important role and should also be strengthened.

This has to be accompanied by a massive renovation programme of all the depots in need of it and a wide publicity campaign through advertisements in the media, and even at the level of the depotsby providing good display glassspace (lacking in most), and a small notice board to be put outside announcing the arrival of new items. The advantages of good saleswoman/man ship, (adroitly persuading the customer not to leave the shop without making some purchase) should be emphasised. There is a general impression about the lackof interest/enthusiasm among the sales staff of all government shops unlike in private shops. This impression should be removed. Occasional discussions with depot managers for opinions and suggestions would create more enthusiasm and a sense of involvement and commitment by all concerned in promoting the sales of the industry.

However a very important aspect of the scheme is the ability to carry it out without sharper increases in prices. Controlling the price and quality of yarnseems to be at least one wayof doing it; the other is to keep a check on Hantex' average (and differential) margin which is supposed to cover its overheads. Hantex should in the long run aim at providing 50 percent of the yarn required by the cooperative societies and buy back the cloth produced according to its plans.

As far as keeping a control on overheads is concerned, which makes its own demands on resources available, we feel that the organisation has to carefully assess increases incosts with every step it takes and minimise it, particularly establishmentcharges. As stated earlier, we have not made any suggestions regarding a complete restructuring ofthe organisation. However, anarea where costs can be restrained is opening of new depots/show rooms. The whole focus of attention should shift from building up more infrastructure to production of attractive, good quality items, both new and traditional at competitive prices.

An important implication of our study is the need to review the whole question of the internal organisation of official cooperatives,so as to make them less rigid and more responsive to producers' and consumers' needs. This becomes particularly pertinent in an economy characterised by a large traditional industrial sector like Kerala, where cooperatives will have an important role to play.

[This paper borrows heavily from a report I prepared for the erstwhile government of Kerala. I would like to thank all those in Hantex, Directorate of Handlooms, Kerala State Textile Corporation, managers of all depots in Trivandrum region and office bearers of a few weavers' cooperatives in Neyyattinkara I visited, without whose help this study would nothave been possible. Thanks aredue to Raman Mahadevan for his comments onan earlier draft; to D. Narayana and Pyarelal Raghavan for useful discussions and all participants in an internal seminar. I would like to acknowledge the help rendered by Prof.R.S. Murali at the Centre for Management Development in preparing the paper and to A Jayakumar for hisresearch assistance. Thanks are due to Ms. Sobhana and Ms. Radhamoni for patiently typing]

Table 1: Pattern of Share Ownership (Value in Rupees)

Year	Primary Co-operatives			District Co-op Bank	Co-op Spinning Mill	Kerala State		Total Share Capital
	No.	Amount	Share (in %)			Amount	Share (in %)	
1966-67	266	560070	40.31	5000	25000	819000	57.61	1409070
1967-68								
1968-69	297	586400	23.98	5000	25000	1829000	74.79	2445400
1969-70	302	647300	25.16	5000	25000	1829000	71.09	2573700
1970-71								
1971-72	305	656300	23.35	1000	25000	2129000	75.72	2811600
1972-73	307	664700	23.57	1100	25000	2129000	75.58	2819700
1973-74	322	769900	26.33		25000	2129000	72.81	2923900
1974-75	325	768700	24.62		25000	2329000	74.58	3122700
1975-76	326	827300	24.47		25000	2529000	74.79	3381300
1976-77	328	838500	15.55		25000	4529000	83.99	5392500
1977-78	336	888000	11.93		27000	6529000	87.71	7444000
1978-79	329	905100	7.90		27000	10529000	91.87	11461100
1979-80	341	747900	5.77		27000	12219300	93.85	12994200
1980-81	358	1023000	6.61		27000	14419300	93.21	15469300
1981-82	343	1028500	6.09		27000	15819000	93.75	16874500
1982-83	358	1077000	5.88		27000	17219500	93.97	18323500
1983-84	368	1088000	5.51		27000	18619300	94.35	19734300
1984-85	371	1316200	6.28		27000	19619300	93.59	20964300
1985-86	372	1324000	5.84		27000	21301750	94.04	22652750
1986-87	386	1329000	5.62		27000	22303250	94.27	23659250
1987-88	382	1331000	5.19		27000	24301750	94.71	25659750
1988-89	366	1467000	4.29		27000	32701750	95.63	34195750

Source: Hantex Annual Reports. Various Issues.

Table 2: Growth of the Co-operative Sector

Year	Co-opertaive Societies	Production of Cloth by Co-opertaives	
		Value	Quantity
1966-67	409	507.86	423.20
1967-68	416	481.90	378.41
1968-69	416	551.24	393.74
1969-70	420	551.62	384.67
1970-71	423	451.16	385.61
1971-72	425	658.71	367.48
1972-73	438	637.47	385.92
1973-74	443	749.80	357.14
1974-75	462	902.37	296.90
1975-76	462	883.00	270.00
1976-77	472	678.00	219.00
1977-78	472	689.00	193.00
1978-79	484	960.00	234.00
1979-80	516	1264.79	210.07 (289)*
1980-81	544	1293.82	242.82 (305)
1981-82	547	1664.63	225.39 (324)
1982-83	551	1571.43	242.47 (342)
1983-84	565	2304.38	295.84 (374)
1984-85	565		380.00 (401)
1985-86	580	3003.91	425.55
1986-87	580	3149.40	500.48
1987-88	590	3250.95	532.23
1988-89	592	4198.82	599.10

Source: Director of Handlooms, Vikas Bhavan, Trivandrum.

Notes : Value in Lakhs Rupees.
Quantity in Lakhs Metres.
* Figures in brackets are as given by the Directorate of Handlooms earlier.

Table 3: Performance of Hantex: Some Macro Indicators - 1966-67 to 1988-89. (value in Rs. Lakhs)

1	2	3	4	5	6	7	8	9	10	11	12
Year	Total Co-op	Member Soc	Soc from which Proc made	Col 4 as % Col 3	Proc by Hant	Proc as % of Prod	Sales through Hant	Hant Sale as % of Tot Sales	Proc of Yarn	Sales of Yarn	Stocks of Cloth
1966-67	409	286	158	55.24	57.15	11.20	57.10		35.88	33.22	27.49
1967-68	416				77.60	16.10	73.44		44.40	43.09	
1968-69	416	297	183	61.62	82.39	15.00	86.31		52.93	57.04	47.95
1969-70	420	302	207	68.54	86.44	15.40	93.92		81.40	81.83	56.18
1970-71	423						128.23				
1971-72	428	305	209	68.52	129.43	19.60	165.89		51.66	55.88	50.81
1972-73	438	307	192	62.54	111.56	17.50	129.07		221.58	204.69	54.88
1973-74	443	320	190	59.38	169.05	22.30	187.61		447.11	466.67	64.37
1974-75	462	325	216	66.46	227.80	25.20	217.53		132.81	166.25	111.47
1975-76	462	328	236	71.95	195.67	22.20	255.67		77.22	89.04	91.13
1976-77	472	330	237	71.82	273.40	40.30	320.54		155.37	156.19	96.06
1977-78	472	336	244	72.62	290.64	42.20	263.20		152.26	164.97	165.61
1978-79	484	339	220	64.90	350.53	36.50	390.69		150.57	156.70	194.29
1979-80	516	341	232	68.04	511.73	40.50	516.13	37.40	213.80	210.22	274.35
1980-81	544	338	262	77.51	664.35	35.10	673.57	43.60	225.30	234.56	338.18
1981-82	547	343	266	77.55	749.58	45.00	791.62	46.80	230.13	240.28	468.78
1982-83	551	358	274	76.54	770.14	49.00	865.30	52.00	196.70	259.43	572.34
1983-84	565	368	263	72.83	650.96	28.20	823.14	35.00	227.58	207.58	586.38
1984-85	565	371	268	72.24	640.90		793.68	30.20	169.16	227.70	625.46
1985-86	580	372		0.00	667.29	22.20	811.13	26.60	219.87	279.43	680.01
1986-87	580	380	300	78.95	781.90	24.80	865.14	27.00	139.64	241.26	801.13
1987-88	590	382	310	81.15	717.36	22.10	833.23	25.10	139.64	165.42	923.03
1988-89	592	386	311	80.57	633.46	15.20	859.79	23.20	86.74	93.91	970.43

Source: Same as Table 1 and Director of Handlooms. Vikas Bhavan. Trivandrum.

Table 4: Percentage Distribution of Procurement - Region Wise

Year/ Region	TVM		QLN		KTYM		EKM		TCHR		PLGHT		KOZHKD		CANN	
	socys	value	socys	value	socys	value	socys	value	socys	value	socys	value	socys	value	socys	value
1965-66	46.35	54.89							18.38	19.72			34.27	25.36		
1966-67	48.73	60.19							17.72	16.76			33.54	23.04		
1968-69	47.54	57.60							15.30	16.96			37.16	25.44		
1969-70	37.68	46.36	10.63	6.55	6.76	10.89	2.42	1.63	4.35	2.02	13.04	5.53	12.08	9.30	13.04	18.01
1971-72	42.58	47.38	8.61	6.14	5.26	10.84	3.35	2.88	3.35	1.57	11.96	7.27	10.53	9.92	14.35	13.98
1972-73	38.54	48.12	9.38	10.51	6.77	10.31	3.65	2.47	4.17	1.74	13.54	7.56	9.38	7.13	14.58	12.15
1973-74	42.11	44.73	10.00	13.01	3.68	3.53	6.32	14.04	3.68	1.83	13.68	11.69	7.89	4.94	12.63	5.96
1974-75	37.04	42.65	11.11	12.23	4.17	3.63	6.94	10.94	4.17	1.93	13.43	8.30	12.50	9.65	10.65	10.26
1975-76	34.75	44.95	14.83	11.72	4.24	0.76	6.78	13.20	5.08	2.76	13.14	9.34	11.02	7.47	10.17	9.80
1976-77	36.71	46.77	14.35	9.97	4.22	1.47	6.33	10.06	3.38	2.42	13.08	11.49	11.81	9.06	10.13	8.75
1977-78	35.25	44.09	13.93	10.00	4.10	2.55	6.15	8.58	4.10	2.78	11.48	11.13	10.25	9.94	14.75	10.92
1978-79	39.09	50.95	15.00	7.97	4.09	2.43	6.36	6.48	5.00	3.11	11.36	12.97	11.82	9.06	7.27	7.09
1979-80	39.66	51.61	15.09	9.33	3.88	2.36	6.03	7.29	4.31	2.06	10.78	10.88	11.21	8.25	10.34	8.22
1980-81	41.60	45.69	13.36	8.65	3.05	3.08	5.34	6.09	4.20	2.92	3.40	10.40	10.31	10.11	13.74	13.04
1981-82	46.36	44.82	12.41	8.16	3.38	2.67	5.26	6.37	4.14	2.00	7.89	10.44	9.77	10.52	12.78	15.22
1982-83	47.81	44.79	11.31	9.45	2.92	2.91	5.11	7.49	4.01	2.45	8.03	10.13	9.49	10.74	11.31	12.06
1983-84	50.00	51.51	11.57	9.80	3.36	3.15	5.22	5.15	4.10	2.33	7.84	10.86	9.70	9.12	8.21	7.48
1984-85	51.49	43.37	11.19	10.66	2.99	3.77	5.22	8.50	4.10	2.37	8.58	10.62	8.96	10.32	7.46	10.17
1985-86		41.02		11.91		3.67		6.54		2.69		8.82		12.30		13.00
1986-87	49.00	38.63	11.67	10.16	3.33	2.43	4.67	9.34	4.00	3.52	8.33	9.71	8.67	12.86	10.33	13.36
1987-88	48.39	46.42	11.61	5.77	3.23	2.12	4.52	9.54	4.52	3.59	8.06	9.91	9.03	13.45	10.65	9.21
1988-89	47.91	42.52	12.22	7.50	3.54	1.60	4.18	11.40	4.50	4.42	5.04	8.35	9.00	17.08	10.61	7.13

Source: Same as Table I.

Note : TVM - TrivandrumQLN - Quilon KTYM - Kottayam EKM - Ernakulam TCHR - Trichur

Table 5: Estimated Procurement of Cloth by Hantex in Quantitative Terms

Year	Proc by Hantex in Value(Rs. in lakhs)	Implicit Price	Proc by Hantex in Quantity (in lakh metres)
1966-67	57.15	1.20	47.62
1967-68	77.60	1.27	61.10
1968-69	52.39	1.40	33.85
1969-70	86.44	1.46	59.20
1970=71		1.70	
1971-72	129.43	1.70	76.14
1972-73	111.56	1.65	67.61
1973-74	169.05	2.10	80.50
1974-75	227.50	3.03	75.13
1975-76	195.67	3.27	59.84
1976-77	273.40	3.10	88.19
1977-78	298.64	3.50	81.64
1978-79	350.56	4.10	85.51
1979-80	511.75	6.00	85.29
1980-81	624.38	7.50	85.18
1981-82	749.58	7.38	101.57
1982-83	770.14	6.48	118.85
1983-84	650.96	7.79	83.56
1984-85	640.50	7.79	82.22
1985-86	667.29	7.05	94.65
1986-87	781.90	6.29	124.30
1987-88	717.36	6.10	117.60
1988-89	633.46	7.00	90.49

Table 7: Annual Absolute Change in Procurement - Region Wise (Rs.in lakhs)

Year/ Region	TVM		QLN		KTYM		EKM		TCHR		PLGHT		KOZHKD		CANN		Total	
	socy	value	socys	value	socys	value	socys	value	socys	value	socys	value	socys	value	socys	value	socys	value
1965-66																		
1966-67	10	11.35							1	1.30			4	2.52			15	15.16
1968-69	10	13.06							0	4.39			15	7.79			25	25.24
1969-70	-9	-7.65	22	5.56	14	9.41	5	1.41	-19	-12.22	27	4.78	-43	-12.92	27	15.57	24	4.05
1971-72	11	21.51	-4	2.29	-3	4.62	3	2.32	-2	0.28	-2	4.63	-3	4.80	3	2.53	2	42.99
1972-73	-15	-7.64	0	3.78	2	-2.53	0	-0.98	1	-0.09	1	-0.98	-4	-6.39	-2	-4.54	-17	-17.87
1973-74	6	22.02	1	10.27	-6	-5.53	5	20.99	-1	1.16	0	11.67	-3	0.40	-4	-3.45	-2	57.49
1974-75	0	21.91	5	5.86	2	2.75	3	1.19	2	1.30	3	-1.19	12	13.64	-1	13.30	26	58.75
1975-76	2	-9.65	11	-4.93	1	-7.24	1	0.89	3	1.00	2	-0.64	-1	-7.38	1	-4.20	20	-32.13
1976-77	5	39.91	-1	4.34	0	2.54	-1	1.69	-4	1.22	0	13.14	2	10.15	0	4.73	1	77.73
1977-78	-1	0.27	0	1.80	0	3.36	0	-2.56	2	1.66	-3	0.94	-3	4.14	12	7.83	7	17.24
1978-79	0	50.14	-1	-1.12	-1	1.23	-1	-2.22	1	2.83	-3	13.10	1	3.36	-20	-6.90	-24	59.94
1979-80	6	85.84	2	19.80	0	3.41	0	14.58	-1	-0.36	0	10.20	0	10.47	3	17.20	12	161.15
1980-81	17	39.46	0	9.78	-1	8.39	0	3.20	1	8.87	-3	13.45	1	24.92	12	44.59	30	152.65
1981-82	9	32.39	-2	3.60	1	-0.46	0	5.75	0	-4.42	-1	9.18	-1	11.68	-2	27.46	4	85.20
1982-83	13	3.90	-2	11.65	-1	2.37	0	11.42	0	3.34	1	-0.27	0	3.28	-3	xxxxxx	8	20.56
1983-84	3	-8.90	0	-9.01	1	-1.90	0	xxxxxx	0	-0.41	-1	-7.31	0	-23.34	-9	xxxxxx	-6	-119.18
1984-85	4	xxxxxx	-1	4.48	-1	3.55	0	20.95	0	-3.22	2	-1.41	-2	6.75	-2	16.46	0	-10.46
1985-86		-4.12		11.21		0.35		xxxxxx		2.72		xxxxxx		15.95		21.57		26.79
1986-87	53	28.35	-19	-0.04	-14	-5.54	1	29.37	1	9.57	6	16.70	-65	18.46	-3	17.75	11	116.61
1987-88	3	30.94	1	xxxxxx	0	-3.77	0	-[illegible]	2	-1.75	0	-4.37	2	-4.03	2	xxxxxx	10	-64.54
1988-89	-1	xxxxxx	2	6.14	1	-5.07	-1	3.75	0	2.24	0	xxxxxx	0	11.72	0	xxxxxx	1	-83.90

Source: Same as Table I.

Table 9: Performance of Depots - Regionwise

Region	No. of Depots	No. of Depots making profit 1986-87 to 1989-90	As % of all Depots making 4 year profit	No. of Depots making loss 1986-87 to 1989-90	As % of all depots making 4 year loss
1. Trivandrum	24	4 (16.6)	5.6	9 (37.5)	20.9
2. Quilon	34	10 (29.4)	14.1	9 (26.5)	20.9
3. Kottayam	29	13 (44.8)	18.3	4 (13.8)	9.3
4. Ernakulam	26	9 (34.6)	12.7	7 (26.9)	16.3
5. Trichur	28	11 (39.2)	15.5	4 (28.3)	9.3
6. Palghat	12	5 (41.7)	7.0	3 (25.0)	7.0
7. Kozhikode	26	11 (42.3)	15.5	3 (11.5)	7.0
8 Cannanore	22	8 (36.4)	11.3	4 (18.2)	9.3
Total	193	71 (36.8)	100.0	43 (22.3)	100.0

Source: Hantex Records on Sales Depots.

Note : Figures in bracket are as proportion to total number of depots in a region.

Table 10: Procurement and Selling Prices of Hantex - 1985 to 1990. (in Rs.)

Variety	1985		1986		1987		1988		1989		1990	
	SP	PP	SP	PP	SP	PP	SP	PP	SP	PP	SP	PP
Double Vaishty 100s	45.00	37.80	50.20 (11.5)	41.75	57.00 (13.5)	47.60	72.70 (27.5)	60.70	84.00 (15.5)	70.00	96.00 (14.2)	76.5[illegible] (9.7[illegible]
80s	43.50	36.30	48.40 (11.3)	40.40	54.00 (11.6)	45.10	56.60 (4.8)	47.26	68.00 (20.1)	56.78	78.00 (14.7)	62.[illegible] (9.9[illegible]
60s	33.00	27.55	37.20 (12.7)	31.06	41.70 (12.1)	34.81	46.00 (10.3)	38.41	51.00 (10.8)	42.58	57.00 (11.8)	45.[illegible] (7.[illegible]
Mundu Set double 100s	48.00	40.00	57.60 (20.7)	48.10	61.10 (5.9)	50.90	79.60 (30.5)	66.46	95.00 (19.3)	79.32	108.00 (13.6)	88.5[illegible] (11.[illegible]
Mundu Nariath	24.00	20.00	29.20 (21.7)	24.38	31.00 (6.2)	25.88	39.70 (28.1)	33.15	48.00 (20.9)	40.08	54.00 (12.5)	43.2[illegible] (2.9[illegible]
M/Set (Single)	27.20	22.70	31.70 (16.5)	26.46	33.00 (4.1)	27.55	44.00 (33.3)	36.74	52.00 (18.2)	43.42	58.00 (11.5)	46.[illegible] (6.[illegible]
Narith	24.00		29.80 (24.2)	24.88	30.90 (3.7)	25.80	40.00 (29.4)	33.40	48.00 (20.0)	40.08	55.00 (14.5)	44.[illegible] (10.[illegible]
Saree	98.00	81.80	103.50 (5.7)	86.42	99.70	83.25	118.80 (19.2)	99.22	154.00 (29.6)	128.60	168.00 (9.1)	134.[illegible] (4.5[illegible]
Bleached Single Vaishty 2/40	24.00	20.00	26.00 (8.3)	21.74	28.00 (7.7)	23.38	36.00 (23.6)	30.06	38.20 (6.1)	31.90	40.00 (4.8)	32.[illegible] (0.3[illegible]
Thorthu	n.a		5.80	4.84	6.50 (12.7)	5.42	7.00 (7.7)	5.85	8.00 (14.2)	6.68	9.50 (18.8)	7.[illegible] (12.[illegible]
Colour piece good	n.a		9.50	7.93	10.00 (5.2)	8.35	10.40 (4.0)	8.68	11.00 (5.8)	9.18	11.00 (nil)	9.[illegible] (nil[illegible]
Furnishing	n.a		n.a		n.a		36.50	n.a	40.00 (9.6)	n.a	43.00 (7.5)	n.a

Source: Hantex Records

Notes : 1. SP - Selling Price 2. PP - procurement price

3. n.a - not available

4. Figures in bracket under SP refer to annual change in SP. It was same for PP. In 1990 the change in PP is different and these figures are given in bracket under PP 1990.

Table 11
Important Indicators

	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
Important Indicators:											
Net Worth	30.53	-23.35	6.59	59.13	71.37	88.91	103.23	85.05	114.50	95.19	72.23
Capital Employed	369.87	283.18	312.65	337.29	333.13	340.07	347.84	321.46	279.67	252.00	203.24
Capital Invested	590.74	475.16	453.62	423.57	397.27	384.97	370.86	356.37	273.41	259.34	219.40
Analytical Ratios:											
1. R O I %	-8.51	-16.94	-15.53	-9.01	-8.05	-9.19	1.93	-4.14	0.16	1.99	-3.45
2. Debt:Equity	0.73	0.85	0.92	0.87	0.90	0.95	1.02	1.11	0.77	0.85	0.91
3. Current Ratio	1.15	1.13	1.17	1.24	1.23	1.30	1.35	1.44	1.53	1.67	1.65
4. Quick Ratio	0.44	0.37	0.42	0.47	0.56	0.64	0.63	0.63	0.59	0.71	0.85
5. Net Profit Ratio %	-3.23	-4.80	-4.30	-2.72	-2.57	-2.99	0.33	-1.28	0.05	0.70	-1.30
6. Overall Turnover Ratio	2.63	3.53	3.61	3.31	3.13	3.07	3.26	3.23	3.27	2.83	2.65
7. Cust. Receivables holding (months	3.63	3.06	2.51	2.55	4.31	4.02	3.58	2.95	1.95	1.81	1.20
8. Int. & Bank Chg. to CC/OD bal. %	9.63	8.39	13.36	10.04	10.33	11.60	11.45	12.09	10.64	10.76	11.37
9. Int. & Bank Chg. to Loans %	7.12	6.39	7.40	7.19	8.11	8.51	8.08	7.81	7.28	6.77	7.10
10.Inventory/Sales holding(months)	12.13	11.32	8.73	7.60	7.45	6.85	6.15	5.60	5.26	4.91	4.45
11.Procurement/Stocks ratios	0.76	0.94	1.25	1.36	1.37	1.45	1.75	2.04	2.22	2.46	2.50

Table 12: COMMON SIZED INCOME STATEMENT Rs/La

	1988-89		1987-88		1986-87		1985-86		1984-85		1983-84		1982-83		197[illegible]	
INCOME:																
Sales	974	100.00%	999	100.00%	1128	100.00%	1116	100.00%	1042	100.00%	1044	100.00%	1132	100.00%	551	[illegible]
Other Income	13	1.36%	20	2.02%	7	0.60%	9	0.79%	7	0.72%	3	0.28%	11	0.96%	6	[illegible]
Inc. in stock of fin. goods/WIP	45	4.65%	122	12.20%	128	11.36%	59	5.30%	52	4.95%	16	1.53%	95	8.38%	31	[illegible]
	1032	106.00%	1161	116.22%	1263	111.96%	1154	106.09%	1102	105.67%	1063	101.81%	1238	109.34%	589	[illegible]
EXPENDITURE:																
Conversion Charges	49	5.01%	45	4.52%	52	4.60%	39	3.52%	33	3.20%	38	3.66%	46	4.05%	6	[illegible]
Purchase	749	76.93%	888	88.82%	1026	90.93%	963	86.26%	890	85.38%	868	83.13%	1016	89.77%	512	[illegible]
Salaries, Wages etc.	108	11.07%	104	10.36%	91	8.06%	78	6.98%	72	6.95%	65	6.21%	56	4.90%	31	[illegible]
Admn., Other. Exp.	81	8.32%	86	8.60%	75	6.68%	73	6.53%	63	6.01%	54	5.22%	57	5.00%	23	[illegible]
Provisions	5	0.51%	5	0.50%	5	0.44%	5	0.45%	5	0.43%	5	0.45%	5	0.41%	2	[illegible]
Int. & Bank charges	69	7.04%	59	5.86%	56	4.99%	50	4.48%	61	5.82%	60	5.73%	51	4.54%	20	[illegible]
Depreciation	4	0.36%	4	0.35%	7	0.62%	7	0.60%	4	0.40%	4	0.40%	4	0.33%	3	[illegible]
	1064	104.23%	1189	114.50%	1312	111.66%	1214	105.29%	1126	105.04%	1094	101.16%	1234	104.96%	596	[illegible]
Net Loss	-31	-3.23%	-48	-4.80%	-49	-4.30%	-30	-2.72%	-27	-2.57%	-31	-2.99%	4	0.33%	-7	[illegible]

Table 13: BALANCE SHEET ANALYSIS (I) Rs/Lakhs

	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
Current Assets											
Yarn	8.12	8.12	14.23	14.22	12.91	2.82	1.01	9.05	10.03	22.05	6.65
Cloth	970.43	923.03	801.13	630.01	623.46	586.33	572.34	468.76	388.18	274.35	194.29
Others	9.91	12.05	5.90	12.97	11.55	7.07	7.24	7.68	2.99	1.46	0.84
From Govt. (reb+spl.reb.)	139.99	59.50	99.06	65.73	140.03	173.76	117.71	90.21	39.78	31.21	7.57
From Govt. (Govt. ser)	154.11	141.35	137.15	172.62	234.50	175.94	219.90	165.35	109.08	78.83	67.57
From Govt.(grant. div..etc)	0.00	25.78	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Advances	37.13	29.21	27.72	19.62	15.98	20.88	20.70	14.36	14.08	8.52	9.62
Suspense amount	157.41	139.65	124.26	103.44	82.59	124.18	113.67	77.54	60.93	26.33	17.29
Receivables	30.39	29.39	32.62	35.87	31.48	24.74	24.19	14.63	9.45	7.02	8.94
Other Assets	15.87	15.99	14.54	13.93	14.17	4.31	4.43	4.20	3.77	5.55	23.29
Doubtful debts	0.00	0.03	0.00	0.00	0.00	0.00	0.85	0.00	0.00	0.00	0.00
Fixed Deposits	5.14	5.04	5.41	5.41	5.41	5.16	4.57	7.55	7.05	48.05	82.09
Bank/Cash	61.70	21.32	12.20	19.37	24.54	51.20	4.39	1.68	11.30	12.95	21.16
Total C A (I)	1590.20	1440.93	1274.22	1142.99	1196.87	1176.94	1091.50	861.01	656.64	516.32	419.31
Current Liabilities											
Sundry Creditors -PWS	506.17	401.93	338.67	261.65	281.62	254.86	250.63	167.46	113.18	57.48	40.56
Other Liabilities	23.14	60.59	86.32	51.36	28.82	42.45	32.89	27.38	27.59	23.52	19.68
Interest due	130.20	122.91	115.63	108.34	101.12	87.16	72.92	58.76	30.37	23.13	17.84
Deposits	4.26	4.36	4.21	3.74	3.18	2.81	1.60	1.54	1.38	1.85	1.85
Bank Borrowing CC& OD	713.43	697.91	543.17	498.02	560.79	515.86	448.76	341.78	256.87	202.88	174.56
Total CL (II)	1377.20	1287.70	1088.00	923.11	975.59	903.14	806.80	596.92	429.39	308.86	254.49
Net Working Capital (I-II)	213.00	153.23	186.22	219.88	221.28	273.80	284.70	264.09	227.25	207.46	164.82

Table 14: BALANCE SHEET ANALYSIS (II) Rs/Lakhs

	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	[illegible]
ASSETS											
Fixed Assets	156.87	129.95	126.63	117.41	111.85	66.27	63.14	57.37	52.44	50.54	[illegible]
Investments	4.22	4.22	4.02	3.87	3.74	3.74	3.54	2.36	2.36	2.36	[illegible]
Carry forward Loss	312.77	281.29	231.33	168.74	136.58	109.74	81.26	85.00	41.50	46.06	[illegible]
Total Assets (III)	473.86	415.46	361.78	290.02	252.17	179.75	147.94	144.73	96.30	98.96	[illegible]
Financed by:											
Share-holders' funds											
Paid-up Share Capital	341.96	256.60	236.58	226.53	209.64	197.34	183.23	168.74	154.69	139.94	[illegible]
Reserves:											
Res. fund & Cap. res.	1.34	1.34	1.34	1.34	1.31	1.31	1.31	1.31	1.31	1.31	[illegible]
Gratuity fund	25.92	27.35	28.18	26.00	22.28	18.87	15.69	12.87	12.17	12.56	9.54
Others	68.36	64.86	64.86	58.99	52.59	63.40	44.73	38.27	36.66	33.21	[illegible]
Secured Loans											
Govt. of Kerala	248.78	218.54	217.04	197.04	187.63	187.63	137.63	187.63	118.72	119.40	[illegible]
Total LT finance (IV)	686.86	568.69	546.00	509.90	473.45	453.55	432.64	408.82	323.55	306.42	[illegible]
Excess of LT finance over Assets (IV - III)	213.00	153.23	186.22	219.88	221.28	273.80	284.70	264.09	227.25	207.46	164.82

Table 15

Staffing Pattern in Hantex

Category	1973-74	1974-7	1975-7	1976-7	1977-7	1978-7	1979-8	1980-8	1981-8	1982-8	1983-8	1984-8	1985-8	1986-8	1987-8	1988-8
fo	1 **					1 *			1	1	1		1	1	1	1
ca	1 @	1	1	1 @		1 @		1 @	1	1	1	1	1	1	1	1
ao	1	1	1	1		1		1	1	1	1	2	1	1	1	1
dr fa	1 +	1+		1 +												1
dr admin(genl)									1	1	1	1	1	1	1	1
dr (tech)																
spl gr reg.mgr														1	1	1
dy mo																
spl offer(deput)															1	1
rm	6 ##	4##	6	6 ##		4 ##		5 ##	4	4	4	2	2	2	8	8
fa									1	1	1	1	1	1	1	
persnl asst	1	1	1	1		1		1	1	1	1	1	1	1	1	
a/c asst																
asst ms	1															
proc offr																
tech offr		2	2	2 $		2 $		2 $	2	2	3	3	3	3	3	3
fcty suptd	2	3	2	2		2		2	3	3	2	2	2	2	2	2
sr suptd		8	8	8		10		10	10	10	10	10	10	9	10	12
jr suptd	14	6	5	5		4		6	5	6	6	6	6	6	4	5
admin asst													1	1	1	1
tech sup	6	5	2	2		2		2	1		9	9	12	14	13	12
udc	9	11	11	11		11		12	12	12	12	12	25	74	67	71
ldc	9	22		19		25		25	20	29	32	43	28			
steno	1	1		1		1		1	1	4	3	3	3	3	3	3
sn.typist	1	1		2		2		2	12	10	12	9	[illegible]	8	8	8
ld typist	5	7		5		7		7					4	5	5	6
cent des mgr	15	21		19		7		7	7	7	11	12	15	14	12	14
showroom mgr	1	3		33		16		23	20	22	18	12	9	29	25	26
drp mgr gr1	36	28		26		30		31	61	162	167	161	192	170	185	198
gr2	106	104		116		134		127	95							
salesman gr1	8	8		8		8		7	9							
gr2	108	116		97		59		56	54	91	87	98	69	78	59	38
sales asst	6 #	1		7 #		18 #		20 #	19#	19#	17#	17#	16#	15#	13	9

sales asst	6 #	1	7 #	18 #	20 #	19#	19#	17#	17#	16#	15#	13	#
veh sup													
driver gr1	3	4	5	3	3	5	9	9	13	13	13	10	12
gr2	2	1	2	2	2								
dahedar		1	1	1	1		1	1	1	1	1	1	1
attender		1	1	1	1	1	1				1		1
lg worker	35	9	11	11	11	11	24	27 ?	26?	14?	19?	19?	21
carpenter	1	1	1	1	1	1	1	1	1	1	1	1	1
fitter								1	1	1	1	1	1
cutting master									1	1	1	1	1
garment mgr													1
sec guard		3	3	7 !	7 !	6			4	4	4	4	4
Total	338	376	370	374	372	363	417	436	452	446	480	462	466
Sanctioned	(440	(459)	(470)	(517)	(522	(529	(534	(538	(580	(625	(609	(609	(618)

Notes and References: ** Secreta* Finance Officer cum Secretary @ Chief Marketing Officer + Accounts Officer
Regional Marketing Offic $ Technical Assist !! Central Depot Manager/Depot Inspectors
Sales Assistant ! Watchman ? include watchman

1. In 1976-77, posts sanctioned were regional marketing assistant(3), gr1 assistant(2), accountant(1).
2. Was a post of Expt Promotion Officers.

Key: fm - finance manager mm - marketing manager ao - administrative officer
reg mgr - regional man fa - financial assistant adm asst - administrative assistant
proc offr - procurement offictech offr - technical officefacty suptd - factory superintendent
dep mgr - depot manageveh sup - vehicle supervisor

Appendix 3: SUMMARY OF PROFIT & LOSS ACCOUNTS Rs./Lakhs

	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	1978-79
INCOME:											
Sales	973.56	999.24	1128.44	1116.09	1042.49	1044.08	1132.27	1038.40	914.61	730.87	551.36
Other Income	13.20	20.15	6.82	8.83	7.49	2.91	10.89	10.13	6.19	6.63	6.37
Inc. in stock of fin. goods/WIP	45.26	121.94	128.16	59.18	51.65	15.95	94.83	95.65	100.59	101.64	30.99
	1031.02	1141.33	1263.42	1184.10	1101.63	1062.94	1237.99	1144.18	1021.39	839.14	588.72
EXPENDITURE:											
Conversion Charges	43.75	45.21	51.92	39.30	33.39	38.25	45.85	26.36	16.32	13.16	6.22
Purchase	742.95	887.55	1026.13	962.72	890.04	867.90	1016.48	999.60	[illegible]	737.80	511.78
Salaries, Wages etc.	107.73	103.54	90.78	77.89	72.44	64.82	55.50	46.28	41.71	31.89	31.26
Adm.,Other. Exp.	81.36	85.96	75.35	72.68	62.63	54.46	56.64	47.91	42.30	23.49	22.30
Provisions	5.00	5.00	5.00	5.00	5.00	4.70	4.68	1.15	1.00	1.75	1.50
Int. & Bank charges	68.51	58.53	56.27	50.00	60.72	59.84	51.42	41.33	27.34	21.83	19.94
Depreciation	3.50	3.50	6.50	6.69	4.20	4.22	3.68	3.35	2.95	4.08	2.50
	1063.50	1189.29	1311.98	1214.48	1128.47	1094.19	1234.25	1157.48	1020.95	834.00	595.90
Net Loss for the year	-31.48	-47.96	-48.56	-30.36	-26.84	-31.25	3.74	-13.30	0.44	5.14	-7.18
ADD: Carry forward loss	-281.29	-231.33	-168.74	-136.58	-109.74	-81.26	-85.00	-41.50	-46.06	-43.64	-36.46
Pr./Loss adj. for the year		-2.00	-14.03	-1.78		2.77		-30.20	4.10	-2.56	
Loss trfd. to B/S	-312.77	-281.29	-231.33	-168.74	-136.58	-109.74	-81.26	-85.00	-41.50	-46.06	-43.64
C/f loss as per Accounts			-233.33	-182.77			-80.92		-71.70	41.94 loss	-51.20
Actuals:											
Net Loss for the year	-31.48	-47.96	-48.56	-30.36	-26.84	-31.25	3.74	-13.30	0.44	5.14	-7.18
ADD: Carry forward loss	-232.61	-184.65	-136.09	-105.71	-78.87	-47.62	-51.36	-38.06	-38.50	-43.64	-36.46
Cash Loss for the year	-264.09	-232.61	-184.65	-136.09	-105.71	-78.87	-47.62	-51.36	-38.06	-38.50	-43.64
Cumulative Cash Loss	-27.98	-44.46	-42.06	-23.69	-22.64	-27.03	7.42	-9.95	3.39	9.22	-4.68

Appendix 4: SUMMARY OF BALANCE SHEETS

Rs/Lakh

	1988-89	1987-88	1986-87	1985-86	1984-85	1983-84	1982-83	1981-82	1980-81	1979-80	1978-[illegible]
Liabilities:											
Share-holders' funds											
Paid-up Share Capital	341.96	256.60	236.58	226.53	209.64	197.34	183.23	168.74	154.69	139.94	114.[illegible]
Reserves:											
Res. fund & Cap. res.	1.34	1.34	1.34	1.34	1.31	1.31	1.31	1.31	1.31	1.31	1.[illegible]
Gratuity fund	25.92	27.35	28.13	26.00	22.28	18.67	15.69	12.87	12.17	12.56	9.[illegible]
Others	68.86	64.86	64.86	58.99	52.59	48.40	44.78	38.27	36.66	33.21	23.[illegible]
Secured Loans											
Govt. of Kerala	248.73	218.54	217.04	197.04	187.63	187.63	187.63	187.63	118.72	119.40	104.[illegible]
Deposits											
Staff & agency	4.26	4.36	4.21	3.74	3.18	2.81	1.60	1.54	1.38	1.85	1.[illegible]
Current Liabilities											
Sundry Creditors -PWS	506.17	401.93	338.67	261.65	281.68	254.86	250.63	167.46	113.18	57.43	46.[illegible]
Other Liabilities	23.14	60.59	86.32	51.36	28.82	42.45	32.89	27.38	27.59	23.52	19.[illegible]
Interest due	130.20	122.91	115.63	108.34	101.12	87.16	72.92	58.76	30.37	23.13	17.[illegible]
Bank Borrowing CC & OD	713.43	697.91	543.17	495.02	560.79	515.86	448.76	341.78	256.87	202.88	174.[illegible]
	2064.06	1856.39	1636.00	1433.01	1449.04	1356.69	1239.44	1005.74	752.94	615.28	508.1[illegible]
Assets:											
Fixed Assets	156.87	129.95	126.43	117.41	111.35	66.27	63.14	57.37	52.44	50.54	43.[illegible]
Investment	4.22	4.22	4.02	3.87	3.74	3.74	3.54	2.36	2.36	2.36	1.[illegible]
Current Assets											
Yarn	8.12	8.12	14.23	14.22	12.91	2.82	1.01	9.05	10.03	22.05	6.[illegible]
Cloth	970.43	923.03	801.13	680.01	623.46	586.38	572.34	468.76	388.18	274.35	194.[illegible]
Others	9.91	12.05	5.90	12.37	11.55	7.07	7.24	7.68	2.99	1.46	3.[illegible]
From Govt. (reb+spl.reb.)	139.99	89.50	99.06	65.73	140.03	173.76	117.71	90.21	39.78	31.21	7.[illegible]
From Govt. (Govt. ser)	154.11	141.35	137.15	172.62	234.50	175.94	219.90	165.35	109.08	78.83	47.[illegible]
From Govt.(grant. div.,etc)		25.78									
Advances	37.13	29.21	27.72	19.62	15.98	20.88	20.70	14.36	14.08	8.52	9.[illegible]
Suspence amount	157.41	139.65	124.26	103.44	82.89	124.18	113.67	77.54	60.93	26.33	17.[illegible]
Receivables	30.39	29.39	32.62	35.87	31.43	24.74	24.19	14.63	9.45	7.02	3.[illegible]
Other Assets	15.87	15.99	14.54	13.83	14.12	4.81	4.43	4.20	3.77	5.55	23.[illegible]
Doubtful debts							0.85				
Fixed Deposits	5.14	5.04	5.41	5.41	5.41	5.16	4.57	7.55	7.05	48.05	82.[illegible]
Bank/Cash	61.70	21.82	12.20	19.37	24.54	51.20	4.89	1.68	11.30	12.95	21.1
Carry forward Loss	312.77	281.29	231.33	168.74	136.58	109.74	81.26	85.00	41.50	46.06	43.[illegible]
	2064.06	1856.39	1636.00	1433.01	1449.04	1356.69	1239.44	1005.74	752.94	615.28	508.[illegible]