

**A STUDY ON IMPACT OF RECESSION ON INDIAN TEXTILE INDUSTRY WITH
SPECIAL REFERENCE TO COIMBATORE CITY.**

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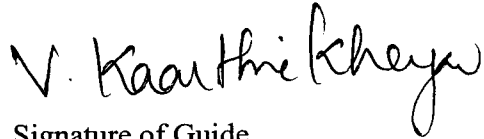


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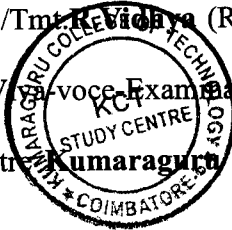
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ABSTRACT

The title of the project is **“A study on impact of recession on Indian Textile Industry with special reference to Coimbatore city”**.

The purpose is to study the influence of recession on Indian Textile Industry with special reference to Coimbatore city as the economy of Coimbatore is largely dependent on Textile Industry. The suggestions will be based on the analysis and interpretation of primary and secondary data.

The primary data will be collected by interviewing the respondents. The primary objective is to study the influence of Recession on Indian Textile Industry with special reference to Coimbatore city and the secondary objectives would be to study the effect of recession in business process, revenue loss to industries, the impact on workers life due to job loss, the workplace stress among workers , the increase or decrease in production and sales volumes in various sectors of textile industry .

Data collected from primary source help to give an outlook of how the recession has affected people in various sectors of textile industry in Coimbatore city as Coimbatore is one of the largest contributor to the economy of Indian Textile industry .

Among various sectors in Textile Industry, four main sectors which contribute to a larger extent is taken for study. The sectors taken for study are manufacturing sector, spinning sector, loom sector and garments sector. In each sector three companies are selected for data analysis. Percentage analysis is used to calculate the extent to which the Textile industry in Coimbatore city is affected by recession.

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CHAPTER 1

INTRODUCTION

A STUDY ON IMPACT OF RECESSION ON INDIAN TEXTILE INDUSTRY WITH SPECIAL REFERENCE TO COIMBATORE CITY

1.1 RESEARCH BACKGROUND

The recession is gripping the industries all over the world. The textile and garment industry, which is largely depending on export, is passing through a difficult time as the export orders are drying up. The textiles and garments industry is the second-largest employer in India after agriculture as it directly employs 35 million people and indirectly provides a livelihood to an additional 88 million. Roughly half the total production of textiles and garments in India is exported, 60 percent of it to markets in the United States, Japan and the European Union. The recession in the West had adversely impacted these economies the most as a result of which exports from India fall sharply.

During October 2008, as economic slowdown branched out, the total output of the textile sector came down by 10%. Simultaneously, investments in textiles were also decreasing, ultimately affecting the profitability of the industry. Gujarat and TamilNadu, the two largest textile manufacturing states of India have been knocked by the sag in garment exports. Textile industries are running on 75% of their capacities, or have reduced their three shifts into one.

Textile Industry is providing one of the most basic needs of people and the holds importance; maintaining sustained growth for improving quality of life. It has a unique position as a self-reliant industry, from the production of raw materials to the delivery of finished products, with substantial value-addition at each stage of processing; it is a major contribution to the country's economy.

Textile and clothing exports account for one-third of the total value of exports from the country. There are 1,227 textile mills with a spinning capacity of about 29 million spindles. While yarn is mostly produced in the mills, fabrics are produced in the

predominantly based on cotton, with about 65% of raw materials consumed being cotton. The yearly output of cotton cloth was about 12.8 billion m (about 42 billion ft).

Textile is one of India's oldest industries and has a formidable presence in the national economy inasmuch as it contributes to about 14 per cent of manufacturing value-addition, accounts for around one-third of our gross export earnings and provides gainful employment to millions of people. They include cotton and jute growers, artisans and weavers who are engaged in the organized as well as decentralized and household sectors spread across the entire country.

India's textile industry is one of the economies largest. In 2000/01, the textile and garment industries accounted for about 4 percent of GDP, 14 percent of industrial output, 18 percent of industrial employment, and 27 percent of export earnings (Hashim). India's textile industry is also significant in a global context, ranking second to China in the production of both cotton yarn and fabric and fifth in the production of synthetic fibers and yarns.

In contrast to other major textile-producing countries, mostly small-scale, nonintegrated spinning, weaving, cloth finishing, and apparel enterprises, many of which use outdated technology, characterize India's textile sector. Some, mostly larger, firms operate in the "organized" sector where firms must comply with numerous government labor and tax regulations. Most firms, however, operate in the small-scale "unorganized" sector where regulations are less stringent and more easily evaded.

STRUCTURE OF INDIA'S TEXTILE INDUSTRY

Unlike other major textile-producing countries, India's textile industry is comprised mostly of small-scale, nonintegrated spinning, weaving, finishing, and apparel-making enterprises. This unique industry structure is primarily a legacy of government policies that have promoted labor-intensive, small-scale operations and discriminated against larger scale firms.

- **Composite Mills.** Relatively large-scale mills that integrate spinning, weaving and, sometimes, fabric finishing are common in other major textile-producing countries. In India, however, these types of mills now account for about only 3 percent of output in the textile sector. About 276 composite mills are now operating in India, most owned by the public sector and many deemed financially “sick.”

- **Spinning.** **Spinning** is the process of converting cotton or manmade fiber into yarn to be used for weaving and knitting. Largely due to deregulation beginning in the mid-1980s, spinning is the most consolidated and technically efficient sector in India’s textile industry. Average plant size remains small, however, and technology outdated, relative to other major producers. In 2002/03, India’s spinning sector consisted of about 1,146 small-scale independent firms and 1,599 larger scale independent units.

- **Weaving and Knitting.** Weaving and knitting converts cotton, manmade, or blended yarns into woven or knitted fabrics. India’s weaving and knitting sector remains highly fragmented, small-scale, and labor-intensive. This sector consists of about 3.9 million handlooms, 380,000 “power loom” enterprises that operate about 1.7 million looms, and just 137,000 looms in the various composite mills. “Power looms” are small firms, with an average loom capacity of four to five owned by independent entrepreneurs or weavers. Modern shuttle less looms account for less than 1 percent of loom capacity.

- **Fabric Finishing.** Fabric finishing (also referred to as processing), which includes dyeing, printing, and other cloth preparation prior to the manufacture of clothing, is also dominated by a large number of independent, small scale enterprises. Overall, about 2,300 processors are operating in India, including about 2,100 independent units and 200 units that are integrated with spinning, weaving, or knitting units.

- **Clothing. Apparel** is produced by about 77,000 small-scale units classified as domestic manufacturers, manufacturer exporters, and fabricators (subcontractors).

GROWTH OF TEXTILE INDUSTRY

India has already completed more than 50 years of its independence. The analysis of the

independence era reveals that the growth of the industry during the first two decades after the independence had been gradual, though lower and growth had been considerably slower during the third decade. The growth thereafter picked up significantly during the fourth decade in each and every segment of the industry. The peak level of its growth has however been reached during the fifth decade i.e., the last ten years and more particularly in the 90s. The Textile Policy of 1985 and Economic Policy of 1991 focusing in the direction of liberalization of economy and trade had in fact accelerated the growth in 1990s. The spinning spearheaded the growth during this period and man-made fiber industry in the organized sector and decentralized weaving sector.

SIZE OF TEXTILE INDUSTRY IN INDIA

- The textile industry in India covers a wide gamut of activities ranging from production of raw material like cotton, jute, silk and wool to providing high value-added products such as fabrics and garments to consumers.
- The industry uses a wide variety of fibers ranging from natural fibers like cotton, jute, silk and wool to man made fibers like polyester, viscose, acrylic and multiple blends of such fibers and filament yarn.
- The textile industry plays a significant role in Indian economy by providing direct employment to an estimated 35 million people, by contributing 4 per cent of GDP and accounting for 35 per cent of gross export earnings. The textile sector contributes 14 per cent of the value-addition in the manufacturing sector.
- Textile exports during the period of April-February 2003-2004 amounted to \$11,698.5 million as against \$11,142.2 million during the same period in the previous year, showing an increase of around 5 per cent. Estimates say that the textile sector might achieve about 15 to 18 per cent growth this year following dismantling of MFA.

ROLE OF INDIAN TEXTILE INDUSTRY IN THE ECONOMY

Textile industry plays a significant role in the economy. The Indian textile industry is one

exchange earnings and employment in India. It contributes 20 per cent of industrial production, 9 per cent of excise collections, 18 per cent of employment in industrial sector, nearly 20 per cent to the country's total export earnings and 4 per cent to the GDP. The sector employs nearly 35 million people and is the second highest employer in the country. The textile sector also has a direct link with the rural economy and performance of major fiber crops and crafts such as cotton, wool, silk, handicrafts and handlooms, which employ millions of farmers and crafts persons in rural and semi-urban areas. It has been estimated that one out of every six households in the country depends directly or indirectly on this sector.

India has several advantages in the textile sector, including abundant availability of raw material and labor. It is the second largest player in the world cotton trade. It has the largest cotton acreage, of about nine million hectares and is the third largest producer of cotton fiber in the world. It ranks fourth in terms of staple fiber production and fourth in polyester yarn production. The textile industry is also labor intensive, thus India has an advantage.

The key advantages of the Indian industry are:

- India is the third largest producer of cotton with the largest area under cotton cultivation in the world. It has an edge in low cost cotton sourcing compared to other countries.
- Average wage rates in India are 50-60 per cent lower than that in developed countries, thus enabling India to benefit from global outsourcing trends in labor intensive businesses such as garments and home textiles.
- Design and fashion capabilities are key strengths that will enable Indian players to strengthen their relationships with global retailers and score over their Chinese competitors.
- Production facilities are available across the textile value chain, from spinning to

garments manufacturing. The industry is investing in technology and increasing its capacities which should prove a major asset in the years to come.

- Large Indian players such as Arvind Mills, Welspun India, Alok Industries and Raymonds have established themselves as 'quality producers' in the global market. This recognition would further enable India to leverage its position among global retailers.
- India has gathered experience in terms of working with global brands and this should benefit Indian vendors.

IN GLOBAL SCENARIO

Developed countries' exports declined from 52.2% share in 1990 to 37.8 %.. And that of developing countries increased from 47.8% to 62.2 % in the same period. The exports figures in percentage of the world trade in Textiles Group (for select countries) were:

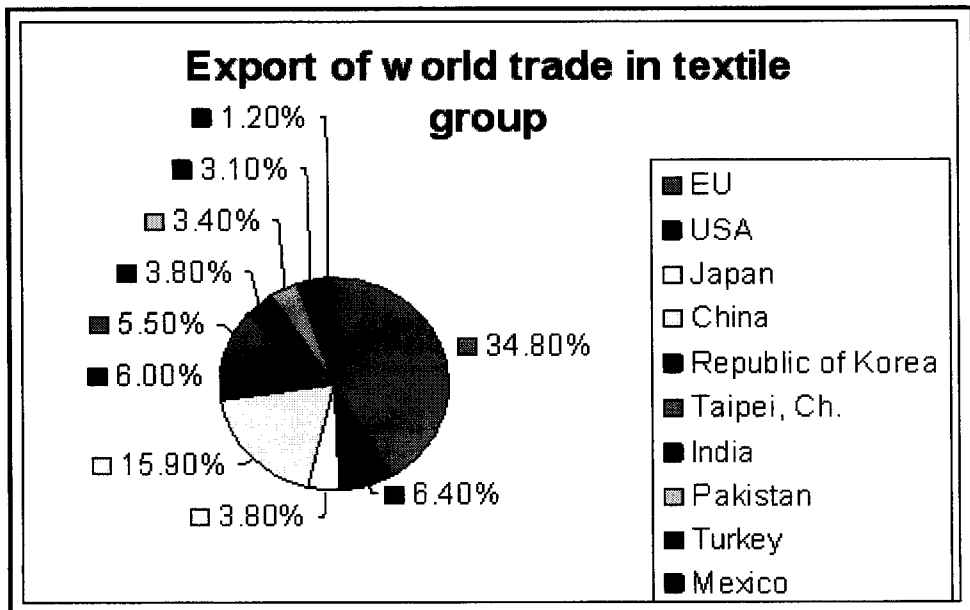


Figure 1.a Export of World trade in textile group

The above chart clearly shows that export of world trade in textile group. Among world textile group EU occupies 34.80% of export, next China at 15.90%, USA at 6.40%, Republic of Korea at 6.00% Taipei, Ch at 5.50%, India and Japan at 3.80% respectively,

Pakistan at 3.40%, turkey at 3.10% and Mexico at 1.20%. In Clothing Sector the figures were as below in 2003 in percentage of total exports globally:

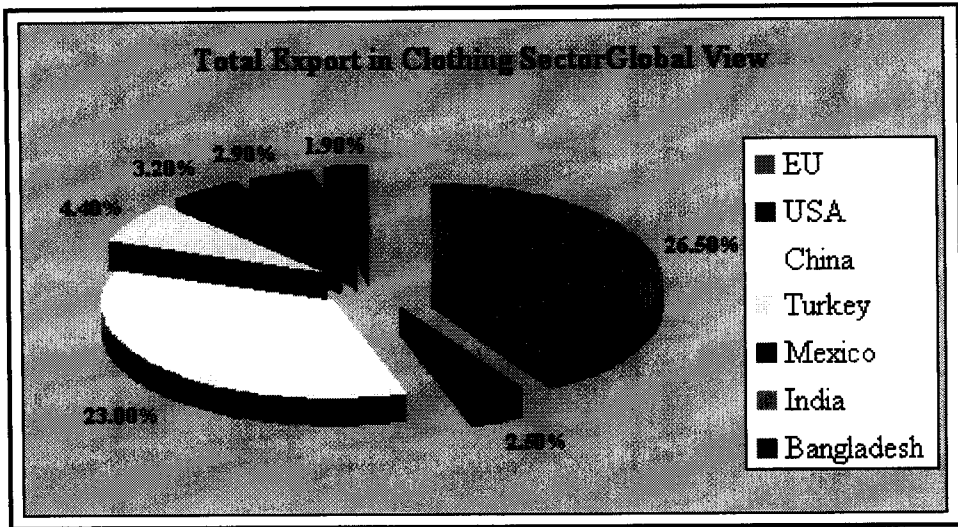


Figure 1.b Total export in Clothing Sector Global View

In this sector the exports have declined for EU (15) from 42% to 26.5% in period 1980-2003 whereas of China increased from 4% to 23% and of India from 1.7% to 2.9% only. We can see that developing countries' share in textiles had declined and in clothing it has increased sharply.

EXPORT SCENARIO:

Textiles contributed 20% of India's exports to about US \$ 12.5 Billion. The Quota Countries mainly USA, EU (15) and Canada constituted 70 % of total garment exports and 40% of India's textiles exports. In non-quota countries UAE is the largest market with 7% of textile exports and 10% of garment exports from India.

1.2 PROBLEM DEFINITION

The main aim of this project is to study the influence of recession on Textile industries in Coimbatore city as the economy of Coimbatore is largely dependent on Textile industry.

1.2 OBJECTIVES

The objectives of the project are as follows.

- To study the influence of Recession on Indian Textile Industry with special Reference to Coimbatore city.
- To study the effect of recession in business process.
- To study revenue loss to industries.
- To study the impact on workers life due to job loss.
- To study the impact on production and sales volumes in various sectors of textile industry.

1.3 LIMITATIONS OF THIS STUDY

- The study is confined to the Textile industry in and around Coimbatore city.
- Among various sectors in Textile industry, the study is narrowed down to focus on the Manufacturing, Spinning, Looms and the Garments sector, which are considered to as the backbone of Textile industry.

CHAPTER 2

LITERATURE SURVEY

2.1 Review of Literature

Below is the review on most cited literature

2.1.1 Global recession affects India's cotton industry

Monday, 28 January 2008

With a global recession dominating world headlines, it is only a matter of time before the fashion and manufacturing industries become affected. In India, one of the world's leading producing countries of cotton, prices for cotton have risen dramatically in the past year and many textile mills are in the crisis, according to the Southern India Mills' Association (SIMA). Most high street and international conglomerates will have some link to Indian manufacturing, from Topshop to River Island to Katharine Hamnett.

In a release, SIMA chairman K.V. Srinivasan said cotton prices were 20 per cent higher than in January last year, and yarn prices were 10 per cent lower than in the corresponding period last year. "Textile mills will normally procure their entire cotton requirement during November–January. But during this season, the mills are not in a position to buy cotton owing to high prices and lower realization of yarn prices." The textile spinning sector had been reeling under recession since the beginning of 2007 owing to the appreciation of the rupee against the dollar and high interest rates.

Countries such as China and Pakistan did not face such problems, so they increased their share in the global trade. Meanwhile, India's growth declined from 12 per cent to five per cent in the last year, according to SIMA.

2.1.2 Coimbatore textile mills battle the odds.

'Recession a wake-up call to review financial strength'

The future of the industry will hinge more on how raw cotton prices behave and the ability to service debts with lower margins. – Mr. S. Arun, CEO, Mehala Carona Textiles

Coimbatore, May 20 The textile industry in Coimbatore, the backbone of the economy in

the region, is at a crossroad. It's been hit by a series of negative developments such as rising cost of raw materials, labor and power; the misery has been compounded by the decline in demand, creation of excess capacity and high financial cost.

The survival of the industry is crucial for the economic health of the region and for the health of the textile industry in the country itself as the Coimbatore region accounts for around 15 per cent of India's cotton spinning capacity. The mills in Tamil Nadu have around 50 per cent of India's cotton spinning capacity and account for more than 50 per cent of yarn exports from the country.

In an interview with Business Line, Mr. S. Arun, CEO, Mehala Carona Textiles (P) Ltd, Tirupur, shares his views on the status of the industry and what the Government must do to save this sector so crucial to the country's economic wellbeing. Excerpts.

It's a double whammy for textile mills in Coimbatore — they have to import cotton from other States/countries and send their finished products like cotton yarn/cloth to other centers, incurring huge transportation cost both ways.

Tamil Nadu accounts for less than 2 per cent of the country's total raw cotton production, but has nearly 50 per cent of cotton spinning capacity in India. While the State has added 2.3 million spindles between 2001 and 2009, there has been a reduction in spindleage in cotton-growing States such as Gujarat and Maharashtra, excluding Andhra Pradesh. The industry has grown in spite of this dependence on sourcing raw cotton from other States/countries.

Although large yarn-consuming centers such as Tirupur for knitting yarn, and Salem, Erode, etc for weaving yarn, exist within the State, Tamil Nadu still continues to be the "yarn bowl" of the country. The cotton spinning mills of Tamil Nadu also account for more than 50 per cent of the yarn exports of the country — a testimony to the entrepreneurial spirit of the Coimbatore region.

While on domestically sourced raw cotton the industry will face huge cost differences with mills in large cotton-producing States such as Andhra Pradesh, Gujarat, and Maharashtra, on imported cotton such as Egyptian, or American Supima, it is a level-

playing field for mills across the country.

The silver lining is that spinning has an extended payback on investment and in contrast to popular thinking, other States have still not seen entrepreneurs entering this segment in a large way.

The demand recession has resulted in a drop in cotton yarn production by 3 per cent for the period from April 2008 to February 2009 compared to the previous year. There have been closures of mills started by new entrepreneurs with insufficient working capital. Even bigger players have had to shut down capacity temporarily or even take the decision to shut down unviable units taken over during a boom period. Spinning mills in Tamil Nadu/Coimbatore have always been resourceful in managing challenges. If the industry has developed so much, it is because of the emphasis on productivity and quality, with technology as the driver behind this. However, conditions are getting tough.

With a low asset turnover, spinning is a capital-intensive industry. The poor power situation is now affecting the industry's prospects more than any other factor. The mills will need to automate more to tackle the labor shortage that seems to loom as also to keep costs down. The future of the industry will hinge more on how raw cotton prices behave and the ability to service debts with lower margins. The recession is a wake-up call to review each mill's financial strength and the need to have a restructuring if required. Banks and financial institutions need to take a pragmatic and long-term view and make funds available for working capital with strict monitoring of the funds flow to borrowers. The State Government should ensure availability of power at a normal rate and also have a liberal and progressive policy on labor.

Some garment producers such as Classic Polo and S.P. Apparels (Crocodile brand) have started direct sale of branded products, apart from players like Gangotri Textiles (Tibre brand). Do you see more mills entering this activity? What are the advantages in doing so? Do the Coimbatore mills have deep pockets to slug it out in direct marketing?

Cotton yarn is an industrial product while branding and retailing call for consumer marketing skills. Today, one need to look at a minimum of a 10-year horizon if one was

to build a brand and start to see returns.

The management style requires a dramatic change as any consumer product needs a large marketing and design team besides close monitoring of stocks, not to talk of the very large working capital resources that it calls for. We have not even seen mills looking at weaving and processing let alone branding and retailing. This is because once you step out of spinning the need to have a larger management pool including better marketing and micro level production planning become imperative.

An activity like weaving is possibly more economically done in the power loom sector. I do not see many textile entrepreneurs in this region making a successful foray into branding and retailing. Some brands will come up, but I see this as an offshoot of their presence in garment export and the need to have a local supporting activity.

The Government of India launched 'Technology Mission on Cotton' in February 2000 with focus on increasing the yield and production of cotton. The yield from a hectare almost doubled from 302 kg in 2002-03 to 560 kg in 2007-08 (estimated at 591 kg in 2008-09). Overall cotton production also doubled from around 150 lakh bales to 315 lakh bales in 2007-08.

In contrast, total consumption of raw cotton only increased from 169 lakh bales in 2002-03 to 241 lakh bales in 2007-08. India exported 85 lakh bales in 2007-08 against a negligible quantity in 2002-03.

What has impacted the mills is the apathy of the Government to the request from the mill sector to control exports of raw cotton and instead promote value-added exports such as yarn/fabrics/garments. This has resulted in abnormal increase in raw cotton prices.

This could also be a result of the conflict of interests between cotton-growing States such as Gujarat and Maharashtra who are concerned about their farmers/ginners, than about mills in Tamil Nadu being impacted.

CHAPTER 3

METHODOLOGY

3.1 TYPE OF PROJECT

Descriptive Type

The research design used for the study is descriptive design with percentage analysis and interview type. Descriptive research design includes surveys and fact finding enquires of different kinds. The major purpose of descriptive research is description of the state of affairs, as it exists at present.

3.2 SOURCES OF DATA

The source of data for this project is collected from the balance sheets of the various companies in each of the sector considered.

3.3 LIMITATIONS AND CONSTRAINTS

The textile industry comprises of

- Textile Machinery Manufacture which includes main machinery manufacturers and their vendors
- Textile Machinery and spare parts selling agents
- Spinning Mills.
- Hosiery Manufacturing units- Knitting Sector
- Cloth Manufacturing units- Loom sector
- Manufacturing of finished products- Fabrication, tailoring, etc.
- Sellers of finished goods
- Labor employed in above sectors
- Manufacturers and suppliers of ancillaries to above sectors
- Transportation sector.

Though there are lots of sectors in Textile industry, the study is limited only to the following sector.

- Textile machinery manufacturers.

- Loom sector.
- Garments sector.

The balance sheet of the companies in each sector is collected to interpret the sales, profit, production details for past two to three years. Using these data the difference in volumes of sales, production and profit details are calculated using percentage analysis.

3.4 TOOLS FOR ANALYSIS:

Data has been analyzed using tools like percentage analysis and bar - Charts

Percentage Analysis:

Percentage analysis is used to find the percentage values for all the different questions used in making comparison between two or more series of data.

$$\text{Percentage (\%)} = (\text{Number of respondents}/\text{total number of respondents}) * 100$$

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 PERCENTAGE ANALYSIS

Data analysis is done using the profit and loss account of all the companies taken into account. Interpretation is done using these analyzed data. Three companies are taken in each sector and their profit and loss details are gathered. Profit and loss data for two accounting years are considered so as to compare the profit and loss details of the company before and during recession.

The following are data collected and interpreted. Table lists the data that are required to find the difference in sales, expense and profit. These data are collected from profit and loss account of the companies and put in a table format for easy interpretation. Diagrammatic representation is done using chart.

4.2 ANALYSIS OF DATA FROM COMPANIES

The following companies from Coimbatore city are taken for study in manufacturing sector.

1. M/S.LAKSHMI MACHINE WORKS LIMITED.
2. ELGI EQUIPMENTS.
3. M/S AMMAN METAL ALLOY.

M/S.LAKSHMI MACHINE WORKS LIMITED - ANALYSIS OF PROFIT AND LOSS ACCOUNT.

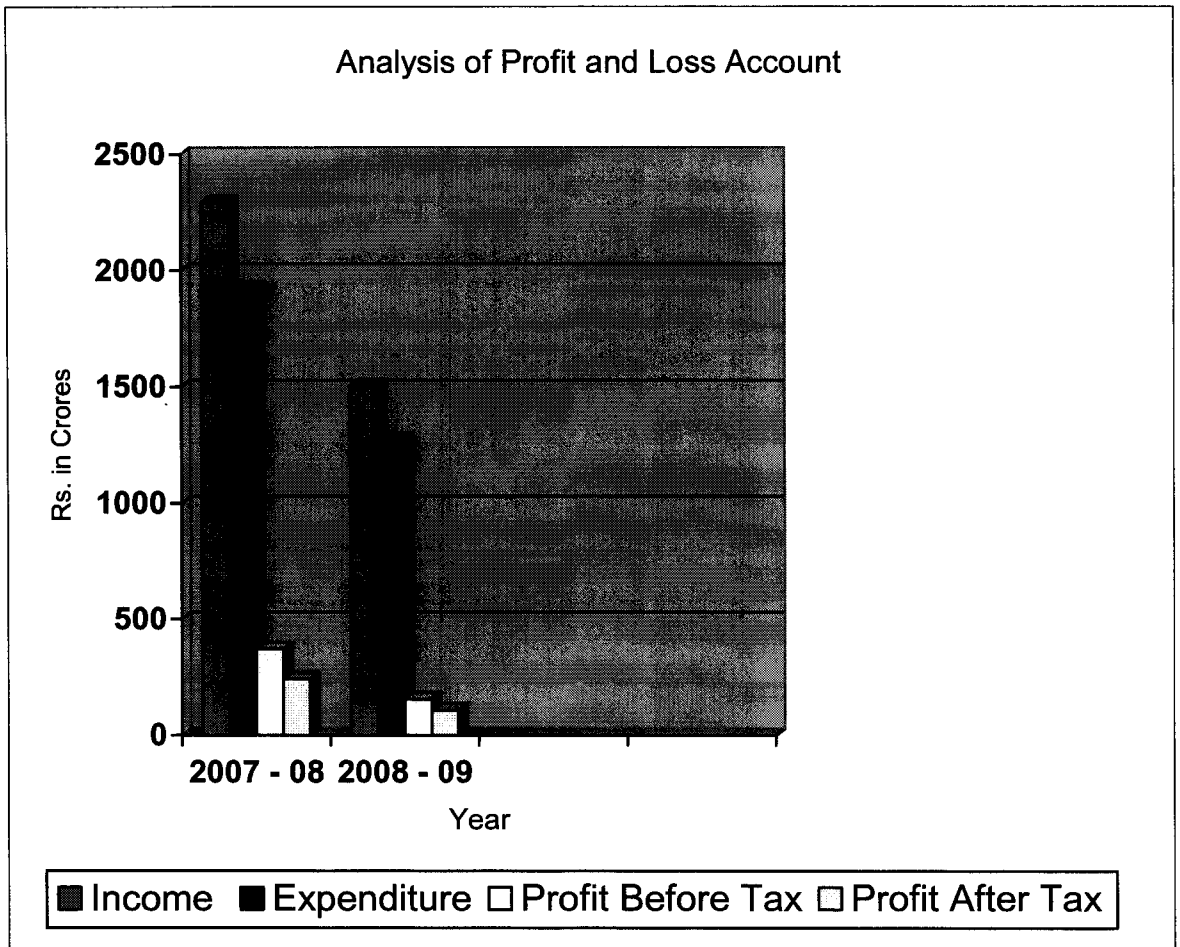
Table 4.2.1 : M/S.LAKSHMI MACHINE WORKS LIMITED

Rs. In Crores

S.No	DESCRIPTION	2008-09	2007-08
I	INCOME		
	GROSS SALES	54.23	75.46
	CLOSING STOCK	32.66	31.99
	TOTAL	86.89	107.45
II	EXPENDITURE		
	OPERATING EXPENSES	1.41	1.96
	EMPLOYEE COST	2.71	2.15
	ADMINISTRATIVE AND SELLING EXPANSES	2.77	3.95
	OTHER EXPENSES	69.45	82.00
	DEPRECIATION	2.11	2.77
	TOTAL	78.45	92.83
III	NET PROFIT	8.44	14.62

INFERENCE :

The turnout of the company has decreased by 40% compared to previous year and the net profit has dropped considerably by 55% compared to previous year.

Chart 4.1.1: M/S.LAKSHMI MACHINE WORKS LIMITED

**M/S ELGI EQUIPMENTS - ANALYSIS OF PROFIT AND LOSS
ACCOUNT**

Table 4.2.2 : M/S ELGI EQUIPMENTS

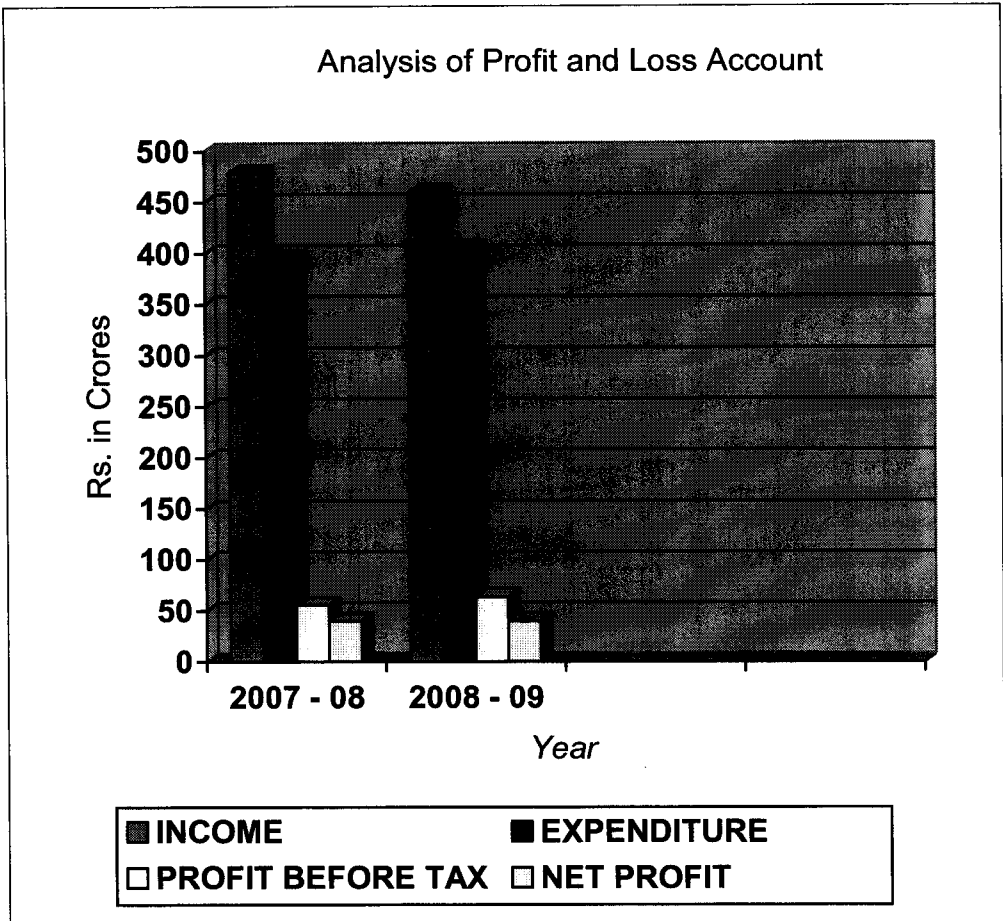
Rs. In Crores

S.No	DESCRIPTION	2007 - 08	2008 - 09
I	INCOME		
	SALES TURNOVER	499.33	519.18
	LESS EXCISE DUTY	46.91	38.43
	NET SALES	452.42	480.75
	OTHER INCOME	4.64	5.84
	STOCK ADJUSTMENTS	2.4	-8.25
	TOTAL	459.46	478.34
II	EXPENDITURE		
	RAW MATERIALS	305.41	303.63
	EMPLOYEE COST	38.1	43.52
	ADMINISTRATIVE AND SELLING EXPANSES	8.67	9.42
	OTHER MANUFACTURING EXPENSES	37.39	38.88
	MISCELLANEOUS EXPENSES	5.16	9.55
	TOTAL	394.73	405
	OTHER EXPENSES	9.31	10.07
III	PROFIT BEFORE TAX	55.42	63.27
IV	PROFIT AFTER TAX	39.52	39.74

INFERENCE:

The turnout of the company has decreased by 0.4% compared to previous year and the net profit has dropped considerably by 0.05% compared to previous year.

Chart 4.1.2 : M/S ELGI EQUIPMENTS



**M/S AMMAN METAL ALLOY – ANALYSIS OF PROFIT AND LOSS
ACCOUNT**

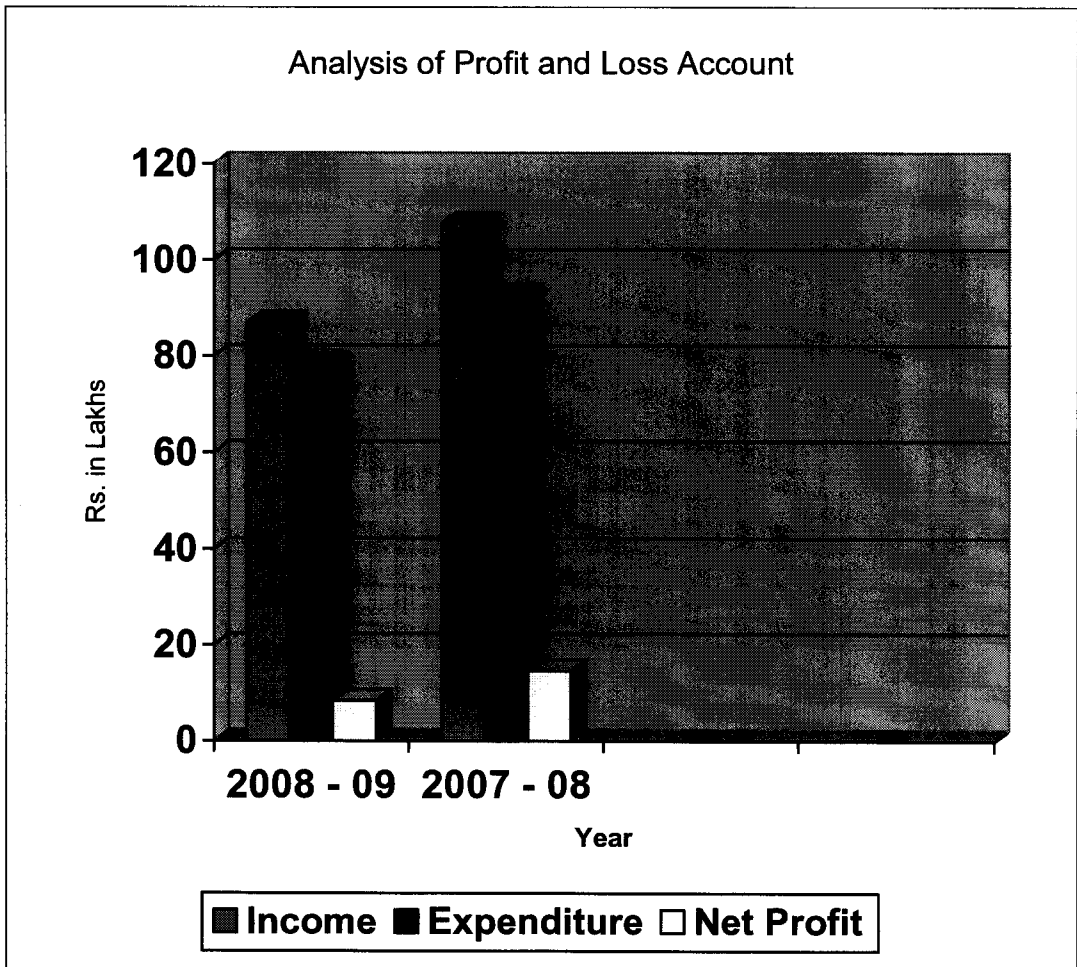
Table 4.2.3 : M/S AMMAN METAL ALLOY

Rs. In Lakhs

S.No	DESCRIPTION	2008 - 09	2007 - 08
I	INCOME		
	GROSS SALES	54.23	75.46
	CLOSING STOCK	32.66	31.99
	TOTAL	86.89	107.45
II	EXPENDITURE		
	OPERATING EXPENSES	1.41	1.96
	EMPLOYEE COST	2.71	2.15
	ADMINISTRATIVE AND SELLING EXPANSES	2.77	3.95
	OTHER EXPENSES	69.45	82.00
	DEPRECIATION	2.11	2.77
	TOTAL	78.45	92.83
III	NET PROFIT	8.44	14.62

INFERENCE:

The turnout of the company has decreased by 28% compared to previous year and the net profit has dropped considerably by 42% compared to previous year.

Chart 4.1.3 : M/S AMMAN METAL ALLOY

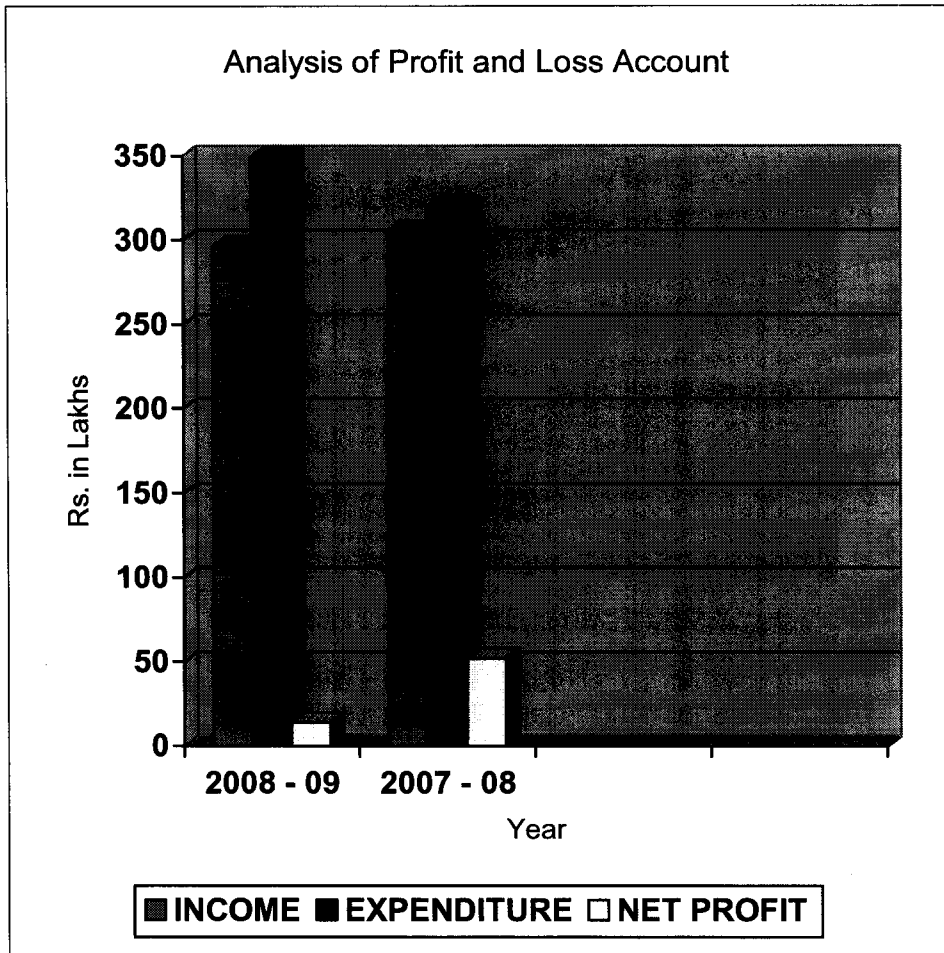
SPINNING SECTOR**SHRI VISHNU PERUMAL SPIN YARN - ANALYSIS OF PROFIT AND LOSS ACCOUNT****Table 4.2.4 : SHRI VISHNU PERUMAL SPIN YARN**

Rs. in Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	GROSS INCOME	290	301.12
	LESS EXCISE DUTY	0	0
	NET SALES	290	301.12
	OTHER INCOME	6	4.6
	TOTAL	296	305.72
II	EXPENDITURE		
	OPERATING EXPENSES	253.16	233.25
	EMPLOYEE COST	42.01	38.99
	ADMINISTRATIVE AND SELLING EXPANSES	7.11	6.07
	INTEREST	24.55	21.79
	INCREASE/DECREASE IN STOCK	-0.5	-0.98
	DEPRECIATION	23.4	21.48
	TOTAL	349.73	320.6
III	NET PROFIT	14	53

INFERENCE:

The turnout of the company has decreased by 36% compared to previous year and the net profit has dropped considerably by 72% compared to previous year.

Chart 4.1.4 : SHRI VISHNU PERUMAL SPIN YARN

**SHREE RAAM MILLS LTD - ANALYSIS OF PROFIT AND LOSS
ACCOUNT**

Table 4.2.5 : SHREE RAAM MILLS LTD

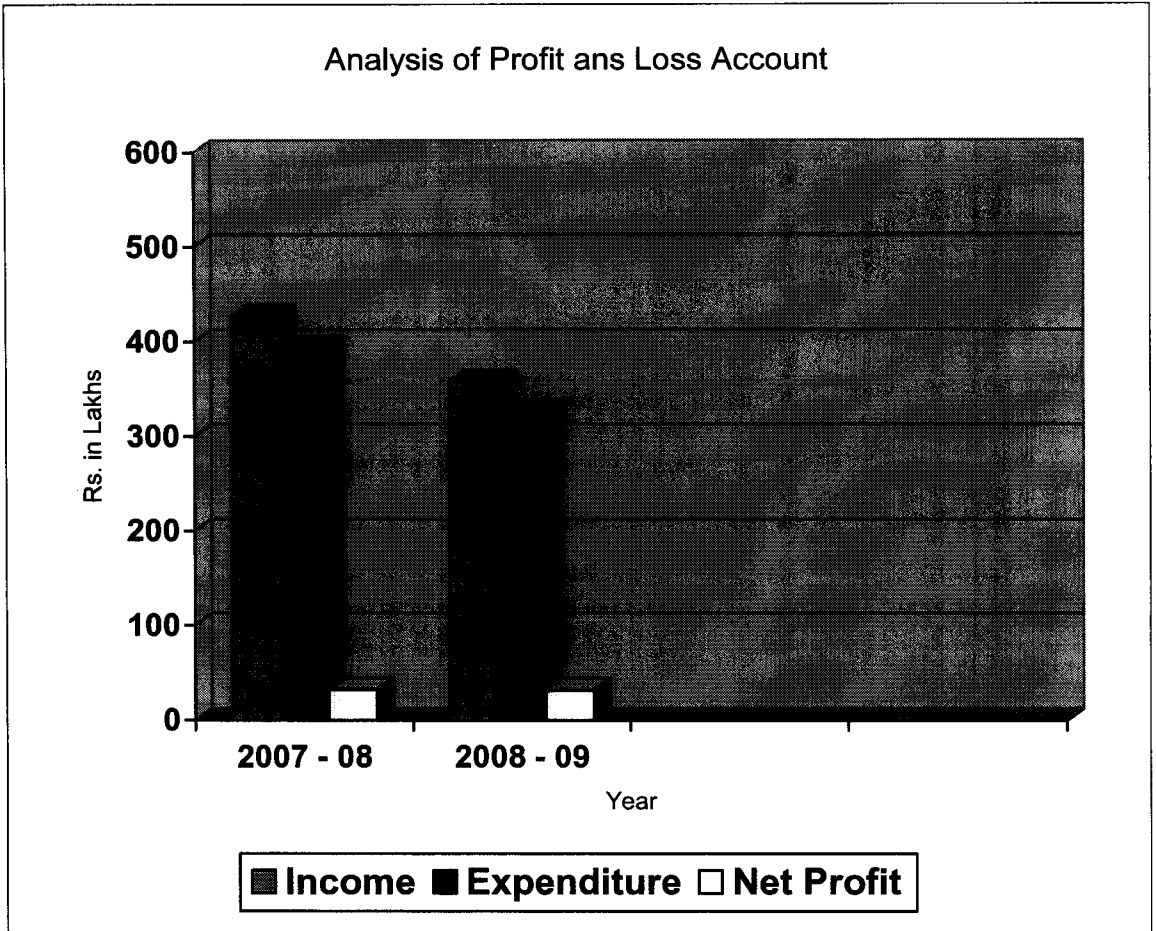
Rs. In Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	GROSS SALES	355.07	422.98
	LESS EXCISE DUTY	0	0
	NET SALES	355.07	422.98
	OTHER INCOME	2.56	3.65
	TOTAL	357.63	426.63
II	EXPENDITURE		
	OPERATING EXPENSES	245.65	306.23
	EMPLOYEE COST	40	46.9
	ADMINISTRATIVE AND SELLING EXPANSES	12.23	14.06
	INTEREST	25.36	30.59
	DEPRECIATION	28.15	26.98
	TOTAL	326.03	394.17
III	NET PROFIT	31.60	32.46

INFERENCE:

The turnout of the company has decreased by 22% compared to previous year and the net profit has dropped considerably by 80% compared to previous year.

Chart 4.1.5 : SHREE RAAM MILLS LTD.



BALAJI TEXTILES - ANALYSIS OF PROFIT AND LOSS ACCOUNT

Table 4.2.6 : BALAJI TEXTILES

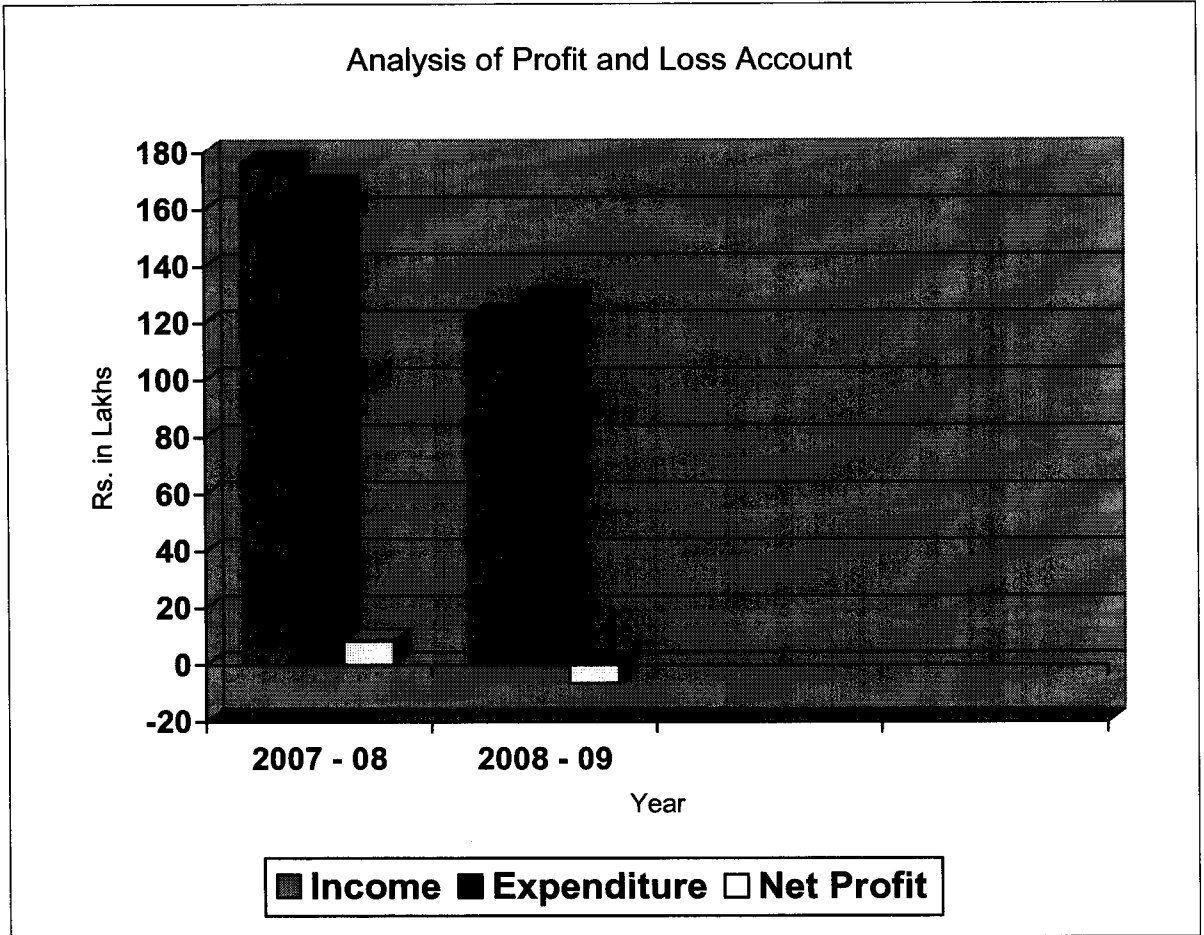
Rs. In lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	GROSS SALES	122.26	175.45
	LESS EXCISE DUTY	0	0
	NET SALES	122.26	175.45
	OTHER INCOME	0.18	0.81
	TOTAL	122.44	176.26
II	EXPENDITURE		
	OPERATING EXPENSES	85.97	120.89
	EMPLOYEE COST	24.21	26.81
	ADMINISTRATIVE AND SELLING EXPANSES	4.02	6.57
	INTEREST	3.5	4.01
	DEPRECIATION	11.26	9.48
	TOTAL	128.96	167.76
III	NET PROFIT	-6.52	8.50

INFERENCE:

The turnout of the company has decreased by 30% compared to previous year and the net profit has dropped considerably by 90% compared to previous year.

Chart 4.1.6 : BALAJI TEXTILES



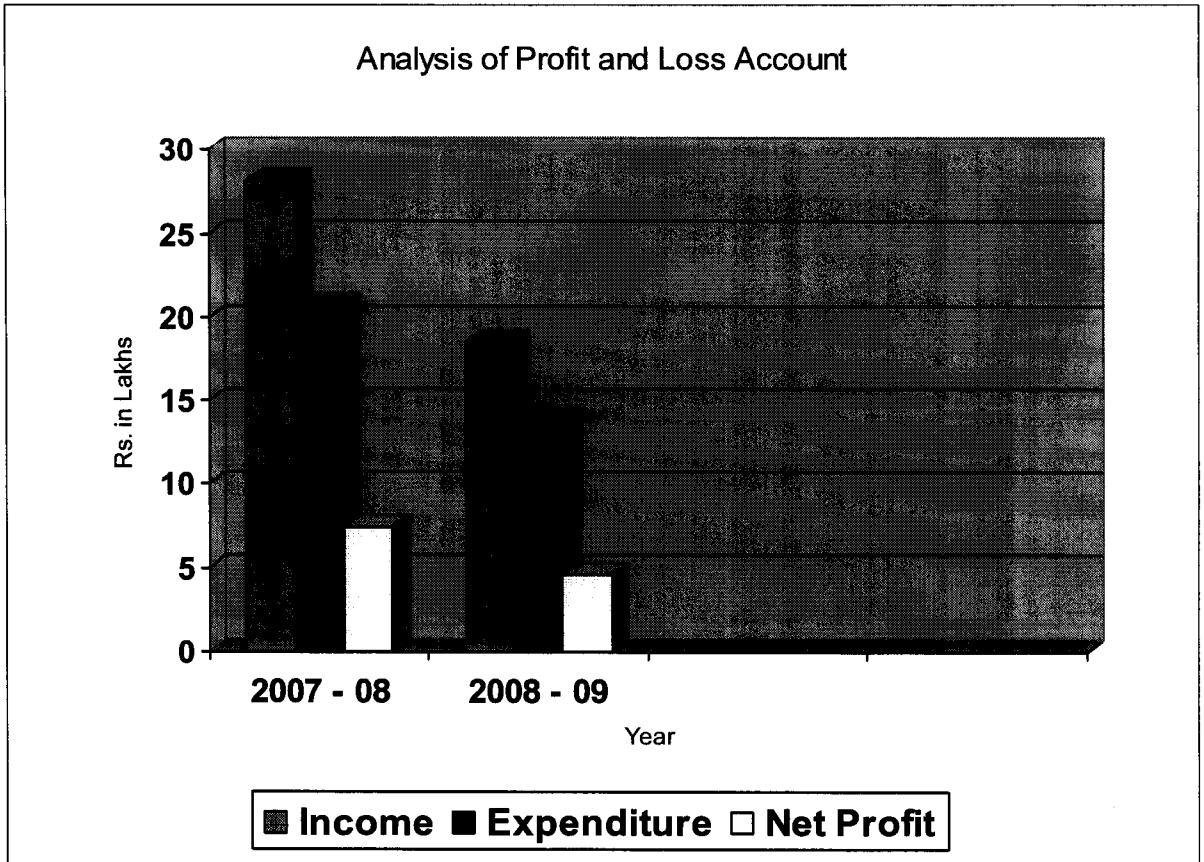
POWERLOOM SECTOR**K.M.CLOTHING - ANALYSIS OF PROFIT AND LOSS ACCOUNT****Table 4.2.7 : K.M.CLOTHING**

Rs. in Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	CONVERSION INCOME	18.56	28.14
II	EXPENDITURE		
	POWER COST	7.42	11.26
	EMPLOYEE COST	4.08	6.19
	ADMINISTRATIVE EXPENSES	0.93	1.41
	DEPRECIATION	0.39	0.45
	STORES	0.60	0.75
	INTEREST	0.50	0.65
	TOTAL	13.93	20.70
III	NET PROFIT	4.63	7.44

INFERENCE:

The turnout of the company has decreased by 34% compared to previous year and the net profit has dropped considerably by 37% compared to previous year

Chart 4.1.7 : K.M.CLOTHING

REX POWER LOOM - ANALYSIS OF PROFIT AND LOSS ACCOUNT

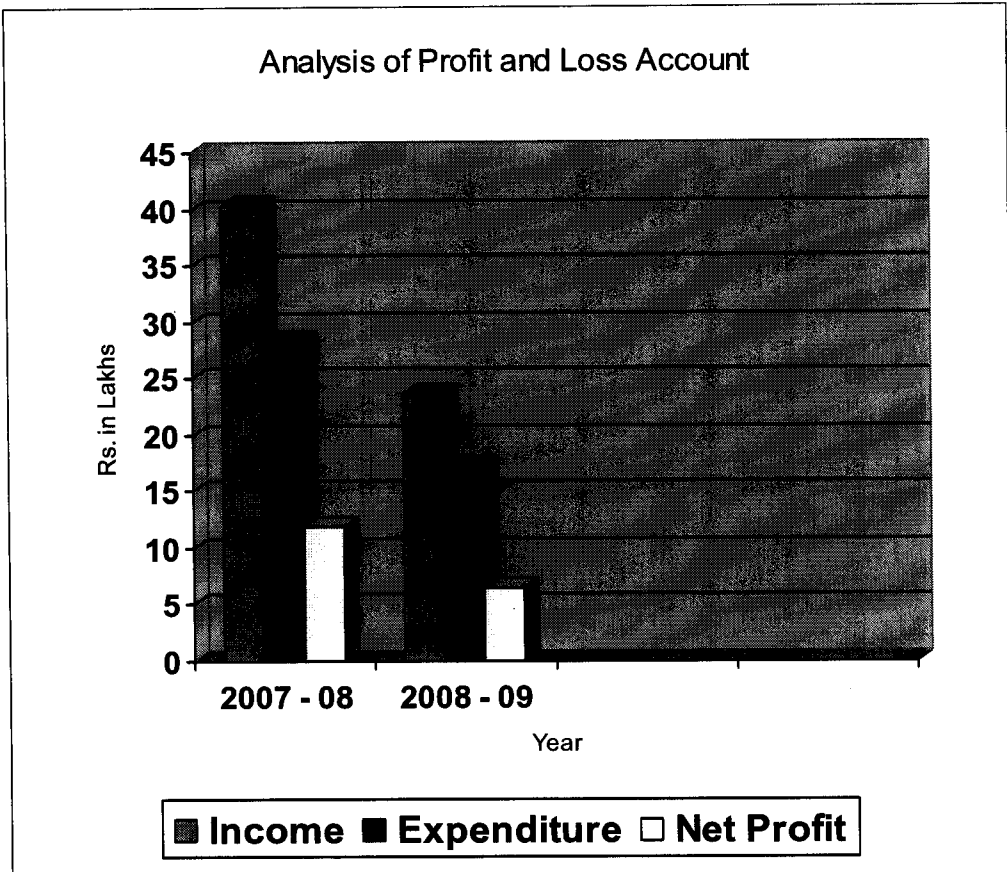
Table 4.2.8 : REX POWER LOOM

Rs. In Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	CONVERSION INCOME	23.59	40.26
II	EXPENDITURE		
	POWER COST	9.44	16.10
	EMPLOYEE COST	5.19	8.86
	ADMINISTRATIVE EXPENSES	1.18	2.01
	DEPRECIATION	0.39	0.31
	STORES	0.60	0.75
	INTEREST	0.39	0.31
	TOTAL	17.19	28.34
III	NET PROFIT	6.40	11.92

INFERENCE:

The turnout of the company has decreased by 41% compared to previous year and the net profit has dropped considerably by 46% compared to previous year.

Chart 4.1.8 : REX POWER LOOM

**MUTHU POWER LOOM - ANALYSIS OF PROFIT AND LOSS
ACCOUNT**

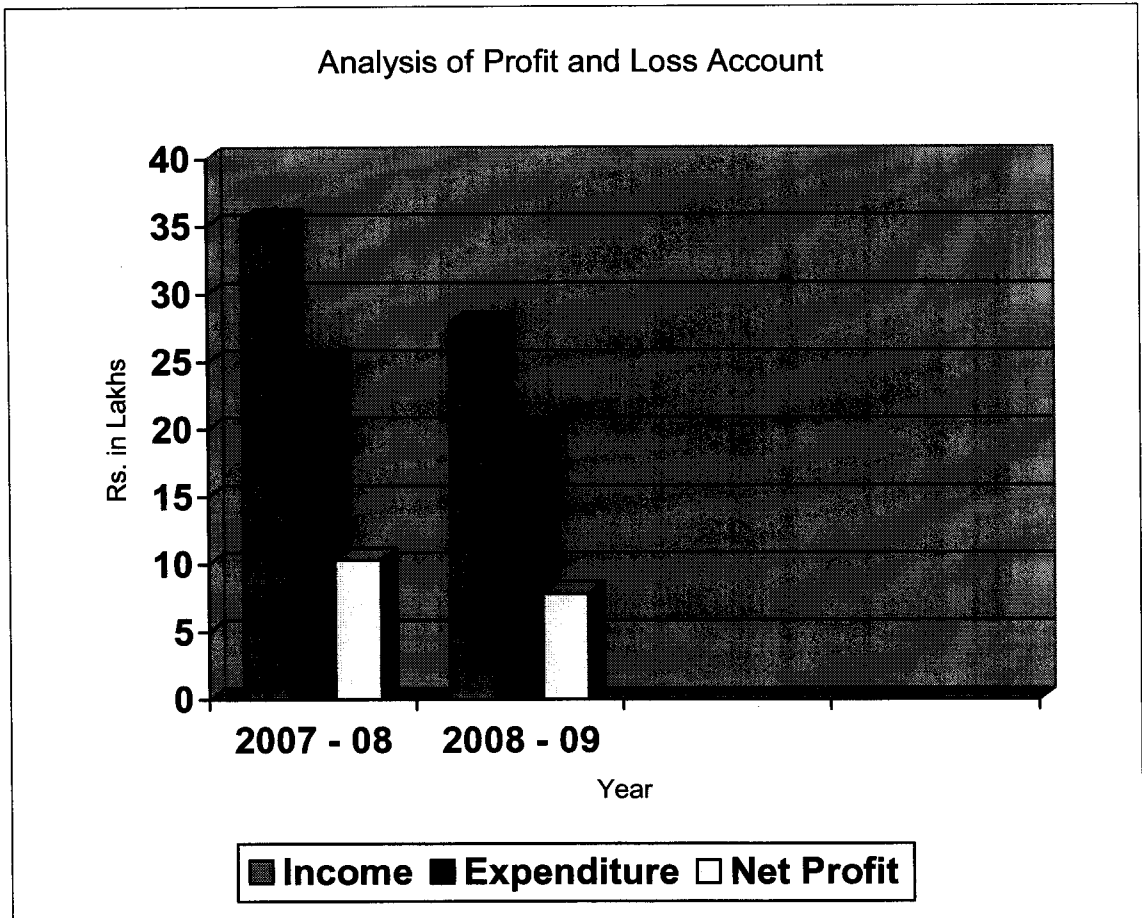
Table 4.2.9 : MUTHU POWER LOOM

Rs. In Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	CONVERSION INCOME	27.82	35.42
II	EXPENDITURE		
	POWER COST	11.13	14.17
	EMPLOYEE COST	6.12	7.79
	ADMINISTRATIVE EXPENSES	1.39	1.77
	DEPRECIATION	0.41	0.35
	STORES	0.60	0.75
	INTEREST	0.36	0.25
	TOTAL	20.01	25.08
III	NET PROFIT	7.81	10.34

INFERENCE:

The turnout of the company has decreased by 21% compared to previous year and the net profit has dropped considerably by 24% compared to previous year.

Chart 4.1.9 : MUTHU POWER LOOM

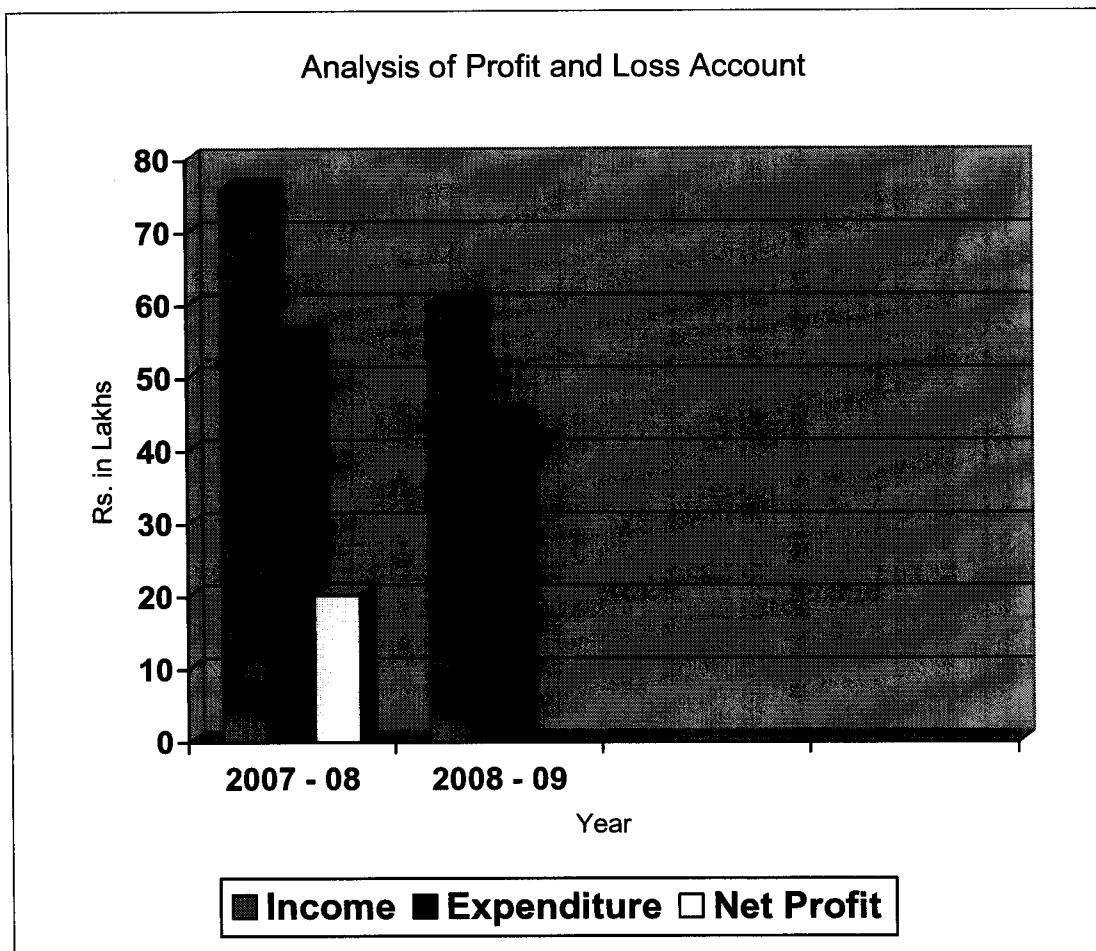
APPAREL SECTOR**R.K.APPARELS - ANALYSIS OF PROFIT AND LOSS ACCOUNT****TABLE 4.2.10 : R.K. APPARELS**

Rs. In Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	CONVERSION INCOME	60.25	75.96
II	EXPENDITURE		
	POWER COST	21.09	26.59
	EMPLOYEE COST	15.06	18.99
	ADMINISTRATIVE EXPENSES	3.01	3.80
	DEPRECIATION	1.20	1.00
	STORES	1.21	1.52
	INTEREST	3.01	3.80
	TOTAL	44.58	55.69
III	NET PROFIT	15.67	20.27

INFERENCE:

The turnout of the company has decreased by 20% compared to previous year and the net profit has dropped considerably by 22% compared to previous year.

Chart 4.1.10 : R.K.APPARELS

**INDO SWISS APPARELS - ANALYSIS OF PROFIT AND LOSS
ACCOUNT**

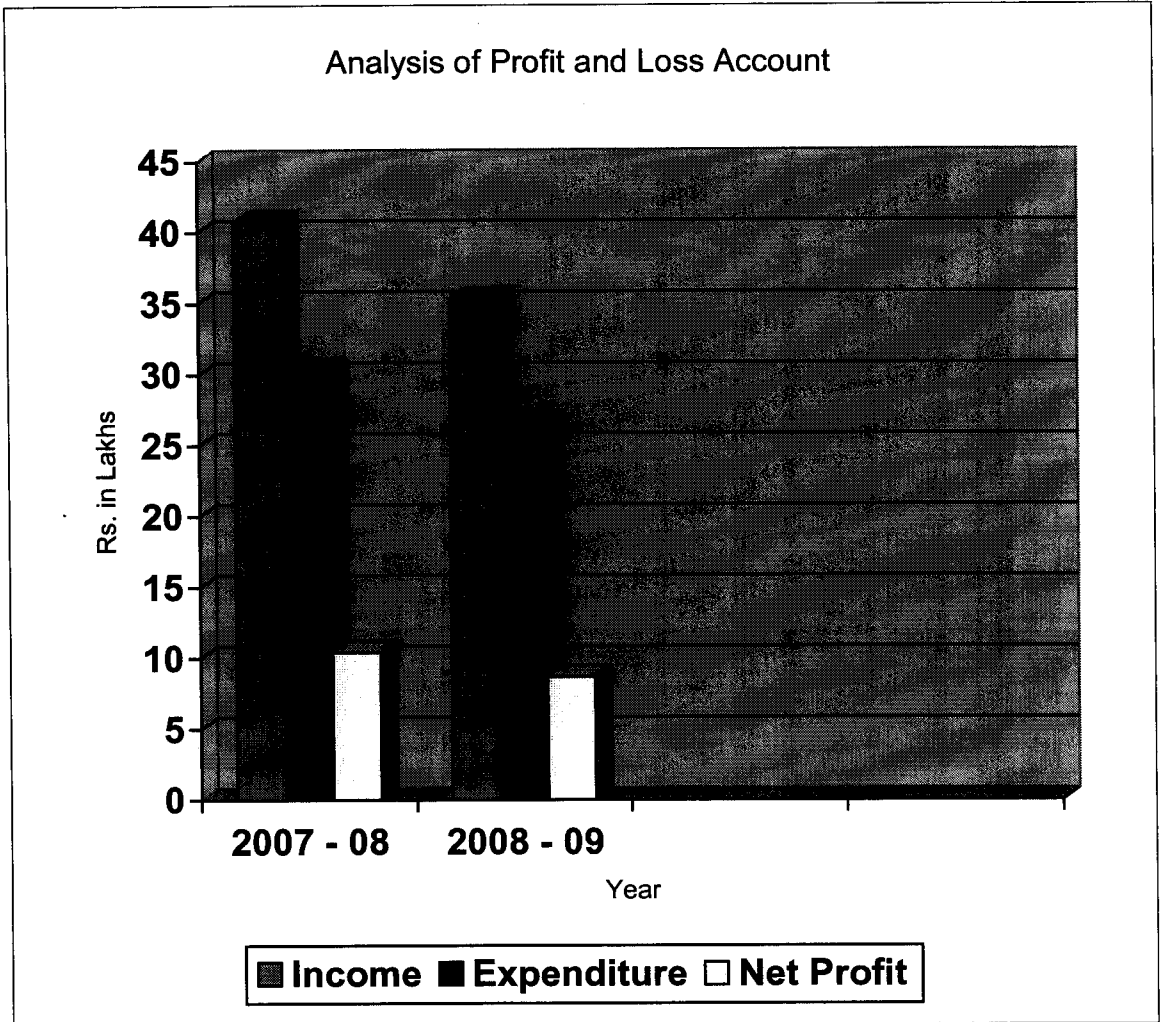
Table 4.2.11 : INDO SWISS APPARELS

Rs. In Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	CONVERSION INCOME	35.29	40.68
II	EXPENDITURE		
	POWER COST	12.35	14.24
	EMPLOYEE COST	8.82	10.17
	ADMINISTRATIVE EXPENSES	1.76	2.03
	DEPRECIATION	1.20	1.00
	STORES	0.71	0.81
	INTEREST	1.76	2.03
	TOTAL	26.61	30.29
III	NET PROFIT	8.68	10.39

INFERENCE:

The turnout of the company has decreased by 13% compared to previous year and the net profit has dropped considerably by 16% compared to previous year.

Chart 4.1.11 : INDO SWISS APPARELS

VENUS KNITTING - ANALYSIS OF PROFIT AND LOSS ACCOUNT

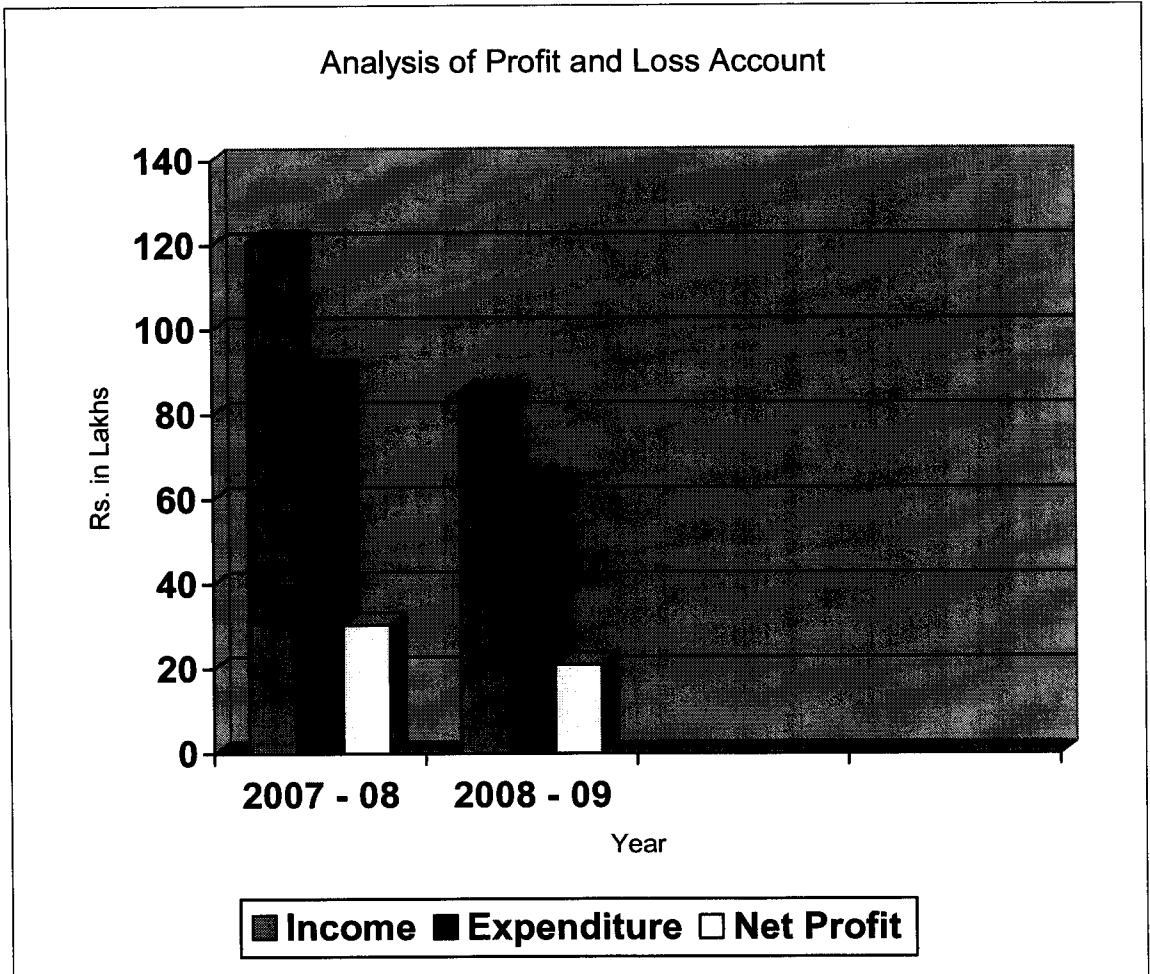
Table 4.2.12 : VENUS KNITTING

Rs. In Lakhs

S.No	DESCRIPTION	2008-2009	2007-2008
I	INCOME		
	CONVERSION INCOME	85.27	120.67
II	EXPENDITURE		
	POWER COST	29.84	42.23
	EMPLOYEE COST	21.32	30.17
	ADMINISTRATIVE EXPENSES	5.97	8.45
	DEPRECIATION	1.20	1.00
	STORES	1.71	2.41
	INTEREST	4.26	6.03
	TOTAL	64.30	90.30
III	NET PROFIT	20.97	30.37

INFERENCE:

The turnout of the company has decreased by 29% compared to previous year and the net profit has dropped considerably by 30% compared to previous year.

Chart 4.1.12 : VENUS KNITTING

CHAPTER 5

CONCLUSIONS

5.1 SUMMARY OF FINDINGS

The study was conducted on four major sector of the Textile Industry in Coimbatore city. The sectors on which the survey was conducted are as follows.

- Manufacturing sector
- Spinning sector
- Loom sector
- Garment sector

The summary of the companies that was taken into consideration for study reveals the following percentage of impact on each sector.

Table 5.1.1

S.No	Sector	Decrease in Sales	Decrease in Profit
1.	Manufacturing	23%	32%
2.	Spinning	27%	54%
3.	Loom	32%	35%
4.	Garments	20%	22%

Overall drop in sales in the four sectors is 25.5% which brought down the net profit by 36%. Due to drop in sales volume i.e. demand, companies have cut their production level by 25% and which in turn led to job loss for their employees.

5.2 CONCLUSION

The study clearly indicates that the recession has affected the Textile Industry in Coimbatore city. The turnover of all sectors in Textile industry shows decline along with their margins. The government also lost revenue from collection of taxes from the Industry due to decrease in production.

The cascade effect of this industry also affected the related segments in Textile such as merchants, retailers, transporters and also the labor in particular. Presently Government of India and Government of Tamilnadu are taking various steps by announcing various stimulate packages like low cost finance and other incentives.

APPENDIX I

The following was observed during the interview session conducted to people belonging to various sector of textile industry when they were asked how the present recession affected their business/livelihood.

1. Textile Machinery Manufacture which includes main machinery manufacturers and their vendors.

M/s Lakshmi Machine works Ltd (Mr.Balakrishnan).

Compared to last year our sales have dropped by more than 50% due to drop in orders/postponement of confirmed orders, resulting reduction in our turn over and margins. Because of this we are forced to restrict our operations and also reduce the employees.

2. Textile Machinery and spare parts selling agents

Gunvantrai and Co, dealers of machinery barring, bells and lubricants.

They said that orders from textile manufacturers have dropped considerably.

3. Spinning Mills.

Several spinning mills in Coimbatore are closed recently. Spinner's feel that the demand for product have come down drastically(domestic and international market) forcing them to cut down their production level. Due to loss, spinning mills are not in a position to modernize their machine. Mills are not in a position to utilize their labor economically.

4. Hosiery Manufacturing units- Knitting Sector

SP Apparels.

The hosiery manufacturers are saying that the orders from the international buyers have come down by more than 30%. Due to lack of demand the competition is more. The industry is facing severe financial crunch due to loss.

5. Cloth Manufacturing units- Loom sector

Shree Power loom, Somanur.

The worst affected sector in textile industry is loom sector. Most of the looms are running for conversion. Due to lack of demand for cloth, the conversion volumes become low resulting huge loss. Weavers are not getting adequate job and salary. Several looms are found idle due to lack of orders.

6. Manufacturing of finished products- Fabrication, tailoring, etc.

Smritis, Indra Swiss Creation.

So many dyeing, fabrication units are found closed down or reduced their activities in the recent past due to lack in demand for their services. As all the service industry is dependent on their principles, any recessionary trend or slowdown in textile sector will have a huge impact and their workman suffers loss in employment.

7. Sellers of finished goods

When I contacted PSR Silks, Coimbatore and enquired whether they feel any impact due to textile recession, they replied that they too feel the pinch. Their sales volume has considerably reduced compared to previous year. They also said the number of customers from the lower middle class has reduced.

8. Labor employed in above sectors

We have enquired employees of Shri Vishnu Perumal spin yarn Ltd, Durai Raj Spinning Mills Ltd, Shree Raam Spinning Mills, Vantex Ltd and asked certain questions. Their reply for my question is narrated below.

Question: Are you getting regular employment?

Answer: Yes, however there are frequent layoffs.

Question: Are you getting your salary in-time?

Answer: No. there is delay in getting salary on many occasions.

When asked why, they said their management is facing financial constraints.

On enquiring the mill management about the labor, most of the management is facing labor shortage and very high labor turn out, resulting huge production losses.

9. Manufacturers and suppliers of ancillaries to above sectors

I contacted Sales Manager of M/s Shanthi Gears Ltd who is manufacturing gear wheels for textile industry. He replied that their operations have come down drastically due to fall in orders from textile industry. He also reports that their sales volumes and profitability are low this year compared to previous period.

10. Transportation

Though there is no drop their transport volume the operation in respect of textile has come down due to lower production in spinning units. He said normally a textile mill sends 1 load of yarn per day to markets. Now the mills are engaging our service for around 20 trips per month against 30 trips previously – ABT transport service.

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