

An Inter-Firm Study on the Performance of
Composite Textile Mills, in Coimbatore

BY

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Introduction

I INTRODUCTION

The Cotton Textile Industry in India, catering to one of the basic needs of the people has a great influence on our economic plan. The Indian Cotton Textile Industry is dependent on the agricultural sector both for its raw material as well as for marketing its products. The share of cotton fibre in the total consumption of the Cotton Textile Industry still remains high at 88 percent compared to a figure of 47 percent which is the share of cotton in total fibre consumption in the world. Hence, any notable change in the agricultural season affects the Indian Textile Industry, more particularly the Spinning mills as the share of raw materials cost in the Total cost of yarn is anywhere from 60% to 70% (Mennon 1980)

The last decade has seen certain structural changes in the Industry. Since 1970 there has been steady growth in the spinning capacity which has reached 22 million spindles in 1982 compared to 17.67 million spindles in 1950. India has the second highest number of spindles next to China. But there is no growth in the weaving capacity in the organised weaving sector due to Government policy of not permitting loomage expansion in mills. The percentage of automatic looms in the Indian Cotton Textile Industry still remains at 22% as compared to the world average of 61% (Mehta 1984)

The textile Industry gives direct employment to 20 percent of all Industrial Labour and accounts for nearly 10 percent of the foreign exchange earnings. It also constitutes 20 percent of the total Industrial production. The Industry is also a supplier of yarn to the decentralised sector which provides employment to more than 4 million workers. It has an influence on agriculture because of its consumption of cotton and on Industries because of its requirements of machinery, dyes and chemicals (Srinivasan 1984)

There are 1014 mills in India with an installed capacity of 231.6 lakh spindles and 2.1 lakh looms. India is now the largest single exporter of Cloth to U.K. and one of the biggest to South East and West Asia. In 1975, India had the highest per capita availability of Cotton Cloth and since then there is a consistent increase in the demand for Cotton cloth.

The textile Industry in the Southern region consists of 420 spinning mills and 45 composite mills producing 37 percent of the total yarn and 16 percent of cloth. The production, processing and sale of Cotton contributed nearly 20 percent of the National income during the last two decades (Annual Report, SITRA 1984).

The textile Industry faced its expansion and crisis in the last three decades. As the oldest and largest Industry, it has been prone to sickness also. The increasing variety, the diverse characteristics, and fluctuating prices of raw materials have made the problems of adjustment to changing conditions more difficult. The existence of mills, handlooms and powerlooms using different levels of technology have resulted in a number of complex and intricate problems. The change in demand, increase in the cost of

living index and the credit squeeze have resulted in the accumulation of stock. The power tariff was high in the Southern Region. The working of the handloom Industry with the large scale Industry was another problem. So, some of the mills had to be closed down. National Textile Corporation was established in 1974 with the main view of managing the sick mills. At present there are 132 sick mills operating under the control of NTC. A number of indivisible benefits like permanent employment to 175 thousand workers, welfare measures such as housing, Family Planning etc., contribution to the per capita availability of cloth particularly to the weaker sections of society are accruing to the country because of the operations of NTC (Srinivasan 1984)

Considering the various problems of the Industry, the Government of India is striving to take adequate measures to safeguard the interests of the Industry. In June 1985, the new textile policy was announced to synchronise with a number of hopeful signs in the economy. The features of the policy are restructuring, removing the structural rigidity, optimum productivity and soft loan scheme. Various Committees have also been setup to study the problems of all sectors of the textile Industry. It is in this context, the present study has been taken up to study the performance of this composite mill sector in Coimbatore. The specific objectives of the study were to:

(i) To assess the interfirm Comparison of the performance of the textile mills in terms of production, Sales, Capital structure, cost behaviour, profit and productivity.

(ii) compare the performance of private Sector mills, and mills managed by NTC (TN&P)

(iii) examine the economic, commercial and operational viability of the mills;

(iv) assess the financial stability and liquidity position of the mills,

(v) estimate the production function and to

(vi) analyse the efficiency of the resource use in the mills.

The hypothesis specifically tested in the study was that there exists a direct relationship between the factor inputs and output.

Reviews of Literature

II REVIEW OF LITERATURE

The literature related to the study on "An Interfirm study on the performance of Composite Textile Mills in Coimbatore" is reviewed under the following heads:

1. Textile Industry in India.
2. Textile Industry in Tamil Nadu,
3. Textile Industry in Coimbatore,
4. Related Studies.

1. Textile Industry in India:

India occupies the Second place interms of spindles installation (after China) and fourth interms of Cotton Consumption (after China, USSR & USA). There are 1014 textile mills in India today (May 1987) having 210 lakh looms and 26 million spindles. Out of these 1014 mills, 732 are spinning and 282 are composite units, 108 have gone over to the State Textile Corporations and 34 units are remained closed.

The capital investment in the Cotton Textile Industry in the shape of funded capital itself is substantial. The capital investment is estimated at Rs.19.8 millions. Textile Industry provides direct employment to 1.26 million (20% of factory labour totalling to 6.30 million) and to several million people in the form of indirect employment. (Hand book of Statistics on cotton Textile Industry (1987) ICMF, Bombay)

Some Economic aspects of the textile industry in India are summarised and given in Tables 2.1, 2.2 and 2.3.

TABLE 2.1
TEXTILE INDUSTRY IN INDIA
SELECTED INDICATORS

Particulars	Units	1971	1981	1984	1985	1987
Spinning Mills	Nos.	373	442	674	701	732
Composite Mills	Nos.	291	281	281	282	282
Spindle installed	M.Nos.	17.89	21.78	24.42	25.57	25.93
Looms installed	M.Nos.	208	210	210	210	209
Workers in rolls	'000 Nos	947	1200	N.A.	N.A.	N.A.
Cotton Consumed	'000 tonnes	1058.80	1260.40	1371.10	1501.80	942.79
Production of Cotton yarn	M.kgs.	980.0	1015.0	1151.0	1261.0	1471.0
Exports of Cotton yarn	Rs.Crores	20.59	24.06	23.50	36.42	N.A.
Exports of Mill-made Cotton Cloth	Rs.Crores	66.60	156.06	151.63	283.96	263.24

N.A. Not Available

Source: Hand book of statistics on Cotton Textile Industry (1987), Indian Cotton Mills Federation, Bombay 1987. SIMA Review (1987) Coimbatore P.No.1.

TABLE 2.2
PRODUCTION AND EXPORT YARN AND CLOTH A COMPARISON

Items	Countries	Unit	1983	1984	1985
Production of Cotton Yarn	U.K.	In	50	47	48
	U.S.A.	million	1055	977	1041
	Japan	kgs.	438	437	437
	China	"	165	181	192
	India	"	1092	1151	1261
Production of Cotton Cloth	U.K.*	In	255	265	274
	U.S.A.	million	350	334	321
	Japan	meters	207	209	206
	China	"	662	607	619
	India	"	861	905	1010
Exports of Cotton yarn	U.K.	In	4.6	4.4	4.4
	U.S.A.	million	10.2	7.7	11.7
	Japan	kgs.	7.0	5.8	4.6
	China	"	28.6	16.9	15.3
	India	"	6.6	9.7	9.8
Exports of Cotton Cloth	U.K.*	In	110.4	116.0	115.6
	U.S.A.	million	113.2	109.6	109.7
	Japan	meters	570.6	550.2	600.6
	China	"	430.5	430.7	445.7
	India	"	346.0	530.8	472.6

Source: Hand book of statistics on Cotton Textile Industry (1987)
ICMF, Bombay.

TABLE 2.3

PROFIT RATIOS OF TEXTILE INDUSTRY AND ALL INDUSTRIES

Year	Gross Profits as percentage of Scales	
	Cotton Textile Industry	All Industries
1951-52	9.0	9.7
1961-62	10.0	10.1
1971-72	4.9	10.0
1981-82	7.9	9.5

Source: Reserve bank of India Bulletin 1982-83.

The profitability of the Textile Industry is lower than the average for all Industries in the country. It is also obvious that the variation from year to year is also much greater in the textile Industry than the others. Lack of modernisation and high price of Cotton are the main reasons for the low profitability in the Textile Industry.

2) Textile Industry in Tamil Nadu:

Tamil Nadu occupies the third place in Textiles next only to Gujarat & Maharashtra. Its unique handloom Industry which produces a wide range of colourful varieties has put Tamil Nadu on the world map textiles.

With 415 Spinning Units and 24 Composite Units, the organised textile sector continues to be the major Industry of the State.

The Industry besides providing revenue to the Central Government and State Governments helps to develop the handloom and the powerloom sectors in the unorganised sector which together employ over 15 lakh workers. (Indian Cotton Mills federation (1987), hand book of statistics on Cotton Textile Industry).

TABLE 2.4
DISTRICT WISE DISTRIBUTION OF MILLS IN TAMIL NADU 1986

No.	Districts	No. of Mills
1.	Coimbatore	202
2.	Periyar	22
3.	Chengalpet	8
4.	Kamarajar District	25
5.	Madras	3
6.	Madurai	37
7.	North Arcot	9
8.	Pasumpon Muthuramalingam	11
9.	Pudukottai	6
10.	Ramnad	4
11.	Salem	41
12.	South Arcot	9
13.	Thanjavur	3
14.	Tirchi	7
15.	Anna District	18
16.	Dharmapuri	5
17.	Nilgiris	0
18.	Nellai Kattabomman District	19
19.	Chidambaranar District	8
20.	Kanyakumari District	2
		----- 439 -----

Source: The Indian Textile Directory 1986-87

The British Press Private Limited, Bombay.

Textile Industry (in the organised Sector) in Tamil Nadu offers employment to more than one and a half lakh workers. The average monthly earnings of the lowest paid operative in a Cotton Textile Mill for a standard month of twenty six working days in Tamil Nadu is Rs.816.16 (highest in the country) (The South India Textile Research Association 1986, SITRA NEWS)

The details of production of yarn and cloth in Tamil Nadu are given in table 2.5.

TABLE 2.5

PRODUCTION OF YARN AND CLOTH IN TAMIL NADU (1975-83)

Period	Yarn (Mill made) (in '000 kgs.)	Mill made cloth (in '000 metres)	% share of Tamil Nadu in India's total production of yarn and cloth	
1973	1,61,743	1,34,258	16.2	3.2
1974	1,75,120	1,35,869	17.4	3.1
1975	1,80,596	1,49,653	18.3	3.5
1976	2,00,906	1,62,657	20.0	4.2
1977	1,82,813	1,43,239	21.6	4.4
1978	1,97,831	1,54,895	21.7	4.8
1979	1,79,340	1,39,512	18.8	4.4
1980	2,14,548	1,58,152	20.3	4.6
1981	2,17,746	1,39,014	21.5	4.4
1982	2,55,347	1,59,320	26.7	7.1
1983	2,63,163	1,41,621	24.5	5.4

Source: SIMA, Annual statistical Bulletin. The Southern India Mills Association, Coimbatore 1983.

It is evident from the Table that the share of Tamil Nadu in the total production of cloth and yarn is consistently increasing and the percentage of yarn production is more than the cloth production.

3. Textile Industry in Coimbatore:

Among the 439 mills in Tamil Nadu 202 Mills (45 percent) are located in Coimbatore District. Some particulars about the textile mills in Coimbatore district are given in Table 2.6.

TABLE 2.6

TEXTILE INDUSTRY IN COIMBATORE

Particulars	1986-87
Number of Mills	202
(a) Spinning Mills	187
(b) Weaving Mills	15
National Textile Corporation Mills	10
Total Spindles installed (in Lakhs)	30.77
Total number of looms	4030
Total paid up Capital (in lakhs)	3870

Source: Annual report of the SIMA 1987, Coimbatore.

4.Related Studies:

The Studies conducted by different organisations and individuals on different aspects of Textile Mills in India are classified and discussed under the following heads:

- (1) Productivity in Textile Mills.
- (2) Profitability.
- (3) Management of Textile Industry.
- (4) Financial Performance .

(1) Productivity in Textile Mills:

SITRA had conducted Periodic surveys on productivity among their member mills and compared them. These have been extremely useful to managements in improving their productivity and in ensuring the optimum utilisation of men and machines.

Comparing the productivity of the textile Industry in India with that of Japan it was found that productivity in Japan had doubled itself in the period 1948-1955.

A Similar Study conducted in a group of about 50 mills in India between 1956 and 1960 showed that the OHP (Operative hours for 10lb of production) required to produce one bale of yarn converted to 20^S count was 189.2 in 1956 and 172.9 in 1960 that is an increase of 7% during a period of 5 years. Since, then, productivity in India has been increasing at about 2.5% per annum. It was also noticed in the Indian study that the variation in productivity between mills was of very high order the difference between the best mill and the worst being of the order of about 150%.

From the above discussion the following conclusions are obvious:

(1) Productivity is very low in the Indian Textile Industry when compared to other countries.

(2) Productivity increases in the Indian Textile Industry for the last 3 decades has been lower than in other countries. This means that the gap in productivity between India and other Industrial nations is widening while our efforts have been directed towards bridging the gap.

(3) There is considerable variation in productivity between Mills in India. In spite of the increase in the average level of productivity the difference between mills has shown no tendency to decrease.

2)SITRA has studied by the method of 'equivalence-Coefficients' the relationship between profits and the 4 variables machines productivity, Labour Cost, net output value and other costs i.e. stores, power, over heads etc.

It was observed that these four variables explained for over 80 to 95% of the variations in profits, the multiple correlation co-efficient being 0.91 to 0.98 for different years. In other words, the difference in counts and types of yarn spun between Mills did not have much effect on the differences in profits. This is due to the fact that most Mills spin a combination of counts and also have a tendency to switch over to profitable counts. Therefore the effect of count on profitability is marked.

The contribution by Labour cost to profitability was high in spite of its relatively lower contribution to production costs because it is one factor that is amenable for control. Between mills, the labour cost varies about 5 times ranging from 6.2 to 30.4% of the net sales revenue. In order to earn high profits, it was found out the labour cost should not exceed 10 to 12% of the Sales revenue.

Machine productivity in Low profit mills was also half of that of high profit mills. If the high profit mills had the same machine productivity as low profit mills, profit would have been lower by 50 percent.

The raw material cost and yarn Sales price showed some degree of association, but the relationship was not significant, the correlation co-efficient being 0.44.

The other costs such as stores, power over heads were found to be not related to profits. However in a number of mills these costs were very high and there was scope for reduction. The other costs included power 3%, Stores excluding packing material 1.5% over heads 3.5% of yarn Sales revenue.

3. Management of Textile Industry:

A study confined to the Cotton Mill Industry in Punjab and Haryana and covered all the Units situated in the region. The Cotton Mill Industry had been chosen for the study for two reasons.

(i) Among the large industries in Punjab and Haryana, the Cotton Mill industry was the oldest and the largest.

(ii) The Cotton Mill Industry in this region had so far received little attention by the researchers while the problems of the Cotton mill Industry in areas of concentration such as Bombay, Ahmedabad, Kanpur and Madras have been studied now and this Industry in this region had remained unemployed. It is with a view to fill in this gap, the present study had been undertaken. The study was conducted during 1968 to 1972. The broad objectives of the study were,

(a) to find out how the personal function was organised in the Cotton Mill Industry in Punjab and Haryana and the Status and functions of personnel Manager/Officer.

(b) to examine the prevailing personnel policies and practices in regard to such areas as selection, training, development, promotions and transfer etc.

(c) to analyse how the personnel was remunerated to examine the inter relationship (if any) between Personnel policies and practices on the one hand and output and industrial relations on the other hand.

(d) to understand Industrial relations policy.

The following were the findings of the study:

(a) Personnel function in the Cotton Mill Industry in Punjab and Haryana did not receive the same importance and attention as other functions such as production finance and marketing.

(b) Systematic Selection, training and development of human resources had a low priority and received little attention.

(c) The clear cut personnel policies were to be developed and most of the decisions in personnel matters were taken on an adhoc basis.

(d) Even when in some cases specific policies have been laid down, practices did not always conform the policies.

4) Financial Performance:

Indra Doraisamy had studied the Financial performance of 97 SITRA member mills for five years 1977-1981. The data base of the study was 485 balance sheets of the mills. The return on capital, profit per spindle and other related indices have been worked out. Since a boom as well as a recession had occurred during this period of reference, their effects on high and low profit have been dealt with in detail. The study revealed the following findings.

(1) The return on profit before depreciation and interest on capital employed was on the average about 30 percent.

(2) It ranged between 14 percent to 42 percent between the recession and boom period.

(3) The capital employed had increased at a rate of 8.5 percent and the fixed assets had shown 13 percent increase a year.

(4) The profit margin was worked to an average of 5 percent after depreciation and interest.

- (5) As regards, the cost of production, Salaries, and Wages in terms of yarn sales value have increased steeply by about 25 percent.
- (6) Inter mill variation in wage cost continued to be high, ranging from 7 to 22 percent in spinning.
- (7) Power Cost relative to Sales revenue had increased steeply by 45 percent.
- (8) Raw material cost as a proportion of Sales revenue varied from 50 to 65 percent in recession and boom respectively.
- (9) Profits and productivity showed a close association. The mills with higher productivity recorded about Rs.350 per spindle and Rs.170 for lower productivity mills.
- (10) The average return on capital for composite mills was about 18 percent.
- (11) The return on Capital was 57 percent in high profit mills and 34 percent in low profit Mills.
- (12) Amongst the 12 percent mills with high profits, one third showed consistently high profits while another one third showed increases of profits. Sixty Percent of the Mills which registered low profits consistently obtained poor rankings.

Methodology

III METHODOLOGY

The methodology adopted in the current study on "An Interfirm study on the performance of Composite Textile Mills in Coimbatore" is described under the following heads:

1. Selection of the Unit,
2. Sources of data,
3. Tools of analysis and
4. Efficiency Indices.

1. Selection of the Unit:

The investigator selected the Unit of Composite mills in Coimbatore. In Tamil Nadu, among the 439 mills, 415 are spinning mills and 24 are Composite mills. Out of the 24 mills, 12 mills are in Coimbatore. Of the 12 mills, three mills are not working due to labour problems. Only nine mills are functioning. Of the nine, five mills are managed by NPC and remaining four mills are private mills. Hence, to study the complex problems of the composite mills and to assess the performance of Private and Public Sector mills in Coimbatore, the composite mill sector is selected for in depth analysis.

2. Sources of data:

The data related to the current study were collected from Secondary sources. Information on the extent of production, employment, expenses, profit, loss, sales and income were collected from the published balance sheets of the mills for the period 1985-86. General information on Textile Industry in India and Tamil Nadu were collected from the following sources:

- (i) Indian Cotton Textile Industry - Annual Statistical Bulletin - SIMA Publication - 1983.
- (ii) Surveys and study reports published by SITRA.
- (iii) Hand book of statistics on Cotton Textile Industry - published by the Indian Cotton Mills federation, Bombay, 1983.

Periodicals and Journals were also referred to.

3. Tools of Analysis:

The percentage of cost components to total cost, capital components to total capital employed, sales of yarn and cloth, production of cloth and yarn, asset utilisation ratios, ratios relating to sales performance and liquidity position of the mills were worked out.

Assuming a direct relation between the value of production Capital and Labour employed, the Cobb-Douglas production function was fitted. This is given by

$$Y = AK^{\alpha} L^{\beta} \text{ where}$$

Y = Value of output

K = Capital employed

L = Labour employed

α, β = Constants

A = initial co-efficient It has no operational and theoretical significance.

4. Efficiency indices:

1. Indices of Economic and operational efficiency:

- (a) $\frac{\text{Gross Income}}{\text{Gross Expenditure}}$
- (b) $\frac{\text{Gross Income}}{\text{Operating Cost}}$
- (c) $\frac{\text{Value of output}}{\text{Value of Fixed Capital}}$
- (d) $\frac{\text{Value of output}}{\text{Number of workers}}$

2. Indices of Commercial viability:

- (a) $\frac{\text{Sales}}{\text{Cost of Production}}$
- (b) $\frac{\text{Sales}}{\text{Fixed Capital}}$

3. Indices of Asset Utilisation:

- (a) $\frac{\text{Value of production}}{\text{Current Assets}}$
- (b) $\frac{\text{Value of production}}{\text{Gross Block}}$
- (c) $\frac{\text{Current Assets}}{\text{Gross Block}}$

4. Indices of Solvency and liquidity:

- (a) $\frac{\text{Current Assets}}{\text{Current Liabilities}}$
- (b) $\frac{\text{Reserve Surplus}}{\text{Current Liabilities}}$

Results and Discussion

IV RESULTS AND DISCUSSIONS

The result of the study on the Inter-firm comparison of the performance of composite textile mills in coimbatore are discussed as given below:

- 1.Capital Structure;
- 2.Cost Analysis;
- 3.Financial Sources;
- 4.Employment;
- 5.Production and Sales;
- 6.Inventory analysis;
- 7.Income and Profit;
- 8.Production Function and
- 9.Efficiency of Resources.

1.CAPITAL STRUCTURE:

The analysis of capital structure will enable the individual units to assess the efficiency of resource use of the mills and for ranking the performance of the mills. This is also important to assess the asset structure and its utilisation and also ~~is~~ in selecting the projects for the expansion of the Unit.

The Capital structure consists of fixed capital and working capital. The total capital employed is equal to the value of fixed assets plus current assets minus current liabilities. The capital components of the mills are presented in Table 4.1.

The share of the private sector mills and NTC mills in the total capital employed and the details relating to this are given in Table 4.2.

TABLE 4.1

CAPITAL COMPONENTS OF THE COMPOSITE MILLS

Rs. in lakhs.				
S.No.	Name of the Mills	Fixed Capital	Working Capital	Total Capital
1	A. PRIVATE MILLS			
1	Dhanalakshmi Mills	199.30 (72.2)	76.57 (27.8)	275.87
2	Kothari Mills	1459.99 (80.6)	350.48 (19.4)	1810.47
3	Lakshmi Mills	1509.67 (60.7)	979.30 (39.3)	2488.97
4	Venkatesa Mills	388.37 (45.1)	472.83 (54.9)	861.20
	Average	<u>64.7</u>	<u>35.3</u>	
	B. NTC MILLS			
5	Coimbatore Murugan Mills	290.93 (39.8)	440.26 (60.2)	731.19
6	Coimbatore Spinning and Weaving Mills	659.50 (70.5)	276.14 (29.5)	935.64
7	Kaleswarar Mills	207.76 (36.7)	358.74 (63.3)	566.50
8	Somasundaram Mills	281.42 (35.8)	504.00 (64.2)	785.42
9	Sri Sarada Mills	270.78 (57.0)	204.04 (43.0)	474.82
	Average	<u>48.0</u>	<u>52.0</u>	
	Total	5267.72 (59)	3662.36 (41)	8930.08

Source: Balance Sheets of the mills 1985-86.

Figures in brackets show the percentages to totals.

TABLE 4.2

PERCENTAGE SHARE OF MILLS IN TOTAL CAPITAL

		(Rs. in lakhs)		
S.No.	Name of the Mills	Fixed Capital	Working Capital	Total Capital
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	199.30 (3.8)	76.57 (2.1)	275.87 (3.8)
2	Kothari Mills	1459.99 (27.8)	350.48 (9.6)	1810.47 (20.0)
3	Lakshmi Mills	1509.67 (28.7)	979.30 (26.7)	2488.97 (27.0)
4	Venkatesa Mills	388.37 (7.4)	472.83 (12.9)	861.20 (9.0)
	Average	67.7	51.3	60.0
B. NTC MILLS				
5	Coimbatore Murugan Mills	290.93 (5.5)	440.26 (12.0)	731.19 (8.0)
6	Coimbatore Spinning and Weaving Mills	659.50 (12.5)	276.14 (7.5)	935.64 (10.0)
7	Kaleswarar Mills	207.76 (3.9)	358.74 (9.8)	566.50 (6.0)
8	Somasundaram Mills	281.42 (5.3)	504.00 (13.8)	785.42 (8.0)
9	Sri Sarada Mills	270.78 (5.1)	204.04 (5.6)	474.82 (5.0)
	Average	32.3	48.7	39.0
Total		5267.72	3662.36	8930.08

Source: Balance sheets of the mills 1985-86
 Figures in brackets show the percentages to total.

It is clear from the Table that the percentage share of fixed capital to total capital is higher when compared to working capital. The percentages are comparatively lower for NTC mills (40 to 50) for fixed capital. The percentages of working capital for their mills are higher indicating the creation of current assets and expansion programmes of the mills.

Regarding the share of each mill to the capital employed, the Lakshmi Mills has a higher percentage both in fixed and working capital followed by Kothari Mills.

It is clear from the above analysis that the private sector mills are concentrating in the creation of fixed assets and the nationalised mills are allocating their resources for the creation of current assets.

The total capital is allocated for the creation of fixed and current assets. The details of the assets and the percentage share of each mill to total assets are summarised in Table 4.3 and 4.4.

TABLE 4.3
MILL WISE DETAILS OF FIXED ASSETS

(Rs. in lakhs)							
S.No.	Name of the Mills	Land	Building	Machinery	Office Equipment	Others	Total
A. PRIVATE MILLS							
1	Dhanalakshmi Mills	2.01 (9.6)	564.22 (9.6)	548.27 (81.8)	3.01 (0.6)	51.69 (7.7)	669.20
2	Kothari Mills	256.84 (12.1)	401.38 (19)	1430.98 (67.7)	18.10 (0.9)	5.69 (0.3)	2112.99
3	Lakshmi Mills	34.32 (1.0)	452.55 (13)	2377.54 (68.3)	42.19 (1.2)	575.96 (16.5)	3482.56
4	Venketasa Mills	4.61 (0.5)	108.97 (11.3)	793.88 (32.4)	11.91 (1.3)	43.78 (4.5)	963.15
	Average	<u>3.5</u>	<u>13.2</u>	<u>75.0</u>	<u>1.0</u>	<u>7.3</u>	
B. MTC MILLS							
5	Coimbatore Marugan Mills	0.38 (0.1)	91.69 (20.6)	334.54 (75.0)	1.62 (0.4)	17.38 (3.9)	445.61
6	Coimbatore Spinning and Weaving Mills	0.23 (0.1)	290.78 (33.5)	568.09 (65.6)	1.14 (0.1)	5.93 (0.7)	866.17
7	Kaleswarar Mills	9.04 (2.5)	7.32 (2.0)	343.92 (94.1)	0.61 (0.2)	4.36 (1.2)	365.25
8	Somasundaram Mills	5.48 (1.2)	30.89 (6.9)	400.88 (89.6)	5.56 (1.2)	4.56 (1.1)	447.37
9	Sri Sarada Mills	0.89 (0.2)	31.06 (7.2)	372.90 (86.7)	1.69 (0.4)	23.54 (5.5)	430.08
		<u>0.8</u>	<u>14.0</u>	<u>82.2</u>	<u>.5</u>	<u>2.5</u>	
Total		313.80 (3.2)	1478.86 (15.1)	7171.00 (73.3)	85.83 (0.9)	732.89 (7.5)	9782.38

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

TABLE 4.4
PERCENTAGE SHARE OF EACH MILL TO TOTAL FIXED CAPITAL (Rs.in lakhs)

S.No.	Name of the Mills	Land	Building	Machinery	Office Equipment	Others	Total
A. PRIVATE MILLS							
1	Dhanalakshmi Mills	2.01 (0.6)	64.22 (4.3)	548.27 (7.6)	3.01 (3.5)	51.69 (7.1)	669.20 (6.8)
2	Kotnari Mills	256.84(81.8)	401.38 (27.1)	1430.98 (20.0)	18.10 (21.1)	5.69 (0.8)	2112.99 (21.6)
3	Lakshmi Mills	34.32(11.0)	452.55 (30.6)	2377.54 (33.2)	42.19 (49.2)	575.96 (78.6)	3482.56 (35.6)
4	Venketasa Mills	4.61(1.5)	108.97 (7.4)	793.88 (11.1)	11.91 (13.8)	43.78 (6.0)	963.15 (9.8)
	Average	<u>94.9</u>	<u>69.4</u>	<u>71.9</u>	<u>87.6</u>	<u>92.5</u>	<u>73.8</u>
B. MTC MILLS							
5	Coimbatore Murugan Mills	0.38(0.1)	91.69 (6.2)	334.54 (4.7)	1.62 (1.9)	17.38 (2.4)	445.61 (4.6)
6	Coimbatore Spinning and Weaving Mills	0.23(0.1)	290.78 (19.7)	568.09 (7.8)	1.14 (1.3)	5.93 (0.8)	866.17 (8.9)
7	Kaleswarar Mills	9.04(2.9)	7.32 (0.5)	343.92 (4.8)	0.61 (0.7)	4.36 (0.5)	365.25 (3.7)
8	Somasundaram Mills	5.48(1.7)	30.89 (2.1)	400.88 (5.6)	5.56 (6.5)	4.56 (0.6)	447.37 (4.6)
9	Sri Sarade Mills	0.89(0.3)	31.06 (2.1)	372.90 (5.2)	1.69 (2.0)	23.54 (3.2)	430.08 (4.4)
	Average	<u>5.1</u>	<u>30.6</u>	<u>28.1</u>	<u>12.4</u>	<u>7.5</u>	<u>26.2</u>
	Total	313.80	1478.86	7176.00	85.83	732.89	9782.38

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

The fixed Capital includes investment on plant, machinery, land, building and other equipments. It is evident from the Table that the investment on machinery constitutes a highest percentage ranging between 65 to 92. There is no much variation in investment on machinery among the mills.

The inter mill comparison of the capital structure reveals that Lakshmi Mills has a higher share in the fixed capital followed by Kothari Mills, and the share of Mills managed by the NTC is comparatively low with only 20 percentage. The nationalised mills are to get sanction and permission from the NTC Delhi and this may be the reason for its lesser share in the asset creation of the mills.

The details of depreciation and its percentage with total fixed capital are presented in Table 4.5.

TABLE 4.5

MILL WISE DETAILS OF CAPITAL CONSUMPTION ALLOWANCE

(Rs. in lakhs)

S.No.	Name of the Mills	Total Capital	Depreciation	% of Depreciation to Fixed Capital
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	669.20	469.90	70
2	Kothari Mills	2112.99	653.01	31
3	Lakshmi Mills	3482.56	1972.89	50
4	Venketasa Mills	963.15	574.78	60
B. NTC MILLS				
5	Coimbatore Murugan Mills	445.61	154.68	35
6	Coimbatore Spinning and Weaving Mills	866.17	206.67	24
7	Kaleswarar Mills	365.25	157.48	43
8	Somasundaram Mills	447.37	165.95	37
9	Sri Sarada Mills	430.08	159.30	37
Total		9782.38	4514.66	

Source: Balance Sheets of the Mills 1985-86.

The expenses on depreciation for fixed capital generally determines the net profit and there by the profitability of the Industry. It is evident from the table that 30 to 40 percent of the total fixed capital is being allowed for the capital consumption. This is a technical aspect and hence there is no much difference in the depreciation allowance among the private sector mills and nationalised mills.

2.COST ANALYSIS:

Costs are a measure of operational efficiency of a business. The analysis of costs will enable the firm to reduce the cost and increase the profit. The cost incurred by a firm depends upon the type of the product, the scale of operation, the nature of manufacturing operations. The cost analysis is to be done for the determination of basic trends in operating efficiency of the various departments and to indicate when cost estimates need revision.

The costs incurred by the mills include material costs, manufacturing costs, distribution costs labour costs and other costs. Various components of the cost of production and their percentages to total costs are presented in Table 4.6. The share of the public sector mills and NTC mills to total cost in terms of percentages are also given in Table 4.7.

TABLE 4.6

PERCENTAGE SHARE OF EACH MILLS TO TOTAL COST

(Rs. in lakhs)

S.No.	Name of the Mills	Manufacturing Cost	Administration Cost	Selling & Distribution Cost	Raw materials	Wages, Salaries and bonus	Total Cost
A. PRIVATE MILLS							
1	Dhanalakshi Mills	266.66 (7.8)	19.92 (3.4)	21.99 (4.7)	499.41 (6.4)	276.07 (8.8)	1084.05(7.0)
2	Kotheri Mills	436.68 (12.8)	196.99 (33.4)	130.29 (28.1)	1053.79 (13.5)	410.21 (13.2)	2227.96(14.4)
3	Lakshmi Mills	1235.52 (36.1)	150.35 (26.4)	169.27 (36.5)	3427.46 (43.8)	972.34 (31.0)	5960.94(38.6)
4	Venkatesa Mills	219.51 (6.4)	82.29 (13.9)	50.12 (10.8)	809.44 (10.3)	407.83 (13.0)	1569.19(10.2)
	Average	63.1	77.1	80.1	74.0	66.0	70.2
B. MTC MILLS							
5	Coimbatore Murugan Mills	237.03 (6.9)	23.92 (4.0)	17.20 (3.7)	423.74 (5.4)	176.88 (5.6)	878.77 (5.7)
6	Coimbatore Spinning and Weaving Mills	296.96 (8.7)	40.40 (6.8)	25.51 (5.5)	582.49 (7.4)	302.56 (9.6)	1247.92 (8.2)
7	Kaleswarar Mills	142.18 (4.2)	21.31 (3.6)	15.55 (3.5)	280.02 (3.6)	208.45 (6.6)	667.51(4.3)
8	Somasundaram Mills	357.22 (10.5)	28.11 (4.8)	19.73 (4.2)	399.72 (5.1)	194.16 (6.2)	998.94(6.5)
9	Sri Sarada Mills	226.53 (6.6)	21.93 (3.7)	13.79 (3.0)	344.06 (4.5)	187.47 (6.0)	793.78(5.1)
		36.9	22.9	19.9	26	34	29.8
Total		3418.29 (22.2)	591.22 (3.8)	463.45 (3.0)	7820.13 (50.7)	3135997(20.3)	15429.06

Source: Balance sheets of the mills 1985-86
 Figures in brackets show the percentages to total.

TABLE 4.7
MILL WISE DETAILS OF COST OF COMPONENTS

(Rs. in lakhs)

S.No.	Name of the Mills	Manufacturing Cost	Administration Cost	Selling & Distribution Cost	Raw materials	Wages, Salaries & Bonus	Total Cost
A. PRIVATE MILLS							
1	Dharmalakshmi Mills	266.66 (24.6)	19.92 (1.8)	21.99 (2.0)	499.41 (46.1)	276.07 (25.5)	1084.05
2	Kothari Mills	436.68 (19.6)	196.99 (8.8)	130.29 (5.8)	1053.79 (47.4)	410.21 (18.4)	2227.96
3	Lakshmi Mills	1235.52 (20.7)	156.35 (2.6)	169.27 (2.8)	3427.46 (57.5)	972.34 (16.4)	5960.94
4	Venketeswari Mills	219.51 (14.0)	82.29 (5.2)	50.12 (3.2)	809.44 (51.6)	407.83 (26.0)	1569.19
	Average	19.7	4.6	3.5	50.7	21.5	
B. PTC MILLS							
5	Coimbatore Marugan Mills	237.83 (27.0)	23.92 (2.7)	17.20 (2.0)	423.74 (48.2)	176.88 (20.1)	878.77
6	Coimbatore Spinning and Weaving Mills	296.96 (23.8)	40.40 (3.2)	25.51 (2.0)	582.49 (46.7)	302.56 (24.3)	1247.92
7	Kaleswarar Mills	142.18 (21.3)	21.31 (3.2)	15.55 (2.3)	280.02 (41.9)	208.45 (31.3)	667.51
8	Somasunderam Mills	357.22 (35.8)	28.11 (2.8)	19.73 (2.0)	399.72 (40.0)	194.16 (19.4)	998.94
9	Sri Sarada Mills	226.53 (28.5)	21.93 (2.8)	13.79 (1.7)	344.06 (43.4)	187.47 (23.6)	793.78
	Average	27.3	2.9	2.0	44.8	23.8	
Total		3418.29	591.22	463.45	7820.13	3135.97	15429.06

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

The analysis of Tables 4.6 and 4.7 reveals the following facts.

1. As far as manufacturing costs are concerned there is no much variation among the private mills and NTC mills. The percentage ranges between 14 and 35.
2. The percentage of selling cost and administrative cost to total cost is less for all the mills.
3. The raw material cost is found to vary from 40 to 57 percent and the percentage is higher in the total cost.
4. Salaries and wages as percentages to total costs vary between 16 and 26 percent. This percentage is lower in Lakshmi Mills, in spite of the fact that the share of this mill in the total cost of all mills is comparatively higher with 39 percent.
5. Regarding the selling cost, the private sector mills are spending more for advertisement and publicity than the NTC mills as it is revealed from the higher percentages for the private mills.

3. FINANCIAL RESOURCES:

Asset creation, Capital employed, costs incurred by a firm depends upon the availability of funds and sources from which they are raised. A wrong source of fund may lead to poor functioning of the mills and also to insolvent condition.⁴

The sources available for raising of funds for the mills are from equity capital, Banks, NTC and other financial institutions.

The details of the availability of funds to the mills and the percentage of each mill to the total funds are presented in Table 4.8 and 4.9.

TABLE 4.8
MILL WISE DETAILS OF SOURCES AND AMOUNT OF FUNDS (Rs. in lakhs)

S.No.	Name of the Mills	Share holders Fund		Loan Funds		Total Funds
		Share Capital	Reserve & Surplus	Secured Loans	Unsecured Loans	
A. PRIVATE MILLS						
1	Dharmalakshmi Mills	245.90 (44.6)	91.28 (16.6)	150.60 (27.3)	63.2 (11.5)	551.10
2	Kotheri Mills	993.12 (73.5)	156.42 (11.6)	182.12 (13.5)	18.81 (1.4)	1350.47
3	Lakshmi Mills	373.50 (12.6)	738.58 (25.0)	1477.99 (50.0)	368.76 (12.4)	2958.83
4	Venketasa Mills	62.00 (6.5)	302.23 (31.5)	466.03 (48.5)	129.64 (13.5)	959.90
	Average	<u>34.3</u>	<u>21.2</u>	<u>34.8</u>	<u>9.7</u>	
B. PTC MILLS						
5	Coimbatore Maragan Mills	167.53 (19.4)	67.54 (7.8)	182.50 (21.3)	443.93 (51.5)	861.50
6	Coimbatore Spinning and Weaving Mills	173.20 (16.7)	171.80 (16.6)	460.96 (44.5)	229.41 (22.2)	1035.37
7	Kaleewarar Mills	178.02 (25.6)	29.80 (4.4)	150.86 (21.7)	335.72 (48.3)	694.40
8	Somasundaram Mills	192.04 (18.8)	45.11 (4.4)	322.95 (31.6)	462.85 (45.2)	1022.95
9	Sri Sarada Mills	131.57 (16.0)	92.86 (11.3)	152.20 (18.5)	445.63 (54.2)	822.26
	Average	<u>19.3</u>	<u>8.9</u>	<u>27.5</u>	<u>44.3</u>	
Total		<u>2516.88 (24.5)</u>	<u>1695.62 (16.5)</u>	<u>3545.21 (34.6)</u>	<u>2498.07 (24.4)</u>	<u>10256.78</u>

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

TABLE 4.9
PERCENTAGE OF SHARE OF EACH MILL TO TOTAL FUNDS (Rs. in lakhs)

S. No.	Name of the Mills	Share holders Fund		Loan Funds		Total Funds
		Share Capital	Reserve & Surplus	Secured Loans	Unsecured Loans	
A. PRIVATE MILLS						
1	Dhanalakshmi Mills	245.90 (9.8)	91.28 (5.4)	150.60 (4.2)	63.32 (2.5)	551.10(8.4)
2	Kothari Mills	993.12 (39.5)	156.42 (9.2)	182.12 (5.1)	18.81 (0.8)	1350.47(13.2)
3	Lakshmi Mills	373.50 (14.8)	738.58 (43.5)	1477.99 (41.7)	368.76 (14.8)	2958.83(28.8)
4	Venketasa Mills	62.00 (2.5)	302.23 (17.8)	466.03 (13.1)	129.64 (5.2)	959.90(9.4)
	Average	66.6	75.9	64.1	23.3	56.8
B. MTC MILLS						
5	Coimbatore Murugan Mills	167.53 (6.6)	67.54 (4.0)	182.50 (5.2)	443.93 (17.8)	861.50(8.4)
6	Coimbatore Spinning & Weaving Mills	173.20 (6.9)	171.80 (10.1)	460.96 (13.0)	229.41 (9.2)	1035.37(10.1)
7	Kaleswarar Mills	178.02 (7.1)	29.80 (1.8)	150.86 (4.3)	335.72 (13.4)	694.40(6.7)
8	Somasundaram Mills	192.04 (7.6)	45.11 (2.7)	322.95 (9.1)	462.85 (18.5)	1022.95 (10.0)
9	Sri Sarada Mills	131.57 (5.2)	92.80 (5.5)	152.20 (4.3)	445.63 (17.8)	822.26(8.0)
	Average	33.4	24.1	35.9	76.7	43.2
Total		2516.88	1695.62	3546.21	2498.07	10256.78

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

It is evident from the Table that for the private sector mills, the funds from share capital are more with an average percentage of 34 and it is only 19 percent for the NTC mills. Similarly the private mills have 21 percent of the funds reserved from the surplus indicating their profitable functioning. Their borrowed funds in the form of secured loans account for about 35 percent as against 9.7 percent of unsecured loans.

The NTC mills are borrowing from NTC of India and so they have 44 percent of funds raised by way of unsecured loans. Regarding the share of each mill, Lakshmi Mills accounts for about 29 percent of the total funds. The NTC Mills have comparatively more funds as they get more unsecured loans from NTC Delhi.

4.EMPLOYMENT:

The cotton textile Industry is one of the important industries providing direct and indirect employment to nearly 1500 workers in Coimbatore. The organised sector of the composite mills provide regular employment also. The mills considered for the present study are profitably working and out of 9 mills 5 are managed by NTC. Hence, the mandays worked are not affected by labour problems as they are more common among the other mills.

The details of average number of workers and the mandays worked are summarised in Table 4.10. As the details of administrative staff are not available the wage costs and salaries are not considered for the discussion.

TABLE 4.10

MILL WISE DETAILS OF AVERAGE NUMBER OF WORKERS AND THE MANDAYS WORKED (Rs.in lakhs)

S.No.	Name of the Mills	Average number of workers employed daily	No.of days worked	Total No.of Mandays
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	1359 (14.3)	344 (11.2)	467496
2	Kothari Mills	1126 (11.8)	345 (11.3)	388470
3	Lakshmi Mills	1295 (13.6)	344 (11.2)	445480
4	Venkatesa Mills	1436 (15.1)	346 (11.3)	496856
	Average	<u>54.8</u>	<u>45.0</u>	
B, NTC MILLS				
5	Coimbatore Murugan Mills	628 (6.6)	356 (11.6)	223568
6	Coimbatore Spinning and Weaving Mills	1446 (15.2)	341 (11.1)	493086
7	Kaleswarar Mills	777 (8.0)	349 (11.4)	271173
8	Somasundaram Mills	1086 (11.4)	282 (9.4)	306252
9	Sri Sarada Mills	382 (4.0)	353 (11.5)	134846
	Average	<u>45.2</u>	<u>55.0</u>	
Total		9535 (1059.4)	3060 (340)	3227227 (358580)

Source: Balance Sheets of the mills 1985-86
 Figures in brackets show the percentages to totals.

It is evident from the Table that the average number of workers in all the mills is 1059 and inter mills comparison shows that the percentage of each mill varies between 4 to 15. The number of mandays worked is more for the NTC mill (Coimbatore Spinning and Weaving Mills) and less in Kaleswarar Mills. There is no much variation in the number of days worked among the mills.

5. PRODUCTION AND SALES:

Production and Sales of the mills are the determinants of the profitability. The Sales are the regulator of a system of production. The Skill of the workers and the managerial skill are generally reflected in the production performance. The managerial skill, the advertisement and publicity and the price of the products determine the Sales of the mills. The particulars of the production of yarn and cloth and of sales with the percentage share of the mill to the total production and sale are summarised and given in Tables 4.11 and 4.12. The continuous production is conditioned by the creation of a stable, expanding and dependable market which is an exogenous factor and not considered for the discussion.

TABLE 4.11

MILL WISE DETAILS OF VALUE OF PRODUCTION AND SALES

(Rs. in lakhs)			
S.No.	Name of the Mills	Total Value of Production	Total Value of Sales
A. PRIVATE MILLS			
1	Dhanalakshmi Mills	1545.22 (8.0)	1141.19 (7.0)
2	Kothari Mills	2383.02 (12.3)	2356.00 (14.3)
3	Lakshmi Mills	6792.85 (35.1)	6374.08 (38.7)
4	Venkatesa Mills	2391.93 (12.4)	1860.10 (11.3)
	Average	67.8	71.3
B. NTC MILLS			
5	Coimbatore Murugan Mills	986.30 (5.1)	964.51 (5.8)
6	Coimbatore Spinning and Weaving Mills	1608.00 (8.3)	1208.10 (7.3)
7	Kaleswarar Mills	941.95 (4.9)	671.70 (4.1)
8	Somasundaram Mills	1524.46 (7.9)	1080.41 (6.5)
9	Sri Sarada Mills	1154.90 (6.0)	818.30 (5.0)
	Average	32.2	28.7
Total		19328.63	16474.39

Source: Balance Sheets of the mills 1985-86

Figures in brackets shows the percentages of totals.

It is clear from the table that the private mills' share accounts for about 68% percent and the NTC mills' share is 32 percent in the production of yarn and cloth. The same trend is observed in Sales also. The intermill comparison shows that Lakshmi Mills has a higher percentage both in Sales and Production.

The details of value of production of cloth and yarn are given in Table 4.12 and 4.13.

TABLE 4.12
PRODUCTION OF YARN AND CLOTH - MILL WISE

				(Rs.in lakhs)
S.No.	Name of the Mills	Yarn Value	Cloth Value	Total Value of Yarn and Cloth
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	978.02 (63.3)	567.20 (36.7)	1545.22
2	Kothari Mills	1505.29 (63.2)	877.73 (36.8)	2383.02
3	Lakshmi Mills	5143.96 (75.7)	1648.89 (24.3)	6792.85
4	Venketasa Mills	1740.60 (72.8)	651.33 (27.2)	2391.93
	Average	68.8	31.2	
B. NTC MILLS				
5	Murugan Mills	287.93 (29.2)	698.37 (70.8)	986.30
6	Coimbatore Spinning and Weaving Mills	1110.47 (69.1)	497.53 (30.9)	1608.00
7	Kaleswarar Mills	604.58 (64.2)	337.37 (35.8)	941.95
8	Somasundaram Mills	512.45 (33.6)	1012.01 (66.4)	1524.46
9	Sri Sarada Mills	687.96 (59.6)	466.94 (48.4)	1154.90
	Average	51.1	48.9	
Total		12571.26	6757.37	19328.63

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

TABLE 4.13

PERCENTAGE SHARE OF EACH MILL TO TOTAL PRODUCTION

(Rs. in lakhs)

S.No.	Name of the Mills	Yarn Value	Cloth Value	Total Value of
		Rs. in Lakhs	Rs. in Lakhs	Production Rs. in Lakhs
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	978.02 (7.8)	567.20 (8.4)	1545.22 (8.0)
2	Kothari Mills	1505.29 (11.9)	877.73 (12.9)	2383.02 (12.3)
3	Lakshmi Mills	5143.96 (40.9)	1648.89 (24.4)	6792.85 (35.1)
4	Venketasa Mills	1740.60 (13.8)	651.33 (9.6)	1391.93 (12.4)
	Average	74.4	55.3	67.8
B. NTC MILLS				
5	Coimbatore Murugan Mills	287.93 (2.3)	698.37 (10.4)	986.30 (5.1)
6	Coimbatore Spinning and Weaving Mills	1110.47 (8.8)	497.53 (7.4)	1608.00 (8.3)
7	Kaleswarar Mills	604.58 (4.8)	337.37 (5.0)	941.95 (4.9)
8	Somasundaram Mills	512.45 (4.1)	1012.01 (14.9)	1524.46 (7.9)
9	Sri Sarada Mills	687.96 (5.6)	466.94 (7.0)	1154.90 (6.0)
	Average	25.6	44.7	32.2
		12571.26	6757.37	19328.63

Source: Balance sheets of the mills 1985-86
 Figures in brackets show the percentages to total.

The Analysis of Tables 4.12 and 4.13 reveals the following facts.

(1) The percentage of yarn in the total value of production is higher for all the mills ranging between 30 and 80 it is very low for Murugan Mills.

(2) The percentage share of Lakshmi Mills to the total yarn and cloth production is higher with 41 percent and 24 percent respectively.

The particulars of sales of the mills are presented in Tables 4.14 and 4.15.

TABLE 4.14

DETAILS OF MILL WISE SALES OF YARN AND CLOTH

S.No.	Name of the Mills	(Rs. in lakhs)		
		Value of Yarn Rs. in Lakhs	Value of cloth Rs. in Lakhs	Total Sales Value of Yarn and Cloth
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	523.94 (45.9)	617.25 (54.1)	1141.19
2	Kothari Mills	1495.11 (63.5)	860.89 (36.5)	2356.00
3	Lakshmi Mills	4399.58 (69.1)	1974.50 (30.9)	6374.08
4	Venkatesa Mills	1243.64 (66.9)	616.46 (33.1)	1860.10
	Average	61.4	38.6	
B. NTC MILLS				
5	Coimbatore Murugan Mills	282.13 (29.3)	682.38 (70.7)	964.51
6	Coimbatore Spinning and Weaving Mills	813.14 (67.3)	394.96 (32.7)	1208.10
7	Kaleswarar Mills	352.88 (52.5)	318.82 (47.5)	671.70
8	Somasundaram Mills	190.07 (17.6)	890.34 (82.4)	1080.41
9	Sri Sarada Mills	361.79 (44.2)	456.51 (55.8)	818.30
	Average	42.18	57.82	
Total		9962.28	6812.11	16474.39

Source: Balance Sheet of the mills 1985-86

Figures in brackets show the percentages to totals.

TABLE 4.15
PERCENTAGE SHARE OF EACH MILL TO TOTAL SALES (Rs.in lakhs)

S.No.	Name of the Mills	Yarn Value	Cloth Value	Total Value of Sales
		Rs. in Lakhs	Rs. in Lakhs	Rs. in Lakhs
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	523.94 (5.4)	617.25 (9.1)	1141.19 (7.0)
2	Kothari Mills	1495.11 (15.5)	860.89 (12.6)	2356.00 (14.3)
3	Lakshmi Mills	4399.58 (45.5)	1974.50 (29.0)	6374.08 (38.7)
4	Venkatesa Mills	1243.64 (12.7)	616.46 (9.0)	1860.10 (11.3)
	Average	79.3	59.7	71.3
B. NTC MILLS				
5	Coimbatore Murugan Mills	282.13 (2.9)	682.38 (10.0)	964.51 (5.8)
6	Coimbatore Spinning and Weaving Mills	813.14 (8.4)	394.96 (5.8)	1208.10 (7.3)
7	Kaleswarar Mills	352.88 (3.7)	318.82 (4.7)	671.70 (4.1)
8	Somasundaram Mills	190.07 (2.0)	890.34 (13.1)	1080.41 (6.5)
9	Sri Sarada Mills	361.79 (3.7)	456.51 (6.7)	818.30 (5.0)
	Average	20.9	40.3	28.7
Total		9962.28	6812.11	16474.39

Source: Balance Sheets of the mills 1985-86
Figures in brackets show the percentages to total

The sales performance of the private mills in both yarn and cloth is comparatively better than the NTC mills. The inter mill analysis shows that the average Sales percentage of NTC Mills of cloth is higher with 58. Of the total Sales, the private mills' share is more with 70' percentage in yarn. The share of private mills in the Sales of cloth is comparatively less with 50 percent.

6. INVENTORY ANALYSIS:

The stock of inventory will affect profitability of the mills as a portion of the financial resources are wasted in maintaining the stock.

The inventory of the mills consists of raw materials, finished goods, stock in progress, etc. These details are given in Table 4.16 and 4.17.

TABLE 4.16
MILL WISE DETAILS OF INVENTORIES

		(Rs. in lakhs)					
S.No.	Name of the Mills	Raw Materials	Finished Goods	Stock in Process	Waste	Others	Total
A. PRIVATE MILLS							
1	Dhanalakshmi Mills	23.96 (9.4)	199.65 (78.6)	28.85 (11.4)	1.49 (0.6)	-	253.95
2	Kothari Mills	57.27 (12.3)	282.05 (60.6)	64.10 (13.8)	2.36 (0.5)	59.39 (12.8)	465.17
3	Lakshmi Mills	313.55 (25.1)	642.68 (51.4)	76.21 (6.1)	65.88 (5.2)	152.83 (12.2)	1251.15
4	Venketeswari Mills	97.84 (19.0)	249.59 (48.6)	98.33 (19.2)	2.78 (0.5)	65.30 (12.7)	513.84
5	Average	<u>16.4</u>	<u>57.8</u>	<u>12.6</u>	<u>1.7</u>	<u>11.5</u>	
B. NTC MILLS							
5	Coimbatore Murugan Mills	84.67 (25.7)	70.50 (21.4)	158.00 (48.1)	1.28 (0.4)	11.50 (4.4)	329.55
6	Coimbatore Spinning & Weaving Mills	112.27 (29.8)	89.99 (23.9)	137.04 (36.2)	7.49 (2.0)	30.38 (8.1)	377.17
7	Kaleswarar Mills	52.91 (30.4)	42.66 (24.5)	59.54 (34.2)	1.06 (0.6)	17.79 (10.3)	173.96
8	Somasundaram Mills	59.07 (13.5)	149.67 (34.1)	205.71 (46.9)	5.73 (1.3)	18.79 (4.2)	438.97
9	Sri Sarada Mills	42.23 (15.2)	180.47 (58.1)	58.30 (18.8)	0.47 (0.2)	23.93 (7.7)	310.40
	Average	<u>22.9</u>	<u>32.8</u>	<u>36.5</u>	<u>0.9</u>	<u>6.9</u>	
Total		846.77 (20.6)	1907.26 (46.4)	866.68 (21.6)	88.54 (2.2)	382.91 (9.2)	4114.16

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

TABLE 4.17
PERCENTAGE SHARE OF EACH MILL TO TOTAL INVENTORIES (Rs.in lakhs)

S.No.	Name of the Mills	Raw Materials	Finished goods	Stock in Process	Waste	Others	Total
A. PRIVATE MILLS							
1	Dhanalakshmi Mills	23.96 (2.8)	199.65 (10.5)	28.85 (3.3)	1.49 (1.7)	-	253.95 (6.2)
2	Kothari Mills	57.27 (6.7)	282.05 (14.8)	64.10 (7.2)	2.36 (2.7)	59.39 (15.5)	465.17 (11.3)
3	Lakshmi Mills	313.55 (36.9)	642.68 (33.7)	76.21 (8.6)	65.88 (74.4)	152.83 (40.0)	1251.15 (30.4)
4	Venkatesa Mills	97.84 (11.5)	249.59 (13.1)	98.33 (11.1)	2.78 (3.1)	65.30 (17.2)	513.84 (12.5)
	Average	<u>57.9</u>	<u>72.1</u>	<u>30.2</u>	<u>81.9</u>	<u>72.7</u>	<u>60.4</u>
B. MTC MILLS							
5	Coimbatore Marugan Mills	84.67 (10.0)	70.50 (3.7)	158.00 (17.9)	1.28 (1.4)	14.50 (3.7)	329.55 (8.0)
6	Coimbatore Spinning & Weaving Mills	112.27 (13.2)	89.99 (4.7)	137.04 (15.5)	7.49 (8.5)	30.38 (7.9)	377.17 (9.2)
7	Kaleswarar Mills	52.91 (6.2)	42.66 (2.2)	59.54 (6.7)	1.06 (1.2)	17.79 (4.6)	193.96 (4.2)
8	Somasundaram Mills	59.07 (7.1)	149.67 (7.8)	205.71 (23.2)	5.73 (6.5)	18.79 (4.9)	438.97 (10.7)
9	Sri Sarada Mills	42.23 (5.6)	180.47 (9.5)	58.30 (6.5)	0.47 (0.5)	23.93 (6.2)	310.40 (7.5)
	Average	<u>42.1</u>	<u>27.9</u>	<u>69.8</u>	<u>18.1</u>	<u>27.3</u>	<u>39.6</u>
Total		<u>848.77</u>	<u>1907.26</u>	<u>886.68</u>	<u>88.54</u>	<u>382.91</u>	<u>4114.16</u>

Source: Balance sheets of the mills 1985-86
Figures in brackets show the percentages to total.

TABLE 4.18

DETAILS OF INCOME OF THE COMPOSITE MILLS

(Rs. in lakhs)

S.No.	Name of the Mills	Sales	Other Income	Total Income
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	130.04 (98.1)	2.48 (1.9)	132.52
2	Kothari Mills	2356.00 (99.2)	19.10 (0.8)	2375.10
3	Lakshmi Mills	6432.83 (99.2)	52.44 (0.8)	6485.27
4	Venkatesa Mills	1937.43 (99.0)	18.69 (1.0)	1956.12
	Average	<u>98.9</u>	<u>1.1</u>	
B. NTC MILLS				
5	Coimbatore Murugan Mills	1057.70 (97.7)	24.61 (2.3)	1082.31
6	Coimbatore Spinning and Weaving Mills	1351.30 (98.2)	24.68 (1.8)	1375.98
7	Kaleswarar Mills	714.69 (97.8)	15.81 (2.2)	730.50
8	Somasundaram Mills	1303.68 (98.9)	14.95 (1.1)	1318.63
9	Sri Sarada Mills	827.54 (99.0)	7.90 (1.0)	835.44
	Average	<u>98.3</u>	<u>1.7</u>	
Total		16111.21 (98.9)	180.66 (1.1)	16291.87

Source: Balance Sheets of the mills 1985-86

Figures in brackets show the percentages to total.

TABLE 4.19

PERCENTAGE SHARE OF INCOME TO TOTAL INCOME

(Rs. in lakhs)

S.No.	Name of the Mills	Sales	Other Income	Total Income
A? PRIVATE MILLS				
1	Dhanalakshmi Mills	130.04 (0.8)	2.48 (1.4)	132.52 (0.8)
2	Kothari Mills	2356.00 (14.6)	19.10 (10.6)	2375.10 (14.6)
3	Lakshmi Mills	6432.83 (39.9)	52.44 (29.0)	6485.27 (39.8)
4	Venkatesa Mills	1937.43 (12.0)	18.69 (10.3)	1956.12 (12.0)
		----- 67.3 -----	----- 51.3 -----	----- 67.2 -----
B. NTC MILLS				
5	Coimbatore Murugan Mills	1057.70 (6.6)	24.61 (13.6)	1082.31 (6.6)
6	Coimbatore Spinning and Weaving Mills	1351.30 (8.4)	24.68 (13.7)	1375.98 (8.4)
7	Kaleswarar Mills	714.69 (4.4)	15.81 (8.8)	730.50 (4.5)
8	Somasundaram Mills	1303.68 (8.1)	14.95 (8.3)	1318.63 (8.2)
9	Sri Sarada Mills	827.54 (5.2)	7.90 (4.3)	854.44 (5.1)
	Average	----- 32.7 -----	----- 48.7 -----	----- 32.8 -----
Total		----- 16111.21 -----	----- 180.66 -----	----- 16291.87 -----

Source: Balance Sheets of the mills 1985-86

Figures in brackets show the Percentages to totals.

The percentage of income from sales is more for private and NTC Mills. It is 99 percent for all the mills. Nearly 68 percent of the income from Sales is accounted for by the private mills and 32 percent is the share of NTC mills in the total income from Sales.

The profit and loss of the mills as given in the Balance sheets are presented in Table 4.20.

TABLE 4.20

DETAILS OF PROFIT AND LOSS OF THE COMPOSITE MILLS

(Rs.in lakhs)

S.No.	Name of the Mills	Profit	% of Profit to total Profit	Loss	% of Loss to total Loss
A. PRIVATE MILLS					
1	Dhanalakshmi Mills	-	-	68.52	11.4
2	Kothari Mills	24.97	17.9	-	-
3	Lakshmi Mills	86.83	62.3	-	-
4	Venkatesa Mills	27.54	19.8	-	-
B. NTC MILLS					
5	Coimbatore Murugan Mills	-	-	134.20	22.3
6	Coimbatore Spinning and Weaving Mills	-	-	79.33	13.2
7	Kaleswarar Mills	-	-	270.78	45.1
8	Somasundaram Mills	-	-	37.84	6.3
9	Sri Sarada Mills	-	-	10.35	1.7
Total		139.34	100.0	601.02	100.0

Source: Balance sheets of the mills 1985-86
 Figures in brackets show the percentages to total.

From the table it is clear that three private mills are reaping profit (Kothari Mills, Lakshmi Mills, and Venketasa Mills)

Dhanalakshmi Mill is incurring loss because the Capital, production and Sales are very low in this mill.

All the 5 NTC Mills are incurring loss as they are basically sick Mills. The motive of any public sector concern is not profit.

Lakshmi Mills has the highest share in the total profit of the private mills with 65 percent.

Kaleswarar Mills has the highest share in the total loss of the NTC Mills with 45 percent.

8. Production Function:

To find out the relationship between the factors of production, Capital and labour and the production, and also to estimate the returns to scale of the industry, an unrestricted production function of the form.

$$Y = AK^{\alpha} L^{\beta} \text{ is used}$$

Y = Value of production yarn and cloth

K = fixed capital employed

L = Labour employed.

α, β = elasticities

The estimated function is given as

$$Y = 1.006 K^{.54249} L^{.6058} \quad R^2 = .998$$

$$SE = .172$$

$$SE = .1946$$

$$t^* = .3513$$

$$t = 2.786^*$$

The co-efficients of Capital and Labour explain the elasticity of output to change in factor inputs. i.e. One Unit change in Capital will be responded by output by .5 unit. Similarly one unit change in labour will increase the output by .6 Unit. The sum of α and β greater than unity explains that the industry in general is functioning under increasing returns to scale (i.e.) a simultaneous increase of one unit of capital and labour is expected to increase the output by more than one unit.

* Highly significant.

The estimated relation is statistically significant (from the values of t and standard error of the co-efficients) The variation in the Capital and Labour employed alone are responsible for a 99 percent variation in the output level. (From the R^2 value)

Since the number of mills are few under private and public sector, the assessment of returns to scale is done for entire composite mill sector.

9. Efficiency Indices:

The utilisation of the resources, and the extent of utilisation, the performance and the viability, the liquidity position and the financial stability can be assessed in terms of efficiency indices. Gross rate of return is common indicator of economic performance of a business unit as it will reflect the share of all factors of production since, the NTC Mills are incurring loss the profitability index is not dealt in. The efficiency indices are discussed as under:

1. Indices of economic and operational viability
2. Indices of Commercial viability
3. Indices of Asset utilisation
4. Indices of liquidity and solvency.

The economic and operational indices are presented in Table 4.21.

TABLE 4.21

INDICES OF ECONOMIC AND OPERATIONAL EFFICIENCY

(Rs. in Lakhs)

S. No.	Name of the Mills	<u>Value of Production Raw material cost</u>	<u>Value of Production Fixed Capital</u>	<u>Value of Production Total Capital</u>	<u>Value of Production H - f Cost</u>	<u>Value of Production Distribution cost</u>	<u>Value of Production No.of Workers</u>
A.PRIVATE MILLS							
1	Dhanalakshmi Mills	3.1	7.6	5.6	5.8	70.3	1.1
2	Kothari Mills	2.3	1.6	1.3	5.5	18.3	2.1
3	Lakshmi Mills	2.0	4.5	2.7	5.5	40.1	5.2
4	Venkatesa Mills	2.9	6.2	2.8	10.9	47.7	1.7
B. NTC MILLS							
5	Coimbatore Murugan Mills	2.3	3.4	1.3	4.2	57.3	1.6
6	Coimbatore Spinning and Weaving Mills	2.8	2.4	1.7	5.4	63.0	1.1
7	Kaleswarar Mills	3.4	4.5	1.7	6.6	60.6	1.2
8	Somasundara Mills	3.8	5.4	1.9	4.3	77.3	1.4
9	Sri Sarada Mills	3.4	4.3	2.4	5.1	83.7	3.0

H.F = Manufacturing Cost

Source: Computed from the Balance sheet details of the mills.

It is revealed from the Table that the labour productivity is constant except in Lakshmi Mill. All productivity co-efficients are higher for this mill indicating its good economic technical and operational performance. Dhanalakshmi Mills, in the private sector is not functioning efficiently and the efficiency values are similar to the values of the NTC mills.

The indices of commercial viability and assets utilisation are presented in Tables 4.22 and 4.23.

TABLE 4.22

INDICES OF COMMERCIAL VIABILITY

(Rs. in Lakhs)

S.No.	Name of the Mills	Sales	
		Fixed Capital	Cost of Production
A. PRIVATE MILLS			
1	Dhanalakshmi Mills	5.7	1.1
2	Kothari Mills	1.6	1.1
3	Lakshmi Mills	4.2	1.1
4	Venkatesa Mills	4.8	1.2
B. NTC MILLS			
5	Coimbatore Murugan Mills	3.3	1.1
6	Coimbatore Spinning and Weaving Mills	1.8	1.0
7	Kaleswarar Mills	3.2	1.0
8	Somasundara Mills	3.8	1.1
9	Sri Sarada Mills	3.0	1.0

Source: Computed from the Balance Sheet details of the mills

TABLE 4.23

INDICES OF ASSET UTILISATION

			(Rs. in Lakhs)	
S.No.	Name of the Mills	<u>Value of Production</u> Current Assets	<u>Value of Production</u> Gross Block	<u>Current Assets</u> Gross Block
A. PRIVATE MILLS				
1	Dhanalakshmi Mills	4.7	2.3	0.5
2	Kothari Mills	3.5	1.1	0.3
3	Lakshmi Mills	4.1	2.0	0.5
4	Venkatesa Mills	3.0	2.5	0.8
B. NTC MILLS				
5	Coimbatore Murugan Mills	1.7	3.2	1.3
6	Coimbatore Spinning and Weaving Mills	3.1	2.0	0.6
7	Kaleswarar Mills	2.1	2.6	1.3
8	Somasundara Mills	2.1	3.4	1.6
9	Sri Sarada Mills	3.0	2.7	0.9

Source: Compiled from the balance sheet details of the mills.

The tables clearly reveal that all the mills have perfect commercial viability. But the extent of asset utilisation is not same for all the mills. This may be one of the reasons for the poor performance of Dhanalakshmi Mills and NTC Mills. The Solvency and liquidity indices are given in Table 4.24.

TABLE 4.24

INDICES OF SOLVENCY AND LIQUIDITY

(Rs. in lakhs)

S.No.	Name of the Mills	<u>Current Assets</u> <u>Current Liabilities</u>	<u>Reserve Surplus</u> <u>Current Liabilities</u>
A. PRIVATE MILLS			
1	Dhanalakshmi Mills	1.3	0.4
2	Kothari Mills	2.1	0.5
3	Lakshmi Mills	2.5	1.1
4	Venkatesa Mills	2.5	0.9
B. NTC MILLS			
5	Coimbatore Murugan Mills	4.1	0.5
6	Coimbatore Spinning and Weaving Mills	2.1	0.7
7	Kaleswarar Mills	4.6	0.3
8	Somasundaram Mills	3.3	0.2
9	Sri Sarada Mills	2.1	0.5

Source: Compiled from the balance sheet details of the mills.

It is evident from the table constantly creating assets and hence the NTC mills will not become insolvent. On the other hand the private mills are a concentrating on production and Sales and hence the solvency ratios are comparatively lower. As far as the liquidity position is concerned, the Lakshmi Mills is the only private sector mill which is allotting a portion of their profit as reserves to meet their current obligations. These values are lower for the NTC Mills as they are not able to keep reserves due to the incurring of loss.

The findings of the results are summarised and presented in the chapter "Summary and Conclusion".

Summary and Conclusion

V SUMMARY AND CONCLUSIONS

The data collected from the balance sheets of the composite mills were analysed with percentages, ratios and regression estimations. The following were the findings emerged from the analysis.

Capital Structure:

1. In the share of each mill to the capital employed, the Lakshmi Mills had a higher percentage both in fixed and working capital followed by Kothari Mills.
2. The investment on machinery constituted a highest share ranging between 65 and 92 percent. There was no much variation in investment on machinery among the mills.
3. As far as the manufacturing costs were concerned, there was no much variation among the private mills and NTC Mills. The percentage ranged between 14 and 35.
4. The percentage of selling cost and administrative cost to total cost was less in all the mills.
5. The Raw material cost varied between 40 and 57 percent, the percentage was higher in the total cost for all the mills.
6. Salaries and wages as percentages to total costs varied between 16 and 26. This percentage was lower in Lakshmi Mills.
7. Private Sector mill spent more for advertisement and publicity than the NTC Mills.

Financial Sources:

8. The funds from share capital were more with an average percentage of 34 and it was only 19 percent for the NTC Mills.
9. The NTC mills had comparatively more funds as they got more unsecured loans from NTC Delhi.
10. In the private sector mills, the funds from share capital were more with an average percentage of 34 and it was only 19 percent for the NTC mills.
11. The NTC Mills were borrowing from NTC of India and so they had 44 percent of funds raised by way of unsecured loans.

Employment:

12. The inter mill comparison of employment showed that the percentage of each mill varied between 4 and 15.
13. The Number of mandays worked was more for the Coimbatore spinning and weaving mills and less in Kaleswarar Mills.
14. There was no much variation in the number of days worked among the mills.

Production and Sales:

15. In the production of yarn and cloth private mills' share accounted for about 68 percent and the NTC Mills' was 32 percent.

16. The Lakshmi Mills had a higher percentage both in sales and production.

17. The percentage of yarn in the total value of production was higher for all the mills ranging between 30 and 80 percent and it was very low for Murugan Mills.

18. The average sales percentage of NTC Mills of cloth was higher with 58 and private mills was less with 50 percent.

Inventory Analysis:

19. The average percentage of finished goods to total inventory was higher with 60 for the private mills and 32 percent for the NTC Mills.

20. The share of stock in process was more in NTC Mills with 37 percent. In private mills, Lakshmi Mills had a higher percentage of stock in the total stock.

Income and Profit:

21. Income from Sales accounted for about 68 percent for the private mills and 32 percent for the NTC mills.

22. Three private mills were reaping profits and all the five NTC mills were incurring loss.

23. Lakshmi Mills had the highest share in the total profit of the private mills with 65 percent.

24. Kaleswarar Mills had the highest share in the total loss with 45 percent.

Production Function:

25. The estimated Cobb Douglas production was $1.006 K^{.54249} L^{.6058}$

26. The composite mill sector in coimbatore was subject to increasing returns to scale.

Efficiency Indices:

27. There was perfect economic, commercial and operational viability for all the mills except Kaleswarar mills (From the efficiency indices)

28. The financial and liquidity position of all the mills were stable (from the solvency and liquidity indices)

CONCLUSION

The cotton textile industry is now in the revival stage. In many of the mills because of the recession and the consequent loss, their resources and working capital have been wiped out and their borrowing capacity has been impaired consequently. Unless, finance from external sources is forthcoming, it is not possible to recover from the financial crisis. Another problem of the industry is the slow process of modernisation. There should be concentration on modernisation than on expansion of the industry. There is scope for the full and optimal utilisation of the unutilised resources through a phased programme of modernisation in the industry.

Areas for further research:

1. Cost management financial management and sales management in the textile sector.
2. The influence of factor prices on the profitability of the mill sector.
3. The impact of product prices on the performance of the mill sector.
4. Modernisation programme in the sector.

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