ANALYSIS OF WORKING CAPITAL OF MULTIEND REELING AND
MULTIEND REELING CUM TWISTING UNITS

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ABSTRACT

A scheme to support multiend reeling units with twisting facility was implemented in the XI five-year plan of Govt. of India for value addition and consequently more than 50 multiend reeling cum twisting units were established. But most of the units have been facing problems of working capital availability, since the requirement is quite high due to low value addition in the activity and high material cost. Hence, it was proposed to study the working capital of multiend reeling and reeling cum twisting units. The study indicated that the units do not have adequate working capital at their disposal. The working capital requirement was found to be significantly higher in multiend reeling cum twisting units as compared to only multiend reeling units due to larger working capital cycle. The availability of working capital was found to be significantly lower than the requirement in both the cases. The net profit per kg silk of units with adequate working capital was found to be significantly higher than that of units with inadequate working capital. From the study, it is suggested that the reeling sector needs support on easier terms by financial institutions to raise working capital.

Keywords: Components, cycle, holding period, net profit, working capital.

INTRODUCTION

The multiend reeling technology developed by Central Silk Technological Research Institute, Bengaluru, India keeping in view the field requirements to deal with the cocoons presently being produced has provided the right impetus for the quality improvement. Under the Catalytic Development Programme in the IX, X & XI Plans, more than 500 multiend reeling units were established in the country.

Most of the silk reeling units are micro enterprises having low capacity to invest. They operate on very thin margins (Nagaraj et al., 2011) which get erased by occasional input / output price fluctuations. In view of this, the Govt. has been supporting the reeling industry during the plan periods in terms of investment subsidy on the cost of the machinery for establishment of multiend reeling units. Further during XI Plan, it was proposed to support the existing multiend reeling units and new units to be established during the plan periods with 400 spindles twisting capacity for value addition. More than 50 multiend reeling cum twisting units were established and many multiend reelers have applied for the scheme. In spite of the Govt. support to the silk reeling sector for establishment of multiend reeling units by subsidizing the machinery cost, the reeling units do not have sufficient working capital at their disposal and the support from financial institutions are not forthcoming (Nagaraj et al., 2012).

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