

**Techno-Economic Viability Study & Business Plan for
Revival of North Eastern Handicrafts & Handlooms
Corporation Ltd. (NEHHDC)**



**Techno-Economic Viability Study & Business Plan for Revival of North Eastern
Handicrafts & Handlooms Corporation Ltd. (NEHHDC)**

**Submitted To
Ministry of Development of North Eastern Region
Government of India**

Prepared By



**North Eastern Development Finance Corporation Ltd.
(NEDFi)**

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EXECUTIVE SUMMARY

TITLE OF THE STUDY

BUSINESS PLAN FOR REVIVAL OF NORTH EASTERN HANDICRAFTS AND HANDLOOM DEVELOPMENT CORPORATION LTD (NEHHDC)

1. Introduction

The North Eastern Handicrafts and Handlooms Development Corporation (NEHHDC) had been established in 1977 by the Government of India. It was entrusted with the mandate of promoting and developing handicrafts and handlooms in the North Eastern (NE) Region of India. While the organization has worked for over four decades in order to support the handicrafts and handlooms sector in the NE Region, it has been making losses that have wiped out the shareholders' capital.

The Ministry of Development of North Eastern Region (DoNER), which is the administrative ministry of the Corporation, has assigned the North Eastern Development Finance Corporation Ltd. (NEDFi) with the task of carrying out a Techno-Economic Viability Study of NEHHDC and preparing a Business Plan for its revival. Accordingly, NEDFi undertook the above assignment during the last quarter of the Financial Year (FY) 2020-21, based on information received from the Corporation and other stakeholders, supplemented by data collected from the local market.

2. Handicrafts & Handlooms in India & in the NE Region

Handicrafts and handlooms play a significant role in the economy of India. These sectors contribute significantly to the national economic output. They provide the largest source of rural engagement, after cultivation and agricultural labour. In addition, these activities earn significant amount of foreign exchange for India, especially the export of handicraft items. Handicrafts is a diversified sector with nearly 70 lakh artisans practicing various crafts, with as many as 67 categories under the Office of Development Commissioner (Handicrafts). Handloom weaving is one of the largest economic activities after agriculture providing direct and indirect employment to 35.22 lakh weavers and allied workers. This sector contributes nearly 15% of the cloth production in the country.

The states of North Eastern India have a tradition of craftsmanship and weaving. Handicraft and handloom activities are being mostly carried out in an unorganized manner at the household level. The participants are generally household members, and others are engaged only when the need arises. The above-mentioned sectors have shown resilience, and the emergence of local entrepreneurs (especially women) is a positive sign. The Government of India has been supporting the development of these sectors in the region.

As per the '*Pehchan*' initiative of the Government, the North East Region has 31,398 registered crafts persons, which is about 1.37% of the numbers registered in the country. Manipur and Assam account for over 68% of these registrations in the region. As per the 4th All India Handloom Census (2019-20), there are 18.56 lakh handloom workers and 18.62 lakh handlooms in North Eastern Region (NER). A majority of looms in the North Eastern states are engaged in domestic production. The 6th Economic Census (2013-14) had reported that the NE Region has 1,71,012 establishments working in the areas of handicrafts and handlooms, which engage 3,12,597 persons. The region has over 9% of the total number of such establishments in the country

This chapter also covers the role of Government agencies working in the handicrafts and handlooms sector, with the discussion being done separately for handicrafts and handlooms

3. Present Status of NEHHDC

NEHHDC had been established with a mandate 'to develop and promote handicrafts and handlooms in all aspects in the North Eastern Region'. Since its inception, the Corporation has been providing marketing support to the artisans and weavers of the NE Region. It is also undertaking other activities, such as training and design development, awareness generation amongst artisans and weavers, skill up-gradation, R&D activities etc. As per the existing model of NEHHDC, the handicraft and handloom items produced in the region are being procured by it, and marketed through its outlets located in major cities of the country. In addition, the Corporation had been facilitating artisans and weavers in attending exhibitions, trade fairs and other events across India.

This chapter gives the Mission, Vision and Objectives of NEHHDC, along with its existing structures for governance and management. As a Central Public Sector Enterprise, the Directors of NEHHDC are nominated by the President of India through the Ministry of DoNER, Government of India. The Managing Director is the Chief Executive of NEHHDC; and he is accountable to its Board of Directors and to Government of India. The Managing Director is responsible for the efficient functioning of the organization.

The business model of NEHHDC depended upon the sale of handicraft and handloom items through three major channels, viz. (1) sales outlets (showrooms and regional sales promotion offices); (2) marketing events (exhibitions, trade fairs etc.); and (3) institutional sales. The source of the handicraft and handloom items sold through the above channels includes the following: (1) Items procured from artisans and weavers across the NE Region ('Own Sales'); and (2) Items of consignor parties sold on 'Consignment Basis'. [In 2020-21, NEHHDC has taken decision to stop consignment sales, as well as exhibition based sales and institutional sales in order to promote 'own sales'.]

The revenues of NEHHDC have been on a sharp decline twice in the recent past: once from FY 11-12 to FY 14-15, and again from FY 18-19 onward. In between, such revenues had increased quite sharply from FY 15-16 to FY 17-18. However, this growth has not been sustained thereafter, and the revenues are now languishing just above Rs 460 lakh per annum for the past two years. As a result of the continuous losses made by NEHHDC since 2012-13 (and earlier), its net worth has been totally eroded. Now, the net worth is in the negative by over Rs 12.00 crore. This is the present financial status of NEHHDC, despite the infusion of Rs 6.50 crore as additional equity from Ministry of DONER in 2013-14 and 2014-15 for its revival, and the write-off of loans made to it by the above Ministry.

NEHHDC has been marketing a wide range of handloom and handicraft products, which are sourced from artisans and weavers of the NE Region. The share of handlooms had been increasing in the recent years, as reported in the Annual Reports. The handicraft products sold by NEHHDC are mainly based on bamboo and cane, with bamboo being more used now due to the rising prices of cane. Many of these items are quite fragile, and the life of bamboo is uncertain as the raw materials are used on a 'as-is' basis by the artisans without treatment or testing. Further, many of the designs used for handicraft and handloom items have not evolved continuously over time, giving an outdated look to a large part of the existing product range. The customers of NEHHDC mainly include: (a) individual buyers who come to the emporia and (b) buyers from amongst visitors who come to the exhibitions and other marketing events organized by NEHHDC, including events where it takes part. However, the Corporation did not build up a viable marketing strategy over time, based on a focus on the evolving customer needs. Consequently, it was unable to develop its position in the market-place as a unique entity promoting the diverse crafts and handlooms of the NE Region

This chapter also discusses the products and markets, and sales channels of NHHDC. The present status of procurement and inventory management, human resources, systems and processes etc. has been also covered.

4. Government Regulations & Initiatives

The role of the Government is to ensure a favourable policy environment, as well as to facilitate the creation of enabling conditions for the industry and private entrepreneurs to set up units. This is implemented through its various policy initiatives and schemes, including those for technology up-gradation, infrastructure creation and skill development. These schemes have been described subsequently in this chapter. In addition, the Government has set up handloom and handicraft clusters at various places in the country to support the above sectors. It may be noted that in India, the Government no longer establishes any new textile industries, including in the handlooms and handicrafts sectors.

The prevailing policy measures are being guided by the National Textile Policy, 2000. As per this policy, there shall be an endeavour to 'strengthen and encourage the handloom industry to produce value added items and assist the industry to forge joint ventures to secure global markets'. The above policy also states that the existing schemes and programmes initiated in the handlooms and handicrafts sectors have to be revamped, in order to ensure better returns for those belonging to disadvantaged categories, and the North Eastern states and other backward regions of the country.

The Government policy is to continue to accord priority to the handlooms sector. Steps would be taken to promote and develop its exclusiveness for the global market. In addition, continued and focussed attention will be given to handicrafts to enable the sector to increase both its contribution to exports and its productive employment.

The Office of the Development Commissioner [Handicrafts] implements various schemes for promotion and development of handicrafts sector under National Handicraft Development Programme [NHDP] and Comprehensive Handicrafts Cluster Development Scheme (CHCDS) to emphasize integrated approach for development of handicraft cluster in a holistic manner. The details have been covered in this chapter. Further, in its endeavour to save and develop the handloom sector in the country, the Government of India is implementing the following schemes: (a) National Handloom Development Programme (NHDP); (b) Comprehensive Handloom Cluster Development Scheme (CHCDS); (c) Handloom Weavers' Comprehensive Welfare Scheme (HWCWS); and (d) Yarn Supply Scheme (YSS).

The Government of India is implementing the various schemes for development of handlooms and welfare of handloom weavers in the North Eastern States. The details of such schemes have been furnished in this chapter.

5. Other Inputs for the Study

The other inputs for the present include: (a) Utilization of the Previous Revival Package; (b) Analysis of Previous Studies; and (c) Inputs from Stakeholders.

The above chapter analyses the different ways in which the previous revival package was used. However, the major investments did not give any lasting outcome. These include expenditures for the procurement of handlooms and handicrafts from weavers and artisans of the NE Region, which accounted for about 80% of the amount provided. However, the 'own sales' (i.e. sales out of stocks

purchased from artisans and weavers) did not rise very much, both in absolute terms and as a percentage of the gross sales of NEHHDC, as discussed in this chapter.

In addition, the following studies, previously carried out by NEHHDC, were analysed: (a) Perspective Plan & Strategy for Revival of North-Eastern Handicrafts & Handloom Development Corporation Ltd, formulated by Assam Productivity Council (APC) after receipt of funds from the Ministry in 2014; (b) Revival Plan for North Eastern Handicrafts & Handlooms Development Corporation, prepared by Birla Institute of Management Technology (BIMTECH) in 2011-12; (c) Recovery and Corporate Business Plan for Up-gradation of NEHHDC, by the Administrative Staff College of India (ASCI) in 2006-07; and (d) Turnaround Plan of NEHHDC, from R. K. Gupta & Co prepared in July, 2001. The chapter has summarized the important recommendations of the above studies regarding the major functional areas of the Corporation like procurement, marketing, finance and systems, human resources, and organizational focus.

Further, as a part of the present assignment, inputs were obtained from a range of stakeholders, such as businessmen, sales outlets, designers etc. These inputs have been summarized in this chapter.

6. SWOT Analysis of NEHHDC

The SWOT Analysis of NEHHDC has been given in this chapter. The analysis is partly based upon the SWOT Analysis furnished in the recent Annual Reports of the Company, and the inputs received from the executives of the Company.

The following are the major strengths of NEHHDC: (a) its status as a Central Public Sector Enterprise under the administrative control of the Ministry of Development of NE Region (M-DoNER), which receives regular Government support; (b) experience in organizing exhibitions and other events for M-DoNER & NEC; (c) Knowledge about handicrafts and handlooms and experience of these sectors in the NE Region of India as well as in key markets; and (d) Recruitment of professionally qualified and experienced manpower in recent years.

The weaknesses of the Corporation include: (a) poor financial status, with its share capital wiped out by accumulated losses; (b) lack of market orientation in the operations of the Corporation; (c) weak governance structure; (d) lack of middle management (DGM and Manager level officers) in between the Managing Director and the young professionals; and (e) weak implementation of policies and processes in the key areas like marketing, procurement, inventory control, and accounts.

The major opportunities for the Corporation include: (a) availability of digital market-places that connect sellers with buyers; (b) emphasis upon crafts and handlooms placed by Amazon, a leading e-commerce market-place company in India; (c) availability of support under Government schemes for aspects like product design and development, cluster development, capacity building, marketing etc.; and (d) Government focus on the economic development of NE Region, including the handicrafts and handloom sectors of the region.

NEHHDC faces the following threats due to the changes in its operating environment: (a) competition from private players dealing with handicraft and handloom products of the NE Region; (b) existence of state corporations with similar product profiles; (c) fluctuations in the availability of raw materials; and (d) economic effects of the on-going COVID-19 pandemic.

The above chapter also gives the measures for addressing the weaknesses of the Corporation identified under the SWOT analysis, as well as steps to counter the threats from its external environment.

7. Goals & Strategies

Goals of the Action Plan: The Goals of the present Action Plan of NEHHDC have been listed as follows: (a) NEHHDC will increase its turnover from the present levels of Rs. 4.60 crore (in FY 2019-20) to over Rs. 30.00 crore by end of Year-5 of the Plan; (b) NEHHDC will become profitable by

Year-3 of the Business Plan; and (c) After 5 years of start of the Plan, NEHHDC will become self-sustaining and not need periodic Ministry funds for its commercial operation.

Strategies for Achieving the Goals: The following strategies have been proposed under the present Revival Action Plan for NEHHDC, covering each of the above Goals.

Goal No (1): NEHHDC will increase its turnover from the present levels of Rs. 4.60 crore (in FY 2019-20) to over Rs. 30.00 crore by end of Year-5 of the Plan.

Proposed Strategies:

- Sales from own outlets;
- Sales from outlets developed under a PPP Model;
- Other Sales like Bulk Sales to Third Parties, Institutional Sales, E-commerce sales, Referral sales, and Sales from Mobile Vans ('Purbashree-on-wheels'); and
- Income from sources like Rental Income, Fee-based Income, and Income from the Administrative Charges for operating Government schemes.

Goal No (2): NEHHDC will become profitable by Year-3 of the Business Plan

Proposed Strategies:

- Maintaining the gross margins (after accounting for all costs of sale, sales returns and sales commissions) for all handicraft and handloom items sold;
- Cost management of all other costs – interest on WC loans and finance costs, employee benefits expenses including salary, wages and other employee benefits, office expenses, depreciation on fixed assets etc.; and
- Undertaking development & promotional activities in the handicraft and handloom sectors on behalf of the Government to the extent that funding is available for the same from the Budget of the Government.

Goal No (3): After 5 years of start of the Plan, NEHHDC will become self-sustaining and not need periodic Ministry funds for its commercial operation

Proposed Strategies:

- Improving the profitability and thereby the balance sheet of the Corporation, so that it is able to seek working capital loans for its sales expansion from banks; and
- Building up the reserves and surplus position of the balance sheet, so that future fixed investments can be funded out of the same.

The above chapter also gives the various action points that have been proposed under each of the above suggested strategies.

These Action Points have been discussed in greater depth in the following chapters titled 'Business Plan for NEHHDC' and 'Proposed Support from the Government'. In fact, these chapters have been developed from the above Strategies as well as the Action Points needed in order to execute the suggested strategies.

8. Business Plan for NEHHDC

The main objectives of the proposed Business Plan of NEHHDC are to ensure that the revenues of the Corporation increase in a sustainable manner, and that artisans and weavers across the NE Region are adequately benefitted as a consequence. The Corporation should become profitable and sustainable in the longer run.

The Business Plan for the revival of NEHHDC has been formulated after considering the following: performance of the Corporation in the recent past; the present status of its revenues and profitability; the current status of handicrafts and handlooms in the country and in the NE Region; recommendations from the past studies carried out on NEHHDC; view-points of the stakeholders, utilization of the previous revival package that had been approved in 2014; and the SWOT analysis of the Corporation.

In addition, the Business Plan has been developed in consonance with the Mission and Vision of NEHHDC as stated in the previous chapter, as well as the Goals and Strategies developed therein. Further, a substantial part of the Business Plan has been developed during the two-day Strategic Workshop organized by NEDFi on 11th & 12th of March 2021, and attended by the executives of NEHHDC.

Commercial Plan

NEHHDC need to focus upon its commercial activities, as the growth of revenues, profitability and long term viability of the Corporation will depend upon such a commercial orientation. Other activities (developmental and promotional) may be taken up in order to support its commercial activities. The sales of NEHHDC should be focussed upon the handicraft and handloom items produced within the region that have greater market demand. NEHHDC executives need to study the market trends and procure items that will sell quickly in its outlets and events. Software aided analysis of sales data must be carried out, based on item-wise codification of its product range. The range may be narrowed down and focus be paid to items that account for 60% of its sales ('A' class inventory). The commercial plan for NEHHDC is based on the revenue streams as tabulated below.

Table-ES.1: Sources of Commercial Revenues for NEHHDC

Source	Details
Sale of Handicraft & Handloom Items	
Sales from NEHHDC's own showrooms	NEHHDC has five existing showrooms at Guwahati (Ambari), Guwahati (Garchuk), Shillong, Kevadia in Gujarat (at 'Statue of Unity') and Varanasi
Sales from outlets developed under the PPP mode	The first PPP outlet of NEHHDC has been started at Kaziranga in collaboration with RGVN. Four additional outlets have been signed up. These are under the 'shop-in-shop' concept, where the shop is paid a commission of around 15% More such outlets are proposed to be started to reach a target of 50 outlets.
Institutional Sales	Sales of items to various institutions for their own use (not for resale)
Bulk Sales to Third Parties / Exports	Sale of items made by NE artisans and weavers to resellers etc. as well as exports of items under NEHHDC banner
E-commerce sales	E-commerce sales through portals including: (a) Own portal (b) Online market-places like Amazon, with which NEHHDC has entered into a tie-up under Amazon Karigar programme
Referral Sales	Referral selling is based on incentivizing the current customers of a company to refer its product to another customer. In this manner, the trust that has been built up with the customers is leveraged.
Sales from Mobile Vans	Sales from two mobile vans, which have been dubbed a

Source	Details
	'Purbashree-on-wheels'. These will travel from place to place, in order to sell items under NEHHDC's banner.
Other Income Sources	
Rental incomes	Incomes from renting out spaces in Kolkata, East Point Tower, and Garchuk that are not required by NEHHDC now.
Income from Stalls in Delhi Haat	In the Delhi Haat, there are four stalls that are operated by NE based sellers, who sell through the Corporation. NEHHDC gets a 15% commission
Fee based income	Income from consultancy, designing and other similar assignments carried out on a fee basis.
Outlets - Other NE States	Outlets will be established by the Corporation in the six uncovered states of the NE Region.

Source: Discussions with NEHHDC

Development & Promotional Plan

NEHHDC can also act as an agency to implement Government schemes for the development of the artisans and weavers for capacity up-gradation, design improvement, new designs and products, use of improved materials etc. Further, the Corporation can organize exhibitions and craft bazaars that are funded by the Government under existing or new schemes. The Corporation will levy an administrative charge for carrying out such activities. In addition, NEHHDC will establish 'Training, Production cum Exhibition Centres' in other NE states, on the model of its Garchuk establishment.

Revenue Streams

The following are the targets for revenues under the Business Plan for NEHHDC.

Table-ES.2: Projected Revenues of NEHHDC for a Five Year Period

Source	Target for Revenues (Rs. in Lakh)				
	Year-1	Year-2	Year-3	Year-4	Year-5
Sale of Handicraft & Handloom Items					
Sales from NEHHDC's own showrooms	378.00	425.85	479.82	540.69	609.36
Sales from PPP Outlets	17.40	100.50	204.11	260.28	292.72
Total Sale of Outlets	395.40	526.35	683.92	800.97	902.07
Institutional Sales	24.00	27.60	31.74	36.50	41.98
Bulk Sales to Third Parties / Exports	25.00	332.50	642.25	1254.93	1571.40
E-commerce sales - Own website	15.00	16.50	18.15	19.97	21.96
E-commerce sales - Other market-places	12.00	50.00	150.00	300.00	500.00
Referral Sales	12.00	15.00	18.75	23.44	29.30
Sales from Mobile Vans	60.00	66.00	72.60	79.86	87.85
Total Sales - Handicrafts & Handlooms	543.40	1033.95	1617.41	2515.66	3154.56
Other Income Sources					
Rental Incomes	34.00	35.70	37.49	39.36	41.33
Share of Sales from Stalls in Delhi Haat	8.10	8.91	9.80	10.78	11.86
Fee based income (net of all expenses)	25.00	27.50	30.25	33.28	36.60
Administrative Charge from Govt.	65.00	68.25	71.66	75.25	79.01

Source	Target for Revenues (Rs. in Lakh)				
	Year-1	Year-2	Year-3	Year-4	Year-5
Schemes					
Outlets - Other NE States	0.00	151.20	158.76	166.70	175.03
Total Revenues	675.50	1325.51	1925.37	2841.03	3498.39

The above chapter also discusses the immediate measures for strengthening NEHHDC. These include interventions covering: board of directors, functional management, separation of marketing and procurement, defining the roles & responsibilities of executives, product development & pricing, procurement of items, strengthening the sales force, changes to the memorandum of association, and strengthening the processes and systems. Thereafter, additional measures have been suggested for implementation from Year-2 of the Plan, including scaling-up procurement, undertaking exports, other measures for boosting revenues etc.

9. Proposed Support from the Government

The basic intent of this proposal is to revive NEHHDC by increasing its sale of handicraft and handloom items, based on own inventories purchased to the extent possible directly from clusters of artisans and weavers, or from individual producers. The Corporation is envisaged to become profitable by Year-3 of the plan, and also become sustainable by the end of the plan period. The proposed support from the Government will not only improve its balance sheet, but also empower NEHHDC in meeting its core mandate of helping the artisans and weavers of the NE Region by purchasing and marketing their output.

Fund Based Support

The components of fund based support proposed for NEHHDC have been given below.

Table-ES.3: Proposed Fund Based Support for NEHHDC

Head	Rs. in Lakh	Details in Chapter-9 under
FUND-BASED SUPPORT		
Working Capital Support	375.16	Note-A
Support for Operations (Years-1 &2)	371.17	Note-B
Fees for Increase of Share Capital	38.63	Note-C
Capital Expenditures (excl. Software & E-commerce)	162.84	Note-D
Software for NEHHDC & E-commerce	70.00	Note-E
Payment of Other Current Liabilities	141.00	Note-F
TOTAL: FUND BASED SUPPORT	1158.80	

The details of the above components of fund based have been furnished at Section 9.3 of Chapter-9 and may be referred to therein.

Non Fund Support

Table-ES.4: Proposed Non-Fund Support

Head	Rs. in Lakh	Details in Chapter-9 under
Conversion into Equity (Long Term Loan)	1800.46	Note-G
Write off of Interest on Borrowings	2019.00	Note-H
TOTAL: NON-FUND BASED SUPPORT	3819.46	

The pertinent details are available at Section 9.3 of Chapter-9.

The justification of above support (both fund and non-fund based support) is given at below.

Table-ES.5: Justifications for proposed Fund & Non-Fund based Support

TYPE OF SUPPORT	JUSTIFICATION
FUND-BASED SUPPORT	
Working Capital Support	To enable NEHHDC to carry out business in the first three years (Year-1 to Year-3), when its low profitability may preclude it from getting bank loan for financing working capital needed for its planned sales growth
Support for Operations (Years-1 &2)	To off-set the losses in Year-1 and Year-2, after which NEHHDC can give profits based on achievement of sales growth and expense containment targets
Fees for Increase of Share Capital	For increasing the authorized share capital in order to convert the outstanding long-term borrowings from Ministry of DoNER into equity
Capital Expenditures (excl. Software & E-commerce)	To purchase computers and associated software to enable the smooth operation of corporation's software and its E-Commerce portal which are needed as justified below Refurbishing costs of Garchuk premises of NEHHDC & outlets To repair the existing machines of the Common Facility Centre, which can be deployed to earn some revenues
Software for NEHHDC & E-commerce	Software: In order to manage the procurement, inventories, sales invoicing, management of cash, payables and receivables etc. to prevent losses, fraud, lack of operational control etc. E-Commerce Portal: For e-commerce based sales by strengthening existing portal
Payment of Other Current Liabilities	Payment of 'Other Current Liabilities' for Gratuity and Leave Encashment of Regular Employees retiring soon (and not covered under VRS package)
NON-FUND BASED SUPPORT	
Conversion into Equity of Long Term Loan	In order to increase the net worth (which is fully eroded), and in order to improve the Balance Sheet in order to enable NEHHDC to approach banks for Working Capital loans
Write off of Interest on Borrowings	-Do- To remove the burden of past interest accrued and to ensure the viability and long-term sustainability of the Corporation

Chapter-9 also furnishes the impact of the above support on the Balance Sheet of NEHHDC, which will also increase its share capital. It may be noted that as a result of the proposed support, the net worth of NEHHDC will become positive in the first year of operations. The Corporation will start showing profits from Year-3 onward. It will become sustainable.

Monitoring: The Board of Directors must monitor the progress of the Revival Plan of NEHHDC; and make regular reports to the Ministry of DONER. In addition, the Ministry can call for periodic reports from NEHHDC for monitoring its performance under the above Plan.

Such monitoring needs to be based upon the major parameters like deployment of funds provided by the Government for the revival of the Corporation, sales and sales growth, gross margins, position of trade receivables and inventories (in terms of days of sales), cost containment, numbers of artisans and weavers benefitted by NEHHDC procurement etc. The critical parameters like sales, margins, procurement, trade receivables, and inventory can be reviewed on monthly basis; while the other parameters can be monitored on a quarterly basis.

In addition, officers of the Ministry may review on an on-going basis, the working of NEHHDC during their visits to states of the NE Region, whenever their schedule permits the same. If need be an Independent Agency can be utilized to carry out Third Party Monitoring (TPM) of the implementation of the package.

10. Projected Balance Sheet and Profit & Loss Statement

This chapter give the projected Balance Sheet and Profit & Loss Statement of NEHHDC for a period of five years. The projected P&L Statement has been developed considering the impact of the Business Plan, which has been discussed at Chapter-8. The projected Balance Sheet and the projected Profit & Loss Statement have been both furnished at the following two pages.

The projected Balance Sheet (furnished in the following page) has been developed by considering the impact of both the proposed support from the Government (covered in Chapter-9), as well as the effects of the targets for revenues and expenses carried from the projected Profit & Loss (P&L) Statement, which has been furnished subsequently (at Page No. M).

The Schedules to the Balance Sheet and the Profit & Loss Statement are available at Chapter-10, and may be referred to therein, along with the assumptions on which the above financial projections have been prepared.

Table-ES.6: PROJECTED BALANCE SHEET – NEXT FIVE YEARS OF OPERATIONS (All Figures are Rs. in lakh)

Year →	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Remarks (All Schedules are available at Chapter-10)
CAPITAL & LIABILITIES						
Shareholders' Fund						
Share Capital	3809.26	3809.26	3809.26	3809.26	3809.26	Assumed that there is no increase
Reserves & Surplus	-2625.36	-2704.89	-2617.20	-2295.30	-1813.10	Schedule-1
	1183.90	1104.37	1192.06	1513.96	1996.16	
Non Current Liabilities						
Long Term Borrowings	0.00	0.00	0.00	0.00	0.00	Schedule-2
Other Long Term Liabilities	2.24	2.24	2.24	2.24	2.24	
	2.24	2.24	2.24	2.24	2.24	
Current Liabilities						
Short Term Borrowings	0.00	0.00	0.00	0.00	0.00	
Working Capital (WC) Loan	117.25	251.46	375.16	562.52	699.12	Schedule-3 (WC amount in first three years is being proposed through Ministry support)
Trade Payables	38.40	78.66	115.77	171.98	212.96	Schedule-4
Other Current Liabilities	75.88	83.47	91.81	101.00	111.10	Assumed to increase by 10% per annum
Short Term Provisions	0.00	0.00	0.00	0.00	0.00	
	231.53	413.59	582.74	835.49	1023.17	
TOTAL	1417.67	1520.20	1777.04	2351.69	3021.57	
ASSETS						
Non Current Assets						
Fixed Assets						
• Tangible Assets	304.33	277.53	255.48	237.20	221.87	Schedule-5
• Work in Progress	0.00	0.00	0.00	0.00	0.00	
Advance for Land	1.77	1.77	1.77	1.77	1.77	
Long Term Loans & Advances	0.00	0.00	0.00	0.00	0.00	
Miscellaneous Expenditures	0.00	0.00	0.00	0.00	0.00	
	306.10	279.30	257.25	238.97	223.64	
Current Assets						
Inventory	423.18	434.50	451.38	476.69	508.15	Schedule-6
Trade Receivables	101.55	152.89	200.17	272.67	324.45	Schedule-7
Cash & Bank Balance	567.43	632.16	844.75	1337.53	1936.92	---

Short Term Loans & Advances	18.41	20.25	22.28	24.50	26.95	Increased by 10% per year
Other Current Assets	1.00	1.10	1.21	1.33	1.46	Increased by 10% per year
	1111.57	1240.90	1519.79	2112.72	2797.93	
TOTAL	1417.67	1520.20	1777.04	2351.69	3021.57	

NOTE: All Schedules referred to at above are available at Chapter-10 (under Table-10.1)

Table-ES.7: PROJECTED PROFIT & LOSS STATEMENT (All figures are Rs in Lakh)

Year →	Yr-1	Yr-2	Yr-3	Yr-4	Yr-5	Remarks (All Schedules are available at Chapter-10)
REVENUES						Details are available at Table-8.2
SALES OF HANDICRAFTS & HANDLOOMS						
Retail Sales	455.40	743.55	915.29	1047.53	1164.96	Own Showrooms, PPP Outlets & Mobile Vans Includes Outlets in NE States
Institutional Sales, Bulk Sales & Exports	49.00	360.10	673.99	1291.43	1613.38	
E-Commerce & Referral Sales	39.00	81.50	186.90	343.41	551.26	Includes E-Commerce sales through own portal and through third party market-places
Sub-Total (H&H Items)	543.40	1185.15	1776.18	2682.37	3329.60	
OTHER INCOME	132.10	140.36	149.20	158.66	168.80	Includes Administrative Charges on Scheme Implementation, Rental Incomes, Fee based Incomes, Income from Dilli Haat
Total Revenue	675.50	1325.51	1925.37	2841.03	3498.39	
EXPENSES						
Purchase of Stock-in-Trade	351.74	754.38	1125.48	1687.55	2097.35	Schedule-1
Changes in Stock-in-Trade	-5.28	-11.32	-16.88	-25.31	-31.46	Schedule-2
Employee Benefit Expenses	425.00	418.85	432.59	446.78	461.48	Schedule-3 (Includes one-time Fitment Payout in Year-1)
Finance Costs	0.00	0.00	0.00	22.50	27.96	Schedule-4 (Working Capital amount in first three years is being proposed through Ministry support)
Depreciation	47.90	41.81	37.04	33.29	30.32	Schedule-5
Other Expenses	147.78	201.32	259.45	354.32	430.54	Schedule-6

Total Expenses	967.14	1405.04	1837.68	2519.13	3016.19	
Profit before Tax	-291.64	-79.53	87.69	321.90	482.20	

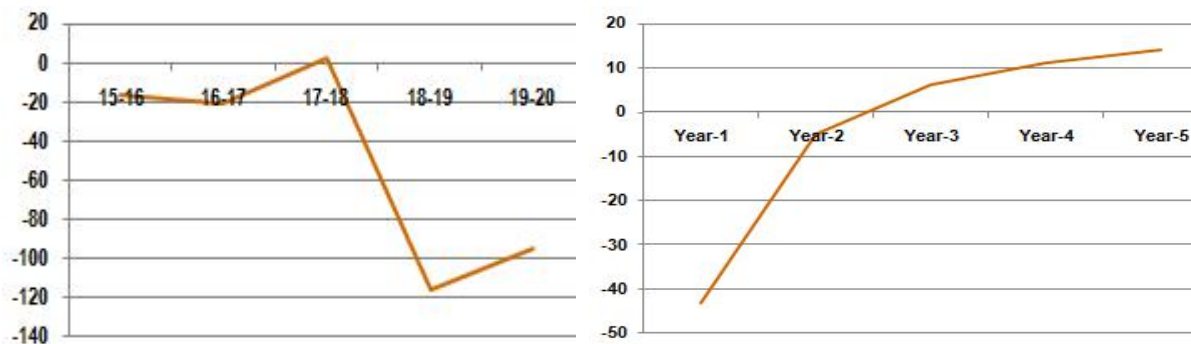
Note: Schedules to the P&L Statement are available at Chapter-10 (under Table-10.2)

Impact of the proposed Support upon the P&L Statement: The projected Profit & Loss Statement indicates that the Corporation is headed towards sustainability after the implementation of the proposed Action Plan. The following table summarizes the comparison of the existing operations with the projections.

Table-ES.8: Existing Operations of NEHHDC and Projections in Business Plan

REVENUES	Operational Revenues (Rs in lakh)				
Past Revenues	15-16	16-17	17-18	18-19	19-20
	1214.67	1473.51	1817.34	468.25	465.62
Projected Revenues	Year-1	Year-2	Year-3	Year-4	Year-5
	675.50	1325.51	1925.37	2841.03	3498.39
PROFITS BEFORE TAX	Profits Before Taxes (Rs. in lakh)				
Past Profits Before Taxes	15-16	16-17	17-18	18-19	19-20
	-195.87	-305.66	52.87	-541.31	-438.69
Projected PBT	Year-1	Year-2	Year-3	Year-4	Year-5
	-291.64	-79.53	87.69	321.90	482.20
PROFITABILITY	Profits Before Taxes / Operational Revenues as a %				
Past 5 Years	15-16	16-17	17-18	18-19	19-20
	-16	-21	3	-116	-94
Next 5 Years (as Projected)	Year-1	Year-2	Year-3	Year-4	Year-5
	-43	-5	6	11	14

Profitability



Note: Y-axis of left side graph is much larger in range compared to right-side graph

11. Project Outputs & Outcomes

Project Outputs: The project outputs (of the present project for the revival of NEHHDC) have been summarized below for a period of five years.

Table-ES.9: Project Outputs (Project for the Revival of NEHHDC)

Output	Indicator	Unit	Year-1	Year-2	Year-3	Year-4	Year-5
Sale of Handicraft & Handloom Items	Retail Sales	Rs. in lakh	455.40	743.55	915.28	1047.53	1164.95
	Bulk Sales,	-Do-	49.00	360.10	673.99	1291.43	1613.38

Output	Indicator	Unit	Year-1	Year-2	Year-3	Year-4	Year-5
	Institutional Sales & Exports						
Sale of Handicraft & Handloom Items (Continued)	E-Commerce Sales & Referral Sales	-Do-	39.00	81.50	186.90	343.40	551.26
	TOTAL	-Do-	543.40	1185.15	1776.17	2682.36	3329.59
Approximate Number of Beneficiaries (by the procurement of Items)	Handicraft Artisans	Nos.	284	503	671	883	1031
	Handloom Weavers	-Do-	172	433	658	1019	1214
	Total	-Do-	456	936	1330	1901	2246

Source: Proposed Business Plan given at Chapter-8. Additional details have been given under Table 11.1 at Chapter-11.

Project Outcomes: As the major outcome of the proposed support under the Present Action Plan, **the net worth of NEHHDC will become positive in the first year of its operations. The Corporation will start making profits from Year-3 onward. It will become sustainable** and be able to carry out its basic mandate to support the artisans and weavers of the NE Region.

The project outcomes have been tabulated below. These have been defined in terms of indicators that can track the numbers of members benefitted, value of items procured by NEHHDC, and the procurement per beneficiary; besides indicators that can be used to understand the profitability and sustainability of NEHHDC.

Table-ES.10: Project Outcomes (Project for the Revival of NEHHDC)

Outcome	Indicator	Unit	Year-1	Year-2	Year-3	Year-4	Year-5
Artisans and weavers are benefitted	Numbers covered by Procurement	Nos.	456	936	1330	1901	2246
	Value of items procured	Rs. in lakh	351.74	754.38	1125.48	1687.55	2097.35
	Procurement / beneficiary	Rs.	77,136	80,596	84,623	88,772	93,382
NEHHDC stays profitable	Profits before taxes	Rs. in lakh	-291.64	-79.53	87.69	321.90	482.20
NEHHDC is sustainable	Shareholder Funds	Rs. in lakh	1183.90	1104.37	1192.06	1513.96	1996.16

Source: As per the Notes given under Table-11.2 in Chapter-11.

12. Recommended Action Points

The following recommendations have been made based on the present study for the formulation of the present Business Plan. These may be duly considered while implementing the present plan drawn up for the revival of NEHHDC.

Action Points – Financial Support & Related Aspects

Fund Based Support to NEHHDC: As estimated in Chapter-9, NEHHDC will require a fund-based support of Rs. 1053.24 lakh for the following purposes: Working Capital Support; Support for Operations (in Years-1 & -2); Fees for Increase of Share Capital; Capital Expenditures (excl. Software & E-commerce); Software for NEHHDC & E-commerce; and Payment of Other Current Liabilities.

It is recommended that Government may extend the above fund-based support to NEHHDC. The justifications for the above support have been given at Chapter-9, and may be referred to for the details. Further, in case any of the above components requires an amount lesser than the estimated support, then the remaining funds may be utilized as decided by the Corporation and the Government.

Non Fund Support: It is suggested that the long-term borrowings of NEHHDC from the Ministry amounting to Rs 1800.46 lakh (as on 31st March 2021) may be converted into the equity of the Corporation. This step will increase the net worth of NEHHDC, which has been fully eroded. This will facilitate the rehabilitation of the Corporation and ensure its long-term viability and sustainability.

In addition, it is proposed that the interest payable by NEHHDC to the Ministry may be written off. The amount of interest payable has been reported to be Rs 2019.00 lakh (as on 31st March 2020). This is necessary as the Corporation is not in a position to repay the above sum in the foreseeable future. This measure (of writing-off the interest payable) will improve the Balance Sheet of NEHHDC. Further, it will enable the Corporation to approach banks in the near future for obtaining working capital for its planned sales growth.

Increasing Share Capital of NEHHDC: The authorised share capital of NEHHDC may be increased. This measure is needed so that the Corporation is able to accommodate the conversion of its outstanding long-term borrowings from the Government into equity as suggested under this plan. The present authorised share capital is Rs 8.50 crore. This may be increased to Rs 60.00 crore by approaching the Registrar of Companies, Assam and carrying out the necessary steps as per the statutory provisions.

Action Points – Governance & Management

Board of Directors: The Board of Directors of NEHHDC may be strengthened in order to improve the governance of the Corporation, and also to assist in its strategic decision making.

The Board may be expanded to including officials from the North Eastern Council (NEC) and Subject Matter Experts in the areas of handicrafts and handlooms having experience in aspects like product design and development, supply chain management, marketing (including online marketing), finance etc.

The Internal Audit Committee of the Board needs to be strengthened in order to effectively meet the purpose for its formation. This can be undertaken after the above expansion of the Board.

Other Measures for Improved Management of NEHHDC

Improving the Functional Management: There are no permanent employees in NEHHDC In any of the levels between the Managing Director and the Deputy Managers. Senior level managers are needed to give functional leadership in the critical areas that contribute to the revenues of NEHHDC. It is suggested that NEHHDC recruit two or three managers having suitable industry

experience in successful organizations as follows: (a) Senior Marketing Manager who will be responsible for meeting the revenue targets for all commercial activities (exclude the promotional or development activities), keeping the profitability and working capital norms in mind.; and (b) Procurement Managers who will be responsible for ensuring a smooth supply-pipeline of all items needed to meet the revenue targets for commercial activities while adhering to the procurement cost, quality and timeline guidelines of the Corporation.

The above managers may be assisted by an adequate number of younger professionals having sufficient experience, energy and competence.

Changes to the Memorandum of Association: It is recommended that the Memorandum of Association of NEHHDC needs to be amended, so that some of the 'Incidental and Ancillary Objects' are included under its 'Main Objects'. These include objects related to 'undertaking the development and marketing of handicrafts, handlooms and allied products' and 'undertaking exports' and 'establishing trade connections, sales depots, selling agencies, offices etc.'. In addition, the 'Main Objects' of the Memorandum of Association may be suitably reviewed to evaluate the relevance of the different objects as listed therein.

Focus on Core Areas: It is necessary that NEHHDC may focus its attention upon the core areas of direct procurement of handicraft and handloom items from artisans and weavers, and their sale through various viable channels. Apart from exploring and establishing new channels (like bulk sales, institutional sales, e-commerce based sales, exports etc.), the Corporation has to strengthen its existing showrooms and other outlets. In addition, procurement has to be organized to benefit the weavers and artisans directly. Such procurement needs to be adequate to achieve the projected sales, which are vital for the viability of NEHHDC. It is suggested that the Corporation may orient itself accordingly to focus upon its above-mentioned core business areas.

Action Points – Functional Areas

Marketing Department: In order to strengthen the functioning of NEHHDC, it is recommended that the roles of Line Departments need to be clearly defined. The exercise can focus upon the Marketing Department, since it is presently responsible for both procurement and marketing. The Department has been paying lesser attention to its marketing role, as reported. A separate Procurement Department needs to be created, and the Marketing Department can be focussed upon its main role of achieving sales targets and tracking the customers.

While the Procurement Department is to be separated from the Marketing Department, both the above Departments need to be organized to function in a coordinated manner as an overall profit centre. All units of the Marketing Department (like outlets, mobile vans, e-commerce avenues, other sales channels like bulk sales and institutional sales etc.) need to be organized as individual profit centres with sales and profit targets.

Other Departments like Finance and HR & Administration need to be operated as cost centres with service standards being implemented. These functions have to be systemized and processes have to be defined and adhered to. IT needs to be used to contain operating costs in the above areas.

Defining Roles & Responsibilities of all Executives: It is also recommended that the roles and responsibilities of all executives need to be defined, and their performance should be monitored accordingly. The functions and services of all the Departments have to be analysed, and the manpower deployment has to be made accordingly. Redundant manpower needs to be redeployed after training (as needed) or retrenched as per due process. Voluntary separation can be extended to employees whose utility to the revival of the Corporation is marginal.

Sales-force: It is further recommended that NEHHDC recruit some Sales Executives. These executives can assist the Marketing Manager in meeting the revenue targets from the different

channels. Sales Executives need to be assigned sales targets from channels like (a) outlets (own showrooms, mobile vans and PPP outlets); (b) institutional sale and bulk sales; and (c) e-commerce and referral sales. It is also recommended that all outlets of the Corporation (showrooms and mobile vans) may be manned by salesmen (and sales-women) working on salary-cum-commission basis, with minimal salary levels and attractive sales commissions. This is needed in order to invigorate the sales from these outlets.

Product Development and Pricing: It is recommended that the product range of NEHHDC be fixed as per the market demand and product viability. A study carried out a few years ago had shown that only 15% handicraft items and 7% handloom items had significant sales (about 195 items in all). All redundant items need to be discarded, as the above study had also shown that about 50% of the handicraft items and 57% of the handloom items had no sales or very low sales. In addition, the prices of all items in the product range of NEHHDC may be based on the market demand and prices offered by competitors.

It is also recommended that the product range of NEHHDC may be constantly refurbished by implementing fresh design and product improvements. Their sales and margins need to be monitored at the corporate level. Any failing item may be dropped from the product list. Further, new items can be added to the product range based on assessment of customer preferences and the viability of such items.

Procurement of Items: It is recommended that NEHHDC procures directly from the important clusters of artisans and weavers in the region, bypassing middlemen as far as possible. This will ensure that the procurement costs of items are reduced and the sale prices are competitive. This will also ensure that a greater share of the customers' rupee goes to the artisans and weavers in accordance with the corporate mandate. If funds are available, the Corporation can take up the development of some clusters to augment the sufficient availability of suitable items at viable procurement costs.

In the medium term, NEHHDC has to undertake the development of dedicated clusters. The items made in these clusters will be examined and certified as 'hand-crafted in North Eastern India'. In case of bulk sales, institutional sales and exports, the consignments from the clusters can be directly shipped from the producing cluster. Hence, the above dedicated clusters need to be located near major highways, railway stations or airports to facilitate smooth logistics.

Processes & Systems: It is recommended that NEHHDC may formulate or update its policies related to its major functional areas. These areas include procurement, supply chain management, market development, product pricing, and human resources & administration etc. After the policies have been formulated and approved by the Board of Directors, the processes for their implementation have to be developed, including the related documentation. Such manuals and other process documents have to be prepared to guide the employees of the Corporation. This can be done on the basis of the approved policies and processes.

Further, NEHHDC needs to implement the use of Information Technology for vital tasks like procurement and inventory management, sales and invoicing, cash management, and processing of accounting transactions.