

CHAPTER - II

PROFILE OF THE ORGANISATION

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CHAPTER - II

PROFILE OF THE ORGANISATION

This chapter deals with the background of Indian Cotton Industries and the historical background of The Madhavnagar Cotton Mills Ltd; Madhavnagar, (Sangli). An attempt has been made about its birth, up-to-date performance since beginning and more detailed study of the last five years.

2.1 BACKGROUND OF INDIAN COTTON INDUSTRIES

" The Origin of the Cotton Textile Industry, the largest single Industry in the country dates back to 1818 when the first Cotton Mill was established at Fort Gloster near Calcutta."¹ The grant of protection by the Govt. and the Swadeshi Movement enabled the Industry to make rapid strides. The Industry reached the heights of prosperity during the Second World War when the supply of Japanese Cloth was totally stopped and large orders came from Allied Armies. The partition of India and Indo-Pakistan trade deadlock after devaluation of the Indian Rupee in September 1949 made the supply position of raw cotton extremely difficult and many mills had to be closed down temporarily. Later on, both imports and domestic supply of raw cotton was stepped up and cloth production increased considerably. This improved situation helped the Govt. to abolish control of cloth in July 1953.

In India, cotton had a pride place among cash crops from the earliest times. At present the area under cotton crop is over Eight (8) Million Hectares. In respect of the acreage, India occupies the foremost position among the cotton growing countries. As regards production, however, it has the third place, the first two being

taken by the U.S.A. and U.S.S.R. Total value of raw cotton produced in the country amounts to as much as Rs. 2500 Crores. During the period from 1964-65 to 1981-83 the cotton yield per hectare has recorded only a slight improvement which is inadequate to meet the growing fibre requirement in the face of more or less stagnant total area under cotton cultivation. In 1964-65, the area under cotton cultivation was 8.37 million hectares and the yield per hectare was 123 Kgs giving a crop about 60.11 lacs bales of cotton. The population at that time being 489 million. The per capital availability of cotton come to 2.13 Kgs. Twenty years later, the area under cotton stands reduced to 8.07 million hectares, while the yield increased to 162 Kgs per hectare yielding a cotton production of 77.20 lacs bales. The population now being 7.15 million the per capita availability of cotton came down to 1.84 Kgs. with the population expected to go upto 790 million by 1988-89 and in view of the severe pressure on cultivable land, it is feared that, India will face a shortage of 2.44 lacs tones (14.34 lacs bales) by the end of the Seventh Plan.

Table 2.1 gives at a glance clear picture of area, production and yield per hectare of cotton in India.

From the Table 2.2 given below, it is evident that during the last three decades 1951-81, the growth of looms, cloth production and employment have been very much lower than the growth of the number of mills, spindles, cotton consumption and yarn production. The imbalance between yarn and cloth production arising out of both policies and operations is striking. The employment growth-rate is less than 0.7 percent per annum.

T A B L E - 2.1
AREA, PRODUCTION AND YIELD IN INDIA

Year	Area under cultivation (in million hectares)	Production (in lacs bales of 170 each)	Yield per hectare (in Kgs.)
1964-65	8.37	60.11	123
1969-70	7.73	55.64	122
1974-75	7.66	71.56	161
1979-80	8.10	76.48	160
1980-81	7.82	70.10	152
1981-82	7.99	78.26	167
1982-83	8.07	77.20	162
*1983-84	N.A.	77.00	N.A.

* Provisional.

Source - Directorate of cotton Development, Govt. of India.

T A B L E - 2.2
COTTON TEXTILE MILLS IN INDIA

Sr. No.	I t e m s	1951	1981	Percentage increase in 1981 over 1951
1	No. of Spinning Mills	103	400	288.3
2	No. of Composite Mills	275	291	5.8
	Total No. of Mills	378	691	82.8
3	Installed Spindles (million)	11.00	21.08	91.6
4.	Installed looms (Thousands)	194.57	207.66	6.7
5	Average daily employment (Lacs)	7.15	8.81	23.2
6	Cotton consumption (million) bales of 170 by each)	3.69	7.60	106.2
7	Yarn Production (million kg)	561.43	1058.00	88.4

Source - Economic Times, 2nd June, 1984.

The crop prospects in most of the cotton production countries are far from satisfactory this year. The crop in Soviet Union is reported to have been damaged noticeably this year and it is expected to enter the world market shortly for bridging the gap between its domestic production and the countries requirements. The production of cotton in Uganda, Sudan and Turkey, also declined in 1984. Even China and The U.S.A. the largest producers of cotton registered a marginal fall. The over all global production was thus substantially lower this year. It is estimated that the total production for 1984-85 will be more than 66 million bales, while the requirement will exceed 70 million bales resulting in short-fall of at least Four (4) million bales.

2.2 HISTORICAL BACKGROUND OF THE MADHAVNAGAR COTTON MILLS LTD., MADHAVNAGAR, (SANGLI)

1. ESTABLISHMENT, LOCATION AND LAYOUT -

The idea of establishing "The Madhavnagar Cotton Mills came with the inspiration of the Ex. Head of Miraj Junior State, Late. Shri Babasaheb Patwardhan, at the close of 1942. In the year 1942-43 Late. Shri Rambhau Bhide of Sangli and Late Shri Gangadhar Laxman Natu, Late. Shri Purushottam Kashinath Divekar, Late. Shri Jeevaraj Mehta, Shri Manoharlalseth Mehta of Bombay and Shri Sathe of Jalgaon and his some friends, decided to establish it. They purchased a piece of land admeasuring 25 acres for the building for the various departments. The purchases of 25 acres land, construction of factory Building for the spinning department, purchases and erection of Machinery, Construction of the Boiler house, Engine house, Mechanic workshop, Store-room, canteen-room and collection of Share Capital

took place during the year 1943. The company commenced its actual production on the holy Hindu day of 'Akhaya Tritiya' at 25th April, 1944. At that time Late. Shri Babasaheb Patwardhan had given one more important facility i.e. not to levy any type of tax upto 30 years. Thus, the company is still in operation till today.

The company has its registered office in Madhavnagar (Dist : Sangli) and also it has an office in Bombay in Development Co-op. Bank Building, Paltan Road, Bombay - 400 001.

The mill is situated very near to the Madhavnagar Railway Station which is on the Poona-Bangalore rail link of the Southern Railway. Figure 2.1 gives at a glance clear picture of location and layout of the Company.

2. SHARE CAPITAL :

At the beginning the share capital of the company was Rs. 14,00,000/-. At present the Authorised share capital is Rs.75,00,000/- which is divided into 1,20,000 Equity Shares of Rs. 50/- each and 30,000 9.5% Redeemable cumulative preference shares of Rs. 50/- each. Issued, subscribed and paid up capital is 1,04,509 Equity Shares of Rs. 50/- each fully paid up. The capital is contributed by 1380 Share holders. Out of these Share holders 11 Share holders are working as 'Directors' on the 'Board of Directors.'

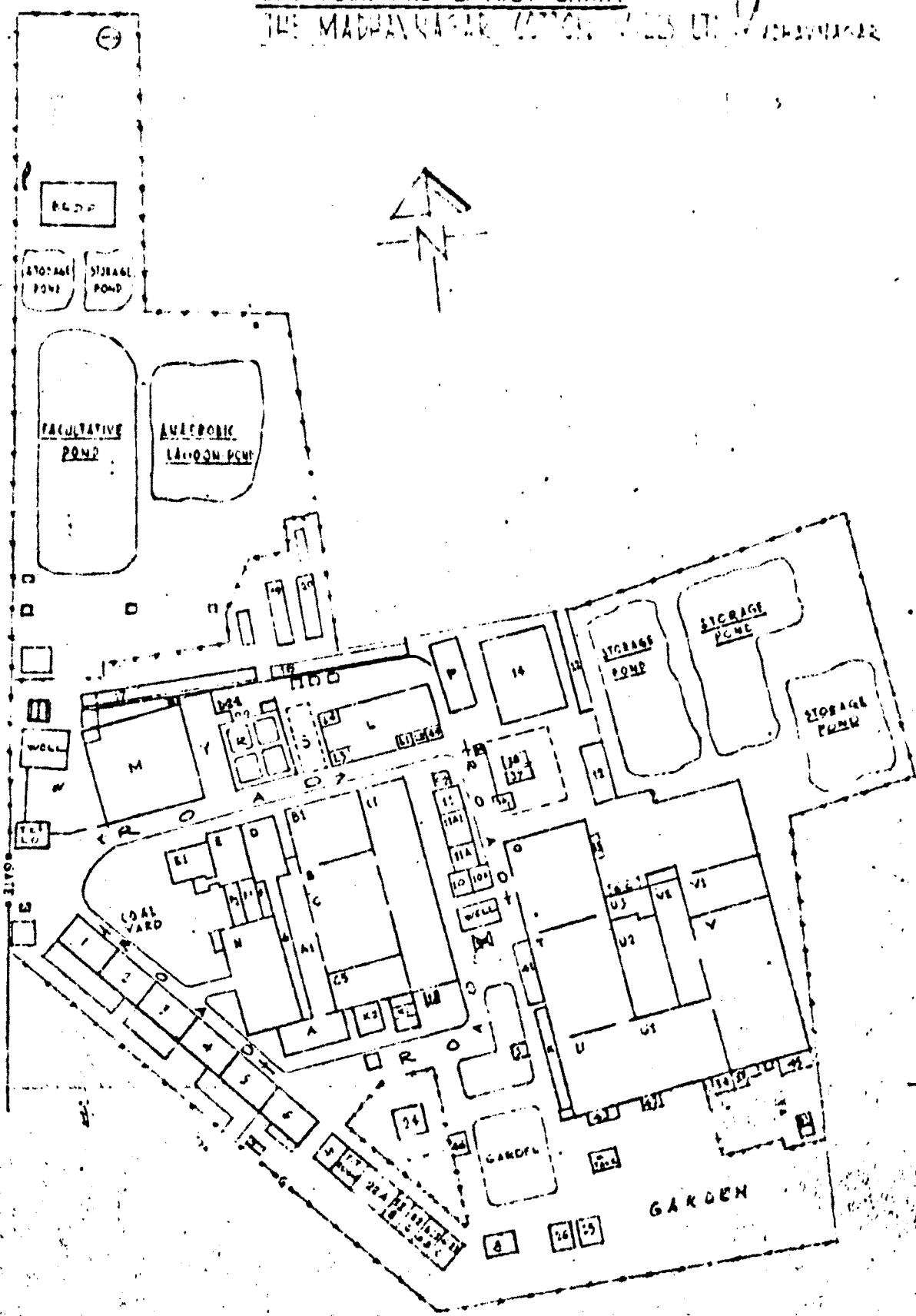
3. OBJECTIVES :

The main objectives of the company are as set out in the Memorandum of Association of the company. The present business of the company consists of -

FIGURE - 2.1
LOCATION AND LAYOUT CHART

THE MADHAVAPUR COMMON WELLS UTILITY PROJECT

T A S G A C N S A N G L I E O A D Y



1. Manufacturing of cotton yarn.
2. Manufacturing of staple fibre yarn.
3. Running a processing house, for bleaching finishing, mercerising and dyeing of cloth.

These three units are separately registered under the Industries (Development & Regulation) Act, 1951, as amended.

4. MAIN PRODUCTS, AND PRODUCTION CAPACITY :

The mill in Madhavnagar had its speciality and concentration towards the field of cotton i.e. manufacturing and processing of all types of cotton cloth and yarn. At present the mill has been producing the various types of clothes in different colours and designs. Main products are Popline, Dhoties, Saries, Shirting, Suiting, Dress Material, Towels, Printed bed sheets and Yarns etc.

For producing the above various types of products the mill has been engaged in three shifts. Totally there are 1764 workers out of which 1337 are permanent, 417 Retrench and 10 Trainees workers are operating the production process. In addition there are 218 office employees out of which 34 are Executives and 184 General are also engaged for the same work.

Now a days the company has a licensed capacity of 50,000 spindles and 300 Looms and it has an installed capacity of 41,556 spindles and 244 Looms working on cotton and staple fibre. In addition to these spinning units the company has also independent processing unit comprising of dyeing, bleaching and mercerising with a capacity of processing three tones of cotton fabrics per day.

5. TREND OF PRODUCTION & SALES FROM BEGINNING :

Table 2.3 shows at a glance clear picture of trend of production and sales from beginning. This table is supported by graphs in figure 2.2 and 2.3 .

Figure 2.2 indicates that the product mix has been changing its pattern in a way that the potentials of the company are being utilised in the best possible manner.

The figure shows a constantly increasing and decreasing trend of cloth and yarn production. However the decreases are in large magnitude in the year 1984-85. This is because, in that year the company has invested in Air Jet Looms and hence the production was decreased to some extent. But last year the company has again increasing trend of production.

The best policy of the manufacturing units should be to sale the entire production during the same period of production. But figure 2.3 does not resemble with figure 2.2 . On the other hand the sale of cloth is more than the production and the sale of yarn is lower than the production. This is because yarn is used as raw material in the same company for the production of cloth therefore, the sale of yarn will always be lesser than production. And secondly the sale of cloth includes own production plus outside purchases, therefore it is higher than the production.

The company is not wasting the waste but converting the waste into cash by selling the same.

T A B L E - 2.3

TREND OF PRODUCTION & SALES FROM BEGINNING

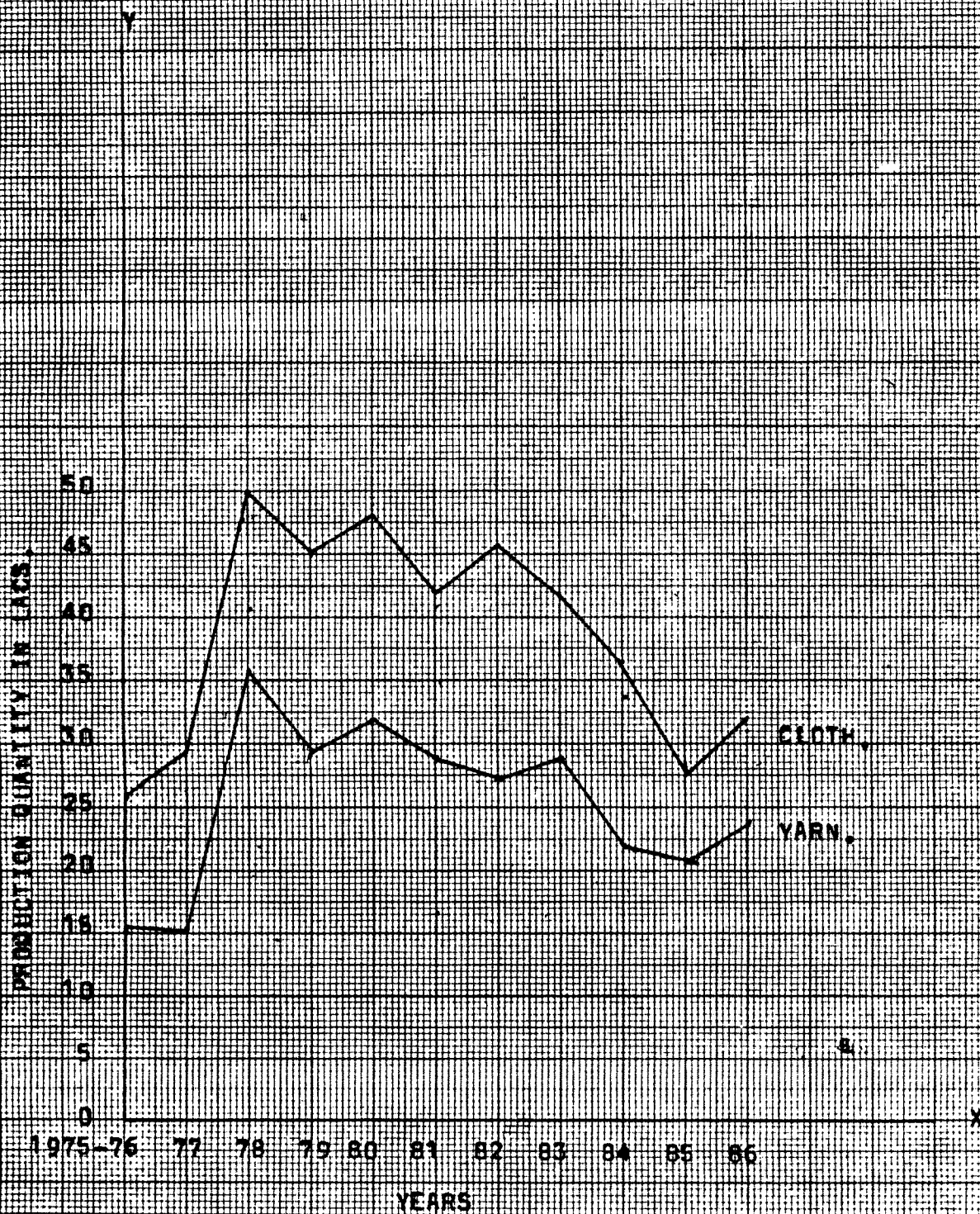
Sl. No.	Year	P R O D U C T I O N		S A L E S			Sales Rs. in Lacs	
		Cloth in Mtrs	Yarn in Kgs.	Cloth in Mtrs.	Yarn in Kgs.	Waste in Kgs		Tea Towels in dozs.
(Quantity in Lacs)								
1	1955-56	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	41.93
2.	1960-61	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	90.89
3.	1965-66	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	113.61
4.	1970-71	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.	162.47
5.	1975-76	26.30	15.16	84.22	12.57	1.58	.30	484.37
6.	1976-77	29.50	15.11	81.98	13.59	2.12	.30	615.60
7.	1977-78	49.66	36.17	70.93	21.62	3.34	.04	789.61
8.	1978-79	45.27	29.53	66.19	21.84	4.01	.10	857.73
9.	1979-80	48.14	32.17	89.17	22.23	5.61	.03	1170.55
10.	1980-81	41.97	28.93	92.97	17.47	4.04	.02	1364.61
11.	1981-82	46.12 ^R	27.40	100.56	13.26	2.93	-	1433.59
12.	1982-83	42.17	28.74	118.61	14.21	4.21	-	1536.66
13.	1983-84	36.39	22.36	83.34	14.89	3.20	-	1275.07
14.	1984-85	28.15	21.31	98.88	13.24	3.30	-	1525.03
15.	1985-86	32.02	23.82	117.58	12.37	3.52	-	1677.09

Source - Company's Annual Reports.

NOTE : 1) Figures from 1944-45 to 1954-55 are not available.

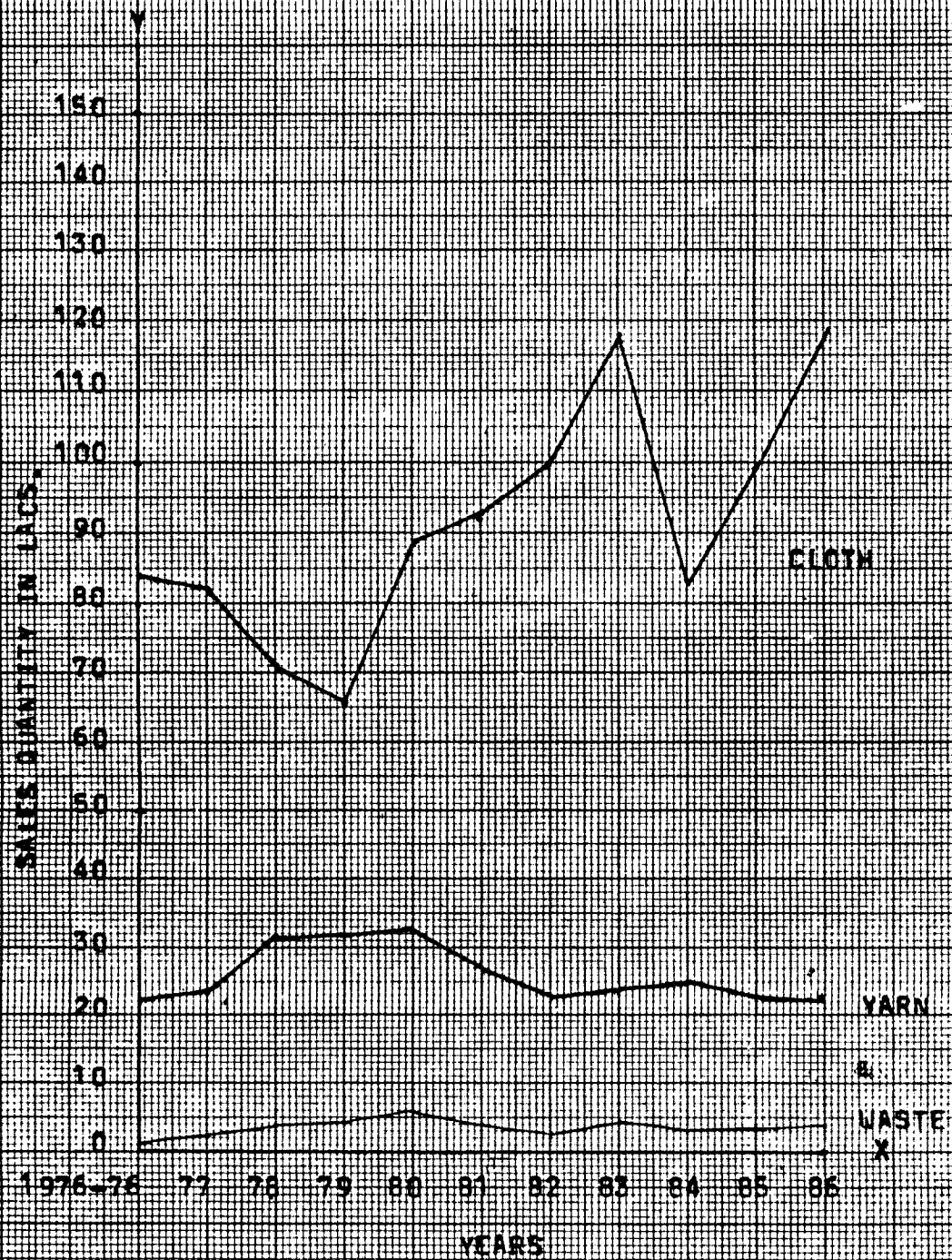
2) Figures of Production & Sales from 1955-56 to 1970-71 are not available.

FIGURE - 2.2
LINE GRAPH OF PRODUCTION TREND.



SCALE : 1 cm. = 5 LACS.

FIGURE - 2.3
LINE GRAPH OF SALES TREND.



SCALE : 1 Cm. = 10 LACS.

6. DEVELOPMENTS AND FUTURE PROSPECTS :

The Madhavnagar Cotton Mills Ltd., Madhavnagar has completed 42 years of its working. It has a separate staple fibre spinning unit which has started by the end of 1958. As a step towards expansion, the company has recently obtained an Industrial Licence from the Government of India for substantial expansion of the spinning capacity. This private limited company has converted into Public Limited company on 7th September, 1962 with an authorised capital of Rs. 75,00,000/- and subscribed capital of Rs. 25,52,000/-. In 1980 the company has introduced the Exhibition Sales Scheme and in the year 1981 it has completed the programme of renovation of its plant and machinery at the total cost of Rs. 60,00,000/-. Jet Dyeing Machine costing Rs. 40,00,000/- and Rotary Printing Machine have been installed in the same year. Also they increased the number of spindles.

The Mill is regarded as one of the best managed and well planned spinning units producing superfine combed yarn and staple yarn. The yarn produced by the mill enjoys a good reputation in the market and is in good demand. The mill premises have been well planned and built of Pucca First-class construction and have been well maintained.

Till now the mill is getting part of its requirement of the electric power from the Maharashtra State Electricity Board generated at its 'Radhanagari Power House'; while the remaining is generated by the mill by utilising its own generating plant. With the availability of power from 'Koyna Project' in the Sangli area. The entire requirement of electric power of the mill is now being met from the 'Koyna Project' which will be comparatively cheaper and the mill will be saving a substantial amount on this major item of expenditure.

Now a days the following future plants are under consideration.

1. To increase Exports.
2. In order to get the advantages of Export market, Working Capital is to be increased.
3. To increase in Air Jet Loom for production and it is to be fully utilised.
4. Computerisation in Office Administration is also under consideration.
5. To continue revovation and modernization for increase the production and to keep the quantity of the production by such renovation and modernization of the existing - machinery.
6. In view of the growing for man-made fabrics at present, plants for the manufacture of different varieties of fibre yarn such as terylene etc. and blends there of with cotton are under consideration.

7. MARKETING AREA :

The Mill is situated at Madhavnagar in Sangli District in the understood developed area of the State of Maharashtra. The cotton spinning unit of the company produces superfine combed yarn of counts 60s and above and is working to full capacity. Within an area of about 20 miles surrounding the mill, there is a big small-scale weaving Industry comprising of handlooms and powerlooms. As many as 1,500 powerlooms are being worked very close to the mill premises in the Madhavnagar-Sangli area. In Ichalkaranji alone which is situated near the mills, there are over 6,000 power-looms and it is one of the biggest powerloom centres in the country. These handloom and powerloom

units around the mill get their supplies of superfine yarn from this mill, so also from the mills from the South and elsewhere. The mill has been thus assured of an established ready-market very close to it for the sale of its yarn. The yarn is also in increasing demand from Bombay Market. The staple spinning unit of the mill is sufficiently big and is one of largest in the state. The staple yarn produced by the mills enjoys a good reputation in the market and is in great demand locally as well as from Bombay and other parts of the country such as Surat, Solapur, Hyderabad, Ludhiana etc. In short the company today is major supplier of cloth and yarn to a wide range of customers from various States and abroad. Therefore, it would not be an exaggerated statement, if it is said that the company of this village and the surrounding area is mostly dependent upon the Mill.

8. FINANCIAL PERFORMANCE :

Table 2.4 gives at a glance clear picture of the financial performance of the company. For clear understanding of the performance a period of latest five years has been considered.

Accounting year of the company is from July to June. So, the figures are upto June of that particular year.

This table is also supported by graphs in figure 2.4, 2.5 and 2.6.

Figure 2.4 indicates the poor performance of the company in the form of profit. Still it shows that during the year 1984-85 the company has tries its level best for its survival by reducing the loss.

T A B L E - 2.4

FINANCIAL PERFORMANCE

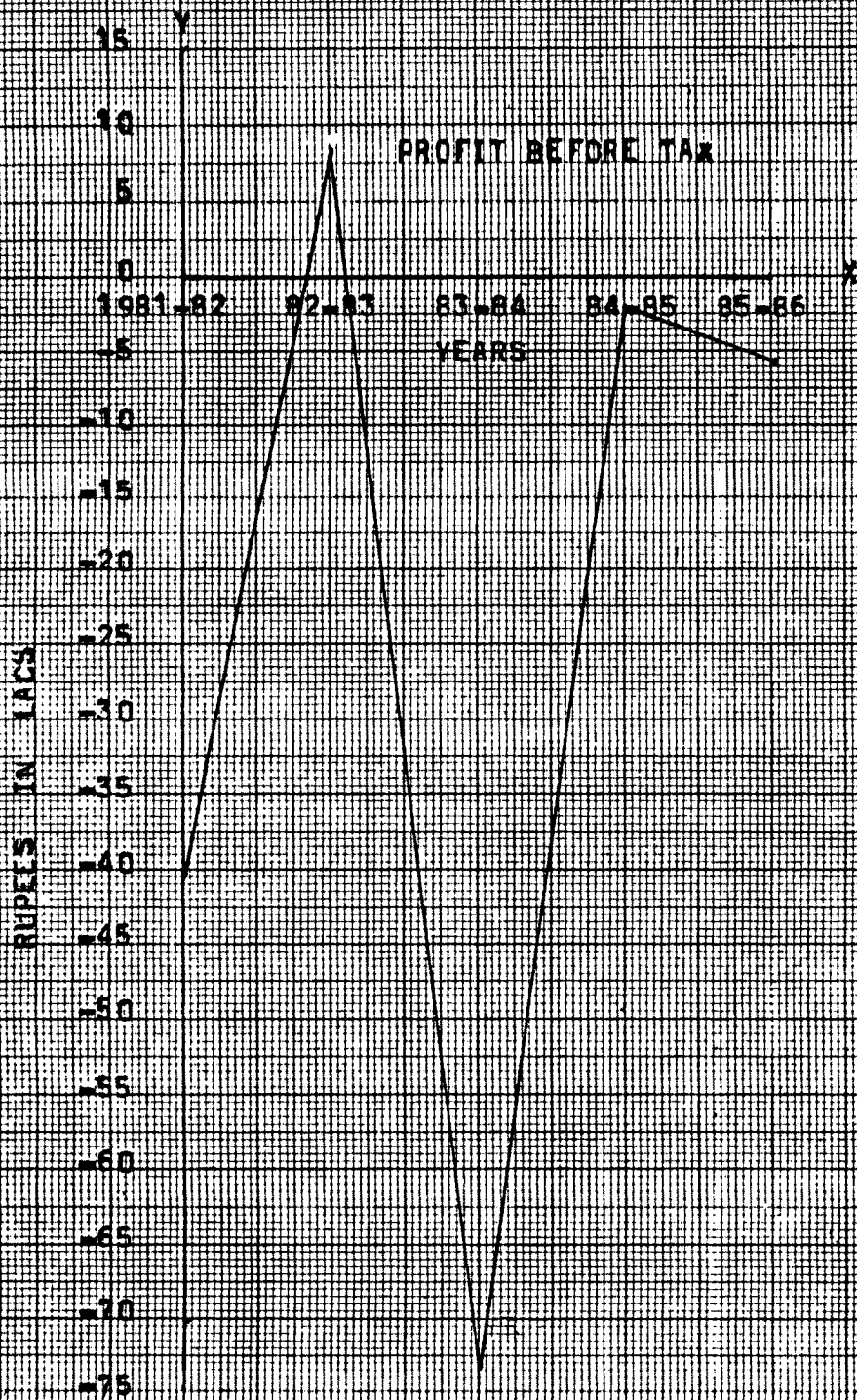
(Quantity & Rupees in Lacs)

Sr. No.	Particulars	1981-82	1982-83	1983-84	1984-85	1985-86
1.	<u>S A L E S</u> :					
	a. Cloth (in mtrs.)	100.56	118.61	83.34	98.88	117.58
	b. Yarn (in Kgs.)	13.26	14.21	14.89	13.24	12.37
	c. Waste (in Kgs)	2.93	4.21	3.20	3.30	3.52
	d. Tea Towels (in dozs)	-	-	-	-	-
2.	<u>S A L E S & E A R N I N G S</u> :					
	a. Sales & Other Income	1452.72	1561.11	1312.85	1542.56	1716.77
	b. Profit before Tax	* 40.31	8.55	* 73.15	* 2.34	* 5.86
3.	<u>A S S E T S A N D L I A B I L I T I E S</u> :					
	a. <u>Fixed Assets</u>					
	Gross Block (Before Dep.)	820.89	1055.96	1152.43	1340.66	1485.56
	Net Block (After Dep.)	684.57	853.50	952.69	1143.64	1293.72
	b. Investment	1.20	1.30	1.42	.98	1.04
	c. Current Assets	366.42	380.31	256.82	429.06	482.67
	d. Total Assets	1052.19	1235.11	1210.93	1573.68	1777.43
4.	<u>R E P R E S E N T E D B Y</u> :					
	a. Net Worth	188.26	344.97	271.82	425.50	390.82
	1. Share Capital	44.95	45.47	45.47	48.02	52.25
	2. Reserves & Surplus	143.31	299.50	226.35	377.48	338.57
	b. Borrowings	863.93	890.14	939.11	1148.18	1386.61
	c. Total Liabilities	1052.19	1235.11	1210.93	1573.68	1777.43

Source - Company's Annual Reports.

NOTE - * Indicates Losses.

FIGURE - 2.4
LINE GRAPH OF PROFIT.



SCALE : 1 Cm. = 5 LACS.

FIGURE - 2.5
LINE GRAPH OF ASSETS

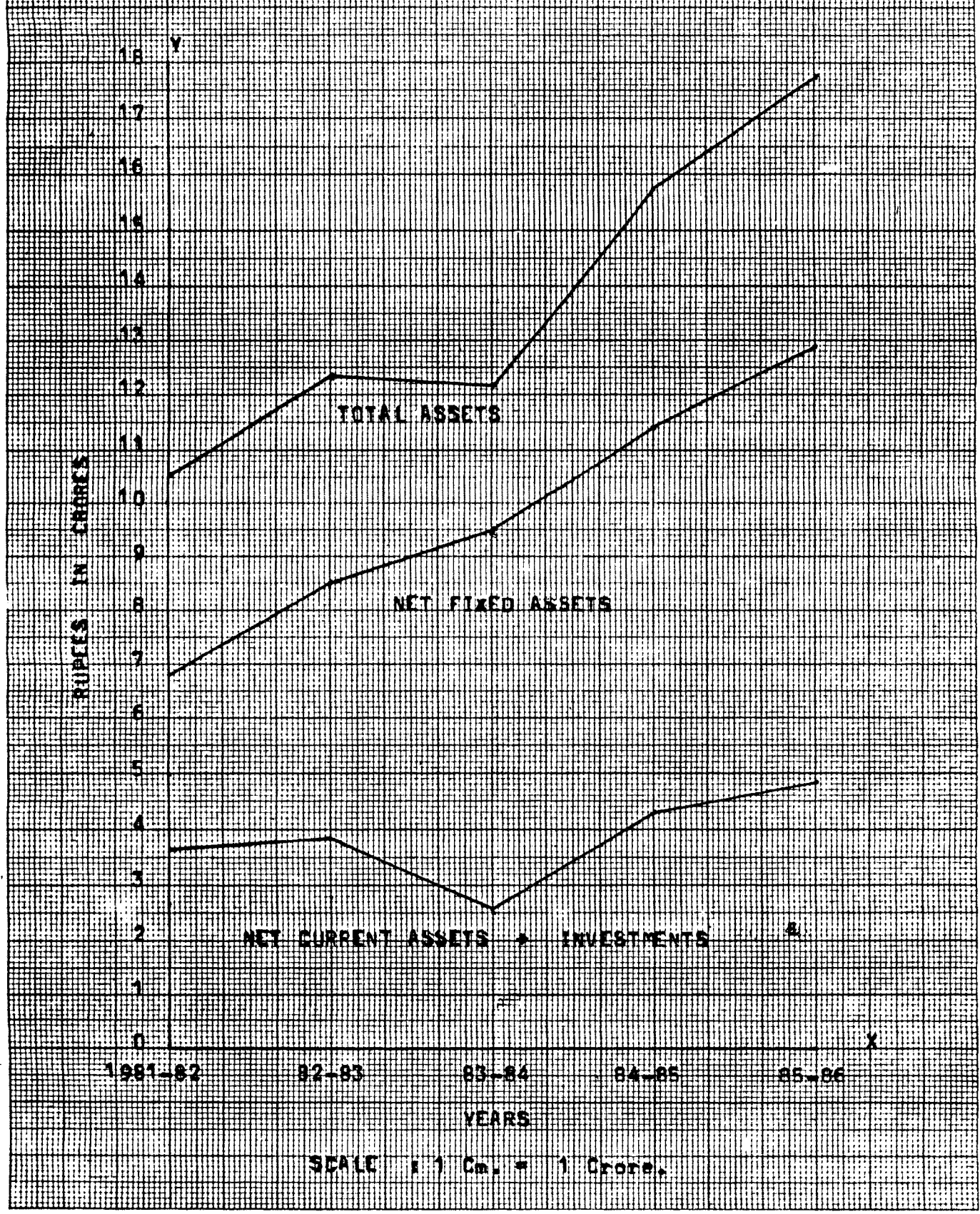
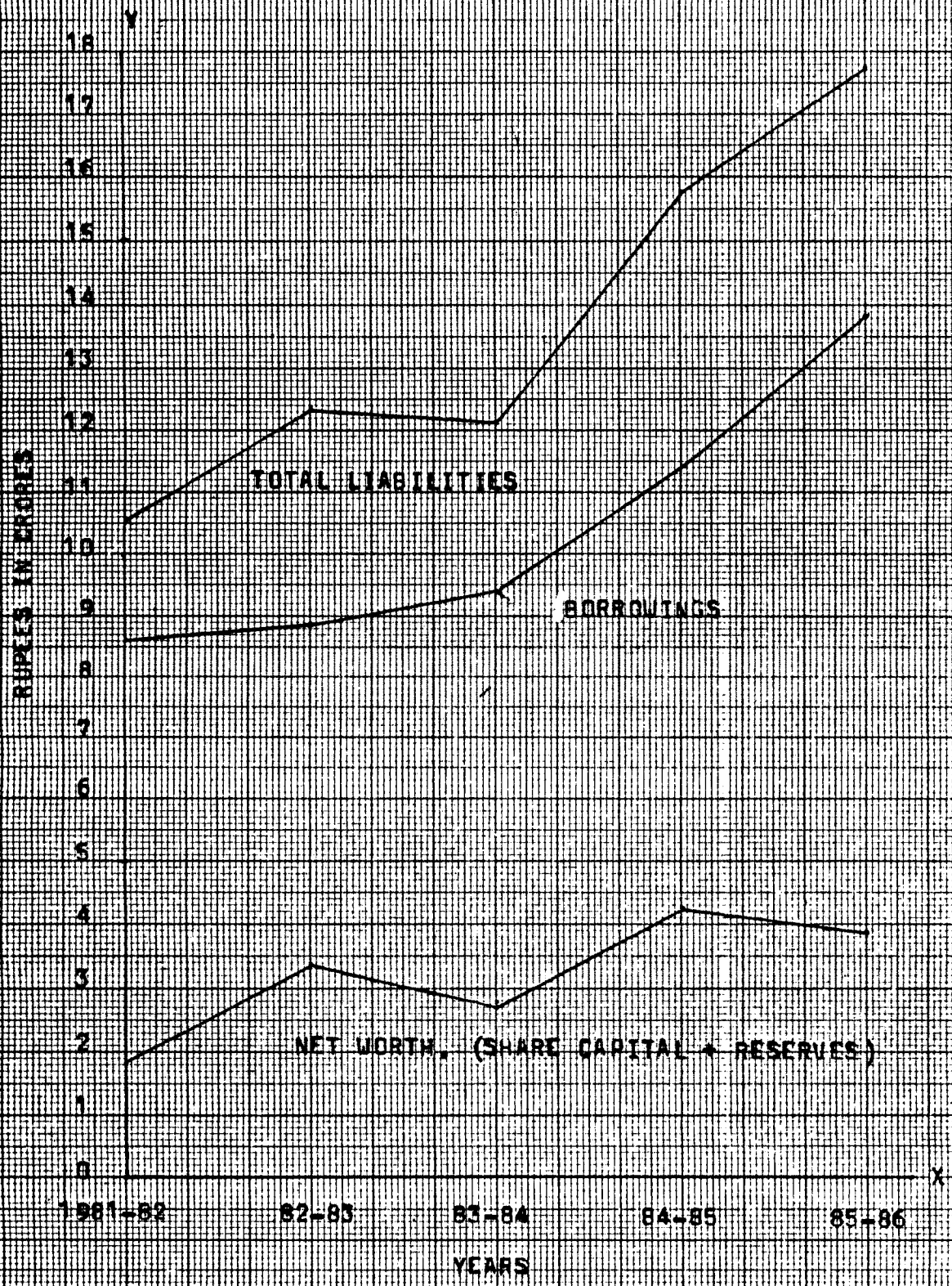


FIGURE - 2.6
LINE GRAPH OF LIABILITIES



SCALE : 1 Cm. = 1 Crore.

Figure 2.5 shows that every year the company is making investments at an increasing rate except in 1984-85 to 1985-86. Net current assets are shown after deducting current liabilities & provisions. The figure indicates that the net current assets are also constantly increasing except in 1983-84. Net fixed assets are shown after deducting depreciation from Gross Assets and it has also a constantly increasing trend. Total Assets include net fixed assets plus net current assets and investments.

Figure 2.6 shows the Net Worth i.e. Share Capital plus Reserves and Borrowings separately. Net Worth plus Borrowings means total liabilities.

Figure 2.5 resembles figure 2.6, which, shows that total Assets are equal to total Liabilities. According to the dual aspects concept of accounting total Assets must be equal to total Liabilities.

9. WELFARE ACTIVITIES :

The following activities have been offered by the company to its employees. These various welfare facilities can be classified into three categories.

1. STATUTORY WELFARE FACILITIES - Under this facility the following items are included.

a. Annuity b. House Rent Allowance c. Canteen's facilities
 d. Safety equipments e. Cold water f. Housing facilities
 g. Leave facilities h. Lockers i. Welfare facilities under the
 Employees State Insurance j. Provident Fund k. Leave Travel
 assistance.

2. NON-STATUTORY WELFARE FACILITIES - This includes following items.

a. Transport facilities b. Co-operative Credit Society
 c. Medical facilities d. Employees Welfare Fund e. Loans and Advances
 f. Deposits of the Employees.

3. GENERAL WELFARE FACILITIES - This contains the following items.

a. Marriage gifts. b. The Suggestion Scheme c. Adult Education and Schools for Worker's Children d. Sports and Recreation Clubs.
 e. Library f. Lectures on General Subjects.

10. ORGANISATIONAL SET-UP :

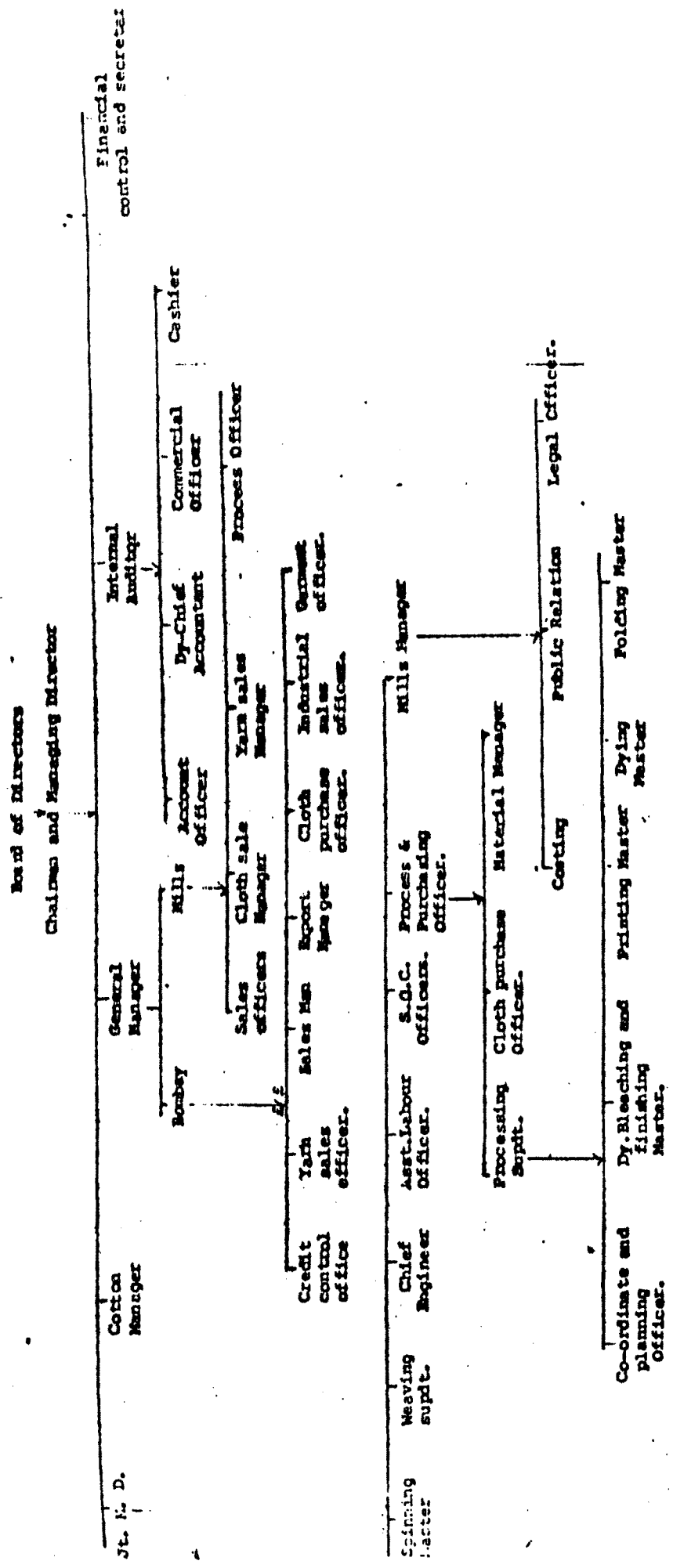
The Figure 2.7 indicates 'Organisation Chart' of The Madhavnagar Cotton Mills Ltd., Madhavnagar. In this chart the inter-relationships of various departments and individuals have been represented.

Managing Director is acting as a full time Director and Chairman of the company, as such his duty to direct and to look after the financial position of the company and to solve any other administrative problems of the company. Board of Directors, Secretary and other Executives perform the plans and policies as directed by the top Executives. All the Departments and Department Heads are concerned with their duties individually. All the organisation of the company is as like 'Committee Organisation'.

FIGURE - 2.7

ORGANISATION CHART

ORGANISATION CHART OF H. C. E. LTD. MANAGER



-: REFERENCES :-

1. C. M. Kothari, "Kotharies Industrial Directory of India, Kothari Enterprises, Madras, 1986, P. 1.

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