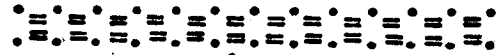
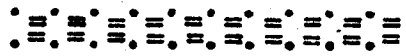
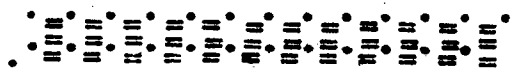


CHAPTER - V



FINANCIAL STRUCTURE



CHAPTER - V
.....FINANCIAL STRUCTURE
.....Introduction :-

This chapter deals with the financial structure of the selected mills in terms of the requirements and sources of short term and long term funds to meet all types of costs. The long term finance is needed for the fixed assets such as land, building, plants and other equipments. The long term funds for spinning mills are based on the spindleage capacity. The short term and medium term finance is needed for purchase of cotton and other inputs, wages, salaries, major repairs, etc.

SECTION - I : CAPACITY INSTALLED AND PROJECT COST OF SELECTED MILLS.

TABLE No. 5.1

(as on 30-6-87) (Figures in lakhs Rs.)

Sr. No.	Name of the Mill	Capacity Installed (No. of Spindles)	Project Cost	Owned Funds	Borrowed Funds
1.	Sholapur Sahakari Soot Girani, Solapur (1967)	39680	698.00	444.23	253.77
2.	Yeshawant Sahakari Soot Girani, Solapur (1969)	30248	515.39	260.13	255.26
3.	Shri Swami Samarth Sahakari Soot Girani, Valsang (1983)	25080	781.15	395.15	386.00
4.	Shetkari Sahakari Soot Girani, Sangola (1984)	25056	863.70	472.20	391.50
Total -		120064	2858.24	1571.71	1286.53

Table No.5.1. shows installed capacity and project cost of 4 selected mills. It is observed that the total project cost of 4 mills was amounted Rs.2,858.24 lakhs. Thus the average project cost roughly worked out to Rs.714 lakhs per mill. The maximum project cost amount to Rs.863.70 lakhs (Sangola Unit) while minimum project cost amount to Rs.515.39 lakhs (Yeshawant Mill). This shows wide variation in the project costs of the Mills. The variation in project costs have also been observed even for same spindleage. The minimum cost of 25,000 spindles mill smounted to Rs.781.15 lakhs (Valsang Mill). While the maximum cost for the same spindeles Mill amounted to Rs.863.70 lakhs(Sangola Mill).

Statement showing percentage of borrowed funds to owned funds.

TABLE NO. 5.2.

Sr.No.	Name of the Mills	Owned funds	Borrowed funds	Percentage Borro- Owned wed funds funds	
1.	Sholapur Sahakari Soot Girani	443.23	253.72	36.35	63.65
2.	Yeshawant Sahakari Soot Girani	260.13	255.26	49.52	50.48
3.	Shri Swami Samarth Sahakari S.Girani,Valsang	395.15	386.00	49.41	50.59
4.	Shetakari Sahakari Soot Girani,Sangola	472.20	391.50	45.33	54.67

In commercial organisations it is always desired that debt equity ration should be 2: 1. If we go through the

above figures it is observed that not a single co-operative spinning mills had maintained the standard debt equity ratio. If the borrowed funds are more than the cost of capital namely debenture interest, loan interest etc. can be directly charged to profit and loss account and such as since this expenditure is treated as deductible expenses for income tax purpose, there is a lot of saving in tax.

It is recommended that above mills should try to improve their debt equity ratio to reduce their tax liability.

SECTION - II : LOANS RAISED BY THE MILLS FROM VARIOUS
INSTITUTIONS TO MEET PROJECT COST.

The important sources for raising long term resources are as follow :

1. Long term loans for making capital costs from the Industrial Finance, Corporation, The Industrial Development Bank of India, The Government and Maharashtra State Co-operative Bank at S.I.C.O.M. and State Trading Corporation.
2. Deferred payment facilities against Government or Bank gurrantee.

These sources can be classified as borrowed funds.

Following Table shows amount borrowed from the various institutions and its repayment.

TABLE NO.5.3.

SHOLAPUR SAHAKARI SOOT GIRANI :

Sr. No.	Institution	Purpose	Year of drawn	Amount borro- wed	Re-pay ment	Bala- nce
1.	M.S.C.Bank	Original Project	1966-67	45.00	45.00	Nil
2.	S.T.C.of India	"	1966-67	27.87	27.87	Nil
3.	Govt.of Maha.	Share Loan to Members	1966-67	13.67	13.67	Nil
4.	Govt.of Maha.	To Pay S.T. dues	1970-77	8.17	8.17	Nil
5.	Deferred Payment	1st Expansion	1971-73	26.99	26.99	Nil
6.	Govt.of Maha.	To pay sales Tax	1978-79	3.00	3.00	Nil
7.	Govt.of Maha.	To recope cash loss	1976-77	4.71	4.71	Nil
8.	M.S.C.Bank	2nd Expansion	1982-84	170.90	35.00	135.90

TABLE NO.5.4.

YESHAWANT SAHAKARI SOOT GIRANI :

Sr. No.	Name of the Institution	Borrowed	Paid	Balance
1.	M.S.C.Bank-Original Project	41.50	41.50	Nil
2.	Defened Payment- "	36.44	36.44	Nil
3.	I.C.I.C.I. Ist expansion	30.00	30.00	Nil
4.	I.D.B.I. Ist Expansion	15.99	15.99	Nil
5.	I.F.C.I. Ist Expansion	20.00	20.00	Nil
6.	M.S.C.Bank IInd Expansion	111.83	111.83	Nil
		255.26	255.26	Nil

TABLE NO. 5.5.

SWAMI SAMARTH SAHAKARI SOOT GIRANI, VALSANG :

Sr.No.	Name of the Institution	Borrowed	Paid	Balance
1.	I.F.C.I.	90.00	11.25	78.75
2.	I.D.B.I.	170.00	21,25	148.75
3.	I.C.I.C.I.	86.00	10.75	75.25
4.	S.I.C.O.M.	40.00	-	40.00
		386.00	43.25	342.75

TABLE NO. 5.6.SHETKARI SAHAKARI SOOT GIRANI, SANGOLA :

Sr.No.	Name of the Institution	Borrowed	Paid	Balance
1.	I.F.C.I.-Term loan I.D.B.I. and M.S.C.Bank	350.00	45.00	305.00
2.	S.I.C.O.M.	41.50	-	41.50
		391.50	45.00	346.50

All the Mills under study had taken loans from various financial institutions viz. I.F.C.I., M.S.C. Bank Ltd., S.T.C., Government of Maharashtra, I.D.B.I., S.I.C.O.M., etc. to raise funds for mitigating their individual project cost. Yeshawant Soot Girani had cleared its all loan obligations satisfactorily. Also Sholapur Soot Girani cleared almost all the loans taken from various financial institutions except the loan taken from M.S.C. Bank Ltd.

The other Mills Valsang and Sangola commenced their manufacturing activity very recently as compared to above two Mills. Only due to that reason they had not repaid fully their loans.

YEARLY CASH-FLOW POSITIONTABLE NO. 5.7

Sholapur Sahakari Soot Girani

Year	Total Cost of Prod.	Total Receipts	Total loss	Provisions*	Cash-flow
1983-84	520.51	340.25	-180.16	145.50	-34.66
1984-85	467.51	401.40	- 66.11	75.00	+ 8.89
1985-86	476.69	408.29	-68 .40	86.95	+18.55
1986-87	526.78	544.22	+ 17.44	76.68	+94.12

Yeshawant Sahakari Soot Girani

1983-84	1033.71	967.78	- 65.93	47.55	-18.38
1984-85	1100.05	1076.22	- 23.83	32.28	+ 8.45
1985-86	979.53	909.36	- 70.17	27.80	-42.37
1986-87	941.04	992.08	+ 51.04	49.15	+100.19

Shri Swami Samarth Mill, Valsang

1983-84	659.28	542.49	-116.79	98.59	-18.20
1984-85	903.40	841.80	- 61.60	78.91	+17.31
1985-86	934.27	882.08	- 52.19	62.85	+10.66
1986-87	916.21	870.77	- 45.44	74.75	+29.31

Shetkari Sahakari Soot Girani, Sangola

1983-84	-	-	-	-	-
1984-85	381.73	173.03	-208.70	179.18	-29.52
1985-86	667.07	526.81	-140.28	159.63	+19.35
1986-87	694.52	694.63	- 14.89	84.58	+69.69

* Provision - i) Depreciation,
ii) Share capital redumption Fund,
iii) Investment Allowance Fund

On going through above figures, it is observed that, Sholapur Mills, Swami Samarth Soot Girani and Shetkari Sahakari Soot Girani, Sangola had maintained their individual cash-flow position satisfactorily. The provisions of depreciation, share capital redumption fund and investment allowance fund, etc. are of non-cash type expenditures and as such these expenses are added back to the respective years profit or loss. Particularly the Yeshawant Sahakari Soot Girani unable to maintain a steady cash-flow position due to the continuous loss over the years under study. It is recommended that the mills should try its level best to maintain a steady profit and which will improve its cash flow position.