

CHAPTER - III

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PROFILE OF ORGANISATION

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1. HISTORY OF THE SAHYADRI SAHAKARI SAKHAR KARKHANA LTD;
YESHWANT NAGAR, KARAD

Production of sugar through co-operative processing of sugarcane was first attempted in India in 1933. There were four co-operative sugar factories in 1935. One in U.P. (Biswan) and the remaining three at Thummapala, Etikoppaka and Vuyyu in A.P.

The main aim of co-operative firm is 'to give service to the members irrespective of the profit'.

M. Gandhi say's 'Co-operation is a way of life'.

Late Shri Yeshwantrao Chavan of Karad wants to meet the above co-operative firms object. He formed a promoters meeting and take a dicision about formation of the factory in the year 1969. They take a decision to form a factory to the name of Sahyadri Sahakari Sakhar Karkhana Ltd; Yeshwant Nagar, Karad.

The Sahyadri Sahakari Sakhar Karkhana Ltd; Yeshwant Nagar, Karad, was registered under the Maharashtra State Co-operative Societies Act on 26-8-1969. Following is the registration number of the Sahyadri Sahakari Sakhar Karkhana Ltd; Yeshwant Nagar, Karad.

Registration No : SAT/PRG(A)/2 Date : 26-8-69
 Sugar Director, Co-operative
 Society (Sugar) Pune.

The project cost was estimated at Rs.10 croers. The facory registered on 26-8-69 but actual working is started on 29-10-1974.

Industrial Licence No : L/25/N-243/70 LC Date 6-8-70
 Industrial Development and
 Internal Trade Department,
 Indian Government.

The Board of Director of the Sahyadri Sahakari Sakhar Karkhana, Ltd; Yeshwant Nagar, Karad had purchased the factory machinery from -

M/S.Backwoolf
New India Engineering Works Ltd;
Pimpary, Pune.

Distillary Technical Advisors of the Factory is -

M/S.Shri Ram and Patil
Association
Consultant Pvt.Ltd;
Pune.

Archietect of the Factory -

Shri J.G.Bodhe, Bombay
B.E.F.I. Struct E.(Lond.)
F.I.C.E.(Lond), F.I.(Lond),

In 1980-81 the factory increased its crushing capacity per day from 1250 m.tons to 2,200 m.tons. For this purpose the factory make a expantion in expenses amounted to Rs.283.22 lakhs and this expenses is made by factory from his own funds and from the deposits of the members.

The directors of the factory has taken long-term loan for to stand factory from Indian Credit Control Co-operation of India (Rs.100 lakhs) and from Indian Life Insurance Corporation of India (Rs.50 lakhs).

The facotry also planned a bodring plan in a well, for this purpose the factory gives a grant to a member worth of Rs.500/- or 25% of expenses, whichever is less from the Expansion Fund.

The factory also planned a soil survey plan, gobergas plan. For gobergas scheme factory gives a security to the banks for giving a loan to members and also gives 20% grant of total expences from its Expantion Fund.

The factory also planned to help the backward classes. For this purpose factory gives a grant of Rs.2,250/- per acare. Now 194 backward class farmers have taken this opportunity.

The factory has started a lift irrigation scheme on Koyana and on Krishna river. Under this scheme total irrigated land is 25,418 acares.

The factory also runs a primary school and highscool, for this purpose a separate building is constucted by the factory.

Now the factory has purcashed 200 bullock-cart, made up of iron hull and rubber tyers.

The factory is located about 8 km. distance from Karad.

Table 3.1 shows the members of the factory. In the organisation structure of a company memberships are also calssified i.e. open, S.C., S.T. and Maharashtra Governement.

In the year 1979 total members in the factory are 8865 and out of that total members, there are 8864 open members and 83 S.C. category, 18 S.T. category and one is from Maharashtra Government. In the years 1979-80, 1980-81 S.C. & S.T. members are same but in the year 1981-82 the members are increas. 50 members were increased in S.C. category and this quota remains same till 1984.

TABLE 3.1 : Showing members of the company.

Year	Productive Members			Maharashtra Govt. members	Total Member
	Open	S.C.	S.T.		
1979-80	8,864	83	18	1	8,865
1980-81	10,014	83	18	1	10,015
1981-82	11,768	133	33	1	11,769
1982-83	11,775	133	33	1	11,766
1983-84	11,775	133	33	1	11,776

SOURCE : Annual Reports of the factory.

In S.T. category there is also increased by 15 members and this members quota is same till 1984. But in case of open category in the year 1983-84 the members remained the same.

2. WORKING

The yearwise operations of the factory are given in the Table 3.2.

The table shows that the recovery is decreasing from 12.01% to 11.71% during the period under study. The factory is not utilizing the full season. Normally the sugar factories started their operations in the month of October or November. The Sahyadri Sahakari Sakhar Karkhana Ltd; Yeshwant Nagar, Kared starts its season in the month of November or December. At this time the sugarcane is ready for crushing, so the factory can have good percentage as far as sugar recovery is concerned.

TABLE 3.2 : Showing yearwise sugarcane crushed and produced.

Year	Sugarcane crushed in lakhs in M.T.	Sugar bags produced in Qtls.	No.of days operated	Sugar recovery %
1978-79	2.64	3.22	205	12.01
1979-80	1.66	2.82	129	11.62
1980-81	2.49	3.68	138	11.75
1981-82	4.68	5.56	213	11.87
1982-83	4.67	5.46	209	11.60
1983-84	2.78	3.31	134	11.71

SOURCE : Annual Reports.

The shareholders of these factory are producer, members in the sense, that they have their own sugarcane fields. The facotory also obtains sugarcane from non-members.

The factory can get higher recovery of sugar if the sugarcane is crushed as early as possible. The factory has proper and sufficient transport resources of its own. The carts are used for sugarcane transportation, if the sugarcane field is near to the factory and otherwise trucks and trollies are used for long distance sugarcane transportation. The factory had 200 carts.

The crushing season starts in the month of October on the Muhurath of 'Dasera' and ends up in the month of March or April. Normally cane bill payment is made in two installments and the first

TABLE 3.3 : Showing members and non-members sugarcane crushed.

Year	Sugarcane crushed in lakhs in M.T.	Members cane in lakhs (M.T.)	% in total cane	Non-members cane lakh in (M.T.)	% in total cane lakh (M.T.)
1978-79	2.64	2.11	95.55	0.52	04.45
1979-80	1.66	1.47	96.71	0.19	03.29
1980-81	2.49	2.21	96.33	0.27	03.67
1981-82	4.68	3.81	71.15	0.64	28.85
1982-83	4.67	3.41	70.33	1.12	29.67
1983-84	2.78	2.05	85.51	0.65	14.49

SOURCE : Annual Reports.

instalment is paid within 15 days. Last instalment is paid only after the season is over and the accounts finalised.

The excise duty is paid at the time of the sale of the sugarbags.

Process of sugar production is already out-lined in previous chapter. The factory have to pay salaries and wages and incur other administrative expenditure as and when they full due.

Heavy sugar bags as well as non heavy sugar bags are stored throughout the year. The selling of sugar bags is made as per the prevalent rules and regulations of the Government. Now the percentage of levy sugar is 50% of the total production and remaining 50% is non levy sugar. The sale of sugar bags is made according to this percentage.

Non-levy sugar bags are sold on the tender basis. Factory estimates the minimum tender price and sells out the bags to those with the highest bids.

The Maharashtra State Civil Supplies Corporation Ltd; takes the quota on monthly basis. So factory gives an advertisement for selling non-levy sugar.

Following tables given the yearwise information of sale of sugar under heavy and non-heavy categories and the average price realisation.

TABLE 3.4 : Showing yearwise sale of sugar.

Year	Levy sugar Qutls.	Non levy sugar Qutls.	Total sales Qutls.	Average price per Qutls. Rs.	Average cost of produ- ction Rs.	Average price paid to cultiva- tor per ton Rs.
78-79	-	2,99,553	2,99,553	270.00	234.31	250/-
79-80	82,007	2,32,220	3,14,227	248.43	298.31	201/-
80-81	2,54,771	1,13,656	3,68,427	342.89	368.44	272/-
81-82	2,48,937	1,27,204	3,76,141	334.43	322.58	254/-
82-83	2,87,611	1,53,339	4,40,950	311.20	322.57	247/-
83-84	3,07,901	2,10,393	5,18,294	332.45	351.20	237/-

SOURCE : Annual Reports of the Factory.

The factory sells the sugar in two categories, one a levy sugar and another one a non-levy sugar. The Government gives permission to sale the sugar bags as a levy at 65% and remaining sale as a non-levy i.e. 35%. But in the year 1986-87 the government gives a permission to sale 50% as a non-levy out of total production and 50% as a levy basis.

Following Table 3.5 gives yearwise profit or loss made (sustained) by the factory.

TABLE 3.5 : Showing yearwise profit or loss.

Year	Net Profit or Loss in lakhs Rs.	Accumulated Profit or Loss in lakhs Rs.
1978-79	- 14.33	+ 70.55
1979-80	+ 16.24	+ 80.40
1980-81	- 70.63	+ 71.34
1981-82	+ 13.42	+ 149.99
1982-83	- 18.75	+ 142.94
1983-84	+ 10.93	+ 164.83

SOURCE : Annual Reports of the Factory.

Table 3.5, shows that the factory earn a net loss in the year 1978-79, due to excess of expences over income and in the same year the gross profit of the factory is Rs.70.55 lakhs. The factory get a net profit in the year 1979-80, 1981-82 and 1983-84; Rs.16.23 lakhs, 13.42 lakhs and 10.93 lakhs respectively and so the factory distributed the profit among the shareholders as a dividend.

3. ORGANISATION SET-UP

The Sahyadri Sahakari Sakhar Karkhana Ltd; Yeshwant Nagar, Karad has the general body which is constituted by shareholders i.e. mostly the producer members. The Board of Directors of this factory consists of 23 members including 4 members to be (national) nominated by the State Government, one shall be Backward Class nominy and one shall be a Managing Director and other one is District Collector and Director of Sugar. 3 members by financial institutions (Two by I.F.C.I. and one by co-operative Central Bank providing working capital). According to the by laws of the factory, the president is to be elected from among the elected members. The first set of the Board was elected in office from 1-6-1972 to 31-5-1975. The second set of the Board was in office from 26-5-75 to 30-4-81. The third set of Directors was elected on 26-4-1980 to 31-5-1984.

The Managing Director appointed by the Government in the cadre of Chief Executive of the factory is representing on the Board and involved in discussion making.

In actual working Managing Director works as the representative of general body and Board of Directors. There are the following departments in the organisation.

- a) Account Department
- b) Engineering Department
- c) Manufacturing Department
- d) Time office Department
- e) Agriculture Department
- f) Stores Department
- g) Labour Department

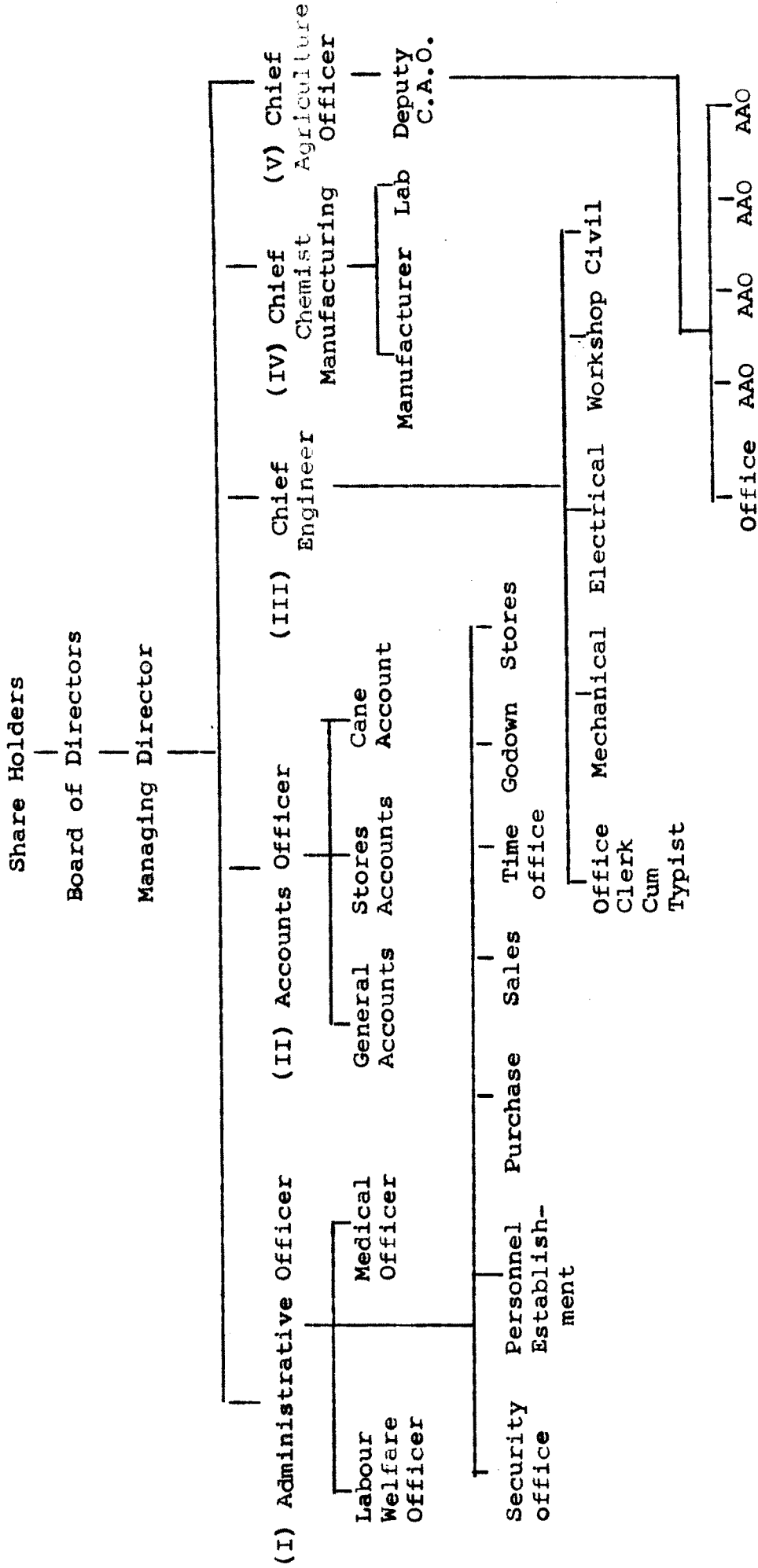
Here main concern is the Account Department. This department has sub-section viz. store account, sugar sale account, cane account, finance section, shares account.

The functions of these sections are as follows.

Cane section deals with the cane bill payments. The bill are prepared by this section after deducting the dues. Share account deals with shares of the factory and non-refundable deposits converted into shares. The agricultural department deals with the agricultural activities and development schemes.

Finance section deals with the financing activities of the factory. Payment bills are paid by this section.

4. ORGANISATION CHART



5. PRODUCTION PROCESS AND SPECIAL ASPECTS OF WORKING CAPITAL
MANAGEMENT IN SAHYADRI SAHAKARI SAKHAR KARAKHANA LTD;
YESHWANT NAGAR, KARAD

In a sugar factory working capital is like a blood in a human body without blood a human cannot live, just like a sugar factory also cannot run without working capital so working capital is necessary to a sugar factory.

Let us now see, the production process in a sugar factory and also the special aspects of working capital position in a co-operative sugar factory.

When sugar-cane is ripe, it is cut according to the programme prepared by Agriculture Officer of the factory and brought to the factory with the help of carting contracts or with other transport facilities. After cutting the sugarcane must reach the factory as early as possible, to get maximum recovery. After weighing of sugarcane at the gate. It is unloaded on the cane carriers. Mechanically operated knives then cut and crush the cane and pass on the piece through the milling tenders. These are driven by steam turbines compound inhibition using water at ordinary temperature is applied to get maximum juice extracted from the crushed cane.

Almost all the co-operative sugar factories use the sulfitation process (as against the carbonation process which is used very few factories in India). The mixed juice is heated to about 70°C and treated with lime at 10° - 15°C, it is then

neutralised sulphur oxide. This juice is boiled in juice heaters and then classified. Mud is filtered by using rotary vacuum filters. The filtered syrup is then concentrated about 55 brix. Three or four successive boilings are done to reach the maximum level exhaustion of molasses and it gives a border gain of sugar. High speed centrifugal machines do the crystallisation process. Steam drying is done in centrifugal machines and cooling is done on long hoppers. Different size of crystals are separated by graders and sugar is filled in Jute bag and are stitched manually or by sewing machines which run automatically.

There are five standard measures 'A' to 'E' while 27, 28 and 29 are colour measures which control the largest grain and 29 denotes, the whitest sugar.

Sugar is stored throughout the year that is why carrying cost of sugar is high. Sugar is sold according to the Central Government. Government of India purchases about 65% production through The Maharashtra State Civil Supplies Corporation Ltd; and remaining 35% sugar is sold on tender basis, but in the year 86-87 the government allowed to sell sugar 50% on tender basis. The price of sugar purchased by the Government is fixed by the government considering the cost of production. The price of remaining sugar is varied according to the tender. Excise duty and the amount of purchase price is paid up at the time of purchasing by the Sugar Merchants and the Government of the Maharashtra State Civil Supplies Corporation Ltd; paid up excise duty and at the payment of price is

made by Nationalised banks drafts at the time of loading the sugar bags. The bank drafts sent to the co-operative Central Bank for collection of money because the factory has repay the loan taken from the co-operative Central Bank of India. In this amount 80% of Bank drafts repay the loan and remaining 20% of amount is taken by the sugar factory

Investment in Inventories

It is common aspect of Co-operative Sugar Factories that high amounts is invested in inventories.

The production of sugar is seasonal but the working capitals needs through out the year. Every co-operative sugar factory obtain finance through pledge, hypothecation, clean cash and special clean cash credit. The factory pledged its total sugar bags to the bank. Because of high investment in inventories is also high because of high investment in inventories the burden of interest is also high.

Working capital position with particular reference to the Sahyadri Sahakari Sakhar Karakhana Ltd; Yeshwant Nagar, Karad and the problems connected with it have been studied in detail in the pages to follow.