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ANALYSIS OF SICK UNITS IN SHIVAJI UDYAMNAGAR

In the wake of our Industrial Development a large number of new industrial units are coming up, all over the country. A sizeable portion of the new units being set up belongs to the small scale sector. Many of them are being set up as ancillary units to biggest industrial undertakings. Some of these small units are being started by young technically qualified entrepreneurs, who do not possess any financial resources, therefore, having a loan from financial institution. The financial institution & the commercial banks are thus catering to almost the entire requirement of these units.

Now a days, there have been disturbing reports of growing sickness in the industrial units more particularly in the small sector. Though the entrepreneurs in most of the cases technically qualified their projects are being got properly appraised and assessed before him & the banks & financial institution are involving themselves whole heartedly for looking their financial needs more and more of these units are on the sick list.

Shivaji Udyamnagar is the oldest industrial area in the Kolhapur city. So many small units have been set up in this area. It has got too much importance in the financial set up of the Kolhapur city. In the period of 9 years 1979 to 1988, 1552 small scale units have been set up in the Kolhapur district. Out of these 205 units have been established in the area of Shivaji

Udyamnagar only. It is about 15.2%. Out of these units 38 units are on the sick list of District Industries Centre. It shows that 2.4% units are sick. Out of these 38 sick units 10 units are from the Shivaji Udyamnagar area. The percentage of sick units in the area of Shivaji Udyamnagar is about 5%, as compared to total units registered in the area. These units are as follows :

1. UNIT A : Vijay Industries.
2. UNIT B : Kohinoor Tarpaulin Industries.
3. UNIT C : M/s. Sawant Oil Engine Works
4. UNIT D : M/s. J.P. Enterprises.
5. UNIT E : M/s. Ambika Steel Works.
6. UNIT F : M/s. Shivshakti Engineering Works
7. UNIT G : M/s. Indian Spares Industries
8. UNIT H : M/s. Nages Iron & Steel Industries
9. UNIT I : M/s. Jadhav Iron Works.
10. UNIT J : M/s. Jay Jawan Engineering Works.

ANALYSIS OF UNIT A :

UNIT 'A' : It is a Small Scale unit in the area of Shivaji Udyamnagar, Kolhapur. It is a sole proprietorship unit. The production of the unit is machining of the various spare parts. In this area most of the units were established to do the machining job work of spare parts required for the oil engines.

It is the main reason for the sickness of this unit. As there is a recession in the oil engine industry since 1972, the demand is decreasing a day by day so there is a problem of marketing for the engines, I as there is no demand for the oil engines the depending units could not get the job work from the manufacturers. Not only this but the dues on account of machining changes also could not received in time to pay the day to day expenses, interest on the bank loan and to repay the instalments of the bank loan.

The machinery is also the oldest one and with the help of this machinery it is rather difficult to maintain efficiency and perfection in the production.

Lack of managerial skill and negligence on the part of proprietor for forecasting the future is also a reason for decreasing demand in the job work.

ANALYSIS OF UNIT B :

UNIT 'B': This unit is also a small unit run by a sole trader. The main production of this unit is :

- i) Water proff Canvas /
- ii) Duck Tar-paulins
- iii) Wax components for Textile process.
- iv) & other allied products.

This unit is a quite different unit in the area of Shivaji Udyamnagar.

THE MAIN REASONS FOR THE SICKNESS OF THIS UNIT ARE AS FOLLOWS :

- 1) There was a devastated fire broke out in this industrial unit in the month of April 1980. The proprietor claimed Rs. 1,00,000/- towards the Insurance Company. But the Insurance Company accepted and paid a claim of Rs.21,000/- only. It affects on the total working of the unit.
- 2) During the year 1982 there was a labour problem in this unit. There was a strike in the unit for a long time. As a result of which there was a retrenchment of skilled workers in the unit.
- 3) Shortage of raw material is also the most important reason. Looking to the production capacity of the unit and demand for the product it requires about 50 to 60 M.T. was as a raw material. But only 15 M.T. wax is sanctioned on the licence. So the party has to purchase it in the open **market** where the rates are very high which **incr-**
ases the cost of production.
- 4) Lack of management expertise is also an important reason for the sickness of the unit.

UNIT C

UNIT 'C' : It is a small scale unit in the area of Shivaji Udyamnagar Kolhapur. It owned by a partnership firm. All the partners are from the same family.

The main production of this unit is oil engines of 6.5 H.P. Similarly they are doing job work of the machining of the spare parts of the sugar mill machinery.

REASONS FOR THE SICKNESS :

- 1) In the case of this unit the recession in the oil engines is the main reason for the sickness. Due to increasing electrification of rural areas the demand of oil engines is decreasing, since 1970. It affects very adversely on this unit.
- 2) Similarly, the non recovery of the dues from the parties of Rajstan, Andra pradesh, & Karnataka also puts the unit in the financial crises.

UNIT D

UNIT 'D' : The unit 'D' is also a small unit in the area of Shivaji Udyamnagar Kolhapur. The unit is owned by sole proprietor.

The main production of the unit is manufacturing of oil engine spare parts.

REASONS :

- 1) The recession in the oil engines affects the demand of the spares parts also. There is no demand for the spare parts in the market.
- 2) Financial crisis is the another reason for the sickness. The dues from the customers could not be collected in time. So shortage of working capital creates a lot of problems before the unit.
- 3) Due to the shorgage of capital, the investment in the new machinery could not be made; As a result of which efficiency and perfection in the machining of other spare parts is not possible for the unit.

UNIT 'E' :

Unit 'E' is also a small scale unit in the area of Shivaji Udyamnagar, Kolhapur. It is also owned by a sole proprietor.

The main production is Steel Fabrication and Steel Furniture.

REASONS FOR SICKNESS :

- 1) The unit was started by a totally new proprietor without having any experience in this line. As a result of which sufficient work orders could not be obtained. The production even could not be reached to break Even Point.

- 2) Shortage of Working Capital is also a main reason for the sickness of the unit. Due to the shortage of funds the day to day expenses also could not be met in time.
- 3) Personal or Domestic problem is also one of reasons of sickness. Due to the separation in the family, the responsibilities were increased.
- 4) In this line the labour problem is also an important problem. It is because you have to pay an advance to the workers to bring them in your unit. But if some other manufacturer pays more advance to him, he leaves you without any notice. Such type of pulling out skilled workers is the regular practice in the industry. So such practice also affects on this unit.

UNIT 'F' :

Unit 'F' is also a Small Scale unit in the area of Shivaji Udyamnagar. It is established by one experienced but illiterate worker.

The main production is the job work of machining for the various types of spare parts required for oil engines.

REASONS FOR SICKNESS :

- 1) The main reason of sickness is the recession in the oil engines since 1970. Due to the decreasing demand for oil engines, the demand for spare parts also decreases.

- 2) Financial crises is the next reason for the unit. There were no new orders from the regular customers and the collection of dues became almost impossible. It creates a lot of problem before the unit.
- 3) In the year 1972 as a diversification one new pit Furnace was established. But due to the shortage of raw material i.e. pig Iron and Scrap it could not be used to its fullest extent. So it was sold out in the market at a great loss. So the efforts of diversification were also futile.

UNIT 'G' :

This unit is also a Small unit in the area of Shivaji Udyam-nagar, Kolhapur. It is owned by a partnership firm.

The main production of this unit is also spares parts for the oil engines.

REASONS FOR SICKNESS :

- 1) The general recession in the oil engine industry affects this unit also. The decreasing demand for oil engines, decreases the demand for spares parts.
- 2) Shortage of Working Capital is the next reason for the sickness. The dues could not be collected in time.
- 3) The leading partner expired and it also affects on the working of the unit.

UNIT 'H' :

The Unit 'H' is also a Small Scale unit in the area of Shivaji Udyamnagar, Kolhapur. It is owned by a Partnership Firm.

The main production of the unit is Spares parts for oil engines and marine engines.

REASONS FOR SICKNESS :

- 1) As like as other units in this area the recession in the oil engine industry also affects this unit. The decreasing demand for oil engines also decreases the demand for Spares parts also.
- 2) Labour problem is the other main reason for the sickness of this unit. There was a long lasting strike of workers for a period of 6 months which affects the production of the unit.
- 3) Shortage of Working Capital is the next reason for the sickness of the unit. Due to the shortage of funds, sufficient quantity of raw material could not be purchased. It hampers the production of the unit.

UNIT 'I' :

This is also a small unit in the area of Shivaji Udyamnagar, Kolhapur. It is owned by the partnership firm. The main production of this unit is Cast Iron Casting especially for oil engines.

REASONS :

- 1) In the foundry industry the competition is increasing day by day. Such cut throat competition and increasing rates of raw material puts the foundries into the list of sick units.
- 2) The main raw material for the foundry is Pig Iron and Coal. But their supply is not constant and sufficient. It hampers the production. Due to the shortage of Pig Iron the steel scrap is required to be purchased at the higher cost.
- 3) The quality of the Pig Iron supplied from the Govt. Quota is also not satisfactory.
- 4) The castings were supplied mainly for oil engines, the recession in this field also affects the demand for castings.

UNIT 'J' :

This is also a Small Scale unit in the area of Shivaji Udyam-nagar, Kolhapur. It is a sole proprietorship concern.

The main production is oil engine spares parts, Milling machine Spare parts for agricultural sector machinery, CI Joints & C.I. Springs, as well as Automobile spare parts.

REASONS FOR SICKNESS :

- 1) The machinery in this unit is very old. So the production could not be up the standard. The accuracy which is expected in the automobile spares could not be maintained. As a result of which there is a rejection from the customer. It increases the losses for the unit. The funds are very short to purchase a new, modern and sophisticated machinery with the help of which quantity as well as quality of the production could be maintained upto the standard.
- 2) The shortage of skilled workers is the next problem for this unit. The skilled workers are not available at the required number for the unit.

TABLE NO. 5.1

Table showing the reason wise analysis, of the sick units in the Industrial Estate of Shivaji Udyamgar

Sr. No.	Reasons	Unit: Unit :Unit :Unit :Unit :Unit :Unit :Unit :Unit :Unit :Unit :Total: %										
		A	B	C	D	E	F	G	H	I	J	
1.	Recession in the oil Engines Industry & shortage of orders.	Yes	-	Yes	Yes	-	Yes	Yes	Yes	-	7	70%
2.	Shortage of Raw material No sufficient supply from the Govt. Quota, Not good quality.	-	Yes	-	-	-	Yes	-	Yes	-	3	30%
3.	Lack of management expertise	Yes	Yes	-	-	Yes	-	-	-	-	3	30%
4.	Labour problem i.e. strike, slowdown of work etc.	-	Yes	-	-	Yes	-	Yes	-	-	3	30%
5.	Natural cause - Fire etc.	-	Yes	-	-	-	-	-	-	-	1	10%
6.	Domestic problem such as Family tension to the proprietor.	-	-	-	-	Yes	-	Yes	-	-	2	20%
7.	Shortage of working capital due to the loading up of the funds in debtors.	-	-	Yes	Yes	Yes	Yes	Yes	Yes	-	6	60%
8.	Possessing old machinery due to which quality & Quantity could not be maintained.	Yes	-	-	Yes	-	-	-	-	Yes	3	30%
9.	Increasing competition so no orders at the rates charge.	-	-	-	-	-	-	-	Yes	-	1	10%
10.	Non availability of skilled labour.	-	-	-	-	-	-	-	-	Yes	1	10%

From the previous table we can say that :

1. Recession in the oil engine industry since 1970 affects about 70% units i.e. 7 units out of 10 units studied. So This is the most important cause for the sickness in the small industries in the industrial estate of Shivaji Udaynagar.
2. Only 3 units namely Unit 'B', Unit 'F' and Unit 'I' are suffering due to the cause of shortage of Raw Material or the quality of the raw material supplied from the government quota e.g. pig iron. So the impact of this reason is only 30%.
3. All the 10 units observed are either sole proprietorship or partnership firm but only 3 units namely Unit 'A', Unit 'B' and unit 'F' are suffering due to the reason of lack of management expertise. So only 30% of the units observed have been affected due to this reason.
4. Strike, slowdown of work etc. labour problem have been a cause for 3 units only namely Unit 'B', Unit 'E' and Unit 'I'. So Labour problem affects on 30% of units observed.
- 5) Natural cause such as fire broke out etc. is the reason for only one unit namely unit 'B'. So the impact of this cause is 10% only.

- 6) Domestic or Family problems is also a reason for the sickness. It is because the most of the units are sole trader proprietorships. But only 2 units out of 10 units observed namely Unit 'D' & Unit 'G' affected due to this reason. So the impact of this reason on 20% units out of units totally observed.
- 7) Shortage of working capital is also a very important reason for the sickness of Small Scale units in the industrial estate of Shivaji Udyamagar, 6 units namely Unit 'C', Unit 'D' Unit 'E', Unit 'F' Unit 'G' & Unit 'H' are suffering from this cause. So Non collection of dues in time is the shortage of Working Capital. So the impact of this reason is on 60% units in all.
- 8) Having old machinery and due to which the Quality & Quantity of production could not be achieved is also a cause for 3 units only namely Unit 'A', Unit 'D' and Unit 'J'. So the impact of this reason is 30% only.
- 9) Increasing competition so no new orders is the problem for one unit only, i.e. unit 'I'. So the impact of this reason for 10% of the units observed.
- 10) Non availability of Skilled Workers is the reason for one Unit only that is unit 'I'. So the only 10% of the units observed have been affected due to this reason.