

CHAPTER - 2
COMPANY PROFILE

There is a close connection between rate of population growth and economic development. Increasing population is one of the most serious problems in India. Increasing population reduces per capital income, increases proportion of unproductive population, unemployment and under employment; reduces savings and investment, increases inflationary pressure. High rate of population growth impoverishes the society.

Considering how all our developmental efforts are being nullified by our growing population and how fruits of each successive five year plan are being eaten up by the swelling torrent of babies, it has become a matter of great urgency to evolve a sound and effective population policy. We are passing through a phase of population explosion when death rate has substantially fallen without a corresponding decline in birth rate. Such a situation has dangerous potentialities and calls for a more positive and more effective policy of population control.

By far the most important thing is the control of birth-rate and the improvement of the quality of human stock. The rate of birth or population growth can be reduced by:

- (a) raising the age of marriage,
- (b) sterilization,

- (c) legalizing abortion, and
- (d) Widespread use of contraceptives.

Family Planning Programme carried on so far has only touched the fringe of the problem. Therefore it is necessary to launch all frontal attack on population growth by implementing all above mentioned measures simultaneously lending a hand to the nations massive family planning programme ever since its inception. HLL has been reaching out to bring the benefits of contraception to millions all over the country, by providing low priced, high quality contraceptives. Today it remains the single manufacturer of condoms in the country.

Commencing operations in 1969 with an annual production capacity of 144 million pieces, this was doubled in 1977 to 288 million pieces, putting additional manufacturing lines to the existing plant.

In 1986, two additional plants with the latest Japanese Technology were commissioned each with an annual capacity of 144 million pieces, one at Thiruvananthapuram and other at Kanagala, near Belgaum, an industrially backward area.

Today, HLL is the largest manufacturer of contraceptive condoms in the country with a production capacity of 608 million pieces of condoms every year.

All the plants have been set up in collaboration with the world leaders in this field M/s. Okamoto Industries Inc., Japan.

In the process HLL has grown to meet a major portion of the national demand for this popular spacing aid, which has played a significant role, keeping a tight reign on population growth.

The condom has to be seen and projected not merely as a family planning aid, but also as a product that protects in case of risk, behaviour and as an effective tool for safer sex. The regular use of the condom alone can ensure protection against the disease.

HLL commenced the formulation and tableting of India's unique and revolutionary once-a-week oral contraceptive pill-SAHELI, at its plant at Kanagala near Belgaum in Karnataka state.

Statistics exhibited in table 2.1 reveals changes in capital structure of HLL. Though the paid up capital has remained constant over a period of five years, reserves have increased by 196.45 percent. In the year 1988-89 over the year 1987-88 reserves and surpluses increased by 37.58 percent, in next year the rate of increase was accelerated to 45.95 percent, but diminished to 28.85 percent in the year 1990-91. In 1991-92 the reserves and surpluses increased by 14.58 percent giving an over all rate of increase in the

five years (1987-88 to 1991-92) 196.45 percent. As a result the proportion of reserves and surpluses in the total capital of HLL increased from 13.09 percent (1987-88) to 36.02 percent (1991-92).

The company under study had very marginal long term borrowing and it was repaid within two years. HLL has a sizable proportion of unsecured loans. Over the period they declined by 64.75 percent and their share in total capital declined from 45.76 percent (1987-88) to 25.78 percent (1991-92).

Overall capital of the company increased during these five years by 7.73 percent. As a consequence of all these changes proportion of share capital in the total capital declined from 41.15 percent (1987-88) to 38.20 percent (1991-92).

On the basis of the capital structure of HLL a few ratios have been worked out. They are set in Table 2.2.

Numerical figures in table 2.2 present a good picture of financial position of the company. Debt-equity ratio has been always within the limits of the norms. In 1987-88 for every rupee of own capital the company had a loan of barely 84 paise. This has shown oscillating decline with burden of loan falling to barely 34 paise per rupee of own capital.

TABLE-2.1

CAPITAL STRUCTURE OF HINDUSTAN LATEX LTD.

Year Particulars	1987-88 Amount Rs.	Perce- ntage	1988-89 Amount Rs.	Perce- ntage	1989-90 Amount Rs.	Perce- ntage	1990-91 Amount Rs.	Perce- ntage	1991-92 Amount Rs.	Perce- ntage
Sources of Funds										
Share Capital	125750000	41.15	125750000	44.18	125750000	38.62	125750000	38.16	125750000	38.20
Reserves and Surplus	39998152	13.09	55028003	19.33	80312102	24.67	103486319	31.40	118572698	36.02
Loan Funds										
Secured loans	-	-	1062269	0.37	5867755	1.80	-	-	-	-
Unsecured loans	139835064	45.76	102783973	36.12	113664571	34.91	100317973	30.44	84876973	25.78
TOTAL	305583216	100	284624245	100	325595428	100	329554292	100	329199671	100

TABLE 2.2
FINANCIAL RATIOS OF HLL

Name of ratio	1987-88	1988-89	1989-90	1990-91	1991-92
Debt equity ratio	0.84	0.57	0.58	0.43	0.34
Current ratio	8.35	2.99	5.46	3.08	2.36
Operating Profit ratio	12.12	12.70	16.30	13.90	11.60
Net Profit ratio	9.31	8.50	8.14	8.44	4.45
Return on owners fund	10.49	10.11	11.01	10.11	6.19

Current assets have always exceeded current liabilities as can be seen from current ratio. It is true that current assets which were Rs. 8.35 per rupee of current liability have declined to Rs. 2.36. Even then the position is comfortable.

Operating profits as percentage of total sales rose from 12.12 percent in 1987-88 to 16.30 percent in 1989-90 and declined successively over two years. Taking final position in every rupee of sales the company had an operating profit of 11.60 paise. Net profit ratio in relation to operating profit ratio indicates the burden of tax the company has to bear.

As exhibited in the last row of table 2.2 the company has been making sizable returns on capital employed. It must be borne in mind that HLL is not a commercial enterprise. It being a public utility standard norms of return

on capital are not applicable to it. Even then it has made good show. Return on own funds show a fluctuating but declining trend probably because HLL have not hiked prices of their products to match the erosion in the value of rupee. That is a great service HLL has lent to the society.

PRODUCTION:

The company produces high quality condoms. The range of condoms produced by Hindustan Latex Limited today, besides the Nirodh range, including the high quality Super Deluxe Nirodh are, three popular branded varieties which have today captured good segments of the market for premium condoms all over the country. These are

MOODS: Extra-thin luxury lubricated condoms.

SHARE: The high grade thin spermicidal condoms packed in Blister packs, to facilitate easy opening.

RAKSHAK: Thin and economical spermicidal condom packed in strip packs.

The annual production of these products since 1987-88 has been stated in table 2.3

Figures of production presented in table 2.3 present a gloomy picture. Production of condoms has increased over the years of declining rate. Upto 1990-91 production increased but in 1992-93 it has dived down. As stated earlier the plants have an annual production capacity of 608 million pieces. However, this capacity seems to be fully utilised in 1991-92.

TABLE - 2.3
PRODUCTION OF HINDUSTAN LATEX LTD

Year	Production in Million pieces	Percentage increase
1987-88	455.66	-
1988-89	549.51	20.59
1989-90	590.00	7.36
1990-91	606.00	2.71
1991-92	610.95	0.81
1992-93	585.37	- 4.18

In 1992-93, 3.72 percent capacity went unutilised. Even though by commercial standards rate of capacity utilisation is commendable fall in production of this catalyst unit may be a matter of concern.

SALES:

To meet increasing demand for high quality and newer varieties Hindustan Latex Limited launched in the domestic market company's own brands through direct commercial channels.

'Moods' a premium brand was the first of such brands introduced in the market on a national scale. Two more brands targetted at the middle and lower income groups have been conceived and developed. These are 'New Share' and 'Rakshak'. Indias first spermicidal condoms. The introduction of these will ensure that the condom is the safest protective, offering double protection.

Through professional advertising and public relations campaigns, a great amount of awareness has been created on the company's strong technological base and efficient working. These efforts have paid off considerably to enhance the institutional image of the company, as a manufacturer and seller of high quality products at par with international standards.

Since the going on stream of the company's two most modern plants at Thiruvananthapuram and Belgaum for manufacture of the thinnest condoms, demand for export of condoms has come in from far and wide. The company has bagged substantial orders for export of condoms to Canada, Mozambique and U.S.S.R. It is expected that with the present growth trends in the export form for condoms, the company will be able to achieve substantial growth in this field.

The annual sales of the company since 1987-88 to 1992-93 were as given in table 2.4.

TABLE - 2.4

ANNUAL SALES OF HINDUSTAN LATEX LTD.

Year	Sale in Million Pieces	Percentage increase	Sales in Rs. Lakhs	Percentage increase
1987-88	548.33	-	1868.34	-
1988-89	536.07	- 2.23	2140.02	14.77
1989-90	576.38	7.51	2491.20	16.41
1990-91	593.30	2.93	2781.00	11.63
1991-92	611.62	3.08	3387.59	21.81
1992-93	585.00	- 4.35	3751.86	10.75

Figures of sales in volume and value exhibited in table 2.4 give a dismal picture. Except for 1989-90 the rate of increasing in the volume of sales is disappointing though sales in value present a rosy picture. Comparison of figures of sales given in table 2.4 with those of production given table 2.3 drives us to a conclusion that the volume of unsold production has been piling, eating out profits of the company because of cost of carrying inventory. Rate of increase in the value of sales has always outstepped the rate of increase in volume of sales. This indicates prices of some product lines have hiked by the company.

Hindustan Latex Limited exported over 5 percentage of its total production during 1989-90 worth over Rs. 1.75 crores and 12.5 percent of its total turnover worth over Rs.3 crores to U.S.S.R. during 1990-91. In the year 1991-92 the company's export of condoms amounted to Rs. 1.93 crores. It means the export of condoms is increasing year by year since 1989-90.

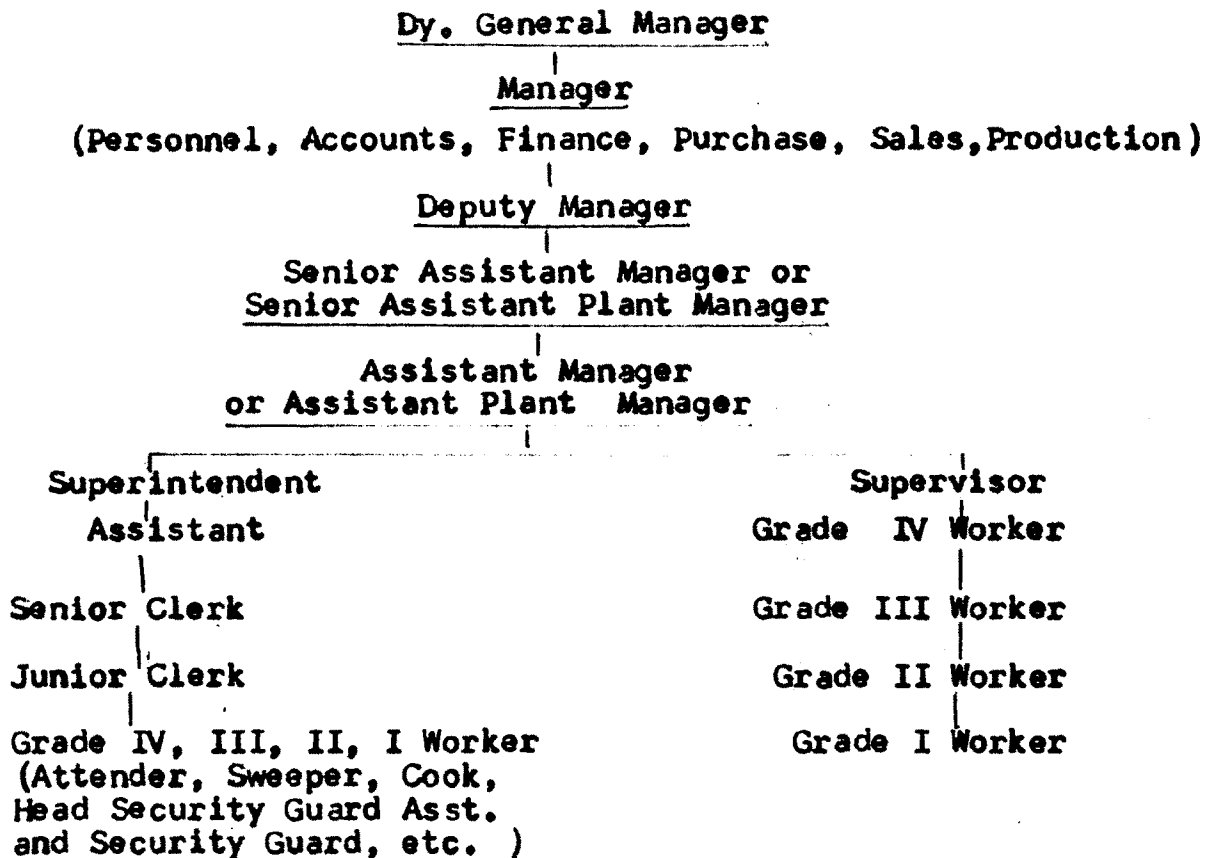
PERSONNEL FACILITIES:

Besides statutory obligations HLL provides soft loans to employees for purchase of vehicles and also for construction of houses. That is a good gesture that the company has developed.

ORGANISATION:

Organisational Chart 2.1 speaks for simplicity in the organisation of the company. This is probably because the company is in one line of production. Its production activity is not heterogeneous and diversified.

On left hand side of the chart workers in grades IV to I are shown because though they are workers in category by function they are attached to administrative office.

CHART - 2.1ORGANISATIONAL CHART OF HLL

Thus, Hindustan Latex Limited is a prime company with a unique product, contributing to the nation's march on the path of economic development. It has a simple organisation, straight capital structure with adequate liquidity, solvency, efficiency and profitability. Over the years it has added new concepts into productive activity and diversified the range of products. Its production though has shown ups and downs, its roots have gone deep into the soil to provide an assurance of perpetual existence. HLL has begun to put its foot prints on the export market also.

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