CHAPTER 2

BRIEF HISTORY OF THE KOLHAPUR STEEL LIMITED, KOLHAPUR

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CHAPTER 2

	BRI	EF I	HISTORY OF "THE KOLHA	PUE	R STEEL VIMITED, KOLHAPUR"		
2.1		BIC	-DATA OF THE COMPAN	<u>Y:</u>			
	a.	NA	ME OF THE COMPANY	:	THE KOLHAPUR STEEL LIMITED		
	b.	RE	GISTERED OFFICE	:	PUNE-BANGALORE ROAD,		
					SHIROLI (PULACHI),		
					KOLHAPUR 416 122 (M.S.).		
	c.	DA	TE OF ESTABLISHMENT	:	26TH MAY, 1965.		
	d.	SHA	ARE CAPITAL	:			
		AU	THORISED CAPITAL	:	RS. 50.00 LACS		
					50,000 EQUITY SHARES OF RS. 100/- EACH.		
		ISS	UED CAPITAL	:	RS. 25.00 LACS		
					25,000 EQUITY SHARES OF RS. 100/- EACH.		
		SUI	BSCRIBED CAPITAL	:	RS. 24.80 LACS (INCLUDING FORFEITED SHARES) 24,786 EQUITY SHARES OF RS. 100/- EACH.		
	e.	NO	• OF SHARE HOLDERS	:	1,258.		
	f.	NO	. OF DIRECTORS	:	8 (EIGHT).		
	g.	PR	ESENT EMPLOYMENT	:	NUMBERS.		
		1.	WORKERS :				
			a. SKILLED :				
			HIGHLY SKILLED	:	21		
			SKILLED A	:	18		
			SKILLED B	:	41		
			b. SEMI-SKILLED :	:	50		
			c. UNSKILLED	:	148		
		2.	STAFF :				
			a. EXECUTIVES	:	09		
			b. GENERAL	:	62		

2.2 PROMOTORS OF THE COMPANY :

"A promotoer is the person concious of the posibility of transforming an idea into a business capable of yielding a profit, who brings together and holds together the various persons concerned and who finally superintendents the various steps - required to bring the new business into existance". Dewing.

The Chief Promotership of THE KOLHAPUR STEEL LIMITED. KOLHAPUR, goes to the sincere, hard working, foresighted and self made industrialists Late. Y. P. Powar & Late. R. N. Samani.

2.3

PROMOTION OF THE COMPANY :

"Promotion starts with the conception of idea from which the business is to be evolved and continues down to the point at which the business is fully ready to begin operations as a concern"².

- Guthmann & Dugall.

The Industry in Kolhapur had its speciality and concentration towards the field of Oil Engines i.e. manufacturing and assembling of all types of Oil Engines. However, by 1959 this Industry had to face recession. This was a challange to the Industrialists - big as well as small - from and around Kolhapur.

The foresighted amongst the Industrialists took a very bold decision to start a Steel foundry with a view to diversify the production and to over-come the worst situation then prevailling. The establishment of THE KOLHAPUR STEEL LIMITED, KOLHAPUR is itself the result of research mindedness and determination of its promotors.

DR. R. M. SRIVASTAVA : Fundametals of Corporation Finance

 Wisdom Publications, Allahabad, 1979-80, P. No. 49.
 Ibid______P. No. 48.

There were rare Steel foundries between the track from Bombay to Madras. Therefore, the experience in the manufacture of Steel castings to the Industrialists of Kolhapur was very limited and to be frank it was nil. Inspite of these initial difficulties, the Industrialists of Kolhapur accepted the challange of the time and decided to establish a Steel foundry in 1963 under the name and style of, THE KOLHAPUR STEEL LIMITED, KOLHAPUR. It is incorporated under Company's Act, 1956 and the Company is limited by Shares.

"Bhoomi Pooja" Ceremany and laying the Foundation Stone of Factory building was performed on the site on 24.12.1965 by the then director Late J. G. Gandhi. And honourable Shri T. N. Singh, the then Minister of Industries, Government Of India, New Delhi, laid the corner stone of the factory building on 29.12.1965.

Soon after the Bhoomi Pooja Ceremany within two years i.e. on 06.09.1967 the factory commissioned the first Furnace and put into operation. Initially, the production was concentrated mostly on Pencil Ingots and Cast Iron Castings. As the experience was gained, production of Steel Castings was gradually taken up. Initially, the Steel Castings were for Sugar Industries. Castings for the Gold Fields of Kolar Mines, and Hydraulic pressures were subsequently developed soon after the successful completion of the first stage of Castings for Sugar Industries.

Recently, the company is registered with -

1. Directorate General Of Technical Development.

2. Directorate General Of Supplies and Disposals.

3. Research and Development.

4. Science & Technology Dept., Government of India, New Delhi.

- approved by -

- 1. Indian Boiler Regulations, 1950.
- 2. Research and Development.
- 3. Indian Standard Institute (Ingots).

2.4 ORGANISATION CHART :

a. MEANING : ,

"The pattern of net-work of relations between the various positions in an Organisation as well as between the Persons who hold those positions is referred to as an Organisation Chart"³.

b. PRINCIPLES :

The following are some of the important principles of an Organisation Chart.

- 1. Avoidance of undue concentration of duty at any point.
- 2. Line of authority should be observed by the top management in dealing with sub-ordinates :-

It means the top management should not try to go over the heads of immediate sub-ordinates to give orders or to get information. The order should be given to and the required information should be obtained from head of dept. only.

3. Line of authority should be observed by the sub-ordinates in dealing with Superiors :-

As the orders are passed step by step from Superiors to Sub-ordinates, the report should also pass step by step from the Sub-ordinates to the Superiors. If this is not

^{3.} S. C. SAKSENA : Business Administration and Management : Sahitya Bhavan, Agra, 1977, P. No.157.

observed, disloyalty, suspicion and non-co-operation take place.

- 4. Organisation Chart should define lines of position :-This means that two persons should not be placed at the same position.
- ORGANISATION CHART OF THE KOLHAPUR STEEL LIMITED. c. Shown in the Figure 2.1.

2.5 PRODUCTION CAPACTIY :

> The company has got two DIRECT ARC ELECTRIC FURNACES of 3 Tonne and 5 Tonne capacity. The company produces a single casting from 25 kgs. onwards upto 9 Tonne with governing dimensions of 4.2 M x 4 M x 1.5 M. Also it produces Steel castings to all the specifications as per I.S., B.S., EN, DIN and GOST standards as per the requirements of the job.

> The company has extended from a mere 100 M.T. of Steel Castings /per annum to the present annual production of 3,000 M.T. of Steel Castings and 12,000 M.T. Mild Steel Ingots.

2.6 MARKETING AREA OF THE COMPANY :

> The company today is a major supplier of Castings to a wide range of Industries from Automobiles, Cement, Cranes, Defence, Sugar, Rubber, Engineering and Textile etc.

> Table 2.1 gives clear idea about the nature of products, specific customers and area of marketing.



TABLE 2.1

NATURE, CUSTOMERS AND AREA OF MARKETING

NA	TURE OF INDUSTRY	NAME OF THE CUSTOMER	AREA	
1.	AUTOMOBILE	1. BAJAJ AUTO LTD.,	PUNE.	
		2. TELCO,	PUNE.	
2.	CRANES	1. MUKAND IRON & STEEL	BOMBAY.	
		2. WMI CRANES LTD.,	BOMBAY.	
3.	DEFENCE	1. VEHICL FACTORY,	JABALPUR.	
4.	ENGINEERING	1. BEEKAY ENGG.CORPN.,	BHILAI.	
		2. SIMPLEX ENGG.,	BHILAI.	
		3. OM METALS,	KOTA.	
		4. TSP LIMITED,	TUNGABHADRA.	
5.	HYDRAULIC	1. BEMCO HYDRAULICS,	BELGAUM.	
	MACHINES	2.MODERN HYDRAULICS,	BOMBAY.	
6.	MOULDING MACHINES	1. VULCAN LAVAL LTD.,	PUNE.	
7.	MARINE ENGG.	1. CHOWGULE & CO.	GOA.	
		2. SESA GOA.	GOA.	
8.	RUBBER	1. A.T.M.C.	BOBAY.	
		2. M.R.F.LTD.	MADRAS.	
9.	SUGAR & CEMENT	1. BUCKAU WOLF(I)LTD.	PUNE.	
		2. FERTIPLANT ENGG.CO.	BOMBAY.	
		3. MOVERS PVT.LTD.	BANGALORE.	
		4. WIL	WALCHANDNAGAR.	
10. TEXTILE		1. HARIHAR POLYFIBERS	HARIHAR.	
		2. THE GWALIOR RAYON		
		SILK MFG.(WVG)CO.	NAGADA.(MP)	

Source : THE KOLHAPUR STEEL LTD. Leaflet 1985-86

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2.7	TREND OF PRODUCTION & SALES FROM BEGINNING :					
		<u>T A B</u>	LE 2.2			
		PRODUCTIO	N AND SALES			
	PRODUC	CTION	ON SALI		SALES	
YEAR	CASTINGS IN M.T.	INGOTS IN_M.T.	CASTINGS	INGOTS IN_M.T.	RS. IN LACS	
1973	321	4,688	451	4,696	89.12	
1974	856	3,592	854	3,597	96.55	
1975	874	3,519	878	3,500	94.90	
1976	1,042	4,229	1,042	4,251	111.03	
1977	1,145	3,806	1,139	3, 799	115.77	
1978	1,400	2,299	1,394	2,253	117.43	
1979	1,789	2,412	1,744	2,470	158.15	
1980	1,792	2,677	1,623	2,654	203.03	
1981	2,007	3,058	1,849	3,057	261. 89	
1982	1,906	2,231	1,852	2,251	246.57	
1983	1,197	2,963	1,375	2,952	223. 64	
1984	1,361	5,112	1,404	5,099	342.80	
1985	1,466	9,425	1,421	9,420	572. 99	
1986	2,122	11,136	2,165	11,106	804.87	

NOTE :

Figures from 1968 to 1972 are not available.

Source : Company's Balance Sheets. Table 2.2 is supported by Graphs.

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COMMENTS ON FIGURE 2.2 & 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.

Castings is the main product of the company. Therefore, intensive efforts are made to achieve more production of castings. So, the figure shows a constantly increasing trend of castings production except period from 1982 to 1986.

During the year 1982-83 there was a strike of two months during which the production was totally stopped. Because of the stoppage of the production the company could not maintained the schedules. This has effected in diversification of customers. And at the same time establishments of steel foundries in nearby places and increase in the prices of major inputs have brought down the production of castings during the year 1983-84. But because of good--will in the market, hard work and effective management the company could reach the increasing trend during the year 1985-86.

On the other hand, the production of Ingots is secondary. The prices of Ingots are depending on market conditions. Therefore, due to fluctuations in the prices of Ingots the production fluctuates. Commissioning of two Furnaces at a time and at the same time increase in the prices of Ingots have caused to reach the highest level of Ingots production during the year 1985-86.

Figure 2.3 indicates sales trend of both Castings & Ingots. It resembles with Figure 2.2. This shows that the total production during the year is sold (with a little difference) during the same year. This is the best policy of the company.

2.8 FACILITIES :

In order to maintain the quality standards, the company is armed with the latest possible test and inspection facilities which are as follows -

- 1. The quality control facilities
 - a. Full-fledged chemical analysis laboratory for steel as well

as raw material testing.

b. Sand quality control laboratory.

2. Destructive testing -

/a. Physical testing laboratory.

b. Impact testing facilities.

In this type of testing the material tested is destroyed but the purpose of testing is served.

3. Non-destructive testing -



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/ Ultrasonic testing.

Magnetic crack detector.

c. Hydraulic testing.

Cylinders, Volve bodies to the stipulated pressure.

- d. Die penetration test.
- 4. <u>Metallographic microscope model versament 2</u> (Binocular type) Japan -

This is the latest metallographic which studies every fine detail of the material structure. It has a fully automatic photo exposure system.

5. BAIRD Direct reading Spectrometer USA -

It gives analysis of a number of elements like Carbon, Silicon, Manganese, Chrome, Moly. etc. within two minutes only.

- Automatic Carbon Reading Determinator & Ferrous Bath Carbon Analyser (Model 570) USA.
- 7. Computer -

DCM Tandy, TRS - 80, Model-4, micro computer system It has DOT matrix printer and OFFLINE data entry system. It is a valuable tool for the Company's Research & Development Centre as well as business needs.

8. Xerox-

Modi Xerox 1045-plain paper copier. It gives 60 different alpha numeric instructions and enables easy use..

- Auto Heat treatment furnace having a Hearth size
 4.2 Mtrs. x 4 Mtrs. with 1.3 Mtrs. height.
- 30 MT Avery Road Weigh Bridge fitted with Automatic Dial Printer indicator.
- 11. Shot Blasting facilities.
- 12. Quenching furnace.
- 13. Material handling facilities
 - a. 1 no. 10x3 EOT Magnetic Crane.
 - b. 2 nos. of 10 Tonne EOT Cranes.
 - c. 1/no of 15 Tonne EOT Crane.
 - d. / 1 no. of 3 Tonne Mobile Crane.

2.9 <u>FINANCIAL PERFORMANCE :</u>

V Table 2.3 gives at a glance clear picture of the financial performance of the Company. For clear understanding of the performance, a period of latest 5 years has been considered.

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

TABLE 2.3

FINANCIAL PERFORMANCE

DESCRIPTION		1982	1983	1984	1985	1986		
1.	<u>SA</u>	LES :				(Quantity i	n M. T.)	
	a)	CASTINGS	1,852	1,375	1,404	1,421	2,165	
	ь)	INGOTS	2,251	2,952	5,099	9,420	11,106	
2.	<u>SA</u>	LES & EARNINGS :				(Rupees	in lacs.)	
	a)	SALES & OTHER INCOME	258.01	228.04	346.44	584.07	808.68	
	b)	PROFIT BEFORE TAX	3.25	0.86	5.12	25.17	25.72	
	c)	PROFIT AFTER TAX	3.25	0.36	4.17	10.17	10.72	
	d)	DIVIDEND :						
		AMOUNT	3.97	3.97	3.97	4.96	4.96	
		PERCENTAGE	18%	18%	18%	20%	20%	
	e)	RETAINED (-) EARNINGS	0.72	(-) 3.61	0.20	5.21	5.76	
	f)	CASH FLOW	10.34	11.92	8.50	26.51	39.67	
3.	<u>As</u> a)	sets & Liabilities : FIXED ASSETS :				(Rupees	in lacs.)	
		GROSS	119.82	121.39	132.43	162.39	212.56	
		NET	59.20	51.46	53.68	72.52	99.42	
	b)	TOTAL ASSETS	108.98	111.52	117.44	139.60	172.19	
4.	RE	PRESENTED BY :				(Rupees	in lacs.))
	a)	NET WORTH	52.32	54.75	55.77	67.74	77.90	
	i)	Share Capital	22.05	22.05	22.05	24.80	24.80	
	ii) Reservès	30,27	32.70	33.72	42.94	53.10	
	b)	BORROWINGS	57.66	56.77	61.67	71.86	94.29	
	c)	TOTAL FUNDS	109.98	111.52	117.44	139.60	172.19	

Source : Company's Balance Sheets.

Table 2.3 is supported by Graphs.

Cash flow is arrieved at after adding depreciation and investment allowance in retained earnings and adjusting excess or short provisions for Bad & Doubtful Debts, Income Tax written back etc.

The comparison shows that, irrespective of the non-availiability of retained earnings for the years 1982 & 1983, the Company's performance from 1984 onwards is at an increasing trend in all respects.

2.10 RESEARCH & DEVELOPMENT ACTIVITIES :

full-fledged Research & Development Centre is established. This Research & Development Centre is one of the most modern R&D unit in this area.

2.11 FUTURE PLANS OF THE COMPANY :

- a. In the near future the Company will be setting up a Modern . Sand Preparation Plant.
- b. Installation of a new furnace of 17 M. T. capacity to increase the production capacity is also under consideration.







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COMMENTS ON FIGURE 2.4, 2.5 & 2.6 :

Figure 2.4 shows progress of the company on the basis of profit. Profit before and after tax is shown on the Graph. The graph shows the same origin of both the profits during the year 1981-82 as there was no provision for Income tax. The two month's strike is reflected on the Graph during the year 1982-83 by reduction in profit. During the year 1983-84 slow recovery from the loss of strike is shown.

There is a sudden a jump from 1983-84 to 1984-85. This is because of slight increase in castings production and concentration on Ingots production due to increase in the prices of Ingots as compared to those of 1983-84. Almost the same level of profit or a slight increase in profit during the year 1985-86 is maintained by the company as compared to 1984-85.

Figure 2.5 shows that every year the company is making investments at an increasing rate. Net Fixed Assets are shown after deducting Depreciation from Gross Assets. Total Assets include Net Fixed Assets plus Current Assets.

Figure 2.6 shows 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.