CHAPTER - VI

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PRESENT POSITION OF THE MTM,MIRAJ

6.1) Selling the Mill to Bhate and Thakkar Investments :

The MTM (both the units) was sold to businessmen from Bombay Shri.Mahendrabhai Bhate and Thakkar Investments for Rs.3.5 crores on 9th July, 1987.

Reasons for selling of the Mill -

1) Financial Crisis :

There was a downfall trend in textiles in general. MTM could not remain aloof from the general trend.

2) Government's policy regarding raw cotton :

The Government fixes high prices for raw cotton due to the pressure from Cotton growers and their leaders; it does not consider the demand side and the difficulties of the mill owners. Because of Government's new textile policy also the mill had to suffer. A loss of Rs.2 Crores per year became its normal feature.

Upto 1972-73 it was a golden period for the textile industry. From 1975 onwards the process of decline started. Then came the worst period i.e. from 1980 to 1985. It was a very critical period for the textile industry. 1981 was a bad year for the MTM. A downward trend started which ultimately led to the sale of the mill.

3) Government's attitude :

Government gives importance and concessions to cooperative mills but not to private mills. On the other hand the private mills have to suffer as a result of Governmental policy which is not sympathetic to cotton textile industry.

4) Sympathetic attitude of Government towards workers and pressure from the unions :

Workers have to be given many facilities. The mill owners find it difficult to carry on; not to talk of satisfactory returns.

5) In the words of the Mill owner Shri.Kakasaheb Marathe :

"There is a tough competition in this field. To be successful in this competition is difficult and neglecting continuous losses is not possible. By selling the Mill some funds would be available with the help of which new horizons in the field of electronics and biotechnology would be reached." (They have engineering works of their own.)

Further there is a probability of 25 % profits in this industry at the most. On the other hand in any other business 60 % profits can be expected by efficient and ambitious entrepreneurs. So, why should the losses be borne unnecessarily ? This was the simple and practical approach of the younger Marathe generation. Cotton textile industry is that way a very old industry and the new genration full of zeal for modern industries did not want to continue this mill in this condition.

The condition of the Mill just before it was sold : (1986-87)

No. of spindles	-	34,348
No. of workers	-	1,140
Production of Yarn	-	24,32,677 Kgs.
Production of Waste	-	5,02,808 Kgs.
Sales of Yarn	-	24,55,801 Kgs.
Sales of waste	-	5,04,130 Kgs.
Liabilities	-	5,71,65,736 Rs.
Assets	-	5,09,14,790 Rs.
Losses	-	59,80,038 Rs.

6.2) ATTEMPTS AT CLOSURE OF THE MILL :

The new management of the MTM applied for permission of closure of the MTM with effect from 11th February, 1988 for the reasons explained below -

For some years in the past textile spinning and powerloom industry in the country is passing through very difficult times. Similarly, this mill is also passing through very difficult financial situation and is suffering losses that are beyond its capacity to bear. The reasons for the same are as follows-

1) Inability to maintain qualitative production -

If the quality of yarn produced is good it finds a ready market and can be converted into cash easily. Many times it is found that, quality of yarn produced in this mill is not up to the mark inspite of the fact that the excellent quality of cotton is being provided and machines are in good condition. Presently, it becomes necessary to continue with the production and make work available to as many workers as possible in view of the strict labour laws. When the quality of yarn produced is not up to the mark, buyers of yarn lose confidence and this leads to accumulation of the stock of yarn and the yarn has to be sold even at loss.

2) Increasing wage bills -

In recent years the wages and other allowances of employees have increased manyfold. Apart from this, the mill is required to provide many facilities in terms of Compulsory gratuity payment, E.S.I. contribution, P.F. contribution, Minimum bonus etc., inspite of the fact that the mill is running into losses. Thus, the wagebill forms the major part of the production cost. There has, however, been no proportionate increase in the productivity of the workers.

3) High energy cost -

The energy bills in the last 7 to 8 years have increased 4 to 5 times. In 1981 energy bill for a unit consumed was 21 ps. including taxes. Now the said energy bill including taxes has gone up to one rupee per unit. Moreover, the previous management has not been able to pay huge energy bills which have accumulated to Rs.75,00,000/-. The new management has got energy bill payments rescheduled from Government of Maharashtra. Inspite of the same, it shall not be possible for the new management to continue to pay high energy bills and huge energy bill arrears.

4) The sky-rocketting cotton prices -

The cotton prices have not only been doubled in comparision with the last year, but the supply of cotton inspite of the best efforts of the new management is not regular, more particularly because this mill is unable to pay the cotton suppliers in time due to financial difficulties. There is no proportionate increase in the prices of the finished products. On the other hand the prices of yarn are always fluctuating resulting into losses.

5) Fluctuating yarn prices -

The yarn market in India is always fluctuating in character. Sometimes, mill-owners are compelled to sell yarn at prices lower than the production cost. However, this mill, because of its very weak financial position, is unable to face the fluctuations by keeping the stocks of yarn when the prices are lower. It is necessary to run the mill, in view of the standing costs and labour laws. As such inspite of losses, mill owners are compelled to sell the yarn at prices lower than the production cost.

6) Change in the management -

There is a change in the management. Previous management had entered into certain agreements with creditors i.e. financial institutions and also it has breached some of the agreements with the financial institutions. Apart from the same, the previous management had overdrawn their hypothecation and pledge facilities when there were no sufficient stocks.

7) Unequal treatment and policies -

The Government for the reasons known gives preferential treatment to National Textile Corporation mills and Cooperative mills more particularly in respect of share capital, concession in the taxes, supply of cotton at fixed prices regularly and on credit. Such facilities are not available to privately managed mills and more particularly this mill. The result is that the mill has to suffer losses.

8) Non-availability of working capital -

As MTM is making losses for some years in the past and on account of increase in wages, energy bills etc., this mill is left with no working capital. As such it has become impossible to purchase raw-cotton, pay statutory liabilities such as taxes, P.F., E.S.I. contribution, Wages etc. Our mill for the aforesaid reasons and for the reasons of total loss of working capital and continuous losses is unable even to meet the statutory liabilities and wage payments. As such this mill is unable to withstand financial losses and continue to work under the difficult situation.

9) Modernisation of the Machinery -

This mill has a lot of old machinery. There is no guarantee that this old machinery will continue to give proper and qualitative production over years. The cost of the production on the old machines is many times higher in terms of wage bill and energy bills. As such this mill is unable to withstand the competition with the mills having modern machinery. It is therefore, necessary to modernise a part of the plant and machinery that has become obsolete. However. this mill is running into losses and owners have no money to replace the old machinery. It is also not possible to run the old machinery at a very high labour and energy cost.

10) Banking Institutions -

As aforesaid the financial institutions have frozen the accounts of the mill. As such, it is nearly impossible that any banking institution will step into and bail the owners out of this difficulty by pumping-in larger funds.

11) Our mill has become a sick unit -

This mill has accumulated losses over the years which exceed its net worth i.e. total paid-up capital and free reserves. There is also a total loss of the working capital. So there is no hope of obtaining money from any body.

12) Inspite of this situation the new management has been trying to run the mill by making Herculean efforts. It is, however now humanly impossible to save the mill.

So there is no alternative to close the mill after the expiry of 3 months from November 12, 1987.

6.3) GOVERNMENT'S REFUSAL TO THE CLOSURE OF THE MILL :

The new management gave the above notice on 12th November, 1987 for the closure of the Mill from 11th February 1988 alongwith the causes for the same. (Not even 4 or 5 months had passed since the purchase of the mill by the new management).

This was, however, vehemently resisted by the workers. It was pointed out that about 1200 workers and their families would become orphan. A well established business like this, if closed, will have serious repercussions everywhere. A morcha of workers under the leadership of Mr.Bhagwanrao Suryavanshi and Mr.Shivajirao Shedbale was taken to the office of the Tahasildar (Miraj) Mr.V.N.Kulkarni and it was demanded that the mill should not be closed. The new owners should be compelled to withdraw the notice of closure of the mill or the Government itself should take over and run the mill. Fortunately the Government looked into the matter seriously and the workers were freed from the calamity.

After a long discussion between the then Labour Minister Mr.Vilasrao Sawant and the Director of the Mill on 3rd February 1988, the notice of the closure was withdrawn when the minister assured the owners of the mill that their difficulties would be considered sympathetically and proper help would be given.

6.4) THE FUTURE OF THE MILL :

According to the new management it is necessary to improve the quality of production to face the cutthroat competition from the foreign products and also from other domestic textile mills. To overcome such competition mechanisation, modernisation and rationalisation are the only tools. Present management intends to adopt this way of progress. In pursuance of this intention the management would like to preserve the right of retrenchment of workers. Present management thinks to concentrate upon increasing the export of yarn.

The mill has taken a plan of modernisation and rehabilitation costing Rs.8.50 Crores. The mill has approached Industrial Development Bank of India for its scheme of Modernisation. After Modernisation the management is sure of exporting 90 % of the production in the international market. Modernisation has been emphasised with a view to complete with other mills which have been started with modern technology.

At the same time this management gives priority to the mental health and satisfactory mood of the workers to increase the quality and quantity of production. Therefore, a project of gardening is undertaken and the festivals like Ganapati Utsav, Satyanarayan pooja etc. are being celebrated in the mill. A plan of building a temple of God Shiva in the premises of the Mill has also been prepared. Thus, this management is in favour of providing maximum facilities to the workers for the betterment of the Mill.

6.5) WORKERS' EXPECTATIONS FROM THE NEW MANAGEMENT :

1) Workers should get the same sympathetic treatment which was given by the old management.
2) Workers should not be required to resort to strikes, morchas and so on.
3) Enhancement in Salaries and Bonus - There should be a proper coordination between market prices, standard of living and earnings.
4) Badli workers should get work continuously without halt or break.
5) Workers should not be exploited by the method of more work and less payment. No harassment is expected.
6) Facilities for transportation and housing accommodation should be made available.