

CHAPTER - V

BARSHI TEXTILE MILLS : AFTER GOVT. TAKE OVER.

- 5.1 Nationalisation of this Mill.
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CHAPTER V

BARSHI TEXTILE MILL, AFTER GOVT. TAKE-OVER.

5.1 Nationalisation of this Mill :

Due to failure of management to run the mill successfully, losses started mounting up. In the year 1968-69 alone, Mill suffered a loss of Rs. 8,97,000. In the same year management approached the State Govt. with various schemes for rehabilitation. On the recommendation of the State Govt. The mill was taken over by National Textile Corporation on 16th December 1972 under the "Sick textile undertakings" ordinance No. IX of 1972.

5.2 Position after take-over.:

The National Textile Corporation tried to improve the position of the Mill soon after its take-over. The sales were increased considerably as systematic efforts were made to boost the sales. Yarn is now sold to various weaving mills located at Nagpur, Solapur, Makegaon and Ichalkaranji. The markets also include States of Andhra, Karnataka, Tamil Nadu and West Bengal. The Mill caters to the needs of handloom as well as power loom sector.

The credit for improved sales goes to new management and its systematic efforts to improve the quality of production. At the same time, it was conscious in attaining the physical targets set for production.

The production activity of Barshi Textile Mill can be seen from Table No. 1 & 2 .

Table No. 1 PRODUCTION IN MONITORY TERMS (Rs.in lakhs)

Year	Production (Volume)	Rate of growth
1983-84	332.38	-
1984-85	344.11	6.74
1985-86	392.77	14.14

Table No. 2 PRODUCTION IN PHYSICAL TERMS (Quantity in Kgs.)

Year	Quantity	Rate of Growth
1983-84	14.52	-
1984-85	13.03	- 10.26
1985-86	16.06	23.25

5.3 Measures of Rationalisation by N.T.C. :

The Mill has only a spinning unit. It manufactures various counts of the cotton yarn i.e. 6/20/30/40. This yarn is mainly used for Chaddars and Dhoties.

Soon after nationalisation, new National Textile Corporation management resorted to the measures of modernisation which included

the replacement of machinery on scientific lines. The installation of modern machinery has helped to improve manufacturing process. It could also reduce idle time, resulting into significant increase in production.

Manufacturing Process :

The manufacturing process starts from Blow-Room. The opened mixed cotton goes to Blow Room where dust and other unwarranted parts are separated from raw material i.e. cotton. This cotton is again cleaned step by step and finally laps are prepared which go into carding section. Due to systematic arrangements of machine by the National Textile Corporation, the time required for this activity has been cut down drastically. Secondly systematic cleansing of raw material ensures the quality of yarn. The dust particles and other unwarranted material in the cotton seriously affect the quality of yarn. The rationalisation measures of N.T.C. could hit at the root cause of quality deterioration.

A brief description of manufacturing process step wise can be seen from the following chart.

CHART SHOWING MANUFACTURING PROCESS OF N.T.C.

Stages in the manufacturing process.		Brief description of the process in each stage.
i)	Raw Cotton	: Raw Cotton
ii)	Mixing	: Blending the different cottons
iii)	Blow-Room	: To prepare a cotton in lap formation.
iv)	Carding	: Make a cleaning and cambing action, prepare a sliver.
v)	Drawing	: To make a uniformity in sliver.
Slubbing	Inter	: To insert a some twist in the sliver to make a yarn in further process.
Ring-frame	Ring-frame	: To make yarn.
Winding	Recting	
Cone formation of finished goods	Hank formation of finished goods.	

The measures of rationalisation resulted into following distinct advantages.

- (a) Improvement in the quality of yarn.
- (b) Supplementing manual labour by machines.
- (c) Reduction in Idle time as the time required for adjustments of machines was cut down due to installation of modern machines.
- (d) The competitive position of the Mill could be brought on par with other spinning mills.
- (e) The drastic improvement in capacity utilisation.

5.4 Financial Position of Barshi Textile Mill

The positive growth in production and sales helped Barshi Textile Mill to improve its financial position considerably. In the pre-nationalisation period i.e. 1964-65 to 1968-69 (which is a period of our analysis in the present study) the financial position of Barshi Textile Mill had always been in doldrums. The gross profits were very meagre; in some cases negative. After allowing for operating expenses including depreciation, the net results were always negative. The accumulated losses for the five year period of analysis always exceeded the net worth (i.e. paid up share capital plus reserves and surplus).

This position improved a lot after nationalisation. We have taken post nationalisation period i.e. 1981-82 to 1985-86 financial years for our analysis. The rehabilitation measures could have positive impact as can be seen from table No.

STATEMENT SHOWING FINANCIAL POSITION OF BARSHI TEXTILE MILL

Table No.3

(Rs. in lakhs)

Particulars	1981-82	1982-83	1983-84	1984-85	1985-86
1. Gross profit before taxation preparation and interest.	20.95	24.09	31.25	25.17	38.03
2. Profit before taxation	11.12	11.90	18.97	12.70	25.09
3. Net Profit	7.00	7.30	12.57	7.68	11.27
4. Share Capital (equity)	118.42	118.42	118.42	118.42	118.42
5. Gross fixed Assets	115.57	121.15	127.94	130.57	136.62
6. Net fixed Assets	N.A.	N.A.	96.56	76.84	69.82
7. Reserves and surplus	125.90	130.80	137.60	143.60	154.36
8. Net worth	244.32	249.22	256.02	262.02	272.73
9. Capital employed	244.90	248.12	256.29	273.70	293.99

SOURCE : Company Record.

The capital structure of Barshi Textile Mill could come out of the trap of deteriorating Debt-Equity Ratio. The steady rise in the net worth could rectify the structural imbalance in the capital structure. The amount of reserves and surplus increased considerably which shows that now Barshi Textile Mill is in a position to find out internal sources for reinvestible funds. Even after allowing for higher taxes, the position of net profits has been satisfactory.

In short, Barshi Textile Mill after its take-over could come out of its financial mess and restore itself to financial normalcy.

5.5 Future plans of Barshi Textile Mills

1 The Barshi Textile Mill has plan to increase its production capacity from 17,512 spindles to 25,000 spindles with the latest machinery envisaging an outlay of about Rs. 5.5 crores. A project has been prepared and submitted for approval and assistance from competent authorities of Central Government.