

CHAPTER - VII

SUGGESTIONS

CHAPTER VIISUGGESTIONS

7.1 Textile industry had been facing the vagaries of market mechanism during the period of our analysis. Continuous rise in the prices of inputs with no assurance of remunerative output prices has actually put this Industry in doldrums. The competition from man-made fibre had still aggravated the problem. Hence it may be suggested that the Central Government should be very clear on this score. In fact, it may have the supportive role for cotton textile industry as such. This is fully justified since this industry is labour-intensive in character. Textile industry has been susceptible to symptoms of industrial sickness mainly because of uncertainty prevailing in raw material and output markets. The Govt. may have a monitoring cell which will continuously take stock of price situation and effectively control this situation by timely intervention.

7.2 It has been the experience of Barshi Textile Mills that it lacked working capital finance. The needs of working capital funds in case of resource based units are quite high. Moreover, these needs are very strong at the time of procurement of raw material. The availability of Cotton is seasonal and the timely procurement of this ensures some distinct price advantages. Generally the norms of working capital finance set by financial institutions are generalised in nature. The peculiar working capital needs of cotton textile industry should have been paid due attention by bankers. It may be suggested that in case of raw material based units, working capital needs may be met by

suitably devised tailor-made approach.

7.3 On the basis of our case study of Barshi Textile Mills, it has been our conclusion that sickness is not an abrupt phenomenon. It precipitates over a period of time and certain warning signals can be properly developed. For example,

Worsening debt-equity ratio and current ratio of less than one clearly indicate that financial health of a concern has not been normal. It is suggested that some machinery like Textile Commissioner may develop some sort of Information System incorporating certain broad indicators of sickness. On the basis of this information, warning signals may be passed on to the respective units. In some cases, certain corrective measures may be prescribed. In fact, this system becomes more meaningful in case of co-operative organisations and the warning mechanism may be incorporated as a regular feature of co-operative audit.

7.4 The Recent guidelines of Reserve Bank Of India with reference to identification of 'weak units' deserves our attention. The unit having 50% erosion of net worth is classified as 'weak' industrial unit which is susceptible to industrial sickness and consequently to closure. In fact, in case of Barshi Textile Mills there had been continuous erosion of its net worth but no remedial action was taken. It is suggested that in case of 'weak' industrial units, there should be effective intervention by the Govt. The Govt., through textile commissioner may give directives to the concerned management. It may draw suitable rehabilitation

programme for restoring the financial position of the concern to normalcy. The consultancy cell of Industrial Development Bank may be asked to take initiative in this regard. It may be suggested here that there may be legal obligation on the part of management to approach the consultancy cell of IDBI and make it available all such information which will help to rehabilitate the unit concerned. The Board of Directors may be made accountable individually and severally with adequate penal provision in case of non-compliance.

7.5 It has been our observation that information relating to industrial sickness is not made available to shareholders. In case of Barshi Textile Mill, inspite of deteriorating financial position in terms of worsening debt-equity ratio, this information was not brought to the notice of shareholders in the annual reports. The ordinary shareholders are not well acquainted with the analysis of financial statements like Balance Sheet and Profit & Loss Account. This kind of sharing of information may be made compulsory. This is more so in case of co-operative organisations, which are based on the principle of democratic participation.

7.6 In case of Barshi Textile Mill, there had always been the phenomenon of underutilisation of capacity in the pre-nationalisation period. In fact, it was always less than 40 per cent of the installed capacity. It raises the basic questions regarding sanctioning of capacities. Whether the capacity

requisitioned for installation was on the basis of feasibility report or not? How the report was prepared? It requires serious attention on the part of policy makers since manipulations in this sphere can not be completely ruled out. But ultimately it results into pre-emption of capacity for a particular class of industry at macro-level. It also gives distorted picture of capacities existing in different sectors of our industrial economy.

Therefore it may be suggested that market survey should become a part of such feasibility studies. There should be constant revision of such capacities on the basis of actual performances.