

## CHAPTER NO. 6

### SUMMARY & CONCLUSIONS

#### 6.01 THE IMPACT OF THE MILL :-

Nav-Maharashtra Spinning Mil established in the year 1979 started its production June 1989 as Export Oriented Unit in cotton spinning this mill is first co-operative spinning started as Export Oriented Unit. Many people had commented that the co-operative mills will not no longer work as Export Oriented Unit but after now this statement is becam e unveiled the mill is continuously maintained its quality and exported almost all production to various countries like England, Ireland, Mauritius, Singapore, Malaysia, Indonesia, Thailand, Korea, Taiwan etc. Though the mill is situated near the textile sector Ichalkaranji. It is mainly covering major rural area. This mill not only earning foreign exchange for the country but also giving direct and indirect benefits to the sarrounding which is helping in the development of rural India.

#### 1) EMPLOYMENT :-

Around 700 peoples where employed due this mill. Which is not only reduced unemployment burden but also supported the rural families economically, This also prevented the presser of going Huge number of people going towards crowded cities for the employment. Because of this the

foreign exchange is indirectly come to the rural area and helped in developed in development of it.

- 2) Indirect employment is generated through a small business like canteen, shops are opened which is secondary business going on and are also generating employment.

#### 6.02 PROBLEMS OF THE MILL :-

##### 1) QUALITY OF RAW MATERIAL :-

The raw material contributes ground 55% to 65% percent in product cost which is depends on the nature so major contributing factor that is raw material is beyond the control of the mill.

Since mill is producing cotton yarn, it requires cotton in large scale, which is produced from different cotton growing areas of the country. Cotton is a natural fiber. In India many cotton growing areas are purely depends on natural climatic condition the quality and growth of cotton crop mainly depends on natural climatic condition. In India major of cotton is cultivated in Gujarat, Madhyapradesh, Andrapradesh, Maharashtra, Karnataka. Due to monsoon, rainfall, many time quality of cotton gets affected and mills unables to get quality cotton to produce quality yarn. Variation in the leads to quality variation in strength or fiber

variation in diameter and variation in the length or fiber variation in maturity of the fiber is observe mainly in cotton fiber.

2) YARN PRICE :-

The yarn prices are lower mainly because of excess production of the yarn in internal market and yarn available lower price from other countries in International market certain countries can affords to sale the yarn at much cheaper rate compare to India due to low raw material cost and devaluated currency of that country compare to India.

3) LABOUR COST :-

Labour cost is increasing due to increase in lost of living of the workers. This has pushed up the labour cost. The mill has made some efforts to reduce the number of workers by automation.

4) ELECTRICITY PROBLEMS :-

In last 10 years electricity charges have increased from Rs. 1.05 per wat to rupees 3.9 per wat which is almost 3.7 times higher compare to starting year. In addition to higher charges of the electricity erratic supply of electricity effecting utilization of the mill and reducing productivity and production of the mill to overcome this problem mill has got

two sets of generator which can run 80 to 85 percent of the mill. Mill is also proposing to procure another one set of generator from 'scoda' company.

5) INTEREST BURDEN :-

Due to marginal profit and higher losses company is unable to return loan financial institution and getting pressed under high interest burden. To run the mill has to take for their loans for working capital as well as for inventory which adding further interest burden for the mill. Because of above problems mill is unable to maintain the profit.

6) UNSTABLE GOVERNMENT POLICY :-

Frequent changes in government policies affects spinning mills badly. There is a discontinuation of long term policies. It is due to political changes.

7) LOW YARN SAILING PRICE :-

In addition to above problem the manufacturing cost of the yarn is going on increasing due to interest burden, increased cotton prices, higher prices of spares and inventory, increased packing cost, increased electricity charges and labour cost. This high cost of yarn is not getting appropriate rate in international market due to lower yarn prices. So the mill is unable to get good margin of profit.

### 6.03 CONCLUSION AND SUGGESTIONS

- 1) Textile industry divided into centralized and decentralized sectors. In centralized sector private agencies and co-operative agencies run it. Co-operative sector is the golden mean between capitalization and socialism. The co-operative sector is becoming sick sector now days due to out dated technology and machinery, inefficiency, unhealthy competition decreasing productivity, corruption, nepotism and political interference in the administration etc.
- 3) The new economic policy and WTO have posed a challenge to co-operative sector to prove its efficiency in the work performances, capacity to raise capital and ability to compete with other industries.
- 4) After independence it has been seen that growth of weaving sector is more in decentralized sector like mill sector, where as growth of spinning sector is mainly in mill sector.
- 5) Most of under developed countries have been started highly Export Oriented Units with the aim that along with the over all higher production with higher level of exports are achieved with then could be used to meet the foreign exchange requirement of the country to meet development activities of the country.
- 6) The government has given concession for EOUs in excise duties on purchase of raw material machinery imports and exports the country. The government has also put higher excise duty on selling of goods in local market form than export oriented units.

- 7) Nav-Maharashtra Co-operative Spinning Mill is first Export Oriented Unit in co-operative spinning mills in India. This is situated at Sajani in near Ichalkaranji, District Kolhapur [Maharashtra]. This mill Produces 100% cotton yarn from natural cotton fiber and exporting this yarn to various countries like England, Mauritius, Singapore, Malaysia, Indonesia, Thailand, Korea and Taiwan ect.
- 8) The mill has got 25,000 spindles and various imported and indigenous spinning machinery.
- 9) The mill has lossed spindle utilization due to various reasons like labour shortage, power failure, maintenance, lower carding speed to maintain the yarn quality band jockey pulleys shortages. The mill utilization is in between 80 to 88%.
- 10) Mill has got its own captivity power plant, which runs 80 to 85% of the mill at the time of power failure.
- 11) Mill is producing cotton yarn count from N.E. (English Number) 8 to 60 and achieved maximum production about 33.34 lacs Kgs. In 1998-99, with production of maximum number of counts, [17 counts]. This trained indicates that mill has widen its product range.
- 12) Mill purchases cotton from Maharashtra State Marketing Federation, Cotton growers, cotton co-operatives and primary marchents.

- 13) Mill exports 98 to 100% of its production to various countries like English, Mauritius, Singapore, Malaysia, Indonesia, Thailand, Korea and Taiwan etc.
- 14) Mill average sale rate per Kg has from rupees 68 to 118 due to producing higher counts, devaluation of the Indian currency as against dollar, higher production and cotton cost and better selling price.
- 15) Mill has achieved highest export sale in 1998-99 of as bout 37.59 crores.
- 16) Company has raised long term funds by issuing shares from members, co-operative societies, government authorized agencies. The mill has raised total working capital [2955 lacs], by Prishipment credit[58%], Hypothecation cash credit [2.35%] and Post shipment [37.22%], cash credit.
- 17) Company has taken loan from different financial institutions. In last year companies total loan was 19.88 crores in which major contribution is from Government of Maharashtra [N.C.D.C.] to the fun of 41.33%, from K.D.C. Bank[temporary loan] = 25.11, from Govt. Of Maharashtra = 19.86%, M.S.E.B. [medium turm loan] = 7.22% and other financial institution like IFCI, IDBI, Bank Of India, Ich. Janta Bank contributes 0.5 to 2.3%. In this loans, temporary and medium term loans are higher.

- 18) Mills gross profit ratio was between 7% to 28% in 1990 to 1998 while in the last year it is on negative side. But companies net profit ratio does not show some trend in last 9 years companies cumulative net profit ratio is - 4.85 . Which indicates of the company.
- 19) Companies working capital turnover ratio was ranging between 1.6 to 3.04 in last year working capital turn over ratio was 2.12. Higher capital turn over ratio means efficient use of working capital.
- 20) In last 8 years mills total loss is 10.95<sup>^</sup> crores. Mill has made profit in 3 financial year 1991-92 [ 1.59 crore ], 1992-93 [0.05 crores], and 1997-98 [0.1 crore] mill has made highest loss 1998-99 [ 7.3 crore ].
- 21) In last 8 years overall turnover to share holders is on negative side as -3.8%.
- 22) Companies current ratio that is current asset to current liabilities ratio is increased from 1:1 to 4.64:1. Which indicates the mill is having surplus assets over the liabilities.
- 23) Companies total investment to long term liabilities ratio has reduced 96 to 67. Which indicates company's liabilities has increased compare to share capital.
- 24) Mill has achieved highest export sale in 1998-99 of about 37.59 crores.



- 25) Mill recruits workers on the basis of personal interview, in case of staff it is recruited by on the basis of personal interview qualification and work experience.
- 26) Mill gives on job training to the workers. They learn their job by personal observation practices as well as occasionally handling it.
- 27) In labour welfare activity mill has provided canteen facility, co-operative consumer stores, rest house, library, workers colony, provident fund, family pension scheme co-operative credit society, dress facility etc.

#### 6.03 SUGGESTIONS :-

It is observed that in last ten years company has made many times losses and earned profit in few years overall profit and loss accounts shows that company has made big loss and it has not paid its long term liabilities. In order to come out the problems of the company, it has to take certain steps to increase its profitability. There are many ways company can improve its profitability.

- 1) Spindle utilisation must be improve by solving the problem which are responsible for utilisation increases its productivity will reduce overhead expenses and production cost.
- 2) Company should try to minimize its total inventories to reduce capital blocking and can utilise as working capital or some other purposes. This inventory can be reduce by maintaining lowest possible spare parts (imported spare part)

indigenisation of imported items, repairing of machine part with in the organisation and maintaining optimum stock of raw material.

- 3) Since electricity charges going up day to day, mill should take necessary steps to reduce power consumption. There are many mills reduce power consumption like unnecessary lighting, reduce power losses, reduced compressed air, modernisation of old machineries, in time replacement of bearing of rotating parts, replacement of heavy moving parts by latest light weight parts etc.
- 4) In cotton spinning raw material cost is major contribution in the price of yarn (55 to 65%). The saving in the raw material is major saving and important factor to increase direct profit. In this regard company should take various research activities and trials to reduce mixing cost by optimising mixing by using lower cost cotton. There is also necessary to reduce in-process waste generation.
- 5) Labour charges is also factor contributes towards yarn price. Day by day labour charges are also becoming expensive. In order to reduce labour cost the company has to modernise labour intensive process, labour training to improve their efficiency and reduce unnecessary employment.

- 6) There is proposed from company that the captive power plant has to installed to reduce power failure losses and powercost. Since the power cost per unit of captive poer generation is lower than M.S.E.B. power cost many of spinning mill started using captive power and saved money in large extent.
- 7) Since companies overheads expenditure are fixed there is another way to reduce production cost is to increase production by expansion of bottle neck machinaries in the process. Because of this expansion total of the company increases at with the same over heads, buildings etc.