

CHAPTER - II

DEVELOPMENT OF ENGINEERING INDUSTRY -

A - Development of Engineering Industries in India,

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Del - Star Pvt., Ltd., Ogalewadi

CHAPTER-II

DEVELOPMENT OF ENGINEERING
INDUSTRIES IN INDIA.
DEVELOPMENT DURING PLAN PERIOD
A CASE STUDY OF DEL-STAR PVT. LTD. OGALEWADI.

A - Development of Engineering Industries in India -

In earlier times of the first world war there were few private firms which produced steel bridge under took fabrication of general steel structure, wagon building and repairs and replacement of parts. Railway workshop also did product some engineering goods and even their raw materials had to be imported from a board.

In 1920, there were about 40 engineering firms with a total working strength of 75,000 persons, However, between 1929 and 1934, when general depression set in the industry suffered a set back due to fall in demand by the Government and the railway. But after 1939, with the out break at the second world war, the industry got a stimulation the number of units increased to 58 and that of the workers 84,000. In 1943 this numbers was 87 and 1,50,000 respectively.

There were the most concentration in and around calcutta, Madras and Bombay. Since independence, there has been a phenomental progress in the engineering industries. India has made a great forward leap in the manufacture of variety

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of machinery and equipment, ranging from pin to air craft.¹

B - Development During Plan Period -

In the first five years/ plan engineering industries did not receive much attention. There was an emphasis on the development of agriculture. However, some progress was registered in the production of cotton textile machinery, manufacture of cement, jute and sugar machinery was also started on the modest scale.

In the second five year plan greater emphasis was given on the development of the heavy and basic industries and so engineering industries also got priority. Workshops, heavy foundries structure shops were established and substantial progress was achieved in mechanical and electrical engineering industries.

During the third year plan greater emphasis was given to the development of structural engineering industry. Encouragement was given to the private investors and in the public sector a number of projects were launched. Such as the Hindustan Cables Ltd., Heavy pressures and Pumps, boll and rollers barrings precision instruments, During the plan period substantial increase took place both in the production of mechanical engineering industries.

During the fourth five year plan efforts to increase the fuller utilisation of the installed capacity investment

1 Shrivastav P.K. , Mamoria C.B. - Industrial Economic -
Agra Sahitya Bhavan,
p.614,615.

made primarily for completion of the progress and also for the diversification in some of the existing units like the Hindustan Machine Tools, and Allied Machinery Corporation is envisaged.²

C - Study Group on Iron and Steel Industry -

Findings by Indian Labour Conference of study Group set-up on Iron and Steel Industry was as follows :-

The Group said that the industrial relations are more satisfactory in those plants :-

- (i) In which the recognised union is strong and is the only Union with which Management can negotiate matters of collective nature and which is in a position to implement agreements arrived at and takes an objective view of the grievances of employees.
- (ii) Where the rules, regulations, procedures, practices have been either codified or established by convention and made known to managerial staff and employees.
- (iii) Where a grievance procedure has been established and is used to settle grievances by mutual discussion at different levels and where there is no desire to drag in a third party for help.
- (iv) Where there is mutual respect and closer association of employers with management at different levels and

2 Shrivastav P.H, Memoria C.B. - Industrial Economic, Agra Sahitya Bhavan, p.615.

where personnel department is well developed.

Following recommendations were made by the group to improve labour-management relations :-

- (a) The Union-representing majority of employees should be granted recognition.
- (b) Closer association should be developed between the management and the employees at all levels of the plant.
- (c) Grievances should be redressed by mutual discussions.
- (d) To discuss matters relating to wages, conditions of service, leave etc. It would be useful if the recognised unions of all the steel plants are federated into one body.
- (e) Collective bargaining should be preferred both at plant and the industry level and adjudication should be resorted to when all other methods have failed.
- (f) a two-way communication system should be developed with the plants for which bipartite committees may be formed.³

D - Development and Growth of Selected Unit Under Study -
Development and Growth of Del-Star Pvt. Ltd., Ogalewadi
Profile of the Company History :-

Del-Star Pvt.ltd. is an engineering concern which is situated at Ogalewadi, near railway station. This industry is 2 Km. away from Karad. It is growing complex of engineering

3 C.B. Mamoria, S. Mamoria - Dynamics of Industrial Relations in India - Himalaya Publishing House, 1986, p.334, 335.

activity having a rural surrounding/ has got abundant labour supply.

The company started under the control of the Board of Directors and foundership of Shri Mukund Ogale with very few capital and few machinery in 1961.

In due course the company was flourished and the activities were expanded. The total strength employed in the company is 300. The employees come from rural areas around. Due to the establishment of this factory the village of Ogalewadi, where this company is situated got developed in a very short span of time. This organisation is purchasing raw materials from open market as steel and casting from Bombay Pune, Kolhapur. Refining and finishing work of the product is done in the organisation.

The main product of the company is Vacuum Cleaners and Sheet metal components. This company has been providing the vacuum cleaners and sheet metal components to Bombay, Delhi, Madras, Pune, Culcutta and Trichanapalli, through their agents.

The main objects of the company are to carry on business of vacuum cleaners and sheet metal components etc. and to sell the articles so manufactured and to carry on trade and supply the articles to its agents, by taking into account requirements, suggestions and demands of the agents.

The sufficient natural wealth, fertile lands, somewhat satisfactory rainfall, satisfactory transport and communication facilities and abundant power supply from Koyana Hydro Electric Projects the company got the so much progress.

Growth

Share Capital -

The Company has as an authorised share capital of Rs.25 lakhs divided into 25,000 Equity Shares of Rs.100 each. The subscribed and paid up capital of Rs.9,80,300 in 1977-78, has same up to Rs.9,80,300 in 1986-87.

Production Process -

To manufacture steel castings, raw material is collected from different suppliers. The scrap material is composed as per requirements and melted. After melting the Scrap Samples are taken out and the metal composition is adjusted according to requisites of moulding department. The moulding department moulds are designed from the patterns. After the moulds are prepared they are sent to for heating. Then they are assembled and metal is poured into them. Temperature is adjusted. The various processes performed here cutting, grinding, welding, pickling, painting etc. Then the product is inspected and kept ready for despatch.

Table No.II - 1

Particulars of Raw Materials consumed :

| Y e a r | <u>Q u a n t i t y</u> | | Value Rs. |
|---------|------------------------|-----|--------------|
| | M.T. | No. | |
| 1984-85 | 244.57 | 901 | 58,11,263 |
| 1985-86 | 267.47 | 950 | 73,00,153 |
| 1986-87 | 254.00 | 984 | 72,51,266 |

Source - Directors Report and Statement of Accounts of
Del-Star Pvt.Ltd.

It is observed from Table No.II-1 that raw materials consumed by Del-Star Pvt.Ltd.during the year 1984-85 was 244.57 M.T. and 901 number of articles of the value of Rs.58,11,263 .

However, it was increased up to 254.00 M.T. and 984 number of articles of the value of Rs.72,51,266 in 1986-87.

The actual production of the company started in 1963, within the period of 24 years the production of the company has increased a great extent.

Table No.II - 2

Production and Stock of vacuum cleaners and sheet metal components of Del-Star-Pvt., Ltd.

| Year | <u>Vacuum cleaners</u> | | <u>Sheet metal components</u> | |
|---------|------------------------|------------------------|-------------------------------|-------------------------|
| | Opening stock Qty. No. | Closing stock Qty. No. | Opening stock Qty. M.T. | Closing stock Qty. M.T. |
| 1984-85 | 21 | 25 | 2.11 | 2.27 |
| 1985-86 | 25 | 27 | 2.27 | 1.39 |
| 1986-87 | 27 | 84 | 1.39 | 2.81 |

Source - Annual Report of Del-Star Pvt., Ltd.

Sales -

From the following Table No.II-3 it is seen that the sales of the company have increased both in quantitative and monetary terms. The sales of vacuum cleaners was Rs.1,02,12315

in 1984-85 , where as it has increased upto Rs.1,29,89016 in 1986-87.The sale of the sheet metal componants has increased from Rs.43,63,314 To Rs.49,94,491 during the same period.

Table No.II - 3

Sales of Del Star Pvt.Ltd.,

| Year | Vacuum cleaners Rs. | Sheet metal componants Rs. |
|---------|------------------------|-------------------------------|
| 1984-85 | 1,02,12,315 | 43,63,314 |
| 1985-86 | 1,07,71,654 | 52,75,674 |
| 1986-87 | 1,29,89,016 | 49,94,491 |

Source - Annual Report of Del Star Pvt.Ltd.

Customers -

The company receives orders for its products from different agents at different places. Here is the list of some customers :-

1. S.and J Marketing Pvt., Ltd.,Bombay.
2. S and J Marketing Pvt., Ltd.,Delhi.
3. S.and J Marketing Pvt., Ltd., Madras.
4. S and J Marketing Pvt.Ltd.,Pune.
5. S and J Marketing Pvt., Ltd.,Culcutta.
6. Kirloskar Oil Engine, Pune.
7. Simco Ltd., Trichanapalli.

Source : Annual Report of Del-Star Pvt.Ltd.

Del Star Pvt. Ltd. has an excellent working relationship with these clients because the company has always had customer service oriented outlook.

Table No.II - 4

Financial Results .

The net profit figures of the company before any appropriations were as shown below:-

| Year | Net Profits (before appropriations) |
|---------|---------------------------------------|
| | Rs.(In Lakhs) |
| 1984-85 | 1.30 |
| 1985-86 | 1.5 |
| 1986-87 | 1.75 |

Source - Annual Report.

It is observed from above table that the company had obtained profit of Rs.1.30 Lakhs in 1984-85. However, it was increasing year by year and it was Rs.1.75 Lakhs in 1986-87.

Personnel :

The departmental personnel position of the company is shown below :-

Table No.II - 5

Departmental personnel of Del-star Pvt. Ltd.

(From 1984-85 to 1986-87)

| D e p a r t m e n t | Y e a r s | | |
|----------------------------------|-----------|---------|---------|
| | 1984-85 | 1985-86 | 1986-87 |
| 1. Press shop (Main) | 37 | 37 | 39 |
| 2. Machine shop (Main) | 35 | 35 | 36 |
| 3. Oil Tank and Pickling | 48 | 49 | 49 |
| 4. Painting | 14 | 14 | 14 |
| 5. Scrubber and clean sweep | 18 | 18 | 18 |
| 6. M.V.C. | 16 | 16 | 16 |
| 7. D.V.C. | 6 | 6 | 6 |
| 8. I.V.C. & Motor Manufacturing | 29 | 29 | 29 |
| 9. Fabrication | 31 | 30 | 30 |
| 10. Packing & Despatch | 14 | 14 | 14 |
| 11. Dust Collector | 19 | 19 | 19 |
| 12. Stores | 7 | 7 | 7 |
| 13. Quality control & Inspection | 9 | 9 | 9 |
| 14. General | 15 | 15 | 16 |
| Total | 298 | 298 | 302 |

Source - From Register of Personnel Department of
Del Star Pvt. Ltd.

7503
A

Table No. II - 6

Statement of financial position :

as on 30th June 1986 and 30th June, 1987.

| | 1986 Rs. | 1987 Rs. |
|--|-------------|-------------|
| <u>Sources of Funds:</u> | | |
| Shareholders' Capital | 9,80,300 | 9,80,300 |
| Reserves & Surplus | 17,26,748 | 18,68,694 |
| | ----- | ----- |
| | 27,07,048 | 28,48,994 |
| | ----- | ----- |
| <u>Loan Funds:</u> | | |
| Secured loans | 9,47,109 | 12,87,267 |
| Unsecured loans | 37,50,404 | 39,38,517 |
| | ----- | ----- |
| | 46,97,513 | 52,25,784 |
| | ----- | ----- |
| | 74,04,561 | 80,74,778 |
| | ----- | ----- |
| <u>Application of Funds:</u> | | |
| <u>Fixed Assets:</u> | | |
| Gross Total (A + Cost) | 52,57,761 | 54,94,486 |
| Less - Depreciation | 37,96,010 | 41,28,054 |
| | ----- | ----- |
| | 14,61,751 | 13,66,432 |
| Capital Expenditure in Progress | -- | --- |
| Investments (at cost) | 12,000 | 12,000 |
| <u>Sources of Funds:</u> | | |
| <u>Current Assets, Loans and Advances:</u> | | |
| Inventories | 25,59,775 | 30,71,871 |
| Sundry Debtors | 72,21,924 | 72,19,086 |
| Cash and Bank Balance | 3,12,697 | 1,70,940 |
| Other current Assets | --- | ----- |
| Loans and Advances | 5,02,459 | 6,33,277 |
| | ----- | ----- |
| | 1,05,96,855 | 1,10,95,174 |
| | ----- | ----- |

| | 1986 Rs. | 1987 Rs. |
|-----------------------------------|-------------|-------------|
| <u>Less : Current Liabilities</u> | | |
| <u>and Provisions.</u> | | |
| Liabilities | 45,06,186 | 38,57,283 |
| Provisions | 2,00,530 | 5,41,545 |
| | ----- | ----- |
| | 47,06,716 | 43,98,828 |
| | ----- | ----- |
| | 58,90,139 | 66,96,346 |
| Miscellaneous Expenses | 40,671 | ---- |
| | ----- | ----- |
| Total Rs. | 74,04,561 | 80,74,778 |
| | ===== | ===== |

Source : Annual Report of Del Star Pvt.Ltd.

It is observed from the Table II-6 that the Company has capital and Reserve and Surplus of Rs.27,07,048 in the year 1986 and Rs.28,48,994 in the year 1987. Loan funds were Rs.46,97,513 in 1986 and Rs.52,25,784 in the year 1987.

Also it is observed that the company had fixed assets worth Rs.14,61,751 in 1986 and Rs.13,66,432 in 1987. However the current liabilities of Rs.47,06,716 in 1986 and Rs.43,98,828 in 1987 .

Organisational Set - up of Del - Star Pvt. Ltd., Ogalewadi

Board of Directors

Chairman

Director Finance

Chief Executive

Materials Dept.

Marketing Dept.

Drawing Dept.

Personnel Dept.

Development Dept.

Factory Manager

Accounts Dept.

Purchase Dept.

Stores Dept.

Grinder Dept.

Inspection Dept.

Security Dept.

Time Office Dept.

House Keeping Dept.

Canteen Dept.

Excise Dept.

Press Shop Dept.

I. V. C. & D. V. C. Dept.

Clean Sweep & Scrubber Dept.

Machine Shop Dept.

Tool Room Dept.

Paint Shop Dept.

Dust Collector Dept.

Oil Tank Dept.

M.V.C. Dept.

Sutar Shed Dept.

Electrical Dept.

Water Pollution Dept.