CHAPTER - FOUR

DATA PRESENTATION AND ANALYSIS

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4.1 INTRODUCTION:

In this Chapter, an attempt is made by the researcher to present the data collected through various sources, keeping in view the objectives as well as the questionnaire framed.

4.2 INFORMATION REGARDING COTTON:

Cotton accounts for more than 60% of the cost of production in a spinning mill. Cotton crop is mainly divided into three broad types:

1. Short staple or short length (upto 22 mm),

2. Medium staple or medium length (from 22 to 28 mm),

3. Long staple or long length (from 28 to 34 mm),

4. Extra long staple (above 34 mm).

In short staple, the following different varieties of cotton are included:

1. AX

2. Y1

3. JAYADHAR

4. 797, and

5. VAGHAD.

The short staple cotton is useful in the textile mills for 20 to 24 counts.

The following are the major states growing short staple cotton:

    1. Punjab,

    2. Maharashtra,

    3. Karnataka,

    4. Andhra Pradesh,

    5. Gujarat.

Medium staple cotton is useful for 34 to 40's count of yarn. Following are varieties of this cotton:

    1. H4

    2. S4 or Shankar-4

    3. CO2

Mainly this cotton is grown in -

    1. Gujarat,

    2. Maharashtra,

    3. Tamil Nadu,

    4. Andhra Pradesh.

Long length cotton is includes the following varieties of cotton

    1. MCU5

    2. VARLAXMI

    3. DCH

    4. SAVIN.

This cotton is useful for producing 60 to 100's count yarn. It is mostly produced in the States of:

1. Tamil Nadu,

2. Andhra Pradesh,

3. Maharashtra,

4. Karnataka (in some parts).

4.3 PURCHASING POLICY:

The purchasing in the organization under study, Marathe Textile Mills Limited, is centralized. There is no separate Purchase Department as such and cotton purchasing is mainly done by the Managing Director of the Organization.

The company's purchasing policy can broadly be classified as:

1. For the purchase of the main raw-materials, i.e. cotton, Indian staple fibre and waste cotton;

2. For the purchase of spares, consumables and industrial parts.

Policy for Raw Materials:

The purchase policy for raw materials is a mix of the following policies:

1. Purchasing for a specific future period,

2. Market/Speculative Purchasing.

The availability of the cotton is seasonal and also its

supply depends on the monsoon. Accordingly, the prices tend to fluctuate throughout the year. Considering these special characteristics of the raw material and also the market demand for the yarn, the purchases are made. Purchasing is done either directly in cotton markets or through suppliers on sale-by-sample basis.

Policy for Other Inventory:

Most of the purchases are effected by requirements. These are purchased by inviting quotations from various suppliers. Some items identified as crucial are purchased as per schedule:

Purchasing Procedure:

The following general procedure is adopted:

1. Purchase Requisition,

2. Decision for Purchase,

3. Inviting quotations and Selection of suppliers,

4. Purchase order,

5. Receipt of materials.

In addition to the above procedure, the market is studied and sources of supply considered for the purchase of cotton.

The purchase of cotton is generally on credit basis. The period of credit is 60 days, cash purchases are also made

to avail of cash discounts.

All other items of inventory are purchased on cash basis.

Table 4.1

Purchase of Cotton (Quantity and Value)

Particulars	1987		1988-89		1989-90		1990-91	
	Qty. kgs.	Value Rs.	Qty. kgs.	Value Rs.	Qty. Kgs.	Value Rs.	Qty. Kgs.	Value Rs.
1. Indian Cotton	20.50	410.00	43.12	901.00	25.15	403.00	24.77	580.00
2. Indian Staple Fibre	0.80	26.00	–	–	0.03	2.00	–	–
3. Waste Cotton	0.13	1.38	–	–	–	–	–	—
Total:	21.43	437.38	43.12	901.00	25.18	405.00	24.77	580.00

The above Table shows the purchases of the raw materials for a period of four years.

Waste cotton was not purchased after 1987 as the production of the low count yarn was stopped. Indian staple fibre was not purchased in the year 1988-89 due to the sufficient availability of high quality cotton and in 1990-91 as the prices were very high.

Indian cotton purchases show an increasing trend hand-in-hand with the increasing production. The year 1988-89 shows a larger figure compared to other years as iit was for 15 months.

Storage:

Various items of inventory are stored in different stores or godowns as per following classification:

1.   Raw material, i.e. cotton,

2.   Finished goods, i.e. yarn,

3.   Spares, consumables and industrial parts.

All the items are classified and codified on alphanumeric basis.

Cotton is classified on the basis of quality and station, i.e. from the place sent, e.g. Y1 : Sendhwa (MP), J-34 : Bhatinda (Punjab) and 797 : Kadi (Gujarat).

Yarn is classified and codified on the basis of counts.

Other items are classified and codified alphanumerically and stored in bins, e.g. ballbearings 1209-B- 2, grinding wheel G-9.

Cotton is stored in two separate godowns nearer to the production department. Yarn is stored packed and covered in plastic in a separate godown. Other items are stored in a separate store. Bin-system of storing is in use. Material received is recorded in the respective records by the storekeeper. The following documents are used for this purpose:

1.   Bin Cards,

2.   Stores Ledger,

3. Material Receipt Notes,

4. Material Issue Notes,

5. Purchase Requisition,

6. Material Return Notes.

Continuous stock verification is applied to raw materials and finished goods while other items of inventory are verified on annual basis. The company's specialist staff is the stock taking agency.

Issue of Material:

Materials are issued by the storekeeper on receipt of Material Requisition Note from the department. The issues of materials are priced on simple average basis.

Control of Stock:

The company controls its inventory on minimum level basis. The annual consumption cotton is approximately 18,000 bales and the daily consumption is around 50-55 bales. The lead time for procuring cotton is 20 days from Punjab and 3-10 days from Karnataka and Maharashtra.

Recording Receipts:

The goods are generally sent by the suppliers by road transport carriers. The invoice of goods is accompanied by the lorry receipt. The goods are received by the

storekeeper who compares the invoice and the purchase order. The goods are then sent to the Inspection Department. Laboratory tests are conducted for raw materials and other items are verified for quality, quantity, colour, size, etc.. by the Inspection Department. If any of the items are defective or if any discrepancy is found, it is reported to the management for further suitable action.

A goods receipt note is prepared and necessary entries are made in the store-ledger.

Following documents are used while recording receipts of the materials:

1.   Purchase order,

2.   Goods receipt notes,

3.   Inspection reports,

4.   Stores ledger.

Table 4.2 below gives the details of the yearwise and qualitywise production of yarn

Table 4.2

Yearwise and Qualitywise Yarn Production

(in lacs)

Particulars	1987	1988-89	1989-90	1990-91
1s to 10s	–	–	–	–
11s to 20s	3.94	1.43	1.96	1.60
21s to 100s	14.91	24.05	20.54	21.88
Total:	18.85	25.48	22.50	23.48

The figures indicate that the organization is not producing the yarn below 11s count. The production of 21s and 100s counts is also not much. This shows that the higher count yarn is more in demand in the market. Between the period from 1988 to 1991, the production has varied between 24 to 20 lakh kgs. per year.

Table 4.3 below shows the production of yarn during the period from 1987 to 1990-91.

Table 4.3

Production of Yarn

(in lacs)

	1987		1988-89		1989-90		1990-91	
	Qty. kgs.	Value Rs.	Qty. kgs.	Value Rs.	Qty. kgs.	Value Rs.	Qty. kgs.	Value Rs.
Yarn (All Counts)	18.85	753	25.48	1029	22.50	1120	23.48	1130

From the above Table, it is noted that there is an increasing trend in the production. This also means that there is an increasing demand for company's yarn in the market.

Table 4.4 (on the following page) shows the figures of waste generation during the period 1987 to 1990-91. The waste is generated mainly in the blowroom and mainly comprises short fibres, seeds and pattis. The Table also shows that generation of the waste was highest in the years 1998-90.

Table 4.4

Generation of waste

(in lacs)

	1987		1988-89		1989-90		1990-91	
	Qty. kgs.	Value Rs.	Qty. kgs.	Value Rs.	Qty. kgs.	Value Rs.	Qty. kgs.	Value Rs.
waste generation	3.38	16.10	4.70	18.05	4.60	15.32	2.70	18.95

It is to be noted that generation waste averages about 10% of the raw material. Waste is in the form of blowroom waste, like dust, patti, dry leaves and cut-seeds or cotton seeds. Blowroom waste is a saleable waste. Card-waste contains short fibres, which also are saleable. Comber waste mainly contains short fibres only. It is from the superfine quality of cotton. Hard waste contains the broken ends of the yarn during winding and is saleable.

Another form of loss is the defective yarn, which also is saleable. Defective yarn is generated normally at about 3% and is chargeable to the factory overheads.

Most of the waste is sold by tender system, while some of it, like comber waste, is directly used in low count mixing.

Scrap is also sold by tender and is accounted under the head 'Other Income'. At present, scrap material is generated at around 3% of the inventory value. Waste is controlled at its point of origin, i.e. in the process of production.

Table 4.5 below shows the value of store purchases of the organization during the years 1987 to 1990-91.

Table 4.5

Store purchases

(Rs. in lacs)

Particulars	1987	1988-89	1989-90	1990-91
Machinery Spares	7.47	6.50	6.24	11.20
Mill Stores	9.45	7.38	7.33	10.40
Oils & Lubricants	1.21	1.95	2.05	2.07
Elec. Material	0.24	0.41	0.43	1.43
Elec. Fitting Material	0.38	0.13	0.31	0.16
Packing Material	11.20	10.68	11.04	15.20
Steamcoal and Firewood	2.10	6.46	4.31	3.25
Total:	32.05	33.33	31.71	43.71

The above Table shows the various types of items in the store and their contribution to the inventory bill. All items are related to the machinery and the process of production. The figures are higher for the year 1990-91 as in that year, open-end machinery was installed and as a requirement of the modernization, new and large quantities of items were purchased.

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