

C H A P T E R - VI.

OBSERVATIONS AND SUGGESTIONS OF THE STUDY

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CHAPTER - V.

OBSERVATIONS AND SUGGESTIONS

Based on the data analysis presented in the foregoing chapter, the researcher has come with following few observations declaring the unit sick which needs a suitable revival strategy.

V. I. Observations of the Study :

1. The capital structure of NGM is not proper and it is over burdened with borrowings.
2. The unit could not spend on additional fixed assets though there is a need of replacement of old machinery by modern machinery with latest technological - development to cope up with the market.
3. From the available funds the major portion is invested in current assets but the turnover of current assets is not satisfactory indicating inefficient current assets utilisation.
4. The working capital position of NGM is not sound according to norms of professional financial management as a result liquidity position is very very weak.
5. Total assets utilisation is not proper - the firm is suffering under utilisation of assets and needs

concerted efforts to improve situation.

6. The recovery of credit sales is not efficient and average collection period has been increasing.
7. Production expenses remained to be higher without corresponding increase in the sales-revenue of NGM.
8. Wage expenses remained to be same though there is negative operating results, indicating a need of sleeming down labour force.
9. Profitability of the NGM is very negative and has lost the characteristics of "a business unit" and it has remained to be just an "employment providing unit".
10. Sales analysis has shown export potentials for mills's product which can be exploited with concerted efforts and suitable marketing strategy.
11. A suitable "revival strategy" needs to be formulated for the very existence of the unit in the market.

V. II. Suggestions of the Study :

Based on data analysis and observations made therefrom, researcher has made an attempt in this sub-chapter to offer two sets of suggestions.

i) Suggestions to top management

ii) Suggestions to Government.

While making suggestions to top management, it is assumed that they would convince the middle-level managers, workers and union leaders for the implementation of the plan suggested here.

A. Suggestions to Top Management of NGM.

As regards the unit selected for study i.e. Narsing Girji Mills Ltd., though not declared by Government as sick it posses almost all features of a sick unit like :

1. Since 1981, onwards, the unit is incurring consistent operating losses.
2. Cost of the product is very high.
3. Investment in the modernisation is very low - almost nill.
4. Sales price is not capable to absorb the operating expenses.
5. Maintenance expenses are high.
6. Liquidity position is very poor.
7. In total assets inventory proportion is high.

Strategy for Survival :

It is accepted fact that to servive in the market one has to develop a strategy for survival. The researcher has come out with the under mentioned "survival

The analysis of data indicated that :

1. This unit is an employment providing activity, rather than a business unit, this position needs to be changed and concerted efforts should be made to have economic viability for the unit to stand in the market.
- ②. Department level strategy should be formulated to cut down the cost.
- ③. Technology adopted should be "product oriented" for which modernisation should be undertaken to create market acceptability for the product of NGM.
4. Number of power looms should be increased and if possible number of hand looms may be reduced.
- ⑤. The data analysis has already shown an opportunity for export which should be exploited to the maximum extent for which a suitable marketing strategy may be formulated.
6. Modernisation should be supplemented by adequate amount of training to the workers.
7. In order to cut down labour cost if necessary, labour force may be stemmed down and in future they may be given priority in recruitment if required.

8. Union should be taken into confidence and persuaded to co-operate with revival plan for the existence of the unit.
9. Strict discipline has to be maintained in the organization and no industrial action such as strike, go slow, work to rule etc. shall be allowed for a certain period say 7 years as a measure to overcome present situation.
10. Workers may be promised to give adequate share in the profit in the form of 'equity shares' of the NGM.
11. With proper convincing workers may be persuaded to invest in the equity of preference shares of the NGM as their future is linked with the future of NGM.
12. Export potentials may be exploited by suitable marketing strategy and this sick unit be turned into EOU unit (Export Oriented Unit).
13. The recognition should not be given to any union, affiliated to any political party. A workers committee may be formed with adequate participation of workers managers to resolve the problems of the workers.

14. To overcome the problem of funds compulsory deposits may be taken from workers and 13% interest may be given which is more than the interest rate of commercial banks. On deposits and is less than interest on loans advanced by banks to NGM. In short principle of "Workers' Participation in Capitalisation" may be followed and workers and officers may be given equity shares to overcome the need of finance.

15. At present unproductive assets should be sold at market rate like land and modernisation may be financed. As NGM has 29 acres of land in its possession this action would fetch good amount of money to finance modernisation plan - which is an immediate need of NGM.

B. Suggestions to Government :

16. Revival period consisting of 7 years may be granted to the NGM and in this period Government may give some extra concessions to the factory like exemption of octroi duty on raw material and machinery, exemption in excise duty, exemption in sales tax, exemption in water charges, electricity charges etc.

17. Government may give exemption in income tax, to the employees for the amount invested in the compulsory deposits and equity shares of the company under section C of Income Tax Act to motivate the prospective investors to invest in NGM.

In short concerted efforts from top management, sacrificing attitude of the workers and liberal government policy may turn this sick unit in to a healthy and profit making company.