



**PROFILE OF
SWADESHI DYEING
AND BLEACHING
MILLS PRIVATE LIMITED, ICHALKARANJI**

CHAPTER NO. 2

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2.1 INTRODUCTION

The present study entitled as a “A Study of Financial Management of Swadeshi Dyeing and Bleaching Mills Private Limited, Ichalkaranji” is the case study. The unit selected for the present study is engaged in cloth processing and the similar textile activities, running its business in Ichalkaranji city. It is therefore felt essential to present in this chapter the present scenario of textile industry in Ichalkaranji city. An attempt is made in this chapter to study the profile of Swadeshi Dyeing and Bleaching Mills Private Limited with special emphasis on its finance function. This chapter covers the establishment, aims and objectives, organizational set up and financial factors such as financial sources of the mill, revenue sources of the mill, fixed assets, investments, working capital, and profit/loss.

2.2 THE PRESENT SCENARIO OF TEXTILES IN ICHALKARANJI

As of 2005 India census^[2], Ichalkaranji had a population of 3,07,572. Males constitute 53% of the population and females 47%. Ichalkaranji has an average literacy rate of 73%, higher than the national average of 59.5%: male literacy is 80%, and female literacy is 66%. In Ichalkaranji, 13% of the population is under 6 years of age. The main language spoken in the city is Marathi. But there is also a significant Kannad population present as Maharashtra-Karnataka border is close to Ichalkaranji. In addition to it, people from all parts of India have made Ichalkaranji its home - resulting into Hindi being spoken & understood freely. It has a number of service clubs doing omen service to the community. Rotary Club of Ichalkaranji is amongst the best clubs in the District .

Ichalkaranji resides on the banks of river Panchaganga which finally converges into river Krishna. Ichalkaranji has a cricket stadium called Rajaram Stadium which can hold Ranji Matches. There is one palace belonging to Shri Narayanrao Babasaheb Ghorpade which now holds textile and engineering institute called DKTE.

Ichalkaranji widely known as "*Manchester of Maharashtra*", is one of the most prominent industrial cities in India because of its wide spread textile manufacturing and other related activities. It has been long seen because known for power loom cloth manufacturing. In 1904, Late Mr. Vithalrao Datar, a young entrepreneur established the first powerloom in Ichalkaranji. Today, Ichalkaranji and its nearby area have around 1,15,000 power looms, about 22,000 automatic looms and around 4,500 shuttle-less weaving machines (sulzer projectile + PINCONOL Rapier) in decentralize sector.

Further, 135 sizing units provide the sized yarn consist of cotton, dyed, twisted, dubbling, merc., & blended yarn for weaving. In spinning around 15 spinning mills have come in and around Ichalkaranji. Among these, many spinning mills have state of art technology. To bring the grey fabric to the finished state, there are 23 Power Processing houses, some of which have latest technology to produce finished quality goods.

Thus the "Textiles" has become life-blood of the people of Ichalkaranji with its diverse activities in the textiles. Ichalkaranji is a kaleidoscope of various cloth productions right from Dhoti, poplin to industrial fabrics. Following table reveals the present scenario textile industry in Ichalkaranji.

Table 2.2.1 : Present Scenario of Textile Industry In Ichalkaranji

No.	Particulars	No. O Units
1.	Workers in Textiles	1.15lakhs
2.	Sizing Units	135
3.	Hand Processing Units	50
4.	Power Processing Units	23
5.	Yarn Merchants	110
6.	Fabrics Merchants	400
7.	Powrelooms	1,15,000
8.	Autolooms	22,000
9.	Shuttleless	4,500
10.	Technical Institutions	1
11.	Training Facilities	1 (BITRA PSC)
12.	Financial Institutions	56
13.	Industrial Estates	4
14.	Spinning Units	15
15.	Integrated Park	1
16.	Workshed Park	6
17.	Item of Manufacture (yarn)	Cotton, Dyed, Twisted, Dubbling, Merc., & Blended Yarn
18.	Types of Fabrics Manufacture	Dhoti, Poplin, Cambric, Shirting, Suiting, Canvas, Knitting, Finishing Cloth, Wider width fabrics, Dobby design fabrics etc.

Source : The Ichalkaranji Powerloom Weaver's Co-op. Association Ltd.

Ichalkaranji

2.3 THE ESTABLISHMENT OF SWADESHI DYEING AND BLEACHING MILLS PRIVATE LIMITED, ICHALKARANJI

The Swadeshi Dyeing and Bleaching Mills Private Limited, Ichalkaranji was registered on 16th June 1983 under the Indian Companies Act, 1956. It is registered with the Registrar of Companies, Maharashtra state and the registration number is 30213.

In the initial stage the authorized share capital of Swadeshi Dyeing and Bleaching Mills Private Limited was Rs.500000/- divided into 500 equity shares of Rs.1000/- each, which later increased up to Rs.3000000/- of which issued and paid up capital is of Rs.2750000/- divided into 2750 equity shares of Rs.1000/- each.

The registered address of the company is Plot No. 26, New Industrial Estate, Ichalkaranji-416115, Dist. Kolhapur and the same is the corporate office. Swadesh D/B Mill is owned by Bohara family. Shri Madanlal Bohara, key person of the family is the chief promoter of the company. The Bohara family is well versed with textile industry and they are running activities in this field on profitable lines continuously.

2.4 AIMS AND OBJECTIVES

A) MAIN OBJECTS OF THE COMPANY TO BE PERSUED BY THE COMPANY ON ITS INCORPORATION ARE:

- 1) To carry on the business of processing dyeing, printing, bleaching, sizing, mercerizing and the like coloring, finishing, engraving, embossing, of all kinds of cloth mainly of cotton silk, artificial and/or natural fibre, terrene, nylon, wool flax hemp, jute and all other fabrics, yarns, linen, satin, satinette, velvet.
- 2) To engage in the business of or undertake the activities of processing, Textile yarns, threads, woolen and/or non woolen fabrics

hosiery, knitted garments, apparel and similar other textiles, made of natural and/or artificial fibres, or filaments, by means of mechanical, thermal, electrical and other process with a view to imparting marketability or improving the quality and/or value of making it read for subsequent processing.

- 3) To deal, purchase, sale and trade in textile cloths of all varieties, fibres, yarns, threads and other fabrics.

**B) OBJECTS INCIDENTAL OR ANCILLARY TO THE
ATTAINMENT OF THE MAIN OBJECTS ARE:**

- 4) To purchase, take on lease, tenancy, or in exchange, hire or otherwise acquire for any estate or interest and take options over any property, whether movable or immovable and any rights and privileges which may be convenient for the purpose of its business or may enhance the value of any property of the Company.
- 5) To purchase or otherwise acquire, and to hold, own, invest, trade and deal in mortgage, pledge, assign, sell, transfer or otherwise dispose of goods, wares, merchandise and all movable property, and to transport the same in any manner for carrying out business of the Company.
- 6) To purchase or otherwise acquire, assemble, install, construct, alter, equip repair, remodel, maintain, enlarge, operate, work, manage, control, hold own lease rent, charter, mortgage, sell, convey or otherwise dispose of any or all kinds of mills factories, other buildings and structures, telephone and telegraph lines transmission lines, wireless facilities, machinery apparatus, instruments, fixtures and appliance in far as the same may appertain to or be useful in the conduct of the business of the Company.

- 7) To purchase, charter, hire, build or otherwise acquire and vessels or crafts of every description and to hold, own, use or work such vessels for business of the Company.
- 8) To obtain or acquire by application, purchase, license or otherwise and protect and renew in any part of the world any patents, rights, brevetsd invention, trade marks, designs, licenses, concessions and the like conferring any exclusive or non-exclusive or limited right to their use or any secret or other information as to invention which may seen capable of being used for any of the purchases of the Company, and to use, exercise, develop or grant licenses in respect of or otherwise turn to account the property, rights or information so acquired and to spend money in experimenting upon, testing or improving any such patents, inventions or right.
- 9) To amalgamate, enter into partnership or into any arrangement for sharing profits, union of interest, co-operation, joint adventure or reciprocal concessions or for limiting competition with any person, firm, corporation or Company to carry on or enlarge in or about to carry on or enlarge in any business or transaction which the Company is authorized to carry on or engage in or which can be carried on in conjunction therewith or which is capable of being conducted so as directly or indirectly to benefit of the Company.
- 10) To sell, lease, mortgage or otherwise deal with or dispose of the undertaking property, assets, rights and efforts of the Company or any part thereof for such consideration as the Company may think fit, and in particular for shares, shock, debentures or other securities of any other Company, whether or having objects altogether or in part similar to those of the Company.

- 11) To improve, manage, develop, grant rights or privileges in respect of or otherwise deal with, all or any part of the property and rights of the Company and to vest any movable or immovable property, rights or interest acquired by or received or belonging to the company in any person, persons or company on behalf of or for the benefit of the Company and with or without any declared trust in favor of the Company.
- 12) To lend and advance money or give credit to persons companies, corporations, firms, or trusts and on such terms as may seem expedient and in particular to customers and suppliers and others having dealings with the Company and to release or debt or obligation owing to the Company.
- 13) To receive money on deposit or loan and borrow any money in such manner as the Company shall deem fit and in particular by the issue of debentures or debenture-stock, particular otherwise and to secure the repayment of any money borrowed, raised, owing by mortgage, charge, lien upon all or any of the property or assets of the Company [both present and future] and also by similar mortgage, charge or lien to secure and guarantee the performance by the Company or any other person, company, firms or body corporate of any obligation undertaken by the Company or any other persons, company, firm or body corporate as the case may be provided however, that the Company shall not do any banking business as defined by Banking Regulation Act 1956 subject to the Provisions of Section 58A of the companies Act, 1956 and directives issued by Reserve Bank of India if applicable.
- 14) To draw, make, accept, endorse, discount, negotiate, execute and issue of exchange, promissory notes, cheques, bills of lading,

- shipping, documents, dock warrants, and other negotiable or transferable instruments.
- 15) In accordance with the law for the time being in force to reserve or to distribute as bonus shares, stock, mortgage, debenture-stock and other securities and accumulated profits and reserves of the Company.
 - 16) To guaranty the performance of any contract or any obligation of any company, firms or persons, and to guarantee the payment of capital and principal of an dividend, interest or premium payable on any stock, shares and securities, debentures, debenture-stock, mortgage, loan or other securities, issued by any company, corporation, firm or persons, including [with prejudice to the said generality] bank overdrafts, bills of exchange and promissory notes and generally to give guarantee and indemnities.
 - 17) To enter into any trade or other combination of agreements with any other person, firm or companies and to subscribe to any other trade or other association.
 - 18) To enter in to any arrangements with any governments or authorities, municipal, local or otherwise, or any person or company that may seen conductive to the objects of the Company or any of them, and to obtain from any such government, Authority, person or company any rights, privileges, charters, contracts, licenses and concessions which may be desirable to obtain and exercise the same.
 - 19) To obtain by Act, or any legislature, charter, privilege, concession, provisional order, license or authorization of Government, Central and State, Municipality or any or all relevant authorities for enabling the Company to carry any of its objects into effect, or for

any purpose and to oppose any proceedings or applications which may seem calculated directly or indirectly to prejudice the interests of the Company.

20)

- a) To procure the incorporation, qualification, registration or other recognition of the Company in any country, state or place.
 - b) To establish branches or agencies, whether by means of local boards or otherwise anywhere in India or elsewhere at any place or place thought the world for the Company to carry on its business more efficiently, and to discontinue and reconstitute any such branches or agencies.
- 21) To apply for membership or become a member of any company, society or body corporate having any company, association, society or body corporate having any objects similar to or identical with those of the Company, or likely, directly or indirectly to promote the interest of the Company.
- 22) To grant pension, allowances, gratuities, benefits, emoluments and bonuses, Provident Fund and Superannuation Funds to employees former employees and Directors of the company and the widows and children of such persons and other dependents upon them, and to construct or contribute to the construction of houses dwelling or quarters for the employees of Company and of other concerns which are or may by contractual relationship with rendering any service to the Company in doing any these things.
- 23) To invest any many of the Company not for the time being required for any of the purposes of the Company in such investments [other

than shares or stocks in the Company] as may be thought proper and to hold, sell or otherwise deal with investments.

- 24) To support, donate, contribute and subscribe to any charitable, religious, educational or other public institutions, trusts, clubs, societies or individual or body of individuals.
- 25) To undertake and execute any trusts, the undertaking whereof may seem desirable and/or securities of and as agents or brokers for the investment, loan, payment, transmission or collection of money, and the purchase, sale, hire, improvement or development and management of property, movable or immovable for any company, firm or person [whether Indian or Foreign] and to undertake and perform sub-contracts.
- 26) To act as a principles, agents, trustees, corporations, contracts or otherwise and either alone or in conjunction with any other or others, whether in India or anywhere else in the world.
- 27) To pay out of the funds of the Company all expenses which the Company may lawfully pay with respect to the formation and registration of the Company or the issue of its capital including brokerage and commissions for obtaining applications for or taking, placing or procuring the undering of the shares, debentures or other securities of the Company.
- 28) To adopt such means of making known the business of the Company as may seem expedient and in particular by advertising in the press, by circular, by exhibition of works of art or interest, by publication of books and periodicals, and by granting prizes, rewards and donations.
- 29) In connection of the formation of the Company, to purchase, take on lease or in exchange or otherwise acquire, erect, sell and

otherwise deal in any lands or buildings and factories having plant and machinery and other equipments, and any other estate or interest in, and any other rights connected with any such lands and buildings in India or elsewhere.

- 30) In connection with the business of the Company, to develop and turn to account any land acquire by the Company or in which the Company is interested, and in particular by lying out and preparing the same for building purposes, constructing, godowns, public works, by simple process or by using pre-fabricated materials, altering, pulling down, decorating, any by advancing to the entering in to contract and arrangements of all kinds with builders, tenants and others, in India and/ or abroad.
- 31) To establish and equip laboratories and carry on analytical experimental and other work or undertake any research in relation to the general objects of the Company and to take upon and carry on rural development programme and to contribute to the institutions or any other bodies carrying on such programme and to act as advisor relating to the objects of the Company.

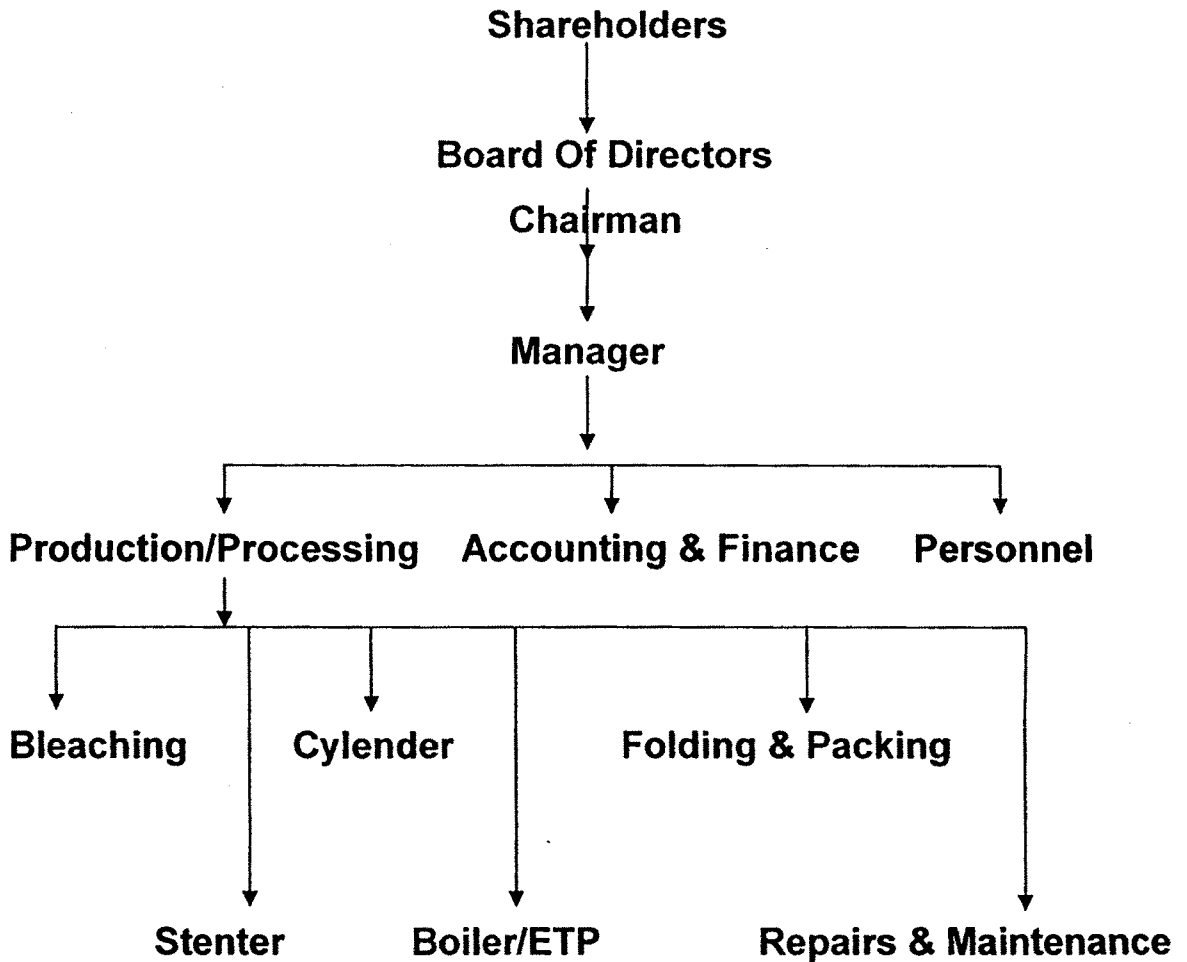
2.5 ORGANIZATIONAL SET UP

There is a simple organization structure of the Swadeshi D/B Pvt. Ltd. There are 19 members in the organization who contributed nearly Rs.27,25,000/- paid up share capital. As the shareholders are the absolute owners, they have ultimate controlling authority. They elect the directors who collectively carried out the management of the company. There are 4 directors in Swadeshi D/B Pvt. Ltd. who holds nearly 75.52% share capital. Mr. Shrinivas Madanlal Bohara is the chairman Of Swadeshi D/B Pvt. Ltd. who has all the managerial powers.

Mr. Radheshyam D. Sharma is working as a Manager, who is the head of various sections including finance. There are all together 177 employees working in Swadeshi D/B Pvt. Ltd. out of which near about 149 workers are working under different sections of processing. These employees are classified into Skilled, Semi-skilled and unskilled workers. The average salary of the skilled workers is Rs.3500/-p.m., Semi-skilled workers is of Rs.3300/-p.m.and that of unskilled workers is of Rs.3100/-p.m. The total working hours per day are 8 for all operating employees. The company is contributing to the funds maintained by the government towards Provident Fund of the employees and also towards Employee Contribution Fund and Welfare Fund.

Following chart shows the organizational set up in Swadeshi D/B Mill Pvt. Ltd.

ORGANIZATIONAL SET UP



2.6 FINANCIAL FACTORS

As the major objective of the present study is to study the financial management practices of Swadeshi D/B Mill Pvt. Ltd., an emphasis is given on the analysis of the financial factors. In the present chapter focus is given on the following financial factors of the mill.

I. FINANCIAL SOURCES OF SWADESHI D/B MILLS PVT. LTD.

One of the important aspects of the financial management is to assemble funds to acquire fixed assets and current assets which are

required to carry on business activities. The business enterprise requires long term and short funds. These funds are mobilized either externally or internally. The companies float different kinds of securities to mobilize the savings of the investors. Besides, funds may be collected from banks, financial institutions and other intermediaries. Swadeshi D/B Mill has used following internal and external financial sources for meeting its long term and short term financial requirements.

A) OWNERSHIP SOURCES

Ownership sources of the business organization consist of equity share capital, preference share capital, reserve fund and retained earnings. Swadeshi D/B Mill Pvt. Ltd. has collected capital from following ownership sources:

a) Equity Shares

Equity Shares are the corner stores of the financial structure of the company. On the strength of equity share capital, the company procures other sources of capital. An equity shareholder is the absolute owner of the company, who can control the affairs of the company, share in profits earned by the company in the form of dividend and in residual assets of the company. Swadeshi D/B Mill has issued 2750 equity shares of Rs.1000/- each which constitute the total equity share capital of Rs.2750000/-. As a private limited company the membership of the Swadeshi D/B Mill is limited to 50 members. There are 19 Members in the company. Following table shows the share holding patterns in Swadeshi D/B Mill Pvt. Ltd.

Table 2.6.1: Showing Share Holding Patterns

SHARE HOLDING PATTERNS	PERCENTAGE
Directors Share Holding	75.52%
Family Share Holding	24.48%
Friends and Others	--
TOTAL	100%

b) Retained Earnings

It is an internal source of finance. Retained earnings are that portion of equity earnings, which are ploughed back in the firm. Because retained earnings are the sacrifice made by equity shareholders, they are referred to as internal equity. Retained earnings are readily available internally and do not involve the issue cost. These also do not dilute controls. Swadeshi D/B Mill has been effectively used the retained earning as a source of meeting of working capital needs by following conservative dividend policy. During the study period, the company does not declare any dividend and retained the entire of profit in the company to strengthen its financial position. The retained earning was Rs.15,14,450.40/- in 2003-04, Rs.28,27,019.11/- in 2004-05 and Rs.1458524.88/- in 2005-06 as against the net profits earned during the period 2000-01, 2001-2, 2002-03 and 2003-04 was of Rs.7,36,438/-, Rs.10,62,454/-, Rs.14,70,921/, Rs.24,67,763/- and Rs.13,12,568/- respectively. The first three years profit has written off against the preliminary loss of Rs.34,86,689/- where the Swadeshi mill suffered loss in 2005-06 of Rs.13,68,494/-.

c) Subsidies

Swadeshi Dyeing and Bleaching Mills Ltd. received subsidies from government under various schemes. All these subsidies are transferred to the reserves funds. Swadeshi D/B Mill has created two kinds of reserves such as Investment Allowance Reserve and Capital Incentive Subsidy. The total reserves of the Mill was Rs.37,70,793/- in 2000-01 and Rs.35,01,193/- in 2001-02, 2002-03, 2003-04 2004-05 and 2005-06.

B) BORROWED SOURCES

Borrowed sources of the business organization consist of Debentures, Bonds, Term Loans from Banks, Public Deposits, out of which Swadeshi D/B Mill Pvt. Ltd. has obtained following borrowed sources:

a) Loans from Banks

It consists of term loan from banks or other financial institutions such as ICICI, IDBI, IFCI etc. or bank credit of relatively shorter period. The business enterprises is required to pay a regular interest on these loans the rate of which may vary from bank to bank and depends on the amount of loan and the period for which it has taken. Swadeshi D/B Pvt. Ltd. has taken term loan from SBI by Charge on Fixed Assets and Current Assets and vehicle loan form ICICI Bank. The total loans taken by the company from SBI and ICICI Bank was Rs.24,03,297/-, Rs.18,47,741/-, Rs.24,79,826/-, Rs.25,18,704/-, Rs.33,03,492/- and Rs.1,03,41,210/- in 2000-01, 2001-02, 2002-03, 2003-04 2004-05 and 2005-06 respectively.

b) Deposits from Members

Public deposits have been peculiar feature of industrial finance of India. It serves as a valuable source of medium term and short term finance. It is a cheaper source of finance and also do not create any charge or mortgage on the assets of the company. Swadeshi D/B Mill Pvt. Ltd. has not accepted deposits from public but accepted the deposits from its directors and members. All these deposits are accepted for the longer period and for which company offers 17% interest. Following table shows outstanding balance of deposits accepted by Swadeshi D/B Mill Pvt. Ltd. as on 31st March 2006.

Table 2.6.2: Showing Deposit Accepted as on 31st March 2006

DEPOSITS	Rs.
a) Directors	
S.M.Bohara	394810.00
R.M.Bohara	210582.00
P.M.Bohara	115140.00
H.S.Bohara	9807.00
b) Share Holders	
M.M.Bohara	1348487.00
Sou.G.M.Bohara	2082966.00
Sou.A.S.Bohara	7605.00
Sou.R.R.Bohara	473711.00
TOTAL	4643108.00

II. REVENUE SOURCES OF SWADESHI D/B MILLS PVT. LTD.

As the unit selected for the present study is engaged in cloth processing activities, the major source of the income is **Processing Charges**. The Swadeshi D/B Pvt. Ltd. actually does not purchase any kind of gray cloth as raw materials for processing and sell in the market but it just carry out orders of processing. Hence there is no question of sale or marketing of the finished goods in the form of ready cloths. The mill accepts the processing orders and charge for the processing services, which is its main revenue source. Following processing has been made on the gray cloth in the Swadeshi D/B Mill Pvt. Ltd.

CLOTH PROCSSING PROCEDURE

A) Wet Processing

- 1) Gray
- 2) Quality Wise & Finishing wise separation.
- 3) Checking like width meter, Wvg. Defect. Etc.
- 4) Marking with ink.
- 5) Mercerizing: - To get luster brightness, the above goods are passing through caustic (48⁰).
- 6) Bleaching: - To make goods white & to remove impurities like added or well as natural the goods should be bleached with hydrochloride & hydrogen peroxide.
- 7) Neutralization: - After bleaching the goods must be in nutral condition so the bleached goods should be neutralize with Hydrochloric acid & ammonia.

B) Finishing

- 1) Drying: - The above goods should be dried on drying range.
- 2) Stentering: - To make goods for selling purpose or for industrial use the goods should be finished on stenter m/c. While finishing there is using various types of finishing chemicals. During stentering the goods should be maintained width.
- 3) Cylendering & Felting: - After stentering the goods should be either cylendering or felting. This is also part of finishing.
- 4) Folding & Packing: - The above finished goods are then folded on folding m/c. Then the above goods are packed in plastic coated bog.
- 5) Dispatching.

Apart from Processing Charges, the **Sale of Waste Material, Fright, Rent, Profit on Sale of Cloth, Subscription Refund, Excise Rebate, Water Charges, Divided on investment in shares, and Profit on Sale of Assets** are other sources of incomes of Swadeshi D/B Mill Pvt. Ltd.

III. FIXED ASSETS

Fixed or long-term assets are held for periods longer than the accounting period. They are held for use in business and for sale. Fixed assets may be classified in to tangible fixed assets such as land, building, machinery; equipment, furniture etc. and intangible fixed assets such as firm's right's includes patents, copyrights, franchises, trademarks, trade names and goodwill. Tangible fixed assets are normally recorded at cost which is reduced every year by the amount of depreciation. A total investment made by Swadehi D/B Pvt. Ltd. in the fixed assets up to 31st March 2006 is Rs.29323889.86/-.

IV. INVESTMENTS

Swadeshi D/B Mills Pvt. Ltd. has made investments in shares of Choundeshwari Sahakari Bank of Rs.1000/- and Ichalkaranji Co.op. Estste Ltd. of Rs.505/-. There is no increase or decrease found in the investment and thus it remained the same during the study period. The total share of the investment in the total capital is negligible.

V. PROFIT/LOSS

Profit is an excess of revenue over expenditure. The main object of the business organization is to earn profit. It is the true measure of efficiency of business organization and the management. Except the year 2006 Swadeshi D/B Pvt. Ltd. has earned reasonable net profit. However, the Profit and Loss Account shows the debit balance (loss) in 2000-01, 2001-02 and 2002-03 due to the preliminarily loss.