

CHAPTER 3

PROFILE OF THE ORGANISATION

- 3.1 *General*
- 3.2 *Promotion Stage*
- 3.3 *Location*
- 3.4 *Commercial Working and Development of Mill*
- 3.5 *Production of the Mill*
- 3.6 *Future Plans of Mill*
- 3.7 *Quality Control*
- 3.8 *Departmental Layout*
- 3.9 *Sales Factors of Mill*
- 3.10 *Exports*
- 3.11 *Profits and Losses*
- 3.12 *Personnel Factors of the Mill*
- 3.13 *Financial Factors*
- 3.14 *Organisation Structure*

CHAPTER 3

PROFILE OF THE ORGANISATION

3.1 GENERAL

Banhatti is a big textile centre having more than 4,000 handlooms and 2,500 powerlooms. In the surrounding area of Banhatti, totally 5,000 powerlooms and 10,000 handlooms are operating.

Taking into the above features of easy availability of cotton and ready consumption of yarn, by handloom and powerloom weavers, this area required a spinning unit to fulfil the needs of the handloom and powerloom weavers. So, the Banhatti Co-operative Spinning Mills Ltd., was established in the year 1984.

3.2 PROMOTION STAGE

As Banhatti is having a large number of handlooms and powerlooms, there was a strong demand for establishing a co-operative spinning mill by owners of powerlooms and weavers to reduce the cost of the finished products and continuous supply of yarn. Promoters themselves, gathered and expressed their opinions regarding the establishment of

mill. All the owners and the weavers agreed to contribute their participation to establish a spinning mill in the year 1973.

One public meeting was called to collect the opinions regarding the establishment of mill and decided to establish mill according to Co-operative Act. Then Rs. 10 lacs were collected primarily as the share capital from the promoters. After collecting the primary amount in October 1973, the mill was registered in Belgaum division in the name of "BANHATTI CO-OPERATIVE SPINNING MILL LTD.", under the registration number JRBG/3254/75 dated 3-2-1975 and formed first Board of Directors headed by the promoters and chief promoters rushed to Bangalore to prepare a project idea of spinning mill and the Government encouraged by providing Rs. 5 lacs on 20-1-1976 as a share capital and helped to prepare a project report.

3.3 LOCATION

Government had sanctioned 50 acres of land on lease basis out of which mill has got permission of 18 acres of land in the forest near Banhatti. The land is situated on Banhatti-Jamakhandi Road. After the necessary development and leveling of the land and laying of internal roads and

fencing total expected cost of the land did not exceed Rs. 4.5 lakhs. The construction work of the building was started in 1980-81.

3.4 COMMERCIAL WORKING AND DEVELOPMENT OF MILL

The mill undertook trial production in January 1984. After that, in March 1984, the mill started its commercial production. In the first year of its working, the mill worked only for three months (March to June) and produced 89,442 kg of yarn costing Rs. 32,72,518. Whereas, in the year 1989-90, the mill produced 11,74,505 kg of yarn costing Rs. 860.23 lakhs. The mill sold 47,85,770 kgs of yarn valuing Rs. 17,85,200 in 1983-84. But in 1989-90, the mill sold 11,20,145 kgs of yarn valuing Rs. 8.09 lakhs.

3.5 PRODUCTION OF THE MILL

Banhatti Co-operative Spinning Mills Ltd., is producing cotton yarn. The yarn is produced in the form of "hank" and "cone". Hanks are packed in the form of bales and cones are packed in bags for marketing purpose. Each bale contains 100 kgs or 181.6 kgs of yarn and each cone bag contains 50 kgs of yarn.

In the first year that is 1983-84, the mill worked only for three months and produced 89,442,125 Kgs of yarn costing Rs. 32.73 lacs. The production was 7,12,103,730 kgs of yarn in the next year costing Rs. 246.39 lacs. The production of yarn gradually increased and in 1989-90, the mill produced 11,74,505 kgs of yarn costing Rs. 860.23 lacs. The total production and its money value is depicted in TABLE 3.1 for the period 1985-86 to 1989-90.

TABLE 3.1 TOTAL PRODUCTION OF THE MILL

| YEAR | QUANTITY (in kg) | VALUE (Rs.lacs) |
|---------|---------------------|--------------------|
| 1985-86 | 10,09,508 | 356.70 |
| 1986-87 | 11,11,899 | 398.79 |
| 1987-88 | 14,06,160 | 651.18 |
| 1988-89 | 12,51,023 | 706.41 |
| 1989-90 | 11,74,505 | 860.23 |

SOURCE : Compiled from the Annual Reports of the mill

Hanks and cones are further divided into carded and combed yarn. The carded yarn is less superior to combed yarn. The carded yarn is used for weft and the combed yarn is used for warp. The yarn is further divided on the basis

of count, one count is equal to 840 yards of yarn. The count can be of 40's, 60's, 80's, or 100's. The total production of hanks and cones in last five years is shown in TABLE 3.2.

TABLE 3.2 TOTAL PRODUCTION OF HANKS AND CONES

| YEAR | HANKS | | CONES | |
|---------|-------------------|--------------------|-------------------|--------------------|
| | QUANTITY (kgs) | VALUE (Rs lacs) | QUANTITY (kgs) | VALUE (Rs Lacs) |
| 1985-86 | 8,10,508 | 310.77 | 1,99,000 | 54.93 |
| 1986-87 | 8,19,187 | 318.19 | 2,92,712 | 80.60 |
| 1987-88 | 9,18,579 | 469.66 | 4,87,581 | 181.52 |
| 1988-89 | 8,99,642 | 562.19 | 3,51,381 | 144.22 |
| 1989-90 | 9,53,378 | 742.12 | 2,21,127 | 118.11 |

3.6 FUTURE PLANS OF MILL

The mill is planning to produce the following types of yarns.

- (1) Open-end spun yarn
- (2) Mercerised yarn



FACTORS THAT INDICATED PRODUCTION OF OPEN-END SPUN YARN

- (a) It requires less number of machines
- (b) It requires less number of labour
- (c) More production is possible
- (d) It has good export market

FACTORS THAT INDICATED PRODUCTION OF MERCERISED YARN

- (a) More strength than unmercerised cotton yarn
- (b) It gives more shining to the cloth
- (c) There is potential local demand

3.7 QUALITY CONTROL

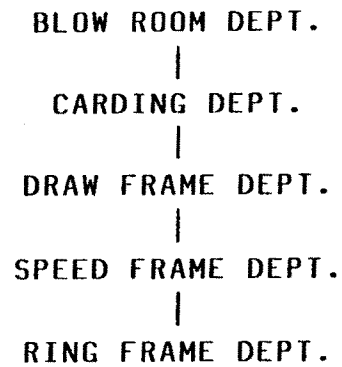
The mill performs rigorously quality control activities in the form of following tests.

- (a) Raw material testing
- (b) Intermediate process/product testing
- (c) Finished yarn testing
- (d) Process control studies

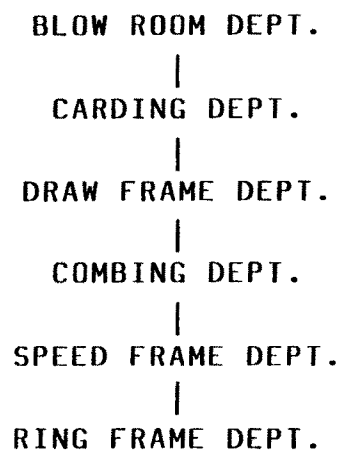
3.8 DEPARTMENTAL LAYOUT

The mill follows combination of process and product layout system as shown below.

FOR CARDED YARN



FOR COMBED YARN



3.9 SALES FACTORS OF MILL

Banhatti Co-operative Spinning Mills Ltd., started its commercial production in March 1984. In the first three months of the first year, the mill sold 47,525,700 Kgs of

yarn valuing Rs. 17,85,200. In the year 1984-85, the mill sold 7,22,165 kgs of yarn valuing Rs. 252.40 lakhs. In 89-90, sales increased to 11,20,145 kgs of yarn valuing Rs. 809.11 lakhs. Following table shows the details of the sales.

TABLE 3.3 SALES OF THE MILL

| YEAR | SALES (KG) | SALES (RS) (in lakhs) | % GROWTH IN KG | % GROWTH IN RS. | SALES TO PRODUCTION RATIO |
|-----------------------|------------|--------------------------|-------------------|--------------------|------------------------------|
| 1983-84 (3 months) | 47,525 | 17.85 | - | - | 0.54 : 1 |
| 1984-85 | 7,22,165 | 252.40 | 1,319.52 | 1,314.00 | 1.02 : 1 |
| 1985-86 | 9,56,485 | 344.92 | 32.45 | 36.65 | 0.97 : 1 |
| 1986-87 | 10,75,433 | 387.63 | 12.43 | 12.40 | 0.97 : 1 |
| 1987-88 | 13,72,914 | 638.44 | 27.66 | 64.68 | 0.98 : 1 |
| 1988-89 | 12,42,212 | 714.63 | - 9.52 | 11.93 | 1.01 : 1 |
| 1989-90 | 11,20,145 | 809.11 | - 9.82 | 13.22 | 0.94 : 1 |

In the year 1984-85, sales have increased by 32.45 percent in kgs and 36.65 percent in value. The mill shows continuous increase in growth rate of sales in value. In 1988-89 and in 1989-90, the sales in kg have decreased but the sales in value have increased. This is due to increase in the prices of yarn. In 1987-88 also the sales have increased by 27.66 percent in kgs but 64.68 percent in value.

This is also due to increase in prices of the yarn besides inflation.

The ratio of sales to production is satisfactory in all the years except 1983-84. In 1988-89 and in 1989-90, the sales were more than production.

The mill is having its customers all over India, more than 40 percent of the yarn produced is sold in Jamakhandi and Mudhol talukas of Bijapur District.

3.10 EXPORTS

The mill started exporting yarn in the year 1986-87. The mill is exporting to Italy, West Germany, Yugoslavia, Portugal, and Bangladesh. In the first year, the mill exported 60,640 kgs of yarn valuing Rs. 22,74,675. The following table shows the details of mill's exports.

TABLE 3.4 EXPORTS OF THE MILL

| YEAR | SALES (KG) | SALES (RS) (Lakhs) | % GROWTH in KG | % GROWTH in RS | EXPORTS TO TOTAL SALES % |
|---------|------------|-----------------------|-------------------|-------------------|-----------------------------|
| 1986-87 | 60,640 | 22.75 | - | - | 0.05 : 1 |
| 1987-88 | 1,70,766 | 78.63 | 181.60 | 245.62 | 0.12 : 1 |
| 1988-89 | 1,78,185 | 117.98 | 4.34 | 50.04 | 0.16 : 1 |
| 1989-90 | 1,60,544 | 154.53 | - 9.90 | 30.98 | 0.19 : 1 |

Export sales of the mill increased from Rs. 22.75 lakhs in 1986-87 to Rs. 154.53 lakhs in 1989-90. The decrease was 9.90 percent in kgs and 30.98 percent in value as compared to 1988-89.

Export sales were very less as compared to total sales. In the first four years of the exports increased gradually.

3.11 PROFITS AND LOSSES

In the first year 1983-84, the mill showed a loss of Rs. 154.59 lakhs. The loss decreased in successive years and in 1988-89, the loss was Rs. 13.51 lakhs. In 1989-90, first time the mill showed a profit of Rs. 178.47 lakhs.

TABLE 3.5 STATEMENT SHOWING PROFIT & LOSS OF MILL
(Rs. in Lakhs)

| YEAR | PROFIT | LOSS |
|---------|--------|--------|
| 1983-84 | - | 154.49 |
| 1984-85 | - | 134.90 |
| 1985-86 | - | 78.13 |
| 1986-87 | - | 49.60 |
| 1987-88 | - | 19.08 |
| 1988-89 | - | 13.51 |
| 1989-90 | 178.47 | - |

TABLE 3.6 gives us a clear picture of the closing stocks and the opening stocks of the mill from its inception.

TABLE 3.6 ANNUAL STOCKS

| YEAR | OPENING STOCKS (KGS) | Rs. (Lakhs) | CLOSING STOCKS (KGS) | RS. (LAKHS) |
|---------|-------------------------|-------------|-------------------------|-------------|
| 1983-84 | - | - | 41,116 | 15.31 |
| 1984-85 | 41,116 | 15.31 | 31,054 | 16.86 |
| 1985-86 | 31,054 | 16.86 | 36,810 | 17.15 |
| 1986-87 | 36,810 | 17.15 | 73,276 | 32.70 |
| 1987-88 | 73,276 | 32.70 | 1,06,532 | 69.18 |
| 1988-89 | 1,06,532 | 69.81 | 62,973 | 68.26 |
| 1989-90 | 62,973 | 68.26 | 1,24,411 | 115.87 |

SOURCE : Annual Reports of the Mill

3.12 PERSONNEL FACTORS OF THE MILL

The mill is having 622 workers. The working of the mill is divided in three shifts a day. Each shift carries seven and half hours and 207 workers work in a shift. All the workers are the members of the trade union.

The mill recruits both skilled and the unskilled workers. However, the mill faces high labour turnover because the surrounding area of the mill is industrial area. The labour turnover ratio is 36.52 percent. The workers of the mill leave their jobs and join private sector due to competitive rates. Another reason being that there are no rules and regulations regarding the working hours as they are employed on the piece rate system. The mill conducts interviews of unskilled workers as per the requirements. The minimum qualification kept for is S. S. L. C. and 18 years age.

TRAINING :- One year training scheme is introduced by the mill for its workers. After completion of this programme, the unskilled workers are deemed as skilled workers. In this one year programme, if the performance of the workers is not satisfactory, the period is extended for 3 months. After this period if there is no improvement in performance, then he is terminated.

PAY SCALE :- Wages paid to the trainees vary from Rs. 16 to Rs. 20 per day depending on the performance. Skilled worker gets a wage of Rs. 22 to Rs. 28 per day. The overtime is paid to the worker equal to his one and half times his daily wage rate.

3.13 FINANCIAL FACTORS

The mill started its work with an authorised capital of Rs. 7 crores. In the year 1983-84, the mill issued 75,844 shares of Rs. 500 each. The total amount of issued and paid up capital in 1983-84 was Rs. 3,79,20,000. This amount gradually increased and in 1989-90, the mill issued 79,908 shares of Rs. 500 each. The total issued and paid up capital is Rs. 3,99,54,000. The capital structure of the mill is shown in the following table.

TABLE 3.7 CAPITAL STRUCTURE OF THE MILL

| YEAR | ISSUED & PAID UP | GROWTH(%) |
|---------|------------------|-----------|
| 1983-84 | 379.22 | - |
| 1984-85 | 380.10 | 0.23 |
| 1985-86 | 383.02 | 0.77 |
| 1986-87 | 399.34 | 4.26 |
| 1987-88 | 399.43 | 0.02 |
| 1988-89 | 399.54 | 0.03 |
| 1989-90 | 399.54 | - |

SOURCE : Annual Reports of the Mill

In 1983-84, the mill issued 75,844 shares to 2,942 members. The members include weavers, farmers, co-operative societies, general public, etc. The membership increased to 3,574 in 1987. But after 1987, the membership of the mill decreased due to transfer of shares. In 1990, the total members were 3,542.

In the year 1983-84, the mill borrowed Rs. 250 lakhs as long-term finance in the form of normal loan (Rs. 160 lakhs) and concessional loan (Rs. 90 lakhs). This increased to Rs. 312 lakhs in 1986. Afterwards, the mill gradually repaid the loan and in 1989-90, this decreased to Rs. 216.82 lakhs. The long-term loans were borrowed from IDBI, IFCI, and ICICI. In 1985, the short-term loan of the mill was Rs. 71.19 lakhs which increased to Rs. 90.59 lakhs in 1990.

TABLE 3.8 LOANS FROM DIFFERENT AGENCIES

(Rs. in lakhs)

| | 1985 | 1986 | 1987 | 1988 | 1989 | 1990 |
|-------|------|------|------|--------|--------|--------|
| IDBI | 156 | 162 | 162 | 161.29 | 159.04 | 118.66 |
| IFCI | 72 | 75 | 75 | 69.24 | 69.24 | 51.96 |
| ICICI | 72 | 75 | 75 | 69.24 | 63.48 | 46.20 |
| TOTAL | 300 | 312 | 312 | 299.77 | 291.76 | 216.82 |

SOURCE : Annual Reports of the Mill

The reserves to paid up capital ratio of the mill is shown in the table below. It is noticed that the ratio is showing continuous increasing trend during the period of the study. This is mainly attributed to the increase in depreciation reserve.

TABLE 3.9 RESERVES TO PAID UP CAPITAL RATIO

| YEAR | RATIO |
|---------|----------|
| 1983-84 | 0.39 : 1 |
| 1984-85 | 0.73 : 1 |
| 1985-86 | 0.91 : 1 |
| 1986-87 | 1.06 : 1 |
| 1987-88 | 1.17 : 1 |
| 1988-89 | 1.25 : 1 |
| 1989-90 | 1.36 : 1 |

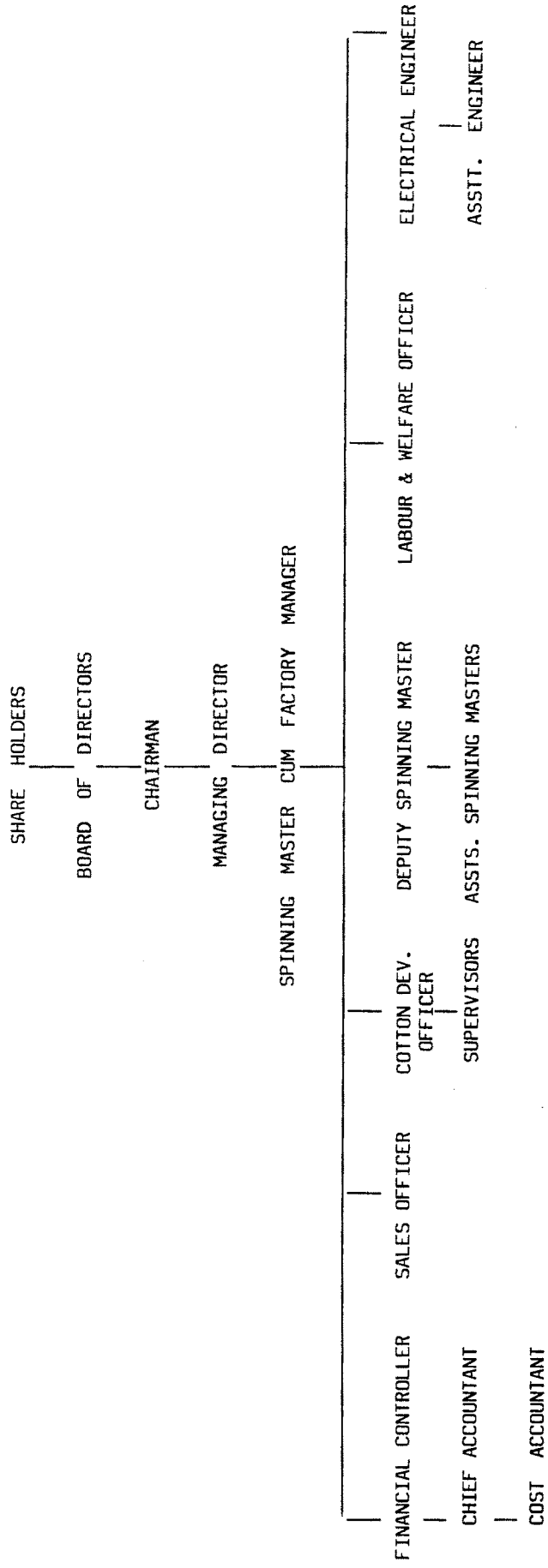
3.14 ORGANISATION STRUCTURE

The management of the spinning mill is in the hands of the Board of Directors, which is formed by the share holders of the spinning mill. However, the final control of the mill is in the hands of the share holders only. The Chairman is elected by the Board of the Directors and he has

to look into the activities of the mill. A Managing Director is appointed to assist the Chairman and look into day-to-day activities of the mill.

The organisation chart of the spinning mill is shown in CHART 1.

CHART 1 ORGANISATION CHART OF THE MILL



GRAPH 1 PROFIT & LOSS EARNED BY MILL

