

## CHAPTER FOUR

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# ORGANIZATIONAL PROFILE OF SHRI SHAHU CHHATRAPATI MILLS, KOLHAPUR

#### 4.1 PROFILE OF KOLHAPUR CITY:

Kolhapur has been wellknown through the ages as an important region in Southern India on account of its both cultural and religious history. It had developed into a garrison-cum-transit town in Maratha Empire way back in the days of Chhatrapati Shivaji. After his demise, Kolhapur became an independent Principality in 1731. Since then, many a time, it had repeatedly been at the centre of crucial political and social changes in Maharashtra. By mid-20th century, Kolhapur had come to enjoy a special reputation because of its social as well as cultural contribution to India's arts, music and drama. As such, it once used to be described as 'Kalapur' (City of Arts) as well.

The revenue district of Kolhapur was formed in March 1949, on the erstwhile Princely State's merger into the Indian Union. The district includes 12 talukas and is situated in the Krishna-Panchaganga Basin and located between 15 43' to 17 10' North latitude and 73 40' and 74 42' East longitude. It is surrounded by Sangli District on its East, by Ratnagiri District on its West, by Belgaum District (of Karnataka State) on its South and by Satara District on its North. The total area of Kolhapur district is 8,059 sq.kms. [1].

Topographically, it is situated on the eastern slopes of the Sahyadrian mountain range and can be divided into three broad soil zones. The laterite soil, or red clay, of the western part facilitates

the cultivation of paddy crop. The brownish-red soil is found in the central part of the district which enables taking of crops ranging from rice, Jowar to groundnuts in Kharif season and sugarcane and vegetables throughout the year where irrigation facilities are available. The deep black soil of varying depth is obtained in the dry eastern zone of the district and is suitable for growing paddy, sugarcane and vegetables.

The fourteen rivers crisscrossing the district provide good scope development of agriculture through irrigation; the major being the Krishna, the Panchaganga, the Warana, the Dudhaganga and the Vedganga. Consequently, highly developed irrigation facilities, favourable weather and sufficient rainfall have led to the agricultural prosperity of the district.

Increasing irrigation of the cultivable area has stimulated the production of sugarcane; as a result of which, number of sugarmills have been set up. At present, there are eight sugarmills operating in the district. The outstanding feature of the agriculture in the district is that the average yield per hectare for most of the crops is higher than that of the State, as a whole averages. In case of Jowar, the district's is two times higher than the State's average while the district's yield of groundnut is 25% higher than the State's average. The district has the highest gross value of output per hectare in Maharashtra. The Techno-Economic Survey of Maharashtra had estimated the gross-value of the output per hectare of cropped area in 1965-66 at Rs.490 for the district as against Rs.190 for the State and Rs.315 for India.

Agriculturists in Kolhapur district are reputed for their progressive outlook, as they instinctively adopt modern farming methods

for increasing the productivity of their farms. The rapid progress of mechanization in the agriculture sector has generated an increasing demand for agricultural tools and equipment, oil-engines, tractors, etc. This has provided a fertile ground for the rapid development of small scale engineering units in Kolhapur district.

Another outstanding feature of agriculture in Kolhapur is the demand for chemical fertilizers, which help in increasing the farm productivity in the district. The demand for these in the district, over the years, has indicated a steady rise and is presented estimated at about 7,000 metric tonnes per annum.

Thus, agriculture is the predominant economic sector in the district and has been a source of capital formation for the agriculturists in the district. Increased agricultural productivity has resulted in increased income to the farmers, who thus are in a better position to purchase the products of the industrial sector, both for agricultural and non-agricultural sector. The demand for industrial products from the agricultural sector has thus provided an incentive for the growth of the industrial sector.

In short, it may be said that the natural as well as the prevailing socio-economic environment have been favourable for the industrialization of the district. Indeed, the district is considered to be one of the best developed districts of Maharashtra.

According to 1991-Census, the population of Kolhapur City was 4,05,109. People of the City of Kolhapur are known for their hardwork and skill formation. Entrepreneurship has been their outstanding characteristic. The engineering industry, sugarcane cultivation,

development of textile industry, manufacture of 'Kolhapuri-Chappals', the silver-work, the remarkable progress of the processing and marketing cooperatives, etc., are some of the important indicators of this.

Kolhapur City is particularly known for its small-scale engineering industry, manufacturing oil-engines and spareparts, agricultural implements and components for various machines. A typical feature of these units is that most of them are owned and run by small entrepreneurs, majority of whom were skilled workers earlier in other small workshops.

Historically, the City is known for its 12th century Mahalaxmi Temple and Rankala Lake; while New Palace, Bhavani Mandap are newer additions to its cultural heritage.

Kolhapur is located on Poona-Bangalore Highway (National Highway no.4) and is connected to Bombay and Bangalore by road. It has a broad-gauge rail-head and is connected to Miraj junction (60 kms.), from where railway lines connect it to Bombay on the north and Bangalore on the South. Recently, it has also been placed on the air-route map of the country with the introduction of feeder air-service to Bombay.

The industrialization of the city had commenced well back in the first decade of the present century with the setting up of Shree Shahu Chhatrapati Spinning and Weaving Mills in 1906 and has recorded impressive growth especially in post-Independence years. The industrial units set up in these years have grown substantially and now compete internationally in milk and processed foods, textiles, engineering goods and automotive components.

The Third Five Year Plan has stressed on the need for establishing new industries away from the large congested cities and certain concessions and facilities were given to the industries shifting away from congested localities. This too has facilitated the recent growth of Kolhapur City as an important industrial centre in Maharashtra.

The Maharashtra Industrial Development Corporation (MIDC) had developed an industrial estate admeasuring 319 hectares at nearby Shirol (10 kms.) in 1970s. It soon, however, had to undertake development of yet another industrial estate at Gokul-Shirgaon to meet the growing industrialization in the area.

A number of trade associations and councils have been formed for the industrial development of Kolhapur. Kolhapur Chamber of Commerce, Kolhapur Engineering Association, Shirol Manufacturers' Association and Gokul-Shirgaon Manufacturers' Association are some such organizations that continuously strive for solving the problems faced by the industries in Kolhapur. The existence of a large number of financial institutions has also contributed to the development of the engineering industry.

The Industrial Training Centre (ITI) trains skilled workers for the industries, while Chh.Shahu Central Institute of Business Education and Research trains entrepreneurs and managers. The engineering graduates trained in the engineering colleges at Karad and Sangli often are attracted to Kolhapur either in search of employment or for setting up own small industries. The Government Polytechnic in Kolhapur also produces mechanical, civil and electrical engineering diploma-holders, who are either absorbed in industries or start their own units. Kolhapur

Institute of Technology's Engineering College also trains engineers in the fields of industrial engineering, electronics and environmental engineering.

In recent years, a number of entrepreneurs and companies have come to Kolhapur to establish their industrial units. The Western Maharashtra Development Corporation Limited (WMDC) has already started a watch assembly factory in collaboration with HMT Limited under the name of 'Abhijat Samayadarshika Maharashtra Limited'. The significant feature of this unit is that it has a female workforce of about 80% in its assembly shops.

#### 4.2 BRIEF HISTORY OF SHRI SHAHU CHHATRAPATI MILLS LIMITED:

Shri. Shahu Chhatrapati Maharaj (1874-1922), the visionary ruler of the erstwhile Princely State of Kolhapur, had taken the initiative in setting up Shree Shahu Chhatrapati Mills as a joint-stock company of Kolhapur Darhar and private entrepreneurs. The foundation stone was laid in 1906 and within about four years, the mill commenced its production of cotton yarn. Few years later, a weaving section was added and the mill started producing grey-cloth.

The First World-Wars (1914-1918) indeed significantly influenced the history of the Mill also. During War years, as the imports of European cloth were disrupted, the Mill enjoyed a continuous increase in the demand for its grey-cloth both from within the country and from nearby countries. Consequently, the Mill substantially increased its production facilities during these years.

The cloth shortage due to War lasted for a short spell and after its disappearance, imported cloth once again came on the market. Its quality had improved and it was available in bulk quantities. To stay competitive in the changed situation, Indian textile mills had to acquire new technology and raise their output. As the market was flooded with a variety of cloth, there was decrease in demand for grey cloth. In Kolhapur, Shahu Mill had to reduce its production. The Great Depression of 1930's also hindered the development and growth of this young mill. As the purchasing power of the consumer was the worst in the year 1936, the mill also suffered a number of problems.

The mill was handed over for its management to Messrs. James Finlay and Company in the year 1936. The new management tried to run the mill on profitable basis but its efforts were not rewarded with success. Production did increase due to the existence of the buyers' market, but the profits did not go up. This state continued for quite sometime.

In the year 1948, the Princely State of Kolhapur merged into the Indian Union and the erstwhile State's assets were taken over by the Government of Bombay State. Accordingly, the ownership of the mill transferred from Kolhapur Darbar to the Government of Bombay, but Messrs. James Finlay & Company continued as the mill's managing agents.

The mill was using steam power upto the year 1956. In 1957, its Spinning Department was working in two shifts and the Weaving Department in one shift. After electrification of the mill, 72 automatic looms were installed. Soon, the Spinning Department started working in three shifts and the Weaving Department in two shifts.



After the re-organization of the States on linguistic basis and the emergence of the State of Maharashtra, the mill was declared as a Commercial Undertaking of the Government of Maharashtra. In the same year, the number of spindles were increased from 11,560 to 16,000. By now, there were 300 looms in the mill. Meanwhile, the managing agency arrangements changed from Messrs. James Finlay & Company to Messrs. Budhgaon Trading Company. The time duration of these two managing agents are as follows:

- (1) Messrs. James Finlay & Co : from 1936 to 31st May 1959.
- (2) Messrs. Budhgaon Trading Company (later on, known as Messrs. Natu & Sons Private Limited) : from 1st June 1959 to 31st May 1967.

During the managing agency period, the mill experienced rapid growth as well. There was improvement in the quality of production because the successive managements adopted market-oriented business practices.

On 1st June, 1967, the mill's management was transferred to the Maharashtra State Textile Corporation (MSTC) Limited. The mill was finally taken over on agency basis as a departmental undertaking of the Government of Maharashtra.

#### Objectives of the Mill:

Back in 1906, the main objectives, among others, behind starting the mill were declared to be:

1. To make use of the readily available raw material - cotton - (by the beginning of 1900's, the Kolhapur State had approximately 9,900 acres of land under cotton cultivation);
2. To produce cloth for the lower sections of the society;
3. To exploit the available market for cotton textiles.

Number of Shifts:

In the beginning, the mill used to work in only one shift of ten hours and without any holiday. Gradually, as various labour laws emerged - particularly, the Factories Act -, the mill had had to reduce shift hours to nine but introduced an additional shift. Finally, in 1944, the changed to an 8-hour shift. Presently, the mill works in three shifts as follows:

1st Shift	:	From 6.30 AM to 3.00 PM
2nd Shift	:	From 3.00 PM to 11.00 PM
3rd Shift	:	From 11.00 PM to 6.00 AM.

Labour Strength (as in February 1994):

<u>Department</u>	<u>Male</u>	<u>Female</u>	<u>Total</u>
Spinning	382	8	390
Weaving	804	39	843
Engineering	130	-	130
Administration	<u>147</u>	-	<u>147</u>
	1463	47	1510
Substitute Workers	<u>273</u>	-	<u>273</u>
Total:	1736	47	1783

Financial Structure:

With the transfer of ownership of the mill to the MSTC, its capital structure has changed radically. The purchase price of the mill had been arrived at by the Government of Maharashtra at Rs.17.50 lakhs (net worth), representing excess of assets over liabilities.

Capacity (as on 31.12.1993):

<u>Capacity</u>	<u>Licensed</u>	<u>Installed</u>	<u>Working</u>
Spindles (nos.)	34,824	27,848	27,848
Looms (nos.)	594	594	594
Present Capacity	42,000	42,000	27,000

Production:

The main items of production continue to be grey dhoties, shirtings and medium varieties of cloth, which do not fetch remunerative prices due to the shift in the consumers' taste from grey to processed cloth. The scheduled-prices fixed by the Government of India for the controlled cloth do not sufficiently compensate the higher cost of its production. Hence, in order to diversify its product range and thereby to improve the profitability, production of fine counts yarn was taken up in 1972. Similarly, the production of higher and medium quality cloth was also introduced, but it was processed elsewhere as poplins and shirtings.

Sale of Cloth:

As far as sales are concerned, the main authority rests with the General Manager of the mill. The sale of cloth is effected through three channels:

(1) Through Merchants:

The cloth is sold directly to reputed wholesalers in Maharashtra;

(2) Through Agents:

Agents have been appointed in various States (except in Maharashtra) that is at Indore, Kanpur, Ujjain, Agra, Delhi, Raipur, Vijayawada, Bangalore, etc. They send their orders to the mill as per their requirements.

(3) Through Mill's Retail Shop:

The Mill has one retail shop in Kolhapur.

Sale of Yarn:

The mill also sells the yarn through its own Depots. But in the nearby Ichalkaranji Yarn Market, it is sold through brokers.

Performance of the Mill:

<u>Year</u>	<u>Net Profit(+)/ Net Loss (-)</u>
1991-92	(-) Rs. 83.00 lakhs
1992-93	(-) Rs.129.00 lakhs
1993-94	(+) Rs. 75.00 lakhs

Departments in the Mill:(1) Spinning Department:

Following are the processes handled by this Department:

- |                         |                |
|-------------------------|----------------|
| 1. Mixing and Blow-room | 2. Carding     |
| 3. Combing              | 4. Speed-frame |
| 5. Ring-frames          | 6. Doubling    |
| 7. Spinning             | 8. Rolling.    |

(2) Weaving Department:

This Department handles the following processes:

- |                   |                       |
|-------------------|-----------------------|
| 1. Winding        | 2. Warping            |
| 3. Beaming        | 4. Weaving (general)  |
| 5. Ordinary looms | 6. Bundling & Baling. |

(3) Process Department:

This Department completes the following processes:

- |              |                 |
|--------------|-----------------|
| 1. Bleaching | 2. Dyeing       |
| 3. Finishing | 4. Calendering. |

Table 4.1  
Mill's Product-wise Sales during  
1980-81 to 1992-93

Year	Sales		
	Cloth	Yarn	F.R.C.
	Rs.	Rs.	Rs.
1980-81	5,82,73,293		8,33,464
1981-82	5,99,75,591		11,90,119
1982-83	6,69,62,999	1,55,99,560	14,13,930
1983-84	6,58,41,566	2,06,42,197	12,72,421
1984-85	7,40,99,306	1,12,12,392	17,27,293
1985-86	6,19,43,920	1,06,13,349	21,18,234
1986-87	6,59,33,292	1,35,74,257	16,54,900
1987-88	7,32,19,556	1,98,78,708	12,34,363
1988-89	6,17,63,000	1,91,78,367	15,25,000
1989-90	9,60,83,000	2,65,98,784	15,10,000
1990-91	10,15,66,000	2,72,66,191	27,11,000
1991-92	12,02,02,000	2,88,90,000	24,70,000
1992-93	12,64,19,000	3,40,20,000	27,61,000

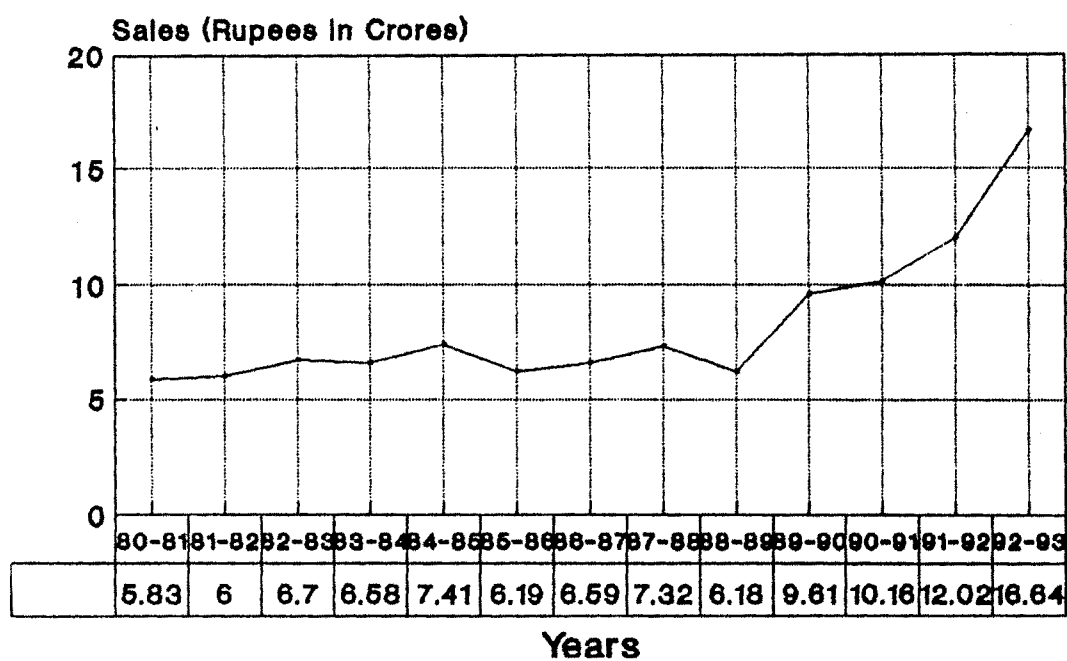
F.R.C. = Fent, Rags, Chindhi

Source: Office records of the Mill.

A graphic presentation of the above statistics is made on the following pages.

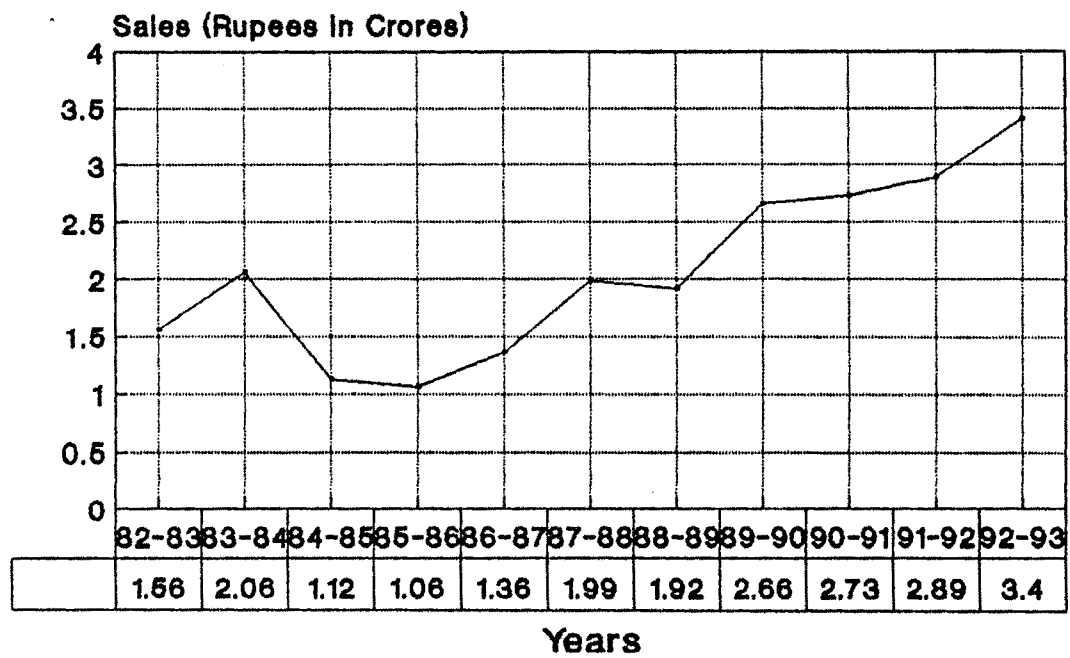
# Graph 4.1

## Productwise Sales (Cloth)



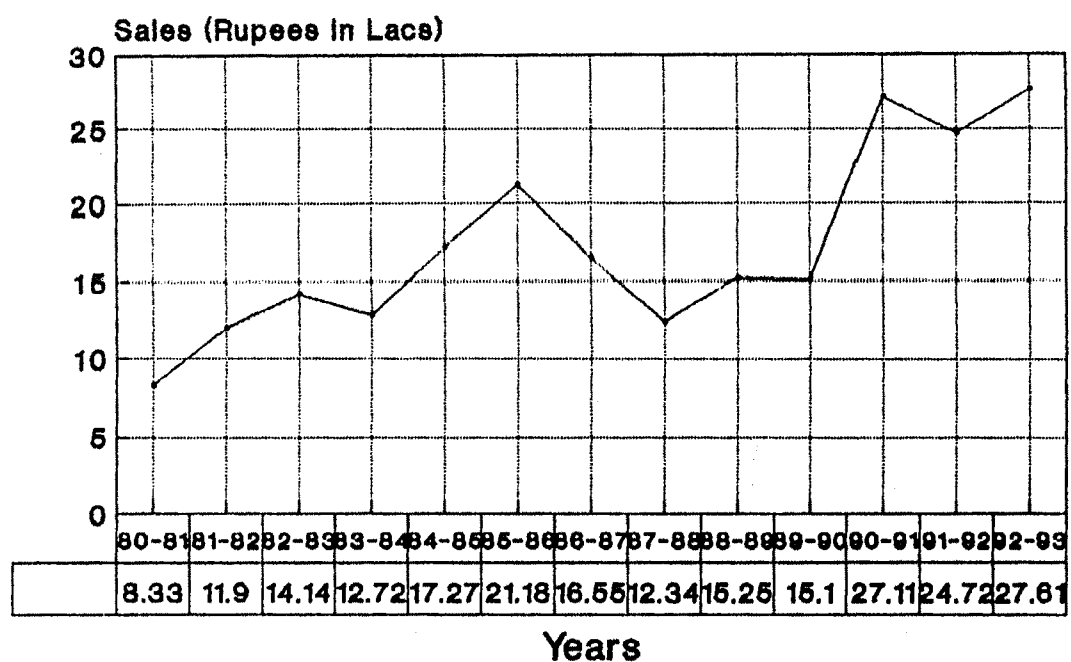
# Graph 4.2

## Productwise Sales (Yarn)



# Graph 4.3

## Productwise Sales (FRC)





Management:

The mill is managed by the MSTC, whose head-office is at Bombay. The mill submits all its routine reports to the head-office and also has to seek sanctions and permissions for its new proposals from the head-office. The yearly budget of the mill too is approved by the head-office.

Managing Committee:

At the mill-level, the General Manager of the mill is the ex-officio chairman of the managing committee. He is empowered to nominate two members on the managing committee and four members are elected to it. Thus, the managing committee constitutes of seven members.

Bankers:

The State Bank of India, Bombay and Kolhapur Branches, are the Mill's bankers, from whom it enjoys cash-credit facilities.

Financing of Expansion and Modernization Scheme:

In March 1975, the mill proposed a major expansion and modernization programme costing about Rs.184 lakhs. The funds allocation under it was as follows:

Modernization Programme	Rs. 50.0 lakhs,
Expansion Programme	Rs. 80.0 lakhs,
Setting up of a Process House	<u>Rs. 54.0 lakhs,</u>
<u>Total:</u>	Rs.184.0 lakhs.

In due course, the Government of Maharashtra conveyed its approval of the modernization and expansion programme and in pursuance of the Government directives, the Industrial Development Bank of India (IDBI) financed this programme under its bill discounting facilities.

By the end of March 1977, the expansion and modernization programme was completed, except the process-house, which was proposed to be taken up and completed during 1977-78.

Computerization:

Shree Shahu Chhatrapati Mills Limited was the first mill out of all the MSTC mills to introduce computerization. A computer was installed in the mill in August, 1990. So far, sales department has been computerized and trial runs are in progress in respect of payroll.

Housing Facilities:

The mill does not provide housing facilities to its workers; instead, they are paid house-rent allowance of about Rs.60-70 per month. Residential quarters are provided to Departmental Heads only, which are constructed within the premises of the mill itself.

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