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Leather Industry in its New Shapes:

Leather industry has a hoary past. The importance of the leather industry in the Regional and also national economy has been sufficiently emphasised by eminent authorities; it supplies the most efficient requirements of the people during the days of war and peace alike. Like other industries that are tradition bound, it is slow in change even in the advanced nations, not to speak of developing countries. With an advent of synthetic substitute materials, however, the industry has become feverishly research conscious in the west. Indirectly, this impact has been felt by the raw material supplier countries as well.

There are other compelling reasons why the emerging nations have to awake technologically. For various reasons, the importer nations of late, showed greater interest in buying semi-finished goods and finished leathers from the developing countries, who have hitherto been supplying mostly raw materials. India, includes Marathwada is one such fortunately placed nation and unless this opportunity is seized with both hands, India would likely to yield place to other countries
in exploiting an international market potential for its goods. In this context, the Indian leather industry has slowly begun to realize the value of technology to achieve its goal. In its wake have came the glimmerings of a realization that investment on research might prove profitable and one will have to worry about it sooner or later. The time is, therefore, opportune, now for industry and science to have one good close look at each other and explore avenues of cooperation for the benefit of the industry and the Nation at large.

Looking to the place of research and technology in the leather industry, the Indian entrepreneurs have started to establish the leather production units under the machinized set-up. The leather industrial base has slowly been changing from the houses of traditional village Chamaris to neatly established modernized factory. This is done to achieve efficiency in the production, cost minimization and thereby to conquer export market. Besides it also aims to have maximum and efficient use of raw materials available in villages and to generate village employment. On the face of this

background the Leather Factories like LICOM have been established since the beginning of seventies. Now there are many efforts to start the leather production units in modernized forms. All the cost time and labour saving devices are being used. The speed and quality in production have been much concern to this industry. This industry like sugar industry, has an economic linkage effects and hence Government has an interest to promote this industry in modernized form, having New Shape completely different from traditional, which exists in rural India.

**Early History**: 

Speaking about Maharashtra, the modernized leather industry still has not yet taken deep root in the state. There are about 25 medium and large scale tanning and leather goods units in the state and the more than 16,000 units are in the small scale and cottage industries sector. The leather industry in Maharashtra is mostly concentrated in Greater Bombay where, there are some mechanised units for manufacturer of sole leather, chrome-upper, fancy leather etc. There are, however, few units at Poona, Satara, Kolhapur,
Sholapur and Nagpur also. Certain other parts of the country where raw hides are easily available would have been developed into important centres of leather industry.

There was no modernized tanning and processing unit worth mentioning in Marathwada prior to the establishment of tannery (LICOM) at Bhir. For want of an established tannery in Marathwada, the hide owners could not contact tannaries placed away from the region. The gap between the actual hide owners and the tanners has perpetuated the institution of middlemen. As a result, the trade of village hide owners had become less remunerative. The hide owners who are traditionally from the backward classes, were required to desert their traditional vocation. The leather workers and those engaged in hides and skins trade are perhaps most neglected and lowest of the low classes in the social stratification. But they play very vital role in social needs. They cannot be neglected since they are part and parcel of village economy. The MDC, therefore, considered its duty to take care of such weakest section of the society and to cater the needs of their aspirations for the economic development. Thus, the project keeps before it an ideal of economic exploitation of available
resources coupled with the social and economic uplift of the leather workers.

The Central Leather Research Institute, Madras conducted a comprehensive survey of the area. Substantial contribution also came from the Industries Department of Maharashtra Government. It was revealed that a sizeable portion of raw hides was available which was completely lost sight of. Based on expert's report and with the awareness of the commercial potentiality of raw material, the project was taken up. Establishment of a highly sophisticated and modernized tannery was thought of as it not only puts an end to the wastage of precious raw material but also opens avenues for ancillarisation.

It was decided to set up factory at Bhir having regard to the important factors in Regional Development Planning. Leather Industries Corporation of Marathwada Ltd. was registered in March 1974 as a subsidiary of the MDC to implement the Leather Project. Application for licence under I.R.D. Act 1951 was made on 10-6-1974. With great difficulties, the letter of intent from Central Government was obtained on 22-4-1976. It would not be overstatement to say that securing the industrial
licence proved a Herculean task. The licence was issued on 21-1-1977.

Implementation of the project virtually commenced after the receipt of letter of intent i.e. from May 1976 onwards. Preparation of estimates, assignment of work orders, indent of machinery, imported as well as indigenous, were taken up on war footings. The task was completed in a record time and trial production was started on 20-3-1977. The HT line was installed in July 1977 and the commercial product found the way out on 15-8-1977. The fulfilment of export trial order worth Rs. 62,000/- (10,000 Sq.ft.) on 14-7-1977, within a period of three months had added a feather to the cap.

The periodical account of the significant events is briefly given ahead:

Periodical Performance:

1976 - 77:

During the year under review the MDC received a licence from the Government of India for processing of 250 hides per day. MSFC and SICOM sanctioned a loan of Rs. 33/- lakhs. The construction work of the
tannery was completed. Project started trial production on the auspicious day of Gudi Padava. The tannery has been named as Khandeshwari Tannery, Bhir.

Though the license has been granted for processing of 75,000 hides per year worth of Rs. 75/- lakhs, the capacity available to the factory was about two times. Therefore the MDC requested the Government to increase the processing capacity by giving the permission.

It was proposed to establish flaying centres at few villages and to set up suitable local agencies for recovery of carcasses of dead cattle in the nearby villages, flaying them and for delivery of the raw hides to the tannery at Bhir.

The Maharashtra State and Khadi and Village Industries Board had agreed to finance 20 centres in Bhir District which were being established.

In view of the two large slaughter houses coming up at Nanded and Aurangabad and self-sufficiency of Bhir tannery in procuring adequate number of raw hides locally, it was proposed two smaller tanners at Nanded and Aurangabad. A sort of specialization was contemplated between the three units. Bhir was to specialize on upper
Chrome, Nanded on Sole tanning and Aurangabad on Goat skins. The Nanded District Industrial Cooperative Society Ltd. had a tannery at Nanded which could not be run resulting in loss for the society. It was proposed that the said project be transferred to the LICOM and run economically. The dialogue with the society and with the Government of Maharashtra was being held. After the Bhir tannery, it was decided to take in hand Nanded Project and then Aurangabad Project.

It was proposed to develop shoe-making and Leather goods units, using the finished leather from tanning units. These units were to be promoted by providing tanning facilities, common machine facilities, mini-functional leather industrial estates and marketing support.

The LICOM during the year was successful in diverting towards it bulk supply of raw hides which was previously directed towards the tanneries elsewhere.

The production on more than one occasion was adversely affected by the erratic supply of basic chemicals required for the chrome tanning process. The prices of chrome powdered increased beyond reasonable
fluctuations, thus making procurement difficult for obvious reasons. Reviewing this and the past experience the LICOM had requested the parent company, MDC to prepare a feasibility report for the manufacturing of sodium dichromate in the region. This is one of the major chemicals required for tanning.

The LICOM had made necessary arrangements for giving the training to local persons at tanneries in Bombay so as to increase the productivity.

The year witnessed LICOM’s efforts in establishing its reputation in highly competitive local as well as overseas market. Sales during the year had been increased by 40% as compared to the last year. Despite the various difficulties no compromise had been made about the quality of leather. The company’s leather especially Zug Grain, Belting, Cow Softy/Lining was appreciated by the both local and foreign buyers. Sales at local markets, mainly at Jalna, Nanded, Bhir, Pune and Bombay were picked up speedily. Enquiries were poured in for finished leather including the leather for manufacturer of auxiliary goods and it was significant indication for development of leather/ancillary industry in the region. During the year under
review, the total sales were to the tune of Rs. 7.71 lakhs. The export orders worth of Rs. 15/- lakhs were in hand. The company so far in the year, however, was able to export the goods worth of Rs. 1.65 lakhs. The Rallis India Ltd., M/s Peak Craft of Bombay and M/s Indian Arts, Bombay had extended their hands for exporting the goods of the company.

Effluent treatment plant is a statutory obligation and accordingly, the idea was processed during the year with the help of Laxminarayan Institute of Technology, Nagpur. The above plant was scheduled to be completed by 1979.

On August 29, 1978, the tannery at Bhir was visited by Shri Sadiq Ali, the Governor of Maharashtra. The following impression left by him:

"I was impressed with the zeal and enthusiasm shown by the Director and workers of the Tannery. They were proud of the fact that they were contributing to the economic development of the district. I hope their work will grow in scope".

The construction of administrative building was completed in the year. As a part of welfare activity,

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food-grains were supplied to the workers at tannery at less than the market price, adjusting the payments in suitable instalments.

It was proposed to concentrate on and to constantly review the following aspects during the subsequent years:

1. Production planning, keeping in view the market tendencies
2. Sales promotion and building up of an organization (this includes identification, exploration and search of new markets)
3. Ensuring the regularity in procurement of raw material
4. Development of skilled workers
5. Searching out the possibilities of promotion of ancillary and auxiliary units.

1979 - 80:

The tannery at Bhir had so far been not able to reach the maximum of installed capacity of 250 hides/per day. Although the capacity utilization was being watched
constantly and relentless efforts were made to have maximum utilization of the installed capacity. Procurement of quality raw hides to enable the company's production requirements was also the problem in the year. While Cow leather considerable demand in the international market, it was difficult to procure quality cow hides to stand such demand.

The price spurt in respect of raw materials had been quite a phenomenal during the year under review. In spite of the several handicaps in procurement of raw materials, power shortage, transport bottle-necks by workers the company kept walking path to progress.

Sales during the year decreased by 22% as compared to the preceding year. Out of the total sale of Rs. 16.06 lakhs during the year under review, the goods worth of Rs. 5.95 lakhs (37.04%) were exported. The business, as was in the last year was brisk during the year with reputed export houses like M/s Rallis India Ltd., M/s Peak Craft at Bombay, etc.

The treatability Report in respect of effluent disposal had been received and the execution of the same
was given an active consideration. During the year, the LICOM could not, as was decided in the last year, start the tanneries at Nanded and Aurangabad on account of shortage of funds and trained personnel. Similarly an idea to promote shoe-making and leather goods units had not come into reality. The export trade had also registered diminutive trend due to inferior quality of goods supplied in earlier years.

1980 to 1984:

During the period under review the scale of production went down from 3,05,756 Sq.ft. in 1980 to 2,27,897 Sq.ft. in 1984. However, the sales figure, on account of general increase in the prices of leather and LICOM's involvement in the production of priced leather increased from Rs. 16.06 lakhs to Rs. 37.76 lakhs during the above period. Though the sale registered increased, the losses during the period under review shoot up tremendously from the small level of Rs. 9.51 lakhs to Rs. 29.73 lakhs.

The LICOM started to face the problem of procuring sufficient raw materials. The scarcity of raw materials kept the LICOM away from the utilising full capacity of
the plant. The reasons for scarcities of above raw-
materials are briefly as under:–

(i) The village Chamars collect fallen hides, and
if not required personally carry them to the
local market for sell. In such local market
the agents have influence. These agents take
such hides from Chamars as against the loans
previously given to them. The LICOM cannot
practice purchasing of hides like agent, and
hence it has shortage of hides.

(ii) The production of fallen hides and skin is
casual, irregular, and geographically scattered.
Consequently the purchasing of the same entails
numerous difficulties which LICOM cannot
surmount.

(iii) The hides and skin produced by the slaughtered
houses from the urban areas like Aurangabad,
Bhir, Parbhani etc. are often procurred by the
professional butchers placed near the slaughter
houses. The LICOM in this respect lacks many
ways and cannot procure the stock from
slaughter houses.
(iv) Like commission agent the LICOM has failed in creating financial and friendly ties with the Chamars for the collection of raw materials.

The above reasons crippled the growth of LICOM. Added to this the LICOM's quality of production suffered in want of quality control section. In 1982 the LICOM made the efforts to set up quality control section by employing expert on high salaries. This expert was unable to give required service due to non-availability of requisite instruments used for testing the quality. After the passage of one year or so the quality control experts left the LICOM and uptill now there has been no other arrangements made for quality control. The absence of quality control was the major reason in reducing down the sale of LICOM's products in the foreign market.

During the period under review, the fact of deviation of the LICOM from the targeted aims is noticed. These aims were set before at the time of inception. Among such aims, the LICOM's plan to interlink poor Chamars and butchers with the organised market has come to ground, on account of defective planning. The MDC, in 1983 tried to recognize the LICOM.
However, its efforts were futile, as the LICOM lost its creditability to stand in the open market for the purpose of finance. The suggestion was also made to appoint an administrative Officer and one of the MDC's Officer is now In-Charge of the Company.

The distressing features of the company is that it is completely doomed in setting fixed charges such as, interest payments, Government dues, electricity bill, etc. Unless these are overcome LICOM cannot survive. When the administrator took the charge of the plant of LICOM, the followings things were noticed:

- The company was doomed in the losses with too many debt obligations to meet.
- Labours were totally unsatisfied and involved in the promotion of self.
- Finance was inadequate.
- The link between suppliers of raw materials and LICOM's processing plant was all-together lost.
- Government was quiet unsympathetic about the revival of LICOM.
Plant was completely in the state of un-maintained condition.

Customers lost faith in LICOM's product. Foreign market was unfavourable.

Net worth of the LICOM was almost negative.

On the above background the new management of the LICOM has started functioning. It was found that it would have been better for new management if the LICOM was to make a fresh start. However that was not so. The LICOM had many obligations to meet. The claims of creditors and commitments with the suppliers, customers, labours etc. were to be settled. Thus by and large until the end of 1984 the LICOM's condition was very delicate and shakey. With the trimbled state of affairs, the LICOM has to arrange for new take off for the period, post mid-eighties.

**Significant Fact of Business:**

The LICOM has various dimensions in business. The production peculiarities, supply constraints, quality of raw materials and finished product etc. have always been troubling elements for the LICOM. Some, significant of
them are discussed ahead :-

(i) An outline of Trade
and its Technique
of Collection:

The village Chamars collect the 'Fallen' hides, and if not required personally, carry them to the local market for sale. Here generally the agents of the commercial firms dealing in hides and skins come regularly and purchase these hides from the Chamars. The price is being determined by the competition. However all together the market is ruled by the buyers and not by the sellers. Besides, the collecting agents often lend money to the Chamars and put influence on them. The agent thereafter despatches the hides and skins, thus collected to the nearest godown of the firm or if he is an independent merchant he sends the consignment to his commission agent. It may be noted that the production of 'fallen' hides and skins is casual and irregular, but these scattered stocks when collected constitute a very important part of the total trade.

Besides the 'fallen raw' hides and skins Marathwada Region has slaughtered stock which is superior in quality. These stock are somewhat better handed, being worked by
professional butchers, and generally in towns, reducing thereby number of intermediaries. The production is more regular and better organised. A large proportion of slaughtered stock is consumed in the region itself.

The LICOM made arrangements for the collection of hides from the villages and also from the established slaughter houses. In the beginning period the entry of LICOM provided assured income to suppliers and reduced the number of intermediaries. Lateron the LICOM could not get hold of the market with the ambivalent zeal and skill which commission agents have. An e inexpert white collar staff of the LICOM was responsible for lag in the marketing of raw hides and skins. The followings things are required, if the LICOM has to get fair weather in purchasing :-

: The speedy purchase and despatch of the raw materials is the need of this business. Hence the LICOM should employ its own transportation network.

: The staff engaged in purchasing should be from the category having previously the concern with the hides and skins. Few expert Chamars
will be better suited in the task of purchasing and hence they should be employed on commission basis. The help of commission agents may be sought.

: The liberal advances should be given to suppliers against future supply.

: The time scheduled for purchasing raw materials from the different villages should be maintained so as to win the confidence of suppliers.

: The officials involved in the task of purchasing should be motivated by giving adequate incentives. As far as possible the permanent staff should not be employed for raw material purchases.

ii) **Quality of Hides and Skins**:

Hides and skins from Marathwada Region are generally inferior in quality due to lack of organization, and the defective method of curing and preserving hides. In this connection the defects arising from faulty handling of
the carcass in the villages and the slaughter houses need special mention. The quality of the 'fallen' stock is affected by manifold social and economic factors working on the village life. An aversion of the Hindu to kill animals is almost proverbial; as against this the economic condition of the people is such that they find it difficult to feed adequately their cattle, especially the old ones which do not give milk or any other service. These old cattle which have become utterly useless are allowed to drag on a miserable existence; their owners occasionally give them some fodder but mostly they have to depend upon what they can pick up for themselves. Even the young and productive cattle are not properly fed due to the poverty. The result is most obvious; the quality and consequent value of cattle from Marathwada has fallen and in some cases they have become uneconomic, and yet the pathetic situation is that all have to be maintained - nobody is prepared to produce on his accord the hides and skin by killing his cattle for the purpose of sale; he only gives the same to Chambar only when cattle receives natural death in dilapidated condition of its hide and skin. The hides and skins of 'fallen' animals are generally the perquisite of village Chambar, the owner
having no longer any interest in it. The Chamār carries away the dead animal and removes the dead carcass. The methods employed by the Chamār are, however, very defective and may be noted with interest, as affecting alike the rural economy and the LICOM's raw material supply.

The dead animal is carried by Chamār to the special spot assigned for flaying of the dead animals of the village and the method of handling is very crude for he often carelessly drags the animal if his companions are not sufficient, in number, causing serious damages to the skin. After long interval the skinning begins, with the result that vultures damage the skin during the interval. Further, this work is often delegated to the younger members of the family who are less skillful, and therefore the quality of the carcass suffers.

The handling of the hides in slaughter houses is equally defective. How these factor affect the quality of hides has been reported by the LICOM's Officer\(^1\).

\(^1\) The faulty methods of flaying and the reasons accounting for them have been grouped as:—firstly personal, i.e. the flayer's lack of skill and general carelessness; secondly material and environmental i.e. unsuitable knives, insufficient space, dim light, lack of suitable arrangements for suspending the carcass etc; thirdly, those connected with the conditions of meat supply, the system of buying the slaughtered hide and the system of employment of flayers and their work.
The LICOM may the quality of raw hides and skins, if the following aspects are attended to -

: The village Chamars need training in handling hides and skins of dead animals so as to keep the quality of the same. The MDC, hence, may arrange two-three days training programmes in the villages around the tannery.

: The old and useless animals may be purchased by giving adequate price for the same. The village-wise list of such animals may be made time to time so as to estimate the future supply position.

: The slaughter houses located in urban areas should be linked with the LICOM by giving adequate incentive. The butchers operating the animal stocks should be trained in handling the skins and hides of animals.

iii) **Availabilities of Basic Chemicals**:

In the matter of basic chemicals, like lime, sodium, sulphide, ammonium salts, hydrochloric acid, sulphuric acid, salt etc. the industry has never been
in serious difficulties in securing its requirements. Curing additives like fluorides and chlorinated phenols are also available as they are manufactured in India.

The need of LICOM for chrome tanning agents is, however, met by great deal of difficulty. This is only the current live problems of tanner. Therefore, the LICOM had requested the MDC to prepare the feasibility report for manufacturing of sodium dichromate in the region.

iv) **Machinery, Leather Auxiliaries, Dyes**:

The LICOM has much scope for mechanizing its methods of production. It has made efforts in placing the order for importing machines and it is awaiting for the same.

Auxiliaries like fatliquors, syntans and finishing materials are vital for the modernization of LICOM. These are certain speciality auxiliary items which find use for sophisticated leather meant for making garments and gloves. These have to be imported for some time to come until good indigenous substitutes
are developed to replace them. Binder-free pigments, lacquer emulsions, etc. come under this category.

Special dyes have been an acute problem. So far few firms in Maharashtra have already started in manufacturing metallized and reactive dyes and it is anticipated that the domestic dye industry can well take care of the needs of leather industry. It is, therefore, expected that the LICOM would save the foreign exchange which is at present spent for the same. The position is satisfactory to that of wetting agents which are now abundantly available from indigenous sources.

v) Production Economics:

Cutting down costs is a big problem for the tanner, like LICOM, as it has to sell in a highly competitive market. Modern and rapid process are only a part of the solution. The By-products utilization plays a big role in this context though engineering aspect also claim importance. Unfortunately the LICOM has no specific plan for by-product utilization and also improving engineering efficiency. In consequence of this, its product stands costlier as compared to the
products produced by other tanners. The LICOM's plant is also remained costantly as under utilized. As a result, the some portion of fixed overheads is left as unrecovered and is contributing towards losses.

vi) Technical Personnel:

As the items of production become varied in nature and the methods of production sophisticated, the LICOM has to employ well trained personnel - trained both at the managerial and supervisory levels. While men with qualifications are available, they are generally found to lack in industrial experience and hence LICOM has to face special difficulty in this regard.

In order to overcome this difficulty, the LICOM a couple of years back deputed its some workers at tannaries in Bombay for training. However after training, these trained persons left the LICOM for other jobs, elsewhere.

vii) Sewage Disposal:

Sewage disposal is a problem for LICOM. The same has been assuming alarming, proportion, since the LICOM's treatability plant is not functioning. Although
the LICOM got treatability report in the respect of effluent disposal, its execution is lingering on account of paucity of funds. In near future it may create the problem for the people residing around it.

viii) Export Trade:

The export trade and its technique adopted by LICOM or any other tannary needs discussion so as to understand its implications.

Indian hides and skins are generally known by the geographical areas in which they are produced; but due to long association of these names and definite standard of quality, the geographical names have now acquired a connection more of quality, so that to-day a hides known as Dacca or Darbhanga need not necessarily come from Dacca or Darbhanga but from other places as well if it possess the standard specification and quality of the above hides. Therefore the classification of the raw materials according to the areas of production is closely linked with the quality. Thus we have hides known as Darbhangas, Dacca, Purneahs, Meherpores, Ranchis etc., in Bengal and Bihar; as Agra from Northern India; Banglores and Coimbatores in the southern India; and similarly of other parts.
The geographical divisions are nothing more than trade marks which are used in domestic and foreign trades. 'Agra' hides, for example, represents for well cleaned hides of a good yellow colour whereas Purneabs hides represent for darker and not so well cleaned hides. The foreign buyers only assumes that these divisions only denote quality and no importance is given to the place from which hides come.

These hides are further subdivided as commissariat, slaughtered, dead, rejected, and double rejected. Commissariat hides are the best possible hides in their class and are confined mainly to Agra and were so named because the best hides come from commissariat slaughter houses. Slaughter hides are average first class hides without defect or blemish. Dead hides are similar to those slaughtered with some defects like those of a cut or brand mark. Rejected hides are those very badly cut or branded. Double rejected hides are the worst class of hides.

A further sub-division is based on the weight of the hides, such as heavy, middle and light.

Thus on the whole, there seems to be nothing really obstruse about the classification, as it is often made out. It is, hence, indeed very difficult for the LICOM to establish its own identity in the export market, although it has earnest desire to export its hides.

During the first two years of working, the LICOM was successful in exporting its products. But lateron these products lost value from the eyes of foreign buyers on account of inferior quality. None of the export orders of LICOM has proved its worth equivalent to hides known as commissariat hides. Further the LICOM could not have the expertise required for exporting. It had to depend upon the middlemen. All these factors were responsible for closing down the export market for LICOM's products.

Shoe-making, Foot Making and Leather Goods Industry:

It was proposed by the MDC to develope shoe-making and leather goods industry, using the finished leather from the tanning units. It was thought to promote, such units by providing training facilities common machine facilities, mini-functional leather industrial estates and marketing supports.
To-day, the MDC's plan needs to come in existence since it has an employment potential. The promotion of leather goods industry, will not only give a ready market to Tanneries but will also provide an opportunity to a better utilization of local resources which are almost totally wasted to-day. Similarly this will ameliorate the economy of a very weak section of the society, traditionally engaged in tanning and allied activities.

Financial Position by the end of 1977 and 1984:

The LICOM by the end of 1977, raised a share capital worth of Rs. 24/- lakhs and on the basis of this share capital got the loans to the size of Rs. 17.50 lakhs from the NSFC, Rs. 5.31 lakhs from the SICOM and Rs. 2.50 lakhs from the MDC. All together it raised the financial resources to the tune of Rs. 49.31 lakhs. Out of these, as large as Rs. 38.43 lakhs or 78% were utilized for the various purposes; such as on land and development (Rs. 0.56 lakhs), on building (Rs. 13.75 lakhs), on plant and machinery (Rs. 20.36 lakhs), on other assets (Rs. 1.03 lakhs), and on electrifications (Rs. 2.73 lakhs). An actual
worth of the sale during the year amounted negligible
(Rs. 0.30 thousands) with the huge net-loss of about
Rs. 10/- lakhs.

After the passage of seven years of time i.e.
upto 31-12-1984 the LICOM somehow grew in size both in
financial and physical terms. In the respect of finance,
its share capital rose upto Rs. 53.50 lakhs and reserve
of different categories upto Rs. 5.10 lakhs.

The secured and unsecured loans to its account
were respectively Rs. 35.81 and Rs. 39.06 lakhs. The
total fund source tuned to Rs. 133.47 lakhs. Out of
this employed fund the net fixed assets had a share of
23% (Rs. 31.28 lakhs). The net current assets was
diplorably of a small level of Rs. 4.47 lakhs. The
accumulated losses were piled upto Rs. 97.52 lakhs. In
consequence of this the net worth of the business went
to negative, registering the negative level of
Rs. (-) 39.01 lakhs (Table No. 5.1).

The accumulated losses (Rs. 97.52 lakhs) were
166% of the owned funds (Rs. 58.60 lakhs); and 73% of
the capital employed (Rs. 133.47 lakhs).

Source: Annual Report of LICOM.
Stock in trade was only of Rs. 14.09 lakhs forming the insignificant percentage (11%) in the total capital employed (Table No. 5.1). All these financial variables bring out the contestable state of affairs in the respect of viability of the LICOM.

**Share Capital:**

Authorised share capital of the LICOM is Rs. 1,00,00,000/- consisting of one lakhs equity share, each bearing Rs. 100/- face value. Upto the end of 31-12-1984, the LICOM issued the equity shares numbering 53,502 of Rs. 53.50 lakhs to the MDC. The MDC subscribed the full worth of the same. Thus only MDC is only the owner of the share capital.

Since the accumulated losses as on 31-12-1984 were more than the amount of share capital and also a net worth of the business was negative (Table No. 5.1), the value of share was not only Zero but it was less than Zero.

**Borrowings:**

Borrowings, in addition to owned funds have been a pivot source of finance for the LICOM. The
secured and un-secured loans as said already were Rs. 35.81 and Rs. 39.06 lakhs, totalling together Rs. 74.87 lakhs (Table No. 5.2).

The secured loans amounting Rs. 13.63 lakhs with the interest arrears of Rs. 6.45 lakhs thereon came from the MSFC. Similarly the secured loans amounting Rs. 6.56 lakhs with the interest arrears of Rs. 4.57 lakhs thereon came from the SICOM. The SBI gave Rs. 4.60 lakhs of secured loans.

All the unsecured loans amounting Rs. 33.63 lakhs were given by the MDC. The SICOM also released an interest free unsecured loans amounting to Rs. 5.43 lakhs (Table No. 5.2).

As pertains to borrowing the following facts are significantly noticed:—

(1) Percentage of funded debt to total capitalization as on 31-12-1984 was 56\% which shows that there had been too much debt burden. This state of affairs may lose the confidence of lenders, since the margin of safety appears very thin.

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\% \text{ of funded debt to total capitalization} = \frac{\text{Long Term Loans}}{\text{Total Capitalization}} = \frac{74.87}{133.47} \times 100 = 56
\]
It is noticed from the accounts report that
the abovementioned percentages since eve of eighties
was above 50\(^1\). As a result, the mixed charges of debt
servicing had been increased which caused to impair
the available earnings. The state of this affairs has
been in existence for the last five to six years and
hence there is no wonder if the company has been
required to revalue its assets and liabilities. Infact
this revaluation is necessary for borrowings the funds
from the open market.

The LICOM uptill now has felt no need to seek
the shelter of the open market for the borrowings. It
used to get the loans with the support of MDC. Since
the MDC is only business promoting agency and it needs
to support several business houses in their gestation
period, it, (LICOM) in near future, would not be in a
position to cater the financial needs of the LICOM and,
hence, the LICOM should have to search out the path on
its own accord. The situation of LICOM in the money
market in 1984 stood miserable as the LICOM was unable
to attract funds by offering the security to prospective
lenders. It is interesting here to verify an extent of

\[\text{1. (The similar percentages for 1981, 1982 and 1983}
\text{ were respectively 59, 62, 57).}\]
security of real assets provided by the LICOM to its lenders. The security available for lenders is understood from the Net Fixed Assets to funded debt ratio. It is observed that the LICOM for every Rupee of a debt, as on 31-12-1984 provided a support of assets value amounting only 42 paisa\(^1\). If in case the LICOM is liquidated, this value would further be diminished and would compensate the debtors at the dipplicable level. There is hence required to increase the real asset of the company so as to boost the confidence of the lenders and prospective share-holders.

(iii) It is seen from the financial data that the LICOM for every one-rupee equity, has raised Rs. 1.71 long-term debt, or has raised long term loans to the extent of 171\% of the worth of total equities\(^2\). The excessive reliance on debt against thin base of share-capital and also against the situation of accumulated losses posed the threatening to viability of the company. There is hence a need to increase the share capital of the company.

\[
\begin{align*}
1. \text{Net Fixed Assets} &= \frac{31.28}{74.87} = 0.42 \text{ to } 1 \\
\text{Funded Debt} &= \\
\text{(The similar ratios in 1981, 1982, 1983 were 47.1, 48.1 and 43.1).} \\
2. \text{Debt to Equity} &= \text{Long Term Loan + Short Term Credit + Current Liabilities} \\
&= \text{Equity Share Capital + Reserve/Surplus.} \\
&= 1.71 \text{ to } 1
\end{align*}
\]
Even in last seven years this ratio i.e. debt/equity was above 1.25 to 1\(^1\). It shows continued and increasing scale of debt burden against slender base of equities.

(iv) The earning per share in the case of LICOM has not been registered any favourable trend. On the contrary it experienced losses. During the last few years of its working, the losses recorded against per share were so poor that it insists revamping the entire business structure of the LICOM.

The LICOM's borrowing is nothing but an attempt to inject the new blood in dead body; and hence this should be stopped. The LICOM may be entrusted in the hands of those who are willing to work on Co-operative principles, by contributing share capital of required size.

(v) Against every one Rupee of net working capital the LICOM (1984) had debt obligations of Rs. 17/- The funded debt should not exceed net working capital. In

\(^1\) Computed from the balance sheets of the concerned years.
fact it should be less. As the net working capital was less than funded debt, the LICOM in future would face the problem of meeting the financial obligations. The situation in this respect may be changed if the LICOM increases its sale by producing as much as offer by plant capacity. It is, however, disheartening to note that the LICOM could not exploits its plant capacity fully. This consequently led to reduce down the level of activity.

Fixed Assets:

Upto the end of December 1984 the value of fixed asset was to the size of Rs. 31.28 lakhs. The original purchase cost of this asset was Rs. 54.18 lakhs and the depreciation charges thereon were Rs. 22.90 lakhs, being 42% of the cost price (Table No. 5.3). It means the nearly 2/5 portion of the asset was consumed by the business. Since the accumulated losses (Rs. 97.52 lakhs) being 312% of the net fixed asset, the situation appeared to be far from satisfactory. The case is also noticed that the LICOM had not established any practice of

<table>
<thead>
<tr>
<th>Ratio of funded debt to net working capital</th>
<th>1980-81</th>
<th>15 to 1</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>1981-82</td>
<td>15 to 1</td>
</tr>
<tr>
<td></td>
<td>1982-83</td>
<td>16 to 1</td>
</tr>
<tr>
<td></td>
<td>1983-84</td>
<td>17 to 1*</td>
</tr>
</tbody>
</table>

* Rs. 74.87 / 4.47 = 17 to 1
creating an asset replacement provision out of the
profit. On the contrary, the LICOM recoursed the
utilisation of the depreciation funds for the numerous
purposes, other than the replacement of worn out assets.

The assets of LICOM consist land, (Rs. 0.56 lakhs)
civil work (Rs. 10.72 lakhs), machinery (Rs. 17.48 lakhs),
furniture and fixture (Rs. 0.23 lakhs), office equipments
(Rs. 0.07 lakhs), electrical fittings (Rs. 1.34 lakhs),
vehicle (Rs. 0.17 lakhs), tools and equipments (Rs. 0.50
lakhs) and effluent treatment plant (Rs. 21/- lakhs)
(Table No. 5.3). Among the all assets, machinery and
civil works (Buildings, Roads etc.) constituted the 90%
portion whereas other miscellaneous assets constituted
the rest share of 10%.

The report goes that although the LICOM installed
modern plant and machinery, they remained under
utilized on account of the following reasons:--

1) An installation of some portion of plant
and machinery was lingered on account of
delay in the supply of some parts from
the foreign country.

2) Lack of technical knowledge of operating
the plant led to with-hold the plant
working.
iii) In-experienced personnel working with the plant was frequently the source of disturbing the smooth functioning of the plant.

iv) The supply of raw material was irregular and hence the working of plant was frequently suspended.

v) The shortage of electricity or sudden power cut-off interrupted the plant operation.

vi) Go slow tactics or strikes were sometimes responsible to stop the functioning of the plant.

vii) The internal control over the fixed asset was weak and the same may be one of the reasons for underutilization of the plant.

Unless all the above mentioned short-falls are removed, the assets, especially plants of the LICOM could not be used to the fullest possible extent.
Current Assets and
Current Liabilities:

Current assets of the LICOM comprise of stock in trade (finished goods of leather, work in progress, raw hides, and chemical and oil), sundry debtors, cash in hand and bank and stock of building materials. It is found that in the total value of stock in trade, the value of chemical and oil was of insignificant in margin. Thus by the end of 1984, out of the total amount of stock of Rs. 14.09 lakhs, the amount of Rs. 2.18 lakhs was attributed to the chemical and oil account. By the end of 1983 the amount of such chemical and oil was Rs. 2.85 lakhs in the total amount of Rs. 16.68 lakhs of stock in trade. The chemical and oil are required to LICOM for the purpose of processing the hides. Since such chemicals are happened to be short in supply, these are required to stored.

The sundry debtors amounting to Rs. 11.25 lakhs (Table No. 5.1) and Rs. 6.73 lakhs by the end of 1984 and 1983 respectively were the result of LICOM’s practice to sale the goods to Co-operative Institutions on credit.1

Loans and advances of the LICOM mostly consist of advances given to staff or worker, deposits with Government authorities etc. The total amount of loans and advances outstanding were Rs. 2.74 lakhs by the end of 1984, as against Rs. 1.68 lakhs by the end of 1983.

The amount of current liabilities by the end of 1984 was Rs. 25.51 lakhs whereas by the end of 1983 it amounted to Rs. 23.73 lakhs.

The maximum portion of current liabilities was outstanding on the MDC's account, thus the same was amounted Rs. 19.36 lakhs by the end of 1984 and Rs. 14.57 lakhs by the end of 1983. Next to that, the sundry creditors stood upto Rs. 3.64 lakhs and Rs. 5.74 lakhs respectively by the end of the above concern years¹.

The current ratio reveals² the short term solvency³ as it indicates the extent to which the claims of short term creditors are covered by the assets that are likely to be converted into cash in a period corresponding to the maturity of the claims, normally made by the

¹ LICOM's Annual Report 1983-84.
² Current Ratio = \( \frac{\text{Current Asset}}{\text{Current Liabilities and Provision}} \) = \( \frac{29.99}{25.52} \) = 1.18
suppliers of chemicals. In the year 1984 the current ratio was Rs. 1.18 to 1 which shows the current liabilities are some how supported by the current assets. The years preceding to 1984, the current ratios were in the neighbourhood between 1.01 to 1 and 1.27 to 1.

The acid test ratio\(^2\) which is recognised as a better test of financial strength than the current ratio was 0.60 to 1 in 1984, 0.68 to 1 in 1983, 0.69 to 1 in 1982 and 0.65 to 1 in 1981. The scales of these ratios are bare testimony of the fact that the LICOM lacked in ability to provide sufficient support to current liabilities by way of its current assets. Normally, the quick ratio or acid test ratio should be 1 to 1 but the case was not so.

**Scale of Production:**

The Table No. 5.5 provides the details of production performance of the LICOM from the period 1977 to 1984. The number of hides processed in 1977 was

---

1. Ratios computed from the financial data provided in the annual reports from 1979-80 to 1982-83.

\[\text{Loans & Advances + Cash + Marketable Investments + Sundry debtors} = 11.25\]

2. Acid Test Ratio \[\frac{15.41}{25.52} = 0.60\]

---

2. Acid Test Ratio \[\frac{15.41}{25.52} = 0.60\]
2,003. The scale of processing during the subsequent years had been increased and in 1979 the processed hides were 34,286; the corresponding size of these hides was 3,30,605 Sq.fts. After the year 1979 the scale of production had been gradually diminished and went to the bottom of 17,825 hides, being 2,27,897 Sq.fts. on the whole. It is seen that the LICOM registered a severe trend in the matter of production.

The reasons for diminishing scale of production were as follows :-

i) Scarcities of raw material and processing material.

ii) Inexperienced and untrained staff.

iii) Lack of proper supervision, control and co-ordination.

iv) Shortage of electric power.

v) Labours unwillingness to work within the given wages.

Sales:

The Table No. 5.6 informs about sale effected by the LICOM during the period from 1977 to 1983 in the
foreign and domestic market. The LICOM, since its inception has an ambition to enter into the foreign market and hence it was successful in penetrating the said market by effecting the export of Rs. 0.58 lakhs. Later on i.e. by the end of 1979 the export figured up to Rs. 11.26 lakhs; however in 1980 it figured down to Rs. 5.95 lakhs and in 1982 it got the bottom of Rs. 2.87 lakhs, and in the subsequent period the export was Nil.

The LICOM's set back in the foreign market was due to the following reasons:-

i) The LICOM's was unable to maintain the quality of product which was given in early years.

ii) The LICOM was unable to tap the marketing source of the foreign market due to lack of foreign marketing expertise.

iii) The export promotion council was having dismal attitude towards the small companies like LICOM.

iv) The foreign market is interested in calf leather which is normally produced in the neighbourhood of Agra. However the LICOM was unable to secure such leather from its vicinity.
v) Most portion of the raw material coming to LICOM is from old or fallen animals. Such animals have a very poor quality of leather and after processing it could not satisfy the foreign customers.

vi) The recovery task of the cash from the foreign sale is perplexing and needs much time. Consequently the LICOM's officer are reluctant to undertake the foreign selling activities.

As pertains to sale in the domestic market, the LICOM in comparison with the foreign market has established creditable record. Thus the effected sale of the LICOM rose from slender worth Rs. 0.87 lakhs in 1977 to Rs. 23.66 lakhs in 1983.

An effectiveness of LICOM's selling activities may fairly be judged with the help of related variables, derived in the Table No. 5.7. The same are discussed below :-

(i) Asset turnover ratio in the case of LICOM appears poor during all the years under review. In the last reported year the percentage of sales to the total asset was 65. It means that the LICOM, though had huge investment in the tangible assets, it could not produce
and sale to the extent of break even. If this ratio percentage would have been above hundred, the selling efforts of LICOM might be identified as fairly good.

(ii) Higher the turnover, the greater the efficiency and larger the rates of profits. In the case of LICOM the situation is found reverse. When the scale of sale is measured against the capital employed, the scale of sale appears small. Thus in 1984 the said percentage was 28 and in the preceding years (1979 to 1983) such percentages were in the neighbourhood of 25.

(iii) The percentage of net sales to working capital for the year 1984 was 845. It shows that the LICOM had a practice to trade within the thin margin of working capital which may infuse the potentially dangerous situation of the shortage of working capital at any time in the future. It is reported that the position of working capital, since the inception of LICOM was poor to the extent that at several occasions the LICOM used to mortgage its fixed assets for procuring the loans from the bank so as to settle the wage claims of the labours.
(iv) The effected sales per day of the LICOM was Rs. 10,000/- in 1984, Rs. 6,000/- in 1983 and Rs. 4,000/- in 1982. The per day sale figures, preceding to 1982 were deplorably of lower margins.

(v) The collection period in days was 113 in 1984, 122 in 1983, and 128 in 1982. It means the collection days are required to be reduced either by increasing sales per day or decreasing sundry debtors. A situation of increasing scale of sale and decreasing scale of debtors is well come. However both of the above situations were never occurred in the past on the lot of LICOM and hence there is a need to have efforts towards that directions.

It is derived from the above analysis that the LICOM selling efforts in many respects are falling short.

The situation can only be changed by undertaking large quantity of production and consequent large size of sale.

Expenditure Incurred:

Expenditure incurred by the LICOM is benefitting to economy since it has potentialities to gear the
economic activities. The LICOM has an aim to assist the poor people who collect hides of 'fallen animal' and supply the same to processing unit through middlemen. The exploitation of middlemen is to be arrested by the LICOM. The slaughter houses are also to be assisted by the LICOM by offering fair prices to their hides. With these objectives in view the LICOM has started its business.

During the last year under report i.e. 1983-84 the LICOM purchased the raw hides to the worth of Rs. 29.91 lakhs (Table No. 5.4), the worth of the similar purchases during the preceding year was Rs. 21.20 lakhs (Table No. 5.4). It is noticed that there has been a gradual increase in the value of hide so far purchased year after year by the LICOM.

The salaries and wages paid by the LICOM were to the size of Rs. 7.47 lakhs in 1983-84 as against Rs. 5.56 lakhs paid in 1982-83. The salaries and wages have been swelled on account of upward revision in the compensation rates.

The interest payment was Rs. 9.54 lakhs in 1983-84 as against Rs. 8.63 lakhs in 1982-83. Since the amount of interest has not been settled in cash,
it was treated as a loans given by lending institute. This is by no way a satisfactory state of affairs.

The requirements of inputs like electricity and water was to the value of Rs. 1.46 lakhs in 1983-84. The same during the preceding year was amounted to Rs. 1.00 lakhs.

The total expenses incurred by the LICOM was to the size of 57.58 lakhs in 1983-84 as against Rs. 95.03 lakhs in 1982-83 (Table No. 5.4).

**Profitability**:

The income sources of the LICOM are mostly from the effected sales.

After meeting the expenses from the realised income, the LICOM was constantly happened to be living in losses (Table No. 5.6).

Thus since the inception of its active working i.e. in 1977 it incurred the loss of Rs. 10.93 lakhs. During the subsequent years i.e. upto 1981 the losses were below the level registered in 1977. However, lateron they increased at the speed of Rs. 13.60 lakhs in 1982; Rs. 22.04 lakhs in 1983 and Rs. 29.73 lakhs in 1984. The consequent result was that the accumulated
losses on the account of LICOM were tuned to Rs. 97.52 lakhs. If the amount of losses/expenses related to other variables, the profitability position of the LICOM can be visualized.

i) The operating expenses in comparison with net sell during the last five years i.e. 1979 to 1984 were invariably more than the net sell. During the last reported year they were 117% of the net sells.¹

An inability of the LICOM to effect the sale at the level more than the operating expenses is revealed apparently from the above statistics.

ii) Operating profit over net sell was (–) 17%². This is nothing but clear element revealing the characteristics of sickness. The net profit to net sells was (–) 43%³ which again confirms the above.

1. Operating Ratio = \( \frac{\text{Operating Expenses}}{\text{Net Sales}} \times 100 = \frac{44.15}{37.76} \times 100 = 117\% \)

2. Operating Profit to sale = \( \frac{\text{Operating Profit}}{\text{Net Sale}} \times 100 = \frac{-6.39}{37.76} \times 100 = 17\% \)

3. Profit to sales = \( \frac{\text{Net Profit}}{\text{Net Sales}} \times 100 = \frac{-16.99}{37.76} \times 100 = -43\% \)
iii) The LICOM has to depend upon the loans for carrying the business. For such loans it pays heavy interest. However the LICOM's was found unable to settle this fixed claims since its inception. The percentage of EBIT to payable interest for the 1984 was (-) 70.4\%, portraying pitiable situation in the matter of interest payment.

iv) Percentage of EBIT to capital employed by the end of 1984 was (-) 4.97\%. It shows poor utilisation of the capital fund. Such poor utilisation was revealed even in the past years.

On the whole the profitability of the LICOM appears distressing and there is a need to have corrective measures, as given below :-

a) The quality of the product is to be improved by starting a separate

\[
\begin{align*}
\text{4. Coverage of interest} & = \frac{\text{EBIT}}{\text{Interest}} \times 100 = \frac{-6.64}{9.45} \times 100 = 70.4\% \\
\text{5. Return on Investment} & = \frac{\text{EBIT}}{\text{Capital employed}} \times 100 = \frac{(-) 6.64}{133.47} \times 100 = (-) 4.97
\end{align*}
\]
quality control wing in the factory.

b) The Export Promotion Council should be asked to extend positive hand in the matter of selling the goods abroad.

c) Under utilisation of plant should be suspended by appropriate use of fixed asset as suggested on page No.

d) The assets and liabilities need to be revalued so as to re-organise the business.

e) The workers should be trained by providing training facilities.
**Table No. 5.1: Assets and Liabilities of LICOM as on 31-12-1984.**

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount in lakhs of Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>I. Sources of Funds:</strong></td>
<td></td>
</tr>
<tr>
<td>a) Share Capital</td>
<td>53.50</td>
</tr>
<tr>
<td>b) Reserve and Surplus</td>
<td>05.10</td>
</tr>
<tr>
<td>c) Loan Funds (Secured)</td>
<td>35.81</td>
</tr>
<tr>
<td>d) Loans Funds (Unsecured)</td>
<td>39.06</td>
</tr>
<tr>
<td>(A) Total</td>
<td>133.47</td>
</tr>
</tbody>
</table>

| II. Application of Funds:               |                        |
| a) Fixed Assets (Net)                  | 31.28                  |
| b) Investment in Government Securities | 0.10                   |
| e) Current Assets and Loans Advances   |                        |
| i) Stock in Trade                      | 14.09                  |
| ii) Sundry Debtors                     | 11.25                  |
| iii) Cash and Bank                     | 01.32                  |
| iv) Other current Assets               | 00.59                  |
| v) Loans & Advances                    | 02.74                  |
| f) Current Liabilities                 | 29.99                  |
| g) Net Current Assets (e -f)           | 04.47                  |
| h) Intangible Assets                   |                        |
| i) Miscellaneous Expenses to the extent not written off/preliminary expenses | 00.09 |
| ii) Profit and loss A/C                | 97.52                  |
| (B) Total                               | 133.47                 |
| c) Net worth                            | 39.01                  |
| d) Capital employed                     | 133.47                 |

**Source:** Office Records of LICOM.
Table No. 5.2: Particulars of Secured and Unsecured Loans of LICOM as on 31-12-1983.

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Secured Loans:</td>
<td></td>
</tr>
<tr>
<td>MSFC</td>
<td>13.63</td>
</tr>
<tr>
<td>Interest due to MSFC</td>
<td>06.45</td>
</tr>
<tr>
<td>State Industrial and Investment Corporation of Maharashtra Ltd.</td>
<td>06.56</td>
</tr>
<tr>
<td>Interest due to SICOM</td>
<td>04.57</td>
</tr>
<tr>
<td>SBI</td>
<td>04.60</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total (A)</td>
<td>35.81</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Unsecured Loans:</td>
<td></td>
</tr>
<tr>
<td>MDC</td>
<td>33.63</td>
</tr>
<tr>
<td>Interest Free Loan from SICOM</td>
<td>05.43</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Sub-Total (B)</td>
<td>39.06</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total (A + B)</td>
<td>74.87</td>
</tr>
</tbody>
</table>

Source: Office Records of LICOM.
Table No. 5.3: Written down Value of Fixed Assets of LICOM as on 31-12-1984.

(Rs. in lakhs)

<table>
<thead>
<tr>
<th>Particulars</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td></td>
</tr>
<tr>
<td>Land</td>
<td>00.56</td>
</tr>
<tr>
<td>Civil Works</td>
<td>10.72</td>
</tr>
<tr>
<td>Machinery</td>
<td>17.48</td>
</tr>
<tr>
<td>Furniture and Fixture</td>
<td>00.23</td>
</tr>
<tr>
<td>Office Equipment</td>
<td>00.07</td>
</tr>
<tr>
<td>Electrical Fittings</td>
<td>01.34</td>
</tr>
<tr>
<td>Vehicles</td>
<td>00.17</td>
</tr>
<tr>
<td>Tools and Equipments</td>
<td>00.50</td>
</tr>
<tr>
<td>Effluent Treatment Plant</td>
<td>00.21</td>
</tr>
</tbody>
</table>

Total (b - c) 31.28

b) Total cost of Fixed Asset 54.18
c) Total depreciation 22.90

Source: Office Records of LICOM.
Table No. 5.4: Details of Input and Output of LICOM for the year 1982-83 and 1983-84. (Rs. in lakhs)

<table>
<thead>
<tr>
<th></th>
<th>Input Amount 1982-83</th>
<th>Input Amount 1983-84</th>
<th>Output Amount 1983-84</th>
<th>Output Amount 1982-83</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Consumption of raw materials and chemical and oils.</td>
<td>21.20</td>
<td>29.91</td>
<td>Sales</td>
<td>37.76</td>
</tr>
<tr>
<td>2. Purchase of finished leathers</td>
<td>-</td>
<td>-</td>
<td>Other Income</td>
<td>1.84</td>
</tr>
<tr>
<td>Miscellaneous Purchase</td>
<td>00.25</td>
<td>-</td>
<td>Decrease in stock (Closing stock (-) 01.92 (-) 01.15</td>
<td></td>
</tr>
<tr>
<td>Salaries and Wages</td>
<td>05.56</td>
<td>07.47</td>
<td>-Opening stock)</td>
<td>-</td>
</tr>
<tr>
<td>Packing and Forwarding</td>
<td>00.07</td>
<td>00.02</td>
<td>Loss</td>
<td>16.09</td>
</tr>
<tr>
<td>Electricity and Water</td>
<td>01.00</td>
<td>01.46</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Other Expenses</td>
<td>03.59</td>
<td>05.29</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Interest</td>
<td>08.63</td>
<td>09.45</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Depreciation</td>
<td>03.30</td>
<td>03.96</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Provision for Uncertainties</td>
<td>01.41</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Investment allowance A/C Preliminary Expenses</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Preliminary Expenses</td>
<td>00.02</td>
<td>00.02</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Loss</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>45.03</strong></td>
<td><strong>57.58</strong></td>
<td><strong>Total</strong></td>
<td><strong>57.58</strong></td>
</tr>
</tbody>
</table>

Source: Office Records of LICOM.
Table No. 5.5: Details of production of LICOM (1977 to 1984).

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of hides</th>
<th>Sq. ft.</th>
</tr>
</thead>
<tbody>
<tr>
<td>1977</td>
<td>2,003</td>
<td>47,047</td>
</tr>
<tr>
<td>1978</td>
<td>14,356</td>
<td>1,57,649</td>
</tr>
<tr>
<td>1979</td>
<td>34,236</td>
<td>3,80,605</td>
</tr>
<tr>
<td>1980</td>
<td>27,118</td>
<td>3,05,756</td>
</tr>
<tr>
<td>1981</td>
<td>18,404</td>
<td>2,26,567</td>
</tr>
<tr>
<td>1982</td>
<td>19,273</td>
<td>2,80,133</td>
</tr>
<tr>
<td>1983</td>
<td>19,879</td>
<td>3,01,405</td>
</tr>
<tr>
<td>1984</td>
<td>17,825</td>
<td>2,27,397</td>
</tr>
</tbody>
</table>

Source: Office Records of LICOM.
Table No. 5.6: Amount of sale effected by LICOM in domestic and in foreign markets and losses accrued thereon (1977-84).

<table>
<thead>
<tr>
<th>Year</th>
<th>Amount of Sales Effected in (in Rs.)</th>
<th>Amount of Losses against in Rs.</th>
<th>Losses per equity in Rs.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Foreign market</td>
<td>Domestic market</td>
<td></td>
</tr>
<tr>
<td>1977</td>
<td>0.58</td>
<td>0.87</td>
<td>10.93</td>
</tr>
<tr>
<td>1978</td>
<td>1.88</td>
<td>8.62</td>
<td>08.26</td>
</tr>
<tr>
<td>1979</td>
<td>11.26</td>
<td>9.25</td>
<td>06.08</td>
</tr>
<tr>
<td>1980</td>
<td>05.95</td>
<td>10.11</td>
<td>09.51</td>
</tr>
<tr>
<td>1981</td>
<td>02.67</td>
<td>12.53</td>
<td>08.66</td>
</tr>
<tr>
<td>1982</td>
<td>-</td>
<td>16.41</td>
<td>13.60</td>
</tr>
<tr>
<td>1983</td>
<td>-</td>
<td>23.66</td>
<td>22.04</td>
</tr>
<tr>
<td>1984</td>
<td>-</td>
<td>37.76</td>
<td>29.73</td>
</tr>
</tbody>
</table>

Source: Office Records of LICOM.
Table No. 5.7: Significant Ratios revealing the sales position of NICOM (1984).

1. Asset turnover (Capital turnover) = Net Sales / Net fixed asset + Current asset.


4. Sales per day = Sales / 365 days.

5. Collection period = Sales per day / Sundry debtors.

6. Net sale / Capital employed = 133.47 x 100 = 23%.