CHAPTER SIX

CASE STUDIES OF INDIAN JUTE BUSINESS FIRMS

CASE STUDY 1: ALLIANCE MILLS (LESSEES) PRIVATE LIMITED

CASE STUDY 2: ANGLO-INDIA JUTE MILLS COMPANY LIMITED

CASE STUDY 3: NAIHATI JUTE MILLS COMPANY LIMITED

CASE STUDY 4: NEW CENTRAL JUTE MILLS COMPANY LIMITED

CASE STUDY 5: NATIONAL JUTE MANUFACTURES CORPORATION LIMITED
CHAPTER VI

CASE STUDIES OF INDIAN JUTE BUSINESS FIRMS

This chapter deals with the information and data collected from the sampled jute business firm of Indian jute industry through field survey. The information and data are compiled according to the factors taken for studying the impact of changing structure of jute industry on them. The case studies are described separately in the following sections.

CASE STUDY 1: ALLIANCE MILLS (LESSEES) PRIVATE LIMITED

Introduction

Alliance Mills (Lessees) Private Limited (AMPL) is a private sector jute manufacturing business firm. It was established in 1895 at Calcutta as a public limited company by the name of Alliance Jute Mills Company Limited. From 1989, it had been converted into a private limited company according to the provisions of the Joint Stock Companies Act, 1956. It is not a member of Stock Exchange Market. The traditional jute goods like hessian and sacking are only two items produced in this company. It has a total loom capacity of 1264 and spindles 27552. It produces, on an average, nearly 36,000 tonnes jute products in a year. The annual sales turnover stood at about Rs. 50 crore. It has an authorised capital amounting to Rs. 60 crore. The factory is run by electricity and the nature of the operation is highly labour-intensive.
AMIL, whose original name was Alliance Jute Mills Company Limited, is one of the oldest business firm of the Indian Jute industry. As a public limited company, the company had been promoted and managed by British managing agency system. This managerial pattern existed till 1947. During the post-independence period, directoral management pattern had been in practice and continues till today though the original ownership and organisational structure have been changed from that of a public limited to private limited company. When the company was a public limited company, it had to issue shares to the public for subscription to raise capital. But, at present the AMPL does not issue shares to the public since it is a private limited company.

AMIL's economic performance was satisfactory: earning a huge amount of profit, giving much more dividend to the shareholders, and handsome remuneration to the staff and workers. Since mid-sixties, due to the emergence of synthetic and paper-made packaging materials as substitute product of jute, the rate of profitability and growth of the firm have slowed down. After mid-sixties, AMPL was again affected adversely owing to the increase in wage structure price of raw jute, and shrinkage of export market of jute goods. Further, there were strikes and lock-outs during the period from late-seventies to mid-eighties which made the profitability and growth stagnant. All these factors resulted in the ultimate closure of the firm because of the heavy amount of loss incurred.

The AMPL has now regained its earlier status and undertaken new policy measures which have proved to be fruitful. Recently, the productivity and overall performance figures of the company have been showing an
upward trend. The company has no statutory liability. It is economically sound enough to meet the obligations to the Government, investors, loan giving agencies, and other interest groups. Its newly introduced products such as cement bags and A-twills bags for sugar are the leading items in product-line. The present owner of the company has a group of businesses. The synthetic bag manufacturing unit of the company helps in the production of jute bags for cement. Thus they are managing both the units of jute and synthetic manufactures not in a competitive but in a complementary manner.

Management Structure

The directorial pattern of management has been adopted in this organisation. The Board of Directors, comprising of six members, is the highest policy making body. Of the directors, two owner-directors are active and the rests are the nominees from the Government, financial institutions and the bankers. At the corporate level, there are seven functional executives (Exhibit 6.1) who are responsible for the implementation of policies and strategies formulated by the Board.

EXHIBIT - 6.1

MANAGEMENT STRUCTURE OF AMPL AT THE CORPORATE OFFICE.

Board of Directors

<table>
<thead>
<tr>
<th>Chairman and Managing Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Senior Executive (Accounting)</td>
</tr>
<tr>
<td>Senior Executive (Raw Materials Purchase)</td>
</tr>
<tr>
<td>Senior Executive (Secretarial &amp; financing)</td>
</tr>
</tbody>
</table>

1 2 3
Senior Executive (Marketing) Senior Executive (Commercial) Senior Executive (Administration)
4 5 6
Senior Executive (Exports) 7
At the factory level, the organisational structure is headed by a person designated as Works Director. He is not a member of the Board of Directors. Under him there are other departmental heads looking after the activities of supervisors, foremen and workers.

The policy formulation device is a two-way mechanism. Sometimes the Board of Directors formulates policies on its own discretion without consulting the lower level executive managers. Alternatively, suggestions and recommendations are very often sought from the grass-root management people regarding the policy matters. This two-way system facilitates and encourages the middle and lower-level management in the implementation of policies and programmes. But in both the cases the middle and lower-level managers are accountable to the higher authorities for their activities.

Marketing

The company maintains a completely separate marketing division at the corporate office. Though marketing policies are chalked out at the Board level, a Senior Executive is heading the department of marketing and implements the policies. The company also has an export division which deals with overseas buyers and looks after all the aspects of export trade. AMPL produces jute items like hessian and sacking cloths and bags and jute twine. These products are used for packing and wrapping only. It makes 70 per cent and 30 per cent sales in the domestic and overseas markets respectively.

In the domestic market, Directorate-General of Supply and Disposal (DGS&D) which makes the purchase of jute goods on behalf of the Government is the main buyer. While sugar,
cement and fertiliser industries are other big buyers in the domestic market segment. USSR is the major foreign buyer. It has a high level of confidence in the quality of products of this company and hence is a regular and permanent.

AMPL's distribution policies are very simple. It sells directly to the end-users as they place orders for the goods themselves with the company. The company may contact the users like sugar, cement, fertilizer industries and other local buyers to finalise the ultimate sale. Some sale is arranged through dealers appointed by the company. Export is done through the merchant shippers/middleman or through STC.

Cost plus formula is applied in pricing jute goods. It is done by Gunny Trade Association (GTA) for the domestic market. Sick mill units are the main competitors of the company in the internal market as they remain satisfied with low margin or even with no margin to ensure their survival and, therefore, sell the goods at a non-remunerative price. This affects the other jute manufacturing units. AMPL has no formalised promotional strategies of its own. It maintains good contact with the prospective buyers so as to make them its permanent buyers. It offers credit facilities only to trusted buyers on the basis of the previous transactions. But, for the generic promotion it indirectly subscribes to the JMDC cess fund. This fund is utilised for the promotion and development of jute products and market. Apart from these measures, it also takes part in export fairs and exhibitions both within and outside the country.

Production

AMPL has its mills situated at Shamnagar on the left bank of the river Hooghly about 35 km north of Calcutta. Its
factory is electricity driven having an installed capacity of 1264 looms: hessian 767 and sacking 467. Presently nearly 80 per cent of the capacity is being utilised. Before its conversion into private limited company the production stood at 19,000 tonnes and at present it is producing about 36,000 tonnes per year. The factory and its machinery are very old, but the company has modernised the plant by replacing and overhauling most of the obsolete machines by the use of modern technology. It has installed new machinery imported from USSR. The company can manufacture most of the spare parts in its workshop except the sophisticated items which have to be imported from abroad.

To avoid loss of production due to the shortage of power and frequent tripping in supply of power, the company has set up a power generator within factory premises which is sufficient enough to generate about 60 per cent of the required power. It has the policy of keeping a sufficient amount of inventory stock of raw materials, stores and spares, and finished products.

As the raw materials constitute the maximum cost in the total cost structure, the company is very much conscious about its procurement policy of raw jute. During the course of data collection for writing this case study it was found that irregularity in the supply of raw jute is the most serious problem faced. To get rid of this problem, AMPL provides advances to the growers of jute to ensure the supply as well as to minimise the price fluctuation of the raw jute. Moreover, the company collects raw jute from the broker, trade-middlemen, or from the stock of Jute corporation of India (JCI). The company has an import licence to import raw jute in case of shortage in local supply.
To reduce the production cost, the company strictly observes every elements of the total cost. It rigidly follows the controlling devices. It always tries to minimise the wastage. The company has undertaken a poly-jute project where the byproduct and wastage are used as raw materials for manufacturing felt, a valuable jute goods item. The project is thought to be a viable project to produce more products other than the traditional items.

**Personnel**

The AMPL is managed by a group of young and middle-aged executives. They are working in the corporate office. The company prefers professionals to handle the administrative and financial aspects of the business. At the middle-level and lower-level management the company has an enthusiastic and motivated workforce. This is the result of the sound personnel policies adopted by the company.

There are 5,000 staff and workers employed in the company out of which 725 staff are simultaneously working in both company's corporate and factory office. The other employees are workers working in the factory. Technical and professional posts are advertised and recruitment is done on the basis of academic qualification and performance in a written test and interview. No advertisement is given for the commercial positions. Owner-director appoint persons to these posts according to their own choice. Criteria like family background, supervisor's/forman's recommendation are considered while recruitment of workers is done.

Normally, government's pay scale is followed in remuneration policy. Worker's wage rate is determined through negotiation between the employer and worker. In almost all cases government's wage policy is taken as the
yardstick. On average, a worker of AMPL is given Rs 2,000 per month. Besides this, the company provides bonus and other financial incentives to both staff and workers. Several types of welfare measures are undertaken for the staff and workers. The company has some statutory training programmes for the officers but the workers' training is mostly on-the-job in nature.

The workers of AMPL have proved an exemplary commitment to the company. They are not involved in any destructive activities against the employer. The labour-management relation prevailing in this industrial unit is amicable. The company's policy of setting industrial disputes by mutual discussion has proved to be fruitful. It helps to make the labour management relationship cordial.

Finance*

The AMPL has an authorised capital amounts to Rs. 60,00000 and subscribed and paid up capital of Rs. 45,00,000. Most of the shares are held by the owners and their relatives. Financial institutions and banks are providing long and short-term loans to meet the needs of working capital. The annual budget prepared functional executives is approved by Board of Directors. The budget is flexible to accommodate any future change in it.

The company had exhibited a good performance in terms of profit, dividend, interest, contribution to government revenue etc., during the early days of the company's tenure of life as a public limited company. Since mid sixties the profit margin has started dwindling and the downtrend

*Being a private company, the officials of the company did not provide the financial information. It did not even show the copy of the latest annual report of the company. Thus, it is not possible to trace out financial performance of the company explicitly.
continued up to mid-eighties. For the last two years, the company is earning profit and its production has also increased. The yearly turnover has reached at about ₹ 50 crore in the year 1989-90.

Future prospects

The AMPL gets a new life after its conversion into private limited company. The new owners are showing much interest in jute manufacturing business and accordingly they are investing sufficient fund for modernisation and installation of new plant and machinery. Moreover they have shown interest in adopting and implementing product diversification programme in response to the latest announcement of Indian Government. There is no report of big amount of financial loss over the years 1988-89 and 1989-90. The owners and management personnel of the company are expecting a healthy growth in future.

CASE STUDY 2: ANGLO INDIA JUTE MILLS COMPANY LIMITED

Introduction

Anglo India Jute Mills Company Limited (AJMC) was founded in 1917 at Calcutta by a group of Britishers with the objectives of manufacturing and selling of jute products and thereby earning profit. It was under the managing agency system for a long period of time. At present, the company is a public limited company managed on the directorial pattern. It owns two mills situated at Kankinarrah on the left bank of the river Hooghly about 22 miles north of Calcutta.

AJMC is one of the jute manufacturing firms of the private sector of Indian jute industry. Being a public limited company it is a member of Stock Exchange Market. The
company has an authorised capital of ₹ 3 crore and subscribed and paid up capital of ₹ 1.82 crore. Its annual sales turnover stood at ₹ 40.32 crore in 1989-90. AJMC was a leading jute manufacturing firm over a long period of time till the mid-sixties. After that, its economic performance started fluctuating when losses outweighed the profits for most of the years. In the later part of eighties, its financial position became so poor that the unit was declared as a sick unit according to provisions of the Sick Industrial Companies (Special provisions) Act, 1985. The Board for Industrial and Financial Reconstruction (BIFR) is now assisting the company through the rehabilitation and modernisation programme of the Government for the sick units. Presently, the company is in the turnaround phase. It earned profit for the year 1988 and 1989 though it sustained losses in 1990.

History and Growth

AJMC came into being in 1917 as a public limited company as per the Joint Stock Companies Act, 1913, later amended in 1956. It was initiated and promoted by a British business group, Duncan Brothers and Company Limited. After the end of British rule in India in 1947, most of the British companies either closed down or sold their business interests to the Indian business community. However, Duncan Brothers and Company is still persisting in jute business along with other lines of business with full enthusiasm like other Indian business groups. Duncan Group takes an active part in the industrialisation programmes of the Government of India. At present the group is more known as Goenka Group of Industries.

Primarily, hessian and sacking were the two jute goods produced by the company. These products had a high
demand in both internal and external markets. The company, therefore, had to utilise the maximum capacity of production. It earned enormous profits, declared handsome dividends to shareholders, gave maximum monetary, economic, and social benefits to the staff and workers, and contributed a big amount to the government exchequer in the form to taxes and revenues. Moreover, it earned a substantial amount of foreign exchange.

AJMC's life-cycle entered into the growth stage during the period of 1917-1945 which was characterised by a gradual increase in production and sales volume, cash-flow problems and little losses. It entered the stage of maturity in between mid-fifties and mid-sixties. During this period, AJMC expanded its capacity with the rise of production, distribution and profit. That period was the golden age for the 'Golden Fibre'. Due to the introduction of synthetic substitutes in the mid-sixties, the profitability of the jute industry as a whole and AJMC in particular declined. Despite the substitution effect, AJMC had earned profit till 1981. Since then, its short-run cost increased as the wages and the cost of fuel, raw materials and other inputs rose sharply and the company had to incur losses for the subsequent period. Its future had become uncertain. In view of the doubtful prospects of the jute industry, the company even disposed of the lower mill consisting of 65 frames and ancillary machinery, land and building in 1986 for a sum of ₹ 2.40 lakh.

Because of adverse debt-equity ratio and current ratio, and heavy burden of loan/credit and of expansion of cumulative loss figures, the AJMC has been identified as a sick unit according to the provisions of the Sick Industrial Companies Act, 1985 in 1987-88. At present, the company is
undertaking business activities and formulating policies under the guidelines of rehabilitation and modernisation scheme of BIFR. The strategies formulated are focused mainly on survival of the company with some diversification programmes. For the last two years, it is showing better results and is hopeful of regaining a viable position in near future.

Management Structure

AJMC, being a public limited company, has the Board of Directors (BoD) responsible for the formulation of long-term policies and strategies as the highest body of the organisation. The BoD consists of nine members headed by a Chairman. Three members are the nominees from Industrial finance Corporation of India (IFCI), Board for Industrial and Financial Reconstruction (BIFR) and State Bank of India (SBI). One of the director has been entrusted with the overall management of the firm who is designated as the wholetime Director. At the corporate office, the President is the overall incharge of the Head offic. He is a salaried executive. Under him, there are functional managers like Production Manager (Office), Production Manager (Diesel Engineering), Production Manager (Mill Office), Manager (Raw Materials), Manager (Sales), Manager (Stores and Purchase), and Secretary and Senior Manager (Accounts, Finance and Secretarial). These functional managers are assigned by other officers and staffs.

At the factory level, Production Manager (Mill Office) is the Principal Officer and he undertakes the responsibility of activities related to production. He has supervisors, foreman and other technical staff to assist and
cooperate with him. Moreover, one part-time Production Manager has also been appointed to expedite manufacturing process at the time of full capacity utilisation so as to satisfy the customer orders.

**Marketing**

AJMC produces and distributes all traditional jute items used for packaging purpose. The marketing policies, therefore, formulated by the Company with regard to different elements like product, price, promotion and distribution are more or less customary and simple. The Government of India, and the sugar, cement and fertilizer industries are the major users/buyers of sacking item in the domestic market-segment. Hessian, carpet backing colth and yarn are sold in bulk in the export market leaving a small portion for the domestic market's consumption.

Although the marketing policies are formulated by the Board, the implementation is done by the Sales Manager with three Assistant Sales Managers working at the Head Office. Sales Manager is responsible for marketing functions and reports to the President. All sales in the domestic market comes under the jurisdiction of the Sales Manager. The company has a separate shipping business firm to handle export trades.

AJMC distributes its goods in the local market by two different channels of distribution. Either it makes direct sale or it takes the services of trade middlemen in between the producer-customer channel of distribution. Most of the time, its shipping firm arranges export by making personal contact with the overseas buyers. Moreover, State Trading Corporation (STC) also takes the responsibility of exporting its items. Cost-plus policy is applied in pricing the
products which is fixed by the Gunny Trade Association (GTA). Goods for overseas market are priced by Shipper's Association through quotation system. The company sells 70 per cent of the total sale in the local market and 30 per cent in the overseas market. Exports are mostly made to USSR and special yarn are sent to Europe and Canada. Efforts are on to explore possibilities to export to the Japan, USA, and African countries. The company has earned ₹. 5.53 crore from export trade in 1989-90 (Exhibit-6.2).

AJMC's promotional activities are performed by JMDC like for all other units. It participates in the exhibition and export fairs organised by different authorities both within and outside the country. It sends business executives abroad to explore probable new markets for the products.

**Exhibit-6.2**

**Distribution of Jute Goods of AJMC**

<table>
<thead>
<tr>
<th>Year</th>
<th>Distribution/Sale</th>
<th>Distribution/Sales (Rupees in Crore)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total Quantity</td>
<td>Domestic</td>
</tr>
<tr>
<td></td>
<td>(tonnes)</td>
<td></td>
</tr>
<tr>
<td>1979-80</td>
<td>N.A.</td>
<td>23.22</td>
</tr>
<tr>
<td>1980-81</td>
<td>N.A.</td>
<td>22.88</td>
</tr>
<tr>
<td>1981-82</td>
<td>N.A.</td>
<td>21.24</td>
</tr>
<tr>
<td>1982-83</td>
<td>N.A.</td>
<td>23.16</td>
</tr>
<tr>
<td>1983-84</td>
<td>56,478</td>
<td>30.90</td>
</tr>
<tr>
<td>1984-85</td>
<td>50,724</td>
<td>40.36</td>
</tr>
<tr>
<td>1985-86</td>
<td>80,839</td>
<td>70.37</td>
</tr>
<tr>
<td>1986-87</td>
<td>45,413</td>
<td>26.86</td>
</tr>
<tr>
<td>1987-88</td>
<td>37,461</td>
<td>27.03</td>
</tr>
<tr>
<td>1988-89</td>
<td>23,739</td>
<td>17.92</td>
</tr>
<tr>
<td>1989-90</td>
<td>35,069</td>
<td>34.79</td>
</tr>
</tbody>
</table>


N.A. : Not available
Production

The management structure for the production function at AJMC consists of three regular and one part-time production managers. The three regular production managers are engaged in corporate office, mills office and in the diesel engineering section while the part-time production manager acts in the case of urgency. The location of plant is very suitable from the viewpoint of availability of electricity, transport and communication, carriage of jute and jute goods by river and discharge of effluents, dust and fume to keep the industrial environment healthy. The range of manufactures, presently includes scrim cloth, hessian cloth, hessian bags, carpet-backing cloth, bright hessian, fine hessian yarn, and Russian sugar bags. The mill has an installed capacity of hessian 521, Sacking 415 and broad looms 214 making a total of 1250 looms. On the basis of annual production, its licensed, installed and actual productivity stood at 52,699 tonnes 42,759 tonnes and 33,854 tonnes respectively as on 31st March 1990.

The productivity of the company indicates a downward trend as shown in Exhibit-6.3.

The company consumed more than 50,000 tonnes of raw jute per annum in the early-eighties. The quantity reduced sharply during the subsequent periods. It consumed 23,244 tonnes of raw jute in 1988-89 and 34,883 tonnes in 1989-90. It procures raw jute either by its agents or from the stock of JCI. Being a sick unit it gets maximum supply from JCI.

The factory of the company is very old. Modernisation of the preparatory and spinning sections of one of the mills has been completed and has been fully equipped with modern sliver spinning machinery in 1960. Formerly, it had no broad
Exhibit-6.3

Production of Jute Goods from 1979-1990

<table>
<thead>
<tr>
<th>Year</th>
<th>Production (Tonnes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>43,251</td>
</tr>
<tr>
<td>1980-81</td>
<td>53,528</td>
</tr>
<tr>
<td>1981-82</td>
<td>52,015</td>
</tr>
<tr>
<td>1982-83</td>
<td>53,613</td>
</tr>
<tr>
<td>1983-84</td>
<td>53,937</td>
</tr>
<tr>
<td>1984-85</td>
<td>43,577</td>
</tr>
<tr>
<td>1985-86</td>
<td>73,274</td>
</tr>
<tr>
<td>1986-87</td>
<td>46,935</td>
</tr>
<tr>
<td>1987-88</td>
<td>37,505</td>
</tr>
<tr>
<td>1988,89</td>
<td>23,746</td>
</tr>
<tr>
<td>1989-90</td>
<td>33,854</td>
</tr>
</tbody>
</table>


looms used for producing CBC. Addition of broad looms was done in the later period. Modernisation and renovation of the preparatory, spinning, and winding machines were also made in the subsequent years of 1977, 1980 and 1981 with the financial assistance from IFCI, ICICI and IDBI. The modernisation, however, failed to bring any spectacular change in the process of new diversified products. Presently, the company has again undertaken a modernisation policy to produce diversified, non-traditional jute products under the Modernisation and Rehabilitation package of the Government for sick unit.

AJMC has R&D project at the mills in conjunction with UNDP and IJIRA. Research project is carried on bleaching,
dyeing and finishing of jute products with special emphasis on developing curtains, upholstery, soft luggage, and apparel materials. Further research has been done towards dimensional stability. Dyes are selected specially for light and washing fastness. Meanwhile, the company has developed those non-traditional products for which marketing tests have been done by JCI. This is a breakthrough for speciality jute products as distinct from the conventional packaging usage.

Personnel

AJMC has developed an informal but cordial relationship between and among the management staff and workers through a sound personnel policy adopted at the corporate level. This policy ensures much more economic and non-economic incentives and benefits for the employees and workers. Personnel working in the different categories are more qualified and experienced. The recruitment at officer and staff level is done through interview where academic career, past experience, intelligence and aptitude are strictly observed. Workers are recruited from the family members of some conventional textile workers. Casual or temporary workers are subsequently made permanent. A recommendation from the supervisor is necessary and considered important for this purpose.

The company has no training arrangement of its own, but it has a provision for higher level executives to participate in seminar and symposium, organised by different authorities, to provide skills and knowledge in their respective field. Workers are imparted on-the-job training and the technicians are sent to undergo training in the Jute Technology Institute for developing the expertise.
The remuneration policy of AJMC is more or less commensurate with the pay scale structure of the State and Union Governments as well as the service rules of the Joint Stock Companies Act, 1956. Workers are paid as per the rate of wages prescribed by the Indian Jute Mills Association (IJMA). Other facilities and fringe benefits are also provided, as per rules of the service, to the workers and staff. Promotion is given on the basis of seniority and experience. The annual confidential report made by the higher authority is considered for promoting officers and staff, and efficiency and recommendation of supervisor are considered in the case of promotion of workers.

The labour-management relation, at present, is claimed to be intimate and cordial but during the general strike, the factory remained closed for 49 days in 1979 and 83 days in 1984. Due to lock-out, the production in the mill was again stopped for 100 days in 1986-87 and 131 days in 1988-89. This sort of industrial disputes resulted ultimately in the poor performance of the company and thereby made the company sick. Now, both management and workers have realised the consequences of having an antagonistic attitude and, therefore, both sides are mutually agreed upon to develop and maintain a good and healthy industrial relations environment.

Finance

AJMC's authorised capital amounts to Rs. 3 crore and paid up capital to Rs. 1.82 crore. Earlier the company was in a position to pay dividend to the shareholders. Since 1980, payment of dividend has become irregular due to bad economic performance. The company has been incurring losses for several years, and production and sales have reduced
substantially. Because of all adversities, the firm has been declared sick-unit. Now, the company collects its necessary working capital from different financial and loan-giving agencies prescribed by BIFR under its package of Modernisation and Rehabilitation of sick unit.

The authorities like State Bank of India have provided loans (secured by hypothecation of raw materials and finished goods, stock-in-progress, stores, Book Debts and other assets). Industrial Finance Corporation of India (IFCI), the Industrial Credit and Investment Corporation of India (ICICI), Industrial Development Bank of India (IDBI) and Life Insurance Corporation of India (LIC) provide both short and long-term loans to the company for meeting the needs of working capital. It obtains foreign currency loan from the Industrial Credit and Investment Corporation of India Limited. Apart from these sources the company gets working capital from its sales proceeds.

The Profit and Loss statement of the company for the year ended 31st March 1990 shows an unsatisfactory result with a loss amounting to Rs. 247 lakh (Exhibit 6.4). The main contributing factors for this loss have been unprecedented rise in the price of raw jute, adverse trading conditions during major part of the year, continued shortage of working capital, and consequent under-utilization of capacity. Although the financial institutions and banks have also brought in additional contribution of Rs. 20 lakh, the problem of stringency in the working capital could not be solved due to sustained cash losses. The company's request for need-based additional Letter of Credit facility from SBI to tide over this situation has not materialised. However, the company has taken different policy measures to overcome its financial problems. The reserves and surplus
EXHIBIT - 6.4

PROFIT AND LOSS STATEMENT OF AJMC (1979-90)

<table>
<thead>
<tr>
<th>Year</th>
<th>Profit/Loss (Rs. in Lakhs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1979-80</td>
<td>71.71</td>
</tr>
<tr>
<td>1980-81</td>
<td>51.35</td>
</tr>
<tr>
<td>1981-82</td>
<td>(59.51)</td>
</tr>
<tr>
<td>1982-83</td>
<td>(123.98)</td>
</tr>
<tr>
<td>1983-83</td>
<td>(176.45)</td>
</tr>
<tr>
<td>1984-85</td>
<td>24.77</td>
</tr>
<tr>
<td>1985-86</td>
<td>(125.56)</td>
</tr>
<tr>
<td>1986-87</td>
<td>(232.37)</td>
</tr>
<tr>
<td>1987-88</td>
<td>166.00</td>
</tr>
<tr>
<td>1988-89</td>
<td>263.85</td>
</tr>
<tr>
<td>1989-90</td>
<td>(247.00)</td>
</tr>
</tbody>
</table>

Source: Stock Exchange Directory, 1989 and Accounts 1

Reports 1989-90 of AJMC. Figures in the parenthesis indicate loss.

of the company now stands at Rs. 6.95 crore. The cumulative debit balance of Profit and Loss Account carried forward is about Rs. 11.96 crore against Rs. 9.34 crore for the year ended 31st March 1989. The company is, gradually, reducing the amount of losses and adjusting the profit against the previously accumulated losses.

Future Prospects

The AJMC deserves a better future prospect if compared with the business activities of other jute manufacturing firms. With all adverse situations both in domestic and international jute goods markets, AJMC is
earning profit. It has already launched modernisation and diversification strategies which other companies are still considering. As an industrial unit of a large business group, it enjoys several extra facilities like finance, access to markets etc. The management of the company firmly believes that the introduction of new products in product line like lightweight sacking and fabrics, yarn, twine and non-traditional items would enable the company to restore its past glory in future.

CASE STUDY 3: THE NAHATI JUTE MILLS COMPANY LIMITED

Introduction

The Naihati Jute Mills Company Limited (NJMCL), a public limited company in the private sector of Indian jute industry, was founded by British entrepreneurs in 1905 at Calcutta. It was under the Bird and Company, a managing agent holding nine jute manufacturing units, since its inception to 1958. Bhagat Group has taken over this unit in 1958 and till date, it is managed and owned by them. The company's former registered office was destroyed by fire in January 1974 and the present registered office is located at 7, Hare Street, Calcutta 700 001. It has its mill situated on the left bank of the River Hooghly at Hazinagar, Naihati, about 27 miles north of Calcutta.

The NJMCL has an installed looms capacity of a total of 766 looms (Hessian 504, Sacking 118 and Broad looms 144), which should produce more than 30,000 tonnes of jute products. The average actual production per annum is about 26,000 tonnes. It consumes nearly 28,000 tonnes of raw jute per year which costs more than Rs. 16.53 crore. The annual sales turnover of the company is nearly 29,000 tonnes valued
at Rs. 32.9 crore. It earned Rs. 8 lakh after taxes and depreciation charges and contributes as much as Rs. 198 lakhs to the exchequer by way of taxes and duties. It has export earnings of Rs. 3.6 crore per annum as in 1989-90.

The NJMCL is producing jute items namely hessian, sacking and CBC which are conventional packaging materials. Presently, under the modernisation and rehabilitation scheme of the Government of India, the company has felt it necessary to make provisions for the manufacture of a number of value-added products to further improve the profitability. The capital structure of the company shows an amount of Rs. 149.98 lakh as authorised and Rs. 87.98 lakh as subscribed and paid up capital. The working of the unit had been good till early-eighties but suffered a setback in mid-eighties and is showing upswing trend again for the last few years.

**History and Growth**

It is evident from the date of inception (1905) that the NJMCL is an old company. Established, promoted and managed by British business entrepreneur, the company's progress, growth and development had arrived at the peak marked by full capacity utilisation, high production, profits and dividend. It showed good results even after the British managing agent, Bird & Company handed it over to the Indian Business family, Bhagat Group. The Bhagat Group had taken over the unit in 1958 and is still owning and managing it. The Group has some other businesses and has long experience of handling jute products.

The NJMCL was run profitably for a long period of time till the mid-sixties. This performance was affected by
the onslaught of synthetic substitute packaging goods. The period of seventies and mid-eighties were again charac-
terised by adversities like strike, lock-out, uneconomic prices of jute goods both in the internal and overseas market, rising costs, unscheduled power cuts, and shortage of working capital. Although production in some years increased, the working result was a loss because of continuous increase of production costs on the one hand and depressed selling price of jute products on the other. The amount of losses, ultimately, has increased in such a way that the cumulative debit balance of the profit and loss account of the company stood at nearly Rs. 8 crore in 1987. Moreover, the current ratio, debt-equity ratio and other performance criteria were adversely affected which led to the final closure of the company in 1985. It has been revived by the Board for Industrial and Financial Reconstruction (BIFR). Now, the company is functioning well. For the last two years, it was earning profits. It has attempted to reduce the cumulative losses through adjustment of current year's profit.

Management Structure

The NJMCL is managed under the directorial pattern where Board of Directors is the highest body for formulating overall policies and strategies. The Board consists of eight members either elected by the general body or nominated by the various authorities involved in different business activities of the company. The Board is headed by a Chairman who possesses no executive power. The owner-
manager Mr. J.K. Bhagat holds the position of Managing Director. He is, in fact, the active director and he administers all the affairs of the company. Three directors are nominated by the banker, financial institution, and BIFR. Other members are appointed by the company.
The management structure at the corporate office comprises executives and managers headed by a Chief Executive (Exhibit - 6.5). The Chief Executive is responsible for the day-to-day managerial functions of the firm. He executes the policy and programmes of the Board, directs and controls the activities of other administrative officers and staff both at the head office and at the factory level. The Chief Executive is in a position to place different suggestions and recommendations before the Board for approval. Functional senior executives discharge their duties under the guidelines laid by the Board and Chief Executive. They enjoy very less autonomy in taking decision at their discretion. The General Manager (Mills) is in close touch with the workforce engaged in the factory premises. There are supervisors, foremen and workers under his control. He is responsible for all activities relating to the manufacturing process.

EXHIBIT - 6.5

MANAGEMENT STRUCTURE OF THE NJMCL

Board of Directors

<table>
<thead>
<tr>
<th>M.D.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
<tr>
<td>(Secretary)</td>
</tr>
</tbody>
</table>

Chief Executive

| General Manager (Mills) | Senior Executive (Purchases) | Senior Executive (Sales) | Senior Executive (Finance & Accounts) | Senior Executive (Stores & Admin.) |
Marketing

The NJMCL has no separate division/department in the name of marketing. It maintains a sales department headed by a Senior Executive. The Senior Executive implements marketing policies formulated by the Board. In some cases his suggestions are sought by the Board in the policy-making process. The company considers the impact of substitute products, competing producers, Government policies, prospective market segments, and other allied factors in adopting the marketing plan for the jute products.

The former product policy of the company: to produce traditional items of sacking and hessian; was supplemented by the production of carpet backing cloth (CBC) according to the needs of overseas market segment in the early-sixties. Presently, its product policy is focused on the production of value-added jute and jute-blended items like Geo-jute, Union fabric, decoratives, apparel, wall coverings, mats etc. As the implementation of present policy is time bound, the company's policy of producing conventional items are still followed to meet the internal markets demand for packaging materials. It sells more than 80 per cent of jute products in the domestic market and the rest in overseas markets (Exhibit 6.6).

EXHIBIT 6.6
DISTRIBUTION OF JUTE GOODS BY THE NAIHATI JUTE MILLS CO. LTD.

<table>
<thead>
<tr>
<th>Year</th>
<th>Quantity (M.T.)</th>
<th>Price (Rs. in lakh)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Local market</td>
<td>Export market</td>
</tr>
<tr>
<td></td>
<td>Total</td>
<td>Local market</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Export market</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td>1987-88</td>
<td>20,258</td>
<td>4,679</td>
</tr>
<tr>
<td></td>
<td>24,937</td>
<td>1,573</td>
</tr>
<tr>
<td></td>
<td></td>
<td>363</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1,936</td>
</tr>
<tr>
<td>1988-89</td>
<td>23,359</td>
<td>3,082</td>
</tr>
<tr>
<td></td>
<td>26,441</td>
<td>2,206</td>
</tr>
<tr>
<td></td>
<td></td>
<td>291</td>
</tr>
<tr>
<td></td>
<td></td>
<td>2,497</td>
</tr>
<tr>
<td>1989-90</td>
<td>23,921</td>
<td>4,960</td>
</tr>
<tr>
<td></td>
<td>28,881</td>
<td>2,727</td>
</tr>
<tr>
<td></td>
<td></td>
<td>565</td>
</tr>
<tr>
<td></td>
<td></td>
<td>3,293</td>
</tr>
</tbody>
</table>

The distribution of products is either made directly or through trade middlemen in the local market while export is done either by Shippers or through STC/NJMC consortium. Cost plus formula is applied in pricing goods for domestic market segments. Export price is quoted by Shipper's Association through quotation. Government of India and mandatory jute goods users (i.e. sugar, and fertilizer industries) are the principal customers in the domestic market while USSR is the principal foreign buyer. It sells goods to other European countries also. Market promotion measures are undertaken by JMDC/JCI for the NJMCL. It has no specific promotional programme for itself. Newly introduced diversified products are exhibited in the international fair and local exhibitions through the company's participation.

Production

The location of the NJMCL factory is ideal. The layout of the plant is systematically and orderly arranged to ensure a better working environment. The company is manufacturing jute items like hessian, sacking, CBC, twine and fine yarn. Recently it set up a project for manufacturing fine yarn which is going under production very soon. It has already bought two machines for the same purpose.

Procurement of raw jute is done by the purchase department of the company. A Senior Executive is heading this department who purchases the required quantity of raw jute either from the jute growers or from the JCI. Virtually, JCI ensures the maximum raw jute supply as the unit is still treated as sick. It has consumed raw materials amounting to 28,705 tonnes in 1989-90 against 26,938 tonnes in 1988-89 which is valued at Rs. 1,682 lakh and Rs. 1,165 lakh respectively. The installed capacity of the firm is 31,000 tonnes in 1989-90 against 29,300 tonnes in the previous year. But the actual production rose at 27,443 tonnes in
1989-90 against 25,633 tonnes in previous year (Exhibit-6.7). The percentage capacity utilisation has increased from 84 to 88 per cent in the last three years.

**EXHIBIT- 6.7**

**CAPACITY STATISTICS OF THE NJMCL**

<table>
<thead>
<tr>
<th>Year</th>
<th>Licenced Capacity</th>
<th>Installed Capacity</th>
<th>Actual Production</th>
</tr>
</thead>
<tbody>
<tr>
<td>1987-88</td>
<td>500 (H.P)</td>
<td>29,300 tonnes</td>
<td>24,625 tonnes</td>
</tr>
<tr>
<td>1988-89</td>
<td>500 (H.P)</td>
<td>29,300 tonnes</td>
<td>25,633 tonnes</td>
</tr>
<tr>
<td>1989-90</td>
<td>500 (H.P)</td>
<td>31,000 tonnes</td>
<td>27,443 tonnes</td>
</tr>
</tbody>
</table>


In 1987-88 the company had imported modern high speed ATPR looms from USSR and put them into production. The quality of the woven fabric on ATPR looms is much superior. Productivity of these looms is high as compared to ordinary looms. Also the ratio of man-machine in this loom is only 50 per cent of the ordinary looms. Some other technological absorption, adaptation and innovation programmes are being undertaken under the modernisation and rehabilitation package of the government.

There is not much of Research and Development work in the unit itself. However, Indian Jute Industries Research Association (IJIRA), of which company is a member, is doing research and development work for the company. Its project for diversified jute goods is under active consideration.
Personnel

Personnel department of the NJMCL has been put under the management and control of a senior executive. Like other functional areas, personnel policies are also formulated at the corporate level. The Senior Executive (Store and Administration) only carries out the orders of executing these policies with other staff members. A small number of staff and workers are recruited to avoid the overmanning problem. Young but professional executives are recruited as officers and staff after proper scanning through interview and different tests. Workers are employed on the basis of recommendation of supervisors and foremen. Most of job-seekers at this level are, in fact, the casual and temporary workers who have already had a long association with the company. The people at officer, staff and workers level are compensated as per the prescribed rules of the government, Companies Act, 1956, and of IJMA wherever applicable. Other admissible benefits and allowances are also provided for the staff and worker.

Seniority, experience and efficiency are the factors considered in the promotional policies of the company. The employee concerned is given status and higher pay scale on promotion. Where Status is not given due to the paucity of next higher post after the expiry of scheduled period, remuneration commensurate with that post is provided to him. Pension, gratuity, provident fund facilities and other welfare measures are provided by the company.

There is little scope for training of the staff and worker. It has no training centre. The workers take on-the-job training from their supervisor or senior colleagues. Executives and officers are permitted to
participate in seminar and symposium arranged by different authorities both inside and outside the country. Technical persons are sent to Jute Research Institute for gaining more expertise. The company continues to enjoy cordial industrial relations throughout. In the recent years, officers and workers have shown a higher degree of commitment to the company which has resulted in the increase of production and profit.

Finance

The activities relating to finance is dealt with by the senior executive in charge of finance and accounts. Financial policy decisions taken in the Corporate office are implemented by the Senior Executive (Finance) with his other subordinate-staff. The capital for the Company is arranged by issuing shares to the public and promoter-directors. The authorised capital of the company is Rs. 1,49,98,900 and paid up capital is Rs. 47,48,900 as shown in the annual report 1989-90. The amount of paid up capital is low to meet the financial demand of the company. Therefore, it takes money from some other sources like financial institutions and banks.

The NJMCL had no deficiency in finance till the later part of seventies. Financial problem have become acute only in the mid-eighties because of the change in cost structure, sluggish demand in both internal and overseas market, have resulted in huge losses. After the declaration by BIFR as a sick unit, the company was provided with secured and unsecured loans. The financial institutions namely IRBI, IFCI, IDBI, ICICI, Punjab National Bank and Bank of Baroda are giving both term loans and special term loans to the company. Moreover, Managing Director and other director are
perovided loans from their personal accounts. Presently, the company is not suffering from financial problems. Financial statements show that company has earned net profit of 31 lakh in 1989-90 against Rs. 8 lakh in 1988-89. This profit helps in the reduction of the previous cumulative loss of Rs. 776 lakh in 1988-89 to Rs. 746 lakh in 1989-90.

Future Prospects

The Naihati Jute Mill Company Limited has been closed for sometime due to industrial sickness. Since its revival, the company is doing well in business. It has undertaken modernisation and diversification policies. The modernisation policy has been partly implemented through installation of new machinery. But, the diversification policy will be implemented by 1992. The company is mapping out other strategic measures to manipulate both the external and internal factors which are affecting its normal growth. The present management team promises that the NJMCL would attain success in future.

CASE STUDY 4: NEW CENTRAL JUTE MILLS COMPANY LIMITED

Introduction

The New Central Jute Mills Company Limited (NCJCL) founded in 1915 at Calcutta is a private sector business firm in the Indian Jute Industry. It is a public limited company organised and managed according to the Joint Stock Companies Act, 1956. The directoral management pattern is being practised by the company. Its objective is to manufacture jute goods and thus earn profit. Besides, it has certain social objectives like creating employment opportunities, earning foreign exchange, utilising domestic
resources, gearing up industrialisation and, finally, facilitating economic growth of the country.

The NCJM is producing both conventional (hessian, sacking and CBC) as well as high valued non-traditional diversified items. Its installed looms capacity is 1157 (hessian 711 and sacking 446). There are also 449 broad looms used for manufacturing CBC. It produced 48,000 tonnes of jute products in 1989-90 as against 53,000 tonnes in the previous year. The annual turnover in 1989-90 was about Rs. 61 crore against Rs. 55 crore in 1988-89 which includes exports worth Rs. 6 lakh and Rs. 9 lakh respectively.

Since its inception, the company was a profitable concern but for the last ten to twelve years, it has been incurring losses. Recently, it has been declared as a sick Unit in September 1990 by the Board for Industrial Financing and Reconstruction (BIFR) as per the provision of the Sick Industrial Companies (Special Provision) Act 1985. It is still sustaining losses, but policies regarding large scale changes in the capital structure as well as ownership and management pattern have been suggested by the BIFR to revive the unit under the Modernisation and Rehabilitation programme. These policies are yet to be implemented in full.

History and Growth

The NCJM had come into existence in 1915 at Calcutta. It had three jute mills - two at Budge-Budge and one at Ghursury situated on the bank of river Hooghly. The Ghursury factory was closed down in 1958 and the loom hours are worked in Budge-Budge mills to utilise wide loom plant machinery producing carpet backing cloth which has a good market in the USA. The loom capacity of the company increased by nearly 2500 during the mid-sixties and most of
the looms were utilised for satisfying the large scale orders of both domestic and external customers. The working results during that period were also satisfactory. Since then, the percentage of capacity utilisation, volume of production, and overall performance of the company started dwindling with the depressed conditions of the jute industry owing mainly to the onslaught of synthetic substitutes. The normal growth was also hampered by the shortage and higher price of raw jute, uneconomic cost structure, adverse working environment coupled with labour unrest, unremunerative price of the finished products, irregular and inadequate supply of power, shortage of finance, and stiff competition in the overseas market.

During the period of mid-sixties to mid-eighties the production capacity as well as working result declined sharply resulting in a large amount of cumulative losses estimated at Rs. 20 crore in 1986-87. The company is still incurring losses and its debt-equity and current ratios came down to 0.28 and 0.25 respectively during 1987-88 which are the indicators of worst performance. Over a long period, the company has been doing business in the basis of loans and credit taken from several financial institutions and commercial banks by mortgaging fixed assets. In the month of August 1990, BIFR has included the company under Modernisation and Rehabilitation Scheme with the status of a Sick Unit and funds have been allotted to revive and make the company viable. To this effect, some changes in the structure of management, ownership and capital have been thought of by the top level executives which are expected to materialise by 1992.
The Management Structure

The NCJM was under the management and control of European entrepreneur-managing agent upto 1947. The ownership and management had been shifted to Indian businessmen in the post-independence period. Since then, the company management pattern remains the same. Directorial system of management is being followed in the business. Its management is unique in that the principle of separation of management from ownership is followed here. The owner-directors of the Board are less dominant and interfering unlike the business undertaking owned and managed by large business groups. The Board of Directors (BoD) consisting of six members is the highest administrative and policy making body. Two member of the BoD are the nominees from West Bengal Industrial Development Corporation (WBIDC) and BIFR. The Managing Director deals with the overall management. The functions of finance and marketing are looked after separately by two whole-time directors.

In the organisation structure, especially in the corporate office, there are officers and staff who implement the policies and programmes formulated by the BoD. Some officers and staff are working at the factory level also. Their activities are controlled by the corporate office. The management has recently introduced the concept of cooperative management system with the aim of giving a new impetus to the company. Moreover, to ensure and take the advantages of Modernisation and Rehabilitation package, the BoD has been reconstituted with adequate representation of the Government of West Bengal, Financial Institutions, Banks and Employees.

Steps are being taken for implementation of the scheme including restructuring of share capital, increase in
the authorised capital and amendment of Memorandum of Association of the company and further strengthening of the Board by reconstitution in accordance with the sanctioned scheme.

Marketing

The marketing activities of the company are placed under the administration and control of a Whole-time Director. Under him, there are officers and staff dealing with exports and market development. Long-term policies regarding marketing are formulated at the apex level. Director (Marketing) is responsible for the execution of those policies.

The NCJM has certainly lost its glory over the years: the prestigious position of being the earner of foreign exchange. It has changed its distribution policies from overseas to internal market due to the fierce competition from other jute goods exporting countries and substitute packaging materials. Now, it sells 80 per cent of the products in the domestic market and 20 per cent in the export market. CBC is the important item sold in export markets. USSR is the major importing country. Some other European countries also import jute goods from the NCJM. Statutory buyers/consumers like Government of India, sugar, fertilizer and cement industries are the prominent buyers of sacking and hessian in the domestic market.

The cost-plus pricing formula is applied in pricing the jute products for the domestic market. IJMA fixes up the price on its behalf being a member of the association. Goods sold in the overseas market are priced either by Gunny Trade Association (GTA) or by State Trading Corporation
(STC). Other terms and conditions relating to foreign trade are being regulated by concerned authorities and trade regulations.

The channels of distribution maintained by the company are either direct or through agent middlemen in domestic market segment. Export trade is made through shippers or State Trading Corporation (STC). There is no scope of direct trade with the overseas buyers. The company faces competition from other jute goods manufacturing firms and synthetic materials producing firms. The competitors in the overseas market are Bangladesh, China, Nepal and Thailand. Being a sick unit, it is unable to implement the policies formulated for promotion and market development. Jute Manufactures Development Council (JMDC) indirectly undertakes the responsibility of launching promotional and development programmes. Presently, under the Modernisation-cum-Rehabilitation Scheme, it has started producing and distributing diversified products in collaboration with IJIRA. Some of these products have received wide acceptance of the prospective buyers/customers.

Production

The NCJM owns two jute mills, a foundry and a jute mill machinery manufacturing division at Budge-Budge in West Bengal. The factories are electricity driven. With the objective of producing traditional items, the company has undertaken a policy of manufacturing non-traditional value-added items. An executive, designated Chief Mill Manager handles the functions of production. He has two Assistant Managers posted in the Lothian and Albion mills. In view of the depressing industrial scenario, the company had closed down its three factories and installed broad looms in the latter part of 1950s.
The company procures raw jute from the jute growers and Jute Corporation of India (JCI) stock. It consumed about 50,543 tonnes of raw jute valued at Rs. 3137 lakh in 1989-90 against 55,204 tonnes valued at Rs. 2,496 lakh in the previous year. Due to financial constraints, the company being a sick Unit, could not build up stock of raw jute early in the season as per practice of trade and therefore could not overcome the disastrous effects of price escalation in raw jute, which has substantially affected the working results of 1989-90. It could not avail the opportunity of importing raw jute for the same reason and therefore used cent per cent indigenous raw material of higher price.

Due to long usage, the machinery of the company is incapable of giving the expected/budgeted production. Hence the company has adopted plant modernisation policies with some repairs and renewals programmes. To remove the problems of frequent power failure and shortage, it has installed two generators which have mitigated the problem to some extent.

The Research and Development (R&D) division of the company is more active and efficient than those of other units. IJIRA and NCJM have together taken various research projects which are implemented as well as investigated at the plant of the company. The projects are related to the product development and innovation of new jute products and reduction of the quantity and upgrading the quality of jute fibre. It has spent Rs. 3.15 lakh in 1989-90 as against Rs. 2.30 lakh in 1988-89 under the head of R&D. Several benefits have already been derived as a result of these research projects.
The company has a product development plan, keeping in view the market demand—both domestic and export, of exploring the usage of jute textile in the field of home furnishings and garments based on IJIRA's technology. Sussen Parafil 200 Wrap Spinning frames have been installed by IJIRA under the UNDP programme in the mills on an experimental basis. Trials are being made for the usage of Wrapped Yarn in carpet fabric for export. The company is exploring the possibilities of exporting textile, blended cotton, viscose, poly-propylene etc. and also jute decorative, upholstery, fancy soft luggage and other specialities. Some of the products have already been developed and marketed. Others are under research and are to be tested in the prospective market segments.

Personnel

The NCJM has a strong tradition of recruiting experienced and skilled workers, staff and officers. Its Annual Report, 1989-90 shows that all the eighteen high officials of the company fall within the age group 55-60 years. These officers/executives are more qualified having long-term experience. To keep the manpower within a manageable limit the company has abandoned recruitment for some period. But, recruitment at other levels except workers is done for some special cases like technical and professional positions.

The employee and workers of the company are remunerated according to existing provisions. This unit has introduced some practical incentive schemes for motivating the employees and workers. For the last two years, the workers, staff, and officers are sharing ownership and management as a part of the newly introduced concept of cooperative management. According to the system, workers and
employees have become the owners either by purchasing shares or shares issued to them against the provident and state insurance fund due from the company. The sense of belongingness has made them more enthusiastic, committed and loyal to the company. The performance of the company is improving resulting in the rise in earnings of the workers and employees. The Managing Director, Mr. D. Gupta claimed that the company paid average wages amounting to ₹ 2300 to each worker in a month. The amount is higher than the amount paid by other comparable units in jute industry at Calcutta.

At staff and officers level promotion is given on the basis of experience, seniority, and qualifications. The workers are getting monetary advantages after a certain interval of time so far as their promotion is concerned. Promotion to workers is based on the performance evaluation report of the concerned supervisors and the chief mill officer. The present management's sincere and sympathetic attitude, with regard to the welfare and development of the employee workers both at industrial and individual lives, has helped in improving the industrial relations over the last few years.

The workers of the company are undergoing on-the-job training while the officers are sent to other training institutions. The company has a separate budget for the training purpose which is very rare in other jute business unit. There are sufficient welfare facilities for the employees and workers. Unfair labour practice is decreasing due to the change in ownership pattern.

Finance

The company has an authorised capital of ₹ 5 crore and paid up capital of ₹ 2.89 crore. Its BoD has proposed
to increase the amount of authorised capital to ₹ 15 crore but the BIFR did not agree with this proposal. The shareholders contributions were the prime source of capital finance over a long period of time till mid-sixties. After then, due to bad performance, its shares lost value on the Stock Exchange. During the last two decades, it became absolutely dependent on the government, Financial Institutions and Banks for the finance, to meet especially the requirements of working capital. In most of the cases, this shortage of capital arrangement was dealt with by mortgaging the fixed assets of the company.

Being a sick unit, the company and the BIFR have signed an agreement for restructuring the capital structure as a part of Rehabilitation and Modernisation Scheme. As per stipulation, 90 per cent of the paid-up equity and 75 per cent of the paid-up preference share capital are to be written off, and arrear dividends on preference shares would be foregone; shares of erstwhile promoter group both preference and equity shall be transferred to employees @ ₹ 1 per share. There will be fresh equity participation of ₹ 400 lakh by the Government of West Bengal and ₹ 500 lakh by the employees. The arrear interest due to Industrial and Reconstruction Bank of India (IRBI) of ₹ 46 lakh will be converted into equity. Banks will convert their interest to zero-rated debentures repayable after 15 years.

At present the company is receiving term loans from Institutions (Banks and Government of West Bengal including those under Jute Modernisation Fund Scheme/Special Jute Development Fund Scheme/Excise Duty Relief Scheme) amounting to ₹ 925 lakh. The Department of Industrial Reconstruction/Government of West Bengal had extended the Relief Undertaking Status to the company under the West Bengal
Undertakings (Special Provision) Act, 1972 for another year upto 4th March 1991, and has kept outside its purview the dues of Banks/Government and Financial Institutions and Workmen. The employees are deferring progressively, part of their salaries/wages to be converted into equity and/or loan. Such contribution aggregated to Rs 798 lakh as on 31st March 1990.

The working result of the company is not satisfactory. It has been sustaining losses since the last two decades or more resulting in an accumulated loss of Rs. 3181 lakh in 1989-90 as against Rs 2635 lakh in the previous year. The loss during the year, ended on 31st March 1990, is Rs. 546 lakh which was Rs. 254 lakh on 1988-89. The financial policies as adopted by the company will be implemented very carefully and the Managing Director is confident of overcoming all shortcomings and thus bring the unit from its present vulnerable to a viable position.

Future Prospect

The NCJM has introduced a new system of management & ownership in jute manufacturing business in India. This cooperative management model has been functioning well as the workers-employees are more enthusiastic and more committed to the company's future growth. Moreover, the company is run by an efficient group of people at every level of management. It has introduced some R&D project jointly with IJIRA and has produced some diversified jute products. Though the company is sustaining losses but the present management expects a brighter future subject to the availability of financial support from different financing authorities and institutions for the purpose of implementing its on going modernisation programmes.
CASE STUDY 5: NATIONAL JUTE MANUFACTURES CORPORATION LIMITED

Introduction

This case study pertains to the only public sector company of Indian jute industry, which is in the tenth year of its existence. Before 1980, all jute manufacturing business firms in India were in the private sector. Changes in business environment, both inside and outside the jute industry, and its impact on the industry over a period of several decades since mid-sixties, has resulted in the closure of a good number of jute mills. The jute mill owners, jute traders, and related interest groups had become disgusted with the bad working results of several industrial undertakings. There was unrest among the workmen and employees who had lost their jobs owing to the closure of their working units. Workers and employees raised the question of nationalisation of the weak units before the Central as well as the State Governments as an alternative to resuscitate the ailing units and thus protect their livelihood. In response to this urge, the Government of India has taken up the ownership and management of the six units namely Alexandar Jute Mills Limited, Khardah Company Limited, Kinnison Jute Mills Limited, National Jute Manufactures Corporation Limited and Union Jute Co. Ltd. at West Bengal and R.B.H.M. Jute Mills Ltd. at Bihar under the Jute Companies (Nationalisation) Act, 1980. According to the provisions of Nationalisation Act, National Jute Manufactures Corporation Limited (NJMC) came into being as a holding company for all the six mills. These subsidiary units had to lose their separate identity. The NJMC being a holding company is having the status of a joint stock company as per the Companies Act, 1956. Under the prevailing system, subsidiary units do not have Board of
Directors. All their activities and functions are controlled and directed by the NJMC's Board. This researcher has visited the Kinnison unit, Union Unit and the Corporate office of NJMC. As the units have no separate identity, and as they do not maintain separate records and information, the NJMC has been studied as a public sector company comprehensively.

History and Growth

The NJMC's history and growth spans a period of nearly a decade. It was incorporated on 20th December, 1980 but its individual constituents/subsidiary units have been in existence for more than fifty years. At the formative stage, the NJMC had to face innumerable problems such as shortage of capital, repayment of past liabilities of the subsidiary units, reorganising the capital and administrative structure, mitigating worker/employee's difficulties, compulsory retirement of the excess manpower and such other problems. The entire period of the existence of NJMC has passed either in implementing modernisation and rehabilitation programmes or in rearranging the administrative set-up to bring the enterprise to a stable position. Simultaneously it has tried to boost the productivity and efficiency of the constituent units. However, the overall working result have not been satisfactory though the productivity and efficiency have shown a slight increase during the last five years. There is no marked change and growth in the installed capacity of production; no new looms have been added to the existing ones. Statistics show that the capacity utilisation rose from 67 per cent during the 6th Five Year Plan (averaged on an annualised basis) to 77 per cent during the 7th Plan and the productivity per day has increased from 370 M.T. during
6th Plan period to 406 M.T. in the 7th Plan period. Accordingly, the sales turnover of the company increased from 1,15,017 tonnes valued at Rs. 85 crore in 6th Plan period (1981-85) to 1,22,956 tonnes valued at Rs. 112 crore in the 7th Plan period (1985-90). Despite all this, the company has incurred a net loss amounting to Rs. 41 crores in the 6th Plan period and Rs. 51 crore in 7th Plan period on the average per annum. This amount has again raised the cumulative figure of the previous amount of loss that stood at about Rs. 445 crore in 1989-90.

The enterprise has received an award for excellence in export performance in 1988-89 and earned the distinguished status of 'Trading House' through sustained export achievements. Its exports of Rs. 12 crore on an annual average basis during 6th Plan period increased to about Rs. 14 crores in 1989-90. NJMC has undertaken Modernisation and Rehabilitation programmes in two units in 1989. In RBHM Unit in Bihar, obsolete machines have been replaced by modern machines coupled with rationalisation resulting in a decrease in manpower requirements of about 1000 persons. In Union Unit at Calcutta, relayout of machines for introduction of a new system for producing value-added fine yarn was undertaken. Both these measures were necessitated by cost-benefit considerations. Likewise, NJMC has formulated other strategies and there are programmes under implementation the result of which is expected to materialise in the next few years.

The Management Structure

The ownership and management pattern of the constituent units have been changed with the formation of NJMC. As a public enterprise, management structure of the
NJMC has been rearranged in accordance with the provisions of the Jute Companies (Nationalisation) Act, 1980 and with other statutory and Government's guidelines and rules in this respect. The newly emerged public enterprise has a Board of Directors (BoD) for discharging administrative and policy making functions as an apex body with a view to attaining the end objectives. Like other government undertakings, the Chairman-cum-Managing Director heads the BoD and other directors are either appointed or approved by the Government of India/Ministry of Textile. They remain accountable to the Government for their duties and responsibilities. The BoD of NJMC consists of 14 members. Some directors are undertaking functional responsibilities, and are designated as whole time directors. They have a dual role to play in formulating as well as executing policies. The top management structure is depicted in Exhibit - 6.8.

At the unit level, a separate organisation structure exists under the control of NJMC and this structure is wholly functional in nature. It varies according to the size of the concerned units. The management at the individual unit has no authority to take decisions regarding major policy matters without the prior permission of the corporate office. It can take decisions related to the problems arising in the day-to-day operations of the mill but only under the predetermined guidelines rules and regulations laid down by the corporate office. This pattern of centralised policy making actually hinders the normal functioning and thus creates unnecessary delays in policy implementation. Unit administration is headed by a General Manager, who administers the activities of other subordinate colleagues and workers. The existing organisation structure at the unit level of NJMC is depicted in Exhibit - 6.9.
EXHIBIT 6.8

TOP MANAGEMENT STRUCTURE OF NJMC

Board of Directors

<table>
<thead>
<tr>
<th>Chairman cum Managing Director</th>
</tr>
</thead>
<tbody>
<tr>
<td>Director (Finance)</td>
</tr>
<tr>
<td>(G.M.) (Accounts)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Manager (Internal Audit)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Asstt. Officer</td>
</tr>
</tbody>
</table>
EXHIBIT - 6.9
ORGANISATION STRUCTURE OF NJMC'S JUTE MILL UNITS.

General Manager

<table>
<thead>
<tr>
<th>Chief Financial Controller/Chief Cost Controller</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chief Mill Manager</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Chief Manager (Personnel)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Works Mgr.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Asstt. Works Mgr.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Senior Works Mgr.</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Mill Asstt. (Sr. Grade)</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Mill Asstt. (Jr. Grade)</td>
</tr>
</tbody>
</table>

Source: NJMC's MIS Department.

Marketing

The marketing function of the NJMC is controlled by a centralised corporate division and one Whole Time Director is looking after it. It is obvious that marketing policies of NJMC are different from those of private sector jute mill units. As a government undertaking, its policies of marketing are heavily influenced by the Ministry of Textiles. Most of the time the Ministry fixes the targets of marketing both for domestic as well as for export markets. The Ministry has formulated a product diversification policy causing the NJMC to change its product mix from conventional
items to value-added items. It further aims at the implementation of other market related policies like expansion and development of markets, and introduction of new items made up of unionised fabric.

The NJMC has adopted a proactive marketing policy to regain and retain the market share which was lost to synthetics. With this objective, it has taken initiatives to innovate and improve the quality of carpet backing to update controlling devices which could ensure timely shipment as well as prompt redressal of customers' grievances. While private sector jute mills of India have nearly lost their contact with the American CBC market, NJMC retains its market share almost intact despite massive adverse campaign by giant multinational corporations.

On the basis of market research findings and in response to customers/buyers' inclination towards non-traditional items exhibited in export fairs and exhibitions, NJMC has begun to produce fine jute yarn at its units of Kinnison and Union. This yarn is converted into fabrics used for manufacturing diversified products. Sometimes, these units supply the yarn and fabric to Birds Jute and Export Limited (BJEL) which is a subsidiary processing unit revived under the administration of NJMC. BJEL produces all value-added non-traditional items in terms of nature and usage. It produces jute decoratives, made-up articles, garments, garments, brief cases, lamp shades, etc. To satisfy the customer's demand in the market, NJMC has undertaken two more ambitious projects at Kinnison unit and Khardah unit at a cost of Rs 11 crore under which further production of fine yarn and jute blended yarns is envisaged to supply more value-added items to various cooperatives in handloom sector scattered over the country. To produce
these diversified products, the different units of NJMC manufacture nearly 30 tonnes of fine jute yarn and jute blended yarn.

The NJMC sells its traditional jute goods to public sector industries (Sugar, Cement, Fertilizer), Directorate General of Supply & Disposal (DGS&D) and the state cooperative sectors in the domestic market segments. The made-up articles of BJEL are marketed through Jute Manufactures Development Council's (JMDC) sales outlet with excellent consumer's acceptability. It exports hessian to USSR and East European countries. CBC with some traditional items are imported by the USA, Japan end EEC countries from NJMC. The company sold products worth ₹127 crore in domestic market and 14 crore in export market (Exhibit 6.10) in 1989-90.

**EXHIBIT - 6.10**

**DISTRIBUTION OF JUTE PRODUCTS BY NJMC**

<table>
<thead>
<tr>
<th></th>
<th>6th Plan $</th>
<th>7th Plan #</th>
<th>1989-90</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Total Sales (Quantity)</strong></td>
<td>115,017</td>
<td>1,22,956</td>
<td>1,25,078</td>
</tr>
<tr>
<td><strong>Total Sales (Value in Rs/cr)</strong></td>
<td>85</td>
<td>112</td>
<td>140</td>
</tr>
<tr>
<td><strong>Domestic Sales (Qty in M.T)</strong></td>
<td>76,796</td>
<td>93,235</td>
<td>94,103</td>
</tr>
<tr>
<td><strong>Domestic Sales (Value in Rs./cr)</strong></td>
<td>56</td>
<td>100</td>
<td>127</td>
</tr>
<tr>
<td><strong>Export (Qty in M.T)</strong></td>
<td>38,221</td>
<td>29,721</td>
<td>30,975</td>
</tr>
<tr>
<td><strong>Export (Value in Rs./cr)</strong></td>
<td>29</td>
<td>12</td>
<td>14</td>
</tr>
</tbody>
</table>

* Annual average is computed on basis of total sales of each plan period divided by 5 years.  
Source: Anual Reprot of NJMC 1989-90.

# 7th Plan = 1986-90.
The price of the jute products is either fixed by the DGS&D (a Government undertaking) or by GTA. NJMC offers discounts and credit facilities to the buyers in the home market especially to the buyers of diversified items. The distribution channel is always direct but rarely it takes the help of trade-niddlemen in the case of dull season. For export, it is helped by High Commission/Embassies of India in jute goods importing countries. Besides, NJMC participates in all international export-fairs, being a government undertaking, to exhibit its newly innovated items among the overseas customers. The company faces competition from other jute and synthetic packaging materials producers in the local market and from Bangladesh, Nepal, China, and Thailand in the overseas market.

Production

The production department of NJMC is headed by Director (Technical). He plays a dual function: he takes part in policy formulation regarding production in the capacity of one of the members of BoD and also implements these policies as an executive director in charge of production function. The NJMC units are not only producing conventional items like hessian, sacking, and CBC but also producing diversified items like fine yarn decoratives, union fabrics, carpets etc. The total looms capacity of all six units is nearly 3000 of which 2550 looms are operating. In fact, NJMC assesses the capacity of production in terms of quantity. The licenced capacity per annum was 2,72,288 M.T in 1989-90 and the installed capacity was 1,65,882 M.T during the same year as against 1,75,046 M.T. in 1988-89. The actual production was 12,1457 M.T. in 1989-90 and 1,28,752 M.T. in the previous year. It is noted that on an annual average basis the capacity utilisation of the company
increased from 67 per cent during 6th Plan to 77 per cent during the 7th Plan period which subsequently decreased to 74 per cent in 1989-90.

The plants' location of all the units are well except the Union unit. Its location is not suitable due to the problems of transport and communication, and shortage of space. Most of the old machineries have been replaced and repaired after the nationalisation. The NJMC has undertaken the programmes of modernisation with the objective by achieving higher capacity utilisation and improving profitability by changing product-mix with emphasis on improvement in use of the existing technology. These programmes have been partly implemented in the units of Kennison, Union, and Khardah. The schemes for RBHM Unit at Bihar, however, could not be approved by the Government as the extent of capital outlay was considered to be counter productive. At present, RBHM unit has been brought under Rescue and Rehabilitation Schemes which is sponsored jointly by the Bihar State Government and Central Government. The project would be completed by 1994-95.

NJMC procures jute fibre from Jute Corporation of India (JCI). JCI goes in for commercial procurement from the very beginning of the jute season. As a result average purchase price for the NJMC could be reasonably contained as compared to the prevailing market trend. It never suffers from the shortage of raw materials. The annual raw jute consumption of the company was 1,34,835 M.T. valued at about ₹ 59 crore in 1988-89 and 1,27,879 M.T. valued at about ₹ 76 crore in 1989-90.

The subsidiary company BJEL resumed its operations from April 25, 1988. It is a processing unit for diversified
product and made-ups. The Modernisation and Rehabilitation programme of BJEL envisages:

1. Updating of existing process technology by way of installation of modern equipment for the improvement in quality of decoratives by introducing more flexibility in the process and also for economising the cost of production.

2. Diversification for manufactureing of new products.

The Government has granted necessary funds to implement the above mentioned objectives from the Jute Special Development Fund (JSDF). Work on modernisation and diversification is already in progress.

**Personnel**

One of the members of BoD remains in charge of Personnel Department of NJMC. The director, designated as Director (Personnel), participates in both decision making as well as policy implementation actively. At the corporate office, he is assisted by other subordinate officers/staff. Besides, at the unit, there are other employees dealing with the personnel aspects. Director (Personnel) coordinates the activities of all executives/officers in the Personnel Department with other functional departments in the company.

Like other public enterprises, top level appointment of Chairman cum Managing Director is done, with the approval of the Appointments Committee of the Cabinet, by the Textile Ministry. The Public Enterprises Selection Board (PESB) has the responsibility to select persons for top-level appointments in the NJMC. It recommends the qualified
candidates to the Ministry of Textile for final appointment in the post of full-time executives. General Managers are selected by the BoD where secretary of the PESB is one of the member to ensure that the claims of the candidate from other public enterprises are not overlooked. For other posts of management cadre, the Board of the company may make such screening and selection arrangements as per the guidelines of PESB considered in the case of recruitment.

With the prior approval of the corporate office, workers are recruited at the unit level. Generally, casual and temporary workers are made permanent in most of the cases. No new recruitment is being done as the enterprise is already overmanned. Only the dependents of the deceased worker get priority in the matter of recruitment.

In the promotional policy, seniority gets more importance at the officers/staff level. Of course, experience, qualification, and individual performance are considered in case of technical/professional posts. Workers get higher wage for their seniority after a certain interval of period. Remuneration to the top-executives, officers and staff are provided as per National Pay Scale applicable to public enterprises. Workers are paid wages according to the Central Wage Board's prescribed rate and tripartite industry-wise settlement. This remuneration policy is liable to change from time-to-time on the directives of the concerned authorities.

NJMC has no training centre of its own. It sends its production executives to the Institute of Jute Technology (IJT) for training. It arranges training programmes for other executives/officers according to their functional areas. Executive may participate in seminar or
symposium organised within the country. Some senior or top level executives are sent to undertake training at different management training institutes like Administrative Staff College of India, Hyderabad etc. The labour-management relationship prevailing in the units of NJMC is cordial and cooperative. NJMC provides several welfare facilities to its employees-workmen. It has a future plan to add more welfare schemes so that the employees-workmen feel themselves encouraged and motivated while performing their assigned duties and responsibilities. Surplus labour being one of the vital cause for continued loss, a major breakthrough could soon be attained by the implementation of voluntary retirement schemes formulated by the company.

Finance

The NJMC has an authorised capital of Rs. 60 crore and issued, subscribed and paid up capital of Rs. 52 crore as on 31st March 1990. The paid up amount of capital includes Rs. 36.60 crore collected by issuing shares for cash and rest of the amount is shown as against share issued other than cash. It also received during the year 1989-90 Rs. 89.74 lakh from the Government of India which could not be converted into share capital. Besides, Industrial Development Bank of India (IDBI), Industrial Reconstruction Bank of India (IRBI), State Bank of India (SBI), United Commercial Bank of India (UCBI), and Central Bank of India (CBI) have been providing long-term loans to mitigate the shortage of working capital. These loans are secured by hypothecation of Stock of raw materials, work-in-progress, finished goods stores and book debts. Moreover, the ongoing schemes of Modernisation and Rehabilitation of different units are being financed by the Government's allocated fund for the same.
In spite of Government's direct entrepreneurship, management and control, the working result of the corporation is disheartening, owing to accumulation of past losses, net worth of NJMC stands fully eroded due to factors like prolonged suspension of committed fund flow, destruction of installed capacity of National Unit due to major fire and continuance of old technology in manufacturing process etc. which are beyond the control of the management. Besides, the company continues to incur huge cash losses. The net loss incurred during 6th plan period on an average was Rs. 41 crore per annum which increased to Rs. 51 crore in the 7th Plan period. Moreover, the current years' (1989-90) net loss is estimated at Rs. 61 crore. The cumulative losses as on 31st March, 1990 stood at about Rs. 445 crore. It has therefore become extremely difficult to obtain need-based working capital from the banks. However, the Government's patronisation is still active and strong enough to help NJMC to get rid of the financial problems and thus enable it to become viable and more efficient in the future.

Future Prospects

The NJMC is a Public Sector organisation and is getting more facilities compared with Private Sector Units from the Government of India in terms of working capital, marketing promotion, R&D etc. Moreover, the organisation has undertaken different policy measures which are susceptible to the changes in demand's pattern of the present day jute goods market for the diversified and value-added jute product. The management of the company is hopeful of Government's support rendered to it to make it more profitable. With this objective in view, the NJMC has initiated a turn-around strategy to reduce losses, achieving
break-even, and earn cash profits by the terminal year of the 8th plan. The turn-around strategy comprises of the following areas:

1. Improvement of capacity utilisation by completing the implementation of on-going Modernisation and Rehabilitation Schemes.

2. Introduction of new technology in the 8th Plan Period (1990-95).

3. Thurst on product diversification.

4. Procurement of raw jute at economic prices.

5. Implementation of voluntary retirement scheme.

6. Elimination of penal interest payable to Jute Corporation of India (JCI).

7. Capital restructuring and financial reliefs; and

8. Reduction of wastage at every level of production.

The management is expecting a prosperous future after mitigating previous liabilities and losses if these strategies are properly implemented.