

C H A P T E R - V.

DATA ANALYSIS.

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CHAPTER NO. V :

DATA ANALYSIS

In this chapter researcher has made an attempt to present data analysis indicating symptoms of industrial sickness found in NGM on diagnosis made. For this purpose 5 years' data have been made use of. The data analysis presented in the chapter consists of following aspects related to different functional departments of Narasingji Girji Mill having responsible for present situation of the mill.

- i) Analysis of capital structure indicating sickness.
- ii) Analysis of fixed assets management indicating sickness.
- iii) Analysis of working capital management indicating sickness.
- iv) Analysis of production expenses indicating sickness.
- v) Analysis of wage expenses indicating sickness.
- vi) Analysis of Administrative Expenses indicating sickness.
- vii) Analysis of profitability indicating sickness.
- viii) Cost structure.

V. I. Analysis of Capital Structure :

In the capitalisation of NGM except in the year 1983, there is no share holders' equity as the same is wiped out on account of heavy operating losses incurred by the mill. This situation indicates that at present the mill is run on borrowed funds and they are contributed by National Textile Corporation. As a result it is

very difficult for mill to go for additional capital expenditure in future. Unfortunately the borrowed funds show increasing trend upto 1986 without any increase in capital expenditure i.e. investment in the additional fixed assets. Please see table No. 24 which supports the fact.

Table - 24 : Table Showing Yearwise Capitalisation of NGM.

I t e m s	1983 - 1987			(Rs.in lakhs).	
	1983	1984	1985	1986	1987
Share holders					
Equity	138.04	-	-	-	-
Loan funds	639.18	697.87	785.50	833.28	708.73
Total funds	777.22	697.87	785.50	833.28	708.73
Employed					

V. II. Analysis of Investments in Fixed Assets :

Following table No. 25 shows the investment of funds in fixed assets and working capital of NGM from 1983 to 1987.

Table - 25 : Table Showing yearwise Investment of  
funds of NGM.

Items/Year	1983 - 1987				
	(Rs. in lakhs)				
	1983	1984	1985	1986	1987
Investments in fixed assets (net)	384.58	346.14	317.41	303.21	250.24
Working capital (net)	392.64	311.15	165.42	86.17	(-)228.48
Less	-	40.58	302.67	443.90	686.91
Total investment	777.22	697.87	785.50	833.28	-

It is clear from the above table that the investment in fixed assets has been declining in the period covered under study. If we consider the fixed assets like machinery which is very old and which needs to be replaced by modern machinery with latest technological development to compete in the market with the products of other mills. But on account of non-availability funds such modernisation cannot be undertaken by NGM which is leading to further sickness of the NGM.

Pattern of Investment :

In the overall investment pattern maximum weightage has been given to investment of current assets' requirement which has registered an increasing trend. This situation could be on account of following weaknesses

in the current asset - management :

- a) Wastage of material
- b) Indicipline amongst workers
- c) Stoppage of machines on account of repairs and maintenance.
- d) High operating cost.

Table - 26 : Table showing Pattern of Investments in Assets :

(Rs. in lakhs)

Year	Fixed asse- ts.	Percen- tage to total assets	% to total assets	% to total assets	Total.	Total %
1983	384.58	36	686.27	64	1070.85	100
1984	346.14	29	837.97	71	1184.11	100
1985	317.41	31	698.16	69	1015.57	100
1986	303.21	31	664.51	69	967.72	100
1987	250.24	35	468.37	65	718.61	100
Average		32.40		67.60		100

Above table No. 26 shows that NGM has made on an average 68% of its investment in current assets during study period and its investment in fixed assets comes around 32%. Thus investment in current assets is higher as compared to investment of NGM in fixed assets.

V. III. : Analysis of Working Capital :

As this unit is very old and a sick too, the working capital requirement is more but the working capital investment trend registered by the industry is declining one.

Following table shows the net working capital position of the NGM.

Table No. 27 : Table Showing Net Working Capital of NGM.

<u>Year</u>	<u>Amt. in lakh</u>
1983	392.64
1984	311.15
1985	165.42
1986	86.17
1987	(-) 288.46

It is clear from the table that in the year 1987 working capital was negative which is an indication of utilisation of long term sources as working capital heavy payables for current expenses and consistent operating losses incurred by NGM which is an indication for shortage of working capital which may further leads to high operating cost and negative operating results causing further sickness to the mill.

Turn Over of Assets :

The investment made in fixed and current assets has been examined with the financial ratios in following table No. 28 :

Table - 28 : Turnover of Various Assets :

Y e a r	Sales fixed assets	Sales current Assets
1983	3.64	2.04
1984	4.31	1.78
1985	5.41	2.46
1986	5.33	2.43
1987	6.49	3.46

As regards to utilisation of fixed assets and current assets it can be concluded that the assets are not being used efficiently as the ratios showing assets utilisation are not high. This situation arises on account of two things - (1) Poor asset utilisation and (2) inefficient marketing management. In case of NGM both the things can be considered as casual factors of present situation i.e. sickness.

Debtors Turn Over :

This factor also plays very important role in current assets management. Following table No. 29 shows debtors turn over of NGM for study period.

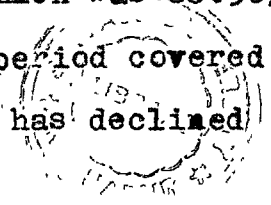
Table - 29 : Table Showing Debtors Turnover and Average Collection period of NGM.

Y e a r	Sales	Debtors	Debtors Turnover	Average collection period in days
1983	1399.88	34.10	41	9
1984	1491.65	93.65	16	23
1985	1714.56	99.53	17	21
1986	1615.58	132.86	12	30
1987	1621.67	179.33	9	40

From the debtors reported in financial statement for the period covered under study it can be concluded that not only the figures showing credit sales of NGM are lower but the recovery of those credit sales are also not made in time. This delayed recovery has resulted in to blocking of working capital. Further, the delay in recovery has registered a consistent increasing trend indicated by average collection period of NGM.

Current Assets of NGM. Solapur :

Investment of NG Mills in current Assets for the year 1983 was to the extent of Rs.686.27 lakh which was 88.30% of the total Assets. For the rest of the period covered under study the investment in total assets has declined



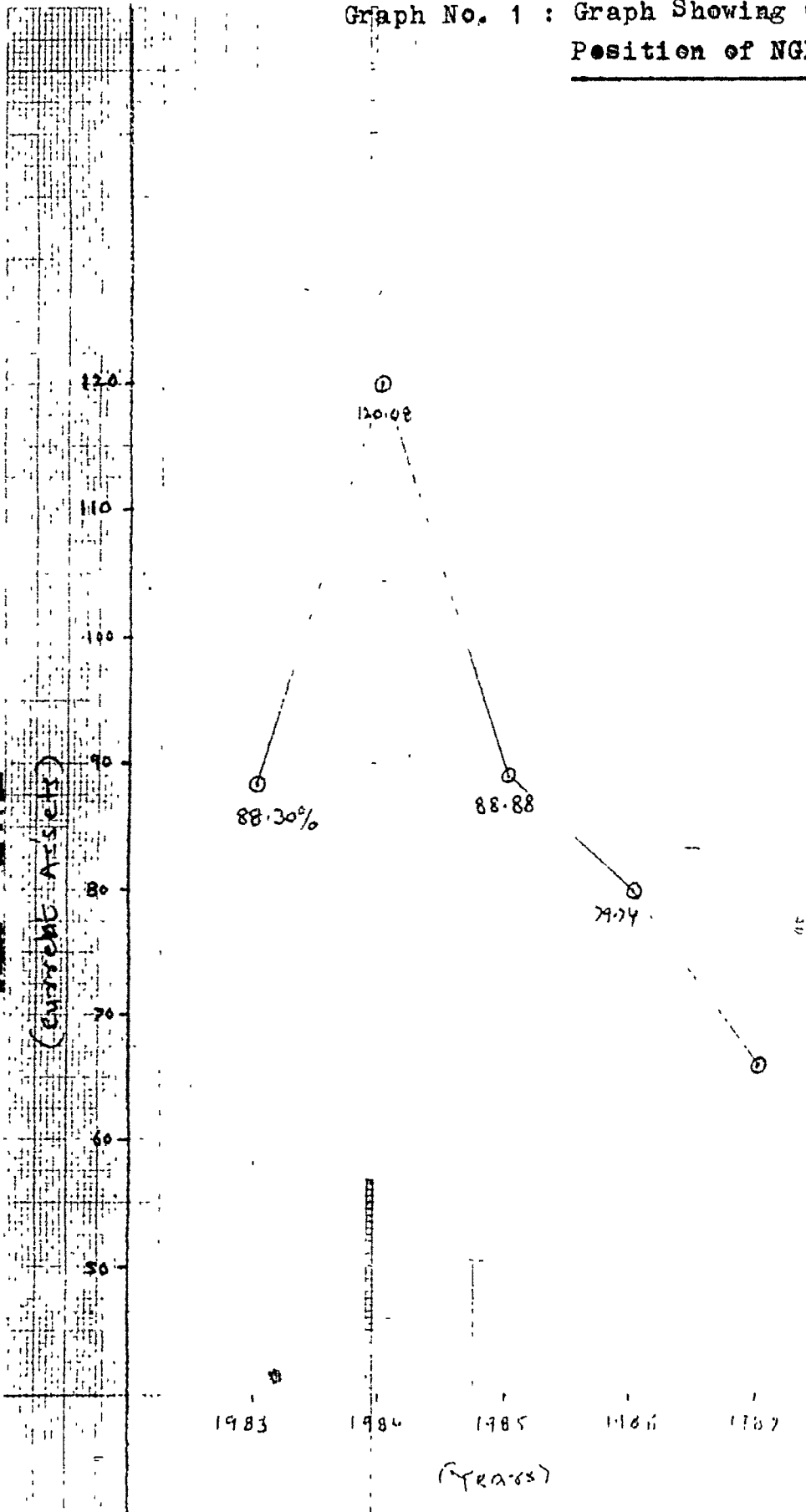


continuously and in the year 1987 it has come down to Rs.468.37 which was 66.08% of the total assets. But this high composition of current assets in total assets of NGMills cannot be considered as a favourable indication as major portion of current assets is in the form of inventory. Too much inventory holding is not a sign of sound short term financial position.

(Graph shown on page No. 120).

2 cm = 10%

Graph No. 1 : Graph Showing Current Assets Position of NGM.

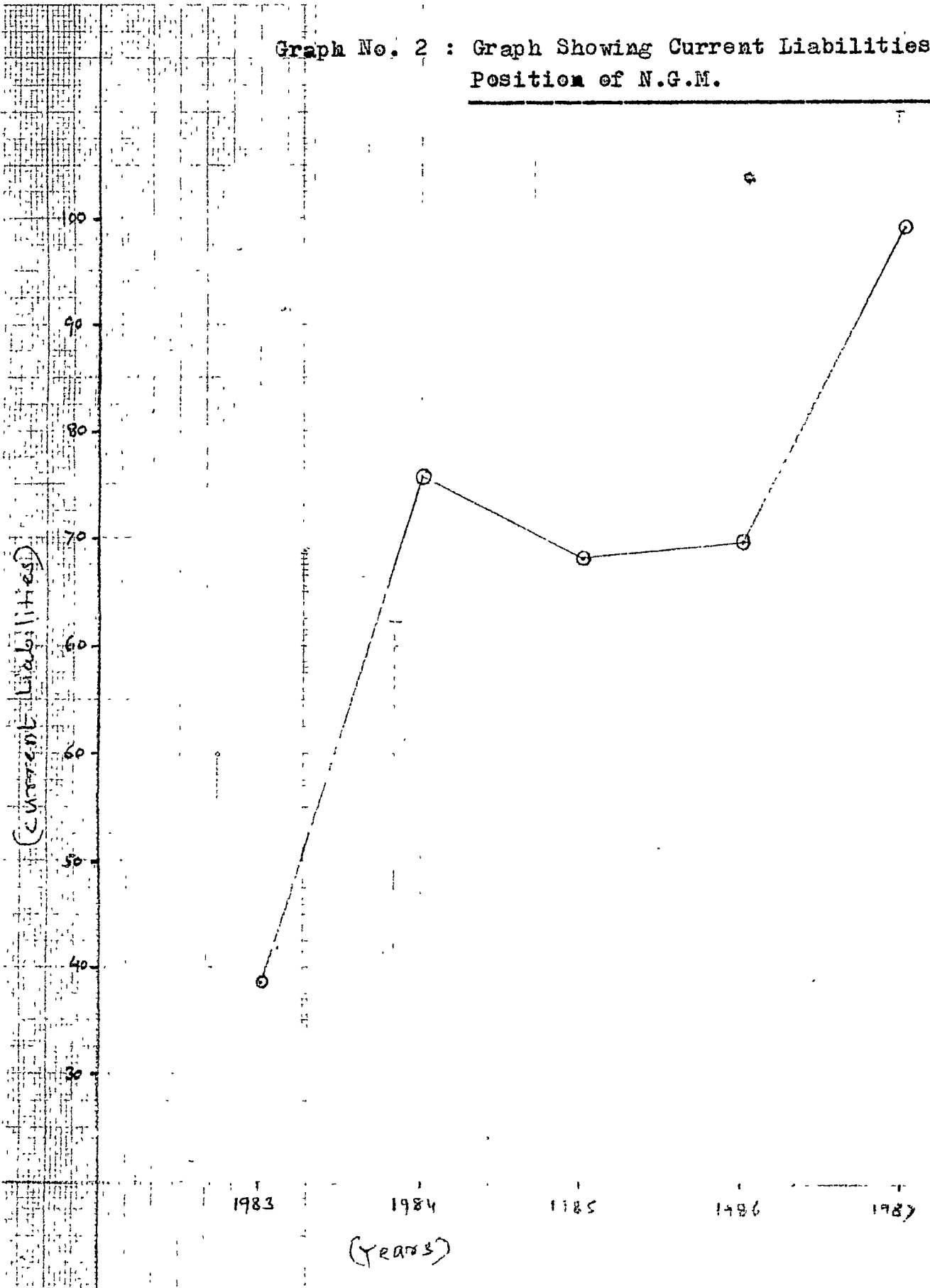


Current Liabilities of N.G.Mills Solapur :

In respect of current liabilities of N.G.Mills, it can be seen from graph that the current liabilities show an increasing trend for the period covered under study. The percentage of total current liabilities to total liabilities has been increasing. In the year 1983, it was 37.78% of the total liabilities which increased to 98.32% of the total liabilities for 1987.

(Graph shown on page No. 122).

Graph No. 2 : Graph Showing Current Liabilities  
Position of N.G.M.



Liquidity Position of N.G.Mills, Solapur :

Following table shows liquidity position of N.G.Mills for the period of study highlighted by current and Acid Test Ratio's for the period 1983-1987.

Table - 30 : Table Showing Liquidity of N.G.Mills :

Y e a r	Current Ratio	Acid Text Ratio
1983	2.34 : 1	0.24 : 1
1984	1.59 : 1	0.63 : 1
1985	1.31 : 1	0.66 : 1
1986	1.15 : 1	0.54 : 1
1987	0.67 : 1	0.25 : 1

It is clear from the above table that liquidity position of N.G.Mill is not sound and year by year it has been declining indicating inefficient current assets' utilisation and shortage of working capital indicating unsatisfactory liquidity position.

V. IV. : Analysis of production Expenses :

Table - 31 : Table Showing Production Expenses of NGM.

(Rs. in lakhs)			
Year..	Total cost	Production Exp.	% to total Exp.
1983	1642.59	1051.41	64
1984	1800.28	1110.06	67

1985	1918.69	1229.25	64
1986	1867.82	1667.49	62
1987	1823.29	1087.94	60

---

In the total expenses of NGM 60% to 67% portion of the same is occupied by production process alone which highlights the "area for control" to minimise cost. This cost control may help NGM to market their product at competitive rate. Old machinery is one of the factors<sup>for</sup>/such high production expenses caused by frequent break downs, repairs and maintenance etc. which subsequently result into operating losses.

V. V. Analysis of Wage Expenses :

High wage expense is also a leading factor for negative operating results of a business enterprise. Wage expense of NGM is shown in following table No. 32.

Table No. 32 : Table Showing Wage Expenses of NGM.

(Rs. in Lakhs).

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Y e a r	Total exp.	Wage Exp.	% to total Exp.
1983	1642.59	491.31	30
1984	1800.28	542.99	30
1985	1918.69	532.96	28
1986	1867.82	551.73	30
1987	1823.29	578.30	32

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Above table shows that wage expenses of NGM is abnormally high which is around 30% of the total expenses as there is no profits earned such high wage expenses accompanied with high production expense, could be a treat for companies very existence. Such high proportion of wage expense needs suitable actions to cut down which indicates that some bold steps need to be taken regarding sleeming down the labour force of NGM.

V. VI. Analysis of Administrative and Interest Expenses :

The administrative expense of NGM is relatively lower but shows slight increasing trend without corresponding increase in the revenue of the company therefore, it can be also considered as a responsible factor for the high cost of sales, and negative operating results and further a responsible factor for the sickness of the NGM.

Table - 33 : Table Showing Administrative & Sales Expenses of NGM.

(Rs. in lakhs)

Y e a r	Total Exp.	Admi.& Sales Exp.	% to total Expense.
1983	1642.49	48.01	3
1984	1800.28	75.82	4
1985	1918.69	88.55	5
1986	1867.82	85.15	5
1987	1823.29	93.73	5

Interest Expense :

This expenses is the outcome of borrowings made by NGM. Though the interest expense constitutes a low proportion in the total expenses of NGM which is between 3 to 4 percent of total expenses could be a burden as there is no net income to absorb such expense (table No.34).

Table No. 34 : Showing Interest Expenses :

Y e a r	Total Exp.	Interest Exp.	% to total Exp.
1983	1642.59	52.36	3
1984	1800.28	71.41	4
1985	1918.69	67.93	3
1986	1867.82	63.45	3
1987	1823.29	63.32	3

V. VII. Profitability Analysis :

Profitability of NGM has been negative for the period of study which is an accumulated result of all unfavourable factors leading to an industrial sickness of NGM. Except in the years 1983 and 1985 NGM has incurred heavy losses which is shown in the table No.35 given below and the graph followed.



Table - 35 : Table Showing Operating Results  
of NGM.

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Y e a r	Net Profit/Loss
1983	138.04
1984	(40.58)
1985	302.67
1986	(443.90)
1987	(686.97)

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(Graph shown on page No. 128).

Graph No. 3 : Graph Showing Profit/Loss Position of NGM.

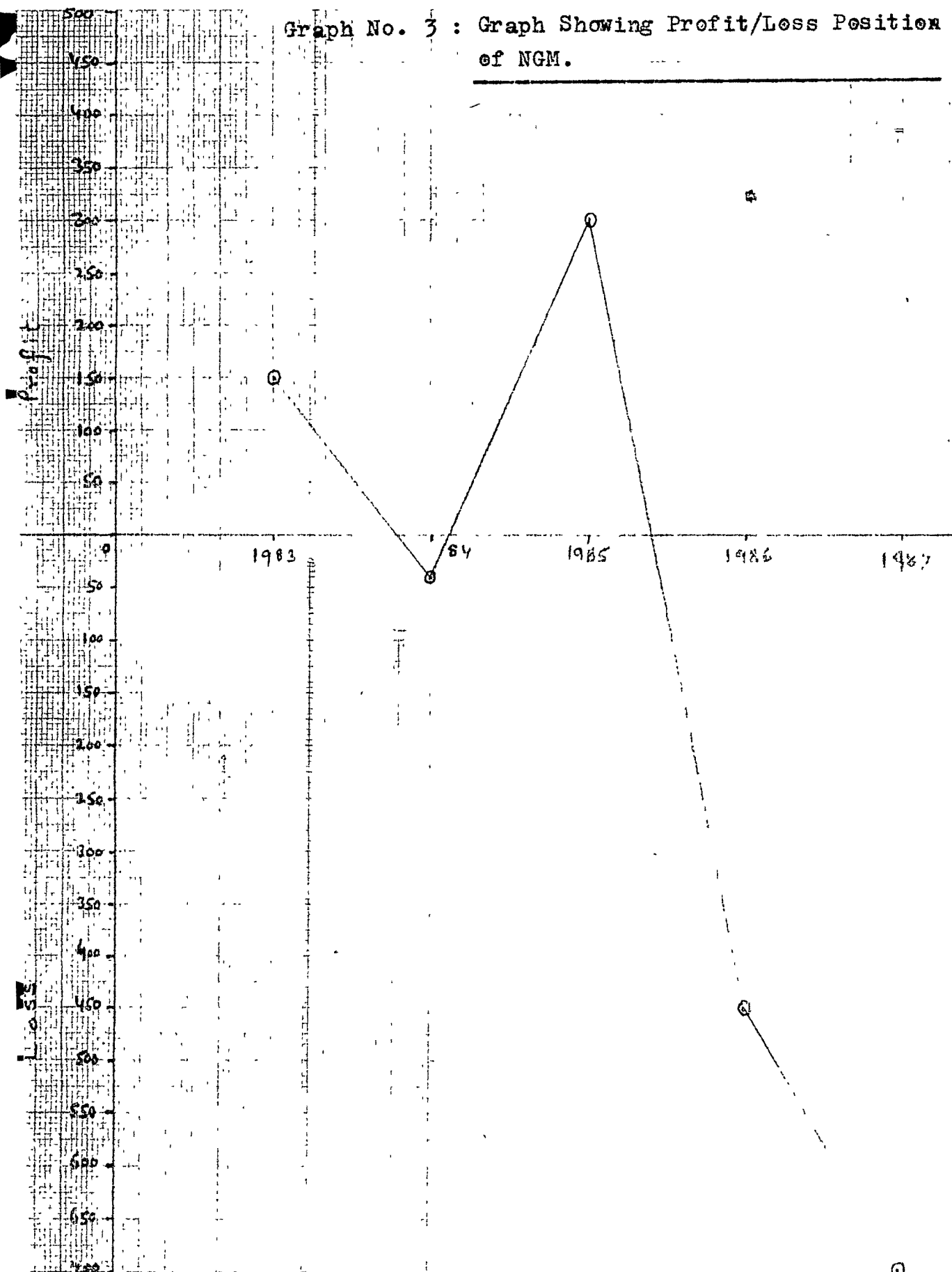


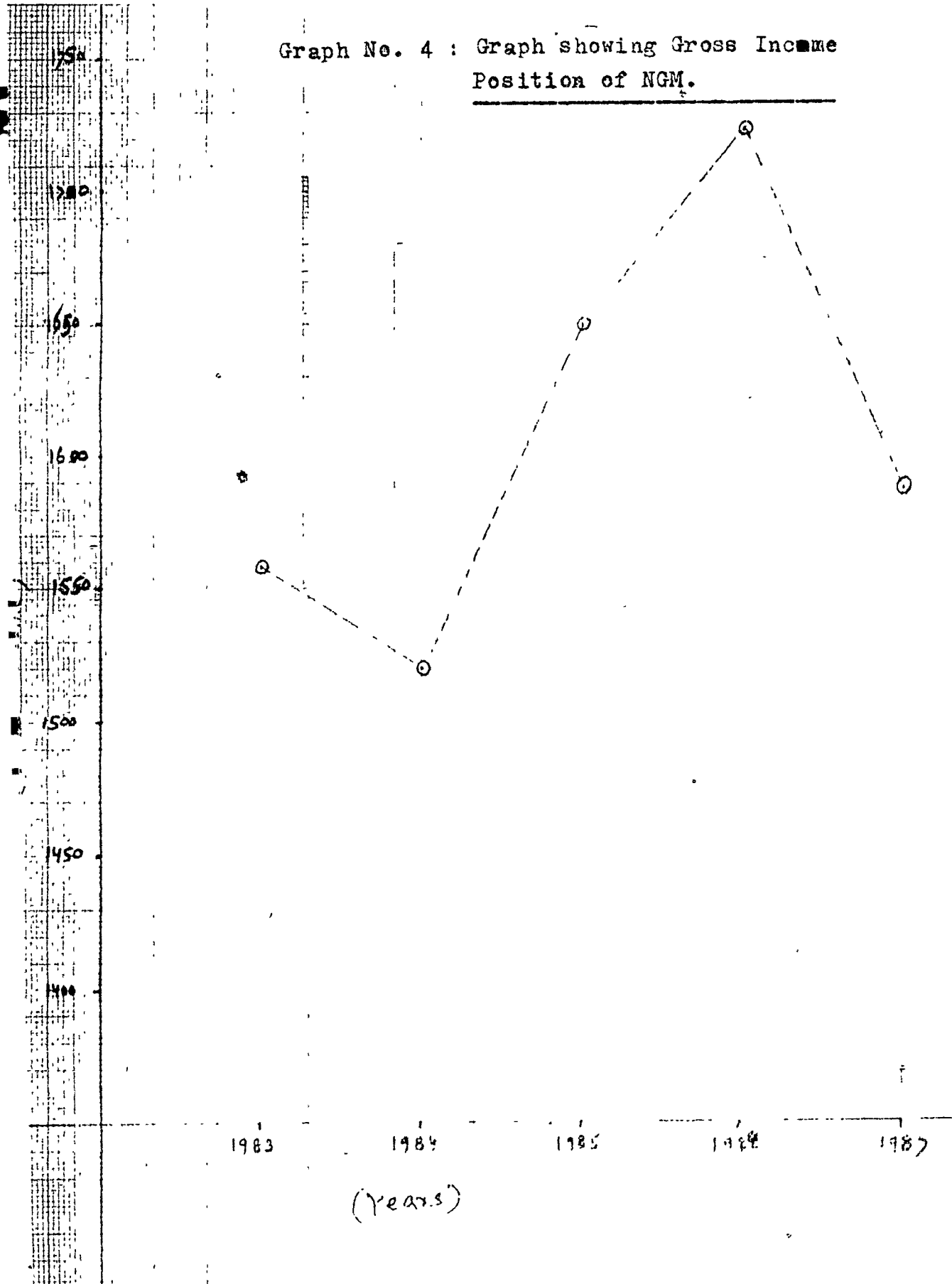
Table No.36 : N.G.Mills, Solapur, Gross Income Chart :

Y e a r	I n c o m e
1983	1557.74
1984	1520.81
1985	1648.06
1986	1724.49
1987	1588.99

(Graph shown on page No. 130).

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Graph No. 4 : Graph showing Gross Income  
Position of NGM.



Sales of NGM.

Statement Showing Internal Sales & Export Sales :

Table No. 37 : (Rs. in lakhs).

Y e a r	Sales in India	Export Sale	Total Sale	% of Export to total sales.
1983	1399.89	-	1399.89	-
1984	1574.32	41.26	1615.58	2.55
1985	1685.34	29.21	1714.55	1.70
1986	1442.03	49.62	1491.65	3.33
1987	1510.70	110.97	1621.67	6.84

Above table shows that NGM has an export opportunity which will contribute valuable foreign exchange to national treasury. Percentage of such export sales to total sales has been increasing during the period covered under study.

V. VIII. Cost Structure of NGM. :

From the cost structure of NGM it can be inferred that in the total cost structure of NGM major portion is occupied by production expense followed by wage expense. Administrative and selling expenses stand at third position followed by interest expense. The analysis

of expenses shows that there is constant increase in production expense without corresponding increase in sales - revenue. Labour expense is also constant irrespective of low-profitability which is not an indication of good performance. This situation demands concerted efforts from management for improving the situation to minimise the cost of operations.

Table - 38 : Table Showing Cost Structure of NGMills.

Expenses	1983	1984	1985	1986	1987
Production expenses	1051.41	1110.06	1229.25	1667.49	1087.94
Staff exp. (labour)	491.31	542.99	532.96	551.73	578.30
Admi.& Sell exp.	48.01	75.82	88.55	85.15	93.73
Interest exp.	52.36	71.41	67.93	63.45	63.32
Total	1642.59	1800.28	1918.69	1867.82	1823.29

V. IX. Conclusion :

In the conclusion we can say that capital structure of NGM is not proper according to norms of professional

management, liquidity position is not sound indicating inefficient current assets' management, no control on production and wage expenses, negative profitability which may leads to further sickness of NGM in future. This situation demands nothing but concerted attempts to formulate a suitable "Revival Strategy" which is presented by the researcher in the next chapter to discharge the organisation from intensive care unit (ICU).

References :

1. Annual Reports
2. Press notes
3. Bulletines issued by NGM.
4. Maharashtra State Textile Corporations' Reports
5. NGM's Financial Statements.