Chapter V
Findings and Suggestions

5.1 Findings

1. Abhyankar Footwear Pvt. Ltd. is a small scale industrial unit engaged in manufacturing and sales of leather footwears. Its sales have increased from Rs.98.85 lakhs in the year 2001-02 to Rs. 133.25 lakhs in the year 2005-06. During the period of five years sales have recorded a significant increase of more than 35 percent.
2. The profit after tax has declined from Rs. 1.95 lakhs in 2001-02 to Rs. 0.83 lakhs in the year 2005-06. In terms of percentage it is less than 1 percent of the total sales. The poor profit ratio is a serious matter of concern.
3. The proportion of personnel expenses and administration and selling expenses to total expenses is found at high level, it is more than 30 percent of total expenses. The personnel expenses include remuneration to directors which is above Rs. 6 lakhs per year.
4. Cash and bank balances have increased from Rs. 0.55 lakhs in 2001-02 to Rs. 1.37 lakhs in 2005-06. The proportion of cash in hand is found high.
5. The current ratio has sharply increased from 2.1:1 in the year 2001-02 to 8.8:1 in the year 2005-06. The current ratio is for above the standard ratio of 2:1. The acid test ratio, however, is below standard and the company has no sufficient liquid assets to meet its current liabilities.
6. The composition of current assets reveals the high extent of inventories. The proportion of inventories in total current assets was found between 85 to 90 percent.
7. The sundry debtors of the Company are very less, approximately 4 percent of current assets.
8. The net working capital has increased from Rs. 10 lakhs in the year 2001-02 to Rs. 32.74 lakhs in the 2005-06.

5.2 Suggestions

1. The inventory management needs a review. Efforts should be made to reduce the extent of inventories as it involves cost and unwarranted investment.
2. The gross profit ratio is satisfactory but the net profit ratio is very poor even less then 1 percent. This necessitates controlling the personnel and administrative and selling expenses to achieve at least 10 percent net profit on total sales.
3. Cash and bank balances need to be reduced. There is a very high extent of idle cash and bank balances.
4. The directors have been paid disproportionate remuneration as compared to their duties. The heavy burden of directors' remuneration of Rs. 7 lakhs per year is not warranted.
5. The vehicle expenses also need to be curtailed.
6. The Company should continue the policy of cash sales and keep the sundry debtors at low figure.

In summary the Company needs to pay more attention to financial discipline and follow effective financial practices.