

CHAPTER - V
FINDINGS AND SUGGESTIONS

TOPIC – 5

Findings and Suggestions

The present study is the case study of 'M/s Ahinjar Fabricators & Erectors', Kolhapur, which is one of the oldest industry in the MIDC Area of Kolhapur district. An attempt is made by researcher in the present study to assess the overall growth and development of 'Ahinjar Fabricators & Erectors' in general and in-depth analysis of the financial position in particular. The preceding four chapters are devoted to theoretical framework of financial management, the profile of 'Ahinjar Fabricators & Erectors' and analysis of financial data. The findings and conclusions resulting from the analysis and interpretation are presented in this chapter.

In the first place the general findings and conclusions regarding the organisation working and growth of the business of the 'M/s Ahinjar Fabricators & Erectors' are highlighted. The main thrust of the study was however on the financial aspects of the working of 'M/s Ahinjar Fabricators & Erectors'. The important findings and conclusions regarding financial management are listed in the second phase.

II GENERAL FINDINGS AND CONCLUSIONS

1) Ahinjar Fabricators & Erectors' a Mis-nomer

The name 'Ahinjar Fabricators & Erectors', kolhapur indicates that the organisation is engaged only in Fabrication and Irrigation activity. This was true only at the time of initial stage of the working of the unit. At present 'M/s Ahinjar Fabricators & Erectors' is not exclusively dealing in fabrication work. It has come out as a successful industrial unit dealing in various types of commodities and products. The name in that way does not describe the real picture of business activities of the business organisation. Thus a mis-nomer.

2) Expansion and Diversification of Activities

In due course of the time 'M/s Ahinjar Fabricators & Erectors' undertook the activities of the various types of goods and products as well. It has expanded its activities by establishment of various types of customers at various places. In addition to the supply of goods the unit also engaged in the activities of providing technical know-how and instruments to the industrialist and others. The other inputs like electroces, oxygen-gases, chemical plants, heavy engineering products etc. are also being distributed by the unit.

In short, 'M/s Ahinjar Fabricators & Erectors' diversified its activities in various directions including goods, Machinery, instruments, products etc.

3) Orgnisation Structure

'M/s Ahinjar Fabricators & Erectors' is the industrial unit. It is however, observed that there is no change in the members of the unit. All the members of the unit are associated with industry for many years, therefore the experience and loyalty towards the industry have helped to develop the activities of the unit. The members are well-trained and expert in their work.

The whole structure was handled by one single person. Of course, this also brings a kind of monopolistic control over the working of 'M/s Ahinjar Fabricators & Erectors'.

4) Growth of Business

'M/s Ahinjar Fabricators & Erectors' is an industrial unit dealing in various types of goods and services. The range of the commodities and services dealt in by 'M/s Ahinjar Fabricators & Erectors' is quite diverse. The overall growth of the 'Ahinjar Fabricators & Erectors' can be briefly stated as follows.

i) Membership

The members of any industrial unit are the workers in the factory. The size of the industry can also be defined in terms of Number of members working in the

factory. There are different types of workers like Helper, Welder, Driller etc. They are skilled workers, getting salary, wages and other facilities, according to their capacity.

ii) Sales

The activity of selling of 'M/s Ahinjar Fabricators & Erectors' includes various commodities and products such as sugar factories chemical plants, domestic products for industries like Bungalows, schools and other Building etc. 'M/s Ahinjar Fabricators & Erectors' is no more a Fabrication and Irrigation unit exclusively.

iii) Profit

The aim of every organisation is to earn maximum amount of profit. However, in case of private organisation the prime aim is to provide sufficient products and services by earning profit. In case of 'M/s Ahinjar Fabricators & Erectors' it is found that the N. P. is decreasing. In fact the profit is taken as a yardstick to measure the success of the business. It is very necessary to earn maximum amount of profit every year. 'M/s Ahinjar Fabricators & Erectors' has tried to earn the profit every year, there by serving in the keen competition of other industries and private marketing organisation.

III LIQUIDITY ANALYSIS

Liquidity means ability of the firm to raise the funds required for the settlement of its claims in time. There are three ratios calculated to measure the liquidity of 'M/s Ahinjar Fabricators & Erectors' one is current ratio, second is Liquid ratio and third is cash position Ratio. All these ratio's are calculated for 5 years from 1996-1997 to 2000-2001. By and large it can be said that the liquidity position of 'M/s Ahinjar Fabricators & Erectors' is not satisfactory. The current ratio does not exceed the standard level. The Liquid ratio and cash position ratio is not up to this level or standard. It can therefore be inferred that the cash position of the 'M/s Ahinjar

Fabricators & Erectors' is not reasonably good as the stock contained in the working capital is higher. The current ratio does not look satisfactory.

III] LEVERAGE ANALYSIS

In order to understand the structure of capital leverage ratios are calculated. The first among the liquid ratio is Debt equity ratio, which is found to be satisfactory in all the years. The second ratio in this group is proprietary ratio, showing the share of proprietor's fund in the business. The funds provided by the proprietors, accounts for 41% to 56% of the total funds. It can be concluded that a financial position needs to be strengthened in terms of owned funds. The third ratio is fixed Assets to Tangible Net worth ratio. This ratio is in the range of 58% to 98%. There are fluctuations in the ratio. As to long term financial position of the unit it can be said that F. A. are acquired by using proprietors fund to a major extent and to a minor extent finance is made available by way of long-term loans.

IV] TURNOVER ANALYSIS

The activity ratios are calculated to understand the speed of turnover. Three ratios namely Debtors turnover ratios, Fixed assets turnover ratios and Total assets turnover ratios are calculated. The Debtors turnover ratios shows that the average collection period is 24 days which is relatively sufficient. Shorter collection period means there is efficient management of book debts. The Fixed assets turnover ratios is found to be 2 to 3 times. It can be concluded that the Fixed assets are not used efficiently by the management. Total assets turnover ratios is 1 to 2 times which is below than the norm. It means the Total assets also does not used efficiently in the 'Ahinjar Fabricators & Erectors'.

VI] PROFITABILITY ANALYSIS

The analysis of the profitability of 'M/s Ahinjar Fabricators & Erectors' is attempted by computing net profit ratio on Return on Net worth ratio. Net profit

ratio is found to be below 6%. The net profit is also showing decreasing trend. The position in this regard is not very encouraging. The return on Net worth ratio is found to be 21% which needs to be improved further.

VII] THE FUNDS FLOW STATEMENT

The funds flow statement, prepared for 5 years from 1996-1997 to 2000-2001 disclose the following important facts regarding inflow and outflow of funds of 'M/s Ahinjar Fabricators & Erectors'.

- a) Secured loan is an important source of finance utilized by the unit to raise the funds.
- b) Income from other sources has also been an as important Source of funds.
- c) The generation of the funds from operation are exceptional.
- d) Major funds are applied for refund of investment, acquisition of fixed assets, payment of interest etc.
- e) There is increase in working capital in all the 5 years which is again an application of funds.

VIII] NON-OPERATING INCOME

In 'M/s Ahinjar Fabricators & Erectors' Non-operating income plays a very important role. A Major portion of Net profit is of Non-operating income. The unit has many immovable properties like godowns, stores, Machinery, equipments which are rented out. The income earned by way of rent is quite substantial. The unit has also invested its funds and income received by way of interest, commission and dividend is also reasonably good. As a result of all this Non-operating income the operating loss is completely recorded and finally the activities of 'M/s Ahinjar Fabricators & Erectors' are carried out profitably in all the years.

This is quit clear from table No. 5.1 below.

Table No. 5.1

Percentage of Operating Expenses to Gross Profit

Items	1996-97	1997-98	1998-99	1999-00	2000-01
1) G. P.	6,99,454.62	7,37,115.17	4,62,045.17	5,70,391.04	5,54,072.04
2) Op. exps.	6,31,746.77	8,02,158.27	4,32,897.2	5,29,565.68	4,95,581.96
3) Other income	1,762.00	1,15,609.00	—	—	1,911.33
4) Net profit	69,469.85	50,565.90	29,147.97	40,825.36	60,401.41
Percentage of Op. exps. to Gross profit	90.31	108.82	93.69	92.84	89.44

Suggestions

The Ahinjar Fabricators & Erectors, Kolhapur has been described earlier as a successful industrial unit. However in the working of the 'Ahinjar Fabricators & Erectors' there are some aspects which need greater attention to be made by the management in order to further improve the working of 'Ahinjar Fabricators & Erectors'. On the basis of the investigation, analysis and interpretation the findings and conclusions has been drawn. All these findings and conclusions explain both the strength and weaknesses of 'Ahinjar Fabricators & Erectors'. In the light of these findings and conclusions the researcher proposed to make the following important suggestions –

- 1) The expansion and diversification of business activity of 'Ahinjar Fabricators & Erectors' are such that the change in the name is called for. The organization can be renamed meaningfully.
- 2) The organization structure of the unit has remained decent throughout all the years of its working. In order to give professional touch to the organization, desirable restructuring in the organization can be thought of.
- 3) The membership that is skilled – trained workers and unskilled – untrained workers, has remained constant and quite low. It is necessary to increase the membership in both the categories. This will help to broaden both the capital and membership base of the organization.
- 4) The 'Ahinjar Fabricators & Erectors' is in profit in all the years. However, if we consider the picture at the level of operating results, it is in loss. It is only because of non-operating income, it has managed to in profit. This is not very desirable sign. 'Ahinjar Fabricators & Erectors' should try in the level best to earn the profit at the level of its business operations.

- 5) The level of liquidity is satisfactory, if we consider the current ratio. But when we go down to liquid ratio and cash position ratio the situation goes undesirable. The composition of current assets needs to be corrected by way of reducing the level of stock and increasing the level of cash.
- 6) When we examine the capital structure of 'Ahinjar Fabricators & Erectors' with the help of Debt – equity ratio, desirable shift towards optimum capital structure is necessary. This can be done by increasing the share of equity capital.
- 7) Secured loan, Medium – term loan and deposits are the main sources of funds. It is not desirable. The 'Ahinjar Fabricators & Erectors' should try to generate the funds and not to get (raise) the funds.
- 8) The 'Ahinjar Fabricators & Erectors' invests its funds in those fixed assets every year, which are rented out. Therefore it is suggested that it should apply its funds in those fixed assets which helps to increase / generate the operating income and not the Non-operating income.