
CHAPTER – V

FINDINGS,

CONCLUSIONS AND

SUGGESTIONS

Findings and Conclusions :-

After the collection, tabulation, analysis and interpretation of collected data the researcher has come out with some findings and conclusions regarding the factory which are segregated in two parts :

A) Financial findings and conclusions.

B) Operating findings and conclusions.

A) Financial findings and conclusions :

The financial findings and conclusions are presented on the basis of classification of ratios viz, liquidity ratio's, solvency ratio's, efficiency ratio's, profitability ratio's.

I) Liquidity ratios :

Factory's current ratio, quick ratio and super quick ratio are below the standard level which indicate that factory does not have sufficient current assets to meet current liabilities in time and hence it is concluded that the short term liquidity position of the factory is not sound.

II) Solvency ratios :

1) Factory has high debt-equity ratio and low proprietary ratio which indicate the factory is heavily depend on outsiders fund (creditors) which is dangerous because factory's short term liquidity position is not sound.

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- 2) The proportion of fixed interest and dividend bearing fund is more than equity shareholders fund in the capital structure of the factory and hence it is concluded that factory is high geared.
 - 3) Factory has sufficient financial strength for paying interest to creditors in time except for the year 2002-03 and 2003-04.
 - 4) Factory has fixed assets ratio in the range of 0.59:1 to 0.74:1 during the study period which shows sufficient investment of long term funds in fixed assets.

III) Efficiency ratios :

- 1) While observing fixed assets turnover ratio it is concluded that factory has fail to make an efficient utilization of fixed assets in attaining sales.
 - 2) Factory has failed in the efficient utilization of total assets which is shown by low total Assets turnover ratio than standard.
 - 3) Factory made an efficient utilization of working capital in raising sales except for the year 2006-07 in which the working capital turnover ratio is adverse.
 - 4) Debtors turnover ratio and debtors collection period ratio indicates rapidity in collection from debtors and hence it is concluded that factory is prompt in converting debtors into cash which is good sign of the factory and also ensures the low blocking up of funds in debtors.
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- 5) Factory's creditors turnover ratio indicates that factory makes prompt payment for creditors which is useful for regular supply of resources and increases goodwill of the factory.
 - 6) Factory enjoyed high credit period (6.45 months or 196.24 days) in 2002-03 and low credit period (2.18 months or 66.24 days) in 2004-05 from creditors.
 - 7) Stock turnover ratio of the factory has increasing trend except in 2003-04, which shows the increasing efficiency of the factory in converting stock into sales.

IV) Profitability ratios :

- 1) factory earns profit for the years 2004-05 and 2005-06 under study period. Hence it is seen that the factory is unable to maintain it's profitability consistently for the period under study.
- 2) Factory suffered from loss for the year's 2002-03, 2003-04 and 2006-07 under study period. This may be due to wide fluctuations in the prices of sugar.
- 3) Factory gets fair return on it's capital employed and hence it is concluded that factory make efficient utilisation of available capital.
- 4) From the shareholders point of view factory is not having satisfactory return on their fund.

B) Operating Findings and Conclusions :

Along with financial findings and conclusions researcher has drawn some findings and conclusions regarding operational working of the factory.

- 1) Factory is operating for higher period (156 days) in 2006-07 which shows maximum sugarcane is available to the factory due to high sugarcane production by farmers and factory was operating for lower period (91 days) in 2003-04 which shows less sugarcane was available to the factory due to low sugarcane production by farmers.
- 2) High cane was crushed (11.73 MT) in 2006-07 due to maximum sugarcane is available to the factory which enable to the factory for higher operating days, low cane was crushed (6.99 M.T.) in 2003-04 due to less sugarcane was available to the factory which resulted in less operating days. During the period under study.
- 3) Average recovery of the factory is ranging between 11.35% to 12.44% which shows the consistency of the factory in getting good quality of sugarcane. Factory's average recovery is highest (12.44%) in 2004-05 and lowest (11.59) in 2003-04 under study period.
- 4) Factory produced highest sugar (14.00 lacs-bags) in 2006-07 due to high operating days and high cane crushed in that year and

factory produced lowest sugar (8.10 lacs bags) in 2003-04 which is due to low operating days, low cane crushed and lowest average recovery.

- 5) There is decreasing trend in capacity utilization of the factory highest capacity (154.62%) of the factory is utilised in 2003-04 and lowest capacity (116.34%) is utilised in 2006-07.
- 6) There is increasing trend in sugarcane price paid to farmers upto 2005-06 but it is decreased in 2006-07. Factory paid higher price (1451/- per M.T.) to farmers in 2005-06 due to high price sugar in market and also the average recovery (12.42%) of the sugarcane crushed is good and lower price (840/- per M.T.) is paid to farmers in 2002-03 due to low price sugar in market.

SUGGESTIONS

Based on the analysis of collected data and the interpretation of the same along with other information relating to the factory researcher made some suggestions, which are useful to the factory in increasing its efficiency in general and improving financial performance in particular.

- 1) Factory should increase investment in current assets to meet current liabilities in time, which ensures sound short-term liquidity position of the factory.
- 2) Factory should improve its proprietary ratio by increasing shareholders fund and hence it is suggested to the factory to raise maximum capital from shareholders, which is useful in improving proprietary ratio.
- 3) Factory is high geared which is useful only in prosperity but it is harmful in depression and hence it is suggested to the factory to keep a proper balance between fixed interest and dividend bearing fund and equity shareholders fund.
- 4) Factory should give proper attention towards the maximum utilization of fixed assets because huge fund is blocked up in fixed assets, if the efficient utilization of these assets is not made then it adversely affect the profitability of the factory.
- 5) It is also advised to the factory to improve its total assets turnover ratio by making full utilization of total assets.
- 6) Since last three years interest coverage ratio of factory is improving hence it is suggested that factory should maintain the same in future.

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- 7) Working capital is lifeblood of business but the factory's working capital turnover ratio is negative for 2006-07 and hence it is suggested to the factory to make proper arrangement for working capital requirement.
 - 8) Factory's stock turnover ratio has increasing trend and hence it is suggested that factory should maintain this same in future.
 - 9) Factory has operating ratio at satisfactory level except in 2003-04 but decrease in ratio better it is to the factory hence it is suggested that factory should make efforts to maintain the level of this ratio at the lowest level by increasing operating efficiency.
 - 10) Shareholders are real owners of the factory and hence it is suggested that factory should full utilize the shareholders fund and give possible maximum return to them.
 - 11) The average recovery of sugarcane crushed is good and hence it is suggested that factory should maintain the same in future because the sugar yield is depend on recovery of sugarcane higher the recovery higher the sugar yield from sugarcane. Factory should provide maximum irrigation facilities and simultaneously they should plan their sugarcane cutting programmes in such a way that the available sugarcane would be brought into factory in time as per the sequence of it's cultivation.
 - 12) It is suggested to the factory that to undertake further cane development scheme which ensures increase in sugarcane supply form farmers which result in higher operating days of factory and also a good quality of sugarcane is available with factory which **increases the average recovery of factory.**
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