CHAPTER - IV

DATA ANALYSIS

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CHAPTER - 4

DATA - ANALYSIS

4,1 PRODUCTION PERFORMANCE :

Production performance is one of the criteria to test the performance of the mill.

Full utilisation of the installed capacity of the spinning mills is the most important factor influencing the production performance of the mills.

Spindle Capacity and Utilisation :

The ideal way is to work the mill for 24 hours a day in 3 shifts. Taking 7 days as paid holidays in a year, the mill should work 358 days of 3 shifts of 8 hours each in a year. 95% utilisation of the installed spindle capacity calculated for 358 days for 3 shifts of 8 hours each mill, therefore, be the standard spindle utilisation for co-operative spinning mill.[1]

But the standard spindle utilisation have not always continuously constant. According to the position of this mill, a big gap was noticed in the licensed capacity and installed capacity during the year 1988-89 and 1989-90. In this years, the mills considered to be uneconomic from the technical point of view.

TABLE NO. 4.1

TABLE SHOWING SPINDLE CAPACITY AND UTILISATION AND DAYS WORKED.

Year	No.of spindles			Average Utilisation percent	Days working during the year
	Licensed	Installed	worked per shift		
1987-88	75,240	75,240	53,119	70.60	352
1988-89	75,240	69,312	58,232	84.01	342
1989-90	75,240	69,312	62,431	90.07	361
1990-91	75,240	75,240	67,133	89.22	360
1991-92	75,240	75,240	65,046	86.45	271

There was the flexibility in the average percentage of spindle utilisation. It improved from 70.60% to 90.07 in 1987-88 to 1989-90 and thereafter it come down from 90.07% to 86.45% in 1989-90 to 1991-92. Further analysis of the utilisation of the capacity during five years (1987-88 to 1991-92) is shown in the Table No. 4.1

The under utilisation of the mill during the year 1987-88 to 1991-92 was very closely caused for being uneconomic position from the technical point of view. There are some reasons for under utilisation. All these points and changes in utilisation are shown in the following table -

TABLE NO. 4.2

TABLE SHOWING AVERAGE SPINDLE UTILISATION AND AVERAGE OF NON-UTILISATION

Particulars	1987-88	1988-89	1989-90	1990-91	1991-92
No.of Spindles (in lakhs)					
Installed	75,240	69,312	69,312	75,240	75,240
Average worked	53,119	58,232	62,431	67,133	65,046
Average spindle utilisation (p.c)	70.60	84.01	90.07	89.22	86.45
Non-Utilisation due to					
Electricity failure	1.33	3.11	2.46	1.33	0.70
Other reasons	28.07	12.88	7.47	9.45	12.85

(Source : Annual Reports of the mill)

The average number of spindle worked was favourable but not upto the standard utilisation (i.e.95%). Here, the highest utilisation is 90% in the year 1989-90

It seemed to be an under utilisation of plant capacity in some years due to such reasons which reflected lapses on the part of management. The extent of under utilisation of plant capacity was an important reason for the mill going into losses since 1988-89.

TABLE NO. 4.3

TABLE SHOWING PRODUCTION OF YARN BY THE MILL

Counts		1987-88	1988-89	1989-90	1990-91	1991-92
20^S to 60^S						
	Gms/ per spindle	71.75	75.22	81.77	89.40	87.08
Total Production (Kgs in lakhs)		38.64	44.94	55.29	64.82	46.06

(Source : Annual Reports of the mill)

During the five years 1987-88 to 1991-92, the highest production was 64.82 lakhs kgs. in 1990-91. There was improvement in production from 1987-88 to 1990-91 and it come down to 46.06 lakhs kgs. in the year (9 months) 1991-92 due to the under-utilisation.

The mill produced the yarn ranging from 20^S to 100^S counts. However, the major portion of the yarn produced was in 20^S to 60^S count-group.

The production performance can be improved, provided that the mill attain economic viability from the technical point of view and the mill achieve marginal efficiency at the plant level.

4.2 SALES PERFORMANCE :

a) Marketing of Yarn :

Yarn is supplied by the mixed co-operative spinning mills with preference for their weaver members and after, to weavers in the decentralised textile sector. The elasticity of demand for yarn is greater because the requirements of qualities, quantities of yarn change with the quality and quantity of cloth. The problem of marketing of yarn is a unique one due to variations in demands and fluctuating prices. Yarn produced from cotton staple, for weaving varies with the use to which it is put, whether on handloom and powerloom. The count of yarn is a deciding factor in cotton procurement.

Co-operative spinning mills depends upon for the demand for their yarn from the handloom and powerloom weavers in decentralised sector.

As a raw material, yarn accounts for a considerable proportion of the total cost of production of the weaver ranging from 50% to 80% depending upon count and quality of yarn. Therefore, yarn is a major factor for powerloom and handloom industry and availability of cheap and plentiful yarn is a primary base for the success of the industry. This primary condition is far from being satisfied owing to number of factors. Many a time, weavers have to buy the yarn at the highest price and have to dispose off their cloth at the lowest. Their

difficulties become more intricate when they enter the market for selling their cloth.

As far as yarn is concerned, the weaver is faced with pressure of yarn merchants, financiers and brokers. Generally weaver has no approach to the textile mill for his purchases. Neither a small dealer nor a whole saler has his direct approach with the textile mills. For that purpose, broker is a link between the mills and the wholesalers. Mills prefer sales on the basis of forward contract and for that purpose brokers being linking personnel, bring offers from dealers which are accepted by the mills on the basis of ruling rates of the day.

b) Comparision of production & sales :

The mill generally produces the yarn of 20^s to 60^s and no more difference between volume of production and sales. This condition of comparative changes is shown in the Table No. 4.4 in which the production and sales are similarly changed. The sales position of the mill improved upto 1990-91 and in 1991-92, it colapsed. But there was not gap between production and sales at any stage.

TABLE NO. 4.4

TABLE SHOWING PRODUCTION AND SALES OF YARN BY K.Z.S.V.S.S G LTD.

(Figure in lakhs)

Counts		87-88	88-89	89-90	90-91	91-92
20^s to 60^s						
Production	Kgs	38.64	44.94	55.29	64.82	46.06
Sales	Kgs.	38.30	43.99	54.93	64.63	43.03

(Source : Annual Reports of the mill)

C) Distribution of Sales through Domestic & Export :

There are variation in the export of yarn by the mill, according to the percentage of export to total sales. The mill is dependent upon the agent for export of yarn. The export have changes, as it was 29.94% in 1987-88 and increased upto 31.76% in 1989-90 but after that it colapsed upto 10.66% in 1991-92. Total sale was highest in 1990-91 but the performance of export was deam in that year. The clear picture of distribution of sales is framed in the table.

TABLE NO.4.5

TABLE SHOWING DISTRIBUTION OF SALES THROUGH DOMESTIC SALES AND EXPORT

(Figure in lakh)

Distribution Channels		87-88	88-89	89-90	90-91	91-92
Domestic Sales:	Kgs	25.91	34.31	38.48	57.40	38.89
	Rs	1221.79	1621.11	1828.82	2858.59	2326.49
Export :	Kgs	12.39	9.68	16.49	7.23	4.13
	Rs.	522.09	406.47	851.28	397.47	277.67
Total Sales:	Kgs	38.30	43.99	54.93	64.63	43.03
	Rs.	1743.88	2027.58	2680.09	3256.06	2604.16
Percentage of Export to total Sales		30%	20%	32%	12%	11%

(Source : Rearranged on the basis of Annual Reports of the mill)

(For calculating the percentage of export to total sales, the sales in Rs. are considered)

d) Sales Performance & Activity :

We can analyse the sales performance (activity) of the mill by using the ratios of stock turnover, fixed assets turnover, capital turnover.

TABLE NO. 4.6

TABLE SHOWING STOCK TURNOVER RATIOS OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Sales	1743.88	2027.58	2680.09	3256.06	2604.16
Gross Profit	110.87	24.22	419.42	440.09	371.69
Cost of Sales	1633.01	2003.36	2260.67	2815.97	2232.47
Opening Stock	320.59	449.34	490.85	627.77	526.90
Closing Stock	449.34	490.85	627.77	526.90	1045.25
Total	769.93	940.19	1118.62	1153.67	1572.15
Average Stock	384.96	470.09	559.31	576.83	522.62
Stock Turnover Ratio	**4.24:1**	**4.26:1**	**4.04:1**	**4.88:1**	**4.27:1**

(Source : Figures rearranged on the basis of Annual reports of the mill)

[Here, Cost of Sales = Sales - Gross Profit and

$$\text{Average Stock} = \frac{\text{Opening Stock} + \text{Closing Stock}}{2}]$$

The stock Trunover ratio is an indication of velocity of movement of goods and measures how quickly that stock is converted into sales. And also it is test of efficient inventory management.

The ratio is intended to give an idea of the amount of working capital locked up in inventories to attain a particular level of sales. It is the check of performance or activity.

The stock turnover ratio is the higher in the year 1990-91, and therefore, that is the better performance of the mill in five years.

TABLE NO.4.7

TABLE SHOWING FIXED ASSETS TURNOVER RATIOS OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Cost of Sales	1633.01	2003.36	2260.67	2851.97	2232.47
Fixed Assets	1665.78	1758.05	1869.08	2058.81	2162.01
Fixed Asssets Turnover	**0.98:1**	**1.14;1**	**1.12:1**	**1.37:1**	**1.03:1**

(Source : Figures rearranged on the basis of Annual reports of the Mills)

Fixed Assets turnover ratio measures efficiency with which the firm is utilising its investment in fixed assets. A high ratio indicates efficient utilisation of fixed assets in generating sales and a low ratio indicates inefficient utilisation of fixed assets.

Fixed assets turnover ratio is higher in the year 1990-91, therefore, it is indication of an efficient utilisation of fixed assets in generating sales comparing with other four years.

TABLE NO. 4.8

TABLE SHOWING CAPITAL TURNOVER RATIOS OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Sales	1743.88	2027.58	2680.09	3256.06	2604.16
Capital Employed :					
Share Capital	185.09	249.29	251.88	249.07	244.16
Share Premium	1.08	1.07	1.02	9.63	5.51
Reserves & Other Funds	942.79	1010.34	1088.42	1201.24	1286.39
Secured Loans	1023.14	1052.77	1069.26	1367.84	1433.94
	2152.14	2313.47	2410.58	2827.78	2970.00
Capital Turnover Ratio	**0.81:1**	**0.88:1**	**1.11:1**	**1.15:1**	**0.88:1**

(Source : Figures rearranged on the basis of Annual reports of the mills)

Sales to capital employed or capital turnover ratio measures effective use of the capital employed in business.

Capital turnover ratio is higher in the year 1990-91 therefore the firm had effective use of the capital employed in business in that year.

4.3 FINANCIAL PERFORMANCE :

Financial performance or financial position of the business can be cleared and analysed by using the ratios of profitability, liquidity and leverage.

TABLE NO.4.9

TABLE SHOWING GROSS PROFIT RATIO OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Sales	1743.88	2027.58	2680.09	3256.06	2604.16
Gross Profit	110.87	24.22	419.42	440.09	371.69
Gross Profit Ratio	**6.36%**	**1.19%**	**15.65%**	**13.52%**	**14.22%**

(Source : Figures rearranged on the basis of Annual report of the mills)

Gross profit ratio indicates the margin of profit on sales effected and whether the average percentage of mark-upon the goods of maintained.

There in increase in the percentage over the normal rate in 1989-90 compared to previous years; it indicates i) increase in sales price or ii) decrease in cost of goods sold iii) Under valuation of opening stock iv) Overvaluation of closing stock.

TABLE No. 4.10

TABLE SHOWING NET PROFIT RATIOS OF THE MILL)

Particulars	87.88	88.89	89.90	90.91	91.92
Sales	1743.88	2027.58	2658.09	3256.06	2604.16
Net Profit	(Loss)	(Loss)	53.00	65.14	10.49
Net Profit Ratio	-	-	**2%**	**2%**	**0.40%**

(Source : Figures rearranged on the basis of Annual reports of the mills)

Net profit ratio is an effective measure to check the profitability of a business. This is an indication of the performance of firm and its sales promotion. A high ratio ensures adequate return to sharesholders as well to enable a firm to withstand adverse economic conditions. A low margin has an apposite implication.

Here, there is net loss in 1987-88, and 1988-89 and after that very minor net profit is available. Therefore the net profit ratios of the mill show not any return to shareholders.

TABLE No. 4.11

TABLE SHOWING OPERATING RATIOS OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Net Sales	1743.88	2027.58	2680.09	3256.06	2604.16
Cost of Sales	1633.01	2003.36	2260.67	2815.97	2232.47
Operating Expenses :					
Factory overheads	8.29	20.17	14.94	18.39	15.82
Admin. Cost	41.61	50.75	56.62	78.68	78.40
Total operating Exp.	49.90	70.92	71.56	97.07	94.22
Operating Ratio	**96%**	**102%**	**87%**	**89%**	**89%**

(Source : Figures rearranged on the basis of Annual reports of the mills)

The operating ratio is the percentage of net sales that is observed by the cost of sales and operating expenses. It is advisible to study the ratio over number of years so as to view the direction of the operating efficiency.

Here the operating ratio is nearby 90% to 100% in general. In 1988.89, the ratio is 102% which is higher. Higher the ratio, the less favourable it is because it would leave a small margin to meet interest, dividend etc.

TABLE NO.4.12

TABLE SHOWING CURRENT RATIOS OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Current Assets	745.73	692.85	971.37	756.40	1347.40
Current Liabilities	1029.52	1189.44	1428.83	674.83	1286.91
Current Ratio	**0.72:1**	**0.58:1**	**0.68:1**	**1.12:1**	**1.05:1**

(Source : Figures rearranged on the basis of Annual reports of the mill)

[Here, current Assets = Cash & Bank balance + Deposits, Advances & Debtors + other Current Assets including stock.

Current liabilities = Short-term loan + Other current liabilities including creditors]

Current ratio gives the analyst a general picture of the adequency of working capital& of the company's ability to meet its day-to-day payment obligations. A current ratio of 2:1 is considered as an ideal.

If current ratio is lower than 2:1 , the short term solvency of the firm is not a position to meet its current liabilities in time as and when they are due to mature. And like this, same condition is of the mill. The mills current ratios are lower than 2:1.

TABLE NO. 4.13

TABLE SHOWING DEBT EQUITY RATIOS OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Total Debts	1197.37	1218.34	1313.62	1678.47	1751.79
Proprietor's Funds (Equity)	1128.96	1260.70	1341.32	1459.94	1536.06
Debt Equity Ratio	**1.06:1**	**0.97:1**	**0.98:1**	**1.15:1**	**1.14:1**

(Source : Figures rearranged on the basis of Annual reports of the mill)

[Here, total Debts = Secured loan including short term and long term loans + Deposits + Unsecured loans

Proprietor's Funds =Share Capital + Share Premium + Reserves]

Debt Equity Ratio shows the amount of capital supplied to the firm by owners and outsiders. A low debt-equity ratio implies a claim of owners than outsiders and high ratio indicates that the claims of outsiders are greater that of owners. On an average debt to equity ratio of 1:1 is acceptable.

The table shows that the mills condition of debt-equity is nearto the same which is acceptable.

But the greater the interest of the owners as compared that of the outsiders the more satisfactory is the financial structure of the business.

TABLE NO. 4.14
TABLE SHOWING CAPITAL GEARING RATIOS OF THE MILL

Particulars	87.88	88.89	89.90	90.91	91.92
Equity Capital + Reserves	1093.69	1225.43	1306.05	1424.67	1500.79
Pref. Capital + Debts	1231.64	1253.61	1348.89	1713.74	1787.06
Capital Gearing Ratios	**0.89:1**	**0.98:1**	**0.99:1**	**0.83:1**	**0.84:1**

(Source : Figures rearranged on the basis of Annual reports of the mills)

(Here, preference capital seperated from proprietor's fund and added to loans which are of fixed interest)

Capital Gearing Ratio is the proportion of different types of securities to the total capitalisation.

If capital is high geared i) firm will pay large amount of divisible profit to fixed capital investors. ii) It is better during inflation.

But the debt-equity ratio is not favourable on account of the mill under study. because it had cumulative loss which was not permitted to dividend to shareholder's but other burden on capital was fixed large amount of divisible profits has been paid to fixed capital investors and not to shareholders.

R E F E R E N C E S

1) Joint Registrar co.operative societies (Audit) for awarding audit-classification to co-operative spinning mill., No.ADT/298(AC)(SPN) dt. 30.4.1970 Poona.

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