CHAPTER-IV

FINANCIAL PERFORMANCE OF MAHATMA PHULE, MAGASWARGIYA SAHAKARI SOOT GIRNI LTD PETH VADGAON

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4.1 Introduction

Finance is one of the basic inputs of all kinds of economic activities. No business can be established or run without finance. The enterprises success and survival depends upon the efficiency to raise funds as and when needed and their proper utilization. Business finance implies that business activity which is concerned with the acquisition and conversation of capital funds in meeting financial needs and overall objective of business enterprise. Business finance can be defined as the activity concerned with planning, raising, controlling and administering of the funds in the business.

4.2 Meaning of Financial Analysis:

Financial analysis is the analysis of financial statement. The financial statement contents summarized information of the firm's financial affairs organized systematically. They are the means to access financial position to owners' creditors and general public. Preparation of financial statement is the responsibility of top management. Financial statements are prepared from the accounting records and maintained by the firm. Generally accepted accounting principles and procedures are followed to prepare statements. The basic objective of financial statement is to assist in investment decision making. Balance sheet and profit and loss accounts are two financial statements.

Financial analysis is the process of identifying financial strengths and weaknesses on the firm by properly establishing relationship between the

item of balance sheet and profit and loss account. Financial analysis may be internal and external. Financial analysis gives vital information of mill to creditors share holders Govt. authorities etc. They obtain certain information about mill to access its financial position and to decide about the condition on which the funds are to be made available to it. The internal analysis is undertaken by management of the mill concerned with a view to improve its financial position and profitability for its purpose the management may call for detailed statement of internal control primarily the cash and capital budgets.

4.3. Importance of Financial Analysis:

Financial analysis is an attempt to explain the significance and meaning of financial statement data so that a forecast may be made regarding future earning ability to pay interest on debt (both current as well as long terms) and profitability distribution policy etc. A major financial statement analysis is largely study of relationship among the various financial factors in business as disclosed by a single set of statement and a study of triennial of these factors.

Financial goals are the important one in all the enterprises including the Co-operative spinning mills. The health of the mill or any commercial organization is judged by net profit and not by cash profit. Only the mill will be able to build sufficient inventory for its day to day appertains and may declare dividends to share holders equity on the basis of its net profit.

4.4. Types of Finance:

Finance is the life blood of a business. The business units can not run efficiently, if it does not have adequate finance to meet its requirements. The financial requirements of business can be classified in two categories

1) short term financial requirements

2) long term financial requirements

1) Short Term Financial Requirement:-

Short term funds are required for meeting working capital. They are usually required for a period up to one year. The short term funds are raised from sources which provides funds quickly and at reasonable cost.

2) Long Term Financial Requirement:-

The long term funds are required to a great extent for meeting the fixed capital requirements of the business. They are for a period exceeding one year.

4.5 Source of Finance:

1) Share Capital:-

Issue of shares is the most common method of raising long term funds. A mill collects by issue of shares as first step in raising the capital.

Shares are contributed by the members as well as by the Government in case of Co-operatives.

1) The members share contribution is guided by dividend motive.

2) The Govt. contribution in the share assists to the mill for Co-operative sector.

A) Authorized Capital:-

Mill decides total capital for establishing mill is called authorized capital. Authorized Capital has certain importance because above the limit of authorized capital, company cannot collect funds or capital.

B) Paid up Capital:-

The value of shares which mill takes for selling is called paid up capital. Mill can sell its share as per requirement and raise fund. Therefore it is one of the secure source of finance to mill.

After having basic introduction of the various concepts of the finance and financial analysis it is better to put focus on financial position of the mill which is presented in table 4.1.

Table 4.1 Growth in Share Capital of the Mill

Year	Total Share capital (paid Up)	No. of Members	Per Members Share Rs	Co-op Societies	Gov. Share Capital(Paid Up) (Cr)	S.G.R.
2004-05	25.71	1797	211.58	0	18.90	
2005-06	25.65	1797	256.58	60000	18.90	0.07
2006-07	25.65	1797	256.58	60000	18.90	0
2007-08	25.65	1797	256.58	60000	23.14	22.37
2008-09	25.65	1797	256.58	60000	23.14	0
2009-10	25.65	1797	256.58	60000	23.14	0
2010-11	25.65	1168	257.21	60000	23.20	0.2
2011-12	25.72	654	257.21	60000	23.20	-0.06
2012-13	25.72	603	257.21	60000	23.20	-0.01

Source: Annual Report of the mill

The mill has authorized capital of Rs. 30 crores

The table 4.1 shows the growth in the share capital from various sources. It is observed from table 4.1 that the growth of share capital of mill during 2004-05 to 2012-13 is almost constant. It is observed that there is slightly

increase in the total share capital even though there is fall in the membership.

The mill has succeeded in the raising and mainting the share contribution from cooperative societies and government. The contribution from cooperative societies in the share does not have any change neither it has increased nor decreased. Government contribution in share capital from 2004-05 to 2012-13 was also stable with minor variation. It was Rs 18.90 crore in 2004-05 which increased to 23.20 crores in 2012-13. It is also seen from table 4.1 that the paid up capital of the mill from individual members, cooperative societies and government is almost stable in nature.

The mill has to pay back share capital of Co-operative society and Government. After repaying its loans. The mill tries to reduce the interest burden by repaying the loans.

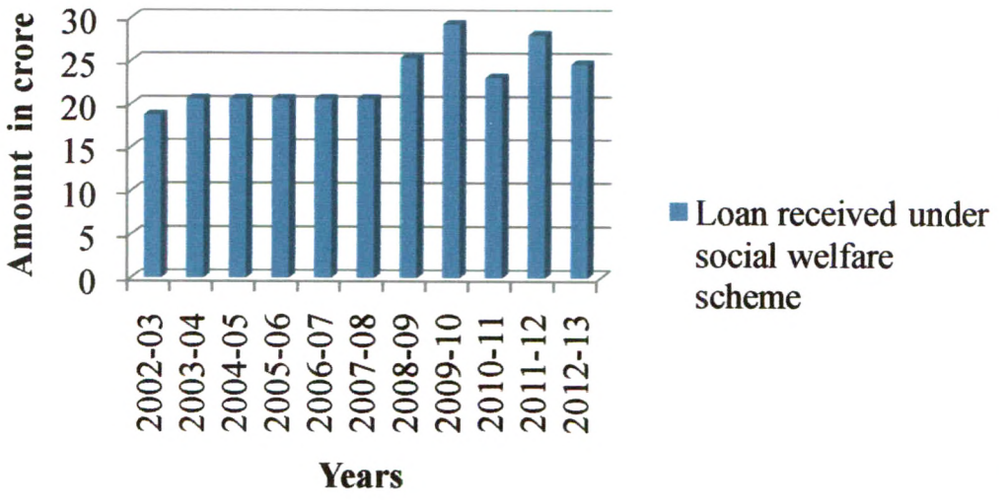
Table No.4.2: Loan Received under Social Welfare Scheme

Year	Loan received under social welfare scheme	Growth rate in %
2002-03	18.75	-
2003-04	20.63	10.03
2004-05	20.63	0
2005-06	20.63	0
2006-07	20.63	0
2007-08	20.63	0
2008-09	25.35	22.88
2009-10	29.26	15.42
2010-11	23.06	21.95
2011-12	28.01	21.43

2012-13	24.63	12.05
mean	**22.17**	
SD	**3.25**	
CV	**14.68**	

Source : Various annual report of spinning mill

Figure 4.1 Loan received under social welfare scheme



Loan under Social Welfare:-

Under the social welfare scheme, Government of Maharashtra provides loans for long terms to Co-operative institutes like Co-operative sugar mills spinning mills etc. Under this scheme mill has taken long term loan of Rs 18.75 crore in the year 2002-03.After that loan amount was increasing with fluctuation and in 2012-13 it was 24.63 crore. From year 2003-04 to 2007-08 the amount received was constant because the mill administration was not much alerted to social welfare loan scheme. After that it reached to remarkable growth in 2008-09 with the growth rate of 22.88 % and it again lowered to 12.05%in the year 2012-13. In between 2008-09 to 2012-13 the

growth rate of loan received under social welfare scheme is highly fluctuating. It is reflected in the value of C. V. which is 14.68.

4.6 Ratio Analysis:

The ratio analysis is a statistical tool which helps in explaining the real financial position of the firm. The ratio analysis is also helps to the manager while in analyzing and interpreting financial position of the firm. They are necessary for sound thinking. They helps to examine in detail the overall picture portrayed by the financial statement of the firm. The ratio analysis and comparison provides an idea to the investors about whether the firm ensures strong financial position or not. They are employed to the test of solvency the liquidity of the assets and the profitability of the concern.

Ratio analysis is the study of specific relationship and forms the heart of financial statement. Only financial statements does not provides true picture of the firm. Therefore ratio analyses are being used for presenting true and reliable picture of the financial statements of the firm. There are various ratios being used for proper interpretation of the financial statements. These are as below.

1) Gross Profit Ratio:

Gross profit is very important for mills as it covers the operating expenses for mills. It expresses the relationship between gross profits on sale to net sale in terms of percentage representing the percentage of gross profit earned on sale. Gross Profit Ratio established the relationship between gross profit and net sales. This ratio is calculated by dividing the Gross Profit by Sales. It is usually indicated as percentage.

Implication of Gross Profit Ratio

Gross profit ratio indicates degree to which selling process of goods per unit may decline without resulting in losses on operations for the firm from different angle. It shows the average markup on individual products lines. There is no monism for judging the gross profit ratio and therefore, evolution is matter of judgment in order to analyze the gross profit margin effectively. Information should be available with respect to purchasing mark ups as well as general purchasing policies. However these data are not usually available to the external analyst. The gross profit should be adequate to cover the operating expenses and provide fixed charges dividends and building up of services.

A low gross profit may indicate unfavorable purchasing and markup policies the liability of management to develop sales volume there by making it impossible to buy goods in large volume marked reduction in selling prices not accompancial by proportionate decrease in cost of goods over expansion or over investment in plant facilities unfavorable property locations and excessive competition. On other hand an increase in the gross profit ratio may be due to various factors such as decrease in cost without impacts on the sale price of goods. Stock at the commencement of the trading period valued at a figure lower that it should have been artificial inflation of sales on consignment while the same are included in closing stock omission of purchase invoices from account over valuation of stock of goods at the end of accounting period.

Following Formula is used to measure Gross Profit:-

$$\text{Gross profit ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} * 100$$

Gross Profit = Sales- Cost of goods sold

Net Sale = Gross sale- Sales returns or return inwards

Due to the significance of the gross profit ratio, it is essential to focus on gross profit ratio of the mill during the study period. In the table 4.3 gross profit ratio has been presented for the period under study. It is clear from the table that up to 2009-10 the gross profit was stable in nature but after that it was starting to increase. The net sale is not stable. Except 2010-11 and 2012-13, there was continuous increase in the net sale. The highest net sale was recorded in the year 2009-10 on the opposite the lowest net sale was recorded in the year 2005-06. This implies that the mill was capable to maintain the sale during the recession period. Thus in short it can be stated that gross profit of the mill and net sale both are increasing particularly from the year 2009-10 which is desired and good sign of the growth. Even though the gross profit and net sale both are rising still we can observe the volatility in the growth. The coefficient of variation of the gross profit is 63.88 and it is 50.39 in case of net sales.

Table No.4.3: Gross Profit Ratio from 2003 to 2013 (in Crore)

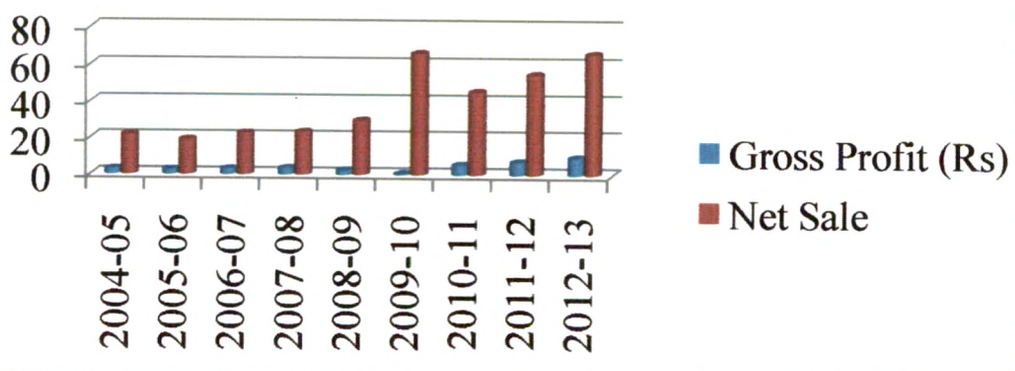
Year	Gross Profit (Rs)	Net Sale	Gross Profit Ratio (%)
2004-05	3.18	21.79	14.6
2005-06	2.75	19.10	14.44
2006-07	3.32	22.69	14.63
2007-08	3.73	23.62	15.81
2008-09	2.36	29.76	7.96
2009-10	0.76	66.52	1.15
2010-11	5.70	45.78	12.45
2011-12	7.36	55.07	13.38

2012-13	9.61	66.23	14.51
Total	38.80	350.61	
Average	4.31	38.95	
SD	27.55	196.31	
CV	63.87	50.39	

Source: various annual reports of spinning mill

Figure 4.2 indicates the gross profit and net sale of the mill. It is observed from the figure that the gross profit is varying between Rs 0.76 crore to Rs 9.61 crore. It is lowest in the year 2009-10 therefore it was bad business year for the mill. However from 2009-10 onwards it was continuously increasing which is good sign for the growth of the Mill. In case of net sale it is observed that there is wide gap between net sale and gross profit. Thus in brief we can say that the Mill is getting peak after 2009-10 onwards so far as net sale and gross profit is concern. The mean gross profit of the mill was Rs 4.31 whereas the coefficient of variation was 63.87 which indicates higher gravity of variation.

Figure 4.2 Gorss Profit and Net Sale of the Mill



2) Net Profit Ratio:-

Net Profit Ratio is also termed as Sales Margin Ratio (or) Profit Margin Ratio (or) Net Profit to Sales Ratio. This ratio reveals the firm's overall efficiency in operating the business. Net profit Ratio is used to measure the relationship between net profit (either before or after taxes) and sales. This ratio can be calculated by the following formula.

$$\text{Net profit Ratio} = \frac{\text{Net Profit after Tax}}{\text{Net Sale}} * 100$$

Net profit includes non-operating incomes and profits. Non-Operating Incomes such as dividend received, interest on investment, profit on sales of fixed assets, commission received, discount received etc. Profit or Sales Margin indicates margin available after deduction of cost of production, other operating expenses, and income tax from the sales revenue. Higher Net Profit Ratio indicates the standard performance of the business concern.Net profit ratio is the best measure of profitability and liquidity because it shows real level of financial strength of the firm therefore it is more useful and reliable ratio than gross profit ratio. It also helps to measure the overall operational efficiency of the business concern. It facilitates to make or buy decisions. Furthermore, it helps to determine the managerial efficiency to use a firm's resources to generate income on its invested capital. Therefore Net profit Ratio is very much useful as a tool of investment evaluation.

Net Profit Ratio of the mill

As pointed out earlier, the concept of net profit is more useful and realistic than gross profit. Therefore it is essential to study the net profit ratio of the mill which is presented in table 4.4.

Table 4.4 Net Profit Ratio of the Mill (in crore)

Year	Net Profit	Net Sales	Net Profit Ratio (%)
2004-05	-3.13	21.79	-14.40
2005-06	-2.73	19.10	-14.33
2006-07	-2.78	22.69	-12.25
2007-08	-3.78	23.62	-16.00
2008-09	-5.53	29.76	-18.60
2009-10	-2.70	66.52	-4.06
2010-11	-1.96	45.78	-4.29
2011-12	-4.54	55.07	-8.24
2012-13	3.82	66.23	5.77
Total	-23.36	350.61	
Mean	-2.59	38.95	
SD	2.64	19.63	
CV	-1.01	0.50	

Source: As per table 4.3

Net profit is effective measure to evaluate the profitability of a business. This is an indicator of the performance of firm and its sales promotion. Net profit ratio ensures adequate return to the share holders as well as enables a firm strongly to face adverse economic condition.

Following conclusions can be drawn from table 4.4. The mill is suffering from heavy burden of losses from the year 2004-05 to 2011-12 as per as the net profit of the mill is concerned. Only a year 2012-2013 in which mill has earned good positive net profit i.e. Rs 38.22 crore.

The overall net profit ratio was totally in negative during the study period. Only the year 2012-13 can be considered as a good year in which mill has earned positive net profit. However the negative net profit ratio has been controlled by the mill. It was -14.40 percent in the year 2004-05 which reduced to -8.24 percent in the year 2011-12.

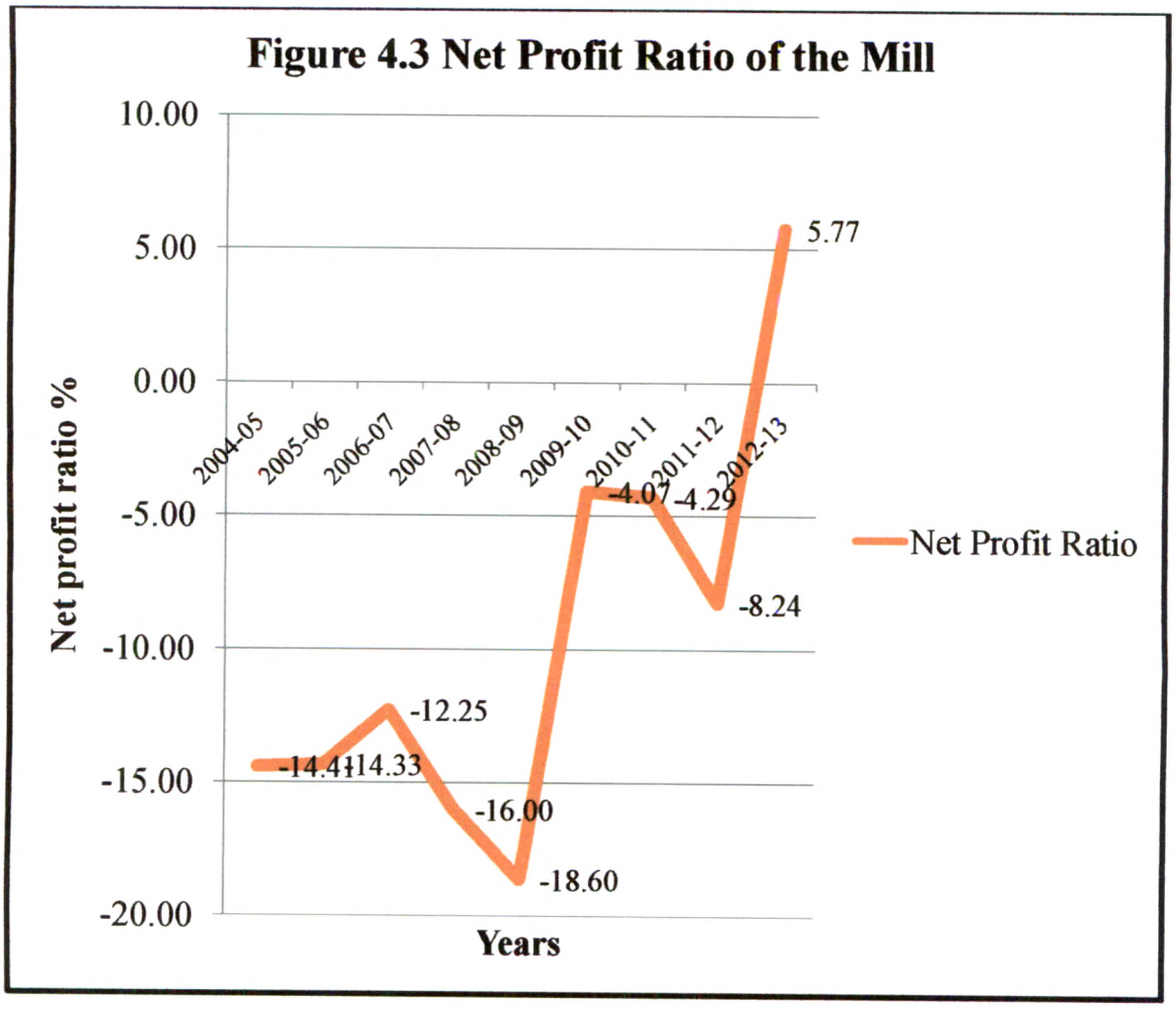


Figure 4.3 present the net profit ratio of the mill during the year 2004-05 to 2012-13.It has been seen from the graph that at starting of the year 2004-05 the net profit ratio of the mill was very highly negative i.e nearly -15 % it was further increased (negative) to -16 and -18 percent in the year 2007-08 and 2008-09 respectively. The actual revival period of the mill was starting from 2009-10, because from 2009-10 onwards it is recovering heavy losses.

The basic reason of the negative net profit of the mill is that the heavy losses in non-operating income like negative interest income from investment and fewer discounts received from nonphysical investment

3) Working Capital Turn Over Ratio:

Working capital is defined as the amount by which current assets exceed current liabilities. A highest working capital turnover ratio is required for the better growth of the firm. It means that firm is utilizing its working capital more efficiently i.e generating more revenue using less investment. The Efficiency of the mill in using working capital is measured by working capital turnover ratio. Larger the net sale compared with net working capital more would be suitable situation. The real danger lies in a possibility of a decline in sale due to unforeseen circumstances like off orders, strikes, depression and competitions.

Low turnover ratio may be the outcome of an excess of net working capital slow turnover of inventories and for acceptance a large cash balance or investment of working capital in the form temporary investment.

This ratio shows the relationship between net sale and net working capital. Working capital turnover ratio and is calculated as.

$$\text{Working capital turnover ratio} = \frac{\text{Net Sale}}{\text{Capital employed (working capital)}}$$

Where, Capital employed (working capital) = Total current assets- Total current liabilities and

Net sale= Gross sale- Sale returns)

Table No 4.5 : Working Capital Turnover Ratio (in crore)

Year	Net Sales	Working Capital	Working Capital Turnover Ratio
2008-09	29.77	2.40	12.41
2009-10	66.52	7.07	9.40
2010-11	45.78	2.43	18.83
2011-12	55.08	4.44	12.40
2012-13	66.24	14.84	4.46
mean	52.68	6.24	11.50
SD	13.81	4.62	4.67
CV	26.21	74.22	40.65

Source : Various Annual Reports of the Mill

The table 4.5 reveals that there is fluctuation in the working capital turnover ratio of the mill. It is ranging between 4.46 to 18.83 with an average of 11.50.The coefficient of variation of the working capital turnover ratio is 40.65 % which indicates more instability in efficient use of current assets. The growth in net sale and working capital is also not stable as the coefficient of variation of the net sale and working capital are 26.21 and 74.22 percent respectively which is also undesirable. There is no consistency in the working capital because it was just 4.44 in the year 2011-12 which rose to 14.84 crores in the next year 2012-13. Only the year 2012-13 in which mill has crossed double digit as far as working capital is concerned. Hence it is a good sign of improving current asset utilization efficiency.

4) Net Profit and Loss

The main reasons for any mill going into losses are as following

1) Increased cost of cotton, wages, electricity, packing charges, store and spares

2) Lower Selling prices of yarn.

In the following table net profit & net loss is presented for the period and study

Table No. 4.6: Net Profit and Net Loss of the Mill (Amt.in Crore)

Year	Net profit and Net Loss
2004-05	-3.13
2005-06	-2.73
2006-07	-2.78
2007-08	-3.78
2008-09	-5.53
2009-10	-2.70
2010-11	-1.96
2011-12	-4.54
2012-13	3.82
Total	**-2.33**
Mean	**-4.67**

Source: Annual Report of the Mill

It is clear from the table 4.6 that the mill is suffering from heavy burden of loss. Net profit and loss shows profit and loss accounts of mill. From the present study of 10 years from 2004-05 to 2012-13, it is clear that

1) Mill is in loss for last nine years and only for one year i.e in 2012-13 it is in profit.

2) In the year 2012-13 Mill has made the maximum profit of 3.82 crore and maximum loss was -5.53 crore during the years 2008-09.

3) The main reason for increasing losses are as below

A) Rising interest rate on outstanding

B) Increasing cost of cotton, wages, electricity, packing store and spares.

C) Low selling prices of yarn

D) Rising cost on Generator oil.

5) Fixed Assets Turnover Ratio:

This ratio indicates the efficiency of assets management. Fixed Assets Turnover Ratio is used to measure the utilization of fixed assets. This ratio establishes the relationship between cost of goods sold and total fixed assets. Higher the ratio highlights a firm has successfully utilized the fixed assets. If the ratio is depressed, it indicates the under utilization of fixed assets.

The ratio may also be calculated as

$$\text{Fixed Asset Turnover Ratio} = \frac{\text{Sale}}{\text{Net Fixed assets}}$$

Components of Fixed Assets (or) Non-Current Assets

1) Goodwill

2) Land and Building

3) Plant and Machinery

4) Furniture and Fittings

5) Trade Mark

6) Patent Rights and Livestock

7) Long-Term Investment

8) Debt Balance of Profit and Loss Account

9) Discount on Issue of Shares

10) Discount on Issue of Debenture

11) Preliminary Expenses

12) Other Deferred Expenses

14) Government or Trust Securities

15) Any other immovable Prosperities

Table 4.7 The Fixed Assets Turnover Ratio of the Mill (In Crore)

Year	Sales	Net Fixed Assets	Fixed Asset Turnover Ratio
2003-04	6.63	27.25	0.24
2004-05	27.87	37.57	0.74
2005-06	21.39	37.57	0.57
2006-07	19.50	37.76	0.52
2007-08	23.15	44.80	0.52
2008-09	24.02	50.69	0.47
2009-10	30.27	57.34	0.53
2010-11	46.74	58.55	0.80
2011-12	68.87	61.18	1.13
2012-13	56.62	69.79	0.81
Average	32.51	48.25	0.64

Source: Various Annual Reports of the Mill

The fixed asset turnover ratio of the mill should be compared with past ratios. Fixed assets turnover ratio measures investment utilizing efficiency of the mill. The high ratio indicates more efficiency in utilization of fixed assets and vice versa.

The table 4.7 indicates fixed asset turnover ratio of the mill. It is having increasing trend since 2010-11 and it is the highest in the year 2011-12.The utilization of fixed assets is satisfactory in recent years even though

the mill is suffering from losses. It is an indicator of efficiency in utilization of fixed asset in generating sale comparing with nine years over the study period.

6) Current Ratio:

This is the ratio of current assets to current liabilities. This is also known as working capital ratio or solvency ratio.

Formula-

$$\textbf{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

Current Assets= Cash and bank balance+ deposits advance and debtors + other Current Assets including stock.

Current Liabilities=Short term loan + other Current Liabilities including Stock

Current ratio gives the analyst about the general picture of the adequacy of working capital and it's the company's ability to meet its day to day payment obligations. The current ratio of the mill has been presented in table 4.8. The current ratio of the mill of the year 2003-04 and 2005-06 is constant that is 1.22 percentage. Afterword it has falling trend in the next years except the year 2009-10. It reached 0.63 till the year 2011-12. The average current ratio of the mill during 2003-04 to 2012-13 was 0.86. If we consider the growth rate of the current assets and current liabilities of the mill during the study period then it shows gloomy picture because the simple growth rate of current liabilities is more than the current asset excepting year 2009-10. And the current liabilities of the mill are growing faster than of current assets which undesirable phenomena.

Table 4.8 : Current Ratio of the Mill **(In Crore)**

Year	Current Assets	SGR of Current Assets	Current Liabilities	SGR Current Liabilities	Current Ratio
2003-04	10.95		8.95		1.22
2004-05	10.95	0.00	8.95	0.00	1.22
2005-06	10.95	0.00	11.67	30.37	0.94
2006-07	11.97	9.28	14.16	21.37	0.85
2007-08	10.93	-8.68	16.52	16.69	0.66
2008-09	12.54	14.72	21.95	32.87	0.57
2009-10	19.04	51.88	21.79	-0.75	0.87
2010-11	18.77	-1.45	24.68	13.28	0.76
2011-12	17.31	-7.76	27.43	11.15	0.63
mean	13.71		17.35		0.86
SD	3.37		6.50		
CV	24.55		37.49		

Source: As per table 4.6

7) Ratio of Total Investment to Long Term Liabilities:

The method of financing the business is based on the principle that there should not be too high proportion of long term liabilities.

Formula-

$$\textbf{Total Investment to Long Term Liabilities} = \frac{\text{Share Capital}}{\text{Owned Capital}}$$

This ratio is proportion of share capital to owned capital.

Long Term Liabilities

Table 4.9: Total Owned capital of the Mill (Amt. in Crore)

Year	Share Capital (A)	Govt. Share (B)	Owned Capital(A-B=C)	SGR of owned capital
2004-05	18.94	18.90	0.0380	-
2005-06	18.95	18.90	0.0521	37.10526
2006-07	18.95	18.90	0.0521	0
2007-08	23.19	23.14	0.0521	0
2008-09	23.19	23.14	0.0521	0
2009-10	23.19	23.14	0.0521	0
2010-11	23.24	23.20	0.0360	-30.9021
2011-12	23.22	23.20	0.0228	-36.6667
2012-13	23.22	23.20	0.0211	-7.45614
Average	21.79	21.75	0.04	
SD	2.132	2.136	0.013	
CV	9.783	9.820	31.044	

Source: As per table 4.6

The table 4.9 reveals that the share capital of the mill is increasing. Though the mill is suffering from heavy losses it is the only ratio which is showing future hope for the mill. The average owned capital of the mill during the study period was nearly 4 lakh which was meager. The coefficient of variation of the owned Fund 31.044 percentage during the period under consideration which indicates high variations range. The simple growth rate of the owned capital was completely negative, except the

year 2005-06 where it was 37.10. It was totally zero during the period from 2006-07 to 2009-10 which implies that there was no change in the owned capital during the said period. There is decreasing trend of the owned capital, during the year 2010-11 to 2012-13 which is not good indicator of the internal financial strength of the mill.

Thus in brief it can be concluded that the mill has not succeed in the raising the amount of the owned capital.

Table No. 4.10 Sources of Finance and Long Term Liabilities of the Mill **(Amt in Crore)**

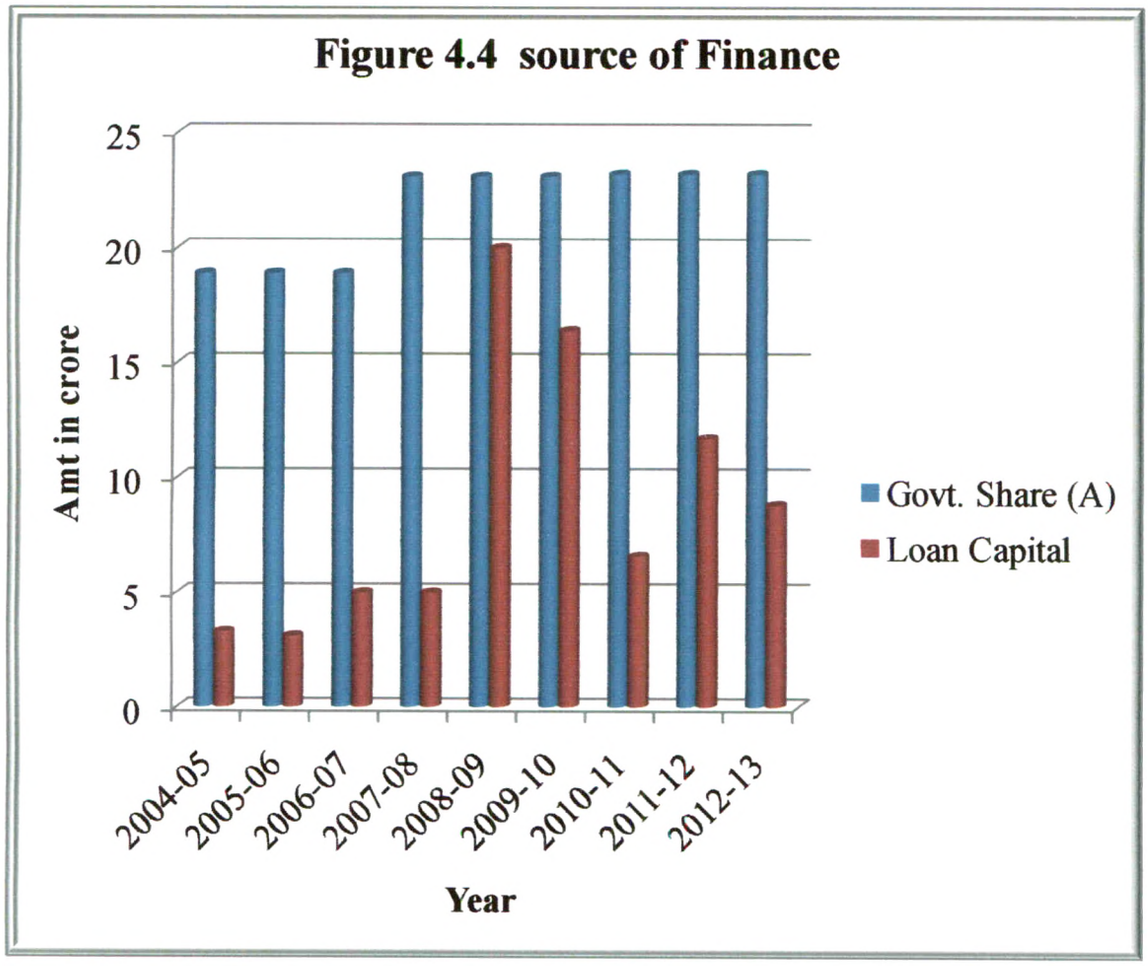
Year	Govt. Share (A)	Loan Capital (B)	SGR of Loan capital %	Long Term Liabilities A+B=(C)	SGR of Long Term Liabilities %
2004-05	18.9	3.3	-	22.2	-
2005-06	18.9	3.1	-6.06	22.0	-0.95
2006-07	18.9	5.0	61.29	23.9	8.79
2007-08	23.1	5.0	0.00	28.2	17.74
2008-09	23.1	20.0	300.00	43.1	53.13
2009-10	23.1	16.4	-18.00	39.6	-8.30
2010-11	23.2	6.6	-59.76	29.8	-24.71
2011-12	23.2	11.7	77.27	34.9	17.27
2012-13	23.2	8.8	-24.79	32.0	-8.47
Average	21.7	8.9		30.6	
SD	2.1	6.0		7.5	
CV	9.8	67.6		24.6	

Source: As Per table 4.6

The table 4.10 shows the sources of finance and long term liabilities of the mill during the study period. The Government share is almost constant from 2007-08 to 2012-13 with Rs.23.2 crore. It implies that there was no growth in the Government share during the study period. The loan capital of the mill during the year 2004-05 to 2007-08 was constant with minor variation and that was varying between Rs 3.1 crore to 5.0 crore. The more considerable thing is that the loan capital was highest of Rs. 20 crore with simple annual growth rate of 300 in the year 2008-09. However the mill has successfully reduced the extent of loan capital during 2009-10 to 2012-13 except the year 2011-12. The average loan capital of Rs.8.9 crore was founds during the period under consideration.

The simple growth rate of the long term liabilities of the mill has ups and downs in nature. It is highest in the in the year 2008-09 i.e 53 percent. It was negative in the years 2005-06,2009-10,2010-11 and 2012-13 which means that during these years the long term liabilities of the mill has successfully reduced compared with the other years. It is also observed from the table 4.10 that the mill has successfully controlling its long term liabilities in the recent years especially from the year 2009-10 to 2012-13.

The Government share and loan capital has been depicted in the figure 4.4. It is clear from the table that there is instability in of loan capital cases.



4.7 Conclusion:

The forgoing financial analysis of the mill clearly reveal that the mill is suffering from heavy loss as per as the net profit ratio and net profit - net loss account is concerned. The growth rate of the current assets and current liabilities of the mill during the study period shows gloomy picture because the simple growth rate of current liabilities is more than the current asset excepting year 2009-10. And the current liabilities of the mill are growing faster than of current assets which undesirable phenomena. Although mill is suffering from heavy losses the future of the mill is hopeful because of two reasons. These reasons are A) Even though the overall external environment

of the mill starting downward in the year 2007-08, the mill has raised its maximum share capital in that year. Therefore there are chances of hope. The year 2009-10 was good business year of the mill in which it had received maximum loan under social welfare scheme, achieved maximum sale and succeed in mainting constant gross profit rate. B) The year 2012-13 is the revival year for the mill because it is recovering their heavy losses. Fixed asset turnover ratio has increasing trend and it is highest in the year 2011-12 which indicates that the mill has started using its fixed assets more efficiently.

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