

**CHAPTER - V**  
**CONCLUSION & SUGGESTIONS**

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### CONCLUSIONS AND SUGESTIONS:

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After examining the theoretical background of fund flow analysis and the profile of Emersion Network Power India Pvt. Ltd. Thane, an attempt is made to use the data of five years to understand how the fund flows have occurred in the company. Fund flow analysis as described earlier is very helpful to understand the sources .i.e. inflow of fund and application .i.e. Outflow of fund. This information is not directly available in Profit and loss A/c and Balance sheet of the company. Therefore it is necessary to prepare fund flow statement, basically fund flow statement is prepare by understanding changes in working capital on one hand and fund from operation in the other hand. For this to years additional document i.e. scheduled o<sup>r</sup> changes in working capital and Profit and loss A/c are prepared for each of five years and then for all the five years taken together to facilitated comparison among all the five years.

The broad conclusion can be briefly presented as follows.

1. Regarding working capital is decrease in the year 2001-2002 and in all the subsequent years it has increased. If will take 2001-02 as a base year (100%) the increase in the subsequent years is by 20.93 %, 33.20%, 64.61%, 90.37% this increasing trend in working capital. Is a show that the company has become stronger and stronger in respect of working capital position. The rates of increase in

current assets are from greater than increase in current liabilities. Except in the last year (2005-2006) the company can be set to have in favorable condition in all the years. The short term liquidity level is therefore reasonably good.

2. The observation of the data presented in the Adjusted Profit & loss A/c for all the years discloses that the fund from operation shows fluctuation by taking first years is a base (100%) fund from operation are 88.96%, 114.01%, 93.47% and 141.73% for the subsequent years respectively. This trend in fund from operations cannot be taken as good sign although the position in the last year is good. Fund from operation is the one of the very important sources of fund . these funds are created internally from the business activities of the company. We can therefore say that these are cash profits. Higher the figure of the fund from operation better the use of self financing. The Company requires to borrowed less from the outside sources fluctuations in fund from operation are disclose in Adj. Profit & loss A/c doesn't show stability and increasing trend in the profitability of the company.
3. Sources and application of fund is the final statement prepared for all the five years. The company is showing increasing trend over the period of five year as for as sources and application of fund are concerned. If we make the internal analysis of

sources and application of fund the following conclusion can be drawn.

- A] In the year 2004-05 and 2005-06 sale of fixed assets has enable the company to get large amount of fund [3546% & 908% respectively]
- B] Sale of investment is a source of fund in the first year i.e. 2001-2002 funds have come in to the business to the extent of 244 lakhs in this year.
- C] In order to increase the flow of fund in to business the company has raised additional loan in all the years from 2002-03 the loan raised the year 2003-04 and 2005-06 are very large i.e. Rs. 613 lakhs and Rs. 1761lakhs respectively.
- D] The company has also attractive the fund by way of fixed deposits in two years Rs.1122 lakhs in 2002-03 & Rs. 1712 lakhs in 2004-05. Both these items loans and fixed deposits have put the company under greater financial burden.
- E] Dividend received is also regular source of finance of the company. In the first year dividend of Rs.136 lakhs is a received and in the remaining years the amount of dividend is not very large, but it appears in all the years.
- F] Beside increase in working capital as described the earlier purchase of fixed assets is one of major

application of funds over the years, it has increase from 100% in 2002-03 to 145.33% in 2005-06. this indicates that the company has taken a programme of increasing its production capacity of switches. It can also be said that the need of increase in production for the switches is due to increased demand for them in market.

G] Another important application of fund is in the form of refund of loan in the year 2001 -2002 to the extent of Rs. 1180lakhs after refund of this old loan the company has taken additional loan in the subsequent years .as described the earlier. It cans therefore, the said that the company depends to large extent on borrowed funds.

H] Fixed deposits which are excepted are found to be paid back in three years worth Rs. 520.70 Lakhs in 2001-02, Rs 314.30 Lakhs in 2003-04 and Rs.146.66 Lakhs in 2005-06. This is again a very important application of funds. The loans, deposits are regularly accepted by the company to collect the funds. Of course looking at this scheduled of acceptance and refund of deposits the company is maintaining its financial disciplines.

I] Dividend payment is again very important way in which the funds are going out of business. The amount in what in this outflow of fund are quite

substantial in all the year. The ranging from 430.91 Lakhs in the first year to 439.21 Lakhs in the last year.

### **SUGGESTIONS :**

1. The working capital trend is increasing obviously the working capital position of the company looks good, however this is because of large increasing inventory, debtors & B.R which are less liquid assets. It is therefore advisable for the company to reduced the size of above current assets and increase the size of cash & bank.
2. The fluctuating trend in fund from operation is a sign of instability of earning power of the company. The company needs to stabilize its profitability to show increasing trends over the years.
3. In flow of funds by way of fixed assets are not that desirable. Sources of fund need to be rationalized by putting more weight of internal sources of funds. The same is true in case of sale of investment which appears as the next important source of finance.
4. The raising of fund by way of loans is regular feature of the company. However the company has maintained is financial discipline. It is rather advisable to reduce the burden of the loans by way of increasing share capital. The equity base of the company needs to be improved.

5. Like loans, the company has attempted to collect the fund from fixed deposits. Repayment of fixed deposits is also regular. Even then it is desirable to reduce the size of fixed deposits.
6. The outflow in the form of payment of dividend is good from the point of view of shareholder. However high dividend payout keeps little scope, for the company to capitalized the profits. Capitalization of profit is most desirable way to raise the fund. It improves the financial strength of the company. The company has to rework its rate of payment of dividend to keep some profit in the form of retained earning.

If we considered the above suggestion we can come to a conclusion that the fund management of the company it is reasonably good. The only thing i.e. desirable is reduction in loans & public deposits, stability & improvement in fund form operation and better management of profits. The company has to formulate and implement the scientific policies & programmes to make the fund Management more effective in the forth coming years