



# DATA ANALYSIS

CHAPTER NO. 4

**DATA ANALYSIS**

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## **4.1 INTRODUCTION**

Modern Financial Management covers various functional areas. In the present chapter, focus has been made on the following aspects of the financial management to serve the objects of the present study:

- a) Capital Structure Analysis
- b) Revenue Analysis
- c) Expenditure Analysis
- d) Funds Flow Analysis
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## **4.2 CAPITAL STRUCTURE ANALYSIS**

Capital Structure means the financial planning according to which the assets of the units have been financed. It refers to the mix of sources from where the long term funds required in a business may be raised, i.e. what should be the proportions of equity and debt in the total amount of capital which an undertaking may raise for establishing its business. Equity includes paid share capital, share premium and reserve and surplus (retained earnings), where debts consists of debenture capital, bonds, term and other long term debts. In order to maximize the shareholders wealth the financial manager should attempt to achieve an optimal capital structure. It refers to an ideal combination or judicious mix of various sources of long term funds so as to minimize the overall cost of capital and maximize the market value per share. The optimum capital structure could be achieved when the marginal cost of each source of finance is the same. However, it is incorrect to say that there exists an ideal mix of debt and equity which will produce an optimum capital structure. In fact, there is no single

optimal capital structure or one definite model for all firms, for the same firm for all times. The financial manager should attempt to develop an appropriate capital structure for his firm instead of trying for an optimal capital structure.

Capital structure of Swadeshi Dyeing and Bleaching Mill Pvt. Ltd. consists of following constituents through which the organization tapped the funds to finance fixed assets and working capital requirements.

A) Equity:

- 1) Equity Share Capital
- 2) Reserve Funds
- 3) Profit and loss A/c (Retained Earnings)

B) Debts:

- 1) Long Term Loans
- 2) Deposits

**Table 4.2.1 : Capital Structure Of Swadeshi D/B Mill Pvt. Ltd.**

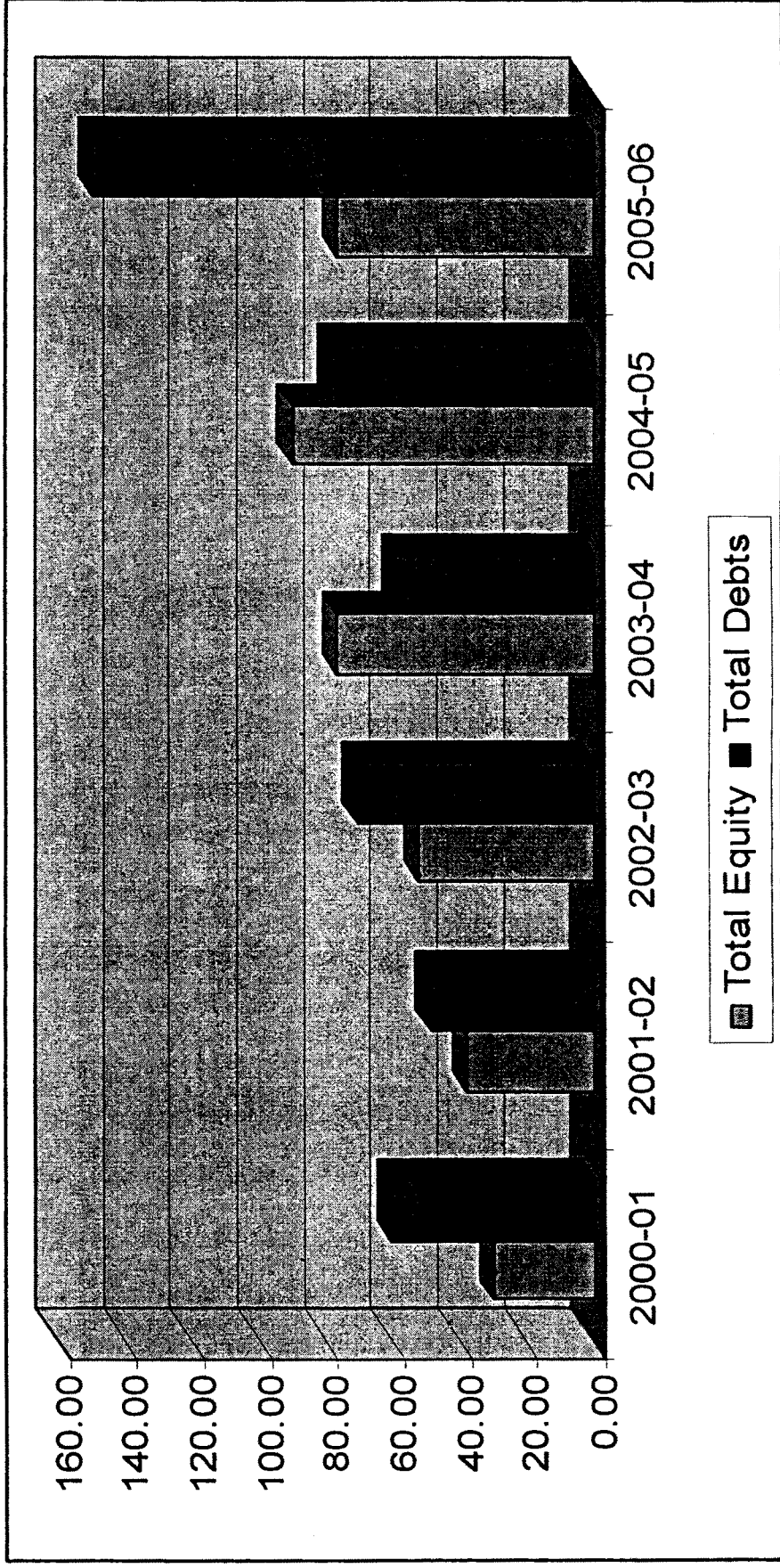
(Rs in lakh)

YEARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>EQUITY</b>						
Share Capital	27.25	27.25	27.25	27.25	27.25	27.25
Reserve & Surplus	37.71	35.01	35.01	35.01	35.01	35.01
Profit & Loss A/C	-34.87	-24.24	-9.53	15.14	28.27	14.59
<b>Total Equity</b>	<b>30.09</b>	<b>38.02</b>	<b>52.73</b>	<b>77.40</b>	<b>90.53</b>	<b>76.85</b>
% of Equity to Total Funds Employed	23.92%	34.11%	39.55%	56.65%	53.43%	33.90%
<b>DEBTS</b>						
Loan	24.03	18.48	24.80	25.19	33.03	103.41
Deposits	36.80	30.71	46.26	34.05	45.86	46.43
<b>Total Debts</b>	<b>60.83</b>	<b>49.19</b>	<b>71.06</b>	<b>59.24</b>	<b>78.89</b>	<b>149.84</b>
% of Debts to Total Funds Employed	48.36%	44.14%	53.30%	43.35%	46.56%	66.10%
<b>TOTAL FUNDS EMPLOYED</b>	<b>125.79</b>	<b>111.45</b>	<b>133.32</b>	<b>136.64</b>	<b>169.43</b>	<b>226.69</b>
Debt to Equity	2.02	1.29	1.35	0.77	0.87	1.95

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Diagram 4.2.1 : Capital Structure Of Swadeshi D/B Mill Pvt. Ltd.

(Rs in lakh)



SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

### 1. A) SHARE CAPITAL

Share Capital of Swadeshi Dyeing Bleaching Pvt. Ltd. includes only equity shares. The company hasn't issued preference shares. The authorized capital of Swadeshi Dyeing Bleaching Pvt. Ltd. is Rs.5,00,000/-, divided into 500 equity shares of Rs.1000/- each. The company issued 2750 equity shares of Rs.1000/- each and all are fully paid. The equity share capital of the company has remained the same during the study period. The share capital occupies the major part of the owners' equity. Table 4.2.2 shows that the percentage of equity share capital to the total funds employed lies in between 12% to 24%. The total proportion of equity to the total funds employed was 21.66% in 2000-01, 24.45% in 2001-02, 20.44% in 2002-03, 19.94% in 2003-04, 16.08% in 2004-05 and 12.02% in 2005-06. It shows the total investment in the equity share capital is relatively low.

### B) SHARE HOLDERS EQUITY/ NET WORTH

Table 4.2.3 shows the constituents of shareholders equity in Swadeshi Dyeing and Bleaching Pvt. Ltd. and its percentage to the total long term funds. Equity Share Capital, Reserve Funds and Accumulated profit or loss form the share holders equity or net worth. Share capital and reserve funds (except 2000-01) remained constant during the period of study. Though share capital and reserve funds occupied major portion of the total net worth, its proportion in the net worth shows continues decreasing trend in the subsequent years. The main reason of this is the variations in closing balance on the profit and loss A/C, which was negative during 2000-01, 2001-2 and 2002-03 where as positive during

the next years. Table 4.2.2 shows that the sum of equity share capital and reserve funds in 2000-01, 2001-02 and in 2002-03 is more than that of net worth, this is because of the accumulated loss during these years. Even though the share capital and reserve funds were not increased the amount of net worth shows continuously increasing trend. It clearly points out that from 2000-01 onwards the company is continuously earning profits, which were written off against the initial loss in the first three years of the study period. The amount of net worth was Rs30.10 lakh in 200-01 which was continuously increased up to Rs.90.53 lakh in 2004-05 and then it has decreased up to 76.85 lakh in 2005-06, and it is because of net loss in the last year. The percentage of net worth to the funds employed was 23.93%, 34.11%, 39.55%, 56.65%, 53.44% and 33.90% in 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and in 2005-06. It means the proportion of net worth in the total capital is increasing, which is good for the company, as it increases the creditworthiness and improves the long term solvency position of the company.

## **2) RESERVE FUND**

Table 4.2.4 shows total reserve fund, its constituents and the percentage of total reserve to net worth and total funds employed. Swadeshi Dyeing and Bleaching Pvt. Ltd. has created two kinds of reserves i.e. investment allowance reserve and capital intensive subsidy. The subsidies received from the Government are transferred to the Reserve and Surplus. Total reserve fund in 2000-01 was Rs.37.70 lakh includes Rs12.22 lakh under investment allowance reserve and Rs.25.15 lakh under capital intensive subsidy. During 2001-02 to 2005-06 the



reserve fund remained constant i.e.Rs.35.01lakh includes Rs.12.55lakh investment allowance reserve and Rs.22.46lakh capital incentive subsidy, which accounts for nearly 35.85% and 64.15% respectively. The percentage of the total reserve fund to the total funds employed was 29.97%, 34.41%, 26.26%, 25.62%, 20.66%and 15.44% during 2000-01, 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06. A trend of decreasing share of reserve funds in total funds employed shows the total long funds have increased but the company has not transferred any amount to the reserve funds.

### **3) PROFIT AND LOSS ACCOUNT (RETAINED EARNINGS)**

Table 4.2.5 shows the net profit earned during the year and its distribution in the Swadeshi Dying and Bleaching Pvt. Ltd. The net profit of the company during year 2000-01 to 2004-05 was Rs.7.36lakh, Rs10.62lakh, Rs.14.71lakh, Rs.24.68lakh and Rs.13.31lakh. The company incurred a loss of Rs.13.68lakh in 2005-06. The table shows that the company retained all profits for the financing its business. The net profit earned during the first three years of the study was written off against the initial loss. Throughout the study period the company followed the conservative dividend policy and hasn't declared any dividend. However, considering the financial position of the company it was essential. The retained earnings played an important roll in the financial structure of Swadeshi Dyeing and Bleaching Pvt. Ltd. It increased the total portion of owners' equity in the capital structure of the company. The percentage retained earning to the total funds employed was 11.08%, 16.69% and 6.44% during 2003-04, 2004-05

and 2005-06. In the year 2005-06 it was relatively low because of the loss incurred in that year where as it was nil in the first three years due to the initial loss.

**Table 4.2.2: Share Capital Swadeshi D/B Mill Pvt. Ltd.**

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Eq. Share Capital	27.25	27.25	27.25	27.25	27.25	27.25
% of Eq. Sh. Cap. to Net Worth	90.56%	71.67%	51.88%	35.21%	30.10%	35.46%
Net Worth	30.09	38.02	52.53	77.4	90.53	76.85
% of Eq. Sh. Cap. to Total Funds Employed	21.66%	24.45%	20.44%	19.94%	16.08%	12.02%
<b>TOTAL FUNDS EMPLOYED</b>	<b>125.79</b>	<b>111.45</b>	<b>133.32</b>	<b>136.64</b>	<b>169.43</b>	<b>226.69</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.2.3: Shareholders Equity/Net Worth In Swadeshi D/B Mill Pvt. Ltd.

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Eq. Share Capital	27.25	27.25	27.25	27.25	27.25	27.25
% of Eq. Cap. to Net Worth	90.53%	71.67%	51.68%	35.21%	30.10%	35.46%
Reserve Fund	37.71	35.01	35.01	35.01	35.01	35.01
% of Reserve Fund to Net Worth	125.28%	92.08%	66.39%	45.23%	38.67%	45.56%
Profit & Loss A/C	-34.86	-24.24	-9.53	15.14	28.27	14.59
% Bal. on P&L A/C to Net Worth	-115.81%	-63.76%	-18.07%	19.56%	31.23%	18.99%
Net Worth	30.10	38.02	52.73	77.40	90.53	76.85
% of Net Worth to Total Funds Employed	23.93%	34.11%	39.55%	56.65%	53.43%	33.90%
TOTAL FUNDS EMPLOYED	125.79	111.45	133.32	136.64	169.43	226.69

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

**Table 4.2.4 : Reserve Fund Of Swadeshi D/B Mill Pvt. Ltd.**

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Investment Allowance Reserve	12.55	12.55	12.55	12.55	12.55	12.55
% to Total Reserve Fund	33.29%	35.85%	35.85%	35.85%	35.85%	35.85%
Capital Incentive Subsidy	25.15	22.46	22.46	22.46	22.46	22.46
% to Total Reserve Fund	66.71%	64.15%	64.15%	64.15%	64.15%	64.15%
<b>Total Reserve Fund</b>	<b>37.70</b>	<b>35.01</b>	<b>35.01</b>	<b>35.01</b>	<b>35.01</b>	<b>35.01</b>
<b>% of Reserve Fund to Net Worth</b>	<b>125.29%</b>	<b>92.08%</b>	<b>66.65%</b>	<b>45.23%</b>	<b>38.67%</b>	<b>45.56%</b>
<b>Net Worth</b>	<b>30.09</b>	<b>38.02</b>	<b>52.53</b>	<b>77.4</b>	<b>90.53</b>	<b>76.85</b>
<b>% of Reserve Fund to Total Capital</b>	<b>29.97%</b>	<b>31.41%</b>	<b>26.26%</b>	<b>25.62%</b>	<b>20.66%</b>	<b>15.44%</b>
<b>TOTAL FUNDS EMPLOYED</b>	<b>125.79</b>	<b>111.45</b>	<b>133.32</b>	<b>136.64</b>	<b>169.43</b>	<b>226.69</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.2.5 : Retained Earnings Of Swadeshi D/B Mill Pvt. Ltd.

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Opening Balance	-42.23	-34.87	-24.25	-9.54	15.14	28.27
Add Net Profit For The Year	7.36	10.62	14.71	24.68	13.13	-13.68
Total	-34.87	-24.25	-9.54	15.14	28.27	14.59
Transferred to Reserve Fund	Nil	Nil	Nil	Nil	Nil	Nil
Payment of Dividend	Nil	Nil	Nil	Nil	Nil	Nil
Total Retained Earnings	-34.87	-24.25	-9.54	15.14	28.27	14.59
% Retained Earnings to Net Worth	-115.89%	-63.78%	-18.16%	19.56%	31.23%	18.99%
Net Worth	30.09	38.02	52.53	77.40	90.53	76.85
% of Retained Earnings to Total Funds Employed	-27.72%	-21.76%	-7.16%	11.08%	16.69%	6.44%
<b>TOTAL FUNDS EMPLOYED</b>	<b>125.79</b>	<b>111.45</b>	<b>133.32</b>	<b>136.64</b>	<b>169.43</b>	<b>226.69</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

#### 4) SECURED LOAN

Table 4.2.6 shows the long term loan taken by Swadeshi Dyeing and Bleaching Pvt. Ltd. for meeting its fixed assets as well as working capital requirements. The company has taken loan from State Bank of India and ICICI Bank. The major portion of the secured loan is occupied by the loan from State Bank of India secured by charge on current assets and fixed loan. The company has also taken vehicle loan from ICICI Bank of Rs.10.80lakh in 2002-03. The outstanding balance on total loan was Rs.24.03 lakh in 2000-01, Rs.18.47 lakh in 2001-02, Rs.24.80 lakh in 2002-03, Rs.25.19 lakh in 2003-04, Rs.33.03 lakh in 2004-05 and Rs.103.41 lakh in 2005-06. The proportion of total outstanding balance on loan in the total debts during the same period was 39.50%, 37.55%, 34.90%, 42.52%, 41.87% and 69.01% and in total funds employed was 19.10%, 16.57%, 18.60%, 18.44%, 19.49% and 45.62%. The loan of Rs.70.05lakh from State Bank of India in 2005-06 has made significant effect on the capital structure of the company. It account for 69.01% of the total debt where as 45.62% of the total funds employed. It means the proportion of the total loan in total debt as well as in total funds employed hasn't affected during 2000-01 to 2004-04 as much as in 2005-06. All these figures show that the term loan from banks has been major long term borrowed source of finance in the capital structure of the said enterprise. The increasing trend of total loan shows that the management is willing to take benefit of trading on equity in the capital structure. It would have also decreased the tax liability of the concern.

### **5) DEPOSITS**

Table 4.2.7 shows the deposits accepted by Swadeshi Dyeing and Bleaching Mills Pvt. Ltd. for meeting its financial requirements. All these deposits are accepted for members of the company, which constitute a major portion of its total borrowed capital. The total balance on deposits was of Rs.36.80lakh in 2000-01 which account for 60.50% in the total Debts and 29.26% in total funds employed in the same year. In 2001-02, 2002-03, 2003-04, 2004-05 and 2005-06, it was of Rs.30.71 lakh, Rs.46.26 lakh, Rs.34.04 lakh, Rs.45.86 lakh and Rs.46.43 lakh and their percentages to the total debts were 62.43%, 65.10%, 57.48%, 58.13% and 30.99% respectively. The percentages of the total deposits to the total funds employed were 27.55% in 2001-02, 34.70% in 2002-03, 24.92% in 2003-04, 27.07% in 2004-05 and 20.48% in 2005-06. All these figures show that the management has not much changed the amount of the total deposits accepted but even though its proportion in total debts and total funds employed has decreased during the period. It is because of the increasing total funds in the business.



**Table 4.2.6 : Loan Taken By Swadeshi D/B Mill Pvt. Ltd.**

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
From SBI Secured by Charge on Current Assets	22.05	18.45	14.00	21.43	19.38	25.19
% to Total Loan	91.76%	99.89%	56.45%	85.07%	58.67%	24.36%
From SBI Secured by Charge on Fixed Assets	Nil	Nil	Nil	Nil	13.21	73.05
% to Total Loan	Nil	Nil	Nil	Nil	39.99%	70.64%
Term Loan From SBI	1.98	0.02	Nil	Nil	Nil	Nil
% to Total Loan	8.24%	0.11%	Nil	Nil	Nil	Nil
Vehicle Loan From ICICI Bank	Nil	Nil	10.80	3.76	0.44	5.17
% to Total Loan	Nil	Nil	43.55%	14.93%	1.33%	5.00%
<b>Total Loan</b>	<b>24.03</b>	<b>18.47</b>	<b>24.80</b>	<b>25.19</b>	<b>33.03</b>	<b>103.41</b>
<b>% of Total Loan to Total Debt</b>	<b>39.50%</b>	<b>37.55%</b>	<b>34.90%</b>	<b>42.52%</b>	<b>41.87%</b>	<b>69.01%</b>
<b>TOTAL DEBT</b>	<b>60.83</b>	<b>49.19</b>	<b>71.06</b>	<b>59.24</b>	<b>78.89</b>	<b>149.84</b>
<b>% of Total Loan to Total Funds Employed</b>	<b>19.10%</b>	<b>16.57%</b>	<b>18.60%</b>	<b>18.44%</b>	<b>19.49%</b>	<b>45.62%</b>
<b>TOTAL FUNDS EMPLOYED</b>	<b>125.79</b>	<b>111.45</b>	<b>133.32</b>	<b>136.64</b>	<b>169.43</b>	<b>226.69</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.2.7: Deposits Accepted By Swadeshi D/B Mill Pvt. Ltd.

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Deposits	36.80	30.71	46.26	34.05	45.86	46.43
% of Deposits to Total Debt	60.50%	62.43%	65.10%	57.48%	58.13%	30.99%
<b>TOTAL DEBT</b>	<b>60.83</b>	<b>49.19</b>	<b>71.06</b>	<b>59.24</b>	<b>78.89</b>	<b>149.84</b>
% of Deposits to Total Funds Employed	29.26%	27.55%	34.70%	24.92%	27.07%	20.48%
<b>TOTAL FUNDS EMPLOYED</b>	<b>125.79</b>	<b>111.45</b>	<b>133.32</b>	<b>136.64</b>	<b>169.43</b>	<b>226.69</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

### 4.3 REVENUE ANALYSIS

Table 4.3.1 and 4.3.2 reveals the revenues collected from various sources and their proportion in the total revenues. The observations made and comparative details of revenues during the period covered under study i.e. 2000-01 to 2005-06 are explained as under.

1. The total revenues show a continuous increasing trend during the period of study. It was Rs.270.55 lakh in 2000-01 which was increased up to Rs.721.15 lakh in the year 2005-06. It shows the company is growing and expanding its business.
2. Major part of the revenue is collected through cloth processing charges, which occupies an average of 99.86% of the total income from regular course of business and 99.51% of the total revenue collected during period of one accounting year. The income from processing charges increased from Rs.268.52 lakh in 2000-01 up to Rs.718.48 lakh in 2005-06. It reveals the company has received more orders and the increasing use of available capacity and other resources of the business.
3. Sale of waste is one of the revenue sources of Swadeshi Dyeing and Bleaching Mills Pvt. Ltd. It has a negligible share in the total income. However, it should be noted that it is not the production of the company, but the wastages, as the company just carries out job work and has not gone for its own production and marketing.

4. Among the other income, water charges, freight, rent, profit on sale of assets, profit on sale of cloths, subscription refund and dividend received on the investments are the sources which contributed to the income. The proportion of income received from these sources is hardly 1% to the total income.
5. Among other income, rent on the property given on lease has been regular source of income, from which the company earned nearly Rs.2,85,000/- during the period of six years and Rs.47,500/- per annum.
6. Swadeshi Dyeing and Bleaching Mills Pvt. Ltd have received Rs.2.1 lakh by sale of its fixed assets in six years.
7. Though the company has made investments in the shares of Choundeshwari Sahakari Bank of Rs.1000/- and Ichalkaranji Co.op. Estste Ltd. of Rs.505/-, the income received from these is negligible as compared to the total revenues of the mill.

**Table 4.3.1: Total Revenues Of Swadeshi D/B Mill Pvt. Ltd.**

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
<b>A) Income</b>						
i) Processing Charges	268.52	308.08	395.49	498.40	632.34	718.48
% of Processing charges to Income from regular course of operation	99.80%	99.82%	99.85%	99.89%	99.90%	99.91%
ii) Sale Of Waste Material	0.53	0.57	0.58	0.57	0.66	0.68
% of Sale of Waste Material to Income from regular course of operation	0.20%	0.18%	0.15%	0.11%	0.10%	0.09%
<b>Total</b>	<b>269.05</b>	<b>308.65</b>	<b>396.07</b>	<b>498.97</b>	<b>633.00</b>	<b>719.16</b>
<b>% To Total Income</b>	<b>99.45%</b>	<b>99.64%</b>	<b>99.55%</b>	<b>99.82%</b>	<b>99.74%</b>	<b>99.72%</b>
<b>B) Other Income</b>	<b>1.50</b>	<b>1.12</b>	<b>1.79</b>	<b>0.89</b>	<b>1.62</b>	<b>1.99</b>
<b>% To Total Income</b>	<b>0.55%</b>	<b>0.36%</b>	<b>0.45%</b>	<b>0.18%</b>	<b>0.26%</b>	<b>0.28%</b>
<b>TOTAL INCOME</b>	<b>270.55</b>	<b>309.77</b>	<b>397.86</b>	<b>499.86</b>	<b>634.62</b>	<b>721.15</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.3.2 Total Other Income Of Swadeshi D/B Mill Pvt. Ltd.

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
i)Water Charges	0.74	0.30	0.00	0.00	0.00	0.00
ii)Fright	0.00	0.25	0.00	0.00	0.00	0.00
iii)Rent	0.40	0.40	0.40	0.40	0.45	0.80
iv)Profit on Sale of Assets	0.02	0.00	0.94	0.00	1.00	0.14
v)Profit on Sale of Cloth	0.34	0.17	0.00	0.49	0.17	0.80
vi)Subscription Refund	0.00	0.00	0.39	0.00	0.00	0.25
vii)Excise Rebate	0.00	0.00	0.06	0.00	0.00	0.00
viii)Divided	0.00	0.00	0.00	0.00	0.00	0.00
<b>Total Other Income</b>	<b>1.50</b>	<b>1.12</b>	<b>1.79</b>	<b>0.89</b>	<b>1.62</b>	<b>1.99</b>
<b>% To Total Income</b>	<b>0.55%</b>	<b>0.36%</b>	<b>0.45%</b>	<b>0.18%</b>	<b>0.26%</b>	<b>0.28%</b>
<b>TOTAL INCOME</b>	<b>270.55</b>	<b>309.77</b>	<b>397.86</b>	<b>499.86</b>	<b>634.62</b>	<b>721.15</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

#### 4.4 EXPENDITURE ANALYSIS

Table 4.4.1 and table 4.4.2 show revenue and capital expenses occurred during the period of six years i.e. from 2000-01 to 2005-06 in Swadishi Dyeing and Bleaching Pvt. Ltd. The observations made on the expenditure patterns of the mill are explained as under:

##### A) Revenue Expenses

1. Being the manufacturing unit, the proportion of manufacturing expenses has been larger in the total expenditure during the year. It account for nearly 80.44% of the total revenue expenditure during the period of 6 years. Manufacturing expenses includes cost of raw materials, consumable stores, transportation charges, wages, factory rent, motive power, water, coal, firewood & Bagas expenses, Karkhana expenses and diesel.
2. The share of administrative and other expenses in relatively less in the total expenses. It account for nearly 19.56% in the total revenue expenditure during the period of 6 years. The proportion of expenses occurred for directors' remuneration, depreciation and interest is more in the total administrative expenses.

##### B) Capital Expenses

Efficient allocation of capital is one of the important functions of financial management in modern times. This function involves the firms' decision to commit its funds in long term assets and other profitable activities. The firms' decision to invest funds in the long term assets are of

considerable significance since they tend to influence the firms wealth, determine its size. The main heads of capital expenditure of Swadeshi Dyeing and Bleaching Pvt. Ltd. are Fixed Assets and Investments.

3. Plant and machinery, Land and Building, furniture and tools and equipments form the major part of the fixed assets of the company. The investment in the fixed assets has increased from 38.93 lakh to 151.21 lakh from 2000-01 to 2005-06.
4. The proportion of the expenditure on the fixed assets is almost 99% of the total capital expenditure. The remaining part of the capital expenditure is incurred in the investment.



Table 4.4.1: Revenue Expenditure Of Swadeshi D/B Mill Pvt. Ltd.

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
A) Manufacturing Expenses	207.21	237.85	309.48	386.57	511.05	588.11
% of Manufacturing Expenses to Total Revenue Expenses	78.73%	79.51%	80.77%	81.35%	82.23%	80.03%
B) Administrative and Other Expenses	55.98	61.30	73.67	88.62	110.45	146.73
% of Administrative Expenses to Total Revenue Expenses	21.27%	20.49%	19.23%	18.65%	17.77%	19.97%
<b>TOTAL REVENUE EXPENSES</b>	<b>263.19</b>	<b>299.15</b>	<b>383.15</b>	<b>475.19</b>	<b>621.50</b>	<b>734.84</b>
% of Revenue Expenses to Total Expenditure	87.11	89.09	86.48	87.40	88.26	82.93
<b>TOTAL EXPENDITURE</b>	<b>302.14</b>	<b>335.78</b>	<b>443.07</b>	<b>543.69</b>	<b>704.19</b>	<b>886.07</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.4.2: Capital Expenditure of Swadeshi D/B Mill Pvt. Ltd.

(Rs in lakh)

PARTICULARS	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
A) Fixed Assets	38.93	36.61	59.90	68.48	82.67	151.21
% of Fixed Assets to Total Capital Expenses	99.95%	99.95%	99.97%	99.97%	99.98%	99.99%
B) Investments	0.02	0.02	0.02	0.02	0.02	0.02
% of Investments to Total Capital Expenses	0.05	0.05	0.03	0.03	0.02	0.01
<b>TOTAL CAPITAL EXPENSES</b>	<b>38.95</b>	<b>36.63</b>	<b>59.92</b>	<b>68.50</b>	<b>82.69</b>	<b>151.23</b>
% of Capital Expenditure to Total Expenditure	12.89%	10.91%	13.52%	12.60%	11.74%	17.07%
<b>TOTAL EXPENDITURE</b>	<b>302.14</b>	<b>335.78</b>	<b>443.07</b>	<b>543.69</b>	<b>704.19</b>	<b>886.07</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

#### **4.5 FUNDS FLOW ANALYSIS**

Funds flow statement is prepared by comparing two balance sheets and with the help of such other information derived from the accounts as may be needed. Broadly speaking the preparation of funds flow statements consists of two parts:

1. Statement Showing Changes in Working Capital
2. Statement of Sources and Application of Funds

D) FUND FLOW ANALYSIS FOR THE YEAR 2002

Table 4.5.1: Statement Showing Changes in Working Capital

*(Rs in lakh)*

PARTICULARS	2001	2002	INCREASE	DECREASE
<b>Current Assets</b>				
Stock	17.53	8.72		8.81
Debtors	61.37	61.30		0.07
Cash and Bank Balance	2.22	2.45	0.23	
Deposits	15.91	13.37		2.54
Advances For Purchase	0.06	0.02		0.04
Advance For Expenses	0.30	0.38	0.08	
Advances To Staff	0.81	0.30		0.51
<b>TOTAL (A)</b>	<b>98.20</b>	<b>86.54</b>		
<b>Current Liabilities</b>				
Sundry Creditors	34.68	21.39	13.29	
Wages and Salaries	3.10	3.82		0.72
Motive Power	2.74	1.70	1.04	
Other Liabilities For Expenses	5.48	8.84		3.36
Directors Remunerations	0.22	0.22		
<b>TOTAL (B)</b>	<b>46.22</b>	<b>35.97</b>		
<b>NET WORKING CAPITAL (A-B)</b>	<b>51.98</b>	<b>50.57</b>		
<b>DECREASE IN WORKING CAPITAL</b>		<b>1.41</b>	<b>1.41</b>	
<b>TOTAL</b>	<b>51.98</b>	<b>51.98</b>	<b>16.05</b>	<b>16.05</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.5.2: Funds Flow Statement 2002

*(Rs in lakh)*

PARTICULARS	Rs.
<b>Sources:</b>	
Fund From Operation	10.54
Decrease in Working Capital	1.41
Fixed Assets	2.32
	<b>14.27</b>
<b>Application:</b>	
Capital Incentive Subsidy (Reserve)	2.7
Loan	5.56
Deposits	6.01
	<b>14.27</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

## INTERPRETATION

### FUND FLOW ANALYSIS (2000-01&2001-02)

Statement showing changes in working capital and fund flow statement has prepared by comparing the balance sheet and income statement for the year ended 2001 and 2002. Following inferences are drawn from these two statements:

1. The comparative balance sheet of the two years indicates that long term investments have decreased by Rs.14.34 lakh due to the refund

of deposits and secured loan taken from State Bank of India and capital incentive subsidy.

2. In 2001-02 Rs.10.54lakh are generated from operation, which account for 73.86% ( $\text{Rs.10.54lacs}/14.27*100$ ) of the total sources of capital. It reveals the efficiency in the operations during 2001-02.
3. Other sources of finance for long-term investment were:
  - Sale of fixed assets - 16.25% ( $2.32/14.27*100$ )
  - Working capital - 9.88% ( $1.41/14.27*100$ )
4. The company has also refunded Rs.2.7 lakh the amount received from W.M.D.C. as special capital incentive subsidy.
5. Thus inadequate long term fund to finance refund of loans and deposits deteriorated working capital position. Liquidity deterioration in 2001-02 was due to deployment of working capital in refunding long term debts and subsidy.

II) FUND FLOW ANALYSIS FOR THE YEAR 2003

Table 4.5.3: Statement Showing Changes In Working Capital

PARTICULARS	2002	2003	(Rs in lakh)	
			INCREASE	DECREASE
<b>Current Assets</b>				
Stock	8.72	5.32		3.40
Debtors	61.30	102.33	41.03	
Cash and Bank Balance	2.45	1.02		1.43
Loan and Advances	14.07	16.71	2.64	
<b>TOTAL (A)</b>	<b>86.54</b>	<b>125.38</b>		
<b>Current Liabilities</b>				
Sundry Creditors	21.39	47.85		26.46
Wages and Salaries	3.82	3.97		0.15
Motive Power	1.70	2.67		0.97
Other Liabilities For Expenses	8.84	6.80	2.04	
Directors Remunerations	0.22	0.22	0.00	0.00
<b>TOTAL (B)</b>	<b>35.97</b>	<b>61.51</b>		
<b>NET WORKING CAPITAL (A-B)</b>	<b>50.57</b>	<b>63.87</b>		
<b>INCREASE IN WORKING CAPITAL</b>	<b>13.30</b>			<b>13.30</b>
<b>TOTAL</b>	<b>63.87</b>	<b>63.87</b>	<b>45.71</b>	<b>45.71</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

**Table 4.5.4: Funds Flow Statement 2003**

(Rs in lakh)

PARTICULARS	Rs.
<b>Sources:</b>	
Fund From Operation	14.72
Secured Loan	6.32
Deposits From Member	15.55
	<b>36.59</b>
<b>Application:</b>	
Increase in Working Capital	13.3
Fixed Assets	23.29
	<b>36.59</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

**INTERPRETATION OF FUNDS FLOW ANALYSIS (2002-03)**

- 1) Statement of changes in the working capital shows net increase in the working capital by Rs.13.30 lakh during the year 2002-03.
- 2) Increase in the debtors was the major contributor for increase in the total current assets and the net working capital.
- 3) During the year 2002-03 Rs.14.72 lakh generated from the operation as compared to Rs.10.54 lakh in the last year, which is nearly 40.23% of the total sources of funds.



- 4) The company has also taken loan of Rs.6.32 lakh and accepted deposits of Rs.15.55 lakh from the members contributed remaining 59.77% of the total funds collected during the year.
- 5) It means out of the total funds raised 59.77% are collected form debt source and remaining 40.33% are from equity.
- 6) In the year 2002-03 the company made an investment of Rs.23.29 lakh in the fixed assets and 13.3 lakh in working capital which contributes 63.65 % and 36.35% in working capital of the total funds used respectively.

## III) FUND FLOW ANALYSIS FOR THE YEAR 2004

Table 4.5.5: Statement Showing Changes In Working Capital

PARTICULARS	2003	2004	(Rs in lakh)	
			INCREASE	DECREASE
<b>Current Assets</b>				
Stock	5.32	8.07	2.75	
Debtors	102.33	125.97	23.64	
Cash and Bank Balance	1.02	5.27	4.25	
Loan and Advances	16.71	22.79	6.08	
<b>TOTAL (A)</b>	<b>125.38</b>	<b>162.10</b>		
<b>Current Liabilities</b>				
Sundry Creditors	47.85	76.14		28.29
Wages and Salaries	3.97	5.46		1.49
Motive Power	2.67	3.69		1.02
Other Liabilities For Expenses	6.80	8.37		1.57
Directors Remunerations	0.22	0.29		0.07
<b>TOTAL (B)</b>	<b>61.51</b>	<b>93.95</b>		
<b>NET WORKING CAPITAL (A-B)</b>	<b>63.87</b>	<b>68.15</b>		
<b>INCREASE IN WORKING CAPITAL</b>	<b>4.28</b>			<b>4.28</b>
<b>TOTAL</b>	<b>68.15</b>	<b>68.15</b>	<b>36.72</b>	<b>36.72</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

**Table 4.5.6: Funds Flow Statement 2004**

*(Rs in lakh)*

PARTICULARS	Rs.
<b>Sources:</b>	
Fund From Operation	24.69
Secured Loan	0.38
Deposits From Member	
	<b>25.07</b>
<b>Application:</b>	
Increase in Working Capital	4.28
Fixed Assets	8.58
Deposits refund to Members	12.21
	<b>25.07</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

**INTERPRETATION OF FUNDS FLOW ANALYSIS (2003-04)**

- 1) During the year 2003-04 almost all components of working capital i.e. stock, debtors, cash & balance and loans & advances was increased. It results in the net increase in the current assets of Rs.36.72 lakh.
  
- 2) Among the current liabilities outstanding balance on sundry creditors, wages and salaries, motive power, directors remuneration and other liabilities was increased. All it increased the current liabilities by Rs.32.44 lakh in 2003-04.

- 3) As the increase in the current assets was more than the current liabilities the net working capital was increased by Rs.4.28 lakh during the year 2003-04.
- 4) During the year 2003-04 Rs.24.69lakh generated from the operation as compared to Rs.14.72lakh in the last year, which was nearly 98.48% of the total sources of funds.
- 5) In the year 2002-03 the net investment in the fixed assets was increased by Rs.8.58lakh, which account for 34.22% of the total application of funds.
- 6) The company refunded deposits of Rs.12.21lakh, which was 48.70% of the total application of funds where as the remaining funds were invested in the current assets.

IV) FUND FLOW ANALYSIS FOR THE YEAR 2005

Table 4.5.7: Statement Showing Changes In Working Capital

*(Rs in lakh)*

PARTICULARS	2004	2005	INCREASE	DECREASE
<b>Current Assets</b>				
Stock	8.07	10.48	2.41	
Debtors	125.97	147.90	21.93	
Cash and Bank Balance	5.27	0.84		4.43
Loan and Advances	22.79	29.98	7.19	
<b>TOTAL (A)</b>	<b>162.10</b>	<b>189.20</b>		
<b>Current Liabilities</b>				
Sundry Creditors	76.14	71.57	4.57	
Wages and Salaries	5.46	4.60	0.86	
Motive Power	3.69	3.19	0.50	
Other Liabilities For Expenses	8.37	22.75		14.38
Directors Remunerations	0.29	0.33		0.04
<b>TOTAL (B)</b>	<b>93.95</b>	<b>102.44</b>		
<b>NET WORKING CAPITAL (A-B)</b>	<b>68.15</b>	<b>86.76</b>		
<b>INCREASE IN WORKING CAPITAL</b>	<b>18.61</b>			<b>18.61</b>
<b>TOTAL</b>	<b>86.76</b>	<b>86.76</b>	<b>37.46</b>	<b>37.46</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

**Table 4.5.8: Funds Flow Statement 2005**

*(Rs in lakh)*

PARTICULARS	Rs.
<b>Sources:</b>	
Fund From Operation	13.14
Secured Loan	7.85
Deposits From Member	11.81
	<b>32.8</b>
<b>Application:</b>	
Increase in Working Capital	18.61
Fixed Assets	14.19
	<b>32.8</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

**INTERPRETATION OF FUNDS FLOW ANALYSIS (2004-05)**

- 1) During the year 2004-05 Swadeshi Dyeing and Bleaching mill raised Rs.32.8lakh from equity and debt sources.
- 2) Borrowed sources consist of Secured loan taken from the bank of Rs7.85lakh and deposits accepted of Rs.11.81lakh where as equity consist of funds generated from operation of Rs.13.14lakh.
- 3) The funds collected during the year were used for the investment in fixed assets and meeting the working capital needs.

- 4) In the year 2004-05 the net investment in the fixed assets is increased by Rs.14.19 lakh.
- 5) Stock, Debtors and loan and advances to employees and other parties was increased by Rs.2.41lakh, 21.93lakh, and 7.19lakh respectively where as cash and bank balanced reduced by Rs.4.43lakh resulted in total increase in the current assets by Rs.27.1lakh.
- 6) Among the current liabilities director's remuneration, outstanding balance on other liabilities was increased where as sundry creditors, wages and salaries, motive power was decreased. All it reduced the current liabilities by Rs.8.49 lakh in 2004-05.
- 7) As a result of increase in the current assets and decrease in current liabilities, the net working capital was increased by Rs.18.61 lakh during the year 2003-04.

V) FUND FLOW ANALYSIS FOR THE YEAR 2006

Table 4.5.9: Statement Showing Changes In Working Capital  
(Rs in lakh)

PARTICULARS	2005	2006	INCREASE	DECREASE
<b>Current Assets</b>				
Stock	10.48	13.64	3.16	
Debtors	147.90	137.38		10.52
Cash and Bank Balance	0.84	4.22	3.38	
Loan and Advances	29.98	12.52		17.46
<b>TOTAL (A)</b>	<b>189.20</b>	<b>167.76</b>		
<b>Current Liabilities</b>				
Sundry Creditors	71.57	73.11		1.54
Wages and Salaries	4.60	6.01		1.41
Motive Power	3.19	3.72		0.53
Other Liabilities For Expenses	22.75	9.09	13.66	
Directors Remunerations	0.33	0.37		0.04
<b>TOTAL (B)</b>	<b>102.44</b>	<b>92.30</b>		
<b>NET WORKING CAPITAL (A-B)</b>	<b>86.76</b>	<b>75.46</b>		
<b>DECREASE IN WORKING CAPITAL</b>		<b>11.30</b>	<b>11.30</b>	
<b>TOTAL</b>	<b>86.76</b>	<b>86.76</b>	<b>31.50</b>	<b>31.50</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.



Table 4.5.10: Funds Flow Statement 2006

(Rs in lakh)

PARTICULARS	Rs.
<b>Sources:</b>	
Decrease in Working Capital	11.3
Secured Loan	70.38
Deposits From Member	0.57
	<b>82.25</b>
<b>Application:</b>	
Fund Lost in Operation	13.71
Fixed Assets	68.54
	<b>82.25</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

### INTERPRETATION OF FUNDS FLOW ANALYSIS (2005-06)

1. In 2005-06 secured loan was the major source of finance, which contributes 85.57% ( $100 \times 70.38/82.25$ ) of total inflows of funds.
2. Statement showing changes in working capital reveals stock, cash and bank balance was increased by Rs.3.16lakh and 3.38lakh where as debtors and loan and advances to employees and other parties were decreased by Rs.10.52lakh and 17.46lakh respectively resulted in total decrease in the current assets by Rs.21.44lakh.
3. Among the current liabilities outstanding balance on sundry creditors director's remuneration, wages and salaries, motive power was

increased where as other liabilities, was decreased. All it reduced the current liabilities by Rs.10.14lakh in 2004-05.

4. As the decrease in the current assets was more than decrease current liabilities the net working capital was decreased by Rs.11.30lakh during the year 2003-04. It constitutes 13.74% ( $100 \times 11.30 / 82.25$ ) of the total sources of capital.
5. Apart from above Rs.57000/- came into the business by deposits accepted from members.
6. In 2005-06 an investment in the fixed assets was increased by Rs.68.54 lakh. It means secured bank loan was taken for the purchase of fixed assets.
7. The company lost Rs.13.71 lakh in operation, which is the main reason for decrease in the working capital. Thus Liquidity deterioration in 2005-06 was due to the operating loss.

4.6 RATIO ANALYSIS

I) LIQUIDITY RATIOS

1) CURRENT RATIO

Table 4.6.1: *Current Ratio Of Swadeshi D/B Mill Pvt. Ltd.*

(Rs in lakh)

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2000-01	98.20	46.22	2.12:1
2001-02	86.55	35.97	2.41:1
2002-03	125.38	61.51	2.04:1
2003-04	162.10	93.95	1.73:1
2004-05	189.19	102.44	1.85:1
2005-06	167.76	92.30	1.82:1
<b>AVERAGE</b>	<b>138.20</b>	<b>72.07</b>	<b>1.92:1</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

As shown in the table the current ratio of the unit under study varies in between 2.41:1 to 1.82:1 in the period of six years i.e. from 2000-01 to 2005-06. In 2000-01, 2001-02 and 2002-03 the current ratio of the company was equal or more than the norm i.e.2:1, which shows the firm had good liquidity position in these period. But thereafter it remains below the norm. It is because of increase in the current liabilities was more than that of current assets.

The average of this was 1.92:1, though it is slightly less to the norm, the working capital position and short term solvency position of the Swadeshi Dyeing and Bleaching Mills Pvt. Ltd is good, by considering the nature of the business which is of job work.

## 2) QUICK RATIO/ACID TEST RATIO

Table 4.6.2: *Quick Ratio Of Swadeshi D/B Mill Pvt. Ltd.**(Rs in lakh)*

YEAR	QUICK ASSETS	CURRENT LIABILITIES	RATIO
2000-01	63.60	46.22	1.38:1
2001-02	63.80	35.97	1.77:1
2002-03	103.40	61.51	1.68:1
2003-04	131.29	93.95	1.40:1
2004-05	148.98	102.44	1.45:1
2005-06	141.76	92.30	1.54:1
<b>AVERAGE</b>	<b>108.81</b>	<b>72.07</b>	<b>1.51:1</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

The quick ratio is a rigorous measure of a firm's ability to service short-term liabilities. It is evident from the table that during the period of study the quick ratio of the Swadeshi Dyeing Bleaching Mill was more than the norm 1:1. In the last year i.e.2005-06 the quick ratio was 1:54:1 and the average of the six years is 1.51:1, shows that liquid assets of the mill were enough to meet the current obligations and mill had good solvency position during the period of study. From the creditors point of view it was favorable position.

## 3) CASH RATIO

**Table 4.6.3: Cash Position Ratio Of Swadeshi D/B Mill Pvt. Ltd.**  
(Rs in lakh)

YEAR	CASH & BANK BALANCE	CURRENT LIABILITIES	RATIO
2000-01	2.22	46.22	0.05:1
2001-02	2.45	35.97	0.07:1
2002-03	1.02	61.51	0.02:1
2003-04	5.27	93.95	0.06:1
2004-05	0.83	102.44	0.01:1
2005-06	4.22	92.30	0.05:1
<b>AVERAGE</b>	<b>2.67</b>	<b>72.07</b>	<b>0.04:1</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table reveals a fluctuating trend in cash ratios of mill during the period covered under study. The mill carried a very small amount of cash; the average of cash ratio was 0.4:1 which was not satisfactory. It shows there was negligible amount of cash balance in the current assets.

After taking in to the account the current ratio, quick ratio and cash ratio, it can be said that the major portion of the current assets is occupied by sundry debtors as compared to stock and cash. Even if the cash ratio is not satisfactory, the liquidity position of the mill is satisfactory.

**B) CAPITAL STRUCTURE/LEVERAGE RATIOS**

**1) DEBT-EQUITY RATIO**

**Table 4.6.4: Debt to Equity Ratio Of Swadeshi D/B Mill Pvt. Ltd.**  
(Rs in lakh)

YEAR	DEBTS	NET WORTH	RATIO
2000-01	60.83	30.09	2.02:1
2001-02	49.19	38.02	1.29:1
2002-03	71.06	52.73	1.35:1
2003-04	59.24	77.4	0.77:1
2004-05	78.89	90.53	0.87:1
2005-06	149.84	76.85	1.95:1
<b>AVERAGE</b>	<b>78.18</b>	<b>60.94</b>	<b>1.28:1</b>

**SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.**

The debt-equity ratio is as important tool of financial analysis to appraise the financial structure of the firm. The above table shows the decreasing trend of debt-equity ratio of the Swadeshi Dyeing and Bleaching mills, except the last two years covered under study period. In the year 2000-01 total long term debt was 2.02 times to equity which was reduced up to 0.77:1 in 2003-04. Thereafter it was increased up to 1.95:1 in 2005-06. The average ratio for 6 years works out to 1.28:1 which is more the norm indicating the use of borrowed capital was more than the equity capital. It means that long term creditors have no sufficient cushion for their claim.

2) PROPRIETARY RATIO

**Table 4.6.5: Proprietary Ratio Of Swadeshi D/B Mill Pvt. Ltd.**  
(Rs in lakh)

YEAR	PROPRIETORS FUND	TOTAL ASSETS	RATIO (%)
2000-01	30.09	137.14	21.94%
2001-02	38.02	123.18	30.87%
2002-03	52.73	185.3	28.46%
2003-04	77.4	230.59	33.57%
2004-05	90.53	271.86	33.30%
2005-06	76.85	318.99	24.09%
<b>AVERAGE</b>	<b>60.94</b>	<b>211.18</b>	<b>28.86%</b>

**SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.**

The proprietary ratio shows what proportions of the total assets are financed by the owner's capital. Table 4.6.5 shows the average of proprietary ratio is 28.86% for the six years. It means nearly 29% of the total assets are financed by owner's capital and the remaining 71% by borrowed capital. It indicates less owned funds and more borrowed funds. On the basis of the above analysis, it can be considered that the financial position of Swadeshi Dyeing and Bleaching Mill need to be strengthened in terms of owned funds.

## 3) FIXED ASSETS TO NET WORTH RATIO

**Table 4.6.6: Fixed Assets to Net Worth Ratio Of Swadeshi D/B Mill Pvt. Ltd.** (Rs in lakh)

YEAR	NET FIXED ASSETS	PROPRIETORS FUND	RATIO (%)
2000-01	38.93	30.09	129.38%
2001-02	36.61	38.02	96.29%
2002-03	59.9	52.73	113.60%
2003-04	68.48	77.4	88.48%
2004-05	82.67	90.53	91.32%
2005-06	151.21	76.85	196.76%
<b>AVERAGE</b>	<b>72.97</b>	<b>60.94</b>	<b>119.74%</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.6.6 shows fluctuating trend of the fixed assets to net worth ratio in Swadeshi Dyeing and Bleaching Mill during period of study. In the year 2000-01, 2002-03 and 2005-06, the ratio is more than 100% and in the remaining period it was just below 100%. Further the average ratio is 119.74%, indicates the mill has used borrowed capital for financing the fixed assets. In the year 2005-06, even though the net worth has decreased, the investment in the fixed assets has increased from 82.67lakh to 151.21lakh, point out that the investment in the fixed assets is financed by the borrowed capital. It means that long term creditors have no sufficient cushion for their claim. Thus, in order to strengthen the financial position the mill should increase its owner's capital.



4) INTEREST COVERAGE RATIO

**Table 4.6.7: Interest Coverage Ratio Of Swadeshi D/B Mill Pvt. Ltd.** (Rs in lakh)

YEAR	NET PROFIT BEFORE INTEREST & TAX	INTEREST ON LONG TERM LOAN	RATIO
2000-01	13.49	6.13	2.20:1
2001-02	16.23	6.23	2.61:1
2002-03	21.08	6.37	3.31:1
2003-04	32.32	7.64	4.23:1
2004-05	22.02	8.89	2.48:1
2005-06	1.52	15.2	0.10:1
<b>AVERAGE</b>	<b>17.78</b>	<b>8.41</b>	<b>2.11:1</b>

**SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.**

The average of interest coverage ratio is 2.11:1 for the six years which is below than standard 6 to 7. It clearly points out that the mill can hardly meet its interest burden. Major part of earnings is taken away by payment of interest and a small portion is left over to meet the other claims. In the year 2005-06 interest coverage ratio was 0.10:1, which is a danger signal that the firm is using excessive debt and does not have ability to offer assured payment to the lenders. There for as far as possible the mill should minimize its debt by refunding long term loans and deposits.

**C) ACTIVITY RATIOS**

**1) INVENTORY TURNOVER RATIO**

**Table 4.6.8: Inventory Turnover Ratio Of SDBM Pvt. Ltd.**

*(Rs in lakh)*

YEAR	SALES	CLOSING INVENTORY	RATIO (times)
2000-01	269.05	17.53	15.35
2001-02	308.66	8.72	35.40
2002-03	396.07	5.32	74.45
2003-04	498.97	8.07	61.83
2004-05	633.00	10.48	60.40
2005-06	719.16	13.64	52.72
<b>AVERAGE</b>	<b>470.82</b>	<b>10.63</b>	<b>44.31</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Inventory turnover ratio shows how rapidly the inventory is converted into receivables through sales. Table 4.6.8 shows increasing trend inventory turnover ratio during period of study except in the year 2004-05 and 2005-06. The average of this ratio indicates Swadeshi Dyeing and Bleaching Pvt. Ltd. is turning its inventory of finished goods into sales 44.31 times. It means the said company holds average inventory 8.12 days (360 days/44.31).

**2) DEBTORS TURNOVER RATIO AND AVERAGE COLLECTION PERIOD**

**Table 4.6.9: Debtors Turnover Ratio & Average Collection Period Of Swadeshi D/B Mill Pvt. Ltd.**

*(Rs in lakh)*

YEAR	TOTAL SALES	DEBTORS + B/R	RATIO (times)	AVERAGE COLLECTION PERIOD
2000-01	269.05	61.38	4.38	2.74 Months
2001-02	308.66	61.30	5.04	2.38 Months
2002-03	396.07	102.33	3.87	3.10 Months
2003-04	498.97	125.97	3.96	3.03 Months
2004-05	633.00	147.90	4.28	2.80 Months
2005-06	719.16	137.38	5.23	2.29 Months
<b>AVERAGE</b>	<b>470.82</b>	<b>106.04</b>	<b>4.44</b>	<b>2.70 months</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

This ratio indicates the speed with which debtors/account receivables are being collected. The above table reveals that the average of the debtors turnover ratio for the period of six months is 4.44 signifies that debtors got converted into cash 4.44 times in a year. For the same period, the average collection period (12 months / 4.44) is 2.7 months or 81 days implies that debtors on an average are collected in 81 days. Shorter the average collection period better the quality of debtors as a short collection period implies prompt payment by the debtors. On the basis of the above, it can be said that the management should try to reduce the average collection period, in order to bring efficiency in the operation.

**3) CREDITORS TURNOVER RATIO AND AVERAGE PAYMENT PERIOD**

**Table 4.6.10: Creditors Turnover Ratio Of SDBM Pvt. Ltd.**

YEAR	CREDIT PURCHASES	CREDITORS	RATIO (times)	AVER. PAYM PERIOD (Rs in)
2000-01	77.53	34.68	2.24	5.37 M.
2001-02	88.79	21.39	4.15	2.89 M.
2002-03	132.52	47.85	2.77	4.33 M.
2003-04	168.61	76.14	2.21	5.42 M.
2004-05	255.98	71.57	3.58	3.36 M.
2005-06	302.40	73.11	4.14	2.90 M.
<b>AVERAGE</b>	<b>170.97</b>	<b>54.46</b>	<b>3.14</b>	<b>3.82 M.</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

A low credit turnover ratio reflects liberal credit terms granted by suppliers, while high ratio shows the accounts are settled rapidly. It can be observed from the table that the creditors turnover ratio has been fluctuated throughout the period covered under study. In the last two years it the average payment period was relatively low as compared to the initial four years, where management needs to give their attention. The average of creditors turnover ratio for six years is 3.14times and the average payment period is 3.82 Months or 114.65 Days (12months/3.14 or 360days/3.14).

4) FIXED ASSETS TURNOVER RATIO

**Table 4.6.11: Fixed Assets Turnover Ratio Of Swadeshi D/B Mill Pvt. Ltd.**  
(Rs in lakh)

YEAR	NET SALES	NET FIXED ASSETS	RATIO (times)
2000-01	269.05	38.93	6.91
2001-02	308.66	36.61	8.43
2002-03	396.07	59.90	6.61
2003-04	498.97	68.48	7.29
2004-05	633.00	82.67	7.66
2005-06	719.16	151.21	4.76
<b>AVERAGE</b>	<b>470.82</b>	<b>72.97</b>	<b>6.45</b>

SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.6.11 shows the fixed assets turnover ratio of Swadeshi Dyeing and Bleaching Mill for the period of six years covered by the study. It ranges in between five to eight times and the average of the six years is 6.45 times which is above the standard ratio i.e. five times. It indicates that the fixed assets are used efficiently by the management.

5) WORKING CAPITAL TURNOVER RATIO

**Table 4.6.12: Working Capital Turnover Ratio Of Swadeshi D/B Mill Pvt. Ltd.**  
(Rs in lakh)

YEAR	SALES	NET WORKING CAPITAL	RATIO (times)
2000-01	269.05	51.98	5.18
2001-02	308.66	50.58	6.10
2002-03	396.07	63.87	6.20
2003-04	498.97	68.15	7.32
2004-05	633.00	86.75	7.30
2005-06	719.16	75.47	9.53
<b>AVERAGE</b>	<b>470.82</b>	<b>66.13</b>	<b>7.12</b>

Table 4.6.12 reveals fluctuating trend of working capital turnover ratio of the firm during the period covered under study. The average of

the ratio for the period of six years covered under study is 7.12:1, shows the working capital has been utilized efficiently in the business.

## 6. TOTAL ASSETS TURNOVER RATIO

**Table 4.6.13: Total Assets Turnover Ratio Of Swadeshi D/B Mill Pvt. Ltd.** (Rs in lakh)

YEAR	NET SALES	TOTAL ASSETS	RATIO (times)
2000-01	269.05	137.14	1.96
2001-02	308.66	123.18	2.51
2002-03	396.07	185.30	2.14
2003-04	498.97	230.59	2.16
2004-05	633.00	271.86	2.33
2005-06	719.16	318.99	2.25
<b>AVERAGE</b>	<b>470.82</b>	<b>211.18</b>	<b>2.23</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

As shown in the table 4.6.13 the total assets turnover ratio of Swadeshi Dyeing and Bleaching Mill was more than the standard i.e. 2:1 during the period of six years, except in 2000-01, when it was 1.96:1. The average of this is 2.23:1 which is above the norm. Thus it can be said that fixed assets has been efficiently used by the management.

## D) PROFITABILITY RATIOS

### 1) GROSS PROFIT MARGIN

**Table 4.6.14: Net Profit Ratio Of Swadeshi D/B Mill Pvt. Ltd.**

*(Rs in lakh)*

YEAR	GROSS PROFIT	NET SALES	RATIO
2000-01	61.84	269.05	22.98%
2001-02	70.81	308.66	22.94%
2002-03	86.59	396.07	21.86%
2003-04	112.40	498.97	22.53%
2004-05	121.95	633.00	19.27%
2005-06	131.05	719.16	18.22%
AVERAGE	97.44	470.82	20.70%

**SOURCE: Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.**

Swadeshi Dyeing and Bleaching Mill is engaged in the cloth processing activities and its major source of income is processing charges which is taken as sales of the Mill as it does not produce its own goods but just carry out the orders of cloth processing. It can be observed from the table that the gross profit ratio of Swadeshi Dyeing and Bleaching Mill was remained in between 18% to 23% during the period of six years covered under study. It is interesting to note that both sales and gross profits of the mill has shown continues increasing trend but the ratio of gross profit to the sales has decreased from 22.98% in 2000-01 to 18.22% in 2005-06. It may be because of increase in the cost of production or decrease in the selling prices.

## 2) NET PROFIT RATIO MARGIN

Table 4.6.15: *Net Profit Ratio Of Swadeshi D/B Mill Pvt. Ltd.**(Rs in lakh)*

YEAR	NET PROFIT	NET SALES	RATIO
2000-01	7.36	269.05	2.74%
2001-02	10.62	308.66	3.44%
2002-03	14.71	396.07	3.71%
2003-04	24.68	498.97	4.95%
2004-05	13.13	633.00	2.07%
2005-06	(-13.68)	719.16	--
AVERAGE	11.75	470.82	2.50%

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.7.13 reveals in the first four years of the study i.e. 2000-01 to 2003-04 the net profit have increased from 7.36lakh to 24.68lakh, thereafter it was decreased in the very next year up to 13.13lakh. In the year 2005-06 the company incurred a loss of Rs.13.68lakhs. A fluctuating trend of net profit ratio shows fluctuations in the operating expenses. The average net profit ratio was 2.50% in the period of six years

The comparative analysis of gross profit margin and net profit margin clearly points out that the operating expenses of the company is relatively more further it is fluctuated to a large extent. Therefore there is need on part of management to focus their attention to bring down the operating expenses in order to increase the profits of the organization.



## 3) RETURN ON SHAREHOLDERS EQUITY

**Table 4.6.16: Return On Shareholders Investment Ratio Of Swadeshi D/B Mill Pvt. Ltd.**

(Rs in lakh)

YEAR	NET PROFIT	SHAREHOLDERS FUND	RATIO
2000-01	7.36	30.09	24.46%
2001-02	10.62	38.02	27.93%
2002-03	14.71	52.73	27.90%
2003-04	24.68	77.4	31.89%
2004-05	13.13	90.53	14.50%
2005-06	(-13.68)	76.85	--
<b>AVERAGE</b>	<b>11.75</b>	<b>60.94</b>	<b>19.28%</b>

**SOURCE:** Compiled From Annual Reports Of Swadeshi D/B Mills Pvt. Ltd.

Table 4.7.14 shows how far the company is being successful in attaining its objective of maximization of shareholders wealth. It is analyzed from the table that despite the net loss in 2005-06 the company has been giving regular returns to the shareholders of the company. The average of return on the shareholders equity was 19.28% during the period covered under study. It indicates the company has used efficiently the resources provided by the owners especially in the first four years of the study. However the result of the last two years was not satisfactory.