

CHAPTER - IV

PROCESSING OF DATA TO EXAMINE THE SICKNESS AND REHABILITATION

- Data Processing

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DATA PROCESS

To Examine the sickness of industry statistical data is one of the instruments of finding causes behind the sickness. Annual Reports of Kamani Tubes Limited before takeover and after takeover have been collected for processing. Data figures and converted into ratios. Keeping in mind the broad objectives of the study, the data has been analysed and interpreted with the help of Table No. 9 & 10.

The term ratio is used to describe significant relationships which exist between figures shown in a Balance Sheet, in the Profit and Loss Account, or in any other part of the accounting organisation.

The ratio analysis is one of the prevalent and most popular techniques to determine the financial and operating characteristics of a business undertaking. Ratio analysis used properly can be a great boom to assessing important characteristics such as solency, over-trading and profitability. The significance of accounting ratios may be viewed from the point of various categories of interest.

TABLE NO 94
BALANCESHEET FIGURES OF KAMANI TUBES LIMITED.
 From 1984-85 to 1993-94.

(RS. in Lakhs)

YEAR	LIABILITIES			ASSETS					ACCU. LOSS	
	OWNED FUNDS	CURRENT LIABI.	SECURED LOANS	UNSECU. LOANS	TOTAL LOANS	FIXED ASSETS	INVESTMENT	CURRENT ASSETS		DIFFERED EXP.
MARCH-94	141.21	741.94	1111.65	9.02	1120.67	72.95	5.56	915.05	-	1010.24
MARCH-93	141.21	622.68	1059.94	9.85	1069.79	63.57	5.56	1074.45	-	678.49
MARCH-92	141.21	568.28	863.67	10.67	874.34	65.31	5.56	1022.19	-	467.55
MARCH-91	141.38	574.63	859.62	11.27	870.89	65.66	5.56	1008.07	-	471.98
MARCH-90	141.38	563.67	819.08	11.27	830.35	51.06	5.56	995.84	-	436.51
MARCH-89	71.95	423.67	409.12	11.27	420.39	44.34	5.56	399.02	35.68	417.37
MARCH-88	----- Figures for this year is grouped in the year 1989. -----									
MARCH-87	96.60	407.97	398.12	11.28	409.40	50.72	5.56	375.35	-	482.41
MARCH-86	96.93	401.94	398.12	11.28	409.40	56.13	5.56	372.17	-	474.41
MARCH-85	96.93	394.07	399.35	11.28	410.63	62.72	5.56	368.41	-	464.93
MARCH-84	96.96	255.94	435.72	11.3	447.02	76.04	5.57	421.96	-	296.34

SOURCE : Annual reports of Kamani Tubes Ltd.

PROFIT AND LOSS ACCOUNT OF KANANI TUBES LTD. FROM 1964-65 TO 1993-94 (RS. IN LAKHS)

YEAR	INCOME				EXPENDITURE										TOTAL PROFIT
	SALES (GROSS)	COMMER- SION SALES	OTHER INCOME	TOTAL LOSS	MATERIAL COST	EXCISE DUTY	SALES TAX	OTHER EXP.	DISCOUNT	DEPRECI- ATION	INVEST./ ALLOW./ RESE	INTEREST	ADJU. LOSS	TOTAL	
MARCH 1994	1943.66 (including export)	58.38	15.88	1117.76	323.85	727.14	112.24	36.61	472.96	1.78	5.88	-	84.98	1818.24	1441.61
MARCH 1993	1348.88 (including export)	52.72	21.25	13.92	116.49	752.14	179.82	58.48	437.64	8.78	4.72	-	82.88	678.49	1588.48
MARCH 1992	1372.28 (including export)	62.34	19.88	1454.34	14.67	885.71	168.26	58.27	375.57	2.98	4.53	-	71.68	467.55	1448.81
MARCH 1991	1376.94	53.41	25.62	1453.97	37.78	848.58	157.41	52.86	347.72	5.83	3.88	-	76.28	471.99	1491.76
MARCH 1990	1863.48	49.53	18.33	1863.26	7	826.87	129.86	38.87	278.26	3.39	4.88	1.21	88.88	636.87	1828.75
MARCH 1989	-	1.89	11.88	12.89	7.54	-	8.18	-	13.16	-	6.38	-	-	417.37	19.64
MARCH 1988	----- Figures for this year is grouped in the year 1989.														
MARCH 1987	-	-	8.16	8.16	8.25	-	-	-	11.81	-	5.41	-	-	482.67	16.82
MARCH 1986	-	-	7.75	7.75	9.48	-	-	-	18.64	-	6.59	-	-	474.41	17.23
MARCH 1985	128.13	25.39	27.68	181.21	168.61	97.78	-	-	228.88	3.36	8.98	-	14.62	464.95	349.82
MARCH 1984	493.89	29.98	9.94	533.81	113.88	276.15	-	-	295.39	14.37	9.36	-	58.82	316.19	646.89

SOURCE : Annual Reports of Kanani Tubes Ltd.

- a) They assist the management in its basic functions : forecasting, planning, co-ordination, control and communication.
- b) Banks, trade creditors and other short-term lenders are helped in the assessment of liquidity aspect of the undertaking.
- c) Long-term creditors are assisted in the financial viability of the undertaking, over the term of the loan, on a continuing basis.
- d) The investors are helped in assessing the prospective rate of return on their investments and the chances of appreciation.

RATIOS

With the help of the statement of comparison of Ratios the following comments have been recorded.

1) The Current Ratio

Generally standard current ratio of 2:1 is considered satisfactory. Kamani Tubes Ltd. is an industrial unit. Realisation from debtors and stock-turn over are slow. It needs current assets more. This ratio gives the following picture.

TABLE NO.11
 COMPARISION OF RATIOS FROM 1984-85 TO 1993-94.
 (Rs.in Lakh)

Types of Ratios	Current Ratio	Quick Ratio	Capital Gearing Ratio	Stock to working Capital Ratio	Operat- ing Ratio	Cost of Sales to Fixed Assets
Year						
1984	1.65:1	1.13:1	4.6:1	---	---	---
1985	0.9:1	0.68:1	4.2:1	---	---	---
1986	0.9:1	0.68:1	4.2:1	---	---	---
1987	0.9:1	0.67:1	4.2:1	---	---	---
1988	---	---	--	---	---	---
1989	0.9:1	0.68:1	5.8:1	---	---	---
1990	1.8:1	0.95:1	5.8:1	105%	96%	20.16
1991	1.8:1	0.96:1	6.1:1	104%	102%	22.71
1992	1.8:1	0.98:1	5.7:1	101%	101%	22.49
1993	1.7:1	0.94:1	7.5:1	108%	108%	23.72
1994	1.2:1	0.6:1	7.9:1	258%	128%	19.76

Before take over :

- i) Short term financial strength is weak
i.e 1989.
- ii) Inadequate working capital.

After take over :

- i) Some improvement is there
- ii) Short of working capital

2) THE LIQUID RATIO

This ratio of 1:1 is treated satisfactory.

If we apply this standard we get :-

- 1) Immediate solvency and ability to meet the immediate liabilities are not sound.
- 2) Company is under financial difficulties in both the stages.
- 3) There is an exception period of 1984.

3) THE CAPITAL GEARING RATIO

The main idea about capital gearing ratio is to compare the composition of capital employed the company is said to be highly geared if the ratio is more than 0:5:1.

The company under study had a high gearing ratio during the period of our study. This ratio increased still further after takeover.

4) STOCK TO WORKING CAPITAL RATIO.

OPERATING RATIO,

COST OF SALES TO FIXED ASSETS

The Kamani Tubes Ltd. had no production from 1984 to 1989. The above ratios are related with production and sales. So these ratios are not applicable to the periods before takeover.

After takeover picture :- Stock to working ratio is high and too high in 1994 indicate unsound working capital position.

In respect of operating ratio company kept very high ratio which shows managerial inefficiency and low profitability. Expect the year 1990 company incurred losses. The loss trend went on increasing expect 1992.

Cost of sales to fixed assets varied from 20.16 to 19.76.

5) FIXED ASSETS TO NET WORTH

The company had huge accumulated losses during the period of study. It resulted the value of net worth in minus position. This is a very bad stage from bankers view point.

6) RETURN ON TOTAL RESOURCES

NET PROFIT RATIO

The company incurred continuous losses except 1990 and the above two ratios are based on profits.

7) GROSS PROFIT RATIO

During the period under study the company earned a meagre gross profit of Rs.33.51 lakh. It vanished in the accumulated losses.

8) MAJOR ITEMS OF EXPENSES

a) The company did not pay interest on loans and advances before takeover period. The workers co-op. society, Owner of the company after takeover paid interest on borrowing from banks.

b) The other very important item is Administrative Expenses. Company failed to pay such expenses in the years 1986 to 1989. This is disclosed from the Annual Reports. Some portion of this for the years 1984 and 1985 are unproductive expenses as there was no production. Table No.12 regarding major expenses enclosed here with.

From the above ratios causes & effects of sickness are noted in concerned para.

TABLE NO.12
PARTICULARS OF MAJOR EXPENSES
FINANCIAL YEARS FROM 1984-85 TO 1993-94.

(Rs.in Lakh)

Particulars of Major Exp.	Interest	(Loans & Adv.)	Dep.	(Fixed Assets)	Taxes	Rent	Admi. Exp.
1984	---	(497.02)	9.36	(76.04)	3.43	3.24	178.92
1985	---	(410.63)	8.97	(62.72)	2.85	3.69	173.39
1986	---	(409.40)	6.59	(56.13)	0.84	3.69	---
1987	---	(409.40)	5.40	(50.72)	0.54	3.69	---
1988	---	---	--	---	--	--	---
1989	---	(420.39)	6.38	(44.34)	0.62	4.62	---
1990	48.79	(830.35)	4.07	(51.06)	5.32	3.69	120.24
1991	76.26	(870.89)	3.05	(65.66)	3.60	3.69	155.80
1992	71.68	(874.34)	4.53	(65.31)	5.04	3.70	182.31
1993	82.88	(1069.79)	4.71	(63.57)	5.42	3.70	215.68
1994	84.97	(1120.66)	5.98	(72.95)	7.81	3.70	214.36