

# Chapter-5

Finding, Suggestion  
&

Conclusion

## Chapter 5

### Findings, Suggestions and Conclusion.

#### 5.1 Findings:

1. The working capital was negative in the first two years of the study i.e.2003-04 and 2004-05.
2. From the year 2005-06 to 2007-08 Net Working Capitals became positive. It was a good sign of improved financial position of the company and its ability to meet the current liabilities and working capital.
3. The current ratio of the company was below the standard ratio, that is 2:1 which means that position of the company as short term solvency was not good.
4. The acid test ratio indicates the company liquidity position. It was not good because as per norm, quick ratio should be 1:1 but company was unable to maintain it.
5. Inventory turnover ratio indicates how the company used inventory effectively. The inventory turnover ratio was high and it was indicated fair movement of the inventory.
6. Company collected debts satisfactorily from the year 2003-04 to 2007-08. The debts collection was satisfactory in all the year of study.
7. Average collection period of the company was reduced and it resulted into the better receivable management.
8. The company had received more than 100 days period for payment to the creditors. Credit purchases proved to be a source of short term funds.
9. From the year 2007-08 the proportion of working capital has increased from 10 percent to 52 percent and that of fixed capital has come down from 85 percent to 48 percent. Thus more funds are made available for day- to- day operation of the company.
10. Net profit of the company was Rs.285 lakhs in 2007-08 as compared to Rs.506 lakhs in the year 2006-07 and Rs.399 lakhs in 2005-06. Reduction in the net

profit was mainly due to increase in material cost. However, net profit percentage was 32.55% as compared to 13.48% in 2006-07.

11. Cost of finance has increased substantially to Rs.5.17 crores in 2007-08 as compare to Rs.2.62 crores in 2006-07.

## **5.2 Suggestions:**

1. The liquidity position of the Menon and Menon Company was poor. Therefore company should try to maintain sound liquidity position.
2. Solvency position of the company was also dangerous for first two years it means that company was not able to meet the current liabilities adequately. Efforts are needed to increase current assets.
3. Company should use inventory effectively to improve its movement.
4. In first two years the working capital was negative and from these two years the consistence increase in working capital was observed due to fulfillment of dues from borrowers and creditors. From that finding it should be suggested that company should follow very strict regulation for the payment of dues from creditors to improve and maintain the progressive working capital.
5. Company should try to get more credit period from the creditors.
6. Profitability of the company should be maintained in the future by controlling the especially the material cost.
7. Cost of finance needs to be brought down by reducing the loan burden. For this purpose the company should analyze the possibility of further issue of equity shares.
8. Company should try to maintain liquidity by increasing the proportion of quick assets.

## **5.2 Conclusion:**

Menon and Menon Ltd. is one of the leading auto component manufacturers in Western Maharashtra. It has completed 40 years in the industry. From the year 2007-08 companies net worth becomes positive and hence the company proposed to go for de-registration from BIFR. With better capacity utilization and reduction in administrative and other cost including rejection control has helped the company was able to make profit from the year 2003-04 to to date. This is a good case of turnaround management. The company's financial performance needs to be maintained in the future also.