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CONCLUSION
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SUGGESTION
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CONCLUSION

The study undertaken attempts to deal with financial analysis of tea industries for the period 1985 to 1995. An attempt was made to assess the financial position of the 20 companies undertaken for the present study before and after globalisation. As the tea industry in India, the world’s leading producer, is in trouble – a victim not only of global economy but also of its inability to lure new younger drinkers, who are attracted towards soft drinks, with a tough competition faced by these soft drink companies and the amount of money they are spending in advertisement in order to attract young minds towards them. Attempt are made by tea and coffee producers to develop new varieties of tea and coffee in order to attract people towards the traditional and natural drinks by preparing tea and coffee in different forms which will be liked by them.

In coming years India’s tea production is expected to be in surplus and domestic consumption stagnant. As in the domestic market, some tea drinkers are being enticed away by soft drinks from abroad. Tea producers have yet to join forces to mount a strong promotion to encourage more tea drinking among Indians.

Indian tea producers are not only looking for new markets, but also efforts are made to explore how to increase sales in old markets like Afghanistan which is one of the big tea importer where things are normalising fast.

The study reveals that the liquidity position of most of the industries showed variations. Current and quick ratios are commonly used, while evaluating the liquidity position. But the present study in addition to the traditional ratio related on liquidity index. However the liquidity position was observed to be more or less same during the period under study. Only current assets are considered for determining the liquidity index of an industry. It is observed that the increase in liquidity index results in decrease in gross profit. As a
comparative analysis of gross profit and liquidity index show inverses relationship. It is not good to have. The period from the year 1985 to 1990 showed largest gap between the two which indicates an overall unfavourable position of liquidity and profit in that year. And from 1991 onwards lowest gap between the two which shows better overall position of the industry in that year.

The analysis of total assets and fixed assets turnover ratios shows a decline in the ratios, because of the utilization of the assets by the industries for plantation of new tea bushes on new land so also the replantation of tea bushes, by making use of new technology in irrigation system in order to raise modern tea nurseries. An increase in the fixed assets particularly led to a low turnover ratio, despite the fact that the net sales is showing an increasing trend. The increasing net sales was recorded from the year 1990 onwards thus signifying favourable market conditions.

The working capital ratio fluctuated more or less throughout the period under study. In some of the companies the working capital turnover ratio was high. This indicates a good working capital position for majority of industries was observed.

The analysis of interest coverage ratio reveals that during the period 1990 to 1991 had a higher ratio, which is good for the industries. But after 1991 interest coverage ratio of majority of companies did not pick up, due to the fact that the tea industry have started the modernisation and expansion programme undertaken by tea industries. This being a temporary phase, but in the next couple of years the reduction in interest charge will make the tea industries financially strong.

For Debt Equity Ratio more or less same trend was observed under the study. The industry average for the Assam Brook Ltd. recorded average of 20.99 percent, which indicates that the industry raised the funds from market. But in case of the other industries, which has made use of their internal funds for modernisation and expansion purpose.
The profitability ratio of the industries undertaken for study show a moderate returns during the year 1985, but later on from 1986 to 1988 all the profitability ratios showed a declining trend. From the year 1989 onwards increasing trend of profitability was followed. The increase in return during this period is on the account of number of steps taken by the Government in order to increase the tea production, which proved to be fruitful for the industry in general. But a slight decline was observed in 1993, due to unfavourable climatic condition.

The dividend payout ratio analysis indicates that the majority of industries have kept their payout ratio low in order to invest funds for growth of tea industry, as the industries are not paying high dividend in real terms, but ploughing back their profit belonging to the owners for future development.

It has been observed that in all the companies the current ratio is subject to volatility change. But in few which were below one, rest of them were near to 2:1 ratio theoretically this ratio indicate the ability of the firm to meet the obligation in short run.

On the basis of record of the ratios we can derive the conclusion that the industry average is below 2:1. It indicates the ability of the industry to multiply the amount of profit by making use of short term sources of fund. Again it is observed that, since there is no 1:1 ratio the industry has the ability to honor, the short term obligation of the creditors. Moreover it indicates that there has been proper utilization of fund for generating amount of profit. Similarly the stringent ratio namely quick ratio indicates more or less the same result, there is no danger or risk associated with industry as far as repayment of short term obligation are concerned.

In order to judge the long term solvency of the industry debt equity ratio, interest coverage is calculated. In case of all the 20 industry undertaken for study there is no consistency as far as debt equity and interest coverage ratio are concern. In case of some industry high ratio is indicated where as in some industry low ratio is indicated. Some of the industries which indicated low ratio signifies that the creditors of the company are enjoying the investment
protection. However, low ratio indicates that creditors amount of capital is safe. High ratio indicates the earning capacity of a firm. More over this is generally observed in case of capital intensive industries. It could be rightly said that in developing economy like ours, especially with respect to tea industry there has been proper utilization of creditors capital. High ratio is a indication of meeting the interest burden of the company. In some companies low ratio indicates financial embracement position. But it is not a continues phenomenon approximately 2:1 industry average is maintained.

The efficiency of utilization of working capital is high. It is good scenario for generating amount of profit. In case fixed assets turnover ratios a mixed picture is observed. But invariably high ratio is indicated. It means there has been high degree of efficiency in assets utilization, in some cases low ratio is observed, which indicates inefficient utilization of assets. There has been a stability as far as return on assets and return on capital is concerned.

Gross profit margin / Net profit margin has been computed industry wise to understand the margin of profit left after meeting the manufacturing cost and knowing the earning left for the share holders. The gross profit margin which shows more than unity in most of the companies, indicates the efficiency of production as well as pricing. In some companies it has been observed that the ratio is less than unity. In case of net profit margin ratio as it shows earning left for share holders. It is more than unity throughout. It indicates healthy sign as far as net earning are concern. On the basis of this ratio which shows more than unity are high, one can conclude that efficiency of production, administration, selling, financing, pricing etc is worth appreciated, expect few limping.

The trend of the earning per share and dividend per share average indicates healthy sign. It has been observed throughout that earning per share is more and in some years increasing trend is observed. Similarly in case of dividend per share fluctuation are not erratic in some companies dividend per share average is more and in some is less. But if one have close study of dividend per ratio that is dividend per share to earning per share the average is stable. It
shows that the industry is distributing the acceptable amount of its share to the shareholders and the rest of the amount is ploughed back.

**Suggestions**

Recently with a glut in global tea production and a slump in tea exports, prices have dropped to a considerable extent. And these low prices is killing the tea producers. Indian tea transaction, between growers and buyers are conducted through auction. Indian finance minister should give a tax break at least till prices strengthens, which will be beneficiary for the growers, auctioneers, warehouse keepers and buyers. India’s tea producers are at a price disadvantage internationally partly because they are bound by a low to pay certain minimum wages, while those in countries like Vietnam and Argentina, which compete with India’s lower grade tea are not. Due to this small and medium size growers are beginning to question the economic viability of the crop. Government of India should make a relaxation in this law which will help small and medium lower grade tea growers.

India being the largest producer of tea its important that the Government of India should make efforts to increase. The export of tea, not only to Russia who is the biggest importer of Indian tea but also to England, Europe and Afghanistan. The reason for less export of Indian tea in the international market should be found out. And suitable measures should be adopted to increase the export of tea. India not only has to face the challenges posed by the major tea producing countries in the world like China, Kenya, Srilanka, but small countries like Indonesia and Vietnam are also producing tea in large quantity. Government should set up tea export board which will help to boost tea export and also should come in a long way to solve the difficulties of tea growers, buyers and auctioneers. Government should also put up research institute to develop the quality of tea, which will be competed in international market.