CHAPTER- 7

CONCLUSION AND SUGGESTIONS
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A. CONCLUSION

On the basis of analysis in the foregoing chapters particularly chapter third, fourth, fifth and sixth, conclusion derived have been summarized below.

(III) INVENTORY MANAGEMENT AND CONTROL

1. Inventory turnover ratio registered a fluctuating trend during the period under study. Inventory turnover ratio measures the velocity of conversion of stock into sales. Usually a high inventory turnover indicates efficient management of inventory because more frequently the stocks are sold and the lesser amount of money is required to finance the inventory. The average ratio of KSCL was the highest 1.818 times while it was the lowest 1.078 times in KSCML-G.

ANOVA (F) test indicates that calculated value of F for years conclude that there is significant difference between them and for firms conclude that there is no significant difference between them and for firms conclude that there is no significant difference between them.

2. Analysis of inventory conversion period reveals that the lesser the number of days more quickly the inventory is sold. Thus, the average number of days of KSCML-S is lesser than after than other firms. Hence, it showing comparatively better management of inventory.
3. Percentage of inventory in current assets registered a fluctuating trend during the period under study. The average of percentage of inventory in current assets under study of KSCML-G was the highest 89.6 while it was the lowest 72.8 in KSCML-N. Hence, it cannot be judged because of fluctuation.

ANOVA (F) test indicates calculated value of F for years conclude that there is significant difference between them and for firms conclude that there is no significant difference between them.

4. Percentage of inventory in total assets registered a fluctuating trend during the period under study, Hence it cannot be judged.

ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

5. Relationship between inventory turnover & Current ratio registered a fluctuating trend during the period under study. Hence, it seems there is no consistent relationship between inventory turnover and current ratio and their relationship cannot be judged.

6. Impact of inventory turnover on profitability registered a fluctuating trend during the period under study. Hence, impact of inventory on profitability cannot be judged.

7. Analysis of relationship between inventory turnover & working capital reveals that there is no consistent relationship between them Hence, its relationship cannot be judged.
(IV) RECEIVABLES MANAGEMENT

1. The average of ACP of BCSFL was highest 5.62 during the study period and was lowest 1.25 in KSCL generally shorter the average collection period, the better is the quality of debtors as short collection period implied quick payment from debtors. Similarly a higher collection period implies an inefficient collection performance which in turn adversely affects the liquidity or short term paying capacity of a firm out of its current liabilities. Hence, it seems better among all firms.

   Since F calculated value is smaller than F critical value null hypothesis is accepted and the alternative hypothesis is rejected and hence it is conclude that average collection period (in days) does not differ significantly.

2. Average credit period (in weeks) registered a fluctuating trend during the period under study, the average of ACP (in weeks) of KSCML-G was highest and was lowest of KSCL.

   Since F calculated value is smaller than F critical value null hypothesis is accepted and the alternative hypothesis is rejected and hence it is concluded that there is no significant difference between them.

3. The average of ACP (average collection period) in weeks of BCSFL was highest and of KSCL was lowest. Hence, KSCL seems better management in comparative to other firms.

   Since F calculated value is smaller than F critical value null hypothesis is accepted and the alternative hypothesis is rejected
and hence it is concluded that there is no significant difference between them.

4. Percentage of debtors to current assets registered a fluctuating trend during the period under study therefore it cannot be judged.

Since F calculated value is smaller than F critical value null hypothesis is accepted and the alternative hypothesis is rejected and hence it is concluded that there is no significant difference between them.

5. Percentage of Debtors to total assets registered a fluctuating trend during the period under study therefore it cannot be judged.

ANOVA (F) test indicates that calculated value of F for year concluded that there is no significant difference between them and for firms conclude that there is significant difference between them.

6. Relationship between receivables sales and profitability registered a fluctuating trend during the period under study. Hence, its relationship cannot be judged.

(V) CASH MANAGEMENT

1. The average of current ratio of KSCL was highest among all the sugar mills than KSCML-G, BCSFL, KSCML-N and KSCML-S the average of current ratio of BCFL is low than KSCML-G, KSCML-N, KSCML-N and KSCL. The ratio was always more than two times except BCSFL, indicates efficient utilization of current assets.
ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

2. Quick ratio of sugar mills showed fluctuated trend during the study period. The quick ratio was highest in KSCML-S among all the firms and the lowest ratio is seen in BCSFL. As a convention quick ratio of 1:1 is considered satisfactory. Hence, BCSFL is much better position to meet its short term obligation.

ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

3. Analysis of cash ratio reveals that this ratio went on increasing trend during the period under study. The average of cash ratio of KSCL was highest that is 4.431 and of KSCML-S was lowest that is 0.075. As a convention the acceptable norms of this ratio is 50% or 1:2 i.e, are considered adequate to pay Rs. 2 

ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

4. Net working capital Ratio registered a fluctuating trend during the period under study. This ratio was highest in KSCL and was lowest in KSCML-N among all the firms. A higher ratio indicates efficient utilization of working capital and a low ratio indicates otherwise.
ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

5. Cash profit ratio registered a fluctuating trend during the period under study. Average of cash profit ratio of KSCL was highest and of S was lowest. Hence, KSCL seems in a better position because highest the profit the more efficient are the business considered.

ANOVA (F) test indicates that calculated value of F for years and firms conclude that there is no significant difference between them.

6. Relationship between inventory, receivables and cash registered a fluctuating trend during the period under study. Hence, its relationship cannot be judged.

7. Analysis of cash conversion cycle reveals that it went on declining trend. The average of cash conversion cycle of KSCML-G was highest and was lowest of KSCL. Hence, KSCL seems in a better condition among five selected sugar mills.

(VI) FINANCING OF WORKING CAPITAL

1. As regard the sugar mills the average ratio of working capital to sales of BCSFL was highest and was lowest of KSCL. A higher ratio indicates efficient utilization of working capital and a low ratio indicates otherwise.
ANOVA (F) test indicates that calculated value of F for year conclude that there is significant difference between them and for firms conclude that there is no significant difference between them.

2. Inventory turnover ratio registered a fluctuating trend during the period under study. Inventory turnover ratio measures the velocity of conversion of stock into sales. Usually a high inventory turnover indicates efficient management of inventory because more frequently the stocks are sold and the lesser amount of money is required to finance the inventory. The average ratio of KSCL was the highest 1.818 times while it was the lowest 1.078 times in KSCML-G.

ANOVA (F) test indicates that calculated value of F for years conclude that there is significant difference between them and for firms conclude that there is no significant difference between them and for firms conclude that there is no significant difference between them.

3. As regard the sugar mills the average of current assets turnover ratio of BCSFL was highest and was lowest of KSCML-G. As a convention a lower current assets to sales ratio implies by and large a more efficient use of funds. Thus a high turnover, rate indicates reduced lock up of funds in current assets.

ANOVA (F) test indicates that calculated value of F for years conclude that there is significant difference between them and for firms conclude that there is no significant difference between them.
4. The average of current ratio of KSCL was highest among all the sugar mills than KSCML-G, BCSFL, KSCML-N and KSCML-S the average of current ratio of BCFL is low than KSCML-G, KSCML-N, KSCML-N and KSCL. The ratio was always more than two times except BCSFL, indicates efficient utilization of current assets.

ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

5. Quick ratio of sugar mills showed fluctuated trend during the study period. The quick ratio was highest in KSCML-S among all the firms and the lowest ratio is seen in BCSFL. As a convention quick ratio of 1:1 is considered satisfactory. Hence, BCSFL is much better position to meet its short term obligation.

ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

6. As regard the sugar mills the average ratio of current assets to total net assets of KSCL was highest and was lowest of KSCML-S. Among all the firms during the period under study KSCL seems in a better position.

ANOVA (F) test indicates that calculated value of F for years conclude that there is no significant difference between them and for firms conclude that there is significant difference between them.
7. On the basis of analysis it can be conclude that the highest average debtors turnover ratio was 439.756 of KSCL and 16.758 was lowest of KSCML-G. The lower the debtors to sales ratio, the better the trade credit management and better the quality of debtors.

ANOVA (F) test indicates calculated value of F for years and firms conclude that there is no significant difference between them.

8. As regard the sugar mills the average ratio of creditors turnover period of BCSFL and KSCML-N was highest and was lowest of KSCML-G. In general the longer the credit period achieved the better, because delays in payment mean that the operations of the company are being financial interest free by supplier’s funds.

ANOVA (F) test indicates that calculated value of F for years and firms conclude that there is no significant difference between them.

9. As regard the sugar mills the average ratio of ACP of BCSFL was highest and was lowest of KSCL. In general it is longer than those terms, and then this indicates some insufficiency in the producer for collecting debts.

ANOVA (F) test indicates that calculated value of F for years and firms conclude that there is no significant difference between them.

10. As regard the sugar mills according to Tandon committee. In 2006 eligibility was higher according to first method. PBF which was highest in KSCL and was lowest in KSCML-S. In
2007 eligibility was highest in comparison to second method. PBF which was highest in KSCL and was lowest in KSCML-G. In 2008 eligibility was highest in comparison to second method. PBF which was highest in KSCL and was lowest in KSCML-S. In 2009 eligibility was highest in comparison to second method except BCSFL. PBF which was highest in BCSFL and was lowest in KSCL and in 2010 eligibility was highest in comparison to second method. PBF which was highest in KSCL and was lowest in BCSFL.
(B) SUGGESTIONS

- The sugar mills should try to increase the production so as to get economies of large scale production. In order to increase the profitability of the companies, it is suggested to control the cost of goods sold and operating expenses. The management should try to adopt cost reduction techniques in their firms to get over this critical situation.

- The sugar mills should try to match the amount of working capital with the sales trends where there is a deficit of working capital; they should try to build on adequate amount of working capital. Where, there is an excessive working capital, it should be invested either in trade securities or should be used to repay borrowings.

- Cost accounting and cost audit it should be made mandatory and cost sheet should be prepared along with annual financing statements.

- There is no accountability because no one is held responsible for a failure in achieving targets. For overcoming this kind of problem responsibility centre should be created.

- Improper planning and delays in implementation of projects lead to rise in their cost. To regularize and optimize the use of cash balance proper techniques example e.g., cash budgeting may be adopted for planning and control of cash. The investment in inventories should be reduced and a system of prompt collection of debts be introduce. Selected sugar mills should try to use operating assets properly and try to minimize their non-operating expenses.
• The management should put in sincere and committed efforts to improve the profitability of the firms in order to restore their financial health. Sugar mills provide a great employment opportunity therefore government should develop the sugar mills for generating employment opportunities particularly in rural areas and for the backward classes and tribal and improve economic condition.

• The most important thing to be noted in the study is that from all the corners it is reflected that sugar mills are operating with old infrastructure and traditional style of management. As a result of the selected sugar mills are facing so many problems, hence it is suggested that mills must review and recast its infrastructure as well as managerial practices not only in the field of finance but also in the production, marketing and human resource.

• Auditor’s reports frequently reveal poor and unsystematic managerial practice in the industry. It seems that the industry as well as other controlling and regulating bodies are is not taking any corrective measures in this direction. Therefore appropriate authorities should take necessary action in this regard.

The study reveals that there is no consistency in the financial performance in sugar industry. This is also confirmed by the following auditors reports mentioned in one of the annual reports of one firms. Inventory Valuation the mill society has not followed the mandatory Accounting standard As-2 on valuation of inventories issued by the Institute of charted Accountants of India but has followed its past practice of valuing stock of finished sugar, molasses without considering excise duty liability.
There is no inventory control system relating to stores inventory. On our examination we found a huge amount is blocked up in non-moving stores item.

Stores are not identified in the form of surplus, slow moving and non-moving.

A huge amount is blocked up in non-moving stores items. Such non-moving item having considerable value has blocked working capital.

Valuation of store inventory has been made on weighted average price method.

The value of stock of damaged gunny bags, press mud and scrape is neither ascertained nor taken into account in the year end.

This might be due to traditional and unprofessional managerial practices. Therefore it is suggested that qualified professional managers should be appointed in all functional areas i.e., production, marketing, human resource and particularly finance. Besides auditors reports should be seriously considered and followed.
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