Chapter - 8
Chapter-8

Finding Suggestions & Future Prospects

8.1 Finding & Suggestion :

8.1.1 Capital Structure Analysis:

The capital structure in the five years has been reduced by an around 25% with an average of 5% per years which is a positive sign.

(1) Head office fund is go on reducing because of running company is going self sufficient due to its operation.

(2) Secured Loan has reduced from 2108149600.36 to 1653808716.09 because of good management of company.

(3) Unsecured Loan has tremendously go down by year 02-03 as well as overall in 5 year also.

(4) Reduction in overall capital structure shows a good sign that company is go on reducing outside intervention in case of finance.

8.1.2. Inventory & Operating Cycle Analysis:

Raw Material, WIP, finished goods & Debtors has go on reducing from 00-01 to 03-04.

(1) Operating Cycle in year 99-00 is 342 days and 236 days in year 03-04. Operating Cycle in year 02-03 is minimum 180 days.

(2) Raw material consumption is go on increasing in last 5 years which shows increased productivity of firm.

(3) Credit sales is also increasing which shows rising goodwill of company in last five years.

(4) Average stock of Raw material is some how equal in compare to WIP finished goods & Debtors.

(5) Debtors conversion period has come down more than 60% in 5 years.
8.1.3. Working Capital Analysis:

The Working Capital in the year 99-2000 has been reduced by about 60% which is a positive sign. The reasons responsible for this are given below.

(i) The amount of cash and bank balances maintained by the unit has come down.

(ii) Finished goods stock has been brought down by supplying the dealers at required time.

(iii) Stores and Spare parts has been reduced by discarding of obsolete items and devising new and proper techniques of maintenance, better contact with transporters for timely delivery.

(iv) Debtors are also on diminishing curve partly due to the fact that last year marketing division eas separated from this manufacturing unit at Raipur. This change was made as a step towards better management of units by Head Office.

(v) Creditors were less in the year 98-99 but again increased in 99-2000 due to rising goodwill of the company, the suppliers are ready to give longer credit period.

(vi) Security deposits have also increased considerably which has also contributed to decreasing working capital.

8.1.4. Working Capital Ratio analysis:

(i) Current ratio in the year 99-00 was high as compared to conventional rule of 2:1. In the year 01-02 was brought down slightly and in the year 03-2004 it was controlled effectively and was very near to rule of thumb which significants highly satisfactory situation.

(ii) Acid Test Ratio also follows the same trend. In the year 99-00, it was more than double the rule of thumb of 1:1, in 01-02 it was reduced a little and was ideal in the year 03-2004 revealing that the unit is liquid.

(iii) The acceptable norm for Absolute Liquid Ratio is 50% and is the case in the
year 99-00. In 01-02 and as well as 03-2004, it was very low which shows a tight cash situation.

(iv) Inventory Turnover Ratio or Stock Velocity Ratio has improved in 03-2004 as compared to earlier years which tells us that inventory has been efficiently managed. In addition to the Inventory Conversion period is also shortened giving a better picture of stock movement.

(v) Debtors Turnover Ratio is on a rise in 03-2004 to 7.08 as compared to 4.7 and 3.17 in the year 99-00 respectively i.e. the unit has well managed its debtors. Average collection Period shows a declining trend in 03-2004 which implica efficiency collection performance. This is the combined date for manufacturing and Marketing Division.

8.1.5. Sources & Application of Funds Analysis:

(i) Head office funds have decreased from Rs. 36193.75 lacs in 99-00 to Rs. 24119.05 lacs in 03-04 due to efficient management of funds. Thus fund requirement has diminished in the last year.

(ii) Secured loans have remained more or less constant. There very small variation in the last five years.

(iii) Unsecured loans have also decreased from Rs. 1655.65 lacs 99-00 to Rs. 672 lacs in 03-2004. It indicates better position.

(iv) Fixed assets have decreased alightly in the past five years from Rs. 47,600.88 lacs in 99-00 to Rs. 36246.33 lacs in 03-04.

(v) Net Current Assets has decreased considerably in these five years. It was Rs. 11330.11 lacs in 99-00, to Rs. 4417.52 in 03-04.

It has been reduced by more than half in the last year as compared to 99-00 which reveals an efficient working capital management.
8.2 Suggestion & Future Prospects:

Grasim Cement, Raipur is one of the best managed cement plants in Eastern region. It enjoys a goodwill among its suppliers and dealers.

In the last three years drastic changes have been made with respect to the methods adopted for Working capital. Working capital has reduced considerably and signifies a satisfactory level although there is a room for improvement as far as stock of Process goods and creditors are concerned while other inventories have been well managed.

The funds have been applied wisely. The net Current assets have decreased tremendously due to effective utilization of working capital. Due to this reason only, the funds required from H.O. have gone down. There is a perfect synchronisation between the funds received from H.O. and payments made possible only by anticipating the cash outflows on weekly basis by preparing montly cash budget. The various ratios in the last year revealed a strong position for this unit. Cash amount maintained should be increased a little as there may be problems in repayment. Operating cycle period has also reduced considerabley. we also know that Financial market changes every now and than. we can’t predict finance accurately. Grasim Cement from its starting doing well. Outside as well as HO intervention in Capital Structure is goon reducing. Grasim is effectively managing its section of Materials mangement. New techniques of inventory management are applied effectively & efficiently. Minimum Stocks are kept idle. Capacity utilisation of Grasim is improving day by day. Cash & balance are properly maintained results in reduction of Debter Collection Period. Requirement of Working capital in Grasim Cement has reduced in last Five year.

We can conclude that Grasim Cement, Raipur enjoys a sound financial position in terms of ratio, working capital and fund operation.