CHAPTER - II

REVIEW OF LITERATURE

2.1 Introduction

2.2 Importance

2.3 Review of Studies

2.4 Conclusion
2.1 INTRODUCTION

Review of literature refers to the various research studies carried out in the various part of our country. There is great importance of study of literature so that we can avoid the duplication of research work. The topic selected for my research work seems to be a new one. Concept of industry, industrialisation, industrial evolution, finance, financial statement, financial statement analysis, ratio analysis, objectives and importance of analysis, analysis of profitability and many other theoretical aspects of financial performance have been discussed but no research work is available on 'Financial Performance of Selected Dyes and Pigment Industrial Units in Gujarat'.

2.2 IMPORTANCE

Dyes and pigment are useful material for cloth, paper, plastic, leather, edible and paint industry. These dyes and pigment are marketed as powders, granules, pastes or liquid dispersions. These new dyes and pigment are regularly developed for meeting the demands of new technology, new kinds of fabrics, detergents, along with overcoming the serious environmental concerns. Industrial textiles dyes must rise up to meet all these new and specific technical requirements. The pattern of consumption of these dyes and pigment are also going through rapid changes. Modern pigment plays an important role in reducing costs and also be used to modify the technical properties of the coating system, leading to new, sophisticated products.

The dyes and pigment industry in Gujarat state affected by variety of problems such as shortage of raw-materials, high production cost, lower capacity utilisation, pollution and inadequate provision for depreciation, expansion, modernisation, liberalization, privatization and globalization. An attempt is made here, in this purpose to deal with all such matters and find out their solution. This type of study also gives guidelines to remove water pollution and other types of pollution. This type of study also gives guidelines to the Government to help the dyes and pigment industry by providing stable policy, regulatory and environmental management steps. The Government can focus on resource conservation, reduction in generation of hazardous wastes and safety mechanism and infrastructure for employees.
2.3 REVIEW OF THE STUDIES

Researcher had reviewed the past few years published literature and data available from various publications, some research work is certainly available which is described as follows.

**Study No 1**

1. **Topic**
   Profitability Trends of Selected Indian Oil Refineries (A research Paper)

2. **Researcher**
   Dr. C.K. Sonara

3. **Journal and Publication year**
   July 2008

4. **Summary**
   The research paper has focused on profitability performance of six selected refineries of Indian Oil Corporation Limited in India during the period from 2002-03 to 2006-07. The paper has been divided into four segments.
   1. Introduction
   2. Objectives of Refineries
   3. Financial Structure of Oil Refineries
   4. Conclusion and Suggestion
   The research paper highlights on the financial performance and strengths of selected refineries of IOCL. The last part of the research paper is concluding remarks. This part has also covered few suggestions to improve the financial performance of selected refineries of IOCL.

**Study No 2**

1. **Topic**
   Industry Risk Score – Dyes and Pigment (A research Paper)

2. **Name of the Company**
   CRISIL Limited, Mumbai. (India's Leading Ratings, Research, Risk and Policy Company)

3. **Journal and Publication year**
   December 2008
4. **Summary**

The research paper has focused on Industry Risk Score (IRS) of 135 selected Dyes and Pigment Industries in India during the period from 2000-01 to 2007-08. The paper on industry risk score have been graded on a six point scale, with 1 indicating high risk and 6 indicating low risk which are as under.

<table>
<thead>
<tr>
<th>Risk Score</th>
<th>Risk Factors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Highly unfavourable</td>
</tr>
<tr>
<td>2.</td>
<td>Unfavourable</td>
</tr>
<tr>
<td>3.</td>
<td>Neutral</td>
</tr>
<tr>
<td>4.</td>
<td>Marginally favourable</td>
</tr>
<tr>
<td>5.</td>
<td>Favourable</td>
</tr>
<tr>
<td>6.</td>
<td>Highly favourable</td>
</tr>
</tbody>
</table>

The research paper on risk score highlights the relevant industry parameters such as demand supply outlook, cost structure, competition and financial performance. Scores in these parameters reflect the extent of positive or negative impact on cash flows and the degree of variability in cash flows of the companies.

**Study No - 3**

1. **Topic**
   
   Financial Performance in Indian ports (A case study)

2. **Researcher**
   
   Dr. Santu Kumar Bose

3. **Publication year**
   
   June 2000

4. **Publisher**
   
   Indian Journal of Accounting Vol. XXXI

5. **Objectives of the Study**

   1. A comparison is made of Calcutta Haldia port with other major ports of India to see if there are any peculiarities particular to the former.
   2. An assessment is made of the position Calcutta Haldia port in relation to the total financial results for the major ports as a whole, in order to determine its economic importance.
5. **Period of the Study**

The period of the study was from 1980-81 to 1992-93.

6. **Findings**

The major findings of the study are given below.

1. Operating ratio declined at most major port, but the operating ratios for Calcutta Haldia port have generally been higher than other ports. The decline followed revision of port charges. Timely enhancement of tariff, accompanied by diversification of cargo in favour of general cargo to raise port income and cost economies have helped major ports to improve their operating ratio.

2. A port with a high net surplus margin would capitalize internal profits more effectively in favourable condition like falling operating cost or increasing volume of traffic. The net surplus margin at Calcutta Haldia port has been much lower than at other ports and despite mid period improvement has begun to fall again.

3. There is an urgent need for measures to increase operating income and decrease operating cost in order to improve financial performance.

4. Turnover on capital employed at Calcutta Haldia port has grown slowly because of slow increase in total port income.

5. The efficiency of fixed creation at a port should be assessed in relation to the result of operating income. Turnover of fixed assets at Calcutta Haldia port shows increasing trend corresponding to growth in operating income.

7. **Suggestions**

The major suggestions are given below.

1. Calcutta, Madras and Visakhapatnam ports need to improve their non-operation performance.

2. Fixed assets turnover ratio of Calcutta port was decreased in the 1989-90 (0.461) and in the year 1990-91 (0.462) in comparison to year 1988-89 (0.467). Therefore, Calcutta ports should improve fixed asset turnover ratio.
3. Operating ratio of Bombay ports was decreased in the year 1992-93. Bombay ports should also try to improve this ratio.

8. **Review**

Ports played useful economic role in development of maritime nations by their foreign trade. Ports had given push up to economic progress by providing support services to industry in developing countries. This case study focuses on the need of adequate port facilities for rapid socio economic development in India. Our economic development is vitally linked with the growth of foreign trade which depends upon port facilities. In the changing economic scenario, this case study is useful to The Government of India to take steps for development of ports. The Government should apply recommendations given in this case study, ports will grow well in future.

**Study No 4**

1. **Name of the Author**
   
   Dr. Padma S. Vanker

2. **Title of the Book**

   Hand book on Natural Dyes for Industrial Applications

3. **Publisher**

   National Institute of Industrial Research, New Delhi

4. **Publication Year**

   June 2006

5. **Summary**

   The book is an output of the research on new sources of natural dyes for industrial applications. The author has focused on history of natural dyes, basic of natural dyeing, mordanting the textiles for natural Dyeing, standardization of vegetable dyes and dyeing methodology. Author has discussed that natural dyes are made from a variety of vegetation, plant life, animal life including certain insects (butterflies, etc.) and sea life. British chemist William H. Perkin serendipitously discovered the first commercially successful synthetic dyes, mauve, in 1856 that recognized and quickly exploited its commercial significance.
This book with colour photographs and describes the stepwise methodology of extraction of dyestuffs from 19 common flowers, weeds, leaves and its application. Author has given local names and botanical names of plants. The author has documented standardisation process of 25 dyes. This book would help in promoting better use of natural dyes and dyeing ability.

**Study No - 5**

1. **Topic**
   An Empirical Study of the Financial Performance of Selected Refineries of Indian Oil Corporation Ltd. in India (A thesis submitted for the degree of Ph. D. (Commerce))

2. **Researcher**
   Kiritbhai V. Solanki

3. **Year:** December 2008

4. **Objectives of the Study**
   - To know the origin and growth of selected refineries of IOCL in India
   - To evaluate the financial performance of refineries
   - To compare the financial performance between selected refineries
   - To compare the financial position of refineries with the help of Du-Pont charts
   - To derive conclusions and suggest measures for improving their performance

5. **Period of the Study**
   The period of the study was ten years from 1997-98 to 2006-07.

6. **Sample Design**
   The selected refineries and head office of IOCL are given below.
   1. Gujarat Refinery
   2. Guwahati Refinery
   3. Haldia Refinery
   4. Mathura Refinery
   5. Panipat Refinery
   6. Head Office, New Delhi
   7. Digboi Refinery
7. Chapterisation
   2. Review of Literature
   3. Conceptual Framework and Profile of Selected Refineries of IOCL
   4. Analysis and Comparison of Financial Performance of Selected Refineries of IOCL
   5. Ratio Analysis
   6. Analysis of Financial Performance of with the Help of DuPont Charts
   7. Findings and Suggestions

8. Findings

   The several major observations and findings are as follows.

   1. It is found that total sales of Guwahti Refinery was Rs. 220.27 crores in the year 1997-98, which increased to Rs. 1067.02 crores in the year 2006-07, showing 4.8 fold growth in the sales during the period from 1997-98 to 2006-07.

   2. The analysis of total net income of the seven selected refineries under the study show that the highest net income was Rs. 23058.73 crores of Gujarat Refinery in the year 2005-06 and the lowest net income was Rs. 31.49 crores of head office, New Delhi in the year 1997-98.

   3. The various components of expenditure show that all types of expenditure were increased in the year 2006-07 as compared to the year 1997-98.

   4. It was also found during the study that Gujarat Refinery and Mathura Refinery were never in loss.

   5. The total working capital of selected refineries of IOCL shows mixed trend during the period from the year of 1997-98 to 2006-07.

   6. It was observed that trend of income, expenditure; total profit and net profit of IOCL were in mixed trend during the period from the year of 1997-98 to 2006-07.
7. Overall profitability ratio (EBIT Base) of Barauni Refinery, Gujarat Refinery and Panipat Refinery were lower than other refineries like Guwahati Refinery, Mathura Refinery and Refineries Division of IOCL.

8. As per the P value 0.000 <0.05, there is significant difference in net profit of all selected refineries of IOCL, Refineries Division and IOCL.

9. **Suggestions**
   1. Indian Oil Corporation and Refineries Division of IOCL should try to improve their profitability.
   2. It is observed that current asset turnover ratio of Guwahati Refinery and Head Office – New Delhi was less in comparison of selected refineries of IOCL. It is needed to improve it.
   3. IOCL should implement new techniques of financial management for better performance in future.
   4. Comparatively, capital-gearing ratios of all selected refineries of IOCL were less than Refineries Division during the study period. All selected refineries should improve it.

10. **Review**
    
    This study has focused on performance of selected refineries, which refines fuel contents and different products. This study is especially done in relation to the operations of refineries in India, which will be useful to the Government and IOCL to reframe its policies. This research study gives information about how and which reforms steps can be taken in various units of IOCL. This study also provides necessary guidelines to understand potentiality and problems faced by various oil corporations to receive the funds and to employ the funds in desired directions. Steps suggested by the researcher will be useful to take managerial decisions about the production policy, investment policy, profitability performance and economic reforms that may take place.
**Study No. 6**

1. **Topic**
   Financial Appraisal of Selected Engineering Units (Dissertation submitted for the degree of M. Phil (Commerce))

2. **Researcher**
   Swati R. Parab

3. **Year** : December 1998

4. **Period of the Study**
   The period of study was eight years i.e. financial year from 1990-91 to 1997-98.

5. **Sample Design**
   The study was held on ‘Financial appraisal of selected engineering units’. This study includes 3 (three) selected engineering units in Vitthal Udhyognagar which are given below.  
   3] Elecon Engineering Co. Ltd.

6. **Chapterisation**
   (1) Historical Background of The Eng. Units.  
   (2) Appraisal of Profitability 
   (3) Appraisal of Capital Structure 
   (4) Appraisal of Fixed Assets 
   (5) Appraisal of Working Capital 
   (6) Conclusion and Suggestions

7. **Findings**
   The several major observations and findings are as follows.
   1] Elecon Eng. Co. Ltd. earned a gross profit margin 23 % on sales on an average, Eimco Eng. Co. Ltd. earned a gross profit margin 16.04 % on sales on an average and Rolcon Eng. Co. Ltd. earned a gross profit margin 10.03 % on sales on an average during the period of study.
   2] The net profit margin of Elecon Eng. Co Ltd. was 1.66 % whereas Eimco Eng. Co. Ltd. Was 8.31 % and Rolcon Eng. co. Ltd. was 5.83 %.
8. **Suggestions**
The profitability analysis shows poor performance of Elecon Eng. Co. Ltd. throughout the period of the study. Company should improve its position and take measure to increase its profit margin and also try to make optimum utilization of the capital employed. The sales and net profit showed rise in the last two years which should be maintained.

9. **Review**
This study is an attempt to evaluate overall the profitability performance, efficiency and financial position of selected engineering units. The analysis highlights present as well as past performance. The researcher has suggested to improve its financial position and to take measure to increase its profit margin and also try to make maximum utilisation of the capital employed. Machineries are main product of these units, hence, this study will be helpful to basic industries like mining, cement and chemicals.

**Study No. 7**

1. **Topic**
Profitability Performance of GMM Pfaudler Ltd. and Swiss Glasscoat Equipment Ltd. in V. U. Nagar – A Comparative Study (Dissertation submitted for the degree of M. Phil (Commerce))

2. **Researcher**
Jatin P. Soni

3. **Year** : June 2005

4. **Objective of the Study**
1. To know the overall status, to evaluate the financial performance.
2. To compare the financial position and to derive conclusion for improving financial performance of selected engineering units.
5. **Period of the Study**
The period of the study was five years from 1999 to 2002-03.

6. **Sample Design**
Two medium scale industries known as GMM Pfaudler Ltd. and Swiss Glasscoat Equipments Ltd.

7. **Chapterisation**
1. Introduction
2. Conceptual Frame Work
3. Profile of GMM Pfaudler Ltd. and Swiss Glasscoat Equipments Ltd.
4. Analysis and Comparison of Profitability Performance with the help of Du-Pont chart
5. Profitability Ratios
6. Findings and Suggestions

8. **Findings**
The several major observations and findings are as follows.

- The total assets performance of the Glasscoat was better than GMM, because the fold growth of Glasscoat was 1.32, comparatively GMM was 1.13 during the period from 1999 to 2002-03.

- The average gross profit ratio of Glasscoat was 6.59 % and the GMM was 2.14 % so that comparatively Glasscoat was higher than GMM during the period from 1999 to 2002-03.

9. **Suggestions**
- Efforts should be made to reduce and cost and improving financial policies by adapting better management.
- GMM and Glasscoat both should implementing new technique of financial management for better performance in future.
- GMM Pfaudler performance by the use of available resources.
10. **Review**

The research work is mainly based on the published literature and data available from various publications. This is an attempt to evaluate the financial and profitability performance, working and soundness of selected engineering units. The study focuses on present as well as past performance of selected engineering units. The researcher had suggested implementing comprehensive strategies to reduce employee’s cost, manufacturing, administrative and overhead expenses.

**Study No. 8**

1. **Topic**

Financial Analysis of GMM Pfaudler Ltd. and Power Build Ltd. in V. U. Nagar – A Comparative Study. (Dissertation submitted for the degree of M. Phil (Commerce).

2. **Researcher**

Namita M. Bhatt

3. **Year :** June 2008

4. **Objectives of the Study**

   • To know the overall status of selected engineering units in Vitthal Udyognagar.
   • To compare the financial statement of selected engineering units.
   • To study the origin and growth of selected engineering units.
   • To know strengths and weakness of selected engineering Companies.
   • To derive conclusions and suggest measures for improving their financial performance.

5. **Period of the Study**

   The period of the study was five years from 2002-03 to 2006-07.

6. **Sample Design**

   Two medium scale industries known as GMM Pfaudler Ltd. and Power Build Ltd.
7. **Chapterisation**
   1. Introduction
   2. Review of Literature
   3. Profile of GMM Pfaudler Ltd. and Power Build Ltd.
   4. Analysis and Comparison of Profitability Performance with the help of Du-Pont Chart
   5. Ratio Analysis
   6. Findings and Suggestions

8. **Findings**

   The several major observations and findings are as follows.

   1. The comparative scenario of the profitability performance of Power build Ltd. was better than GMM Pfaudler Co. Ltd, because fold growth of the profit of Power Build was 8.41 more than GMM Co. Ltd. i.e. 5.50 during the period from 2002-03 to 2006-07.

   2. It was observed that total assets fold growth of PBL was 7.17; more than GMM Ltd. i.e. 2.43 so, asset performance of PBL was better that GMM Ltd. from the year 2002-03 to 2006-07, because the fold growth of PBL was 3.90.

   3. The average current ratio of GMM Pfaudler Ltd. was 1.99 % and the power Build was 1.94 % for the period from 2002-03 to 2006-07 Therefore comparatively GMM was higher than the Power Build Ltd.

   4. The average total assets turnover ratio of GMM was 1.12 times and the PBL was 0.94 times for the period from 2002-03 to 2006-07. Therefore, GMM was higher than the PBL.

   5. The average capital turnover ratio of GMM was 1.34 times and the PBL was 1.51 times during the period from 2002-03 to 2006-07. So the performance of PBL was better than the GMM LTD.

   6. The average gross profit ratio of GMM was 17.05% and the PBL was 47.69% during the period from 2002-03 to 2006-07. Hence, the performance of PBL was better than the GMM Ltd.
7. The average Net Profit Ratio of GMM was 9.42% and the PBL was 2.41% during the period from 2002-03 to 2006-07. So the net profit ratio of GMM was better than the PBL.

8. The average ratio of return on total capital employed of GMM was 1987 % and the PBL was 4.54 % for the period from 2002-03 to 2006-07. So, the average ratio of GMM was higher than PBL.

9. As per the P value 0.0312 <0.05, there is significant difference income and expenditure of GMM and PBL during the period from 2002-03 to 2006-07.

9. **Suggestions**
   1. The top management should review periodically the accounts of the companies and take suitable steps before the situation gets out of the control.
   2. Effort should be made to reduce cost and improving financial policies by adapting better management.
   3. Power Build Co. Ltd. should try to improve in the growth and total turnover of the business.
   4. GMM should try to reduce the gap between available capacity and its utilization.
   5. GMM Pfaudler Co. Ltd. should try to improve the profitability per performance by the use of available resources.

10. **Review**
    The comparative study is an attempt to analyse the profitability performance, efficiency and soundness of selected units. The analysis highlights present as well as past performance. The researcher had suggested suitable steps for management to improve the financial position and profitability performance.
Study No. 9

1. **Topic**

   Financial Analysis of Selected Co-operative Banks in Anand District (Dissertation submitted for the degree of M. Phil (Commerce).

2. **Researcher**

   Ms. Mamta Bhatiya

3. **Year** : June 2008

4. **Objectives of the Study**

   - To analyse and interpret financial performance The VVCC Bank Limited and the AMC Bank Limited.
   - To study the evaluation and growth of co-operative banks in Gujarat and particularly in Anand in various areas of their activities.
   - To compare the performance of the selected of co-operative banks.
   - To derive conclusions and suggest measures for improving their financial performance.

5. **Period of the Study**

   The period of the study was five years from 2002-03 to 2006-07.

6. **Sample Design**

   - Two co-operative banks known as
     (1) The VVCC Bank Limited and
     (2) AMC Bank limited.

7. **Chapterisation**

   1. Introduction
   3. Profile of Selected Co-operative Banks.
   5. Ratio Analysis
   6. Findings and Suggestions
8. **Findings**

The several major observations and findings are as follows.

1. From the study it was found that the total share capital fold growth rate of VVCC was 4.60 which was more than AMCB i.e. 0.98.

2. It was observed that fold growth rate of deposits of AMCB was 1.20 on the other hand the deposit fold growth of VVCC was 0.90. Therefore, the performance of AMCB was better than VVCC during the study period.

3. The interest expenses to total income of the VVCC Bank Limited were 75.41% in 2002-03 while it was 65.64% in 2006-07. On the other hand interest expenses to total income of The AMC Bank Limited were 71.84% in 2002-03 and 56.66% in 2006.

4. The average Net Profit of The AMC Bank Limited was better than the VVCC bank limited during the period from 2003 to 2007.

5. As the P value is less 0.05, it is concluded that there is significant difference between the net profit of the VVCC Bank Limited and The AMC Bank Limited at 5% level of significance.

9. **Suggestions**

The major findings of the study are given below.

1. There is a need for a comparative study of financial performance of co-operative banks.

2. Both the banks should try to implement new techniques of financial management for the better performance in future.

3. The VVCC Bank Limited and The AMC Bank Limited both should try to get consistency in net profit.

4. Co-operative Bank should try and undertake pilot studies in the areas where they are not operating today but they may operate tomorrow.

5. Performance appraisal for the banking sectors employees should also be attempted as a part of core research programme.
10. Review

This study is an attempt to analyse the origin, profitability performance, efficiency and soundness of selected co-operative banks. The analysis highlights present as well as past growth of selected co-operative banks. The researcher had derived important findings and suggested suitable steps for management to improve the profitability performance.

2.4 CONCLUSION

The researcher has taken two research paper, one case study, one book, one thesis and four dissertations for review of literature in support for the title of this thesis.

These studies are more useful as a support study because these studies have focused on profitability and overall financial performance of the selected dyes and pigment industrial units. These studies also highlight basic problems of selected units such as increase in operating cost and overhead expenses. These studies are useful to the Government for decision and policy making of the dies and pigment industries of Gujarat.
REFERENCES


