CHAPTER - III

RESEARCH METHODOLOGY

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3.1 INTRODUCTION

In fact, research is an art of scientific investigation. For the scientific and systematic study of any research work, the methodology is very important.

The data is collected both primary and secondary sources. Primary data obtained by personal visit, telephonic talk, mails, emails etc. with the executives such as managers of finance, financial advisors and senior manager of accounts. This study mainly based on secondary data collected from annual reports of selected dyes and pigment industrial units. The data of company profile collected through company's web site, annual reports and personal meetings. I had also used the internet for obtaining such data, as it was not available in the published form. As a part of research methodology, questionnaire is prepared for this purpose. Observation method is used to check the reliability of the primary as well as secondary data.

The collected data/ Information is further scientifically classified, tabulated, analysed, interpreted and presented as per the requirements of the research work. The necessary suggestions have been made on the basis of the analysis. I have calculated the financial performance by use of Du-Pont chart and suitable ratio techniques to derive appropriate result of the study.

3.2 NEED AND PURPOSE OF SELECTION OF THE TOPIC

There is no research studies have been undertaken on ‘Financial Performance of Dyes and Pigment Industry in Gujarat State’. The present research work is an attempt to highlight the new dimensions in the working of dyes and pigment industry in Gujarat state. The purpose of the study is to conclude and suggest measures for effective management of the dyes and pigment industry in Gujarat.
My research study on ‘Financial Performance of Selected Dyes and Pigment Industrial Units in Gujarat’ will be useful to the following parties.

1. Management : For various types of day to day decision making and financial performance evaluation.
2. Government : For decision making and policy.
4. Investors : For making investment in company.
5. Customers : To know general business viability.
6. Creditors : To determine the credit worthiness of the company.
7. Researchers : For literature review for forthcoming future.
8. Labour Unions : For claiming the bonus and Increment of salary.

3.3 OBJECTIVES OF THE STUDY

The basic objective of the present study is to analyse the past and present financial performance of dyes and pigment industry in Gujarat State and discuss problems relating to the operating systems in the selected dyes and pigment industry in Gujarat State.

However, the major objectives of this study are outlined as follows.

1. To know the origin and growth of selected dyes and pigment industrial units in Gujarat.
2. To evaluate the financial performance of selected dyes and pigment industrial units in Gujarat.
3. To compare the financial performance and position with help of Du- Pont charts.
4. To derive conclusions and suggest the measures for improving their financial performance.
3.4 **SCOPE OF THE STUDY**

The present study is undertaken to study on ‘Financial Performance of Selected Dyes and Pigment Industrial Units in Gujarat’. For this purpose, the various types of financial ratio have been examined for the period from the financial year 1999-00 to 2008-09 of the selected industrial units. An attempt is also made to analyse and interpretation of financial performance through the ratios of selected industrial units for the period under study. Research work is quite useful for the dyes and pigment industrial units, Government, investors and research students.

3.5 **HYPOTHESIS OF THE STUDY**

The hypotheses of the study are as under.

1. There is no significant difference between total income of selected dyes and pigment industrial units.
2. There is no significant difference between total expenditure of selected dyes and pigment industrial units.
3. There is no significant difference between profit after tax (PAT) of selected dyes and pigment industrial units.
4. There is no significant difference between total assets and liabilities of selected dyes and pigment industrial units.
5. There is no significant difference between operating profit ratio of selected dyes and pigment industrial units.
6. There is no significant difference between return on capital employed (ROCE) of selected dyes and pigment industrial units.

3.6 **PERIOD OF THE STUDY**

The period for study is selected ten (10) consecutive years which are from the financial year from 1999-00 to 2008-09. The study is mainly based on published annual reports of selected dyes and pigment industrial units in Gujarat.

3.7 **SAMPLE DESIGN**

To undertake the study on ‘Financial Performance of Selected Dyes and Pigment Industrial Units in Gujarat’, systematic sampling method was used for sample selection. In Gujarat, there are 804 numbers of industrial units are engaged in manufacturing and sales of dyes, dyes
intermediate and pigment industry in the business form of proprietorship, partnership and private and public limited. Out of these 804 Industrial units, 49 industrial units are public limited companies that are registered under Indian Companies Act 1956. The researcher has selected 8 (eight) units out of 49 units, which comprises of 16.33% of total dyes and pigment industrial units of public limited company for the study. The selected dyes and pigment industrial units are given below.

<table>
<thead>
<tr>
<th>Rank</th>
<th>Name of Company</th>
<th>Highest Capital Employed</th>
<th>Lowest Capital Employed</th>
<th>Average Capital Employed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Asian Paints Ltd.</td>
<td>1,16,900.00</td>
<td>51,618.50</td>
<td>72,912.13</td>
</tr>
<tr>
<td>2</td>
<td>Atul Limited</td>
<td>86,151.79</td>
<td>53,217.62</td>
<td>62,971.48</td>
</tr>
<tr>
<td>3</td>
<td>Aarti Industries Ltd.</td>
<td>82,348.99</td>
<td>17,835.73</td>
<td>44,067.58</td>
</tr>
<tr>
<td>4</td>
<td>Meghmani Organics Ltd.</td>
<td>63,829.16</td>
<td>13,283.63</td>
<td>31,566.18</td>
</tr>
<tr>
<td>5</td>
<td>Metrochem Industries Ltd.</td>
<td>21,487.12</td>
<td>14,658.56</td>
<td>16,535.74</td>
</tr>
<tr>
<td>6</td>
<td>Sudarshan Chem. Ind. Ltd.</td>
<td>19,264.00</td>
<td>16,161.07</td>
<td>17,669.79</td>
</tr>
<tr>
<td>7</td>
<td>Dynemic Product Ltd.</td>
<td>4,282.40</td>
<td>627.28</td>
<td>1,901.37</td>
</tr>
<tr>
<td>8</td>
<td>Bhageria Dye-Chem. Ltd.</td>
<td>3,079.49</td>
<td>1,231.95</td>
<td>1,683.50</td>
</tr>
</tbody>
</table>

Source: Annual Reports of Selected Dyes and Pigment Industrial Units.
The sample size is reasonable because it represents small public limited company to large public limited company. This size is also reasonable to draw meaningful conclusion for further generalization. The researcher is quite aware of the limitations of the convenient sampling. This study also covered to know the information regarding the performance of managers, executives and employees of the Dyes and pigment industry.

3.8 CHAPTERISATION SCHEME

This thesis has been divided into seven chapters which are given below.

1. Introduction.
2. Review of Literature
3. Research Methodology
4. Profile of Selected Dyes and Pigment Industrial Units
5. An Analysis of Financial Performance of Selected Dyes and Pigment Industrial Units in Gujarat
6. Ratio Analysis
7. Findings and suggestions

The first chapter deals with ‘Introduction’, which throws the light on meaning of industry, industrialization, Nature of Industry in Gujarat State, Meaning of Dyes and Pigment and its Classification. This chapter also focuses on Concept and Meaning of Finance, financial management, Financial Performance, financial statement analysis, interpretation, Objectives and Importance of Financial Statement Analysis and its Limitations.

The second chapter named ‘Review of Literature’ which discusses the available literature which is useful in this research work. The selection of the topic for this study has been undertaken after brief review of literature. The purpose of review dissertation and thesis is to derive supporting evidence for new findings of the study.

The third chapter entitled ‘Research Methodology’ is focus on the Need and Purpose of Selection of the Topic, Objectives of Study, Scope of the Study, Hypothesis of the Study, Period of the Study, Sample
Design, Chapterisation, Limitations of the Study, Further Scope of Study.

The fourth chapter deals with the ‘Profile of Selected Dyes and Pigment Industrial Units’. This chapter provides broad understanding of the History, Growth and Development, Vision and Mission, Glance and Products of the Company. Glance of the company highlights on important details of the company like Year of Incorporation, Nature of Industry, Type of Organisation, Size of Organisation, E-mail Address, Name of Website, Nature of Activity, Address of Registered Office, Board of Directors, Bankers, Legal Adviser, Turnover, Total Expenditure, Profit before Tax (PBT), Profit after Tax (PAT) and EPS in the Year 2008-09.

The fifth chapter is on ‘An Analysis of Financial Performance of Selected Dyes and Pigment Industrial Units in Gujarat’, which discusses the performance of various components of profit and loss account and balance sheet, and hypothesis testing with the help of ANOVA test. The researcher has prepared various types of tables and charts for various components of profit and loss account and balance sheet.

The sixth chapter named ‘Ratio Analysis’ discusses the different financial performance ratios and its interpretation. This chapter also focuses on Meaning of Ratios, Steps in Ratio Analysis, Importance of Ratio Analysis, Limitations of Ratios, Liquidity Ratios and Profitability Ratios related to Sales and Investment, Share Profitability Ratio related to Investment, Leverage Ratios, Turnover Ratios, Ratio Tables, Charts, Analysis and Interpretation of different ratios of selected dyes and pigment industrial units.

The seventh chapter is on ‘Findings and Suggestions’. This chapter is a concluding chapter. After analysing data with appropriate tools and inferences, findings were incorporated in the above mentioned chapter. This chapter relates to major findings and few suggestions to improve the financial performance of selected dyes and pigment industrial units.

The above said chapters generally discuss about financial performance of selected dyes and pigment industrial units during the period of 1999-00 to 2008-09.
LIMITATIONS OF THE STUDY

The present study is limited to the financial performance and growth evaluation of dyes and pigment industry for a specified period of ten years from 1999-00 to 2008-09. The study is restricted to only eight dyes and pigment public limited company and not all the dyes and pigment companies. However, the findings of the study are applicable to the industry in general and the Gujarat states in particular.

The researcher is aware of following limitations.

- This study is mainly based on secondary data from published annual reports, websites and literature.
- This study is mainly based on ratio analysis, comparison, trend analysis, Du-Pont chart analysis.
- There are many different aspects to measure profitability and different expert views on financial performance.
- This study is limited to financial performance only. It does not include other performances of the company.
- The research study is based on a fixed time span and does not cover a long time period.
- The outcome of the study is largely based on availability of required data. No web sites of selected units offer internal data and all financial data. Hence, it becomes very difficult to find out exact financial performance of selected dyes and pigment industrial units. The collection of secondary data may possess certain drawbacks.

FURTHER SCOPE OF THE STUDY

1. The study is based on selected eight samples. More samples could be taken for further study.
2. Other geographical area could be covered for the study for better research work.
3. Industry wise analysis could produce better results.
4. Long time period could be covered for the research study for better result.
3.11 CONCLUSION

The present study is based on limited field of research. This study covers overall aspect of financial performance of certain selected sample units. The researcher has used various techniques of financial statement analysis. Profit is the main motto of each business organisation. Profitability ratios can measure the ability of the business organisation to earn return on sales, total assets, capital employed, share holder’s fund etc. Financial statements show the financial performances and financial position of the company. The figures of financial statements are transformed in useful and meaningful figures through process of analysis and interpretation, so that proper evaluation of past activities and forecast about the future strengths and weakness of the company can be made. The researcher has evaluated balance sheet, income and expenditure statement and other supporting statements of financial data derived from accounting records.
REFERENCES


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