CHAPTER - VII

FINDINGS AND SUGGESTIONS

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7.1 INTRODUCTION

Multiple factors are affecting financial performance of business organisation. When an organisation achieves higher level of value addition, it leads to maximization of return on investment. If a public limited company makes profit, it can generate its own money for future growth without becoming a burden on the national treasury, it can repay its loan, and it can also reward its shareholders through higher annual dividend and frequent bonus issues of shares. This chapter summarizes findings and suggestions of the study. Following findings are incorporated after analyzing data with appropriate tools, inferences and observations.

7.2 MAJOR FINDINGS

The selected eight dyes and pigment industrial units are situated in Gujarat State. The major findings have been summarized as below.

1. It was seen that the amount of sales contributed the major components of income for selected dyes and pigment industrial units. Its proportion ranged from the minimum of Rs. 1484.37 lacs of Dynemic Product Limited in the year 2000-01 to maximum of Rs. 4,27,005.00 lacs of Asian Paints Limited in the year 2008-09.

2. It was seen that the total income of the selected dyes and pigment industrial units were increased in the year 2008-09 as compared to 1999-00. The highest fold growth of total income was 6.04 in Meghmani Organics Limited and lowest fold growth was 1.44 of Metrochem Industries Limited during the year from 1999-00 to 2008-09. The highest average total income was Rs.219903.14 lacs of Asian Paints Limited. The lowest average total income was Rs.2873.59 of Dynemic Product Limited. The overall observation clearly shows that income performance of Meghmani Organics Limited and Asian Paints Limited are better than other companies.
3. The analysis of operating expenses indicates that the operating expenses of the selected dyes and pigment industrial units were increased in the year 2008-09 as compared to 1999-00. The overall trend of operating expenses was in increasing during the study period. The highest operating expenses fold growth was 6.52 in Meghmani Organics Limited and lowest 1.62 in Metrochem Industries Limited.

4. It was also noted that the overall trend of operating profit was in fluctuating trend during the study period. The highest operating profit was Rs.62133.00 lacs in Asian Paints Limited in the year 2008-09. The lowest operating profit was Rs.26.56 lacs in Bhageria Dye-chem. Limited in Year 2008-09. The highest average operating profit was Rs.35790.70 lacs in Asian Paints Limited. The lowest average operating profit was Rs.191.09 in Bhageria Dye-chem. Limited. The highest operating profit fold growth was 4.33 in Meghmani Organics Limited and lowest 1.60 in Atul Limited.

5. Analysis of the PBT of selected dyes and pigment industrial units indicates that the overall trend of PBT was in mixed trend during the study period. The highest PBT fold growth was 4.08 in Aarti Industries Limited and lowest 1.60 in Dynemic Product Limited. Bhageria Dye-chem. Limited and Metrochem Industries Limited were in loss in the year 2008-09. The PBT of the selected dyes and pigment industrial units was increased in the year 2008-09 as compared to 1999-00 except Bhageria Dye-chem. Limited and Metrochem Industries Limited.

6. Company wise analysis of PAT exhibits that PAT trend of selected dyes and pigment industrial units was fluctuating during the study period. The PAT of the selected dyes and pigment industrial units was increased in the year 2008-09 as compared to 1999-00 except Bhageria Dye-chem. Limited and
Metrochem Industries Limited. The highest PAT was Rs.37659.00 lacs in Asian Paints Limited in the year 2007-08 and lowest Rs. - 508.53 lacs (loss) in Atul Limited in Year 1999-00. The highest average PAT was Rs.19788.58 lacs in Asian Paints Limited and lowest Rs.43.58 in Bhageria Dye-chem. Limited. The highest PAT fold growth was 3.94 in Aarti Industries Limited and lowest 1.20 in Dynemic Product Limited during the study period. Bhageria Dye-chem. Limited and Metrochem Industries Limited were in loss in the year 2008-09.

7. By deep interpretation of selected dyes and pigment industrial units under the study shows that highest total income, sales, operating profit, gross profit, PBT, PAT, costs of material, overheads, operating expenses, gross expenses and dividend payout noted in Asian Paints Limited due to better management and the finance.

8. As per profitability analysis, it can be seen that profitability performance and working result of Asian Paints Limited, Meghmani Organics Limited and Aarti Industries Limited are found quite satisfactory.

9. It was also observed that the shareholders fund in mixed trend during the study period. The highest shareholders fund fold growth was 5.45 in Dynemic Product Limited and lowest 1.52 in Sudarshan Chemical Industries Limited. The shareholders fund of the selected dyes and pigment industrial units was increased in the year 2008-09 as compared to 1999-00 except Bhageria Dye-chem. Limited and Metrochem Industries Limited during the study period.
10. It was also noted that the capital employed of the selected dyes and pigment industrial units were increased in the year 2008-09 as compared to 1999-00. The overall trend of capital employed was in fluctuating during the study period. The highest capital employed fold growth was 6.83 in Dynemic Product Limited and lowest 1.03 in Metrochem Industries Limited during the study period. The highest capital employed was Rs.1, 16,900.00 lacs in Asian Paints Limited in the year 2008-09 and lowest Rs.627.28 lacs in Dynemic Product Limited in year 2000-01. The highest average capital employed was Rs.72912.13 lacs in Asian Paints Limited and lowest Rs.1683.50 in Bhageria Dye-Chem. Limited

11. An Analysis of the total assets of selected dyes and pigment industrial units under the study indicates that the total assets of the selected dyes and pigment industrial units were increased in the year 2008-09 as compared to 1999-00. Total assets indicates upward trend during the study period. The highest total assets were Rs.217465.00 lacs in Asian Paints Limited in the year 2008-09 and lowest Rs.899.91 lacs in Dynemic Product Limited in year 2000-01. The highest total assets fold growth was 5.66 in Dynemic Product Limited and lowest 1.04 in Metrochem Industries Limited during the study period.

12. The current assets of the selected dyes and pigment industrial units were increased in the year 2008-09 as compared to 1999-00. The overall trend of current assets was in mixed trend during the study period. The highest current assets fold growth was 5.60 in Meghmani Organics Limited and lowest 1.27 in Metrochem Industries Limited. The highest average current assets were Rs.122811.00 lacs in Asian Paints Limited and lowest Rs.446.84 in Dynemic Product Limited in year 2000-01. The highest average current assets were Rs.66007.96 lacs in Asian Paints Limited and lowest Rs.1256.38 in Dynemic Product Ltd during the study period.
13. Company wise analysis of net working capital exhibits that the current assets of the selected dyes and pigment industrial units were increased in the year 2008-09 as compared to 1999-00. It is indicating fluctuating signal during the study period. The highest working capital fold growth was 6.64 in Dynemic Product Limited and lowest 1.12 Atul Limited due to strict liquidity policy. The highest net working capital was Rs.47811.06 lacs in Aarti Industries Limited in the year 2008-09. The lowest working capital was Rs.174.21 in Dynemic Product Limited in year 2000-01. The highest average working capital was Rs.23731.57 lacs in Aarti Industries Limited. The lowest average working capital was Rs.674.98 in Dynemic Product Limited.

14. As per ANOVA test, P-Value is 0.000 < 0.05, there is a significant difference between the total income of selected dyes and pigment industrial units during the period from 1999-00 to 2008-09.

15. As per ANOVA test, P-Value is 0.000 < 0.05, there is a significant difference between the total expenditure of selected dyes and pigment industrial units during the period from 1999-00 to 2008-09.

16. As per ANOVA test, P-Value is 0.000 < 0.05, it is proved that there is a significant difference between the PAT of selected dyes and pigment industrial units during the study period.

17. As per ANOVA test, P-Value is 0.00 < 0.05, it is proved that there is a significant difference between the total assets and liabilities of selected dyes and pigment industrial units during the period from 1999-00 to 2008-09.

18. As per ANOVA test, P-Value is 0.00 < 0.05, it can be said that there is a significant difference between the operating profit ratio of selected dyes and pigment industrial units during the period from 1999-00 to 2008-09.
19. As per ANOVA test, P-Value is $0.000 < 0.05$, it can be said that there is a significant difference between the return on capital employed (ROCE) of selected dyes and pigment industrial units during the period from 1999-00 to 2008-09.

20. It was also observed that the overall trend of current ratio was in fluctuating during the study period. The current ratio performance of the eight selected dyes and pigment industrial units are quite satisfactory because most of the current ratio is higher than the ideal current ratio.

21. The quick ratio of selected dyes and pigment industrial units shows fluctuating trend. The quick ratio of 1 time or 1:1 is considered satisfactory as per international standards. The quick ratio of Bhageria Dye – chem. Limited (Average 2.57), Metrochem Industries Limited (Average 3.18), Meghmani Organics Limited (Average 2.94), and Aarti Industries Limited (Average 2.46), were very high. It shows that excessive investment made in quick assets in above said companies. The above said companies have not made recovery earlier from debtors, therefore, this was resulted in additional investment in debtors.

22. It was observed that the overall trend of cash ratio was in fluctuating trend during the study period. Generally, the cash or super quick ratio of 50% or 1:2 is considered satisfactory. The company need not maintain too much of highly super liquid assets. It may be affecting the profitability of company because these super liquid assets are most unproductive assets. By interpretation of cash ratio analysis, it is observed that the highest cash or super quick ratio were 2.41:1 in Bhageria Dye–chem. Limited in the year 2005-06 whereas lowest was 0.02:1 in Dynemic Product Limited in the year 2002-03. The highest average cash ratio was 0.74:1 in Bhageria Dye-chem. Limited and lowest 0.07:1 in Asian Paints Limited and Aarti Industries Limited. It indicates rigid or strict cash policy of selected industrial units.
23. Analysis of the operating profit ratio of selected dyes and pigment industrial units under the study indicates that ratio decreased during study period but it showing mixed trend.

24. Overall net profit ratio of selected dyes and pigment industrial units decreased but it shows fluctuating trend during the study period. The highest net profit ratio was 12.03 % in Aarti Industries Limited in the year 2001-02 and lowest -3.45% in Bhageria Dye-chem. Limited in the year 2008-09. Overall net profit ratio and index shows down ward trend during the study period. As per average net profit ratio, profitability performance of Aarti Industries Limited is better than other selected units whereas profitability performance of Bhageria Dye-chem. Limited is weaker than other selected units.

25. Comparatively found that overhead expenses ratio decreased during the study period but, it discloses mixed trend. Company wise analysis of overhead expenses ratio exhibits that the highest overhead expenses ratio was 59.95% in the year 1999-00 and lowest 12.03% in the year 2008-09 in Bhageria Dye-chem. Limited. The highest average overhead expenses ratio was 41.72% in Atul Limited and lowest 22.26% in Dynemic Product Limited. During the study period. Overall overhead expenses ratio gone down during the study period. It is a good sign of efficient management.

26. It was found that return on total asset was in fluctuating trend during the study period. The highest return on total asset was 18.77 % in Asian Paints Limited in the year 2007-08 whereas lowest -4.77% in Bhageria Dye-chem. Limited in the year 2008-09. The highest average return on total asset was 14.96 % in Asian Paints Limited and lowest 1.72 % in Metrochem Industries Limited during the study period. Very high fluctuations are seen in Atul Limited, Atul.
27. The return on capital employed ratio which measure the overall performance of the business. This ratio indicates fluctuating trend during the study period. The highest return on capital employed ratio was 55.98% in Asian Paints Limited in the year 2007-08 and lowest -3.31% in Bhageria Dye-chem Limited in the year 2008-09.

28. Analysis of the EPS of selected dyes and pigment industrial units under the study indicates mixed trend during the study period. The highest EPS was 39.12 in Asian Paints Limited in the year 2007-08. The lowest EPS was -4.76 in Atul Limited in the year 1999-00. As per average EPS, Asian Paints Limited is better than other selected units. The EPS of Bhageria Dye-chem Industries Limited is weaker than other selected units. This ratio indicates that attractive EPS in Asian Paints Limited. This ratio indicates that management of Asian Paints Limited had efficient capacity to pay dividend to its equity shareholders.

29. Overall trend of DPS found in mixed trend during the study period. DPS indicates management’s capacity to pay dividend to its equity shareholders. Company wise analysis of DPS exhibits that the highest DPS was 17.50 in Asian Paints Limited in the year 2008-09. The lowest DPS zero in Atul Limited (year 1999-00), Metrochem Industries Limited (year 2008-09), and Dynemic Product Limited (year 2000-01 due to non-payment of dividend. The highest average DPS was 11.50 in Asian Paints Limited whereas lowest 0.99 in Bhageria Dye-chem Limited during the study period.

30. The proprietary ratio indicates general financial strength of the business organisation. The overall trend of proprietary ratio was in fluctuating during the study period. The highest proprietary ratio was 0.70 in Dynemic Product Limited in the year 2006-07
and lowest 0.26 in Bhageria Dye-chem. Limited in year 2006-07. The highest average proprietary ratio was 0.56 in Meghmani Organics Limited which indicates that the greater long term stability of the company and similarly, greater protection to the creditors of this company. The lowest average proprietary ratio was 0.35 in Sudarshan Chemical Industries Limited.

31. The comparative picture of selected dyes and pigment industrial units indicates mixed trend capital employed turnover during the study period. The higher capital employed turnover ratio means higher rotation of capital employed, lower investment in the capital employed and higher would be the profitability. And a low ratio indicates the excessive investment in capital employed. The highest capital employed turnover ratio was 3.65 in Asian Paints Limited in the year 2008-09. It means capital employed 3.65 times rotated in to sales in the process of doing business. The lowest capital employed turnover ratio was 0.84 in Atul Limited in year 1999-00. The highest average capital employed turnover ratio was 2.85 in Asian Paints Limited and lowest 1.08 in Meghmani Organics Limited. As per average capital employed turnover ratio performance of Asian Paints Limited is better than other selected units and performance of Meghmani Organics Limited is poor than other selected units.

32. It was observed that Bhageria Dye-chem. Limited mainly based export sales, which constitute around 80 % of total sales of the company. The slump affected badly its sales and profit.

33. The result shows that selected dyes and pigment industrial units positive returns in earlier years by using all the alternative efforts. Due to slump effect, negative results seen in turnover and profit of the selected dyes and pigment industrial units in the year 2008-09. The analysis result shows that high cost of material seen in above said industrial units.
7.3 SUGGESTIONS

The following suggestions are given to improve the financial performance of selected dyes and pigment industrial units in Gujarat and also to make efficient for achieving the goals which they have been set up.

1. It has been strongly suggested that the top management should review periodically the accounts of the company and take necessary steps before the situation gets out of control. Management should develop managerial, conceptual and technical skills and implement them in the industry.

2. During the research study, the researcher came to know that income and profit performance of Metrochem Industries Limited, Bhageria Dye-chem. Limited and Atul Limited are weak. The researcher, therefore, strongly recommends that the top management of these companies should make sufficient efforts to increase its sales and income.

3. It was observed by the researcher that overhead expenses ratio of Atul limited and Sudarshan Chemical Industries Limited are too high. The Researcher, therefore, strongly suggests that these companies should try to control its overhead expenses to increase its profit margin.

4. It was observed by the researcher that excessive investment found in quick assets in Bhageria Dye–chem. Limited, Metrochem Industries Limited, Meghmani Organics Limited and Aarti Industries Limited. The researcher, therefore, strongly suggests that these companies should try to reduce the investment in liquid current assets and early recovery from debtors to reduce the investment in debtors.

5. In the current economic and financial crises, company should prepare themselves for such adverse condition because operating profit is lowering down each year. During the research study, the
researcher came to know that average operating expenses ratio of Bhageria Dye-Chem. Limited is too high. The researcher, therefore, strongly recommends that Bhageria Dye-chem. Limited should try to control its operating expenses to increase its operating profit.

6. The companies should review its policy and constant improvement of their productivity and competitiveness in a fast and changing global economy to increase gross profit ratio and net profit ratio.

7. It was observed by the researcher that cost of goods sold ratio in Bhageria Dye – chem. Limited and Metrochem Industries Limited is too high. The researcher, therefore, recommends that these companies should try to reduce the cost of material to increase its profit margin.

8. During the research study, the researcher has found that cost of production in Bhageria Dye – chem. Limited is too high. Hence, this company should reduce its cost of production and its operating expenses.

9. During the research study, the researcher has observed that return on total asset ratio performance of Metrochem Industries Limited is poor than other selected units. The researcher, therefore, strongly suggests that the management of this company should try to use its fund efficiently.

10. It was observed by the researcher that Bhageria Dye-chem. Limited, Metrochem Industries Limited, Sudarshan Chemical Industries Limited are not able to earn satisfactory return on equity share holder's equity. The researcher, therefore, recommends that these companies should implement new techniques of financial management for efficient of shareholder’s fund.
11. During the research study, the researcher has observed that Bhageria Dye-chem. Limited is mainly dependent on export sales. The researcher, therefore, strongly suggests that company should not mainly dependent on only export sales because that will affect badly its sales and profit as per international condition.

12. The researcher has found that interest coverage ratio performance of Atul Product Limited and Aarti Industries Limited is weaker than other selected units. The researcher, therefore, recommends that these companies should try to reduce its fund bearing fixed interest and fixed dividend or long term debt or for reducing its fixed interest liabilities.

13. It was observed by the researcher that returns on capital employed of Metrochem Industries Limited is weaker than other selected units. This company should try to improve its operating profit.

14. It was found that average working capital turnover ratio is poor in Meghmani Organics Limited. The researcher, therefore, suggest that this unit is needed to improve it.

15. During the research study, the researcher has observed that debtors turnover ratio performance of Meghmani Organics Limited is poor than other selected units. Hence, these companies should reduce its credit period of debtors. The above said company should review its credit policy.

16. Research and development expenses of the Indian dyes and pigment industry were lower at approximately 1 % of turnover. The researcher, therefore, strongly suggests that dyes and pigment industry should increase its research and development expenses to meet competitions from multinational companies.
17. Dyes and pigment industrial units should make maximum utilization of its resources. It will decrease the cost of production cost and directly turn in to increase in profit.

18. The top management should implement new innovative features in products, modernization and new techniques of financial management for better performance in future.

19. To maintain shareholders’ faith in company, management should try to ensure the safety and profitability of their investment as their main objective is making high earning and safety of their money.

20. The right management policies and calculative investment will be use full in maximization of profit because dyes and pigment industry are vast, varied and rapidly changing.

21. Pollution is main and serious problem of dyes and pigment industry. Government should give top priority to pollution control and environment management. Government should develop effluent treatment plants for water pollution, secured disposal of organic and inorganic waste and safety mechanism and infrastructure for avoiding any possible gas leak.

22. Government should give subsidy or financial assistance to improve their system of process of production.

23. Having come to know from reliable sources that dyes and pigment industry failed to give high priority to safety at work place to his employees. A safety mechanism and infrastructure is required for avoiding any possible gas leak, cut off systems and alarm to minimize leakage from storage devises.
7.4 CONCLUSION

In the present study, an attempt has been made to evaluate the financial performance with special reference to eight selected dyes and pigment industrial units of Ahmedabad, Ankleshwar, Atul, Baroda and Vapi Industrial estate of Gujarat State. Pollution and licensing are major legal problems in dyes and pigment industry. Pollution is the most critical problem for Vapi estate in comparison to other estates. The Government should take steps to control pollution in Vapi estate.

After study, it can be concluded that profitability is one of the important segments of performance. They should implement comprehensive strategies to reduce employee’s cost, manufacturing, administrative and overhead expenses. Employees should be given different type of training for increasing production and quality. The industry in the dyes and pigment field should accept healthy competition with each other and undertake proper time management regarding different marketing matters. They should undertake proper financial schedule through cash budget and cash flow statement and arrange for required money through short term and long term financial sources. The dyes and pigment industry should ‘Accept Challenges’ is the most important motivating factors for profitability.

I had compared eight selected dyes and pigment Industrial units in terms of financial position and profitability performance.

A comparative picture shows that Asian Paints Limited and Meghmani Organics Limited have registered tremendous financial performance in relation to other selected industrial units during the period from 1999-00 to 2008-09. Management strategy and policy of the company took major role in enhancement of profitability performance. If the management will apply recommendations given in this thesis, they will grow well their company in future.