Chapter-5

Summary, Finding and Suggestions
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Summary, Finding and Suggestions

5.1 Summary

The entire Research report has been presented in the following chapters which are as under:

Chapter-1 Introduction of Textile Industry

This chapter gives an Introduction, History of textile, Milestone years in Indian textile industry, Segments of Indian textile industry, Leading textile mills in India, Uses of textiles, Sources and types of textiles, Units of textile measurement, List of textile fibers, structures and growth of Indian textile industry, India’s major competitors in the world, Government policies, schemes and corporations for promoting Textile industry in India, Government policies affecting the industry, Policy recommendations, Role of Indian textile industry in the economy, Importance of textile industry to Indian economy India, Impact of current global economic scenario, Position of the Indian textile industry in the world textile economy, challenges of textiles industry, Problem faced by the textile industry in India.

Chapter-2 Brief Profile of The Selected Textile Units

This chapter gives an overview of Indian Textile Industry with its history and global position in the world for producing textiles. A brief profile of textile companies which includes the Introduction, history, listing details etc of Arvind Mills Ltd, Raymond Ltd, DCM Ltd, Jindal Cotex Ltd, Oswal Spinning and Weaving Mills Ltd, Bombay Dyeing Ltd, S Kumars Nationwide Ltd

Chapter-3 Research Methodology

The “Research Methodology” of the research work it covers Introduction, Definition of Research, Review of Literature, Problem of the Study, Title of the Study, Objectives of
the Study, Period of the Study, Data Collection, Tools for Analysis, Research Design, Hypotheses of the Study, Significance of the study, Sampling Design, Chapter Plan and Limitations of the Study.

Chapter-4 Data Analysis and Interpretation

This chapter gives an Introduction, Definition of 'Financial Efficiency', Concept of Financial Efficiency, Measurement Tools of Financial Efficiency, Meaning of Ratios Analysis, Why use financial ratios?, How can ratios are interpreted? Significance of Ratio Analysis, Importance of ratios Analysis, Limitations of ratios Analysis Classification of Ratio, What is Anova?, The Basic Principle of Anova, One way (or single factor) ANOVA, Setting up Analysis of Variance Table, Data Analysis and Interpretation

Chapter-5 Summary, Finding and Suggestion

This chapter is related to the analysis of the data. After analysis that gives some findings some of the suggestions are regarding of the introduction of changes that need to be done by sample Textile companies to improve their performance.

5.2 Finding

The following Results are found out by researcher during research work:

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5.3 Suggestions

As a researcher based on analysis has found the following suggestions for the betterment of the Selected Textile Units of India.

1. At the first glance the overall performance of selected textile companies is satisfactory. Operating Profit Margin, Return on Capital Employed, Current Ratio, Quick Ratio, Interest Cover, Inventory Turnover Ratio, Debtors Turnover Ratio, Investments Turnover Ratio, Fixed Assets Turnover Ratio, Assets Turnover Ratio, Total Assets Turnover Ratio of selected textile units shows good performance during the study period.

2. Operating Profit Margin, it is the good indicator of internal control system. Investor needs to scrutinize this ratio. So far as concern to operating profit margin, null hypothesis has accepted in the selected textile companies during the study period. It is good indicator for the company and they should maintain this position over a period of time.
3. With reference to gross profit margin DCM Ltd. shows negative ratio -1.84 in the year 2004 – 05 and Oswall Spinning & Weaving Mills Ltd. shows -0.60, -8.98 respectively in the year 2004 -05 and 2010 – 11. This is not a good sign for both the companies. Company should try to improve this ratio over a period of time. Rest of companies shows good performance during the study period. Company should control over their material, labour and manufacturing expenses.

4. Net profit margin is one of the best profits showing tool for any company. There is no significant difference in Net profit margin of selected textile companies during the study period. It shows that profit creating ability of Jindal Cotex Ltd. has been high. Rest of companies will try to improve their net profit margin over a period of time. This is not a good sign and it suggest that companies manufacturing and other expenses are high. Company must control over them over a period of time.

5. In order to increase profitability of the companies ( like DCM Ltd and Oswall Spinning & Weaving Mills Ltd) It is suggested to control the cost of goods sold and operating expenses.

6. The companies should try to increase production so as to get benefits of economize of large scale productions. It will assist in raising the rate of return on capital employed.

7. The Management should try to adopt cost reduction techniques in their companies to get over this critical situation.

8. For regular supply of raw materials and the final product, infrastructure facilities are required further improvement so that cost of production can be decreased and profit can be increased.

9. The net profit margin is much lesser than the operating profit margin which indicates that the operating cost of selected units is higher. The company should try to control such expenses and try to improve the net profit margin.
10. Return on Capital Employed reflects company's ability to generate returns from its available capital base. Table No. 4 shows good position of ROI. It is good sign for the company. Company should maintain this position over a period of time. This shows that all the selected units are able to pay sufficient return to their owner (Share holders).

11. Return on net worth measures the ability of company’s management to realize an adequate return on capital invested by the owners in the company. There is no significant difference in Return on net worth of selected textile companies during the study period. But during the study period except Jindal Cotex ltd. all the selected textile companies having negative ratio during the study period. This is not a good sign for the company and it suggest that company companies are not able to generate for their investors. Company should try to improve Return on net worth over a period of time.

12. Profit before Interest and Tax Margin Ratio gives information on a company's earnings ability. DCM Ltd. and Oswal Spinning and Weaving Mills having negative EBIT margin ratio in the year 2004-05 and 2010-11 respectively during the study period. It shows that company has no control over their cost of production, company has low earning capacity. These two companies should rethink the business model.

13. The return on assets formula looks at the ability of a company to utilize its assets to gain a net profit. Except Oswal Spinning and Weaving Mills and S Kumar ltd. rest of companies shows positive return on asset ratio. Oswal Spinning and Weaving Mills suffer continuous three year negative trend, but after that it recover very well. This shows that companies do not utilize their assets to earn adequate profit. Company should utilize their assets at full capacity to get maximum return.

14. With reference to interest paying ability of selected textile companies except Jindal & S kumar all companies having low ratio especially last three years of the study period. It is not a good sign for the company. It shows that companies are
more rely on debt capital. Companies should minimize their debt over a period of time.

15. The burden of interest has produced a deteriorating effect and reduced the percentage of net profit. It is suggested that the company should try to reduce the interest burden gradually by increasing the owners funds.

16. So far as concern to financial performance of selected textile companies financial charges to coverage ratio accept alternate hypothesis, it is not a good sign for the company. This shows that company fails to pay their Fix financial expenses such as interest or lease rent.

17. Gross return on long term fund ratio shows over all satisfactory performance. But Raymond Ltd. shows negative ratio in the year 2009 – 10. This shows that company has not able to pay adequate return to their long term investors. Company should try to improve long term fund ratio over a period of time.

18. In any business organization cash sales and credit sales both are important. But management of credit sales collection of the company gives high profitability. DCM ltd. having low debtor turnover ratio during the study period. Company should try to improve credit sales policy over a period of time.

19. Cash profit margin ratio shows over all medium performance during the study period. Half of selected textile units reflect negative cash profit margin ratio. Arvind mills ltd, Jindal Cotex ltd and Raymond ltd. reflect positive ratio during the period under review. Rest of companies should try to improve cash profit margin ratio over a period of time.

20. To regularize and optimize the use of cash balance, proper techniques may be adopted for planning and control of cash. The investment in inventory should be reduced and need to introduce a system of prompt collection of debts.

21. Current ratio shows company’s ability to repay their short – term liability from sort – term assets. Oswal spinning and weaving meal having very low current
ratio during the study period. Company should try to increase liquidity position over a period of time by increasing sort term assets. Rest of companies should try to maintain this position over a period of time.

22. So far as concern to Earning Per share over all low performance during the study period. Jindal Cotex ltd. is one of the best performing company during the study period. This shows that earning capacity of Jindal Cotex ltd. is good one. Remaining selected textile units should try to improve earnings per share ratio in the future.

23. In present competitive world the small and medium scale companies should come forward for strategic merger with each-others to compete, survive and to succeed in market.

5.4 Future Scope of The Study

- Seven Textile Industries have been taken for the period of Seven years i.e. 2004-05 to 2010-11 for the analytical study of Financial Efficiency of the sampled units. The researcher has covered most of the financial parts of the sampled units. However there are more scopes for further study.

- The financial aspects of these 7 units have been analyzed by performance analysis. Still many aspects of these units such as Profitability, Productivity, inventory, managerial decision, costing method, market policies, social responsibilities, human resource management etc. can be studied in future. There is a great scope for further research in these areas.

- This study is limited up to the period 2010-11. Still their Financial Efficiency can be continued for coming years. Thus, this field is open for further research.