CHAPTER VI

CONCLUSION AND SUGGESTIONS

6.1 CONCLUSION:-
This research work focuses on financial performance of distinct sectors from India and UAE. The financial analysis covers a period of seven years from 2001 – 2007. The previous chapters provide the financial performance of selected seven sectors of India and United Arab Emirates (UAE). On the basis of Ratio Analysis, statistical tools like Mean, standard deviation (SD) and Co-efficient of variation (CV) are used for analysis for seven sectors for both the countries. The study brings to light the following major conclusion:-

6.1.1 BANKING SECTOR:-
The Indian banking sector is observed to be strong enough financially. The banking sector of UAE is found to be moderately performing. The Indian banks show higher liquidity than from UAE. High fluctuations are observed among the UAE banks. The net profit margin ratio depicts clearly better performance of Indian banks over that of UAE banks [table no.5.1]. This indicates that the Indian banking sector has better investment opportunities.

6.1.2 CEMENT SECTOR:-
In case of Cement Sector the study finds that the companies from India and UAE show similar performance with regards to Current Ratio, Quick Ratio, Debt Equity Ratio and Debt to Total capital. The Total Assets Turnover Ratio of Indian Cement Companies is almost three times that of UAE Companies [table No. 5.2]. This indicates better utilization of assets by the Indian cement companies. The Indian cement sector also excels in Fixed Assets Turnover Ratio with almost twice 4.34, that of UAE Cement Sector 2.16. However, the UAE Cement Sector is found to be giving higher Return on Capital Employed 3.28, than the Indian Cement sector 2.79. These points net that the cement companies from UAE are managing and utilising the funds supplied by creditor and owners more efficiently. On the contrary that Indian cement company’s need is improve on this ground.
The profitability aspect revealed the Indian cement sector with higher net profit margin of 3.12, than UAE cement sector i.e. 2.13, [table 5.2]. These indicate higher overall efficiency of the business and better utilisation of total resources by Indian Cement sector.

6.1.3 INSURANCE SECTOR: -
The studies show the Insurance Sector of India and UAE. The Debt Equity Ratio of Indian Insurance Sector is observed at 2.09, which are higher than UAE Insurance Sector 1.87. It means that the Indian Insurance Sector is using larger proportion of Debt funding see Table No. [5.3]. Total Assets Turnover Ratio is higher for Indian Insurance companies 2.04 and UAE 1.79. This show better utilization of Assets by the Indian Insurance Companies. Fixed Asset Turnover Ratio of UAE is higher 3.34, Over the Indian Insurance Sector. It can be inferred that the Insurance Sector of UAE is giving better Return on Assets Ratio of UAE Insurance Sector is 3.71, as against 1.35, and on other side Return on Capital Employed (ROCE) of UAE [3.14] as compare to India 2.88. It indicates that the Insurance Sector of India not able to fetch Returns in Proportion with the Capital Employed

6.1.4 PHARMACEUTICAL SECTOR: -
The financial performance of India and UAE Pharmaceutical sector show with following Ratios (1) Current Ratio (2) Quick Ratio (3) Fixed Assets Turnover Ratio (4) Return on Capital Employed and (5) Net Profit Ratio is show in [Table No. 5.4]. The Indian Pharmaceutical companies show Current Ratio of 1.39, as against 0.89, of UAE. A huge different was observed. A current Ratio of 2:1 has been considered satisfactory and on other side Quick Ratio of India and UAE is 1.30, and 0.69, a Ratio 1:1 is considered satisfactory. This reveals maximum of Debt and not locking of Capital. A higher Fixed Assets Ratio was shown in Indian Pharmaceuticals Sector 3.88, as against 2.07, UAE Pharmaceuticals Sector. This indicates an India Pharmaceutical company is giving better Return on Assets. Return on Capital Employed is marginally higher at 3.30, UAE Pharma Companies as compare to India Pharma at 2.36. These indicate that Pharma companies from UAE are managing and utilising the funds supplied by creditors and owners more efficiently on the contrary the Indian Pharma companies need to improve. A huge different is shown in the Net Profit Ratio of Pharma Companies of India and UAE at 3.91, for India Pharma as
against 2.39, UAE Pharma Companies. A UAE Pharma Companies fail to achieve Satisfactory Return on owner’s Equity.

6.1.5 TELECOMMUNICATION SECTOR:-
The Performance of Current and Quick Ratio of Telecommunication Sector’s of India and UAE have shown similar trend. Debt equity Ratio of Telecom Companies is shown at 2.28, of UAE as again 1.52, of India Telecom Companies. The normal and safe Debt Equity Ratio is 2:1. It indicates that the UAE Telecom Companies is depending heavily on Creditors and on other side India Telecom Companies is depending mainly on internal sources and owners funds. An enormous difference is observed in the Total Assets Turnover Ratio of India 2.17, and UAE 1.55, of Telecom Companies. An Indian Telecom Companies show better utilization of Assets as Compare to UAE Telecom Companies. A Net Profit Ratio of India Telecom Companies 3.84, and UAE 2.81, as show in [Table 5.5] A Indian Telecom Companies have shown a higher overall efficiency of the business and better utilization of Total resources. It suggest that if investment would happen in this countries i.e. India and UAE is affected directly and indirectly by economical, Social, Political, Technological consumption pattern and many other factor prevailing in these countries.

6.1.6 IRON AND STEEL SECTOR:-
Current Ratio of India and UAE Iron and Steel Sector at 1.36, as against 0.88, respectively, Current Ratio does not observed Satisfactory because they could not touch the level of 2:1 which is consider satisfactory as show in [table 5.6]. Quick Ratio at 1.39, as compare to 1.37, which have been observed similar trend, it has reached the satisfactory level of 1:1. Fixed Asset Turnover Ratio show an Enormous different which is 3.31 India and 2.29, UAE. It can be inferred that the Iron and Steel companies in India is giving better Return on Assets. Due to this we could say that better utilization of Fixed Assets have doing Indian Iron and Steel Companies. Net Profit Margin 2.51, of UAE as compare 2.15, of Indian Iron and Steel Companies. A little longer difference is present in the profitability of the Iron and Steel companies of UAE and India.

6.1.7 IT AND CONSTRUCTION:-
An attempt was made to identify analyses of the upcoming and booming sector of India and UAE. The IT Sector in India is found to be in a high boom state in recent
years. Similarly the Construction Sector is fuelling the economy of UAE rigorously. The financial performance of both these sectors is assessed. The study shows that the IT industry is working the low Current Ratio while ideal 1.15. The Debt proportion is kept low with a low Debt to Total Capital Ratio. The Fixed Assets Turnover Ratio is substantially higher, thus indicates efficient use of assets by the IT companies. Despite of this, the profitability of IT Sector is not extravagantly high 1.76.

The Construction Sector of UAE is gearing with low Current Ratio and Quick Ratio. This means the sector is not locking its funds or keeping funds idle. The efficient use of Total Assets as well as Fixed Assets is quiet evident from the Total Assets Turnover Ratio 4.55, and Fixed Assets Turnover Ratio 3.35. The Construction Sector is also giving high profits with Net Profit Margin of 3.35. This reveals the fact that Construction Sector in UAE is surely an investment destination.

6.2 SUGGESTION:-

It is clear that irrespective of investment opportunities a smooth trend for India and UAE. The slow down in the world economy has lead to a declining trend for other Nations. Therefore, in order to reap the benefit of Globalisation and to move into the international market arena the following suggestions are considered important.

1) There are several other challenges and issues in Selected Sectors of India and UAE are facing in the changing global scenario.

2) Due to the efforts of the government of India to domestic the current economic crisis, in normal circumstances but face stiff competition from global players.

3) There should be a opportunities to India and UAE to find out new ways and means in terms of mergers & acquisitions and developing new business models to tap new markets. To meet these challenges and sustain the growth several measures will have to be undertaken by policy makers of India and UAE.

4) The government of both Countries and other regulatory bodies will have to constantly keep a tab on the Selected Sectors in Global Scenario and ensure constant policy and regulatory interventions.

5) The government of both Countries should ensure that a better industry structure evolves with greater consolidation of the selected sector.
6) It should not only provide regulatory coverage to the Sectors but also give them more freedom to deploy their resources in a profitable manner.

7) The labour laws too need to be evolved in sync with the changing times. However, India has a vast potential for foreign investment and foreign players find it their next investment destination.

8) The Indian economy is well suited to the small and medium UAE companies which may find it difficult to operate in the saturated western markets.

9) With the vast technical and managerial skills available in India, Indian and UAE Small and Medium sized Enterprises (SMEs) can join hands both as complementary and supplementary partners to cater to the vast Indian market.

10) India has emerged as a low cost base, attractive enough for multinationals to open shop in the country. More than 100 of the Fortune 500 companies have a presence in India, as compared to only 33 in China.

11) A unique construction boom and world class projects in health care etc, the UAE is undoubtedly a land of opportunities. Rated as the best investment destination in the Middle East, the UAE will invite the investors of India to come and make the most of their investments.

12) Government of both countries i.e. India and UAE should be listed companies in huge quantity in each other Stock Market so that a common man also gets investment opportunities to invest in this selected sector.

13) Finally, the study suggest that if investment would happen in this countries both India and UAE is affected directly and indirectly by economical, Social, Political, Technological, historical, consumption pattern and many other factors prevailing in these countries.
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