### 6.1 Findings:

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6.2 Conclusion

India is an agricultural country because more than 50% people still get employment from this sector which means agriculture is an important sector affecting the Indian economy. Tea Industries plays an important role in the agricultural sector, so it can be said that tea industry is one which the Indian economy cannot do without. The present study "A Study on Comparative Analysis of working Capital and Profitability of Selected Tea Companies in India" has been undertaken with the objective of analyzing Liquidity, Profitability, Solvency and Efficiency. The present study includes ten tea companies. The data relating financial performance of selected tea industries under the study for the past ten years starting from 2007-08 to 2016-17 have been collected. Data are collected from annual reports of the selected tea companies. Further information obtained from Web sites, Journals, Magazines e of the companies etc. For the purpose of analysis financial performance of selected tea companies has been prepared by relating to the accounting technique with the use of ratio analysis. In addition to this statistical techniques like: Graphical Presentation, Descriptive statistics and ANOVA between selected companies and selected years of tea companies are used to analyze financial performance.

❖ Analysis of Liquidity

Liquidity analysis attempts to analyses the companies ability to meet its short term obligations. It is usually done through the calculation of current ratio and liquid ratio. The company must attempt to maintain optimum (ideal) ratio which depends upon the type of manufacturing industry. If liquidity ratios of the company are higher than the ideal ratios, the company is said to be having idle investment. Likewise, if ratio is lesser to required one, the deficit will represent possible difficulties in the payment of current liabilities of firm and it is surely not a healthy sign for the company. Managerial efficiency of the company lies in making optimum utilization of the assets of the companies.

Liquidity has been defined in three major’s ways:

- The different between current assets and current liabilities.
- Second approach concerned with difference between quick assets and liquid liabilities
Third approach concerned with difference between liquid assets and liquid liabilities.

- It is noted that average current ratio of Bom_Bur and Uni_Nil was more than the standard norm of 2:1. It means the solvency position of these three companies was poor and unsteady other than the selected tea companies. While the average current ratio of Ass_Co, CCL_Prod, Harr_Mal, Jai_Shre, Mc_Russ, Ros_Ind, Ter_T, Uni_Nil and Warr_T was less than the standard norm. It means the solvency position of these tea companies was good than the other selected tea companies. It is also found that the current ratio of all the selected tea companies noticeable in fluctuating trend during the period of the study. This situation shows that the inconsistence performance as well as no measure policy about current assets.

- From the above table indicates that the ANOVA test it is observed that for the company wise analysis; the null hypothesis of current ratio is fail to accept. It can be concluded that there is significant difference in current ratio between considered selected tea companies. While the year-wise analysis said that the null hypothesis is accepted. It is found that there is no significant difference in current ratio among the selected tea companies.

- It is found that the liquid ratio was unequal in all selected tea companies. Liquid ratio of CCL_Prod ratio was declined in first five year then it was increased during the period of 2007-08 to 2016-17. An average Liquid ratio of Ass_Co, Bom_Bur, Ter_T, Uni_Nil and Warr_T was more than the standard norm of 1:1. It means the liquidity position of these five tea companies was poor and unsteady other than the selected tea companies while average liquid ratio of CCL_Prod, Harr_Mal, Jai_Shre, McRuss and Ros_Ind was less than the standard norms that means these companies liquidity position was good and perform very well other than selected tea companies. As far as worried about the trend of Liquid ratio of all the selected tea companies fluctuating trend during the period of the study.

- From ANOVA test, the null hypothesis of liquid ratio for the companies-wise is fail to accept. It can be concluded that there is significant difference in liquid ratio between selected tea companies. While year-wise the null hypothesis is accepted. It is found that there is no significant difference in liquid ratio between selected
te companies that means tea companies liquidity position is not differ from each other’s.

❖ **Analysis of Profitability**

Profitability refers to the ability of a business to earn profit. It shows the efficiency of the business. These ratios measure the profit earning capacity or the operational efficiency of the company. Profitability ratios are further classified as gross profit ratio, net profit return on capital employed ratio. Gross profit ratio shows the profit made on sales before taking accounts of overheads. Higher gross profit ratio is always in the interest of the business. Increase in the gross profit ratio will mean reduction in cost or increase in selling price. Net profit ratio measures the efficiency of the firm in generating additional revenue over and above the total cost of operations. The higher the net profit ratio, the better it is as increase in the net profit shows better performance of the management in the business.

- Gross profit is basically relative term as percent of net revenue or sales, which shown in fluctuating trend during the study period. The analysis of gross profit shows that there has been a huge difference in the gross profit ratio during the period 2007-08 to 2016-17. An average gross profit ratio of all tea companies is more than 50% while Mc_Russ and Uni_Nil both the company profit was 91.77% and 93.01% respectively which was higher as compared to other selected tea companies whereas other two companies profitability condition was very low as compared to other tea companies which was 33.54% (CCL_Prod) and 50.07% (Ter_T), this may directly or indirectly affected to the market reputation as well as shareholders and investors or outsider person.

- From ANOVA test, the null hypothesis of gross profit ratio for the companies-wise is fail to accept. It can be concluded that there is significant difference in gross profit ratio between selected tea companies. While year-wise the null hypothesis is fail to accept. It is found that there is significant difference in gross profit ratio between selected tea companies that means tea companies liquidity position is differ from each other’s.

- Net Profit Ratio is basically concerned with net income or net profit and net sales or revenue. Net Profit ratio showed a fluctuating trend during the period of study. Net Profit Ratio of all the selected tea companies was less than 20%, among the selected tea companies highest average net profit ratio was 16.42% for Ros_Ind
while second highest average net profit ratio was 15.90% for Uni_Nil whereas in the Ass_Co (-0.94%) ratio marked in negative while Ter_T companies average net profit ratio is near to 1% (0.71%) which was second last highest profit among the all selected tea companies these two companies situation indicates that company management was not suitable even though Ass_Co and Ter_T both the companies did not make have any control over the net profit and net sales.

- ANNOVA test indicates the companies-wise variance analysis of net profit ratio within selected tea companies that the null hypothesis is fail to accept as well as year-wise null hypothesis is rejected. It is found that there is no significant difference in net profit ratio between selected tea companies that means tea companies profitability position is contrast from separately other’s.

- It is observed that return on capital employed ratio ranged between 3% to 22% among the companies highest marked ratio marked by CCL_Prod (21.21%) which means company used efficient and effective fund. Whereas lowest marked in Harr_Mal (3.17%) which means that inefficient or ineffective use of funds. High return on capital employed is good sign for the investors like shareholders while low return on capital employed ratio is not attract more investors from the market.

- As per variance analysis of companies-wise alternative hypothesis is accepted for return on capital employed ratio which means return on capital employed ratio of within selected tea companies is unequal. Whereas, year-wise variance analysis of return on capital employed ratio of selected tea companies. The null hypothesis is accepted which concluded that that capital employed ratio of selected tea companies is equal within selected years.

- **Analysis of Solvency Ratio**

Debt equity ratio indicates the extent of funds provided by long-term lenders in comparison to the funds provided by the owners, i.e. shareholders. Usually, lower the debt-equity ratio, higher is the degree of protection enjoyed by the creditors. Total debt ratio depicts the proportion of firms total assets, financed by total debt. To the creditor, a low ratio would ensure greater security for extending credit to the firm. Proprietary ratio measures the proportion of the company’s assets that are provided or claimed by the owners. Higher proprietary ratio generally indicates secured position to creditors and a
lower ratio indicates greater risk to creditors. The lower this ratio, the better it is for the long term solvency of business because proprietor’s funds will be available for working capital needs also. Interest Coverage Ratio indicates how many times the interest charges are covered by the profits available to pay interest charges. The higher the interest coverage ratio ensures larger security for the creditors with respect to their periodical interest payments.

- On the basis of analysis, it can be concluded that the highest value of Debt to Equity Ratio (on the basis of Total Debt) with an average of 169.33% in Bom_Bur while second highest ratio was 115.08% in Ross_Ind while others tea companies followed Ass_Co, and Ter_T which ratio was more than 100% by Ass_Co and Ter_T (109.52% and 105.50%) respectively and this situation indicates higher risk by the company so company cannot attract investors easily into the market because of investors always interested to invest here risk is low while lower marked in Uni_Nil with an average of 4.23% while Mc_Russ (18.88%), Warr_T (19.97%), Jai_Shre (40.71%) and CCL_Prod (46.87%) Lower ratio indicates lower risk but this ratio showed a fluctuating trend in all the selected tea companies during the study period.

- As per variance analysis alternative hypothesis is accepted in the case of Debt to Equity Ratio (on the basis of total debt) (companies-wise) means that there is significant difference in Debt to Equity Ratio (on the basis of total debt) between selected tea companies while the null hypothesis of Debt to Equity Ratio (on the basis of total debt) is accepted and from it can be concluded that there is no significant difference in Debt to Equity Ratio (on the basis of total debt) within selected years.

- On the basis of analysis, it can be concluded that the lower ratio of Debt to Equity Ratio (on the basis of Long Term Borrowing) with an average of 1.66 % in Uni_Nil then after increased by Warr_T (4.64%), Ross_Ind (10.26%) and Mc_Russ (12.14%) it can be said that the Lower ratio indicates lower risk while the highest ratio was 165.33% in Bom_Bur while others tea companies followed Ass_Co (99.37%), and Ter_T (47.70%) respectively and this situation indicates higher risk by the companies but this ratio showed a fluctuating trend in all the selected tea companies during the study period.
As per companies-wise variance analysis of null hypothesis is fail to accept in the case of debt equity ratio (on the basis of long term borrowing) means that there is significant difference among debt equity ratio on the basis of long term borrowing of the selected tea companies while year-wise variance analysis of null hypothesis of debt equity ratio (on the basis of long term borrowing) is accepted and from It can be noted that there is no significant difference in debt equity ratio on the basis of total debt among selected tea companies within selected years.

It is one of the convention ratio used to measure debt-servicing capacity of a company. Interest coverage ratio range between 0.00 to 1.5 by Ass_Co, Harr_Mal and Ter_T highest marked in Uni_Nil (88.33 times) followed by Warr_T (40.44 times) both the tea companies interest coverage ratio is higher than the standard norm while lower ratio marked in Ass_Co (0.00 times) and after that company Harr_Mal with an average of 0.73 times. Interest coverage ratio was marked shows as a fluctuating trend during the study period.

The companies-wise null hypothesis is rejected that means alternative hypothesis is accepted in the case of interest coverage ratio which It can be noted that there is a significant difference in interest coverage ratio of the selected tea companies whereas the year-wise null hypothesis of interest coverage ratio is accepted it means analysis proves that there is no significant difference among interest coverage ratio of the selected years.

On the basis of analysis proprietary ratio indicates that the extent of proprietors fund use in financing the total assets of the business. The Ass_Co ratio was declined for first five years for 0.45 to 0.27 than after it was fluctuated during the period of the study and the Mc_Russ ratio was increased during first seven years from 0.60 to 0.75 period of the study than after it was fluctuated. This ratio was lower marked in Ass_Co with an average of 0.31 times while higher marked in Uni_Nil with an average of 0.87 times while second highest was Warr_T (0.66 times) respectively whereas other selected tea companies indicated at satisfactory level of proprietary ratio that means good rate return on internal funds.

As per company wise variance analysis null hypothesis is rejected in the case of proprietary ratio means that there is a significant difference among proprietary ratio of the selected tea companies While the year wise variance analysis null
hypothesis of proprietary ratio is accepted and it can be concluded that there is no significant difference among proprietary ratio of the selected years.

❖ Analysis of Activity

Managerial efficiency ratios are classified as inventory turnover ratio, debtors turnover ratio, working capital turnover ratio, fixed assets turnover ratio and total assets turnover ratio of selected companies. Inventory turnover ratio depicts how long a company takes on an average to sale its stock and replaces its inventory. Higher inventory turnover is considered to be desirable as it usually implies strong sales. Debtors turnover ratio indicates the speed with which the amount is collected from debtors. The higher the debtors turnover ratio, the better it is, since it indicates that amount from debtors is being collected more quickly. Working capital turnover ratio reveals how efficiently working capital has been utilized in making sales. A high working capital turnover ratio shows efficient use of working capital and quick turnover of current assets like stock and debtors. Higher fixed assets ratio implies that company has invested lesser amount in fixed assets to generate sales revenue hence it depicts better ability of company to utilise the fixed assets. Total assets turnover ratio shows how efficiently the total assets are being utilized in the business. Higher total assets turnover ratio indicates the higher efficiency in the utilization of the total assets.

This finding section deals with the activity analysis in terms of size of investment. Activity ratios are concerned with how efficiency the assets of the firm are managed or utilized. These ratios indicate the rate at which different assets are turn over in the process of doing business. The greater the rate of turnover or conversion, is the more efficient the utilization or management, other things being equal, resulting in higher profitability. The main conclusions drawn are as under:

➢ It is observed that inventory turnover ratio is unequal in all the selected tea companies. The ratio of Ross_Ind, Ter_T and Warr_T companies was fluctuated in cycle Trend. It was increased up to 2009-10 than after it was fluctuated up to 2016-17. There is significant difference among the inventory turnover ratio of all ten selected tea companies. During the study period 2007-08 to 2016-17, the average ratio of Uni_Nil was highest marked as 3.72 times and the average ratio
of Warr_T was lowest marked as 1.01 times. The ratio of all selected tea companies was 1.01 times to 3.72 times.

➢ An ANOVA test of companies-wise inventory turnover ratio, it can be there is significant difference among inventory turnover ratio of selected tea companies that means tea companies stock turnover position is fluctuate from each other’s whereas the year wise null hypothesis is rejected It is found that there is significant difference among inventory turnover ratio of the selected years that means tea companies stock turnover position is fluctuate from each other’s.

➢ It is found that debtor’s ratio is unequal in all selected tea companies. The fluctuation of all the tea companies was almost same. The growth rate of debtor’s ratio was unequal in all the selected tea companies except some years. The ratio of Ass_Co, Bom_Bur, CCI_Prod, Harr_Mal, Jai_Shre, Mc_Russ, Ros_Ind, Ter_T, Uni_Nil, Warr_T as between 1.22 to 198.59, 20.15 to 87.86, 48.38 to 61.19, 7.69 to 26.79, 29.76 to 59.37, 6.00 to 22.38, 8.97 to 46.92, 25.44 to 151.83, 14.74 to 39.65, 20.13 to 154.55 respectively

➢ From ANOVA test, the null hypothesis of debtors ratio for the companies-wise is fail to accept. which means debtors ratio of within selected tea companies is unequal while year-wise the null hypothesis is accept so we can say that debtors ratio of selected tea companies is equal within selected years.

➢ During the period 2007-08 to 2016-17, the fixed asset turnover ratio is unequal in all the selected tea companies. The fixed assets turnover ratio indicates that the efficiency of the use of fixed assets which is shows fluctuating trend in all the selected tea companies under the study period. An average ratio of Bom-Bur was the highest 2.58 times while lowest was 0.32 times in Ass_Co respectively. The ratio was almost more than one for Bom_Bur, CCI_Prod, Jai_Shre, Ter_T, Uni_Nil, Warr_T which was 2.58,1.8, 1.99,2.36, 1.52,1.55 respectively while less than one for Ass_Co Harr_Mal, Mc_Russ, Ros_Ind, which was 0.32, 0.97, 0.71, 0.56 respectively.

➢ From ANOVA test, the null hypothesis of fixed assets turnover ratio for the companies-wise is fail to accept which means fixed assets turnover ratio of within selected tea companies is unequal while year-wise the null hypothesis is accepted so we can say that fixed assets turnover ratio of selected tea companies is equal within selected years.
The study found that mean value of working capital turnover ratio was high in case of CCL_Prod (13.51 times), it showed that the company’s turnover was high with small amount of working capital and the ratio was moderate in case of Ass_Co, Ter_T, Uni_Nil and Warr_T since their efficiency in terms of proper utilisation of working capital to increase sales was not satisfactory. Mean value of the ratio was negative in case of Bom_Bur, Harr_Mal, Jai_Shre, Russ and Ros_Ind it showed that the company continued with negative working capital, even though it had high sales with negative working capital, it is not advisable to continue with negative working capital.

As per company wise variance analysis null hypothesis is accepted in the case of working capital turnover ratio which means difference among working capital turnover ratio of within selected tea companies is equal While the year wise variance analysis null hypothesis of working capital turnover ratio is accepted so we can say that difference among working capital turnover ratio of selected tea companies is equal within selected years.

It is identified that total assets turnover ratio is almost same in all the selected tea companies. The ratio of Mc_Russ was increased first seven years from 0.35 to 0.61 times then after it was fluctuated growth rate. Analysis of total assets turnover ratio reveals that the CCL_Prod (0.97 times) showed the highest turnover ratio while Ass_Co (0.19 times) showed the lowest total assets turnover ratio. Total assets turnover ratio showed ratio as less than one in all the selected tea companies which was point out inefficiency in the utilization of the total assets.

ANOVA test indicates the companies-wise variance analysis of total assets turnover ratio within selected tea companies that the null hypothesis is rejected there is significant difference among total assets turnover ratio of the selected tea companies is unequal as well as year-wise null hypothesis is accepted so we can say that total assets turnover ratio of selected tea companies is equal within selected years.

The capital turnover ratio is not equal in all selected tea companies. The fluctuation of all companies was almost same. Ass_Co, Bom_Bur, CCL_Prod, Harr_Mal, Jai_Shre, Mc_Russ, Ros_Ind, Ter_T, Uni_Nil, Warr_T as between 0.21 to 0.56, 0.63 to 1.06, 1.09 to 1.59, 0.45 to 2.73, 0.81 to 1.90, 0.47 to 0.79,
0.43 to 0.87, 0.60 to 2.02, 0.61 to 0.88, 0.88 to 1.36 respectively. The growth rate of capital turnover ratio was unequal in all selected tea companies.

- ANNOVA test indicates that the company wise as well as year wise null hypothesis of capital turnover ratio is rejected means that there is no significant difference in capital turnover ratio between within selected tea companies as well as between within selected years.

- The return on fixed assets ratio was fluctuated in all tea companies. The return on total asset was almost same in all the tea companies which were almost stable. In the comparison of all ten selected companies return on fixed assets ratio near to zero while highest ratio marked by Uni_Nil was 0.11 times that means efficient use of fund or efficient management of fund and lowest ratio marked in Harr_Mal in negative which was -0.01 times that means inefficient funds use by the company. For this study Harr_Mal main toward over-capitalisation and this situation is harmful for the company. So, it’s advisable to use funds in efficient manner. That means these companies strained to get smallest return through own funds.

- The null hypothesis is rejected in the case of return on fixed assets ratio (companies wise) and from it can be concluded that there is significant difference in return on fixed assets between selected tea companies. Whereas, the null hypothesis is accepted in the case of return on assets ratio (year wise), which concluded that there, is no significant difference in return on fixed assets between selected years.

- The return on equity is fluctuating trend in all the selected tea companies during the period 2007-08 to 2016-17. Return on equity specifies how sound the company has used the resources of the owners. The return on equity ratio was positive in CCL_Prod, Uni_Nil, Mc_Russ and Ross_Ind except other companies. return on equity ratio of Ass_Co and Harr_Mal shows the negative trend. This situation indicates that Ass_Co and Harr_Mal more trust on external funds which may create problems for the companies.

- In the case of return on equity ratio companies-wise as well as year-wise, the null hypothesis is rejected. It can be concluded that there is significant difference in return on equity worth between tea companies as well as between selected years.
The capital gearing ratio is unequal in all selected tea companies. During the period 2007-08 to 2016-17, the ratio of CCL_Prod was declined whereas the ratio of Ass_Co was increased except the year 2011-12 and 2014-15. The fluctuation of the ratio in all tea companies is equal and it was mostly declined. The ratio of Bom_Bur was highest 1.69 while second highest ratio of Ross_Ind which was 1.15. The ratio of Mc_Russ was lowest was 0.19 while second lowest ratio of Warr_T which was 0.20.

The companies-wise null hypothesis is rejected that means alternative hypothesis is accepted in the case of capital gearing ratio. It can be concluded that there is significant difference in capital gearing ratio of selected tea companies that means tea companies is differ from each other’s whereas the year-wise null hypothesis of capital gearing ratio it is found that there is no significant difference in capital gearing ratio among selected tea companies that means tea companies year wise is differ from each other’s.
6.3 Recommendations

On the basis of the above observations relating to the study, the following measures are recommendation to improve the liquidity and profitability of the tea companies from the analysis and conclusion of the current study which is as follows:

- All selected tea companies should used effective costing techniques.
- It is suggested that there is a need for tea companies to accept producing and selling wide range of products, to accept improved marketing strategy by reducing cost and swotting selling prices to enhance the value of turnover so as to go ahead in the period of competitions.
- As current ratio was near to slandered ratio so the companies tried to maintain this ratio. Other company specially Bom_Bur and Uni_Nil should reduce their current liabilities and increased their current assets to improved current ratio.
- All tea companies should increase liquid assets like cash on hand and bank and marketable securities to improved liquid ratio. For the dependence of creditors and investor, companies need to make proper planning about short-term funds and its utilization. Hence Ass_Co, Bom_Bur, Uni_Nil, and Warr_T companies should decrease liquid ratio by investing in liquid assets or by decreasing liquid liability.
- For creditors, it was suggested that they have good margin of safety in tea companies.
- The sample units should avoid the over investment in the current assets and make diversion of funds for their long term benefits in right direction.
- Return on assets turnover ratio should to be maintained at higher level because it’s beneficial for the company.
- Higher value of debt-equity ratio is unfavorable because it’s indicates high risk and more depends of external. Hence, all the selected tea companies should try to maintain at lower value as so it is favorable for the companies.
- It is found that Uni_Nil and Warr_T Ltd. completely settled its debt and it became near to one and five respectively. It is suggested to the company that the company may have some amount of debt in order to reap the benefits of leverage.
- It is identified that fixed assets turnover ratio of Ass_Co, Harr_Mal, Mc_russ and Ross_Ind was less than one, it means the company did not utilize their fixed assets
efficiently in order to increase sales. Hence the company may try to use their fixed assets efficiently to increase sales.

- Lower level of capital turnover ratio is not preferable for the company as it indicates that the inefficient and unorganized management of current asset. Lower ratio means current assets is to not be easily converted into cash and working capital cycle is not to be going smoothly.

- The tea companies should follow a rationalize credit policy towards all kind of customers based on their credit standup and at same time they should further collections.

- The tea company should adopt the policy of ploughing back of profit for future developments.

- The tea companies should achieve up with the change in global economy and the changing currency values so as to maintain stable profit.

- Selected tea companies should try to use correctly their working assets and should try to decrease their non-operating expenses. With the help of these suggestions all the selected tea companies try to improve their financial performance.

- For maintain inventory turnover ratio company can be decided well planned purchasing policy. If purchasing policy is to be well planned that means company avoid the unnecessary investment in inventory. At the same way companies should have to increase operating efficiency. Therefore, company can be maintained inventory turnover ratio at higher level as it desirable for the company.

- It is observed that higher inventory turnover ratio because it indicates better ability of the company.

- All the selected tea companies should increases capital turnover ratio because higher is good position of the company in to the market means company have sufficient fund there for company should not depends on external funds.

- Cost of goods sold played a vital role to improve financial performance of the selected tea companies. In this study, the selected tea companies should reduce the cost of goods by effective negotiation during purchasing raw material and also control operating expenses.

- All selected tea companies should maintain their volume of sales and also tried to improve it while all companies must control their administrative expenses and tried to improve their volume of sales expenses.
➢ The company should effort to apply their production capacity completely in order to decrease works overheads and to apply their fixed assets accurately.

➢ It is recommended that the tea companies can increase their profitability by increasing their operating effectiveness visa-versa earning per share.

➢ The tea companies should focus on appropriate employment of capital so as to get adequate return.

➢ From the above analysis, it is found that all the selected ratios are fluctuating trend during the study period. Hereafter, all the selected tea companies should have to maintain these ratios at particular level or as per standard norm otherwise make problems for the tea companies. For the improvement of the theses ratios, need to study of previous sales, invested fund records and also observed the marketing strategy of the product. All the selected tea companies should maintain the reliability in financial performance.