

Chapter 5

*Findings,
Suggestions
&
Conclusions*

"A study of Financial Competency of Selected Brass Industry of Jamnagar District"

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5.1 Findings

The process of research is a process of findings. Right from the background of this research the findings can be drawn as follows.

Various stakeholders within society are interested in a company's activities that affect its capital. In this study, the researcher has examined the financial performance of a selected brass industry unit in Jamnagar, Gujarat, to assess its financial health. The key findings of this research are briefly outlined below:

- **Sales and Financial Performance:**

Between 2018 and 2020, sales figures fluctuated, showing both growth and decline. While some findings (Interpretations 6, 9) indicated steady sales growth, others (Interpretations 4, 5, 12) highlighted notable variations, with sales peaking in 2019 and then dropping significantly in 2020. There were differences in how the Gross Profit Ratio (G.P.R.) and Net Profit Ratio (N.P.R.) were interpreted. At times, profitability ratios declined (Interpretations 7, 14), but in other instances, they remained stable or improved (Interpretations 6, 9, 15). Additionally, operational metrics such as the stock turnover ratio and operating ratio improved in several cases (Interpretations 6, 7, 9), reflecting better inventory control and operational efficiency.

- **External and Internal Influences:**

Both internal factors, such as operational decisions, and external factors, including market conditions and economic shifts, have influenced the fluctuating financial figures and performance indicators.

- **Operational Efficiency and Liquidity:**

The stock turnover ratio increased in some cases (Interpretations 6, 7, 9), indicating

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effective inventory management and faster sales cycles. However, it occasionally remained low or even declined, indicating slower movement of stock (Interpretation 14). Liquidity ratios showed mixed results; some interpretations (Interpretations 8, 11, 15) showed increased liquidity and financial stability, while others (Interpretations 7, 12) pointed to reduced liquidity, indicating financial strain.

- **Debt and Financial Leverage:**

The Debt-Capital Ratio exhibited varying trends. In several instances, it declined, suggesting reduced financial leverage and, consequently, lower financial risk (Interpretations 9, 10, 11). However, in some cases, it increased, signaling higher financial leverage and potential risk (Interpretations 6, 7). Additionally, the Creditor Ratio rose significantly in some interpretations (Interpretation 4), indicating longer payment terms for creditors.

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❖ **Finding from Brass Sector:**

- An analysis of brass units registered over the past decade reveals consistent growth.
- Over the last five years, capital investments in registered brass units have steadily increased.
- There is a higher proportion of brass units with capital investments of at least Rs. 50 lakh.
- A survey of recent years indicates that the brass sector has played a vital role in job creation, with employment opportunities in registered units growing. However, skilled labor is essential for better outcomes.
- The capital investment to employment ratio is 1:13, meaning that for every lakh rupees invested, 13 jobs are created, presenting significant potential for further employment growth in the sector.
- An analysis of selected brass units in Jamnagar reveals an annual turnover of at least Rs. 50 lakh.
- Reserve production capacity problems are relatively rare among Jamnagar's brass units.

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- The industry largely operates on a made-to-order basis. Payments are typically received between 90 and 150 days after order fulfillment, and delayed payments create challenges for the units.
- The procurement of raw materials is closely linked to market conditions, providing protection from price fluctuations but also leading to challenges.
- Approximately 80% of brass units in Jamnagar use brass scrap as a raw material, and fluctuations in the price of this scrap have a direct negative impact on profitability.
- The majority of unit owners refrain from purchasing raw materials when prices decline, leading to financial difficulties when orders are fulfilled.
- Many units face difficulties due to government policies, and there is a need for greater government support to fund expansion.

❖ **Suggestions:**

Strategic Financial Management:

- Companies should closely monitor profitability ratios and implement cost-control measures to maintain and improve Gross Profit and Net Profit Ratios. Renegotiating supplier contracts, optimizing production processes, and revising pricing strategies can all contribute to better financial outcomes.
- Diversifying product lines or expanding into new markets would help stabilize revenue streams and reduce vulnerability to market fluctuations.

Enhancing Operational Efficiency:

- Improving inventory management strategies can further increase stock turnover ratios. Techniques like reducing excess inventory, improving demand forecasts, and adopting advanced inventory management tools could enhance efficiency.
- Organizations should regularly evaluate and optimize their operational processes to increase overall efficiency. Periodic audits and process optimization initiatives can help identify and eliminate bottlenecks.

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Improving Liquidity and Financial Stability:

- Companies should focus on enhancing cash flow management to improve liquidity. This could involve speeding up receivables collection, extending payables where possible, and maintaining an optimal level of working capital.
- Reducing reliance on debt and exploring alternative funding sources, such as equity financing or retained earnings, could lower the Debt-Capital Ratio and financial risk.

Risk Management and Long-Term Planning:

- Companies need robust risk management strategies to cope with market downturns or external economic shocks. This could include maintaining a contingency fund, diversifying revenue streams, and hedging against market risks.
- Long-term strategic planning is crucial for sustained growth. Businesses should regularly reassess their strategic goals, adjust their operations and financial plans as needed, and align them with current market trends.

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❖ **Suggestions Based on Research Study:**

- The government should take steps to stabilize the price of brass scrap.
- Given the low rates of capital investment and employment, there should be more encouragement for private and foreign investments.
- The brass units are relatively easy to establish, and providing training to managers would be highly beneficial.
- Research and study should be promoted to enhance global competitiveness.
- Small-scale businesses often face cash flow shortages, and a financial assistance program should be introduced to support them.
- Industrialists should adopt a strategy of purchasing only 50% of their brass scrap at the time of order and the remaining 50% upon completing the transaction, reducing market risk.
- Proper planning of working capital is essential before accepting orders to avoid liquidity crises.
- The government should streamline the process of obtaining pre-inspection certificates for importing brass scrap, as the current procedure is labor-intensive.

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❖ **Scope for Future Research:**

1. A comparative study of the financial performance of selected brass companies and renewable energy companies in India.
2. A study of the impact of profitability on the stock prices of selected brass companies.
3. The effect of environmental disclosures on the value accounting of selected brass companies in India.
4. Challenges faced by small-scale industries due to reliance on the international market for raw materials.

❖ **Limitations of the Study:**

1. This study is based solely on secondary data sourced from the official websites of the selected companies in the brass industry, annual reports, and published documents, and the findings depend entirely on the accuracy of the data.
2. Various methods exist to measure efficiency, effectiveness, and profitability.
3. The study is subject to the inherent limitations of the accounting and statistical tools used.

❖ Conclusion:

Small-scale industries play a vital role in India's economy, as they require less capital and can generate more employment. These industries are spread across the country and make efficient use of both human and material resources. However, each small-scale industry faces unique challenges. Specifically, Jamnagar's brass industry faces issues related to raw material procurement, as 80% of its raw materials are imported brass scrap. Constant price fluctuations in the brass scrap market create significant challenges. In some cases, financial difficulties prevent units from purchasing materials, exacerbating their problems. To ensure the growth and sustainability of this industry, targeted actions should be taken to address its specific challenges.