

**CURRENT ASSETS AND CURRENT LIABILITY ANALYSIS OF
ALLEPPY CO-OPERATIVE SPINNING MILL**



PROJECT REPORT

*Submitted to Mahatma Gandhi University in partial fulfillment of
the requirements for the award of the Degree of*

MASTER OF BUSINESS ADMINISTRATION

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Accredited by NAAC with 'A' Grade

DEPARTMENT OF MANAGEMENT STUDIES

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CERTIFICATE

This is to certify that the project report entitled “CURRENT ASSETS AND CURRENT LIABILITY ANALYSIS OF ALLEPPY CO-OPERATIVE SPINNING MILL” is a bonafide report of the project work undertaken by JOICE ELEZABETH JOHNSON, fourth semester MBA student of our college during a period of 8 weeks commencing from 1st April to 31st May, 2021.

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I also declare that this project report has not been submitted to any other University or Institute for the award of any degree or diploma.



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ABBREVIATIONS

CAGR - Compound Annual Growth Rate

CCI - Cotton Corporation of India

EPS - Earnings Per Share

FDI - Foreign Direct Investment

FY - Financial Year

NTC - National Textile Corporation

WCM - Working Capital Management

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CHAPTER -1
INTRODUCTION

1.1 BACKGROUND OF THE STUDY

An organization is a social arrangement which pursues collective goals, which control its own performance and which has a boundary separating it from its environment. A project report is a detailed plan of action and particulars of individual and groups dynamics in an organizational setting, as well as the nature of organizations themselves. Whenever people interact in organizations, many factors come in to play. Project study attempts to understand and model these factors.

Project Report means a comprehensive and systematic approach to get familiar with the working of the organization as a whole. The study was carried out at ALLEPPY CO-OPERATIVE SPINNING MILLS, KAREELAKULANGARA, KERALA.

Spinning is a major part of the textile industry. It is part of the textile manufacturing process where three types of fiber are converted into Yarn, then fabrics, which undergo finishing processes such as bleaching to become textiles. The textiles are then fabricated into clothes or other products. There are three industrial processes available to spin yarn, and a handicraft community who use hand spinning techniques. Spinning is the twisting together of drawn-out strands of fibers to form yarn, though it is colloquially used to describe the process of drawing out, inserting the twist, and winding onto bobbins. There are different types of material is used in the spinning mill

1.2 STATEMENT OF THE STUDY

A proper analysis and interpretation of the statement enables the firm to judge the profitability and financial strength of their business. The public are interested in getting information about the functioning of public sector undertaking and the government has a major role to apply, to improve the performance and to lead the organization in such a way as to make them profit making firms. The present study is an attempt to evaluate the “Current assets and Current liability analysis of Alleppey Co- operative spinning mill”.

1.3 RELEVANCE & SCOPE OF THE STUDY

This project report covers the functioning of all major departments of The ALLEPPY CO-OPERATIVE SPINNING MILL findings of the study would give valuable information about improving the current performance of the Organization towards its goal achievement. It also includes the Organizational structure of the firm.

- The study covers to identify the effectiveness of current assets and current liabilities of alleppey cooperative spinning mill.
- To analyses the present financial position and study the future prospects of the concern.
- The current ratio and acid test ratio will enable the company to assess the short-term liquidity position of the company.
- Comparative figures will indicate the trend and direction of financial position and operating results.

1.4 OBJECTIVES OF THE STUDY

- It helps to study the financial performance of the ALLEPPY CO-OPERATIVE SPINNING MILLS, KAREELAKULANGARA, KERALA.
- To evaluate the company's performance using financial statement analysis.
- To understand and analyze the liquidity and profitability of the organization.
- To evaluate the changes in working capital schedules.
- To study the correlation between current assets and current liability, current asset and sales, current assets and expenses.

CHAPTER -2
INDUSTRY PROFILE

2.1 Business Process of the Industry

The Indian textile industry is one of the largest in the world with a large unmatched raw material base and manufacturing strength across the value chain. The industry includes extreme variety of both hand-spun and hand-woven textiles sectors and the capital-intensive sophisticated mills sector. The decentralised power looms/ hosiery and knitting sector forms the largest component in the textiles sector. The formulation of policy, planning, development, export promotion and regulation of the textile industry in India is administered under Ministry of Textile, Government of India.

P.S Santhappa Chettiyar and M. Guptan Namboothiripad, known as Malabar Spinning and Weaving Mill, established the first cotton textiles mill in 1883 in Kallai near Kozhikode. The commercial production was started in 1887. Later in 1976 the mill was taken over by Government of Kerala and handed over to Kerala state textiles corporation. The second mill presently called Parvathi Mills Ltd. was started in 1884 by James Darragan, an English man using 19 acres of land donated by the Maharaja of Travancore.

In 1888, the mill was sold to another British industrialist named AT VIN. In 1932 the management was taken over by Kerala Textiles Corporation. In April 1974, the mill was nationalized under sick textiles undertaking (nationalization) Act and was made a unit of National Textiles Corporation (NTC) Limited Bangalore, which is a subsidiary of NTC Delhi. Sitaram Textiles Ltd., another oldest mill was established in 1903 as a Private Limited Company. Balarama Iyer started it. Later due to mismanagement and labor problems, company was liquidated in 1954.

The factory was gutted down due to fire in 1959 and spinning production was completely stopped. The Government of Kerala purchased this unit as a result of liquidation and public auction in 1972, with the modest start of these mills, the number of cotton textile mill rose to 31. The government of Kerala has announced in state assembly on March 29, 1994, its willingness to start 5 more spinning mills, one each in Kasaragod, Kozhikode, Thrissur, Kottayam and Malappuram along with the commissioning of co-operative spinning mill at KareelaKulangara at Alleppey with a spindle capacity of 6000 spindles. The cotton textiles industries are concentrated in district of Thrissur and Palakkad followed by Ernakulam and Kannur.

These 4 districts taken together accounts for nearly 3/4th of the mills in Kerala. The numbers of existing composite mills are quite low i.e., only four in number, its growth during the last 10 years is nil. Due to the unprofitable nature of composite mill, Malabar spinning and weaving mill discontinued its weaving operation and concentrated on spinning only. Calicut modern spinning mill once turned sick is now taken over by a financially sound third party and found earnings before the last, decade. There are 7 cotton textile mills in Trissur including one composite mill. Kottayam stands last in the list with only one state owned mill.

There are 16 private mills in Kerala of which 14 are spinning mills and the rest 2 are composite mills. The national textile corporation has got under it, 4 spinning mills and 1 composite mill. The co-operative sector owns only 2 spinning mills. In Kerala the Trissur cooperative spinning mills with an installed spindle capacity of 12,000 spindles is the smallest mill followed by Kathayee Cotton Mills Limited with 14,860 spindles.

Another welcome feature was that a 100% export-oriented unit, Past Pin India Ltd. Started commercial production at Palakkad. These units are located at Palakkad near Kerala-Tamilnadu border. Another co-operative mill, ALLEPPY Co-operative spinning mill at Kayamkulam is yet to be commissioned. Out of the 31 mills in Kerala, 14 are private sector, 8 under National Textiles Corporation, 4 under Co-operative Sector and 5 under K.S.T.C.

Process

Industrial revolution brought dynamic changes in our daily lives and textile and manufacturing process is no more an exception. Spinning mills are significant for textile industries as they transfigure fibre into yarn and yarn into fabric. Few cotton mills generally conduct the textile manufacturing process by generating fibers from cotton bales supplied and processing it ahead to attain fabrics. Spinning process is an initial step to produce textile layout such as garments, fabric, home textile and so on. People used to convert fibers into yarn i.e. the spinning process by hand before a couple of decades which has now been mostly replaced by advanced technology of mechanical spinning carried in textile mills.

Industrial revolution supplied developments to production units making their process easy in controlling the process by spinning machinery. In this machine process various levels are

added to convert fiber (cotton/wool) into yarn to process it further for textile products. This transformation goes through various levels such as:

- Step 1: Blow room process
- Step 2: Carding
- Step 3: Combining
- Step 4: Drawing
- Step 5: Roving
- Step 6: Cone winding

BLOW ROOM IN SPINNING:

Blow room indicates place processing “Air Flow”. Blow room consists of various machineries to conduct the objectives of blow room. Here the cluster of cotton brought is changed into miniature material. Simply, in blow room section, the compressed bales are opened, cleaned and blended/mixed according to particular length to form a specific size of lap.

CARDING:

Carding is known as heart of spinning process as it defines the concluded features of yarn. The lap produced in blow room is now shifted to carding machine for production of carded silver. Here the bales processed will open up in single fiber. Apparently, it will make ease to remove the left impurities on the surface of fiber making it straight and separating the short fiber.

COMBINING:

As yarn is arranged in parallel manner, it is straightened again in stage of combining. On the other hand, the left short fiber will be subtracted completely from longer staple fiber. This will result in stronger and smoother staple fabric having higher demand in market.

DRAWFRAME:

This is a device in which drafting and drawing are carried out. Doubling is the application of feeding several intermediate strands into a single strand. Drafting is carried out to lessen fiber laps to slivers. The carded silver is drafted between roller to produce drawn silver

ROVING/RING FRAME:

The yarn produced is processed into a speed frame to attain roving yarn. This is the initial step where twist is inserted for giving hold to the fibers in a spinning mill. The roving yarn is of little larger diameter as compared to the final yarn. Similarly ring frames are used to produce finished yarns from obtained roving yarns. Yarn is resulted having good amount of strength through these ring frames.

CONE WINDING:

Cone winding is just a simple packaging process functioning as a link between last stages of yarn manufacturing and initial stages of fabric manufacturing process. It is important to utilize the winding devices properly to avoid the loss of spinning mills as well as consumers.

Process Flow Chart of Textile Industry

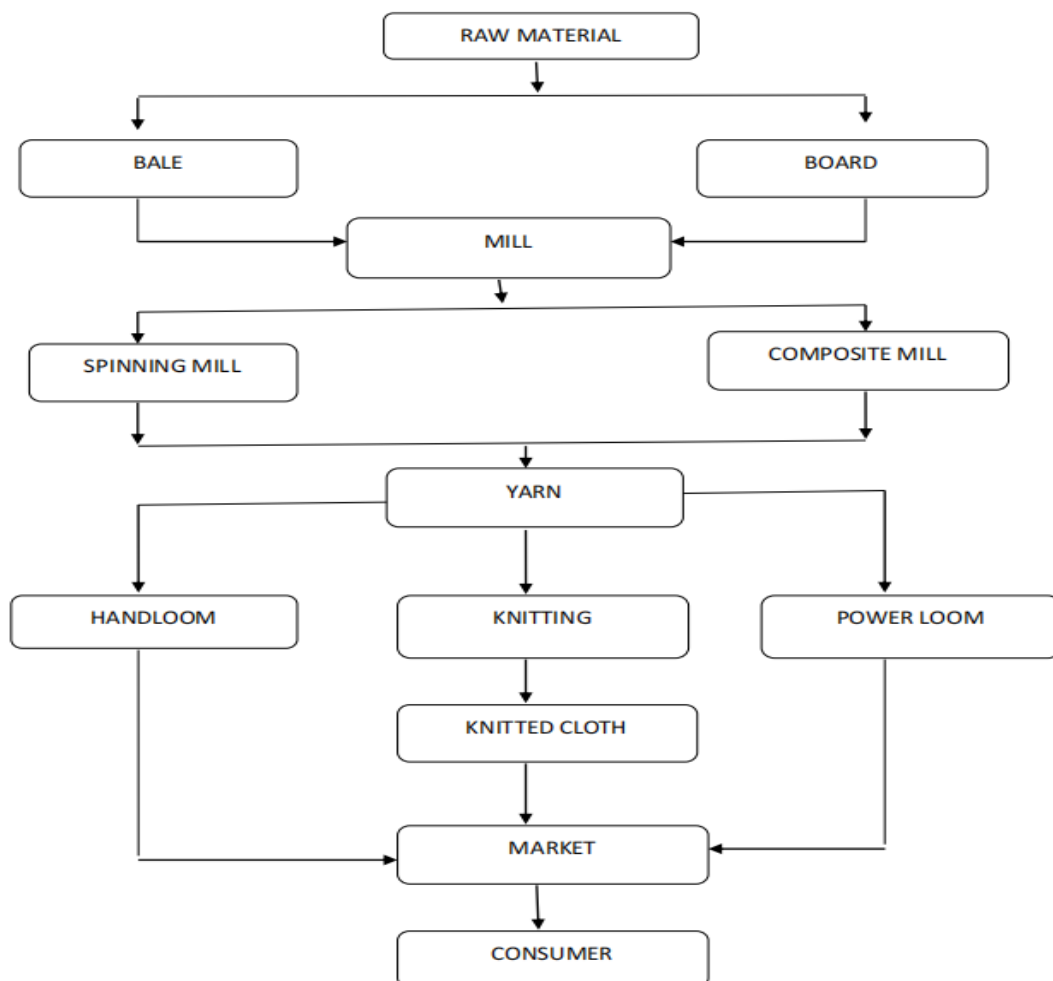


Figure 2.1

2.2 Market Demand and supply-Contribution to GDP-Revenue Generation

Market Demand & Supply

Cotton farmers sell their produce in market yards through an open auction/tender system following the prevalent market practices in the various yards. The main buyers are local ginneries, traders and commission agents, as well as government agencies such as the Cotton Corporation of India (CCI). Farmers are free to sell their produce to any of the above-named buyers, and even not to sell if they find the prices are too low. The arrival span is spread from October to April/May, with peak arrivals from December to February. June to September are the lean periods for cotton arrival. India is the largest exporter of cotton yarn in the world, with 23% of world trade. Indian mills require ELS cotton for the production of super-fine yarn counts of 60s and above. Made-ups and other textile articles also require fabrics manufactured from ELS cotton. India's production of ELS cotton is far below the local requirements of the textile mills.

The pace of cotton demand from the domestic textile industry is a crucial determinant in stabilizing prices. Most of the mills plan their purchase programme taking into consideration the different cotton varieties to be procured from various cotton growing areas. While progressive and rich buyers may make aggressive purchases if market conditions are favorable, the medium and small mills cover their cotton requirements for short intervals. Normally, demand from the mill sector is more concentrated in-season and is scaled down during the off-season. A sustained demand and stable raw material prices of home textiles will lead to growth in exporters' top line and bottom line. The home textile segment continued to exhibit demand resilience, led by the healthy supplies and strong balance sheet of key participants. While players reported a healthy rise in top line during FY21, operating margins were impacted during Q4 FY21 on account of an import duty on cotton along with uncertainty over Remission of Duties and Taxes on Export Products incentives.

Rise in income level is expected to drive demand in textile industry. Increased penetration of organised retail, favourable demographics and rising income level will drive demand for textile.

Figure 2.2

Projections for India in World Exports		
Year	World Textile Exports \$ Billion	India's Exports \$ Billion
2016	860.6	54.4
2017	903.6	62.6
2018	948.8	72.1
2019	996.2	83
2020	1046	95.5
2021	1098	109.9
2022	1153.3	126.5
2023	1210.9	145.6

Contribution to GDP

The Indian textile industry plays a significant role in the economic growth of the country through its contribution to industrial output, employment generation, and export earnings. The growth and all-round development of this industry has a direct bearing on the improvement of the economy. In India, TEXTILE industry is one of the largest economic activities after agriculture, providing direct and indirect employment to more than 43 lakh weavers and allied workers. This sector contributes nearly 15 per cent of the cloth production in the country and also contributes to the export earnings of the country. In fact, 95 per cent of the world's hand-woven fabric is produced in India. The textile industry contributed 2.3% to the GDP of India, 13% to industrial production and 12% to export earnings.

- The share of the India's textiles and apparel exports in mercantile shipments was 11% in 2019-20
- Textiles industry has around 4.5 crore employed workers including 35.22 lakh handloom workers across the country.
- Cotton production is expected to reach 36.0 million bales and consumption is expected to reach 114 million bales in FY21—13% growth over the previous year.

Role of Indian textile industry in Economy

Textile industry plays a significant role in the economy. The Indian textile industry is one of the largest and most important sectors in the economy in terms of output, foreign exchange earnings and employment in India. It contributes 20 per cent of industrial production, 9 per cent of excise collections, 18 per cent of employment in industrial sector, nearly 20 per cent

to the country's total export earnings and 4 per cent ton the GDP. The sector employs nearly 35 million people and is the second highest employer in the country. The textile sector also has a direct link with the rural economy and performance of major fibre crops and crafts such as cotton, wool, silk, handicrafts and handlooms, which employ millions of farmers and crafts persons in rural and semi-urban areas. It has been estimated that one out of every six households in the country depends directly or indirectly on this sector. India has several advantages in the textile sector, including abundant availability of raw material and labour. It is the second largest player in the world cotton trade. It has the largest cotton acreage, of about nine million hectares and is the third largest producer of cotton fibre in the world. It ranks fourth in terms of staple fibre production and fourth in polyester yarn production. The textile industry is also labour intensive, thus India has an advantage.

2.3 Level and Type of Competition-Firms Operating in the Industry

Industry Competitiveness of the Indian Textile Industry is very high because, there is a high threat of substitutes, higher bargaining power of buyers, highly competitive rivalry, and high threat of new entrants. All of these situations are creating a negative impact on the textile industry. The only positive things are there is the low bargaining power of suppliers.

Challenges for Indian Textile Industries:

There are six major challenges for the Indian textile industry. To remain competitive industry will need to deal with these challenges.

1. Goods and Service Tax
2. Increase Labor Wages and Worker's Salary
3. Access to Latest Technology
4. Fierce competition from China and Bangladesh
5. Environmental Challenges
6. Lack of Institutional Support

The summary of competition in the textile industry:

1. Indian Textile Market has the great potential to grow in future
2. Indian Textile Industry has great competition in Spinning, Weaving, and Processing Sectors.

3. There is not much scope in Technical textiles, Machine Manufacturing, E-commerce, and Apparel sector
4. To stand out unique in the textile market industries have to do something innovative than the current competitors.
5. Before entering into a business one must do a market survey and take feedback from people, from the same he or she must make a conclusion to start the business.
6. Industries must focus on their serviceability and must work according to the customer's demand in the market.
7. In order to be a good competitor industry must have a customer focus, good working culture, good promotion strategies with the following ways industries can make a good market as well as profit in the textile market.

Firms operating in the industry:

Here we can see the list of Top 10 textile companies in India. The Ranking lists are based on total sales in the year 2019. Now let us see the overall textile industry and then we move on to the companies.

List of Top 10 textile companies in India

1. Arvind Ltd
2. Vardhman Textiles Ltd
3. Welspun India Ltd
4. Raymond Ltd
5. Trident Ltd
6. K P R Mill Ltd
7. Page Industries Ltd
8. Nitin Spinners Ltd
9. Rupa & Company Ltd
10. HimatsingkaSeide Ltd

2.4 Pricing strategies in the Industry

The pricing strategies' used in the textile industries are:

- **Budget Pricing Strategy**

Many consumers seek low prices when shopping for apparel. Serving this segment can yield significant sales volume at the expense of lower per-unit profitability. Customers in this segment are willing to sacrifice quality for affordability and are less likely to be loyal to specific brands. A bundled pricing strategy can work well here. When multiple bundled products are sold together at a single low price, it can convey a sense of additional cost efficiency for budget shoppers. Focus on cost control for this pricing strategy to continually push prices lower over time. Rely on economies of scale, driven by the relatively high volume of low-profit pricing strategies, to squeeze out small per-unit profits.

- **Luxury Pricing Strategy**

In the luxury tier of the market, consumers' price sensitivity often is more closely correlated with a brand's image rather than inherent product quality or market value. Apparel products are closely tied with self-expression and social status in consumers' minds, so consumers in this segment are often more concerned with the social image of their apparel than its durability or the quality of materials. This strategy focuses on marketing and brand positioning as a main driver of price structure. Do not be afraid to push prices well above your costs in this segment, taking care to keep your prices just as high as competitors. It may seem counter-intuitive, but lowering prices in this segment actually can detract from a luxury brand's image.

- **Value Pricing Strategy**

The value pricing strategy sits somewhere between the budget and luxury segments. The key to value pricing is to strike a balance between cost and quality.

Value shoppers are not willing to sacrifice quality for extremely low prices, but they also are not willing to pay more than apparel is worth simply for a popular brand logo. Consumers in this segment look for clothing and accessories that will last several years or more, making the durability of materials a prime concern. These consumers prefer leather

and wool over polyester and plastic, for example. Use basic market pricing techniques to set prices for this strategy -- do not work too hard to push prices low, and do not over-inflate prices for brand equity. Rather, source high-quality materials and apply a standard markup to each product, staying within the general price range of similar apparel products.

- **Price Promotions as a Sales Tool**

Price promotions can be an effective means of increasing sales and customer loyalty for any pricing strategy in this industry. Back-to-school discounts, holiday sales events and off-season discounts all can be effective at moving more apparel off the shelves. Use customer loyalty programs, seasonal sales, off-season discounts, back-to-school promotions and coupons online and in printed circulars to bring new customers in the door and give existing customers a reason to spend more in your store.

2.5 Challenges for Indian Textile Industries

There are many challenges for the Indian textile industry. To remain competitive industry will need to deal with these challenges. Goods and Service Tax, Increase Labour Wages and Worker's Salary, Access to Latest Technology, Fierce competition from China and Bangladesh, Environmental Challenges, Lack of Institutional Support.

- Shortage in supply of raw material:
 - Shutting down some units in China and Europe due to pollution issues has resulted in an unprecedented rise in prices of basic raw materials in international markets.
- Increase in cost of raw material:
 - Prices have seen an upward increase after many units in China were shut down due to pollution norms. The rise in prices of imported raw materials has increased the prices of dyes.
- Pressure to meet stringent social and environmental norms:
 - Environmental compliance often isn't at the top of textile and garment importers' concerns.

- Failing to comply with environmental regulations can put supply chain in jeopardy, as pressure mounts for the apparel industry to improve environmental compliance efforts.
- Infrastructure bottlenecks:
 - The low quality of India's infrastructure, continues to lag behind that of many other Asian countries.
- Uneven regional development:
 - The country's textile industry is concentrated in a few pockets of Gujarat and Maharashtra in the west and Tamil Nadu and Karnataka in the south.
 - A large proportion of workers employed by these units comes from Bihar, Uttar Pradesh, and West Bengal.
- Lack of efficiency due to manual work:
 - Unlike in developed countries, textile factories in India are not fully automated and remain labour-intensive.
- Unorganized weaving sector:
 - Approximately 95% of the weaving sector in India is unorganized in nature.
 - The decentralized power loom and hosiery sector contributes 85% of total fabric production.
 - In terms of technology adoption in the weaving sector, India has only 2% share in global shuttle-less looms installed capacity.

2.6 Key Drivers of the Industry

The future for the Indian textiles industry looks promising, buoyed by strong domestic consumption as well as export demand. With consumerism and disposable income on the rise, the retail sector has experienced a rapid growth in the past decade with the entry of several international players like Marks & Spencer, Guess and Next into the Indian market. High economic growth has resulted in higher disposable income. This has led to rise in demand for products creating a huge domestic market.

The Indian textile industry has recently been seeing exponential growth along with textile and apparel export. India is the world's second largest exporter of textiles and clothing. With readymade garments remaining the largest contributor to total textile and apparel exports from India, textile and apparel exports are forecast to increase to \$126.5 billion by 2022.

Key growth drivers are increased penetration of organized retail, favorable demographics and rising income levels. Key highlights of the textile industry's big success are:

Foreign Investments and FDI: The hike in FDI limit in multi-brand retail is a blessing for the textile industry which will not only bring in more players, but even provide more consumer options. It will bring greater investments along the entire value chain. With international brands gaining a domestic foothold, outsourcing will also rise exponentially.

Retail sector's growth potential: With consumerism and disposable income on the rise, the retail sector has seen a quick growth in the last ten years with several international players like Marks & Spencer and Guess etc. having entered the Indian market. The organized apparel segment is expected to grow at a CAGR of over 13 per cent over a 10 year period.

Private sector participation: While government policies and initiatives are growth drivers for the textile industry, private players too are making hay whilst the sun shines. The Central Silk Board's targets for raw silk production is a key example and to achieve these targets, alliances with the private sector, especially major agro-based industries in pre-cocoon and post-cocoon segments has been encouraged.

International demand: Growing population has been a main aspect of textile growth in the country. Moreover, according to World Bank, urban population accounts for 32.7 per cent of the total population of India. This also works as demand driver due to changing taste and preferences in the urban India. This trend has been enhanced by a young population which is growing and is being exposed to changing trends and fashion resulting in the textile industry seeing high volume demand within the country and also in exports.

Role of Textile Sector's in Aatmanirbhar Bharat:

- The textile sector is a "key sector" that will help in building a self-reliant India.
- Textile traditions showcase powerful ideas and principles like diversity and adaptability, self-reliance, skill and innovation and these principles have become even more relevant now.
- The government is planning to develop a large world class textile infrastructure in the country in the form mega textile parks.
- The mega textile parks will encompass a complete value chain of this sector.

- The government is planning to promote naturally used products like bamboo and high-performance value-added fibres and their products.
- For execution lots of planning like providing credit at concessional rates through interest subvention schemes, credit guarantees, margin money subsidy and large warehouse infrastructure near all ports are in discussion.
- Technical textiles are another important element. This segment caters to the sectors like automobiles, medical, sports, agriculture and industries.

CHAPTER 3
REVIEW OF LITERATURE

3.1 BRIEF THEORETICAL CONSTRUCT RELATED TO THE PROBLEM

Assets and liabilities are classified in many ways such as fixed, current, tangible, intangible, long-term, short-term etc. While analyzing the balance sheet of a company it is important to know the difference between current assets and current liabilities. Current assets are short-term assets either in form of cash or a cash equivalent which can be liquidated within 12 months or within an accounting period. They are short-term resources of a business and are also known as circulating or floating assets. Current assets are realized in cash or consumed during the accounting period.

Current liabilities are short-term liabilities of a business which are expected to be settled within 12 months or within an accounting period. They are short-term obligations of a business and are also known as short-term liabilities. Current liabilities are paid in cash/bank (settled by current assets) or by the introduction of new current liabilities.

Here using 3 various measures to determine the relationship between current assets and current liability. The analysis used here are:

- Ratio Analysis
- Correlation Analysis
- Schedule on changes on working capital

Objective and importance of analytical study

1. Ratios analysis is of much help in financial forecasting and planning. Planning is looking ahead and the ratios calculated for a number of years work as a guide for future meaningful conclusions can be drawn for future from these ratios. These, ratio analysis helps in forecasting and planning
2. The financial strength and weakness of a firm are communicated in a more easy and understandable manner by the use of ratios. The information contained in the financial statement is conveyed in a meaning full manner to the one or for whom it is meant. Thus, ratios help in communication and enhance the value of financial statements
3. Ratio analysis help in making decision from the information provided in these financial statements.

4. Working capital schedule helps to identify the change in position of working capital
5. The schedule/statement of changes in working capital requires us to present the information relating to the current area of the balance sheets pertaining to the two periods.
6. Correlation coefficients are used to measure the strength of the relationship between two variables.

(A) Ratio Analysis

1. Liquidity ratio

It is essential for a firm to be able to meet its obligation as they become due. Liquidity ratios help in establishing a relationship between cost and other current assets to current obligation to provide a quick measure of liquidity. A firm should ensure that it does not suffer from lack of liquidity and also that it does not have excess liquidity. A very high degree of liquidity also bad, idle assets earns nothing. The firm's funds will be unnecessarily tied up in current assets. Therefore it is necessary to strike a proper balance between high liquidity. Liquidity can be divided into three types.

➤ **Current ratio**

Current ratio is the most common ratio for measuring liquidity. It represents the ratio of current assets to current liabilities. It is also working capital ratio. It is calculated by dividing current assets to current liabilities.

$$\text{Current Asset} = \frac{\text{Current Assets}}{\text{Current Liability}}$$

Current assets are those, the amount of which can be realised within a period of one year. It includes cash in hand, cash at bank, sundry debtors, stock etc. current liabilities are those amounts which are payable within a period of one year. It includes creditors, bills receivable, bank overdraft etc.

As a convention the minimum of 2:1 ratio is preferred. The idea of having doubled the current assets as compared to current liabilities is to provide for the delays and losses in the realization of current assets.

Significance: current ratio is a general and quick measure of liquidity of a firm. It represents the margin of safety or cushion available to the creditors and other current

liabilities. It is most widely used for making short term solvency of a firm.

Limitation: it is crude ratio because it measures only the quantity and not the quality of current assets.

➤ **Quick ratio**

The ratio is sometimes known as “Acid test ratio” “Liquidity ratio”. It is the relation between quick assets to current liabilities. It is determined by dividing “Quick assets” by current liabilities.

$$\text{Quick ratio} = \frac{\text{Current assets} - (\text{inventory and prepaid expenses})}{\text{Current Liability}}$$

The term ‘Quick assets’ refers to current assets which can be converted into cash immediately. It comprises all current assets except stock and prepaid expenses.

In this case, the generally accepted ratio is 1:1 any deviation from this norm indicates either sufficient liquidity of the firm to utilize the resources

➤ **Absolute liquidity ratio**

This ratio obtained by dividing cash (of course cash in hand and cash at bank) and marketable securities by current liabilities. It is also known as cash position ratio.

$$\text{Absolute liquidity ratio} = \frac{\text{Cash} + \text{Marketable securities}}{\text{Current Liability}}$$

➤ **Networking capital**

Networking capital concept is the difference between current assets and current liabilities. This concept is use full to group interested in determining the amount and nature of assets that may be used to pay current liabilities.

Moreover, the amount that is left after these debts are paid may be used to meet future operational needs.

$$\text{Networking capital} = \text{current assets} - \text{current liabilities}$$

➤ **Fixed asset to net worth**

This ratio shows the relationship between assets and shareholder fund. The purpose of this ratio is to find out the percentage of the owners fund invested in fixed assets.

➤ **Earnings per share**

Earnings per share are a small variation of return on the equity capital and are calculated by dividing the net profit after taxes and preference dividend by the total number of the equity shares. Thus

$$\text{E.P.S} = \frac{\text{Net profit after tax} - \text{Preference dividend}}{\text{Number of equity shares}}$$

➤ **Activity ratio**

Activity ratios are used to measure how efficiently a company utilises its assets. The ratios provide investors with an idea of the overall operational performance of a firm. The activity ratios are turnover ratios that relate an income statement line item to a balance sheet line item. The activity ratios measures the rate at which the company is turning over its assets or liabilities. In other words, they present how many times per year inventory is replenished or receivables are collected.

➤ **Inventory turnover ratio**

The inventory turnover is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is turned or sold during a period.

$$\text{Inventory turnover ratio} = \frac{\text{cost of goods sold}}{\text{Average inventory}}$$

➤ **Debtors turnover ratio**

Accounts receivable turnover is an efficiency ratio or activity ratio that measures how many times a business can turn its accounts receivable into cash during a period. In other words, in accounts receivables receivable turnover ratios measures how many times a business can collect its average accounts receivables during the year.

$$\text{Debtors turnover ratio} = \frac{\text{Net sales}}{\text{Average debtors}}$$

➤ **Fixed assets turnover ratio**

The fixed asset turnover ratio is an efficiency ratio that measures a company's return on their investment in property, plant and equipment by comparing net sales with fixed assets. In other words, it calculates how efficiently a company is producing sales with its machines and equipment.

$$\text{Fixed asset turnover ratio} = \frac{\text{net sales}}{\text{Fixed asset}}$$

(B) Correlation Analysis

Correlation is used to test relationships between quantitative variables or categorical variables. In other words, it's a measure of how things are related. The study of how variables are correlated is called correlation analysis. correlation analysis is used for spotting patterns within datasets. A positive correlation result means that both variables increase in relation to each other, while a negative correlation means that as one variable decreases, the other increases. Here are usually three different ways of ranking statistical correlation according to Spearman, Kendall, and Pearson. Each coefficient will represent the end result as 'r'. Spearman's Rank and Pearson's Coefficient are the two most widely used.

Advantages of Correlation Analysis

- A correlational study can be conducted on variables that can be measured and not manipulated, for example when an experimental method would be impractical or unethical to conduct.
- A correlation can demonstrate the presence or absence of a relationship between two factors so is good for indicating areas where experimental research could take place and show further results.

Limitation of Correlation Analysis

- A correlational analysis can only be used when the variables are two measurable on a scale.
- No cause and effect can be established in correlational research as it's not certain that one Variable caused another to happen, it could be one or the other or it could even be an unknown variable that causes the correlation.

Karl pearson's coefficient of correlation

In this analysis discussing about the correlation between current assets and current liability current assets and expenses and current assets and sales.

The Pearson correlation coefficient (named for Karl Pearson) can be used to summarize the strength of the linear relationship between two data samples. The Pearson's correlation coefficient is calculated as the covariance of the two variables divided by the product of the standard deviation of each data sample. It is the normalization of the covariance between the two variables to give an interpretable score. The use of mean and standard deviation in the calculation suggests the need for the two data samples to have a Gaussian or Gaussian-like distribution. The result of the calculation, the correlation coefficient can be interpreted to understand the relationship. The coefficient returns a value between -1 and 1 that represents the limits of correlation from a full negative correlation to a full positive correlation. A value of 0 means no correlation. The value must be interpreted, where often a value below -0.5 or above 0.5 indicates a notable correlation, and values below those values suggests a less notable correlation. The equation for Karl Pearson's Co-efficient of Correlation (r)

$$\text{Karl Pearson's Co-efficient of Correlation (r)} = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2} \times \sqrt{N\sum Y^2 - (\sum Y)^2}}$$

Where N is number of pairs of observation

X is Given value of the first variable

Y is Given value of the second variable

(C) Schedule of Changes in Working Capital

The statement of changes in working capital or simply called “working capital statement” is prepared with the help of current assets and current liabilities. There is no effect of additional information given separately, and such information will affect only the funds flow statement. Working capital means the excess of current assets over the current liabilities. Statement of changes in working capital is prepared. To show the changes in the working capital is between the two balance sheet dates. This statement is prepared with the help of current assets and current liabilities derived from the two-balance sheet. Working Capital schedule shows changes in Current Assets Current Liabilities

Rules for preparing the working capital schedules:

- i. Increase in a current asset, result in in increase (+) in “Working capital”
- ii. Decrease in current Asset, results in decrease (-) in “Working capital”
- iii. Increase in a current liability, results in decrease (-) in “Working capital
- iv. Decrease in a current liability, results in increase (+) in “Working capital”

3.2 An Overview of Earlier Studies

Gentry¹ (1988) presented his review in the year 1988 but the major publication activities on WCM are occurred on and after financial slowdown of 2008. Viskari et al². (2011) in their WCM literature review used bibliometric methods with a small sample of 23 firms and restricted articles published from 1990 till 2010 that dealt with the WCM topic as a whole and not a single subarea of it. Singh and Kumar³ (2014) applied systematic literature review (SLR) method for reviewing WCM literatures that were indexed in Google Scholar. Timo Salmi and Teppo Mertikainen⁴ (1994) in the review of the “Theoretical and Empirical basis of financial ratio analysis”. This paper provides a critical review of theoretical and empirical basis of four central areas of ratio analysis. The research area reviewed are the functional form of the financial ratios, distribution characteristics of functional ratios, and the estimation of the internal rate of return from financial statement. It is observed that it is typical of financial ratio analyses research that this are several unexpectedly distinct lines with research tradition of their own. A common feature of all the areas financial ratio analyses research seems to be that while significant regularities can be observed, they are not necessarily stable

across the different ratios, industries and time periods. This leaves much space for the development of a more robust theoretical basis and for further empirical research”.

3.3 Uniqueness of Research Study

- Ratio Analysis refers to the analysis of various pieces of financial information in the financial statement of a business. They are mainly used by external analysis to determine various aspects of a business.
- Working capital schedule is prepared to know the change in current asset and current liability.
- Correlation of Coefficient is also taken to analysis the relationship between some variables.
- The tools used for analysis is helps to understand more about the current assets and current liability of the firm.
- This research study is conducted during the period of Indian pandemic COVID -19

CHAPTER 4
METHODOLOGY OF THE STUDY

4.1 RESEARCH APPROACH AND DESIGN

Research methodology is a way to systematically solve the research problem. It may be understood as a science of studying how research is done scientifically. It is necessary for the researcher to know not only the research methods or techniques but also the methodology. Researchers not only need to know how to develop certain indices or tests, how to calculate the mean median mode or the standard deviation or chi-square, how to know which of these methods or techniques are relevant and which are not. Research methodology deals with a range of ways to make the most out of solving key research problems.

4.2 Sources of Online Data

For conducting the research both online and offline resources are utilized.

Online Resources Used

- Company website
- Online journal
- Online magazine

Offline Resources Used

- Annual report
- Articles and journals
- Previous Research Studies

4.3 SAMPLING DESIGN

A sampling design is a definite plan for obtaining a sample from a given population. It refers to the procedure adopted by a researcher for selecting items from a sample. Sample design suggests how many items are to be included in the sample; i.e., size of the sample.

❖ Population:

Population is defined as the all individuals or objects that are finite. In this study, population is the company taken for research work, i.e., “Alleppey Co-operative spinning mill”

❖ Sample:

Sample is a set of individuals or objects collected or selected from a statistical population. The sample in this study is the company's financial statement from FY 2015 – FY 2020.

❖ **Period of The Study**

The research work covers a period of total 2 months from 1st April 2021 to 30th May 2021.

4.4 DATA ANALYSIS TOOLS

Various tools and techniques are used in order to convert financial statement data into format that facilitate the evaluation of a firm's financial conditions and performance. The various tools are;

1. Ratio Analysis

2. Changes on working capital schedule

3. Correlation Analysis

1. Ratio Analysis

Ratio analysis plays an important role in determining the financial strengths and weaknesses of a company relative to that of other companies in the same industry. The analysis also reveals whether the company's financial position has been improving or deteriorating over time. The ratios which is to be used for analysis:

- Liquidity Ratio
- Activity Ratios
- Profitability Ratios

2. Changes in working Capital

For understanding about the changes in working capital, working capital schedule is prepared to determine more about the increase or decrease of current assets and current liability.

3. Correlation Analysis

The Correlation Analysis is the statistical tool used to study the closeness of the relationship between two or more variables. The variables are said to be correlated when the movement of one variable is accompanied by the movement of another variable

4.5 Report Structure

The report is presented in seven chapters as given below:

Chapter 1- Introduction

Chapter 2 - Industry Profile

Chapter 3 - Review of Literature

Chapter 4 - Methodology of the Study

Chapter 5 - Data Analysis, Interpretation and Inferences

Chapter 6 - Findings of the Study

Chapter 7 – Conclusion

4.6LIMITATION OF THE STUDY

- A detailed study was not possible because of time constructions.
- The reliability of the analysis depends upon the accuracy of the data provided in final report.
- Ratio analysis, correlation and changes in the working capital schedule used to analyze data available from balance sheet and profit & loss account only.

CHAPTER 5

DATA ANALYSIS, INTERPRETATION AND INFERENCE

LIQUIDITY ANALYSIS

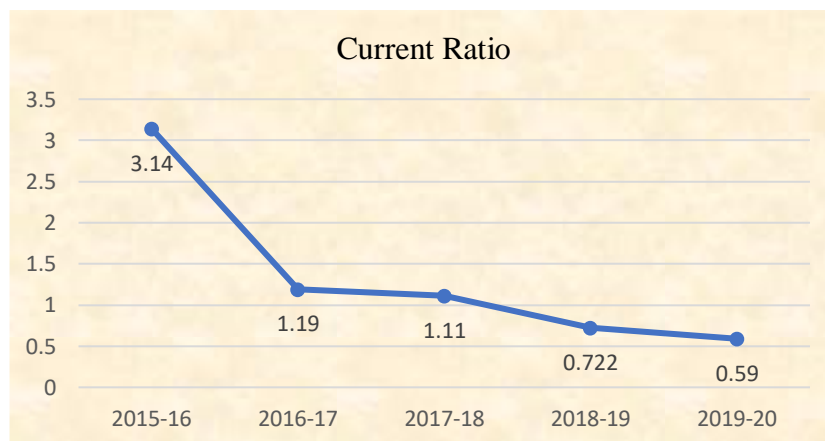
1. Current Ratio

Table 5.1

Year	Current Assets	Current Liability	Ratio
2015-16	\$ 91,052,093.81	\$ 28,983,839.68	3.14
2016-17	\$ 65,195,588.56	\$ 54,575,041.04	1.19
2017-18	\$ 82,526,458.65	\$ 74,342,237.32	1.11
2018-19	\$ 83,709,552.31	\$ 11,583,2872.83	0.722
2019-20	\$ 83,610,847.5	\$13,985,8354.49	0.59

Source :- Alleppey Co- operative spinning mill

Figure 5.1



The above table 5.1 shows that in year 2015-16 the current ratio was 3.14, in year 2016-17 the ratio was 1.19. The ideal current ratio is 2:1. In year 2017-18 it was 1.11, in year 2018-19 the ratio was 0.722 and the year 2019-20 it was 0.59.

Current assets include inventories, trade receivables, cash and cash equivalents short term loans and advances and other current assets. Current liabilities include short term borrowings, trade payables, other current liabilities and short-term provisions. During the period 2015-16 the current ratio was high indicating excess of working capital and during the year from 2016 to 2020, the ratio was less than the ideal ratio. So, we conclude that the management of working capital at Alleppey Co- operative spinning mill is not efficient.

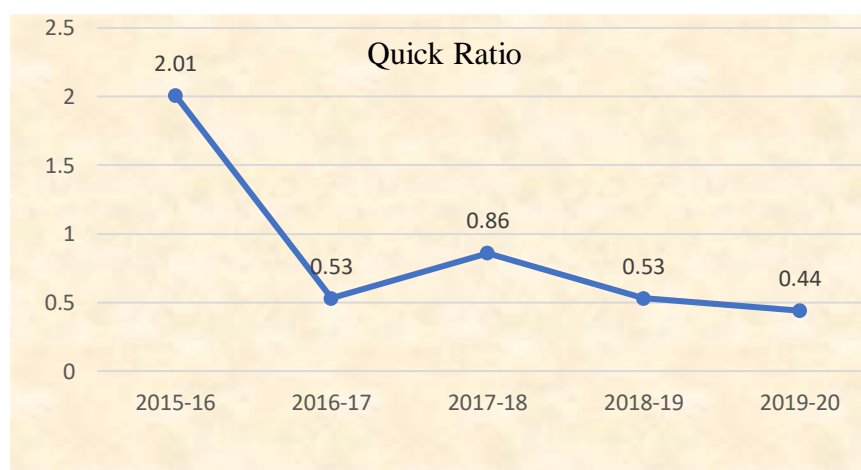
2. Quick Ratio

Table 5.2

Year	Quick Assets	Current Liability	Ratio
2015-16	\$ 58,239,989.5	\$ 28,983,839.68	2.01
2016-17	\$ 28,799,412.6	\$ 54,575,041.04	0.53
2017-18	\$ 63,966,416.7	\$ 74,342,237.32	0.86
2018-19	\$ 62,253,885	\$ 11,583,2872.83	0.53
2019-20	\$ 62,099,260.4	\$13,985,8354.49	0.44

Source: - Alleppey Co- operative spinning mill

Figure 5.2



The above table 5.2 shows that in year 2015-16 the quick ratio was 1.17, in year 2016-17 the ratio was 0.04. Generally, the accepted ratio is 1:1. In year 2017-18 it was 0.77, in year 2018-19 the ratio was 0.02 and the year 2019-20 it was 0.017.

Quick ratios include current investments, trade receivables, cash and cash equivalents, short term loans and advances and other current assets excluding stock and prepaid expenses. Current liabilities include short term borrowings, trade payables, other current liabilities and short-term provision. When comparing the current ratio and quick ratio, it is seen that the ratio having significant variation during various years. That means the current assets were high because of stock. So, we can conclude that the liquidity position of Alleppey Co-operative spinning mill is not efficient.

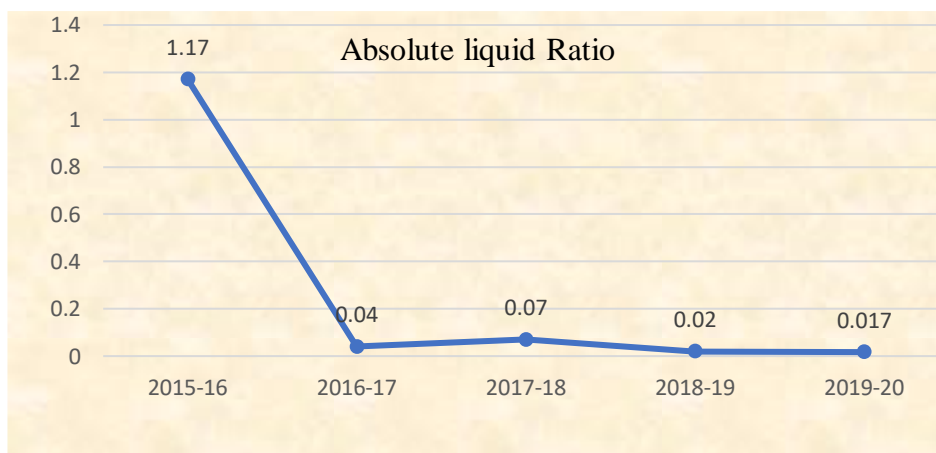
3. Absolute liquid Ratio

Table 5.3

Year	Cash	Current Liability	Ratio
2015-16	\$ 33,988,936.7	\$ 28,983,839.68	1.17
2016-17	\$ 21,43,170.29	\$ 54,575,041.04	0.04
2017-18	\$ 55,06,599.22	\$ 74,342,237.32	0.07
2018-19	\$ 25,94,615.17	\$ 11,583,2872.83	0.02
2019-20	\$ 23,30,653.55	\$13,985,8354.49	0.017

Source: - Alleppey Co- operative spinning mill

Figure 5.3



The above table 5.3 shows that in year 2015-16 the absolute ratio was 1.17, in year 2016-17 the ratio was 0.04. Generally, the accepted ratio is 0.75:1. In year 2017-18 it was 0.77, in year 2018-19 the ratio was 0.02 and the year 2019-20 it was 0.017.

Absolute liquidity ratio includes cash and current liabilities. It is also known as cash position ratio. In the year 2015 -16, the ratio was 1.17:1 and from the year 2016 to 2020 the ratio was below the standard. We can conclude that Alleppey Co- operative spinning mill cash position is not safe and company's day to day cash management is poor.

2. Activity Ratios

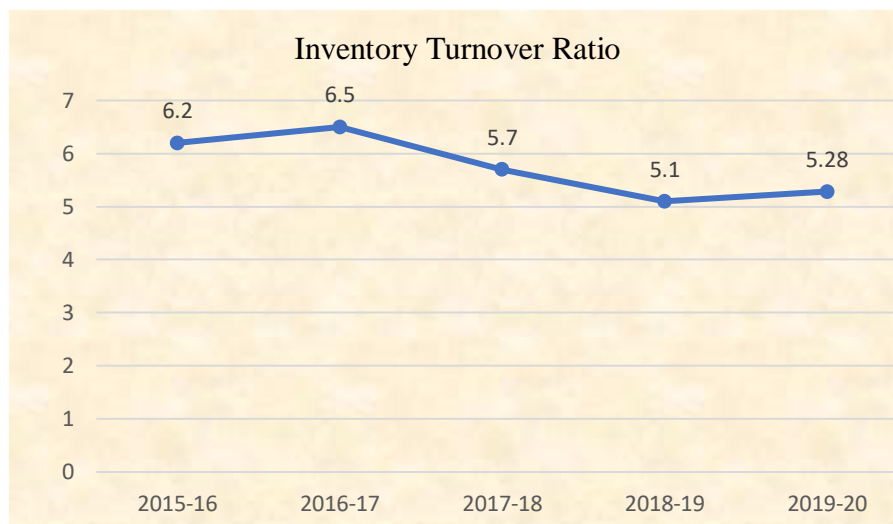
1. Inventory Turnover Ratio

Table 5.4

Year	Cost of goods sold	Average stock	Ratio
2015-16	\$ 104152902.99	\$ 16688374.53	6.2
2016-17	\$ 129212307.37	\$ 19918869.82	6.5
2017-18	\$ 104793069.11	\$ 18560042.60	5.7
2018-19	\$ 109285916.51	\$ 21455667.28	5.1
2019-20	\$ 113550933.33	\$21511587.07	5.28

Source: - Alleppey Co- operative spinning mill

Figure 5.4



The above table 5.4 shows that in year 2015-16 Inventory turnover ratio was 6.2, in year 2016-17 it was 6.5, the year 2017-18 it was 5.7, in year 2018-19 it was 5.1 and the year 2019-20 was 5.28.

Inventory turnover ratio indicates whether investment in inventory is efficiently used or not. It also measures the effectiveness of the firm's sales effort. When compared with other years 2015-16 and 2016-17 shows a brisk sale, but this was decreased to 5.7 in 2017-18 and 5.1 in 2018-19 and a slight increase in the last year of 2019-20.

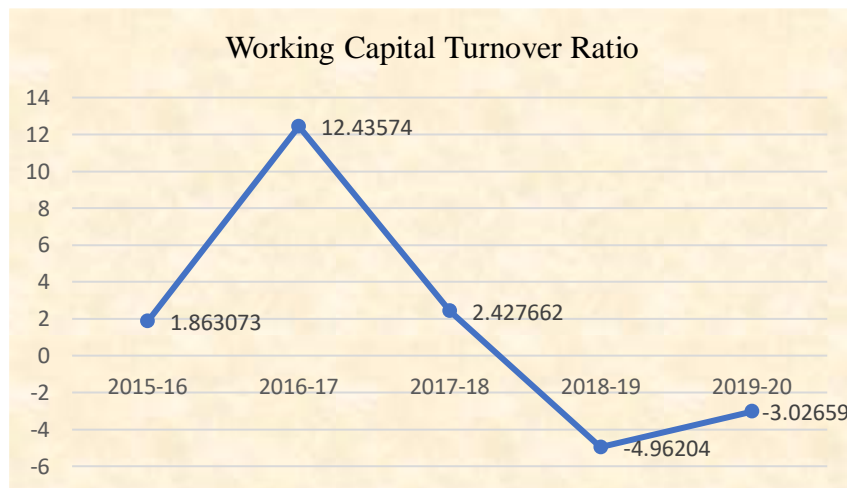
2. Working Capital Turnover Ratio

Table 5.5

Year	Net Sales	Net Working Capital	Ratio
2015-16	115637719.1	62068254.13	1.863073
2016-17	132074354	10620547.52	12.43574
2017-18	150680756.3	62068254.13	2.427662
2018-19	159397042.1	-32123320.52	-4.96204
2019-20	170238290	-56247506.99	-3.02659

Source: - Alleppey Co- operative spinning mill

Figure 5.5



The above table 5.5 shows that in year 2015-16 Working Capital turnover ratio was 1.86, in year 2016-17 it was 12.43, the year 2017-18 it was 2.42, in year 2018-19 it was -4.9 and the year 2019-20 was -3.02.

The ratio reflects the turnover of the firm's net working capital in the course of the year. It is a good measure of over trading and under trading. Only in 2016-17 it shows an higher ratio. In the last 2 years, the value of ratio was negative, which depicts the ineffectiveness of the company.

Computation of Correlation between Current assets and current liability

Year	X	X ²	Y	Y ²	XY
2015-16	91.1	8299.21	29	841	2641.9
2016-17	65.2	4251.04	54.6	2981.2	3559.9
2017-18	82.6	6822.76	74.3	5520.5	6137.2
2018-19	83.71	7007.43	115.8	13409.64	9693.6
2019-20	83.6	6988.96	139.9	19572.01	11695.6
n = 5	∑X = 406.21	∑X ² = 33,369.4	∑Y= 413.6	∑Y ² = 42,324.35	∑XY = 33,728.2

Table 5.6

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Current Assets (X in million)	91.1	65.2	82.6	83.71	83.6
Current Liability (Y in million)	29	54.6	74.3	115.8	139.9

$$\begin{aligned}
 \text{Karl Pearson's Co-efficient of Correlation (r)} &= \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2} \times \sqrt{N\sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 \times 33,728.2 - (406.21)(413.6)}{\sqrt{5 \times 33,369.4 - (406.21)^2} \sqrt{5 \times 42,324.4 - (413.6)^2}} \\
 &= \frac{632.544}{8640.1} \\
 &= 0.0734
 \end{aligned}$$

Here X is taken as current assets and Y is taken as current liability. The result shows that 'r' that is, coefficient of correlation between current assets and current liability of Alleppey Cooperative Spinning Mill is 0.0734. The value of 'r' is more than 0 and less than one and this indicates a case of imperfect positive correlation.

Computation of Correlation between Current assets and Expenses

Year	X	X ²	Y	Y ²	XY
2015-16	91.1	8299.21	153	23,409	13,938.3
2016-17	65.2	4251.04	174.5	30,450.25	11,377.4
2017-18	82.6	6822.76	208.1	43,305.6	17,189
2018-19	83.71	7007.43	250.8	62,900.6	20,994.46
2019-20	83.6	6988.96	249.4	62,200.36	20,849.84
n = 5	∑X = 406.21	∑X ² = 33,369.4	∑Y = 1035.8	∑Y ² = 222,265.81	∑XY = 84,349

Table 5.7

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Current Assets (X in million)	91.1	65.2	82.6	83.71	83.6
Expenses (Y in million)	153	174.5	208.1	250.8	249.4

$$\begin{aligned}
 \text{Karl Pearson's Co-efficient of Correlation (r)} &= \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2} \times \sqrt{N\sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 \times 84,349 - (406.21)(1035.8)}{\sqrt{5 \times 33,369.4 - (406.21)^2} \sqrt{5 \times 222,265.81 - (1035.8)^2}} \\
 &= \frac{442.685}{8408.4} \\
 &= 0.0526
 \end{aligned}$$

Here X is taken as current assets and Y is taken as Expenses. The result shows that 'r' that is, coefficient of correlation between current assets and expenses of Alleppey Cooperative Spinning Mill is 0.0526. The value of 'r' is more than 0 and less than one and this indicates a case of imperfect positive correlation.

Computation of Correlation between Current assets and Sales

Year	X	X ²	Y	Y ²	XY
2015-16	91.1	8299.21	115.6	13,363.36	10,531.16
2016-17	65.2	4251.04	132.1	17,450.41	8612.92
2017-18	82.6	6822.76	150.7	22,710.49	12,447.82
2018-19	83.71	7007.43	159.4	25,408.36	13,343.37
2019-20	83.6	6988.96	170.2	28,968.04	14,228.72
n = 5	∑X = 406.21	∑X ² = 33,369.4	∑Y = 728	∑Y ² = 107,900.66	∑XY = 59,163.99

Table 5.8

Year	2015-16	2016-17	2017-18	2018-19	2019-20
Current Assets (X in million)	91.1	65.2	82.6	83.71	83.6
Sales (Y in million)	115.6	132.1	150.7	159.4	170.2

$$\begin{aligned}
 \text{Karl Pearson's Co-efficient of Correlation (r)} &= \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{N\sum X^2 - (\sum X)^2} \times \sqrt{N\sum Y^2 - (\sum Y)^2}} \\
 &= \frac{5 \times 59,163.99 - (406.21)(728)}{\sqrt{5 \times 33,369.4 - (406.21)^2} \sqrt{5 \times 107,900.66 - (728)^2}} \\
 &= \frac{99.07}{4185.8} \\
 &= 0.023
 \end{aligned}$$

Here X is taken as current assets and Y is taken as Sales. The result shows that 'r' that is, coefficient of correlation between current assets and sales of Alleppey Cooperative Spinning Mill is 0.0236. The value of 'r' is more than 0 and less than one and this indicates a case of imperfect positive correlation.

WORKING CAPITAL SCHEDULES

Table 5.9

Schedule of changes in working capital for the rear ended at 31-3-2016 and 31-3-2017

Items	31-3-2016	31-3-2017	Increase in Working Capital	Decrease in Working Capital
Current Assets (A)				
Deposit & Advances	18530036.16	19037122.53	507086.37	
Receivables	103480.42	2283965.83	2180485.41	
Inventories	16688374.53	19918869.82	3230495.29	
Cash & bank balance	33988936.7	2143170.29		31845766.4
Other current assets	21741266	21812460.09	71194.09	
Total (A)	91,052,093.81	65,195,588.56		
Current Liability (B)				
Sundry Creditors	(5274499.18)	(5297918.53)		(23419.35)
Other Liabilities	34258338.86	59872959.57		25614620.7
Total (B)	28,983,839.68	54,575,041.04		

Net Working Capital	62,068254.1	10620547.5		
Decrease in Working Capital		51447706.6	51447706.6	
	62,068254.1	62,068254.1	57436967.7	57436967.7

Interpretation

From the above table, it depicts the changes in working capital. Net working capital for the year 31-3-2016 is 62,068254.1 and for the year 31-3-2017 is 10620547.5. Due to an increase in current liability in the year 31-3-2017 it leads to decrease in the working capital.

Table 5. 10

Schedule of changes in working capital for the year ended at 31-3-2017 and 31-3-2018

Items	31-3-2017	31-3-2018	Increase in Working Capital	Decrease in Working Capital
Current Assets (A)				
Deposit & Advances	19037122.53	24641214.73	5604092.2	
Receivables	2283965.83	2812759.60	528793.77	
Inventories	19918869.82	18560042.60		1358827.22
Cash & bank balance	2143170.29	5506588.22	3363417.93	
Other current assets	21812460.09	31005853.50	9193393.41	
Total (A)	65,195,588.56	82,526,458.65		
Current				

Liability (B)				
Sundry Creditors	(5297918.53)	(5323864.79)		(25,946.26)
Other Liabilities	59872959.57	79666102.1		19793142.5
Total (B)	54,575,041.04	74,342,237.32		
Net Working Capital (A-B)	10620547.5	8184221.33		
Decrease in Working Capital		2436326.17	2436326.17	
	10620547.5	10620547.5	21126023.5	21126023.5

Interpretation

From the above table, it depicts the changes in working capital. Net working capital for the year 31-3-2016 is 10620547.5 and for the year 31-3-2017 is 8184221.33. Due to an increase in current liability in the year 31-3-2018 it leads to decrease in the working capital.

Table 5.11

Schedule of changes in working capital for the year ended at 31-3-2018 and 31-3-2019

Items	31-3-2018	31-3-2019	Increase in Working Capital	Decrease in Working Capital
Current Assets (A)				
Deposit & Advances	24641214.73	29566868.10	4925653	
Receivables	2812759.60	5028773.04	2216013	
Inventories	18560042.60	21455667.28	2895625	
Cash & bank balance	5506588.22	2594615.17		2911973

Other current assets	31005853.50	25063628.72		5942225
Total (A)	82,526,458.65	83,709,552.31		
Current Liability (B)				
Sundry Creditors	(5323864.79)	(7569564.76)		(2245699.97)
Other Liabilities	79666102.1	123402438		43736335.9
Total (B)	74,342,237.32	11,583,2872.83		
Net Working Capital (A-B)	8184221.33	(3,21,23,320.52)		
Decrease in Working Capital		40307542	40307542	
	8184221.33	8184221.33	50344833.93	50344833.93

Interpretation

From the above table, it depicts the changes in working capital. Net working capital for the year 31-3-2018 is 8,184,221.33 and for the year 31-3-2019 is -3,21,23,320. Due to an increase in current liability in the year 31-3-2019 it leads to decrease in the working capital.

Table 5.12

Schedule of changes in working capital for the year ended at 31-3-2019 and 31-3-2020

Items	31-3-2019	31-3-2020	Increase in Working Capital	Decrease in Working Capital
Current Assets (A)				
Deposit & Advances	29566868.10	22053070.99		7513797.11
Receivables	5028773.04	2201061.71		2827711.33
Inventories	21455667.28	21511587.07	55919.79	
Cash & bank balance	2594615.17	2330653.55		263961.62
Other current assets	25063628.72	35514474.21	10450845.5	
Total (A)	83,709,552.31	83,610,847.5		
Current Liability (B)				
Sundry Creditors	(7569564.76)	(8364517.2)		(794952.44)
Other Liabilities	123402438	148222872		24820434
Total (B)	11,583,2872.83	13,985,8354.49		
Net Working Capital (A-B)	(3,21,23,320.52)	(56,247,507)		
Decrease in Working Capital		24124186.5	24124186.5	
	32123320.52	32123320.52	34630951.6	34630951.6

Interpretation

From the above table, it depicts the changes in working capital. Net working capital for the year 31-3-2019 is (3,21,23,320.52) and for the year 31-3-2020 is (56,247,507). Due to an increase in current liability in the year 31-3-2020 it leads to decrease in the working capital.

CHAPTER 6
FINDINGS OF THE STUDY

FINDINGS

- The current ratio was 3.14 in year 2016-17 the ratio was 1.19. The ideal current ratio is 2:1. In year 2017-18 it was 1.11, in year 2018-19 the ratio was 0.722 and the year 2019-20 it was 0.59. The management of working capital at Alleppey Co- operative spinning mill is not efficient.
- The quick ratio in year 2015-16 the quick ratio was 1.17, in year 2016-17 the ratio was 0.04. In year 2017-18 it was 0.77, in year 2018-19 the ratio was 0.02 and the year 2019-20 it was 0.017. The liquidity position of Travancore Sugars & Chemicals Ltd is not efficient.
- The absolute ratio in year 2015-16 was 1.17, in year 2016-17 the ratio was 0.04. Generally, the accepted ratio is 0.75:1. In year 2017-18 it was 0.77, in year 2018-19 the ratio was 0.02 and the year 2019-20 it was 0.017. Alleppey Co- operative spinning mill cash position is not safe and company's day to day cash management is poor.
- The inventory turnover ratio, when compared with other years 2015-16 and 2016-17 shows a brisk sale, but this was decreased to 5.7 in 2017-18 and 5.1 in 2018-19 and a slight increase in the last year of 2019-20.
- In 2016-17, the working capital turnover shows an higher ratio. In the last 2 years, the value of ratio was negative, which depicts the ineffectiveness of the company.
- The correlation between current assets and current liability of Alleppey Cooperative Spinning Mill is 0.0734. The value of 'r' is more than 0 and less than one and this indicates a case of imperfect positive correlation.
- The current assets and expenses of Alleppey Cooperative Spinning Mill is 0.0526. The value of 'r' is more than 0 and less than one and this indicates a case of imperfect positive correlation.
- The current assets and sales of Alleppey Cooperative Spinning Mill is 0.0236. The value of 'r' is more than 0 and less than one and this indicates a case of imperfect positive correlation.

- Schedule of changes in working capital shows, net working capital for the year 31-3-2016 is 62,068,254.1 and for the year 31-3-2017 is 106,205,477.5. Due to an increase in current liability in the year 31-3-2017 it leads to decrease in the working capital.
- Schedule of changes in working capital shows, net working capital for the year 31-3-2016 is 106,205,477.5 and for the year 31-3-2017 is 81,842,211.33. Due to an increase in current liability in the year 31-3-2018 it leads to decrease in the working capital.
- Schedule of changes in working capital shows, net working capital for the year 31-3-2018 is 8,184,221.33 and for the year 31-3-2019 is -3,21,23,320. Due to an increase in current liability in the year 31-3-2019 it leads to decrease in the working capital.
- Schedule of changes in working capital shows, net working capital for the year 31-3-2019 is (3,21,23,320.52) and for the year 31-3-2020 is (56,247,507). Due to an increase in current liability in the year 31-3-2020 it leads to decrease in the working capital.

CHAPTER 7
CONCLUSION

CONCLUSION

Current assets and Current Liability analysis play an very important role in providing facts and figures for the decision makers. The study was conducted in ALLEPPY CO-OPERATIVE SPINNING MILLS, KAREELAKULANGARA, KERALA, a Kerala Government Company incorporated in July 21, 1981 with registered office and factory at Pathiyur village, Kayamkulam. The main objective of the study was to analyze the liquidity and profitability of the company and to secure practical knowledge regarding different aspects of the company. It helped me to get familiarize with a real-world organization system and to understand the various levels in the organization. The method adopted for the study was primary and secondary data collection. Data were collected from the balance sheet, annual report and company website and audit report. The study was conducted by the tools such as ratio analysis, changes in working capital, correlation. The study comes to the conclusion that the company is not in a good position. From the study of 5-year analysis came to the conclusion that for the last 5 years the company is facing losses, the shutdown cost is much higher. The suggestion is that, the company's shut down cost can be reduced to an extent when there are power generators and the company has to increase efficiency in maximum utilization of its resources effectively, to increase export, so that can lead to an increase in revenue.

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ANNEXURES

2015-16 (Balance sheet and Profit & Loss A/c)

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD
S.T.S, KAREELAKULANGARA, KAYAMKULAM
BALANCESHEET AS ON 31-03-2016

PARTICULARS	SCH-NO:	AMOUNT
SOURCES OF FUNDS		
SHARE CAPITAL (ISSUED & PAIDUP)	SCH-A	71590000.00
LOAN FUNDS		293859625.65
SECURED AND UNSECURED LOANS	SCH-B	365449625.65
TOTAL		
APPLICATION OF FUNDS		
FIXED ASSET		
GROSS BLOCK	103449114.06	
LESS - DEPRECIATION	6615428.95	96833685.11
NET BLOCK	SCH-C	100.00
INVESTMENTS-SHARES OF ADCE		5000.00
INVESTMENTS-SHARES OF TEXED		505.00
INVESTMENTS-RAIDCO		
CURRENT ASSETS, DEPOSITS & ADVANCE	SCH-D	91,052,093.81
LESS CURRENT LIABILITIES AND PROVISIONS	SCH-E	28,983,839.68
NET CURRENT ASSETS		62068254.13
PROFIT AND LOSS ACCOUNT	SCH-F	206542081.41
TOTAL		365449625.65

For Madhusudan and Fikal
Chartered Accountants
F.R.No: 0055715

P.M. VINODKUMAR
Membership No: 038571
Place: Calicut
Date: 24/09/2016

For ALLEPPEY CO-OPERATIVE SPINNING MILL LTD

SREEKUMAR P S

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD
S.T.S, KAREELAKULANGARA, KAYAMKULAM
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2016

PARTICULARS	SCHEDULE	AMOUNT
A) INCOME		
Sales	SCH-1	115637719.14
Stock Differential	SCH-3	(1573104.96)
VOP		114064614.18
Miscellaneous Income	SCH-2	2062602.05
TOTAL		116127216.23
B) EXPENDITURE		
Consumption Of Raw Material	SCH-4	68165433.15
Electricity Charges		23728408.00
Labour Costs	SCH-5	37560574.80
Factory Overhead	SCH-6	3129054.00
Administrative Overhead	SCH-7	3690488.04
Selling And Distribution	SCH-8	5315804.00
Finance Charges	SCH-9	11205659.00
TOTAL		152795420.99
Profit / (Loss) Before Depreciation		(36668204.76)
Depreciation		6615428.95
Net profit / (loss) for the year		(43283633.71)
Net profit or (loss) transferred to Balancesheet		(43283633.71)

For Madhusudan and Fikal
Chartered Accountants
F.R.No: 0055715

P.M. VINODKUMAR
Membership No: 038571
Place: Calicut
Date: 24/09/2016

For ALLEPPEY CO-OPERATIVE SPINNING MILL LTD

SREEKUMAR P S


2016-17(Balance sheet and Profit & Loss A/c)

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD.
S.T.S, KAREELAKULANGARA, KAYAMKULAM
BALANCESHEET AS ON 31-03-2017

PARTICULARS	SCH-NO:	AMOUNT
SOURCES OF FUNDS		
SHARE CAPITAL (ISSUED & PAIDUP)	SCH-A	71590000.00
LOAN FUNDS	SCH-B	416812197.65
SECURED AND UNSECURED LOANS		488,402,197.65
TOTAL		
APPLICATION OF FUNDS		
FIXED ASSET		234949009.07
GROSS BLOCK		5764961.32
LESS-DEPRECIATION	SCH-C	229184127.75
NET BLOCK		100.00
INVESTMENTS-SHARES OF ADCP		5000.00
INVESTMENTS-SHARES OF TEAFED		503.00
INVESTMENTS-RAIDCO	SCH-D	65,195,588.56
CURRENT ASSETS, DEPOSITS & ADVANCE	SCH-E	54,573,041.04
LESS CURRENT LIABILITIES AND PROVISIONS		10620547.52
NET CURRENT ASSETS		248591917.38
PROFIT AND LOSS ACCOUNT	SCH-F	488,402,197.65
TOTAL		

For BIJIMOL G & ASSOCIATES
Chartered Accountants
F.R.No: 00160375
BIJIMOL G
Membership No: 224341
Place: Malappuram
Date: 31/02/2017

For ALLEPPEY CO-OPERATIVE SPINNING MILL LTD
SREEKUMAR P S




THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD.
S.T.S, KAREELAKULANGARA, KAYAMKULAM
PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31-03-2017

PARTICULARS	SCHEDULE	AMOUNT
A) INCOME		
Sales	SCH-1	132,074,354.00
Stock Differential	SCH-3	4,926,023.70
VOP		137,000,377.70
Miscellaneous income	SCH-2	1,270,943.00
TOTAL		138,271,320.70
B) EXPENDITURE		
Consumption Of Raw Material	SCH-4	88,031,631.43
Electricity Charges		25,540,860.00
Labour Costs	SCH-5	36,254,652.24
Factory Overhead	SCH-6	2,360,950.09
Administrative Overhead	SCH-7	2,474,552.67
Selling And Distribution	SCH-8	5,099,764.00
Finance Charges	SCH-9	14,763,630.00
TOTAL		174,526,040.43
Profit And Loss Before Depreciation		(36,254,719.73)
Depreciation		5,764,961.32
Netprofit for the year		(42,019,681.05)
Prior period adjustment	SCH-10	30154.92
Net profit or loss transferred to Balancesheet		(42,049,835.97)

For BIJIMOL G & ASSOCIATES
Chartered Accountants
F.R.No: 00160375
BIJIMOL G
Membership No: 224341
Place: Malappuram
Date: 31/10/2017

For ALLEPPEY CO-OPERATIVE SPINNING MILL LTD
SREEKUMAR P S



2017-18(Balance sheet and Profit & Loss A/c)

KAREFLAKULANGARA KAYAMKULAM
Profit & Loss A/c. as on 31-03-2018

COME	Sch. No.	Amount Rs. Ps.
Sales	13	15,06,60,756.28
Other Income	14	6,56,703.00
Change in Stock Level	15	28,22,629.40
Total :-		15,41,60,088.68
EXPENDITURE		
Consumption of Raw Materials	16	10,19,70,439.71
Salary, Wages & Other benefits	17	3,92,48,792.51
Interest & Bank Charges	18	1,87,59,304.92
Repair & Maintenance	19	11,57,943.00
Expenses for Operation & Administration	20	34,40,089.78
Selling & Distribution Expenses	21	47,54,867.00
Power & Fuel	22	2,90,01,444.00
Depreciation	23	97,75,162.05
Total :-		20,81,08,042.97
Profit / Loss		5,39,47,954.29
Total :-		15,41,60,088.68

For The Alleppey Co-operative Spinning Mills Ltd.
P.S. Sreekrishnan
General Manager

As per our report attached

For SASI VIJAYAN & RAJAN
Chartered Accountants
FRN 003629S

CA. G. DILEEP KUMAR B.Sc., F.C.A.
Partner
M.No. 104319

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD., S.T.S, KAREFLAKULANGARA, KAYAMKULAM
BALANCE SHEET AS AT 31ST MARCH 2018

Note No.	LIABILITIES	Rs. Ps.	Note No.	ASSETS	Rs. Ps.
1	Share Capital	9,19,05,618.00	4	Fixed Assets	31,94,98,623.64
2	Secured Loan	4,20,936.00	5	Investment & Deposits	5,605.00
3	Unsecured Loan	53,79,01,767.64		Current Asset - Loans & Advances	
10	Current Liabilities & Provisions	7,43,42,237.32	6	Closing Stock	1,85,60,042.60
			7	Sundry Debtors	28,12,759.60
			9	Loans & Advances	2,46,41,214.73
			8	Cash & Bank balance	55,06,588.22
			11	Profit & Loss A/c.	30,25,39,871.67
			12	Other Current Assets	3,10,05,853.50
Total		70,45,70,558.96	Total		70,45,70,558.96

As per our report attached

For The Alleppey Co-operative Spinning Mills Ltd.
P.S. Sreekrishnan
General Manager

For SASI VIJAYAN & RAJAN (FRN: 003629S)
CHARTERED ACCOUNTANTS

G.DILEEP KUMAR F.C.A.
Partner
M.No.104319

2018-19(Balance sheet and Profit & Loss A/c)

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD., S.T.S.
KAREELAKULANGARA KAYAMKULAM

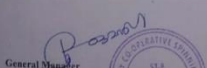
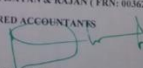
Profit & Loss A/c. as on 31-03-2019

INCOME	Sch. No.	Amount	
		Rs.	Ps.
Sales	13	15,93,97,042.05	
Other Income	14	9,77,756.00	
Change in Stock Level	15	28,95,624.68	
Total :-			16,32,70,422.73
EXPENDITURE			
Consumption of Raw Materials	16	10,63,90,291.83	
Salary, Wages & Other benefits	17	4,14,05,316.52	
Interest & Bank Charges	18	4,35,42,909.58	
Repair & Maintenance	19	10,08,818.63	
Expenses for Operation & Administration	20	31,70,366.48	
Selling & Distribution Expenses	21	47,04,279.46	
Power & Fuel	22	3,04,52,862.27	
Depreciation	23	2,02,07,299.49	
Total :-			25,08,82,144.26
Profit / Loss			8,76,11,721.53
Total :-			16,32,70,422.73


As per our report attached

For The Alleppey Co Operative Spinning Mills Ltd. For SASI VIJAYAN & RAJAN (FRN: 003629S)

General Manager CHARTERED ACCOUNTANTS

General Manager G.DILEEP KUMAR F.C.A.

 Partner

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD., S.T.S. KAREELAKULANGARA KAYAMKULAM

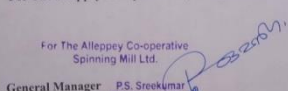

BALANCE SHEET AS AT 31ST MARCH 2019

Note No.	LIABILITIES	Rs. Ps.	Note No.	ASSETS	Rs. Ps.
1	Share Capital	9,19,05,618.00	4	Fixed Assets	31,94,98,623.64
2	Secured Loan	4,20,936.00	5	Investment & Deposits	5,605.00
3	Unsecured Loan	53,79,01,767.64		Current Asset - Loans & Advances	
10	Current Liabilities & Provisions	7,43,42,237.32	6	Closing Stock	1,85,60,042.60
			7	Sundry Debtors	28,12,759.60
			9	Loans & Advances	2,46,41,214.73
			8	Cash & Bank balance	55,06,588.22
			11	Profit & Loss A/c.	30,25,39,871.67
			12	Other Current Assets	3,10,05,853.50
Total		70,45,70,558.96	Total		70,45,70,558.96

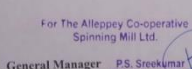
As per our report attached

For The Alleppey Co Operative Spinning Mills Ltd. For SASI VIJAYAN & RAJAN (FRN: 003629S)

General Manager CHARTERED ACCOUNTANTS

General Manager G.DILEEP KUMAR F.C.A.

 Partner

M.No.104319

2019-2020(Balance sheet and Profit & Loss A/c)

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD., S.T.8, KAREELAKULANGARA, KAYAMKULAM.
BALANCE SHEET AS AT 31ST MARCH 2020

Note No.	LIABILITIES	Rs. Ps.	Note No.	ASSETS	Rs. Ps.
1	Share Capital	10,55,32,000.00	4	Fixed Assets	36,34,85,488.10
2	Secured Loan	1,92,059.00	5	Investment & Deposits	5,100.00
3	Unsecured Loan	67,00,96,014.22		Current Asset - Loans & Advances	
10	Current Liabilities & Provisions	13,98,58,354.49	6	Closing Stock	2,15,11,587.07
			7	Sundry Debtors	22,01,061.71
			9	Loans & Advances	2,20,53,070.99
			8	Cash & Bank balance	23,30,653.55
			11	Profit & Loss A/c.	46,85,76,992.08
			12	Other Current Assets	3,55,14,474.21
	Total	91,56,78,427.71		Total	91,56,78,427.71

As per our report attached

THE ALLEPPEY CO-OPERATIVE SPINNING MILLS LTD., S.T.8,
BALANCE SHEET AS AT 31ST MARCH 2020
KAREELAKULANGARA KAYAMKULAM

Profit & Loss Account as on 31-03-2020

INCOME	Sch. No.	Amount
Sales	13	17,02,38,290.00
Other Income	14	7,10,379.40
Change in Stock Level	15	55,919.79
Total :-		17,10,04,589.19
EXPENDITURE		
Consumption of Raw Materials	16	11,34,95,013.54
Salary, Wages & Other benefits	17	4,21,44,719.84
Interest & Bank Charges	18	4,47,59,615.75
Repair & Maintenance	19	11,75,628.37
Expenses for Operation & Administration	20	26,70,160.01
Selling & Distribution Expenses	21	48,09,499.88
Power & Fuel	22	3,53,89,332.68
Depreciation	23	49,86,018.00
Total :-		24,94,29,988.07
Profit/ Loss		- 7,84,25,398.88
Total :-		17,10,04,589.19

As per our report attached