



Assets Management in Textile Sector-A Case Study of Bombay Dyeing

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Abstract

The profitability of any company depends on various factors, one such factor is assets management. Higher the utilization of assets, higher will be the profit. There will be a decrease in returns if the assets are underutilized. Therefore to maximize the profits, the assets are to be utilized to the optimum level and investments should be made on such assets only. While considering such investment proposal, utmost care has to be taken. Moreover, the selection of proper investment proposals is very significant because of the serious drawbacks like, inflexibility and uncertainty. In this paper an attempt is made to study the assets management practices in textile sector in general and Bombay Dyeing in particular.

Introduction

There are two types of expenditure which are incurred in any company i.e., Capital Expenditure and Revenue or operating Expenditure. The expenditure that is incurred within a year is called as Revenue or Operating Expenditure and the amount that is incurred for one time and benefits are realized for a period exceeding one year is called as capital expenditure. Investment on fixed assets is a capital expenditure, but capital expenditure does not mean investment on fixed assets alone. The motives for capital expenditure may be to acquire, replace or modernize fixed assets are to obtain some benefit over a longer period.

Objectives of the Study

1. To understand the concept of assets management
2. To evaluate the assets management practices in Bombay Dyeing.

Period of Study

The current study is made for the period 2017-18 to 2021-22.

Data Analysis & Interpretation

Table 1: Fixed Assets Turnover Ratio

(Amount in Rs. Crores)

Year	Fixed Assets	Sales	Fixed Assets Turnover Ratio
2017-18	552.17	2692.75	4.88
2018-19	523.75 (-5.15)	4429.76 (64.51)	8.46
2019-20	510.48 (-2.53)	1894.62 (-57.23)	3.71
2020-21	481.33 (-5.71)	1193.42 (-37.01)	2.48
2021-22	462.53 (-3.91)	2000.92 (67.66)	4.33
Average	506.05	2442.29	4.77
Standard Deviation	35.23	1231.58	2.25

Source: Annual Reports of the Company

Interpretation

- **Fixed Assets:** From Table-5 it is clear that the average fixed assets per year stood at Rs. 506.05 crores with a standard deviation of Rs. 35.23 crores. The highest annual growth rate was recorded in the year 2019-20 with -2.53 per cent and lowest rate is recorded in the year 2020-21 with -5.71 per cent.
- **Sales:** During the period of the average sales was recorded as Rs. 2442.29 with a standard deviation of Rs. 1231.58 crores. The highest annual growth rate was recorded in the year 2021-22 with 67.66 per cent and lowest rate is recorded in the year 2019-20 with -57.23 per cent.
- **Fixed Assets Turnover Ratio:** From the table it can be observed that the average fixed assets turnover ratio is 4.77 with a standard deviation of 2.25. The highest ratio was recorded in the year 2018-19 with 8.46 and lowest was recorded in the year 2020-21 with 2.48.

Table 2: Financial Assets Turnover Ratio

(Amount in Rs. Crores)

Year	Financial Assets	Sales	Financial Assets Turnover Ratio
2017-18	992.63	2692.75	2.71
2018-19	1099.88 (10.80)	4429.76 (64.51)	4.03
2019-20	382.18 (-65.25)	1894.62 (-57.23)	4.96
2020-21	478.74 (25.27)	1193.42 (-37.01)	2.49

2021-22	389.07 (-18.73)	2000.92 (67.66)	5.14
Average	668.50	2442.29	3.87
Standard Deviation	349.01	1231.58	1.23

Source: Annual Reports of the Company

Interpretation

- **Financial Assets:** From Table-2 it is clear that the average financial assets per year stood at Rs. 668.50 crores with a standard deviation of Rs. 349.01 crores. The highest annual growth rate was recorded in the year 2020-21 with 25.27 per cent and lowest rate is recorded in the year 2019-20 with -65.25 per cent.
- **Sales:** During the period of the average sales was recorded as Rs. 2442.29 with a standard deviation of Rs. 1231.58 crores. The highest annual growth rate was recorded in the year 2021-22 with 67.66 per cent and lowest rate is recorded in the year 2019-20 with -57.23 per cent.
- **Financial Assets Turnover Ratio:** From the table it can be observed that the average financial assets turnover ratio is 3.87 with a standard deviation of 1.23. The highest ratio was recorded in the year 2021-22 with 5.14 and lowest was recorded in the year 2017-18 with 2.71.

Table 3: Other Non-current Assets Turnover Ratio

(Amount in Rs. Crores)

Year	Other Non-current Assets	Sales	Other Non-current Assets Turnover Ratio
2017-18	72.12	2692.75	37.34
2018-19	73.18 (1.47)	4429.76 (64.51)	60.53
2019-20	55.20 (-24.57)	1894.62 (-57.23)	34.32
2020-21	115.36 (108.99)	1193.42 (-37.01)	10.35
2021-22	110.80 (-3.95)	2000.92 (67.66)	18.06
Average	85.33	2442.29	32.12
Standard Deviation	26.37	1231.58	19.44

Source: Annual Reports of the Company

Interpretation

- **Other Non-current assets:** From Table-3 it is understood that the average other non-current assets per year stood at Rs. 85.33 crores with a standard deviation of Rs. 26.37 crores. The highest annual growth rate was recorded in the year 2020-21 with 108.99 per cent and lowest rate is recorded in the year 2019-20 with -24.57 per cent.

- **Sales:** During the period of the average sales was recorded as Rs. 2442.29 with a standard deviation of Rs. 1231.58 crores. The highest annual growth rate was recorded in the year 2021-22 with 67.66 per cent and lowest rate is recorded in the year 2019-20 with -57.23 per cent.
- **Other Non-current Assets Turnover Ratio:** From the table it can be observed that the average other non-current assets turnover ratio is 32.12 with a standard deviation of 19.44. The highest ratio was recorded in the year 2018-19 with 60.53 and lowest was recorded in the year 2020-21 with 10.35.

Table 4: Investments Turnover Ratio

(Amount in Rs. Crores)

Year	Investments	Sales	Investments Turnover Ratio
2017-18	3.68	2692.75	731.73
2018-19	3.63 (-1.36)	4429.76 (64.51)	1220.32
2019-20	3.59 (-1.10)	1894.62 (-57.23)	527.75
2020-21	3.52 (-1.95)	1193.42 (-37.01)	339.04
2021-22	3.45 (-1.99)	2000.92 (67.66)	579.98
Average	3.57	2442.29	679.76
Standard Deviation	0.09	1231.58	333.18

Source: Annual Reports of the Company

Interpretation

- **Investments:** From Table-4 it can be observed that the average investments per year stood at Rs. 3.57 crores with a standard deviation of Rs. 9 lakhs. The highest annual growth rate was recorded in the year 2019-20 with -1.10 per cent and lowest rate is recorded in the year 2021-22 with -1.99 per cent.
- **Sales:** During the period of the average sales was recorded as Rs. 2442.29 with a standard deviation of Rs. 1231.58 crores. The highest annual growth rate was recorded in the year 2021-22 with 67.66 per cent and lowest rate is recorded in the year 2019-20 with -57.23 per cent.
- **Investments Turnover Ratio:** From the table it can be observed that the average investments turnover ratio is 679.76 with a standard deviation of 333.18. The highest ratio was recorded in the year 2018-19 with 1220.32 and lowest was recorded in the year 2020-21 with 339.04.

Table 5: Inventory Turnover Ratio

(Amount in Rs. Crores)

Year	Inventory	Sales	Inventory Turnover Ratio
2017-18	409.00	2692.75	6.58
2018-19	2200.52 (438.02)	4429.76 (64.51)	2.01
2019-20	2423.77 (10.15)	1894.62 (-57.23)	0.78
2020-21	2043.14 (-15.70)	1193.42 (-37.01)	0.58
2021-22	1814.53 (-11.19)	2000.92 (67.66)	1.10
Average	1778.19	2442.29	2.21
Standard Deviation	797.08	1231.58	2.50

Source: Annual Reports of the Company

Interpretation

- **Inventory:** From Table-5 it is clear that the average inventory per year stood at Rs. 1778.19 crores with a standard deviation of Rs. 797.08 crores. The highest annual growth rate was recorded in the year 2018-19 with 438.02 per cent and lowest rate is recorded in the year 2020-21 with -15.70 per cent.
- **Sales:** During the period of the average sales was recorded as Rs. 2442.29 with a standard deviation of Rs. 1231.58 crores. The highest annual growth rate was recorded in the year 2021-22 with 67.66 per cent and lowest rate is recorded in the year 2019-20 with -57.23 per cent.
- **Inventory Turnover Ratio:** From the table it can be observed that the average inventory turnover ratio is 2.21 with a standard deviation of 2.50. The highest ratio was recorded in the year 2017-18 with 6.58 and lowest was recorded in the year 2020-21 with 0.78.

Conclusion

The company utilized the fixed assets to some extent only but still they can be utilized effectively. The volume of funds invested in fixed assets is reasonably good at present. The investment turnover ratio of the company is also considerably good. The company can adopt suitable purchasing policy with respect to inventory covering the fixation of lead time for procurement of various raw materials such that the total cost of maintaining inventories at a minimum level. The functions of inventory management such as material planning and programming, inventory control, warehousing and store keeping and disposal of scrap and surplus from stores, should appoint technically qualified personnel exclusively recruited and trained for the job.

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