A Study on Dividend Policy in Textile Industry

S.SINDHU MANCHIRI

(REG NO.17PBA021)

A Major Project Report Submitted to

Avinashilingam Institute for Home Science and Higher Education for Women,

Coimbatore-641 043

In Partial Fulfillment of the Requirements for the Degree of

Masters in Business Administration

April, 2019

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CERTIFIED AS BONAFIDE RESEARCH WORK

Signature of the Supervisor	**Signature of the Head of the Department**	**Signature of the External Examiner**

ACKNOWLEDGEMENT

First and foremost, the researcher would like to thank **GOD,** the almighty for endowing his immense blessing that helped in each step of progress towards successful completion of the project.

The researcher is indebted to thank our Padma Shri **Dr.P.R.KrishnaKumar**, Chancellor, **Dr.Premavathy Vijayan**, Vice Chancellor and **Dr.S.Kowsalya**,Registrar, of Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore, for their supportive encouragement and academic interest shown towards the student.

The Researcher wishes to express her deep sense of gratitude and grateful thanks to **Dr.SarojaPrabhakaran,** Director, The Hall of Residence,for her endless support and encouragement throughout the project.

The Researcher conveys her utmost gratitude to **Dr.U.Jerinabi**, Dean, School of Commerce and Management for her valuable support and for her constant encouragement for all endeavors.

The Researchers extends her heartfelt thanks to **Dr.A.Pankajam** Associate Professor, Head of the Department, Department of Business Administration, for her valuable assistance and for providing the opportunity to carry out the project successfully.

It is the Researcher's honor and privilege to express her immense gratitude to her project guide **Dr.R.Hemavathy**, Assistant Professor, Department of Business Administration, for her generous guidance, sustained inspiration and valuable suggestion rendered throughout the project work.

The Researcher express her sincere gratitude to all the **Faculty Members** of Department of Business Administration, for their timely help, continuous support and guidance throughout the project work.

The researcher owes her thanks to **Mr. Jaichandran,** Managing Director of **Rith Apparels**, for having permitted her to carry out the project, for providing facility and ambient environment to carry out the project work.

Last but certainly not the least, the researcher would like to extend her deep sense of gratitude to her family members and her friends for their constant encouragement with timely suggestions and moral support behind this project work.

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SYNOPSIS

The project report is the outcome of the study titled **"A Study on Dividend Policy in Textile Industry"**. The primary objective of the study is to find the capital structure level of Rith Apparels.

The study is based on the secondary data. The data collected for the period of five years from 2014- 2018.

This study reveals the correlation of different variables such as liquidity leverage size and growth provision for taxation with dividend payout.

The collected data was analysed using ratios comparative and common size balance sheet statement, correlation and regression. It has been found that dividend policy has a significant impact on the share holders of Rith Apparels.

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CHAPTER I

INTRODUCTION

1.1 TEXTILE INDUSTRY

India’s textiles sector is one of the oldest industries in Indian economy dating back several centuries. India's overall textile exports during FY 2017-18 stood at US$ 39.2 billion. The Indian textiles industry is extremely varied, with the hand-spun and hand-woven textiles sectors at one end of the spectrum, while the capital intensive sophisticated mills sector at the other end of the spectrum. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of the textile industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles make the Indian textiles sector unique in comparison to the industries of other countries. The Indian textile industry has the capacity to produce a wide variety of products suitable to different market segments, both within India and across the world.

India Textile Industry is one of the leading textile industries in the world. Though was predominantly unorganized industry even a few years back, but the scenario started changing after the economic liberalization of Indian economy in 1991. The opening up of economy gave the much-needed thrust to the Indian textile industry, which has now successfully become one of the largest in the world.

India textile industry largely depends upon the textile manufacturing and export. It also plays a major role in the economy of the country. India earns about 27% of its total foreign exchange through textile exports. Further, the textile industry of India also contributes nearly 14% of the total industrial production of the country. It also contributes around 3% to the GDP of the country. India textile industry is also the largest in the country in terms of employment generation. It not only generates jobs in its own industry, but also opens up scopes for the other ancillary sectors. India textile industry currently generates employment to more than 35 million people.

The textile industry is primarily concerned with the design, production and distribution of yarn, cloth and clothing. The raw material may be natural, or synthetic using products of the chemical industry. The worldwide market for textiles and apparel exports in 2013 according to United Nations Commodity Trade Statistics Database stood at $772 billion. The largest exporters of textiles in 2013 were China ($274 billion), India ($40 billion), Italy ($36 billion), Germany ($35 billion), Bangladesh ($28 billion) and Pakistan ($27 Billion). In 2016, the largest apparel exporting nations were China ($161 billion), Bangladesh ($28 billion), Vietnam ($25 billion), India ($18 billion), Hong Kong ($16 billion), Turkey ($15 billion) and Indonesia ($7 billion). India's textiles sector is one of the oldest industries in Indian economy dating back several centuries. India's overall textile exports during FY 2017-18 stood at US$ 39.2 billion.

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currently generates employment to more than 35 million people. It is also estimated that, the industry will generate 12 million new jobs by the year 2010.

Indian textile industry can be divided into several segments, some of which can be listed as below:

- Cotton textiles
- Silk textiles
- Woolen textiles
- Readymade Garments
- Hand-Crafted textiles
- Jute and Coir

India textile industry is one of the leading in the world. Currently it is estimated to be around US$ 52 billion and is also projected to be around US$ 115 billion by the year 2012. The current domestic market of textile in India is expected to be increased to US$ 60 billion by 2012 from the current US$ 34.6 billion. The textile export of the country was around US$ 19.14 billion in 2006-07, which saw a stiff rise to reach US$ 22.13 in 2007-08. The share of exports is also expected to increase from 4% to 7% within 2012.

HISTORY OF TEXTILE INDUSTRY

The record of ancient and medieval Indian textiles exists mostly in literature and sculpture. There is archaeological evidence of a cotton textile industry at Mohenjo-Daro in the Indus Valley around 3000 B.C., and a few fragments survive from much later periods. Most of the extant textiles are dated after the seventeenth century, because the monsoon climate has been very destructive to early specimens. The Greeks with Alexander the Great wrote of the fine flowered muslins and robes embroidered in gold they had seen in India. They may also have seen the cotton fibre that grew on trees. A handbook of administration, the Arthasastra, tentatively dated to the third century B.C.,[1] dealt with methods for distributing materials to spinners and weavers whether the workers were guild members or worked privately at home. At that time few occupations were open to women. Indeed, women who elected not to marry were not allowed to hold jobs. However, weaving was permitted to widows and retired prostitutes. The Arthasastra gave the penalties for fraudulent practices and listed the taxes to be paid by weavers. Among the

textiles mentioned were white bark cloth from Bengal, linen from Banaras, cottons from south India, and several kinds of blankets, the best described as being slippery and soft.

In ancient and medieval India, the textile industries were politically controlled, and if a ruler was favorably disposed towards the arts, weaving prospered. Differentiation was made between the rural textiles woven for the masses and those made in state workshops for royalty and the well-to-do in other countries (Plate 48). The best workmanship was found in the ritual hangings for temples, and even in modern times it has been considered preferable to destroy worn ones rather than allow them to fall into foreign hands. Few good commentaries survive from the early medieval period (900 - 1200 A.D.) when terms were used inconsistently. Fabric names apparently represented the places where they were woven, and details about weaving techniques were scanty.

The Muslim period in India extended from around 1200 A.D. to 1760 when the British took over. A succession of sultans controlled most of India until Genghis Khan attacked early in the thirteenth century and Tammerlane invaded in the late fourteenth. Marco Polo left detailed accounts of the people and industries of the coastal regions of India in the late thirteenth century. He mentioned seeing on the Coromandel Coast the finest and most beautiful cloth in all the world-buckrams like the tissues of spider webs, and he observed dyeing with indigo in the great textile center of Cambay and spinning of cotton in Gujarat. Under the Sultan of Delhi (1325-1351) price controls for food, cloth, and other commodities were initiated to help fight inflation. A permit was required to buy silks, satins, and brocades, and only the well-to-do were allowed to have them. The sultan employed four thousand silk weavers who made robes of honour, hangings, and gifts of gold brocade for foreign dignitaries. Babur, a descendant of Genghis Khan, founded a new and important dynasty, the Mogul, in 1526. A series of great rulers-the greatest Akbar who ruled for the second half of the sixteenth century-governed a glorious empire where the textile arts flourished until the late seventeenth century. Some of the best accounts of Indian textiles were written by European ambassadors to the Mogul courts. Fabulous horse and elephant trappings, as well as the apparel, pillows, and wall hangings, were remarked upon. A king always wore a garment but once. There were marvelous gold brocades called kimhabs, or kincobs, from Banaras. Writers proclaimed on the sheerness of Dacca muslins, called evening dew, running water, or sweet-like-sherbert. Seventy-three

yards, a yard wide, weighed only one pound. By comparison, the finest Swiss cottons ever made were at best sixteen or seventeen yards to the pound. European settlements appealed in India in the latter part of the Mogul period. Motivated by the desire to break the spice trade monopoly held by Venice and the Arabs, Vasco da Gama found the sea route to India by sailing around Africa in 1498, and by 1510 the Portuguese had jurisdiction in Goa on the west coast of India. For a short time, they controlled the Asian trade by taking over the port of Malacca (near Singapore), where they met trading junks from China. The Portuguese carried pintados (painted cottons) east from India to trade for spices.

Indian textiles were more important to the Dutch and the English than to the Portuguese. The Dutch East India Company was chartered in 1597, the East India Company in 1600. Their ships went first to India with bullion to exchange for the cotton textiles that could be bartered for spices in the Malay Archipelago. Eventually, the Dutch gained a monopoly in Indonesia, with trade centered in Java, and the English withdrew to India to establish trading stations known as "factories." One of the intentions of the East India Company was to sell English woolens in Asia, but broadcloth was never more than a novelty in India. By 1649 the British were sending chintz *and* cheap cotton calico to England. Much was for reexport to America, the Near East, West Africa, and the slave plantations in the West Indies. A four-cornered trade developed. The East India Company shipped calicos to London where they were sold to the Royal Africa Company. The latter shipped them in turn to West Africa as guinea-cloth to be bartered for people. These slaves, and any remaining cloth, were shipped to the West Indies and exchanged for sugar, cotton, and tobacco-all cargoes bound back for England.

USES OF TEXTILES

Textiles have an assortment of uses, the most common of which are for clothing and for containers such as bags and baskets. In the household they are used in carpeting, upholstered furnishings, window shades, towels, coverings for tables, beds and other flat surfaces, and in art. In the workplace they are used in industrial and scientific processes such as filtering. Miscellaneous uses include flags, backpacks, tents, nets, handkerchiefs, cleaning rags, transportation devices such as balloons, kites, sails and parachutes textiles are also used to provide strengthening in composite materials such as fibreglass and industrial geotextiles.

Textiles used for industrial purposes, and chosen for characteristics other than their appearance, are commonly referred to as technical textiles. Technical textiles include textiles structures for automotive applications, medical textiles e.g. implants, geotextiles reinforcement of embankments, agro textiles for crop protection, protective clothing e.g. against heat and radiation for fire fighter clothing, against molten metal's for welders, stab protection, and bullet proof vests. In all these applications stringent performance requirements must be met. Woven of threads coated with zinc oxide nanowires, laboratory fabric has been shown capable of "self-powering nanosystems" using vibrations created by everyday actions like wind or body movements.

Strengths of the Textile Industry:

The following are few strengths of the Indian Textile Industry:

- An Independent and self-reliant industry;
- Large and potential domestic and international market;
- Abundant Raw Material availability that helps industry to control costs and reduces the lead-time across the operation;
- Availability of low cost and skilled manpower provides competitive advantage to industry;
- Availability of large varieties of cotton fiber and has a fast growing synthetic fiber industry;
- Promising export potential.

Weaknesses of the Textile Industry:

The following are the few drawbacks of the textile industry, which it has to overcome.

- The Industry is a highly fragmented Industry.
- It is highly dependent on Cotton.
- There is lower productivity in various segments.
- There is a declining in Mill Segment.
- Lack of Technological Development that affect the productivity and other activities in whole value chain.
- Infrastructural Bottlenecks and Efficiency such as, Transaction Time at Ports and transportation Time.
- Unfavorable labor Laws.
- Lack of Trade Membership, which restrict to tap other potential market.

Market Size

The Indian textiles industry, currently estimated at around US$ 150 billion, is expected to reach US$ 250 billion by 2019. India's textiles industry contributed seven per cent of the industry output (in value terms) of India in 2017-18.It contributed two per cent to the GDP of India and employs more than 45 million people in 2017-18.The sector contributed 15 per cent to the export earnings of India in 2017-18. The production of raw cotton in India is estimated to have reached 34.9 million bales in FY18.

Investment

The textiles sector has witnessed a spurt in investment during the last five years. The industry (including dyed and printed) attracted Foreign Direct Investment (FDI) worth US$ 2.97 billion during April 2000 to June 2018.

Some of the major investments in the Indian textiles industry are as follows:

- In May 2018, textiles sector recorded investments worth Rs 27,000 crore (US$ 4.19 billion) since June 2017.

- The Government of India announced a Special Package to boost exports by US$ 31 billion, create one crore job opportunities and attract investments worth Rs 800.00 billion (US$ 11.93 billion) during 2018-2020. As of August 2018, it generated additional investments worth Rs 253.45 billion (US$ 3.78 billion) and exports worth Rs 57.28 billion (US$ 854.42 million).

Government Initiatives

The Indian government has come up with a number of export promotion policies for the textiles sector. It has also allowed 100 per cent FDI in the Indian textiles sector under the automatic route.

Initiatives taken by Government of India are:

- The Directorate General of Foreign Trade (DGFT) has revised rates for incentives under the Merchandise Exports from India Scheme (MEIS) for two subsectors of Textiles Industry - Readymade garments and Made ups - from 2 per cent to 4 per cent.
- As of August 2018, the Government of India has increased the basic custom duty to 20 per cent from 10 per cent on 501 textile products, to boost Make in India and indigenous production.
- The Government of India announced a Special Package to boost exports by US$ 31 billion, create one crore job opportunity and attract investments worth Rs 80,000 crore (US$ 11.93 billion) during 2018-2020. As of August 2018 it generated additional investments worth Rs 25,345 crore (US$ 3.78 billion) and exports worth Rs 57.28 billion (US$ 854.42 million).
- The Government of India has taken several measures including Amended Technology Up-gradation Fund Scheme (A-TUFS), scheme is estimated to create employment for 35 lakh people and enable investments worth Rs 95,000 crore (US$ 14.17 billion) by 2022.
- Integrated Wool Development Programme (IWDP) approved by Government of India to provide support to the wool sector starting from wool rearer to end consumer which aims to enhance the quality and increase the production during 2017-18 and 2019-20.
- The Cabinet Committee on Economic Affairs (CCEA), Government of India has approved a new skill development scheme named 'Scheme for Capacity Building in

Textile Sector (SCBTS)' with an outlay of Rs 1,300 crore (US$ 202.9 million) from 2017-18 to 2019-20.

Achievements

Following are the achievements of the government in the past four years:

- I-ATUFS, a web-based claims monitoring and tracking mechanism was launched on April 21, 2016.
- 381 new block level clusters were sanctioned.
- 20 new textile parks were sanctioned
- Employment increased to 8.62 million in FY18 from 8.03 in FY15.

Road Ahead

The future for the Indian textile industry looks promising, buoyed by both 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.

1.2 RITH APPARELS

Tirupur has been marked by a perfect harmony among various functional units namely knitting, dyeing, elastic, printing and sewing machines. All the units at Rith appearls are well equipped with latest machineries to keep in pace with the changing & challenging needs of the customers around the world. They have the state of art machines with most modern production techniques. They do most complicated styles and they have internal style assessment to make garments to its maximum production. In their own factories as well as 5 association factories, having more sewing machines. They are able to supply more than 100,000 basic t-shirts per month. They can supply all knitted articles for men, ladies and children.

VISION

- Develop mutually beneficial relationship with our business partners.
- Employee cost effectiveness process.
- Discipline and accountability.
- Openness and transparency.

MISSION

- To attain highest level of efficiency, integrity and honesty.
- To encourage people's ownership, empowerment and working under team structure.
- To manufacture world-class products of outstanding quality that give our customers.
- Competitive advantage through superior products and value.
- Customer smile.

FUNCTIONS OF VARIOUS DEPARTMENTS

There are 17 various departments in Rith apparels

- Marketing department
- Design department activities

- Merchandising department
- Pattern making department
- Sampling department
- Fabric store and fabric sourcing department
- Production planning and control department
- Cutting department activities
- Sewing department
- Machine Maintenance department
- Washing department
- Finishing department
- Quality control / Quality Assurance department
- Accounts department activities
- Human Resource and Administration
- Electronic Data Processing
- Shipping and Documentation

MARKETING DEPARTMENT

The marketing department in a garment company is responsible for marketing products made by the factory, finding new customers and bringing more and more orders for the company. A marketing department is headed by the marketing manager and supported marketing team.

- They meet with prospects and existing buyers. They show their latest product development (designs) to the buyer. They are given responsibility for business development for the company.
- This department showcases factory's ability for developing new designs, factory compliance, and quality policy and quality performance.
- Most common marketplace for manufacturers is international apparel shows and exhibitions, where buyers and sellers meet to find each other. In the exhibition, buyers pick their interesting design and place order if their target price is met.

- In this internet age, garment factories build websites for marketing purpose and increase their visibility to potential customers. Small factories post their product in online yellow pages and do content marketing to reach a bigger market. Social Media like Facebook, LinkedIn and Twitter are used as marketing tools.
- More than just developing new clients, retaining the existing customer is also important. To retain your existing customers, you need to satisfy your customers by shipping quality products and timely delivery and providing quality services. The main mantra to retain customers and making them marketer for you is to deliver more than you are paid for. Deliver more than commitment and customer expectation.

DESIGN DEPARTMENT ACTIVITIES

Apparel design department is responsible for product development. They focus on developing garment designs in similar product categories the company does its business. Designers develop new design collection every season. Designers make designs as per the latest trends and buyers test. For big manufacturers, the designing department plays an important role in retaining customers by showing new designs to their buyers in every season. Designers develop a library for fabrics, trims and accessories, and for garments. Apparel retailers and brands those have own manufacturing set-up, normally set up the design department for developing new designs.

MERCHANDISING DEPARTMENT

Merchandising department works as a mediator in between factory and buyers. This department is considered as the heart and soul of the company. They coordinate with buyers for orders, send garment samples for buyer approval and receive comments on samples and other approvals. Merchandiser prepares the bill of materials, prepares garment costing sheet and follows up of production activities. Merchandising department is formed with a team of senior merchants and junior merchants. Where factories work with many buyers, each merchant is allocated specific accounts with a couple of buyers.

In bigger factories merchandising team is given specific responsibilities as sampling merchant and production merchant. Based on their profile, sampling merchants look into sampling activities and communicate with buyers only for sample development and queries on sampling. Production merchant is involved in merchandising activities related to bulk production, planning, sourcing and production follow up.

MERCHANDISING DEPARTMENT ACTIVITIES

- Communicate with buyers
- Review the garment sample
- Develop garment sample
- Product Costing
- Develop good relationship with customers
- Scheduling of pre-production and production activities
- Preparing Bill of Material (BOM) and fabric indent
- Source raw materials
- Provide quality approval
- Prepare Production File
- Conduct Pre-Production Meeting
- Execute orders
- Providing after sales services

PATTERN MAKING DEPARTMENT

Pattern making department makes garment patterns and digitize patterns to CAD. CAD stands for Computer Aided Design. Pattern making department is headed by Pattern master. Pattern making department is also known as the technical department.

Following are the major Activities of Pattern Making Department

- Pattern Making
- Pattern Grading
- Sample Development
- Garment FIT checking and correction of patterns
- Incorporate buyer's comments on samples
- Making production viable sample
- Fabric Consumption Calculation
- Marker planning

SAMPLING DEPARTMENT

Sampling department makes all kind of samples that need to be submitted to the buyer. Sampling department checks fit of the sample. Sampling department communicates problems related to orders to the production department. They have common activities. Sampling department's activities are:

- Reading garment spec and understanding workmanship of the garment
- Assisting merchants in preparing bill of material for the sample
- Calculating fabric consumption
- Making garment samples by following complete processes of cutting, sewing, finishing and checking
- Measurement all samples and check the quality of the garment samples. Prepare quality inspection report for measurement and visuals
- Fabric shrinkage test is done in garment form
- Coordinate with production team about communicate about critical points for stitching and handling of a style

FABRIC STORE AND FABRIC SOURCING DEPARTMENT

The fabric store is handled by Fabric in-charge and the in-charge is assisted by a team of helpers for loading and unloading fabrics and issuing fabric to cutting department. Fabric department receives and stores all kind of fabrics. Fabric rolls are kept in the rack or on wooden pallets.

Following are the major Activities of the fabric store

- Sourcing of Fabrics
- Receive Raw Materials
- Checking of Greige and Finished fabric
- Prepare shade band for dyed and printed fabrics
- Basic Testing of Physical properties of fabrics
- Maintain inventory record for fabrics
- Fabric Issue
- Fabric printing
- Fabric Reconciliation
- Communication with Fabric supplier

PRODUCTION PLANNING AND CONTROL DEPARTMENT

Production planning department is responsible for planning and scheduling orders. This department is known as PPC department. They execute production and do follow with all production processes. Production planning and scheduling of activities are essential to procure raw material on time, complete production activities on time and able handover shipment on time. Small size factories do not keep a separate department for production planning. Merchandisers do planning of pre-production activities and production head prepares a production plan.

Factories those have separate PPC department, following activities are carried out by them.

- Job or Task Scheduling
- Material Requirement Planning (Inventory)
- Loading Production
- Process selection & planning

- Facility location
- Estimating quantity and costs of production
- Capacity planning
- Line planning
- Production follow up and execution

CUTTING DEPARTMENT ACTIVITIES

This department is responsible for cutting of fabrics and feeding sewing department with cuttings. Cutting department's capacity is planned as per daily feeding requirement to the sewing lines. Cutting department set up with cutting department head, cutters, spreaders, quality checkers, and helpers for sorting, ply numbering and bundling. List of activities of the cutting department is as follows

- Fabric receiving from the fabric store
- Fabric relaxation
- Cut planning
- Fabric spreading/layering on the cutting table
- Marker Planning
- Marker making
- Cutting of fabrics
- Sorting, Bundling and numbering of garment plies (parts)
- Inspection of cut components
- Sorting of printed and embroidery panels
- Re-cutting of panels
- Fusing Garment Components

SEWING DEPARTMENT

Main jobs of the sewing department are stitching of garment. In the sewing floor, various types of production systems and line layout are used. Factories either work in an assembly line or group system. Major tasks of this department are as follows but not limited to these only.

- Line setting
- Garment stitching

- Marking parts
- Ironing garment components
- Checking of stitched garments
- Stitching Alteration
- Documentation

MACHINE MAINTENANCE DEPARTMENT

This department repair machines and look after maintenance of sewing machines. Major activities of the machine maintenance department are

- Machine set up
- Repairing sewing machines
- Maintaining inventory of machine parts
- Doing preventive maintenance for machines and equipment

WASHING DEPARTMENT

Sometimes garments need to be washing after stitching to remove dust, tracing mark and to give a washed look to the garment. This department washes the garments, cut panels (if required), wash garment samples as required.

FINISHING DEPARTMENT

Stitched garments are finished prior to packing into poly bag. Major activities of a finishing department include thread trimming, checking of garments and ironing. Packing department in a factory works side by side of the finishing department. Folding, tagging and packing of garments are done in the finishing department. Based on product categories finishing room activities may vary.

Activities of the finishing department are listed below.

- Thread trimming
- Attach button and button holing in case these jobs are done in the stitching section
- Checking of garments
- Stain removing
- Garment Pressing / Ironing
- Folding and Tagging
- Packing
- Communicate with internal department

QUALITY CONTROL / QUALITY ASSURANCE DEPARTMENT

Responsibilities of the quality control department may vary organization to organization but main activities almost remain the same. Activities of the Quality control department are as follows.

- Setting up Quality Standards
- Establishing Quality SOP
- Quality Assurance
- Quality Control activities at the Pre-production stage:
- Auditing inward fabric and trims and ensuring only quality goods are accepted.
- Involvement in product development and sampling stage and take care of quality aspects of samples.

- Ensure that no faulty fabric is sent for cutting. If a minor fault is present in the fabric, defects should be marked on the fabric and the same thing must be communicated to the cutting department.
- Preparing the audit report of the fabric and trims quality.
- Conducting pre-production meeting before production start.

SUPPORTING DEPARTMENTS AND THEIR ACTIVITIES

Departments if a garment factory those are no directly involved in garment production but support garment production team to perform their work smoothly. Necessary supporting departments are Accounting, EDP, Shipping and documentation, Human resource and Administration.

ACCOUNTS DEPARTMENT ACTIVITIES

- Accounting department prepare payroll for employees, give payments to workers and write checks for staffs. They manage accounts of the company.
- Maintain records of supplier payment and follow up with buyers for pending payment. This department is involved in all kind payment and cash management.

HUMAN RESOURCE AND ADMINISTRATION

- This department is concern about the social issue of the employee. They look after recruiting and employee welfare.
- This department maintains employee attendance and absent records.
- Handle labour issues
- Factory compliance and social compliance
- New employee orientation

ELECTRONIC DATA PROCESSING (EDP)

Garment factories use many electronics items such as computers, printer, Barcode systems etc. Computers are used for daily activities like mailing, making reports and accounting software, EPRs etc. An EDP department is necessary for troubleshooting of the computers and software.

The major activities of this department are:

- Purchasing electronic items
- Breakdown maintenance of computers and other hardware
- Supporting internet and mailing activities
- Protecting the company's server from outside bugs and viruses
- Database maintenance
- Report generating

SHIPPING AND DOCUMENTATION

Shipping and documentation department prepare shipment related documents. They communicate with buyer for shipment dispatch and send shipment to buyer.

1.3 DIVIDEND POLICY

Dividend decision being one of the important financial decisions of a corporate firm has been still a most debated issue across the world. There are extensive literatures, theories, and models for facilitating dividend decisions. The finance world is receiving new literatures/ models every year from the researchers/academicians either in the new form or expansion of existing models. After the Modigliani-Miller (1961) paradigms on firms' dividend policy and their market values, there have been considerable debates, both in theoretical and empirical researches on the nature of relationship that exists between a firm's choice of dividend policy and its market value. Debates have centered on whether 100% dividend payout ratio or 100% retention ratio or the mix of dividend payout and retention is optimal dividend decision that affect the value of the firm and shareholder's return. Although, there have been substantial research efforts devoted by different scholars in determining what seems to be an optimal dividend policy for firms, yet there is no universally accepted theory throughout the literature explaining the dividend payout and retention choice of firms. But in the last decades, several theories have emerged explaining firms' dividend policy and the resultant effects on their market values. These theories include the dividend irrelevance theory which asserts dividends do not really matter because they do not affect the firm value; the dividend relevance theory which asserts dividend policy affect the value of a firm. The choice of dividend policies almost always affects the value of the firm. The dividend policy does affect the value of a share even when rate of return equal to cost of capital

Dividend policy is the set of guidelines a company uses to decide how much of its earnings it will pay out to shareholders. Some evidence suggests that investors are not concerned with a company's dividend policy since they can sell a portion of their portfolio of equities if they want cash. This evidence is called the "dividend irrelevance theory," and it essentially indicates that an issuance of dividends should have little to no impact on stock price. There are three main approaches to dividends: residual, stability or a hybrid of the two:

RESIDUAL DIVIDEND POLICY

Companies using the residual dividend policy choose to rely on internally generated equity to finance any new projects. As a result, dividend payments can come out of the residual or leftover equity only after all project capital requirements are met. These companies usually attempt to maintain balance in their debt/equity ratios before making any

dividend distributions, deciding on dividends only if there is enough money left over after all operating and expansion expenses are met.

The residual-dividend model is based on three key pieces: an investment opportunity schedule (IOS), a target capital structure and a cost of external capital

- The first step in the residual dividend model to set a target dividend payout ratio to determine the optimal capital budget.
- Then, management must determine the equity amount needed to finance the optimal capital budget. This should be done primarily through retained earnings.
- The dividends are then paid out with the leftover, or residual, earnings. Given the use of residual earnings, the model is known as the "residual-dividend model."

A primary advantage of the dividend-residual model is that with capital-projects budgeting, the residual-dividend model is useful in setting longer-term dividend policy. A significant disadvantage is that dividends may be unstable. Earnings from year to year can vary depending on business situations. As such, it is difficult to maintain stable earnings and thus a stable dividend. While the residual-dividend model is useful for longer-term planning, many firms do not use the model in calculating dividends each quarter.

DIVIDEND STABILITY POLICY

The fluctuation of dividends created by the residual policy significantly contrasts with the certainty of the dividend stability policy. With the stability policy, quarterly dividends are set at a fraction of yearly earnings. This policy reduces uncertainty for investors and provides them with income.

HYBRID DIVIDEND POLICY

The final approach is a combination between the residual and stable dividend policy. Using this approach, companies tend to view the debt/equity ratio as a long-term rather than a short-term goal. In today's markets, this approach is commonly used by companies that pay dividends. As these companies will generally experience business cycle fluctuations, they will generally have one set dividend, which is set as a relatively small portion of yearly

income and can be easily maintained. On top of this set dividend, these companies will offer another extra dividend paid only when income exceeds general levels.

MEANING

The term dividend refers to that part of profits of a company which is distributed by the company among its shareholders. It is the reward of the shareholders for investments made by them in the shares of the company. The investors are interested in earning the maximum return on their investments and to maximise their wealth. A company, on the other hand, needs to provide funds to finance its long-term growth.

If a company pays out as dividend most of what it earns, then for business requirements and further expansion it will have to depend upon outside resources such as issue of debt or new shares. Dividend policy of a firm, thus affects both the long-term financing and the wealth of shareholders.

DEFINITION OF DIVIDEND POLICY

The **Dividend Policy** is a financial decision that refers to the proportion of the firm's earnings to be paid out to the shareholders. Here, a firm decides on the portion of revenue that is to be distributed to the shareholders as dividends or to be ploughed back into the firm.

The amount of earnings to be retained back within the firm depends upon the availability of investment opportunities. To evaluate the efficiency of an opportunity, the firm assesses a relationship between the rate of return on investments "r" and the cost of capital "K."

As per the dividend models, some practitioners believe that the shareholders are not concerned with the firm's dividend policy and can realize cash by selling their shares if required. While the others believed that, dividends are relevant and have a bearing on the share prices of the firm.

CONCEPT OF DIVIDEND

Dividend represents that part of the profit of a firm which is distributed to the shareholders. The company declares the amount of dividend at its shareholders' meeting. Shareholders will get dividends in proportion to their shareholding in the company. Dividend may be in the form of cash or non-cash, i.e. bonus shares.

NATURE OF DIVIDEND

Dividend decision is the financing decision of a business. It is the distribution of revenue profit to the shareholders in proportion to their holdings. The nature of dividends are:

- Cash or Non-cash
- Final or Interim
- Fixed or Variable

CASH OR NON-CASH

Dividends may either be in cash or non-cash. Dividends are generally paid in cash to the shareholders but sometimes instead of cash payments, shares are issued to the existing shareholders, free of cash—which is known as issue of bonus shares.

FINAL OR INTERIM

After finalization of accounts, the directors judge the financial position and then recommend the amount of dividend at the annual general meeting. Such dividend is called final dividend whereas any dividend paid between two annual general meetings is called interim dividend.

FIXED OR VARIABLE

In case of profit, preference shareholders are entitled to get dividend at a fixed rate as per terms of their issue. Equity shareholders are entitled to get dividend out of the balance left after payment of preference dividend and their rate of dividend may vary from year to year depending on the volume of profit.

FINANCIAL ANALYSIS

Financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enough to warrant a monetary investment. When looking at a specific company, a financial analyst conducts analysis by focusing on the income statement, balance sheet and cash flow statement.

Financial analysis is used to evaluate economic trends, set financial policy, build long-term plans for business activity, and identify projects or companies for investment. This is done through the synthesis of financial numbers and data.

One of the most common ways to analyze financial data is to calculate ratios from the data to compare against those of other companies or against the company's own historical performance. For example, return on assets (ROA) is a common ratio used to determine how efficient a company is at using its assets and as a measure of profitability. This ratio could be calculated for several similar companies and compared as part of a larger analysis.

Financial analysis can be conducted in both corporate finance and investment finance settings. In corporate finance, the analysis is conducted internally, using such ratios as net present value (NPV) and internal rate of return (IRR) to find projects worth executing. A key area of corporate financial analysis involves extrapolating a company's past performance, such as gross revenue or profit margin, into an estimate of the company's future performance. This allows the business to forecast budgets and make decisions based on past trends, such as inventory levels.

In investment finance, an outside financial analyst conducts financial analysis for investment purposes. Analysts can either conduct a top-down or bottom-up investment approach. A top-down approach first looks for macroeconomic opportunities, such as high-performing sectors, and then drills down to find the best companies within that sector. A bottom-up approach, on the other hand, looks at a specific company and conducts similar ratio analysis to corporate financial analysis, looking at past performance and expected future performance as investment indicators.

Financial analysis refers to an assessment of the viability, stability and profitability of a business and sub-business. This project entitled as organizational study and it's financial structure is used to,

- Study about the organization material production, procedure and it's strength etc.
- To analyse the financial position of the company by comparing 5 years data
- To find the current financial strength of the company
- To find the overall operating efficiency
- To increase the profitability position

It is performed by the study using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decision,

- Continue or discontinue its main operation or part of its business;
- Make or purchase certain materials in the manufacture of its product;
- Acquire or rent/lease certain machineries and equipment in the production of its goods;
- Issue stocks or negotiate for a bank loan to increase its working capital;
- Make decisions regarding investing or lending capital;
- Other decisions that allow management to make an informed selection on various alternatives in the conduct of its business.

Every organization aspires to grow substantially; for which, it requires unbiased and objective information about its organizational strengths and weaknesses. A review of existing organizational nuances is essential for the success of any organization, whether it is a startup or a multinational corporation, a government body or a civic body, an educational institution or a non-governmental institution. This is where organizational study done by a professional consultant can help significantly.

A multi-dimensional review of an organization is possible through a systematic internal organizational analysis. With the help of an analysis conducted by a proficient agency, the company can understand the underlying problems within the organization, the root causes of problems, and the way these problems can be overcome. An organizational analysis helps in business planning as well as strategic planning, business enhancement and organizational redesign initiatives if required.

It would be hard to imagine a better moment in history to study and influence the research and policies affecting organizations, work, and employment. The upheaval in institutions, organizations, and individuals' work lives is dramatic and disruptive.

At the institutional level, we are in the midst of a persistent, worldwide employment crisis, with a jobs deficit carried forward from the Great Recession and a long-term trend of stagnating wages and growing inequalities in income, wealth, and opportunity.

At the organizational level, we continue to see rapid transformation in the nature of organizations, work, and people. Organizations are flattening, partnering, globalizing, outsourcing, open sourcing, downsizing, reengineering, and innovating in myriad ways in order to be competitive, innovative, and flexible in a rapidly changing and unpredictable world. The boundaries between work and family, government and industry, and organizations and supply chains are increasingly fluid.

At the individual level, we see the necessity for new skills at negotiating, managing work and family obligations, and seeing interconnected human systems; we see new ways of leading, often in a distributed way and in virtual environments; we see new diversity in the work force and the misalignment of individual needs and cultural expectations and stereotypes; and we see women and people of color continue to be disadvantaged, exacerbating the inequalities that already exist.

Financial Analysis is the life blood and nerve centre of a business. Just as circulation of blood is essential in the human body for maintaining life, Financial Analysis is very essential to maintain the smooth running of a business. No business can run successfully with out an adequate amount of Financial Analysis. Financial Analysis refers to that part of firm's capital which is required for financing short term or current assets such as cash, marketable securities, debtors, and inventories. In other words Financial Analysis is the amount of funds necessary to cover the cost of operating the enterprise.

Financial analysis is an aspect of the overall business finance function that involves examining historical data to gain information about the current and future financial health of a company. Financial analysis can be applied in a wide variety of situations to give business managers the information they need to make critical decisions. The ability to understand financial data is essential for any business manager. Finance is the language of business. Business goals and objectives are set in financial terms and their outcomes are measured in financial terms. Among the skills required to understand and manage a business is fluency in the language of finance the ability to read and understand financial data as well as present information in the form of financial reports.

The finance function in business involves evaluating economic trends, setting financial policy, and creating long-range plans for business activities. It also involves applying a system of internal controls for the handling of cash, the recognition of sales, the disbursement of expenses, the valuation of inventory, and the approval of capital expenditures. In addition, the finance function reports on these internal control systems through the preparation of financial statements, such as income statements, balance sheets, and cash flow statements.

Financial Analysis is defined as being the process of identifying financial strength and weakness of a business by establishing relationship between the elements of balance sheet and income statement. The information pertaining to the financial statements is of great importance through which interpretation and analysis is made. It is through the process of financial analysis that the key performance indicators, such as, liquidity solvency, profitability as well as the efficiency of operations of a business entity may be ascertained, while short term and long term prospects of a business may be evaluated. Thus, identifying the weakness, the intent is to arrive at recommendations as well as forecasts for the future of a business entity.

1.4 OBJECTIVES OF THE STUDY

- To evaluate the dependency of total income and total expenses.
- To analysis the financial performance based on dividend policy in an organization.

1.5 SCOPE OF THE STUDY

Dividend decision is one among the difficult choice that the management must take in allocating their profit to reinvest within the company or distribute to shareholders. Investors give attention to dividends because they get a yield on their investment or chance to sell their stocks at a higher price in the future. The scope of the research on this topic is very wide because this is very importance issue in the field of finance management. This study is used to identify the real image of the company in terms of shareholders satisfaction. Also it is used to improve the financial position of the company.

1.6 LIMITATIONS OF THE STUDY

Following limitations were encountered while preparing the project.

- The limitation of secondary data applied in this study.
- Due to time constraint only five years (2014 to 2018) data was considered for this study.
- The year wise analysis will not give a clear picture about financial position due to market fluctuation

CHAPTER II

REVIEW OF LITERATURE

Allen Michel, (1979)

This study examines whether industry dividend policies exist. Twelve industries with at least ten firms per industry are tested using the Kruskal-Wallis one-way analysis of variance. The results of the tests are used to determine whether industry dividend ratios are significantly different from each other or whether differences occur simply by chance.

Shaker A. Zahra and John A. Pearce, (1989)

This article synthesizes empirical research findings on the impact of boards of directors on corporate financial performance. An integrative model of board attributes and roles is presented, and research support on their links is discussed. The review identifies critical short-comings of past studies and concludes by offering an agenda for future studies in this promising area of empirical research.

Mohammed Nishat and Nighat Bilgrami, (1994)

This paper empirically identifies the factors that influence the dividend decision of the firms listed with Karachi Stock Exchange using the firm wise data for 1980-86. The empirical findings validate the theoretical prediction that firms reach their targeted dividend payout gradually. However, in Pakistan all corporate activity is reflected in capital gains rather than in dividend. Unlike expected surpluses retained for investment and expansion purposes are not actualized atleast in short run. The results also envisage that the large size firms, firms with foreign ownership and private sector firms declare higher dividend payout. Surprisingly in our sample net profit after tax of the corporate firms does not ensure higher dividend payout.

George M. Frankfurter and Bob G. Wood, Jr. (1997)

In this paper we examine the historical evolution of dividend payment patterns, also referred to as dividend policy. It seems that during the last four centuries, corresponding to the existence of the shareholder held corporation, dividend policy evolved from total to symbolic liquidation of the enterprise. In addition, we abo find cycles in which dividends

dramatically increased/decreased in spite of the general trend. To our surprise, we learn that academic theories that were advanced in financial economics during the last 40 years to rationalize the practice completely fail to consider its evolution.

Shawn L. Berman, Andrew C. Wicks, Suresh Kotha and Thomas M. Jones, (1999)

This study has been done on the effect of stakeholder management on corporate performance. In this study, we contributed to stakeholder theory development by (1) deriving two distinct stakeholder management models from extant research, (2) testing the descriptive accuracy of these models, and (3) including important variables from the strategy literature in the tested models. The results provide support for a strategic stakeholder management model but no support for an intrinsic stakeholder commitment model. Implications of these findings for management practice and future research are discussed.

Jayati Sarkar, Subrata Sarkar, (2000)

This study provides evidence on the role of large shareholders in monitoring company value with respect to a developing and emerging economy, India, whose corporate governance system is a hybrid of the outsider-dominated market-based systems of the UK and the US, and the insider-dominated bank-based systems of Germany and Japan. The picture of large-shareholder monitoring that emerges from our case study of Indian corporates is a mixed one. Like many of the existing studies, while we find block holdings by directors to increase company value after a certain level of holdings, we find no evidence that institutional investors, typically mutual funds, are active in governance.

P.L. Joshi, (2001)

This study examines the management accounting practices in a sample of 60 large and medium size manufacturing companies in India. The study was conducted through the use of questionnaire to examine the extent to which Indian manufacturing companies have adopted certain traditional and recently developed management accounting practices, the benefits received, and their intentions of future emphasis on these practices. The results for Indian were compared to the results of a study in Australia that looked at the same factors. The findings reveal that the adoption rate in India for traditional management accounting practices

was higher than for the recently developed techniques and the adoption rate for the newly developed techniques had been rather slow.

H. Boyda, Ross Levinea, Bruce D. Smith, (2001)

This study empirically assesses these predictions. The evidence indicates that there is a significant, and economically important, negative relationship between inflation and both banking sector development and equity market activity. Moreover, we find evidence of thresholds. For economies with inflation rates exceeding 15 percent, there is a discrete drop in financial sector performance. Finally, while the data indicate that more inflation is not matched by greater nominal equity returns in low-inflation countries, nominal stock returns move essentially one-for-one with marginal increases in inflation in high-inflation economies.

Reddy Yarram, Subba,(2002)

The present study examines the dividend behavior of Indian corporate firms over the period 1990 - 2001 and attempts to explain the observed behavior with the help of trade-off theory, and signaling hypothesis. Analysis of dividend trends for a large sample of stocks traded on the NSE and BSE indicate that the percentage of companies paying dividends has declined from 60.5 percent in 1990 to 32.1 percent in 2001 and that only a few firms have consistently paid the same levels of dividends. Further, dividend-paying companies are more profitable, large in size and growth doesn't seem to deter Indian firms from paying higher dividends. Analysis of influence of changes in tax regime on dividend behavior shows that the tradeoff or tax-preference theory does not appear to hold true in the Indian context. Test of signaling hypothesis reinforces the earlier findings that dividend omissions have information content about future earnings. However, analysis of other non-extreme dividend events such as dividend reductions and non-reductions shows that current losses are an important determinant of dividend reductions for firms with established track record and that the incidence of dividend reduction is much more severe in the case of Indian firms compared to that of firms traded on the NYSE. Further, dividend changes appear to signal contemporaneous and lagged earnings performance rather than the future earnings performance.

Rakesh Mohan, (2005)

This study tracks the story of Indian financial sector reforms in terms of a number of segments such as banking, debt markets, forex markets, and others like non-banking financial companies. This apart, as an offshoot of the financial sector reform, changes in the monetary policy are discussed. In this light, the paper looks at various performance indicators of different segments of the Indian financial sector. In general, it is found that there has been an improvement in efficiency, competitiveness and health of all the segments of the Indian financial sector. The paper raises some issues for the future of this sector.

M.R. Nouni, S.C. Mullick, T.C. Kandpal (2006)

This study concentrates on photovoltaic (PV) projects for providing decentralized power supply in remote locations in India. Results of a techno-economic evaluation are presented. Some PV projects in the capacity range 1–110 kWp, that have either been implemented or are under implementation, have been considered. An analysis of the capital cost of the PV projects and sub-systems has been undertaken. Levelized unit cost of electricity (LUCE) has been estimated for eighteen select locations situated in different geographical regions of the country.

Sunil Gupta and Valarie Zeithaml, (2006)

The objective of this study is to integrate existing knowledge and research about the impact of customer metrics on firms' financial performance. We investigate both unobservable or perceptual customer metrics (e.g., customer satisfaction) and observable or behavioral metrics. We begin with an overview of unobservable and observable metrics, showing how they have been measured and modeled in research. We next offer nine empirical generalizations about the linkages between perceptual and behavioral metrics and their impact on financial performance. We conclude the paper with future research challenges.

Saibal Ghosh, (2006)

This study examines the association between financial performance and boards of non-financial firms. Using data on 127 listed manufacturing firms in India for 2003 the findings indicate that, after controlling for various firm-specific factors, larger boards tend to have a dampening influence on firm performance, judged in terms of either accounting or market-based measures of performance. In terms of policy implications, the analysis suggests that compensation of the CEO has a significant effect on the performance of the firm.

Alain De Crombrugghe, Michel Tenikue, Julie Sureda, (2008)

In this study, they investigate particularly three aspects of sustainability: cost coverage by revenue, repayment of loans and cost-control. Our results suggest that the challenge of covering costs on small and partly unsecured loans can indeed be met, without necessarily increasing the size of the loans or raising the monitoring cost. The analysis suggests other ways to improve the financial results, like a better targeting of the interest rate policy or increasing the number of borrowers per field officer especially in collective delivery models.

N.U. Khan, B.M. Burton, D.M. Power, (2011)

Very little is known about the influences on dividend decisions in Pakistan, despite the importance of the market in the region and the nation's non-standard tax system. This study therefore aims to provide detailed evidence regarding this issue by examining the views of those charged with the decisions in practice. The study suggests that views about dividends in Pakistan differ from those reported in other markets in a number of important respects. Some, but not all of this evidence relates to the Pakistan taxation system, where until very recently share dividends were tax exempt.

Gupta, Shaveta; Dogra, Balram; Vashisht, A. K, (2011)

Dividend declaration is considered as one of the key focus areas of the firm's financial policy. It is generally accepted that the payment of dividends is the most widely used instrument for the distribution of value to shareholders. Shareholders also prefer to receive regular dividends. A well-known model that attempts to explain dividend policy is that of Lintner (1956). This study investigates whether Lintner's model can be used to explain Indian companies' dividend payments or not. 172 companies listed with BSE with continuous dividend payments from 2004-08 have been selected from four industrial sectors: Engineering, FMCG, IT and Textiles. The study brings forth that Lintner's model does have a good fit in the selected Indian companies.

Dr. Aurangzeb, (2012)

The aim of this research is to analyze the impact of earning management on dividend payout policy. This research is conducted by taking the data of textile industry from the year of 1966 to 2008. All the companies listed with Karachi Stock Exchange (KSE) are used as sample. Measurement of dividend policy is done by calculating dividend payout ratio. The dividend payout (DPO) is taken as a dependent variable and the earning management (EM) is taken as an independent variable, discretionary accruals are taken as proxy of earning management and three variables are treated as control variables; return on equity (ROE), size of the firm (SF) and self finance ratio (SFR). Results explored earning management and all control variables have negative relation with dividend payout policy.

Md. Abdullah Al-Hasan,Md. Asaduzzaman,Rashed al Karim, (2013)

The most debated issue in the field of finance is over the effect of dividend policy on market price per share. There are huge literatures for and against this wisdom. The current study has been undertaken aiming at evaluating the effect of dividend policy on market price of share in the context of Bangladesh. The study has covered secondary data and analyzed the data by employing descriptive statistics, correlation and multiple regression models. It has tested hypothesis by using F test. The study has found that the effect of dividend payout is more on market price than retention. This dependency is significant at1%. Finally, the paper concludes that the findings over the effect of dividend policy on market price supports the relevant theory of dividend policy i.e. Walter’s model and Gordon’s model.

Mubeen, Muhammad and Ahmed, Muneer and Aslam, Muhammad Farrukh and Lal, Irfan and Hussain, Adnan, (2013)

This research have identified the industry-wise effect of dividend policy among non-financial listed companies of KSE 100 Index. For this purpose data from 2006 to 2011 for 53 companies of different industries i.e. Fuel and Energy Sector, Chemicals Sector, Cement Sector, Engineering Sector, Textiles Sector and Transport and Communication Sector have been taken. Multiple Regression Analysis has been used to identify the prominent determinant of Dividend and Industry effect was captured through incorporating six dummy variables for said industries. Results highlighted that apart from profitability most powerful determinant of dividend there are other factors of life cycle, tangibility of assets are prominent whereas capital structure, size of firm and cash flows per share is not significant determinant of dividend. Apart from these variable, Industry-wise effect shows that all the above significant determinants remains significant within industry except textile sector.

Ali, Usman and Noor, Muhammad and Khurshid, Muhammad Kashif and Mahmood, Akhtar (2015)

The study was conducted to evaluate the impact of firm size on earnings management for the textile sector of Pakistan. For this purpose annual ten years data was obtained from 2004 to 2013 for fifty selected firms from the textile sector of Pakistan. Natural logarithm of total assets was used as the proxy of firm size. On the other hand earning management was the dependent variable of this study. Earnings management was measured through discretionary accruals by using modified Jones model. Descriptive statistics, correlation and panel data analysis was used for capturing the impact of firm size on earnings management. The statistical results of this study revealed that there is positive and significant impact of firm size on earnings management.

Ramizur Rehman, Mudassar Hasan, Inayat Ullah Mangla and Naheed Sultana, (2012)

The paper attempts to establish a relationship economic reforms, dividend policy and economic growth. Broadly, the study tries to develop a link between economic reforms and economic growth. Further narrowing down, we split economic reforms into monetary, fiscal and governance reforms and find their influence on sectoral growth specifically focusing on corporate governance reforms. In Pakistan, as we have gone through phenomenon economic and structural changes during the last decade so the study has been conducted over this period i.e., 1998 through 2008. Data was collected from State Bank of Pakistan, Pakistan Bureau of Statistics, and Annual Reports of Companies. This study covers two major sectors of Pakistan, Large Scale Manufacturing Sector and Financial Sector. We used two-stage regression analysis to avoid the possible endogenous relationship among two growth variable including GDP growth and sectoral economic growth.

CHAPTER III

RESEARCH METHODOLOGY

Research:

Research can be defined as the search for knowledge, or as any systematic investigation, with an open mind, to establish novel facts, solve new or existing problems, prove new ideas, or develop new theories, usually using a scientific method. The primary purpose for basic research (as opposed to applied research) is discovering, interpreting, and the development of methods and systems for the advancement of human knowledge on a wide variety of scientific matters of our world and the universe.

3.1 RESEARCH DESIGN:

A research design is a market plan or model for conducting a formal investigation. It is a specification of methods and procedures for acquiring the information needed for solving of any problem. Research design is the strategy for a study and the plan by which the strategy is to be carried out. It specifies the methods and procedures for the collection, measurement and analysis of data. Unfortunately, there is no simple classification of research design that covers the variation found in practice

3.2 COLLECTION OF DATA:

Data collection methods are an integral part of research design. The task of the data collection begins after a research problem has been defined and research design if planned out. While deciding about the method of data collection to be used for the study, the researcher should keep in mind two types of data viz., primary data and secondary data.

SECONDARY DATA:

The data has been mainly collected from the published annual reports of the company. The sources are mainly from secondary data.

The secondary data are those which have been already collected by someone else and which have already been passes through the statistical process. Thus data was collected as below,

- Company Websites
- Competitor Websites
- Various report of the company
- Company files & Magaznies

3.3 PERIOD OF STUDY:

This study was done for a period of 120 days and the data were collected for 5 years (i.e. 2014 to 2018) were taken for the purpose of the study.

3.4 TOOLS/TECHNIQUES USED:

Ratio analysis is the technique which is widely used in this study. In addition to it, comparative balance sheet, trend analysis, other statistical tools like charts, tables and graphs are used.

Ratio Analysis

Correlation

Regression

CHAPTER IV

ANALYSIS AND INTERPRETATION

ROLE OF RATIO ANALYSIS:

It is true that the technique of ratio analysis is not a creative technique in the sense that it uses the same figure & information, which is already appearing in the financial statement. At the same time, it is true that what can be achieved by the technique of ratio analysis cannot be achieved by the mere preparation of financial statement.

Ratio analysis helps to appraise the firm in terms of their profitability & efficiency of performance, either individually or in relation to those of other firms in the same industry. The process of this appraisal is not complete until the ratio so computed can be compared with something, as the ratio all by them do not mean anything. This comparison may be in the form of intra firm comparison, inter firm comparison or comparison with standard ratios. Thus proper comparison of ratios may reveal where a firm is placed as compared with earlier period or in comparison with the other firms in the same industry.

Ratio analysis is one of the best possible techniques available to the management to impart the basic functions like planning & control. As the future is closely related to the immediate past, ratio calculated on the basis of historical financial statements may be of good assistance to predict the future. Ratio analysis also helps to locate & point out the various areas, which need the management attention in order to improve the situation.

As the ratio analysis is concerned with all the aspect of a firms financial analysis i.e. liquidity, solvency, activity, profitability & overall performance, it enables the interested persons to know the financial & operational characteristics of an organisation & take the suitable decision.

4.1 RATIO ANALYSIS :

CURRENT RATIO :

The current ratio is a liquidity ratio which estimates the ability of a company to pay back short-term obligations. This ratio is also known as cash asset ratio, cash ratio, and liquidity ratio. A higher current ratio indicates the higher capability of a company to pay back its debts. The formula used for computing current ratio is:

Current Ratio=Current Assets / Current Liabilities

Table 4.1

Current Ratio

Year	Current Assets ₹	Current Liabilities ₹	Ratio
2017 – 18	283.62	867.74	0.33
2016 – 17	183.39	843.39	0.22
2015 – 16	225.85	688.26	0.33
2014 – 15	297.77	618.32	0.48
2013 – 14	300.91	786.3	0.38

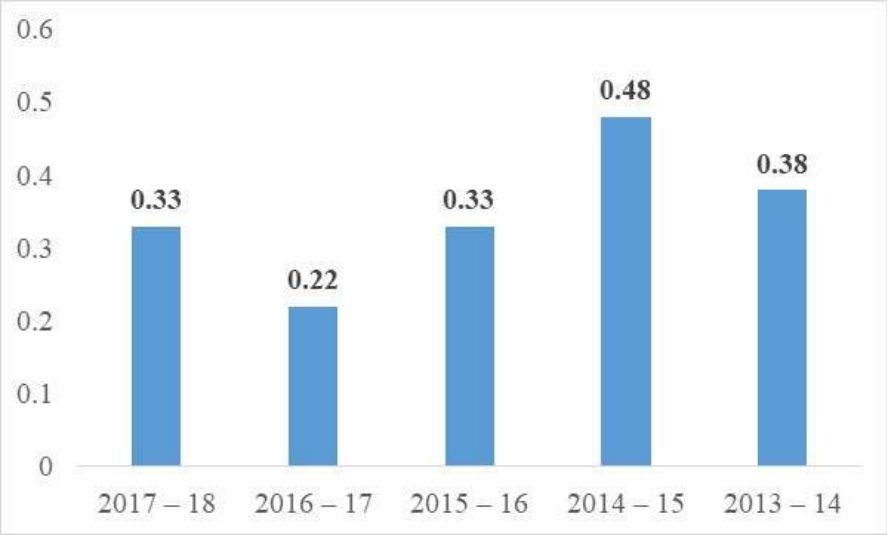
Source: Annual report

Interpretation :

The above table shows the current ratio from the financial year 2013-14 to 2017-18. The ratio starts with 0.38 during the year 2013-14. During the year 2014-15 there was a hike again it dropped to 0.22 in the year of 2016-17 and again was raised to 0.33 ratio in 2017-18.

Chart 4.1

Current Ratio



QUICK RATIO

The quick ratio, also referred as the “acid test ratio” or the “quick assets ratio”, this ratio is a gauge of the short term liquidity of a firm. The quick ratio is helpful in measuring a company’s short term debts with its most liquid assets.

The formula used for computing quick ratio is:

Quick Ratio=(Current Assets – Inventories)/ Current Liabilities

A higher quick ratio indicates the better position of a company.

Table 4.2

Quick Ratio

Year	Current Assets ₹	Inventories ₹	Current Liabilities ₹	Ratio
2017 – 18	283.62	99.51	867.74	0.21
2016 – 17	183.39	130.84	843.39	0.06
2015 – 16	225.85	98.94	688.26	0.18
2014 – 15	297.77	118.99	618.32	0.29
2013 – 14	300.91	141.25	786.3	0.20

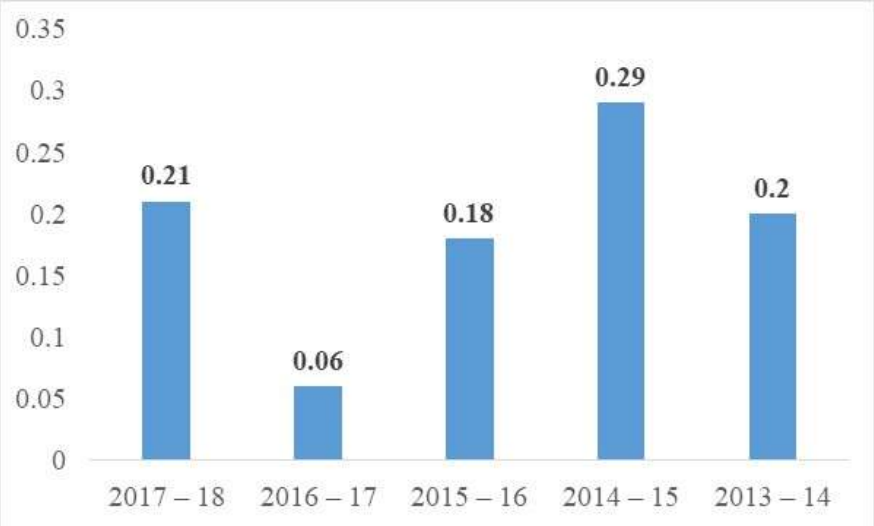
Source: Annual report

Interpretation :

The above table shows the quick ratio from the financial year 2013-14 to 2017-18. The ratio starts with 0.20 during the year 2013-14.There was an hike of 0.29 in year 2014-15 and after that there was continuous drop. In 2016-17 a major drop of 0.06 happened and we can see a rise of 0.21 ratio in year 2017-18.

Chart 4.2

Quick Ratio



TOTAL ASSET TURNOVER

This ratio shows the firms ability to generate sales from all financial resources committed to total assets. It is calculated by dividing sales by total assets.

$$\text{Total asset turnover} = \frac{\text{Total Sales}}{\text{Total Assets}}$$

Table 4.3

Total asset turnover

Year	Total Sales ₹	Total Assets ₹	Ratio
2017 – 18	836.51	821.63	1.02
2016 – 17	707.28	767.56	0.92
2015 – 16	1,170.41	1,050.12	1.11
2014 – 15	1,103.16	1,188.72	0.93
2013 – 14	2,139.43	1,108.34	1.93

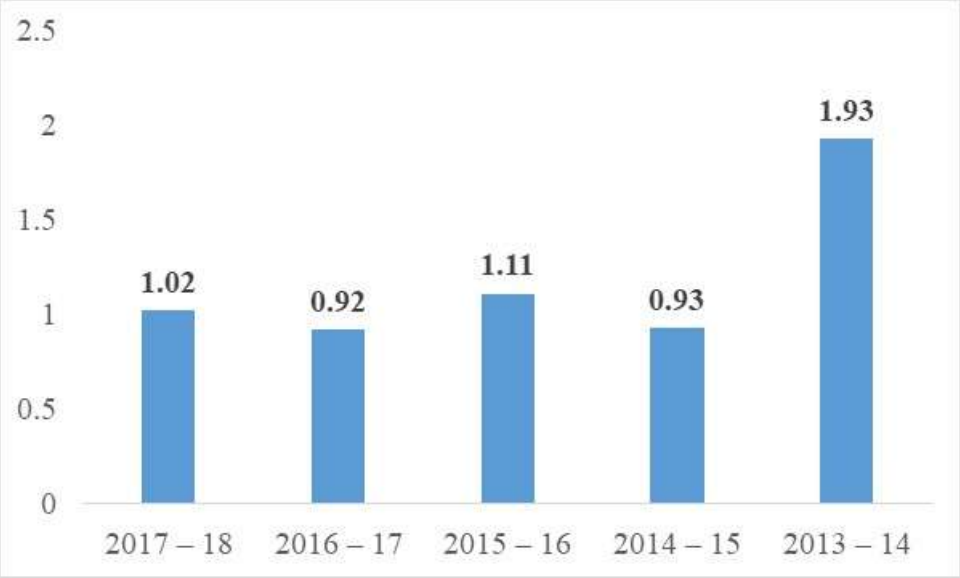
Source: Annual report

Interpretation :

The above table shows the total asset turnover ratio from the financial year 2013-14 to 2017-18. The ratio starts with 1.93 and the very next year there was a drop of 0.93 in 2014-15. There was ups and downs in the ratio and stabilized to 1.02 in 2017-18.

Chart 4.3

Total asset turnover



NET ASSET TURNOVER

Net assets represent total assets minus current liabilities. Intangible and fictitious assets like goodwill, patents, accumulated losses, deferred expenditure may be excluded for calculating the net asset turnover.

This is calculated by dividing sales by net assets.

$$\text{Net asset turnover} = \frac{\text{Total Sales}}{\text{Net Assets}}$$

Table 4.4

Net asset turnover

Year	Total Sales ₹	Net Current Assets ₹	Ratio
2017 – 18	836.51	-192.15	-3.35
2016 – 17	707.28	-306.52	-2.31
2015 – 16	1,170.41	-88.64	-13.20
2014 – 15	1,103.16	16.03	68.82
2013 – 14	2,139.43	-117.2	-18.25

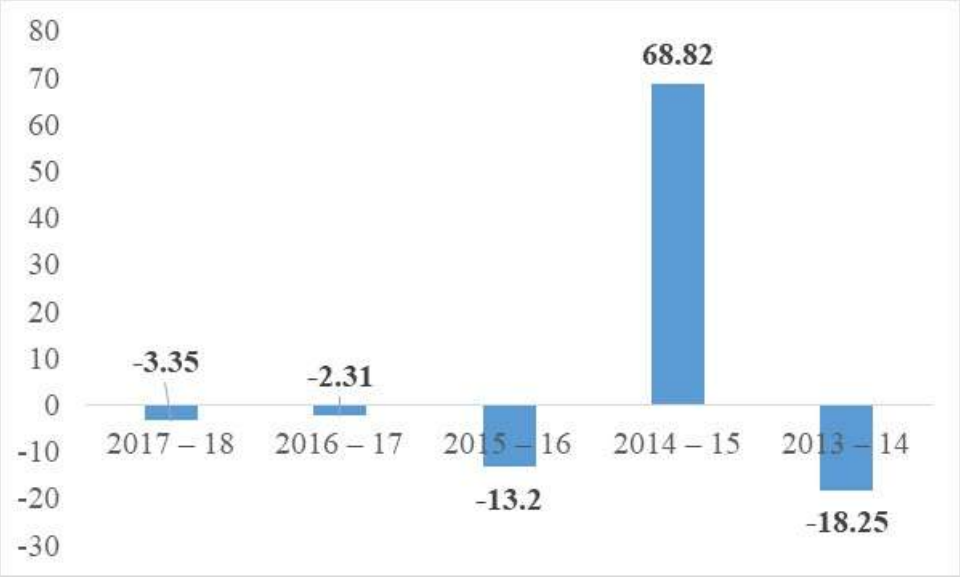
Source: Annual report

Interpretation :

The above table shows the net asset turnover ratio from the financial year 2013-14 to 2017-18. The ratio starts with the negative value -18.25 in 2013-14, next year there was an tremendous hike to 68.82 and from 2015-16 it continued to drop in negative value which has reached -3.35 in 2017-18.

Chart 4.4

Net asset turnover



FIXED ASSET TURNOVER

Net fixed assets represent the cost of fixed assets minus depreciation.

This ratio is calculated by dividing sales by net fixed assets.

$$\text{Fixed asset turnover} = \frac{\text{Total Sales}}{\text{Net Fixed Assets}}$$

Table 4.5

Fixed asset turnover

Year	Total Sales ₹	Net Fixed Asset ₹	Ratio
2017 – 18	836.51	1,226.08	0.68
2016 – 17	707.28	1,308.58	0.54
2015 – 16	1,170.41	1,396.43	0.84
2014 – 15	1,103.16	1,453.67	0.76
2013 – 14	2,139.43	1,530.30	1.40

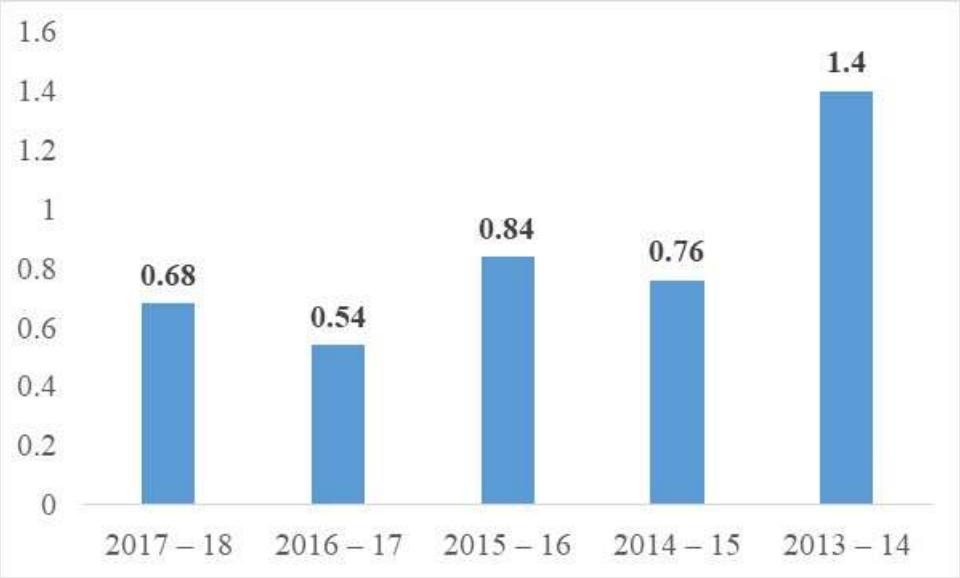
Source: Annual report

Interpretation :

The above table shows the fixed asset turnover ratio from 2013-14 to 2017-18, it started with 1.40 during the year 2013-14. It ends with 0.68 during the year 2017-18.

Chart 4.5

Fixed asset turnover



CURRENT ASSET TURNOVER

It is divided by calculating sales by current assets

$$\text{Current asset turnover} = \frac{\text{Total Sales}}{\text{Current Assets}}$$

Table 4.6

Current asset turnover

Year	Total Sales ₹	Current Assets ₹	Ratio
2017 – 18	836.51	283.62	2.94
2016 – 17	707.28	183.39	3.86
2015 – 16	1,170.41	225.85	5.18
2014 – 15	1,103.16	297.77	3.70
2013 – 14	2,139.43	300.91	7.11

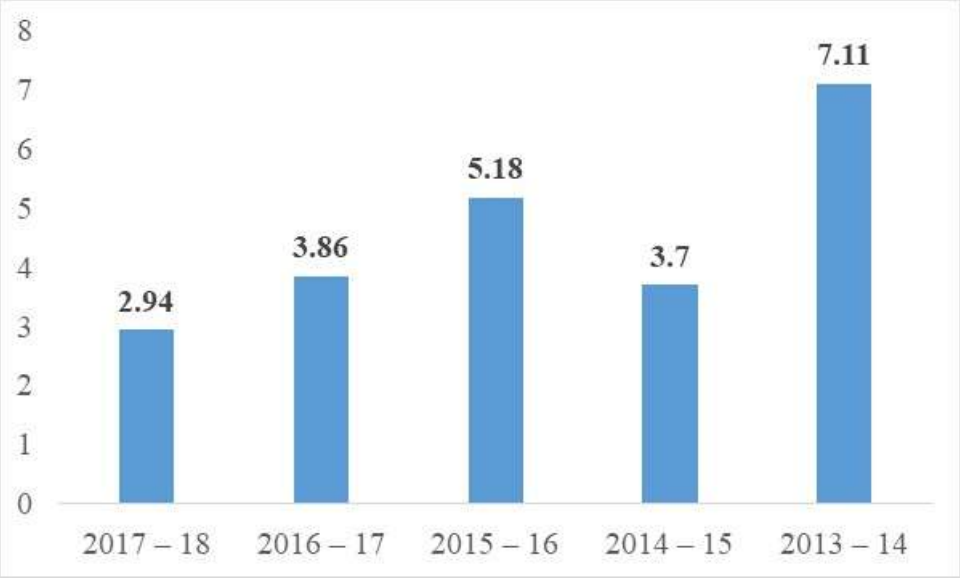
Source: Annual report

Interpretation :

The above table shows the current asset turnover ratio, it started with the value of 7.11 during the year 2013-14, next year it dropped to 3.70, next year it increased to 5.18 and there was a drop in 2016-17 with 3.86 and in 2017-18 the ratio was 2.93.

Chart 4.6

Current asset turnover



NET WORKING CAPITAL TURNOVER RATIO

A higher ratio is an indicator of better utilization of current assets and working capital and vice-versa (a lower ratio is an indicator of poor utilization of current assets and working capital). It is calculated by dividing sales by working capital.

$$\text{Net working capital turnover ratio} = \frac{\text{Total Sales}}{\text{Working Capital}}$$

Working capital is represented by the difference between current assets and current liabilities.

Table 4.7

Net working capital turnover ratio

Year	Total Sales ₹	Working Capital ₹	Ratio
2017 – 18	836.51	18,509.40	0.05
2016 – 17	707.28	8,722.29	0.08
2015 – 16	1,170.41	16,058.49	0.07
2014 – 15	1,103.16	5,612.28	0.20
2013 – 14	2,139.43	3,843.59	0.56

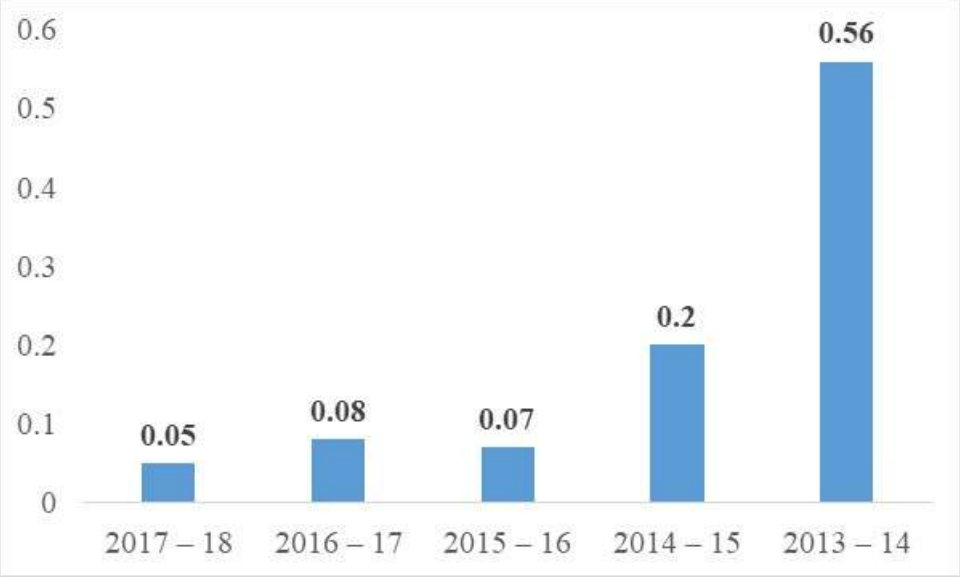
Source: Annual report

Interpretation :

The above table shows the net working capital turnover ratio from the financial year 2013-14 to 2017-18. The ratio starts with 0.56 during the year 2013-14, and from next year there was a drop in ratio and in year 2017-18 the value was 0.05.

Chart 4.7

Net working capital turnover ratio



DEBTORS TURNOVER RATIO

This indicates the number of times average debtors have been converted into cash during a year. It is determined by dividing the net credit sales by average debtors.

$$\text{Debtor Turnover Ratio} = \frac{\text{Net Credit Sales}}{\text{Average Trade Debtors}}$$

Net credit sales consist of gross credit sales minus sales return. Trade debtor includes sundry debtors and bill's receivables. Average trade debtors (Opening + Closing balances / 2)

When the information about credit sales, opening and closing balances of trade debtors is not available then the ratio can be calculated by dividing total sales by closing balances of trade debtor

$$\text{Debtor Turnover Ratio} = \frac{\text{Total Sales}}{\text{Trade Debtors}}$$

Table 4.8

Debtor Turnover Ratio

Year	Total Sales ₹	Trade Debtors ₹	Ratio
2017 – 18	836.51	803.52	1.04
2016 – 17	707.28	711.48	0.99
2015 – 16	1,170.41	983.04	1.19
2014 – 15	1,103.16	1,036.66	1.06
2013 – 14	2,139.43	877.33	2.44

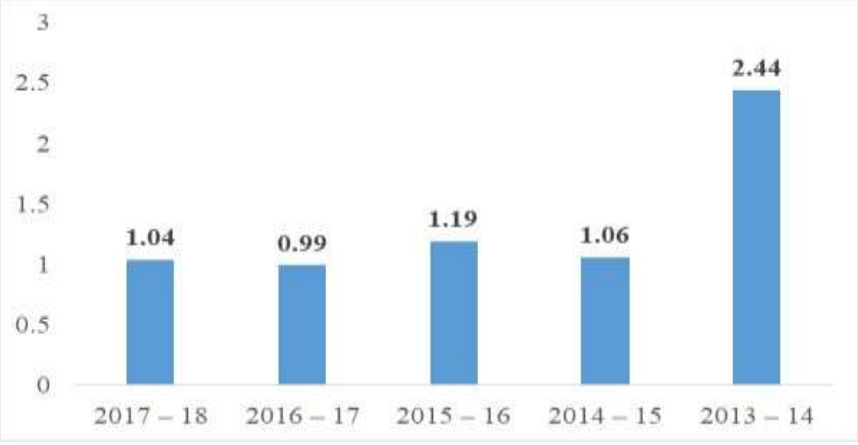
Source: Annual report

Interpretation :

The above table shows the debtors turnover ratio from the financial year 2013-14 to 2017-18. The ratio started with 2.44, and then there was a continuous drop in ratio with a major drop of 0.99 occurred in year 2016-17.

Chart 4.8

Debtor Turnover Ratio



DEBT TO TOTAL CAPITAL RATIO

Debt to total capital ratio = Total Debts

Total Assets

Table 4.9

Debt to total capital ratio

Year	Total Debts ₹	Total Assets ₹	Ratio
2017 – 18	803.52	821.63	0.98
2016 – 17	711.48	767.56	0.93
2015 – 16	983.04	1,050.12	0.94
2014 – 15	1,036.66	1,188.72	0.87
2013 – 14	877.33	1,108.34	0.79

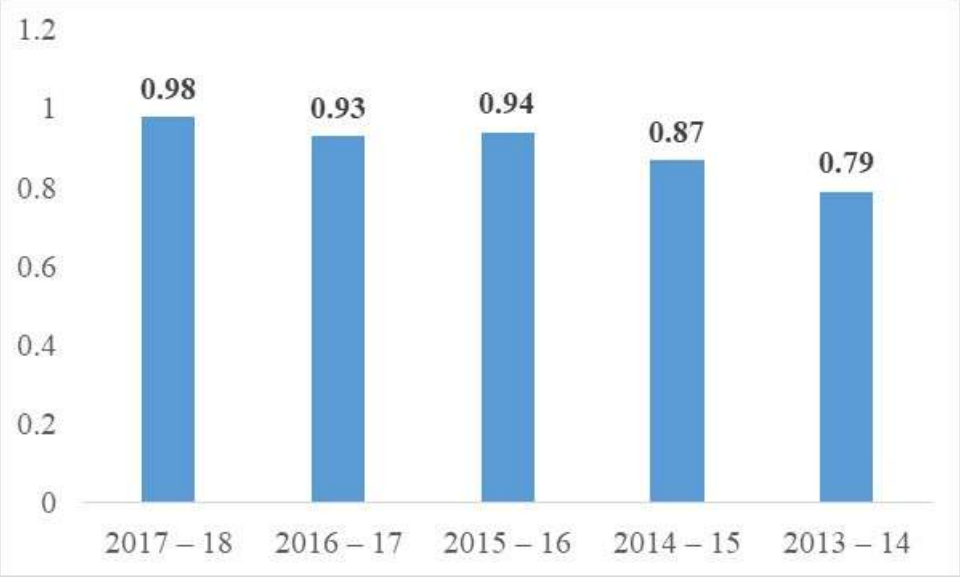
Source: Annual report

Interpretation :

The above table shows the debt to total capital ratio from the financial year 2013-14 to 2017-18. The ratio started with 0.79 and ends with 0.98 during the year 2017-18. The ratio was in ups and downs year by year.

Chart 4.9

Debt to total capital ratio



FIXED ASSETS TO NET WORTH RATIO

This ratio establishes the relationship between fixed assets and shareholder funds. It is calculated by dividing fixed assets by shareholder funds. The shareholder funds include equity share capital, preference share capital, reserves and surplus including accumulated profits. However fictitious assets like accumulated deferred expenses etc should be deducted from the total of these items to shareholder funds. The shareholder funds so calculated are known as net worth of the business.

$$\text{Fixed assets to net worth ratio} = \frac{\text{Fixed Assets}}{\text{Net Worth}}$$

Table 4.10

Fixed assets to net worth ratio

Year	Net Fixed Asset ₹	Networth ₹	Ratio
2017 – 18	1,226.08	17.09	71.74
2016 – 17	1,308.58	56.09	23.33
2015 – 16	1,396.43	67.08	20.82
2014 – 15	1,453.67	152.04	9.56
2013 – 14	1,530.30	231.02	6.62

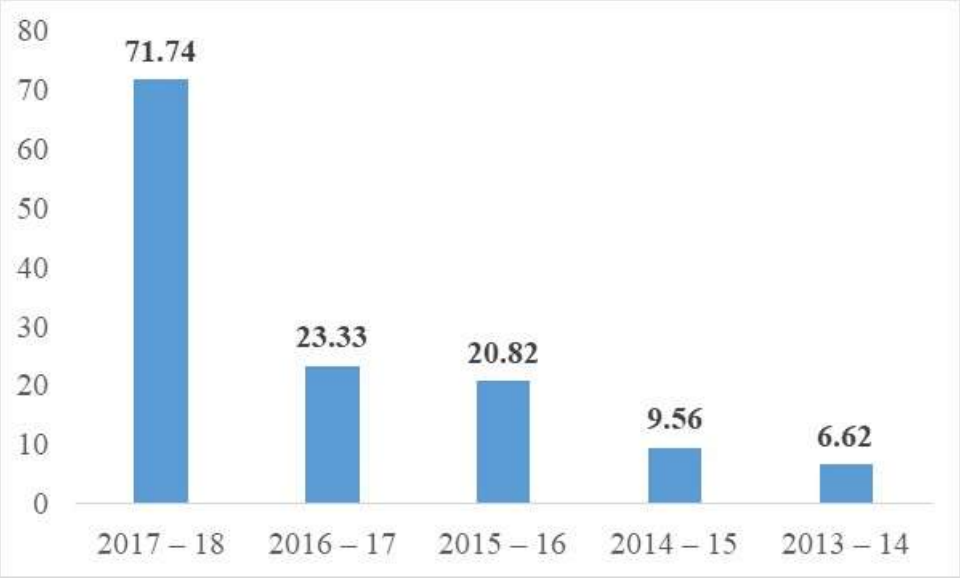
Source: Annual report

Interpretation :

The above table shows the fixed asset to net worth ratio from the financial year 2013-14 to 2017-18. The ratio started with 6.62, there was an increase trend from year 2014-15 to 2017-18 which had 71.74 in 2017-18.

Chart 4.10

Fixed assets to net worth ratio



DEBIT EQUITY RATIO

Debt equity ratio shows the relative claims of creditors (Outsiders) and owners (Interest) against the assets of the firm. Thus this ratio indicates the relative proportions of debt and equity in financing the firm's assets. It can be calculated by total debts by Equity

$$\text{Debt equity ratio} = \frac{\text{Total Debts}}{\text{Equity}}$$

Table 4.11

Debt equity ratio

Year	Total Debts ₹	Equity ₹	Ratio
2017 – 18	803.52	96.21	8.36
2016 – 17	711.48	96.21	7.40
2015 – 16	983.04	36.81	26.71
2014 – 15	1,036.66	36.81	28.16
2013 – 14	877.33	36.81	23.83

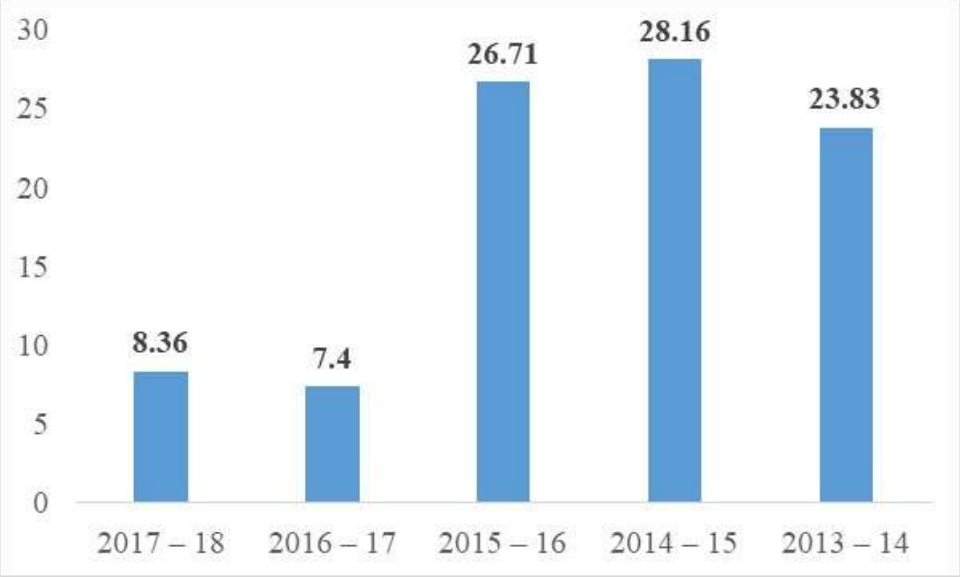
Source: Annual report

Interpretation :

The above table shows the debt equity ratio from the financial year 2013-14 to 2017-18. The ratio started with 23.83, and next year it had an increase in ration with 28.16 and from 2015-16 there was a drop in ratio which had 8.36 in 2017-18.

Chart 4.11

Debt equity ratio



GROSS PROFIT RATIO

It measures the relationship between gross profit and sales. It is calculated by dividing gross profit by sales.

Gross profit margin or ratio = $\frac{\text{Gross profit X 100}}{\text{Net sales}}$

Gross profit is the difference between sales and cost of goods sold.

Table 4.12

Gross profit margin or ratio

Year	Gross profit ₹	Net Sales ₹	Ratio
2017 – 18	111.31	836.51	13.31
2016 – 17	13.83	707.28	2.10
2015 – 16	82.06	1,170.41	7.01
2014 – 15	128.43	1,103.16	11.64
2013 – 14	133.32	2,139.43	6.28

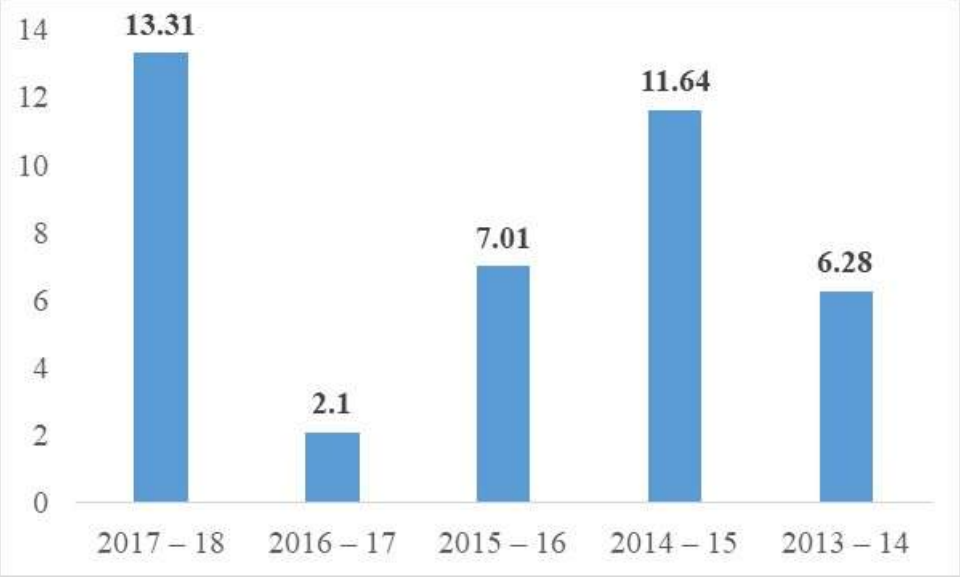
Source: Annual report

Interpretation :

The above table shows the gross profit ratio from the financial year 2013-14 to 2017-18. The ratio started with 6.28 in 2013-14 and there was a major drop in 2016-17 with 2.10 ratio and there was a hike in 2017-18 with 13.31 ratio.

Chart 4.12

Gross profit margin or ratio



NET PROFIT RATIO

It measures the relationship between net profit and sales of a firm. It indicates management's efficiency in manufacturing, administrating, and selling the products. It is calculated by dividing net profit after tax by sales.

$$\text{Net profit margin or ratio} = \frac{\text{Earning after tax X 100}}{\text{Net Sales}}$$

Table 4.13

Net profit margin or ratio

Year	Earning after Tax ₹	Net Sales ₹	Ratio
2017 – 18	-33.77	836.51	-3.16
2016 – 17	-159.38	707.28	-22.53
2015 – 16	-87.42	1,170.41	-7.47
2014 – 15	-47.72	1,103.16	-3.33
2013 – 14	-99.86	2,139.43	-3.67

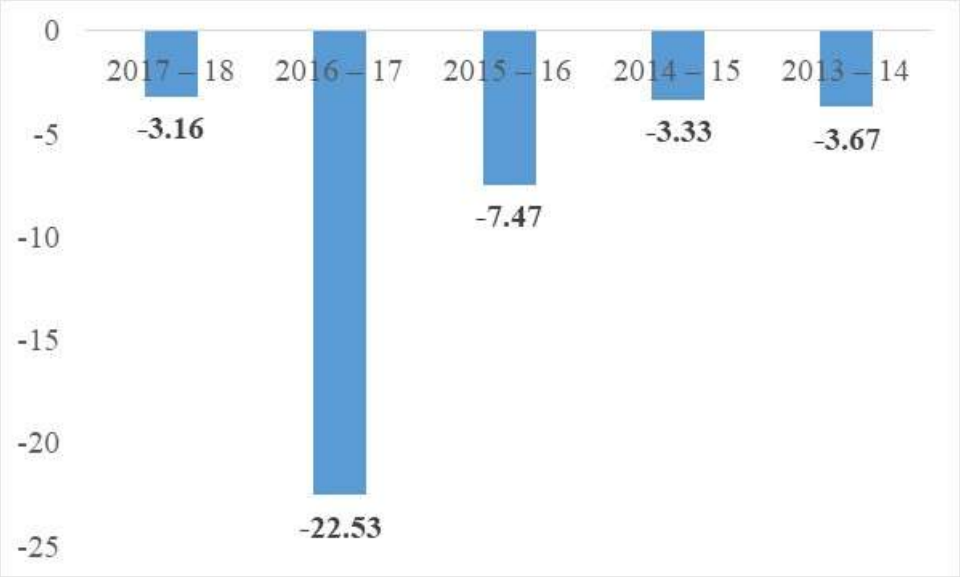
Source: Annual report

Interpretation :

The above table shows the net profit worth ratio from the financial year 2013-14 to 2017-18 which has negative values. During the year 2013-14, the value was -3.67. In year 2016-17 a major drop of -22.53 ratio and concurrent year it was -3.16 in 2017-18.

Chart 4.13

Net profit margin or ratio



4.2 CORRELATION ANALYSIS:

Co-efficient of Correlation Analysis is a statistical tool, which studies the relationship between two variables and correlation analysis involves various methods and techniques used for studying and measuring the extent of the extent of the relationship two variables.

$$r = \frac{n\sum XY - (\sum X)(\sum Y)}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}}$$

Table 4.14

Between Total Income and Total Expenses

The tern correlation stands for the relative important of the different observation the formula for computing correlation as follows.

Year	Total Income (X)	Total Expenses (Y)	X2	Y2	XY
2017 – 18	831.75	687.98	691808.0625	475950110.8	572227.365
2016 – 17	757.33	739.42	573548.7289	424093401.1	559983.9486
2015 – 16	1,176.94	1,091.63	1385187.764	1512112518	1284783.012
2014 – 15	1,093.01	960.97	1196857.88	1150144517	1051310.79
2013 – 14	2,113.94	1,973.17	4472971.204	8830405561	4175251.1
TOTAL (N=5)	5973.97	5453.17	8320373.639	12392706108	7643557.215

$$r = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}}$$

= 0.995825

INTERPERTAION:

Hence, the correlation analysis gives the positive value relative to the total income and total expenses.

Table 4.15

Between Employee Cost and Operating Profit

The tern correlation stands for the relative important of the different observation the formula for computing correlation as follows.

Year	Employee Cost (X)	Operating Profit (Y)	X2	Y2	XY
2017 – 18	61.88	111.31	3829.1344	426220.9501	6887.8628
2016 – 17	59.49	13.83	3539.0601	52483.26128	882.2367
2015 – 16	60.27	82.06	3632.4729	298080.7262	4945.7562
2014 – 15	55.39	128.43	3068.0521	394029.9312	7113.7377
2013 – 14	63.47	133.32	4028.4409	541100.1817	8525.2904
TOTAL (N=5)	300.5	470.95	18097.1604	1711916.05	28353.8838

$$r = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}}$$

= 0.085443

INTERPERTAION:

Hence, the correlation analysis gives the positive value relative to the Employee Cost and Operating Profit.

Table 4.16

Between Networth and Investments

The tern correlation stands for the relative important of the different observation the formula for computing correlation as follows.

Year	Networth (X)	Investments (Y)	X2	Y2	XY
2017 – 18	17.09	163.09	292.0681	47633.38643	2787.2081
2016 – 17	56.09	163.09	3146.0881	513095.5082	9147.7181
2015 – 16	67.08	163.11	4499.7264	733950.3731	10941.4188
2014 – 15	152.04	163.05	23116.1616	3769090.149	24790.122
2013 – 14	231.02	163.84	53370.2404	8797550.428	38081.3368
TOTAL (N=5)	523.32	817.18	84423.2846	13861319.84	85747.8038

$$r = \frac{N\sum XY - (\sum X)(\sum Y)}{\sqrt{n\sum X^2 - (\sum X)^2}\sqrt{n\sum Y^2 - (\sum Y)^2}}$$

= 0.807963

INTERPERTAION:

Hence, the correlation analysis gives the positive value relative to the Networth and Investments.

4.3 REGRESSION ANALYSIS:

In statistics, regression toward the mean is the phenomenon that if a variable is extreme on its first measurement, it will tend to be closer to the average on its second measurement and, paradoxically, if it is extreme on its second measurement, it will tend to have been closer to the average on its first. To avoid making incorrect inferences, regression toward the mean must be considered when designing scientific experiments and interpreting data.

The conditions under which regression toward the mean occurs depend on the way the term is mathematically defined. Sir Francis Galton first observed the phenomenon in the context of simple linear regression of data points. However, a less restrictive approach is possible. Regression towards the mean can be defined for any bivariate distribution with identical marginal distributions. Two such definitions exist. One definition accords closely with the common usage of the term "regression towards the mean". Not all such bivariate distributions show regression towards the mean under this definition. However, all such bivariate distributions show regression towards the mean under the other definition.

Regression analysis is a statistical process for estimating the relationships among variables. It includes many techniques for modeling and analyzing several variables, when the focus is on the relationship between a dependent variable and one or more independent variables. More specifically, regression analysis helps one understand how the typical value of the dependent variable (or 'criterion variable') changes when any one of the independent variables is varied, while the other independent variables are held fixed. Most commonly, regression analysis estimates the conditional expectation of the dependent variable given the independent variables – that is, the average value of the dependent variable when the independent variables are fixed. Less commonly, the focus is on a quantile, or other location parameter of the conditional distribution of the dependent variable given the independent variables. In all cases, the estimation target is a function of the independent variables called the regression function. In regression analysis, it is also of interest to characterize the variation of the dependent variable around the regression function which can be described by a probability distribution.

Regression analysis is widely used for prediction and forecasting, where its use has substantial overlap with the field of machine learning. Regression analysis is also used to understand which among the independent variables are related to the dependent variable, and to explore the forms of these relationships. In restricted circumstances, regression analysis can be used to infer causal relationships between the independent and dependent variables. However this can lead to illusions or false relationships, so caution is advisable;[1] for example, correlation does not imply causation.

Many techniques for carrying out regression analysis have been developed. Familiar methods such as linear regression and ordinary least squares regression are parametric, in that the regression function is defined in terms of a finite number of unknown parameters that are estimated from the data. Nonparametric regression refers to techniques that allow the regression function to lie in a specified set of functions, which may be infinite-dimensional.

The performance of regression analysis methods in practice depends on the form of the data generating process, and how it relates to the regression approach being used. Since the true form of the data-generating process is generally not known, regression analysis often depends to some extent on making assumptions about this process. These assumptions are sometimes testable if a sufficient quantity of data is available. Regression models for prediction are often useful even when the assumptions are moderately violated, although they may not perform optimally. However, in many applications, especially with small effects or questions of causality based on observational data, regression methods can give misleading results

REGRESSION = $(N\Sigma XY - (\Sigma X)(\Sigma Y)) / (N\Sigma X^2 - (\Sigma X)^2)$

Table 4.17

Profit for the year before taxation(PBT) vs Net Profit

Year	Profit before taxation	Net Profit
2017 – 18	-49.36	-33.77
2016 – 17	-233.38	-159.38
2015 – 16	-117.48	-87.42
2014 – 15	-53.5	-47.72
2013 – 14	-127.94	-99.86

Regression Statistics	
Multiple R	0.99394
R Square	0.98791
Adjusted R Square	0.98388
Standard Error	9.52284
Observations	5

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	22232.2	22232.2	245.1606597	0.00057
Residual	3	272.053	90.6844		
Total	4	22503.3			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	13.6203	9.33986	1.4583	0.240834405	-16.103	43.3439	-16.103	43.343941
X Variable 1	1.5164	0.09685	15.6576	0.000566179	1.20819	1.82461	1.20819	1.8246082

INTERPERTAION:

Thus it is found, the relationship between two variable is positive, 1.82

Table 4.18

Total Income vs Total Expenses

Year	Total Income	Total Expenses
2017 – 18	831.75	687.98
2016 – 17	757.33	739.42
2015 – 16	1,176.94	1,091.63
2014 – 15	1,093.01	960.97
2013 – 14	2,113.94	1,973.17

Regression Statistics	
Multiple R	0.99582
R Square	0.99167
Adjusted R Square	0.98889
Standard Error	57.2601
Observations	5

	df	*SS*	*MS*	*F*	*Significance F*
Regression	1	1170484	1170484	356.9941569	0.00032
Residual	3	9836.16	3278.72		
Total	4	1180320			

	Coefficients	*Standard Error*	*t Stat*	*P-value*	*Lower 95%*	*Upper 95%*	*Lower 95.0%*	*Upper 95.0%*
Intercept	60.9209	65.2563	0.93356	0.419395857	-146.75	268.596	-146.75	268.59556
X Variable 1	1.03964	0.05502	18.8943	0.000323681	0.86453	1.21475	0.86453	1.2147494

INTERPERTAION:

Thus it is found, the relationship between two variable is positive, 1.21

CHAPTER V

FINDINGS AND SUGGESTIONS

5.1 FINDINGS :

- The current ratio starts with 0.38 during the year 2013-14. During the year 2014-15 there was a hike again it dropped to 0.22 in the year of 2016-17 and again was raised to 0.33 ratio in 2017-18.
- The quick ratio starts with 0.20 during the year 2013-14.There was an hike of 0.29 in year 2014-15 and after that there was continuous drop. In 2016-17 a major drop of 0.06 happened and we can see a rise of 0.21 ratio in year 2017-18.
- The total asset turnover ratio starts with 1.93 and the very next year there was a drop of 0.93 in 2014-15. There was ups and downs in the ratio and stabilized to 1.02 in 2017-18.
- The net asset turnover ratio starts with the negative value -18.25 in 2013-14, next year there was an tremendous hike to 68.82 and from 2015-16 it continued to drop in negative value which has reached -4.35 in 2017-18.
- The fixed asset turnover ratio started with 1.40 during the year 2013-14. It ends with 0.68 during the year 2017-18.
- The current asset turnover ratio started with the value of 7.11 during the year 2013-14, next year it dropped to 3.70, next year it increased to 5.18 and there was a drop in 2016-17 with 3.86 and in 2017-18 the ratio was 2.94.
- The net working capital turnover ratio starts with 0.56 during the year 2013-14, and from next year there was a drop in ratio and in year 2017-18 the value was 0.05.
- The debtors turnover ratio started with 2.44, and then there was a continuous drop in ratio with a major drop of 0.99 occurred in year 2016-17.
- The debt to total capital ratio started with 0.79 and ends with 0.98 during the year 2017-18. The ratio was in ups and downs year by year.

- The fixed asset to net worth ratio started with 6.62, there was an increase trend from year 2014-15 to 2017-18 which had 71.74 in 2017-18.

- The debt equity ratio started with 23.83, and next year it had an increase in ration with 28.16 and from 2015-16 there was a drop in ratio which had 8.36 in 2017-18.

- The gross profit ratio started with 6.28 in 2013-14 and there was a major drop in 2016-17 with 2.10 ratio and there was a hike in 2017-18 with 13.31 ratio.

- The net profit worth ratio from the financial year 2013-14 to 2017-18 which has negative values. During the year 2013-14, the value was -4.67. In year 2016-17 a major drop of -22.53 ratio and concurrent year it was -4.16 in 2017-18.

- The above table shows the return on asset ratio from the financial year 2013-14 to 2017-18. This ratio started with 193.61 and ends with 105.76 during 2017-18. Between the financial year there was a fluctions.

- The above table shows the return on invested capital ratio from the financial year 2013-14 to 2017-18. This ratio started with a positive value of 48.30, next year it decreased to 20.10 again it increase to 21.89. during 2016-17 it was -2.62, finally during 2017-18 it was -0.97.

- The above table shows the return on equity ratio from the financial year 2013-14 to 2017-18. This ratio started with 58.30 during 2013-14, there was a decreasing trend still 2016-17, with a value of 7.38. Next year of 2017-18 there was a little increasing momentum to 9.03.

CORRELATION ANALYSIS:

- The correlation analysis gives the positive value relative to the total income and total expenses.
- The correlation analysis gives the positive value relative to the Taxation and Operating Profit.
- The correlation analysis gives the positive value relative to the Networth and Investments.

REGRESSION :

- The relationship between Profit for the year before taxation(PBT) vs Net Profit is positive, 1.82
- The relationship between Total Income vs Total Expenses is positive, 1.21

5.2 SUGGESTIONS :

- The current ratio has to be increased by increasing the current assets with the help of debtors & stock level.Current financial year quick ratio is very low, it should be increased since a higher quick ratio indicates the better position of a company.The current Total asset turnover ratio is in a satisfactory level, company can maintain the same or increase the level for better financial efficiency. There is lot of fluctuations in Net asset turnover ratio, it should be stabilized by analyzing the factors affecting the same.To increase the property (equity) ratio, the company can analyse the process held at 2014-15 & 2015-16, since during the period it was maximum. The Outsider Funds level should be increase to maintain the Debt equity ratio. The Gross profit margin ratio will be increased by minimizing the level of operating expenses

- Dividend policy is very important in the management of company's earnings. So decisions related to dividend policy have a significant effect on credit standing of the firm, and its future growth. The valuation of any company depends on its earnings. Due to decentralization of ownership and management in company's organizational structure, it is obvious that should decide the dividend policy in which the trusts of shareholders are maintained. The study reveals the correlation of different variables such as Liquidity, Leverage, Size and growth, provision for taxation with dividend payout.
- Investors should behave rationally while taking their decision regarding investment in any script. They should wait for the abnormality in the script to be removed before investing in it. For long term investor, dividend decision of a company should not be a major influencing factor in their investment decision. Investors should consider the fundamentals of the company before investing in it and should consider the actual performance of the company over the period of time.

- A huge positive abnormal return before the announce date of dividend indicates the sins of leakage of any insider information. So the investor must check room for such insider information before investing in that company. This will help them to protect themselves from future losses For the overall sample, it has been found that Dividend policy has a significant impact on the shareholders' wealth of the electrical machinery manufacturing companies in India.

5.3CONCLUSIONS

Indian companies provide a better scope for analyzing dividend policy issues for the following reasons, first, most dividend policy research studies are based on samples of free economic markets. Next, compared to the capital markets of developed countries, India's markets are more fledging in nature. Stock investors in India are less educated than those in developed countries. Indian stock investors may show different attitudes and behaviors toward risk-taking, investment, and dividend policy. India is exhibiting ever greater economic influence in the globalized world.

This project study has been successfully completed by taking 5 years financial position of the company from 2014-2018. All the required data has been extracted with the help of secondary level from websites, magazines etc. The ratio has used to find the capital structure level of the company. Based on the ratio findings has been brought. From the findings some suitable suggestions has brought to the top management of the company for their special consideration with the help of committee.

The higher dividend payments by the firms will help the value of their shares to increase and vice-versa. The shareholders of the company mostly like the present and certain dividends to the future uncertain capital gains. The management of the company should perform a thorough research on how to improve the various sectors of the company that are deteriorating. However, the company is sustainable and its performance is quite impressive apart from the few areas that need to be worked on.

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ANNEXURE :

BALANCE SHEET

(IN LACS)

Balance Sheet

--- in Rs. Cr. ---

Particulars	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
Sources Of Funds					
Total Share Capital	96.21	96.21	36.81	36.81	36.81
Equity Share Capital	96.21	96.21	36.81	36.81	36.81
Reserves	-79.12	-40.12	30.27	115.23	194.21
Networth	17.09	56.09	67.08	152.04	231.02
Secured Loans	626.29	553.46	640.34	760.61	773.58
Unsecured Loans	178.23	158.02	342.7	276.05	103.75
Total Debt	804.52	711.48	983.04	1,036.66	877.33
Total Liabilities	821.61	767.57	1,050.12	1,188.70	1,108.35
	Mar '17	Mar '16	Mar '15	Mar '14	Mar '13
Application Of Funds					
Gross Block	1,433.82	1,465.87	1,498.23	1,515.69	1,536.14
Less: Revaluation Reserves	375.39	397.59	420.78	444.03	469.6
Less: Accum. Depreciation	357.19	306.22	250.55	195	138.22
Net Block	701.24	762.06	826.9	876.66	928.32
Capital Work in Progress	149.45	148.93	148.75	132.98	132.38
Investments	163.09	163.09	163.11	163.05	164.84
Inventories	99.51	130.84	98.94	118.99	141.25
Sundry Debtors	131.36	45.71	110.74	102.99	127.37
Cash and Bank Balance	53.75	6.84	16.17	75.79	32.29
Total Current Assets	284.62	183.39	225.85	297.77	300.91
Loans and Advances	501.06	447.47	402.62	386.13	423.46
Total CA, Loans & Advances	785.68	630.86	628.47	683.9	724.37
Current Liabilities	867.74	843.39	688.26	618.32	786.3
Provisions	110.09	93.99	28.85	49.55	55.27
Total CL & Provisions	977.83	937.38	717.11	667.87	841.57
Net Current Assets	-192.15	-306.52	-88.64	16.03	-117.2
Total Assets	821.63	767.56	1,050.12	1,188.72	1,108.34

Profit and Loss

Particulars	Mar '18	Mar '17	Mar '16	Mar '15	Mar '14
Income					
Sales Turnover	847.49	707.28	1,170.41	1,103.16	2,139.43
Excise Duty	10.98	0	0	0	0
Net Sales	836.51	707.28	1,170.41	1,103.16	2,139.43
Other Income	32.46	3.08	3.25	4.61	6.45
Stock Adjustments	-37.22	46.97	3.28	-13.76	-30.94
Total Income	831.75	757.33	1,176.94	1,094.01	2,114.94
Expenditure					
Raw Materials	480.33	600.49	931.49	807.62	1,657.77
Power & Fuel Cost	9.85	22.05	20.68	34.16	142.95
Employee Cost	61.88	59.49	60.27	55.39	63.47
Other Manufacturing Expenses	120.27	34.38	54.38	38.78	44.56
Miscellaneous Expenses	15.65	23.01	24.81	25.02	65.42
Total Expenses	687.98	739.42	1,091.63	960.97	1,974.17
Operating Profit	111.31	14.83	82.06	128.43	134.32
PBDIT	143.77	17.91	85.31	133.04	140.77
Interest	129.34	185.91	136.81	121.26	189.98
PBDT	14.43	-168	-51.5	11.78	-49.21
Depreciation	63.79	66.38	65.98	65.28	78.73
Profit Before Tax	-49.36	-234.38	-117.48	-53.5	-127.94
PBT (Post Extra-ord Items)	-49.36	-234.38	-117.48	-53.5	-127.94
Tax	-14.61	-74.99	-30.05	-5.79	-28.08
Reported Net Profit	-34.77	-159.38	-87.42	-47.72	-99.86
Total Value Addition	207.66	138.93	160.15	153.35	316.41
Per share data (annualised)					
Shares in issue (lakhs)	962.13	962.13	368.07	368.07	368.07
Earning Per Share (Rs)	-3.61	-16.57	-23.75	-12.96	-27.13
Book Value (Rs)	1.78	5.83	18.22	41.31	62.77