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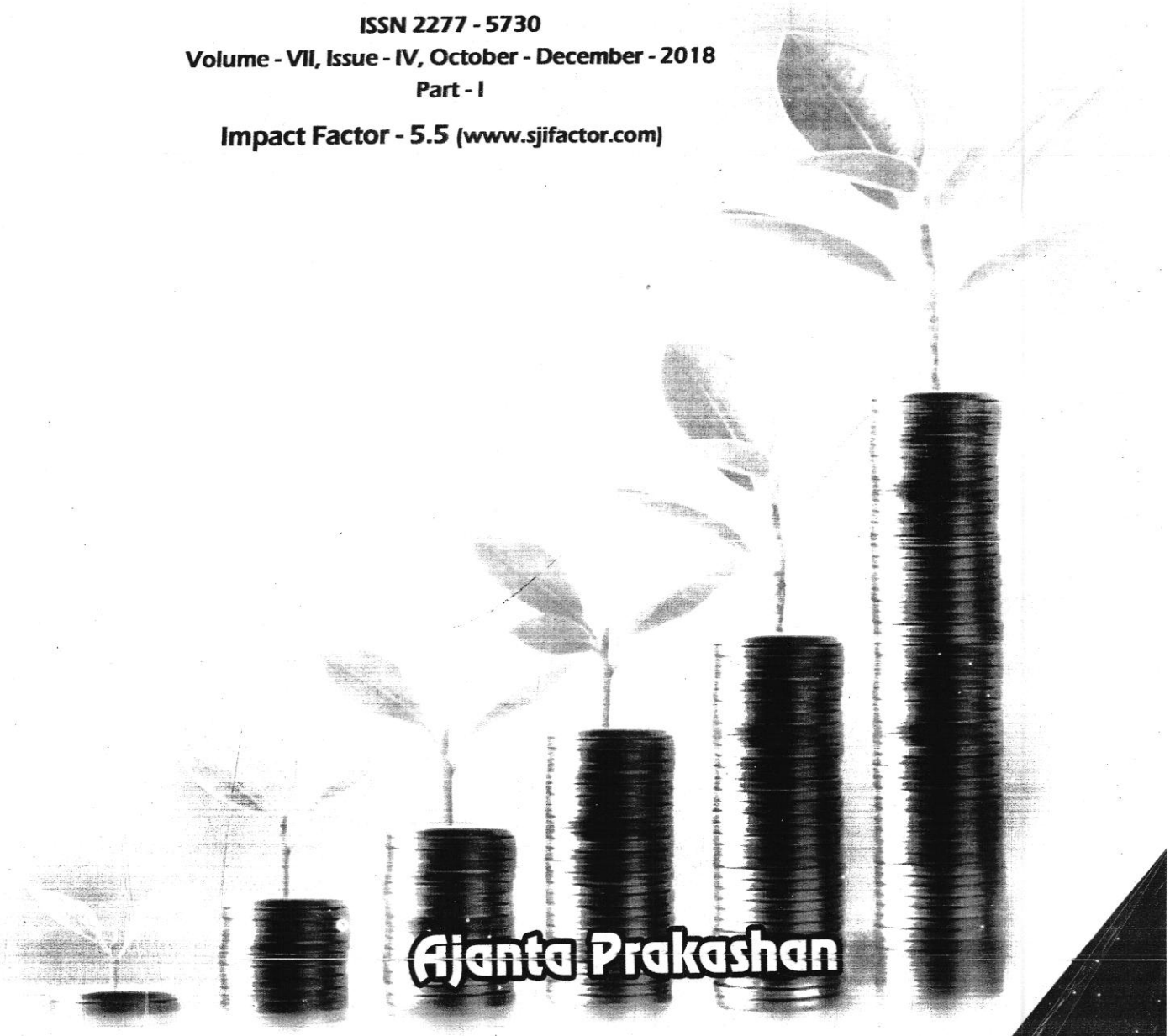

Ajanta Prakashan

CONTENTS OF ENGLISH PART - I

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1. Return on Capital Employed of the Selected Tea Companies in India

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Abstract

Tea is one of the most important drinks in India. So many companies deal in tea production in India and it becomes interesting to study the financials of these companies. In order to understand the profitability of these companies the Return on Capital employed of 10 sample companies were analyzed and data analysis is provided in the study. Before study period taken in sample were doing good but it was quite challenging for the tea sector and Indian economy after 2007 was the commencement of the downturn in the economy. It was very difficult for all businesses to perform with its efficiency.

Keywords: Tea companies, Return on Capital

Introduction

Tea has been part of the Indian culture and society from a long time. The morning newspaper is accompanied with a cup of tea, and evenings too are incomplete without a refreshing cup. The teas from Darjeeling and Assam are among the most renowned teas in the world. Tea connoisseurs everywhere enjoy a cup of these beautiful teas. But how did tea come to India?

A History of the Tea Monopoly - The British East India Company

By the early 1700s, the British East India Company ("The Company") established itself as the dominant trading power and would go on to monopolize the tea trade with China. Trading stations sprung up in India, including hubs in Bombay, Bengal, and Madras. The Company, acting as an imperial arm of England, would exercise significant political power in helping to create a wealthy and powerful British Empire. This included not only trading tea, but also the right to annex land, direct troops, and dictate British laws.

The British would exploit the tea trade for profit and political power over the next century. However, geo-political change involving new American colonies abroad and the French and Indian Wars in 1763 began to threaten The Company's privileged position. In addition, the

Company would struggle due to financial mismanagement, corruption, and growing tea smuggling operations.

Origin of Tea – When did tea come to India?

Historical records indicate the prevalence of tea drinking in India since 750 BC. In the 16th century, a vegetable dish was also being prepared using tea leaves with garlic and oil. However, the credit for rediscovering tea and cultivating it at a commercial level goes to the British.

Definition of Tea

The definition of tea is an evergreen plant grown in some Asian countries, India and in the Eastern United States, or dried leaves or herbs made into a beverage by brewing in boiled water.

How is Tea Made?

The techniques and processes for growing, preparing, and producing tea are all very similar. Each type of tea varies in respect to the amount of time it is exposed to withering, oxidation, and drying.

- Plucking
- Withering/ Wilting
- Disruption
- Oxidation / Fermentation
- Fixation / Kill-green
- Sweltering / Yellowing
- Rolling / Shaping
- Drying
- Aging / Curing

Tea Producing Regions of India

1. Darjeeling
2. Assam
3. Dooars and Terai
4. Kangra
5. Nilgiri
6. Annamalais
7. Wayanaad
8. Karnataka

9. Munnar
10. Travancore

Different Tea Varieties in India

- Darjeeling Tea
- Assam Tea
- Dooars and Terai Tea
- Kangra Tea
- Nilgiri Tea
- Annamalais Tea
- Karnataka Tea
- Munnar Tea
- Travancore Tea

Literature Review

Differences in processing methods produce the independent varieties of tea **(Carlson, Bauer, Vincent, Limburg, & Wilson, 2007).** The four predominant types include green, white, black and oolong **(Matthews, 2010).** In order to make green tea, bush leaves are immediately steamed and dried after picking, which prevents oxidation and produces larger amounts of catechism. Although green tea is recognized as having a simpler flavor, thousands of varieties and flavors exist **(Matthews, 2010).** Similar to green tea, white tea is unfermented. It is restricted from the sun in order to maintain its white hue and pure taste **(Alcázar et al.,2007).**

Debasish Biswas (2011) "Productivity and Industrial Relations: An empirical study on tea estates in Dooars region of West Bengal" established that various factors of industrial relations have got tremendous impact on productivity and concluded that productivity is largely affected by the industrial relations and vice versa.

Goswami (2007) identified the problems and prospects of tea industry in Assam. He suggested that the capital structure of the tea industries should be properly planned to revive sick tea gardens of Assam.

Matthews 2010 All teas originate from the Camellia sinensis plant.

Chakraborty (2012) studied the profitability of tea gardens of Barak Valley of Assam. It was revealed from the study that tea gardens in that region were sustaining losses due to increase in cost, decrease in average auction prices of Barak Valley tea and mounting burden of tax on tea.

Osiegbu and Nwakanma (2008) Profitability helps in taking decisions and constructing

policies.

Chandra (2001) Financial strength of a business is measure of it liquidity

Research Methodology

The study is mainly focus on profitability and liquidity of Tea companies in India. The time period for which the companies are studied is of Ten years from 2007-08 to 2016-17.

The selection of tea companies of Indian tea industry is based on the segment of that companies which produce different types of tea. The selected tea companies in India are as follow:

1. Assam Company (India) Limited.
2. Bombay Burmah Trading Corp. Ltd
3. CCL Products (India) Ltd.
4. Harrisons Malayalam Ltd.
5. Jay Shree Tea & Industries Ltd.
6. Mcleod Russel India Ltd.
7. Rossell India Ltd.
8. Terai Tea Co. Ltd.
9. The United Nilgiri Tea Estates Company Limited
10. Warren Tea Ltd.

In order to achieve the objective of studying the Return on Capital employed of sample companies three parameters were chosen for the study.The requisite data were sourced through the websites of National Stock Exchange of India (www.nseindia.com), Money Control (www.moneycontrol.com) and the annual reports of the companies given on companies' website. Descriptive statistics and ANOVA test was used to perform statistical analysis and 5% level of significance was used.

Hypotheses

Return on Capital Employed

H0: The Return on Capital Employed does not differ significantly among different tea companies.

H1: The Return on Capital Employed differs significantly among different tea companies.

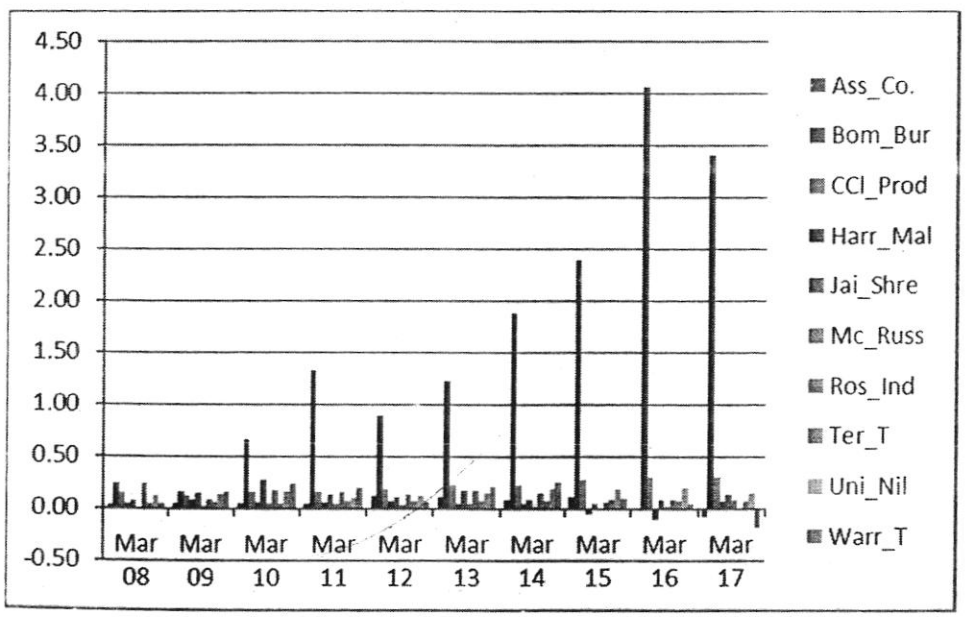
Data Analysis and Discussion

Descriptive statistics like trend of defined performance measures from the year 2007-08 to 2016-17, mean, standard deviation, minimum and maximum are used to analyze the data.

Anova test is performed to analyze the difference in various performance measures among different tea companies.

Return on Capital Employed and Growth of Selected Tea Companies

company Name		Mar 08	Mar 09	Mar 10	Mar 11	Mar 12	Mar 13	Mar 14	Mar 15	Mar 16	Mar 17
Ass_Co.	Ratio	0.03	0.04	0.05	0.05	0.12	0.11	0.09	0.11	0.01	-0.08
	Growth(%)		37.63	1.41	3.16	158.20	-12.09	-15.44	20.98	-91.87	-1054.12
Bom_Bur	Ratio	0.24	0.16	0.66	1.33	0.89	1.23	1.88	2.39	4.07	3.41
	Growth(%)		-33.18	308.93	101.35	-32.86	38.04	53.02	27.27	69.79	-16.02
CCl_Prod	Ratio	0.15	0.13	0.16	0.17	0.19	0.23	0.23	0.27	0.30	0.30
	Growth(%)		-16.37	24.10	5.83	13.31	21.16	0.32	20.46	10.76	-1.95
Harr_Mal	Ratio	0.05	0.08	0.06	0.06	0.07	0.05	0.05	-0.06	-0.11	0.07
	Growth(%)		76.40	-29.83	8.60	15.16	-32.09	5.20	-219.33	78.17	-162.87
Jai_Shre	Ratio	0.08	0.14	0.28	0.14	0.12	0.18	0.09	0.04	0.09	0.13
	Growth(%)		90.21	93.49	-49.94	-17.02	55.18	-51.63	-49.07	96.07	52.36
Mc_Russ	Ratio	0.01	0.02	0.05	0.04	0.03	0.05	0.02	0.01	0.02	0.08
	Growth(%)		55.18	118.41	-1.55	-26.79	49.72	-51.13	-56.01	86.49	310.30
Ros_Ind	Ratio	0.24	0.08	0.17	0.16	0.14	0.17	0.15	0.06	0.08	-0.01
	Growth(%)		-64.48	101.27	-4.79	-13.66	24.74	-12.75	-61.89	39.95	-115.96
Ter_T	Ratio	0.04	0.05	0.05	0.07	0.07	0.07	0.07	0.09	0.08	0.08
	Growth(%)		30.76	-3.07	33.58	4.64	-1.75	-0.88	21.31	-12.68	0.96
Uni_Nil	Ratio	0.13	0.13	0.16	0.10	0.12	0.15	0.19	0.19	0.19	0.15
	Growth(%)		1.05	24.69	-38.33	21.60	22.41	24.80	-0.79	5.28	-22.63
Warr_T	Ratio	0.05	0.16	0.24	0.20	0.06	0.21	0.25	0.10	0.05	-0.19
	Growth(%)		246.43	50.02	-16.46	-69.42	248.82	16.58	-60.37	-46.62	-453.62



Interpretation

To reflect how efficiently a company can generate profits from its capital employed by comparing net operating profit to capital employed the Return on Capital Employed ratio is been calculated. This ratio specifically measures a company's ability to generate net sales from fixed-asset investments, namely property, plant and equipment (PP&E), net of depreciation. Graph

shows the Return on Capital Employed Ratio and growth of the Ass_Co., Bom_Bur, CCl_Prod, Harr_Mal, Jai_Shre, Mc_Russ, Ros_Ind, Ter_T, Uni_Nil, Warr_T. Return on Capital Employed Ratio of all this tea companies shows fluctuating trend during the analysis period. Among these tea companies highest is of Bom_Bur for the research period.

Descriptive Statistics of Return on Capital Employed

Descriptive Statistics	Min	Max	Range	Mean	SD	SE
Companies						
Ass_Co.	-0.08	0.12	0.21	0.05	0.06	0.02
Bom_Bur	0.16	4.07	3.90	1.63	1.32	0.42
CCl_Prod	0.13	0.30	0.18	0.21	0.06	0.02
Harr_Mal	-0.11	0.08	0.19	0.03	0.06	0.02
Jai_Shre	0.04	0.28	0.23	0.13	0.07	0.02
Mc_Russ	0.01	0.08	0.07	0.03	0.02	0.01
Ros_Ind	-0.01	0.24	0.25	0.12	0.07	0.02
Ter_T	0.04	0.09	0.05	0.07	0.01	0.00
Uni_Nil	0.10	0.19	0.09	0.15	0.03	0.01
Warr_T	-0.19	0.25	0.43	0.11	0.13	0.04
Year						
Mar 08	0.01	0.24	0.23	0.10	0.08	0.03
Mar 09	0.02	0.16	0.14	0.10	0.05	0.02
Mar 10	0.05	0.66	0.61	0.19	0.19	0.06
Mar 11	0.04	1.33	1.28	0.23	0.39	0.12
Mar 12	0.03	0.89	0.86	0.18	0.25	0.08
Mar 13	0.05	1.23	1.18	0.24	0.35	0.11
Mar 14	0.02	1.88	1.86	0.30	0.56	0.18
Mar 15	-0.06	2.39	2.46	0.32	0.73	0.23
Mar 16	-0.11	4.07	4.17	0.48	1.27	0.40
Mar 17	-0.19	3.41	3.60	0.39	1.07	0.34

Interpretation

Company wise Return on Capital Employed Ratio

- Mean reveals the average of selected research period From Table 5.62 it can be said that mean of Return on Capital Employed Ratio of Ass_Co., Bom_Bur, CCl_Prod, Harr_Mal, Jai_Shre, Mc_Russ, Ros_Ind, Ter_T, Uni_Nil, Warr_T. is 0.05, 1.63, 0.21, 0.03, 0.13, 0.03, 0.12, 0.07, 0.15, 0.11 respectively which indicate that the mean of Return on Capital Employed Ratio of Bom_Bur is highest in comparison with rest of sample size.

- Standard error is a statistical term that measures the accuracy with which a sample represents a population. When the standard error is small, the data is said to be more representative of the true mean. Here standard error of selected sample Ass_Co., Bom_Bur, CCl_Prod, Harr_Mal, Jai_Shre, Mc_Russ, Ros_Ind, Ter_T, Uni_Nil, Warr_T is 0.02, 0.42, 0.02, 0.02, 0.02, 0.01, 0.02, 0.00, 0.01, 0.04 respectively. All the companies' standard error is small. But it is observed that Ter_T standard error is very small which means the mean of Ter_T is very accurate.
- The standard deviation both are measures of the *spread* of the distribution about the mean. Here standard deviation of sample Ass_Co., Bom_Bur, CCl_Prod, Harr_Mal, Jai_Shre, Mc_Russ, Ros_Ind, Ter_T, Uni_Nil, Warr_T is 0.06, 1.32, 0.06, 0.06, 0.07, 0.02, 0.07, 0.01, 0.03, 0.13 respectively. Here value of standard deviation of Ter_T lower than rest of the sample. So it can be said that most of the values of dataset are near to its mean value.

Year Wise Return on Capital Employed Ratio

- Return on Capital Employed Ratio show that tea industry Minimum lowest value was -0.19 in the year 2017 while Minimum highest value was 0.05 in the years 2010 and 2013. Maximum lowest value was 0.16 in the year 2009 while Maximum highest value was 4.07 in the year 2016.
- Tea industry lowest Mean value was 0.10 in the years 2008 and 2009 while highest Mean value was 0.48 in the year 2016.
- Standard deviation of tea industry lowest value was 0.05 in the year 2009 while highest value was 1.27 in the year 2016. It implies that the standard deviation for the year 2009 was good for the tea industry.
- Standard error of tea industry lowest was 0.02 in the year 2009 and highest was 0.40 in the year 2016. Its means that standard error in the year 2009 was desirable for the tea industry.

ANOVA Test of Return on Capital Employed for the Selected Companies (F-Test)

Variance of Return on Capital Employed between selected Tea Companies

H_0= There is no significant difference in variance of Return on Capital Employed of the companies.

H_1= There is significant difference in variance of Return on Capital Employed of the companies.

Variance of Return on Capital Employed between Selected Tea Companies

Content	Within Selected Companies
F_{cal}	*13.06*
F_{tab}	2.00
P-value	0.00
H_o	Rejected

Interpretation

From Table it can be concluded that F - measured value is 13.06 according to company and F - table value is 2.00which means $F_{Cal.} > F_{tab.}$. Moreover p value is also less than 0.05, so H_0 is rejected which means variance of both companies' Return on Capital Employed Ratio is not equal.

Variance of Return on Capital Employed of Tea Companies within selected years

H_0= There is no significant difference in variance of Return on Capital Employed with selected years.

H_1= There is significant difference in variance of Return on Capital Employed within select years.

Variance of Return on Capital Employed of Within Selected years

Content	Within Selected years
F_{cal}	*0.82*
F_{tab}	2.00
P-value	0.60
H_o	Accepted

Interpretation

From it can be concluded that F - evaluated value is 0.82 year wise and F - table value is 2.00which means$F_{Cal.} > F_{tab.}$. Moreover p value is also more than 0.05, so H_0 is accepted.

Conclusion

The study period taken in sample was quite challenging for the tea sector and Indian economy in all. 2007 was the commencement of the downturn in the economy. Moreover, it was the year of certain economic shocks internationally. In these challenging times it was very difficult for all businesses to perform with its efficiency.

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