

APPENDICES

APPENDIX I

SIGNALS AND SYMPTOMS OF INDUSTRIAL SICKNESS

I - QUANTITATIVE

FINANCIAL

Signal Symptom

** Profitability

- | | |
|---|---|
| 1. Continuous decline in profit and internal generation of funds. | + |
| 2. Occurrence of cash loss. | + |
| 3. Not providing for depreciation for 2 or 3 years in succession. | + |
| 4. Reduction in profit margin of sales. | + |
| 5. Inadequate ploughback of profit. | + |
| 6. Skipping of dividends/fluctuations of dividends. | + |

** Liquidity

- | | | |
|---|---|---|
| 7. Inability to meet interest and debt service charges. | | + |
| 8. Continued negative working capital. | | + |
| 9. Diversion of funds from short run to long run uses and vice versa. | + | |

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|---|---|---|
| 10. Siphoning of funds outside unit and excessive dealing with related parties. | + | |
| 11. Delayed payments to creditors. | + | |
| 12. Inability to pay trade creditors. | | + |
| 13. Accumulation of statutory dues. | | + |
| 14. Frequent excess drawings and request for ad-hoc limits. | | + |

**** Leverage**

- | | | |
|--|---|---|
| 15. Rising level of debt in relation to net worth. | + | |
| 16. Excessive debt. | | + |
| 17. Declining net worth. | | + |

**** Costing**

- | | | |
|---|---|--|
| 18. Increasing cost of production not absorbed by sale price. | + | |
| 19. Increasing trend of fixed costs. | + | |

**** OPERATIONAL****

*** Sales/Marketing**

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|---|---|--|
| 20. Significant and consistent fall in sales. | + | |
|---|---|--|

- | | | |
|---|---|---|
| 21. Declining trend in market share. | | + |
| 22. Frequent distress sales. | + | |
| 23. Increasing tendency to overtrade. | + | |
| 24. Decline in quality service tightening credit sales. | + | |
| 25. Price cuts. | + | |

* Inventory.

- | | | |
|---|---|---|
| 26. Slowing of inventory turnover. | + | |
| 27. Continuous decline of inventory turnover. | | + |
| 28. Unusually high build-up of inventory. | + | |

* Assets

- | | | |
|---|---|---|
| 29. Decline in asset turnover. | + | |
| 30. Significant and continuous fall in assets turnover. | | + |

* Production

- | | | |
|--|---|---|
| 31. Declining capacity utilisation. | | + |
| 32. Lower capacity utilisation. | + | |
| 33. Frequent breakdown of machinery and plant. | + | |

II - QUALITATIVE

FINANCIAL

- | | | |
|---|---|---|
| 34. Irregularities in accounts. | + | |
| 35. Delay in auditing and publishing accounts. | + | |
| 36. Large variations in proforma accounts and audited accounts. | | + |
| 37. Over - valuation of stock. | + | |
| 38. Non - submission of stock. | | + |
| 39. Delayed submission of stock statement. | + | |
| 40. Determined drive to reduce all costs. | | + |
| 41. Large bills returned paid. | + | |

MANAGEMENT AND PERSONNEL.

- | | | |
|---|---|---|
| 42. Tighter centralisation of management. | + | |
| 43. Desperate attempts to arrange liquid funds. | + | |
| 44. Resignation or termination of key personnel. | | + |
| 45. Frequent resort to lay-off and closure and strikes. | + | |
| 46. Rise in labour disputes and deterioration in labour management relations. | | + |

47. Dissensions in top management.

+

CONSUMER AND OTHER RELATED PARTIES.

48. Existing of large number of legal disputes, specially with government agencies and departments.

+

49. Increasing rejections of sales and cancellation of orders.

+