



STUDY THE FINANCIAL PERFORMANCE OF SREE PUSHPAM INDUSTRIE

Iyyappan Karthikeyan* M.Raj**

*Assistant Professor, Prist School of Business, Prist University, Thanjavur.

**Mphil Research Scholar, Prist School of Business, Prist University, Thanjavur.

Abstract

It is the process of identifying the financial strength and weakness of a firm from the available accounting data and financial statement. The analysis is done by properly establishing the relationship between the items of balance sheet and profit and loss account the first task of financial analyst is to determine the information relevant to the decision under consideration from the total information contained in the financial statement. The second step is to arrange information in a way to highlight significant relationship. The final step is interpretation and drawing of inferences and conclusion. Thus financial analysis is the process of selection relating and evaluation of the accounting data/information

Keywords: *Financial Statement Analysis, Trend Analysis, Income Statement.*

Introduction

A financial statement is an organized collection of data according to logical and consistent accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business firm. It may show a position at a moment of time as in the case of a balance sheet, or may reveal a series of activities over a given period of time, as in the case of an income statement.

The term financial statement generally refers the following basic statements

1. Income statement
2. Balance sheet
3. Statement of retained earnings
4. Statement of changes in financial position

Financial statement is a written report of a company which quantitatively describes the financial health. This includes an income statement and a balance sheet, and often also includes a cash flow statement. Financial statements are usually compiled on a quarterly and annual basis. Financial statement analysis involves careful selection of data from financial statements for the primary purpose of forecasting the financial health of the company. This is accomplished by examining trends in key financial data, comparing financial data across companies, and analyzing key financial ratios.

According to I.M.PANDEY “financial analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship between the item of the balance sheet and the profit and loss account”.

Statement of the Problem

Finance is the life blood for business and business institutions. This is because in the modern money oriented economy, finance is one of the basic foundations of all kinds of economic activities. In general, it is possible to discuss finance performance on three main successes such as financial liquidity and profitability, and solvency of the company. Efficiency in financial performance is so vital especially for a manufacturing industry. The success of this company also depends upon its financial performance. So the researcher has made on attempt to study the financial performance of Sree Pushpam Industrie.

Objectives of the Study

Primary Objective

1. To study the financial performance of Sree Pushpam Industrie, Puducherry.



Secondary Objective

1. To compare and analyze the financial statement for the past three financial years (2014, 2015, 2016).
2. To know the profitability, liquidity and solvency position of Sree Pushpam Industrie.
3. To compare and interpret financial statement of the Sree Pushpam Industrie, with comparative and common size statement analysis.
4. To forecast the annual growth rate of income of the company with the help of regression analysis.
5. To provide suggestions for improving the overall financial performance of the company.

Scope of the Study

This study highlights the financial performance of Sree Pushpam Industrie. This study also helps to know about the financial strengths and weaknesses of the company. By this study the researcher can able to know about the current financial position of Sree Pushpam Industrie.

Limitations of the Study

1. This study has been restricted to the last three years data of the company
2. There is no access to the internal records for the outsiders and therefore the study mainly depends on published financial statement only.
3. Scope for selection of data was limited.
4. Analysis and interpretation are purely based on the figures represented in reports.
5. The duration of the project is limited only 3 months.

Research Methodology

Research Design: The type of research design used in this study is Analytical research design. In analytical research the researcher has to use fact and information already available and analyze these to make a critical evaluation of the material.

Collection of Data: This study is purely based on secondary data. Here, the researcher has collected the information from annual reports of the company.

Period of the Study: This study covers a period of 3 years from 2014-2016

Duration of the Study: Four Months from February to May 2017.

Tools for Analysis: The analysis and interpretation of financial statement is used to determine the financial position and results of operation as well. A number of methods or tools are used to study the relationship between different statements. The researcher should be follow two type of tools in this research. They are.

Financial Tools

1. Ratio analysis
2. Comparative Statement.
3. Common size Statement.

Statistical Tools

1. Trend analysis.
2. Correlation analysis.
3. Regression analysis

Ratio Analysis

Ratio analysis is one of the most used techniques of financial analysis. It aims at making used of quantitative information for decision making a ration is an expression of relationship between to variables. Ratio analysis helps the financial management in calculating the financial positions and performance of the firm.



Comparative Financial Statements

Comparative financial statements are statements of financial position of a business designed to provide time perspective to the consideration of various elements of financial position embodied in such statements.

Common-Size Financial Statement

Common-size financial statement are those in which figures reported are converted into percentages to some common base in the income statement the sales figure is assumed to be 100 and all figures are expressed as a percentage of sales. Similarly, in the balance sheet, the total of assets or liabilities is taken as 100 and all the figures are expressed as a percentage of this total.

Trend Analysis

Trend analysis is a form of comparative analysis that is often employed to identify current and future movements of an investment or group of investments.

Correlation Analysis

The correlation is a statistical tool, which studies the relationship between two variables. Two variables are said to be correlated if the change in one variable results in a corresponding change in the other.

Regression: Regression is the measure of average relationship between two or more variable in terms of the original units of the data.

Company Profile

It is a small enterprise having its manufacturing plant at R.S.No, 121/1 & 63/7 Villupuram road, Madagadipet and Thirubuvanai Village, Puducherry-605107. The unit is run by the firm M/s.SREE PUSHPAM INDUSTRIE with Mr. A.J.Saravanan. It is engaged in the manufacture of Detergent Cakes, Washing Power, and Acid slurry. "PONVANDU" brand is one of the pioneer in Detergent manufacturing industry and it holds a market share of 3% in South India, with having its presence in Tamil Nadu, Andhra Pradesh, Karnataka, Pondicherry, Kerala and Andaman islands.

Product Profile

Sree Pushpam Industrie is manufacturing different types of detergent cakes, washing power and Acid slurry. Sree Pushpam Industrie is hold's a market share of 3% in South India, with having its presence in Tamil Nadu, Andhra Pradesh, Karnataka, Pondicherry, Kerala and Andaman islands.

Type of Product

1. Detergent cake.
2. Washing powder.
3. Acid slurry.

Review of Literature

1. Marcus (1962), In his article "Profitability and Size of Firm" tried to re-evaluate the hypothesis that the rate of return increases with the size of the firm, against new data within an improved analytical framework. His conclusion was that the hypothesis did not perform uniform in all the industries and that it cannot therefore be viewed as having general validity.
2. Gale (1972), in his research paper entitled 'Market Share and Rate of Return', stated the effects of market share on the rate of return of related firms operating in different market environment using data of the 106 firms. He found that high market share is associated with high rate of return and that the effect of share on profitability depends on other firms and industry characteristics such as degree of concentration and rate of growth in the industries in which the firm completes and on the absolute size of the firm.



3. Sankar (1990), in his paper “State Level Public Enterprises in India: An Overview”, gauged the financial performance of state enterprises. Financial performance needs to be measured on the basis of operating profit to capital employed and the ratio of profit after tax on capital employed ratio was not positive in any of the state level public enterprises under study. The profit after tax to capital employed ratio also presented dismal picture in the state enterprises.
4. Santomero and Babel (1997), in their research article, “Financial Risk Management: An Analysis of the Process”, provided an extensive analysis of financial risk management as performed by insurers. Based on a series of interviews with management at a variety of insurers, reports on the current state of this process in the insurance industry, concluded that significant improvements in financial risk management are necessary and that even the most advanced insurers are not doing an effective enough job managing these risks.
5. Hema Priya (1998) made “A study on financial analysis of M/S Veejay Lakshmi Engineering Company” for a period of nine years from 1999-89 to 1996-97 with the objective of examining the solvency and profitability position to measure the efficiency and performance and to analyze the source and uses of the funds of the company. The study found that the solvency position was better in the year 1992 and during the last three years, the company had enjoyed better payment period from creditors.
6. Cherian Joseph (1998) conducted “A Study on financial performance of Textile Industry in India” for a period of ten years from 1978-88. The objective of the study was to find the financial performance and utilization of working capital in textile mills. Around twenty mills were taken for study. The finding of the study was total investment in all selected textile units showing increasing trend. The conclusion was it blocked amount of cash in current asset which was utilized at right time to purchase the inventory and shortage won't effect. The day-to-day production process increased the profit and reduced risk during 1978-87. The profit after tax to capital employed ratio also presented dismal picture in the state enterprises.
7. Santany Kumar Ghosh and Santi Gopal Maji (2003), An empirical study on cement and tea industries in India, makes an empirical study on utilization of current assets and operating profitability. Data for 11 firms of cement and tea industries were collected for the period 1992.
8. Financial performance of Indian Farmers Fertilizer Cooperative Limited – a case study by S.K.Khatik & P.K.Singh found that there is a need of immediate improvement in inventory. The management of IFFCO during the period of 1990 – 91 to 2001 – 02. The collected data have been analyzed in 4 ways: Analysis of liquidity ratio, Analysis of liquidity position, item – wise analysis of component of working capital, Liquidity ranking. For assessing the behavior of ratio, statistical techniques have been also used e.g., mean, growth rate, standard deviation & coefficient of variation in this study

Summary of Findings, Suggestions and Conclusion

Summary of Findings:The summary of the findings of the study is given below

5.2.1 Ratio Analysis

1. In all the 3 years the company has the current ratio more than the ideal ratio.
2. The liquidity ratio of the company in the year (2013 – 2014), (2014 – 2015) and 2016 is more than ideal ratio of 1:1.
3. The absolute liquidity ratio shows the fluctuating trend. The calculated ratio for the Sree Pushpam Industrie, is below the standard ratio and it is highest in the period of 2014 and 2016(0.25). The liquidity position of the company is not satisfactory.
4. During the study period, proprietary ratio is less than 1 in all the years (2013 -2016). A low proprietary ratio would indicate a larger of security for the Company; which shows that the Company may be financially weak.

5. The current asset to proprietary fund ratio is higher than one in all the years. It indicates better efficiency in the Company.
6. The debtor's turnover ratio shows a fluctuating trend. The highest is 19.33 in the year (2013- 2014).
7. The creditor's turnover ratio also fluctuated with a minimum of 8.25 to maximum of 46.63 during the study period.
8. The stock turnover ratio is low (3.73) in the year (2013 -2016).

5.2.2 Common Size Balance Sheet

1. Fixed assets show the percentage of change from 35.41 percent to 27.84 percentage. It indicates the Fluctuating trend.
2. Inventories show the percentage of change from 47.05 percent (2014) to 45.48 percentage (2015). It indicates the Fluctuating trend.
3. Secured Loans show the percentage of change from 35.07 percent to 51.46 percentage. It indicates an increasing trend during (2013 – 14). (2014 – 2015).

5.2.3 Trend Analysis

1. Fixed assets show an fluctuating trend during the study period. The expected fixed assets in the year 2019 will be ₹ 1,27,31,383.74.
2. Current assets show an increasing trend during the study period. The expected Current assets in the year 2019 will be ₹ 8,11,50,769.26.
3. Current Liabilities show an fluctuating trend during the study period. The expected Current Liabilities in the year 2019 will be ₹ 2,79,62,957.44.
4. Sales show an increasing trend during the study period. The expected Investment in the year 2019 will be ₹ 21,56,09,165.21.

Suggestions

1. The company may try to maintain a good cash position and effective utilization of all assets.
2. As the stock turnover ratio is very low in the current year, the company has to improve the sales and reduce the investment in stock.
3. The company has to take appropriate measure to reduce their indirect expenses to earn more net profit.
4. Working Capital turnover ratio is fluctuating. A higher working capital turnover ratio is the indication of lower investment and more profit. So the company to takes steps to improve the working capital.
5. Net Profit ratio was fluctuating during the study period. So the Profitability of the concern can be increased by reducing the operating cost.
6. Debtors' turnover ratio is fluctuating during the study period. It indicates the efficiency of credit collection and efficiency of credit policy.
Creditors' turnover ratio is fluctuating during the study period. It indicates longer the period of payables outstanding lesser is the problem of working capital of the firm. But if the firm does not pay off its creditors within time, it will adversely affect goodwill of the business.

Conclusion

Managing of finance is an important activity, which involves both short – term and long – term planning. The financial performance analysis is a yardstick to measure the performance of the Company that gives information about the past events so that the barriers can be avoided in the future course to achieve the targets. Financial statement is prepared primarily for decision making. In this study an attempt is made to provide an idea, about the way in which a decision can be taken to decide in the field of finance for better progress.

The study reveals the financial performance of Sree Pushpam Industrie for the last Three years. The overall success of a company depends upon its financial performance. The overall performance of the company is Satisfactory. The study also helped the researcher to understand overall view of financial Performance of Sree Pushpam Industrie have improved upto a great extent to achieve better improvement in future.