A STUDY ON FINANCIAL PERFORMANCE ANALYSIS WITH REFERENCE TO MANUFACTURING INDUSTRY

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ABSTRACT

The present analytical study is based on the Financial Statements Analysis and Interpretation of Manufacturing Industry. Its primary data are all according to the accounting norms. Treatment of the information contained in the secondary data such as Income and Expenditure a/c, Receipts and Payment a/c, Profit & Loss a/c and balance sheet afford full diagnosis of the profitability and financial soundness of the concern under study. With this background I view, the present study has been undertaken for a proper insight into the Study of Financial Performance of Manufacturing industry. The project study mainly focuses on the critical assessment of the financial position of Manufacturing Industry, and deals with financial statement analysis, financial planning and financial control. Research Design is purely and simply the framework (or) plan for a study that guides the collection and analysis of data. The function of researcher is to ensure that requires the data collected or accurate and economically. The project study mainly focuses on the critical assessment of the financial position of Manufacturing Industry, and deals with financial statement analysis, financial planning and financial control.

INTRODUCTION:

Finance is the backbone of any enterprise. It may be manufacturing, Software or servicing industry. Efficient management of every enterprise is the outcome of efficient management of its finance. Finance is one of the basic foundations of all kinds of economic activities. The performance of any industry is dependent, to a large extent, on its Financial Performance. Financial Performance becomes encouraging when it is preceded by a proper Financial Plan and execution of the Plan.

REVIEW OF LITERATURE:

1. **Shinde Govind P. & Dubey Manisha (2011)** the study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheeler vehicle of key players performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.
2. **Mistry Dharmendra S. (2012)** understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on the profitability. It suggested improving solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

OBJECTIVES OF THE STUDY:

- To study the financial performance of Manufacturing Industry in terms of the profitability, solvency and liquidity position of the company.
- To study the efficiency of working capital in operations.
- To project the future Sales, Profit & working Capital of the industry and to ascertain the strengths and weaknesses of the industry.

NEED OF THE STUDY:

It determines profitability that is ratio analysis assists managers to work out the production of the company by figuring the profitability ratios. Better financial analysis helps to recluses, in addition to shareholders, debenture holders, and creditors. Besides, bankers are also able to know the profitability of the company to find out whether they are able to pay the dividend and interests under a specific period.

SCOPE OF THE STUDY:

The study is designed to assess the financial performance of the Manufacturing Industry through ratio analysis and trend analysis. In the Ratio analysis almost all the ratios have been undertaken and evaluated. And the study is mainly based on the annual reports of the company. The study suggests the measures for the maximization of the profit in the manufacturing Industry. These techniques reveal the measures that can adopt to improve the existing trend.

METHODOLOGY

The project study mainly focuses on the critical assessment of the financial position of Manufacturing Industry, and deals with financial statement analysis, financial planning and financial control.

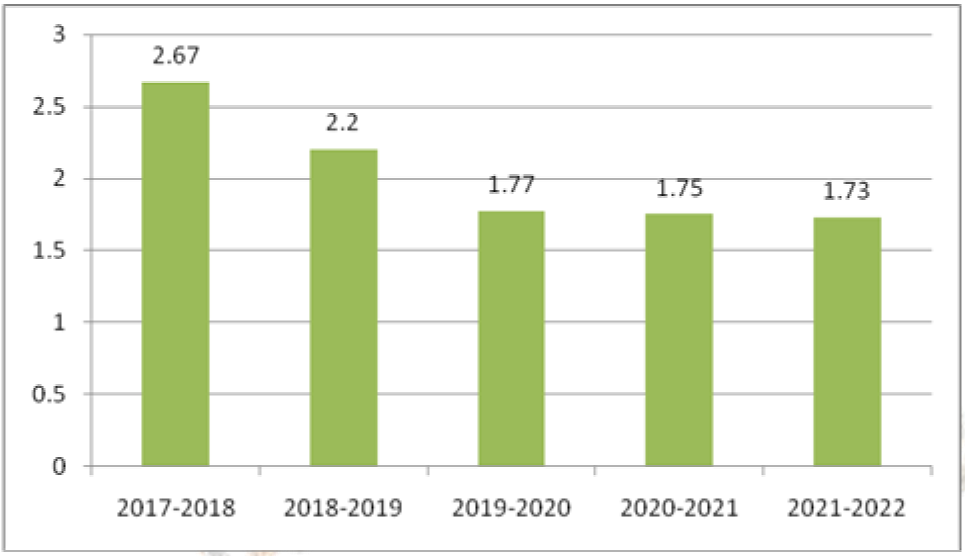
DATA ANALYSIS AND FINDINGS:

RATIO ANALYSIS: SHORT-TERM SOLVENCY RATIOS

TABLE – Current Ratio (Rs. in '000)

Year	Current Assets	Current Liabilities	CA/CL
2017-2018	172673.84	64712.16	2.67
2018-2019	157667.36	71938.55	2.20
2019-2020	211078.23	119000.23	1.77
2020-2021	203573.14	115980.27	1.75
2021-2022	361170.40	208989.37	1.73

CURRENT RATIO CHART:



Interpretation:

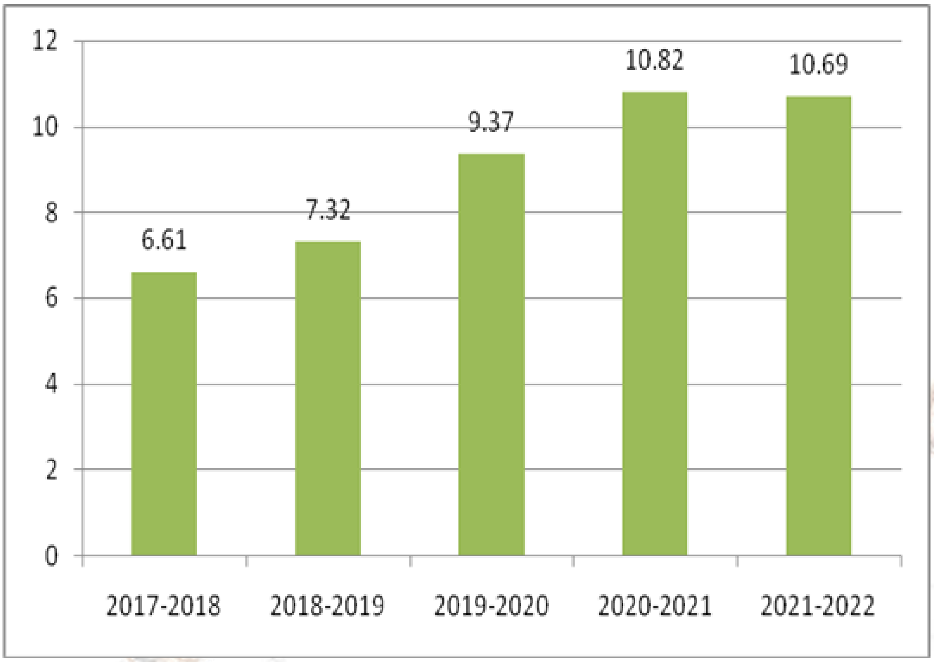
The ideal ratio between Current Assets and Current Liabilities is 2:1 which indicates a high solvency position and is a measure of the ability of company to meet its current liability. This is insisted because even if Current Assets are reduced to half i.e. 1, the creditors will be able to get their dues in full. The highest ratio of 2.67 during 2017-2018 indicates that the margin of safety is at highest level and the company's ability to meet current obligations is high. Here, the ratio is showing a decreasing trend, though it indicates the efficient use of funds it is necessary to maintain ideal ratio.

Working Capital Turnover Ratio:

Table: (Rs. in '000)

Year	Sales	Net Working Capital	Sales/NWC
2017-2018	713262.28	107961.68	6.61
2018-2019	627308.67	85728.81	7.32
2019-2020	862995.08	92078.00	9.37
2020-2021	947596.46	87592.87	10.82
2021-2022	1627064.50	152181.03	10.69

Chart – Working Capital Turnover Ratio:



Interpretation:

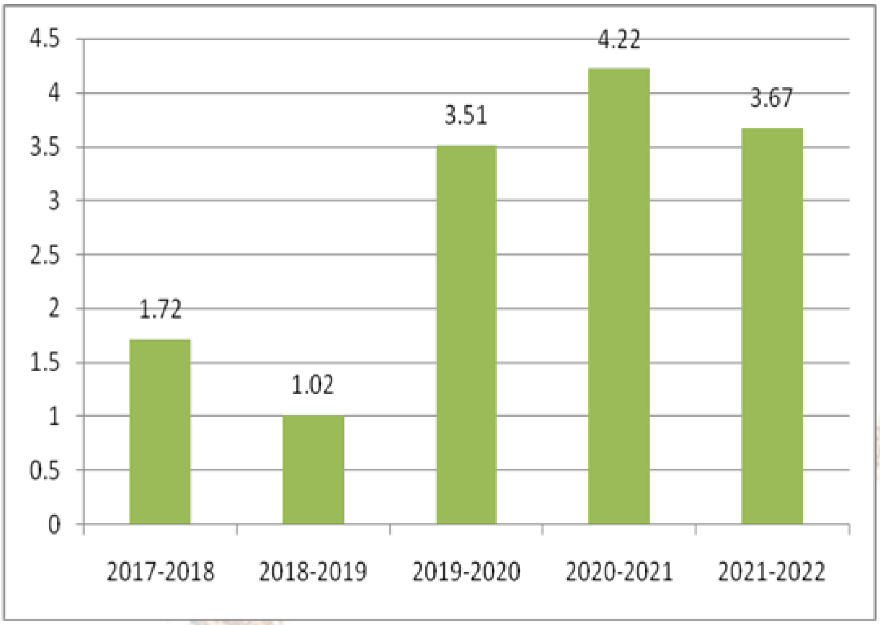
This ratio indicates the number of times the working capital has turned over the sales. Higher the ratio, higher is the profit earning capacity. This analysis also helps to measure effective utilization of Working Capital. The higher ratio indicates lower investment of Working Capital and more Profit. Even though the investment of Working Capital was high in the year 2020-2022 Rs.1521.81 lakhs. It was more than offset by quantum jump in turnover, Rs.16271 lakhs. For the remaining years, they were moderate.

Net Profit Ratio

Table: (Rs. in '000)

Year	PAT	Sales	PAT/Sales * 100
2017-2018	12243.13	713262.28	1.72
2018-2019	6371.19	627308.67	1.02
2019-2020	30288.82	862995.08	3.51
2020-2021	40004.62	947596.46	4.22
2021-2022	59696.81	1627063.90	3.67

Chart – Net Profit Ratio



Interpretation:

This analysis measures the efficiency of business operations from the margins of view. The operation of business was sub-optimal in the year 2017- 2018 and 2018- 2019. It started showing an increasing trend from the year 2019- 2020 onwards. The current ratio indicates good business operations and the initial lower ratios indicated increased business expenditure. The peak ratio during 2020- 2021 indicated the accretions to margins on account of capacity addition due to Development centers expansion and higher value added products and the slight dip in the year 2021- 2022 indicated higher tax liabilities.

TREND ANALYSIS:

TABLE

PARTICULARS	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Sales	100	87.95	120.99	132.85	228.47
PBIT	100	77.80	213.21	221.97	390.94
Interest	100	97.44	81.13	35.60	119.17
Depreciation	100	77.45	99.99	115.12	205.21
Current Assets	100	87.40	117.01	112.85	200.22
Current Liabilities	100	99.32	164.30	160.13	288.54
Working Capital	100	79.41	85.29	81.13	140.96
Net Fixed Assets	100	97.46	102.36	220.37	288.19
Capital Employed	100	88.85	94.17	149.12	217.55
Net Worth	100	83.61	104.80	130.45	162.34

Interpretation of trend analysis:

(i) The sales have continuously increased in all the years except 2019. The percentage in 2022 is 228 as compared to the base of 100 in 2018. The increase in sales is quite satisfactory which is due to the completion of Development centers expansion.

(ii) The earning has increased substantially in the year 2021 and 2022. This is due to increase in value of development and higher demand for the product and also due to higher capacity addition due completion of Development centers expansion project.

(iii) The net worth has been showing considerable increase over the five year period.

SUGGESTION:

1. The payment policy adopted by the company to the suppliers can be reviewed. This may result in saving of considerable amount of interest further from 6.28% percent on long-term loans.
2. The credit policy given can also be reviewed so that considerable amount of funds may not end up locking in debtors. This will result in increase of cash balances of the company which can be judiciously invested or can be used up for repayment of part of loans.
3. Effective measures can be carried out to increase the off shoring of home appliance products and services more than the current year, which will add up to the profits of the company.
4. For their new projects, it is better to choose different debt mix that is cheaper. An alternative proposal of External Commercial Borrowings will be cheaper for the company based on terms and conditions of the foreign fluctuations, etc.

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