P-2141

A STUDY ON PERFORMANCE REVIEW AND VIABILITY WITH SPECIAL REFERENCE TO HPF, OOTY

By

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Of

Department of management studies

Kumaraguru College of Technology

COIMBATORE.

A PROJECT REPORT

Submitted to the

FACULTY OF MANAGEMENT SCIENCES

In the partial fulfillment of the requirements

For the award of the degree

Of

MASTER OF BUSINESS ADMINISTRATION

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DEPARTMENT OF MANAGEMENT SCIENCES

KUMARAGURU COLLEGE OF TECHNOLOGY

COIMBATORE

BONAFIDE CERTIFICATE

This is to certify that this project report titled **"PERFORMANCE REVIEW AND VIABILITY OF HPF, OOTY"** is the bonafide work of Ms. **A.Sandhya (71206631045)** who carried out the research under my supervision. Certified further, that to the best of my knowledge the work reported herein does not form part of any other project report or dissertation on the basis of which a degree or award was conferred on an earlier occasion on this or any other candidate.

Faculty Guide

Director

Evaluated and vice-voce conducted on 29.10.07

Examiner I

Examiner II

DECLARATION

DECLARATION

I, hereby declare that this project report entitled as "**PERFORMANCE REVIEW AND VIABILITY OF HPF, OOTY**", has undertaken for academic purpose submitted to Anna University in partial fulfillment of requirement for the award of the degree of Master of Business Administration. The project report is the record of the original work done by me under the guidance of Prof. A.Senthil Kumar during the academic year 2007-2008.

I, also declare hereby, that the information given in this report is correct to the best of my knowledge and belief.

Place: Coimbatore

Date: 29.10.2007

(A.SANDHYA)

ACKNOWLEDGEMENT

I thank sincerely **Dr. Joseph. V. Thanikal**, Principal, Kumaraguru College of Technology for providing this opportunity to carry out this project.

I wish to express my deep sense of gratitude for permitting me to do the project to **Dr.S.V.Devanathan, Director**, and KCT Business School.

I owe my reverential gratitude to my faculty guide . **A.Senthil Kumar,** Professor, KCT Business School, for his valuable suggestion and constructive ideas at each stage of the project.

I express my sincere thanks to **Mr. Selvakumar**, Asst finance manager, HPF, OOTY, and all the staff members for providing me necessary information for the successful completion of this project.

HINDUSTAN PHOTO FILMS MANUFACTURING CO LTD
(A Govt. of India Enterprise)
Indunagar
Udhagamandalam - 643 005
Tamil Nadu, INDIA

An ISO 9002 Company

Phone : 444020 - 444029
Fax : 442056
E-mail : hpf@vsnl.com
Web Site : www.hpfindia.com
Telex : 854-209 INDU IN
Grams : PHOTOFILM

Date :

S. Selvakumaren M Sc., M B A., PG DMM., DCP., DLL., 02.08.2007

SUMMER INTERNSHIP PROJECT COMPLETION CERTIFICATE

This is to certify that Ms. **A. Sandhya** (Roll No. 06 MBA 45) a student of **KCT Business School, Kumaraguru College of Technology**, had undergone a Project between **19.06.07 to 31.07.07** entitled **PERFORMANCE REVIEW AND VIABILITY OF M/s. HINDUSTAN PHOTO FILMS MFG. CO. LTD.,** (A GOVT. OF INDIA ENTERPRISE) under my guidance.

During the tenure her performance was Very Good.

02/08/07

Signature of the

Organisational Guide

S. SELVAKUMAR
Asst. Manager, Finance
H. P. F. OOTY

EXECUTIVE SUMMARY

Finance is the provision of money at the time when it is required. Every enterprise, whether big, medium, or small, needs finance to carry on its operation and to achieve its targets. The finance is so indispensable today that it is said to be the lifeblood of an enterprise. Without adequate finance, no enterprise can accomplish its objectives.

Financial performance of an organization is the deciding factor in attracting the equity investors, any investor would expect his investment to grow over a period of time. Whether that growth is achieved or not is analyzed and understood through a study on its financial statements. Hence the researcher took the financial performance of the HPF ltd., as a problem to be studied upon and to analyze the performance of Hindusthan Photo Films manufacturing Ltd for the study period 2001-2006.

It was done by using Financial tools such as Ratio analysis, Cash flow statement and Statistical tools like Correlation analysis.

The analytical study was focused to analyze the financial strength and weakness of HPF ltd through the past 5 years' financial statements. The researcher concludes that the firm has summarily posted a poor financial performance. The solvency position of the firm is weak. The researcher strongly believes that the form still has opportunities to rehabilitate itself and continue as a profitable business venture. The suggestions given in this light if implemented would benefit the financial future of the organization.

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INTRODUCTION

CHAPTER-1

INTRODUCTION

1.1 Background of the study:

Finance is the provision of money at the time when it is required. Every enterprise, whether big, medium, or small, needs finance to carry on its operation and to achieve its targets. The finance is so indispensable today that it is said to be the lifeblood of an enterprise. Without adequate finance, no enterprise can accomplish its objectives.

The financial statements provide a summary of the accounts of a business enterprise, the balance sheets reflecting the assets, liabilities and capital as on a certain date and the income statement showing the result of operations during certain period. The financial statement provides a summarized view of the financial position and operations of the firm. Therefore much can be learnt about a careful analysis of its financial statements as invaluable documents of performance reports.

The focus of financial analysis is on key figures in the financial statements and the significant relationship that exist between them. The analysis of financial statements is a process evaluation relationship between component parts of the financial statements to obtain a better understanding of the firm's position and performance. The first task of financial analysis is to select the information contained in the financial statements.

The second step involved in the financial analysis is to analyze the information in a way to highlight the significant relationships. The final step is interpretation and drawing of inferences and conclusion.

The present study is devoted to an in depth analysis of financial statements and its use for decision Hindustan Photo Films Manufacturing Company Limited and to evaluate the management's performance in this regard.

1.2 Review of Literature:

Researcher has made an attempt to present a brief review of literature available which consists of articles published in Journals and project report areas.

A study has been conducted by Sidel, Robin (2007)[1] on "Do-It-All Banks' Big Test". The article reports on positive financial performance which has been seen at some of the largest banks in the U.S., including Citigroup Inc. and J.P. Morgan Chase & Co., as a result of their having large collections of businesses, which, in 2007, have shielded them from volatility in the U.S. financial market and problems in the credit market.

A study has been conducted by McKay, Peter.A(2007)[2] on "Dow Industrials Decline 143.39, Treasury's Rally". The article presents the financial performance of the Dow Jones Industrial Average, Nasdaq Composite Index, Standard & Poor's 500 Index, United States dollar, and ten year United States Treasury bonds for September 5, 2007. A discussion of the days per barrel price of crude oil and stocks on the indexes was presented along with the report.

A study has been conducted by Hyvönen, Johanna(2007)[3] on "Strategy, performance measurement techniques and information technology of the firm and their links to organizational" performance This study investigates the relationships between organizational performance and customer-focused strategies, performance measures and information technology. The results indicate that when a firm does not follow a customer-focused strategy, contemporary management accounting systems in combination with advanced information technology are related to high customer performance. The results also indicate that contemporary performance measures do not help firms with a highly customer-focused strategy to achieve high customer performance. Finally, the results show

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[1] Sidel, Robin , Do-It-All Banks' Big Test, Wall Street Journal - Eastern Edition; 9/6/2007, Vol. 250 Issue 56, pC1-C2, 2p, 1 graph

[2] McKay, Peter A., Dow Industrials Decline 143.39, Treasurys Rally, Hudson, Michael, Wall Street Journal - Eastern Edition; 9/6/2007, Vol. 250 Issue 56, pC1-C3, 2p

[3] Hyvönen, Johanna, Strategy, performance measurement techniques and information technology of the firm and their links to organizational performance, Management Accounting Research; Sep2007, Vol. 18 Issue 3, p343-366, 24p

that a fit between the customer-focused strategy and financial performance measures improves customer performance.

A study has been conducted by Browning, E.S.(2007)[4] on "Investors, Betting on Calm, Bid Up Blue Chips by 91.12" The article presents the financial performance of the Dow Jones Industrial Average, Nasdaq Composite Index, Standard & Poor's 500 Index, United States dollar and ten year United States Treasury bonds for September 4, 2007. A discussion of the days per barrel price of crude oil and stocks on the indexes is presented.

A study has been conducted by Higgins, Stacey Mieyal(2007)[5] on "Rates, RevPAR continue upward movement". The article reports on the financial performance of the hotel and motel industry in the U.S. According to information released by Smith Travel Research (STR), average daily rate (ADR) increased by 5.7% while revenue per available room (RevPAR) grew by 5.5% as of June 2007. However, occupancy rates still remained at 63.2%. Furthermore, STR predicts that occupancy rates will continue to decline while ADR will keep on rising. Information on the revenue management strategy of Carlson Hotels Worldwide and Ramada Inn Suites is also provided.

A study has been conducted by Mahoney, Lois (2007)[6] on Corporate social performance, financial performance and institutional ownership in Canadian firms. This study examines the relationship of corporate social performance (CSP) to financial performance (FP) and institutional ownership. We perform our empirical analyses on a large-sample of publicly held Canadian firms and use a novel independent measure of CSP. Based on tests utilizing four years of panel data, we found no significant relationship between a composite measure of firms' CSP and FP. However, we found significant relationships between individual measures of firms' CSP regarding environmental and international activities and FP. Our findings indicate a significant relationship between firms' composite CSP measure and the number of institutions investing in firms' stock. In

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[4] Browning, E.S., Investors, Betting on Calm, Bid Up Blue Chips by 91.12Wall Street Journal - Eastern Edition; 9/5/2007, Vol. 250 Issue 55, pC1-C1, 1/4p

[5] Higgins, Stacey Mieyal, Rates, RevPAR continue upward movement, Hotel & Motel Management; 9/3/2007, Vol. 222 Issue 15, p1-34, 2p

[6] Mahoney, Lois, Corporate social *performance, financial performance* and institutional ownership in Canadian firms, Accounting Forum (Elsevier); Sep2007, Vol. 31 Issue 3, p233-253, 21p

addition, we found significant relationships between firms' CSP ratings regarding their international activities and product quality and the number of institutions investing in firms' stock. These findings, while subject to the limitations inherent in the use of specific CSP measures, provide mixed support for the business case for CSP.

Feng, Zhilan(2007)[7] in his study "Director Compensation and CEO Bargaining Power in REITs" analyzed director compensation for Real Estate Investment Trusts (REITs) and investigated the relations between director compensation and other measures of the board independence and board monitoring. Using 136 REITs in 2001, they found that REITs that pay higher equity-based compensation to their board members are associated with higher financial performance. Our data indicate that board equity-based compensation is positively related to the existence of an independent nomination committee, however, it has no significant relationship with board size, proportion of outside directors, CEO duality and CEO tenure and ownership.

A study on "Financial performance analysis of Union Bank of India" was made by Linu Ancy George in the year (2004)[8] with the objective of finding the overall profit of the bank. The tools applied were ratio analysis, trend analysis. The findings made by the researcher was the net profit to average working fund gone up mainly due to higher non-interest revenue and return on investment and share holder's fund has gone up drastically.

A study on "Financial Analysis of Western India Cotton Mills private limited" was conducted by Diron Prabhakar of Nehru College of Management in the year (2003)[9]. The main objective of the research was to find out the profitability position, solvency position and overall financial status of the concern. The researcher has used the ratio analysis as main tools of analysis for obtaining these objectives. The researcher has used the ratio analysis as main tool of analysis for obtaining these objectives. The researcher has found

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[7] Feng, Zhilan, Ghosh, Chinmoy,Sirmans, C., Director Compensation and CEO Bargaining Power in REITs, Journal of Real Estate Finance & Economics; Nov2007, Vol. 35 Issue 3, p225-251, 27p

8 Linu Ancy George, A study on financial performance analysis, Union Bank of India, , Nehru College of Management, 2004

[9] Diron Prabhakar, Financial Analysis of Western India Cotton Mills private, Nehru College of Management in the year, 2003

that the liquidity position was found to be satisfactory and the proprietary ratios showed that creditors are in danger.

A study has been conducted by Praveen Cherian of PSG college of technology during June (1989)[10] at O/E/N connectors ltd, Cochin. The researcher in his study "A study on Financial Performance Analysis of O/E/N connectors" wants to find out the future performance as they have planned for massive expansion of products, the researcher has used ratio analysis a powerful tool of analysis. The researcher found that the solvency position of the firm is satisfactory and very good. The researcher also found that the current ratio shows a decreasing trend, quick ratio shows a increasing trend, total debt ratio shows a downward trend indicating that the company is less dependent on outside debt.

1.3 Statement of the problem:

Financial performance of an organization is the deciding factor in attracting the equity investors, any investor would expect his investment to grow over a period of time. Whether that growth is achieved or not is analyzed and understood through a study on its financial statements. Hence the researcher took the financial performance of the HPF ltd., as a problem to be studied upon.

1.4 Importance of the study:

The study aims at evaluation of financial statements in Hindustan Photo Films Manufacturing Company Limited. The financial analysis is to diagnose the information contained in financial statements so as to assess the profitability and financial soundness of the firm. A financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health and weakness of any business concern.

The present study also attempts to determent the significance and meaning of the financial statement data so that the forecast may be made of the future earnings, ability to pay interest and debt maturities and profitability of a sound dividend policy.

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[10] Praveen Cherian, A study on Financial Performance Analysis of O/E/N connectors, PSG College of Technology, June 1989.

1.5 Objectives of the study:

The present study aims to achieve the following objectives:

- To analyze the performance of Hindusthan Photo Films manufacturing Ltd for the study period 2001-2006.
- To analyze the financial strength and weakness of Photo Films Manufacturing Company Limited using SWOT analysis.
- To assess the effectiveness of long-term solvency position.
- To analyze the financial performance using ratios like liquidity and profitablility analysis.
- To render suggestions on the basis of findings of the study.

1.6 Scope of the study:

The scope of the study is limited to Hindustan Photo Films Manufacturing Company Limited. The study period taken into account is 2001-2006. The financial statement used for the purpose of the study is trading account, profit and loss account and balance sheet provided by the concern. The financial tools used are ratio analysis and comparative balance sheet.

1.7 Research Methodology:

The study mainly focuses on the critical assessment of the financial positions of HPF and deals with financial statement analysis.

Research Design:

Research Design is simply the framework on a study that guides the collection and analysis of data.

a) Type of study:

Analytical research design was adopted in this study.

b) Method of data collection:

Sources of data collection:

i) Primary Data:

As part of strengthening the study, primary data were collected from the officials and staff members of the finance department through unstructured personal interviews.

ii) Secondary Data:

The data are collected from the annual reports, mainly balance sheet, income and expenditure and other brochures of the company, magazines and journals of relevant periods of the company. The annual reports containing the results of past performance have been considered as the most important source of financial data of the concern.

c) Tools used:

To analyze the data the following tools were used. They are Financial tools and Statistical tools.

Financial tools:

1. Ratio analysis
2. Comparative balance sheet
3. Cash flow statement

Statistical tools:

1. Correlation analysis

1.8 Period Of Study:

The period covered by the present study extends over period of five years from 2002-2006. The consideration in restricting the investigation to this period is to make the investigation the investigation the latest.

1.9 Limitations Of The Study:

Every study has its own limitations and this study is not an exception to it. The following are the limitations of the study.

- The analysis is made with the help of past five years' annual reports, which does not include the current year's annual report.
- The study is based on company's annual report and director's report, and hence it is only a postmortem analysis of the financial statements.
- Ratio analysis which has been used as a tool for financial analysis has its own set of limitations.

1.10 Chapter Scheme:

- The first chapter deals with the Introduction, Scope, Objectives, Importance, Methodology and Limitations of the study.
- The second chapter traces the history and growth of the organization.
- The third chapter provides the Macro and Micro overview of the organization.
- The fourth chapter deals with Data Analysis and Interpretation.
- The fifth chapter brings out the Findings, Recommendations Suggestion and Conclusion for the organization.

CHAPTER 2

ORGANIZATIONAL PROFILE

CHAPTER-2

ORGANIZATIONAL PROFILE

2.1 HISTORY AND DEVELOPMENT OF HPF:

In the late 1950's the Government of India (GoI) decided to set up indigenous manufacturing facilities for manufacturing a range of photo products for education, entertainment, mass communication, health, defense and amateur photography as the technology involved was secretive and available with only a few manufacturers around the world, the GoI approached these manufacturers for transfer of technical know-how. Some of the players approached were Kodak--USA, Agfa- West Germany, Orwo- East Germany, Gaevart- Belgium, Ilford- Britain, Bauchet-France and Adox- West Germany .An offer from Bauchet for technical assistance was accepted and **Hindustan Photo Films Manufacturing Company Limited** was incorporated on November 30, 1960.

ESTABLISHMENT OF HPF:

HPF commenced manufacturing operations in 1967 at Ooty. It is having monopoly status in the Indian Photographic market. HPF's initial product line comprised Cine Positive (Black & White), Cine Sound Negative, CTA Based Medical X-ray, Black and White Bromide paper and Roll Film. In 1975 HPF started conversion of semi-finished imported coated wide stock into Cine Color Positive, Color Paper, Medical X-rays, Graphic Arts and Industrial X-rays. The manufacturers of Processing Chemical, with Du Pont were also taken up. Due to logical reasons, this plant was set up at Ambattur, near Madras, Tamil Nadu. On September 1995 it decided to enter manufacturing of Polyester Based X-ray and other allied products. HPF is an ISO 9001- 2000 Company. There are more than 30 Departments in HPF both in Ooty and Ambattur.

VISION AND MISSION OF THE COMPANY

To be a world leader in the photo imaging products and to play a significant role in domestic and global market by meeting the needs of the customers in accordance with their expectation and become a centre of excellence in the areas of operation.

To be the market leader in the manufacturing and marketing of photo imaging product of international quality in healthcare, industrial and defense sector and to gain a competitive edge through a highly motivated, quality conscious and empowered employees by producing them with opportunities to realize their career goals and self fulfillment and to be eco-friendly in all operations.

➢ QUALITY POLICY:

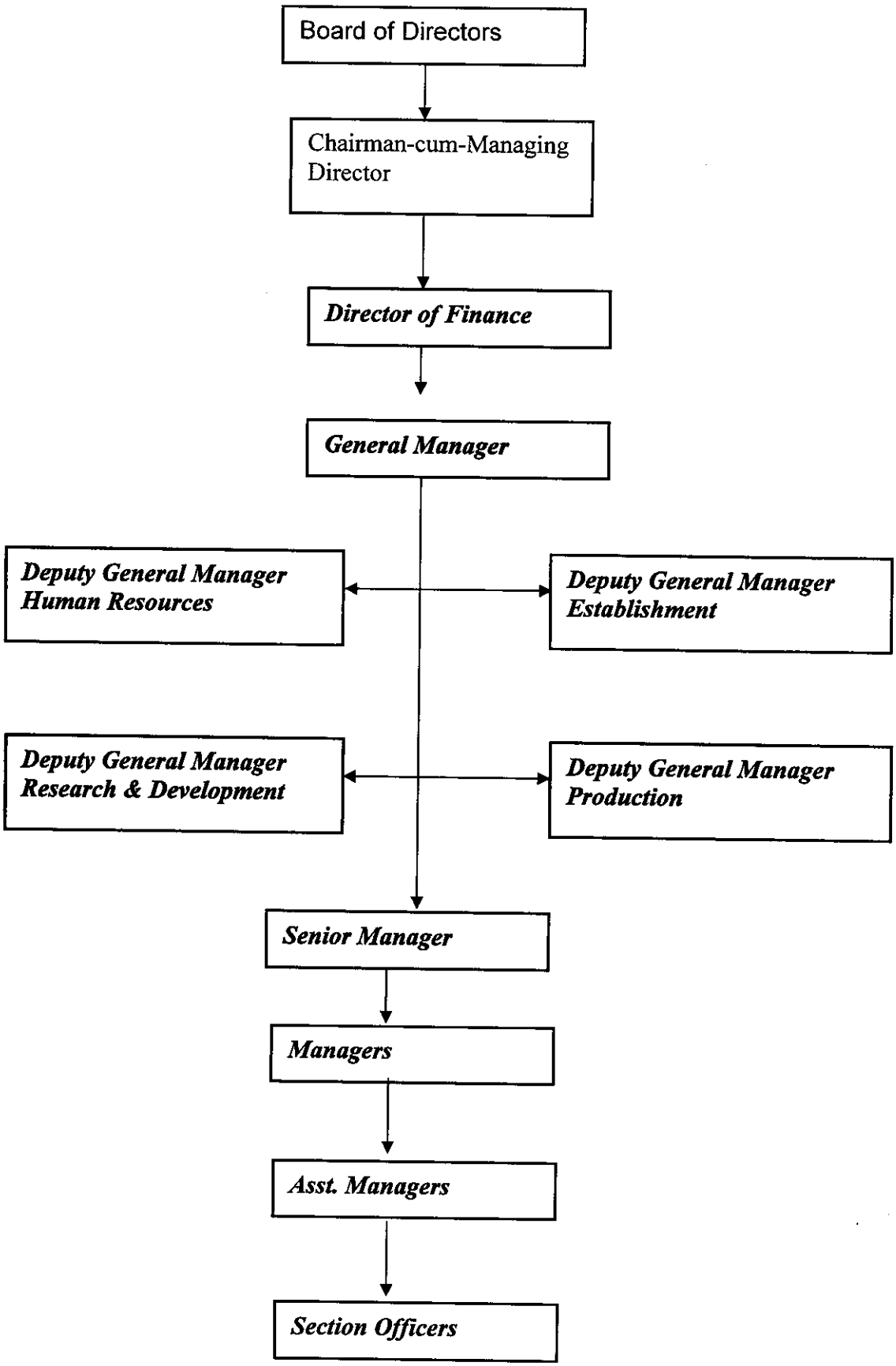
The quality policy of the organization as determined by the top management after review at management level is as follow:The organization will manufacture and market high quality photographic and allied product with systematic process approach, strive for continual improvement to achieve high productivity including all employees in an eco friendly safe environment provide effective after sales service to our customers.

The company will manufacture and market photographic products, magnetic tapes and processing chemicals, strive for continuous product improvement and provide after provide after sales service to meet the customer expectations fully.

2.2 MAJOR DEPARTMENTS ARE:

- ❖ Production and Engineering
- ❖ Human Resource and Development
- ❖ Marketing
- ❖ Purchase department
- ❖ Personal and Administration
- ❖ Finance
- ❖ Planning and control
- ❖ Computer and information centre

2.3 ORGANISATION CHART:



2.4 PRODUCTS PROFILE:

The products manufacture by HPF are Polyester / CTA Based Medical X-ray, Medical X-ray, B&W films including Cine films, B&W paper, Processing chemicals, Medical Imaging Film (MIF), Mammography Film, Angiographies Film, Polyester – Based Industrial X-ray, Black and White Camera Film, Mass Miniature Radiography Film (MMR), Magnetic Sound Recording Types (MSRT), Audio Professional Tapes (APT)Audio Domestic Tapes (ADT), Cine Color Positive (CCP), Graphic Arts Films (GAF) and Ink Jet Papers.

Film manufacture is such a complex process that most of the operations are done in darkness and in an environment that is 100% dust free. Making film involves four basic steps.

They are:

- Base Casting
- Emulsion
- Coating
- Conversion

2.5 TURNOVER AND LOSSES:

During the year in review, company achieved a turnover of 1461.41 lakh as against 1738.56 lakhs previously. The company's operation resulted in a net loss of Rs. 56090.18 lakh as compared to Rs. 49641.27 lakh during the last year. The operating loss during the year was Rs. 1378.42 lakhs as compared to Rs. 1494.88 lakhs previously.Low capacity utilization, prevailing market scenario besides heavy interest burden are major factors affecting financial position.

Company adopted various strategies to improve its operation and effected cuts in its administrative expenses. These processes world be pursued vigorously to improve its financial position and bring down the operating loss further in coming year.

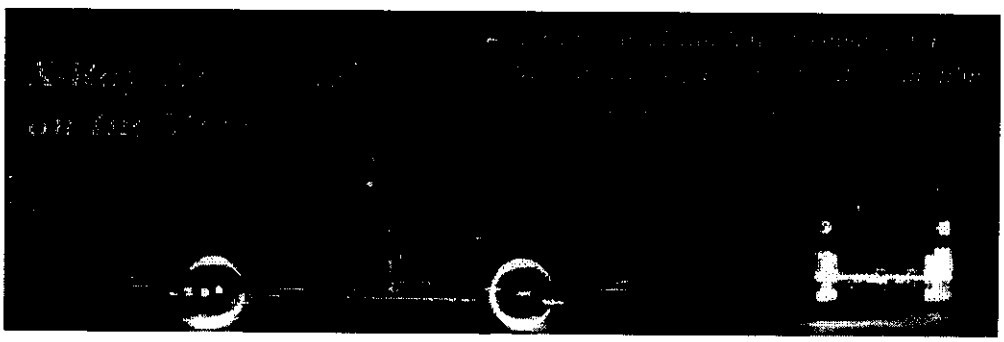
CHAPTER 3

MACRO-MICRO ANALYSIS

CHAPTER - 3

MACRO – MICRO ANALYSIS

➢ *MACRO ANALYSIS*

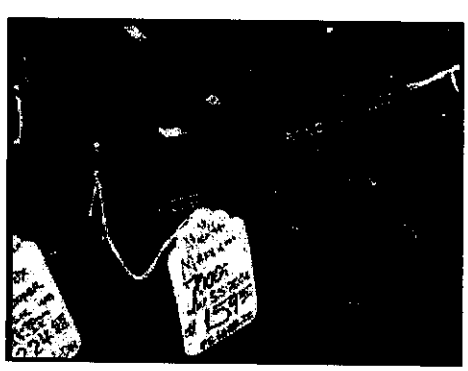


"In a changing world, profits for camera and photo businesses worsened in recent years," Konica said in its statement, "and it became necessary to drastically reform business structure for the further growth of Konica Minolta."

The reduction in the number of competitors is clearly seen in the medical X-ray film market. In 1995, there were five global players: Du Pont, 3M, Kodak, Fuji and Agfa, sharing approximately 90% of the world market.

Impact of Digital Cameras On Rate of Growth of New Photographs

80 billion new photographs are taken around the world every year. Photography generally follows the trends of the overall economy, for example, in the mid-1990's there was slight slowdown in photography concurrently with the economic recession experienced in many major world economies, particularly those in Asia. However, in the next five years there was a continuous growth in the overall number of photographs as the enormous potential of China, India and other developing regions is realized. At the present 25% of film sales occur outside of North America, Western Europe and Japan. In June 2000 Kodak announced that China was its second largest market after the United States. To give some perspective to the growth potential for photography in China, film usage there is currently less than one roll per capita as opposed



to 3.6 rolls per capita in the United States. Similarly, only 15% of Chinese households own cameras as opposed to over 80 percent in the United States.

X-Rays:

According to Clinica Reports and Theta Reports, the world market for x-ray film is approximately *$3.5 billion per year with the United States market accounting for around $1.4 billion of that total amount, a 40% share of the world market.* If the dollar share of the market is reflective of the share of procedures performed than there are about 750 million x-ray procedures annually. On the other hand, it is reasonable to assume that film is sold for less in dollar terms around the world than in the United States. If it is assumed that the price of film in other markets is 50% of that in the United States, then this would work out to about 913 million x-ray procedures outside of the U.S., and around 1.2 billion for the entire world.

Flow of New X-Ray:

There are three common uses of x-ray film: medical imaging, dental imaging and non-destructive testing in manufacturing processes. The Silver Institute Reports that the medical uses of x-ray film overwhelm the other categories, accounting for **92% of the world's overall x-ray film usage.**

Medical Imaging:

The administration of radio logic procedures in the United States and the developed world are fairly well documented. The number of such procedures in the developing world, however, is harder to come by. The United Nations Scientific Committee on the Effects of Atomic Radiation found that no data at all could be found for radiological procedures for half the world's population and that there is only fragmentary data on examination rates for another quarter of the world's population.

The UN Committee observed that the developed nations of the world use x-rays at a rate generally consistent with that of the United States, i.e., approximately 1000 procedures (including dental uses) for 1000 population.

According to Clinica Reports and Theta Reports, the world market for x-ray film is approximately *$3.5 billion per year with the United States market accounting for around $1.4 billion of that total amount, a 40% share of the world market.* If the dollar share of the market is reflective of the share of procedures performed than there are about 750 million x-ray procedures annually. On the other hand, it is reasonable to assume that film is sold for less in dollar terms around the world than in the United States. If it is assumed that the price of film in other markets is 50% of that in the United States, then this would work out to about 913 million x-ray procedures outside of the U.S., and around 1.2 billion for the entire world.

Other X-Ray Uses:

The other major uses for x-ray film are dental imaging and the non-destructive testing of materials in manufacturing and fabrication processes. These uses are approximately 8 percent of overall x-ray film usage in developed nations according to the Silver Institute. Accordingly, based upon the finding of 2 billion x-rays for medical purposes, then industrial and dental uses would amount to 160 million x-rays in the developed world for all purposes. The total world use of x-ray film is therefore approximately 2.16 billion images annually.

Film Factoids:

- Kodak describes the photography market as follows: 82 billion pictures processed a year throughout the world with 750 million rolls of film processed annually in the United States and 2.9 billion rolls consumed worldwide. Kodak also estimates that of the photographs that are processed approximately 2 percent are later reprinted or reused in some way.

- The Department of Commerce cites the journal *Medical Imaging* for the statistic that "U.S. health care systems spend up to $7 billion a year on film alone." U.S. Industry and Trade Outlook 2000, 44-18. Unfortunately for the film manufacturers, this probably overstates the amount of sales by a wide margin. Theta Reports puts the sales of x-ray film at $1.4 billion in 1996 and expects it to reach $1.5 billion by 2000.

- Kodak sells about $800 million year in x-ray film. Associated Press, Nov. 26, 1999. This also seems to suggest that the statistic cited above is incorrect as to the overall U.S. x-ray film market.
- General Electric has recently come out with a device intended for mammograms that uses a large, 7 x 9-in. silicon detector to transfer X-ray energy directly into electrical signals that offers 25 - 100 μm resolution - a method similar to a digital camera that takes the picture without the film and stores the images electronically.

Current scenario in the corporate world of film making:

Photography icon Konica Minolta Group is shuttering its camera business:

The Japanese company, which introduced its first camera and silver-halide film paper in 1903, cited a photographic film market that "is shrinking astonishingly by the surge of the worldwide digitization." After March 1, Konica plans to phase out worldwide sales of its film and digital cameras.

Konica's announcement comes a week after Nikon Corp. said it would phase out most of its film-camera business to focus on marketing digital cameras, which now make up the vast majority of camera sales to consumers.

Fuji Medical Systems U.S.A. Inc., Stamford, Conn., differentiates itself from the competition by aggressively marketing its computed radiography technology, which converts conventional X-ray imaging into a digital form, in part, by replacing double-emulsion film with a reusable imaging plate.

FUJIFILM Corporation (President and CEO: Shigetaka Komori, hereinafter Fujifilm) announced today that from October 2007 onward, it will implement worldwide price increases for its color negative photo film products. Prices are expected to increase globally by around 5 %. The rate of increase may differ by regional market.

➢ *MICRO ANALYSIS*

Recent years have seen drastic changes in digital imaging technologies and markets. Anticipating such changes, Fujifilm has been doing its utmost to develop the technologies that will play important roles in the upcoming digital imaging era. It has successfully been developing numerous unique devices and software, including such superior charge-coupled devices (CCDs) as the Super CCD and such sophisticated digital image processing software as Image Intelligence™. These technologies – which reflect Fujifilm's diverse advanced technologies and abundant experience and expertise – are being incorporated in many different kinds of products that provide images featuring high quality and intelligently optimized characteristics.

HPF was considered to be the first large sized factory in the whole of Asia, perhaps second only to Japan. The project was totally different from other industries in the engineering and electronic fields. It took almost eight years since its inauguration in 1967 for the factory to overcome plethoric production problems like high rejections, under-utilization of capacity and mounting losses. In 1988-89, HPF produced a wide range of products valued at Rs.1, 510 million and it gave a profit of Rs.73 million which was three times more than the profit earned in 1979-80.

HPF is one among the many manufacturers in the world producing Photo, Cine and X-ray films from raw materials to the finished products (like Kodak, Agfa, ORWO, Fuji, Du Pont and 3M). The Company with its main plant in Ootacamund and a smaller one at Ambatur, near Madras, has been meeting the entire requirements of the country in respect of Cinema positive (B&W) since 1974, Cine Sound Negative since 1975 and all the hospitals in Indian (both private and Government) have been using INDU medical X-ray since 1976. INDU Medical X-ray films have been acclaimed as the best, when compared with some of the imported brands (fog, speed and diagnostic clarity).

The R&D center of the Company at Ootacamund, manned by 200 scientists, involved itself not only in the improvement of existing products, but also taken up development of new products.

RECENT DECISION TAKEN BY THE GOVERNMENT IN ACCORDANCE TO THE REVIVAL OF HPF

- **ECONOMIC NEWS AND FEATURES** **Dec 9-15, 2006**

New Delhi (ENF)- Shri M. Appadurai asked the ministry of heavy industries and Private enterprises in Lok sabha whether the Government has allotted Rs. 10 crore to HPF, Ooty, TN, to clear the VRS and if so the details along with the reason therefore.

Minister of the state Smt. Kanti Singh replied the Government has been receiving representation from company as well as employee association of HPF for opening of VRS in the company.

- **BUSINESS LINE** **Feb20, 2007**

PSU revamp board may come under PMO

The board for reconstruction PS enterprise (BRPSE) steps up by the Government 2004 under the Ministry of Heavy Industries and Public Enterprise may be brought directly under the PMO. Since inception, 48 sick public enterprises have been referred to the BRPSE for revival.

- **BUSINESS LINE** **April 13,2007**

Cabinet gives note for PSU fert units revival

The cabinet minister gave in principle approval to revive 8 closed units of public sectors Fertilizer Corporation of India and Hindustan fertilizer corporation ltd (HFCL) and reserve the decision taken by the erstwhile NDA Government to close down the sick unit, the Ministry for Information and Broadcasting Mr. P.R. Dasmunsi, told the press people.

- **The Hindu** April 20, 2007

Bills to raise bonus ceiling

The centre Government decided to amend the payment of bonus act to raise the eligibility ceiling and increase coverage area in view of the board consensus reached among trade unions, employer and Government representatives.

Further the bonus eligibility ceiling is expected to increase from Rs.3500 per month to 10000/month as the employers representatives, after initially objecting to the proposal, left the final decision to the ministry.

➢ **The Hindu** **MAY 29, 2007**

Ailing public sector undertaking (PSU's) will not be closed down, Minister of State for Heavy Industry and Public Enterprise Mr. Kanti singh said. Following the liberalization, its net worth started sliding, thou its product were among the best. HPF chairman and MD Mr. Mahendra kumar said factors, including the hill station not falling under the 'safety zone' category, had deprived the company of the level playing field. Yet, its turnover in 2006-07 was Rs. 19 crore against Rs. 14.69 crore in the previous year.

SWOT ANALYSIS:

	STRENGTH		**WEAKNESS**
1.	HPF is the only integrated manufacturer involved in emulsion making, coating and conversion of production	1.	Technological obsolescence of the hardware and rapid development on system control
2.	Photographic products market in India is estimated to be around Rs.1120 crore with the compounded growth rate of 10% per annum.	2.	Entry of Information technology into photo imaging and diamagnetic
3.	Color products alone constitute Rs.1160 crore.	3.	MNC marketing
4.	Medical imaging films Rs.180 crore	4.	Lack of working capital
5.	Graphic Arts films Rs.105 crore	5.	Poor capacity utilization
6.	Industrial X-ray films Rs.81 crore.		

7.	Black & White films, paper and Processing chemical Rs.54 crore		
	OPPORTUNITIES		**THREATS**
1.	Growth of Indian economy and growing Indian market for the photographic goods.	1.	Liberalization of Indian economy and severe competition with wafer thin margins.
2.	Government increasing commitment to improving health care, infrastructure, heavy industries, mass communication, entertainment, defense, etc. wherein HPF's products are used.	2.	Rapid technological obsolescence
3.	Export potential for B&W photographic products.	3.	Gradual replacement of silver halide tech by digital, media product.
4.	Development of new products such as Digital, Media films.	4.	Severe competition from well-established multinational payers.
		5.	Project making instead of social objectives becoming the main objectives of PSES.

CHAPTER 4

DATA ANALYSIS & INTERPRETATION

CHAPTER-4

DATA ANALYSIS AND INTERPRETATION

Financial statements are prepared primarily for decision-making. They play a dominant role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusion can be drawn from these statements is of immense use in making decision through analysis and interpretation of financial statements.

Financial analysis is the process of identifying the financial strength and weakness of the firm by process of identifying the financial strength and weakness of the firm by process establishing relationship between the items of the balance sheet and the profit and loss account. The method or technique used for analyzing the financial statements is ratio analysis. The analysis and interpretation of financial statements refers to the process of determining financial strength and weakness of Hindustan Photo Film Manufacturing Company Limited.

The analysis and interpretation of financial statements refers to the process of determining financial strength and weakness of Hindustan Photo Films Manufacturing Company Limited.

HINDUSTAN PHOTO FILMS MFG CO LTD., UDHAGAMANDALAM

CAPACITY UTILISATION:

Capacity is the rate of productive capability of a facility. Capacity is usually expressed as volume of output per period of time.

S No	Name of the product	Licensed	2004-05		2003-04		2002-03		2001-02		2000-01		Total	Avg
		Capacity(100 %)	Actual Prodn	Product%	Actual Prodn	Product %	Actual Prodn	Product %	Actual Prodn	Product %	Actual Prodn	Product %		
1.	Cine films	10.347	0.053	0.429	0.105	0.85	0.125	0.01	0.592	4.79	0.462	3.74	10.819	2.16
2.	X-ray (M.Sq.m.)	13.668	0.673	4.93	0.977	0.071	0.781	5.71	0.831	6.08	0.648	0.049	16.838	3.37
3.	Rollfilms-M.Sq.m	1.010	--	--	0.008	0.79	0.032	3.17	0.038	3.76	0.046	4.55	12.27	2.45
4.	Graphic arts	3.000	0.078	2.6	0.560	18.6	0.408	13.6	0.535	0.178	0.249	0.083	35.061	7.01

5.	Industrial X-ray	0.730	0.008	1.07	0.053	7.07	0.031	4.13	0.035	4.67	0.028	3.73	20.67	4.13
6.	Processing chemicals	400	126.04	31.5	132.11	33.05	113.948	28.5	110.621	27.7	112.89	28.2	148.95	29.79
7.	Silver Nitrate-Tonnes	90	8.730	9.7	14.308	15.9	8.303	9.2	15.200	16.9	12.023	13.36	65.06	13.01
8.	Magnetic Tape – MRM	1500	0.304	0.02	0.782	0.052	11.555	0.77	3.363	6.824	3.504	0.234	1.3	0.26
	TOTAL			50.249		76.38		66.09		64.30		53.9		
	AVERAGE			6.28		9.5		8.26		8.04		6.74		

Source: Book of accounts of HPF, OOTY

Interpretation:

It could be seen from the above table that the production of cine films has drastically fallen from 10.67 during the year 2003-04 to 5.12% during the year 2004-05. Similar fall in the production could be seen in all other products. It could also be seen that during the year 2004-05 there was no demand in the market for Roll films and hence, there was no production of roll films during the same year.

Inference:

The table above discloses that there is an under-utilization of capacity due to which there is a loss in the production. This shows that the inefficiency of the management in utilization of assets. The management has taken absolutely no steps to increase the sales of its products and hence is accumulating heavy losses continuously.

RATIO ANALYSIS

Liquidity ratios:

Liquidity ratios are used to measure the firm's ability to meet its current obligations as when these become due. The short-term obligations are met by realizing amounts from current floating or circulating assets. The current assets should be either liquid or near liquidity. If current assets can pay off current liabilities, the liquidity position will be satisfactory and if not, the liquid position will be bad. To measure the liquidity position of the firm, the following ratios can be calculated:

- Current Ratio
- Quick or Acid test or Liquid Ratio
- Absolute Liquid or Cash Position Ratio

4.1 CURRENT RATIO:

Current ratio may be defined as the ratio of current assets to current liabilities. It is also known as working capital ratio or 2 to 1 ratio. Current ratio shows the relationship between total current assets and total current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

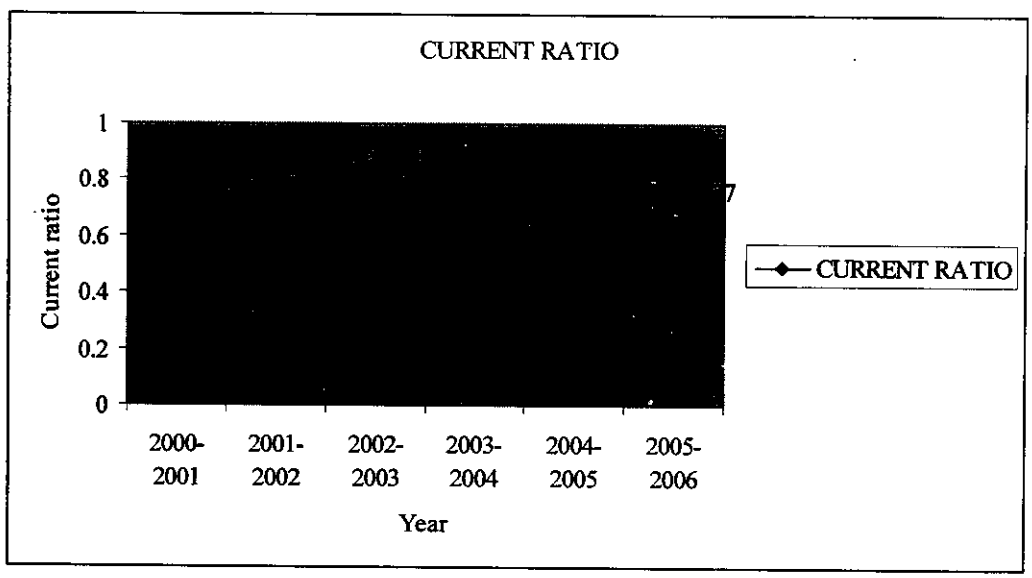
Table 4.1: Current Ratio

Year	Current Ratio
2000-01	0.73
2001-02	0.81
2002-03	0.89
2003-04	0.65
2004-05	0.62
2005-06	0.77
Average	0.75

Interpretation:

The above table 4.1 shows that the Current Ratio has improved from 0.73 to 0.89 during the years 2000-01 to 2002-02. The trend was reversed with declining ratios of 0.65 and 0.62 during the years 2003-04 and 2004-05. However, in the year 2005-06, the Current Ratio has revived back to 0.77 form 0.62 the year before.

Figure-4.1.1: Current Ratio



Inference:

The above table shows that the average of Current Ratio of the company is 0.75 which is very much below the standard norm of 2:1. This means that the liquidity position of the firm is not good and hence it shall not be able to pay its current liabilities in time without facing difficulties

4.2 LIQUID RATIO:

Also known as Quick Ratio or Acid test, it is defined as the relationship between quick/liquid assets and current or liquid liabilities. The standard norm that is followed in case of Liquid Ratio is 1:1.

$$\text{Liquid Ratio} = \frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$$

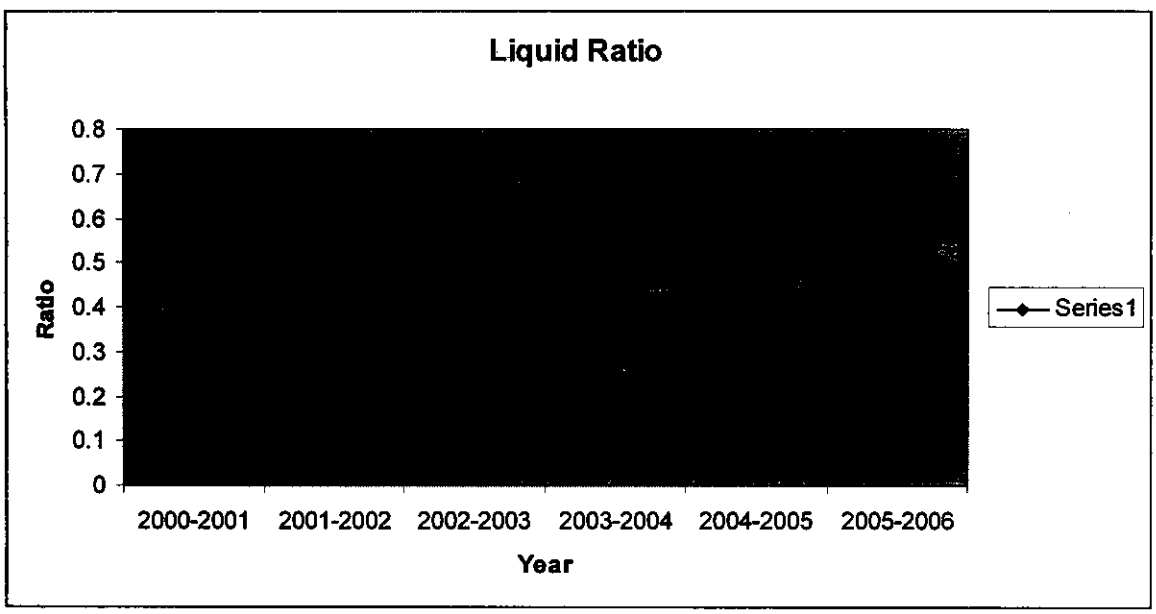
Table 4.2: Liquid Ratio

Year	Liquid Ratio
2000-2001	0.56
2001-2002	0.62
2002-2003	0.67
2003-2004	0.44
2004-2005	0.46
2005-2006	0.53
AVERAGE	0.54

Interpretation:

Usually, a high liquidity ratio is an indication that the firm is liquid and has the ability to meet its current or liquid liabilities and on the other hand a low liquid ratio represents that the firm's liquidity position is not good. It could be seen that the liquid ratio had an increasing trend in the years 2000-01, 2001-02 and 2002-03 with the respective figures of 0.56, 0.62 and 0.67. However, it dropped to 0.44 in the year 2003-04. then it started reviving back in the following years 2004-05 and 2005-06 with the figures of 0.46 and 0.53.

Figure-4.2.1: Liquid Ratio



Inference:

During the year 2003-04, the liquid ratio decreased to as low as 0.44:1.It could also be seen that the average of liquid ratio is 0.54, which is very much below the standard norm of 1: 1 and its not satisfactory during the period of study.

4.3 ABSOLUTE LIQUID RATIO:

Absolute liquidity is represented by cash or near cash item. Hence, in the computation of this ratio, only the absolute liquid assets are compared with liquid liabilities. The standard norm is 0.5:1 (or 1:2).

$$\text{Absolute Liquid Ratio} = \frac{\text{Cash + Bank + Marketable Securities}}{\text{Liquid liabilities}}$$

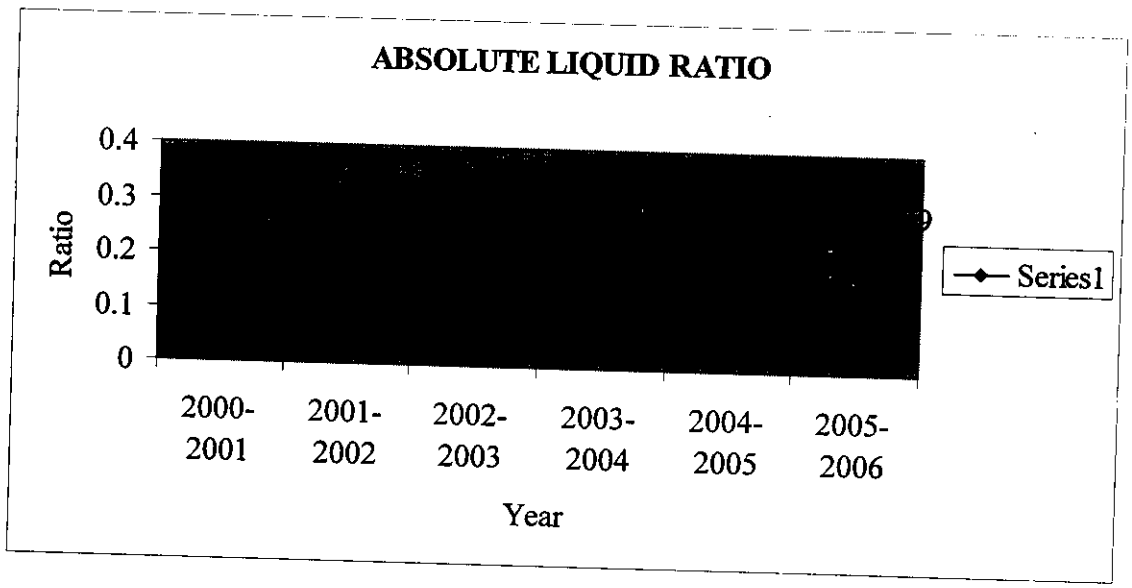
Table 4.3: Absolute liquid ratio

Year	Ratio
2000-2001	0.2
2001-2002	0.35
2002-2003	0.37
2003-2004	0.16
2004-2005	0.21
2005-2006	0.29
AVERAGE	0.26

Interpretation:

It could be seen that the more rigorous ratio i.e. the absolute ratio is very mnch low because it is 0.26 whereas the accepted standard is 0.5. But there is an increase in the absolute liquid ratio in the years 2001-02 and 2002-03. This is mainly due to increase in bank balance.

Figure-4.3.1: Absolute Liquid Ratio



Inference:

From the above, it could be inferred that the average of absolute liquid ratio is 0.26, which is very much below the standard norm of 1: 2 is not satisfactory during the period of study. The ratio has decreased during the year 2003-06 to 0.16 due to decreased cash and bank balance. Anyhow the company needs to improve its short-term financial position.

4.4 WORKING CAPITAL TURNOVER RATIO:

The ratio indicates whether or not working capital (which relates to Current Assets and Current Liabilities) has been effectively used in making sales.

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

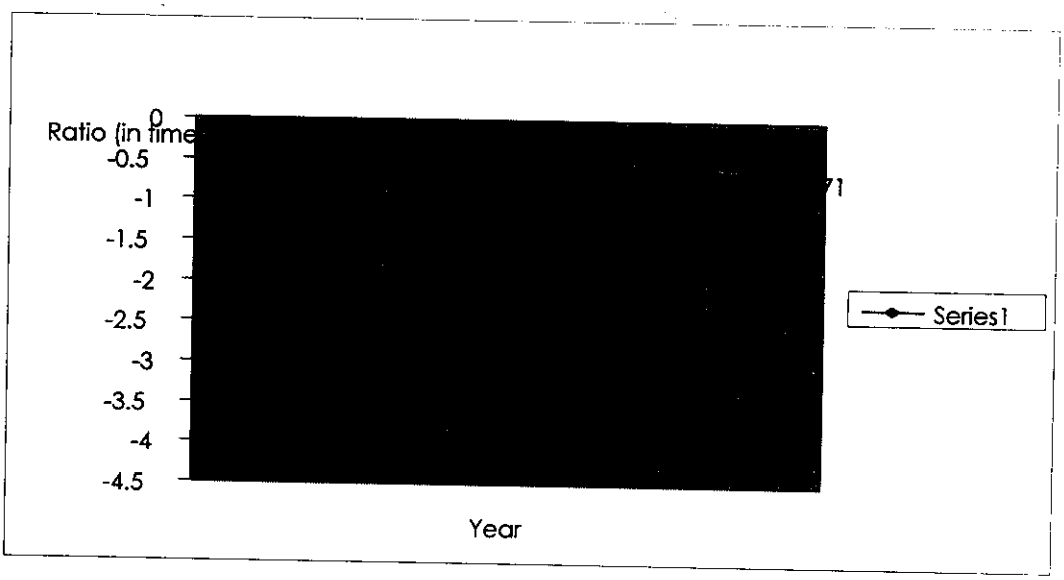
Table 4.4: Working Capital Turnover Ratio

Year	Net Sales	Net Working Capital	Ratio(in times)
2000-2001	2541.95	-2587.92	-0.98
2001-2002	2895.03	-1702.55	-1.7
2002-2003	2697.8	-694.75	-3.88
2003-2004	2778.39	-2370.87	-1.17
2004-2005	1738.56	-2777.52	-0.53
2005-2006	1461.41	-2062.7	-0.71
AVERAGE			-1.49

Interpretation:

Working Capital turnover ratio of a concern is directly related to sales. A higher ratio indicates effective utilization of working capital and a low ratio indicates otherwise. It could be seen that during the past few years, the organization is showing a negative Net working capital which means that the sales are deliberately falling because of inefficiency of the management. The above table shows that the Working Capital Turnover Ratio is -1.49

Figure 4.4.1- Working Capital Turnover Ratio



Inference:

It could be concluded that the current liabilities have exceeded the current assets in the six years and also the sales have decreased over all the years for the period of study. This exhibits the inefficiency of the management due to under-utilization of current assets and current liabilities.

4.5 DEBTORS TURNOVER RATIO:

Debtors or receivables normally include both debtors and bills receivable. Debtors Turnover Ratio measures the number of times receivables turn over during the year. The higher the turnover of receivables, the shorter the time is between the sales and cash collection. This is a good way to gauge the effectiveness of the company's payment terms.

Debtor's turnover ratio = $\frac{\text{Sales}}{\text{Debtors}}$

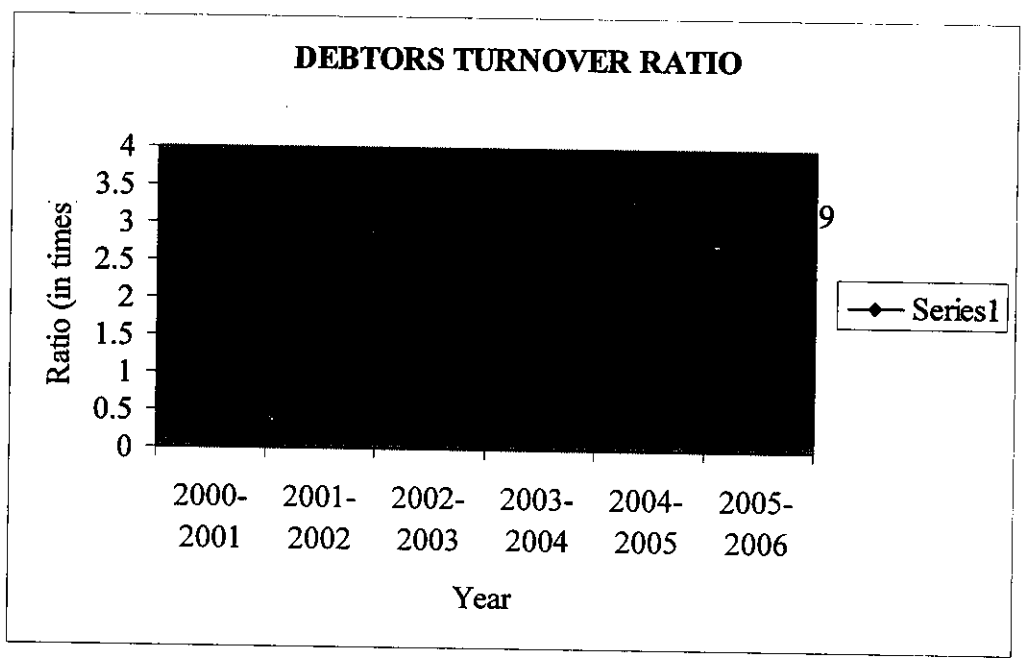
Table 4.5: Debtors Turnover Ratio

Year	Credit Sales	Debtors	Ratio (in times)
2000-01	2541.95	1421.83	1.79
2001-02	2895.03	983.39	2.94
2002-03	2697.80	1526.90	1.76
2003-04	2778.38	761.16	3.65
2004-05	1738.55	651.95	2.66
2005-06	1461.41	458.49	3.19
AVERAGE			2.67

Interpretation:

The debtor's turnover ratio plays an important role in each and every firm for their smooth establishment. The higher the debtor's turnover ratio, the better is for the organization. It could be see that the debtor's turnover ratio has a fluctuating trend over the five periods with 3.19 in the year 2005-06 increased from 2.66 the year before. The above table shows that the debtors' turnover ratio is 2.67.

Figure 4.5.1: Debtors Turnover Ratio



Inference:

This shows the inefficient management of debtors/sales and less liquid debtors. Hence the management should take effective steps to manage for efficient management of debtors.

4.6 CREDITORS TURNOVER RATIO:

Creditor's turnover ratio measures how many times a business payables turnover during a year. A low payable turnover may indicate a shortage of cash in the business and the vice versa indicates a relatively short time between purchase and payment settlement, which may mean that the organization has not taken full advantage of the credit purchase.

$$\text{Creditor's turnover ratio} = \frac{\text{Sales}}{\text{Creditors}}$$

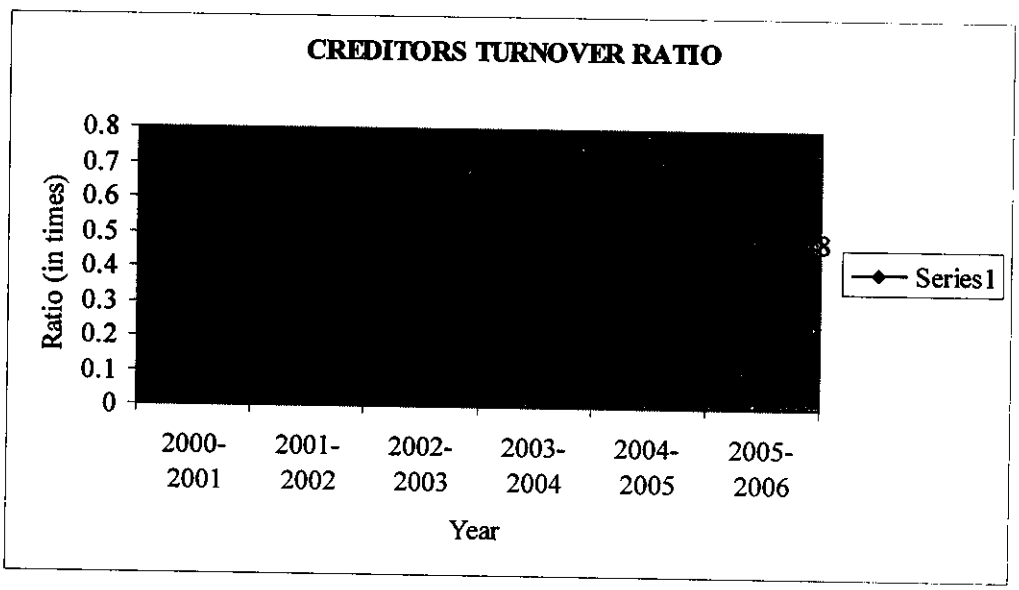
Table 4.6: Creditors Turnover Ratio

Year	Credit purchase	Creditors	Ratio (in times)
2000-01	1688.30	2582.61	0.65
2001-02	1480.30	2568.48	0.58
2002-03	1476.13	2254.35	0.65
2003-04	1476.13	1999.82	0.73
2004-05	920.63	2177.86	0.43
2005-06	1028.54	2127.77	0.48
AVERAGE			0.59

Interpretation:

It could be seen that the firm does not maintain a good position in making short term payment. During the year 2005-06, the creditor's turnover ratio is 0.48. This indicates a shortage of cash in the business.

Figure 4.6.1:Creditors Turnover Ratio



Inference:

The above table shows that the creditor' turnover is 0.59, which indicates the less favorable situation of the company. In the last few years, the purchase of raw materials has been reduced.

4.7 FIXED ASSET TURNOVER RATIO:

Fixed assets turnover ratio shows the firm's ability in generating sales from fixed assets. It determines how successful the company has been in using its fixed assets to enhance sales. In manufacturing concerns, the fixed assets turnover ratio is important and appropriate as the sales are produced not only in use of working capital but also by the ability of capital invested in fixed assets.

$$\text{Fixed assets turnover ratio} = \frac{\text{Sales}}{\text{Fixed assets}}$$

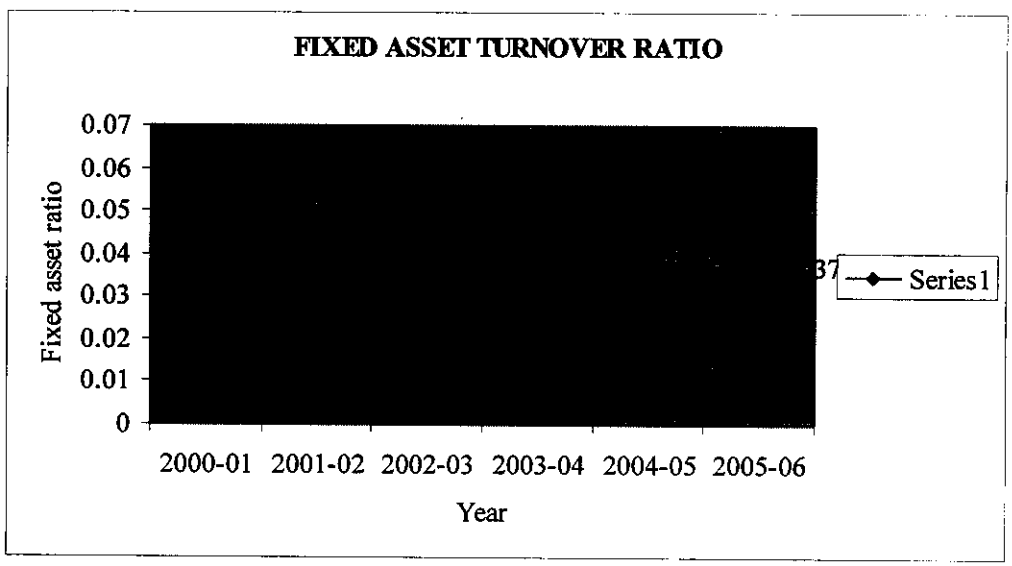
Table 4.7: Fixed Assets Turnover Ratio

Year	Net Sales	Fixed Assets	Ratio
2000-01	2541.95	55586.68	0.04
2001-02	2895.03	52304.48	0.05
2002-03	2697.80	49017.89	0.05
2003-04	2778.38	45944.04	0.06
2004-05	1738.55	42590.89	0.04
2005-06	1461.41	39331.59	.0371
AVERAGE			0.046

Interpretation:

It could be seen that the fixed asset turnover ratio has an increasing trend from the year 2000-01 to 2003-04. But in the following years, it had fallen to 0.04 and 0.0371. This indicates that the company has not utilized the fixed assets effectively. The average of the six years' fixed asset turnover ratio is 0.046.

Figure 4.7.1: Fixed Assets Turnover Ratio



Inference:

A steady decline in the fixed asset turnover ratio indicates the under utilization of currents assets. The fixed asset turnover ratio during the year 2004-05 was 0.04 after which it had reduced to 0.0371 in the year 2005-06. This could be the effect of under utilization of assets due to drop in sales.

4.8 INVENTORY TURNOVER RATIO:

Also known as the stock turnover ratio, it indicates the speed with which the inventory is sold-or, to how long the inventory items remain unsold. It could be used for the inventory balance as a whole, for classes of inventory, or for individual inventory items. In general, a higher turnover ratio indicates that a lower level of investment is required to serve the department.

$$\text{Inventory Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Inventory at Cost}}$$

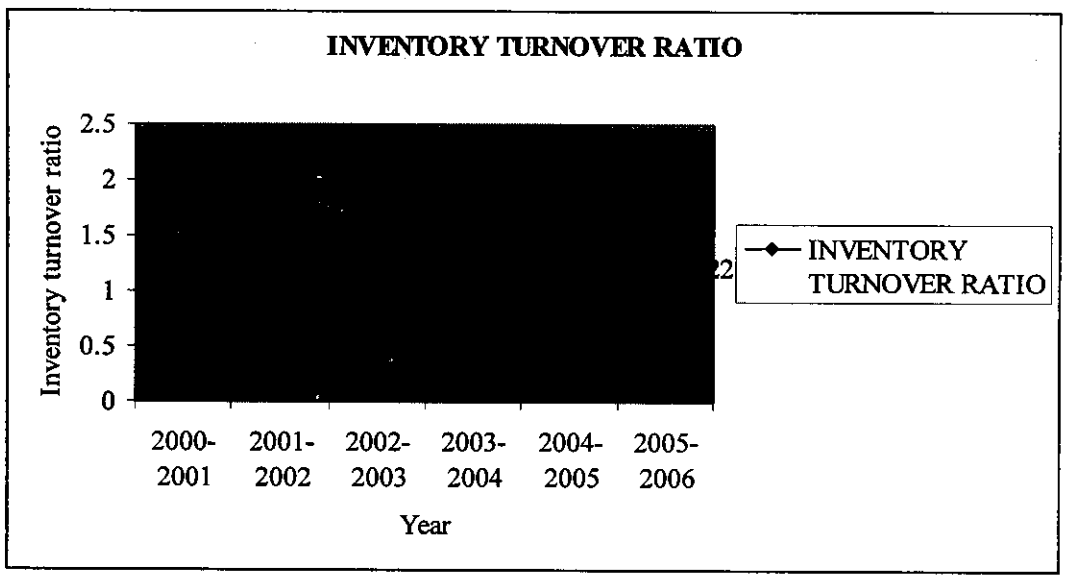
Table 4.8: Inventory Turnover Ratio

Year	Net Sales	Inventory	Ratio
2000-01	2541.95	1627.10	1.56
2001-02	2895.03	1683.23	1.71
2002-03	2697.80	1526.90	1.76
2003-04	2778.38	1415.01	1.96
2004-05	1738.55	1113.40	1.56
2005-06	1461.41	1201.94	1.22
AVERAGE			1.63

Interpretation:

The above table shows that the average of liquid ratio is 1.63, which indicates that the inventory management of the organization is not so very effective. The ratio is the lowest for the year 2005-06 which shows that the company is trying to reduce its inventory cost. The inventory turnover ratio in the year is the least in the year 2005-06 1.22 which had decreased from 1.56 in the previous year.

Figure 4.8.1: Inventory Turnover Ratio



Inference:

The inventory turnover ratio measures the number of times a company sells its inventory during the year. A low inventory turnover ratio of 1.63 which is the average of the inventory turnover ratios for the study period indicates that the company is finding it difficult to sell its product in the market. This might be the reason the company is unable to maintain its net profit level.

4.9 DEBT – EQUITY RATIO:

Also known as external-internal equity ratio, it indicates the relation ship between the external equities or the outsider's funds and the internal equities or the share holder's funds. The outsider's fund includes all debts, liabilities to outsiders, whether long-term or short-term or whether in form of debentures, bonds, mortgages or bills. A high ratio shows a large share of financing by the creditors of the firm, a low ratio implies a smaller claim of creditors.

$$\text{Debt-Equity ratio} = \frac{\text{Outsiders Funds}}{\text{Shareholder's Funds}}$$

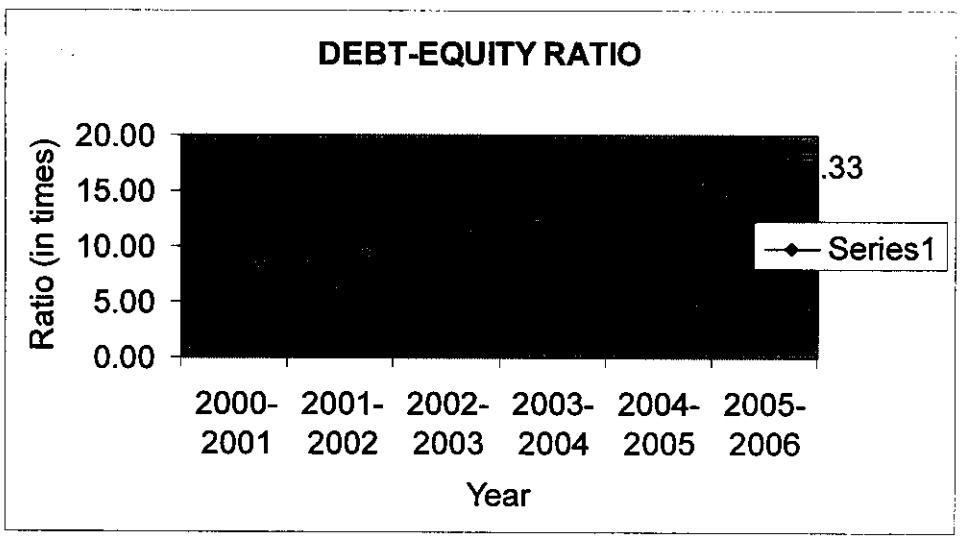
Table 4.9: Debt – Equity Ratio

Year	Outsiders Fund	Shareholders Fund	Ratio (in times)
2000-2001	179149.66	22122.82	8.10
2001-2002	211690.23	22122.82	9.57
2002-2003	247841.46	22197.82	11.17
2003-2004	287080.13	22197.82	12.93
2004-2005	330961.6	22191.82	14.91
2005-2006	386407.3	22297.82	17.33
AVERAGE			12.34

Interpretation:

The above table shows that the average of debt-equity is 12.34. The outsiders fund is more when compared to the shareholders funds. The outsider's fund is nothing but the loans borrowed from the bank. The debt-equity ratio has an increasing trend over the period of years. It has increased from 14.91 in the year 2004-05 to 17.33 in the year 2005-06.

Figure 4.9.1: Debt-Equity Ratio



Inference:

Since the debt-equity ratio is increasing over the years, the company is running a high risk as the ratio of debt is increasing over the years as compared to that of the equity fund. Hence there is a high risk for the creditors.

4.10 PROPRIETARY RATIO:

A variant to debt equity ratio is the proprietary ratio which is also known as equity ratio or shareholder's to total equity ratio. This ratio establishes the relationship between shareholder's fund to total assets of the firm. It is an important ratio in determining the long-term solvency position of a firm.

$$\text{Proprietary ratio} = \frac{\text{Proprietor's funds}}{\text{Total assets}}$$

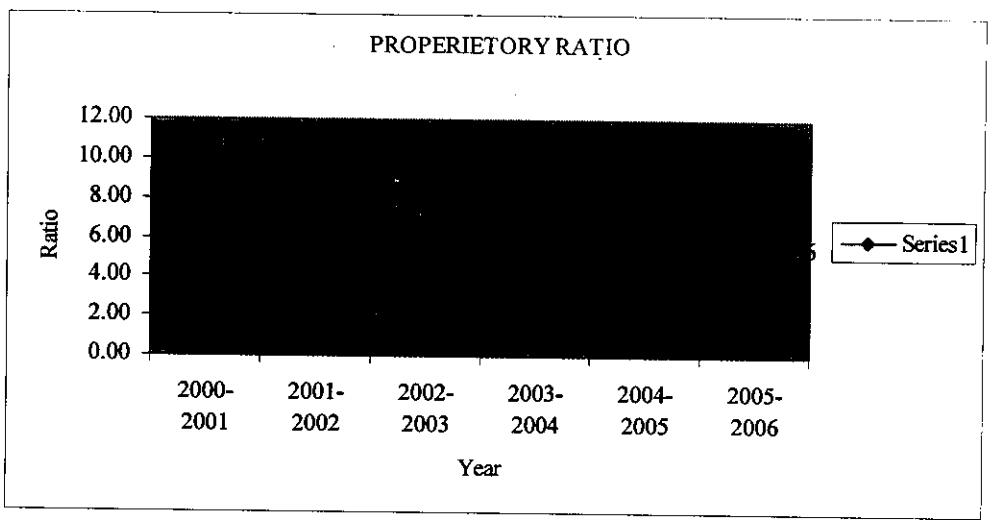
Table 4.10: Proprietary Ratio

Year	Shareholders' Fund	Total Assets	Ratio
2000-2001	22122.82	201272.48	10.99
2001-2002	22122.82	233813.05	9.46
2002-2003	22197.82	270039.28	8.22
2003-2004	22197.82	309277.95	7.18
2004-2005	22191.82	355159.94	6.25
2005-2006	22297.82	408705.11	5.46
AVERAGE			7.93

Interpretation:

The above table shows that the proprietary ratio is 7.93. The shareholders fund has remained the same for the last five years and the total assets have been increased year by year. There is an decreasing trend in the proprietary ratio. The proprietary ratio is the least for the year 2005-06 with 5.46.

Figure 4.10.1: Proprietary Ratio



Inference:

The proprietary ratio shows an unsatisfactory level as there is an decreasing trend. This shows that the management's inefficiency in utilizing the cheaper sources of funds. It means that the enterprise is relying a lot more on its creditors to supply its working capital.

4.11 CAPITAL GEARING RATIO:

The term Capital Gearing is used to describe the relationship between the equity share capital including reserves and surplus to preference share capital and other fixed interest-bearing loans. The firm is said to be in low gear if preference share capital and other fixed interest-bearing loans are less than equity capital and reserves.

$$\text{Capital gearing ratio} = \frac{\text{Equity Share Capital + Reserves and Surplus}}{\text{Preference Capital + Long term Debt}}$$

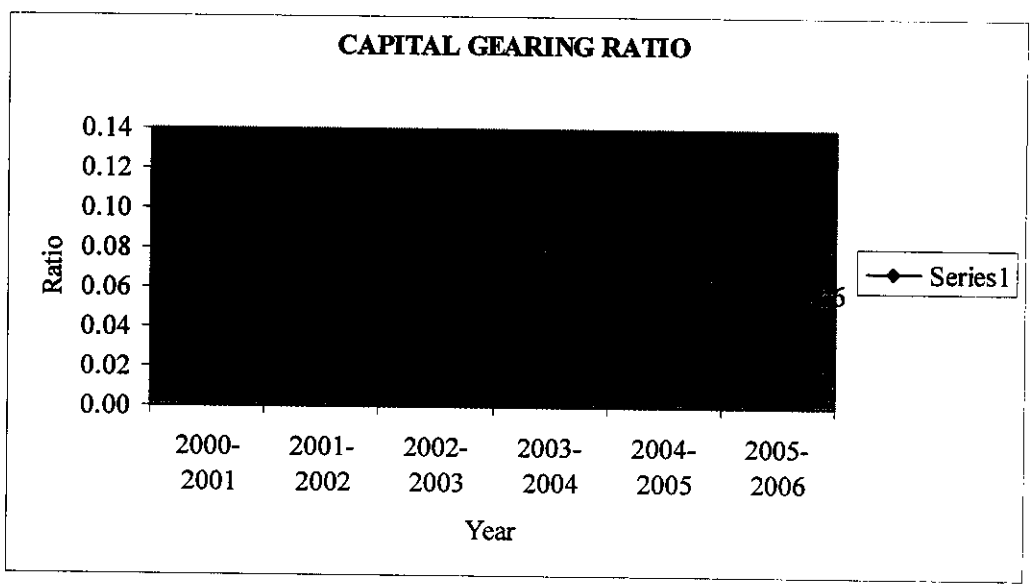
Table 4.11: Capital Gearing Ratio

Year	Equity Share Capital	Fixed Interest Bearing Funds	Ratio
2000-2001	22122.82	179149.66	0.12
2001-2002	22122.82	211690.23	0.10
2002-2003	22197.82	247841.46	0.09
2003-2004	22197.82	287080.13	0.08
2004-2005	22191.82	330961.6	0.07
2005-2006	22297.82	386407.3	0.06
AVERAGE			0.087

Interpretation:

Capital Gearing is a very important leverage ratio. High gearing ratio is not good for a company like this in which future earnings are uncertain. It could be seen that the ratio is the highest during the year 2000-2001 and has seen a decreasing trend then on. It is the least during the year 2005-06 with 0.06.

Figure 4.11.1: Capital Gearing Ratio



Inference:

The above table shows that the average of Capital Gearing Ratio is .087. There is no increase in the share capital. The loans have been borrowed from outside in order to meet their expenses.

4.12 NET PROFIT RATIO:

The ratio expresses the relationship between net profit and sales. Also known as profit margin, it is computed by dividing Net profit after taxes by sales for a given period, expressed as a percentage. The net profits are obtained after deducting income tax and general operational incomes form which expenses are excluded.

$$\text{Net profit ratio} = \frac{\text{Net Profit After Tax}}{\text{Net Sales}}$$

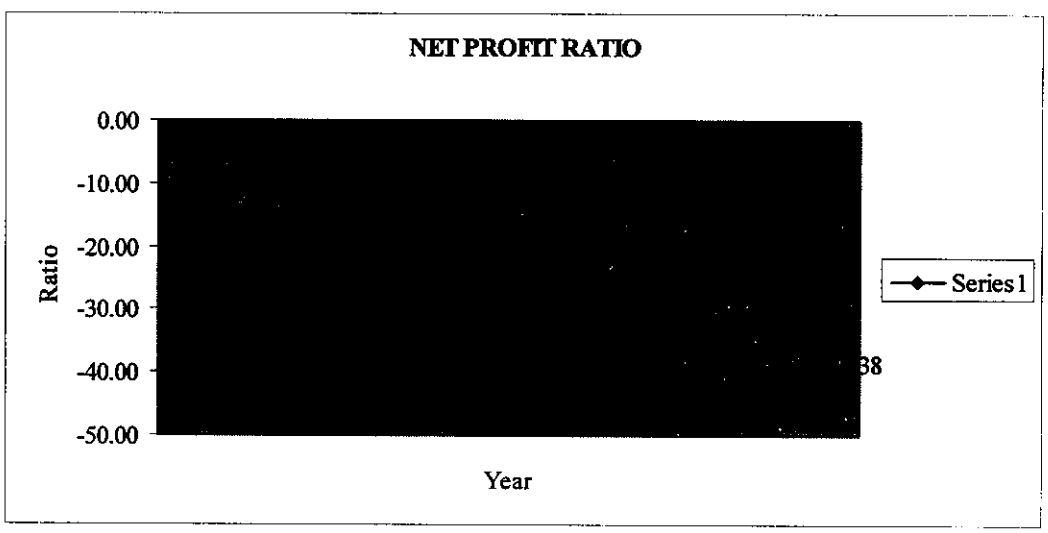
Table 4.12: Net Profit Ratio

Year	Net Profit After Tax	Net Sales	Ratio
2000-2001	-32815.97	2541.95	-12.91
2001-2002	-35371.86	2895.03	-12.22
2002-2003	-38539.24	2697.8	-14.29
2003-2004	-44302.47	2778.39	-15.95
2004-2005	-49641.27	1738.56	-28.55
2005-2006	-56090.18	1461.41	-38.38
AVERAGE			-20.38

Interpretation:

The company is facing continuous loss from the year 2000-2001 till 2005-06. This implies that the firm shall not be able to achieve a satisfactory return on its investment. The above table shows that the average of net profit ratio is -20.38, which is very much unsatisfactory during the period of study.

Figure 4.12.1: Net Profit Ratio



Inference:

It could be inferred that the company is facing a huge loss since the year 2000-01 till the year 2005-06. This might be due to firm's inefficiency to face the huge competition, low demand, and so on.

CASH FLOW STATEMENT:

Table showing Cash flow statement: (Rs. In lakhs)

Particulars	2005-06	2004-05	2003-02	2002-02	2001-00
A. Cash Flow form Operating Activities					
Net loss before tax and extra ordinary Items	-56090.18	49641.27	-44302.47	-38539.24	-35371.86
Adjustments for:					
Prior Period Adjustments	-69.02	0	233.5	0	0
Depreciation	3328.62	3354.04	3386.32	3288.34	3289.7
Extra-ordinary items	0.71	34.81	801.27	0	0
Cash from extra-ordinary items	12.13	-6.12	-38.95	0	0
Interest	51595.13	44698.45	38835.1	33649.5	29024.34
	54843.31	48081.19	42986.01	37069.71	32849.28
Operating Loss before Working Capital changes	-1246.87	-1560.09	-1316.4	-1469.55	-2522.58
Adjustments for:					
(Increase)/Decrease in Trade and other receivables	122.69	87.83	132.21	491.92	1018.48
(Increase)/Decrease in Inventories	-88.53	301.61	111.88	156.33	156.13
Increase/(Decrease) in Trade Payables	-213.72	817.7	278.15	-1650.74	299.01
Cash used for Operations	-1460.58	-742.39	-1038.25	-3120.28	-2223.57
Interest	-627.45	-337.19	-3439.51	-33649.46	-29024.34
Net cash used before extra-ordinary items	-2088.04	-1079.58	-1382.2	-36769.74	-31247.91
Extra-ordinary items	-0.71	-34.81	-801.27		
Net cash used after extra-ordinary items	-2088.75	-1114.39	2183.47	-36769.74	
Non-cash extra-ordinary items	12.13	6.12	38.95		
Net Cash used for Operating Activities (A)	-2076.62	-1108.28	-2144.52	-3676.97	-3124.79
B. Cash Flow From Investing Activities					
Increase in Fixed Assets	-0.29	-0.89	-0.99	-1.75	-1.42
Net Cash used in Investing Activities (B)	-0.29	-0.89	-0.99	-.99	-1.08
C. Cash flow from Financial Activities					
Net processing from Long Term Borrowings	2578.02	1520.21	8130	3615.12	3254.06
Net Cash used in Financing	2578.02	1520.21	747.53	36226.23	325.41

Activities ©					
Net Increase/(Decrease) in Cash and Cash Equivalents	5010.07	411.04	-1397.98	-642.94	11.84
Cash and Cash Equivalents (opening balance)	1492.2	1081.15	2479.13	3122.07	1937.69
Cash and Cash Equivalents (closing balance)	1993.3	1492.2	1081.15	2479.13	3122.07

Source: Annual Reports of HPF, OOTY

Interpretation:

In the present study, cash flow from operating activities involves cash inflows and cash outflows. Cash flow from operating activities of Hindustan Photo Films Manufacturing Company from 2000-01 to 2005-06 are -3124, -3676, -2144, -1108 and -2076.62. During the years 2002-03 and 2001-02, net operating cash went down as much as Rs 3676 lakhs and 3124.79 lakhs. This could be contributed to the increase in the current liabilities and also increase in net expenses. Net loss before interest and tax is highest in the year. This could be related to decreasing sales and increasing burden of interest. Operating loss for working capital before the adjustments being made for the year 2001-02 is very high. The company is finding it difficult to manage working capital funds. Cash flow from investing activities for the 2001-02 to 2005-06 are -1.08, .99, -.99, -.89 and -.29. The cash flow from investing activities includes long term borrowing and repayment of long term borrowings. Loans have been undertaken for various purposes. The cash balance has also reduced considerably in the year 2005-06 and there is an increase in the current liabilities in the same year. This is not a favorable situation for the company. The company is finding it difficult to maintain consistency in cash management. It has to maintain adequate cash balance every year.

Inference:

From the cash flow statement given above, it could be inferred that cash flow was lowest during the year 2001-02 due to the company's inconsistency to reduce the net expenses incurred. Cash has been invested in raising the capacity of new project and that of the existing plant. But these investments have been made by raising loans from banks and financial investments. The interest to be paid for the loans taken itself constitutes a huge amount. So the investments will prove profitable only if considerable actions are taken for increasing the sales and reducing the net operating cost. The working capital is also taken as a loan and hence the company is not able to maintain enough cash balance.

CORRELATION ANALYSIS:

Correlation analysis to find out the relation between EBIT and Sales:

Null Hypothesis:

H_0: there is no relation between EBIT and sales.

H_1: there is relation between EBIT and sales.

Descriptive Statistics:

Table showing the Correlations Analysis of EBIT and Sales:

		EBIT	SALES
EBIT	Pearson Correlation	1	*0.926
	Sig. (2-tailed)	.	.024
	Sum of Squares and Cross-products	279239930.823	20523701.719
	Covariance	69809982.706	5130925.430
	N	5	5
SALES	Pearson Correlation	*0.926	1
	Sig. (2-tailed)	.024	.
	Sum of Squares and Cross-products	20523701.719	1758596.991
	Covariance	5130925.430	439649.248
	N	5	5

*Correlation is significant at the 0.05 level (2-tailed).

Interpretation:

It could be seen that there is a strong positive correlation between EBIT and Sales as high as 0.93.

Inference

From this it could be concluded that EBIT and sales are strongly and positively related. Hence the management has to take considerable actions to increase the sales of the company through implementation of various strategic policies.

To find the relationship between Sales and Investment:

Null Hypothesis:

H_0 : there is no relation between Investments and sales.

H_1: there is relation between Investments and sales.

Descriptive Statistics

Table showing the Correlations Analysis of Sales and Investment:

		INVESTMENT	SALES
INVESTMENT	Pearson Correlation	1	*.917
	Sig. (2-tailed)	.	.029
	N	5	5
SALES	Pearson Correlation	*.917	1
	Sig. (2-tailed)	.029	.
	N	5	5

* Correlation is significant at the 0.05 level (2-tailed).

Interpretation:

There exist strong positive relationship between investment and sales. It is also as high as 0.917.

Inference:

It could be inferred that the sales of the company vary in accordance to the investment made. Hence an optimal usage of investment would reduce the unwanted expenses that would help in reducing the price of the product. This in turn will increase in the sale of the product which would in turn increase the profit of the company.

CHAPTER 5

CONCLUSIONS AND RECOMMENDATIONS

CHAPTER-5

CONCLUSION

5.1 FINDINGS:

- The current ratio of 0.75 of the Hindustan Photo. Films Manufacturing Company Ltd is non-satisfactory.
- The quick ratio of 0.54 of the company is not good and absolute liquid ratio is also bad which is not sufficient to meet the short-term liabilities.
- The inventory turnover ratio which is 1.63 of the company was satisfactory except 5th, 6th and 7th years of this study.
- The debtors' turnover ratio of 2.67 indicates the inefficient management of the receivables during the period of study.
- The creditors' turnover ratio of 0.59 reveals the less favorable situation of the company.
- The debt equity ratio of 12.34 indicates that the company mostly depends upon the outsiders' funds.
- The current assets occupy nearly 30 percentages of shareholders funds.
- The overall short-term solvency position; efficiencies and long-term financial position of the company are not fair.
- The most important finding of this study is that the ratio analysis implies that the company is not viable and the accumulated loss is Rs. 265704.72 lakhs in the year 2005.
- The results of the study show the downward trend for the past five years.
- Liberalization of Indian Economy: During July 1991, Indian Government had announced liberalization / de-licensing in the economy, which severely affected the monopoly of the company. The multinational companies were started dumping

their products at competitive prices and also they were operating form tax free zones through private traders / converters.

- Competition: The Company is facing stiff competition from major multinational companies like Agfa, Fuji, Kodak, Konica etc.

- Irrational Customs Duty Structure: Same duty for raw materials, work-in-progress finished goods – no incentive for the value addition.

- Diversification of Working Capital for Existing Plant: In order to complete the New Polyester based X-ray Project, pending support from the Government the company stated diverting its main plant funds to the projects from the year 1992-93 onwards. Approximately Rs. 64 crore + 27 crore and Rs. 91 crore have been diverted. Out of which Rs. 2 crore have been reimbursed to the mother plant by the Government. This affected the operation of main plant also as the reimbursed was not given by the Government.

- Bank operation: Refusal by consortium of bankers to open letter of credit (LCs) or issue deferred payment guarantees since Oct 1992 till Oct 1994 due to earlier year irregularities. Subsequently LC's are opened with 100% margin money.

- Low Capacity Utilization: Lower levels of operations capacity utilization dwindled from high of 102% in 1991 to current level of 5.4% only due to non-availability of working capital.

- Lack of Working Capital: Cash credit irregularities in earlier years up to 1992-93 excess borrowing over sanction limit of Rs 100 crore. The company could not liquidate the irregularities.

- Non Up-Gradation of Marketing System: Customer development (catering to only stockiest and dealers) and contract (due to monopoly during early years) and non up-gradation of marketing system is an important reason due to which the company is unable to cope up with the present competition.

- Interest Burden: High interest burden (increased from 9.96% over states turnover in 1990-91 to 133.98% in 1995-96 on account of huge accumulation of loans.

- Manpower: There are many other reasons causing sickness like High manpower of the company to the capacity of the plant, Non-appointment of a full time chairman cum managing director since Oct 1992 each and every major decision to be taken at Delhi, Total incapable management and organizational interference anarchy and secrecy in administration.

- Non Up-Gradation of R and D and Technological Obsolescence Of Machineries: One of the main drawbacks of the company is the non-up gradation of Research and Development and the technology that it was unable to compete with its rival companies that were very sound in technology and digitalization.

5.2 SUGGESTIONS:

- The implementation of the turnover management will help the company to increase their production.
- The Government can revive the company through writing-off loan and interest burden.
- The product mix can be changed for profit making.
- The company is not having effective working capital management. So, the company should maintain their current assets and current liabilities in the prescribed norms.
- Hindustan Photo Films Manufacturing Company Ltd is the only company in India manufacturing the integrated film products. Based on the interest of the nation, the unique technology can be safeguarded.
- It is fair to use the available resources in the company for better future planning.
- In case of borrowings, the company can borrow from other government or private institutions where the interest rate is low.
- The company should have proper financial planning and management to develop their long-term solvency position, otherwise there is a chance of continuous loss.
- By the way of increasing depth in the product mix and production, the capacity utilization can be optimized.
- Increase the market share of HPF products.
- For diversification of the products with existing facility, the company can manufacture marketable products such as fine chemicals, dye and consumer market products. It could also diversify in the field of mineral water production due to abundant supply of water sources nearby the firm.

5.3 CONCLUSION:

The analytical study was focused to analyze the financial strength and weakness of HPF ltd through the past 5 years' financial statements. The researcher concludes that the firm has summarily posted a poor financial performance. The solvency position of the firm is weak. The researcher strongly believes that the form still has opportunities to rehabilitate itself and continue as a profitable business venture. The suggestions given in this light if implemented would benefit the financial future of the organization.

APPENDIX

APPENDICES:

HINDUSTAN PHOTO FILMS MFG. CO. LTD., OOTACAMUND

BALANCE SHEET (Rs. In Lakhs):

Source of funds		2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Share Holder's Fund						
Share capital	1	19911.50	19991.50	19986.50	19986.50	19986.50
Share capital deposit	2	--	75.00	--	--	1000.00
Reserve & Surplus	3	2211.32	2211.32	2211.32	2211.32	2211.32
		22122.82	22197.82	22197.82	22197.82	23197.82
Loan Funds :						
Secured Loans	4	162273.57	188858.90	219518.55	255361.30	296861.26
Unsecured loans	5	49416.66	58982.56	67561.59	77600.29	89546.04
		233813.05	**270039.28**	**309277.95**	**355159.42**	**408705.11**
APPLICATION OF FUNDS Fixed Assets						
Gross Block	6	71504.98	71506.72	72062.52	72062.41	72062.70
(-) Depreciation		19208.70	22497.03	26118.47	29472.51	32732.11

Net block		52296.28	49009.69	45944.05	42590.89	39331.59
Capital WIP	7	8.20	8.20	--	--	--
Investments	8	0.06	0.06	0.06	0.06	06.00
Current Assets, loans & Advances						
Inventories	9	1683.23	1526.90	1415.02	1113.41	1201.94
Sundry creditors	10	983.39	1049.46	761.16	651.95	458.50
Cash & Bank balances	11	3122.07	2479.13	1081.15	1492.20	1993.30
Loans & advances	12	1447.22	915.71	1079.27	1098.30	1169.70
Other current assets	13	36.65	10.16	2.70	5.05	4.42
		7272.56	**5981.36**	**4339.30**	**4360.91**	**4827.86**
LESS:						
Current liabilities provision	14					
Current liabilities		6884.45	6546.48	6580.24	6008.51	6758.75
Provisions		130.61	129.63	129.93	129.92	131.81
		897.11	**6676.11**	**6710.17**	**7138.43**	**6890.56**
Net current assets		1702.55	1694.75	2370.87	(2377.52)	(2062.70)

+/(-)						
Misc. expenditure (to the extent not written off or adjusted)		348.05	313.83			
Profit & Loss Account	15	1828.63	2214.02	2651.05	3153.50	3714.36
TOTAL		**233813.05**	**270039.28**	**309277.95**	**355159.42**	**408705.11**
Notes on accounts	25					
Accounting policies	26					

HINDUSTAN PHOTO FILMS MFG. CO. LTD., OOTACAMUND

PROFIT & LOSS ACCOUNT (Rs. in Lakhs)

INCOME		2001-2002	2002-2003	2003-2004	2004-2005	2005-2006
Sales less return		2895.03	2697.80	2778.39	1738.66	1461.41
LESS : Excise duty/CVD		475.00	326.13	364.13	211.79	210.60
Increase / decrease		2420.03	2371.67	2414.5.74	1526.76	1250.30
In stocks produced	17	83.63	(30.48)	(31.73)	(21.90)	75.54
Other Income	18	533.88	528.31	556.35	615.65	823.17
LESS : Expenses (net)		3047.24	2869.50	2938.87	1923.88	2149.51
Material cost	19	1955.30	1476.63	1463.62	9761.01	1008.96
Employee cost	20	2915.78	1423.87	2055.62	1304.49	1285.46
Other cost	21	2185.37	1897.45	1498.35	1241.19	1301.64
Interest	22	239024.34	33649.46	3883509.56	4469844.96	51595112.95
Depreciation	23	3289.70	3288.33	3386.32	3354.04	3328.62
		38895.49	41635.24	47239.00	51574.27	58519.81

LOSS FOR THE YEAR		35858.25	38765.74	44300.13	49650.90	56370.30
ADD/LESS prior period adjustments (NET)	24	486.39	226.50	(-233.50)	9.63	282.75
NET LOSS CARRIED OVER TO BALANCE SHEET		35371.86	38539.24	44302.47	49641.27	56090.18
Notes on accounts	25					
Accounting policies	26					

Source: Annual reports of HPF

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