A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF PANKAJA MILLS LIMITED, COIMBATORE.

by

S.VENKATESH
Reg. No. 1120400099

Under the guidance of

Mr.A.SENTHIL KUMAR
Assistant professor (SRG)

A PROJECT REPORT
submitted

In partial fulfillment of the requirements
for the award of the degree

of

MASTER OF BUSINESS ADMINISTRATION

Kumaraguru College of Technology
(An autonomous institution affiliated to Anna University, Coimbatore)
Coimbatore - 641 047

September, 2012

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Certified that this project report titled **"A Study on financial performance analysis of Pankaja mill limited, Coimbatore"** is the bonafide work of **Mr.S.Venkatesh, 11MBA048,** who carried out the project 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 which a degree or award was conferred on an earlier occasion on this or any other candidate.

Faculty Guide

(A.Senthil kumar)
Assistant Professor (SRG)
KCTBS

Director

Dr.Vijila Kennedy
KCTBS

Submitted for the project viva-voce examination held on ____________________________

Internal Examiner

External Examiner

DECLARATION

I hereby declare that the summer project titled, A study on financial performance analysis with special reference to Pankaja mill limited, Coimbatore. Submitted to Anna University in partial fulfillment for the award of the degree of Master of Business Administration, is a record of original research submitted by me under the guidance of **Mr A.Senthil Kumar** during the period of study in KCT Business School, Coimbatore.

I also declare that this project is the report of my own effort and has not been submitted to any other university or institution for the award of any degree or diploma.

Place: Coimbatore **S.VENKATESH**

(Reg No: 1120400099)

ACKNOWLEDGEMENT

I express my sincere gratitude to our beloved chairman **Arutchelvar Dr. N. Mahalingam** and Management for the prime guiding spirit of Kumaraguru College of Technology.

I take this opportunity to extend my sincere thanks and indebtedness to **Dr. Vijila Kennedy,** Director, KCT Business School, for her remarkable guidance.

It gives pleasure to express my sense of gratitude to my Guide **Mr. A.Senthil Kumar,** Assistant Professor (SRG), KCT Business School, for her guidance, support and constant source of inspiration during this project.

I thank **Mr.Rathinasamy** Deputy finance manager Pankaja mill limited, coimbatore , for his valuable support and guidance throughout my project.

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SYNOPSIS:

Financial performance of a firm is interest for the stakeholders like Investors, Bankers, Regulators, etc. Hence an attempt is made to study the financial performance of Pankaja mills limited, Coimbatore. The study is concluded that the ratio analysis and the common size balance sheet & profit and loss account shows that the firm's financial position is good but there are certain improvements to be made in order to have a better financial position. the firm should try to improve its profitability and it is evident that they run under loss for 3 years out of 5 years.

CHAPTER-1
INTRODUCTION

1.1 ABOUT THE STUDY

Financial statement analysis is used to identify the trends and relationships between financial statement items. Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability, liquidity, and solvency. The most common methods used for financial statement analysis are comparative statements, common-size statements and ratio analysis. These methods include calculations and comparisons of the results to historical company data competitors, or industry averages to determine the relative strength and performance of the company being analyzed. Financial statement analysis is to diagnose the information contained in financial statements so as to judge profitability and financial soundness of the firm. Just like a doctor examines his patient by recording his body temperature, blood pressure, etc. before making conclusion regarding the illness and before giving his treatment, a financial analyst analysis before commenting up on the financial health or weakness of an enterprise.

1.2 ABOUT THE INDUSTRY

The **Textile industry in India** traditionally, after agriculture, the only industry that has generated huge employment for both skilled and unskilled labor in textiles. The textile industry continues to be the second largest employment generating sector in India. It offers direct employment to over 35 million in the country

According to the Ministry of Textiles, the sector contributes about 14% to industrial production, 4% to the country's gross domestic product (GDP) and 17% to the country's export earnings. The share of textiles in total exports was 11.04% during April-July 2010, as per the Ministry of Textiles. It is estimated that India would increase its textile and apparel share in the world trade to 8% from the current level of 4.5% and reach US$80 billion by 2020. During 2009-2010, Indian textiles industry was pegged at US$55 billion, 64% of which services domestic demand.

HISTORY

The archaeological surveys and studies have found that the people Harappan civilization knew the weaving and the spinning of cotton four thousand years ago. Reference to weaving and spinning materials is found in the Vedic Literature also.

There was textile trade in India during the early centuries. A block printed and resist-dyed fabrics, whose origin is from Gujarat is found in tombs of Fostat, Egypt. This proves that Indian export of cotton textiles to the Egypt or the Nile Civilization in medieval times were to a large extent. Large quantity of north Indian silk were traded through the silk route in China to the western countries. The Indian silk were often exchanged with the western countries for their spices in the barter system. During the late 17th and 18th century there were large export of the Indian cotton to the western countries to meet the need of the European industries during industrial revolution. Consequently there was development of nationalist movement like the famous Swadeshi movement which was headed by the Aurobindo Ghosh.

There was also export of Indian silk, Muslin cloth of Bengal, Bihar and Orissa to other countries by the East Indian company.

PRODUCTION:

India is the second largest producer of fiber in the world and the major fiber produced is cotton. Other fibers produced in India include silk, jute, wool, and man-made fibers. 60% of the Indian textile Industry is cotton based.

The strong domestic demand and the revival of the Economic markets by 2009 has led to huge growth of the Indian textile industry. In December 2010, the domestic cotton price was up by 50% as compared to the December 2009 prices. The causes behind high cotton price are due to the floods in Pakistan and China. India projected a high production of textile (325 lakh bales for 2010 -11)[5] .There has been increase in India's share of global textile trading to seven percent in five years[5].The rising prices are the major concern of the domestic producers of the country.

- Man Made Fibers: These includes manufacturing of clothes using fiber or filament synthetic yarns. It is produced in the large power loom factories. They account for the largest sector of the textile production in India. This sector has a share of 62% of the India's total production and provides employment to about 4.8 million people[6] .

- The Cotton Sector: It is the second most developed sector in the Indian Textile industries. It provides employment to huge amount of people but its productions and employment is seasonal depending upon the seasonal nature of the production.
- The Handloom Sector: It is well developed and is mainly dependent on the SHGs for their funds. It market share is 13 % [6] .of the total cloth produced in India.
- The Woolen Sector: India is the 7th largest producer[6] . of the wool in the world. India also produces 1.8% of the world's total wool.
- The Jute Sector: The jute or the golden fiber in India is mainly produced in the Eastern states of our country like Assam, West Bengal. Indian is 3rd largest producer of jute in the world.
- The Sericulture and Silk Sector: India is the 2nd largest producer of silk in the world. India produces world's 18% total silk. Mulberry, Eri, Tasar, and Muga are the 3 main types of the silk produced in the country. It is a labor-intensive sector.

TEXTILE ORGANIZATIONS:

The Indian Textile industries is mainly dominated by some government, semi government and private institutions.

The major functions of the ministry of Textile are:

- Textile Policy & Coordination
- Man-made Fiber Industry
- Cotton Textile Industry
- Jute Industry
- Silk and sericulture Industry
- Wool Industry
- Decentralized Powerloom Sector
- Export Promotion
- Planning & Economic Analysis

- Finance Matters
- Information Technology(IT)

The advisory boards include:

- All India Handlooms Board
- All India Handicrafts Board
- All India Power looms Board
- Advisory Committee under Handlooms Reservation of Articles for Production
- Co-ordination Council of Textiles Research Association
- Jute Advisory Board

The major export promoting councils include:

- Apparel Export Promotion Council, New Delhi
- Carpet Export Promotion Council, New Delhi
- Cotton Textiles Export Promotion Council, Mumbai

The major PSU or Public Sector Undertaking are:

- National Textile Corporation Ltd. (NTC)
- British India Corporation Ltd. (BIC)
- Cotton Corporation of India Ltd. (CCI)
- Jute Corporation of India Ltd. (JCI)
- National Jute Manufacturers Corporation (NJMC)
- Handicrafts and Handlooms Export Corporation (HHEC)
- National Handloom Development Corporation (NHDC)
- Export Promotion Council for Handicrafts, New Delhi
- Handloom Export Promotion Council, Chennai
- Indian Silk Export Promotion Council, Mumbai
- Power loom Development & Export Promotion Council, Mumbai
- Synthetic & Rayon Textiles Export Promotion Council, Mumbai
- Wool & Woolen Export Promotion Council, New Delhi

Other autonomous bodies in this industry are:

- Central Wool Development Board, Jodhpur
- National Institute of Fashion Technology, New Delhi
- National Centre for Jute Diversification

The textile Research Associations are:

- Ahmedabad Textiles Industry’s Research Association
- Bombay Textiles Research Association, Mumbai

- Indian Jute Industries Research association, Kolkata
- Man-made Textiles Research Association, Surat
- Synthetic and art silk –Mills Research Association, Mumbai
- Wool Research Association, Thane
- Northern India Textiles Research Association, Ghaziabad
- South India Textiles Research Association, Coimbatore

1.3 ABOUT THE ORGANIZATION

The National Textile Corporation Limited (NTC) is a Central Public Sector Enterprise under the Ministry of Textiles which was incorporated in April 1968 or managing the affairs of sick textile undertakings, in the private sector, taken over by the Government, Starting with 16 mills in 1068 , this number gradually rose to 103 by 1972-73. In the year 1974 all these units were nationalized under the Sick Textile Undertakings (Nationalization) Act 1974. The number of units increased to 119 by 1995. These 119 mills were controlled by NTC(HC) Ltd with the help of 9 subsidiary Corporations, with an authorized capital of Rs. 10 crores which was raised from time to time and which is now Rs. 5000 crores and the paid up share capital of the corporation is Rs. 3062.16 crores as on 31.03.2010.

BIFR approved 8 revival schemes for 8 erstwhile subsidiary companies of NTC and 1 revival scheme for 9th subsidiary company (not referred to - BIFR then) was approved by GOI/ Later, BIFR approved 2 Modified Revival Schemes 1st MRS-06 in the year 2006 and 2nd MS 08 in the year 2008.

Looking to the reduced number of mills and in line with the contemporary industry's trend all 9 subsidiary companies have been merged with NTC-HC making it into a single Company w.e.f. 01.04.2006.(Consortium) for 5 mills to be revived and run through Joint

NTC has so far closed 77 mills and has transferred 2 mills in the State of Pondicherry to the State Government of Pondicherry.

NTC is to modernize/set up 24 (22+2) mills by itself through generation of funds from the sale of its surplus assets and 16 (18-2) mills are to be revived through Joint Venture route. NTC Has modernized 18 mills so far and is in the process of setting up 3 Composite Textile Units of which one is an SEZ area. NTC would be setting up 1 Technical Textile Unit and modernizing 2 more units taken out from the list of Joint Venture apart from going into Ginning & Garmenting by way of forward and backward integration to have a pressure in all components of the value chain

It was also decided to modernize 16 (18-2) mills through JV route by inducting private partners with NTC stake of 5alok Industries, M/s.1% . In pursuance to the GOM decision dated 22.08.2007 NTC has finalized 3 parties namely M/s.Pantaloon Retail India Ltd (Consortium) and M/s.Bhasker Industries Ltd (Consortium) for 5 mills to be revived and run through Joint Venture . NTC has not transferred the ownership of the land in the arrangement but is only giving a right to use of the land to -the Joint Venture Companies (JVC) in which NTC is the major share holder with 51% stake with 5 out of 8 directors on the Board of JVC. Further NTC invited offers for making Joint Venture in respect of other 11 mills where MOU was signed but inter reviewed and now in the process of cancellation.

Further steps in respect of these units are being contemplated.

VISION:

To be a world class eco-friendly integrated textile company, catering primarily to the clothing needs of the nation.

MISSION:

To be a leading textile enterprise steadily improving capacity utilization, economy of operations, productivity, quality, brand image, market share & export.

INDIAN TEXTILE PLAZA

Indian Textile Plaza is under construction through NBCC at the land of Jehangire Textile Mills, Ahemedabad (a closed NTC mill) with facilities like Handloom & Handicrafts Mall, Exhibition Hall, Theater Complex , Textile / Handicraft Museum, Food Court, Children Plaza and Youth & Women Training Center & City Plaza by NTC forming SPV with NBCC. An MOU has been signed with NBCC for construction of the Plaza where NTC will also have a devoted space to represent itself before the public.

MODIFIED REVIVAL SCHEME

As directed by MOT and also the NTC Board, NTC is in the process of reviewing its revival scheme with the possibilities of expansion and backward & forward integration.

ACHIEVEMENTS/MILESTONES OF THE SCHEME

1. NTC mobilized Rs. 2028 crores by private placement of bonds, redeemable on 5 years maturity. NTC paid Rs. 248.69 crores as OTS to 23 Financial Institutions/Banks under the Revival Scheme.

2. The entire workers of the mills identified for closure and the surplus employees in the viable mills in addition to those employees who were desirous to go under MVRS in the various offices, were given MVRS at a cost of Rs. 2329.44 Crores. So far, 62968 employees have gone accepting MVRS.

3. The Company identified 78 mills as unviable and closed under the provisions of Industrial Disputes Act (I.D. Act), after following necessary procedure.

4. 40 mills are slated for revival – 24 directly by the Company and balance under joint venture partnership with private sector.

5. The Company has so far spent Rs. 1343.53 crores for the modernization of 22 mills, out of a total of Rs. 1156 crores.

6. 18 of the mills have completed modernization.

7. Relocation of mills for modernization – BIFR approved relocation of 4 mills – one each at Achalpur (Maharashtra); Hassan (Karnataka); Ahmedabad (Gujarat); and Beawar (Rajasthan). Setting up of these projects will transform the Company into an integrated textile company. 3 mills are composite mills which are relocation projects

and the spinning segment of the two projects i.e New Finlay at Achalpur, and New Minerva at Hassan has been erected & Rajnagar Textile Mills, Ahmedabad and comissioned.

8. NTC has completed the process of revival of 5 joint venture companies and they have started the activities in a big way – one in the Aurangabad Textile Mills for garmenting and work-wear, other New City of Bombay Mfg. Mills Ltd. has set up a design studio, sampling and garmenting unit, third India United at Mumbai has set up Denim unit and Apollo & Gold Mohur at Mumbai has started readymade Garments Unit.

9. From Rs. 385 crores budgetary support for wages in the year 2001-02, there is no budgetary support from the Govt. for the wages in the year 2009-10, 2010-11 & till date. NTC is generating internally the resources for wages payment.

10. The Company has sold assets worth Rs. 6550.94 crores under the revival scheme.

11. The Company has paid Rs. 224 crores to EPF/ESI authority & other out-standing statutory liabilities.

12. Since NTC was left with less number of mills, merger of all the 9 subsi-diaries became necessary and all the subsidiaries were merged with the Holding Company w.e.f. 01.04.2006.

13. Net worth of the Company has become positive.

14. All the secured and most of the unsecured creditors have been paid off.
15. NTC has already paid full amount of Rs. 2028 crores on redemption of bonds and Rs. 785.60 crores as interest on these bonds.

16. The Company has paid Rs. 89 crores as 1% commission as Guarantee Commission to the Ministry of Textiles.

SALE OF ASSETS (LAND) THROUGH E-AUCTIONING

NTC for the first time in Indian history sold its 2 prime lands of Mumbai through E-auctioning, a fully transparent system, permitting parties to improve bids through reverse auction, and fetched record returns for both of them. The funds are to be utilized for the revival of the Company.

RE-ENGINEERING

In order to rework and conserve energy (especially-power) NTC has engaged 2 energy firms namely M/s. MITCON Consultancy Services Ltd and M/s.BEC Energy Management Systems as Consultants initially to study and suggest measures for saving energy in all forms.

MONITORING & IMPROVING PERFORMANCE OF MODERNIZED MILLS

M/s.JPS Associates (P) Ltd, have been engaged as Consultants to observe short comings - suggest measures - monitor implementation of bringing about improvement through professional feedback on performance.

OUR PRODUCTS

Popular products of Finlay brand like 'Shahzada' Mahamantri' have been revived in a new look NTC has been awarded license for sale of CWG merchandise for home ware category. NTC is a proud supplier of entire range of bed linen and bath linen for common wealth villages which is staying place for players of various countries.
In addition to it NTC has recently launched a new range of bed linen and bath linen to cater to premium segment under the brand name "Raasa' with back and support from Roseby Interior India Ltd.

PANKAJA MILLS

Pankaja mills is one of the oldest mills in the city of Coimbatore, was incorporated in the year 1933 with a commissioned capacity of 15000 spindles. The mill due to various managerial in effigies coupled with financial irregularities seized its operations intermittently and was under closure from March 1968 to November 1972 there after the management of the mill was taken over by Tamil Nadu Textiles corporation limited under the industries development and regulation act on 22-11-1972 and started functioning again from 14-1-1973. subsequently. The mill was nationalized under such textiles undertaking (nationalization) act, 1974 with effect from 1-4-1974 and become a unit of national textile corporation limited (Tamil Nadu and Pondicherry) Ltd a subsidiary company of national textiles corporation limited, New Delhi

The mill has been identified as one of the viable unit of the corporation and hence revival package has been worked out for this mill as at an outlay of rupees 17.69 crores. The package inter alia includes acquisition of new production machinery, segmenting working capital and compensation for surplus work men who would be retired under voluntary retirement scheme of the corporation.

The commissioned capacity of the mill which is at present 30000 spindles after modernization.

The mill is capable of producing superfine cotton combined yarn and medium / coarse polyester, viscose blended yarn

After modernization the mill is projected to product 26.26 lakhs kgs of yarn annually with a turnover more than Rs.37 crores taking advantage of the comprehensive modernization of the production machinery the mill is focusing on production of value added yarn for export as well as domestic markets.

The mill, as a prelude to the export of the yarn has started implementing ISO 9001-20001 Quality Management System and the certification process is expected to be completed to be Sep 2008

In Pankaja mill the production department provides required help for the production. It is more concerned with the production. It is more concerned with the planning activities. It is entrust with the production planning, scheduling material identity and controlling of the products. This department is also responsible for the preparation of the material and production of yarn.

PRODUCTION FUNCTION IN PANKAJA MILLS

There are seven production departments in Pankaja Mills. They are mixing blow room, carding, preparatory, spinning, winding and packing.

1. MIXING:-

Mixing is the first process in production department. In this process same quality of cotton from different lots are mixing together. This process is mainly for losing the cotton. In mills mixing is done by workers. While the time of mixing a certain percentage of usable waste are added. There are two workers in mixing department godown and mixing attenders.

2 BLOW ROOM:-

The next department in the mill is blow room. In this department the main process is the removal of dust parties, seed. Particles and trash by beating and opening of cotton using machines. The final product in this department is in lap form. There are two workers in blow room department, scutcher attendant, and MBO attender.

3. CARDING:-

Carding is an important process in production. It is for to remove dust and a certain percentage of short fiber form cotton. In carding laps are feed in to the machines' and the final product is in the form of silver.

4. PREPARATORY:-

Preparatory is the fourth stage in cotton mills. Three machinery are used in this stage. This is mainly for to comper the fiber for removing the short fibers. The three machines' used in preparatory are 1 Comper 2. Drawing 3. Simplex.

I.Comper

Comper is mainly used for remove the small fiber by comping process . It will remove all the dust particles and small fiber from the silver.

II. Drawing:-

The main purpose of drawing is to doubting the silver. It is used to minimizing thick and thane places and also to increase the quality of fiber.

III.Simplex:-

This machine is used to suite the cotton for spinning process. In this stage the final product is in the form of rowing.

1.4 STATEMENT OF PROBLEM

Financial performance of a firm is interest for the stakeholders like Investors, Bankers, Regulators, etc. Hence an attempt is made to study the financial performance of Pankaja mills limited, Coimbatore.

1.5 SCOPE OF THE STUDY

The study is confined to the financial performance of Pankaja mills limited, Coimbatore.

CHAPTER-2
REVIEW OF LITERATURE

[1]**Puwanenthiren Pratheepkanth** states that the capital structure of the company is based on the financial performance of the company. considering the data gathered from the financial statement published by the business companies. He used the ratio analysis as one of the tool to analyse the financial performance of the company and correlation and descriptive analysis to find whether there is a relationship between the capital structure and financial performance. The research concludes that the financial performance analysis has a major impact on the capital structure of thhe company.

[2]**Mehran Ali Memon and Izah Mohd Tahir** states that the financial performance analysis can be used to identify the performance of the firm based on their expenses and profit statement. They used ratio analysis as a tool to identify the difference between the financial position of the firms considering the 14 manufacturing firms in Pakistan. they conclude that the expenses incurred by these firms are higher and that made them to become incompetent in the market.

[3]**Evenline Van De Velda,Wim Vermeir,Filip Corten et al** A historical financial performance engagement is an analysis of a company’s past and current financial performance to similar sized companies within its industry providing insight into a company’s historical growth, profitability, debt capacity and overall liquidity. All such factors can be important indicators of a company’s ultimate value. We analyze the past five-years history of financial statement as well as financial information relative to your industry. We calculate financial ratios (liquidity, coverage, leverage and operating) for the company prepare common size financial statements and analyze the information on a trended and composite basis.

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[1] : capital structure and financial performance: Evidence from selected business companies In colombo stock exchange sri lanka by *Puwanenthiren Pratheepkanth published in* International Refereed Research Journal Vol.– II, Issue –2,April 2011

[2] : Performance Analysis of Manufacturing Companies in Pakistan by Mehran Ali Memon and Izah Mohd Tahir published in Business Management Dynamics Vol.1, No.7, Jan 2012, pp.12-21.

[3] : Evenline Van De Velda,Wim Vermeir, Filip Corten et al Corporate Social Responsibility And Financial Performance, Corporate Governance, Emerald Group Publishing Limited, Year 2005 Volume:5,Pg 129-138.

CHAPTER-3
RESEARCH METHODOLOGY

3.1 TYPE OF RESEARCH: analytical research

3.2 OBJECTIVES OF THE STUDY

- PRIMARY OBJECTIVE-
  - ➢ To study the financial performance of Pankaja mills limited, coimbatore.
- SECONDARY OBJECTIVES-
  - ➢ To study the liquidity position of the company.
  - ➢ To study the solvency position of the company.
  - ➢ To study the profitability position of the company.

3.3 DATA AND ITS SOURCES

TYPE OF DATA: Secondary data.

METHODS OF DATA COLLECTION: Annual reports.

3.4 TIME PERIOD COVERED: The time period covered for the study is the from the year 2008-2012 i.e. 5 years.

3.5 STATISTICAL TOOLS USED:

- Ratio analysis:
  1. Liquidity ratio
  2. profitability ratio
  3. solvency ratio
- Common size balance sheet and profit and loss account.

3.6 LIMITATIONS OF THE STUDY:

- The analysis is based on the monetary information provided by the company and not on the basis of non-monetary information.
- The study was conducted with the data provided by the company and the analysis was based on the data.
- The ratios provide only quantitative information and not the qualitative information.

CHAPTER-4

ANALYSIS & INTERPRETATION

METHODS OF FINANCIAL ANALYSIS

The analysis and interpretation of financial statements is used to determine the financial position and results of operations as well. A number of methods or devices are used to study the relationship between different statements. An effort is made to use those devices which clearly analyze the position of the enterprise. The following are the methods of analysis are generally used.

- Ratio analysis
    - Liquidity Ratio
    - Solvency Ratio
    - Profitability Ratio
- Common size balance sheet.

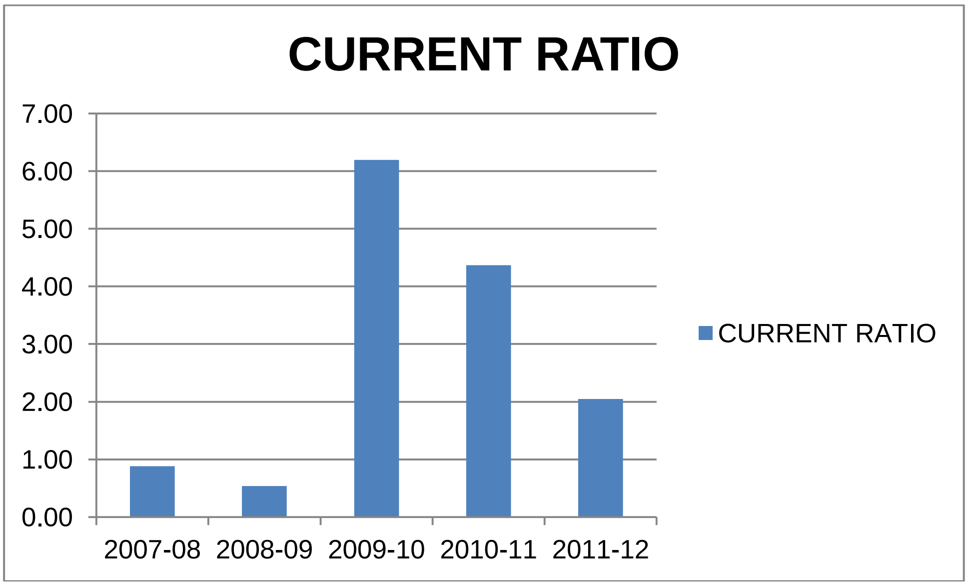
4.1 Liquidity ratios:

1.Current ratio:

TABLE NO:4.1

CURRENT RATIO			
YEAR	CURRENT ASSETS(RS.)	CURRENT LIABILITIES(RS.)	CURRENT RATIO (TIMES)
2007-08	7,13,60,257.89	8,10,08,435.71	0.88
2008-09	4,06,37,986.09	7,54,77,776.27	0.54
2009-10	55,87,85,476.33	9,01,68,910.38	6.20
2010-11	62,09,30,907.16	14,20,53,282.87	4.37
2011-12	9,66,31,618.50	4,72,45,803.56	2.05

CHART NO: 4.1



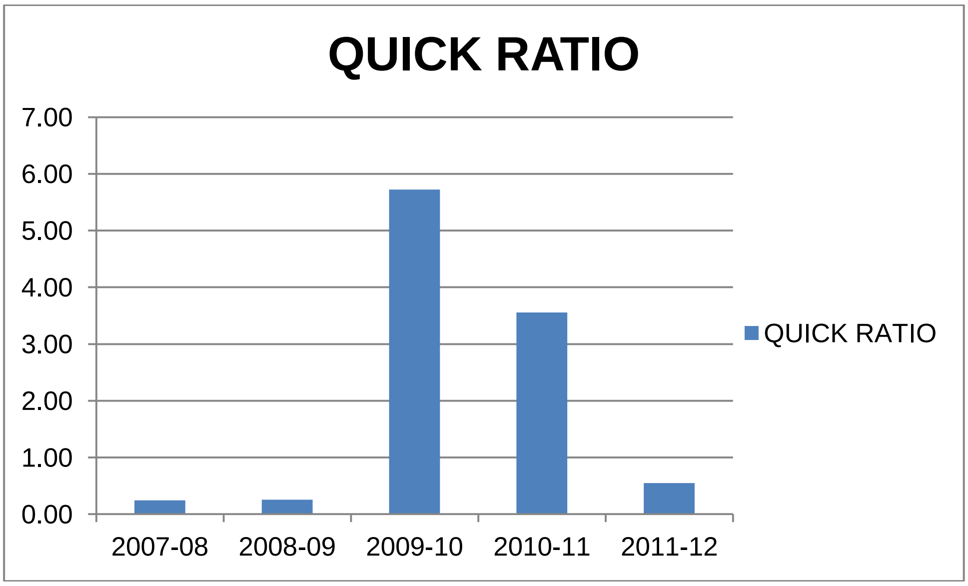
Interpretation: The standard current ratio is 2:1, in the financial year 2011-12 the current ratio is just above the standard ratio and in the year 2009-10 and 2010-11 the current ratio is higher which denotes that the mill is highly liquid and in the year 2007-08 and 2008-09 the current ratio is less than the standard ratio which denotes that the current assets available are not enough to meet the current liability.

2.Quick ratio:

TABLE NO: 4.2

QUICK RATIO			
YEAR	QUICK ASSETS(RS.)	CURRENT LIABILITIES(RS.)	QUICK RATIO(TIMES)
2007-08	1,98,56,418.23	8,10,08,435.71	0.25
2008-09	1,90,53,941.98	7,54,77,776.27	0.25
2009-10	51,61,77,748.32	9,01,68,910.38	5.72
2010-11	50,54,76,087.40	14,20,53,282.87	3.56
2011-12	2,58,24,209.88	4,72,45,803.56	0.55

CHART NO: 4.2



Interpretation: The quick ratio of the company for the year 2011-12 is considerably good when it is compared with the quick ratio of the other financial years which is at the rate of 0.54:1 for the standard ratio of 1:1.

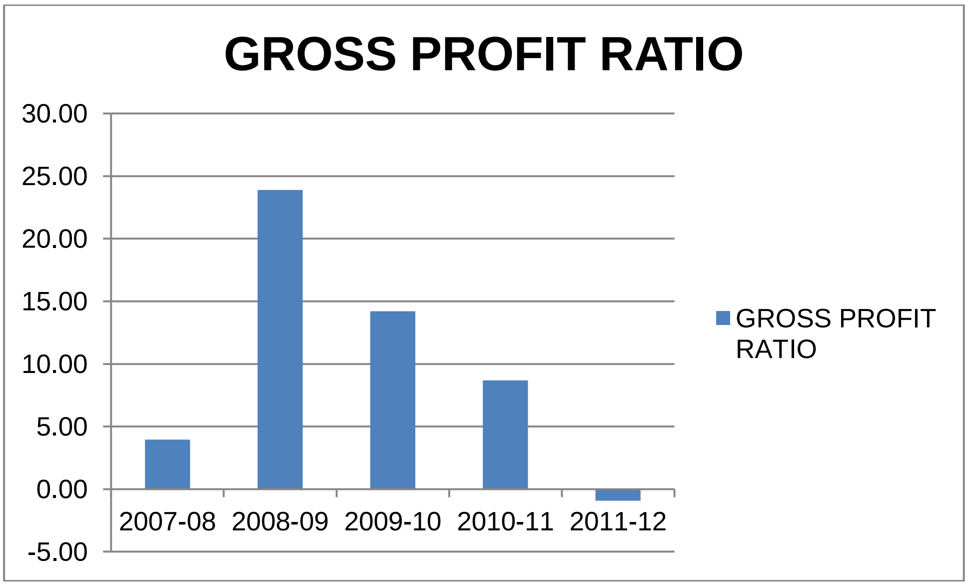
4.2 Profitability ratio:

1. Gross Profit ratio:

TABLE NO: 4.3

GROSS PROFIT RATIO			
YEAR	GROSS PROFIT(RS.)	NET SALES(RS.)	GROSS PROFIT RATIO(%)
2007-08	63,71,473.82	16,09,13,022.74	3.96
2008-09	4,32,92,427.95	18,12,26,629.34	23.89
2009-10	3,41,36,759.48	24,03,26,123.91	14.20
2010-11	2,90,63,822.74	33,46,36,475.35	8.69
2011-12	-28,77,656.46	30,93,91,474.03	-0.93

CHART NO: 4.3



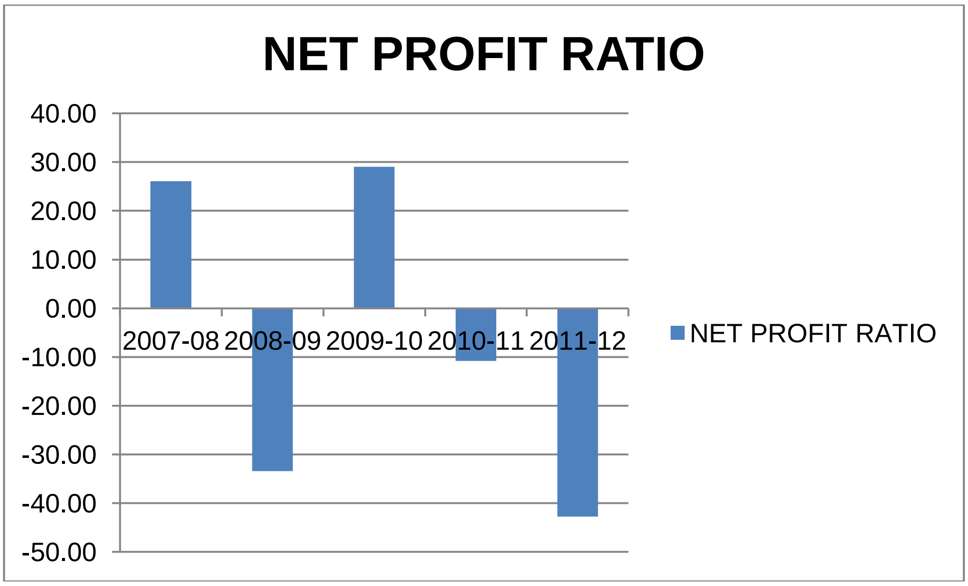
Interpretation: The gross profit ratio for the financial year 2008-09 is the maximum and in the financial year 2011-12 there is a loss.

2. Net profit ratio:

TABLE NO: 4.4

NET PROFIT RATIO			
YEAR	NET PROFIT(RS.)	NET SALES(RS.)	NET PROFIT RATIO(%)
2007-08	4,20,06,173.86	16,09,13,022.74	26.10
2008-09	-6,05,19,402.56	18,12,26,629.34	-33.39
2009-10	6,98,36,612.04	24,03,26,123.91	29.06
2010-11	-3,61,61,417.46	33,46,36,475.35	-10.81
2011-12	-13,22,05,301.83	30,93,91,474.03	-42.73

CHART NO: 4.4



Interpretation: The net profit of the mill is maximum in the year 2009-10 and has the maximum loss in the year 2011-12.

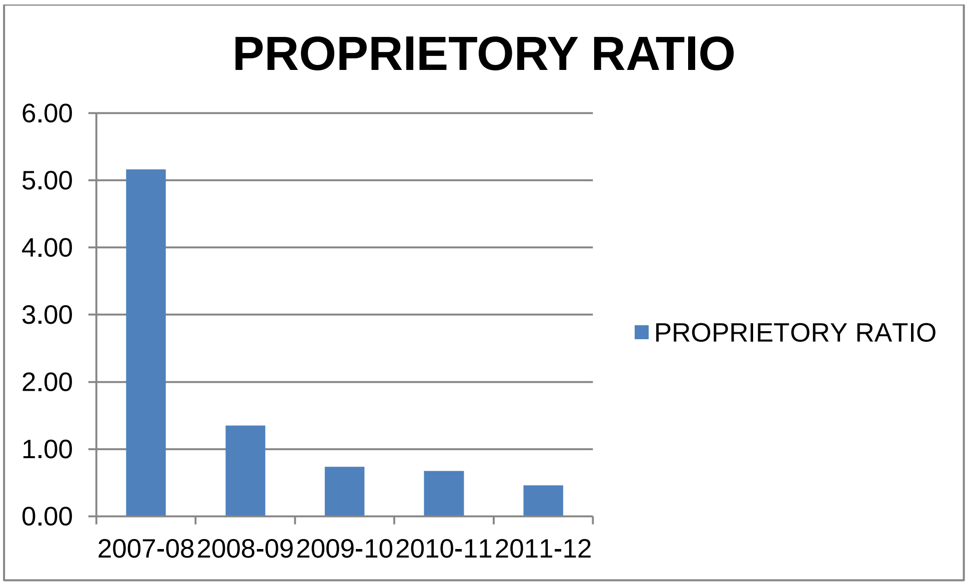
4.3 Solvency ratio:

1.Proprietory ratio:

TABLE NO:4.5

PROPRITORY RATIO			
YEAR	share holder's fund(RS.)	total assets(RS.)	PROPRIETORY RATIO(TIMES)
2007-08	29,40,12,494.25	5,69,56,199.74	5.16
2008-09	29,40,12,494.25	21,79,83,278.95	1.35
2009-10	63,00,67,438.97	85,71,55,797.80	0.74
2010-11	59,36,34,494.85	87,88,44,141.05	0.68
2011-12	46,14,29,193.02	1,00,43,26,234.22	0.46

CHART NO:4.5



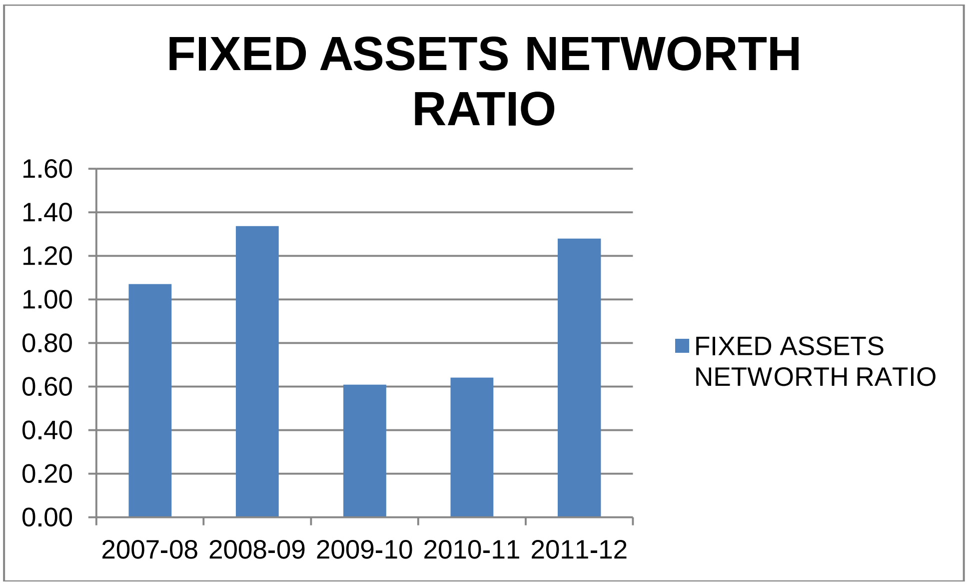
Interpretation: the proprietary ratio of the firm in the initial stage was good with the 5.16 times in the year 2007-08 and it started declining in the year 2008-09 and in the year 2011-12 the proprietary ratio went down to 0.46.

2. Fixed Assets Net worth Ratio:

TABLE NO: 4.6

FIXED ASSETS NETWORTH RATIO			
YEAR	NET FIXED ASSETS(RS.)	SHAREHOLDER'S FUND(RS.)	FIXED ASSETS NETWORTH RATIO(TIMES)
2007-08	31,46,95,780.74	29,40,12,494.25	1.07
2008-09	39,27,20,808.19	29,40,12,494.25	1.34
2009-10	38,31,41,156.27	63,00,67,438.97	0.61
2010-11	38,07,35,102.30	59,36,34,494.85	0.64
2011-12	59,03,62,424.47	46,14,29,193.02	1.28

CHART NO: 4.6



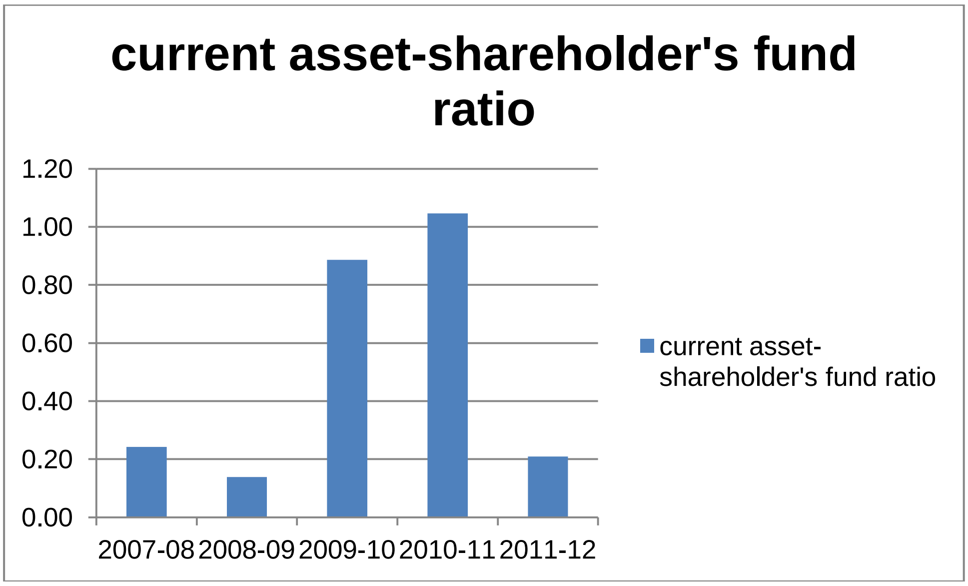
Interpretation: the fixed assets net worth ratio in the year 2007-08 was 1.07 times which increased to 1.34 in the year 2008-09 and in the 2009-10 and 2010-11 there was a decline in the ratio and in the year 2011-12 the ratio increased to 1.28 times.

3. Current Assets to Proprietor's Fund Ratio:

TABLE NO: 4.7

CURRENT ASSETS TO PROPRIETORS FUND RATIO			
YEAR	CURRENT ASSETS(RS.)	SHAREHOLDERS FUND(RS.)	current asset shareholder'sfund ratio(TIMES)
2007-08	7,13,60,257.89	29,40,12,494.25	0.24
2008-09	4,06,37,986.09	29,40,12,494.25	0.14
2009-10	55,87,85,476.33	63,00,67,438.97	0.89
2010-11	62,09,30,907.16	59,36,34,494.85	1.05
2011-12	9,66,31,618.50	46,14,29,193.02	0.21

CHART NO: 4.7



Interpretation: the current asset shareholder's fund ratio was low in the initial years when compared with 2009-10 and 2010-11. In the year 2010-11 the ratio went to it highest level that is 1.05.

TABLE NO: 4.8 COMMON SIZE BALANCE SHEET FOR THE PERIOD OF 2008-2012

PARTICULARS	2008(RS.)	%	2009(RS.)	%	2010(RS.)	%	2011(RS.)	%	2012(RS.)	%
I)SOURCES OF FUNDS										
SHARE CAPITAL	4,04,14,000.00	70.96	4,04,14,000.00	18.54	4,04,14,000.00	4.71	4,04,14,000.00	4.60	4,04,14,000.00	4.02
RESERVES AND SURPLUS	25,35,98,494.25	445.25	25,35,98,494.25	116.34	58,96,53,438.97	68.79	55,32,20,494.85	62.95	42,10,15,193.02	41.92
UNSECURED LOAN	-23,70,56,294.51	-416.21	-7,60,29,215.30	-34.88	22,70,88,358.83	26.49	28,52,09,746.20	32.45	54,28,97,041.20	54.06
TOTAL	**5,69,56,199.74**	**100.00**	**21,79,83,278.95**	**100.00**	**85,71,55,797.80**	**100.00**	**87,88,44,241.05**	**100.00**	**1,00,43,26,234.22**	**100.00**
II) APPLICATION OF FUNDS										
a)FIXED ASSETS										
1.NET BLOCK	29,19,00,289.74	512.50	38,78,83,303.19	177.94	38,30,63,861.27	44.69	37,10,03,556.58	42.21	58,71,65,253.97	58.46
2.CAPITAL WIP	2,27,95,491.00	40.02	48,37,505.00	2.22	77,295.00	0.01	97,31,545.72	1.11	31,97,170.50	0.32
TOTAL	**31,46,95,780.74**	**552.52**	**39,27,20,808.19**	**180.16**	**38,31,41,156.27**	**44.70**	**38,07,35,102.30**	**43.32**	**59,03,62,424.47**	**58.78**
b)INVESTMENT S	1,000.00	0.00	1,000.00	0.00	1,000.00	0.00	1,000.00	0.00		0.00
LONG TERM LOANS									29,16,18,645.00	29.04
OTHER NON CURRENT ASSETS									75,205.00	0.007
c)CURRENT ASSETS										
1.INVENTORIES	5,15,03,839.66	90.43	2,15,84,044.11	9.90	4,26,07,727.98	4.97	11,54,54,819.82	13.14	7,08,07,408.62	7.05
2.SUNDRY DEBTORS	78,97,608.00	13.87	53,06,940.00	2.43	1,02,21,627.41	1.19	42,16,759.80	0.48	72,30,249.12	0.72

3.CASH AND BANK	29,65,400.59	5.21	56,19,427.48	2.58	69,55,164.64	0.81	5,42,322.26	0.06	78,90,935.75	0.79
4.OTHER CURRRENT ASSETS	74,14,157.10	13.02	69,38,145.00	3.18	56,27,945.20	0.66	74,48,954.00	0.85	90,38,995.35	0.90
5.LOANS AND ADVANCES	15,79,252.54	2.77	11,89,429.50	0.55	49,33,73,011.10	57.56	49,32,68,051.28	56.13	16,64,029.66	0.17
TOTAL (A)	**7,13,60,257.89**	**125.29**	**4,06,37,986.09**	**18.64**	**55,87,85,476.33**	**65.19**	**62,09,30,907.16**	**70.65**	**9,66,31,618.50**	**9.62**
LESS: CURRENT LIABILITIES										
1. CURRENT LIABILITIES	4,49,13,287.71	78.86	3,28,64,351.27	15.08	4,09,35,051.38	4.78	9,41,47,104.87	10.71	4,40,10,505.56	4.38
2.PROVISIONS	3,60,95,148.00	63.37	4,26,13,425.00	19.55	4,92,33,859.00	5.74	4,79,06,178.00	5.45	32,35,298.00	0.32
TOTAL (B)	**8,10,08,435.71**	**142.23**	**7,54,77,776.27**	**34.63**	**9,01,68,910.38**	**10.52**	**14,20,53,282.87**	**16.16**	**4,72,45,803.56**	**4.70**
NET WORKING CAPITAL	- 96,48,177.82	-16.94	- 3,48,39,790.18	-15.98	46,86,16,565.95	54.67	47,88,77,624.29	54.49	4,93,85,814.94	4.92
d) INTER SUB OFF. CURRENT A/C			6,35,612.50	0.29	17,33,042.50	0.20				
e)INTER UNIT CURRENT A/C	- 2,04,97,188.56	-35.99	2,03,91,222.12	9.35	36,64,033.08	0.43	1,92,30,414.46	2.19	7,28,84,144.81	7.26
f)PROFIT AND LOSS A/C	- 22,75,95,214.62	-399.60	- 16,09,25,573.68	-73.82						
TOTAL	**5,69,56,199.74**	**100.00**	**21,79,83,278.95**	**100**	**85,71,55,797.80**	**100**	**87,88,44,141.05**	**100**	**1,00,43,26,234.22**	**100**

Interpretation: The firm maintains more of reserves and surplus in the year 2008 and there is a downfall in the reserves and surplus and in the year 2012 it reached to 41.92%, the fixed asset value of the firm was 512.5% which has come down to 58.46%.this shows that there is a decline in the value of the firm's asset and for the current liabilities.

TABLE NO: 4.9 COMMON SIZE PROFIT AND LOSS ACCOUNT FOR THE PERIOD OF 2008-2012

PARTICULARS	2008(RS.)	%	2009(RS.)	%	2010(RS.)	%	2011(RS.)	%	2012(RS.)	%
INCOME:										
SALES	15,25,40,443.37	86.06	12,17,56,398.90	76.31	21,72,18,273.28	85.11	27,46,66,301.30	72.76	27,61,08,594.03	87.91
INTER SUB-OFFICE SALE										
INTER UNIT SALES	83,72,579.37	4.72	5,94,70,230.44	37.27	2,31,07,850.63	9.05	5,99,70,174.05	15.89	3,32,82,880.00	10.60
JOB CHARGES										
OTHER INCOMES	17,98,775.79	1.01	22,88,905.81	1.43	31,38,746.96	1.23	28,91,352.77	0.77	47,04,077.76	1.50
INCREASE/DECREASE IN STOCK	1,45,46,968.47	8.21	- 2,39,65,957.50	-15.02	1,17,66,659.00	4.61	3,99,63,942.56	10.59		0.00
TOTAL	**17,72,58,767.00**	100.00	**15,95,49,577.65**	100.00	**25,52,31,529.87**	100.00	**37,74,91,770.68**	100.00	**31,40,95,551.79**	100.00
EXPENDITURE :										
CONSUMPTION OF RM	10,03,45,056.90	45.44	8,85,47,351.25	38.01	12,74,25,740.85	42.19	20,35,01,083.75	49.21	21,07,05,484.65	47.14
INTER-UNIT PURCHASES	45,52,116.00	2.06	39,94,544.00	1.71	41,85,991.62	1.39	43,27,331.40	1.05	51,85,585.00	1.16
PURCHASED GOODS							41,73,339.57	1.01	2,05,28,348.56	4.59
EMPLOYEE REMUNERATION	5,09,62,417.94	23.08	5,64,24,054.20	24.22	7,12,77,734.45	23.60	7,66,57,794.15	18.54	6,93,82,385.57	15.52
MANUFACTURING EXPENSES	4,96,44,375.98	22.48	4,53,92,306.10	19.48	7,45,77,631.95	24.69	9,35,70,897.94	22.63	7,58,49,712.25	16.97
FINANCE CHARGES	1,35,59,126.87	6.14	2,95,38,930.21	12.68	98,98,593.93	3.28	1,60,92,427.75	3.89	4,72,44,018.51	10.57
PROVISIONS	7,810.00	0.00	7,948.79	0.00		0.00		0.00	9,090.10	0.00
DEPRECIATIO		0.81		3.90		4.84	1,51,89,234.34	3.67	1,80,53,810.00	4.04

N	17,81,430.64		90,81,133.44		1,46,30,364.00					
DEBTS WRITTEN OFF					1,097.17	0.00	11,507.47	0.00		0.00
TOTAL	**22,08,52,334.33**	100.00	**23,29,86,267.99**	100.00	**30,19,97,153.97**	100.00	**41,35,23,616.37**	100.00	**44,69,58,434.64**	100.00
PROFIT FOR THE YEAR	-4,35,93,567.33	-24.59	-7,34,36,690.34	-46.03	-4,67,65,624.10	-18.32	-3,60,31,845.69	-9.55	-13,28,62,882.85	-42.30
PRIOR PERIOD EXPENSES	-1,806.61	0.00	-3,93,105.31	-0.25	-5,83,964.78	-0.23	-3,93,597.92	-0.10	58,485.90	0.02
EXTRA ORDINARY ITEMS	38,27,03,722.53	215.90	1,28,24,241.35	8.04	11,63,53,974.90	45.59	-3,27,277.00	-0.09	32,398.19	0.01
PROVISION WRITTEN BACK	54,862.27	0.03	5,23,273.74	0.33	8,32,526.02	0.33	5,91,303.15	0.16	5,66,696.93	0.18
RESERVES WRITTEN BACK	8,09,35,645.00	45.66		0.00		0.00		0.00		0.00
PROFIT FOR THE YEAR BEFORE TAX	**42,00,98,855.86**	237.00	**-6,04,82,280.56**	-37.91	**6,98,36,912.04**	27.36	**-3,61,61,417.46**	-9.58	**-13,22,05,301.83**	-42.09
WEALTH TAX										
FBT	-37,118.00	-0.02	-37,122.00	-0.02		0.00		0.00		0.00
PROFIT FOR THE YEAR AFTER TAX	**42,00,61,737.86**	236.98	**-6,05,19,402.56**	-37.93	**6,98,36,912.04**	27.36	**-3,61,61,417.46**	-9.58	**-13,22,05,301.83**	-42.09
BALANCE OF LOSS BROUGHT FORWARD	-19,24,66,523.24		22,14,44,976.24		15,94,42,305.68		22,90,07,391.06			
BALANCE OF PROFIT TRANS.TO B/S	**22,75,95,214.62**		**16,09,25,573.68**		**22,92,79,217.72**		**19,28,45,973.60**		**-13,22,05,301.83**	

Interpretation: The firm's major income was contributed by the sale of goods manufactured and the major expenditure were contributed by consumption of raw materials, employee remuneration, manufacturing expenses and finance charges.

CHAPTER-5

FINDINGS, SUGGESTIONS AND CONCLUSIONS

5.1 FINDINGS:

- It is found that the current ratio for the year 2009-10 and 2010-11 were high comparing to the standard ratio, but in the year 2011-12 the current ratio was near to the standard ratio i.e. 2.05:1.
- The standard quick ratio is 1:1 but the table 4.2 shows that the firm's quick ratio is not maintained to the standards.
- In the initial stages the firm's gross profit ratio was increasing and in the year 2008-09 it reached the maximum and in the year 2011-12 the firm could not meet its operating expenses with the sales made, which led to gross loss.
- When it comes to Net profit ratio, it is clear that in the year 2007-08 and 2009-10 the net profit ratio was positive and in the remaining period the net profit ratio was negative which shows that the firm is spending more on non-operating expenses.
- The proprietary ratio for the year 20007-08 was higher which states that the long term solvency position was good. But in the recent years the proprietary ratio has come down.
- The current asset shareholder's fund ratio was low in the initial years when compared with 2009-10 and 2010-11. In the year 2010-11 the ratio went to it highest level that is 1.05.
- The fixed assets net worth ratio in the year 2007-08 was 1.07 times which increased to 1.34 in the year 2008-09 and in the 2009-10 and 2010-11 there was a decline in the ratio and in the year 2011-12 the ratio increased to 1.28 times.
- The firm maintains more of reserves and surplus in the year 2008 and there is a downfall in the reserves and surplus and in the year 2012 it reached to 41.92%, the fixed asset value of the firm was 512.5% which has come down

to 58.46%.this shows that there is a decline in the value of the firm's asset and for the current liabilities.

5.2 SUGGESTIONS

- The company should maintain the current assets and the liabilities in a standard ratio and the firm's cash balance is increasing and are kept in idle. There is a fall in the Quick ratio in the year 2011-12 and so the firm needs to concentrate more on the liquidity ratio.
- The firm's gross profit ratio for the year 2011-12 was negative so the firm should concentrate more on sales in order to reduce the loss and increase profit.
- The firm's net profit ratio was in negative in the year 2011-12 they should concentrate in reducing the non-operating expenses incurred in order to increase the profit.
- The firm's proprietary ratio was high in the year 2007-08 and started declining year to year so the firm should concentrate in the solvency position of the firm.

5.3 CONCLUSION

The ratio analysis and the common size balance sheet and profit and loss account shows that the firm's financial position is good but there are certain improvements to be made in order to have a better financial position. The firm should try to improve its profitability and it is evident that they run under loss for 3 years out of 5 years.

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