



A STUDY ON FINANCIAL PERFORMANCE OF KPR MILLS LIMITED.

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ABSTARCT

Finance statement are the basis for decision making by the management as well as other outsider who are interested in the affairs of the firm such as investors, government, creditors, customers, financial institutions, employees, potential investors and the general public. The scope of the study pertained to a financial performance of the K.P.R Mills Company Limited. This study is mainly making a comparison of five years of its operations and it aims to reveal the company standard in respect to profitability. The data used are mainly from the adopted annual report of the company through the discussions with financial and accounts officials of the K.P.R Mills Company Limited. The period of the study covers 1st apr 2009 to 31st mar 2014. The required data for the past 5 years were collected from the annual report of the company.

INDRODUCTION

Finance statement are the basis for decision making by the management as well as other outsider who are interested in the affairs of the firm such as investors, government, creditors, customers, financial institutions, employees, potential investors and the general public. The analysis and interpretation of financial statements depend upon the nature and type of information available in these statements. These statement are used to convey to management and other interested outsiders the profitability position of a firm.

OBJECTIVES

1. To analyze the solvency position & assets management of the company.
2. To evaluate the profitability of the company.
3. To study the liquidity position of the company.

SCOPE OF THE STUDY

The scope of the study pertained to a financial performance of the K.P.R Mills Company Limited. This study is mainly making a comparison of five years of its operations and it aims to reveal the company standard in respect to profitability. Liquidity and effective use of it resources.

METHODOLOGY OF STUDY

Nature of data

Analytical methods were adopted for caring out the study. Secondary data was mainly used for the study this secondary data collected from the published annual report of the K.P.R Mills Company Limited.

Source of data

The data used are mainly from the adopted annual report of the company through the discussions with financial and accounts officials of the K.P.R Mills Company Limited.



Tools Used

The financial performance of the company was analyzed with the help of following tools, they are as follows

- Ratio analysis
- Financial analysis
 - Comparative balance sheet
 - Common size balance sheet

Period of The Study

The period of the study covers 1st apr 2009 to 31st mar 2014. The required data for the past 5 years were collected from the annual report of the company.

LIMITATION OF STUDY

- The data are secondary by nature and any bias in them reflects in the analysis and the conclusion of the study.

The reliability and correctness of the study depends on the information provided in the annual report of the company.

- The study is subject to limitations inherent to statistical data and financial accounting.

REVIEW OF LITERATURE

Shawn Kent (2010)1- This article examined the values of Mentor system prevailing in the organisations. The employees who became more productive, derived greater career satisfaction and enjoyed accelerated career growth were identified. Mentoring was considered to be a mutually advantageous way to both attract and retain employees. Mentoring programs were inexpensive, to inspire future leaders, improve management and staff relationship and prepare people to succeed an aging workforce. Mentors could provide just in time, development to those employees aspiring to grow.

Susan Geertshuis, Mary Holmes, Harry Geertshuis, David Clancy, Amanda Bristol (2010)2 - This paper supported the earlier work to implement good practices in training and its evaluation. The learning process is influenced by multiplicity of factors based on perceptions about learning and performance outcomes. Organisations were expected to implement cost effective evaluation methods acknowledging the status of the learner. The study also examined the evaluation methodologies and the role played by the trainers in improving learning process.

ANALYSIS AND INTERPRETATION

Ratio analysis is one of the most powerful tools of financial analysis. It is the process of establishing and interpreting various ratio. It is done with the help of ratio that the financial statement can be analyzed more clearly and decisions can be made from such analysis.



CURRENT RATIO (Rs in LAKHS)

S.NO	YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
1	2009-2010	37,295.05	12,319.83	3:2
2	2010-2011	49,365.10	17,490.59	2:8
3	2011-2012	45,343	44,943	1:1
4	2012-2013	72,472	69,434	1:4
5	2013-2014	53,952	53,572	1:1

Source: annual report

Table shows that the fixed assets and current asset of the company was fluctuated during the study period. The ratio of fixed assets to current asset was the highest (3.02:1) in the year 2009-2010.

OPERATING RATIO (Rs in LAKHS)

S.no	YEAR	OPERATING EXPENCE + COST OF GOODS SOLD	SALES	RATIO
1	2009-2010	69,629.29	78,850,24	88.3%
2	2010-2011	89,275.6	96,563.09	92.45%
3	2011-2012	1,13,378	1,26,541	89.6%
4	2012-2013	1,37540	1,66,761	82.5%
5	2013-2014	1,68,000	195975	85.7%

Source : annual report

Table disclosed that the operating expence + cost of goods sold and sales of the company was inclined during the study period. The ratio of operating to sales was highest (92.45%) and it was lowest (82.5%) in year 2012-2013.

OPERATING LEVERAGE (Rs in LAKHS)

S.no	YEAR	CONTRIPUTION	EBIT	RATIO
1	2009-2010	16266.13	13,009.06	1.25 TIMES
2	2010-2011	13,517.55	12,381.33	1.2 TIMES
3	2011-2012	42,359	39,117	1.08 TIMES
4	2012-2013	49,838	40,317	1.23 TIMES
5	2013-2014	65,336	58,277	1.12 TIMES

Source: annual report

Table indicates that the cost of goods sold of the company was increased expect 2012-2013 the study period. The inventory turnover ratio was of the company was highest (5.5 times) in the year 2012-2013



COMPARITIVE BALANCE SHEET OF 2011 – 2012

Particulars	2011	2012	Increase/decrease	
			Amount	%
SOURCES OF FUNDS				
SHARE HOLDERS'S FUNDS				
Share capital	5,561	5,268	-293	-5.56
Reserves and surplus	56,689	65,358	8669	13.26
	62,250	70,626	8376	11.85
LOAN FUNDS				
Secured loans	2,620	47,994	5374	11.19
Unsecured loans	4,734	6,238	1504	24.0
	14,170	14,170	-1809	-12.29
Deferred tax liability	68,942	68,942	5069	7.3
APPLICATION OF FUNDS				
FIXED ASSETS				
Gross block	28,577	31,596	3019	9.5
Less: depreciation	3,734	21,006	1725	82.14
Net block	10,227	14,995	4718	31.46
Add: capital work-in-progress	2,389	1,837	-552	30.04
	44,943	69,434	24491	35.4
	1,71,066	2,09,002	37936	18.15
INVESTMENTS				
CURRENT ASSETS, LOAN & ADVAINCES				
Inventories	1,09,078	1,33,848	2477	18.5
Sundry debtors	74,83	-		
Cash and bank balances	1,16,561	1,33,848	-7483	274.4
other current assets	70	70	-	
Loan and advances	86,18	2,383	-6536	24.02
	1,25,723	1,25,723	10807	7.91
Less: CURRENT LIABILITIES AND PROVISIONS				
Current liabilities	-	6,646	-	-
Provisons	18653	35,757	17404	97.6
	13,699	15,879	2180	13.02
Net current assets	5,26	7626	1679	22.07
	17,066	2,09,02	3936	18.5

Source: Annual Report

It could be seen from the table 3.1 that the total assets of the company were increased into 43%. This was due to increase of current assets and fixed assets of 50% and 69% respectively. The current liability and reserves and surplus are enhanced into 11% and 61% respectively. The current asset is more than current liability. So it reflects that the company has sound liquidity position



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FINDINGS OF THE STUDY

Current ratio

The current ratio of the company was highest (4.92%) in the year 2012-2013 and lowest (4.42%) in the year 2010-2011.

Operating Ratio

Table indicates that the cost of goods sold + operating expense the company was increased expect 2012-2013 the study period. The cost of goods sold was of the company was highest (6.4) in the year 2012-2013

LEVERAGE ANALYSIS

Operating Leverage Ratio

The operating leverage ratio of the company was the highest (26.58 percent) in 2009-2010 and it lowest (5.15 percent) in the year 2010-2011.

Financial Leverage Ratio

The financial leverage ratio of the company was the highest (0.99 percent) in 2010-2011 and it was lowest (0.48 percent) in the year 2011-2012

SUGGESTIONS

Liquidity position

The company has the ability to repay its short-term liabilities but at the same time, the company should maintain liquidity to the prescribed standard norms. It should not invest more money in the current assets.

Solvency position

The shareholder funds are more in the total assets of the company. The company should not maintain a high ratio fixed assets to proprietors fund which will indicate that unduly high amount tied up in fixed capital and there is a risk of shortage of circulating of circulating capital.

profitability Analysis

The company should have a reasonable gross profit to ensure adequate coverage for operating expense of the company and give sufficient return to the shareholders of the company. The company should curtail operating expenses in order to avoid the net loss ens

CONCLUSION

In this study the researcher concludes that the financial performance of The Lakshmi Machine Works Limited is good. Based on the study, the researcher concludes that the financial position of the company was good. The study concludes that The Lakshmi Machine Works Limited is one of the leading company provides employment opportunities in the field of manufacturing of textile's machine and spare parts.