INTERCONTINENTAL JOURNAL OF FINANCE RESEARCH REVIEW
ISSN:2321-0354 - ONLINE ISSN:2347-1654 - PRINT - IMPACT FACTOR:0.720
VOLUME 3, ISSUE 3, MARCH 2015

A STUDY ON FINANCIAL PERFORMANCE OF LAKSHMI MACHINE WORKS LIMITED.

R.SAKTHI PRASATH [1] K.MURUGESAN [2]

[1]Assistant Professor, Dr.N.G.P. Arts and Science College, Coimbatore
[2]M.Com Department of Commerce, Dr.N.G.P. Arts and Science College, Coimbatore

ABSTRACT

Finance is the view as a backbone to accelerating economic development of any country. In our present day, economic finance is the provision of money at the time when it is required. Presently a firm communicated financial information to the users through financial statement and reports. Financial statement compares of two statements namely balance sheet and profit & loss a/c. Being this present status, it quiets possible for the company to improve its profitability as well as liquidity considerable without employing, further resources and just be stream lining the existing financial system and the financial information system. The scope of the study pertained to a financial performance of Lakshmi Machine Works Limited. This study is mainly 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 reports of the company through the discussions with financial and accounts officials of the Lakshmi Machine Works Limited.

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.

he term "**Financial Analysis**" is also known as analysis and interpretation of financial statements, refer to the process of determining financial strengths and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data.

The term "Financial statement" generally refers to the two statements:

- The position statement or the balance sheet, and
- The income statement or the profit and loss account.

Features and benefits of financial statement analysis:

Financial statements are the prepared for the purpose of presenting the periodical review or report on the progress by the management and deal with;

- ✓ Status of the investments in the business and
- ✓ Results achieved during the period under review.

The analysis of the financial statements, spotlights the significant fact and relationship concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness.

STATEMENT OF THE PROBLEM

Finance is the view as a backbone to accelerating economic development of any country. In our present day, economic finance is the provision of money at the time when it is required. Presently a firm communicated financial information to the users through financial statement and reports. Financial statement compares of two statements namely balance sheet and profit & loss a/c. Being this present status, it quiets possible for the company to improve its profitability as well as liquidity considerable without employing, further resources and just be stream lining the existing financial system and the financial information system.

SCOPE OF THE STUDY

The scope of the study pertained to a financial performance ofLAKSHMI MACHINE WORKS LIMITED. This study is mainly 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. It also extends to have a study on ratio, and comparative & common size balance sheets.

OBJECTIVES OF THE STUDY

The study has been undertaken with a broad objective of evaluating performance of LAKSHMI MACHINE WORKS LIMITED. The following are the specific objective of the study.

- To trace out of the history and profile of the company.
- To analyze the overall performance of the Lakshmi Machine Works Limited in respect of liquidity efficiency and effectiveness in financial management.

DATA COLLECTION

Nature of data:

Analytical methods were adopted for caring out of study. Secondary data was mainly used for the study this secondary data collected from the published annual report of the Lakshmi Machine Works Limited.

Source of data:

The data used are mainly from the adopted annual reports of the company through the discussions with financial and accounts officials of the LAKSHMI MACHINE WORKS LIMITED.

TOOLS AND TECHNIQUES

The data from the reports have been analyzed by using various tools and techniques. With a view to evaluate the performance of the company.

- Ratio analysis
- Comparative balance sheet statements

PERIOD OF STUDY:

The period of the study covers 5 years from 2009-2010 and 2013-2014. The required data for the past 5 years were collected from the annual report of the company.

LIMITATIONS OF THE STUDY

The data available for the study are subject to a few limitations which are a follow:-

- As the study is only for the particular concern inter firm comparison is lender impossible.
- The study covers the periods from 2009-2014 the changes that took place before and after this period were not taken into consideration.
- The reliability and correctness of the study depends on the information provided in the annual reports of the company.

REVIEW OF LITERATURE

Financial analysis is the process of identifying the financial strength and weakness of the firms by properly establishing relationship between the items of the balance sheet and profit and loss account. Financial analysis can be undertaken by management of the firm, or by parties outside the firm via, owners.

Sarma and Reddy[1] (1986) made a study on the liquidity position of the Nizam Sugar Factories Limited (NSF) during the year 1972-73 and 1981-82 to identify the factors influencing the liquidity. The study concluded that the major element that affected the liquidity position of the firm were the government policies with respect to the input and output as well

Reddy[2] (1988) in his study, stressed that the co-operative sugar mills did not manage working properly. The study concluded that sustained efforts have to be made to maintain liquidity and sufficient amount of networking capital in order to avoid the potential danger of technical insolvency. The problem of management of working capital was also traced to be the seasonal character of raw material.

RATIO ANALYSIS:

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

Analysis and Interpretations

The secondary data collected from various sources were analysed using various tools and the interpretations were arrived. Current ratio and liquid ratio was calculated to know the liquidity and the solvency position of the firm. Gross profit and Net profit was calculated to know the profitability of the firm.

CURRENT RATIO

S.No	Year	Current Assets	Current Liabilities	Ratio
1.	2009-10	9,521	2,154	4.42
2.	2010- 11	13,018	4,191	3.10
3.	2011-12	16,646	3,872	4.29
4.	2012-13	18,237	4,455	4.09
5.	2013-14	25,068	5,317	4.71

It could be seen from the Table that the Current assets of the company have been increased during the study period and the current liabilities of the company have also increased. A decrease in the current liability is noted in the year 2012-2013.

OPERATING RATIO

S.NO	YEAR	COST OF GOODS SOLD+ OPERATING EXPENSES	NET SALES	RATIO
1	2009-2010	9,502	13,893	68.39
2	2010-2011	11,454	16,692	68.62
3	2011-2012	14,498	21,742	66.83
4	2012-2013	14,881	22,742	65.43
5	2013-2014	18,533	27,501	67.39

It is clear from the above Table that the Liquid assets of the company have been decreased during the study period and current liabilities of the company have increased. Liquid ratio was highest in the year 2009-2010 and lowest in the year 2011-2012. The Liquid ratio was below standard norm.

GROSS PROFIT RATIO

S.NO	YEAR	GROSS PROFIT	NET SALES	RATIO
1	2009-2010	6,435	13,893	46.32
2	2010-2011	7,485	16,692	44.84
3	2011-2012	9,928	21,742	45.76
4	2012-2013	10,671	22,742	46.92
5	2013-2014	12,447	27,501	46.26

The table concludes that the gross profits of the company show the increased trend during the study period and the sales also increased during the study period. The gross profit ratio is high (46.92%) during the period 2009-2010 and it was low (44.94%) in the year 2011-2012.

NET PROFIT RATIO

S.NO	YEAR	NET PROFIT AFTER TAX	NET SALES	RATIO
1	2009-2010	3,856	13,893	27.75
2	2010-2011	4,659	16,692	27.91
3	2011-2012	5,988	21,693	27.60
4	2012-2013	6,266	22,742	27.55
5	2013-2014	6,835	27,501	24.85

It can be noticed from the Table that the Net Profits of the company have been increased and the sales of the company have also increased. Net profit ratio was highest (27.91 %)in the year 2009-2010 and lowest (24.85%) in the year 2011-2012.

INTERCONTINENTAL JOURNAL OF FINANCE RESEARCH REVIEW
ISSN:2321-0354 - ONLINE ISSN:2347-1654 - PRINT - IMPACT FACTOR:0.720
VOLUME 3, ISSUE 3, MARCH 2015

COMPARATIVE BALANCE SHEET FOR THE YEAR 2009 – 2010 (Rs. in crores)

PARTICULARS	2009	2010	Increase/ Decrease	
			Amount in Rs.	%
Current Assets				
Sundry debtors	1608	2436	828	51.4
Cash & Bank Balances	3429	5871	2442	71.2
Loans & Advances	1297	1214	83	6.3
Total current assets (A)	6334	9521	3187	50
Fixed assets	2226	3771	1545	69
Total fixed assets (B)				
Other assets				
Investment	755	25	-730	-97
Deferred tax assets	65	92	-27	-42
	820	117	-703	86
Total other assets (C)				
TOTAL ASSETS(A+B+C)	**9380**	**13409**	**4029**	**43**
Current liability				
Minority interest	68	4	-64	-94
Current liability	934	1469	535	57
Provision	1412	681	-731	-52
Total current liability (A)	2414	2154	-260	-11
Capital & reserve				
Share capital	138	286	148	107
Reserves & Surplus	6828	10969	4141	61
Total capital & reserves (B)	6966	11255	4289	62
TOTAL LIABILITY (A+B)	**9380**	**13409**	**4020**	**43**

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.

TABLE-2

COMPARATIVE BALNCE SHEET FOR THE YEAR 2010 – 2011(Rs. in crores)

PARTICULARS	2010	2011	Increase/ Decrease	
			Amount in Rs.	%
Current Assets				
Sundry debtors	2436	3297	861	35.34
Cash & Bank Balances	5871	6950	1079	18.37
Loans & Advances	1214	2771	1557	128.25
Total current assets (A)	9521	13018	3497	36.73
Fixed assets				
Total fixed assets (B)	3771	4777	1006	26.67
Other assets				
Investment	25	72	47	188
Deferred tax assets	92	119	27	29.34
Total other assets (C)	117	191	74	63.24
TOTAL ASSETS(A+B+C)	**13409**	**17986**	**4577**	**34.13**
Current liability				
Minority interest	4	-	-4	-100
Current liability	1469	1912	443	30.15
Provision	681	2279	1598	234.65
Total current liability (A)	2154	4191	2037	94.56
Capital & reserve				
Share capital	286	280	-	-
Reserves & Surplus	10969	13509	2540	23.15
Total capital & reserves (B)	11255	13795	2540	22.56
TOTAL LIABILITY (A+B)	**13409**	**17986**	**4577**	**34.13**

It is clear from the table 3.2 that the total asset of the company was increased into 34.13%. But at the same time the current assets and fixed assets of the company were inclined into 36.73% and 36.73% respectively. The current liability is more than the current assets; therefore the company has to improve the liquidity position of the firm or company.

TABLE-3

COMPARATIVE BALNCE SHEET FOR THE YEAR 2011 - 2012(Rs. in crores)

PARTICULARS	**2008**	**2009**	**Increase/ Decrease**	
			Amount in Rs.	**%**
Current Assets				
Sundry debtors	3297	3672	375	11.37
Cash & Bank Balances	6950	9695	2745	39.49
Loans & Advances	2771	3279	508	18.33
Total current assets (A)	13018	16646	3628	27.87
Fixed assets				
Fixed Assets	4777	5354	577	12.08
Total fixed assets (B)	4777	5354	577	12.08
Other assets				
Investment	72	0	-72	-100
Deferred tax assets	119	126	7	5.88
Total other assets (C)	191	126	-65	-34
TOTAL ASSETS(A+B+C)	**17986**	**22126**	**4140**	**23.01**
Current liability				
Current liability	1912	2004	92	4.81
Provision	2279	1868	-411	-18.03
Total current liability (A)	4191	3872	-319	-7.61
Capital & reserve				
Share capital	286	286	-	-
Reserves & Surplus	13509	17968	4459	33
Total capital & reserves (B)	13795	18254	4459	32.3
TOTAL LIABILITY (A+B)	**17986**	**22126**	**4140**	**23.01**

It could be noticed from the table 3.3 that the total asset of the company was enhanced into 23.01%. The current assets and fixed assets of the company were increased into 27.87% and 12.08% respectively. The reserves and surplus of the company were increased to33%. The current liabilities of the company were reduced in 7.61%. This was due to reduction of provision by the company into 18.03%.

TABLE-4

COMPARATIVE BALNCE SHEET FOR THE YEAR 2012 – 2013 (Rs. in crores)

PARTICULARS	2012	2013	Increase/ Decrease	
			Amount in Rs	%
Current Assets				
Sundry debtors	3672	3494	-178	-4.84
Cash & Bank Balances	9695	10556	861	8.88
Loans & Advances	3279	4187	908	27.69
TOTAL CURRENT ASSETS (A)	16646	18237	1591	9.56
Fixed Assets				
Total fixed assets (B)	5354	5355	1	0.02
Other assets				
Investment	-	3712	3712	-
Deferred tax assets	163	432	269	165.03
Total other assets (C)	163	4144	3981	2442.33
TOTAL ASSETS(A+B+C)	**22163**	**27736**	**5573**	**25.14**
Current liability				
Current liability	2004	2343	339	16.92
Provision	1868	2112	244	13.062
Total current liability (A)	3872	4455	583	15.056
Capital & reserve				
Share capital	286	286	-	-
Reserves & Surplus	17968	22763	4795	26.69
Total capital & reserves (B)	18254	23049	4795	26.27
Other liability				
Deferred tax Liability (C)	37	232	192	527
TOTAL LIABILITY (A+B+C)	**22163**	**27736**	**5573**	**25.14**

It can be understood from the table 3.4 that the total assets of the company were increased into 25.14%. But at the same time the current assets and fixed assets of the company were inclined into 9.56% and 0.02% respectively. The current liability and reserves and surplus of the company were increased into 15.05% and 26.27% respectively. The reserves and surplus of the company increased into 26.69%. The current liability is more than current assets, therefore the company has to improve the liquidity position.

TABLE-5

COMPARATIVE BALNCE SHEET FOR THE YEAR 2013 – 2014 (Rs. in Crores)

PARTICULARS	2013	2014	Increase/ Decrease	
			Amount in Rs.	%
Current Assets				
Sundry debtors	3494	4653	1159	33.17
Cash & Bank Balances	10556	15095	4539	42.99
Loans & Advances	4187	5320	1133	27.05
TOTAL CURRENT ASSETS (A)	18247	25068	6821	37.38
Fixed Assets				
Total fixed assets (B)	5355	5760	405	7.56
Other assets				
Investment	3702	144	-3558	-96.11
Deferred tax assets	432	497	65	15.04
Total Other Assets (C)	4134	641	-3493	-84.49
TOTAL ASSETS(A+B+C)	**27736**	**31469**	**3733**	**13.46**
Current liability				
Current liability	2343	2677	334	14.25
Provision	2112	2640	528	25
Total current liability (A)	4455	5317	862	19.34
Capital & reserve				
Share capital	286	286	-	-
Reserves & Surplus	22763	25690	2927	12.86
Total capital & reserves (B)	23049	25976	2927	12.86
Other liability	232	176	-56	24.13
Deferred tax Liability (C)				
TOTAL LIABILITY (A+B+C)	**27736**	**31409**	**3733**	**13.46**

It is observed from the table 3.5 that the total asset of the company was increased into 13.46%. But at the same time the current assets and fixed assets of the company were inclined into 37.38% and 7.56% respectively. The current liability and reserves and surplus of the company were increased into 19.35% and 12.86% respectively. The current asset is more than current liability. So it reflects that the company has sound liquidity position.

FINDINGS

FINANCIAL STATEMENT ANALYSIS

Comparative Balance Sheet

During the study period 2009-2010 to 2013-2014 the comparative balance sheet reveals that the company in the following year 2010-2011 and 2012-2013, current liability is more than current assets. Therefore it reflects that the company is not a sound liquidity position.

Gross Profit Ratio

The gross profit ratio of the company was highest (46.92%) in the year 2012-2013 and lowest (44.84%) in the year 2010-2011.

Operating Profit Ratio

The ratio of operating profit to net sales of the company was highest (34.56%) in the year 2012-2013and it was lowest (31.60%) in the year 2009-2010.

Operating Ratio

The operating ratio of the company was the highest (68.39%) in the year 2009-2010 and it was lowest (65.43%) in 2012-2013.

Net Profit Ratio

The net profit ratio of the company was highest (27.75%) in 2009-2010 and it was lowest (24.85%) in 2013-2014.

Current Ratio

The current liabilities of the company shown fluctuating trend. The current ratio of the company was above the standard norm, it was highest (4.71times) in 2013-2014.

SUGGESTIONS

Financial Statement Analysis

The company should not have an outsiders fund and they heavily depend on shareholders' funds. Therefore the company has to increase the outsider's fund. The company should maintain outsiders fund like long term loans to meet its long term obligations and to improve the efficiency of the company.

Short term Solvency Analysis

The company should maintain current assets and liquid assets to meet its short term obligation. It should not hold up more funds in the current assets. The company should adhere the standard norms for maintain short term solvency, in order to avoid excessive investment in current assets.

Profitability Analysis

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

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.

REFERANCES:

- ✓ www.lakshmimech.com
- ✓ www.google.com
- ✓ www.wikipedia.com