

**A STUDY ON FINANCIAL PERFORMANCE ANALYSIS WITH
REFERENCE TO
BUTTERFLY APPLIANCES LTD**

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

by

PRAVEENA. S

Register No.41410234



SCHOOL OF MANAGEMENT STUDIES

**SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY
(DEEMED TO BE UNIVERSITY)**

**Accredited with Grade "A" by NAAC I 12B Status by UGC I Approved by AICTE
JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119**

MAY 2023



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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the Bonafide work of **PRAVEENA. S 41410234** who carried out the project entitled "**A Study on Financial Performance Analysis With Reference To Butterfly Appliances Ltd**" under my supervision from January 2023 to March 2023.

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ACADEMIC PROJECT COMPLETION LETTER

We like to confirm the below student, who is doing MBA in Sathyabama Institute of Science And Technology, Chennai, has successfully completed the academic project in Finance Department in our concern titled “**A Study on Financial Performance Analysis**” from 12/01/2023 to 31/03/2023

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We wish success in all the future endeavors.

For Butterfly Appliances Limited,



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DECLARATION

I **PRAVEENA. S (41410234)** hereby declare that the Project Report entitled “**A Study on Financial Performance Analysis With Reference To Butterfly Appliances Ltd.**” done by me under the guidance of **DR. DHIVYA SATHISH, MBA., M.phil., Ph.D.,** at Butterfly Appliances Ltd, No.143, Pudupakkam, Kelambakkam – Vandalur Road, Chennai 603103 is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE: 05/05/2023

PLACE: Chennai



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ABSTRACT

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

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CHAPTER I

INTRODUCTION AND DESIGN OF THE STUDY

1.1 CONCEPT INTRODUCTION:

Finance is the backbone of any enterprise. It may be manufacturing, Software or servicing industry. Efficient management of every enterprise is the outcome of efficient management of its finance. Finance is one of the basic foundations of all kinds of economic activities.

The present analytical study is based on the Financial Statements Analysis and Interpretation of Butterfly Company. Its primary data are all according to the accounting norms. Treatment of the information contained in the secondary data such as Income and Expenditure a/c, Receipts and Payment a/c, Profit & Loss a/c and balance sheet afford full diagnosis of the profitability and financial soundness of the concern under study. With this background I view, the present study has been undertaken for a proper insight into the Study of Financial Performance of Butterfly Company.

1.1.1. Theoretical Perspective:

The performance of any industry is dependent, to a large extent, on its Financial Performance. Financial Performance becomes encouraging when it is preceded by a proper Financial Plan and execution of the Plan.

The present day Economy is dynamic and changing from time to time. The Indian Economy has witnessed fast changes and transition from controlled economy into liberalized one during past 10 to 15 years. The Financial Management has to be superb under such circumstances as the parameters assumed under change.

1.1.2. Financial Statements Analysis:

Financial Statements is scientific evaluation of profitability and financial strength of any business concern” according to Kennedy and Macmillan financial statement analysis attempt to unveil the meaning and significance of the items composed in profit and loss account and balance sheet. The assists are the management in the formation of sound operating and financial policies.

1.2 INDUSTRY PROFILE

INTRODUCTION

Home appliances play a major role in the domestic life of the modern man. It has always had a significant place in the life of man ever since the Stone Age when man began to use tools. Today, the twenty-first century human beings use more sophisticated tools and home appliances for his daily life. The more we try to make our life convenient and comfortable, the more significant the role of appliances turns out to be in determining the life style of man. Home appliances are electrical/mechanical appliances which accomplish some household functions, such as cooking or cleaning. Household appliances are the important appliances which are used in our household for the various day to day functions like cooking, cleaning, exercising, purifying, food preservation etc.

The majority of household domestic appliances are the large machines usually used in the bed rooms, bath rooms, halls and in kitchen. The appliances which are used in a kitchen accomplish some routine housekeeping task such as cooking, food preservation and cleaning. The household appliances have a major role in the stylish appearance of any home décor. This makes the ambience of any room quite beautiful and at good appearance. An air conditioner and refrigerator are now commonly used due to the hot climate. This will give some sort of cooling and refreshment. The refrigerators help to keep the food items and vegetables fresh for a long time. The major appliances used in every household include refrigerators, mixer grinder, grinder, gas stove, pressure cooker, TVs, air conditioner, music players, home theatre, digital players, ceiling fan, air purifier, personal computers, vacuum cleaners, 91 iron boxes, water purifier, water heater, digital clocks etc. It incurs a big investment on purchasing these household appliances essential for the present modern life. The uptrend's in technology and innovations made the home appliances more userfriendly making the home routines as quick as possible.

1.3 COMPANY PROFILE

Butterfly Gandhimathi Appliances Limited is a pioneer in premium stainless steel home appliances & converted as Public Limited Company in the year 1990. Being a four decades old company, Butterfly was the first in India to introduce stainless steel Pressure Cookers and Vacuum Flasks. And among the first to acquire ISO 9002 certification in the LPG Stove and Mixie divisions. From just a handful of basic kitchen utensils, Butterfly today, manufactures a comprehensive range of home appliances, kitchen products and cookware of the best quality, the highest functionality and the latest styling. Under the enterprising leadership of the late Sri.Murugesachettiar and his sons, Butterfly is a trusted name not only in India but also in the United Kingdom, Canada, Australia, Japan, Middle East and East Asian countries. State-of-the-art manufacturing units, in-house design, die-making facilities, R&D centres and above all an impetus on quality control has enabled Butterfly to consistently produce products at international standards.

Butterfly has Eight state-of-the-art manufacturing units with in-house design and diemaking facilities. Butterfly's R&D facilities have the latest development tools, a Spectrum Analyzer etc., ensuring products of the best quality and international standards with the highest functionality norms. Across the globe, Butterfly products have been recognized for their quality standards by various international organizations and has earned ISO 9002 certification for its LPG stove and Mixie divisions. With quality and consistency being the prime motivating factors, Butterfly's passion for progress and innovation ensures total compliance to standards of excellence in design and quality Butterfly is committed to produce and supply products that exceeds customer expectation and strive for continual improvement by establishing an effective quality management system. Create market demand and improve production and supplies. Updating and redesigning the products to meet customer requirements and expectations. Improve production processes for consistent quality and reduced waste. Foster a culture of continual improvement by providing necessary support and resources. Improve working environment and establish effective teamwork.

In 2014 Butterfly Gandhimathi Appliances Limited acquired Domestic Kitchen & Domestic Electrical Appliances division from Associate Company LLM Appliances Limited

Across the globe, the products have been recognised for their quality standards by various international organisations.

1.4 PROBLEM OF THE STUDY

Home Appliances Industry has a vital role to share in the contribution of economic development. Over the past decade, low-wage with high talented countries such as India have developed vibrant, export-oriented home appliances industries. In order to understand the role of home appliances solutions to the industrial performance of India, a comprehensive study of the financial management with respect to project the financial performance analysis of Butterfly Company has been undertaken.

Hence, the present study focuses on the financial performance of Butterfly Company for a period of five years from 2017- 2018 to 2021- 2022. The project study mainly focuses on the critical assessment of the financial performance of Butterfly Company and deals with financial statement analysis, financial planning and financial control.

1.5 NEED OF THE STUDY

Determines profitability:

- Ratio analysis assists managers to work out the production of the company by figuring the profitability ratios. Also, the management can evaluate their revenues to check if their productivity. Thus, probability ratios are helpful to the company in appraising its performance based on current earning.

Better financial analysis:

- Ratio analysis is also helpful to recluses, in addition to shareholders, debenture holders, and creditors. Besides, bankers are also able to know the profitability of the company to find out whether they are able to pay the dividend and interests under a specific period.

1.6 OBJECTIVES OF THE STUDY

Primary Objective:

The primary objective of the present study is to conduct a comprehensive financial performance analysis of Butterfly Appliances Ltd. by analyzing the profitability, solvency & liquidity position of the company.

Secondary objectives:

The secondary objectives are listed below:

- To study the financial performance of Butterfly Company in terms of the profitability, solvency and liquidity position of the company.
- To study the financial performance using comparative balance sheet and common size balance sheet.
- To evaluate the operating efficiency of Butterfly Company using funds flow statement analysis and to suggest measures for improving the operating efficiency of the company.
- To study the efficiency of working capital in operations.
- To project the future Sales, Profit & working Capital of Butterfly Company and to ascertain the strengths and weaknesses of the company.

1.7 SCOPE OF THE STUDY

The scope of the present study is limited to the following aspects.

- Ratio Analysis
- Break Even Point analysis & Trend Analysis
- Working Capital analysis
- Common Size Balance Sheet analysis
- Comparative Balance sheet
- These techniques reveal the measures that can adopt to improve the existing trend.

CHAPTER 2

REVIEW OF LITERATURE

The purpose of financial reporting is to provide users with useful information when they make decisions in the market. According to the IFRS Framework (IAS Plus 2010), there are limitations to financial reporting as other information is needed in order to form a complete understanding of the position of a company. There are certain characteristics that make financial information useful and they are defined in the framework. Understandability is a component of financial reports, which makes the information accessible and useful to users as well as affects the achievement of the key characteristics. The key qualitative characteristics of financial reports, according to the IFRS framework, are relevance and reliability. Relevance means the extent to which the information helps in the decision making process of users through its predictive and confirmatory value.

Timeliness is an issue of relevance as it affects the timeliness of the decisions made. Reliability, or otherwise referred to as representational faithfulness, is defined by the information's ability to accurately reflect the underlying economic phenomenon that it intends to represent. These characteristics are almost universal as they are also a part of the framework of the Financial Accounting Standards Board so in addition to including the more than 100 countries that require or allow the IFRS, the U.S. accounting standards have the same objectives (SEC 2008). If these characteristics are then expected of financial reports, the perceived faltering of one or more could lead to a loss of confidence from the user.

It has been argued (Bandyopadhyay et al. 2010) that relevance is favoured in new accounting standards over reliability and fair value accounting has been said to reinforce this distinction (Heffes and Orenstein 2005). The timeliness of financial reporting has been brought to question by Miller and Bahnson (2009), as they would have the reporting frequencies shortened. The complexity of financial instruments and their valuation has sparked debate about the understandability of financial reports, which has been under discussion by standard-setters for a while (PricewaterhouseCoopers 2008). When so many of the characteristics have been questioned in the last few years, a change in the perceived usefulness of financial reports is certainly possible.

According to a survey by the Chartered Institute of Management Accountants (CIMA) of 350 directors, 90% thought that financial reports are unnecessarily complex and 94% thought that the problem had been getting worse in the last five years (CIMA 2009). The survey indicated that respondents would rather have financial reports be relevant and understandable than completely reliable. The notion of principles-based rather than rules-based accounting, is supported by both CIMA and the Global Accounting Alliance and indicates that current financial reporting standards are complex for both compilers and the end-users (GAA 2008).

Turner (2010) argues that the complex financial instruments used by banks and their valuation in the market should mean that banks are different in their financial reporting. The inherent complexity of financial instruments used by banks results in an asymmetry in information between buyers and sellers. He mentions that the valuation of the problematic assets of banks and the standards used for their measurement for different banks were unclear and contributed to the decreasing confidence in financial markets.

Shinde Govind P. & Dubey Manisha (2011) the study has been conducted considering the segments such as passenger vehicle, commercial vehicle, utility vehicle, two and three wheeler vehicle of key players performance and also analyze SWOT analysis and key factors influencing growth of automobile industry.

Sharma Nishi (2011) studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.

Singh Amarjit & Gupta Vinod (2012) explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

Zafar S.M.Tariq & Khalid S.M (2012) the study explored that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.

Ray Sabapriya (2012) studied the sample of automobile companies to evaluate the performance of industry through indicators namely sales, production and export trend etc for period of 2003-04 to 2009-10. The study finds that automobile industry has been passing through disruptive phases by over debt burden, under utilization of assets and liquidity instability. The researcher suggested to improving the labour productivity, labour flexibility and capital efficiency for success of industry in future.

Dawar Varun (2012) Study to analyze the effect of various fundamental corporate policy variables like dividend, debit, capital expenditure on stock prices of automobile companies of India. The study tends that dividend & investment policy are relevant and capital structure irrelevant to stock prices.

Mistry Dharmendra S. (2012) understood a study to analyze the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on the profitability. It suggested improving solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

Murlidhar, A. Lok Hande & Rana Vishal S. (2013) the author tries to evaluate the performance of Hyundai Motors Company with respect to export, Domestic Sales, productions and profit after tax. For this purpose, the pie chart and bar graph are used to show the performance of company various years.

Srivastava Anubha (2014) Data analysis has been done using the top down approach ,i.e. Economic analysis, industry analysis, company and technical analysis to find relationship between automobile sector index with market index. Mahindra and Mahindra have a great position on the stock market and will attract investor and this could lead to expansion and growth. Thus Tata motors and Maruti Suzuki need to take care of their stock and expansion.

Sarangi Pradeepta K et al (2014) undertook a study to forecast the future trend of automobile industry. The study highlighted the six different experiments have been carried out for period of 12 years data to estimate values for next 3 years. In each experiment graph has been plotted using spreadsheet and then linear trend has been drawn and expanded to calculate future values.

Kumar Sumesh & Kaur Gurbachan (2014) Automobile sector is the dominant player in economy of world. After liberalization Indian automobile industry has emerged as a major contributor to India's GDP. The study identified that there is no significant in the means score of various financial ratios of Maruti Suzuki and Tata motors but in meeting their long term obligations and efficacy of utilizing the assets show the significant difference in the efficiency of both the firms.

Krishnaveni, M. & Vidya, R. (2015) find that Indian automobile industry is a high flying sector these days and emerging as an export hub in wake of liberalisation and globalization. This paper revises the category wise production, sales and exports of automobile industry in India. Industry growth can be viewed in term of pre and post liberalization. As government allows 100 percent FDI, increase 15% in customs duty on cars and MUVs to encourage local manufacturer and concessional import duty on specified parts of hybrid vehicles.

Becker Dieter (2015) the report shows about the current state and future prospects of the worldwide automobile industry. This survey report the manufacturer, executive and consumer views about four aspects, mobility culture, technological fit, business model readiness and market share.

Surekha B. & Krishnalah K.Rama (2015) this study reveals the prosperity of Tata Motors Company. It can be concluded that inner strength of company is remarkable. Company can further improve its profitability by optimum capital gearing, reduction in administration and financial expenses for the growth of company.

CHAPER 3

RESEARCH METHODOLOGY

3.1 METHODOLOGY

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

3.2 RESEARCH DESIGN

Research Design is purely and simply the framework (or) plan for a study that guides the collection and analysis of data. The function of researcher is to ensure that requires the data collected or accurate and economically. The project study mainly focuses on the critical assessment of the financial position of Butterfly Company, and deals with financial statement analysis, financial planning and financial control.

3.3 Method of collection:

The data for the analysis are collected and gathered from the printed reports of Butterfly Company like annual reports, official files, records and other available related materials.

3.4 Tools Used for Analysis:

- Ratio analysis
- Comparative Financial Statement
- Common Size financial Statement
- Trend analysis

1. RATIO ANALYSIS

The ratio analysis is one of the most powerful tools of financial analysis. It is the process of establishing and interpreting various ratios. A financial ratio is the relationship between two accounting figures expressed mathematically. Ratios provide clues to the financial position of a concern. These are the pointers and indicators of financial strength, soundness, position or weakness of an enterprise. One can draw conclusions about the exact financial positions of a concern with the help of ratios.

Ratio analysis is a process of comparison of one figure against another, which make a ratio, and the appraisal of the ratios to make proper analysis about the strengths and weaknesses of the company's operations. Ratio analysis is extremely helpful in providing valuable insight into a company's financial picture.

Classifications of ratios:

- Short term solvency ratio
- Long-term solvency ratio
- Turnover Ratio
- Profitability ratio

Short term Solvency Ratio:

The short-term solvency ratio measures the liquidity of the firm and its ability to meet its maturing short-term obligations. Liquidity is defined as the ability to realize value in money, the most liquid of assets. It refers to the ability to pay in cash, the obligations that are due.

i) CURRENT RATIO:

$$\text{Current Ratio} = \frac{\text{Current Assets, Loans \& Advances}}{\text{Current Liabilities \& Provisions.}}$$

This ratio measures the solvency of the company in the short-term. Current assets are those assets, which can be converted into cash within a year. Current liabilities and provisions are those liabilities that are payable within a year. A current ratio of 2:1 indicates a highly solvent position.

ii) QUICK RATIO:

$$\text{Quick Ratio} = \frac{\text{Current assets, Loans and Advances} - \text{Inventories}}{\text{Current Liabilities \& Provisions} - \text{Bank Overdraft}}$$

Quick ratio is used as a measure of the company's ability to meet its current obligations. Since bank overdraft is secured by the inventories, the other current assets must be sufficient to meet other current liabilities. A quick ratio of 1:1 indicates highly solvent position. This ratio is also called the acid test ratio. This ratio serves as a supplement to the current ratio in analyzing liquidity.

b) LONG TERM SOLVENCY RATIO

PROPRIETARY RATIO:

$$\text{Proprietary Ratio} = \frac{\text{Net worth}}{\text{Total assets}}$$

A high proprietary ratio is indicative of strong financial position of the business.

C) TURN OVER RATIOS:

Activity ratios measure how effectively the firm employs its resources. These ratios are also called turnover ratios which involve comparison between the level of sales and investment in various accounts - inventories, debtors, fixed assets, etc., activity ratios are used to measure the speed with which various accounts are converted into sales or cash.

i) DEBTORS TURN OVER RATIO

Debtor turnover, which measures whether the amount of resources tied up in debtors, is reasonable and whether the company has been efficient in converting debtors into cash.

$$\text{Debtors Turnover Ratio} = \frac{\text{Credit Sales}}{\text{Average Debtors}}$$

The higher the Debtors Turnover ratio indicates better the position of the firm.

ii) Average Collection Period:

Average collection period, which measures how long it takes to collect amounts from debtors.

$$\text{Average Collection Period} = \frac{365}{\text{Drs. T.O. Ratio}} \times 100$$

The actual collection period can be compared with the stated credit terms of the company. If it is longer than those terms, then this indicates some insufficiency in the procedures for collecting debts.

iii) Creditors collection Period:

The measurement of the creditor turnover period shows the average time taken to pay for goods and services purchased by the company.

$$\text{Creditors collection Period} = \frac{365}{\text{Creditors Turnover ratio}}$$

In general the longer the credit period achieved the better, because delays in payment mean that the operation of the company are being financed interest free by suppliers of funds. But there will be a point beyond which delays in payment will damage relationships with suppliers if they are operating in a seller's market, may harm the company. If too long a period is taken to pay creditors, the credit rating of the company may suffer, thereby making it more difficult to obtain suppliers in the future.

iv) Creditors turnover Ratio:

$$\text{Creditors Turnover Ratio} = \frac{\text{Credit Purchases}}{\text{Average Creditors}}$$

v) Working Capital Turnover Ratio:

$$\text{Working Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Working Capital}}$$

This ratio indicates the extent of working capital turned over in achieving sales of the firm.

v) Current Asset Turnover Ratio:

$$\text{Current Asset Turnover Ratio} = \frac{\text{Sales}}{\text{Current Asset}}$$

This measures the company's ability to generate sales revenue in relation to the size of the asset investment. A low asset turnover may be remedied by increasing sales or by disposing of certain assets or both. To assist in establishing which part of the asset structure is not being used efficiently, the asset turnover ratio should be sub – analyzed.

vi) Capital Turnover Ratio:

$$\text{Capital Turnover Ratio} = \text{Sales} / \text{Capital employed}$$

This analysis shows the constant usage of Capital in the turnover of the company. This is an indicator of how many times the assets that have been put into operation have been effectively used up in increasing sales. A high ratio indicates efficiency of operations and a low ratio means idling of scarce assets.

Profitability Ratio:

The purpose of study and analysis of profitability ratios are to help assessing the adequacy of profits earned by the company and also to discover whether profitability is increasing or declining.

Return on Investments:

$$\text{Return on Investments} = \frac{\text{Profit Before Interest \& tax}}{\text{Capital employed}} \times 100$$

This ratio shows the relationship between the return before interest and taxes expressed as a percentage of the Capital employed, where Capital employed is the summation of Net fixed Assets after depreciation and amortization and the working capital.

Return on Capital Employed:

$$\text{Return on Capital Employed} = \frac{\text{PBT}}{\text{Average Capital Employed}}$$

Return on Assets:

$$\text{Return on Assets} = \frac{\text{Net profit after tax}}{\text{Total Assets}} \times 100$$

The profitability of the firm is measured by establishing relation of net profit with the total assets of the organization. This ratio indicates the efficiency of utilization of assets in generating revenue

Gross Profit Ratio:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit} * 100}{\text{Net Sales}}$$

Net Profit Ratio:

$$\text{Net Profit Ratio} = \frac{\text{PAT} * 100}{\text{Sales}}$$

Debt Service Coverage Ratio:

$$\text{Debt Service Coverage Ratio} = \frac{\text{Profit before interest and tax}}{\text{Debts repaid}}$$

2. COMPARATIVE BALANCE SHEET ANALYSIS

The comparative balance sheet analysis is the study of the trend of the same items, group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise.

Balance sheets as on two or more different dates are used for comparing the assets, liabilities and the net worth of the company. Comparative balance sheet analysis is useful for studying the trends of an undertaking.

Advantages:

- Comparative statements help the analyst to evaluate the performance of the company.
- Comparative statements can also be used to compare the performance of the firm with the average performance of the industry between different years.
- It helps in identification of the weaknesses of the firm and remedial measures can be taken accordingly.

3. COMMON SIZE BALANCE SHEET ANALYSIS

A statement in which balance sheet items are expressed as the ratio of each asset to total assets and the ratio of each liability is expressed as a ratio of total liabilities is called common size balance sheet. The figures are shown as percentages of total assets, total assets and total liabilities. The total assets are taken as 100 and different assets are expressed as a percentage of the total. Similarly, various liabilities are taken as a percentage of total liabilities.

These statements are useful in analysis of the performance of the company by analyzing each individual element to the total figure of the statement. These statements will also assist in analyzing the performance over years and also with the figures of the competitive firm in the industry for making analysis of relative efficiency.

4. TREND ANALYSIS

The financial statements may be analyzed by computing trends of series of information. This method determines the direction upwards or downwards and involves the computation of the percentage relationship that each statement bears to the same year in base year. The information for a number of years is taken up and one year, generally the first year, is taken as a base year. The figures of the base year are taken as 100 and trend ratios for other years are calculated on the basis of base year. This helps the analyst to see the trend of figures, whether upward or downward. In financial analysis the direction of changes over a period of years is of crucial importance. Time series or trend analysis of ratios indicates the direction of change. This kind of analysis is particularly applicable to the items of profit and loss account. This procedure may be called as “trend-percentage method.”

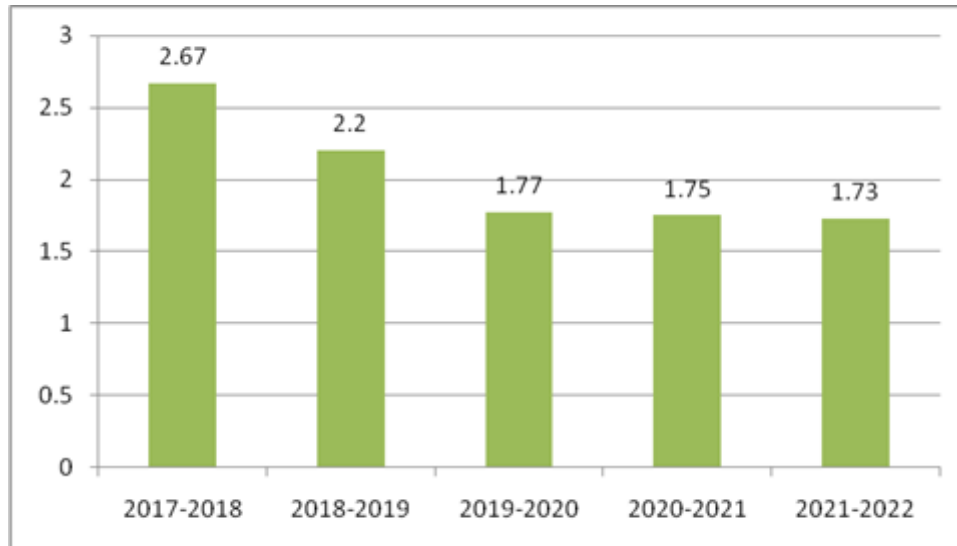
CHAPTER IV
DATA ANALYSIS AND INTERPRETATION

4.1 RATIO ANALYSIS: SHORT-TERM SOLVENCY RATIOS

TABLE – 4.1.1 Current Ratio (Rs. in ‘000)

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

4.1.1 CURRENT RATIO CHART:



Interpretation:

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

Inference:

The Ratio 2.67 in the year 2018 is Satisfied.

4.1.2 Quick Ratio:

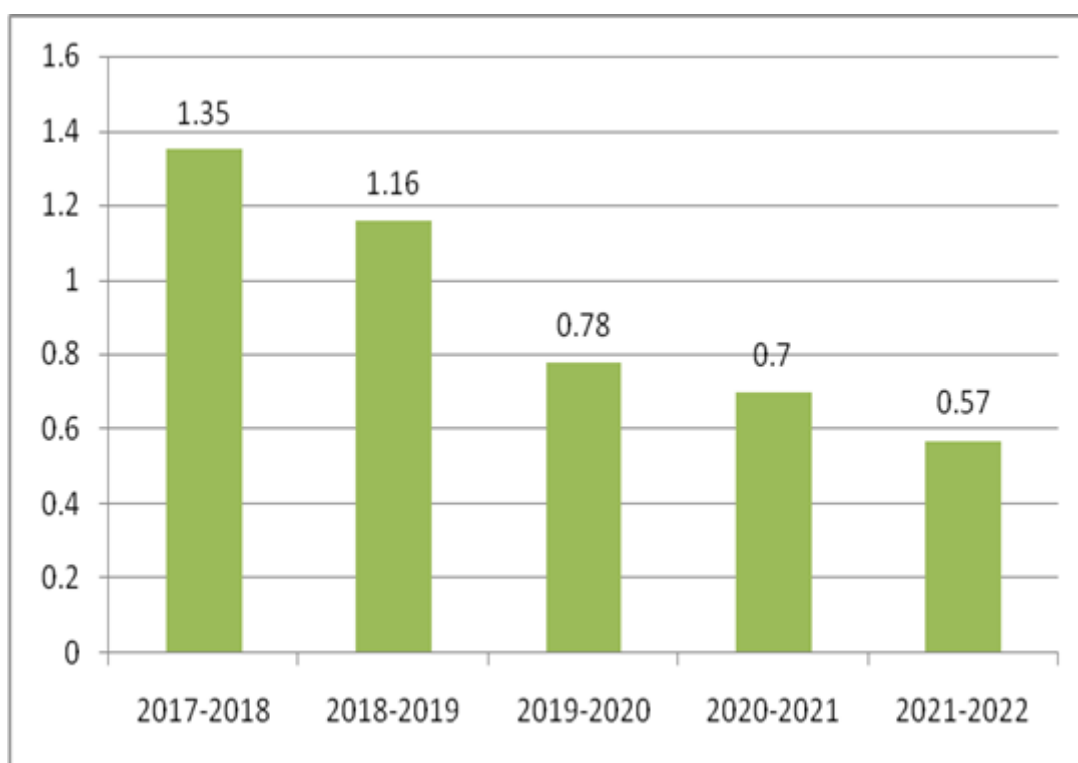
TABLE – 4.1.2

(Rs. in '000)

Year	Quick Assets	Quick Liabilities	QA/QL
2017-2018	86710.09	64237.04	1.35
2018-2019	81962.52	70512.39	1.16
2019-2020	90770.42	115805.58	0.78
2020-2021	83259.81	108930.29	0.70
2021-2022	119554.70	208989.37	0.57

Note: Quick Liabilities = Current Liabilities less Bank overdraft

Chart – 4.1.2 : Quick Ratio



Interpretation:

The ideal Quick Ratio is 1. This is a ratio between Quick Assets and Quick Liabilities. The organization shows a positive trend during 2017-2018 and 2018-2019 which is above standard level. This ratio is showing a slightly decreasing trend. This is because of non-maintenance of

sufficient amount of liquid cash and decrease of sundry debtors. One more reason is the increase in current liabilities due to completion of Development centers expansion project. The phenomena is however temporary.

Inference:

The Ratio 1.35 in the year 2018 is satisfied.

4.1.3. Debtor's Turnover Ratio:

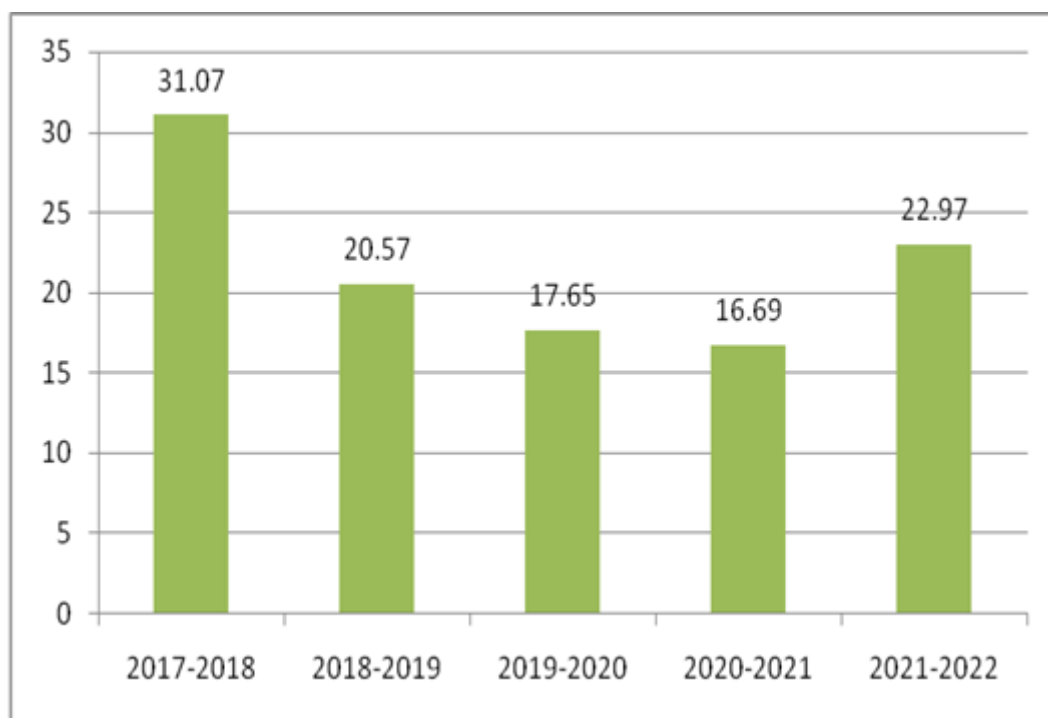
Table: 4.1.3

(Rs. in '000)

Year	Sales	Average Receivables	Sales/Avg. Receivables
2017-2018	713262.28	22954.92	31.07
2018-2019	627308.67	30501.04	20.57
2019-2020	862995.08	48906.84	17.65
2020-2021	947596.46	56759.48	16.69
2021-2022	1627064.50	70822.26	22.97

Note: Average receivables include opening debtors plus closing debtors divided by 2.

Chart – 4.1.3 : Debtor's Turnover Ratio



Interpretation:

The debtor's turnover shows a decreasing trend except for the last year 2020-2022. The decline in the debtor's turnover ratio reveals the change in the overall credit policy of the company. Earlier the company allowed three days credit for their debtor which was subsequently changed to fifteen days and in specific cases to thirty days.

There is a significant increase during 2020-2022 which was due to increased quantum of sales due to completion of the Development Centers expansion.

Inference:

The Ratio 31.07 in the year 2018 is satisfied. And there is decreasing trend except for the year 2021- 2022.

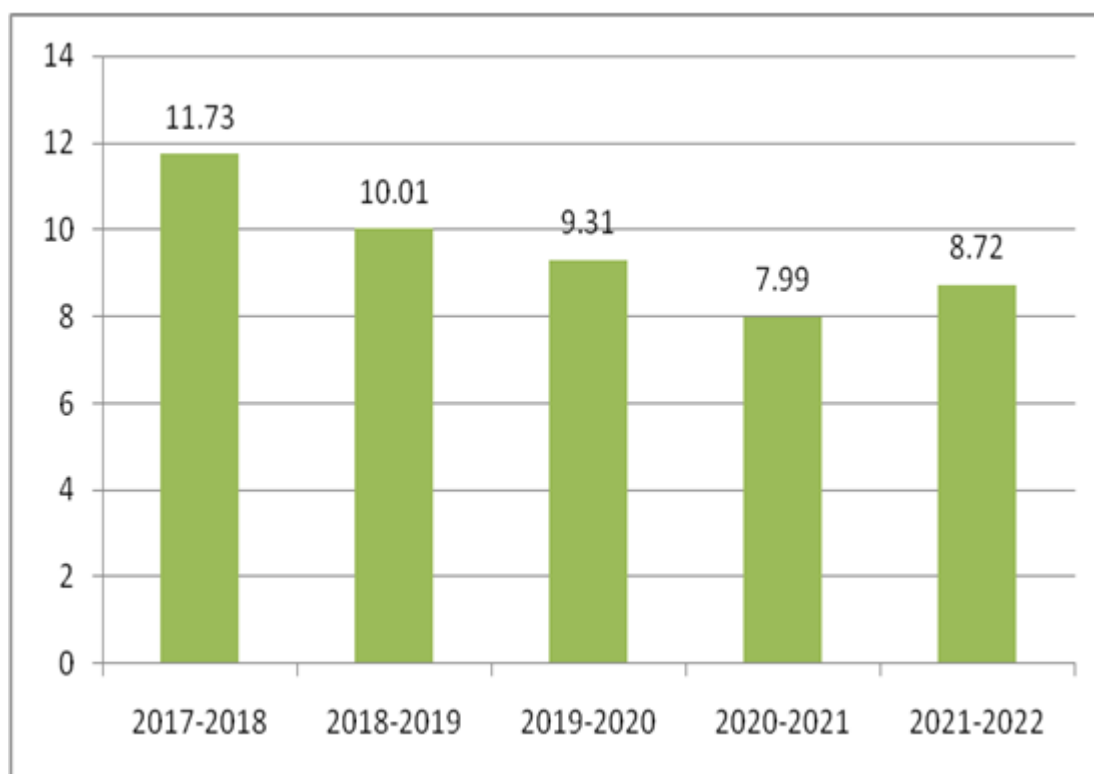
4.1.4. Creditors Turnover Ratio:

Table: 4.1.4 (Rs. In '000)

Year	Purchase	Average Creditors	Purchase/Avg. Creditors
2017-2018	628630.94	53579.19	11.73
2018-2019	558658.42	55809.94	10.01
2019-2020	724122.91	77785.64	9.31
2020-2021	768150.85	96024.94	7.99
2021-2022	1355391.85	155366.00	8.72

Note: Average creditors include opening creditors plus closing creditors divided by 2.

Chart – 4.1.4 : Creditors Turnover Ratio



Interpretation:

This ratio shows the relationship between the net credit period and the average amount of creditors during the year. The ratio shows a decreasing trend. The turnover has been increasing over the years

which should be commensurately matched by higher purchases which in effect, implies that the credit terms granted by the suppliers are liberal and the company has utilized the maximum credit periods.

Inference:

The Ratio 11.73 in the year 2018 is satisfied.

4.1.5. Working Capital Turnover Ratio:

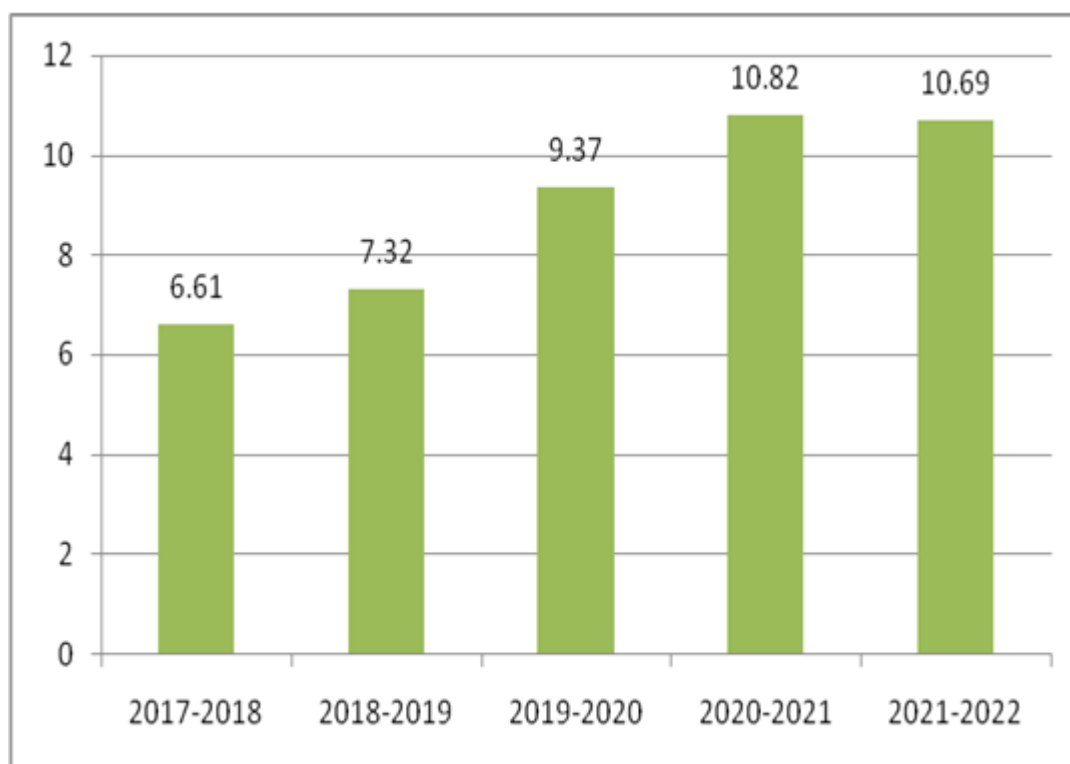
Table: 4.1.5

(Rs. in '000)

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

Note: Net Working Capital means Current Assets minus Current Liabilities.

Chart – 4.1.5 : Working Capital Turnover Ratio:



Interpretation:

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

Inference:

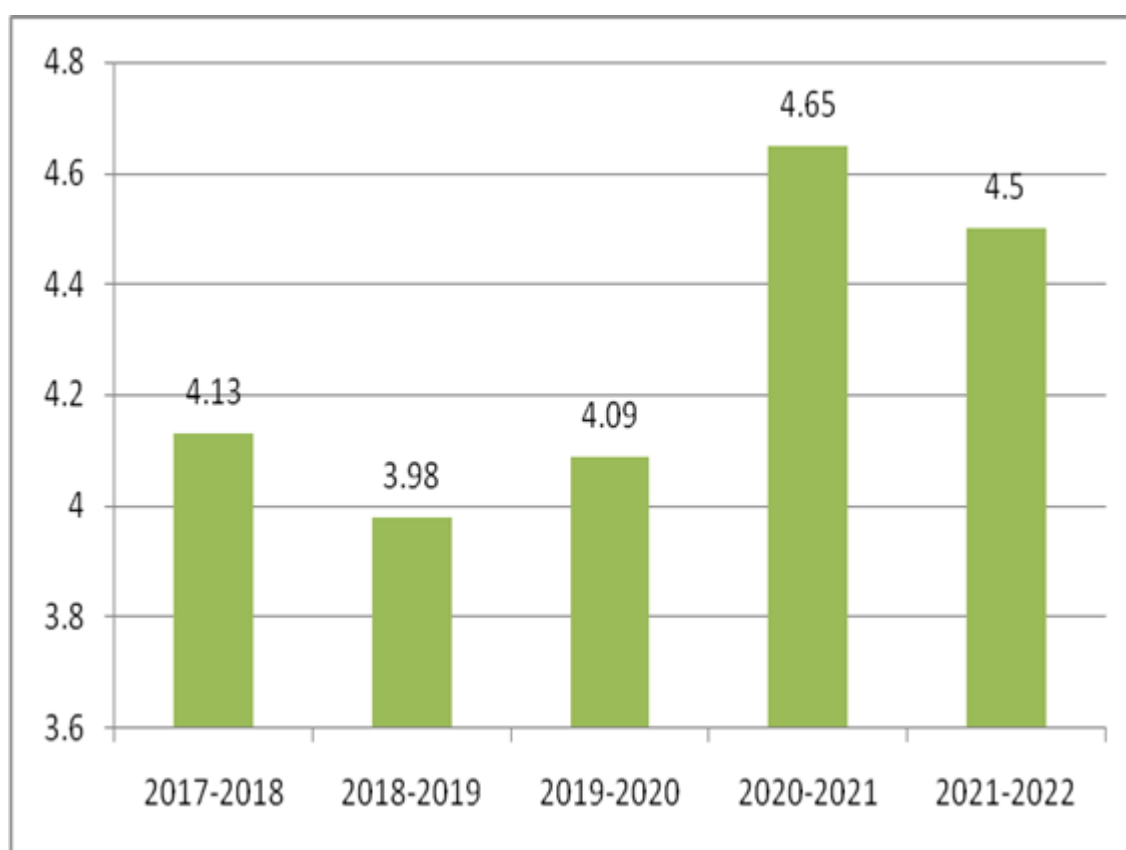
The Ratio 10.82 in the year 2021 is highly satisfied.

4.1.6. Current Asset Turnover Ratio:

Table: 4.1.6 (Rs. in '000)

Year	Sales	Current Assets	Sales/CA
2017-2018	713262.28	172673.84	4.13
2018-2019	627308.67	157667.36	3.98
2019-2020	862995.08	211078.23	4.09
2020-2021	947596.46	203573.14	4.65
2021-2022	1627064.50	361170.40	4.50

4.1.6 Current Asset Turnover Ratio CHART



Interpretation:

The increasing trend for the last two years indicates the effective utilization of Current Assets to the profitability of the business. The ratio for the year 2018-2019 is very low which only a temporary phenomenon. The ratio indicates the number of times the working capital has been turned over through sales. Higher the ratio, the higher will be the profit earning capacity of the company.

Inference:

The Ratio 4.65 in the year 2021 is highly satisfied.

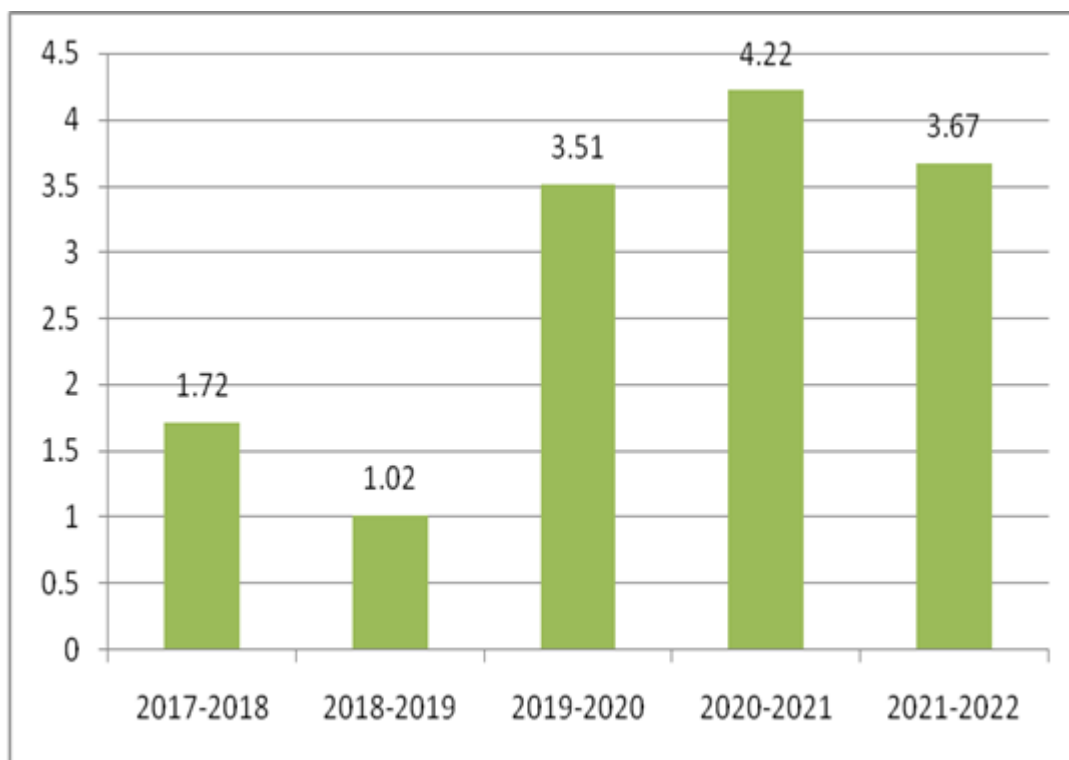
4.1.7 Net Profit Ratio:

Table: 4.1.7 (Rs. in '000)

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

Note: Here, the profit taken for calculation is Profit after tax.

Chart – 4.1.7 : Net Profit Ratio



Interpretation:

This analysis measures the efficiency of business operations from the margins of view. The operation of business was sub-optimal in the year 2017- 2018 and 2018- 2019. It started showing an increasing trend from the year 2019- 2020 onwards. The current ratio indicates

good business operations and the initial lower ratios indicated increased business expenditure. The peak ratio during 2020- 2021 indicated the accretions to margins on account of capacity addition due to Development centers expansion and higher value added products and the slight dip in the year 2021- 2022 indicated higher tax liabilities.

Inference:

The ratio 4.22 in the year 2021 is satisfied.

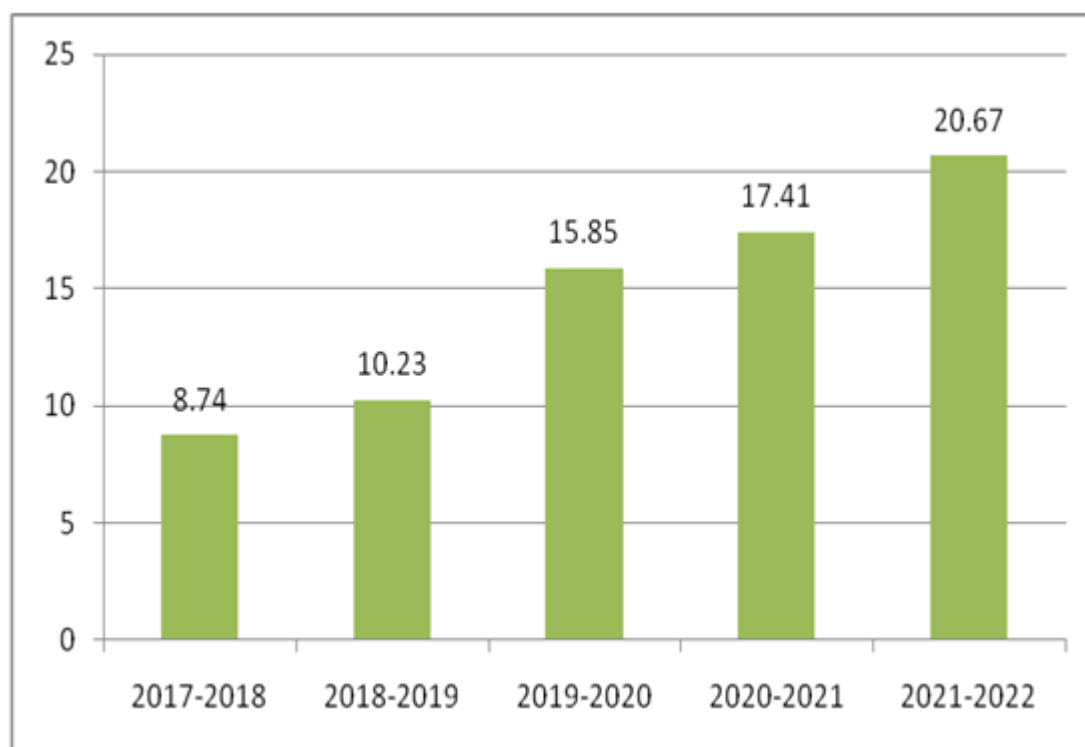
4.1.8 Gross Profit Ratio:

Table: 4.1.8 (Rs. in '000)

Year	Gross Profit	Net Sales	GP/Net Sales *100
2017-2018	62309.03	713262.28	8.74
2018-2019	64177.26	627308.67	10.23
2019-2020	136746.61	862995.08	15.85
2020-2021	164976.97	947596.46	17.41
2021-2022	336270.40	1627063.90	20.67

Note: Here the Gross profit means cost of goods sold deducted from sales.

Chart – 4.1.8 : Gross Profit Ratio



Interpretation:

This ratio reveals the ability of the company to adequately cover its fixed depreciation charges, interest charges, operating expenses, and transfer to reserves. For the past five years, the Gross Profit Ratio shows an increasing trend indicating the increase in sales mix, better product profile, better plant availability factor and lesser downtime due to lesser repairs and maintenance and lesser losses and higher distillate yields and the proportion of home appliances products with higher gross profit margin.

Inference:

The ratio 20.67 in the year 2022 is satisfied.

4.1.9 COMPARATIVE BALANCE SHEET (2017- 2018 & 2018- 2019)

TABLE – 4.1.9

COMPARATIVE BALANCE SHEET (2017- 2018 & 2018- 2019)

PARTICULARS	2017- 2018	2018- 2019	Absolute Change	Change %
SOURCES OF FUNDS				
1. Share Holders Funds				
a. Capital	14900.33	14900.33	0.00	0.00
b. Reserves & Surplus	109945.32	90221.74	-19723.58	-17.94
	124845.62	105122.07	-19723.55	-15.80
2. Loan Funds				
a. Secured Loans	3267.56	3242.94	-24.62	-0.75
b. Unsecured Loans	111978.15	122550.16	10572.01	9.44
	115245.71	125793.10	10547.39	9.15
3. Deferred Tax Liability (Net)		24913.43	24913.43	
TOTAL	240091.33	255828.60	15737.27	6.55
APPLICATION OF FUNDS				
1. Fixed Assets				
a. Gross Block	205603.09	210721.86	5118.77	2.49
b. less: Depreciation & Amortisation	88542.73	96519.97	7977.24	9.01
c. Net Block	117060.36	114201.89	-2858.47	-2.44
d. Capital Work-in-progress	11732.05	50765.85	39033.80	332.71
	128792.41	164967.74	36175.33	28.09
2. Investments	1903.04	3161.73	1258.69	66.14
Interest Accrued on Investment		0.46	0.46	
3. Current Assets, Loans & Advances				
a. Inventories	85818.49	75743.23	-10075.26	-11.74
b. Sundry Debtors	24179.85	36822.23	12642.38	52.28
c. Cash & Bank Balances	8737.72	16584.45	7846.73	89.80
d. Other CA - Interest accrued on investments / bank depreciation	1922.63	2055.45	132.82	6.91
e. Loans Advances	52015.15	26544.51	-25470.64	-48.97

	172673.84	157749.87	-14923.97	-8.64
4. Less: Current Liabilities & Provisions				
a. Current Liabilities	56895.41	65253.84	8358.43	14.69
b. Provisions	7816.75	6729.3	-1087.45	-13.91
	64712.16	71983.14	7270.98	11.24
5. Net Current Assets	107961.68	85728.81	-22194.95	-20.56
6. Miscellaneous Expenditure	1434.20	1931.94	497.74	34.71
TOTAL	240091.33	255828.60	15737.27	6.55

Interpretation:

1. Current financial position and liquidity position:

The current assets have increased by Rs. 149.23 lakhs (8.64%) and sundry debtors have increased by Rs 126.42 lakhs (52%). The current liabilities have increased by Rs.72.7098 lakhs (11.24%). This confirms that the company has improvement as the debtors have increased due to increased sales.

2. Long term financial position:

There is an increase in fixed assets of about Rs. 51.18 lakhs (2.49%). There is also an increase in long term loans of about Rs.105.72 lakhs (9.44%). This depicts that fixed assets are not only financed by long term sources but part of working capital has also been financed from long term sources. This fact depicts that the policy of the company is to purchase fixed assets from the long term sources of finance thereby not affecting the working capital.

3. Profitability of the concern:

There is an increase in loaned funds than the share capital, so this increases the interest liability for the company which is for financing Development centers expansion programme. Due to the introduction of Accounting Standard, there is the Deferred Tax Liability on account of timing difference to the tune of about Rs.249.13 lakhs during 2017- 2018.

4.1.10 COMPARATIVE BALANCE SHEET (2018- 2019 & 2019- 2020)

TABLE – 4.1.10

COMPARATIVE BALANCE SHEET (2018- 2019 & 2019- 2020)

PARTICULARS	2018- 2019	2019- 2020	Absolute Change	Change %
SOURCES OF FUNDS				
1. Share Holders Funds				
a. Capital	14900.33	14900.39	0.06	0.0004
b. Reserves & Surplus	90221.74	114627.65	24405.91	27.05
	105122.07	129528.04	24405.97	23.22
2. Loan Funds				
a. Secured Loans	3242.94	17500.00	14257.06	439.63
b. Unsecured Loans	122550.16	180067.05	57516.89	46.93
	125793.10	197567.05	71773.95	57.06
3. Deferred Tax Liability (Net)	24913.43	27324.00	2410.57	9.68
TOTAL	255828.60	354419.09	98590.49	38.54
APPLICATION OF FUNDS				
1. Fixed Assets				
a. Gross Block	210721.86	226518.6	15796.74	7.50
b. less: Depreciation & Amortisation	96519.97	106691.54	10171.57	10.54
c. Net Block	114201.89	119827.06	5625.17	4.93
d. Capital Work-in-progress	50765.85	139922.28	89156.43	175.62
	164967.74	259749.34	94781.60	57.45
2. Investments	3161.73	2397.17	-764.56	-24.18
Interest Accrued on Investment	0.46			
3. Current Assets, Loans & Advances				
a. Inventories	75743.23	120307.81	44564.58	58.84
b. Sundry Debtors	36822.23	60991.45	24169.22	65.64
c. Cash & Bank Balances	16584.45	901.28	-15683.17	-94.57
d. Other CA - Int accrued on Inv /Bk Dep	2055.45	10.41	-2045.04	-99.49

e. Loans Advances	26544.51	28867.28	2322.77	8.75
	157749.87	211078.23	53328.36	33.81
4. Less: Current Liabilities & Provisions				
a. Current Liabilities	65253.84	101381.83	36127.99	55.37
b. Provisions	6729.3	17618.4	10889.10	161.82
	71983.14	119000.23	47017.09	65.32
5. Net Current Assets	85728.81	92078.00	6311.27	7.36
6. Miscellaneous Expenditure	1931.94	194.58	-1737.36	-89.93
TOTAL	255828.60	354419.09	98590.49	38.54

Interpretation:

1. Current financial position and liquidity position:

The current assets have increased by Rs. 533.28 lakhs (33.81%) and sundry debtors have increased by Rs 241.69 lakhs (65%). The current liabilities have increased by Rs. 470.17 lakhs (65%). This further confirms that the company has improved the liquidity position. The cash and bank balances have increased by about 94% as compared with previous year.

2. Long term financial position:

There is an increase in fixed assets of about Rs. 157.96 lakhs (7.5%). There is also an increase in long term loans of about Rs. 717.73 lakhs (57%). This depicts that fixed assets are financed mainly by long term sources. This fact depicts that the policy of the company is to finance fixed assets from the long term sources of finance thereby not affecting the working capital. The long term funding is for Development centers expansion project.

3. Profitability of the concern:

There is an increase in the reserves and surplus of the company of about Rs.244.05 lakhs (27%). This fact depicts that there is an increase in the profitability of the concern.

4.1.11 COMPARATIVE BALANCE SHEET (2019- 2020 & 2020- 2021)

TABLE – 4.1.11

COMPARATIVE BALANCE SHEET (2019- 2020 & 2020- 2021)

PARTICULARS	2019- 2020	2020- 2021	Absolute change	Change %
SOURCES OF FUNDS				
1. Share Holders Funds				
a. Capital	14900.39	14900.46	0.07	0.0005
b. Reserves & Surplus	114627.65	146232.58	31604.93	27.57
	129528.04	161133.04	31605.00	24.40
2. Loan Funds				
a. Secured Loans	17500.00	94728.99	77228.99	441.31
b. Unsecured Loans	180067.05	141801.83	-38265.22	-21.25
	197567.05	236530.82	38963.77	19.72
3. Deferred Tax Liability (Net)	27324.00	34635.60	7311.60	26.76
TOTAL	354419.09	432299.46	77880.37	21.97
APPLICATION OF FUNDS				
1. Fixed Assets				
a. Gross Block	226518.6	375992.81	149474.21	65.99
b. less: Depreciation & Amortisation	106691.54	118919.56	12228.02	11.46
c. Net Block	119827.06	257073.25	137246.19	114.54
d. Capital Work-in-progress	139922.28	82319.11	-57603.17	-41.17
	259749.34	339392.4	79643.02	30.66
2. Intangible Assets		3976.16	3976.16	
3. Investments	2397.17	1196.80	-1200.37	-50.07
4. Current Assets, Loans & Advances				
a. Inventories	120307.81	120313.33	5.52	0.00
b. Sundry Debtors	60991.45	52527.51	-8463.94	-13.88
c. Cash & Bank Balances	901.28	1242.89	341.61	37.90
d. Other CA - Interest accrued on	10.41	16.51	6.10	58.60

investments / bank depreciation				
e. Loans Advances	28867.28	29472.90	605.62	2.10
	211078.23	203573.10	-7505.09	-3.56
5. Less: Current Liabilities & Provisions				
a. Current Liabilities	101381.83	105388.88	4007.05	3.95
b. Provisions	17618.4	10591.39	-7027.01	-39.88
	119000.23	115980.3	-3019.96	-2.54
6. Net Current Assets	92078.00	87592.87	-4485.13	-4.87
7. Miscellaneous Expenditure	194.58	141.27	-53.31	-27.40
TOTAL	354419.09	432299.5	77880.37	21.97

Interpretation:

1. Current financial position and liquidity position:

The current assets have increased by Rs. 75.05 lakhs (3.56%) and sundry debtors have increased by Rs 84.63 lakhs (13%). The current liabilities have increased by Rs. 30.19 lakhs (2.5%). This confirms that the company has been able to sustain the liquidity position.

2. Long term financial position:

There is an increase in fixed assets of about Rs. 796.43 lakhs (30%). There is also an increase in secured loans of about Rs. 772.28 lakhs (441%). This depicts that fixed assets are not only financed by long term sources but part of internal resources generation has also been utilized. This fact depicts that the policy of the company is to purchase fixed assets from the long term sources of finance thereby not affecting the working capital.

There is an increase in loaned funds than the share capital, so this increases the interest liability for the company.

3. Profitability of the concern:

There is an increase in the reserves and surplus of the company of about Rs. 316.05 lakhs (24.40%). This fact depicts that there is an increase in the profitability of the concern.

4.1.12 COMPARATIVE BALANCE SHEET (2020- 2021 & 2021- 2022)

TABLE – 4.1.12

COMPARATIVE BALANCE SHEET (2020- 2021 & 2021- 2022)

PARTICULARS	2020- 2021	2021- 2022	Absolute change	Change %
SOURCES OF FUNDS				
1. Share Holders Funds				
a. Capital	14900.46	14900.46	0.00	0.00
b. Reserves & Surplus	146232.58	185533.23	39300.65	26.88
	161133.04	201033.69	39300.65	24.39
2. Loan Funds				
a. Secured Loans	94728.99	94344.07	-384.92	-0.41
b. Unsecured Loans	141801.83	145476.99	3675.16	2.59
	236530.82	239821.06	3290.24	1.39
3 Deferred Tax Liability (Net)	34635.60	55082.27	20446.67	59.03
TOTAL	432299.46	495337.02	63037.56	14.58
1. APPLICATION - Fixed Assets				
a. Gross Block	375992.81	470804.58	94811.77	25.22
b. Less:Depreciation & Amortisation	118919.56	138924.88	20005.32	16.82
c. Net Block	257073.25	331879.70	74806.45	29.10
d. Capital Work-in-progress	82319.11	4518.00	-77801.11	-94.51
	339392.36	336397.70	-2994.66	-0.88
2. Intangible Assets	3976.16	5473.53	1497.37	-37.66
3. Investments	1196.80	1196.80	0	0
4. Current Assets, Loans & Advances				
a. Inventories	120313.33	241615.73	121302.40	100.82
b. Sundry Debtors	52527.51	89117.01	36589.50	69.66
c. Cash & Bank Balances	1242.89	970.11	-272.78	-21.95

d. Interest accrued on investments	16.51	3.65	-12.86	-77.89
e. Loans Advances	29472.90	29463.90	-9	-0.03
	203573.14	361170.40	157597.26	77.42
5. Less: Current Liabilities & Provisions				
a. Current Liabilities	104460.68	185750.36	81289.68	77.82
b. Provisions	11519.59	23239.01	11719.42	101.73
	115980.27	208989.37	93009.10	80.19
6. Net Current Assets	87592.87	152181.03	64588.16	73.74
7. Miscellaneous Expenditure	141.27	87.96	-53.31	-37.74
TOTAL	432299.46	495337.02	63037.56	14.58

Interpretation:

1. Current financial position and liquidity position:

The current assets have increased by Rs. 1575.9726 lakhs (77.42%) and sundry debtors have increased by Rs. 365.8950 lakhs (69.66%). The current liabilities have increased by Rs. 812.8968 lakhs (77.82%). This confirms that the company has been able to sustain the improvement in the liquidity position.

There is a net increase in the working capital (net) by Rs.645.88 lakhs. This has been achieved by increasing the working capital short term borrowal limit from Rs.800 lakhs to Rs.1500 lakhs with the banker's consortium during the year.

2. Long term financial position:

There is an increase in fixed assets of about Rs. 748.0645 lakhs (29.10%) which have been transferred from capital work in progress due to capitalization of the Development centers expansion. There is also an increase in long term loans of about Rs. 32.9024 lakhs (1.39%).. This fact depicts that the policy of the company is to finance the fixed assets from the long term sources of finance thereby not affecting the working capital.

There is a substantial increase in working capital funds of Rs.645.8816 lakhs (73.74 %) which in effect means the application of funds in the day to day operations like suitably enhancing the debtors outstanding which will improve the profitability of the company.

3. Profitability of the concern:

There is an increase in the reserves and surplus of the company of about Rs. 393.0065 lakhs (24.39 %).

4.1.13 COMMONSIZE BALANCE SHEET ANALYSIS:

TABLE – 4.1.13

PARTICULARS	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022
LIABILITIES					
a) Current Liabilities					
Current Liab.	18.7	19.9	21.4	19.2	26.37
Provisions	2.6	2.1	3.7	1.9	3.30
Total	21.2	22	25.1	21.2	29.67
b) Shareholders Funds					
Capital	4.9	4.5	3.1	2.7	2.12
Reserves & Surplus	36.1	27.5	24.2	26.7	26.34
Total	41	32	27.4	29.4	28.46
c) Loan Funds					
Secured Loans	1.1	1	3.7	17.3	13.39
Unsecured Loans	36.7	37.4	38	25.9	20.65
Total	37.8	38.4	41.7	43.13	34.05
d) Deferred Tax Liabilities	0	7.6	5.8	6.3	7.82
Total Liabilities	100	100	100	100	100
ASSETS					
a) Net Fixed Assets	42.3	50.3	54.9	62.6	48.54
b) Investments	0.6	1	0.5	0.2	0.17
c) Current Assets					
Inventories	28.2	23.1	25.4	21.9	34.30
Sundry Debtors	7.9	11.2	12.9	9.6	12.65
Cash & Bank Balances	2.9	5.1	0.2	0.2	0.14

Other CA	0.6	0.6	0	0	0
Loans & Advances	17.1	8.1	6.1	5.4	4.18
Total	56.7	48.1	44.6	37.1	51.28
d) Misc. Expenditure	0.5	0.6	0	0	0.01
Total Assets	100	100	100	100	100

Interpretation: Butterfly Appliances Ltd.

In the common size Balance Sheet analysis in Butterfly Appliances Ltd. it is found that the Total Assets & Total Liabilities are taken as 100% total and other components of Assets & Liabilities are also expressed in terms compared to Total Asset & Total Liability. The total capital % shows a decreasing trend over total liabilities for the last two years. There is also a decline in Reserves & Surplus in the last few years due to introduction at AS – 22 (Accounting Standards for Deferred taxes). The percentage of loan funds is increasing which states the availing of fresh loan from the year 19 to 20 for the purpose of expansion of the business. In the last year 2019- 2020 it has increased indicating repayment of loan availed for expansion of business i.e., completion of Development centers expansion.

The total Net Worth has increased by 10%, which is because of fluctuation in the Reserves & Surplus and is hovering around 27 to 28%. The company adopted regrouping of certain loans and advances under software cartridge loan transaction in line with industry's practice of representing the same. This has vitiated the trend in current liabilities from the year onwards. Fixed Assets has increased during the five-year study. It is due to completion of the Development centers expansion cum modernization programme which has contributed to the increase in Fixed Assets.

The current asset part has considerably increased from 01-02 and it has again improved in the fifth year 2019- 2020. There is also an increase in inventory and it has improved in figure during the period along with considerable increase in sundry debtors. In the year 2019- 2020, there the repayment of loans and advances has started due to completion and capitalization of the Development centers expansion programme. This has been correspondingly reflected in the increase in the contribution and Profit before Tax due to capacity addition from new Development centers.

4.4 TREND ANALYSIS

TABLE 4.1.14

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

Interpretation of trend analysis:

- (i) The sales have continuously increased in all the years except 2019. The percentage in 2022 is 228 as compared to the base of 100 in 2018. The increase in sales is quite satisfactory which is due to the completion of Development centers expansion.
- (ii) The earning has increased substantially in the year 2021 and 2022. This is due to increase in value of development and higher demand for the product and also due to higher capacity addition due completion of Development centers expansion project.
- (iii) The net worth has been showing considerable increase over the five year period.
- (iv) Depreciation also has considerably increased due to the completion, commissioning and capitalization of the Development centers expansions cum modernization project.

CHAPTER 5

FINDINGS, SUGGESTIONS AND CONCLUSION

5.1 FINDINGS:

- Profitability indicates the efficiency and effectiveness with which the operations are being carried on. It has been found out that the profitability is on the increase over the five year period of study except the year 2018-2019.
- Investments being made by the firm are sound and showing an increasing trend.
- The profits achieved by the company shows an increasing trend because of increase in development and Sales
- Profitability has also been increased by significant reduction in interest charges for funds borrowed by the Company by judicious management of working capital, and also long term funding plans through good treasury operations
- The current financial position of the Company compared over the last five years is appreciably increased, for which credit could be taken.
- The company has also got sufficient Reserves and Surplus, accruing out of the retained earnings year after year, to meet the future financial contingencies of the company.
- The Working Capital Turnover Ratio of the company is sound indicating effective utilization of Assets for development purposes.
- The Working Capital requirement of the company to carry out the production purpose is satisfactory and is not suffering from any inadequacy.
- The Common Size Balance Sheet shows a healthy trend in Current Assets and Current Liabilities of the firm indicating changes in policies of repayment made by the company.
- It is projected from Trend Analysis that the sales trend of the company for the last 5 years is more than satisfactory. This analysis is showing an increasing trend in all aspects such as Earnings before Interest and Tax, Profit before Tax, Profit after Tax, Total Assets, Net worth and accretion to the shareholders' funds.

5.2 SUGGESTIONS & RECOMMENDATIONS

- The payment policy adopted by the company to the suppliers can be reviewed. This may result in saving of considerable amount of interest further from 6.28% percent on long-term loans.
- The credit policy given can also be reviewed so that considerable amount of funds may not end up locking in debtors. This will result in increase of cash balances of the company which can be judiciously invested or can be used up for repayment of part of loans.
- Effective Costing Techniques may be implemented to control the operating expenses incurred by the company. The main components of operating expenditure like appliance's, utilities like power, repairs and maintenance, salaries and wages, general administration need to be looked into with specific reference to cost control and cost reduction techniques.
- Effective measures can be carried out to increase the off shoring of home appliance products and services more than the current year, which will add up to the profits of the company.
- The company should be concerned more towards the Research and Development activities that will help in finding Latest Technologies and new home appliances which help in the implementation of the Projects. Which effect in further sophisticated and low cost techniques for development of the new home appliance product?
- For their new projects, it is better to choose different debt mix that is cheaper. An alternative proposal of External Commercial Borrowings will be cheaper for the company based on terms and conditions of the foreign fluctuations, etc.
- The solvency position of the company can be further improved by controlling the borrowings made by the company. Currently, the long term debts limit is Rs.3000 lakhs including the foreign currency component of US \$ 1.50 million and working capital limit is Rs.1500 lakhs. If the steps were not taken, this may affect the long-term credit standing of the company.

5.3 LIMITATIONS OF THE STUDY:

- The project study is mainly based on information gathered from secondary data, mainly the printed Balance Sheet and Profit and Loss Account and other files and materials.
- Time period being a major constraint, it is insufficient to cover the various aspects of finance within the prescribed period.
- The whole study is based on the observations in the past over a five year time horizon which can be related to the laws that operated in the past as there is no evidence that the laws will continue to operate in future also.
- The company had to face the challenges of the international economy. The fluctuation of Dollar and Rupee value also had a major impact and ultimately, on the profitability of the IT industry as a whole in India. Therefore, five year period is subject to major fluctuations in terms of profitability.

5.4 CONCLUSION:

The growth and performance appraisal by the present study concludes that the company has mobilized the funds in a balanced way and in the same manner the funds are invested productively in the capital asset as well as working capital. The financial performance experienced a healthier path in terms of liquidity and profitability of the business during the study period. The company achieved the highest turnover during 2021-2022 and profits also were also at an all very high level. The solvency position was also good due to judicious control by the top management.

The company has a high operational efficiency, the profits for the company has increased over the past year which proves that the company has taken measures to generate profits by improving its capacity utilization which would maximize the generation of resources for expansion, growth and diversification.

Because of the better Internal Control factor and good External Environment (demand) the overall “market capitalization” has been increased week on week during the last financial year.

There is a sudden increase in the prices of home appliances products from the year 2019-2020 which is because of better control from top-level management. The company may take efforts to increase its efficiency.

In the changing economic scenario the financial performance has to be bettered and improved day by day. Both long term and short term funds are available to the business at a comparatively lower cost.

The other important factor which is worth mentioning here is that the company has been progressing steadily on its capacity utilization in line with its growing financial performance.

To end with, we can conclude that if the company takes the above actions as suggested, the company would grow rapidly and will have a provident place in the Indian industry in future, with its excellent past records and the latent potential for achieving greater heights in future.

APPENDICES

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ANNEXURE I- BALANCE SHEET

PARTICULARS	2017- 2018	2018- 2019	2019- 2020	2020- 2021	2021- 2022
LIABILITIES					
a) Current Liabilities					
Current Liab.	18.7	19.9	21.4	19.2	26.37
Provisions	2.6	2.1	3.7	1.9	3.30
Total	21.2	22	25.1	21.2	29.67
b) Shareholders Funds					
Capital	4.9	4.5	3.1	2.7	2.12
Reserves & Surplus	36.1	27.5	24.2	26.7	26.34
Total	41	32	27.4	29.4	28.46
c) Loan Funds					
Secured Loans	1.1	1	3.7	17.3	13.39
Unsecured Loans	36.7	37.4	38	25.9	20.65
Total	37.8	38.4	41.7	43.13	34.05
d) Deferred Tax Liabilities	0	7.6	5.8	6.3	7.82
Total Liabilities	100	100	100	100	100
ASSETS					
a) Net Fixed Assets	42.3	50.3	54.9	62.6	48.54
b) Investments	0.6	1	0.5	0.2	0.17
c) Current Assets					

Inventories	28.2	23.1	25.4	21.9	34.30
Sundry Debtors	7.9	11.2	12.9	9.6	12.65
Cash & Bank Balances	2.9	5.1	0.2	0.2	0.14
Other CA	0.6	0.6	0	0	0
Loans & Advances	17.1	8.1	6.1	5.4	4.18
Total	56.7	48.1	44.6	37.1	51.28
d) Misc. Expenditure	0.5	0.6	0	0	0.01
Total Assets	100	100	100	100	100

ANNEXURE II- RESEARCH ARTICLE

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS WITH REFERENCE TO MANUFACTURING INDUSTRY

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ABSTRACT

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

INTRODUCTION:

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

REVIEW OF LITERATURE:

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

OBJECTIVES OF THE STUDY:

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

NEED OF THE STUDY:

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

SCOPE OF THE STUDY:

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

METHODOLOGY

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

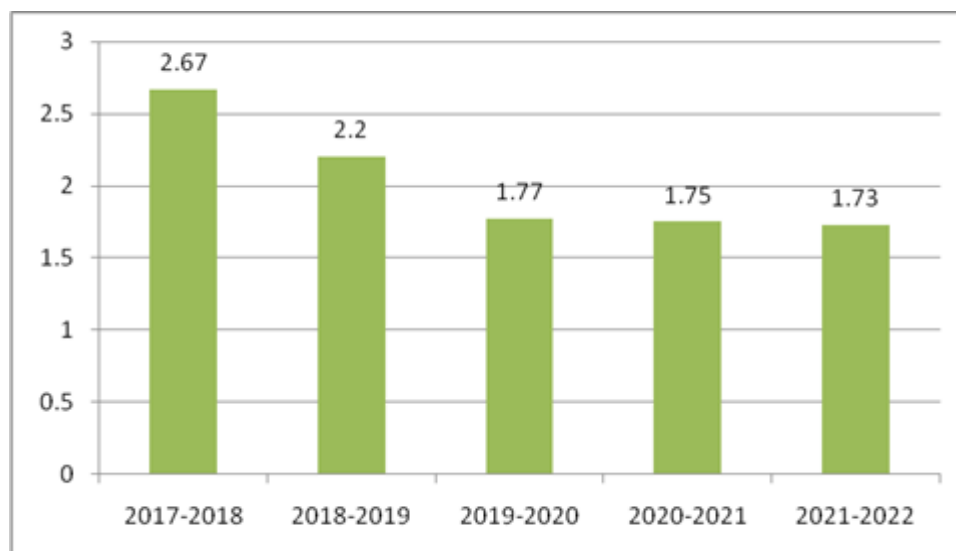
DATA ANALYSIS AND FINDINGS:

RATIO ANALYSIS: SHORT-TERM SOLVENCY RATIOS

TABLE – Current Ratio (Rs. in ‘000)

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

CURRENT RATIO CHART:



Interpretation:

The ideal ratio between Current Assets and Current Liabilities is 2:1 which indicates a high solvency position and is a measure of the ability of company to meet its current liability. This

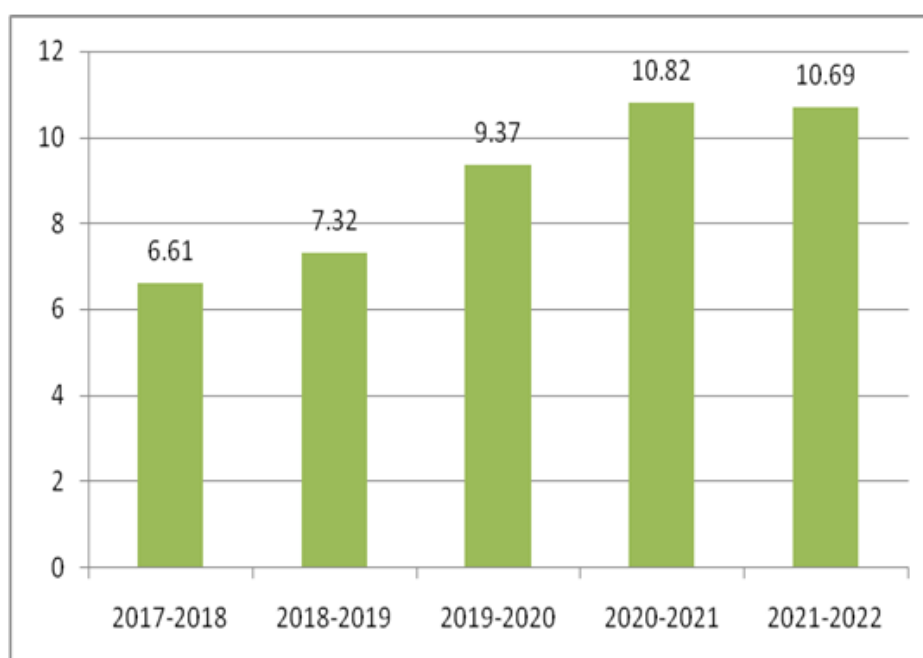
is insisted because even if Current Assets are reduced to half i.e. 1, the creditors will be able to get their dues in full. The highest ratio of 2.67 during 2017-2018 indicates that the margin of safety is at highest level and the company's ability to meet current obligations is high. Here, the ratio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

Working Capital Turnover Ratio:

Table: (Rs. in '000)

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

Chart – Working Capital Turnover Ratio:



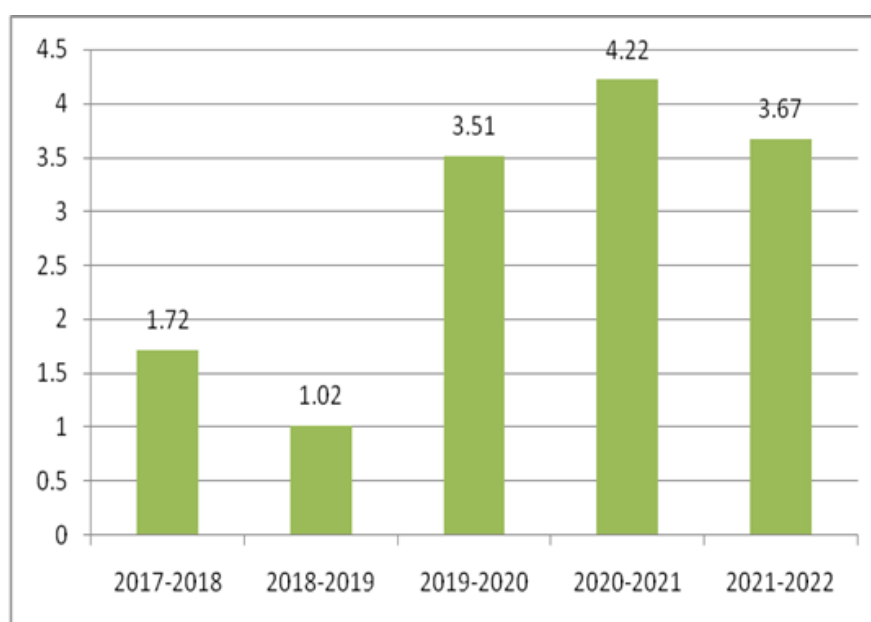
Interpretation:

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

Net Profit Ratio

Table: (Rs. in '000)

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

Chart – Net Profit Ratio

Interpretation:

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

TREND ANALYSIS:**TABLE**

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

Interpretation of trend analysis:

- (v) The sales have continuously increased in all the years except 2019. The percentage in 2022 is 228 as compared to the base of 100 in 2018. The increase in sales is quite satisfactory which is due to the completion of Development centers expansion.
- (vi) The earning has increased substantially in the year 2021 and 2022. This is due to increase in value of development and higher demand for the product and also due to higher capacity addition due completion of Development centers expansion project.
- (vii) The net worth has been showing considerable increase over the five year period.

SUGGESTION:

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

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