

A STUDY OF EFFECTIVENESS OF FINANCIAL PERFORMANCE ON VIJAY RAJA CONSTRUCTIONS

Submitted in partial fulfillment of the requirements for the award of

MASTER OF BUSINESS ADMINISTRATION

By

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**DEPARTMENT OF BUSINESS ADMINISTRATION
SCHOOL OF MANAGEMENT STUDIES**

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

**Accredited with Grade “A++” by NAAC | 12B Status by UGC | Approved
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SATHYABAMA

**INSTITUTE OF SCIENCE AND TECHNOLOGY
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CATEGORY - 1 UNIVERSITY BY UGC**

SCHOOL OF MANAGEMENT STUDIES

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **GAYATHRI J (42410154)** who carried out the project entitled “**A STUDY OF EFFECTIVENESS OF FINANCIAL PERFORMANCE ON VIJAY RAJA CONSTRUCTIONS**” under my supervision from Jan 2023 to April 2023.

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DECLARATION

I **GAYATHRI J (42410154)** hereby declare that the Project Report entitled “**THE STUDY OF EFFECTIVENESS OF FINANCIAL PERFORMANCE ON VIJAY RAJA CONSTRUCTIONS**” done by me under the guidance of **Dr. RANI** is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

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GAYATHRI J

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TABLE OF CONTENTS

CHAPTER NO.	CHAPTERS	PAGE NO.
	Abstract	
	List of Tables	
	List of Figures	
1	Introduction	1
2	Organization profile and Literature survey	6
3	Aim and Scope of the present investigation / Theoretical Framework	24
4	Research Methodology	33
5	Results and Discussion / Data Analysis	38
6	Summary and Conclusions	81
	References	84
	Annexure	85

A STUDY OF EFFECTIVENESS OF FINANCIAL PERFORMANCE ON VIJAY RAJA CONSTRUCTIONS

ABSTRACT

Financial performance analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing the relationship between the items of balance sheet and profit and loss account. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. The research topic is "A study on Financial Performance of Vijay Raja Homes Private Limited, Chennai". The present studies aim to know the financial position of the company Vijay Raja Homes Private Limited, Chennai using ratio analysis. The research used secondary data were collected from the company annual report. A ratio analysis was processed from the year 2019 to 2023 using the data. This study covers analysis like ratio analysis, trend analysis, common size balance sheet and comparative balance sheet. The research analyzed the data by the method of the ratio analysis they provide that the company position was good. Therefore the company tries to retain the position and also to improve its financial position further. The firm must take steps to control the cash in hand by keeping the value of cash in hand at maintained and avoid fluctuation. Also the management is advised to increase the turnover ratio to maintain trend of the company. The liquidity position of the current financial performance of the company has to be examined regularly for the effective functioning. Also the management is advised to increase the turnover ratio to maintain trend of the company. The liquidity position of the current financial performance of the company has to be examined regularly for the effective functioning.

LIST OF FIGURES

S. NO.	FIGURE NAME	PAGE NO.
5.1	Figure Showing Current Ratio	39
5.2	Figure Showing Absolute Liquid Ratio	41
5.3	Figure Showing Quick Ratio	43
5.4	Figure Showing Debt Equity Ratio	45
5.5	Figure Showing Proprietary Ratio	47
5.6	Figure Showing Fixed Assets To Net worth Ratio	49
5.7	Figure Showing Inventory Turnover Ratio	51
5.8	Figure Showing Debtors Turnover Ratio	53
5.9	Figure Showing Creditors Turnover Ratio	55
5.10	Figure Showing Average Collection Period	57
5.11	Figure Showing Working Capital Turnover Ratio	59
5.12	Figure Showing Fixed Assets Turnover Ratio	61
5.13	Figure Showing Gross Profit Ratio	63
5.14	Figure Showing Assets Turnover Ratio	65
5.15	Figure Showing Return On Equity	67
5.16	Figure Showing Capital Turnover Ratio	69
5.17	Figure Showing Trend Analyses	72

LIST OF TABLES

S.NO.	TABLE NAME	PAGE NO.
5.1	Table Showing Current Ratio	38
5.2	Table Showing Absolute Liquid Ratio	40
5.3	Table Showing Quick Ratio	42
5.4	Table Showing Debt Equity Ratio	44
5.5	Table Showing Proprietary Ratio	46
5.6	Table Showing Fixed Assets To Net worth Ratio	48
5.7	Table Showing Inventory Turnover Ratio	50
5.8	Table Showing Debtors Turnover Ratio	52
5.9	Table Showing Creditors Turnover Ratio	54
5.10	Table Showing Average Collection Period	56
5.11	Table Showing Working Capital Turnover Ratio	58
5.12	Table Showing Fixed Assets Turnover Ratio	60
5.13	Table Showing Gross Profit Ratio	62
5.14	Table Showing Assets Turnover Ratio	64
5.15	Table Showing Return On Equity	66
5.16	Table Showing Capital Turnover Ratio	68
5.17	Table Showing Trend Analyses	70
5.18	Common Size Balance Sheet As On 31 st Mar 2019 And 2020	73
5.19	Common Size Balance Sheet As On 31 st Mar 2020 And 2021	74
5.20	Common Size Balance Sheet As On 31 st Mar 2021 And 2022	75
5.21	Common Size Balance Sheet As On 31 st Mar 2022 And 2023	76
5.22	Comparative Balance Sheet As On 31 st March 2019-2020	77
5.23	Comparative Balance Sheet As On 31 st March 2020-2021	78
5.24	Comparative Balance Sheet As On 31 st March 2021-2022	79
5.25	Comparative Balance Sheet As On 31 st March 2022-2023	80

CHAPTER-1

INTRODUCTION

1.1 INTRODUCTION OF THE STUDY

Financial performance is a critical aspect that significantly influences the success and sustainability of organizations across various industries. In this context, the present study delves into the examination of the effectiveness of financial performance within the realm of Vijay Raja Constructions. As a construction company operating in a dynamic economic environment, Vijay Raja Constructions is undoubtedly impacted by a multitude of factors that shape its financial standing and overall performance.

Understanding the intricacies of financial performance is pivotal for businesses striving to thrive in the competitive landscape. The financial health of a company is a reflection of its management strategies, operational efficiency, and adaptability to market changes. For Vijay Raja Constructions, a comprehensive analysis of its financial performance serves not only as a means to gauge its current standing but also as a tool for strategic decision-making and future planning.

The construction industry, being capital-intensive and subject to economic fluctuations, necessitates a nuanced exploration of how financial performance indicators contribute to the overall success of a company like Vijay Raja Constructions. This study aims to unravel the key financial metrics, their interplay, and the implications they hold for the company's growth trajectory.

Against the backdrop of an ever-evolving economic landscape, understanding how Vijay Raja Constructions navigates financial challenges becomes imperative. By scrutinizing the various dimensions of financial performance, this study seeks to offer insights that not only contribute to the academic discourse but also provide practical implications for stakeholders, executives, and industry observers invested in the sustained success of Vijay Raja Constructions. As we embark on this exploration, the goal is to unravel the intricacies of financial effectiveness within the specific context of Vijay Raja Constructions and draw conclusions that can inform both theory and practice in the broader field of corporate finance.

1.2 STATEMENT OF THE PROBLEM

Nowadays due to the policy of the changing government and also due to the competition in the globalize era, the financial statement analysis of the company is not appreciable. Though the company developed well, it could not earn much profit as like the other private sectors company involved in similar business. There is no proper instruction from the authorities and from the ministry. Further there is considerable delay in implementing the new system because of more formalities to change the existing system. The financial performance of the Vijay Raja Homes Private Limited, Chennai should be analyzed well increase the profit and make the company to compete with others doing similar business.

1.3 INDUSTRY PROFILE

1.3.1 Indian Construction Industry Overview

The construction industry is the second largest industry in India after agriculture. It accounts for about 11% of India as GDP. It makes significant contribution to the national economy and provides employment to large number of people. There are mainly three segments in the construction industry like real estate construction which includes residential and commercial construction; infrastructure building which includes roads, railways, power etc; and industrial construction that consists of oil and gas refineries, pipelines, textiles etc.

According to a study by ASSOCHAM, the burgeoning Indian construction industry, currently worth \$70 billion, will rise to US\$120 billion by 2010. Construction is an essential part of any country's infrastructure and industrial development. Construction industry, with its backward and forward linkages with various other industries like cement, steel bricks etc., catalyses employment generation in the country. Construction is the second largest economic activity next to agriculture. Broadly construction can be classified into 3 segments: Infrastructure, Industrial and Real Estate.

Infrastructure segments involve construction projects in different sectors like roads, railways, ports, irrigation, power etc. Industrial construction is contributed by

expansion projects from various manufacturing sectors. Real estate construction can be sub-divided into residential, commercial, malls/multiplexes etc.

The construction activity involved in different segments differs from segment to segment. Construction of houses and roads involves about 75% and 60% of civil construction respectively. Building of airports and ports has construction activity in the range of 40-50%. For industrial projects, construction component ranges between 15-20%. Within a particular sector also construction component varies from project to project.

Construction sector contributed about 11.5% to the country's GDP in FY 08. Over past few years, growth of the construction has followed the trend of economic growth rate of the country. The multiplier factor between growth rates of construction and GDP has been about 1.5X-1.6X. Over past 3 years, construction as a percentage of GDP has increased from 8.0% in FY 06 to 8.5% in FY 08. Construction activity being labour intensive has generated employment for about 33 million people in the country.

The construction industry in India is highly fragmented. There are number of unorganised players in the industry which work on the subcontracting basis. To execute more critical projects, nowadays bids are increasingly placed in consortium. But the profitability of the construction projects varies across different segments. Complex technology savvy projects can fetch higher profit margins for construction companies as compared to low technology projects like road construction. Various projects in Construction industry are working capital intensive. Working capital requirement for any company depends on the order mix of the companies.

The construction industry operates on the basis of contractual agreements. Over the years different types of contracts have been developed. It mainly depends on the magnitude and nature of work, special design needs, annual requirements of funds and complexities of job. Construction projects can be materialised through number of smaller contracts which mainly depends upon size of the project and diversified nature of activities to be carried out in the project. As a result, Subcontracting is a common phenomenon in the construction industry

1.3.2 Trends and developments in the construction industry

Three key priorities for the built environment sector are: the health and wellbeing of building users, the energy efficiency of buildings and the ability to build fast, safely and cost-effectively using prefabricated kits of parts. Engineers can now deliver projects in 3D, 4D, 5D and beyond. Virtual and cloud-based platforms have almost replaced paper. Of course you can never replace face-to-face communication and the ideas that develop from this, so good social skills are always a must - even if the meeting takes place virtually.

Common design platforms and the fact that English is increasingly used as the global language for business mean that we can share information and collaborate anywhere in the world. This has led to major efficiencies in design.

1.3.3 Real Estate Sector Outlook

India's construction industry is expected to continue to grow at strong rates over the next decade, according to a recent research note from BMI Research. Growth will be underpinned by stable government support for infrastructure development, as well as expanded private sector involvement. "Government support is exemplified in expansionary budgetary allocations for infrastructure projects and in regulatory reforms that are opening new sectors to private involvement and investment."

As the sector slowly trends on the path to recovery, it has to realign to face new realities and meet greater expectations. Continued government support and low interest rates are expected to keep the overall industry buoyant in the short term. The government, to keep up the growth momentum in the sector seen in the latter half of FY2021, in its Budget FY2022 announced new and continuation of following initiatives:

- Continued increase of safe harbor limit from 10% to 20% for the specified primary sale of residential units to June 30, 2022
- Debt financing of REITs by Foreign Portfolio Investors will be enabled by making suitable amendments in the relevant legislations. Additionally, dividend payments to REITs and InvITs are to be exempted from tax deducted at source (TDS). The

move makes it easier for such trusts to raise funds for acquiring infrastructure and real estate assets, solving the cash flow issues in the sector by bringing in additional cash from global institutional investors and sponsors.

- Extension of relief for buyers and developer to keep up the sale momentum in the affordable housing segment were announced including:

- Additional tax benefit pertaining to interest paid on affordable housing loans to the extent of H 1.5 lakh extended by another year

1.3.4 The highlights of a career in the construction industry

- Collaborating with, and learning from, a diverse range of people.
- The opportunity to travel and work on global projects.
- Seeing your projects complete and in use.

Engineers in the manufacturing industry could work in areas such as design, production, supply chain or logistics. Manufacturing is the process of adding value to raw materials by turning them into products: electrical goods, vehicles, aircraft, food, beverages, medical supplies, pharmaceuticals, and so on. Engineers working in the manufacturing business are responsible for the safe and efficient planning, management and maintenance of production methods and processes.

After recording a spectacular growth of over 12%, more than the country's GDP in the past half decade, the Indian construction sector all of a sudden lost steam in last fiscal largely due to global financial turmoil. Not just this, the turmoil tremors created multiplier impact across sectors including steel, cement, power, petroleum, aluminum, IT and ports, besides badly Bruising the Indian economy.

But few sectors such as telecom, urban infrastructure, railways, oil and gas, which are also generating large share of construction activities have not been affected badly. These segments have registered a noticeable growth in project orders from centre, states, and local firms. However, orders from overseas firms have drastically dwindled.

CHAPTER-2

ORGANIZATION PROFILE AND LITERATURE SURVEY

2.1 ORGANIZATION PROFILE

2.2.1 ABOUT VIJAY RAJA CONSTRUCTIONS

Shri. M. Rajapandiyan sowed the seed for Vijay Raja Group through 'RAJA STORES' in 1949, which nurtured a dynamic multi-location business chain across the region. In 1963, the group business branched out to the construction industry, where Vijay Raja Group constructed and sold over 87, 33,780 SQFT to 5732+ Happy Customers till today. In 1983, Vijay Raja Group witnessed the emerging leadership of Mr. Chendhilnathan as Chairman cum Managing Director and ventured into multiple business segments. 'RAJA AGENCY' was established in 1983 and has been pioneering the Production and Supply of Medical and Industrial Gas.

With more than 74 years of legacy, today, Vijay Raja Group has set a strong footprint in Healthcare, Construction and Hospitality sectors with 7 registered group companies. In the construction industry, Vijay Raja Group is one of the first and oldest Backward Integrated Companies in South India with over 500+ On-roll Staff and more than 3000+ direct labours.

2.1.2 VISSION

To be recognized as a profit-centred yet a customer-oriented global leader in the business segments of Construction, Real Estate, Facilities Management, Healthcare and Hospitality.

2.1.3 MISSION

- To seamlessly design and deliver innovative living spaces, products and services, built on the organizational principles of transparency and trust.
- To meet our employees on their paths to change and encourage excellence in our everyday operations.

2.1.4 HISTORY

- 1949 - Founded Raja Stores, A Chain of Retail Business in Mylapore by Mr. M. Rajapandiyan.
- 1963 - "Sri Raja Kalyana Mandapam", is Vijay Raja's First Construction of 40000 Sq.ft in Mylapore
- 1983 - Mr. M. R. Chendilnathan takes over the business as Chairman & Managing Director.
- 1990 - Constructed Thirumagal Thirumana Mandapam in Adyar & Vijay Raja Thirumana Mandapam in Kovilambakkam
- 2000 - Raja Agency evolves as a leader in oxygen cylinder distribution
- 2009 - Vijay Raja completes the 24+ projects in Chennai
- 2010 - Launch of "Sanctuary" offering an independent house. Launch of "Century Court" offering 100 well designed Apartments in Poonamallee
- 2013 - Launch of "Spruce" Villa project at Kelambakkam
- 2014 - Mr. Ashwin Chendilnathan joins the board of Vijay Raja Group as JMD. Launch of "Navarathna" one of its kind Luxury Villa in Neelankarai - ECR
- 2015 - Launch of "August" offering 42 Luxurious Apartments at Tambaram
- 2016 - Launch of "Classic" offering 57 units first of its kind "Multilevel Villa" with a mixture of Luxury & innovation in Vandalur
- 2017 - Launch of "Ideal Homes" offering 224 innovative and affordable apartments with 20+ amenities
- 2019 - Launch of "Exurb" offering 506 high Rise Apartments with 40+ Luxury amenities in Thiruporur
- 2021 - Launch of "Tamil Nadu's Largest Smart Home Community" - 360 offering the first of its kind 2000+ high rise apartments with 100+ Luxury amenities in Poonamallee

- 2030 -To construct and sell 25 million sq.ft 50,000 Happy Customers
25,000 Apartments and Operations in 4 States

2.1.5 LEADERSHIP TEAM

- **Mr. Chendilnathan** - Chairman cum managing director
- Mr. Ashwin Chendilnathan - Joint managing director

2.1.6 STRENGTHS

Trustworthy & Honesty

Being in the real estate business, we know perhaps better than anyone else how much people care about investing in their dream homes. Most people invest their life time earnings in real estate in hopes of owning a piece of land that would also bring them profits over time. We understand this and assure you that we will maintain your trust on us

Employee Growth

No resource is greater than human resource. Good, talented people are the most important resources and perhaps the hardest to find. We make sure that people who work in our organization are happy to be doing what they do. We make sure we offer them the rewards they deserve and do all that is in our power to make them feel important and content.

Provide Excellence

Vijay Raja Constructions aim for excellence in all that we do. We are certified real estate builders and engineers, and we have some of the best real estate professionals in the industry working for us. So we guarantee our best efforts in working with you to make your dream property come to a reality

Community Contribution

Vijay Raja Constructions strongly believe in giving back to the society that shaped us in the good place. The moment we are part of a community, it is all about giving and taking and living in harmony. It is in the DNA of Vijay Raja to

voluntarily share a part of the net revenue for the CSR initiative which is aimed at giving back to the society where we live.

Core Values

Vijay Raja Group strongly believes in leadership, commitment and passion, entrusted with transparency. Our organisational culture holds the inbuilt quality of treating people with respect and encouraging innovation which drives our business ahead. We believe that the success of a sustainable business can be achieved completely by the collective potential of our employees. Thereby, our secret mantra of organisational success is, to create a scalable platform for innovation and growth, by nurturing a win-win culture with the best-breed technology and processes.

This forms the core of our HR initiatives leading to a culture marked by transparency, inclusiveness and freedom to operate. We describe our strategic growth in

1. Choosing the right people
2. Professional career growth
3. Retention till retire.

2.1.7 KEY PILLARS

The Group's philosophy of 'Customer Satisfaction' is built on 4 Key Pillars. All these pillars are equally important and invaluable for the Group's VISION and MISSION.

Employees: To be the most preferred employer in all the business segments

Customers: To be the most preferred lifestyle partner for every customer

Shareholders: To be one of the largest and profitable business conglomerates in the country

Vendors: To be the most trusted business partner for every Vendor

2.1.8 CORPORATE VALUES

- Passion
- Commitment
- Transparency
- Leadership
- Trust

2.1.9 AWARDS & RECOGNITION

Being in the real estate business, we know perhaps better than anyone else how much people care about investing in their dream homes. Most people invest their life time earnings in real estate in hopes of owning a piece of land that would also bring them profits over time.

- Tamil Nadu most promising brand - Feb 02, 2023
- HDFC Developer Meet 2022 - Feb 02, 2023
- Best Employer Brand of the year 2022 - Jun 26, 2023
- PMAY Empowering India Award 2022 - Jun 26, 2023
- Residential Project -Affordable Housing 2022 - Jun 26, 2023
- Young achiever of the year 2022 - Feb 02, 2023
- Affordable house project of the year - Feb 02, 2023
- Innovative real estate marketing campaign of the year 2019 - Feb 02, 2023

2.1.10 CURRENT PROJECTS

VRX FETE – Poonamallee

EXURB – Thiruporur

VRX 360 – Thirumahisai

VRX MAGNA - Thirumahisai

2.2 LITERATURE SURVEY

Sridevi V (2019) Banking plays an important role in the growth and development of Indian economy in each and every aspect. The main aim of the study is to compare and evaluate the financial performance of selected banks using CAMEL rating system. Secondary data needed for the study collected from Annual reports of the banks, Bulletins, Periodicals, Newsletters, Internal reports of the bank, Journals, Magazines and Websites. The collected data has been analysed CAMEL framework. The banks selected for analysis are ICICI Bank, HDFC Bank, YES Bank, AXIS Bank and FEDERAL Bank. The period of study for the selected banks is from 2014 to 2018 period. The study concludes that according to the overall rating of the CAMEL analysis HDFC bank and AXIS bank are the best banks. Financial performance of the selected banks analysis is the process of identifying the financial strengths and weaknesses of the bank by properly establishing the relationship between the items of balance sheet and profit and loss account. This helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis of banks.

Sridevi V, “Financial Performance of Selected Banks In India”, Journal of Information and Computational Science, Volume 9 Issue 10 – 2019.

Sharmila.P (2019) Finance is the life-blood of business. It is rightly termed as the science of money. Finance is very essential for the smooth running of the business. Finance controls the policies, activities and decision of every business. Financial performance helps to measure the overall performance of the company. This research paper examines the financial performance of Hindustan Unilever Limited (HUL) using ratio analysis such as Liquidity, Solvency, Profitability and Trend analysis of the company. To analysis the financial performance of the company last five years data is collected for the study. The study suggests that the company should maintain the share capital to pay dividend to the shareholders. It is concluded that though there was some downfall in sales and profit of the company in the beginning of this decade but after that HUL has shown considerable rise in both sales and profit.

Sharmila.P (2019), "A Study On Financial Performance Analysis Of Hindustan Unilever Limited", Cikitusi Journal For Multidisciplinary Research, Volume 6, Issue 4, April 2019, ISSN No: 0975-6876.

R. Ramachandran (2019) The present study deals with the "Financial Performance Evaluation of Alangulam Primary Agriculture Co-Operative Credit Society". In this present era of Liberalization, Privatization and Globalization the Market has become globally competitive; hence the survival of an enterprise depends upon the efficiency and accuracy. Hence, it is necessary to evaluate the financial performance to know whether the companies stand in the market and how they can improve further in the future by knowing their shortcomings. In the present study, the Researcher has discussed the Liquidity, Profitability, Efficiency and Leverage of both the companies to arrive at any conclusion. This research is undertaken A study on Financial Performance Analysis of Alangulam Primary Agriculture Cooperative Credit Society (PACCS).The importance is based on the objectives of financial performance. The study of analysis is on financial performance of PACCS was under taken on the bases of last 5 years annual report data. The scope of the study consists of secondary data from the PACCS that is the balance sheet from 2014-2019 for five years. The research methodology consists of design, data collections and tools for analyzing the past and future performance of PACCS, Financial analysis. The various tools used for a ratio analysis, regression analysis, comparative balance sheet, common size balance sheet, time series analysis. Through the analysis of the study, it finds out the increase and decrease position in particular field of the PACCS.

R. Ramachandran," A Study On Financial Performance Analysis Of Alangulam Primary Agriculture Co-Operative Credit Society, Alangulam, Viralimalai, Pudukottai District", Journal of Interdisciplinary Cycle Research Volume XI, Issue XII, December/2019 ISSN NO: 0022-1945, Volume XI, Issue XII, December/2019

K. Keerthi and S. Eswari (2020) The main objective of this paper is to analyse the overall financial position of the bank using ratio analysis. It shows whether the firm is improving or worsening in past years. The secondary data is used for the entire study i.e. the last five years annual reports of KCCB. Ratio

analysis provides a basis for both intra-firm as well as inter-firm comparisons. The pictorial representations are used for better understanding. Ratios are useful tool for various stakeholders like management, financiers, shareholders and creditors etc. Various types of ratios include liquidity ratios, profitability ratios, solvency ratios are analyzed in this study. This paper tells that not only about the financial position of the firm but also helps to identify the problems and offer suggestions to improve its performance. Cash ratio is fluctuating every year. The bank contains more liabilities than cash and cash equivalents it is not good for the bank. Quick ratio has higher than its ideal value in all years shows that the bank has sufficient quick assets in hands to pay off its liabilities.

K. Keerthi and S. Eswari, “A Study On Financial Performance Using Ratio Analysis Of Kumbakonam Central Co-Operative Bank”, ICTACT Journal On Management Studies, August 2020, Volume: 06, Issue: 03

Jichang Dongab & LijunYin (2020) The rapid development of Internet finance has certainly affected the operation of commercial banks. This paper investigates the impact of Internet finance on commercial banks. First, a theoretical influence mechanism of Internet finance on commercial banks is explored, and the Internet finance index and integrated performance index of commercial banks are constructed using factor analysis. Then, a static panel and a dynamic panel model are established to empirically examine the impact of Internet finance on the profitability, security, liquidity and growth as well as the comprehensive business performance of commercial banks. Finally, the heterogeneous impacts of Internet finance on city commercial banks, joint-stock banks and state-owned commercial banks are discussed. The results show that the development of Internet finance has a positive impact on the profitability, security and growth of commercial banks, and has a negative impact on the liquidity of commercial banks. In addition, Internet finance has promoted the improvement of the comprehensive business performance of commercial banks. Moreover, the impact of Internet finance on different types of commercial banks is heterogeneous with the impact on state-owned commercial banks being the weakest and the impact on city commercial banks is the most significant.

Jichang Dongab & LijunYin, “Impact of internet finance on the performance of commercial banks in China”, International Review of Financial Analysis, Volume 72, November 2020, 101579

Md.Babar & AhsanHabib (2021) Product market competition has been identified as one of the most powerful corporate governance tools for motivating managers to maximize firm value. Consistent with this view, a large body of theoretical and empirical research over the years has investigated the implications of product market competition. This paper synthesizes and critically evaluates the empirical literature on the consequences of product market competition in the accounting, finance, and corporate governance domains. Our review focuses on issues like financial reporting quality, analyst forecasting activities, asset pricing, investment, and financing decisions, and the substitutive versus complementary relationships between product market competition and other corporate governance tools. Our review suggests that, although market competition has profound implications for these issues, the empirical findings often provide conflicting results. We highlight such contradictory findings and offer suggestions for future research. Our review will help researchers intending to further investigate the implications of product market competition, both in the US and internationally.

Md.Babar & AhsanHabib, “Product market competition in accounting, finance, and corporate governance: A review of the literature”, International Review of Financial Analysis, Volume 73, January 2021, 101607

Mr A. David (2021), Financial analysis is the process of identifying the strength and weakness of the firm. The goal is to analyse the financial statements is to assess past performance and current financial position and to make predictions about the future performance of a company. The objective of the study is to evaluate the financial position of Nestle India Ltd by using ratios. The tools like current ratio, net profit ratio, total assets turnover ratio and other some of ratio are taken in this study. The company has to increase net income and decrease the investment of total assets in order to generate additional income. . The company's financial performance has strong position in profitability of the five years is analysed and it is proved that company is financially sound. It is concluded that the current and liquid ratio indicates the short term financial position of the nestle India

ltd. As in the case of cash position ratio, since it is low it has to pay off the short term debt.

Mr A. David (2021), “A Study On Financial Performance Of Nestle India Ltd”, International Journal Of Multidisciplinary Research (IJMR), Volume: 7, Issue: 7, July 2021.

Prof S. M. Imamul Haque, Mohd Atif Afzal (2022), Fast Moving Consumer Goods industry (FMCG) constitutes the fourth largest sector of Indian economy. It is a highly competitive industry which makes a fairly large contribution to the Indian economy in terms of GDP. The financial performance is the blue print of the overall soundness of a business concern, and it also reveals how a business has prospered under the leadership of its management. Numerous studies have been conducted on the evaluation of financial performance of the FMCG firms in India. This study, however takes a fresh look at the financial performance of this sector during the period comprising immediate past five years. Based on the secondary data, the study analyses the FMCG firm's financial performance over the quinquennium starting from 2011-2012 to 2015-2016. The distinct feature of this study is that besides evaluating the financial performance of FMCG firms in India, it also measures the relationship between Sales and Liquidity as well as solvency and profitability of the firms. For testing the hypotheses, the study applies statistical tool of simple regression analysis and computes correlation on SPSS.

Prof S. M. Imamul Haque, Mohd Atif Afzal (2022), “An Appraisal of Financial Performance of the Fast Moving Consumer Goods (FMCG) Industry in India”, Pacific Business Review International, Volume 10, Issue 6.

Kaushik Chakraborty (2022), The FMCG sector with a market share of \$13.1 billion has presently proved itself as the fourth largest sector in the Indian economy. In fact, rural India with more than 70 per cent share of the total Indian population has emerged as the most significant FMCG market. During the last two decades, deregulation, globalization, and liberalization measures adopted by the central government have made a paradigm change in the FMCG sector. Both the foreign direct and portfolio investments in Indian FMCG sector in the post-reform period have notably influenced the financial performance of the companies

belonging to this sector. Moreover, increasing presence of MNCs in the Indian market has forced the existing domestic companies in the FMCG sector to reorient their financial strategies in order to survive. A large number of studies have been carried out to evaluate individually the different aspects of the financial performance of the FMCG companies in India. However, no comprehensive study for measuring the overall financial performance of the Indian FMCG sector by taking into account the financial data of the last two decades has been made. This chapter seeks to analyse the overall financial performance of 16 selected companies in the Indian FMCG sector during the period 1993-94 to 2012-13. The companies have been selected from “India's Most Respected Companies” as published by Business World, New Delhi, February 14, 2011 (Vol. 30, Issue 39) by following purposive sampling procedure. Relevant statistical techniques and tests have been used in carrying out the analysis. The study concluded that as a whole the FMCG industry showed the increasing trend in the stock prices after the declaration of dividend according to trend analysis.

Kaushik Chakraborty (2022), “Financial Performance of Selected FMCG Companies in India during Post-Reform Era: A Comprehensive Analysis”, Strategic Infrastructure Development for Economic Growth and Social Change, Vol-1, Issue-3.

William H. Beaver (2022), Beaver's contented that standard financial ratios can predict the financial performance of firms; many subsequent studies have attempted to demonstrate the predictive value of various techniques for estimating actual business performance. They reviewed of the literature describing methods and theories for evaluating and predicting financial performance reveals that although methods have become increasingly complex, few researchers adequately address the problems associated with the sample used. For example, most ratio analysis studies use multivariate analysis that is based on the assumptions of normal distribution of financial ratios. Without confirming the approximation of normality of ratio distribution, the researcher is at risk of drawing erroneous inferences. When considering the distribution of financial ratios in any database, the normality of the distribution can be skewed by data recording errors, negative denominators and denominators approaching zero.

William H. Beaver (2022), “Financial Ratios as Predictors of Failure”, Journal of Accounting Research, Vol. 4, pp. 71- 111, 2016.

D. H. Kantilal, William H. Beaver (2022), studied on analysis of gross profit to sales ratio of top ten pharmaceutical companies and shows that there is significance difference between in the gross profit to sales ratio among different companies under study as well as different years of each company lastly the researcher concluded that Gross Profit to sales ratio among different companies and among different years under study is not same. Ashok Kumar (2013) studied liquidity position of five leading companies which cover period of 10 years from 2000-2010. It has been found that the liquidity positions of small companies are better as compared to big ones. Lastly, it is concluded that companies should maintain an ideal current and liquid ratio.

D. H. Kantilal, William H. Beaver (2022), “Financial Analysis of Selected Pharmaceutical companies in India with Special Reference to Gross Profit to Sales Ratio”, Indian Journal of Applied Research, Vol. 2, No. 2, pp. 5-6,

Prof S. M. Imamul Haque, Mohd Atif Afzal (2022), Fast Moving Consumer Goods industry (FMCG) constitutes the fourth largest sector of Indian economy. It is a highly competitive industry which makes a fairly large contribution to the Indian economy in terms of GDP. The financial performance is the blue print of the overall soundness of a business concern, and it also reveals how a business has prospered under the leadership of its management. Numerous studies have been conducted on the evaluation of financial performance of the FMCG firms in India. This study, however takes a fresh look at the financial performance of this sector during the period comprising immediate past five years. Based on the secondary data, the study analyses the FMCG firm's financial performance over the quinquennium. The distinct feature of this study is that besides evaluating the financial performance of FMCG firms in India, it also measures the relationship between Sales and Liquidity as well as solvency and profitability of the firms. For testing the hypotheses, the study applies statistical tool of simple regression analysis and computes correlation on SPSS.

Prof. S. M. Imamul Haque, Mohd Atif Afzal (2022), “An Appraisal of Financial Performance of the Fast Moving Consumer Goods (FMCG) Industry in India”, Pacific Business Review International, Volume 10, Issue 6.

Kaushik Chakraborty (2022), The FMCG sector with a market share of \$13.1 billion has presently proved itself as the fourth largest sector in the Indian economy. In fact, rural India with more than 70 per cent share of the total Indian population has emerged as the most significant FMCG market. During the last two decades, deregulation, globalization, and liberalization measures adopted by the central government have made a paradigm change in the FMCG sector. Both the foreign direct and portfolio investments in Indian FMCG sector in the post-reform period have notably influenced the financial performance of the companies belonging to this sector. Moreover, increasing presence of MNCs in the Indian market has forced the existing domestic companies in the FMCG sector to reorient their financial strategies in order to survive. A large number of studies have been carried out to evaluate individually the different aspects of the financial performance of the FMCG companies in India. However, no comprehensive study for measuring the overall financial performance of the Indian FMCG sector by taking into account the financial data of the last two decades has been made. This chapter seeks to analyse the overall financial performance of 16 selected companies in the Indian FMCG sector. The companies have been selected from “India's Most Respected Companies” as published by Business World, New Delhi, February 14, 2011 (Vol. 30, Issue 39) by following purposive sampling procedure. Relevant statistical techniques and tests have been used in carrying out the analysis. The study concluded that as a whole the FMCG industry showed the increasing trend in the stock prices after the declaration of dividend according to trend analysis.

Kaushik Chakraborty (2022), “Financial Performance of Selected FMCG Companies in India during Post-Reform Era: A Comprehensive Analysis”, Strategic Infrastructure Development for Economic Growth and Social Change, Vol-1, Issue-3.

Lakhani Uday (2022), Lakhani Uday carried out a research work entitled “A Study on Performance Measurement of Selected Indian FMCG Companies (with

Reference to EVA and MVA)” for his M.Phil. The Empirical findings of this study have been useful to financial analysis in Indian FMCG companies. Through this study manager has been obtain better information – and has been more motivated – to make decision that has create the greatest shareholder wealth in corporate sectors. It is universally accepted that the goal of financial management is to maximize the shareholder’s value. EVA as per CAPM Model is modern performance evaluation technique which has help to the shareholder in evaluating the company’s ability for creating shareholder’s wealth.

Lakhani Uday (2022), “A Study on Performance Measurement of Selected Indian FMCG Companies”, M.Phil. Dissertation, Sardar Patel University.

Ms. Pooja Sharma, Mr. Abhay Grover (2022) The appraisal of performance is of great importance for the capitalist firm which is being one of the prime economic institutions of a modern economy. The performance of the company can be judged through its Return or Net profit. The present study attempts to examine impact of various factors such as Net profit Margin, Operating profit ratio, Creditor turnover ratio etc. on the Return on Investment in FMCG Industry. It endeavours to know the Financial Performance of FMCG companies. Based on the results of the study, it is cogently revealed that the overall financial ratios are led by ITC as it is the company having the most profitable business. The result also implied that only Net profit ratio have great impact on Return on Investment. The operating profit ratio of ITC is the highest among all the companies which shows that ITC has got a good performance as the as net profit is considered while on the other hand Godrej has the lowest operating profit ratio furthermore these ratios have a great impact on the shareholders decision as the higher the operating profit the higher will be the shareholders interest to invest in the company hence the company ITC will have edge over the other companies.

Ms. Pooja Sharma, Mr. Abhay Grover (2022) , “Financial statement analysis through position statements of selected FMCG companies, Science Arena Publications Specialty Journal of Accounting and Economics , Vol, 2, Issue-2, pp. 55-62

Mingwei Li (2022). As the global epidemic situation changes, global production and economic conditions gradually change and rebound. The overall strategy and economic situation of companies in the beverage industry is becoming more transparent with public disclosure and the study of their financial statements and other publicly disclosed information is useful for external information users to understand the specific situation and make investment and decision-making decisions. Coca-Cola, as a giant in the industry, is very representative, and its study is a good indicator of the current state of the industry, which can be used as an analogy to the current and future state of other companies. This article provides further insight into the overall financial situation and corporate strategy of The Coca-Cola Company based on the study and analysis of its financial statements and public disclosures from 2018 to 2021, as well as analysis and forecasting of changes to its revenues and overall strategy in light of actual current conditions (e.g., COVID-19 pandemic).

Mingwei Li (2022). Proceedings of the 2022 2nd International Conference on Financial Management and Economic Transition (FMET 2022). Advances in Economics, Business and Management Research. Vol 3. Issue 4.

Jacek Welc, (2022). A primary approach to evaluating and comparing financial performance of enterprises is a ratio analysis. Ratio analysis, which deals with a set of metrics that are typically computed on the basis of inputs extracted from primary financial statements and notes to them. As will be demonstrated in the following sections, most of those accounting ratios are calculated in a very simple way, as a quotient of just two numbers.

Jacek Welc, (2022). "Financial Statement Analysis," Springer Books, in: Evaluating Corporate Financial Performance, chapter 0, pages 131-212, Springer.

Olayinka, A. A. (2022). Financial Statement Analysis (FSA) and Interpretation is a vital instrument for good management decision-making in business. The main objective of this study is therefore to determine how firms could use FSA and its interpretation to aid funding and investment decisions and to avert low profitability or low investment returns. Data from the annual report of Nestlé Nigeria Plc. are utilized for the Analysis and Interpretation of the financial

ratio using descriptive statistical analytical tools for presentations. The study concludes that analysis of FSs is adequate for effective decision making and that firms should pay great attention to the use of FSA to properly equip themselves with this tool and also a combination of different ratios should be used in analyzing a firm's financial performance. Proper use of FSA should be made not only in investment but also in other areas of decision-making. The paper serves as an aid to different categories of investors when making critical investment decisions.

Olayinka, A. A. (2022). Financial statement analysis as a tool for investment decisions and assessment of companies' performance. International Journal of Financial, Accounting, and Management, 4(1), 49–66. <https://doi.org/10.35912/ijfam.v4i1.852>

Gowsalya R S (2023) the study entitled the financial performance analysis a Company. The objective of this study is to compare the current financial performance with last five years and to study the existing financial position of Company. The data used in this study is secondary data through annual report. The data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis ,that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. So the company improves this financial position. The study of financial performance on the Company has revealed the great deal of their various financial aspects for five years. The comparative analysis unlocks the overall performance methodology.

Gowsalya R S, 2mohammed Hasan M, “Financial Performance Analysis”, IJRTI | Volume 2, Issue 6 | ISSN: 2456-3315, 2023

Bismark Maka, N. Suresh (2023) the work expatiated on the concept of financial performance and its analysis. It also captured relevant stakeholders for financial performance information. The review sought to encapsulate the existing state of knowledge on financial performance evaluations from previously published works. It also highlighted gaps in the reviewed literatures. Two dimensions of existing literature were explored; namely financial performance of companies, regardless of the location or industry, as well as those specific to companies in Ghana and particularly to the telecommunications sector. Of all the existing works

reviewed, 54 percent captured literature in the first category described above and the remaining 46 percent was on the second category. It was revealed after the review, that three different methodologies or approaches were adopted in evaluating financial performance of firms. The first approach employed the use of financial ratios either overtime within firm, or between different firms for comparative analysis. Another strand of the surveyed works examined the impacts of selected indicators like capital structure and operational practices like Just-In-Time (JIT) systems on financial performance. A third approach employed metrics from internal key performance indicators to examine a firm's financial performance. It was ascertained that majority of existing literatures in the field and on the topic deployed the first two approaches.

Bismark Maka, N. Suresh, “Review of Financial Performance analysis of Corporate Organizations”, Asian Journal of Mangement, Volume - 9, Issue - 1,Year – 2023.

S.Saigeetha¹ and Dr.S.T.Surulivel(2023) —This paper is to enlighten the financial performance of the public sector undertaking that is, BHEL (Bharat Heavy Electricals Limited). Accounting ratios are helpful in a great manner to analyse the financial position of a company. Financial analysis helps to assess the profitability and financial position of a concern. This analysis can be done by comparing the ratios for the same over a period of years, or for one concern against the industry as a whole, or for the concern against as the predetermined standards, or for just one department of the concern against the other departments of the same concern. Accounting ratios are calculated for a number of years which shows the trend for the change of position. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc uses the accounting ratios for analyzing the financial position. In order to analyze the financial performance of BHEL also the accounting ratios are used. The secondary data is used for the entire study. The financial information of BHEL has been collected from the annual reports of the company which is printed. The final result of the paper in accordance to the financial performance of BHEL is not similar during the period of the study. In the present globalized era, the manufacturing of power plant equipment is an

important commodity. The financial soundness of the company will automatically affected by the increasing capacity of production. In a business for each and every activity finance is the base. So, to analyze the financial position of the company it is very essential.

S.Saigeetha¹ and Dr.S.T.Surulivel, “A Study On Financial Performance Using Ratio Analysis Of Bhel, Trichy”, International Journal of Innovative Research in Management Studies (IJIRMS) Volume 2, Issue 3, April 2023. 31-39

Research Gap

After an extensive review of literature of empirical works, it is clear that the past researches have probed from the different angles the various aspect of the evaluation of financial performance of firms. There is less number of articles in the study to analyse the financial performance in this chosen sector. They have ignored to study the profitability position of the company. They have not focused to analyse the ratios to find out the efficiency of the selected company. The present study fulfils the gap in the study.

CHAPTER-3

AIM AND SCOPE OF THE PRESENT INVESTIGATION / THEORETICAL FRAMEWORK

3.1 OBJECTIVES OF THE STUDY

- To study and analyses the changes which have taken place in the financial position of the company
- To examine the working capital position of the company
- To suggest some measures to improve the performance of the company, through comparative statement analysis of the results achieved
- To find out the sources from which additional funds were derived

3.2 SCOPE OF THE STUDY

The study was conducted on the analysis of financial statement with special reference to Vijay Raja Homes Private Limited, Chennai in order to know about the performance of the company for the preceding five years. The scope of the study is defined in terms of Vijay Raja Homes Private Limited, Chennai annual report. The study is mainly based on the availability of the financial data provide by the company. This study helps to know about financial position of the company. It helps to measure the profitability position of Vijay Raja Homes Private Limited, Chennai.

3.3 THEORETICAL FRAMEWORK

3.3.1 Finance

Finance is a term for matters regarding the management, creation, and study of money and investments. Finance can be broadly divided into three categories:

- Public finance
- Corporate finance

- Personal finance

There are many other specific categories, such as behavioral finance, which seeks to identify the cognitive (e.g., emotional, social, and psychological) reasons behind financial decisions.

- Finance is a term broadly describing the study and system of money, investments, and other financial instruments.
- Finance can be divided broadly into three distinct categories: public finance, corporate finance, and personal finance.
- More recent subcategories of finance include social finance and behavioral finance.

"Finance" is typically broken down into three broad categories: Public finance includes tax systems, government expenditures, budget procedures, stabilization policy and instruments, debt issues, and other government concerns. Corporate finance involves managing assets, liabilities, revenues, and debts for a business. Personal finance defines all financial decisions and activities of an individual or household, including budgeting, insurance, mortgage planning, savings, and retirement planning.

3.3.2 FINANCIAL PERFORMANCE

Financial performance is a broad term that describes a company's overall fiscal health. When you hear that a business has strong financial performance that often means it has growing revenues, manageable debt, and a healthy amount of free cash flow.

Financial performance is a general term that describes the overall financial health of an organization. Financial performance metrics are quantifiable, meaning you can measure. But just as your doctor can't tell you how healthy you are just by taking your temperature or blood pressure, there's no single way you can measure financial performance. For example, a firm may be rapidly increasing its revenues, but that doesn't mean its financial performance is strong. To assess its financial performance, you'd also need to look at its expenses, its liabilities, and how much free cash it has available.

Financial performance matters to investors, who make decisions about whether to buy or sell a company's stocks and bonds based on this information. But investors aren't the only ones who care about financial performance. Managers use this information to determine how to allocate company resources.¹ Analysts use financial performance data to make forecasts about future earnings and growth. Lenders use this information to assess whether a company is creditworthy. To find the information you need to assess a company's financial performance by examining its financial statements.

3.3.3 Financial Statements

The three most common types of financial statements are the balance sheet, income statement, and cash flow statement, which are explained in greater detail below.

1. Balance Sheet

The balance sheet provides an overview of a company's assets, liabilities, and shareholder equity for a reporting period. It doesn't show cash inflows and outflows.

- **Assets:** This is property the company owns. This includes cash; physical property such as real estate, buildings, and equipment; and intangible assets, i.e., assets that can't be touched, like patents or trademarks.
- **Liabilities:** This is money the company owes. Examples include a mortgage or rent, bank loans, money owed to suppliers, taxes due to the government, and employee payroll obligations. Current liabilities are obligations due within a year, while long-term liabilities are due more than one year out.
- **Shareholder equity:** This is how much shareholders have invested. If a company sold all assets and paid off all liabilities, only shareholder equity would remain.

2. Income Statements

Also known as a profit and loss (P&L) statement, an income statement shows you a company's revenue for the reporting period, along with its costs and expenses for the same period. The bottom line typically shows you the company's net profit or loss. The statement also usually includes the company's earnings per share.

3. Cash Flow Statement

A cash flow statement includes information from both the balance sheet and income statement. It shows cash inflows and outflows from operations, investment activity, and financing. The bottom line of the statement shows you the net increase or decrease in cash for the reporting period.⁴

3.3.4 Financial Performance Analysis

The process of reviewing and analyzing a company's financial statements to make better economic decisions is called analysis of financial statements. In other words, the process of determining financial strengths and weaknesses of the entity by establishing the strategic relationship between the items of the balance sheet, profit and loss account, and other financial statements.

The term 'analysis' means the simplification of financial data by methodical classification of the data given in the financial statements, 'interpretation' means, 'explaining the meaning and significance of the data so simplified.' However, both 'analysis and interpretation' are interlinked and complementary to each other.

3.3.5 Objectives of Financial Analysis

Let us look at some of the main objectives of financial analysis,

- 1. Reviewing the performance of a company over the past periods:** To predict the future prospects of the company, past performance is analyzed. Past performance is analyzed by reviewing the trend of past sales, profitability, cash flows, return on investment, debt-equity structure and operating expenses, etc.

2. **Assessing the current position & operational efficiency:** Examining the current profitability & operational efficiency of the enterprise so that the financial health of the company can be determined. For long-term decision making, assets & liabilities of the company are reviewed. Analysis helps in finding out the earning capacity & operating performance of the company.
3. **Predicting growth & profitability prospects:** The top management is concerned with future prospects of the company. Financial analysis helps them in reviewing the investment alternatives for judging the earning potential of the enterprise. With the help of financial statement analysis, assessment and prediction of the bankruptcy and probability of business failure can be done.
4. **Loan Decision by Financial Institutions and Banks:** Financial analysis helps the financial institutions, loan agencies & banks to decide whether a loan can be given to the company or not. It helps them in determining the credit risk, deciding the terms and conditions of a loan if sanctioned, interest rate, maturity date etc.

3.3.6 Types of financial analysis

Financial analysis involves the review of an organization's financial information in order to arrive at business decisions. This analysis can take several forms, with each one intended for a different use. The types of financial analysis are as follows.

Horizontal Analysis

This involves the side-by-side comparison of the financial results of an organization for a number of consecutive reporting periods. The intent is to discern any spikes or declines in the data that could be used as the basis for a more detailed examination of financial results.

Vertical Analysis

This is a proportional analysis of the various expenses on the income statement, measured as a percentage of net sales. The same analysis can

be used for the balance sheet. These proportions should be consistent over time; if not, one can investigate further into the reasons for a percentage change.

Liquidity Analysis

This is a detailed review of working capital, involving the calculation of turnover rates for accounts receivable, inventory, and accounts payable. Any differences from the long-term average turnover rate are worth investigating further, since working capital is a key user of cash. It can also be useful to see if any strategic or tactical changes in a business have had a specific impact on liquidity levels; this can be a particular concern when an organization does not have ready access to additional cash.

Profitability Analysis

This is an analysis of the profits generated by a business. It can be broken down into profits by product, product line, geographic region, subsidiary, individual store, and so forth. For a smaller business with few products, a profitability analysis is probably only conducted for the business as a whole. The outcome of this analysis may be decisions to alter price points, adjust product configurations to alter costs, strip away overhead costs, and so forth.

Multi-Company Comparison

This involves the calculation and comparison of the key financial ratios of two organizations, usually within the same industry. The intent is to determine the comparative financial strengths and weaknesses of the two firms, based on their financial statements. This is particularly useful for an acquirer, to evaluate which businesses in an industry are most worthy of an acquisition attempt.

Industry Comparison

This is similar to the multi-company comparison, except that the comparison is between the results of a specific business and the average

results of an entire industry. The intent is to see if there are any unusual results in comparison to the average method of doing business. If there are positive differences, it could be due to the unique strategic positioning of the business.

Valuation Analysis

This involves the use of several methods to derive a range of possible valuations for a business. Examples of these methods are discounted cash flows valuation, a comparison to the prices at which comparable companies have sold, a compilation of the valuations of the subsidiaries of a business, and a compilation of its individual asset values.

3.3.7 Areas of Financial Analysis

A proper analysis consists of five key areas, each containing its own set of data points and ratios.

1. Revenues

Revenues are probably your business's main source of cash. The quantity, quality and timing of revenues can determine long-term success.

- **Revenue growth (revenue this period - revenue last period) ÷ revenue last period.** When calculating revenue growth, don't include one-time revenues, which can distort the analysis.
- **Revenue concentration (revenue from client ÷ total revenue).** If a single customer generates a high percentage of your revenues, you could face financial difficulty if that customer stops buying. No client should represent more than 10 percent of your total revenues.
- **Revenue per employee (revenue ÷ average number of employees).** This ratio measures your business's productivity. The higher the ratio, the better. Many highly successful companies achieve over \$1 million in annual revenue per employee.

2. Profits

If can't produce quality profits consistently, your business may not survive in the long run.

- **Gross profit margin (revenues – cost of goods sold) ÷ revenues.** A healthy gross profit margin allows you to absorb shocks to revenues or cost of goods sold without losing the ability to pay for ongoing expenses.
- **Operating profit margin (revenues – cost of goods sold – operating expenses) ÷ revenues.** Operating expenses don't include interest or taxes. This determines your company's ability to make a profit regardless of how you finance operations (debt or equity). The higher, the better.
- **Net profit margin (revenues – cost of goods sold – operating expenses – all other expenses) ÷ revenues.** This is what remains for reinvestment into your business and for distribution to owners in the form of dividends.

3. Operational Efficiency

Operational efficiency measures how using the company's resources. A lack of operational efficiency leads to smaller profits and weaker growth.

- **Accounts receivables turnover (net credit sales ÷ average accounts receivable).** This measures how efficiently you manage the credit you extend to customers. A higher number means your company is managing credit well; a lower number is a warning sign you should improve how you collect from customers.
- **Inventory turnover (cost of goods sold ÷ average inventory).** This measures how efficiently you manage inventory. A higher number is a good sign; a lower number means you either aren't selling well or are producing too much for your current level of sales.

4. Capital Efficiency and Solvency

Capital efficiency and solvency are of interest to lenders and investors.

- **Return on equity (net income ÷ shareholder's equity).** This represents the return investors are generating from your business.
- **Debt to equity (debt ÷ equity).** The definitions of debt and equity can vary, but generally this indicates how much leverage you're using to operate. Leverage should not exceed what's reasonable for your business.

5. Liquidity

Liquidity analysis addresses your ability to generate sufficient cash to cover cash expenses. No amount of revenue growth or profits can compensate for poor liquidity.

- **Current ratio (current assets ÷ current liabilities).** This measures your ability to pay off short-term obligations from cash and other current assets. A value less than 1 means your company doesn't have sufficient liquid resources to do this. A ratio above 2 is best.
- **Interest coverage (earnings before interest and taxes ÷ interest expense).** This measures your ability to pay interest expense from the cash you generate. A value less than 1.5 is cause for concern to lenders.

CHAPTER-4

RESEARCH METHODOLOGY

The research is an attempt to study a problem or a situation at any given circumstance and identify various causes or consequence of that particular problem. It tries to solve a complex and complicated problem through use of various tools and techniques.

Research Methodology is a systematic way to solve a research problem; It includes various steps that are generally adopted by a researcher in studying the problem along with the logic behind them.

The present study was conducted at Vijay Raja Homes Private Limited, Chennai. The study depends mainly on the secondary data namely the annual reports of the company. Five years annual reports had been collected from the company. Data had also been collected from text books, journals, newspapers, magazines and internet.

4.1 RESEARCH DESIGN

Research design is a logical and systematic planning and directing of a piece of research. It is the translation from a general scientific model into various research procedures. It is not a highly specific plan to be followed without deviation but rather a series of guide post to keep one a head in the direct direction.

4.2 PERIOD OF STUDY

The duration taken by the researcher for the data collection and analysis regarding the profitability analysis of Vijay Raja Homes Private Limited, Chennai is for three months. The data used are of last five years from 2019-23.

4.3 OBJECTIVES

The main objective of this study is to analyse the effectiveness of financial performance on Vijay Raja Homes Private Limited, Chennai.

4.4 HYPOTHESIS

A hypothesis is a precise, testable statement of what the researcher(s) predict will be the outcome of the study. This usually involves proposing a possible relationship between two variables: the independent variable (what the researcher changes) and the dependent variable (what the research measures). Two types of hypothesis are used in this study.

The alternative hypothesis states that there is a relationship between the two variables being studied (one variable has an effect on the other).

The null hypothesis states that there is no relationship between the two variables being studied (one variable does not affect the other). There will be no changes in the dependent variable due to the manipulation of the independent variable.

4.5 SOURCE OF DATA

The study basically uses secondary data. Secondary data means the data that are already available. Generally speaking secondary data is collected by some organizations or agencies which have already been processed when the researcher utilizes secondary data; the process of secondary data collection and analysis is called desk research. Secondary data provides economy in time and cost. It is easily available and unbiased. Secondary data may either be published data or unpublished data. For this study secondary data were collected from the annual reports of the company and from the company website.

4.6 DATA COLLECTION METHOD

The main sources through which data is collected are

- a) Secondary data

4.6.1 SECONDARY DATA

Secondary data refers to information gathered from sources already existing. Some sources of secondary data are data available from previous research, information available from any published or unpublished sources

available either within or outside the organization, library records, online data, websites and the internet. The secondary data of information of this study were obtained through web sites, books, annual report, and internet

Secondary data marks the beginning of the research process. Information gathered from both internal and external sources. Secondary data is required to analyze the primary data. Secondary data gathered through journals, books and websites.

Data which are not originally collected by the researcher but obtained From books, records, journals, dissertations, Government Orders, etc., are known as secondary data. The merits of secondary data are as follows:

- i) It is easy to use information already gathered by someone.
- ii) It will not be expensive.
- iii) Collection of secondary data is not a time consuming affair.
- iv) The researcher need not depend on anyone for the necessary information.
- v) There is no need for a questionnaire or schedule.

4.7 DESIGN OF RESEARCH

The research design adopted for the studies is descriptive design. Descriptive research design is a type of research design that aims to obtain information to systematically describe a phenomenon, situation, or population. More specifically, it helps answer the what, when, where, and how questions regarding the research problem, rather than the why.

4.8 SAMPLING METHODS

Analytical Research Design study is used. Usually for those research studies having the computation of problems or application of formulae for computations analytical research design technique is used.

4.9 TOOLS USED

4.9.1 Ratio Analysis

A ratio is the quotient of two mathematical expressions and the relationship between two or more numbers. The relationship between the two accounting figures expressed mathematically is known as a financial ratio.

The following ratios are used in this study. They are,

- Current Ratio
- Absolute Liquid Ratio
- Quick Ratio
- Debt Equity Ratio
- Proprietary Ratio
- Fixed Assets To Net worth Ratio

- Inventory Turnover Ratio
- Debtors Turnover Ratio
- Creditors Turnover Ratio
- Average Collection Period
- Working Capital Turnover Ratio
- Fixed Assets Turnover Ratio
- Gross Profit Ratio
- Assets Turnover Ratio
- Return On Equity
- Capital Turnover Ratio

4.9.2 Trend Analysis

A trend analysis is an aspect of technical analysis that tries to predict the future movement of a stock based on past data. Trend analysis is based on the

idea that what has happened in the past gives traders an idea of what will happen in the future. There are three main types of trends: short-, intermediate- and long-term.

4.9.3 Common Size Balance Sheet

A common size balance sheet is a balance sheet that displays both the numeric value and relative percentage for total assets, total liabilities, and equity accounts. The calculation for common-size percentages is: $(\text{Amount} / \text{Base amount})$ and multiply by 100 to get a percentage. Remember, on the balance sheet the base is total assets and on the income statement the base is net sales.

4.9.4 Comparative Balance Sheet

A comparative balance sheet is a statement that shows the financial position of an organization over different periods for which comparison is made or required. The financial position is compared with 2 or more periods to depict the trend, direction of change, analyze and take suitable actions.

4.10 LIMITATIONS OF THE STUDY

- Finance statement analysis of the organization is based entirely on the previous year's Balance sheet and Profit & Loss A/c statement. This data available from the organization is valid only with respect to the figure given.
- 5 years data is taken for analysis. The 5 years data may give a clear picture about the overall performance.
- Being the time limit for the researcher is very short; it becomes impossible to gather much more details recording this study.
- There is always a possibility of window dressing of financial statements.

CHAPTER-5

RESULTS AND DISCUSSION/ DATA ANALYSIS

1. Current Ratio

The current ratio is calculated by dividing current assets by current liability. Current ratio indicated the ability of a concern to meet its current obligations as and when they are due for payment.

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

TABLE NO. 5.1			
CURRENT RATIO			
Year	Current Assets	Current Liabilities	Ratio
2019	627.00	567.59	1.10
2020	764.70	699.58	1.09
2021	1057.83	1149.97	0.92
2022	917.66	1292.40	0.71
2023	1162.09	1479.29	0.79

Source : Annual report

Interpretation

The above table depicts that the current ratio is 1.10 in the year of 2018. It has decreased to 1.09 in the year of 2019. It has decreased to 0.92 in the year of 2020. It has further decreased to 0.71 and 0.79 in the year of 2021 and 2022 respectively.

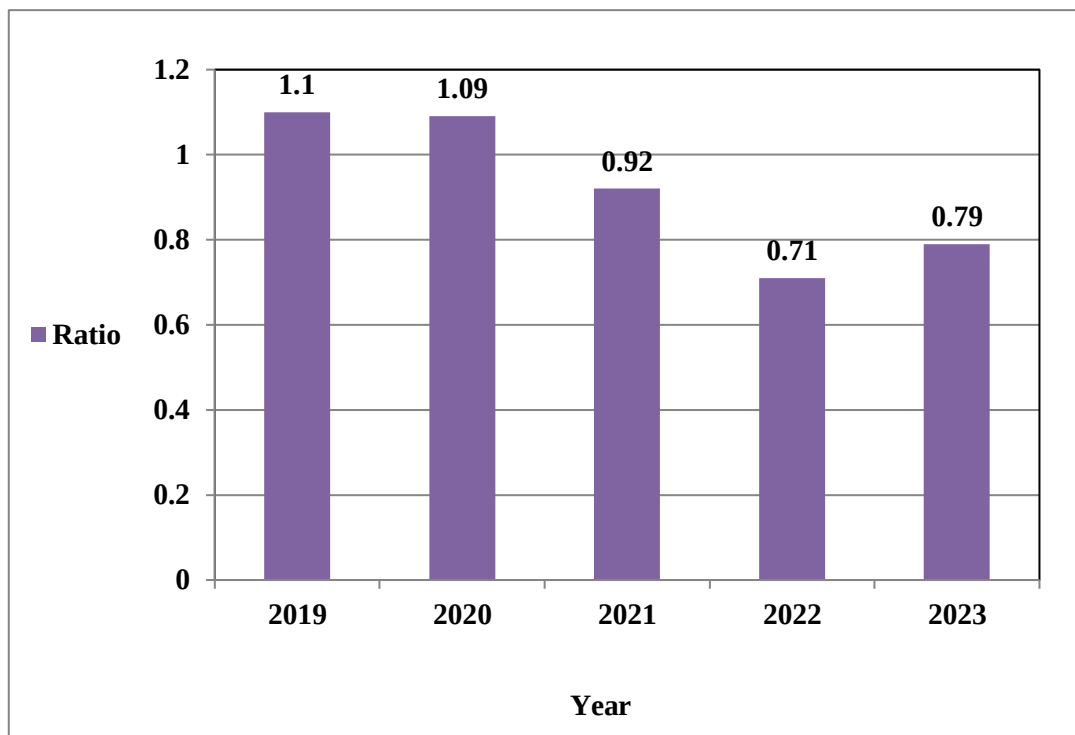


FIGURE NO.5.1 CURRENT RATIO

2. Absolute Liquid ratio:

In addition to computing current and quick ratio, some analysts also compute absolute liquid ratio to test the liquidity of the business. Absolute liquid ratio is computed by dividing the absolute liquid assets by current liabilities.

$$\text{Absolute liquid ratio} = \frac{\text{Absolute Liquid Assets}}{\text{Current Liabilities}}$$

TABLE NO. 5.2			
ABSOLUTE LIQUID RATIO			
Year	Absolute Liquid assets	Current Liabilities	Ratio
2019	248.69	567.59	0.44
2020	353.85	699.58	0.50
2021	366.26	1149.97	0.31
2022	376.30	1292.40	0.29
2023	499.99	1479.29	0.33

Source : Annual report

Interpretation

The above table depicts that the absolute liquid assets ratio is 0.44 in the year of 2019. It has increased to 0.50 in the year of 2020. It has decreased to 0.31 in the year of 2021. It has further decreased to 0.29 in the year 2022. It has increased to 0.33 in the year of 2023.

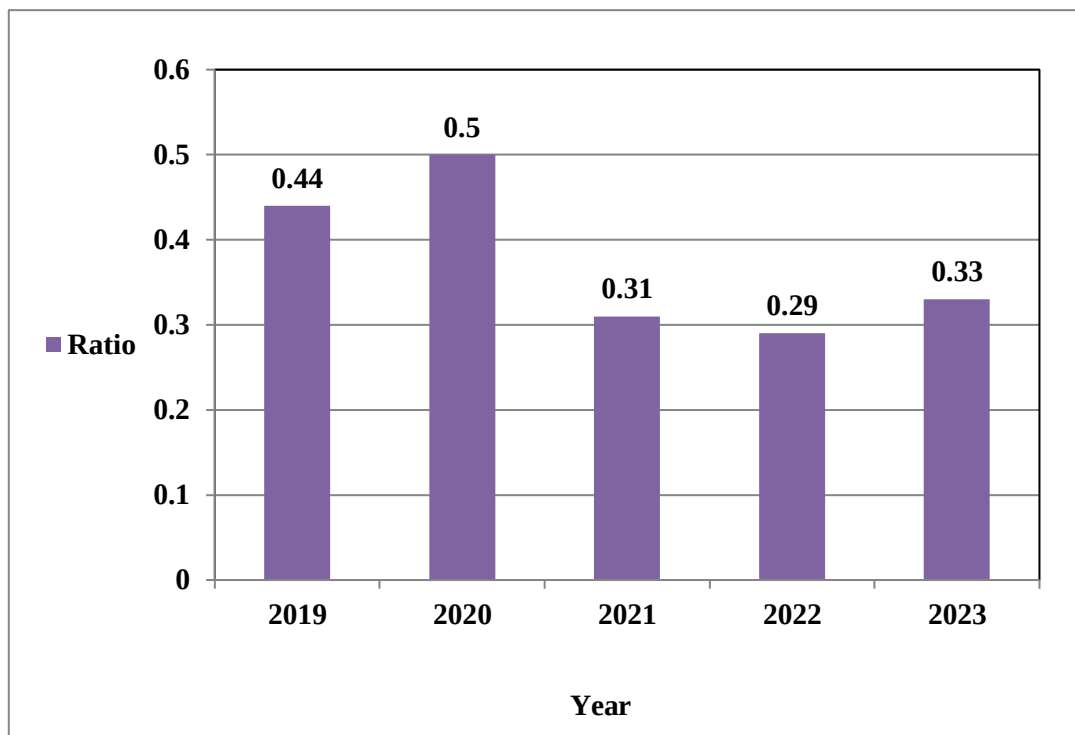


FIGURE NO.5.2 ABSOLUTE LIQUID RATIO

2. Quick Ratio:

This ratio is also termed as “Acid test ratio” or liquid ratio. This ratio is ascertained by comparing the liquid assets to current liabilities. Liquid assets refer to assets which are quickly convertible into cash. Current asset other than stock and prepaid expenses are considered as quick assets.

$$\text{Liquid ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

TABLE NO. 5.3			
QUICK RATIO			
Year	Quick assets	Current Liabilities	Ratio
2019	448.26	567.59	0.79
2020	559.70	699.58	0.80
2021	730.16	1149.97	0.63
2022	653.24	1292.40	0.51
2023	876.73	1479.29	0.59

Source : Annual report

Interpretation

The above table depicts that the quick ratio is 0.79 in the year of 2019. It has increased to 0.80 in the year of 2020. It has decreased to 0.63 in the year of 2021. It has further decreased to 0.51 in the year 2022. It has increased to 0.59 in the year of 2023.

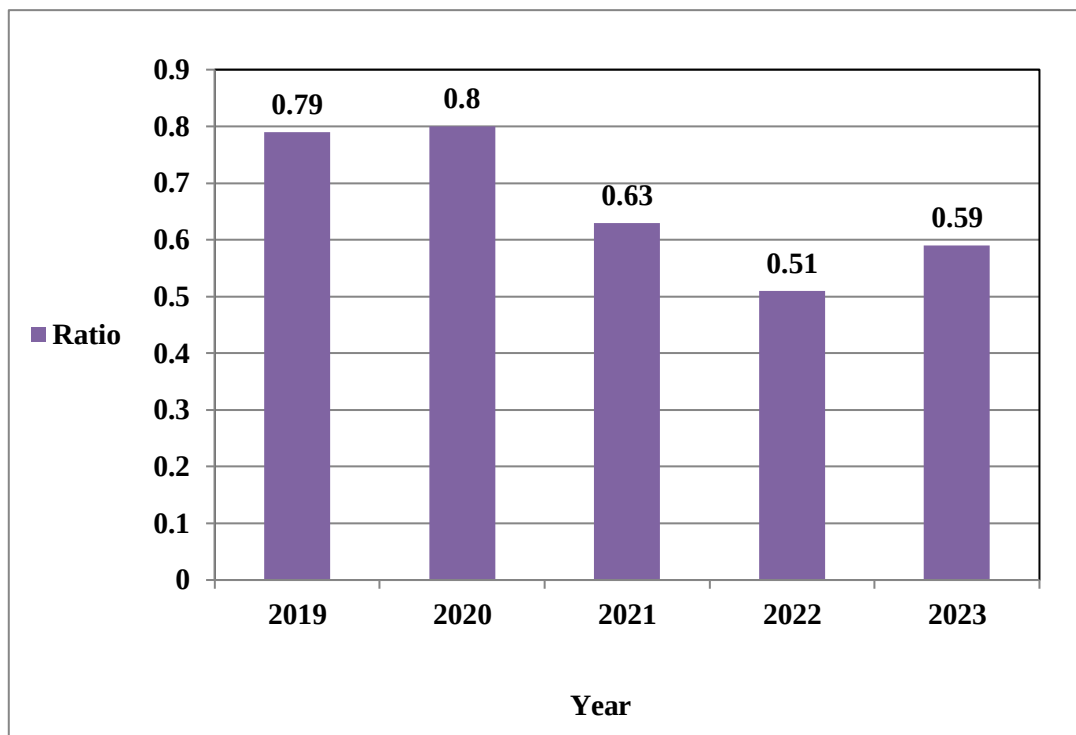


FIGURE NO.5.3 QUICK RATIO

4. Debt-Equity ratio:

This ratio is ascertained to determine long term solvency position of a company. Debt equity ratio is also called 'External-Internal equity ratio'.

$$\text{Debt equity ratio} = \frac{\text{Outsiders' fund}}{\text{Shareholders' funds}}$$

TABLE NO. 5.4			
DEBT EQUITY RATIO			
Year	Total debt	Net worth	Ratio
2019	1362.91	804.50	1.69
2020	1488.10	915.79	1.62
2021	1434.25	970.69	1.48
2022	1153.14	1035.48	1.11
2023	1087.39	1145.98	0.95

Source : Annual report

Interpretation

The above table depicts that the debt equity ratio is 1.69 in the year of 2019. It has decreased to 1.62 in the year of 2020. It has decreased to 1.48 in the year of 2021. It has further decreased to 1.11 and 0.95 in the year of 2022 and 2023 respectively.

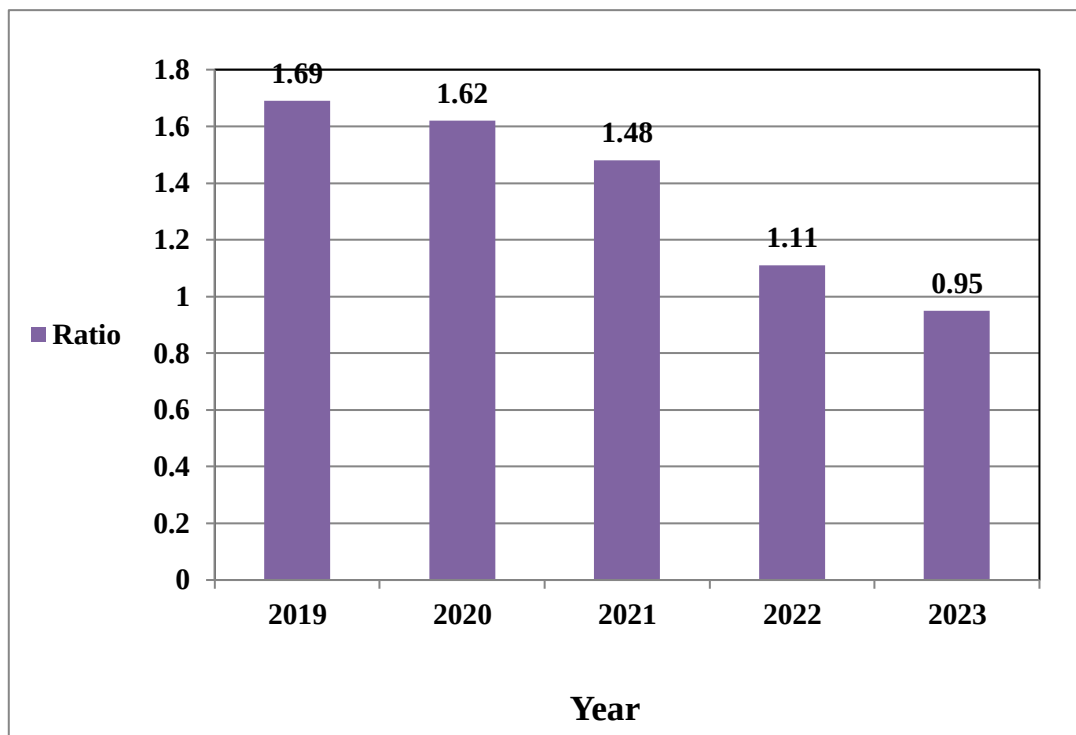


FIGURE NO.5.4 DEBT EQUITY RATIO

5. Proprietary Ratio:

The proprietary ratio (also known as the equity ratio) is the proportion of shareholders' equity to total assets, and as such provides a rough estimate of the amount of capitalization currently used to support a business. If the ratio is high, this indicates that a company has a sufficient amount of equity to support the functions of the business, and probably has room in its financial structure to take on additional debt, if necessary.

$$\text{Proprietary ratio} = \frac{\text{Shareholders fund}}{\text{Total tangible assets}}$$

TABLE NO. 5.5			
PROPRIETARY RATIO			
Year	Shareholders' fund	Total tangible assets	Ratio
2019	804.50	1653.15	0.49
2020	915.79	2618.10	0.35
2021	970.69	2890.38	0.34
2022	1035.48	2650.87	0.39
2023	1145.98	3108.66	0.37

Source : Annual report

Interpretation

The above table depicts that the proprietary ratio is 0.49 in the year of 2019. It has decreased to 0.35 in the year of 2020. It has decreased to 0.34 in the year of 2021. It has increased to 0.39 and decreased to 0.37 in the year of 2022 and 2023 respectively.

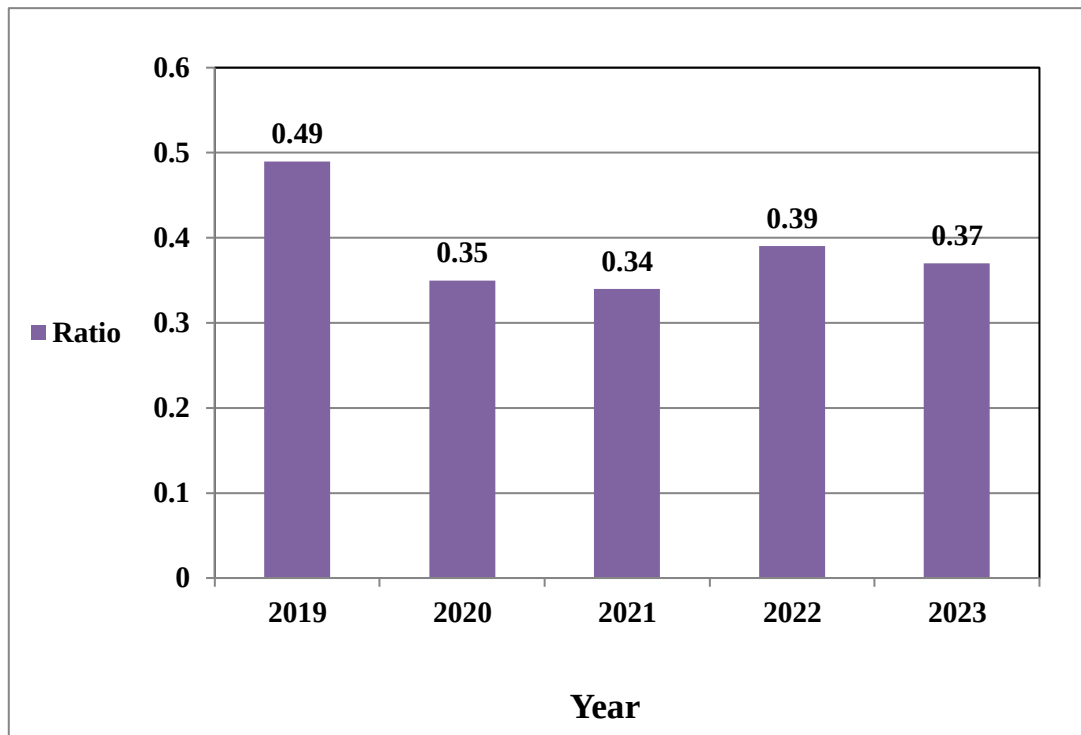


FIGURE NO.5.5 PROPRIETARY RATIO

6. Fixed assets to net worth ratio:

Fixed assets to net worth is a ratio measuring the solvency of a company. This ratio indicates the extent to which the owners' cash is frozen in the form of fixed assets, such as property, plant, and equipment, and the extent to which funds are available for the company's operations (i.e. for working capital).

$$\text{Fixed assets to net worth ratio} = \frac{\text{Fixed assets}}{\text{Net worth}}$$

TABLE NO. 5.6			
FIXED ASSETS TO NETWORTH RATIO			
Year	Fixed assets	Net worth	Ratio
2019	1255.49	804.50	1.56
2020	2195.04	915.79	2.40
2021	2179.07	970.69	2.24
2022	2085.00	1035.48	2.01
2023	2434.35	1145.98	2.12

Source : Annual report

Interpretation

The above table depicts that the fixed assets to net worth ratio is 1.56 in the year of 2019. It has increased to 2.40 in the year of 2020. It has decreased to 2.24 in the year of 2021. It has further decreased to 2.01 and increased to 2.12 in the year of 2022 and 2023 respectively.

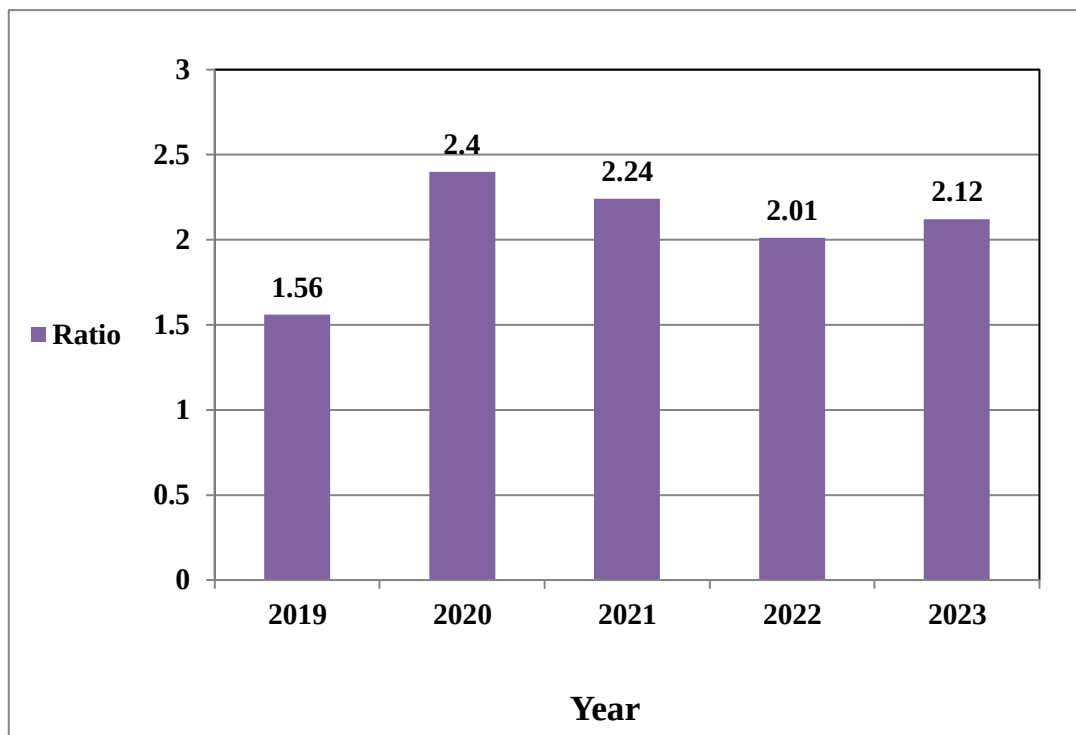


FIGURE NO. 5.6 FIXED ASSETS TO NETWORTH RATIO

7. Inventory Turnover ratio:

The inventory turnover ratio is an efficiency ratio that shows how effectively inventory is managed by comparing cost of goods sold with average inventory for a period. This measures how many times average inventory is “turned” or sold during a period.

$$\text{Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

TABLE NO. 5.7			
INVENTORY TURNOVER RATIO			
Year	Cost of goods sold	Average inventory	Ratio
2019	136.09	617.31	0.22
2020	35.89	281.24	0.13
2021	-122.67	368.84	-0.33
2022	132.72	459.88	0.29
2023	73.83	407.10	0.18

Source : Annual report

Interpretation

The above table depicts that the inventory turnover ratio is 0.22 in the year of 2019. It has decreased to 0.13 in the year of 2020. It has decreased to -0.33 in the year of 2021. It has further increased to 0.29 and decreased to 0.18 in the year of 2022 and 2023 respectively.

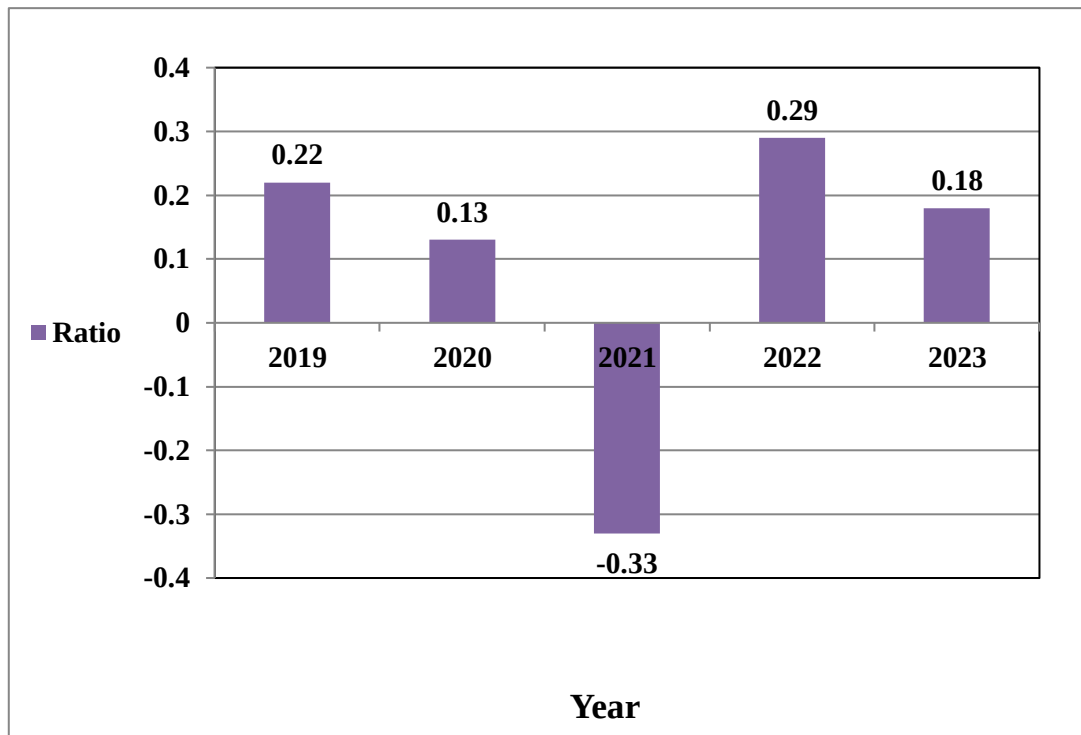


FIGURE NO. 5.7 INVENTORY TURNOVER RATIO

8. Debtors turnover ratio:

Debtor turnover ratio is the relationship between net sales and average debtors. It is also called account receivable turnover ratio because the debtor and bill receivables' total is used for following formula:

$$\text{Debtors turnover ratio} = \frac{\text{Sales}}{\text{Debtors}}$$

TABLE NO. 5.8			
DEBTORS TURNOVER RATIO			
Year	Sales	Debtors	Ratio
2019	1082.14	199.57	5.42
2020	1245.49	205.85	6.05
2021	4522.92	363.90	12.43
2022	1861.26	276.94	6.72
2023	2285.22	376.74	6.07

Source : Annual report

Interpretation

The above table depicts that the debtors turnover ratio is 5.42 in the year of 2019. It has increased to 6.05 in the year of 2020. It has further increased to - 12.43 in the year of 2021. It has decreased to 6.72 and to 6.07 in the year of 2022 and 2023 respectively.

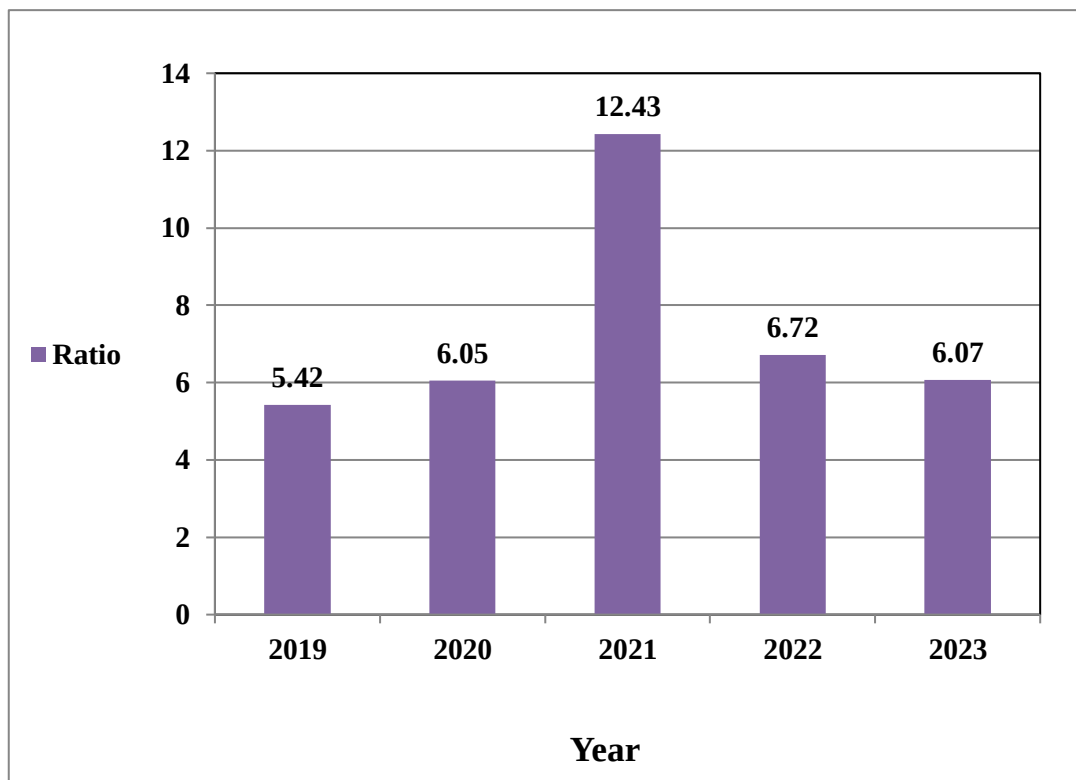


FIGURE NO. 5.8 DEBTORS TURNOVER RATIO

9. Creditors turnover ratio:

It indicates the speed with which the payments are made to the trade creditors. It establishes relationship between net credit annual purchases and average accounts payables.

$$\text{Creditors turnover ratio} = \frac{\text{Purchases}}{\text{Creditors}}$$

TABLE NO. 5.9			
CREDITORS TURNOVER RATIO			
Year	Purchases	Creditors	Ratio
2019	300.73	458.50	0.65
2020	327.46	572.67	0.57
2021	520.25	1021.36	0.51
2022	575.01	1151.55	0.49
2023	727.20	1312.01	0.55

Source : Annual report

Interpretation

The above table depicts that the creditors' turnover ratio is 0.65 in the year of 2019. It has decreased to 0.57 in the year of 2020. It has further decreased to 0.51 in the year of 2021. It has decreased to 0.49 and increased to 0.55 in the year of 2022 and 2023 respectively.

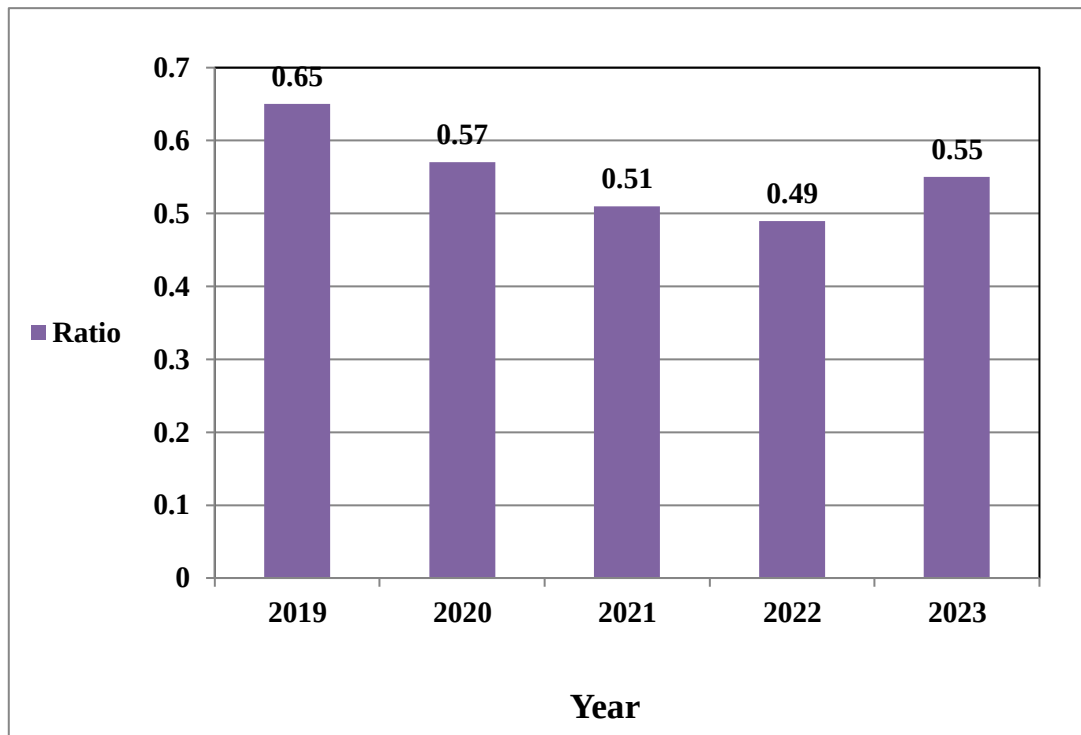


FIGURE NO. 5.9 CREDITORS TURNOVER RATIO

10. Average collection period:

The average collection period is the approximate amount of time that it takes for a business to receive payments owed in terms of accounts receivable. The average collection period is calculated by dividing the average balance of accounts receivable by total net credit sales for the period and multiplying the quotient by the number of days in the period.

$$\text{Average collection period} = \frac{\text{Days in a year}}{\text{Debtors' turnover ratio}}$$

TABLE NO. 5.10			
AVERAGE COLLECTION PERIOD			
Year	Days in a year	Debtors turnover ratio	Debt collection period (days)
2019	365	5.42	67
2020	365	6.05	60
2021	365	12.43	29
2022	365	6.72	54
2023	365	6.07	60

Source : Annual report

Interpretation

The above table depicts that the average collection period is 67.31 days in the year of 2019. It has decreased to 60.33 in the year of 2020. It has further decreased to 29.37 in the year of 2021. It has increased to 54.31 and increased to 60.17 in the year of 2022 and 2023 respectively.

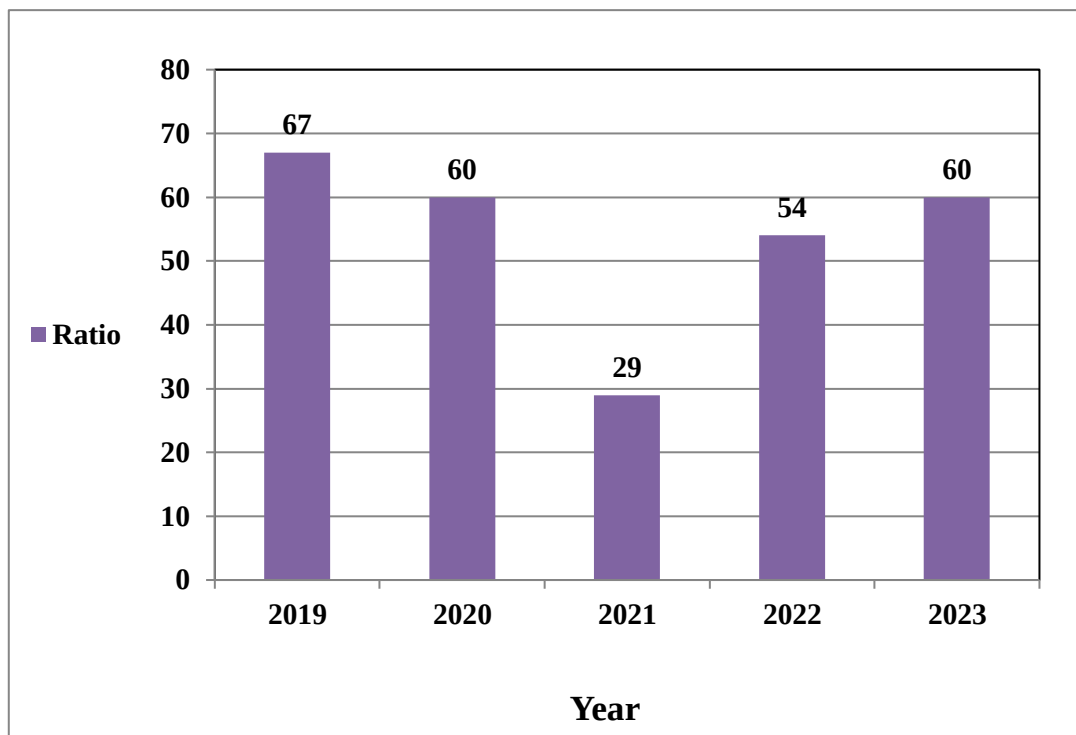


FIGURE NO.5.10 AVERAGE COLLECTION PERIOD

11. Working capital turnover ratio

The working capital turnover ratio measures how well a company is utilizing its working capital to support a given level of sales. Working capital is current assets minus current liabilities. A high turnover ratio indicates that management is being extremely efficient in using a firm's short-term assets and liabilities to support sales.

$$\text{Working capital turnover ratio} = \frac{\text{Net sales}}{\text{Net working capital}}$$

TABLE NO. 5.11			
WORKING CAPITAL TURNOVER RATIO			
Year	Net sales	Net working capital	Ratio
2019	1082.14	59.41	18.21
2020	1245.49	65.12	19.12
2021	4522.92	-92.14	-49.08
2022	1861.26	-374.74	-4.96
2023	2285.22	-317.20	-7.20

Source : Annual report

Interpretation

The above table depicts that the working capital turnover ratio is 18.21 in the year of 2019. It has increased to 19.12 in the year of 2020. It has further decreased to -49.08 in the year of 2021. It has again decreased to -4.96 and -7.20 in the year of 2022 and 2023 respectively.

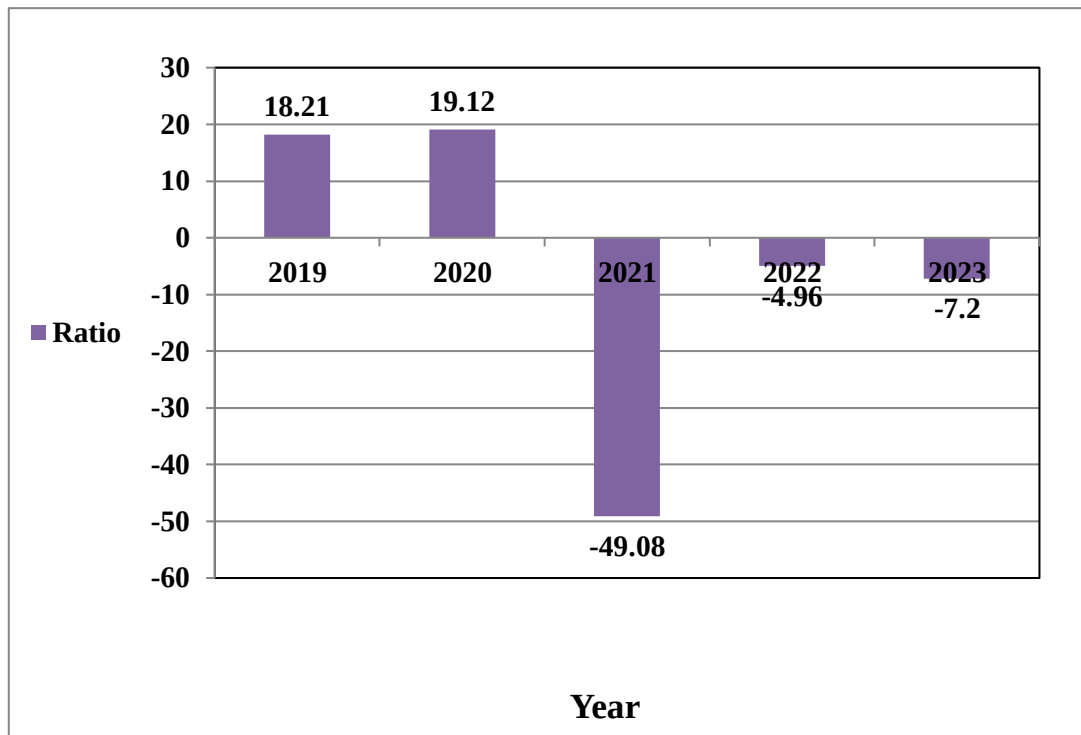


FIGURE NO.5. 11 WORKING CAPITAL TURNOVER RATIO

12. Fixed assets turnover ratio:

The fixed-asset turnover ratio is, in general, used by analysts to measure operating performance. It is a ratio of net sales to fixed assets. This ratio specifically measures how able a company is to generate net sales from fixed-asset investments, namely property, plant and equipment (PP&E), net of depreciation. In a general sense, a higher fixed-asset turnover ratio indicates that a company has more effectively utilized investment in fixed assets to generate revenue. It can be calculated as

$$\text{Fixed Assets} = \frac{\text{Sales}}{\text{Fixed Assets}}$$

TABLE NO. 5.12			
FIXED ASSETS TURNOVER RATIO			
Year	Sales	Fixed assets	Ratio
2019	1082.14	1255.49	0.86
2020	1245.49	2195.04	0.57
2021	4522.92	2179.07	2.08
2022	1861.26	2085.00	0.89
2023	2285.22	2434.35	0.94

Source : Annual report

Interpretation

The above table depicts that the fixed assets turnover ratio is 0.86 in the year of 2019. It has decreased to 0.57 in the year of 2020. It has increased to 2.08 in the year of 2021. It has decreased to 0.39 in the year of 2022. It has further decreased to 0.94 in the year of 2023.

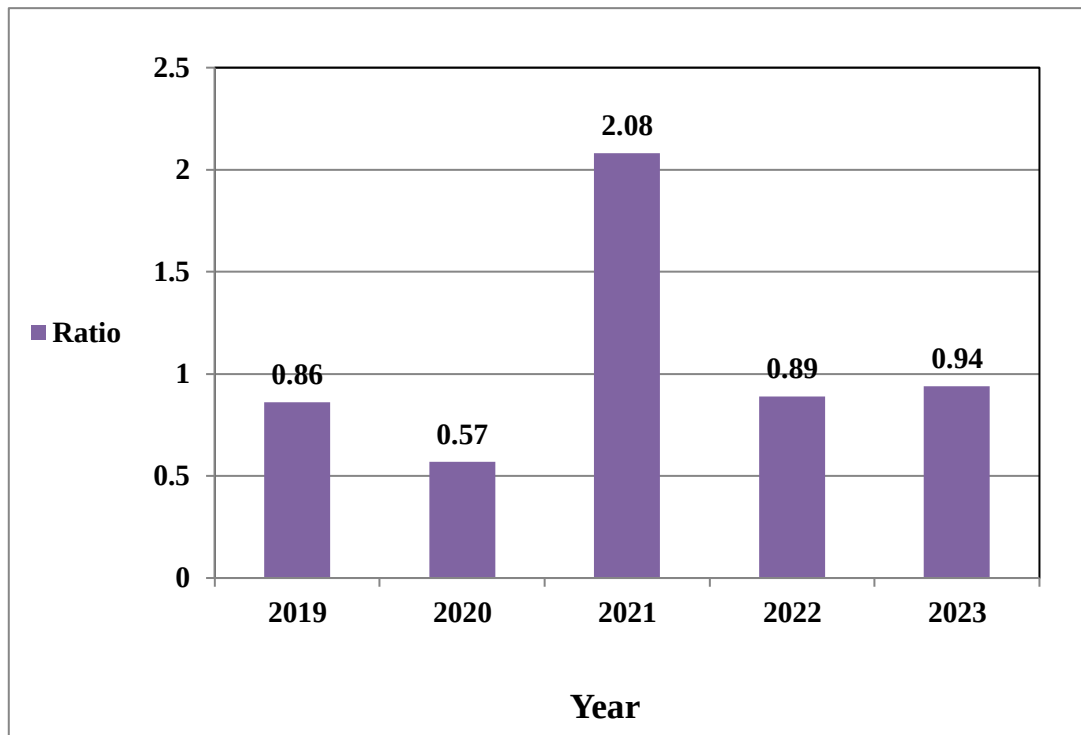


FIGURE NO.5.12 FIXED ASSETS TURNOVER RATIO

13. Gross Profit Ratio:

Gross profit ratio expresses the relationship between gross profit and net sales. It indicates the efficiency of production or trading operation. A high gross profit ratio is a sign of good management as it implies that the cost of production is relatively low.

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

TABLE NO. 5.13			
GROSS PROFIT RATIO			
Year	Gross profit	Net sales	Ratio
2019	473.93	1082.14	43.80
2020	550.35	1245.49	44.19
2021	3553.34	4522.92	78.56
2022	797.39	1861.26	42.84
2023	974.90	2285.22	42.66

Source : Annual report

Interpretation

The above table depicts that the gross profit ratio is 43.30 in the year of 2019. It has increased to 44.19 in the year of 2020. It has further increased to 78.56 in the year of 2021. It has decreased to 42.84 in the year of 2022. It has further to 42.66 in the year of 2023.

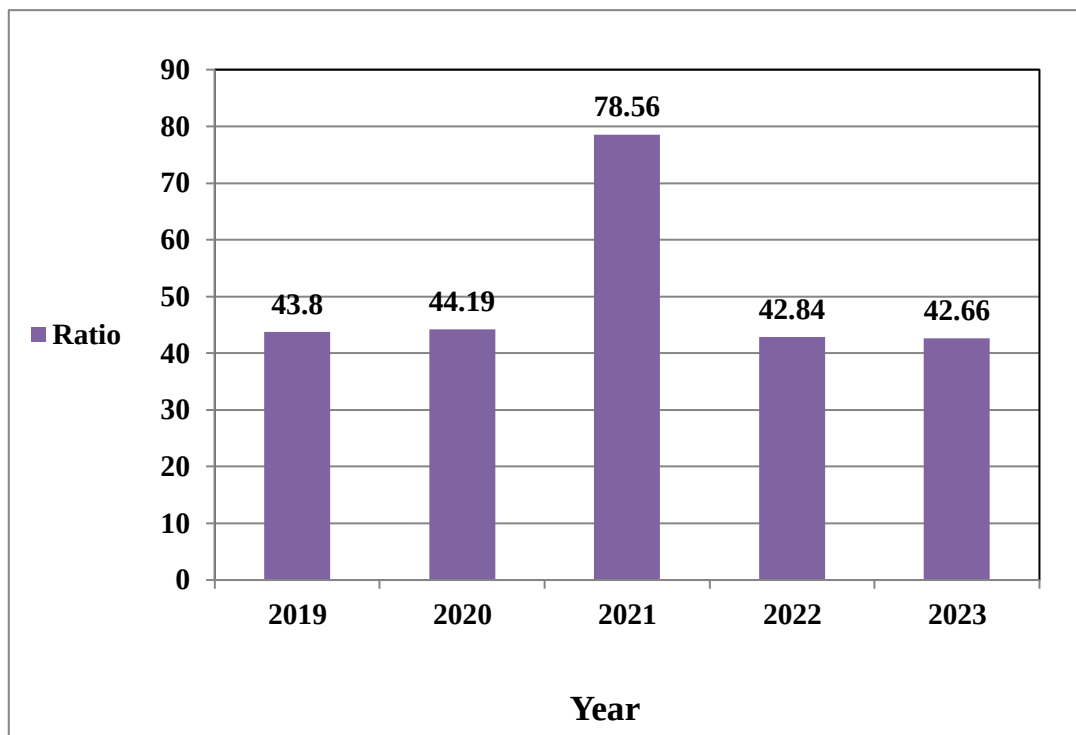


FIGURE NO.5.13 GROSS PROFIT RATIO

14. Total assets turnover ratio:

Asset turnover ratio measures the value of a company's sales or revenues generated relative to the value of its assets. The Asset Turnover ratio can often be used as an indicator of the efficiency with which a company is deploying its assets in generating revenue.

It can be calculated as

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

TABLE NO. 5.14			
ASSETS TURNOVER RATIO			
Year	Sales	Total assets	Ratio
2019	1082.14	2167.41	0.50
2020	1245.49	2403.89	0.52
2021	4522.92	2404.94	1.88
2022	1861.26	2188.62	0.85
2023	2285.22	2233.37	1.02

Source : Annual report

Interpretation

The above table depicts that the assets turnover ratio is 0.50 in the year of 2019. It has increased to 0.52 in the year of 2020. It has further increased to 1.58 in the year of 2021. It has decreased to 0.88 in the year of 2022. It has decreased to 0.85 in the year of 2022. It has increased to 1.02 in the year of 2023.

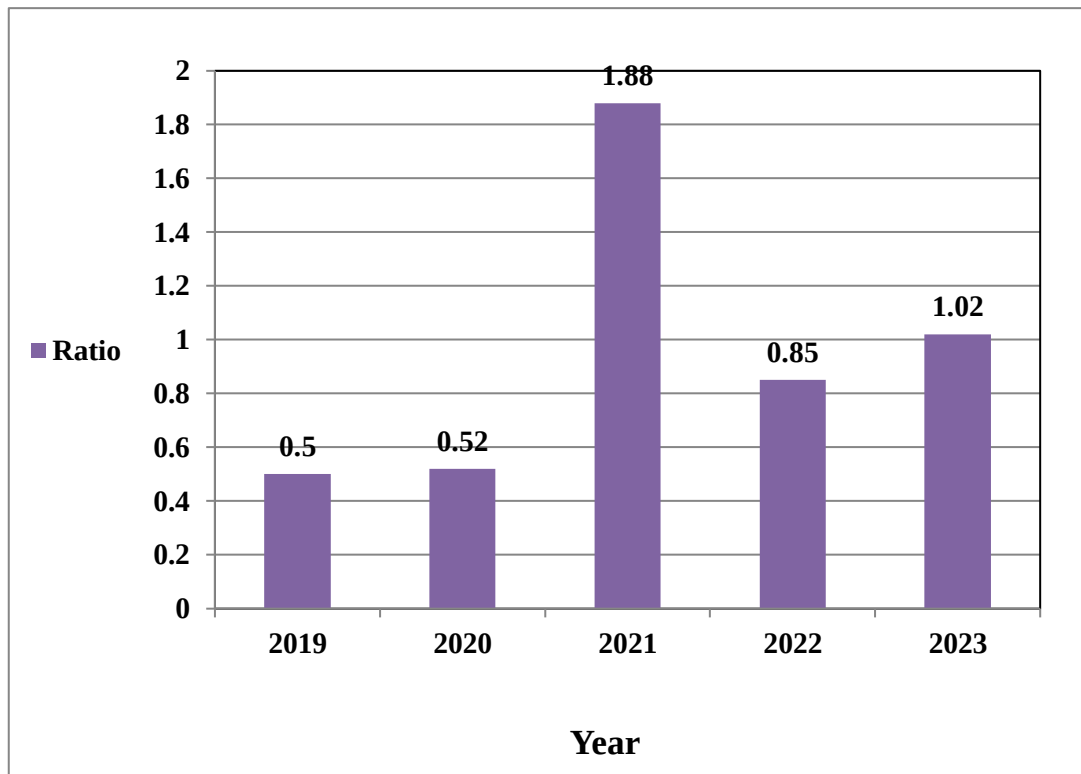


FIGURE NO.5.14 ASSETS TURNOVER RATIO

15. Return on equity

A return on shareholders' equity is calculated to see the profitability of owners' investment. The return on shareholders' equity is calculated as

$$ROE = \frac{\text{Profit after taxes}}{\text{Net worth}}$$

TABLE NO. 5.15			
RETURN ON EQUITY			
Year	Net profit after tax	Equity capital	Ratio
2019	1269.04	69.38	18.29
2020	1459.09	69.38	21.03
2021	4631.87	69.38	66.76
2022	1952.72	69.38	28.15
2023	2446.39	69.38	35.26

Source : Annual report

Interpretation

The above table depicts that the return on equity is 18.29 in the year of 2019. It has increased to 21.03 in the year of 2020. It has further increased to 66.76 in the year of 2021. It has decreased to 28.15 in the year of 2022. It has increased to 35.26 in the year of 2023.

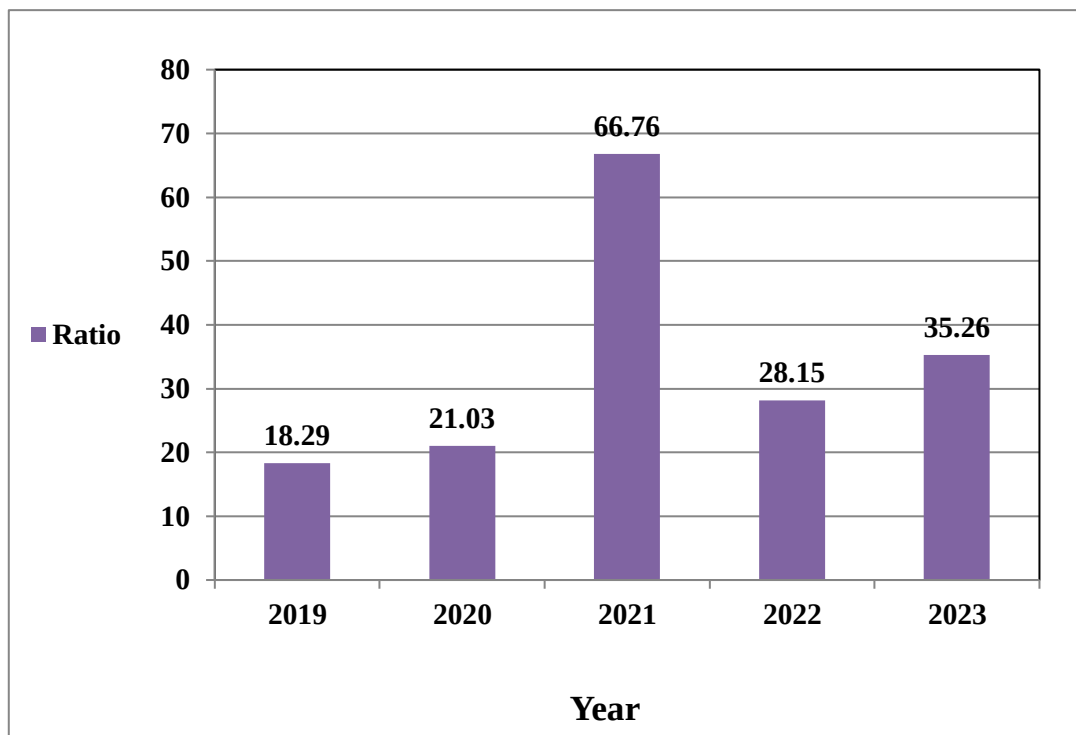


FIGURE NO.5.15 RETURN ON EQUITY

16. Capital turnover ratio

One of the important sales ratios, Capital turnover ratio shows the relationship between net sales and capital employed. It is used to measure the efficiency of management to generate revenue from companies' capital.

$$\text{Capital turnover ratio} = \frac{\text{Sales}}{\text{Capital employed}}$$

TABLE NO. 5.16			
CAPITAL TURNOVER RATIO			
Year	Net sales	Capital employed	Ratio
2019	1082.14	1599.82	0.68
2020	1245.49	1704.31	0.73
2021	4522.92	1254.97	3.60
2022	1861.26	896.22	2.08
2023	2285.22	754.08	3.03

Source : Annual report

Interpretation

The above table depicts that the capital turnover ratio is 0.68 in the year of 2018. It has increased to 0.73 in the year of 2019. It has further increased to 3.60 in the year of 2020. It has decreased to 2.08 in the year of 2021. It has increased to 3.03 in the year of 2022.

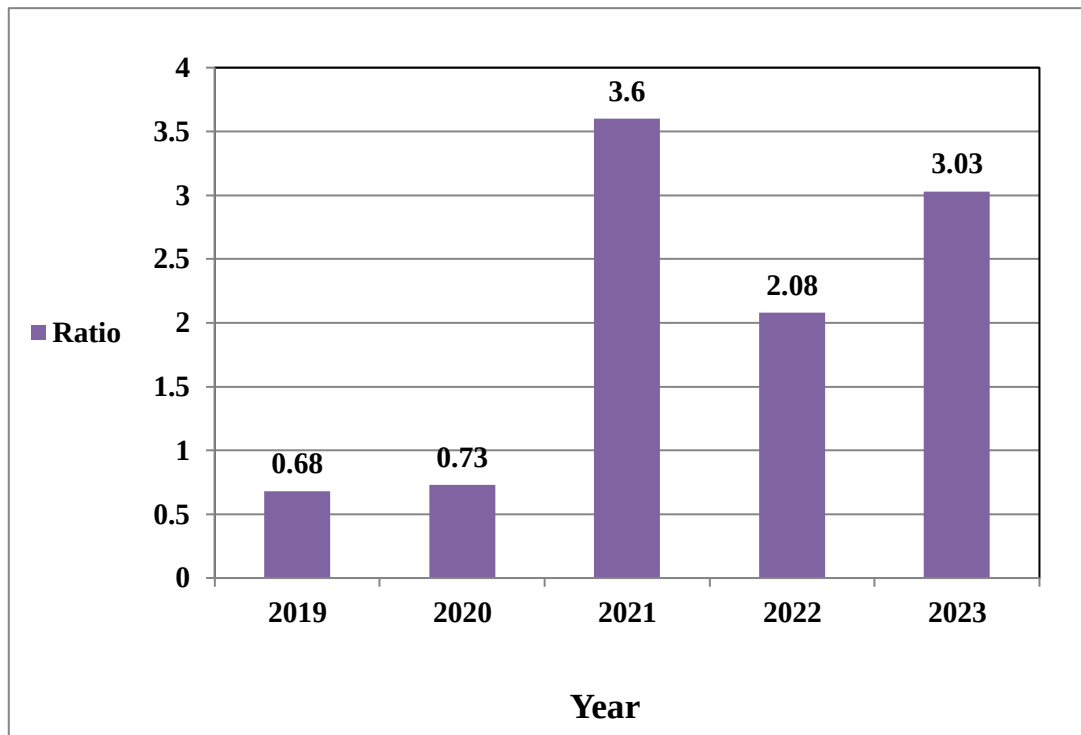


FIGURE NO.5.16 CAPITAL TURNOVER RATIO

TABLE NO. 5.17

TREND ANALYSES

Year	Current assets (y)	X	X²	XY
2019	627.00	-2	4	-1254
2020	764.70	-1	1	-764.7
2021	1057.83	0	0	0
2022	917.66	1	1	917.66
2023	1162.09	2	4	2324.18
TOTAL	ΣY= 4529.28	Ex=0	Ex²=10	ΣXY= 1223.14

Solution.

.Let the equation of the straight line of best fit, with the origin at the middle year 2020 and unit of X as 1 year, be

$$Y = a + Bx$$

By the method of least square, the values of a and b are given by

$$a = \frac{\sum Y}{N} \text{ and } b = \frac{\sum XY}{\sum X^2}$$

$$N = \text{number of years} = 5$$

$$\text{Using [2], } a = \frac{\sum y}{N} = \frac{4529.28}{5} = 905.86, \text{ and } b = \frac{\sum XY}{\sum X^2} = \frac{1223.14}{10} = 122.31$$

Substituting these values in (1), we get, the required equation of the best fitted straight line as:

$$Y = 905.86 + 122.31 x, \text{ with } 2015 = 0$$

Trend Values

YEARS	X	TREND VALUES [$Y = 905.86 + 1223.14 x$]
2019	-2	$905.86 + 1223.14 \times -(2) = -3352.14$
2020	-1	$905.86 + 1223.14 \times -(1) = -1223.14$
2021	0	$905.86 + 1223.14 \times -(0) = 905.86$
2022	1	$905.86 + 1223.14 \times +(1) = 3034.86$
2023	2	$905.86 + 1223.14 \times +(2) = 5163.86$

INTERPRETATION

The trend analysis shows that there was an increasing trend in current assets from the year 2021-2023. This shows that the company is in a good position. The maximum trend value is 5163.86. And it shows least trend value as -3352.14 in the year 2019.

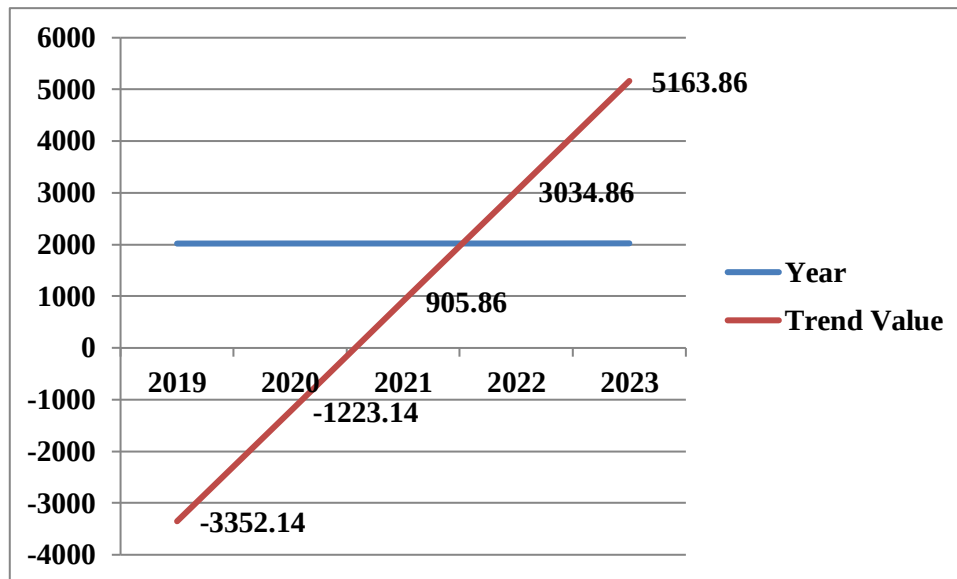


FIGURE NO: 5.17 TREND ANALYSES

Year	Trend $Y = a + bx$		
	A	B	x
2019	905.86 + 1223.14	*-(2)	= -3352.14
2020	905.86 + 1223.14	*-(1)	= -1223.14
2021	905.86 + 1223.14	*-(0)	= 905.86
2022	905.86 + 1223.14	*+(1)	= 3034.86
2023	905.86 + 1223.14	*+(2)	= 5163.86
2024	905.86 + 1223.14	*+(3)	= 7292.86
2025	905.86 + 1223.14	*+(4)	= 9421.86
2026	905.86 + 1223.14	*+(5)	= 11550.86

Interpretation:

It is inferred from the table that the current assets for the next 3 years will be at an increasing trend. At the year 2026, the maximum trend value is 11550.86. It shows the current asset will be increased at the year of 2026.

TABLE NO. 5.18

COMMON SIZE BALANCE SHEET AS ON 31st MAR 2019 AND 2020				
	2019		2020	
PARTICULARS	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
CURRENT ASSETS				
Net current assets	59.41	2.74	65.12	2.71
Total (a)	59.41	2.74	65.12	2.71
FIXED ASSETS				
Net Block	1244.09	57.40	2193.90	91.27
Capital Work in Progress	852.50	39.33	143.71	5.98
Investments	11.40	0.53	1.14	0.05
Total (b)	2107.99	97.26	2338.75	97.29
TOTAL ASSETS (a+b)	2167.40	100.00	2403.87	100.00
LIABILITIES				
Networth	804.50	37.12	915.79	38.10
Total (a)	804.50	37.12	915.79	38.10
TOTAL DEBT				
Secured Loans	1054.90	48.67	1169.24	48.64
Unsecured Loans	308.01	14.21	318.86	13.26
Total (b)	1362.91	62.88	1488.10	61.90
TOTAL LIABILITIES (a+b)	2167.41	100.00	2403.89	100.00

Source: Annual report

Interpretation

The above depicts that the net current assets has decreased from 2.74% to 2.71% in the year of 2019 and 2020.

TABLE NO. 5.19

COMMON SIZE BALANCE SHEET AS ON 31st MAR 2020 AND 2021				
	2020		2021	
PARTICULARS	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
CURRENT ASSETS				
Net current assets	65.12	2.71	67.83	2.82
Total (a)	65.12	2.71	67.83	2.82
FIXED ASSETS				
Net Block	2193.90	91.27	2177.93	90.56
Capital Work in Progress	143.71	5.98	318.00	13.22
Investments	1.14	0.05	1.14	0.05
Total (b)	2338.75	97.29	2497.07	103.83
TOTAL ASSETS (a+b)	2403.87	100.00	2564.90	100.00
LIABILITIES				
Networth	915.79	38.10	970.69	40.36
Total (a)	915.79	38.10	970.69	40.36
TOTAL DEBT				
Secured Loans	1169.24	48.64	1040.33	43.26
Unsecured Loans	318.86	13.26	393.92	16.38
Total (b)	1488.10	61.90	1434.25	59.64
TOTAL LIABILITIES (a+b)	2403.89	100.00	2404.94	100.00

Source: Annual report

Interpretation

The above depicts that the net current assets has increased from 2.71% to 2.82% in the year 2020 AND 2021.

TABLE NO. 5.20

COMMON SIZE BALANCE SHEET AS ON 31st MAR 2021AND 2022				
	2021		2022	
PARTICULARS	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
CURRENT ASSETS				
Net current assets	67.83	2.82	-374.74	-17.12
Total (a)	67.83	2.82	-374.74	-17.12
FIXED ASSETS				
Net Block	2177.93	90.56	2083.86	95.21
Capital Work in Progress	318.00	13.22	478.35	21.86
Investments	1.14	0.05	1.14	0.05
Total (b)	2497.07	103.83	2563.35	117.12
TOTAL ASSETS (a+b)	2564.90	100.00	2188.61	100.00
LIABILITIES				
Net worth	970.69	40.36	1035.48	47.31
Total (a)	970.69	40.36	1035.48	47.31
TOTAL DEBT				
Secured Loans	1040.33	43.26	784.76	35.86
Unsecured Loans	393.92	16.38	368.38	16.83
Total (b)	1434.25	59.64	1153.14	52.69
TOTAL LIABILITIES (a+b)	2404.94	100.00	2188.62	100.00

Source: Annual report

Interpretation

The above depicts that the net current assets has decreased from 2.82% to -17.12% in the year of 2021 and 2022.

TABLE NO. 5.21

COMMON SIZE BALANCE SHEET AS ON 31st MAR 2022 AND 2023				
	2022		2023	
PARTICULARS	AMOUNT	PERCENTAGE	AMOUNT	PERCENTAGE
CURRENT ASSETS				
Net current assets	-374.74	-17.12	-317.20	-14.20
Total (a)	-374.74	-17.12	-317.20	-14.20
FIXED ASSETS				
Net Block	2083.86	95.21	2433.21	108.95
Capital Work in Progress	478.35	21.86	116.20	5.20
Investments	1.14	0.05	1.14	0.05
Total (b)	2563.35	117.12	2550.55	114.20
TOTAL ASSETS (a+b)	2188.61	100.00	2233.35	100.00
LIABILITIES				
Net worth	1035.48	47.31	1145.98	51.31
Total (a)	1035.48	47.31	1145.98	51.31
TOTAL DEBT				
Secured Loans	784.76	35.86	816.06	36.54
Unsecured Loans	368.38	16.83	271.33	12.15
Total (b)	1153.14	52.69	1087.39	48.69
TOTAL LIABILITIES (a+b)	2188.62	100.00	2233.37	100.00

Source: Annual report

Interpretation

The above depicts that the net current assets has decreased from -17.12% to -14.20% in the year of 2022 and 2023.

TABLE NO. 5.22

COMPARATIVE BALANCE SHEET AS ON 31st MARCH 2019-2020				
Current assets	2019	2020	Increase (+) or Decrease (-)	
			Amount	Percentage
Inventories	178.74	205	26.26	14.69
Sundry Debtors	199.57	205.85	6.28	3.15
Cash and Bank Balance	19.35	12.21	-7.14	-36.90
Loans and Advances	229.34	341.64	112.30	48.97
Total current Assets(A)	627	764.7	137.70	21.96
Fixed Assets			0.00	0.00
Net Block	1244.09	2193.9	949.81	76.35
Capital Work in Progress	852.5	143.71	-708.79	-83.14
Investments	11.4	1.14	-10.26	-90.00
Total Fixed Assets (B)	2107.99	2338.75	230.76	-96.80
Total Assets (A+B)	2735	3103.47	368.47	13.47
Liabilities & Capital				
Current Liabilities				
Current Liabilities	458.5	572.67	114.17	24.90
Provisions	109.09	126.91	17.82	16.34
Total Current Liabilities (A)	567.59	699.58	131.99	23.25
Long term liabilities				
Total debt	1362.91	1488.1	125.19	9.19
Total Long term liabilities (B)	1362.91	1488.1	125.19	9.19
Capital & reserves			0.00	0.00
Net worth	804.5	915.79	111.29	13.83
Total Capital (C)	804.5	915.79	111.29	13.83
Total liabilities (A+B+C)	2735	3103.47	368.47	13.47

TABLE NO. 5.23

COMPARATIVE BALANCE SHEET AS ON 31st MARCH 2020-2021				
Current assets	2020	2021	Increase (+) or Decrease (-)	
			Amount	Percentage
Inventories	205	327.67	122.67	59.84
Sundry Debtors	205.85	363.9	158.05	76.78
Cash and Bank Balance	12.21	19.74	7.53	61.67
Loans and Advances	341.64	346.52	4.88	1.43
Total current Assets(A)	764.7	1057.83	293.13	38.33
Fixed Assets			0.00	0.00
Net Block	2193.9	2177.93	-15.97	-0.73
Capital Work in Progress	143.71	318	174.29	121.28
Investments	1.14	1.14	0.00	0.00
Total Fixed Assets (B)	2338.75	2497.07	158.32	120.55
Total Assets (A+B)	3103.47	3553.86	450.39	14.51
Liabilities & Capital				
Current Liabilities				
Current Liabilities	572.67	1021.36	448.69	78.35
Provisions	126.91	128.61	1.70	1.34
Total Current Liabilities (A)	699.58	1149.97	450.39	64.38
Long term liabilities				
Total debt	1488.1	1434.25	-53.85	-3.62
Total Long term liabilities (B)	1488.1	1488.1	0.00	0.00
Capital & reserves			0.00	0.00
Net worth	915.79	970.69	54.90	5.99
Total Capital (C)	915.79	915.79	0.00	0.00
Total liabilities (A+B+C)	3103.47	3553.86	450.39	14.51

TABLE NO. 5.24

COMPARATIVE BALANCE SHEET AS ON 31st MARCH 2021-2022				
Current assets	2021	2022	Increase (+) or Decrease (-)	
			Amount	Percentage
Inventories	327.67	264.42	-63.25	-19.30
Sundry Debtors	363.9	276.94	-86.96	-23.90
Cash and Bank Balance	19.74	24.51	4.77	24.16
Loans and Advances	346.52	351.79	5.27	1.52
Total current Assets(A)	1057.83	917.66	-140.17	-13.25
Fixed Assets				
Net Block	2177.93	2083.86	-94.07	-4.32
Capital Work in Progress	318	478.35	160.35	50.42
Investments	1.14	1.14	0.00	0.00
Total Fixed Assets (B)	2497.07	2563.35	66.28	46.11
Total Assets (A+B)	3554.91	3481.02	-73.89	-2.08
Liabilities & Capital				
Current Liabilities				
Current Liabilities	1021.36	1151.55	130.19	12.75
Provisions	128.61	140.85	12.24	9.52
Total Current Liabilities (A)	1149.97	1292.4	142.43	12.39
Long term liabilities				
Total debt	1434.25	1153.14	-281.11	-19.60
Total Long term liabilities (B)	1434.25	1153.14	-281.11	-19.60
Capital & reserves				
Net worth	970.69	1035.48	64.79	6.67
Total Capital (C)	970.69	1035.48	64.79	6.67
Total liabilities (A+B+C)	3554.91	3481.02	-73.89	-2.08

TABLE NO. 5.25

COMPARATIVE BALANCE SHEET AS ON 31st MARCH 2022-2023				
Current assets	2022	2023	Increase (+) or Decrease (-)	
			Amount	Percentage
Inventories	264.42	285.36	20.94	7.92
Sundry Debtors	276.94	376.74	99.80	36.04
Cash and Bank Balance	24.51	12.21	-12.30	-50.18
Loans and Advances	351.79	487.78	135.99	38.66
Total current Assets(A)	917.66	1162.09	244.43	26.64
Fixed Assets				
Net Block	2083.86	2433.21	349.35	16.76
Capital Work in Progress	478.35	116.2	-362.15	-75.71
Investments	1.14	1.14	0.00	0.00
Total Fixed Assets (B)	2563.35	2550.55	-12.80	-58.94
Total Assets (A+B)	3481.02	3712.66	231.64	6.65
Liabilities & Capital				
Current Liabilities				
Current Liabilities	1151.55	1312.01	160.46	13.93
Provisions	140.85	167.28	26.43	18.76
Total Current Liabilities (A)	1292.4	1479.29	186.89	14.46
Long term liabilities				
Total debt	1153.14	1087.39	-65.75	-5.70
Total Long term liabilities (B)	1153.14	1087.39	-65.75	-5.70
Capital & reserves				
Net worth	1035.48	1145.98	110.50	10.67
Total Capital (C)	1035.48	1145.98	110.50	10.67
Total liabilities (A+B+C)	3481.02	3712.66	231.64	6.65

CHAPTER-6

SUMMARY AND CONCLUSIONS

6.1 SUMMARY OF FINDINGS

- The current ratio is 1.10 in the year of 2019. It has decreased to 1.09 in the year of 2020.
- The absolute liquid assets ratio is 0.44 in the year of 2019. It has increased to 0.50 in the year of 2020.
- The quick ratio has increased to 0.80 in the year of 2020. It has decreased to 0.63 in the year of 2021.
- Debt equity ratio has decreased to 1.48 in the year of 2021. It has further decreased to 1.11 and 0.95 in the year of 2022 and 2023 respectively.
- The proprietary ratio is 0.49 in the year of 2019. It has decreased to 0.35 in the year of 2020.
- The fixed assets to net worth ratio are 1.56 in the year of 2019. It has increased to 2.40 in the year of 2020. It has decreased to 2.24 in the year of 2021.
- Inventory turnover has decreased to 0.13 in the year of 2020. It has decreased to -0.33 in the year of 2021. It has further increased to 0.29 and decreased to 0.18 in the year of 2022 and 2023 respectively.
- Debtors turnover has further increased to -12.43 in the year of 2021. It has decreased to 6.72 and to 6.07 in the year of 2022 and 2023 respectively.
- The creditors' turnover ratio is 0.65 in the year of 2019. It has decreased to 0.57 in the year of 2020. It has further decreased to 0.51 in the year of 2021.

- The average collection period is 67.31 days in the year of 2019. It has decreased to 60.33 in the year of 2020. It has further decreased to 29.37 in the year of 2021.
- The working capital turnover ratio is 18.21 in the year of 2019. It has increased to 19.12 in the year of 2020.
- Fixed assets turnover ratio has increased to 2.08 in the year of 2021. It has decreased to 0.39 in the year of 2022. It has further decreased to 0.94 in the year of 2023.
- Gross profit ratio has further increased to 78.56 in the year of 2021. It has decreased to 42.84 in the year of 2022. It has further to 42.66 in the year of 2023.
- the assets turnover ratio is 0.50 in the year of 2019. It has increased to 0.52 in the year of 2020.
- The return on equity is 18.29 in the year of 2019. It has increased to 21.03 in the year of 2020. It has further increased to 66.76 in the year of 2021.
- The capital turnover ratio has increased to 0.73 in the year of 2020. It has further increased to 3.60 in the year of 2021.

6.2 SUGGESTIONS

- Company can maintain the same level of current ratio in the fore-coming years. The gross profit of the company can be increased by reducing operating expenses.
- To improve the liquidity position, the liquid assets of the company is to be increased. The current level of debt equity ratio shall be maintained in the future.
- Steps must be taken to make the current ratio of the company of the standard norms of 2:1. The company can enjoy leverage effect by including more debt in their capital structure. The associates can be given sufficient training on the recent technology.

- The profit earning is considered essential for the survival of the company. A company can discharge its obligations to the various segments of the society only through earning profits. Profits are, thus, a useful measure of overall efficiency of a company.
- The company has to take proper steps for adequate investment in current assets. The company has to increase long term debt proportionate to shareholders funds. The company can increase the investment in tangible assets.
- The company has to take adequate measure to avoid over capitalization. The company can reduce the amount of reserve for taxation, depreciation etc. The company has to reducing the trading expenses to improving the gross profit in the future.

6.3 CONCLUSIONS

The analysis of the financial statements is a very important process, even necessary for making right decisions. The present studies aim to know the financial position of the company using ratio analysis. The research used secondary data were collected from the company annual report. A ratio analysis was processed from the year 2019 to 2023 using the data. The research analyzed the data by the method of the ratio analysis they provide that the company position was good. Therefore the companies try to retain the position and also to improve it is financial position further. The firm must take steps to control the cash in hand by keeping the value of cash in hand at maintained and avoid fluctuation. Also the management is advised to increasing the turnover ratio to maintain trend of the company. The liquidity position of the current financial performance of the company has to be examined regularly for the effective functioning. The firm must take steps to control the cash in hand by keeping the value of cash in hand at adequate level and avoid fluctuation. Also the management is advised to increasing the turnover ratio to maintain trend of the company.

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ANNEXURE

BALANCE SHEET OF VIJAY RAJA HOMES PRIVATE LIMITED, CHENNAI AS ON MARCH 2019- 2023					
Particulars	2019	2020	2021	2022	2023
Sources of funds					
Total Share Capital	69.38	69.38	69.38	69.38	69.38
Equity Share Capital	69.38	69.38	69.38	69.38	69.38
Reserves	735.12	846.41	901.31	966.1	1076.6
Networth	804.5	915.79	970.69	1035.48	1145.98
Secured Loans	1054.9	1169.24	1040.33	784.76	816.06
Unsecured Loans	308.01	318.86	393.92	368.38	271.33
Total Debt	1362.91	1488.1	1434.25	1153.14	1087.39
Total Liabilities	2167.41	2403.89	2404.94	2188.62	2233.37
Application Of Funds					
Gross Block	2298.78	3364.46	3514.55	3592.02	4129.82
Less: Accum. Depreciation	1054.69	1170.56	1336.62	1508.16	1696.61
Net Block	1244.09	2193.9	2177.93	2083.86	2433.21
Capital Work in Progress	852.5	143.71	318	478.35	116.2
Investments	11.4	1.14	1.14	1.14	1.14
Inventories	178.74	205	327.67	264.42	285.36
Sundry	199.57	205.85	363.9	276.94	376.74

Debtors					
Cash and Bank Balance	19.35	12.21	19.74	24.51	12.21
Total Current Assets	397.66	423.06	711.31	565.87	674.31
Loans and Advances	229.34	341.64	346.52	351.79	487.78
Total CA, Loans & Advances	627	764.7	1057.83	917.66	1162.09
Current Liabilities	458.5	572.67	1021.36	1151.55	1312.01
Provisions	109.09	126.91	128.61	140.85	167.28
Total CL & Provisions	567.59	699.58	1149.97	1292.4	1479.29
Net Current Assets	59.41	65.12	-92.14	-374.74	-317.2
Total Assets	2167.41	2403.89	2404.94	2188.62	2233.37
Contingent Liabilities	356.2	299.53	476.15	567.17	1637.64
Book Value (Rs)	116.24	132.32	140.25	149.61	165.58

PROFIT AND LOSS ACCOUNT OF VIJAY RAJA HOMES PRIVATE LIMITED, CHENNAI AS ON MARCH 2019- 2023					
Particulars	2019	2020	2021	2022	2023
Income					
Sales Turnover	1,112.56	1,277.80	1,522.92	1,861.26	2,285.22
Excise Duty	30.42	32.31	-	-	-
Net Sales	1,082.14	1,245.49	4,522.92	1,861.26	2,285.22
Other Income	31.98	46.67	115.96	19.92	16.72
Stock Adjustments	17.06	-4.07	83.08	-26.67	-4.98
Total Income	2,274.16	2,598.20	6,244.88	3,715.77	4,582.18
Expenditure					
Raw Materials	300.73	327.46	520.25	575.01	727.20
Power & Fuel Cost	244.88	305.53	449.33	419.39	488.35
Employee Cost	87.51	112.68	126.16	139.04	155.79
Other manufacturing expenses	62.60	62.15	-	69.47	94.77
Selling and admin. expenses	99.55	98.23	-	-	-
Miscellaneous Expenses	18.15	19.30	190.78	229.55	307.65
Total Expenses	813.42	925.35	1,286.52	1,432.46	1,773.76
Operating Profit	982.59	1,147.26	4,522.92	1,861.26	2,285.22
PBDIT	1,460.74	1,672.85	4,958.36	2,283.31	2,808.42
Interest	46.18	44.24	141.27	120.97	128.21
PBDT	1,414.56	1,628.61	4,817.09	2,162.34	2,680.21
Depreciation	115.56	123.37	169.05	174.99	192.32
Profit Before Tax	1,299.00	1,505.24	4,648.04	1,987.35	2,487.89
Extra - ordinary items	1.56	-1.34	-	-	-

PBT (Post Extra- ord Items)	1,300.56	1,503.90	4,648.04	1,987.35	2,487.89
Tax	31.52	44.81	16.17	34.63	41.50
Reported Net Profit	1,269.04	1,459.09	4,631.87	1,952.72	2,446.39
Total Value Addition	1,655.56	1,883.93	5,284.85	2,613.90	3,170.45
Preference dividend	-	-	-	-	-
Equity dividend	31.14	34.61	34.61	34.61	41.53
Corporate dividend tax	5.17	5.61	5.61	5.88	7.06
Per share data (annualised)					
Shares in issue (lakhs)	692.11	692.11	692.11	692.11	692.11
Earnings Per Share (Rs)	18.21	21.53	15.74	13.22	23.29
Equity dividend (%)	45.00	50.00	50.00	50.00	60.00
Book Value (Rs)	116.24	132.32	140.25	149.61	165.58