# AN ANALYSIS OF THE FINANCIAL PERFORMANCE OF SREEDHAR MODERN RICE MILL, MARIYAPADAM, VADAKKENCHERRY, PALAKKAD.

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***Abstract***

*In Kerala, rice mills are mainly functioning in Ernakulum and Palakkad Districts.In Palakkad rice mills are situated in Alathur and Chittur Taluks. Rice mills are leading industries which have a very good turn over in the business sector especially in Kerala. Kerala is one of the smallest state in India and here growth of industries is comparatively low, so the rice mill plays prominent role in the growth of economy. The function of modern rice mills are purchase bulk quanties of paddy and produce rice in huge quantities. Rice mills purchases paddy indifferent crop seasons and depends on other states at the off- seasons to maintain stability of production Sreedhar Modern Rice Mill shows superior position to its competitors like "stars" position in BCG matrix. Rice mill produce high quality goods with minimum cost and they packaged the goods in bulk quantity. It distribute all over Kerala and other state especially in highly demanded states.*

**Key words: Rice, BCG matrix, Rice mills**

## INTRODUCTION

In this modern world, industry plays an important role in growth and development of the economy. In the agricultural sector modern rice mills highlight the growth of economy as well as standard of living of people especially in rural areas. Agricultural Industry (Modern Rice Mill) supplies wide varieties of rices and their by-products to peoples using modern technologies at the same time low cost and high quality. To attain national objectives and targets, the development of this industry is of great importance. They are the core sectors of Indian economy. Agriculture refers to the production of food products and goods through farming and forestry. Agriculture was the key development that led to the rise of civilization, with the husbandry of domesticated animals and plants (ie,crops) creating food surpluses that enabled the development of more density populated and stratified societies.

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## OBJECTIVES OF THE STUDY

- To know the financial performance of "Sreedhar Modern Rice Mill"
- To study the profitability and financial soundness of Sreedhar Modern Rice Mill.

## RESEARCH METHODOLOGY

Both primary and secondary data were used for the purpose of the study. Primary data were collected from the officials and other employees of the firm. Secondary data were collected Registers, statistical records and final statements prepared and maintained by the firm.

## RESULTS AND DISCUSSIONS

The performance of Sreedhar Modern Rice Mill Mariyapadam for the period from 2013 to 2017 was analyzed on the bases of data available in the financial statements. Other required data were collected directly through conversation with the officials of the company with respect to its strength, weakness, opportunities & threats were taken into account.

Ratio used to assess the financial performance of Sreedhar Modern Rice Mill. Ratio analysis is one important tool used for financial analysis and interpretation. Following are the important ratios were used for the analysis:

- ***Current ratio***

Current ratio may be defined as the relationship between current asset and current liabilities.

$$\text{CURRENT RATIO} = \frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

In a sound business current ratio 2:1 is considered as satisfactory. If the current ratio is lower than 2:1 the shorter solvency of the firm is considered doubtful and it show that the firm is not in a position to meet its current liability in the time as and when they are due on maturity. The current ratio of the firm is fluctuating during the period 2013-2014 to 2015-2016.

- ***Quick Ratio***

Quick ratio is also called acid test ratio because it is acid test of a concern is soundness. It is the relationship between quick asset and quick liabilities.

$$\textbf{QUICK RATIO} = \frac{\textbf{QUICK ASSET}}{\textbf{QUICK LIABILITIES}}$$

Quick asset =Current asset – (Inventories + Prepaid expenses)

Quick ratio 1:1 is considered as satisfactory. It indicates the business to pay its maturity obligation without delay. If the ratio is less than 1:1 then financial position of concern shall be deemed to be unsound. From the analysis it reveals that the company quick ratio in the first 3 years (2013-2015) is satisfactory, then declining trend.

- ***Cash ratio/Absolute liquid ratio***

Absolute liquid ratio is also known as super quick ratio. It is calculated by dividing the absolute liquid asset by current liability of the firm. It gives more meaningful measure of liquidity when used in conjunction with current ratio and acid test ratio. The absolute liquid assets are cash and marketable securities.

$$\text{ABSOLUTE LIQUID RATIO} = \frac{\text{CASH + MARKETABLE SECURITIES}}{\text{CURRENT LIABILITIES}}$$

The standard absolute liquid ratio is 1:2 from the analysis it reveals that the company liquid ratio in the year 2013-2014&2015-2016 is better, then the ratio is decreasing trend. Hence the company needs to improve its short term financial position.

- ***Debt- equity ratio***

It is also known as external- internal equity ratio this ratio indicates the relationship between the external equities or the outsiders fund and the internal equities or the shareholders fund .the ratio measures the relative claims of the outsiders and the owners against the firms asset.

$$\text{DEBT-EQUITY RATIO} = \frac{\text{LONG TERM DEBT}}{\text{SHAREHOLDERS FUND/EQUITY}}$$

Debt equity ratio of 1:1 considered as desirable. The debt equity ratio of the company is satisfactory and financially sound.

- ***Proprietary ratio***

A variance of the debt- equity ratio is proprietary ratio which is also known as equity ratio. This ratio establishes the relationship between the shareholders fund to total asset of the firm

$$\text{PROPRIETORY RATIO} = \frac{\text{SHAREHOLDERS FUND}}{\text{TOTAL ASSET}}$$

The proprietary ratio of 0.5:1 or above or (50% or more) is considered ideal. A high ratio indicates satisfactory to the creditors. High ratio indicates that the firm is depending on creditors for its working capital. A higher proprietary ratio is indicating a sound financial position. The firm’s proprietary ratio is not satisfactory.

- ***Solvency ratio***

Solvency ratio is the total asset to total liabilities. It measures the solvency of the firm.

$$\text{SOLVENCY RATIO} = \frac{\text{TOTAL ASSET}}{\text{TOTAL DEBT}}$$

For the solvency ratio standard is not fixed, higher the solvency ratio the stronger is its financial position and vice versa. If the total assets are more than the total liability the firm is treated as solvent. The solvency ratio of the firm is satisfactory.

- ***Working capital turnover ratio***

  Working capital turnover ratio of a concern is directly related to sales. The working capital is taken as excess of current assets over current liabilities which is the net concept of working capital.

**WC = C.A – C.L**

$$\text{WORKING CAPITAL TURNOVER RATIO} = \frac{\text{NET SALES}}{\text{WORKING CAPITAL}}$$

Higher working capital ratio shows the efficiency of the management in working capital utilization .The working capital; of the company is increasing, but slight decrease in 2014-2015 and afterwards increased. This situation is not good.

- ***Profitability Ratio***

Profitability refers to the ability of a firm to make profit. It indicates the operational efficiency or effectiveness with which the operations of the business are carried on. Poor operational performance may result in poor sales and therefore low profit.

Profitability ratio in relation to sales.

- Gross profit ratio
- Net profit ratio

- ***Gross profit ratio***

Gross profit ratio measures the relationship of gross profit to net sales. And is usually represented as a percentage. It is also known as 'gross margin' .It measure the operational efficiency of the firm and to reflect its pricing policy.

$$\text{GROSS PROFIT RATIO} = \frac{\text{GROSS PROFIT}}{\text{SALES}} \times 100$$

*Gross profit = sales – cost of goods sold*

The relationship between gross profit and net sales. The companies gross profit ratio is increasing and decreasing trend under alternative years.

- ***Net profit ratio***

Net profit ratio establish a relationship between net profit(after tax) and sales and indicate the efficiency of the management in manufacturing , selling, administrative and other activities of the firm. It is also known as 'Net Margin'.

$$\text{NET PROFIT RATIO} = \frac{\text{NET PROFIT}}{\text{SALES}} \times 100$$

The companies net profit ratio is continuously decreasing trend in a period of 2013-2014 to 2015-2016.

## MAJOR FINDINGS OF THE STUDY

1. Sales of Sreedhar Modern Rice Mill is increasing every year i.e. from 2006-2010. So it shows a good marketability of its products.
2. The analysis of current ratio of the firm reveals that the current asset is not sufficient to meet the current liability.
3. The analysis it revealed that the company quick ratio in the first 3 years (2013-2015) is satisfactory, then declining trend.
4. The standard absolute liquid ratio is 1:2 from the analysis it reveals that the company liquid ratio in the year 2013-2014&2015-2016 is better, then the ratio is decreasing trend.
5. Debt equity ratio of 1:1 considered as desirable. The debt equity ratio of the company is satisfactory and financially sound.
6. The firm's proprietary ratio is not satisfactory.
7. The solvency ratio of the firm is satisfactory.
8. The working capital; of the company is increasing, but slight decrease in 2014-2015 and afterwards increased.
9. The companies gross profit ratio is increasing and decreasing trend under alternative years.
10. The companies net profit ratio is continuously decreasing trend in a period of 2013-2014 to 2015-2016.

## *SUGGESTIONS*

1. The liquidity ratio is not favorable. So it is suggested to maintain steady and high current assets as compared to current liabilities.
2. The firm should increase its N/P by increasing sales with minimum cost or maintaining the sales with reducing production expenses and effective utilization of raw materials.
3. Close watch on raising price in materials essential. This will help to purchase of inventory to ideal time.
4. Cost of goods sold and operating cost which should be kept in to minimum in order to increase profit.
5. Company may try to reduce the amount block up in inventories by providing cash discount and various other incentives to customers which help to pay their dues in time.
6. Continues evaluation in all activities may be adopted for identifying their opportunities and threats.

## CONCLUSION

Based on the careful and critical evaluation of the basic financial statements of Sreedhar Modern Rice Mill, for the years 2013-2014 to 2016-2017. It is found that the firm is successful in some areas of operation but in most of the areas the present position is not up to the mark.

If the firm is able to with stand the present fluctuations in financial performance the firm can succeed in all fields and can reap profits in the future as it has done in the past years. In the market if they give more attention to the major areas of operation i.e. reducing the operating cost to minimum, increasing sales, by adopting sales promotions, improving working capital etc. The company has sound solvency position and higher sales. The company is enjoying a good reputation in its field of operation. "Sridhar Modern Rice Mill can become more successful and also it will occupy a prominent place in the market year by year.

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