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## A STUDY ON FINANCIAL PERFORMANCE OF LAKSHMI MILLS LTD COIMBATORE

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### ABSTRACT

This project study gives the analysis of financial perform LAKSHMI MILLS COIMBATORE. The researcher used the following tool li, ratio analysis, . The main aim of this study is to study the financial performance analysis of the company, forecasting is also done to determine the future trend of the sales and profit.

Finally, findings, benefits to the company, valuable suggestion and recommendations are given to the company for better prospects and improving the performance in future.

First and foremost I dedicate this project to the almighty lord who is solely responsible for all the outstanding performance in my

### FINANCIAL ANALYSIS

The financial statement provides of summary of the accounting of a business enterprise. To understand the financial performance and condition of a firm, its stockholders look at three financial statements the balance sheet, the profit and loss accounts and the sources and uses of funds statement.

## **BALANCE SHEET**

It is a statement of financial position of a business at a specified moment of time. It represents all assets owned by the firm at a particular moment of time and the equities of the owners and outsiders against those assets at that time.

## **PROFIT AND LOSS ACCOUNTS**

It shows what has happened to business as a result of operations between two balance sheet dates.

## **2. LITERATURE REVIEW**

Financial analysis is a powerful mechanism which helps in ascertaining the strengths and weakness in the operation and financial position of an enterprise.

According to Myers, Financial analysis is defined as follows:

“Financial statement analysis is largely a study of the relationship among the various financial factors in a business as disclosed by a single set statement and a study of the trend of these factors as shows in series of statement”.

“Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss accounts”.

“Financial analysis can be undertaken by management of firm, or by parties of outside the firm, viz, own as creditors, investors and others. The nature of analysis will differ depending on the purpose of analysis”.

## **LIMITATION OF THE STUDY**

Every research has its own technical and managerial limitations. Time was one of the main limitations of this study. Because of the lack of time the analysis is based on the secondary data collected from the balance sheet, profit and loss accounts and other records of the organizations from years 2015-2019.

## **DATA COLLECTION DETAILS**

For a research, researcher may depend either on primary data on secondary data. Primary data is usually collected with the help of questionnaires. Secondary data is collected from published journals or magazines or reports.

In the present study, most of the information is collected from balance sheets, profit and loss accounts and other books of accounts of the company. Besides, some information's are collected through discussions with finance and other executives of the finance department.

## Current Ratio

This ratio is an indicator of the firm's commitment to meet its short-term liabilities. It is expressed as follows:

$$\frac{\text{Current Asset}}{\text{Current Liability}}$$

Current assets mean assets that will either be used up or converted into cash within a year's time or during the normal operating cycle of the business, whichever is longer. Current liabilities mean liabilities payable within a year or by creation of current liabilities.

### CALCULATION OF CURRENT RATIO

(2015-16 to 2018-19)

TABLE 3.1

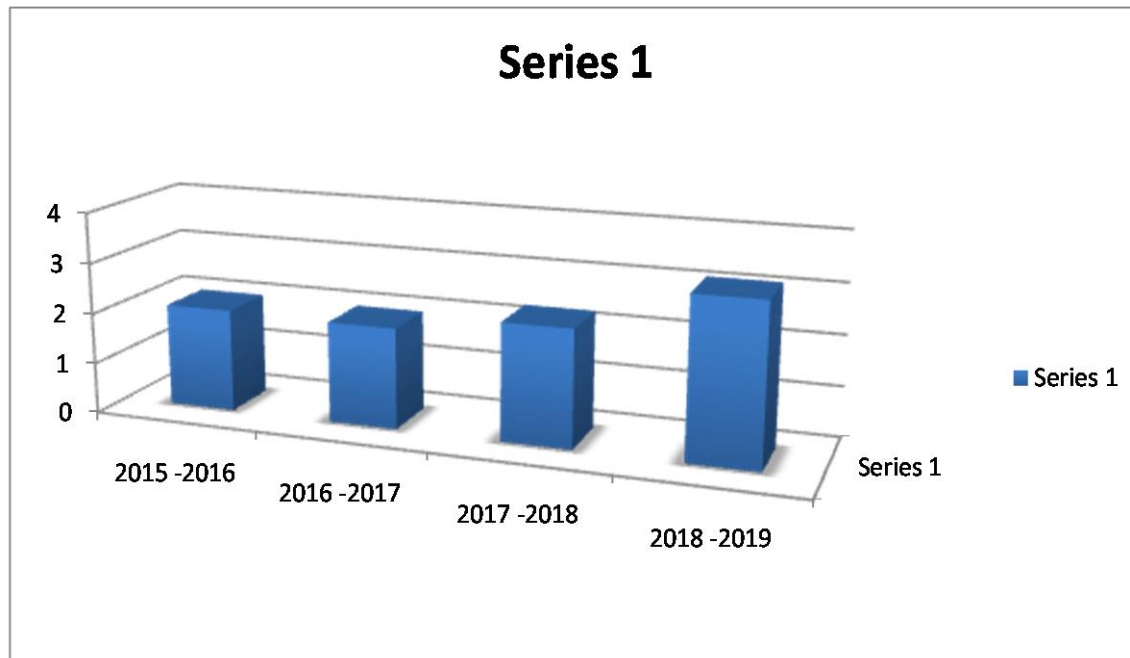
Year	Current Asset(in lakh)	Current Liabilities (in lakh)	Current atio
2015-2016	16273.98	8015.90	2.03:1
2016-2017	16821.75	8414.81	1.99:1
2017-2018	7156.21	3086.59	2.31:1
2018-2019	7089.78	2247.49	3.15:1

Source: Secondary data

### Significance

The current ratio is an index of the concern's financial stability since it shows the extent of the working capital which is the amount by which the current assets exceed the current liabilities.

# CHART OF CURRENT RATIO



## 2. Quick Ratio

This ratio is also termed as 'acid test ratio' or 'liquidity ratio'. This ratio is ascertained by comparing the liquid assets (i.e., assets which are immediately convertible into cash without much loss) to current liabilities. Prepaid expenses and stock are not taken as liquid assets. The ratio may be expressed as:

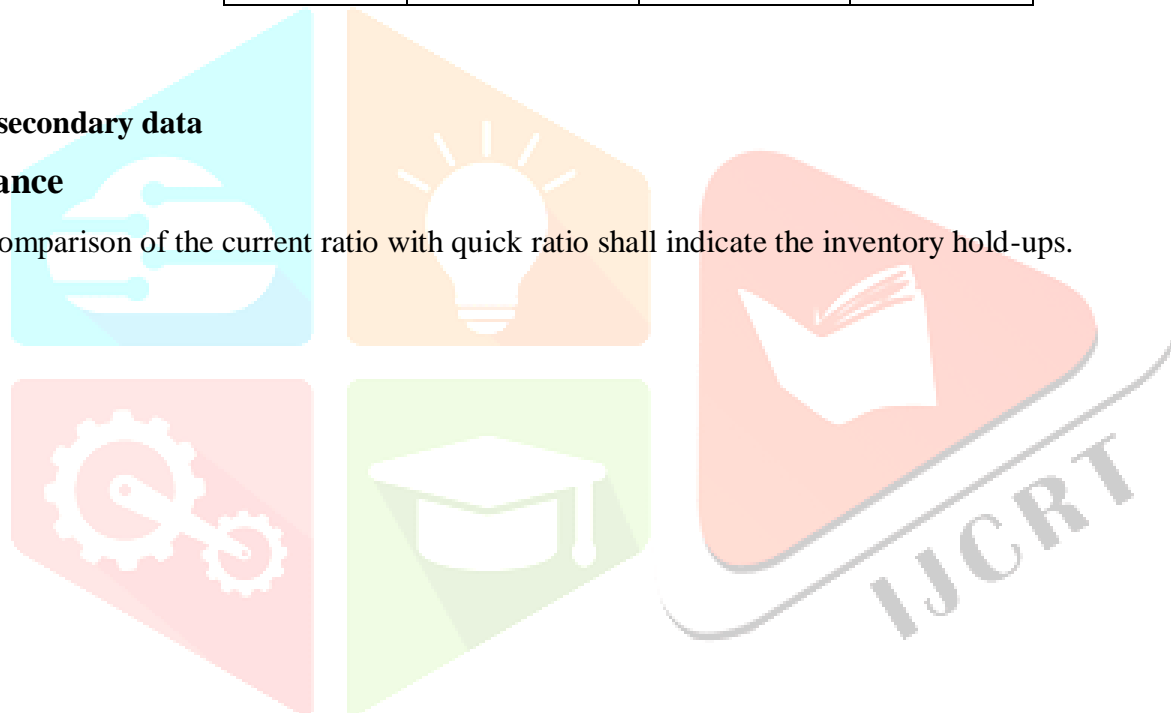
$$\frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

**CALCULATION OF QUICK RATIO****(2015-2016 to 2018-2019)**

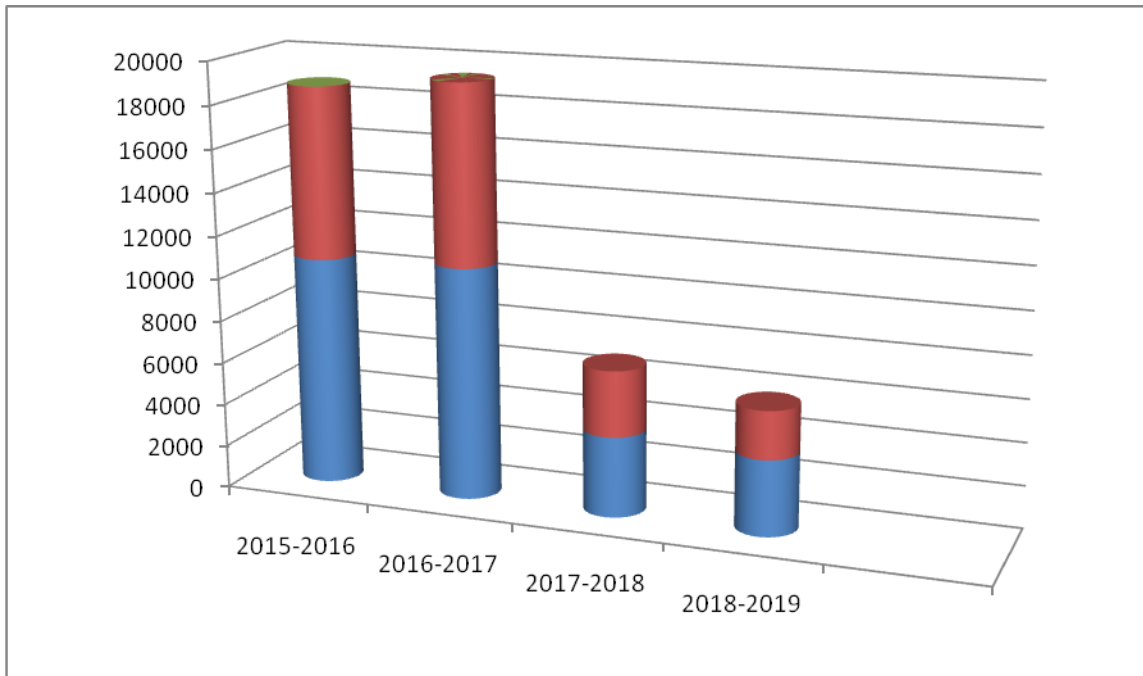
<b>Year</b>	<b>Liquidity Asset(in lakhs)</b>	<b>Current Liability(in lakhs)</b>	<b>Quick Ratio</b>
2015-2016	10733.2	8015.9	1.33:1
2016-2017	10905.7	8414.81	1.30:1
2017-2018	3775.52	3086.59	1.22:1
2018-2019	3560.5	2247.49	1.58:1.

**source : secondary data****Significance**

A comparison of the current ratio with quick ratio shall indicate the inventory hold-ups.



## CHART OF QUICK RATIO



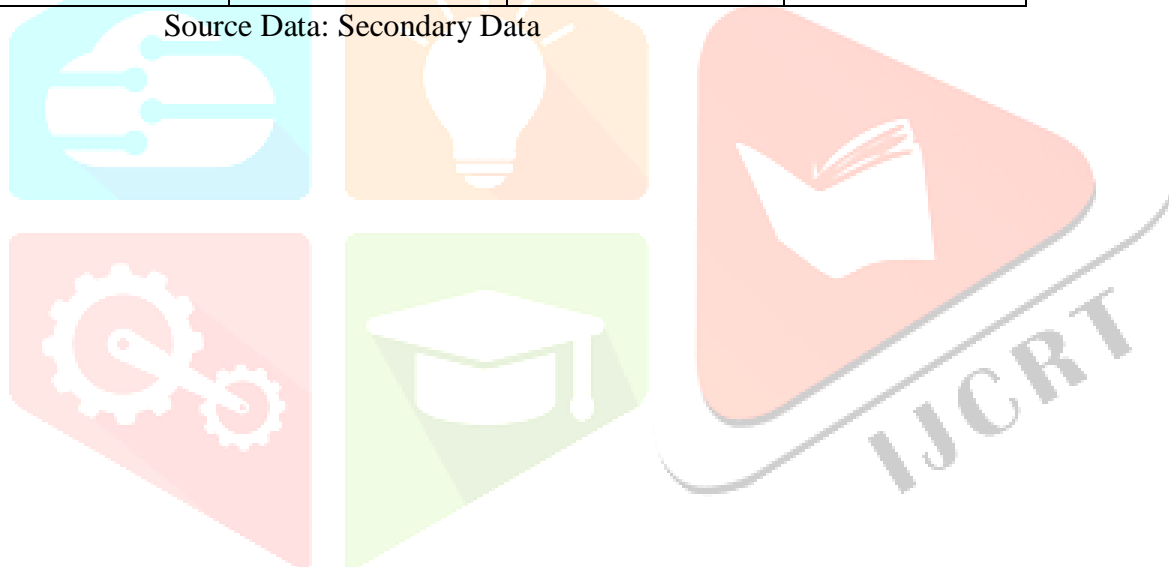
### 3. Working Capital Turnover Ratio

This is also known as Working Capital Leverage Ratio. This ratio indicates whether or not working capital has been effectively utilized in making sales. In case a company can achieve higher volume of sales with relatively small amount of working capital, it is an indication of the operating efficiency of the company. The ratio is calculated as follows:

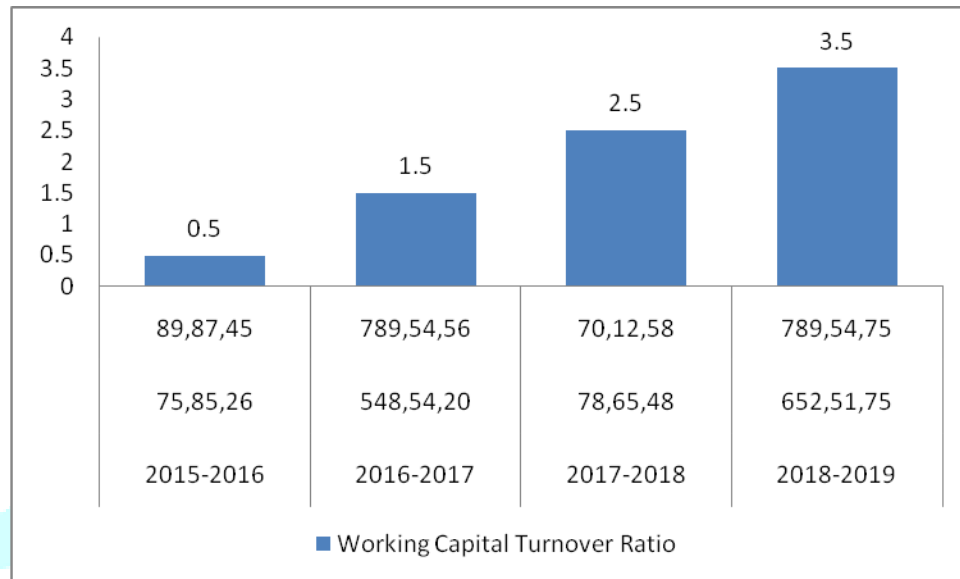
**CALCULATION OF WORKING CAPITAL TURNOVER RATIO****(2015-2016 to 2018-2019)****TABLE 3.3**

<b>Year</b>	<b>Net Sales</b>	<b>Working Capital</b>	<b>Working Capital Turnover Ratio</b>
2015-2016	75,85,26	89,87,45	0.5
2016-2017	548,54,20	789,54,56	1.5
2017-2018	78,65,48	70,12,58	2.5
2018-2019	652,51,75	789,54,75	3.5

Source Data: Secondary Data



## CHART OF WORKING CAPITAL TURNOVER RATIO



### Operating Ratio

This ratio is a complementary of net profit ratio. In case the net profit ratio is 20%, it means that the operating ratio is 80%. It is calculated as follows:

$$\frac{\text{Operating Costs}}{\text{Net Sales}} * 100$$

Operating costs include the cost of direct materials, direct labour and other overheads, viz., factory, office or selling. Financial charges such as interest, provision for taxation, etc., are generally excluded from operating costs.



## Calculation of operating Ratio

(2015-2016 to 2018-2019)

TABLE3.4

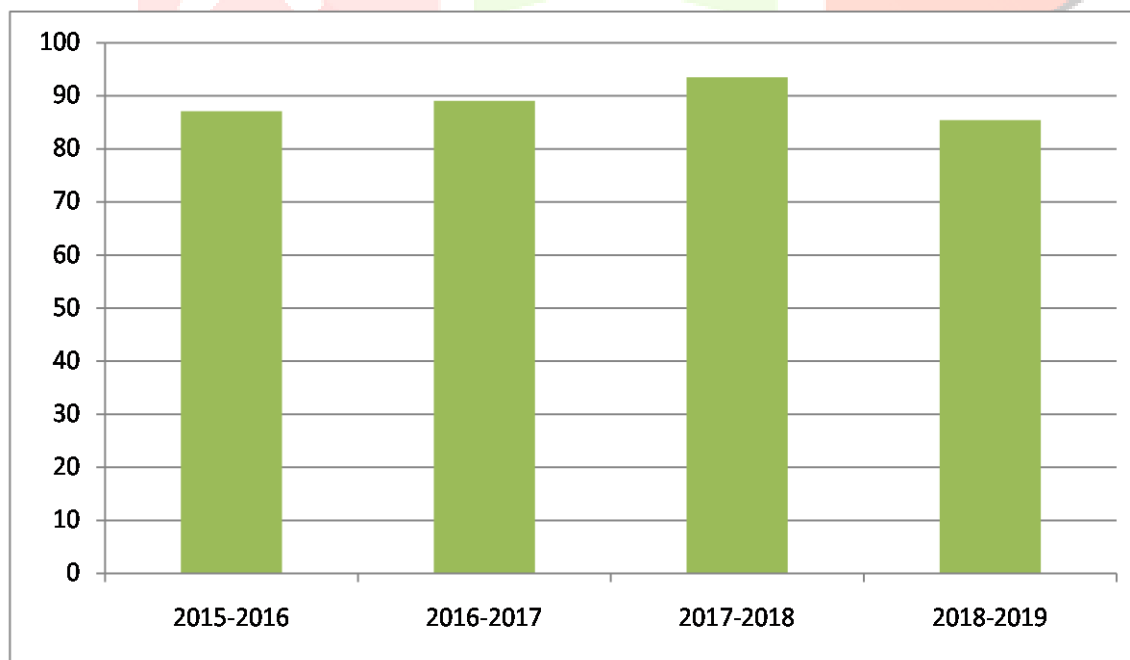
Year	Operating Cost	Net Sales*100	Operating Ratio
2015-2016	77,69,49	89,17,71	87.12
2016-2017	93,60,92	105,09,41	89.07
2017-2018	103,77,18	110,96,40	93.52
2018-2019	105,70,55	123,72,05	85.44

Source: Secondary Data

### Significance

This ratio is the test of the operational efficiency with which the business is being carried. The operating ratio should be low enough to leave a portion of sales to give a fair return to the investors.

### CHART OF OPERATING RATIO



### Proprietary Ratio

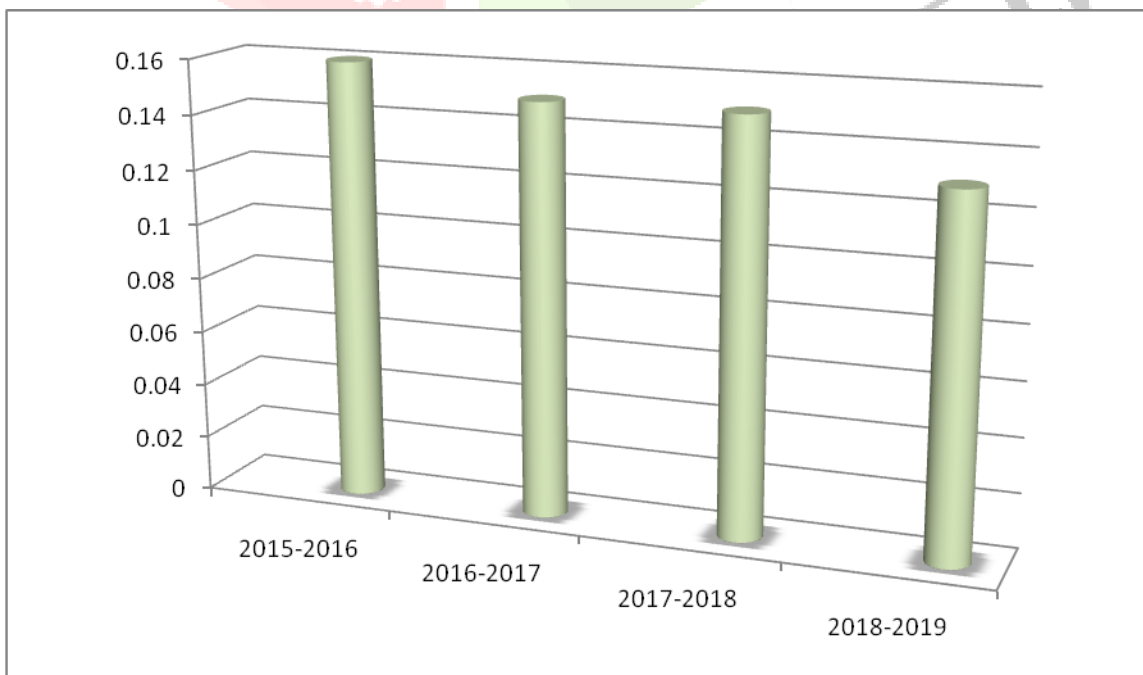
It is a variant of debt-equity ratio. It establishes relationship between the proprietor's funds and the total tangibles assets. It may be expressed as:

**Shareholder's funds****Total tangible assets****Calculation of proprietary ratio****(2015-2016 to 2018-2019)**

<b>Year</b>	<b>Shareholder's Fund</b>	<b>Total Assets</b>	<b>Proprietary Ratio</b>
2015-2016	103,57,42	643,40,67	0.16
2016-2017	116,45,68	756,87,93	0.15
2017-2018	121,29,52	799,65,53	0.15
2018-2019	113,32,84	904,29,48	0.13

Source: Secondary Data

This ratio focuses the attention on the general financial strength of the business enterprise. The ratio is of particular importance to the creditors who can find out the proportion of shareholders' funds in the total assets employed in the business.

**CHART OF PROPRIETARY RATIO****Debt-Equity Ratio**

The debt-equity ratio is determined to ascertain the soundness of the long-term financial policies of the company. It is also known as “External-Internal” equity ratio. It may be calculated as follows:

**External Equities**

**Internal Equities**

The term external equities refers to total outside liabilities and the term internal equities refers to shareholders' funds or the tangible net worth. In case the ratio is 1 it is considered to be quite satisfactory

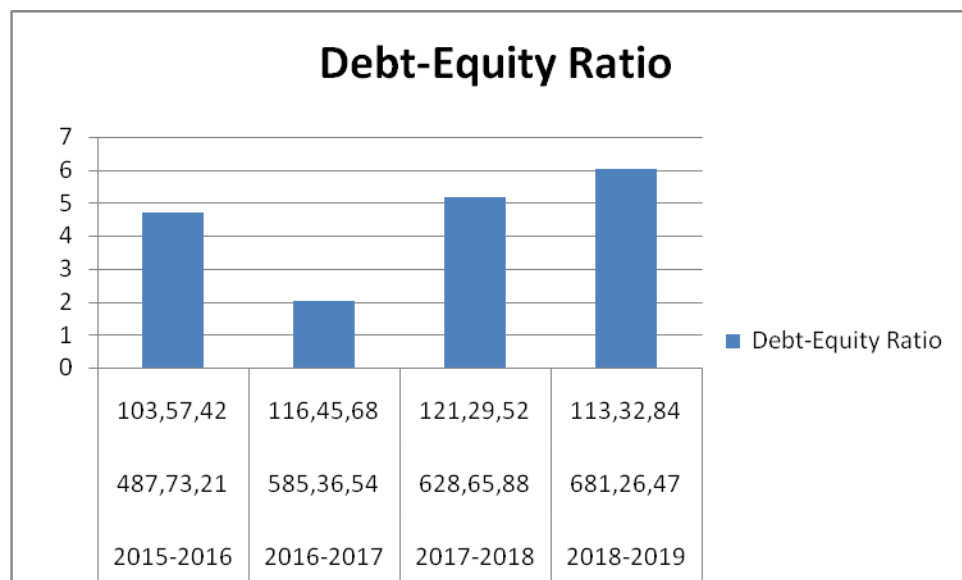
## CALCULATIONS OF DEBT-EQUITY RATIO

Year	External Equity	Internal Equity	Debt-Equity Ratio
2015-2016	487,73,21	103,57,42	4.7
2016-2017	585,36,54	116,45,68	2.03
2017-2018	628,65,88	121,29,52	5.18
2018-2019	681,26,47	113,32,84	6.01

Source: Secondary Data

### Significance

The ratio indicates the proportion of owners' stake in the business. Excess liabilities tend to cause insolvency. The ratio indicates the extent to which the firm depends upon outsiders for its existence. The ratio provides a margin of safety to the creditors. It tells the owners the extent to which they can gain the benefits or maintain control with a limited investment.

**CHART OF DEBT-EQUITY RATIO****2 SUGGESTION AND RECOMMENDATION**

1. It is observed that the company does not follow any method of financing of working capital. So, in order to maintain a trade – off between profitability and liquidity, the company should follow a well planned financing performance of working capital.
2. As the average debt collection period is 30 days the debt collection process should be accelerated so as to maximize credit sales and to minimize cost associated with debt collection and investment in debtors.
3. The profitability ratios based on sales are an important indicator of the operational efficiency of manufacturing enterprise. However, they suffer from a serious limitation in that they are not useful from the viewpoint of the owners of the firm
4. The operating ratio will indicate whether the cost component is high or low in the figure of sales. In case of the comparison shows that there is increase in this ratio, the reason for such increase should be found out and management be advised to check the increase.
5. The proprietary ratio focused the attention on the general financial strength of business enterprise. The ratio is of particular importance to the creditors who can find out the proportion of shareholders funds in the total assets employed in the business.

Conclusion

Indian Banking sector contributes 8.6% for the Indian economy in 2018. The phenomenal growth of the banking industry is the positive sign for the growth and development of the country as the more number of investors are interested to operate the banks. In this current economic scenario ING Vysya bank is performing in an outstanding manner its consistent profit from the last 4 years and it is performing well in the sector.

