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A Study On Financial Performance Analysis At Krishna Stone Tech Ltd Ballari.

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ABSTRACT

The study entitled the financial performance analysis at Krishna Stone Tech ltd Company Ballari. The objective of this study is to compare the current financial performance with last four 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 profit & loss AC balance sheet, common size profit & loss AC balance sheet, comparative balance sheet analysis, that the current assets are higher than the current liablities in every year and The firm's liquidity position is not good because in all the years the firm's quick ratio is below than 1:1 it is to be suggested that the company can concentrate on their increasing the level of the quick assets. The cash ratios of 4 years ie, 2011 to 2014 is relatively lower than one, it represents that the company's day-to-day cash management is poor. The study of financial performance on The Company has revealed the great deal of their various financial aspects for four years. The comparative analysis unlocks the overall performance

Keywords:Finance, Performance, Analysis.

INRODUCTION

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 also helps in short-term and long term forecasting and growth can be identified with the help of financial performance analysis.

The dictionary meaning of 'analysis' is to resolve or separate a thing in to its element or components parts for tracing their relation to the things as whole and to each other.

The analysis of financial statement is "a process of evaluating the relationship between the component parts of financial statement to obtain a better understanding of the firm's position and performace". This analysis can be undertaken by management of the firm or by parties outside the namely, owners, creditors, investors.

American institute of certified public accounts says "Financial statement are prepared for the purpose of presenting a
periodically review or report on the progress by the management and dealt with
1) The status of investment in the business

2) The result achieved during the period under review

The analysis of financial statement represents three major steps:

STEP 1:

The first step involves the re-organization of the entire financial data contained the financial statements. Therefore the financial statements are broke down into individual components and re-grouped into few principle elements according to their resemblances and affinities. Thus the balance sheet and profit and loss accounts are completely re-casted and presented in the condensed form entirely different from their original shape.

STEP 2:

Second step is the establishment of significant relationships between the individual components of balance sheet and profit and loss account. This is done through the application tools of financial analysis like Ratio analysis, Trend analysis, Common size balance sheet and comparative Balance sheet.

STEP 3:

Finally, the result obtained by means of application of financial tools is evaluated.

In brief financial analysis is the process of selection, relation and evaluation of financial statements. The tools of analysis are used for determining the investment value of the business, credit rating and for testing efficiency of operation.

Thus financial analysis helps to highlight the facts and relationships concerning managerial performance, corporate efficiency, financial strength and weakness and credit worthiness of the company.

OBJECTIVES OF THE STUDY :

- To study the financial performance analysis of **"THE KRISHNA STONE TECH PVT LTD BELLARY".**
- To analyse financial position of the firm by using the various financial techniques and tools.
- To compare operations and costs position of the company between profit making periods.
- To analyze the financial changes over a period of years.
- To analyze the financial statements of the company by using financial tools.
- To evaluate the financial position of the company in terms of solvency, profitability, activity and earnings ratios.
- To suggest effective measures in the existing system of the company.

SCOPE OF THE STUDY:

The study mainly attempts to analyze the financial performance of the company selected for the study. The financial authorities can use this for evaluating their performance in future, which will help to analyze financial statements and help to apply the resources of the company properly for the development of the company and its employees to bring overall growth. The present study attempt to develop a trend analysis model for Sales and Working capital and Profit and Loss Accounts. There can be forecasting to evaluate the overall company in future

THEOROTICAL REVIEW:

Here are the reviews of the previous researchers related with the present study Finance is the life blood of business. A unit may fall sick because of a major lubricant Is finance. There are various mechanisms available to a firm revival. Financial restructuring is a favored mechanisms for firms in red. Does financial restructuring help to improving the financial performance of a firm? an attempt has been made in this chapter to undertake extensive literature review in this area both in National and International context

REVIEW OF LITERATURE:

Some important research works undertaken in recent years which are very closely connected with the present study are reviewed

Daniel A. Moses Joshunar (2013)

The study has been conducted to identify the financial strength and weakness of the Tata motors Ltd. using past 5 year financial statements. Trend analysis & ratio analysis used to comment of financial status of company. Financial performance of company is satisfactory and also suggested to increase the loan levels of company for the better performance.

Dhayajothi, R et al (2014)

The main idea behind this study is to analyze the financial performance of Ashoka Leyland ltd. at Chennai. The result shows that financial performance is sound and also suggested to improve financial performance by reducing the various expenses

Surekha B. & Krishnalah K.Rama (2015)

This study reveals the prosperity of Tata motors company. It can be concluded that inner strength of company is remarkable. Company can further improve its profitability by optimum capital gearing, reduction in administration and financial expenses for the growth of company.

Maheswari, V. (2015)

Made an attempt to analyze the financial soundness of the Hero Honda motors limited have identified three factors, namely liquidity position, solvency position and profitability position based on the study of period 2002 to 2010 using ratio analysis.

Agarwal, Nidhi (2015)

The study focus on the comparative financial performance of Maruti Suzuki and Tata motors ltd. The financial data and information required for the study are drawn from the various annual reports of companies. The liquidity and leverage analysis of both the firms are done. To analyze the leverage position four ratios are considered namely, capital gearing, debt-equity, total debt and proprietary ratio. The result shows that Tata motors ltd has to increase the portion of proprietor‟s fund in business to improve long term solvency position.

RESEARCH METHODOLOGY:

As the nature of the study relates Financial Performance Analysis the main part used was secondary data .it includes profit and loss account, balance sheet etc.

Thus the study is based on the published accounts and annual reports of Krishna Stone Tech pvt ltd company

RESEARCH DESIGN:

The research design applicable for the proposal study is of analytical. As the use of facts information are already available and analyses these to make a critical evaluation of the material

DATA COLLECTION:

The data calculated for the study is secondary data. these data which have already been collected by someone else and which already been passed through statistical processes.

ANALYTICAL TOOLS USED:

The following are major tools is used analysis and interpretation

- Comparative profit and Loss account and balance sheet

- Common size profit and Loss account and balance sheet
- Ratio analysis
- Trend analysis

HYPOTHESIS:

Hypothesis 1:
H0 –There is No significant increase in Profit of Krishna Stone Tech pvt ltd in last four years.
H1 – There is significant increase in Profit of Krishna Stone Tech pvt ltd in last four years.

Hypothesis 2:
H0 – Krishna Stone Tech pvt ltd.has not shown good Financial Strength in last four years
H1 – Krishna Stone Tech pvt ltd has shown good Financial Strength for last four years.

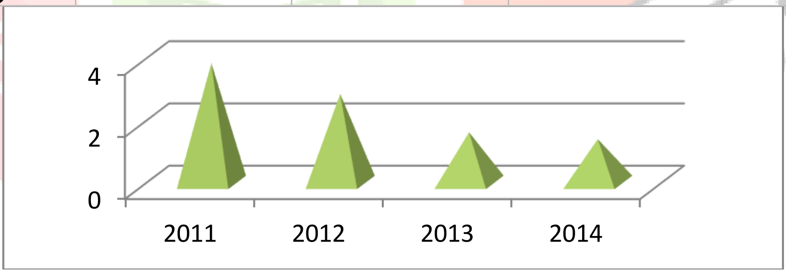
DATAANALYSIS:

The data analysis is done by using different statistical tools below are some of the observations are obtained from the study

Current ratio

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

PARTICULARS	April 2010 to march 2011	April 2011 to march 2012	April 2012 to march 2013	April 2013 to march 2014
Current Assets	15,14,51,816.57	18,20,99,128.31	15,31,70,037.71	15,29,83,591.40
Current liabilities	3,95,20,390.00	6,39,85,359.77	9,28,63,061.00	10,96,25,676.50
Current ratio in (%)	3.83	2.84	1.61	1.39



Interpretation of Current Ratio:

The ideal current ratio is 2: 1. It indicates that current assets double the current liabilities are considered to be satisfactory. Higher value of current ratio indicates more liquid of the firm's ability to pay its current obligation in time. On the other hand, a low value of current ratio means that the firm may find it difficult to pay its current ratio as one which is generally recognized as the patriarch among ratios.

- During the year 2011 & 2012 current assets are higher than the other years, it reveals that the company is had more current assets during these years.

Trend Analaysis

Trend analysis

Years	Total revenue	Total expenses	Net profit after tax
2011	217819883.00	213742345.34	2806265.66
2012	287287719.48	282483955.01	3305055.47
2013	405945174.50	395504101.35	6456100.63
2014	356171851.00	347961352.79	5539270.21

Years	Total revenue		Total expenses		Net profit after tax	
	Amount	Trend %	Amount	Trend %	Amount	Trend %
2011	217819883.00	100	213742345.34	100	2806265.66	100
2012	287287719.48	131.89	282483955.01	132.16	3305055.47	117.77
2013	405945174.50	186.36	395504101.35	185.03	6456100.63	230.06
2014	356171851.00	163.51	347961352.79	162.79	5539270.21	197.38

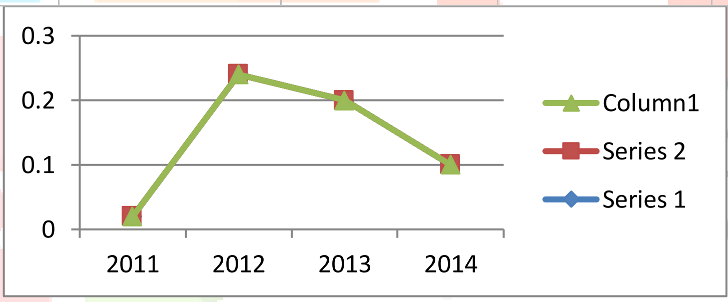
Interpretation of Trend Analysis:

The above analysis indicates that during the year 2013 the net profit after tax was 230% which is Higher in value compared to other years. It also shows that financial performance of the company was good compared to other years.

Cash ratio:

$$\text{Cash ratio} = \frac{\text{Cash + cash equivalent + invested funds}}{\text{Current liabilities}}$$

PARTICULARS	April 2010 to March 2011	April 2011 to march 2012	April 2012to March 2013	April 2013 to march 2014
Cash + cash e equivalent + invested funds	9,57,837.50	1,57,68,246.12	1,86,17,522.96	1,09,81,486.88
(/) current liabilities	3,95,20,390.00	6,39,85,359.77	9,28,63,061.00	10,96,25,676.50
Cash ratio %	0.02	0.24	0.20	0.10



Interpretation of Cash ratio or Absolute liquid ratio

Absolute Liquid Ratio is also called as Cash Position Ratio (or) Over Due Liability Ratio. This ratio established the relationship between the absolute liquid assets and current liabilitiesAbsolute LiquidAssets include cash in hand, cash at bank, and marketable securities or temporary investments. The optimum value for this ratio should be one, i.e., 1: 2. It indicates that 50% worth absolute liquid assets are considered adequate to pay the 100% worth current liabilities in time. If the ratio is relatively lower than one, it represents that the company's day-to-day cash management is poor. If the ratio is considerably more than one, the absolute liquid ratio represents enough funds in the form of cash to meet its short-term.
From the above data it reveals that the cash ratios of 4 years ie, 2011 to 2014 is relatively lower than one, it represents that the company's day-to-day cash management is poor.

SUGGESTIONS

Based on the findings the following the suggestions can be given to the company for a better business to the possible

1) The Company has to improve its cash Management technique in the company
2) The Company can improve the net profit by reducing interest and financial charges
3) The Company has to improve its liquidity position by investing more on liquid assets.

RECOMMENDATIONS AND CONCLUSION

Financial statement analysis makes the related information comparable. A single figure by itself has no meaning, but when expressed in terms of a related figure, it yields significant interferences. Thus, ratios are relative figures reflecting the relationship between related variables. Their use as tools of financial analysis involves their comparison as single ratios, like absolute figures, are not of much use.

Ratio analysis has a major significance in analyzing the financial performance of a company over a period of time. Decisions affecting product prices, per unit costs, volume or efficiency have an impact on the profit margin or turnover ratios of a company.

Financial statement analysis are essentially concerned with the identification of significant accounting data relationships, which give the decision-maker insights into the financial performance of a company.

The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm‘s position and performance.

The first task of financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statements.

The second step is to arrange the information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial performance analysis is the process of selection, relation and evaluation.

Ratio analysis in view of its several limitations should be considered only as a tool for analysis rather than as an end in itself. The reliability and significance attached to ratios will largely hinge upon the quality of data on which they are based. They are as good or as bad as the data itself. Nevertheless, they are an important tool of financial analysis.

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