Financial Performance Analysis of Amma Alloy (INDIA) Pvt.Limited, Coimbatore

Geetha.S

12PBA006

A Major Project Report submitted to

Avinashilingam Institute for Home Science and Higher Education for Women

Coimbatore

In partial fulfillment of the requirements for the

Degree ofMaster in Business Administration.

March, 2014

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Signature of the HOD (I/C)	**Signature of the External Examiner**	**Signature of the Supervisor**

AMMA ALLOY (INDIA) P LTD. (Foundry Division)

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29th March 2014

Coimbatore 641 004

TO WHOM SO EVER IT MAY CONCERN

This is certify that Miss. S. Geetha (Reg .No. 12PBA006) of MBA II year, studying in Avinashilingam School of Management Technology has undergone her in plant Orientation training for "A STUDY ON FINANCIAL PERFORMANCE ANALYSIS" project work in our foundry at Various Department, for two months from 09.12.2013 to 31.01.2014.

During the working period her character and conduct were found good.

We wish her all success all her endeavors.

Place : Coimbatore

Date :29th March 2014

For AMMA ALLOY(INDIA) P LTD

(FOUNDRY DIVISION)

(R.RUKMANI)

VICE PRESIDENT (OPERATIONS)

ACKNOWLEDGEMENT

The researcher expresses her deep sense of gratitude to the Chancellor **Dr. T.S.K. Meenakshisundaram**, the Vice Chancellor **Dr. Sheela Ramachandran** and the Registrar **Dr. GowriRamakrishnan** of Avinashilingam Institute for Home Science and Higher Education for Women, Coimbatore for giving her an opportunity to undertake this project work, which forms a part of curriculum.

It gives the researcher great pleasure to express her deep sense of gratitude and profound thanks to the **Dr. U. Jerinabi,** Dean, Faculty of Business Administration, for encouraging all activities of the department.

The researcher expresses her sincere thanks to the HOD, **Dr. P. Chitramani(I/C)** and all the Faculty Members of Avinashilingam School of Management Technology.

It gives immense pleasure for the researcher to acknowledge with thanks, her guide, (**Dr) K.Ramya**, Assistant Professor(SS), Avinashilingam School of Management Technology for her timely advice, able guidance and encouragement in bringing this project to a good shape.

The researcher is obliged to **Amma Alloy (INDIA) Private Ltd,** for giving her the opportunity to undertake this project in this esteemed organization.

The researcher expresses her sincere gratitude to**Mrs.R.Rukkmaini**Vice Presidentof Amma Alloy (INDIA) Private Ltd for their guidance and support throughout her project. She also acknowledges the staff in the company, for the necessary help and encouragement given during the project work.

The researchers also express her sincere gratitude to hostel Warden**Mrs. SarojaPrabakaran** and all the respondents who have given her all necessary information for carrying out her study successfully.

SYNOPSIS

Analysis of financial position has become important to the investors, lenders, suppliers, customers and regulators. Financial analysis helps to know the profitability, efficiency, solvency and growth of the concern, The study on financial performance analysis was undertaken to assess the financial performance of Amma Alloy (INDIA) Private Limited and analyze the operating efficiency of the company.

For this purpose, data pertaining to five years from 2009-2013 were taken from the annual reports and analyzed. The study is descriptive in nature. Through the study the company's liquidity, profitability and solvency position can be studied.

Ratio analysis and comparative balance sheetof the company were prepared and analyzed, Ratio analysis was used to understand the liquidity, profitability and solvency position of the company, and it was observed that the company maintains a lower cash or bank balance than required, which may lead to deficit in short term solvency.

It was also observed that the company is not using its assets optimally. From the fixed assets and total assets turnover ratio, it is observed that the capacity utilization of the firm was declining over the years. The profitability of the concern was also inconsistent. The debt fund was greater than shareholders funds and the interest rates and other expenses were higher.

From the comparative balance sheet analysis it is found that the performance of the company over the year has been unsatisfactory.

CONTENTS

LIST OF TABLES

LIST OF CHARTS

CHAPTER-I
INTRIDUCTION

1.1 .Alloy Industry profile

An alloy is a mixture or solid solution composed of a metal and another element. An alloy contains one or more of the three: a solid solution of the elements (a single phase); a mixture of metallic phases (two or more solutions); an inter-metallic compound with no distinct boundary between the phases. Solid solution alloys give a single solid phase microstructure, while partial solutions exhibit two or more phases that may or may not be homogeneous in distribution, depending on the thermal (heat treatment) history of the material. An inter-metallic compound has one other alloy or pure metal embedded within another pure metal.

Alloys are used in some applications, where their properties are superior to those of the pure component elements for a given application. Examples of alloys are solder, brass, pewter, phosphor bronze and an amalgam.

The alloy constituents are usually measured by mass. Alloys are usually classified as substitution or interstitial alloys, depending on the atomic arrangement that forms the alloy. They can be further classified as homogeneous (consisting of a single phase), or heterogeneous (consisting of two or more phases) or inter metallic (where there is no distinct boundary between phases).

An alloy is a mixture of either pure or fairly pure chemical elements, which forms an impure substance (admixture) that retains the characteristics of a metal. An alloy is distinctive from an impure metal, such as wrought iron, in that, with an alloy, the added impurities are usually desirable and will typically have some useful benefit. Alloys are made by mixing two or more elements; at least one of which being a metal. This is usually called the primary metal or the base metal, and the name of this metal may also be the name of the alloy. The other constituents may or may not be metals but, when mixed with the molten base, they will be soluble, dissolving into the mixture.

When the alloy cools and solidifies (crystallizes), its mechanical properties will often be quite different from those of its individual constituents. A metal that is normally very soft and

malleable, such as aluminum, can be altered by alloying it with another soft metal, like copper. Although both metals are very soft and ductile, the resulting aluminum alloy will be much harder and stronger. Adding a small amount of non-metallic carbon to iron produces an alloy called steel. Due to its very-high strength and toughness (which is much higher than pure iron), and its ability to be greatly altered by heat treatment, steel is one of the most common alloys in modern use. By adding chromium to steel, its resistance to corrosion can be enhanced, creating stainless steel, while adding silicon will alter its electrical characteristics, producing silicon steel.

Although the elements usually must be soluble in the liquid state, they may not always be soluble in the solid state. If the metals remain soluble when solid, the alloy forms a solid solution, becoming a homogeneous structure consisting of identical crystals, called a phase. If the mixture cools and the constituents become insoluble, they may separate to form two or more different types of crystals, creating a heterogeneous microstructure of different phases. However, in other alloys, the insoluble elements may not separate until after crystallization occurs. These alloys are called intermetallic alloys because, if cooled very quickly, they first crystallizes as a homogenous phase, but they are supersaturated with the secondary constituents. As time passes, the atoms of these supersaturated alloys separate within the crystals, forming intermetallic phases that serve to reinforce the crystals internally.

Some alloys occur naturally, such as electrum, which is an alloy that is native to Earth, consisting of silver and gold. Meteorites are sometimes made of naturally-occurring alloys of iron and nickel, but are not native to the Earth. One of the first alloys made by humans was bronze, which is made by mixing the metals tin and copper. Bronze was an extremely useful alloy to the ancients, because it is much stronger and harder than either of its components. Steel was another common alloy. However, in ancient times, it could only be created as an accidental byproduct from the heating of iron ore in fires (smelting) during the manufacture of iron. Other ancient alloys include pewter, brass and pig iron. In the modern age, steel can be created in many forms. Carbon steel can be made by varying only the carbon content, producing soft alloys like mild steel or hard alloys like spring steel. Alloy steels can be made by adding other elements, such as molybdenum, vanadium or nickel, resulting in alloys such as high-speed steel or tool steel. Small amounts of manganese are usually alloyed with most modern-steels because of its ability to remove unwanted impurities, like phosphorus, sulfur and oxygen, which can have

detrimental effects on the alloy. However, most alloys were not created until the 1900s, such as various aluminium, titanium, nickel, and magnesium alloys. Some modern superalloys, such as incoloy, inconel, and hastelloy, mayconsist of a multitude of different components.

Competitiveness of Indian foundries

After the initial phase of increases in installed capacity, due to domestic recession which lasted almost till 2001-2002.Came the period of shake out. With weaker units either folding up or getting merged with the stronger players. Now, since the domestic demand has picked up since last 6 months. The better units are now working almost to 85-90% of installed capacity. This lean period forced the better foundries to downsize, and increase the productivity, to fight the diminishing margins. This has made those who survived a fitter & stronger foundry highly competitive in the world market.

Unlike the Chinese growth in export markets (which in volume/tonnage terms is far greater than the Indian one), Indian growth has come in high end cast products, higher technology & complicated shaped casting, serving the industries like auto components. Pump & value industry, mining & minerals & earthmoving machinery etc.

India has perhaps the largest pool of engineering manpower, with 95% able to speak & understand English, offshore product development activity is possible. With about 4-5 hours of time zone difference actually helps in working virtually in real-time. With very low machining costs. (and matching facilities like heat treatment, plating and painting operations) India is fast emerging as a hub for purchase of ready to use components (instead of mere casting) or at least a semi-finished component, with only finishing operations done in Europe.

Additional area where Indian foundry industry has made a mark is in area of value engineering, and cost reduction, like conversion from steel casting to ductile SG Iron casting, from malleable iron casting to ductile iron casting, from forging to casting etc.

In the last few years, large MNCs like GM, ford, daimlercrysler GE Commines. Caterpillar etc have opened their international sourcing & strategic buying officers in India to take the advantages of lower cost, good quality casting from India.

With the entry of multiple auto companies since then, the industry has modernized itself, with forging press as the main equipment. Steam hammers have given way to pneumatic & hydraulic powered hammers, allowing closer tolerance control in hot forged condition, reducing the cut weight of the job, and reducing the components cost.

This was supplemented through the latest in tooling technology through Japanese collaborations/outright purchase of technology. This was also supplemented through establishment of cold forging and warm forging units, for very close dimensional control, casting to a niche area of precision forging used mainly in automotive field.

Foundry process

Foundries produce castings that are close to the final product shape, i.e., "near-net shape" components. Castings are produced by pouring molten metal into moulds, with cores used to create hollow internal sections. After the metal has cooled sufficiently, the casting is separated from the mould and undergoes cleaning and finishing techniques as appropriate.

There are a number of documents in the public domain that provide detailed descriptions of foundry processes (Defra 2003a, b; European Commission 2004; Chartered Institute of Environmental Health 1997). A brief description of foundry processes is provided below for those who may not be familiar with the industry.

The production process involves a number of steps as shown below. Technical terms are explained in the following text and the Glossary of Foundry Terms (at the end of the guide).

Pattern making

Patterns provide the exterior (mould) or interior (core) shape of the finished casting and are produced in wood, metal or resin for use in sand mould and core making. Patterns are usually made in two halves.

Sand mould and core making

Sand casting is the most common production technique, especially for ferrous castings. Sand is mixed with clay and water or with chemical binder sand then packed or rammed around

the pattern to form a mould half. The two halves are joined together to make the mould - a rigid cavity that provides the required shape for the casting.

Variations on this technique include the use of plaster in place of sand and the recently invented Pattern less process (CDC 2000), where the mould is machined directly out of a sand block without the need for a pattern.

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Metal melting

Molten metal is prepared in a variety of furnaces, the choice of which is determined by the quality, quantity and throughput required.

Electric induction furnaces are the most common type used for batch melting of ferrous, copper and super alloys. This method involves the use of an electrical current surrounding a crucible that holds the metal charge. Furnace sizes range from < 100 kg up to 15 tonnes. For production of super alloys and titanium, melting may be undertaken in a vacuum chamber to prevent oxidation.

Cupolas are used solely by iron foundries for continuous production of molten iron. The cupola consists of a shaft in which a coke bed is established. Metal, coke and limestone are alternately charged into the furnace from the top. Molten metal trickles through the coke bed picking up essential carbon, while impurities react with the limestone to form waste slag. Both metal and slag are continuously tapped out at the bottom. Metal throughputs of 1 to 45 tones per hour are achieved in the UK.

Electric arc furnaces are still used by a few ferrous foundries in the UK, mainly producing steel castings, although most have been replaced by induction furnaces. Furnaces of 3 to 100 tones capacity are in use in the UK. The design involves the use of a holding bath into

which electrodes are inserted. The heat generated by creating a charge between the electrodes causes the metal to melt.

Rotary furnaces are relatively uncommon in the UK but are used in some iron foundries. The furnace consists of a horizontal cylindrical steel shell mounted on rollers and lined with refractory material. The furnace is fired using gas or oil from one end and the furnace body is slowly rotated during melting. **Gas-fired shaft and resistance furnaces** are used for melting of aluminums. Shaft furnaces provide a continuous melting and tapping capability, useful at high production facilities. Resistance furnaces are employed for melting of small batches.

Gas and oil-fired crucible furnaces are used for small batch melting of copper and aluminium alloys, although oil-fired units are less common now and tend to be limited to smaller foundries. Unlike the larger furnaces where molten metal is tapped into a ladle for casting, the crucible is lifted out (or pops out) of the heating chamber and the molten metal can be poured directly into the mould.

Casting and separation

Molten metal is poured into moulds using various types of ladles, or in high volume production, automated pouring furnaces. Metal is poured into the "runner" (a channel into the mould cavity) until the runner bush is full. The "riser" provides an additional reservoir of feed metal to counteract the shrinkage that occurs as the casting begins to cool.

When the metal has cooled sufficiently for the casting to hold its shape, it is separated from the mould by mechanical or manual methods. Where sand moulds are used, the process is often referred to as shakeout or knockout, and large amounts of dust may be generated.

Removal of runners and risers

After casting, these extraneous pieces of metal are removed and often collected for re-melting. In ferrous castings and larger non-ferrous castings, they may be removed by knocking off, sawing or cutting using an arc air or oxy-propane torch. In die-castings, they are often snapped off manually.

Finishing

A range of finishing processes is usually undertaken. These include:

- cleaning to remove residual sand, oxides and surface scale, often by shot or tumble blasting;
- heat treatment, including annealing, tempering, normalizing and quenching (in water or oil) to

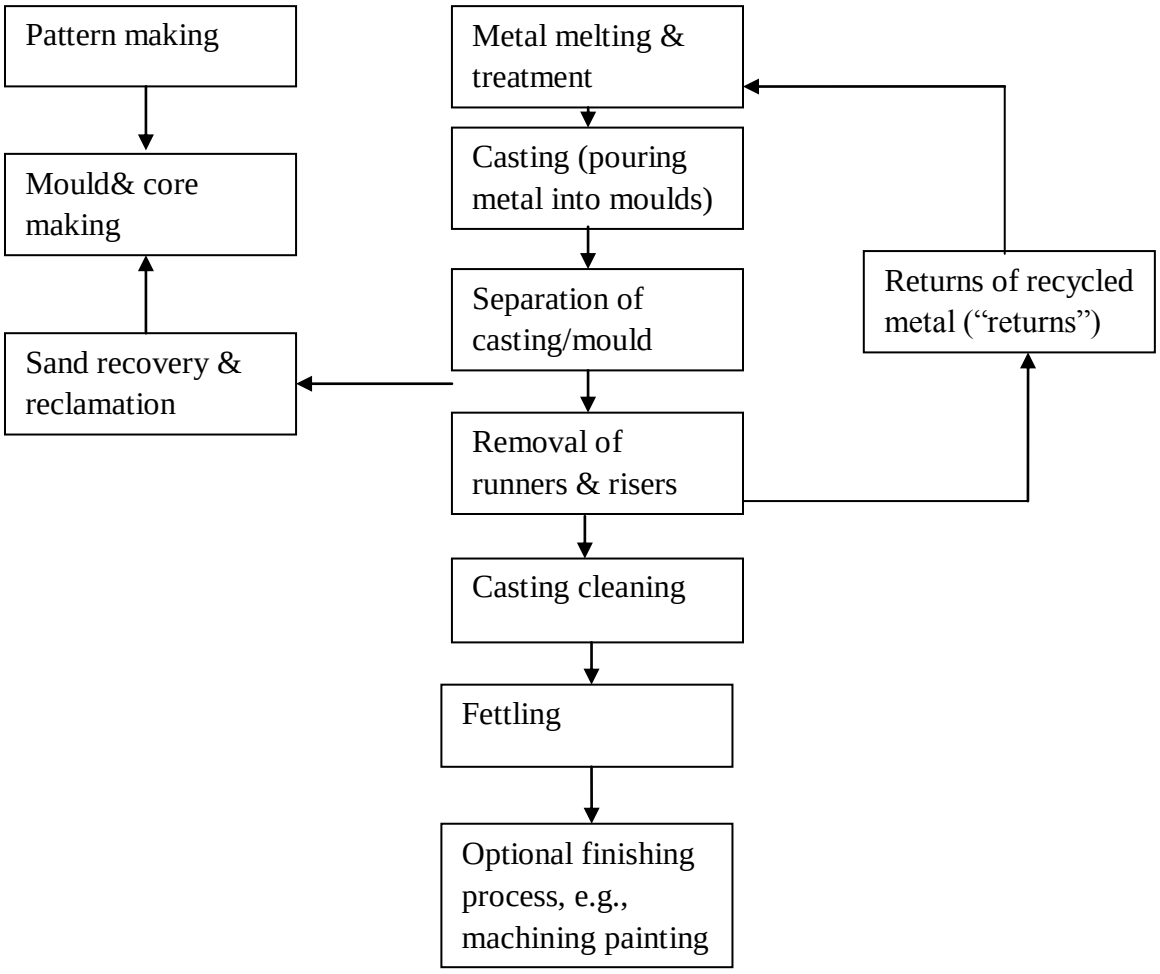
  Enhance mechanical properties;
- removal of excess metal or surface blemishes, (e.g., flash resulting from incomplete mould

  closure or burrs left from riser cut-off), by grinding, sawing or arc air (oxy-propane cutting);
- rectification of defects by welding;
- machining;
- non destructive testing to check for defects;
- Priming, painting or application of a rust preventative coating.

Sand recovery and reclamation

The industry recycles a large proportion of mould and core making sand internally for re-use. This involves processing to remove tramp metal and returns the sand to a condition that enables it to be used again for mould or core production.

Process flow chart



1.2 .AMMA ALLOY (INDIA) PRIVATE LIMITED

Company overview

Amma Alloy India Private Limited (AAIPL), a new age ferrous foundry in Coimbatore (South India). Established in the year 2008 with a vision to create a most contemporary facility for manufacturing high quality Grey and Ductile Iron castings. With an anticipation to meet the growing demand of castings, both in domestic and international market, the company was focused on creating an infrastructure to target production around 36000 metric tons of good quality castings per annum.

Accordingly, all basic amenities were created and this made the company to march fast forward in its goal and currently it has achieved a manufacturing capacity of 14000 metric tons of grey and ductile casting products, catering to the needs of many sectors like automotive (both commercial and passenger), tractors, motors, pumps, textiles and general engineering within a short span of two and a half years since its inception.

Since the commencement of its commercial production, the company had always focused on systematic and quality oriented production and as a result of this motive and commitment the company had been certified for ISO 9001:2008 (within 3 months), ISO TS 16949:2009 (within a year) and ISO 14001:2004 (within two and a half years). AAIPL is fully equipped

Infrastructure

The plant is constructed over 7.00 acres of land in AppanaickenpattiPanchayat, Palladamtaluk, Coimbatore (Tamilnadu). In addition a labor quarters with all amenities has been developed in another 1.00 acre.

The built up area of the Plant is about 75000 sq.ft of highly elevated MS Structural's covered with environment friendly asbestos free polypropylene Everest fiber "HI TECH" sheets. Poly carbonates sheets have been introduced in between roofing Sheets for **lighting** purpose.

By this, there is no usage of any electrical lighting in the plant during day time as a cost control measure. The plant is designed in the Building in such a way adequate lighting and ventilation facilities are available to workers to work in an environmental friendly atmosphere.

Awards / Recognition

- Appreciation certificate from M/s LUK India Limited for the successful chain during the supplier meet India 2009.
- Strategic supplier award by LUK INDIA – april-2012
- Good environment and labor welfare award by IIF Coimbatore chapter- august 2012
- Selected as self certification supplier by M/s TEXMO Industries – September
- During the completion of first year operations itself, we have been awarded **BEST QUALITY AWARD** for the year 2008 - 2009 by Institute of Indian Foundrymen (IIF) Coimbatore chapter.
- In the supplier meet India 2009 we received an Appreciation Certificate from M/s LUK India Limited - a multinational company of Schaeffler Group, Germany for the successful supply chain.

Our focus

- Customer satisfaction
- Zero defect products
- On time delivery
- Quality first
- Competitive price
- Entire employees' involvement

Our strength

- Financially sound management with a vision a target production of 30000MT per annum
- Very good infrastructure
- Having one of the best unique fettling shop

- Implementation of system (ISO 9001:2008, TS 16949: 2009 & ISO 14001: 2004)
- Highly motivated employees
- Team work
- Understand customer need and support immediately
- Go in line with customer requirement in respect of quality and quantity
- Transparency in workings
- WIN WIN concept

Milestones

DEC 2010: ISO 14001: 2004 Certification

Oct 2010: ARPA 300 2nd line & TM 190 1000Kg sand mixer commissioned

May 2010: ISO TS 16949: 2009 & ISO 9001: 2008 certification

Dec 2009: 2.5 Tones / hour divided blast cupolas commissioned

Oct 2009: unique new fettling facility

Aug 2009: best quality award 2008-2009 by IIF Coimbatore chapter

Sep 2013: selected as self certification supplier by M/S TEXMO

Jun 2013: High pressure vertical moulding machine commissioned

May 2008: ARPA 450 molding line commissioned

Apr 2008: ISO 9001: 2000 certification

Jan 2008: launched commercial prod. With ARPA 300 molding line

Aug 2012: Good environment & Labor welfare award by IIF Coimbatore chapter

April 2012: acquisition of 2.2 acres land for proposed M/C shop

April 2012: strategic supplier award by M/S LUK INDIA

Jan 2007: project commenced

Aug 2011: POOMI POOJA for high pressure line

Mar 2011: selected for 5S implementation by M/S schaeffler corporate quality

Jan 2011: 2nd 1000Kg 1000 Kw dual track induction furnace commissioned

WEIGHT RANGE OF CASTING BEING MANUFACTURE

ITEMS	ARPA MOULDING LINE	HPVML
Grey Iron	1 Kg to 70 Kgs	1 Kg to 35 Hgs
Ductile iron	1 Kg to 60 Kgs	1 Kg to 25 Kgs

Process of Our Company

Sand Plant – Arpa Line

- 40 Tons/hour sand re-conditioning plant
- Integrated sand preparation and conditioning plant
- DISA make intensive sand mixers (capacity: 1 Ton & 500Kgs)
- Sand Hoppers (capacity: 80 & 25 tons)
- 90 tons return sand storage hoppers – 40nos
- 24 tons new sand Day hopper – 2nos
- 15 tons return sand day hopper -2nos
- Fluidized bed sand cooler-1 No
- SAM 3-40 1000 Kg vertical mixer-1No
- Equipped with SCADA (Supervisory control and data Acquisition)
- Online SMC (Sand multi controller) for sand control

Pattern Shop:

- Well equipped patterns shop for pattern mounting, repair and reworks

Moulding- Arpa Lines

- Simultaneous jolt squeeze molding machines
- DISA molding machines ARPA 300-2 pairs and 450-1 pair
- 400*520*130/150 mm, pin center of 595mm
- 520*520*150 mm, pin center of 595mm
- 650*700*200mm, pin center of 780mm
- Equipped with automatic electro/hydraulic punch out for casting separation from moulds

Mouldings High Pressure Line

- DISA 030 B HIGH PRESSUR VERTICAL molding machine
- 250 moulds per hour-without core
- 220 moulds per hour-with core
- Flask less mould, mould size 535 MM*650 MM
- Automatic pattern changer & automatic core setter
- AMC 18.0 meters & SBC 29.5 meters, cooling time 1 hour

Core Shop

- Equipped with cold box core shooters of 5Kgs&Kgs capacity
- SUSHA shell core shooter (mounting plate size 375*450mm)
- Core ovens of electrical type with 40 KW capacity
- Types of cores can be done

Cold box core

- Oil core
- Co2 core
- Shell core

Melting

- 2 No's 1000KW, 1000KG inductotherm dual track induction furnace in the ARPA line
- 1 No 2250KW, 1000KG nductotherm tri track induction furnace in the high pressure line
- As an ISO contingency measure two 2.5 tons/hour DBC (Teri design) most modern cupola with automatic control panels are installed, during power shortage this is used for duplexing the liquid metal to induction furnace

Metal Pouring

- Over head monorail metal pouring system
- Ladles and ladle holders are installed for pouring liquid metal
- Pneumatically operated junction points

Fettling Shop

- Floor capacity of 15,600 Sq.ft
- Equipped with 2 No's of hanger type fully automatic DISA VP14 shot blasting machine with a capacity of 500 Kgs per Batch
- Pedestal grinders, Disc grinders, Swing frame cylinders, 5 tons capacity EOT crane
- Multi cyclone separations provided for dust collection

Lab& Testing

Thermo fisher scientific Switzerland-ARL spectrometer capable of analyzing 24 elements

- Metallurgical microscope fitted with video cam
- Sand testing equipments of VERSATILE EQUIPMENT (P) LTD
- Carbon equivalent meter 7 optical pyrometer
- 40 tons capacity FIE make electronic computerized universal testing machine
- 3 tons/250 Kgs capacity Brinell harness testing machines
- Suyash on-line equipment for predicting liquid metal chemistry on the metal platform
- Wet analysis lab equipments

Services

- 3No's ELGI compressors (300CFM, 295 CFM & 220CFM)
- GEM Air dryers
- 160 KVA DG set kirloskar Cummins engine with kirloskar alternator for fettling shop
- 500 KVA & 380 KVA DG set kirloskar Cummins engine with kirloskar alternator for auxiliary equipment

Mterial Handling

- Doosan BOBCAT S130
- Voltas forklifts
- 7.5 tons EOT cranes
- Eicher trucks transport to customer end
- Fabricated portable MS bins for storing and shifting of castings

Labour Welfare

- Uniform for staffs and workers at free of cost
- Free bus facility for all shifts
- In-house training center to tune their skills
- A well equipped staff/labor quarters in 1 acre land, 52 rooms with all basic amenities is provided for staffs and workers at free of cost

Aaipl's Concern on Environment & Resources

Against global warming & pollution - Green belt development

Conservation of ground water- Rain water harvesting

Conservation of electrical energy- poly carbonate sheets between roofing sheets for lighting in day time

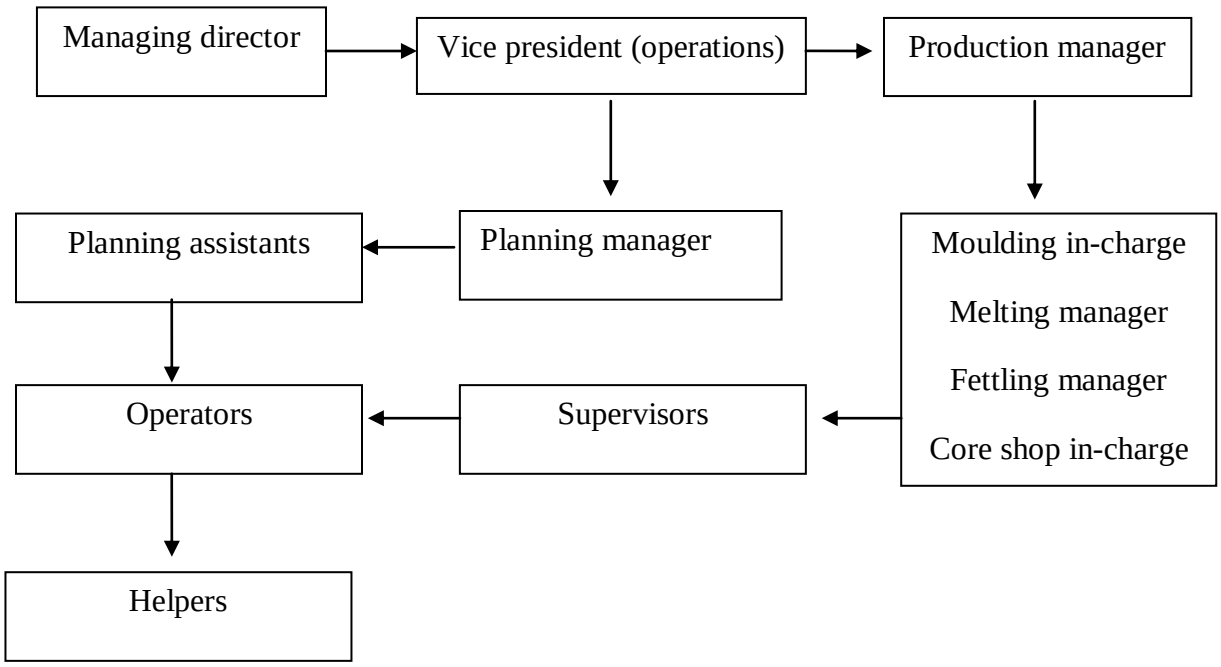
Conservation of water – introduction of dry cooling towers for induction furnace coils

Conservation of nature – introduced ERP system with LAN computer networks to become a Paperless office

Green Enegry

- Towards green energy we have installed a 600Kw SV52 SULZON Windmill and commissioned in march-2012
- This produces 10% of our annual energy requirement
- We have planned go for another 1 NO. This year march-2014

ORGANIZATION STRUCTURE



1.3 FINANCIAL PERFORMANCE ANALYSIS

Financial statement is an organized collection of data according to logical and consisted accounting procedures. Its purpose is to convey an understanding of some financial aspects of a business form. It may reveal a series of activities over a given period of time, as in the case of an income statement.

The focus of the financial analysis is on key figures in the financial statements and the significant relationship exists between them. The analysis of financial statements is a process of evaluating relationships between component parts of financial statements to obtain a better understanding of the firm's position and performance.

Financial Analysis

Financial analysis is the process of identifying the financial strengths and weakness of the firm by property establishing relationships between the item of the balance sheet and the profit and loss account. Financial analysis can be undertaken by management of the firm, or by parts outside the firm.

Users of Financial Analysis

- Management
- Trade creditors
- Investors
- Government
- Others

Management

Management of the firm would be interested in every aspect of the financial analysis. It is their overall responsibility to see that the resources of the firm are used most effectively and efficiently and that the firm's condition is sound.

Trade Creditors

The trade creditors are to be paid in a short term solvency of the concern. The current ratio and acid test ratio will enable the creditors to assets the short term solvency position of the concern.

Investors

The Investors are interested their money in the firm's shares, are not concerned about the firms earnings. They restore more confidence in those firms that show steady growth in earnings. As such, they concentrate on the analysis of the firms' present and future profitability. They are also interested in the firm's financial structure to the extent it influences the firms earning ability and risk.

Government

The financial statements are used to asses tax liability of business enterprise. These statements enable the government to find out whether the business is following various regulations or not.

Others

Trade associations, stock exchange and public at may also analyze the financial statements to judge the financial position of different concerns.

Definition

According to Myres "Financial statement analysis is largely is a study of the Relationship among the various financial factors in a business as disclose by a single set of statement and a study of the trend of these factors as show in a series of statements. **Financial statements are indicators of the two significant factors**:

1. Profitability
2. Financial Soundness

Analysis and interpretation of financial statements therefore refers to such a treatment of the information contained in the income statement and the balance sheet so as to afford full diagnosis of the profitability and financial soundness of the business.

The term “analysis” means methodical classification of the data given in the financial statements. The term “interpretation” means “explaining the meaning and significance of the data so simplified.

Types of financial Analysis

Financial analysis can be classified in to different categories depending upon.

(a) The material used

(b) The modus operand of analysis

On the basis of materials used. According to this basis financial analysis can be of two types.

a) External Analysis s

Those who are outsider for the business do this analysis. The outsiders include investors, credit agencies. Government agencies and other creditors who have no access to the internal records of the company. These persons mainly depends upon, thepublished financial statements. Their analysis serves only a limited purpose. The position of this analysis hasimproved in recent times on account of increased governmental control over companies and governmental regulations requiring more detailed disclosures of information by the companies in their financial statements.

b) Internal analysis

This analysis is done by persons who have access to the books of account and other information to the books of accounts related to the business, Executives and employees of the organization or by officers appointed for this purpose by the government or the court under powers vested in them can therefore do such an analysis. The analyses in done depending upon are objective to be active depending upon the objective to be achieved through this analysis.On the basis of modus operandi according to this, financial analysis can also be two types.

a) Horizontal Analysis

In case of this type of analysis financial statements for a number of years are reviewed and analyzed. The current year’s figures are compared with the standard or base year. The analysis statement usually contains figures for two or more years and the changes are shown regarding each item from the base year usually in the form of percentages. Such as analysis given the management considerable insight into levels and areas of strength and weakness. Since

this type of analysis is based on the date from year to year rather than on one date, it is also termed as 'Dynamic Analysis?

b) Vertical Analysis

In case of this type of analysis a study is made of the quantitative relationship of the various items in the financial statements on a particular type, such an analysis is useful in comparing the performance of several companies in the same group, or divisions or departments in the same company. Since this analysis depends on the data for one period, is nor very conductive financial position. It is also called 'Static Analysis' as it frequently used to ratios developed on one date or for one accounting period. Tools or Techniques used for Analysis:

1. Ratio Analysis
2. Comparative statement Analysis.
3. Common-size statement Analysis.

These are explained in bring as follows.

Ratio Analysis

Ratio Analysis is widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strength and weakness of a firm as well as its historical performance and current financial condition can be determined. The term ratio refers to the numerical or quantitative relationship between two items/ Variable. This relation can be expressed as.

1.1.Percentages

1.2.Fractions

1.3.Proportion of numbers.

Accounting ratios showed the relationship in mathematical terms between two interrelated accounting figures. This is the most important tool available to financial analysis for their work.

Ratio analysis is a process of identifying the financial strengths and weakness of the firm. This may be accomplished either through a trend analysis of the firm's ratios over a period of time or through a comparison of the firm's ratios with its nearest competitors and with the

industry averages. The four most important financial dimensions which a firm would like to analyze are: liquidity, Leverage, Activity and Profitability.

Nature of Ratio Analysis:

A Financial ratio is a relationship between tow accounting numbers. ratios help to make a qualitative judgment about the firm's financial performance.

Financial Ratio

Financial Ratio is a relationship between two financial variables. It helps to ascertain the financial condition of a firm.

Types of financial Ratios

- Liquidity ratios
- Leverages ratios
- Activity ratios
- Profitability ratios

Liquidity Ratio

Liquidity Ratio measures the firm's ability to meet current obligations, and is calculated by establishing relationships between current assets and current liabilities.

Leverage ratio

A leverage ratio measures the proportion of outsider's capital in financing the firm's assets, and is calculated by establishing relationships between borrowed capital and equity capital.

Activity Ratio

Activity ratio reflects the firm's efficiency in utilizing its assets in generating sales and is calculated by establishing relationships between sales and assets.

Profitability Ratio

Profitability ratios measure the overall performance of the firm by deterring the effectiveness of the firm ingenerating profit, and are calculated by establishing relationships between profit figures on the one hard, and sales and assets on the other.

Utility of Ratio Analysis

Assessment of the firm's financial conditions and capabilities.

- Diagnosis of the firm's problems, weakness and strengths.
- Credit analysis
- Comparative analysis
- Time series analysis

Cautions in using ratio analysis

- Standards of comparisons
- Company differences
- Prices level
- Different definition
- Changing situations
- Past data

Standard of Comparison:

- Time series analysis
- Inter-firm analysis
- Industry analysis
- Preformed financial statement analysis

Advantages of Ratio Analysis:

1. It helps in analysis of the situation i.e. analysis on the financial situation and performance.
2. Inter-firm and Infra-firm comparison is both possible on the basis of accounting ratio
3. Accounting Ratio not only indicates the present position but they also indicate the cause leading up to the position of a large extent
4. It helps in obtaining best result when ratios for a number of years are put in tabular form so that the figure for one year can be easily compared with those of other year

5. It indicates the trend of the change, which helps in preparation of estimates for the future.
6. They provide simplicity to the complex accounting information presented by the financial statements
7. They are very helpful to outsiders as well as for internal management
8. It is very helpful to internal managements, discharge of the basic managerial functions.
9. It also helps in planning, policy making & controlling the activities.
10. They are helpful in establishing the standard casting system.

Limitations of ratio analysis

1. Ratio provides only guidelines to the management they are only the means. However they scratch surfaces and raise question. The limitation of the ratio may force the management to have detailed investigation of the situation under question.
2. single accounting ratio is not useful at all unless it is studied with other accounting ratios
3. They are based only on the quantitative information. Hence, qualitative information puts limit on the ratios
4. Ratios are subject to arithmetical accuracy of the financial statements. Moreover financial statement also include estimated date like provision for depreciation, bad and doubtful debts etc. hence, result revealed by ratios are subject to such estimates.
5. Ratios are computed on the basis of financial statements which are historical in nature.
6. Knowledge of ratios only is meaningless unless it is also found how it is made up.
7. Lack of homogeneity of data, personal judgment lack of consistency etc. is the factors which limit the conclusion to be derived on the basis of accounting ratios.

COMPARATIVE STATEMENT ANALYSIS

Comparative statement is those statements, which have designed in a way, so as to provide time perspective to the consideration of the various elements of financial position embodied in such statements. In such statements figures for two or more periods are placed side by side to facilitate comparison. The two statements are proposed for comparison. They are comparative income statement and comparative Balance Sheet.

COMMON SIZE FINANCIAL STATEMENT

Common size financial statements are those in which figures are converted into percentage to solve common base. In the income statement the sales figure is assumed to be 100 and all figure are expressed as a percentage of sale. Similarly in the balance sheet the total assets and liabilities are taken as 100 and all figures are expressed as a percentage of this total.

SIGNIFICANCE OF THE STUDY

- Every company must consider their liquidity position, profitability and solvency position and also the main attention should be on smooth working capital position.
- For this analysis the ratios, working capital requirements for the next five years period to enables meaningful planning for the future.
- Researcher worked and applied various tables in relevant ratio from the data collection in **AmmaAlloy (INDIA) Private Limited** Researcher giving more suitable idea to the management and developed the company in various ways. Researcher analysis some table in statistical approaches of trend line

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 performance of the AMMA ALLOY 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 Amma alloy should be analyzed well increase the profit and make the company to compete with others doing similar business.

1.4. OBJECTIVES

- To analyze the financial performance of "AMMA ALLOY (INDIA) PVT LTD".
- To evaluate the financial position of the company in terms of solvency, profitability, activity and earnings ratios.
- To analyze the financial statements of the company by using financial tools.

1.5. SCOPE OF STUDY

The study is based on the accounting information of the AMMA ALLOY (INDIA) PRIVATE LIMITED, COIMBATORE. The study covers the period of 2009-2013 for analyzing the financial statement such as income statement and balance sheet.

The scope of the study involves the various factors that affect the financial efficiency of the company. To increase the profit and sales growth of the company. This study finds out the operational efficiency of the organization and allocation of resources to improve the efficiency of the organization.

The data of the past five years are taken into account for the study. The performance is compared within those periods. This study finds out the areas where Amma Alloy (India) private Ltd can improve to increase the efficiency of its assets and funds employed.

1.6. LIMITATION OF STUDY

- The Secondary data like annual reports of Amma Alloy (INDIA) private ltd is collected from Coimbatore hints the accuracy of the result of the study will depends upon the accuracy of data provided by the company.
- The study covers only the period of 5 years (2009 to 2013)
- Various techniques, ratio statistical tools used in this study will have its own limitation.

CHAPTER –II
REVIEW OF LITERATURE

A literature review is a text written by someone to consider the critical points of current knowledge including substantive findings, as well as theoretical and methodological contributions to a particular topic. Literature reviews are secondary sources, and as such, do not report any new or original experimental work. Also, a literature review can be interpreted as a review of an abstract accomplishment.

A systematic review is a literature review focused on a research question, trying to identify, appraise, select and synthesize all high quality research evidence relevant to that question .a Meta analysis is typically a systematic review using statistical methods to effectively combine the data used on all selected studies to produce a more reliable result.

Susan Ward (2008)[1], emphasis that financial analysis using ratios between key values help investors cope with the massive amount of numbers in company financial statement. For example, they can compute the percentage of net profit a company is generating on the funds it has deployed. All other things remaining the same, a company that earns a higher percentage of profit compared to other companies is better investment potion.

Carlos Correia (2007)[2] had explained that any analysis of the firm, whether by management, investors, or other interested parties, must include an examination of the company's financial data. The most obvious and readily available source of this information is the firm's annual report. The financial statement shall, in conformity with generally accepted accounting practice, fairly present the state of the affairs of the company and the result of operations for the financial year.

Chidambaram Rameshkumar& Dr. N. Anbumani (2006)[3], he argue that ratio analysis enables the business owner/manager to spot trends in a business and to compare its performance and condition with the average performance of similar businesses in the same industry. To do this compare your ratios with the average of businesses similar to yours and compare your and your own ratios for several successive years, watching especially for any

unfavorable trends that may be starting. Ratios analysis may provide the all-important early warning indications that allow you to solve your business problems before your business is destroyed by them.

Reilly, Brown, (2006)[4].Analysts use financial ratios because numbers in isolation convey little meaning. Thus, ratios are intended to provide meaningful relationship between individual values in the financial statement (Reilly, Brown, 2006). Because the major financial statement report numerous individual items, it is possible to produce a vast number of potential ratios, many which will have little value. In this thesis, financial ratio used to evaluate company's performance using historical date from 2004-2008 compared to industry average performance.

Worthington, Andrew C. (2005)[5], compares the financial performance measures provided by accounting-based financial ratios and production performance as measured by efficiency indices. Benefits in using accounting-based financial ratio and efficiency indices jointly; Application of data envelopment analysis approaches to financial statement of listed Australian companies.

Serrano Cinca, C. (2005)[6], in the article'' Country and size effects in financial ratios: A European perspective" states that harmonized aggregate financial statements are published by the European commission in the BACH database. This information is organized by country, size of firm, and year. Financial ratios obtained from this database are analyzed using multivariate statistical techniques in order to explore country and size effects. The data relates to three size groups, eleven countries, fourteen years and fifteen financial and economic ratios. It is found that ratios reflect the size of the firm, but that the way in which this is reflected varies between the different countries. It is also found that there are no significant size related differences in financial profitability, but that such differences appear when countries are compared.

A paper in the title of efficiency, customer service and financial performance among Australian financial institutions **(Elizabith Duncan, and Elliott, (2004)**[7] showed that all financial performance measures as interest margins, return on assets, and capital adequacy are positively correlated with customer service quality scores.

Chien Ho, and Song Zhu, (2004)[8] showed in their study that most previous studies concerning company performance evaluation focus merely on operational efficiency evaluation

and operational effectiveness which directly influence the survival of a company. By using an innovative two-stage data envelopment analysis model in their study, the empirical result of this study is that a company with better efficiency doesn't always mean that it has better effectiveness.

Hai-Ming Chen, Jeffrey (2003)[9],discusses the important of proper disclosure of human capital in financial statement and suggests ways to disclose and measure human capital in financial statement. Disclose of human capital in the president's letter in the company annual report; presentation of human capital as notes in the financial statements; Recording of human capital as and intangible or other asset in the financial statements.

Macey and O'Hara (2003)[10] argue that bank officers and directors should be held to broader (if not higher) set ofstandards than their counterparts in less regulated non- financial firms, and banks pose special corporate governanceproblems.

Adams and Mehran (2003)[11] focusalso on the differences between the corporate governance of banks and manufacturing firms and support the theory that governance structures are industry-specific. In general, the components of firm's governance structure are determined by various different factors, which all will influence also performance analysis aims and techniques: thenature and structure of firm's assets and liabilities (leverage, share of financial assets, business risk, cash- flowpatterns), firm size, industry, regulations, etc.

Brigham and Houston, (2001)[12] the modified model was a powerful tool to illustrate the interconnectedness of afirm's income statement and its balance sheet and to develop straight-forward strategies for improving the firm'sROE.

Nazism & Penman (2001)[13] suggest using a modifiedversion of the traditional DuPont model in order to eliminate the effects of financial leverage and other factors notunder the control of those managers. Using operating income to sales and asset turnover based on operating assetslimits the performance measure of management to those factors over which management has the most control. Themodified DuPont model has become widely recognized in the financial analysis literature. See, for example, Pratt &Hirst (2008), Palepu& Healy (2008),

and Soliman (2008). In addition, Soliman (2004) found that industry-specificDuPont multiplicative components provide more useful valuation than do economy-wide components; suggestingthat industry-specific ratios have increased validity.

Hawawini and Viallet (1999)[14] offered yet another modification to the DuPont model. This modification resulted infive different ratios that combine to form ROE. In their modification they that the financial statementsfirms prepare for their annual reports (which are of most importance to creditors and tax collectors) are not alwaysuseful to managers making operating and financial decisions.

Gitman (1997)[15] suggest that a balance sheet summarize the financial position of a company at a given point in time. Most companies are required under accepted accounting practices to present a classified balance sheet. In which asset and liabilities are separated into current and non-current accounts. Current asset are expected to be converted to cash and used in operations within one year or the operating cycle, whichever is longer. Current liabilities are obligations that the company must settle in the same time period. The difference between current asset and current liabilities is working capital.

Salmi, T. and T. Martikainen (1994)[16], in his "A review of the theoretical and empirical basis of financial ratio analysis", has suggested that A systematic framework of financial statement analysis along with the observed separate research trends might be useful fir furthering the development of research. If the research results in financial ratio analysis are to useful for the decisions makers, the results must be theoretically generalizable.

According to **Bernstein to Bernstein and Wild (1990**)[17]financial statement analysis applies analytical tools and techniques to general purpose financial statement and relates data derive estimates and inferences useful in business decision. It is as screening tool in selecting investment or merger candidates, and is a forecasting tool of future financial conditions and consequences. It is a diagnostic tool in assessing financing, investing, investing, and operating activities, and is an evaluation tool for managerial and other business decisions. It does not lessen the need for expert judgment but rather establishes an effective and systematic basic for making business decision.

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CHAPTER-III

RESEARCH METHODOLOGY

Research can be defined as "A scientific and systematic search for pertinent information on a specific topic". Therefore, research could be understood as an organized activity with

specific objective on a problem or issues supported by compilation of related data and facts, involving application of relevant tools of analysis and deriving logically on originality.

1.1. Research design:

Research Designs is the arrangement of condition for collection and analysis of data in manner that aims to combine relevance to the research purpose with the economy in procedure. Research Designs is important primarily because of the increased complexity in the market as well as marketing approaches available to the researches. A research design specifies the methods and procedures for conducting a particular study. Descriptive research followed in this study.

Methods of data collection:-

- ✓ **Secondary data**

The secondary data is derived from the annual reports, Business line and finance newspapers websites and the internal auditing books of Amma alloy (INDIA) Private Limited.

PERIOD OF THE STUDY:

The study covers the time period of 5 years from the year 2009-2013.

TOOLS USED FOR ANALYSIS:

To analyze and interpret the financial statements of the study unit the following tools are used in the study.

1. Ratio Analysis.
2. Comparative Statement Analysis
3. Common-size Statement Analysis

CHAPTER-IV

ANALYSIS AND INTERPRETATION OF DATA

In this chapter an attempt has been made to analysis how efficiently the analysis of Financial statement is managed in Bharat Heavy Electricals limited. Financial tools such as schedule of changes in ratio analysis, least squares, and comparative statements have been used for the purpose of analysis.

The financial statement involves recording classifying and summarizing of various business transactions. It is prepared for the purpose of presenting a periodical review or report of the progress made by the concern and deals with the state of the investment, in the business and 'result achieved' during the accounting period. Financial statement, income statement and position statement are the outcome of accounting process.

Ratio analysis is a technique of analysis and interpretation of financial statements. It is used as a device to analysis and interprets the financial health of a firm. Analysis of a financial statement with the aid of ratio helps to arrangements in decision making control.

CURRENT RATIO

Current ratio may be defined as the relationships between current assets and current liabilities. In order to measure the short-term liquidity or solvency of a concern, companies of current assets and current liabilities is inevitable. Current ratio indicates the ability of a concern to meet its current obligation as and when are due for payment. A current ratio of 2:1 is considerable ideal.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}}$$

TABLE NO 4.1

CURRENT RATIO

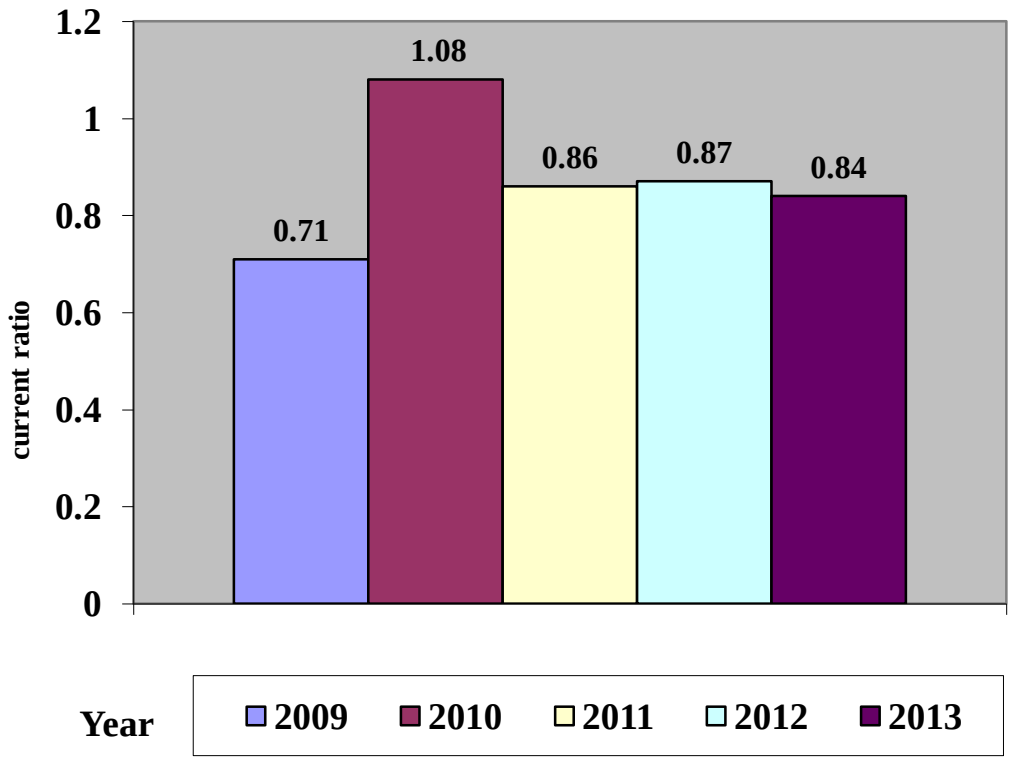
Year	Current assets	Current liabilities	Current Ratio

	(Rs. In Cr.)	**(Rs. In Cr.)**	
2009	41.11	58.24	0.71
2010	83.55	77.05	1.08
2011	82.50	95.72	0.86
2012	160.01	183.93	0.87
2013	183.71	219.09	0.84

During the study period, the current ratio is less than the standard norm of 2:1 for all five years which means that the short term solvency position of the company is not satisfactory

CHART NO 4.1

CURRENT RATIO



QUICK RATIO

The ratio establishes a relationship between liquid assets and liquid liabilities. Inventories are considered to be less liquid a sit normally required same time for realizing in cash and their values have tendency to fluctuate. Hence quick ratio of found out by dividing the total of quick assets by total current liabilities

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Quick Liabilities}}$$

TABLE NO-4.2

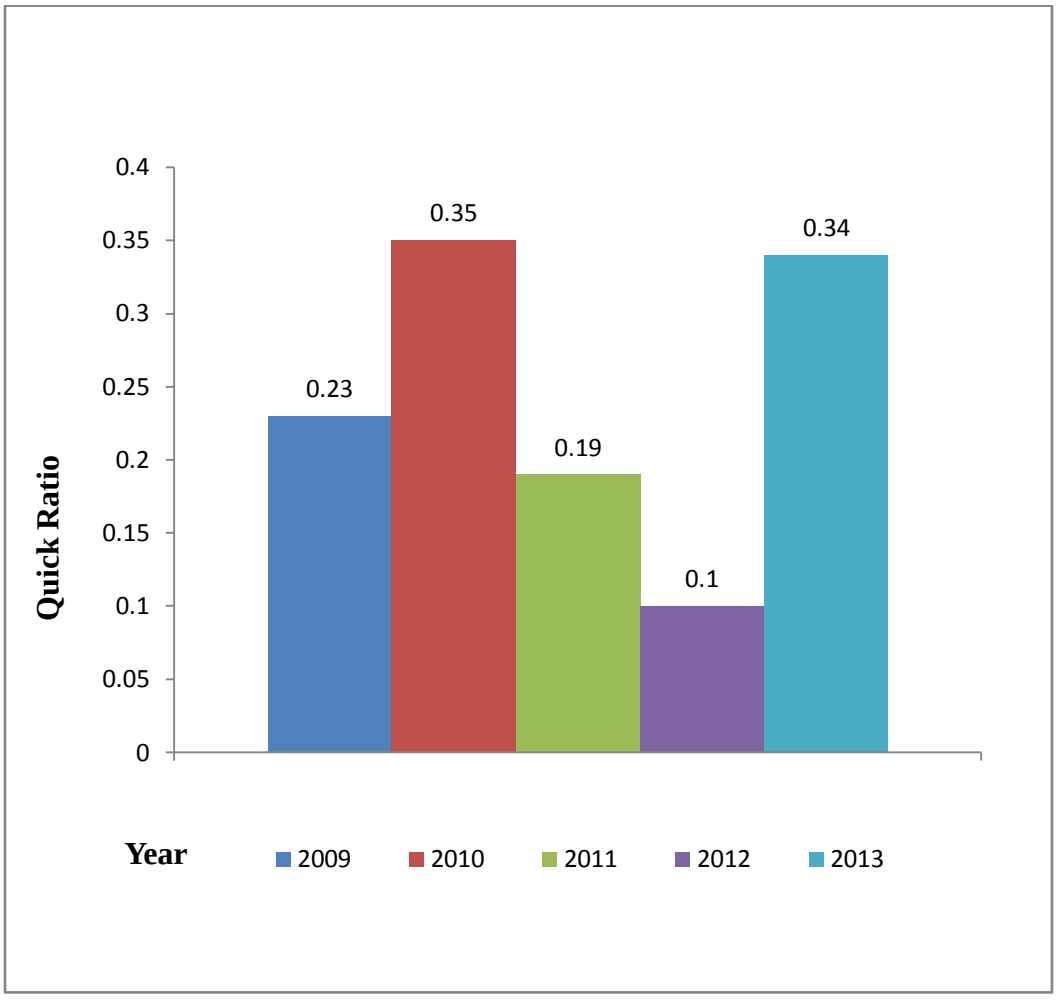
QUICK RATIO

Year	Current Assets (Rs. In Cr.)	Inventories (Rs. In Cr.)	Current Liabilities (Rs. In Cr.)	Quick Ratio
2009	41.11	27.89	58.24	0.23
2010	83.55	57.06	77.05	0.35
2011	82.50	64.32	95.72	0.19
2012	160.01	141.22	183.93	0.10
2013	183.71	110.70	219.09	0.34

The table shows that in the year 2009 quick ratio was 0.23 and in the year 2010 it was 0.35. There was a further decrease to 0.19 in the year 2011, which is due to the decrease in cash balance. In the year 2012 the ratio was 0.10 and in 2013 it was 0.34. The Quick ratio is not stable in the years.

CHART NO-4.2

QUICK RATIO



INVENTORY TURNOVER RATIO

The inventory turnover reflects the efficiency of inventory management indicates the efficiency of the firm in producing and selling its product. A high inventory turnover is indicative of goods inventory management. It is calculated by dividing the cost of goods sold by the average inventory. The higher the inventory turnover larger the amount of profit.

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

TABLE NO -4.3

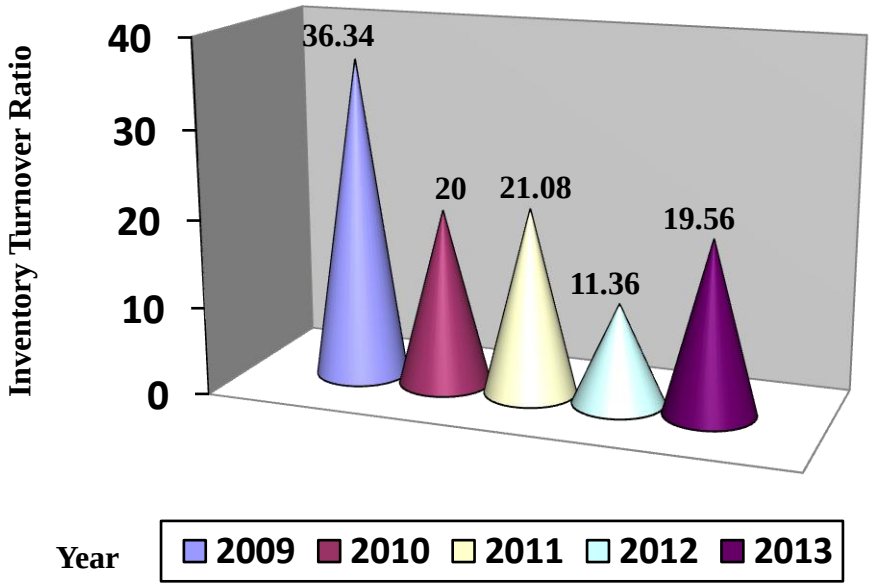
THE INVENTORY TURNOVER RATIO

Year	Net sales (Rs. In Cr.)	Average stock (Rs. In Cr.)	Inventory turnover Ratio
2009	1013.57	27.89	36.34
2010	1141.29	57.06	20.00
2011	1355.79	64.32	21.08
2012	1603.54	141.22	11.36
2013	2165.02	110.70	19.56

The inventory turnover ratio was high during the year 2009 and after that a declining trend is noticed. The ratio was very low during the year 2012.

CHART NO-4.3

INVENTORY TURNOVER RATIO



DEBTOR'S TURNOVER RATIO:

Debtor's turnover ratio explains the number of times the debts are converted into cash within a short period of time. This ratio establishes the relation between credit sales and debtors.

$$\text{Debtor's turnover ratio} = \frac{\text{Sales}}{\text{Total debtor}}$$

TABLE NO-4.4

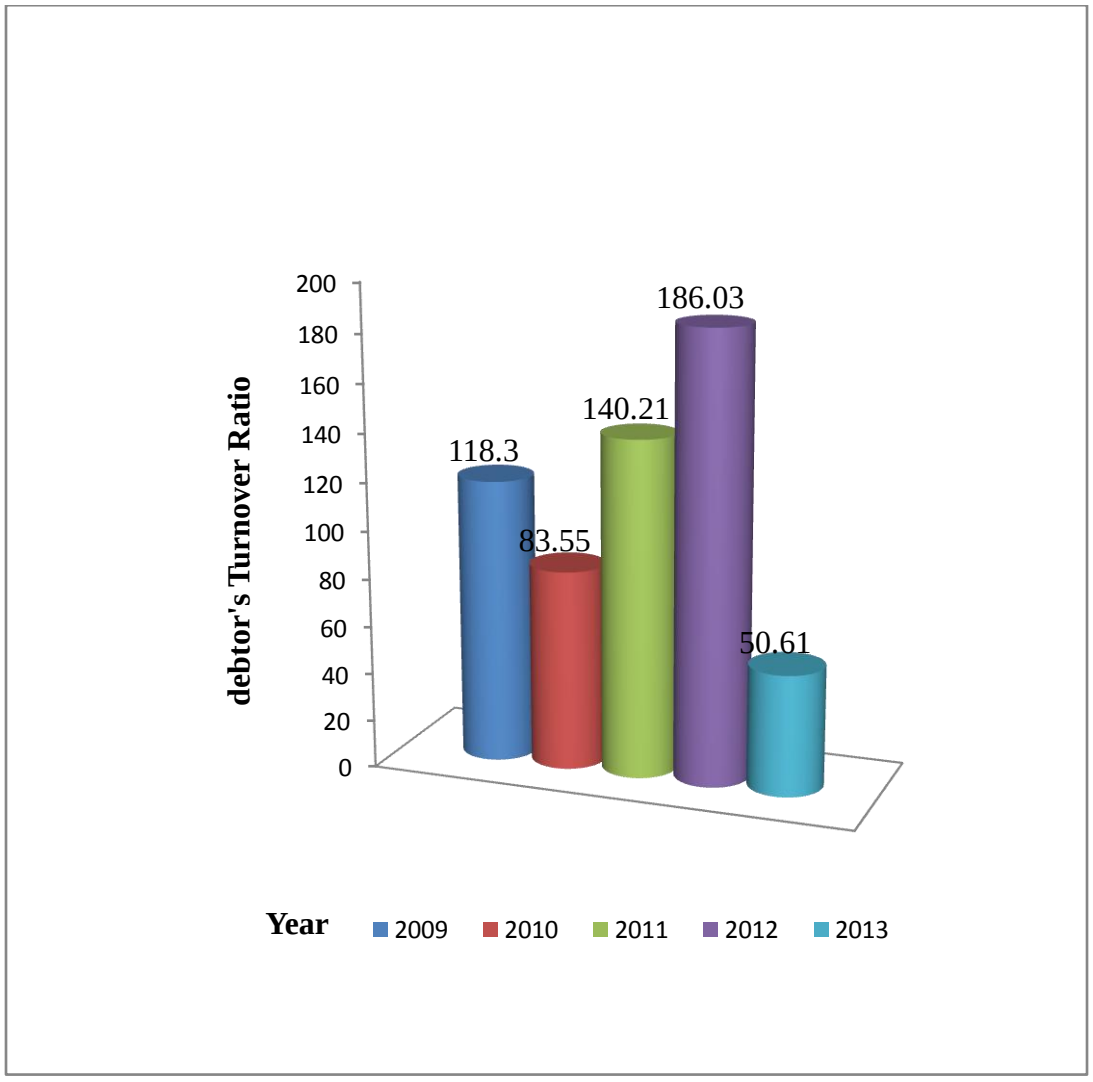
DEBTOR'S TURNOVER RATIO

Year	Total sales (Rs. In Cr.)	Debtors (Rs. In Cr.)	Debtor's Turnover Ratio
2009	1013.57	8.57	118.30
2010	1141.29	13.66	83.55
2011	1355.79	9.67	140.21
2012	1603.54	8.62	186.03
2013	2165.02	42.78	50.61

The debtor's turnover ratio registered a fluctuating trend during the study period. It was very high during the year 2012 which means receivables management is good during 2012. But in 2013 the ratio was low at 50.61 which means the company has to improve its receivables management

CHART NO-4.4

DEBTOR'S TURNOVER RATIO



TOTAL ASSET TURNOVER RATIO

This ratio shows the firm's ability to generate sales from all financial resources committed to total assets. It is calculated by dividing sales by total assets.

$$\text{Total asset turnover} = \frac{\text{Total sale}}{\text{Total assets}}$$

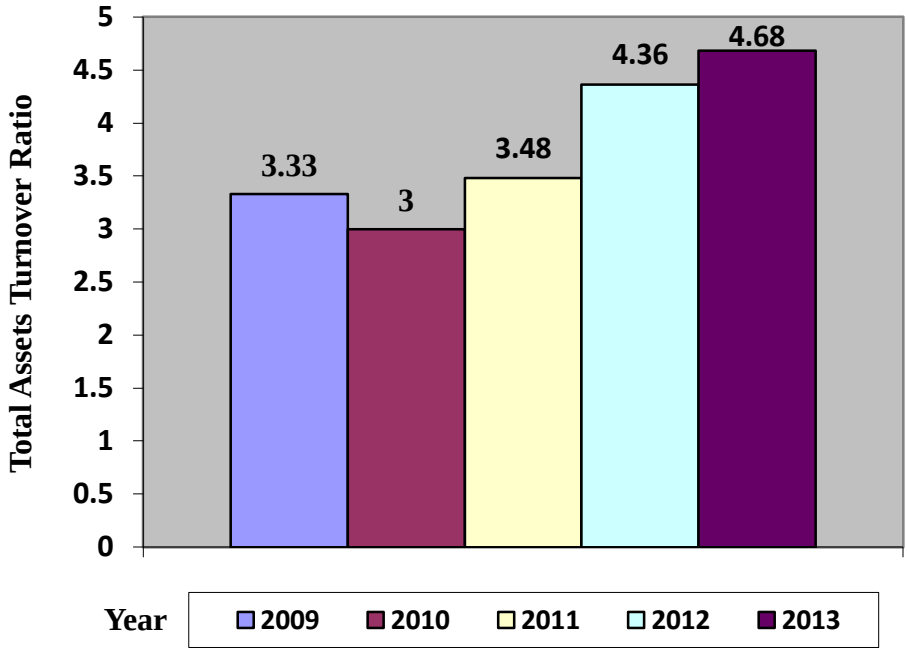
TABLE NO: 4.5
TOTAL ASSETS TURNOVER RATIO

Year	Revenue (Rs. In Cr.)	Assets (Rs. In Cr.)	Total turnover Ratio
2009	990.37	297.30	3.33
2010	1160.18	386.97	3.00
2011	1354.69	389.07	3.48
2012	1661.98	380.96	4.36
2013	2159.03	461.28	4.68

The total asset turnover ratio registered fluctuating trend during the study period. But in the year 2013 it increased to 4.68 which means sales highly increased. But in 2010, the ratio was low at 3.00 which mean the company's sale was not satisfactory.

CHART NO: 4.5

TOTAL ASSETS TURNOVER RATIO



CURRENT ASSET TURNOVER RATIO

It is divided by calculating sales by current assets

$$\text{Current assets turnover} = \frac{\text{Total assets}}{\text{Current assets}}$$

TABLE NO-4.6

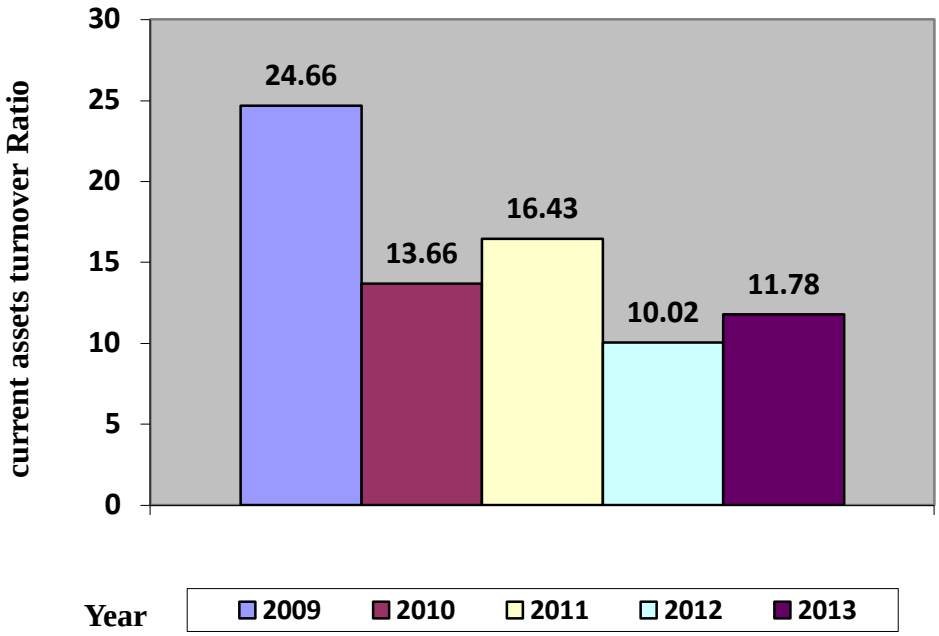
CURRENT ASSETS TURN OVER RATIO

Year	Net sales (Rs. In Cr.)	Current Assets (Rs. In Cr.)	Current assets turnover Ratio
2009	1013.57	41.11	24.66
2010	1141.29	83.55	13.66
2011	1355.79	82.50	16.43
2012	1603.54	160.01	10.02
2013	2165.02	183.71	11.78

The current assets turnover ratio registered a fluctuating trend during the study period. It was high during the year 2009.

CHART NO: 4.6

CURRENT ASSETS TURNOVER RATIO



DEBT EQUITY RATIO

The debt equity ratio is determined to ascertain the soundness of the long term financial policies of the company and also to measures the relative's proposition of outsider's funds and shareholders' funds investment in the company.

$$\text{Debt Equity Ratio} = \frac{\text{Total long-term debt}}{\text{Shareholder's funds}}$$

TABLE NO-4.7

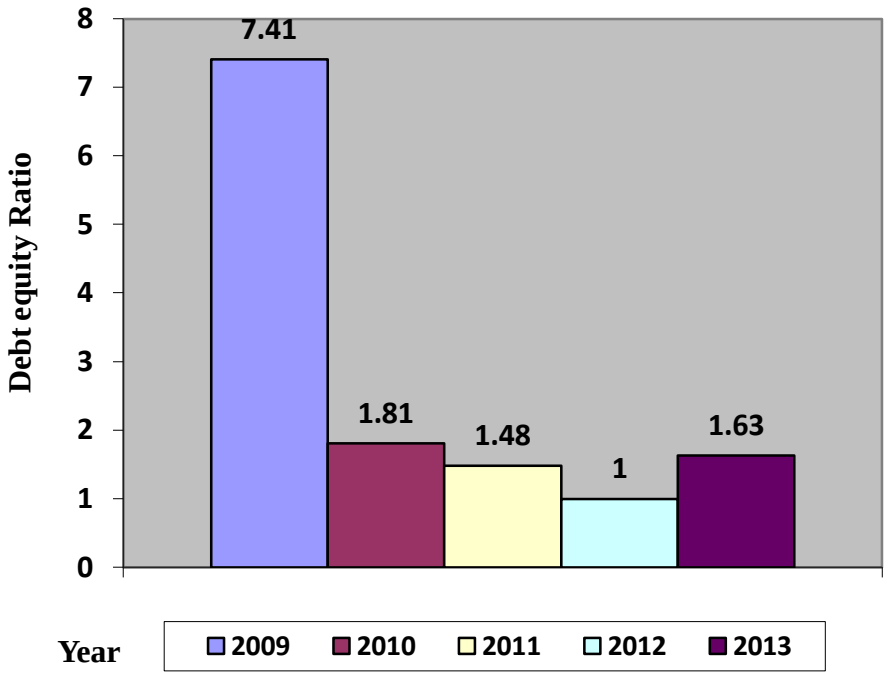
DEBT EQUITY RATIO

Year	Debt (Rs. In Cr.)	Equity (Rs. In Cr.)	Debt equity Ratio
2009	50.33	6.79	7.41
2010	12.30	6.79	1.81
2011	10.68	7.18	1.48
2012	10.76	10.77	1.00
2013	17.63	10.77	1.63

The debt – equity ratio decreased sharply from 7.41 in the year 2009 to 1.63 in the year 2013. This means that the company is using more of equity funds than debt funds.

CHART NO: 4.7

DEBT EQUITY RATIO



OPERATING PROFIT MARGIN RATIO

Operating profit margin or ratio establishes the relationship between operating profit and net sales. It is calculated by dividing operating profit bys ales.

$$\text{Operating profit margin ratio} = \frac{\text{Operating profit}}{\text{Net sales}} \times 100$$

Operating profit is the differences between net sales and total operating expenses. (Operating profit = Net sales – [cost of goods sold+ administrative expenses + selling and distribution expenses.]

TABLE: 4.8

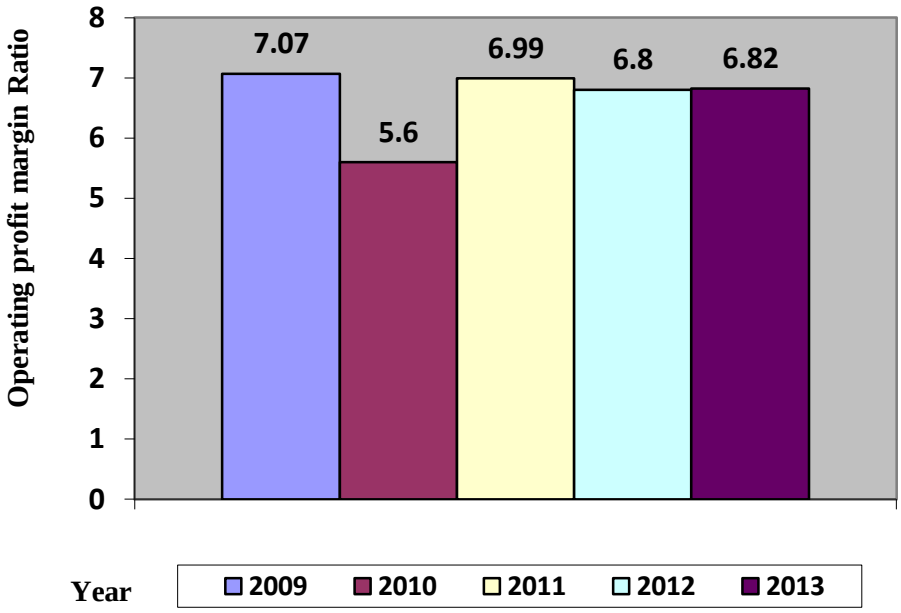
OPERATING PROFIT MARGIN

Year	Operating income (Rs. In Cr.)	Net sales (Rs. In Cr.)	Operating profit Ratio
2009	7165.94	1013.57	7.07
2010	6391.25	1141.29	5.60
2011	9476.97	1355.79	6.99
2012	10904.10	1603.54	6.80
2013	14765.44	2165.02	6.82

From the above table, it can be seen that the operating profit margin is in fluctuating trend. During the year 2009 it was high as compared to all other years. But during the year 2013 it has decreased to 6.82.

CHART NO: 4.8

OPERATING PROFIT MARGIN



GROSS PROFIT MARGIN RATIOS

It measures the relationship between gross profit and sales. It is calculated by dividing gross profit by sales.

$$\text{Gross profit margin or ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

TABLE: 4.9

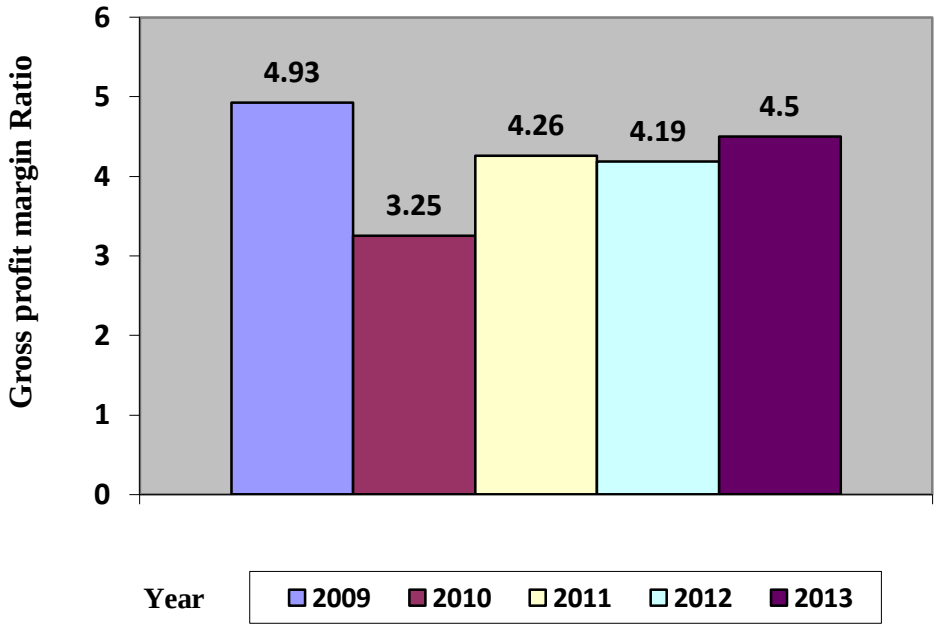
GROSS PROFIT MARGIN

Year	Gross Profit (Rs. In Cr.)	Net sales (Rs. In Cr.)	Gross profit margin Ratio
2009	97.43	1013.57	4.93
2010	37.10	1141.29	3.25
2011	57.76	1355.79	4.26
2012	67.19	1603.54	4.19
2013	97.43	2165.02	4.50

Gross profit margin fluctuated between 4.93 and 3.25 during the study period. The gross profit has increased in 2013 when compared to last year (2012).

CHART NO: 4.9

GROSS PROFIT MARGIN RATIO



NET PROFIT MARGIN RATIO

It measures of management efficiency in operating the business successfully from the owner's point of view. It indicates the return on shareholder's investment. Higher the ratio better is the operational efficiency of business concern.

$$\text{Net profit margin or ratio} = \frac{\text{Net profit after tax}}{\text{Net sales}} \text{ X100}$$

TABLE: 4.10

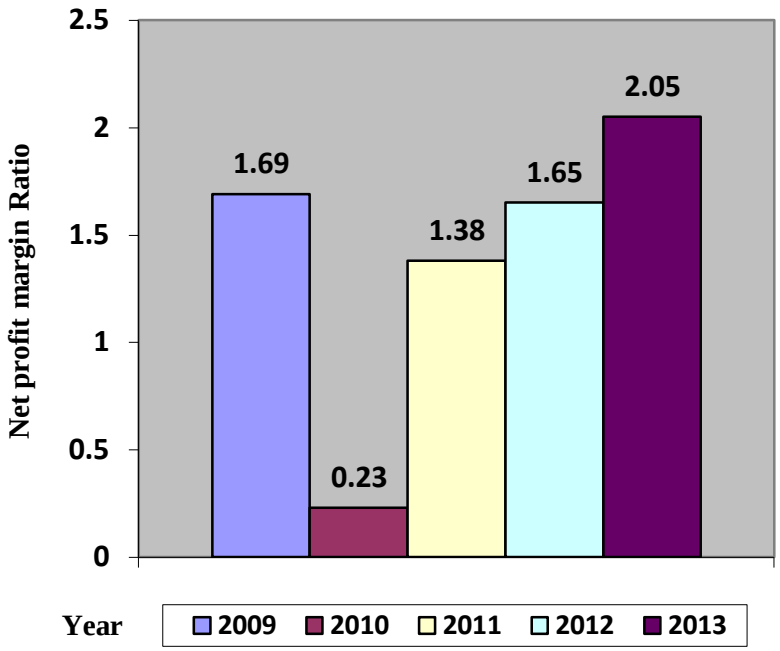
NET PROFIT MARGIN

Year	Net Profit (Rs. In Cr.)	Net sales (Rs. In Cr.)	Net profit margin RATIO
2009	17.23	1013.57	1.69
2010	2.64	1141.29	0.23
2011	18.70	1355.79	1.38
2012	26.46	1603.54	1.65
2013	44.38	2165.02	2.05

Net profit margin has registered a gradual increase from 1.69 in 2009 to 2.05 in the year 2013. During 2010, the net profit was very low at 0.23 due to operational inefficiencies.

CHART NO: 4.10

NET PROFIT MARGIN



RETURN ON CAPITAL EMPLOYED

This ratio establishes the relationship between earnings after taxes and the shareholder's investment in the business. This ratio reveals how profitability the owners funds have been utilized by the firm. It is calculated by dividing earnings after tax (EAT) by shareholders capital employed.

$$\text{Return on capital employed} = \frac{\text{Earnings after tax (EAT)}}{\text{Shareholders capital employed}}$$

TABLE: 4.11

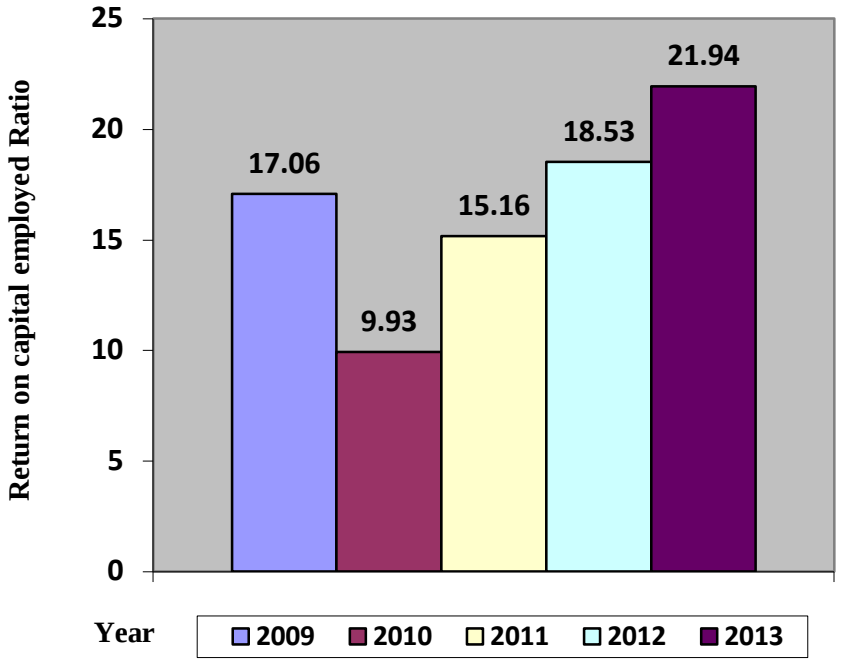
RETURN ON CAPITAL EMPLOYED

Year	EBIT (Rs. In Cr.)	Capital Employed (Rs. In Cr.)	Return on capital employed RATIO
2009	4078.36	239.06	17.06
2010	3074.53	309.62	9.93
2011	4450.22	293.35	15.16
2012	3650.97	197.03	18.53
2013	7507.65	342.19	21.94

Return on capital employed is decreased to 9.93 in 2010 from 17.09 in 2009. From 2011, the return on capital shows an increasing trend. This shows that the profit earned by the company is relatively higher than the previous year.

CHART NO: 4.11

RETURN ON CAPITAL EMPLOYED



RETURN ON NET WORTH RATIO

This ratio signifies the return on equity shareholder's funds. The profit considered for computing the ratio is taken after payment of preferences dividend.

$$\text{Return on Net worth} = \frac{\text{Net profit after interest and tax}}{\text{Shareholders fund}} \times 100$$

TABLE: 4.12

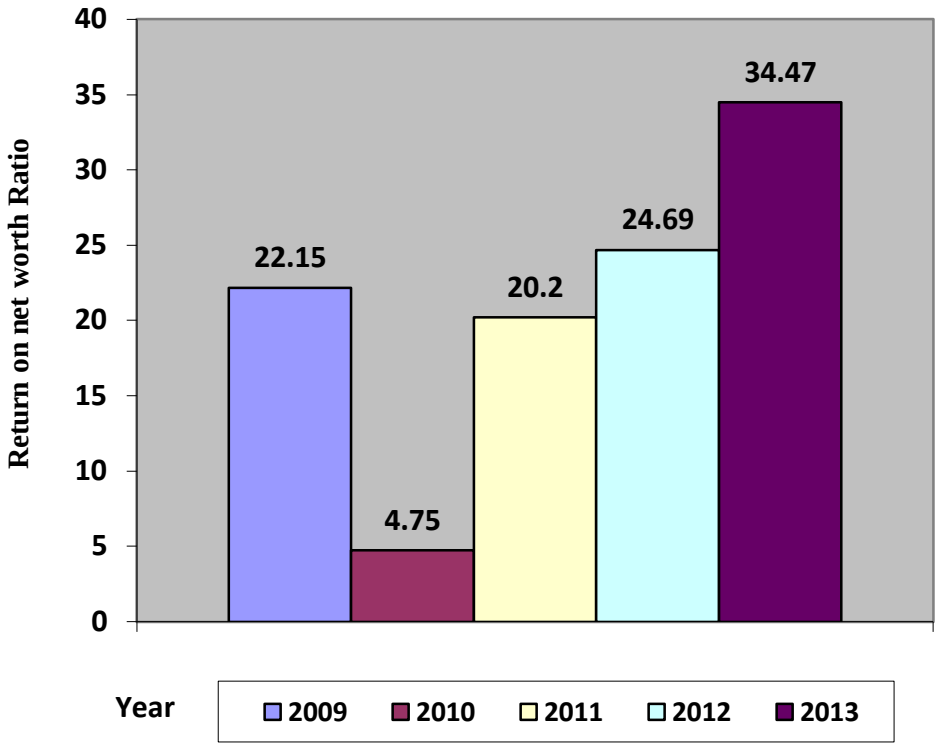
RETURN ON NET WORTH

Year	Net Income (Rs. In Cr.)	Shareholder's Equity (Rs. In Cr.)	Return On Net Worth Ratio
2009	1013.05	45.74	22.15
2010	1140.60	240.13	4.75
2011	1355.72	67.11	20.20
2012	1602.12	64.88	24.69
2013	2153.68	62.48	34.47

Return on net worth ratio is decreased to 4.75 in 2010 from 22.15 in 2009. The return on net worth for 2011 to 2013 shows increasing trend. This shows that the profit earned by the company is relatively higher than the previous year.

CHART NO:4.12

RETURN ON NET WORTH



COMPARATIVE BALANCE SHEET

The comparative Balance Sheet shows increase and decrease in various assets, liabilities and capital in absolute terms as well as percentages. A comparative analysis of Balance Sheets of two periods provides information's regarding progress of the business firm.

According to Faulke, "Comparative balance Sheet analysis is the study of the trend of the same items or groups of items in two or more balance sheets of the same business enterprise of different dates."

Such a comparison throws light in the changes and progress made in respect of each item of assets and liabilities. The main purpose of comparative balance sheet is to measure the short-term and long-term solvency position of the business.

TABLE N0:4.13

COMPARATIVE BALANCE SHEET FOR 2009-2010

Particulars	**2009**	**2010**	**Increase/decrease**	**Percentage of increase/decrease**
Assets				
Gross block	257.15	438.17	181.02	70.39
Net block	166.42	322.14	155.72	93.57
Capital Work in Progress	128.15	33.06	-95.09	74.20
Inventories	27.89	57.06	29.17	104.58
Sundry Debtors	8.57	13.66	5.09	59.39
Cash and Bank Balance	4.65	12.83	8.18	175.9
Loans and Advances	22.37	26.18	**3.81**	17.03
Total assets	**615.2**	**903.01**	**287.9**	**46.79**
Current liabilities				
Shareholder's funds				
Total Share Capital	11.87	6.79	-5.08	42.79
Equity Share Capital	6.79	6.79	-	-
Reserves	45.40	46.73	1.33	2.92
Total shareholder's funds	**64.06**	**60.31**	**3.75**	**5.85**
Loan funds				
Secured Loans	204.40	233.37	**28.97**	**14.17**
Unsecured Loans	35.64	100.07	**64.43**	**180.78**
Current liabilities	58.24	77.05	**18.81**	**32.29**
Short term provisions	4.04	2.07	**1.97**	**0.48**
Long term provisions	62.28	79.12	**16.84**	**27.03**
Total liabilities	**428.66**	**551.99**	**123.33**	**28.77**

From this table, it is found that the comparative balance sheet for the year 2009-2010 has been fluctuating during the study period. In comparative balance sheet for the year 2009-2010 it is show that the gross block increased by 181.02 from 257.15 in 2009 to 438.17 in 2010. Net block increased by 155.72 from 166.42 in 2009 to 322.14 in 2010. Capital work in progress decreased by 95.09 from 128.15 in 2009 to 33.06 in 2010.Inventories increased by 29.17 from 27.89 in 2009 to 57.06 in 2010. Sundry debtors increased by 5.09 from 8.57 in 2009 to 13.66 in 2010. Cash and bank balance increased by 8.18 from 4.65 in 2009 to 12.83 in 2010. Total assets ha been increased by 287.9 from 615.2 in 2009 to 903.01 in 2010. If shareholders funds total share capital decreased by 5.08 from 11.87 in 2009 to 6.79 in 2010. Equity share capital equal for both the years. Reserves increased by 1.33 from 45.40 in 2009 to 46.73 in 2010. Secured loans increased by 28.97 from 204.40 in 2009 to 233.37 in 2010. Current liabilities increased by 18.81 from 58.24 in 2009 to 77.50 in 2010, and total liabilities increased by 123.33 from 428.66 in 2009 to 551.99 in 2010.

TABLE N0:4.14

COMPARATIVE BALANCE SHEET FOR 2010-2011

Particulars	**2010**	**2011**	**Increase/decrease**	**Percentage of increase/decrease**
Assets				
Gross block	438.17	499.54	**61.37**	**14.0**
Net block	322.14	348.68	**26.54**	**8.23**
Capital Work in Progress	33.06	14.42	**18.64**	**56.38**
Inventories	57.06	64.32	**7.26**	**12.72**
Sundry Debtors	13.66	9.67	**3.99**	**9.13**
Cash and Bank Balance	12.83	8.51	**4.32**	**33.67**
Loans and Advances	26.18	39.13	**12.95**	**49.46**
Total assets	**903.01**	**984.27**	**81.26**	**8.99**
Current liabilities				
Shareholder's funds				
Total Share Capital	6.79	7.18	**0.39**	**5.74**
Equity Share Capital	6.79	7.18	**0.39**	**5.74**
Reserves	46.73	85.61	**38.88**	**83.20**
Total shareholder's funds	60.31	**99.97**	**39.66**	**65.76**
Loan funds				
Secured Loans	233.37	239.45	6.08	2.60
Unsecured Loans	100.07	56.82	43.25	43.21
Current liabilities	77.05	95.72	18.67	24.23
Short term provisions	2.07	1.45	0.62	29.95
Long term provisions	79.12	97.17	18.05	22.81
Total liabilities	**551.99**	**590.58**	**38.59**	**6.99**

From this table, it is found that the comparative balance sheet for the year 2010-2011 has been fluctuating during the study period. In comparative balance sheet for the year 2010-2011, it is show that the gross block increased by 61.37 from 438.17 in 2010 to 499.54 in 2011. Net block increased by 26.54 from 322.14 in 2010 to 348.68 in 2011. Capital work in progress decreased by 18.64from 33.06 in 2010 to 14.42 in 2011. Inventories increased by 7.26 from 57.06 in 2010 to 63.32 in 2011. Sundry debtors decreased by 3.99 from 13.66 in 2010 to 9.67 in 2011. Cash and bank balance decreased by 4.32 from 12.83 in 2010 to 8.51 in 2011. Total assets have been increased by 81.26 from 903.01 in 2010 to 984.27 in 2011. In shareholder's funds total share capital increased by 0.39 from 6.79 in 2010 to 7.18 in 2011.Equity share capital increased by 0.39 from 6.79 in 2010 to 7.18 in 2011. Reserves increased by 38.88 from 46.73 in 2010 to 85.61 in 2011. Secured loans increased by 6.08 from 233.37 in 2010 to 239.45 in 2011. Current sliabilities increased by 18.67 from 77.50 in 2010 to 95.72 in 2011, and total liabilities increased by 38.59 from 551.99 in 2010 to 590.58 in 2011.

TABLE N0:4.15

COMPARATIVE BALANCE SHEET FOR 2011-2012

Particulars	**2011**	**2012**	**Increase/decrease**	**Percentage of increase/decrease**
Assets				
Gross block	499.54	547.33	47.79	9.56
Net block	348.68	361.19	12.51	3.58
Capital Work in Progress	14.42	8.49	5.93	41.12
Inventories	64.32	141.22	76.9	119.55
Sundry Debtors	9.67	8.62	1.05	10.85
Cash and Bank Balance	8.51	10.17	1.66	19.50
Loans and Advances	39.13	38.58	0.55	1.40
Total assets	**984.27**	**1115.6**	**131.33**	**13.34**
Current liabilities				
Shareholder's funds				
Total Share Capital	7.18	10.77	**3.59**	**50**
Equity Share Capital	7.18	10.77	**3.59**	**50**
Reserves	85.61	96.94	**11.33**	**13.23**
Total shareholder's funds	**99.97**	**118.18**	**18.21**	**18.21**
Loan funds				
Secured Loans	239.45	260.76	21.31	8.89
Unsecured Loans	56.82	12.48	44.34	78.03
Current liabilities	95.72	183.93	88.21	92.15
Short term provisions	1.45	3.38	1.93	133.10
Long term provisions	97.17	187.31	90.14	92.76
Total liabilities	**590.58**	**766.04**	**169.46**	**28.69**

From this table, it is found that the comparative balance sheet for the year 2011-2012 has been fluctuating during the study period. In comparative balance sheet for the year 2011-2012 it is show that the gross block increased by 47.79from 499.54 in 2011 to 547.33 in 2012. Net block increased by 12.51 from 348.68 in 2011 to 361.19 in 2012. Capital work in progress decreased by 5.93from 14.42 in 2011 to 8.49 in 2012. Inventories increased by 76.9 from 64.32 in 2011 to 141.22 in 2012. Sundry debtors decreased by 1.05 from 9.67 in 2011 to 8.62 in 2012. Cash and bank balance increased by 1.66 from 8.51 in 2011 to 10.17 in 2012. Total assets has been increased by 131.33 from 984.27 in 2011 to 1115.6 in 2012. In shareholder's funds total share capital increased by 03.59 from 7.18 in 2011 to 10.77 in 2012.Equity share capital increased by 03.59 from 7.18 in 2011 to 10.77 in 2012.Reserves increased by 11.33 from 85.61 in 2011 to 96.94 in 2012. Secured loans increased by 21.31 from 239.45 in 2011 to 260.76 in 2012. Current liabilities increased by 88.21 from 95.72 in 2011 to 183.93 in 2012, and total liabilities increased by 169.46 from 590.58 in 2011 to 766.04 in 2012.

TABLE N0:4.16

COMPARATIVE BALANCE SHEET FOR 2012-2013

Particulars	**2012**	**2013**	**Increase/decrease**	**Percentage of increase/decrease**
Assets				
Gross block	547.33	621.30	**73.97**	**13.51**
Net block	361.19	391.76	**30.57**	**8.46**
Capital Work in Progress	8.49	44.78	**36.29**	**427.44**
Inventories	141.22	110.70	**30.52**	**21.61**
Sundry Debtors	8.62	42.78	**34.16**	**396.2**
Cash and Bank Balance	10.17	30.23	**20.06**	**197.24**
Loans and Advances	38.58	66.18	**27.6**	**71.53**
Total assets	**1115.6**	**1307.73**	**192.13**	**17.22**
Current liabilities				
Shareholder's funds				
Total Share Capital	10.77	10.77	-	-
Equity Share Capital	10.77	10.77	-	-
Reserves	96.94	118.79	**49.15**	**50.70**
Total shareholder's funds	**118.18**	**140.33**	**22.15**	**18.74**
Loan funds				
Secured Loans	260.76	294.74	33.98	13.03
Unsecured Loans	12.48	36.98	24.5	196.3
Current liabilities	183.93	219.09	35.16	19.11
Short term provisions	3.38	6.74	3.36	99.40
Long term provisions	187.31	225.83	38.52	20.56
Total liabilities	**766.04**	**923.71**	**157.67**	**20.58**

From this table, it is found that the comparative balance sheet for the year, 2012-2013 has been fluctuating during the study period. In comparative balance sheet for the year 2012-2013 is show itthat the gross block increased by 73.97from 547.33 in 2012 to 621.30 in 2013. Net block increased by 30.57 from 361.91 in 2012 to 391.76 in 2013. Capital work in progress increased by 36.29from 8.49 in 2012 to 44.78 in 2013. Inventories decreased by 30.52 from 141.22 in 2012 to 110.70 in 2013. Sundry debtors increased by 34.16 from 8.62 in 2012 to 42.78 in 2013. Cash and bank balance increased by 20.06 from 10.17 in 2012 to 30.23 in 2013. Total assets has been increased by 192.13 from 1115.6 in 2012 to 1307.73 in 2013. In shareholder's funds total share capital and equity share capital fluctuating in equal for both the year. Reserves increased by 49.15 from 96.94 in 2012 to 118.79 in 2013. Secured loans increased by 33.98 from 260.76 in 2012 to 294.74 in 2013.current liabilities increased by 35.16 from 183.93 in 2012 to 219.09 in 2013. If total liabilities increased by 157.67 from 766.04 in 2012 to 923.71 in 2013.

COMMON SIZE BALANCE SHEET

Common size financial statement are those statement in which items are converted into percentage taking some common base these statement are also called 100 percentage statement or component percentage because each statement is reduced to the total 100 and each individual item is expressed as a percentage of this total.

A statement in which each asset is shown as a percentage of total asset and each liability and capital as a percentage of total liability and capital is called a common size balance sheet. In other words it showed the relation of each component to the whole.

TABLE NO: 4.17

COMMON SIZE BALANCE SHEET FOR 2009-2010

Particulars	**2009**	**Percentage**	**2010**	**Percentage**
Assets				
Currents asset	41.11	55.24052674	83.55	55.68515063
Loans & Advance	22.37	30.05912389	26.18	17.44868035
Deferred Tax Asset	8.21	11.03198065	8.54	5.691815516
Fixed Asset	2.59	3.480247245	31.77	21.17435351
Total Asset	**74.42**	**100**	**150.04**	**100**
Liabilities and Capital				
Current Liabilities	58.24	19.52527826	77.05	18.77025019
Unsecured Loans	35.64	11.94850476	100.07	24.37818217
Secured loans	204.4	68.52621698	233.37	56.85156764
Total Liability(A)	**298.28**	**100**	**410.49**	**100**
Capital and Reserves				
Share Capital	11.87	20.7263838	6.79	12.68684604
Reserves & Stock Option	45.4	79.2736162	46.73	87.31315396
Total Shareholders' Funds(B)	**57.27**	**100**	**53.52**	**100**
Total Liabilities and Capital (A+B)	**355.55**	**200**	**464.01**	**200**

In common size balance sheet for 2009 and 2010, the current asset increased from 41.11 (55.24%) in 2009 to 83.55 (55.68%) in 2010. Deferred tax increased from 8.21 (11.03%) in 2009 to 8.54 (5.69%) in 2010. Fixed asset increased from 2.59 (3.48%) in 2009 to 31.77 (21.17%) in 2012. Current liabilities increased from 58.24(19.52%) in 2009 to 77.05 (18.77%) in 2102. Secured loans increased from 204.4 (68.52%) in 2009 to 233.37 (56.85%) in 2010. Share capital decreased from 6.79 (12.68%) in 2010 to 11.87 (20.72%) in 2009. Total shareholder's funds decreased from 53.52 (100%) to 57.27 (100%) in 2009.

TABLE NO: 4.18

COMMON SIZE BALANCE SHEET FOR 2010-2011

Particulars	2010	Percentage	2011	Percentage
Assets				
Currents asset	83.55	55.68515063	82.5	54.40517014
Loans & Advance	26.18	17.44868035	39.13	25.80453706
Deferred Tax Asset	8.54	5.691815516	4.04	2.664204695
Fixed Asset	31.77	21.17435351	25.97	17.1260881
Total Asset	**150.04**	**100**	**151.64**	**100**
Liabilities and Capital				
Current Liabilities	77.05	18.77025019	95.72	24.41899028
Unsecured Loans	100.07	24.37818217	56.82	14.49526774
Secured loans	233.37	56.85156764	239.45	61.08574198
Total Liability(A)	**410.49**	**100**	**391.99**	**100**
Capital and Reserves				
Share Capital	6.79	12.68684604	7.18	7.737902791
Reserves & Stock Option	46.73	87.31315396	85.61	92.26209721
Total Shareholders' Funds(B)	**53.52**	**100**	**92.79**	**100**
Total Liabilities and Capital (A+B)	**464.01**	**200**	**484.78**	**200**

In common size balance sheet for the year 2010 and 2011, the current asset decreased from 83.55 (55.68%) in 2010 to 82.5 (54.405%) in 2011. Deferred tax decreased from 8.54 (5.69%) in 2010 to 4.04 (2.66%) in 2011. Fixed asset decreased from 31.77 (21.17%) in 2010 to 25.97 (17.12%) in 2011. Current liabilities increased from 77.05 (18.77%) in 2010 to 95.72 (24.41%) in 2011. Secured loans increased from 233.37 (56.85%) in 2010 to 239.445 (61.08%) in 2011. Share capital increased from 6.79 (12.68%) in 2010 to 7.18 (7.73%) in 2011. Total shareholders fund increased from 53.52 (100%) in 2010 to 92.79 (100%) in 2011.

TABLE NO: 4.19

COMMON SIZE BALANCE SHEET FOR 2011-2012

Particulars	2011	Percentage	2012	Percentage
Assets				
Currents asset	82.5	54.40517014	160.01	74.21958347
Loans & Advance	39.13	25.80453706	38.53	17.87188645
Deferred Tax Asset	4.04	2.664204695	5.77	2.676376455
Fixed Asset	25.97	17.1260881	11.28	5.232153625
Total Asset	**151.64**	**100**	**215.59**	**100**
Liabilities and Capital				
Current Liabilities	95.72	24.41899028	183.93	40.23229871
Unsecured Loans	56.82	14.49526774	12.48	2.729837916
Secured loans	239.45	61.08574198	260.76	57.03786338
Total Liability(A)	**391.99**	**100**	**457.17**	**100**
Capital and Reserves				
Share Capital	7.18	7.737902791	10.77	9.999071581
Reserves & Stock Option	85.61	92.26209721	96.94	90.00092842
Total Shareholders' Funds(B)	**92.79**	**100**	**107.71**	**100**
Total Liabilities and Capital (A+B)	**484.78**	**200**	**564.88**	**200**

In common size balance sheet for the year 2011 and 2012, Current asset increased from 82.5 (54.45%) in 2011 to 160.01 (74.21%) in 2012. Deferred tax increased from 4.04 (2.66%) in 2011 to 5.77 (2.67%) in 2012. Fixed asset decreased from 25.97 (17.12%) in 2011 to 11.28 (5.23%) in 2012. Current liabilities increased from 95.72 (24.41%) in 2011 to 183.93 (40.23%) in 2012. Secured loans increased from 239.45 (61.08%) in 2011 to 260.76 (57.03%) in 2012. Share capital increased from 7.18 (7.73%) in 2011 to 10.77 (9.99%) in 2012. Total shareholder's funds increased from 92.79 (100%) in 2011 to 107.71 (100%) in 2012.

TABLE NO: 4.20

COMMON SIZE BALANCE FOR 2012-2013

Particulars	2012	Percentage	2013	Percentage
Assets				
Currents asset	160.01	54.40517014	183.71	64.979485
Loans & Advance	38.53	25.80453706	66.18	23.40831919
Deferred Tax Asset	5.77	2.664204695	8.77	3.102009055
Fixed Asset	11.28	17.1260881	24.06	8.510186757
Total Asset	**215.59**	**100**	**282.72**	**100**
Liabilities and Capital				
Current Liabilities	183.93	24.41899028	219.09	39.7759663
Unsecured Loans	12.48	14.49526774	36.98	6.713748843
Secured loans	260.76	61.08574198	294.74	53.51028485
Total Liability(A)	**457.17**	**100**	**550.81**	**100**
Capital and Reserves				
Share Capital	10.77	7.737902791	10.77	8.312750849
Reserves & Stock Option	96.94	92.26209721	118.79	91.50972522
Total Shareholders' Funds(B)	**107.71**	**100**	**129.56**	**100**
Total Liabilities and Capital (A+B)	**564.88**	**200**	**680.37**	**200**

In common size balance sheet for the year 2012 and 2013,s Current asset increased from 160.01 954.45%) in 2012 to 183.71 (64.97) in 2013. Deferred tax increased from 5.77 (2.66%) in 2012 to 8.77 (3.10%) in 2013. Fixed asset increased from 11.28 (17.12%) in 2012 to 24.06 (8.51%) in 2013. Current liabilities increased from 183.93 (24.41%) in 2012 to 219.90 (39.775%) in 2013. Secured loans increased from 260.76 (61.08%) in 2012 to 294.74 (53.51%) in 2013. Share capital is same condition in both the year. Total shareholder's funds increased from 107.71 (100%) in 2012 to 129.56 (100%) in 2013.

CHAPTER-V

5.1 FINDINGS

S. No	FACTORS	RATIO	INFERENCE
4.1	Current ratio	1.08	The current ratio of the year 2010 is higher when compared to the other years
4.2	Liquid ratio	0.35	The liquid ratio of the year 2010 is higher when compared to the other years
4.3	Inventory turnover ratio	36.34	The inventory turnover ratio of the year 2009 is higher when compared to the other years
4.4	Debtors turnover ratio	186.03	The debtors turnover ratio of the year 2012 is higher when compared to the other years
4.5	Total asset turnover ratio	4.68	The total asset turnover ratio of the year 2013 is higher when compared to the other year
4.6	Current assets turnover ratio	24.66	The current assets turnover ratio of the year 2009 is higher when compare to the other years
4.7	Debt equity ratio	7.41	The debt equity ratio of the year 2009 is higher when compared to the other years
4.8	Operating profit margin ratio	7.07	The operating profit margin ratio of the year 2009 is higher when compared to the other years

4.9	Gross profit margin ratio	4.93	The cross profit margin ratio of the year 2009 is higher when compared to the other years
4.10	Net profit margin ratio	2.05	The net profit margin ratio of the year 2013 is higher when compared to the other years
4.11	Return on capital employed	21.94	The return on capital employed ratio of the year 2013 is higher when compared to the other years
4.12	Return on net worth ratio	34.47	The return on net worth of the year 2013 is higher when compared to the other years
4.13	Comparative balance sheet for the year 2009-2010	Total assets-287.9 Total liabilities-123.33	Total assets increased in the year of 2010-(903.01) compared to 2009-(615.2) the percentage of increased assets is 46.79% Total liabilities increased in the year of 2010-(551.99) compared to 2009-(428.66) the percentage of increased liabilities is 28.77%
4.14	Comparative balance sheet for the year 2010-2011	Total assets 81.26 Total liabilities 38.59	Total assets increased in the year of 2011-(984.27) compared to 2010-(903.01) the percentage of increased assets is 8.99% Total liabilities increased in the year of 2011-(590.58) compared to 2010-(551.99) the percentage of increased liabilities is 6.99%

4.15	Comparative balance sheet for the year 2011 2012	Total assets-131.33 Total liabilities-169.46	Total assets increased in the year of 2012-(1115.6) compared to 2011-(590.58) the percentage of increased assets is 13.34% Total liabilities increased in the year of 2012-(766.04) compared to 2011-(590.58) the percentage of increased liabilities is 28.69%
4.16	Comparative balance sheet for the year 2012-2013	Total assets-192.13 Total liabilities-157.67	Total assets increased in the year of 2013-(1307.73) compared to 2012-(1115.6) the percentage of increased assets is 17.22 Total liabilities increased in the year of 2013-(923.71) compared to 2012-(766.04) the percentage of increased liabilities is 20.58%

5.2 SUGGESTIONS

Current ratio, liquid ratio, fixed Assets Ratio, proprietary ratio, gross profit ratio, administrative & selling expenses ratio, direct ratio, stock turnover ratio, inventory turnover ratio, owned capital, velocity ratio, fixed assets turnover ratios were are increasing continuously. Therefore the company can maintain their financial status and policies in the forth coming year.

The profit of the organization is inconsistent due to the increase in operating and non-operating expenses. To control the expenses, of the company a full-fledged budgetary control system may be followed.

The management may take proper steps to maintain their absolute liquid ratio to maintain their liquidity position in the long run.

Debt of equity increased because of various diversified investment and improper utilization of cost. Hence the company should concentrate on judicial of funds and repayment of loans.

5.3. CONCLUSION

Financial performance plays an important role in every organization. Having a high level of liquidity will result in organization success. The project was done at Amma Alloy (INDIA) Private Ltd to learn the level of liquidity, profitability, efficiency, solvency and growth of the concern. The secondary data was used for this study. Data collected from the annual report of official website of the company.

The study helps to identify whether the financial performance of the organization is strong or weak and helps in identifying corrective measure to overcome the weakness. From this study, the company can also have a control over its operating and non-operating expenses. Further the organization can make important decision about fund management from the calculated results.

Ratio analysis was used to analyze the liquity, profitability and solvency position of the company, and it was observed that the company maintained a lower cash or bank balance than required, it means that the company was under risk in making payment which may lead to short term insolvency. Profitability ratios to be improved by the company because its of lower profit maintenance. The debt fund ratio is to be improved by the company because ii is greater than shareholder funds, interest rates, and other expenses are.

Comparative balance sheet of the company is satisfactory because of the increase in the total current assets and fixed assets.

The study found that, the total current assets and fixed assets are significantly increasing. Therefore, comparative balance sheet of the company is satisfactory.

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