

**Cost of Capital and Impact on Profitability in Vetal Hi-Tech Industry,
Coimbatore**

**Suganya.S
12PBM034**

**A Major Project submitted to
Avinashilingam Institution for Home Science and Higher Education for Women,
Coimbatore – 641043**

**In partial fulfillment of the requirements for the
MastersDegree in Business Administration
March, 2014**

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CERTIFIED AS BONAFIDE WORK

Signature of the
HOD (I/C)

Signature of the
External Examiner

Signature of the
Guide



THE TECH - Knowledge COMPANY

VETAL HI-TECH INDUSTRIES

Plot No. 24-A, Industrial Estate,
Civil Aerodrome Post,
Coimbatore - 641 014, INDIA.

TIN : 3398222841 CST : 345123 Date : 01.06.2003 (Subject to Coimbatore Jurisdiction only)

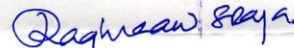
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01.02.2014

CERTIFICATE

TO WHOM SO EVER IT MAY CONCERN, THIS IS TO CERTIFY THAT **MISS.S.SUGANYA,**
MBA STUDENT OF **Avinashilingam University,** COIMBATORE UNDERGONE
INPLANT TRAINING IN OUR COMPANY FROM 09.12.2013 TO 31.01.2014. DURING
THIS PERIOD HER CONDUCT AND CHARACTER WERE GOOD.

For VETAL HI-TECH INDUSTRIES


Authorised Signatory

ACKNOWLEDGEMENT

The researcher would like to thank the Chancellor **Dr. T. S .K. Meenakshi Sundaram**, the Vice Chancellor **Dr. Sheela Ramachandran**, and Registrar **Dr. Gowri Ramakrishanan**, of Avinashilingam Institution for Home Science and Higher Education for Women, Coimbatore for providing all requirement facility for completing the mini-project work.

The researcher is obliged to **Dr. U. Jerinabi**, Dean, Faculty of Business Administration for having been the backbone behind each and every event of department and for her constant and dedicated encouragement in all the endeavors

The researchers also express her sincere gratitude to hostel warden **Dr. Saroja Prabakaran** and all the respondents who have given her all necessary information for carrying out her study successfully.

The researcher wishes to express her deep sense of gratitude and grateful thanks to the HOD (I/C), Avinashilingam School of Management Technology, **Dr. P. Chitramani**. For providing the opportunity to carry out the mini-project.

The researcher is thankful to her guide, **Mrs. A. Mohana Priya, M.B.A**, Assistant Professor, Avinashilingam School of Management Technology, those constant guidance and valuable suggestions helped the researcher to complete the project work successfully.

The researcher would like to extend her heartfelt thanks to all the **faculty members** of Avinashilingam School of Management Technology for their continuous support and encouragement. Special thanks to **Mrs. M.A. Vijaya, M.B.A**, Assistant Professor, Avinashilingam School of Management Technology, those constant guidance and valuable suggestions helped the researcher to complete the project work successfully.

The researcher is also thankful to **Mr. R. Babu, Sr. Manager (Finance), Vetel Hi-Tech Industry** who has rendered necessary support throughout the completion of the project.

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SYNOPSIS

The report is the outcome of the project entitled cost of capital and impact on profitability at vetal hi-tech industry, Coimbatore. The primary objective of the study is to analyze the cost of capital is to excise control over the cost.

The study is based on the secondary data the required data which has been collected from the financial report of the company.

The ten years data are used for the study .The cost of capital analysis and profitability ratios and regression were the statistical tools used in this research. From the detailed study the researcher could understand the interrelationship between various ratios and application of the ratio analysis tools for financial decision making.

CHAPTER-I

1.1 INDUSTRY PROFILE

HI-TECH INDUSTRY

The term “high technology” is used to describe various electronic and scientific industries. Some of the indicators of a high technology business also to the application of certain tax rules and the existence of certain tax issues and uncertainties. To best understand the significance of the term, “high technology,” its importance is previewed and common traits of high technology businesses are described.

UNIQUE FEATURES

Many of the tax issues that face high technology businesses stem from some of the unique features of high technology businesses relative to other businesses. For example, the existence of intangibles, such as patents and know-how, create special issues for high technology companies.

DESCRIPTION

Faso range of sorting machines is the first of its kind in grain sorting system with specialized features for high quality, fast and accurate sorting with ease of use. faso micro series uses ultra high resolution line scan cameras to inspect the product to be sorted. Every particle is imaged by cameras and verified by Faso’s proprietary intelligent image processing based algorithm. The advanced image processing technology gives higher level of defect detection which leads to efficient sorting. Computer based system monitoring gives unmatched sorting performance even during the variations in lighting and product color.

High technology, often abbreviated to tech tech is technology that is at the cutting edge: the most advanced technology available. Products currently considered high tech are often those that incorporate advanced computer electronics. However, there is no specific class of technology that is high tech –the definition shifts over time-so products hyped as high-tech in the past may now be considered to have everyday or dated technology.

ORIGIN OF THE TERM

Perhaps the first occurrence of the phrase in the New York times is in a 1958 story advocating “atomic energy” for Europe. “We stem Europe, with its dense population and its high technology” a 1968 occurrence is about technology companies along Boston’s route 128.

FOOD PROCESSING EQUIPMENT INDUSTRY

The complexity of the food processing and packaging equipment industry should be seen in relation to the vast, multi-dimensional food industry. The number of food products available across the world (including processed) is very high. New food products with an estimated figure of 50,000 have been introduced in the US itself since 1983.

Such is the complexity of the food processing industry. Hence, it is very difficult to give a comprehensive definition to the food processing equipment sector. It is however understood that in today’s scenario, where food processing has become very important, it is imminent to understand, classify and promote the food processing equipment sector, worldwide.

The food processing equipment industry is even now very much predominant in the developed countries. Most of the equipment manufacturers cater to the domestic markets. Major equipment manufacturing countries in the world are Germany, Italy, Netherlands, Denmark, US, Japan and Australia. These countries are also the major exporters of food processing equipment.

The reason for this dominance is due to the technology development in these countries. The contribution of the developing countries to the world trade is negligible, the prominent reason being the non-availability of technology and dependence on the developed world for these technologies. In fact, the equipment manufactured in these countries is being used by India’s food processing industry.

THE FOOD PROCESSING EQUIPMENT INDUSTRY MAY BE GROUPED AS;

- Processing machinery and equipment
- Packaging machinery and equipment, and
- Utilities

TECHNOLOGY STATUS IN INDIA

The technologies available in India in the agro-food processing equipment sector are still in the learning curve when compared to the developed countries. There has been a net inflow of equipments from Europe, especially from Sweden, Denmark, Germany, and Czechoslovakia and also from Australia.

The presence of companies like Alfa Laval is a proof enough which further strengthens this hypothesis that India has been a net importer of technology in the equipment sector. In India, the major thrust in research and development in the agro-food sector has been on the primary processing of food rather on developing equipments in this sector. There has been pioneering efforts put forward by the CFTRI, IARI, DRDL, Post-Harvest Technology Centre (PHTC, IIT Kharagpur) and DFRL.

These laboratories have been fairly successful in developing innovative equipment in the agro-food processing sector. Most of the technologies available in the equipment sector which could be considered as globally competitive fall in the category of pre-harvest technologies. Since this sector is quite large, the scope of this report does not allow us to cover the entire gamut of technologies available in India, and hence a comparison of technologies available worldwide would be difficult.

FOOD PROCESSING EQUIPMENT SECTOR IN INDIA

The total market size of food processing equipment sector in India is estimated at USD 1571 million. The estimate is considering only the organized sector. There has been a steady increase in two size of market and the overall growth of Indian market averaged 25%, considering the four years, few year 1997 to 2000.

In the year 2000, India exported 5.56% of food processing equipments out of total domestic production, while 25.4% of total equipment in the Agro-food processing equipment sector was imported. USA is the largest equipment exporter India with USD 120 million worth of exports of equipment to India.

1.2. COMPANY PROFILE

VETAL HI-TECH INDUSTRY

COMPANY PROFILE

VETAL HI-TECH INDUSTRY was established in the year 1983, they, North India compressor are an authorized dealer, stockiest and supplier of industrial air compressors, modular piping and fitting, color sorting system. Our range incorporates compressors & pipe spare parts which consist of compressed air system with boosters, rental compressors, modular piping (for compressed air) and micro filters & centrifugal separators. In addition, they also offer fittings for modular piping, color sorter, oil free compressors and refrigeration dryers. Our range of products has found its application in various areas such pharmaceutical, textile, packaging, printing.

They are backed our efficient workforce which allows us to deliver our precision range to our clients in stipulated time frame. All our products are sourced from our business associates viz, Kaseer compressors India pvt.ltd.Vetal Hi-tech Industries and Legris Parker, who ensure quality in the range. The products are durable.reliable, excellent in performance and required low maintenance and confirm international quality standards.

Under the table and efficient guidance of mentor Mr.Mahesh Chandra, a graduate engineer from Delhi College of engineering. He has more than 15 years of experience in this field. His ethical business dealings and strategies enable us to deliver the products as per the needs and requirements of clients in better way.

PRODUCT RANGE

They dealership association with leading air compressor and other associated component manufacturing's help us in successfully meeting the sorting, air compressing,vaccum,blowing and other associated requirements of the clients.further the cost competitiveness offered in the range such as micro filters,refrigeration dryers etc.,has also helped us to make many quality conscious clients.

The product ranges they deal in include:

- Color sorters for grains
- Rotary screw air compressors
- Filters & centrifugal separators
- Rental compressors
- Rotary lobe blowers
- Refrigeration dryers
- Modular piping for compressed air
- Compressed air system for pet bottling plant
- Air receivers, Automatic drain valves
- Oil free compressors
- Vacuum packagers

APPLICATION USAGE

Some of the application usage of the equipment offered by us includes:

- Color Sorter
- Rice
- Pulses Dal (Toor, Ural)
- Grams (Black, Green, Yellow, Horse)
- Black Pepper
- Coriander
- Sesame Seeds
- Nuts (Groundnut, Cashew, Almond)
- Dry Fruits (Dry Grapes)

Air compressors designed to deliver optimal economy and efficiency; these meet the generation, treatment and delivery of energy in the form of compressed air.

VACCU M PACKAGE

- Dust Suction
- Packaging
- Inspection Instruments
- Bottle And Tube Filling
- Drying

ROTARY BLOWERS

- Water management
- Pneumatic conveying
- Mobile applications

TUBES AND FITTINGS

- Automobile
- Garments
- Food&pharma
- Cnc machining center
- Wood cutting industries
- Engineering
- Textiles
- Breweries industries
- Packaging
- Printing
- Assembly stations
- Automobile workshop

CLIENTELE

They consistency in delivering industrial air compressors,blowers,color sorters and other associated products have helped us to successfully meet the emerging demands of the markets. The dealership status with reputed companies like KAESER COMPRESSORS, Legris parker & VETAL products also help us in assuring clients of genuine range of products at competitive prices.

They have dealership association with Kaseer compressors India Pvt.Ltd .They hold expertise in offering products, services and complete systems for meeting the generation, treatment & delivery of energy in the form of compressed air systems. The systems offered are precisions designed to deliver optimal economy & efficiency standards.

Vetal Hi-Tech Industries are mainly into the color sorting & inspection system for food industry. Their expertise in color sorting is more than 25 years i.e. since 1983.They have more than 750 installations in south India for color sorters for rice &other products.

STRENGTH OF THE COMPANY

Some of the strengths that help us meet the challenges and efficiently provide products which match the diverse customers requirements are

Competitive Cost

They dealership status as well as direct procurement from the manufactures enable us to provide high quality products at competitive costs.

Quick Response

We make best use of available information technology in our day-to-day functioning .It assures clients of getting prompt attention as well as also enable us to provide clients with updated information regarding progress of work order.

Our Infrastructure Facilities

They have modern infrastructure facilities allow us to efficiently take care of all the involved business transactions. Being electronically connected, all our offices are well linked with distribution networks, which enable us to efficiently meet specific product requirements of client any point of time.

Warehousing facilities

The modern ware housing facilities allow us to safely store the procured products. These storage units are free from moisture and well aired to deliver the right environment needed for

storage of machines/equipment.further, it also helps us to meet urgent well as bulk order requirement of the clients.

Mode of Payment

They offer our clients many payment options to choose from .They can make payments through postdated cheques&other mutually agreed payment modes.

Help desk facilities

The offer clients professional help desk services. It helps us to effectively and promptly deliver solutions to clients' specific queries and product needs.

Industry Participations

They also regularly participate in industry's trade fairs for gaining valuable insights of the markets as well as introducing the products in the domestic markets. Some of our past participations include:

- Food & Technology Expo 2007, New Delhi
- Food & Technology Expo-2008, New Delhi

1.3 COST OF CAPITAL AND IMPACT ON PROFITABILITY

COST OF CAPITAL

Cost of capital is the required return necessary to make a capital budgeting project, such as building a new factory, worthwhile. Cost of capital includes the cost of debt and the cost of equity, a company uses debt, common equity and preferred equity to fund new projects, typically in large sums. In the long-run, companies typically adhere to target weights for each of the sources of funding. When a capital budgeting decision is being made, it is important to keep in mind how the capital structure may be affected.

Capital structure is a mix of a company's long-term debt, specific short-term debt, common equity and preferred equity. The capital structure represents how a firm finances its overall operations and growth by using different sources of funds.

Debt comes in the form of bond issues or long-term notes payable, while equity is classified as common stock, preferred stock or retained earnings. Short-term debt such as working capital requirements is also considered to be part of the capital structure.

A company's proportion of short and long-term debt is considered when analyzing capital structure. When people refer to capital structure they are most likely referring to a firm's debt-to-equity ratio, which provides insight into how risky a company is. Usually a company more heavily financed by debt poses greater risk, as this firm is relatively highly levered.

When making investment decision, the financial manager needs to know the minimum expected return that is acceptable to the investors. This minimum acceptable return, called the cost of capital, is the price the firm pays for the use of money.

Two different approaches to determining the cost of capital are available: one uses the capital assets pricing model, and the other uses the weighted average cost of capital. The nature of the prospective investment under consideration determines which approach should be used. In general, the CAPM provides market driven cost of capital for investment in projects which are not in the same business as the investing company.

DEFINITION OF COST OF CAPITAL

Cost of capital refers to the opportunity cost of making a specific investment. It is the rate of return that could have been earned by putting the same money into a different investment with equal risk. Thus, the cost of capital is the rate of return required to persuade the investor to make a given investment.

WEIGHTED AVERAGE COST OF CAPITAL

The weighted average cost of capital approach to determining the cost of capital uses a weighted average the costs for all sources of finance in a firm-equity, debt, preferred shares, etc. with the weighted average approach it is evident that there are different costs for different levels of capital raised. The weighted average approach also provides the financial manager with an additional check on the CAPM determined costs, thus adding more understanding to the 'reasonable range' of costs

It is common for the financial manager to seek funding for projects which have the same business risk as the ongoing operations in other words, to expand existing operations. Capital investment in the firm in the form of debt and equity can take many forms. The forms of debt and equity typically consist of bonds, ordinary shares and preferred shares. The weighted average cost of capital approach takes the weighted average of the costs of the capital being used in the firm, this process using just these sources of financing.

A THREE –STEP PROCEDURE FOR ESTIMATING FIRM WACC

- Define the firm's capital structure by determining the weight of each source of capital.
- Estimate the opportunity cost of each source of financing. We will use the current market value of each source of capital based on its current, not historical, costs.
- Calculate a weighted average of the costs of each source of financing.

FACTORS AFFECTING THE COST OF CAPITAL

- General economic conditions
- Market conditions
- Operation decisions
- Financial decisions
- Amount of financing

DETERMINING THE FIRM'S CAPITAL STRUCTURE WEIGHTS

- The weights are based on the following sources of capital: debt (short-term and long-term), preferred stock, and common equity.
- Liabilities such as accounts payable and accrued expenses are not included in capital structure.
- Ideally, the weights should be based on observed market values. However, not all market values may be readily available. Hence, we generally use book values for debt and market values for equity.

ESTIMATING PROJECT COST OF CAPITAL

- In theory, it is appropriate only if the risk of the new project is equal to the overall risk of the firm. This may generally not be the case necessitating the need for a unique cost of capital for each project.
- However, a recent survey found that more than 50% of the firms tend to use single, company-wide discount rate to evaluate all of their investment proposals.
- There are advantages and costs associated with estimating a unique discount rate for each project.

1.4 OBJECTIVES OF THE STUDY

- The main objective of the study is to find out the cost of capital and its impact on profitability in VETAL HI-TECH INDUSTRY.
- To analyze the long-term profitability of the company.
- To find out the relationship between cost of capital and profitability.

1.5 SCOPE OF THE STUDY

- The scope of the study is to increase the profitability by finding their cost of capital by VETAL HI-TECH INDUSTRY.
- The study is how do decrease the cost for the VETAL HI-TECH INDUSTRY.
- The study was restricted to analyze the annual report, and balance sheets. The study covers only VETAL HI-TECH INDUSTRY.

1.6. LIMITATIONS

- The main limitation in the study is, it used only the secondary data.
- The study could collect only limited samples, as the data were kept confidential.
- The study took only three statistical tools.

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.

Modigliani and Miller (1958) were the first ones to landmark the topic of capital structure and they argued that capital structure was irrelevant in determining the firm's value and its future performance. Modigliani-Miller approach (hereafter referred to as MM) (1958; 1959 and 1963) whose series of justly famous articles provided a rigorous justification for the net operating income (NOI) method. M&M analysis implies that firms are indifferent concerning the method of financing (all combinations of equity and debt are equally good) if there are no taxes, but with corporate taxes, firms should be financed with virtually all debt. However, the MM model assumes away many factors that can imply that a particular blend of debt and equity financing is best for a given firm (Lawrence, 1986). If we want to draw a conclusion of MM analysis, this can be done by giving the following two summarized results of the same. The only benefit of debt financing (relative to equity financing) is the reduction in corporate income taxes due to the tax deductibility of debt interest. There are no disadvantages of debt financing relative to equity financing (Lawrence 1986)

David Durand approach (Western and Brigham (1978)) identified the two extreme cases such as net income approach (NI) and net operating income approach (NOI). Under the NI approach, independent of the capital structure, but the weighted average or overall cost of capital declines and the total value (value of equity plus value of debt) rises, with increase use of gearing. Under

the NOI approach, the cost of equity increase, the weighted average cost of capital remains constant and the total value of the firm also remains constant as gearing is changed. thus, if the NOI approach is the correct one ,gearing is an important variable and debt policy decisions have a significant influence on the value of the firm.however,if the NOI approach is the correct one ,then the firm's management need not be too concerned with financial structures because it simply does not greatly matter.

Grewal S.S and Navjot Grewal (1984) revealed some basic investment rules and rules for selling shares. They warned the investors not to buy unlisted shares, as stock exchanges do not permit trading in unlisted shares. Another rule that they specify is not to buy inactive shares, ie, shares in which transaction take place rarely. The main reason why shares are inactive is because there are no buyers form them. They are mostly shares of companies, which are not doing well. a third rule according to them is not to buy shares in closely-held companies because these shares tend to be less active than those of widely held ones since they have a fewer number of shareholders. They caution not to hold the shares for a long period, expecting a high price, but to sell whenever on earns a reasonable reward.

Sinn's (1985)approach which is based on the assumption that firms minimize their cost of finance subject to the constraint that a minimum marginal equity-asset ratio is required. The resulting cost of capital in this approach is a weighted average cost of debt finance and the lower of the cost of internal and external equity finance. Naturally, the economic distortions it predicts tend to be lower than those suggested by old-view models or models of the king-Fullerton variety.

Jack Clark Francis2(1986)revealed the importance of the rate of return in investments and reviewed the possibility of default and bankruptcy risk.he opined that in an uncertain world, investors cannot predict exactly what rate of return an investment will yield.however he suggested that the investors can formulate a probability distribution of the possible rates of return.

He also opined that investors who purchases corporate securities must face the possibility of default and bankruptcy by the issuer. Financial analysts can foresee bankruptcy.he disclosed some easily observable warnings of a firm's failure, which could be noticed by the investors to avoid such a risk.

Preethi Singh (1986) disclosed the basic rules for selecting the company to invest in .she opined that understanding and measuring return and risk is fundamental to the investment process. According to her, most investors are “risk averse”. To have a higher return the investors have to face greater risks.she concludes that risk is fundamental to the process of investment. Every investor should have an understanding of the various pitfalls of investments. The investors should carefully analyze the financial statements with special reference to solvency, profitability, EPS, and efficiency of the company.

Nabhi Kumar Jain (1992)specified certain tips for buying shares for holding and also for selling shares. He advised the investors to buy shares of a growing company of a growing industry. Buy shares by diversifying in a number of growth companies operating in a different but equally fast growing sector for the economy.

He suggested selling the shares the moment company has or almost reached the peak of its growth.also, sell the shares the moment you realize you have made a mistake in the initial selection of the shares. The only option to decide when to buy and sell high priced shares is to identify the individual merit or demerit of each of the shares in the portfolio and arrive at a decision.

Choudhury (1993) mentioned that the decreased use of debt tends to decrease profitability of a company.because due to lack of adequate finances it has to give up some of the profitable opportunities and vice-versa.

Bernanke and Gertler (1995)The in their empirical studies have identified quantitatively important effects of interest rate through the cost of capital. They state that the macroeconomic response to policy-induced interest rate changes is considerably larger than that implied by conventional estimates of the interest elasticity of consumption and investment. This observation suggests that mechanisms other than the interest rate channel may also work in the transmission of monetary policy.

Weston et al (1996)shows the cost of capital is the weighted average of the various type of capital the firm use, typically debt, preferred stock, and common equity.J.Fred Weston and EugeneF.Brigham(1996),declares the firm’s cost of capital is very important because it represents the minimum rate of return that must be earned from investment such as capital budgeting project, to ensure the value of the firm does not decrease.

Mall C.P. and Singh J.P (1998) emphasized the importance of diversification and introducing flexibility to reduce risk. They stated that diversification reduces risks on the one hand and increases the possibility of large gains on the other. They also reviewed insurance as away-out for reducing the risk. The immense schemes help transfer of risk to the insurance companies, especially applicable in agricultural business.

Sina and matuber (1998) observed the adverse position in the industry's managerial performance ,profit earning capacity, liquidity etc that are the result of operational inefficiency, effective credit policy,improper planning and controlling of working capital, increased cost of raw materials,labour and overhead.

Earhart and Bringham (2003) has analyzed the value of a business based on the going concern expectation found the present value of all the expected future cash flows to be generated by the assets ,discounted at the company's weighted average cost of capital(WACC).from this it can be seen that the WACC has a direct impact on the value of a business.

Slim and Fathi (2010) investigated the impact of operating and financial leverage on firm value among non-financial USA firms. The findings revealed that operating leverage and business risk could explain the variations in the return and the value of the firm. The degree of financial leverage was found to be having greater impact on the value of the firm.

CHAPTER-III

RESEARCH METHODOLOGY

MEANING OF RESEARCH METHODOLOGY

Research in common parlance refers to a search for knowledge. One can also define research as a scientific and systematic search for pertinent information on a specific topic. In fact, research is an art of scientific investigation. Dictionary definition of research is a careful investigation or inquiry especially through search for new facts in any branch of knowledge.

RESEARCH CAN ALSO BE DEFINED AS

- Search for knowledge.
- Systematic and scientific search for getting relevant answers on any taken up specific topic.
- Scientific enquiry into a subject.
- Research is a movement from the unknown to the known.
- It is the voyage of discovery.

OBJECTIVES OF RESEARCH

The purpose of research is to discover answers to questions through the application of scientific procedures. The main aim of research is to find out the truth which is hidden and which has not been discovered as yet.

- To gain familiarity with a phenomenon or to achieve new insights into it (studies with this object in view are termed as exploratory or formulate research studies)
- To portray accurately the characteristics of a particular individual, situation or a group (studies with this object in view are known as descriptive research studies)
- To determine the frequency with which something occurs or with which it is associated with something else (studies with this object in view are known as diagnostic research studies)

RESEARCH DESIGN

A descriptive research design is found for feasible for the study.

- The most important step after defining the “research problem” is preparing the research design
- Research design is the conceptual structure within which the research is conducted.
- It constitutes the “BLUE PRINT” for collection, measurement and analysis of data.
- Research design provides an answer to the question, what the researcher is going to do with regards to framing hypothesis ,its operational implication and how to analysis the data.

RESEARCH PERIOD

The study period is from 2004-2013.

SECONDARY DATA

On the other hand, the secondary data are that information which have already been collected by someone else and recorded. The information is those have already been passed the statistical process. The secondary information collected for the study is from financial statement. The tools used for analysis is mainly analytical and partially descriptive in nature.

TOOLS USED FOR DATA ANALYSIS

The financial performance analysis various financial statements have been used. The statistical tools are:

STATISTICAL TOOLS

- Cost Of Capital Analysis
- Profitability Ratios
- Regression

ANALYSIS OF DATA

Collected data are tabulated and analyzed using various financial tools and charts wherever needed. The mode of analysis is descriptive sampling method i.e. just describe the situation based on the balance sheet and profit and loss account.

CHAPTER –IV

ANALYSIS AND INTERPRETATION

Data analysis and interpretation is the process of assigning meaning to collected information and determining the conclusion, significance, and implications of the findings. The steps involved in data analysis are a function of the type of information collected; however, returning to the purpose of the assessment and the assessment questions will provide a structure for the organization of the data and a focus for the analysis.

The collected data were not easily understandable, so the collected data is arranged in a systematic manner and interpreted with simple method. The analysis and interpretation of the data involves the analyzing of the collected data and interpret it with pictorial representation such as bar chart, pie chart and others.

The prime objective of the study is to analysis cost of capital and determines the long-term profitability in Vetral Hi-Tech Industry, Coimbatore.

COST OF CAPITAL ANALYSIS

The required return necessary to make a capital budgeting project, such as building a new factory, worthwhile. Cost of capital includes the cost of debt and the cost of equity.

- Cost Of Equity
- Cost Of Debt
- Overall Cost Of Capital

COST OF EQUITY

Equity is the permanent capital for a firm. The company may raise equity capital both internally and externally. When a company wants to raise funds by way of equity shares, their expectation have to be evaluated and for the cost of equity is calculate,

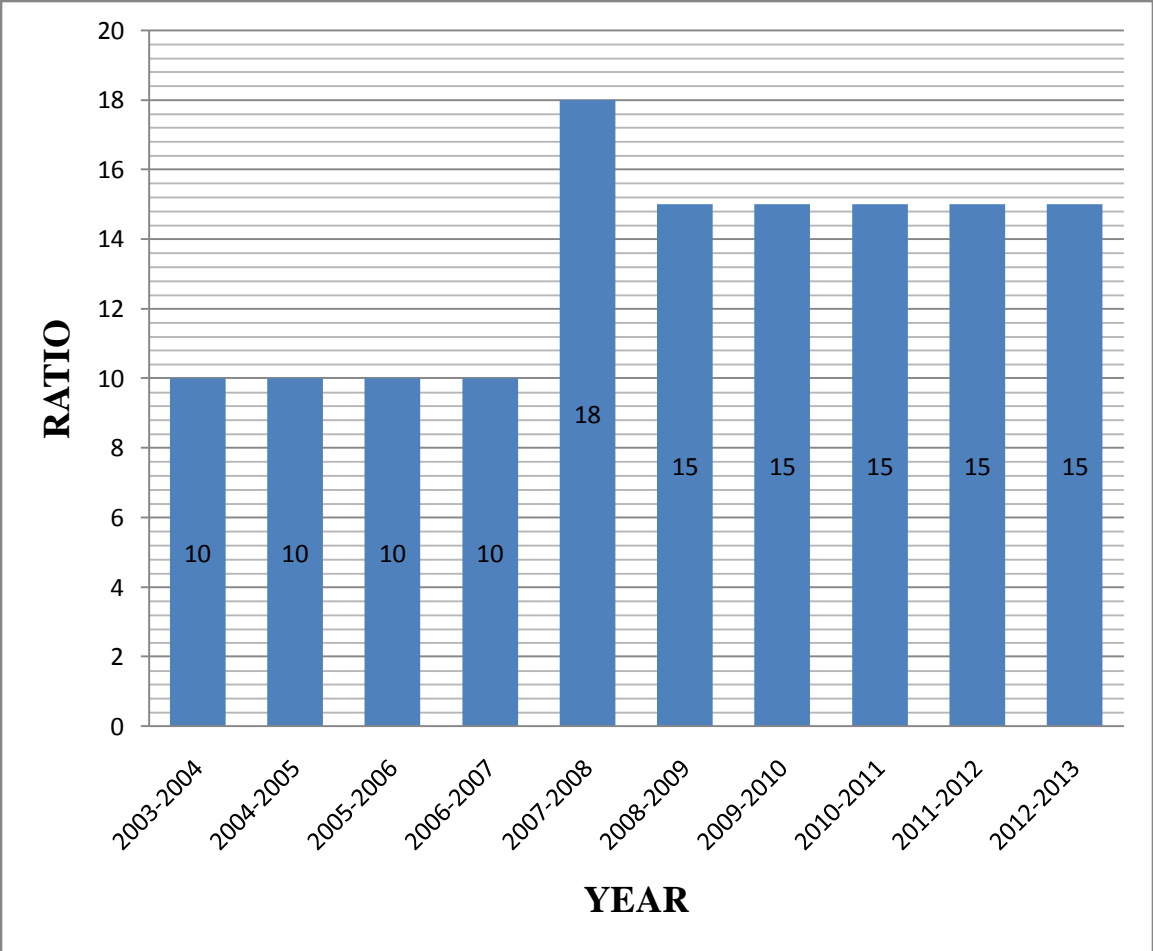
$$\text{Cost Of Equity} = \frac{\text{Dividend per share}}{\text{Market price share}} \times 100$$

TABLE NO: 4.1.1
COST OF EQUITY

YEAR	DIVIDEND PER SHARE (RS.IN.LAKHS)	MARKET PRICE PER SHARE (RS.IN.LAKHS)	COST OF EQUITY (%)
2003-2004	1	10	10
2004-2005	1	10	10
2005-2006	1	10	10
2006-2007	1.8	10	10
2007-2008	1.5	10	18
2008-2009	1.5	10	15
2009-2010	1.5	10	15
2010-2011	1.5	10	15
2011-2012	1.5	10	15
2012-2013	1.5	10	15

It reveals that the cost of equity capital was high in the year 2007-2008 with 18% and low in the year 2003-2007 with 10%. The market price was fluctuating all the years .In 2008-2013 the market price had been drastically falling and hence the cost of equity was high .The decline in the market price was due to the recession in the Indian economy.

**CHART NO: 4.1.1
COST OF EQUITY**



COST OF DEBT

A company may raise debt in various ways. It may be in the form of debenture or loan borrowed from financial or public institutions for a certain period of time at a specific rate of interest. The debenture or bond may be issued at par, discount or premium. It forms the basis for calculating cost of debt.

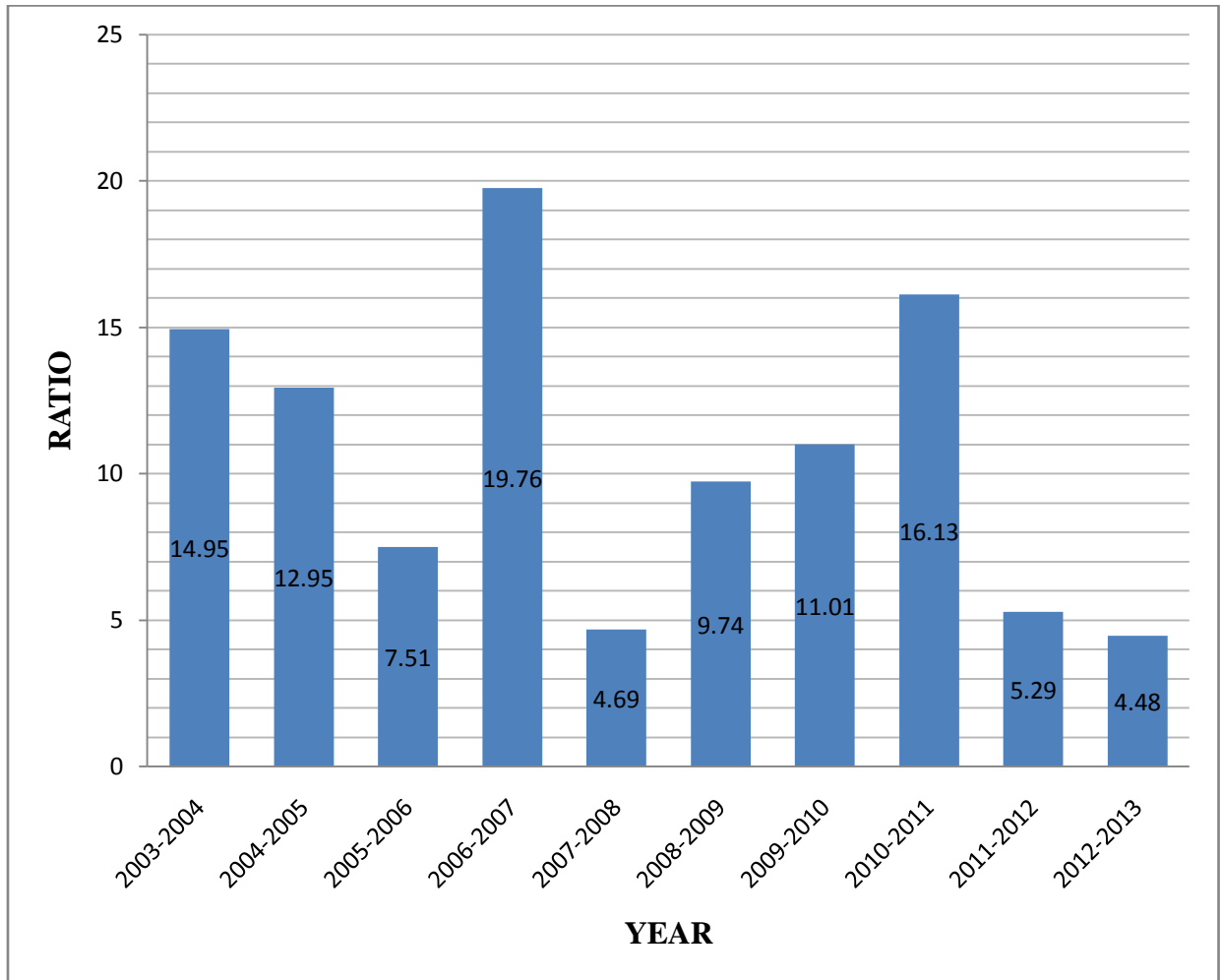
$$\text{Cost Of Debt} = \frac{\text{Interest}}{\text{Total Debt}} \times 100 (1-T)$$

TABLE NO: 4.1.2
COST OF DEBT

YEAR	INTEREST(RS.IN.LAKHS)	DEBT(RS.IN.LAKHS)	COST OF DEBT CAPITAL(%)
2003-2004	10.9	51.0	14.95
2004-2005	16.1	87.0	12.95
2005-2006	17.1	159.2	7.51
2006-2007	25.9	91.7	19.76
2007-2008	25.7	383.0	4.69
2008-2009	22.0	158.0	9.74
2009-2010	18.1	115.0	11.01
2010-2011	16.3	70.7	16.13
2011-2012	12.4	163.8	5.29
2012-2013	16.3	254.4	4.48

It is clear that the cost of debt has shown a decreasing trend over the years. The cost of debt was highest in the year 2006-2007 with 19.76% and lowest in 2012-2013 with 4.48%. Due to lowering of interest paid the cost of debt was higher.

CHARTNO: 4.1.2
COST OF DEBT



OVERALL COST OF CAPITAL

Over cost of capital is calculated by seaming up all the specific cost for different sources of capital. For this purpose the after tax cost only considered.

$$\text{Overall Cost Of Capital} = \frac{\text{Cost of debt + cost of equity}}{200} \times 100$$

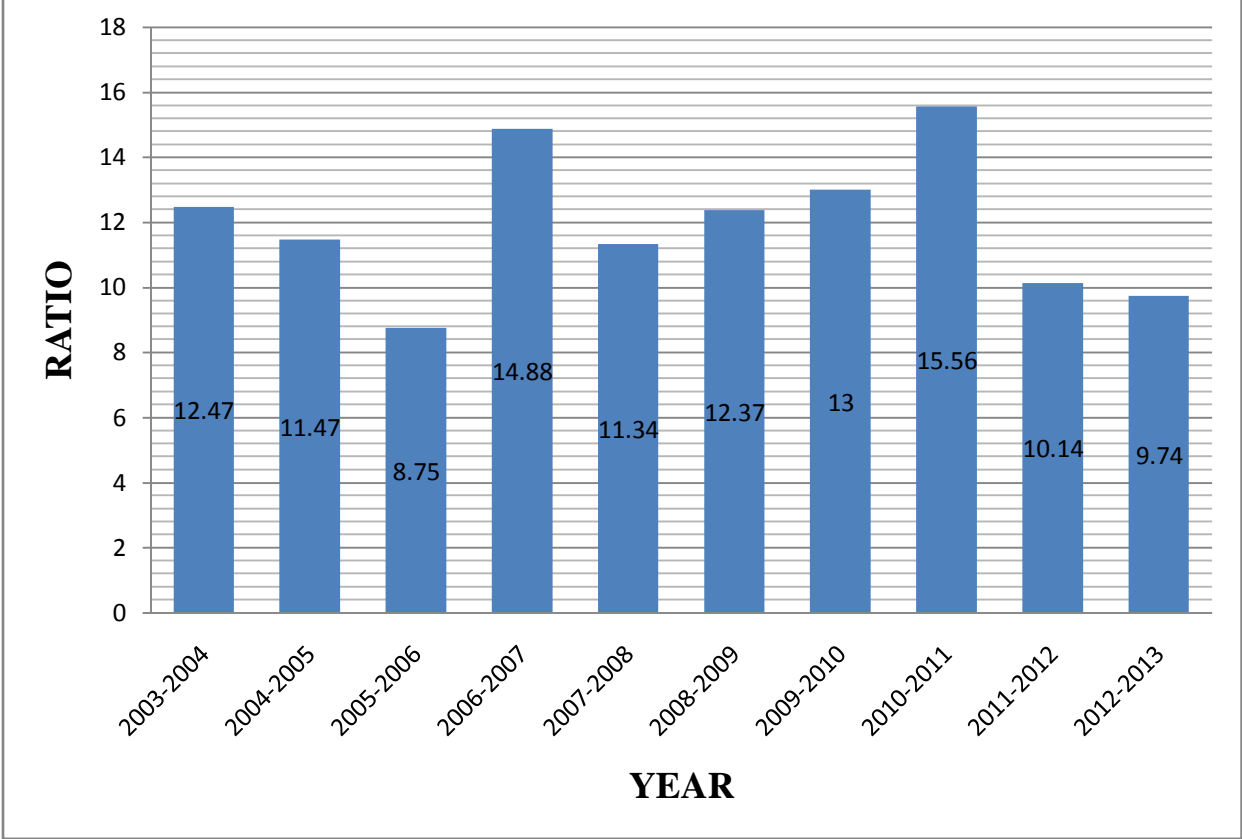
TABLE NO: 4.1.3

OVERALL COST OF CAPITAL

YEAR	COST OF DEBT (%)	COST OF EQUITY (%)	OVERALLCOST OF CAPITAL (%)
2003-2004	14.95	10	12.47
2004-2005	12.95	10	11.47
2005-2006	7.51	10	8.75
2006-2007	19.76	18	14.88
2007-2008	4.69	15	11.34
2008-2009	9.74	15	12.37
2009-2010	11.01	15	13.00
2010-2011	16.13	15	15.56
2011-2012	5.29	15	10.14
2012-2013	4.48	15	9.74

Above the table is fluctuating over the years. The maximum rate is found to be in the year 2010-2011 and minimum cost is found to be in the year 2005-2006. In the year 2012-2013 the overall cost is found to 9.74% which is reasonable.

CHART NO: 4.1.3
OVERALL COST OF CAPITAL



RATIO ANALYSIS

Ratio analysis is the process of determining and interpreting numerical relationship based on financial statements. Ratio used in this study is:

PROFITABILITY RATIO:

Profitability ratios indicate the profit earning capacity of a business. It is calculated either in relationship to sales or in relation to investments.

- Gross profit
- Net Profit
- Return on average capital employed
- Return on assets
- Return on equity
- Net margin

GROSS PROFIT MARGIN

Gross profit ratio measures the relationship of gross profit to net sales and is usually represented as a percentage.

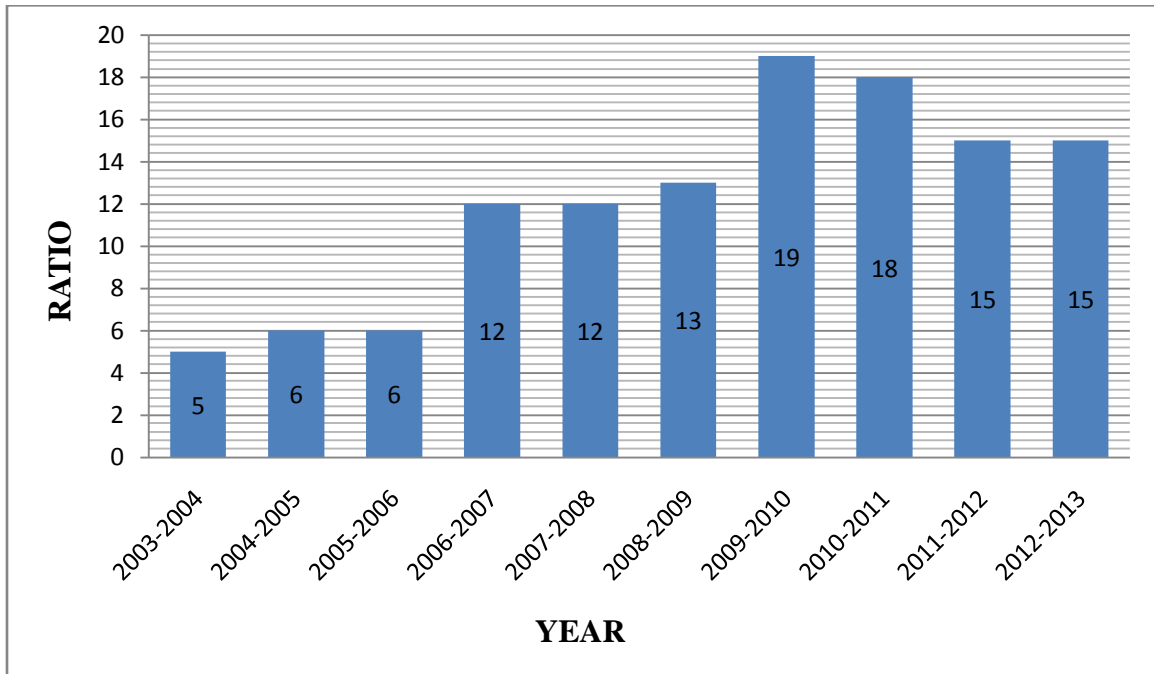
$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

TABLE NO: 4.1.4
GROSS PROFIT MARGIN

YEAR	GROSS PROFIT (RS.IN.LAKHS)	NET SALES (RS.IN.LAKHS)	RATIO (%)
2003-2004	31.5	609.7	5
2004-2005	36.9	609.3	6
2005-2006	42.6	618.1	6
2006-2007	94.2	748.0	12
2007-2008	111.1	888.5	12
2008-2009	132.1	957.4	13
2009-2010	196.2	1016.8	19
2010-2011	200.1	1095.6	18
2011-2012	172.1	1124.8	15
2012-2013	197.2	1296.9	15

Gross profit ratio has shown a fluctuating trend over the 10 years. It has increased from 5% to 19% during the years between 2003-2010 .It shows a decrease trend from 18% to 15% from 2010-2013.

CHART NO: 4.1.4
GROSS PROFIT MARGIN



NET PROFIT MARGIN

It expresses the relationship between net profits after taxes to sales. It is measure of overall profitability useful to proprietors, as it gives an idea of the efficiency as well as profitability of the business to a limited extend

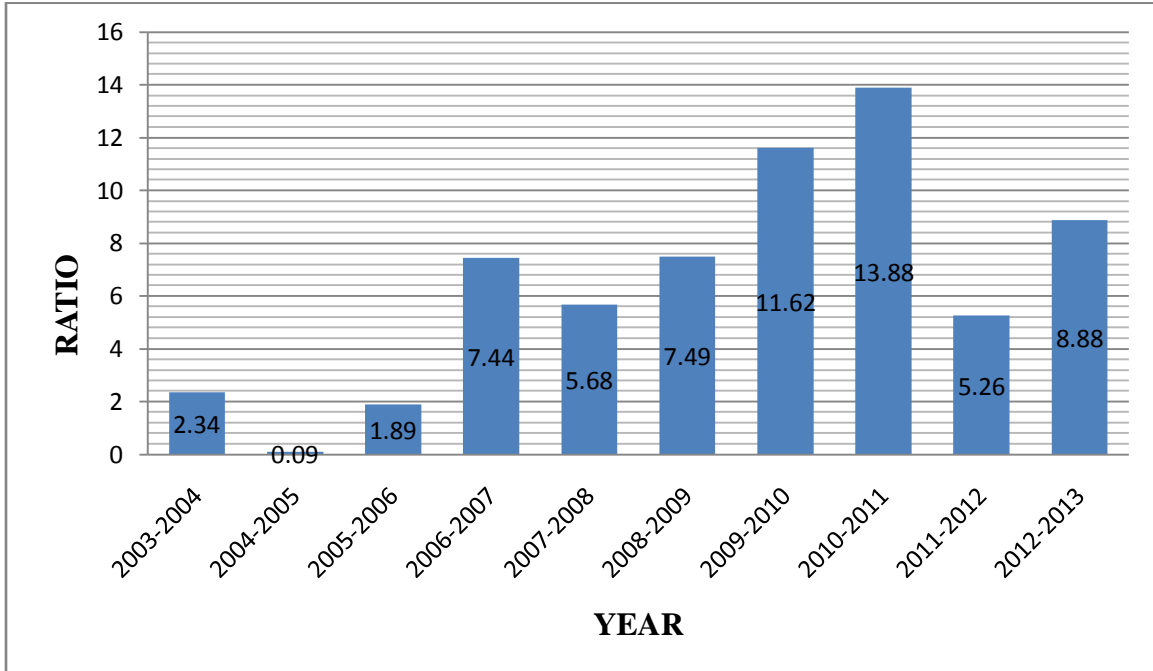
$$\text{Net profit margin} = \frac{\text{Profit after tax}}{\text{Net sales}} \times 100$$

.TABLE NO: 4.1.5
NET PROFIT MARGIN

YEAR	PROFIT AFTER TAX (RS.IN.LAKHS)	NET SALES (RS.IN.LAKHS)	RATIO (%)
2003-2004	14.3	609.7	2.34
2004-2005	0.6	609.3	0.09
2005-2006	11.7	618.1	1.89
2006-2007	55.7	748.0	7.44
2007-2008	50.5	888.5	5.68
2008-2009	71.8	957.4	7.49
2009-2010	118.2	1016.8	11.62
2010-2011	152.1	1095.6	13.88
2011-2012	59.2	1124.8	5.26
2012-2013	115.2	1296.9	8.88

Net profit ratio has shown increasing trend from the year 2003-2004. It has increased from 2.34% in the year 2003-2004 to 13.88% in 2010. In the year 2011-2012 the ratio has decline to 5.26 and in 2012-2013 at increased to 8.88%. The net profit ratio stood highest in the year 2010-2011 at 13.88%.

CHART NO:4.1.5
NET PROFIT MARGIN



RETURN ON AVERAGE CAPITAL EMPLOYED

Return of capital employed establishes the relationship between profits and the capital employed. It is primary ratio and is most widely used to measure the overall profitability and efficiency of a business.

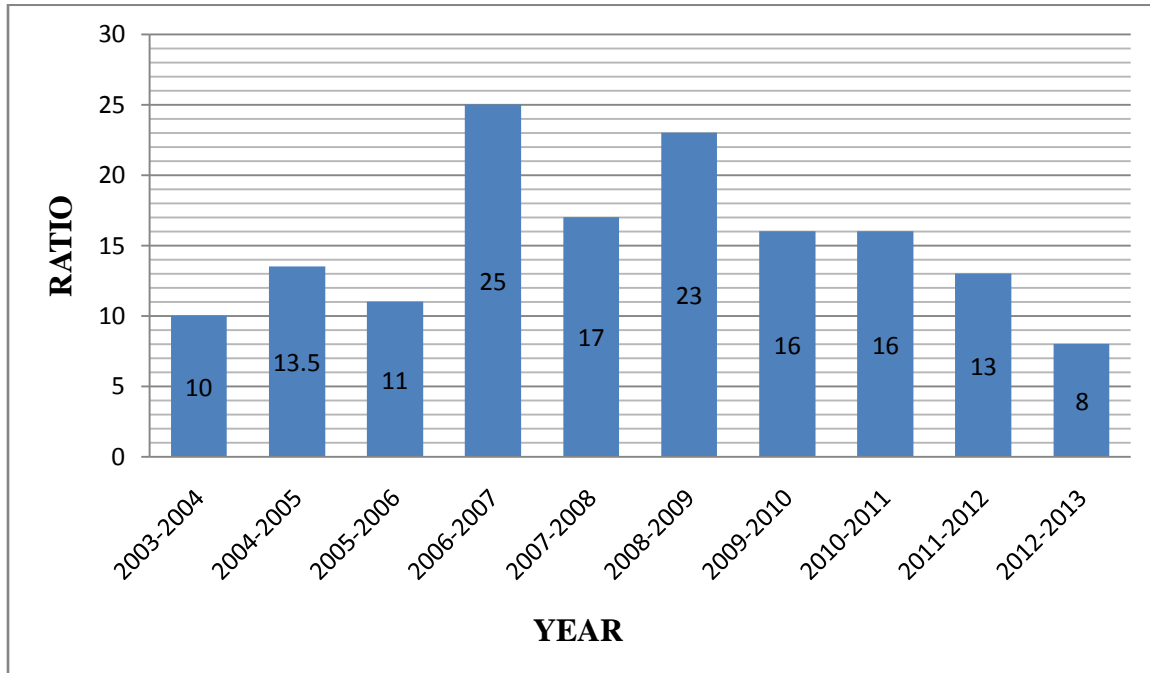
$$\text{Return On Equity} = \frac{\text{EBIT}}{\text{Total Assets}} \times 100$$

TABLE NO: 4.1.6
RETURN ON AVERAGE CAPITAL EMPLOYEED

YEAR	EBIT (RS.IN.LAKHS)	TOTAL ASSETS (RS.IN.LAKHS)	RATIO (%)
2003-2004	35.3	341.8	10
2004-2005	52.1	385.3	13.5
2005-2006	56.4	473.0	11
2006-2007	113.9	447.9	25
2007-2008	146.1	846.3	17
2008-2009	206.7	890.7	23
2009-2010	179.1	1082.0	16
2010-2011	212.3	1284.2	16
2011-2012	204.9	1474.1	13
2012-2013	149.0	1810.7	8

It is clear that the return on return on capital employed shows a fluctuating trend years. The return on average capital employed was highest in the year 2006-2007 with 25% and lowest in 2012-2013 with 8%.the return on capital employed is decline which is unfavorable for the firm.

CHART NO:4.1.6
RETURN ON AVERAGE CAPITAL EMPLOYEED



RETURN ON ASSETS

The return assets percentage shows how profitable a company's assets are in generating revenue.

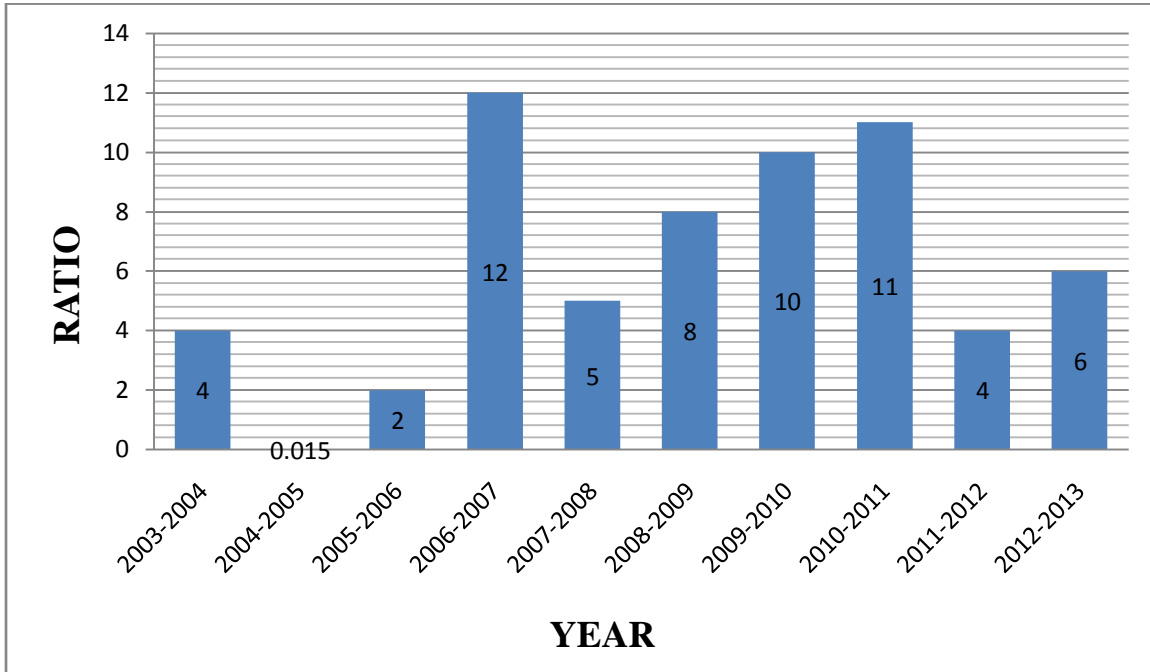
$$\text{Return on Assets} = \frac{\text{Net income after tax}}{\text{Total assets}} \times 100$$

TABLE NO: 4.1.7
RETURN ON ASSETS

YEAR	NET INCOME AFTER TAX (RS.LAKH)	TOTAL ASSETS (RS.LAKH)	RETURN ON ASSETS (%)
2003-2004	14.3	341.8	4
2004-2005	0.6	385.3	0.015
2005-2006	11.7	473.0	2
2006-2007	55.7	447.9	12
2007-2008	50.5	846.3	5
2008-2009	71.8	890.7	8
2009-2010	118.2	1082.0	10
2010-2011	152.1	1284.2	11
2011-2012	59.2	1474.1	4
2012-2013	115.2	1810.7	6

The above table clearly shows that return on assets is fluctuating over the years and was maximum during 2006-2007 with 12% and was minimum as 0.015% in the financial year 2004-2005.

CHART NO: 4.1.7
RETURN ON ASSETS



RETURN ON EQUITY

Ordinary shareholders are more interested in the profitability of a company and the performance of a company should be judged on the basis of return on equity capital of the company.

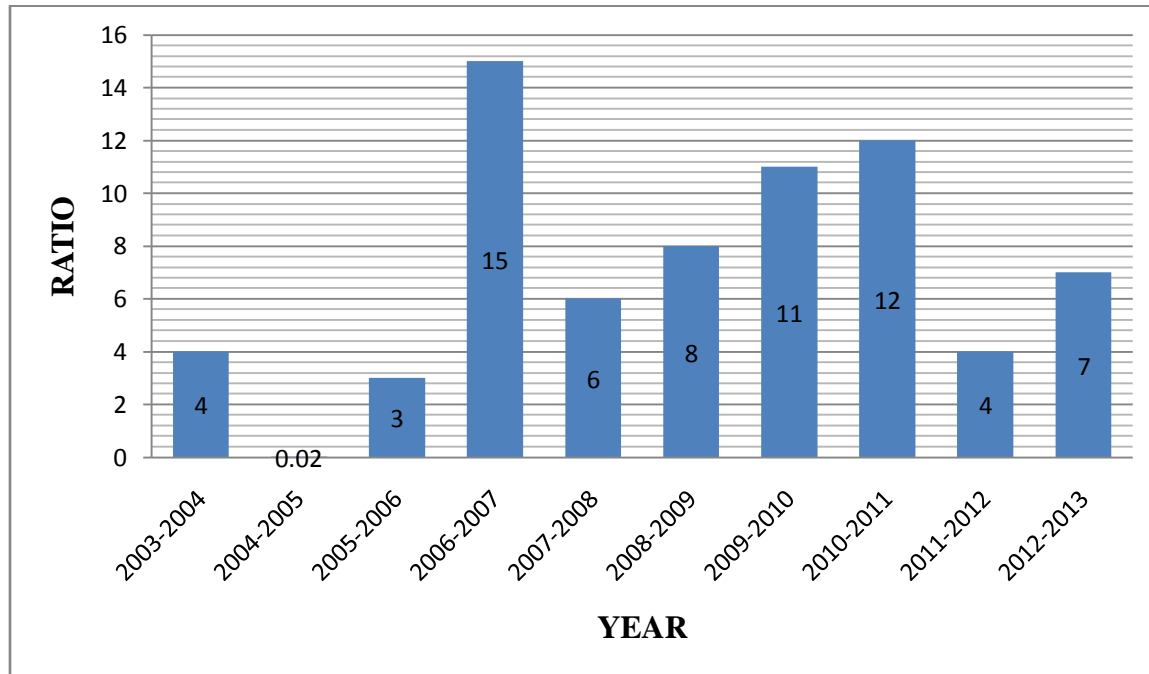
$$\text{Return on Equity} = \frac{\text{Net Income After Tax}}{\text{Shareholders Equity}} \times 100$$

TABLE NO: 4.1.8
RETURN ON EQUITY

YEAR	NET INCOME AFTER TAX (RS.IN.LAKHS)	SHAREHOLDERS EQUITY (RS.IN.LAKHS)	RATIO (%)
2003-2004	14.3	290.7	4
2004-2005	0.6	298.1	0.02
2005-2006	11.7	313.5	3
2006-2007	55.7	356.4	15
2007-2008	50.5	807.9	6
2008-2009	71.8	874.9	8
2009-2010	118.2	1070.6	11
2010-2011	152.1	1213.6	12
2011-2012	59.2	1310.2	4
2012-2013	115.2	1556.4	7

It is clear that the return on equity shows a fluctuating trend years. The return on equity was highest in the year 2006-2007 with 15% and lowest in the year 2004-2005 with 0.02%.

CHART NO: 4.1.8
RETURN ON EQUITY



REGRESSION

A statistical measure that attempts to determine the strength of the relationship between one dependent variable and a series of other changing variables.(Known as independent variables).

TABLE NO: 4.1.9
RELATIONSHIP BETWEEN COST OF CAPITAL AND GROSS PROFIT
MARGIN

	R	R Square	Coefficients		T	Significance
			B	Beta		
(constant)			1.938		.210	.839
Risk Seeking	.368	.135	.849	.368	1.118	.296

*significance tested at 5% level

Regression analysis showing the relationship between cost of capital and Gross Profit .

NULL HYPOTHESIS: Ho –There is no significant relationship between cost of capital and Gross Profit.

In the table above regression table R value is .368 which represents simple correlation .The R² value indicates how much of the dependent variable gross profit can be influenced by the independent variable cost of capital. In this case 36.8% can be explained which is very large The significance value is .296 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict outcome variable. By looking at the co-efficient B value the equation can be provided as,

$$\text{Gross Profit} = 1.938 + 0.368X$$

TABLE NO: 4.1.10
RELATIONSHIP BETWEEN COST OF CAPITAL AND NET PROFIT
MARGIN

	R	R Square	Coefficients		T	Significance
			B	Beta		
(constant)			-7.271		-1.027	.335
Risk Seeking	.571	.326	1.147	.571	1.967	.085

*significance tested at 5% level

Regression analysis showing the relationship between cost of capital and Net Profit.

NULL HYPOTHESIS: Ho –There is no significant relationship between cost of capital and Net Profit.

In the table above regression table R value is .571 which represents simple correlation. The R^2 value indicates how much of the dependent variable net profit can be influenced by the independent variable cost of capital. In this case 57.1% can be explained which is very large. The significance value is .085 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict outcome variable. By looking at the coefficient B value the equation can be provided as

$$\text{Net Profit.} = -7.271 + 0.571X$$

TABLE NO: 4.1.11
RELATIONSHIP BETWEEN COST OF CAPITAL AND RETURN ON
CAPITAL EMPLOYEE

	R	R Square	Coefficients		T	Significance
			B	Beta		
(constant)			6.106		.340	.743
Risk Seeking	.093	.009	.392	.093	.265	.798

*significance tested at 5% level

Regression analysis showing the relationship between cost of capital and Return on Capital Employed.

NULL HYPOTHESIS: Ho –There is no significant relationship between cost of capital and Return on Capital Employed.

In the table above regression table R value is .093 which represents simple correlation. The R² value indicates how much of the dependent variable Return on capital employed can be influenced by the independent variable cost of capital. In this case 9.3% can be explained which is very large. The significance value is .798 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict outcome variable. By looking at the coefficient B value, the equation can be provided as

$$\text{Return on Capital Employed} = 6.106 + 0.093X$$

TABLE NO: 4.1.12
RELATIONSHIP BETWEEN COST OF CAPITAL AND RETURN ON ASSETS

	R	R Square	Coefficients		T	Significance
			B	Beta		
(constant)			-10.690		-2.132	.066
Risk Seeking	.770	.594	1.411	.770	3.418	.009

*significance tested at 5% level

Regression analysis showing the relationship between cost of capital and Return on assets.

NULL HYPOTHESIS: Ho –There is no significant relationship between cost of capital and Return on assets.

In the table above regression table R value is 0.770 which represents simple correlation. The R² value indicates how much of the dependent variable Return on Assets can be influenced by the independent variable cost of capital. In this case 77% can be explained which is very large. The significance value is 0.009 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict outcome variable. By looking at the co-efficient B value the equation can be provided as,

$$\text{Return on assets} = -10.690 + 0.770X$$

TABLE NO: 4.1.13
RELATIONSHIP BETWEEN COST OF CAPITAL AND RETURN ON
EQUITY

	R	R Square	Coefficients		T	Significance
			B	Beta		
(constant)			-11.948		-1.970	.084
Risk Seeking	.746	.557	1.583	.746	3.170	.013*

*significance tested at 5% level

Regression analysis showing the relationship between cost of capital and Return on Equity.

NULL HYPOTHESIS: Ho –There is no significant relationship between cost of capital and Return on Equity.

In the table above regression table R value us .746 which represents simple correlation .The R² value indicates how much of the dependent variable Return on equity can be influenced by the independent variable cost of capital. In this case 74.6% can be explained which is very large .the significance value is 0.013 which is less than 0.05 and indicates that overall, the model applied can statistically significantly predict outcome variable. By looking at the co-efficient B value the equation can be provided as

$$\text{Return on Equity} = -11.948 + 0.746X$$

SUMMARY-V

5.1 FINDINGS

- The cost of equity capital was higher in the year 2007-2008 with 18% .When compare the other year. The cost of equity depending upon the market price.
- The cost of debt of the year 2006-2007with 19.76% is higher .when compare the other year.
- The overall cost of capital of the year 2010-2011 is higher when compare the other year.
- The gross profit ratio of the year 2009-2010 is higher .When compare the other year. The gross profit better profitability of the company.
- The net profit ratio of the year 2010-2011 is higher. When compare the other year.
- Return on capital employed ratio of the year 2008-2009 is higher. When compare the other year.
- Return on assets ratioof the year 2006-2007 is higher .When compare the other year.
- Return on equity ratio of the year 2006-2007 is higher. When compare the other year.
- Relation between cost of capital and Gross Profit .In this case the dependent value is positive(GP) and independent value also positive(COC).
- Relation between cost of capital and Net profit .In this case the dependent value is positive (NP) and independent value is negative (COC).That means the cost of capital is higher than net profit.
- Relation between cost of capital and Return on Capital Employed .in this case the dependent value is positive(ROCE) and independent value is also positive(COC).
- Relation between cost of capital and Return on Assets .in this case the dependent value is positive(ROA) and independent value is negative(COC).That means the cost of capital is higher than return on Assets.
- Relation between cost of capital and Return on Equity .in this case the dependent value is positive(ROE) and independent value is negative(COC).That means the cost of capital is higher than return on equity.

5.2 SUGGESTION

- The cost of capital mainly to analyze the debt & equity .cost of debt decrease over the years. Long-term debt and equity refers to the ratio of the long –term debts and the shareholders equity. Only when a company earns a return on investment greater than its cost of capital is value created for the shareholders.
- The return on assets ratio and Return on equity ratio, return on capital employed, gross profit margin and net profit margin all the ratios analyze the profitability of the company. The ratios decrease contiously so; the company shows improve the condition further to increase. Normally company's profitability is affected mainly by equity and debts. But increase of this company no such condition so; the company should concentrate in this part.
- Debt of equity increase respectively because of various diversified investment & proper utilization of cost. So the company should concentrate move on this part to repay the loans.

5.3 CONCLUSION

- The study title on “cost of capital and impact on profitability” was conducted with the help of the annual reports .various financial tools are used in the study from the cost of capital analysis, profitability ratios and regression .to extend possible the study has achieved its stated objectives .it is on the part of the company to accept the suggestions recommendations for the improvement of the performance of the company.
- The vetal hi-tech industry number of shares is good for the over the years. The cost of equity to control the debt of the company.
- Vetal hi-tech industry, increase the value of the shares and enable in easy accumulation of funds in future.

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BALANCE SHEET 2013-2009(in lakhs)
VETAL HI-TECH INDUSTRY

PARTICULARS	2013	2012	2011	2010	2009
SOURCES OF FUNDS					
Total share capital	223.8	205.8	203.8	203.8	180.5
Equity share capital	223.8	205.8	203.8	203.8	180.5
Share application money	0.00	29.3	0.00	0.00	10.5
Preference share capital	0.00	0.00	0.00	0.00	0.00
Reserves	1332.6	1075.1	1009.8	866.8	683.9
Revaluation reserves	0.00	0.00	0.00	0.00	0.00
NET WORTH	1556.4	1310.2	1213.6	1070.6	874.9
Secured loans	254.4	163.8	70.7	11.5	15.8
Unsecured loans	0	0.00	0.00	0.00	0.00
Total debt	254.4	163.8	70.7	11.5	15.8
Total liabilities	1810.8	1474.0	1284.3	1082.1	890.7
APPLICATION OF FUNDS					
Gross block	953.3	778.0	756.7	687.9	617.7
Less:Accum.Depreciation	236.4	335.9	294.4	250.9	217.7
NET BLOCK	716.9	442.1	462.3	437.0	400
Capital work in progress	1.0	6.8	9.7	9.2	35.5
Investments	362.9	436.5	344.0	189.9	189.4
Inventories	203.5	174.9	135.9	97.1	129.2
Sundry debtors	333.4	268.7	183.1	99.4	78.3
Cash and bank balance	78.3	183.2	36.3	16.6	29.1
Total current assets	615.2	626.8	355.3	213.1	236.6
Loans and advances	319.8	152.7	97.8	189.7	76.1
Fixed deposits	0	0	164.1	216.2	146.4
Total CA,Loans&advances	935.0	779.5	617.2	619.0	459.1
Deffered Credit	0	0	0	0	0
Current liabilities	141.9	116.8	95.0	130.9	149.9
Provisions	63.2	74.0	54.0	42.2	43.4
Total CL&provisions	205.1	190.8	149.0	173.1	193.3
NET CURRENT ASSETS	729.9	588.7	468.2	445.9	265.8
Miscellaneous expenses	0	0	0	0	0
Total assets	1810.7	1474.1	1284.2	1082.0	890.7
Contingent Liabilities	46.9	52.7	12.3	6.1	16.2
Book value(Rs)	707.4	634.1	606.8	535.3	489.1

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BALANCE SHEET 2008-2004(in lakhs)

PARTICULARS	2008	2007	2006	2005	2004
SOURCES OF FUNDS					
Total share capital	180.5	104.0	104.0	104.0	104.0
Equity share capital	180.5	104.0	104.0	104.0	104.0
Share application money	10.5	0	0	0	0
Preference share capital	0	0	0	0	0
Reserves	616.9	252.4	209.5	194.1	186.7
Revaluation reserves	0	0	0	0	0
NET WORTH	807.9	356.4	313.5	298.1	290.7
Secured loans	38.3	91.7	159.2	87.0	51.0
Unsecured loans	0	0	0	0	0
Total debt	38.3	91.7	159.2	87.0	51.0
Total liabilities	846.2	448.1	472.7	385.1	341.7
APPLICATION OF FUNDS					
Gross block	598.2	455.2	450.9	273.5	232.9
Less: Accum. Depreciation	179.4	143.7	109.9	96.4	84.5
NET BLOCK	418.8	311.5	341.0	177.1	148.4
Capital	11.6	28.7	5.9	20.6	25.3
work in progress	188.9	0.8	0.8	45.8	45.8
Investments	107.5	90.0	101.8	102.6	71.8
Inventories	72.7	57.0	61.8	85.2	67.8
Sundry debtors	13.1	8.2	16.1	8.7	6.5
Cash and bank balance	193.3	155.2	179.7	196.5	146.1
Total current assets	66.8	58.4	60.9	44.6	42.1
Loans and advances	99.6	1.0	4.1	0.5	5.4
Fixed deposits	359.7	214.6	244.7	241.6	193.6
Total CA, Loans & advances	0	0	0	0	0
Deffered Credit	102.9	88.9	85.9	77.6	66.0
Current liabilities	29.8	18.8	33.5	22.9	7.9
Provisions	132.7	107.7	119.4	100.5	73.9
Total CL & provisions					
NET CURRENT ASSETS	227.0	106.9	125.3	141.1	119.7
Miscellaneous expenses	0	0	0	0.7	2.6
Total assets	846.3	447.9	473.0	385.3	341.8

Contingent Liabilities Book value(Rs)	16.3 451.2	37.3 355.6	31.3 312.8	15.0 297.5	6.6 290.1
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**PROFIT AND LOSS ACCOUNT
VETAL HI-TECH INDUSTRY**

PARTICULARS	2008	2007	2006	2005	2004
INCOME					
Sales Turnover	892.0	749.1	618.1	609.9	610.2
Excise duty	3.5	1.1	0	0.6	0.5
Net sales	888.5	748.0	618.1	609.3	609.7
Other income	26.8	46.6	16.8	12.8	17.4
Stock adjustments	3.1	-8.8	-3.8	22.7	-25.8
Total income	918.4	785.8	631.1	644.8	601.3
EXPENDITURE					
Raw material	430.7	363.9	333.8	380.3	385.1
Power&fuel cost	28.6	21.1	17.8	14.4	12.3
Employee cost	36.7	29.5	23.9	24.3	19.6
Other manufacturing expenses	33.4	25.1	20.0	21.5	14.6
Selling and admin capitalized	212.4	162.4	141.7	123.1	102.9
Miscellaneous expenses	3.7	24.1	20.7	16.3	14.1
Preoperative Expcapitalised	0	0	0	0	0
Total Expenses	745.5	626.1	557.9	579.9	548.6
Operating Profit	146.1	113.9	56.4	52.1	35.3
PBDIT	172.9	160.5	73.2	64.9	52.7
Interest	25.7	25.9	17.1	16.1	10.9
PBDT	147.2	134.6	56.1	48.8	41.8
Depreciation	36.1	40.4	13.5	11.9	10.3
Other Written off	0	0	0	0	0
Profit before tax	111.1	94.2	42.6	36.9	31.5
Extra-ordinary items	-2.3	-1.6	-0.2	1	-2
PBT(post extra –ord items)	108.8	92.6	42.4	37.0	31.3
Tax	30.3	11.9	15.3	18.2	8.6
Reported net profit	80.8	67.6	27.0	18.8	22.9
Total value addition	314.8	262.2	224.1	199.6	163.5
Preference dividend	0	10.0	0	0	0
Equity dividend	32.7	10.0	10.0	10.0	10.0
Corporate Dividend tax	5.6	3.1	1.4	1.4	1.3
Per share data(annualized)					

Share in issue(lakhs)	176.74	100.23	100.23	100.23	100.23
Earning per share(Rs)	45.7	57.4	26.9	18.7	22.9
Equity dividend(%)	200.0	100.0	100.0	100.0	100.0
Book value(Rs)	451.2	355.6	312.8	297.5	290.1

PROFIT AND LOSS ACCOUNT

PARTICULAR	2013	2012	2011	2010	2009
INCOME					
Sales Turnover	1307.3	113.06	109.58	101.69	95.84
Excise duty	10.4	0.58	0.02	0.01	0.10
Net sales	1296.9	112.48	109.56	101.68	95.74
Other income	106.0	2.63	4.91	7.71	-1.32
Stock adjustments	15.9	3.28	2.90	-3.10	2.18
Total Income	1418.8	118.39	117.37	106.29	96.60
EXPENDITURE					
Raw material	630.0	572.5	592.7	486.9	440.2
Power&fuel cost	36.1	35.5	30.6	31.7	32.2
Employee cost	81.1	69.4	53.9	51.2	48.2
Other manufacturing expenses	0	33.7	34.3	31.4	34.8
Selling and admin capitalized	0	0	185.1	190.9	201.1
Miscellaneous expenses	416.6	241.6	15.7	14.6	16.0
Preoperative Expcapitalised	0	0	0	0	0
Total Expenses	1163.8	952.7	912.3	806.7	772.5
Operating Profit	149.0	204.9	212.3	179.1	206.7
PBDIT	255.0	231.2	261.4	256.2	193.5
Interest	16.3	12.4	16.3	18.1	22.0
PBDT	238.7	218.8	245.1	238.1	171.5
Depreciation	41.5	46.7	45.0	41.9	39.4
Other Written off	0	0	0	0	0
Profit before tax	197.2	172.1	200.1	196.2	132.1
Extra-ordinary items	-0.8	1.6	3.9	-1.8	-4.0
PBT(post extra –ord items)	196.4	173.7	204.0	194.4	128.1
Tax	40.7	57.1	26.0	38.1	30.2
Reported net profit	155.9	116.3	178.1	156.3	102.0

Total value addition	533.7	380.2	319.6	319.9	332.3
Preference dividend	0	0	0	0	0
Equity dividend	33.0	30.3	30.0	30.0	26.5
Corporate Dividend tax	5.6	4.9	5.0	5.1	4.5
Per share data(annualized)					
Share in issue(lakhs)	220.00	202.00	200.00	200.00	176.74
Earning per share(Rs)	70.8	57.6	89.0	78.2	57.7
Equity dividend(%)	150.0	150.0	150.0	150.0	150.0
Book value(Rs)	707.4	634.1	606.8	535.3	489.1