A STUDY ON FINANCIAL PERFORMANCE OF TAMILNADU NEWSPRINT AND PAPERS LTD., KARUR

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Abstract : ***The major reason for choosing the topic related to financial performance is to justify the profitability of the concern. The financial performance reveals about the monetary status of the concern. Tools such as ratio analysis, cash flow statement, fund flow statement, schedule of changes in working capital can be used to find out the financial position. The financial performance also reveals about the liquidity position which is essential , which can be measured using working capital management.***

IndexTerms – Statement of the problems, objectives and Research design

I. INTRODUCTION

The purpose of the financial analysis is to identify the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balances sheet and profit and loss account, and other operative data. These statements may be more fruitfully used if they are efficiently analyzed and interpreted to have a better insight about the financial strength and weakness of an enterprise. The management of the firm would be interested in every aspect of the financial analysis.

STATEMENT OF THE PROBLEM

To find out the financial position of the paper industry and to give suggestions regarding the development of the industry. It is also used to know about the liquidity position of the firm. The liquidity position is very essential to run a concern. This study is concerned with the analysis of the financial data's using various tools such as ratio analysis etc., The management has overall responsibility to see that the resource of the firm the used most effectively, and that firm's financial condition is sound.

OBJECTIVES OF THE STUDY

- To study and identify the exactly financial performance of the company.
- To identify the liquidity and profitability position of the company.
- To identify the solvency position of the company.
- To study and evaluate the financial efficiency and strength at the company.
- To suggest for further improvement of any.

SCOPE OF THE STUDY

- The study aims at assessing the liquidity, profitability position of the company.
- It is analyzed by using the ratios, Scheduled of changes in working capital, Trend analysis, Trend forecasting analysis, cash flow and comparative balance sheet.
- The study is meant to throw the light on the financial performance of TNPL, which is limited to five years financial statements only.
- Tools like ratio analysis and cash flow analysis are used for the analyzing the secondary data. The study also provides suggestions based on the findings.

RESEARCH METHODOLOGY

Research refers to the searching 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. "A careful investigation or enquiry through search for new facts in any branch of knowledge".

DATA COLLECTION

The task of data collection begins after a research problem has been defined and research design plan chalked out. While deciding about the method of data collection to be used for the study the researcher should keep in mind two types of data. The researcher would have to decide which sort of data he would be suing or his study and according he will have to select one or the other method of data collection.

TOOLS USED

The analysis of data was done with the help of various mathematical and statistical tools. Simple tools such as ratios, percentages, comparative statement etc., were used in this study. Forecasting is done with the help of statistical tools. Ratio refers to the relationship between two variables expressed in numerical aspects.The following ratios are used in analysis.

LIMITATIONS OF THE STUDY

- The ratio are only indicators, they cannot be taken as final regarding financial position of the firm.
- Price level changes and economic changes are not considered.
- The future is uncertain hence the future cost of goods sold, sales and net profit predicated is subject to change with other factors.
- The estimate made for future periods, which are termed as forecast are only approximate.

RATIO ANALYSIS

- Current ratio
- Liquid ratio (or) Quick ratio
- Debt-Equity ratio
- Net profit ratio
- Working capital turnover ratio

CURRENT RATIO
TABLE 1.1

(Rs in crores)

S.NO	YEAR	CURRENT ASSETS	CURRENT LIABILITY	RATIO %
1	2004-2005	38734.43	23349.85	1.65:1
2	2005-2006	39633.87	22972.39	1.72:1
3	2006-2007	36790.98	25832.12	1.42:1
4	2007-2008	39051.45	31047.98	1.26:1
5	2008-2009	52749.06	32197.02	1.64:1

Source : Secondary Data

INTERPRETATION

An ideal current ratio is 2:1 some the year 2005-2009 amount is less than the ideal ratio. In 2005-206 it will be greater than the previous years. 2006-2007 it will be less than 2005-2006.

LIQUID RATIO
TABLE 1.2
(Rs in crores)

S.NO	YEAR	LIQUID ASSETS	LIQUID LIABILITIES	RATIO %
1	2004-2005	26265.52	23349.85	1.12:1
2	2005-2006	27429.01	22972.39	1.20:1
3	2006-2007	21152.57	25832.12	0.82:1
4	2007-2008	24324.99	31047.98	0.78:1
5	2008-2009	33109.85	32197.02	1.03:1

Source : Secondary Data

INTERPRETATION

An ideal current ratio is 1:1 some the year 2004-2005 and 2005-2006 the ratio was higher than the standard ratio. In 2005-2006 it was greater than the previous years. But in the year 2006-2007 and 2007-2008 it was less than ideal ratio.

NET PROFIT RATIO
TABLE 1.3
(Rs in crores)

S.NO	YEAR	NET PROFIT	NET SALES	RATIO %
1	2004-2005	3794.60	67128.52	5.65
2	2005-2006	8054.57	77567.10	10.38
3	2006-2007	8606.38	92047.73	9.35
4	2007-2008	11283.00	102047.21	11.06
5	2008-2009	10738.68	111957.42	9.59

Source : Secondary Data

INTERPRETATION

The net profit was low the year 2004-2005. Then it has been increased to 10.38 in 2005-2006 and high level of 11.06 in 2007-2008. Then the last year it has been decreased.

WORKING CAPITAL TURNOVER RATIO
TABLE 1.4
(Rs in crores)

S.NO	YEAR	SALES	WORKING CAPITAL	RATIO %
1	2004-2005	64106.02	15377.51	4.17:1
2	2005-2006	77567.10	16661.48	4.66:1
3	2006-2007	92047.73	10958.86	8.40:1
4	2007-2008	102047.21	8003.47	12.75:1
5	2008-2009	111957.42	20552.04	5.45:1

Source : Secondary Data

INTERPRETATION

Year 2004-2005 is the working capital turnover ratio is 4.17. In the year 2005-06 To 2007-08 will gradually increase the ratio. In 2008-2009 it will be less than last year but current year sales and working capital both of two will increase than the previous years.

DEBT- EQUITY RATIO
TABLE 1.5
(Rs in crores)

S.NO	YEAR	LONG TERM DEBTS	SHAREHOLDERS FUND	RATIO %
1	2004-2005	24972.72	4654.33	0.54:1
2	2005-2006	30813.38	52251.81	0.59:1
3	2006-2007	55939.94	57650.05	0.97:1
4	2007-2008	55243.90	64000.98	0.86:1
5	2008-2009	80645.09	66431.53	1.21:1

Source : Secondary Data

INTERPRETATION

Year 2004-2005 is the Debt equity Ratio is 0.54:1. In the year 2005-06 To 2006-07 will gradually increase the ratio. In 2007-2008 it will be decreasing in 0.86:1 it is less than last year. In 2008-09 the ratio will increases in 1.21:1.

FINDINGS

- The current ratio reveals that the current ration of the company is not satisfactory because it does not match the standard norm of 2:1.
- The liquidity test ratio position of the company is good. Only during the year 2006-07 and 2007-08 it is less than the ideal ratio.
- The net profit ratio has been higher in the year 2007-2008 (11.06). In 2008-2009 net profit has declined, so the ration is not satisfactory.
- Working capital turnover ratio is normally increasing the years. It will higher in 2007-08 (12.75).
- Debt Equity Ratio is also average position of the firm. It will shows 1.21 in 2008-09.

SUGGESTIONS

- The company can in increase their current assets over the current liability to meet its current obligations.
- The last year (2006-07 and 2007-08) liquidity test ratio position of the company is does not match the standard norm. so, the company takes some efforts to increase their liquid assets.
- To improve the profitability position (i.e.) net profit, the company can improve its operational efficiency, which in turn will help the company to achieve a satisfactory return on investments.
- In order to improve sales position the concern should increase credit sales to reliable customers and the company ca improve their promotional efforts to increase their sales.
- The company has to take care of the optimum level of working capital in terms of emergency & need.

CONCLUSIONS

The study was undertaken on the financial performance of the company. Tools such as ratio analysis, trend analysis, cash flow and comparative balance sheet have been used to find out the company's efficiency in performing all its functions. The analysis reveals that the short term solvency position is not good, but the long term solvency position is satisfactory. So, the firm has a healthy condition of finance for long term. The cash balances have a positive sign in all the five years but it has decreased over the years.

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