TRADE AND INDUSTRY CONCERT OF AGRO PRODUCTS

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ABSTRACT

The paper titled “TRADE AND INDUSTRY CONCERT OF AGRO PRODUCTS” is carried out to find out the Liquidity ratio, Solvency ratio, Profitability ratio position of the company and to measure long term and short term efficiency of the company. This study is mainly based on secondary data. To analyse the Data, Ratio Analysis, Comparative Balance Sheet, Trend Analysis, Common Size Balance Sheet are used. Inferences are made out of these tools and based on the inferences, suggestions are given. From the study, it is found that most of the ratios are fluctuating. The assets are higher than the shareholders fund which is actually good. Financial performance analysis is the evaluation and interpretation of a firm’s financial position and operation, and involves a comparison and interpretation of accounting data. The study includes ratio analysis, comparative balance sheet analysis, trend analysis and common size balance sheet. Financial analysis refers to the process of determining financial strengths and weaknesses of the firm. It purposes is to convey the understandings on some financial aspects of a business firm. On the basis of these analyses, the researcher has given suggestions that the company must keep the working capital in sufficient level, forwarding has to be increased by minimizing the various expense of the company and the current liabilities are to be maintained low to improve its financial performance.

INTRODUCTION

Financial statement analysis (or financial analysis) is the process of reviewing and analyzing a company’s financial statements to make better financial / economic decisions. These statements include the income statement, balance sheet, statement of cash flows, and a statement of changes in equity. Financial statement analysis is a method or process involving specific techniques for evaluating risks, performance, financial health, and future prospects of an organization. It is used by a variety of stakeholders, such as credit and equity investors, the government, the public, and decision makers within the organization. These stakeholders have different interests and apply a variety of different techniques to meet their needs. Common methods of financial statement analysis include fundamental analysis, horizontal and vertical analysis and the use of financial ratios. Historical information combined with a series of assumptions and adjustments to the financial information may be used to project future performance.

STATEMENT OF THE PROBLEM

Finance plays important role in determining the strengths, weaknesses and control of funds of the company. Without finance an organization cannot perform its activities in a modern business scenario. Finance is the vital to the nation as well as for the success of the organization and this success greatly depends on the better utilization of finance.
Various financial tools/ analysis help analyst and investors appraise a firm’s financial standing and profit levels in the short and long terms. A study of financial performance is important for all business organization. Hence, the researcher undertook a study titled “TRADE AND INDUSTRY CONCERT OF AGRO PRODUCTS”.

OBJECTIVES OF THE STUDY

- To analyse and report the overall financial performance of Indian Tropical Agro Products Private Ltd..
- To analyse the liquidity position of the company.
- To analyse the profitability of the company.
- To know about future performance of the company.
- To offer suggestions and improvements for the better performance.

REVIEW OF LITERATURE

Dr. Viral Shah¹ (2018) in his paper report titled “A Study on Financial Performance using Ratio Analysis of Visa Steel Ltd”, Accounting ratios supportive to analyze the financial locus of a company. Financial analysis aids to evaluate the financial health of a firm. Accounting ratios are intended for a number of years which demonstrates the changes. Ratios are useful tool for various stakeholders like management, financiers, shareholders and creditors etc. In order to analyze the financial performance of Visa Steel Limited, the accounting ratios are used. Secondary data is used from the Published Annual Reports of the company for time period 2012-13 to 2016-17. The final result of the paper in accordance to the financial performance of Visa Steel Limited shows that the financial performance of the company is poor after 2015-16 and directors should pay more attention to revive the company.

P. Srinivasan² (2018) in her paper report titled “A Study on Financial Ratio Analysis of Vellore Cooperative Sugar Mills, Amundi, Vellore”, To evaluate and analyze the sugar industry of its financial performance and its position by using ratio analysis. The company's financial performance has been thoroughly examined during the years from 2013-2017. And the data was collected from the secondary sources. The research includes analyzing the balance sheet and profit & loss account for the period of five years. It shows the company's financial position over the year which is useful for decision making. It helps to alter the company in profit direction. This paper gives the guiding principle about the Activity Ratios, Liquidity Ratios, Solvency Ratios and Profitability Ratios analysis of Vellore cooperative sugar mills Ltd, Vellore district.

J. Pavithra,³ et.al (2017) in her paper report titled “A Study on the Analysis of Financial with Reference to Jeppiar Cements Pvt Ltd”, Finance is rightly termed as the science of money, as it is the life blood of business. Finance is vital for the even running of the business. The process of recognizing the financial strengths and weaknesses of the firm by properly-establishing relationship between the items of the Balance Sheet and the Profit and Loss account. There are various methods or techniques are used in examining financial schedule of change in working capital flow, cost volume Profit Analysis and Ratio Analysis.

Dr. S. Vijayalakshmi.⁴ et.al (2017) in her project titled “A Study on Financial Performance Analysis of Bharti Airtel Limited”. Financial performance is done to evaluate capability, stability and profitability of the company. Financial analysis helps investors to appraise whether they should invest in a particular company or not. The main objective of this study is to know the short term and long term financial position of the company and to know the profit level of the company. It is analyzed using short term, long term and profitability ratios for the period 2011-2016, based on the secondary data that is balance sheet and profit/loss account. The company has to stabilize its income without much increase in operating expenses.

S.Sai Geetha & Dr. S. T. Surulivel⁵ (2017) in her project report titled “A Study on Financial Performance using Ratio Analysis of BHEL, Trichy”. Financial analysis helps to assess the profitability and financial position of a concern. against the other departments of the same concern. Accounting ratios are
calculated for a number of years which shows the trend for the change of position. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc uses the accounting ratios for analyzing the financial position.

Dr.M. Ravichandran (2016) in his project report titled “A Study on Financial Performance Analysis of Force Motors Ltd”. Financial analysis referred to financial statement analysis or accounting analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. The main idea behind this study is to analyze the financial operating position of the company. This research is done with help of secondary data which is gathered from the annual report of the company. The financial performance can be measured by using various financial tools such as profitability ratio, solvency ratio, comparative statement, etc.

This analysis can be done by comparing the ratios for the same over a period of years, or for one concern against the industry as a whole, or for the concern against as the predetermined standards, or for just one department of the concern.

RESEARCH METHODOLOGY

The research methodology here is analytical research methodology which is based on the quantitative data that is already collected by someone for different purpose. The main sources for this secondary data are annual reports of the company. The reference from the books like financial management, management accounting or any other standard textbooks can be used.

RESEARCH DESIGN

Analytical research design is chosen for the study. This research is conducted to find out facts about a given topic and from the answers obtained develop new and useful ways of doing things. The analytical research usually concerns itself with cause-effect relationships.

SOURCE OF DATA

In this study, secondary data from balance sheet and profit and loss account statements provided by the company for last ten years, were used for the analysis. In addition, the data/information was collected from books, journals, websites, and annual reports of Indian Tropical Agro Products Private Ltd, Tuticorin.

TOOLS FOR ANALYSIS

The researcher has used the following tools for analysis.
- Ratio analysis
- Comparative analysis
- Trend analysis
- Common Size Statement analysis

<table>
<thead>
<tr>
<th>Year</th>
<th>Sales (Rs. in Crs)</th>
<th>Total assets (Rs. in Crs)</th>
<th>Ratio</th>
</tr>
</thead>
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<tr>
<td>2008-2009</td>
<td>8.73</td>
<td>8.86</td>
<td>0.984</td>
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<tr>
<td>2009-2010</td>
<td>9.17</td>
<td>9.00</td>
<td>1.019</td>
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<tr>
<td>2010-2011</td>
<td>9.97</td>
<td>9.16</td>
<td>1.088</td>
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<tr>
<td>2011-2012</td>
<td>10.70</td>
<td>9.25</td>
<td>1.156</td>
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<tr>
<td>2012-2013</td>
<td>11.44</td>
<td>9.40</td>
<td>1.218</td>
</tr>
<tr>
<td>2013-2014</td>
<td>12.71</td>
<td>9.51</td>
<td>1.337</td>
</tr>
<tr>
<td>Year</td>
<td>Sales (Rs. in Crs)</td>
<td>Capital Employed (Rs. in Crs)</td>
<td>Ratio</td>
</tr>
<tr>
<td>---------</td>
<td>-------------------</td>
<td>------------------------------</td>
<td>-------</td>
</tr>
<tr>
<td>2008-2009</td>
<td>8.73</td>
<td>3.98</td>
<td>2.193</td>
</tr>
<tr>
<td>2009-2010</td>
<td>9.17</td>
<td>4.05</td>
<td>2.264</td>
</tr>
<tr>
<td>2010-2011</td>
<td>9.97</td>
<td>4.15</td>
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<tr>
<td>2011-2012</td>
<td>10.70</td>
<td>4.21</td>
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<tr>
<td>2012-2013</td>
<td>11.44</td>
<td>4.34</td>
<td>2.636</td>
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<tr>
<td>2013-2014</td>
<td>12.71</td>
<td>4.43</td>
<td>2.923</td>
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<tr>
<td>2015-2016</td>
<td>16.20</td>
<td>5.37</td>
<td>3.014</td>
</tr>
<tr>
<td>2016-2017</td>
<td>17.71</td>
<td>5.79</td>
<td>3.057</td>
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<tr>
<td>2017-2018</td>
<td>20.92</td>
<td>5.54</td>
<td>3.76</td>
</tr>
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</table>

**TABLE 3: OVERALL PROFIT RATIO**

<table>
<thead>
<tr>
<th>Year</th>
<th>Net PBIT (Rs. in Lakhs)</th>
<th>Total capital employed (Rs. in Crs)</th>
<th>Ratio</th>
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</thead>
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<tr>
<td>2008-2009</td>
<td>11.80</td>
<td>3.98</td>
<td>0.030</td>
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<tr>
<td>2009-2010</td>
<td>17.21</td>
<td>4.05</td>
<td>0.045</td>
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<tr>
<td>2010-2011</td>
<td>21.05</td>
<td>4.15</td>
<td>0.051</td>
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<tr>
<td>2011-2012</td>
<td>22.97</td>
<td>4.21</td>
<td>0.055</td>
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<tr>
<td>2012-2013</td>
<td>25.03</td>
<td>4.34</td>
<td>0.058</td>
</tr>
<tr>
<td>2013-2014</td>
<td>26.09</td>
<td>4.43</td>
<td>0.059</td>
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<tr>
<td>2014-2015</td>
<td>31.07</td>
<td>4.72</td>
<td>0.066</td>
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<tr>
<td>2015-2016</td>
<td>38.33</td>
<td>5.37</td>
<td>0.071</td>
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<tr>
<td>2016-2017</td>
<td>43.74</td>
<td>5.79</td>
<td>0.076</td>
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TABLE 4: COMMON SIZE BALANCE SHEET

<table>
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</thead>
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<tr>
<td>Current Liabilities</td>
<td>55</td>
<td>54.86</td>
<td>54.41</td>
<td>54.21</td>
<td>53.48</td>
<td>53.07</td>
<td>53.99</td>
<td>51.35</td>
<td>51.13</td>
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<td>Share Capital</td>
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<td>0.98</td>
<td>0.97</td>
<td>1.06</td>
<td>1.05</td>
<td>0.97</td>
<td>1.80</td>
<td>1.68</td>
<td>3.94</td>
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<td>Long term borrowings</td>
<td>22.88</td>
<td>23</td>
<td>23.41</td>
<td>23.3</td>
<td>23.88</td>
<td>24.68</td>
<td>24.52</td>
<td>25.21</td>
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<tr>
<td>TOTAL</td>
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<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
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<tr>
<td>Application of Funds</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Fixed assets</td>
<td>30.80</td>
<td>30.64</td>
<td>30.35</td>
<td>30.38</td>
<td>30.49</td>
<td>30.46</td>
<td>26.08</td>
<td>22.64</td>
<td>19.88</td>
<td>17.70</td>
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<tr>
<td>Current assets</td>
<td>69.09</td>
<td>69.24</td>
<td>69.42</td>
<td>69.34</td>
<td>69.18</td>
<td>69.22</td>
<td>73.62</td>
<td>77.01</td>
<td>79.80</td>
<td>81.93</td>
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<tr>
<td>Non current investments</td>
<td>0.11</td>
<td>0.12</td>
<td>0.23</td>
<td>0.28</td>
<td>0.33</td>
<td>0.32</td>
<td>0.30</td>
<td>0.35</td>
<td>0.32</td>
<td>0.37</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

SUMMARY OF FINDINGS

Ratio Analysis

- The highest Current Ratio of 1.560 is recorded during the year 2016-2017 and the lowest ratio of 1.256 is recorded during the year 2008-2009.
- The highest Quick Asset Ratio is 0.865 during the year 2016-2017 and the lowest quick asset ratio is 0.753 during the year 2008-2009.
- The highest Fixed Asset Ratio of 1.180 is recorded during the year 2017-2018 and the lowest fixed asset ratio of 0.780 is recorded during the year 2016-2017.
- The Proprietors Ratio is highest in the year 2009-2010 of ratio 0.326 and lowest for the period of 2010-2011 and 2011-2012 of ratio 0.032.
- The highest Cash Position Ratio of 0.095 is recorded during the year 2008-2009 and the lowest cash position ratio of 0.048 is recorded during the year 2017-2018.
- The highest Return on Assets Ratio of 3.122 is recorded during the year 2017-2018 and the lowest return on assets ratio of 0.93 is recorded during the year 2008-2009.
- The highest Debt Equity Ratio of 25.481 is recorded during the year 2014-2015 and the lowest debt equity ratio of 3.812 is recorded during the year 2014-2015.
- The highest Cash Turnover Ratio of 61.646 is recorded during the year 2017-2018 and the lowest cash turnover ratio of 21.630 is recorded during the year 2008-2009.
The highest Fixed Asset Turnover Ratio of 9.306, is recorded during the year 2017-2018 and the lowest fixed asset turnover ratio of 3.196, is recorded during the year 2008-2009.

The highest Working Capital Turnover Ratio of 8.282, is recorded during the year 2013-2014 and recorded as the lowest ratio of 5.177, is recorded during the year 2016-2017.

The Total Assets Turnover Ratio is highest in the year 2015-2016 of ratio 1.726 and the lowest ratio is recorded during the year 2008-2009 of ratio 0.984.


The highest Overall Profit Ratio of 0.102 during the year 2017-2018 is recorded and the lowest overall profit ratio of 0.030, is recorded during the year 2008-2009.

The highest Net Profit Ratio, of ratio 1.90, is recorded during the year 2017-2018 and the lowest net profit ratio, of ratio 0.947, is recorded during the year 2008-2009.

Comparative Balance Sheet

The applications of funds have increased by 1.580 crores from the year 2009-2010. Whereas sources of funds have increased by 1.580 crores form the year 2009-2010.

The applications of funds have increased by 0.16 crores during the year 2010-2011. Whereas sources of funds have increased by 0.16 crores during the year 2010-2011.

The applications of funds have increased by 0.982 crores during the year 2011-2012. Whereas sources of funds have increased by 0.982 crores during the year 2011-2012.

The applications of funds have increased by 1.621 crores during the year 2012-2013. Whereas sources of funds have increased by 1.621 crores during the year 2012-2013.

The applications of funds have increased by 0.16 crores during the year 2013-2014. Whereas sources of funds have increased by 0.16 crores during the year 2010-2011.

The applications of funds have increased by 8.517 crores during the year 2014-2015. Whereas sources of funds have increased by 8.517 crores during the year 2014-2015.

The applications of funds have increased by 7.848 crores during the year 2015-2016. Whereas sources of funds have increased by 7.848 crores during the year 2015-2016.

The applications of funds have increased by 7.187 crores during the year 2016-2017. Whereas sources of funds have increased by 7.187 crores during the year 2016-2017.

The applications of funds have increased by 6.454 crores during the year 2017-2018. Whereas sources of funds have increased by 6.454 crores during the year 2017-2018.

Trend Analysis

The current assets show an increasing trend.

The quick assets show an increasing trend.

The cash position shows an increasing trend.

The fixed assets show an increasing trend.

The total assets show an increasing trend.

The net working capital shows an increasing trend.

The net profit shows an increasing trend.

The sales show an increasing trend.

Trend Value of the Indian Tropical Agro Products Pvt Ltd Company is satisfactory for all aspects.

Common Size Balance Sheet

It is inferred that the Current Liabilities constitute a major portion in the liabilities during the study period. Current Assets constitute a major portion in the assets during the study period.

SUGGESTIONS

The company must improve its current assets as it doesn’t reach its ideal ratio of about 2 and is very less than the ideal one.
Next the company has to increase its cash position since it never reaches the ideal ratio during the study period and having ideal cash position would help the company to support in their critical times.

Even though the fixed assets are utilized in a better way, it can also be utilized in a more efficient way.

The company should maintain its consistency in all the financial aspects of it and it should not have any fluctuations in it.

CONCLUSION

The financial performance analysis is a yard stick to measure the company that gives information about the past events so that the barriers can be avoided in the future course to achieve the targets. Indicators of financial health as well as performance become crucial for all the companies and their importance is very much emphasized when it is lagging so that its performance can be improved in future. On the basis of analyses, the researcher has given suggestions that the company must keep the working capital in sufficient level, forwarding has to be increased by minimizing the various expense of the company and the current liabilities are to be maintained low to improve its financial performance. From the study, it is found that most of the ratios are fluctuating. The assets are higher than the shareholders fund which is actually good. It is hoped that the findings and suggestions of the study will enable the company to improve its performance at greater level.

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