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## Short Term Solvency And Profitability Analysis Of Selected Wood And Wooden Companies In India

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### ABSTRACT:

*In India ,the furniture industry is dominated by wood furniture .The natural wealth of many tree species abounds in India, and wooden industry employs both indigenous and imported timber .India is one of the worlds biggest importer of timber .In recent years ,the success of traditional furniture has lead to growth in demand for wood based furniture. Furniture market in India has a golden opportunity to expand exponentially. This paper focuses on short term solvency and profitability of selected wood and wooden companies in India ,for analyzing financial performance of the company ratio analysis has been used. In addition to that statistical tools such as Mean, Standard Deviation, Co-efficient of variation, Skewness , kourtosi s and ANOVA also applied.*

*Key words: Ratio analysis, liquidity, Profitability, financial performance, net profit.*

### INTRODUCTION:

Financial analysis is the process of evaluating businesses, projects, budgets, and other finance-related transactions to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid, or profitable enough to warrant a monetary investment.

### STATEMENT OF THE PROBLEM:

*Wooden industry has an immense importance due to huge demand for their products. Due to the involvement of a large number of small and local manufacturers in the industry, which accounts for a larger share of demand , the wood furniture market in India is competitive. Hence an attempt has been made to analyze the financial performance of selected wood and wooden companies in India and necessary suggestions have been provided.*

### SCOPE OF THE STUDY

*The study find out the short term solvency and profitability position of selected wood and wooden companies in India. The researcher has selected only three companies in India.*

### OBJECTIVES OF THE STUDY

- 1.To analyze the short term solvency of selected wood and wooden companies in India.*
- 2 To analyze the profitability position of selected wood and wooden companies in India.*
- 3. To offer suitable suggestions for future growth of selected wood and wooden companies in India.*

### RESEARCH METHODOLOGY:

#### Sources of data:

*The study is mainly based on secondary data which is collected from the published financial statements viz., Trading and profit and loss account and balance sheet of the company.*

**Sampling technique:**

For sample selection the researcher has used purposive sampling technique. The companies were selected on the basis of net sales.

**Sample size:**

The research selected 4 companies such as Century Ply Board Ltd.,(CPBL),Greenply India Ltd.,(GPIL),Archidply India Ltd.,( APIL) and Duroply Industry Ltd.,(DPIL)

on the basis of net sales.

**Period of the study**

The study period cover 5 years for 2017-2018 to 2021-2022

**TOOLS FOR ANALYSIS**

MEAN, SD, CV ,SKEWNESS , KOURTOSIS AND ANOVA.

**LIMITATION OF THE STUDY**

1. This study is mainly depends on secondary data collected from the company ,
2. The study is based on analyzing the short term solvency and profitability position of selected wood and wooden companies in India. only. Hence it is not applicable to other companies

**ANALYSIS AND INTERPRETATION OF THE DATA****TABLE 1****CURRENT RATIO**

Company Year	CPBL	GPIL	APIL	DPIL
2017-18	1.23	1.11	1.37	0.82
2018-19	1.24	1.20	1.46	0.88
2019-20	1.49	1.24	1.47	0.84
2020-21	1.87	1.60	1.38	0.83
2021-22	1.92	1.21	1.39	0.81
MEAN	1.56	1.27	1.41	.84
SD	.33	.19	0.05	.03
CV	21.15	14.96	3.55	3.57
Skewness	.24	1.86	0.53	1.34
kurtosis	-2.97	3.89	-3.04	2

Source: Author's Calculation From Annual report of the respective companies

The table 1 shows the current ratio of selected wood and wooden companies in India .The current ratio satisfies the standard norms of 2: 1 by all companies except DPIL. .CPBL., registered the highest variation of 21.15%. And APIL., registered the lowest variation of 0.53%.

**CURRENT RATIO (ANOVA Test )****Hypothesis::**

There is no significant difference in current ratio of selected Wood and wooden companies in India under study.

TABLE 2

## CURRENT RATIO (ANOVA Test )

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	1.44	3	.48	12.84	.3.24
Within Groups	.60	16	.04		
Total	2.04	19			

Source: Authors calculation

The table 2 indicates that the calculated value of F is > F Critical value (at 5% level of significance ).The hypothesis is rejected. Hence it is concluded that the in net profit ratio of selected wood and wooden companies differ significantly.

TABLE 3

## QUICK RATIO

Company	CPBL	GPIL	APIL	DPIL
Year				
2017-18	0.71	0.73	0.78	0.27
2018-19	0.64	0.84	0.87	0.30
2019-20	0.74	0.88	0.93	0.27
2020-21	1.18	1.14	0.92	0.30
2021-22	1.11	0.66	0.92	0.26
MEAN	<b>0.88</b>	<b>0.85</b>	<b>0.88</b>	<b>0.28</b>
SD	<b>0.25</b>	<b>0.18</b>	<b>0.06</b>	<b>0.02</b>
CV	<b>28.41</b>	<b>21.18</b>	<b>6.82</b>	<b>7.14</b>
Skewness	<b>0.56</b>	<b>1.06</b>	<b>-1.59</b>	<b>0.38</b>
kurtosis	-2.92	1.34	2.11	-2.90

Source: Author's Calculation From Annual report of the respective companies

The table 3 shows the quick ratio of selected wood and wooden companies in India. The Quick ratio satisfied the standard norms of 1: 1 by CPBL only., and all other companies did not satisfied the standard norm. .CPBL., registered the highest variation of 28.41%. And APIL., registered the lowest variation of 6.82%.

## QUICK RATIO (ANOVA Test )

## Hypothesis:

There is no significant difference in quick ratio of selected wood and wooden companies in India under study.

TABL 4

## QUICK RATIO (ANOVA Test )

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	1.309	3	.436	17.376	.3.24
Within Groups	.402	16	.025		
Total	1.710	19			

Source: Authors calculation.

The table 4 indicates that the calculated value of F is > F Critical value (at 5% level of significance ).The hypothesis is rejected. Hence it is concluded that the in net profit ratio of selected wood and wooden companies differ significantly.

TABLE 5

## NET PROFIT RATIO

Company Year	CPBL	GPIL	APIL	DPIL
2017-18	7.96	8.07	0.82	-2.18
2018-19	7.01	4.77	1.35	0.42
2019-20	6.92	2.57	1.41	-1.97
2020-21	9.08	5.70	0.97	-1.35
2021-22	10.83	6.45	2.76	-3.30
MEAN	<b>8.36</b>	<b>5.51</b>	<b>1.46</b>	<b>-1.68</b>
SD	<b>1.63</b>	<b>2.04</b>	<b>0.77</b>	<b>1.37</b>
CV	<b>19.50</b>	<b>37.02</b>	<b>52.74</b>	<b>-81.55</b>
Skewness	<b>0.95</b>	<b>-0.41</b>	<b>1.66</b>	<b>0.78</b>
kurtosis	<b>-0.08</b>	<b>0.56</b>	<b>3.07</b>	<b>1.42</b>

Source: Author's Calculation From Annual report of the respective companies

The table 5 shows the net profit ratio of selected wood and wooden companies in India. APIL., registered the highest variation of 52.74%. And CPBL., registered the lowest variation of 1950%.

## NET PROFIT RATIO(ANOVA Test )

## Hypothesis:

There is no significant difference in net profit ratio of selected wood and wooden companies in India under study.

TABLE 6

## NET PROFIT RATIO(ANOVA Test )

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	292.915	3	97.638	42.027	3.24
Within Groups	37.171	16	2.323		
Total	330.086	19			

Source: Authors calculation

The table 6 indicates that the calculated value of F is > F Critical value (at 5% level of significance ).The hypothesis is rejected. Hence it is concluded that the in net profit ratio of selected wood and wooden companies differ significantly.

TABLE 7

## RETURN ON CAPITAL EMPLOYED

Company Year	CPBL	GPIL	APIL	DPIL
2017-18	22.81	9.04	10.00	2.46
2018-19	23.22	28.28	10.01	8.92
2019-20	21.41	28.56	13.08	3.67
2020-21	21.60	19.57	10.18	-3.14
2021-22	30.07	23.50	17.53	4.48
MEAN	<b>23.82</b>	<b>21.79</b>	<b>12.16</b>	<b>3.27</b>
SD	<b>3.58</b>	<b>8.03</b>	<b>3.27</b>	<b>4.34</b>
CV	<b>15.03</b>	<b>36.85</b>	<b>26.89</b>	<b>132.72</b>
Skewness	<b>1.98</b>	<b>-1.2</b>	<b>1.52</b>	<b>-0.43</b>
kurtosis	<b>4.09</b>	<b>1.08</b>	<b>1.68</b>	<b>1.57</b>

Source: Author's Calculation From Annual report of the respective companies

The table 7 shows the Return On Capital Employed ratio of selected wood and wooden companies in India. DPIL, registered the highest variation of 132.52 %. and CPBL., registered the lowest variation of 15.03 %.

#### Return On Capital Employed (ANOVA Test )

##### Hypothesis:

There is no significant difference in return on capital employed ratio of selected wood and wooden companies in India under study.

TABLE 8

#### RETURN ON CAPITAL EMPLOYED (ANOVA TEST )

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	1345.635	3	448.545	16.779	3.24
Within Groups	427.729	16	26.733		
Total	1773.365	19			

##### Source: Authors calculation

The table 8 indicates that the calculated value of F is > F Critical value (at 5% level of significance ).The hypothesis is rejected. Hence it is concluded that the in net profit ratio of selected wood and wooden companies differ significantly.

TABLE 9

#### RETURN ON NET WORTH

Company Year	CPBL	GPIL	APIL	DPIL
2017-18	18.69	14.82	9.04	-6.13
2018-19	16.38	18.49	28.28	1.26
2019-20	14.73	9.13	28.56	-5.59
2020-21	15.18	14.10	19.57	-3.49
2021-22	20.78	17.48	23.50	-9.87
MEAN	17.15	14.80	21.79	-4.76
SD	2.54	3.65	8.04	4.08
CV	14.81	24.66	36.90	-85.71
Skewness	0.74	-0.97	-1.2	0.52
kurtosis	-1.17	0.91	1.09	1.05

Source: Author's Calculation From Annual report of the respective companies

The table 9 shows the Return On net worth ratio of selected wood and wooden companies in India.

..APIL, registered the highest variation of 36.90%. and DPIL registered the Lnegative variation of -85.71%.

#### Return On Net worth( ANOVA Test )

##### Hypothesis:

There is no significant difference in return on net worth ratio of selected wood and wooden companies in India under study.

TABLE 10

#### RETURN ON NET WORTH (ANOVA TEST )

Sources of variation	Sum of Squares	df	Mean Square	F	F Critical value
Between Groups	2055.201	3	685.067	27.117	3.24
Within Groups	404.216	16	25.263		
Total	2459.417	19			

Source: Authors calculation

The table 10 indicates that the calculated value of F is  $> F$  Critical value (at 5% level of significance). The hypothesis is rejected. Hence it is concluded that the net profit ratio of selected wood and wooden companies differ significantly.

#### SUGGESTIONS:

1. Current ratio and quick ratio of DPIL, is not attaining the standard norm. So the company should try to maintain adequate current assets to improve its short term financial position.
2. Quick ratio of GPIL, APIL and DPIL were not satisfactory at the end of the study period.
3. Net profit position of DPIL was not satisfactory
4. It can be found that return on net worth of DPIL had highest variation. Hence the company should concentrate on reducing the highest variation in return on net worth.

#### CONCLUSION:

The study mainly concentrates on the analysis of short term solvency and profitability of the selected wood and wooden companies in India. It helps to understand the total financial health of the company. Financial position of CPBL, GPIL and APIL are satisfactory. It can be concluded that dpil should improve its profitability position and also reduce the highest variation in return on capital employed.

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