



“FINANCIAL STATEMENT ANALYSIS WITH REFERENCE TO ASSAM COMPANY LIMITED”

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ABSTRACT

This report is an analysis of the financial operation and performance of the company for the year 2016-2020. This report will provide an assessment and analysis of the profitability, liquidity, performance and financial position of the **ASSAM COMPANY LIMITED** for the year **2016-2020**

In the analysis, financial ratio was used to gain a critical review of specific area of assessment of the company's performance. The ratios were able to provide a clear view of the overall performance of the company.

From the ratios we can say that the year 2020 has not been profitable. The company doesn't have a healthy liquidity position. However, it can be noticed that the future does not look bright, because unhealthy financial structure

It has been recommended that company should look into ways of improving sales in period of low demand to improve profitability and increase financing to expand and grow the business.

The analysis is limited mainly due to fact that it is based on three-month transaction, and hence no comparative study has been made possible.

Keywords: liquidity, profitability, solvency, bankruptcy and stability.

INTRODUCTION TO THE STUDY:

Assam company India Ltd, is the world's first tea company, newly operating under the leadership of BRS Ventures. Founded in 1839; it was awarded the "ROYAL CHARTER" by Her Majesty, Queen Victoria, through a deed of British Parliament in 1845, as recognition of its Pioneer Excellence.

Assam Company Indian Limited's deep-rooted history and reputation for being the finest tea grower have been instrumental in establishing the Indian tea industry. In present study the researcher compares the ratios for the past few years. As an analytical tool, ratios are useful not only to management but also for the investors, creditors, and stock dealers etc., to comprehend the financial aspects of the company in different dimensions at glance.

Ratio analysis helps to study and diagnose the financial problems and suggest corrective measures. There is a growing body of evidence that ratios can be directly helpful as a basis for making predictions especially ratios are useful for the predicting business transactions.

Quantitative relationships can be used to make qualitative judgments'. To evaluate the financial conditions of a firm, the financial analysts need certain yardsticks. On the basis of ratio analysis, the management can assess the profit performance of the business. It helps to assess the stand of the company and suggest ways to improve it. An outsider can assess the soundness of investment in an enterprise with the help of ratio analysis. Thus it is evident that the ratio is a tool of financial management with multidimensional users.

1.1 ABOUT THE STUDY

Any management will be interested in knowing the financial strengths of the firm to make their best of the firm to take suitable corrective actions. Hence financial analysis is an essential function of a firm. Financial analysis is the process of identifying the financial strengths and weakness of the firm by properly establishing the relation between the items of balance sheet and the profit and loss account. Ratios are useful to know the financial performance in the past and assess its present financial strengths. According to Webster a ratio is defined as “the relationship between two or more things” expressed mathematically is known as FINANCIAL RATIOS.

Ratios may be expressed in any of the three forms: in times, percentage and proportion. There is a growing body of evidence that ratio can be directly helpful as a basis for making predictions.

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1.2 COMPANY PROFILE

Date of establishment	1977
Revenue	179.00(USD in Millions)
Market Cap	1465.16935 (Rs. in Millions)
Corporate Address	Greenwood Tea Estate,P. O. Dibrugarh,Dibrugarh-786001, Assam www.assamco.com

Management Details	Chairperson - K KJajodia MD - AK Jajodia Directors - A K Jajodia, AmitHalder, Arup Kumar Roy, Bharat Anand, K KJajodia, PradipTusnial, RomitMitra, SantoshBhagat, Sarvadaman Ray, UmeshBarasia
Business Operation	Tea/Coffee
Background	Assam Company (ACL) was incorporated in 1977 primarily for tea cultivation in India. Besides tea plantation, the company is also engaged in the business of infrastructure and oil and gas exploration. Currently the company operates 16 factories and owns 19 tea estates and gardens spread over 12000 hectares. ACL has manufacturing capacity of 15 million kg of tea. The company operates in the oil and gas.
Financials	Total Income - Rs. (101.62) Million (year ending Dec 2020)
Company Secretary	Romit Mitra
Bankers	<ul style="list-style-type: none">  <i>Allahabad Bank</i>  <i>Bank of Baroda</i>  <i>Central Bank of India</i>  <i>Indian Overseas Bank</i>  <i>Oriental Bank of Commerce</i>  <i>State Bank of Bikaner & Jaipur</i>  <i>State Bank of Hyderabad</i>  <i>Syndicate Bank</i>  <i>Union Bank of India</i>
Auditors	De Chakraborty & Sen, Lovelock & Lewes

1.3 HISTORY OF COMPANY

Financial year 1977

The Company was incorporated on 15th March in Assam and the Certificate of Commencement of business was obtained on 28th June. The scheme of amalgamation of the six sterling tea companies with the Company was approved by the High Courts at Calcutta & Guwahati with effect from the close of business on 31st December. The object & activities of the Company include the cultivation of tea plant action and manufacture of the tea. The Company also exports tea. The Indian undertakings of six sterling companies viz (i) The Assam Co. Ltd. (ii) Assam Estates Ltd. (iii) The Greenwood Tea Co. Ltd. (iv) Alonah Tea Co. Ltd. (v) Thanai Tea Company Ltd. and (vi) The Upper Assam Tea Co. Ltd. were incorporated and amalgamated with the Company effective from close of business on 31st December. The six sterling companies owned 16 estates in India.

Financial year 1978

7 shares subscribed for by the signatories to the Memorandum of Association; 25,99,000 shares allotted without payment in cash to Assam Investments Ltd., U.K., 70,000 shares reserved and allotted to public financial institutions, viz., UTI, LIC and GIC and 50,000 shares reserved and allotted to employees of the Company. 7,89,993 shares offered at par for public subscription during January-February 1979.

Financial year 1979

The object of the public issue of capital during January-February was to reduce the non-resident holding in the Company to a level not exceeding 74%.

Financial year 1984

35,00,000 bonus shares issued in proportion 1:1.

Financial year 1985

70,00,000 bonus shares issued in proportion 1:1.

Financial year 1988

To commemorate its 150th anniversary, the Company proposed to change its name from Assam Co. (India), Ltd. to the Assam Company Ltd.

Financial year 1989

Effective from 4th December, the name was changed to Assam Co. Ltd.

- Assam Gold Properties Ltd., Lord Inchcape Financial Services Ltd., Assam Gold Foods Ltd., Assam Agrotic-Tech Ltd., Camelia Estates Ltd., Goodluck Properties Pvt. Ltd., Sribhumi Properties Pvt. Ltd., Duncan Macneill Infrastructure Ltd., Duncan Macneill Power & Utility Ltd. are all subsidiaries of the Company.

Financial year 1992

The Company initiated talks with the Assam Government in a hydro-carbon related area.

Collaboration was worked out with Monterey Mushrooms Inc. USA, for growing and marketing Mushrooms. The company proposed to undertake production of instant tea, fruit flavoured tea, herbal flavoured tea and a range of

Other exotic teas in collaboration with Ashbys of U.K. The Company proposed to issue secured redeemable non-convertible debentures on Rights basis with one/two warrants attached to it to be converted into equity shares.

Financial year 1994

The Company undertaken to participate as a result of MOU entered on 28th January, by Duncan Macneill (Holding) Ltd. UK with the Govt. of Andhra Pradesh for and on behalf of the company and various other associated and group company.

The company proposed to venture into production of valuable agricultural products such as black pepper, vanilla, ginger, turmeric etc., on the plantations, utilising the land area unsuitable for the production.

Financial year 1995

20,00,000 No. of equity shares of Rs 10 each at a premium of Rs 35 per share allotted on preferential basis to Indian associates of the management group. 64,00,000 Rights shares issued during Oct. (Prem. Rs 30; prop. 2:5). Till date only 63,96,342 shares taken up. January-April, the company issued 64,00,000 Rights equity shares of Rs. 10 each at a premium of Rs. 30 per share.

Financial year 1996

The Company entered into infrastructure sector and was pursuing the prospects in the field of oil and gas energy and land-based infrastructure projects for its mega infrastructure project in Hyderabad & Vizag. The infrastructure development programme received a setback in view of a show cause notice received from the Govt. of Andhra Pradesh.

Financial year 1998

160 equity shares issued.

Financial year 2001

The Company has declared and introduced Voluntary Retirement Scheme for employees on January 8, following which the employees have launched an agitation, resorting to a non-co-operation, go-slow policy.

Financial year 2003

Company Board approves Rights Issue

Financial year 2004

Board approves rights issue of equity shares in the ratio of 1:5 at a premium of Rs 10 per share

Financial year 2005

Company has splits its Face value of Shares from Rs 10 to Re 1

Financial year 2009

Assam Company Ltd has informed that the Company, Assam Investment Ltd (formerly Duncan Macneill Holdings Ltd) and their associates(ASSAM) have entered into a Joint Venture (JV) Agreement with DMS Exploration Services, LLC (DMS) Assam Company Ltd floats a joint venture company with the Austin-based DMS Explorations.

Financial year 2013

Assam Company Ltd signed a Memorandum of Understanding (MOU) with Gujarat State Petroleum Corporation Ltd (GSPC) for development of SEZ (Special Economic Zone) Hydrocarbon Park.

Assam Company Ltd has appointed Mr. Umesh Barasia as a Director of the Company with effect from January 26, 2007.

Financial year 2016

Assam Company Board recommends dividend @ 10% per Equity Share for the approval of the shareholders at the forthcoming Annual General Meeting. Entered into an MoU with the Gujarat State Petroleum Corporation to form a wholly-owned subsidiary Gujarat Hydrocarbons and Power SEZ Ltd(GHAPSL), which would set up an SEZ in Gujarat to cater to export-oriented industries in the oil and gas sectors.

Financial year 2017

Assam Company Board recommended payment of Dividend @ 15% (Fifteen percent only) per Equity Share of Re 1/- each for the approval of the shareholders at the forthcoming Annual General Meeting.

Assam Company - Change in name of the Company from Assam Company Ltd to Assam Company India Ltd

Financial year 2018

Assam Company (India) Ltd recommended payment of Dividend @ 20%

(Twenty percent only) per Equity Share of Re. 1/- each for the approval of the shareholders at the forthcoming Annual General Meeting. Assam Company India Ltd Appointed Mr. PradipTusnial as AdditionalDirector of the Company w.e.f. May 7, 2010.

Financial year 2019

Assam Company (India) Ltd Appointes Mr. Bharat Anan as a Non-Executive Independent Director on the Board.Assam Company (India) Ltd Recommended payment of Dividend @ 0.20per Equity Share of Re. 1/- each.

Assam Company (India) Ltd Appointed M/s. Walker, Chandiok& Co.,Chartered Accountants, as the new Statutory Auditors of the Company.

Financial year 2020

Assam Company India Ltd has been appointed Mr. Sarvadaman Ray as an Additional (Non - Executive Independent) Director with immediate effect.Assam Company India Ltd recommended payment of Dividend @ Re. 0.05per Equity Share of Re. 1/- each.

1.4 CORPORATE REPORTING

Corporate financial reporting is the report of Board of Directors to the shareholders to whom it is accountable. The Companies Act, 1956, stipulates a system of corporate democracy in which the board of directors is accountable to shareholders and the executive management is accountable to the board of directors. Corporate financial reporting may be defined as total communication system between the company and its interested parties, of which investors, and the shareholders, constitute an important segment, The companies act, 1956, makes no mention of 'Corporate Financial Report'. The act requires under

Section 210 that board shall lay at every annual general meeting a Balance sheet and a Profit and Loss Account. Under Section 217, along with balance sheet, the Board Shall lay before the general meeting a Report by the Board of Directors with respect to certain information. Under Section 216, it is compulsory to attach Profit and Loss Account and Auditor's Report to the Balance Sheet.

There are many rules and regulations under Companies Act, SEBI and Stock Exchange Rules. Besides, the professional bodies like the Institute of Chartered Accounts of India (ICAI) also regulate the certification of Annual Report by professional auditors, in course of their attestation function

1.5 REVIEW OF LITERATURE

Financial statements, in ordinary sense, means a statement relating to financial matter. But in accounting and financial management, the term is specifically used to refer to the two statements which accountant prepares at the end of a period of time for a business enterprise (Mayer 1978)

Financial statements are either general purpose statement or specific purpose statement. Balance sheet and Profit and Loss Account are general purpose statement and all other statement is prepared for some specific purpose. In this connection it is worthwhile to mention a statement made by O.H Reihe more than hundred years ago in 1906 “The statements must be thoroughly analyses by the credit manager by study and comparison: their weakness watched for and their strong points noted he must understand them fully” (Mayer 1978).

Ahmed Arif Karim Almazari had written an article in Journal of accounting and finance, oct- nov- 2009 on the subject “ Analysing Profitability ratios of the Jordanian Phosphate mines company: he discusses about different types of profitability ratios and how to interpret them. Types of analysis like cross section analysis and time series analysis are also explained. The main objectives of study were-

Emphasizing, the importance of using financial ratios as indicators of a firm’s performance and financial situation.

To analyse, the time series behavior of profitability ratios.

A M.Phil. dissertation entitled “ Financial Analysis” case study of suger factories in valsad and Navsari district was conducted by Jayesh R. Patel in march 2002. The primary purpose of the study is to evaluate analyse and appraise the financial performance of three sugar factories selected for the study, the present work is modest attempt in these direction. Analysis of financial statement has been done by adopting various tools of analysis such as financial ratio and funds flow statement etc.. Lal

C. Jagetia has given an article in the journal ‘Management Accountant’ march 1996 on the subject “Ratio Analysis in evaluation of financial health of a company: the main objective of this article was the ratio analysis is often under rated but is extremely in providing valuable insight into companies financial picture. He observed that ratios normally pinpoint business strength and weakness in a easy way to compare today’s performance with past. Ratio depict areas in which particular business is competitively advantageous or disadvantageous through comparing ratios to those of other business.(source www.Google.com)

CONSTITUENT OF FINANCIAL STATEMENT

Primarily, Balance Sheet and (Mayer 1978) are the constituents of financial statements. But from decision making point of view financial statements comprise a wide range of other statements too. These are:

1. Balance Sheet
2. Profit and Loss Account or Income Statement
3. Cash Flow Statements
4. Fund Flow Statements
5. Statement of Retained Earnings.

Apart from these, sometimes a statement of some financial ratios is also prepared for ready reference or the users.

Balance Sheet and Income Statement are statutorily required to be submitted before the company at the annual general meeting (Section 210 of the Companies Act). Cash Flow Statement is required along with Balance Sheet and Profit and Loss Account as per the Accounting Standard 3 issued by ICAI.

1.6 OBJECTIVES OF STUDY

Primary Objective: To evaluate the ASSAM COMPANY LIMITED performance during 2016 to 2020.

Secondary Objective: The primary objective of the study is to analyses the financial performance of the company through the relevant financial analysis:

- ✓ To study the liquidity position of the company.
- ✓ To analyse the solvency position of the company.
- ✓ To measure the profitability position of the company.
- ✓ To analyse the debtors position of the company.

1.7 RESEARCH METHODOLOGY

Research is an integrated part of education. According to John Best research is defined as “A systematic analysis and recording at controlled observation as that lead to generalization and principles of theories resulting in product as control of many events that are of consequences”.

Research methodology

The purpose of research methodology is to describe the research procedure. This includes the research design, data methodology, period of study, and the financial analysis tools used.

Methodology of study

The study is divided into two different parts. The various data is collected by adopting two methods that is

Primary Data– In this study the primary data is not used.

Secondary Data – In this study the secondary data will be collected through annual reports, files, brochures, forms, and websites.

The present study involves calculation of accounting ratios to evaluate the financial performance of Assam Company Limited from 2016-2020. Statistical measures like percentage. Ratio analysis is used in the study. Tubulisation method and Graphical representation like charts graphs are used. First the financial statement of the company is collected and various ratios are calculated using M.S Excel.

Period of study

The period of study for the analysis is five years.

Financial analysis tools used

Ratio analysis

Trend Analysis

Common size balance sheet

Working Capital Analysis

1.8 LIMITATION OF STUDY

The study is restricted to a period of two months only, so some additional financial analyses are not covered in this study.

The financial statement and annual reports were used; hence the data collected is secondary in nature.

Ratio analysis reveals only the past performance of firm it is not necessary that the same conditions have to be repeated in the future.

Ratios are only a post mortem of what happened between two balance sheet data.

Ratio analysis is a retrospective, not prospective examination.

Ratio analysis is based on accounting not economic data.

No open account sale is guaranteed

Past performance (Good or bad) is not a perfect indicator of future performance. Money constraints



2.1 FINANCIAL STATEMENT ANALYSIS

Financial statement analysis is the most important part of over – all financial analysis. It is based on the statements which are the end product of accounting system viz, Balance sheet, Profit and loss account, and the statement of sources and application of funds and cash. R. W. Metcalf and P.L. Tiltard in their book ‘Principles of Accounting (1976, P. 157) have defined financial statement analysis as ‘a process of evaluating the relationship between components parts of financial statement to obtain a better understanding of firm’s position and performance’. According to Hampton, analysis of financial statement or financial analysis is the process of determining the significant operating and financial characteristics of a firm from accounting data. In words of Myers: “Financial statement analysis is largely a study of relationship among various financial factors in a business as disclosed by a single set of statements, and a study of the trend of these factors as shown in series of statements” (Financial Statement Analysis, 1969, p. 35).

In other words, financial statement analysis is largely a post-mortem of the transactional activities of a business firm as recorded in the accounts book so as to judge the operational ability, profitability and financial soundness. Each element in financial statements carries specific meaning and may not be understood by all the users of the statement. In financial statement analysis, effort is made to present the elements in a more understandable manner and, underlying relationship between the related items is established.

2.2 TYPES OF FINANCIAL STATEMENT ANALYSIS

TYPES OF FINANCIAL STATEMENT ANALYSIS

The classification of Financial statement analysis can be done in two ways. These are as given:

1. From user’s point of view.
2. From time point of view.

From the user's point of view: a. Internal analysis, and

b. External analysis.

Internal analysis is meant for the management. For various reasons the management wants to know the financial health and the operational efficiency of the organization. The important feature of such analysis is that the management has to access to all the information relating to the organization, so the analysis will be much detailed, extensive and more correct.

External analysis is done for the outsiders such as creditors, bankers, debenture holders, and the shareholders. It may be for other agencies like credit rating agencies, UTI, Government research institutions and potential investors. Such an analysis is more or less dependent on the published accounts and director's and auditor's reports.

From the time point of view:

a. Dynamic or Horizontal analysis, and

b. Static or Vertical analysis.

Dynamic or Horizontal analysis is a time series analysis. It shows comparison of financial data for several years against a chosen base year. This gives the growth or otherwise of a firm over several years. Comparative statements and trend percentages are common tools employed in horizontal analysis.

Static or Vertical analysis is done at one particular point of time, generally the accounts closing day. It gives an insight into the structural balance and financial soundness of the organization. It is good complementary to horizontal analysis.

2.4 METHODS OF FINANCIAL STATEMENT ANALYSIS

There are number of tools used for analysing financial statements. But no single tool is self-sufficient for decision making purpose. So, generally combination of tools is used in financial analysis. This help to understand all the disclosed facts of financial and operating activities.

The following are the method of analysis generally employed:

1. Comparative Statements
2. Common Size Statements
3. Trend Analysis
4. Ratio Analysis
5. Funds Flow Analysis
6. Cash Flow Analysis
7. Break Even Analysis
8. Working Capital Analysis

1. Comparative Statements

Comparative Statements are of two types:

- (a) Comparative statements of a firm over a period of time and
- (b) Comparative statements of two or more firm over a period of time.

The comparative statement shows:

- a. Absolute figures (in currency amount)
- b. Increase or Decrease in currency amount,
- c. Percentage of absolute figures,
- d. Percentage of increase or decrease in absolute figures.

2. Trend Analysis

One of the most widely used techniques of financial analysis is Trend Analysis. It is most widely used in business forecasting of a particular element of financial statement. It is also called Time Series Analysis of financial statement. For analysing the trend, it is necessary to have statements of several years. A base year which is the normal year is chosen for the purpose. The trend percentage is calculated for each item in the statement. This will reveal the growth or decline of the firm.

3. Common Size Statement

This is another method of analysing the financial statement of the firms. Here ratio of each item of revenue statement to net sales, ratio of each asset to total assets and ratio of each liability to total of liabilities and capital are computed. This is also called 100 percent statement (Myer, p. 86) since all item are expressed as percentage to base item sales or total assets which are taken as 100 percent. This statement helps in attaining structural balance of revenue and financial statement and also eliminates the demerit of comparative statements and trend percentages.

4. Ratio Analysis

Ratio analysis is one of the techniques or the financial statements analysis. It is most widely used tool to interpret quantitative relationship between two variables of financial statements. Ratio analysis is an accounting tool to present accounting variables in simple, concise, intelligible and understandable form.

2.5 CONCEPT OF RATIO ANALYSIS

Ratio analysis is a powerful tool of financial analysis. A ratio is defined as “the indicated quotient of two mathematical expressions” and it can also be defined as “the relationship between two or more things”. Ratios help to summaries the large quantities of financial data to make qualitative judgement about the firm’s financial performance. Ratio are significant both in vertical and horizontal analysis. In vertical analysis, ratios help analyst to make a judgement whether the performances of the firm at a point of time is good or poor. When financial ratios for several preceding years are computed, the analyst can determine the composition of change and determine whether there has been an improvement or deterioration in the financial position of the company over a period of time.

CLASSIFICATION OF ACCOUNTING RATIO:

Ratio are classified on the basis of

- (a) the location of their constituent variables. (b) their function and objective of analysis, and (c) their importance and significance.
- (b) **Locational Classification:** This classification is also known as Traditional Classification. There are three types of accounting ratio in this classification. These are:
 - (1) **Balance Sheet Ratios:** These ratios are also known as Position Statement Ratios. While calculating this ratio both the variables are taken from the Balance Sheet. The ratio represents two items of balance sheet.
 - (2) **Revenue Statement Ratios:** These ratios are calculated taking variables from revenue statements which include both Trading and Profit & Loss Account.
 - (3) **Composite Ratios:** these ratios are calculated taking variables from both Balance Sheet and Revenue Statement. These ratios are also called as Mixed Ratios or Interstatement Ratios.
- (b) **Functional Classification:** this is the most important classification of accounting ratios. Analysis of financial statement and interpretation has generally on the basis of this classification. There are mainly four types of accounting ratios under this classification. These are:
 - (1) **Liquidity Ratios:** This ratio indicates the firm ability to pay its current liabilities in short run.
 - (2) **Leverage Ratios:** this ratio is used as atoll to analyse the Long-Term Solvency Position of a firm.

The long term financiers like equity shareholders and debt financiers are interested in these ratios. Leverage Ratio is also called as Capital Structure Ratio.

- (3) **Activity Ratios:** activity ratios are those ratios which are related to sales or main operation or working capital of business. This ratio shows the effectiveness of firm in utilizing its fixed assets and working capital. This ratio is also called as Turnover Ratio.
 - (4) **Profitability Ratios:** profitability ratios are used to measure the profit earning capacity of the firm. Relationship between profit and sales is shown as well as the relationship between profit and investment is also shown.
- (c) **Significance Ratios:** these are also known as ratio according to importance. These ratios are classified in two types:
- (1) **Primary Ratios:** ratio indicating the relationship between profit and capital employed is called Primary Ratio.
 - (2) **Secondary Ratios:** Ratios which gives information about the financial health of the firm are called Secondary Ratio.

OBJECTIVES OR RATIO ANALYSIS

The objectives of using ratios in accounting and financial management analysis are to test the profitability, financial position and operation efficiency of a firm. The objectives of ratio analysis are:

- (i) **Helpful in simplifying Accounting Figures:** accounting figures in many cases fail to provide information in desired manner. Ratio simplifies summaries and systematize accounting figures which can be easily understood by those who don't know accounting language. Thus it helps in communication and enhances the value of financial statements.
- (ii) **Helpful in Profitability Measurement:** profit and loss account shows the profit earned and loss suffered during a period, but fails to convey in capacity to earn in terms of per rupee of sales. Accounting ratio helps to measure the profitability.
- (iii) **Measure of Operating Efficiency:** activity and turn over ratios tell us the operating efficiency of a business unit. Stock turnover, current assets turnover ratios are calculated to measure the operating efficiency
- (iv) **Help in Forecasting:** ratios are useful in planning and forecasting future. The trend ratios are analysed and used as a guide to future planning.

- (v) Facilities Inter-firm and Intra firm Comparison: Ratio analysis is the basis for comparing the efficiencies of various firms in an industry and various divisions of business firm. The accounting language simplified through ratios is the best tool to compare the firms and divisions of firm.
- (vi) Measurement of Financial Position: Liquidity and solvency ratio are regarded as the tools to X- ray the financial health of a firm. Liquidity rat shows the liquidity position of the firm.

IMPORTANCE OF RATIO ANALYSIS

As a tool of financial management, ratios are of crucial significance. The importance of ratio analysis lies in the fact that it presents facts on a comparative basis & enables the drawing of interference regarding the performance of a firm. Ratio analysis is relevant in assessing the performance of a firm in respect of the following aspects:

- 1] Liquidity position,
- 2] Long-term solvency,
- 3] Operating efficiency,
- 4] Overall profitability,
- 5] Inter firm comparison
- 6] Trend analysis.

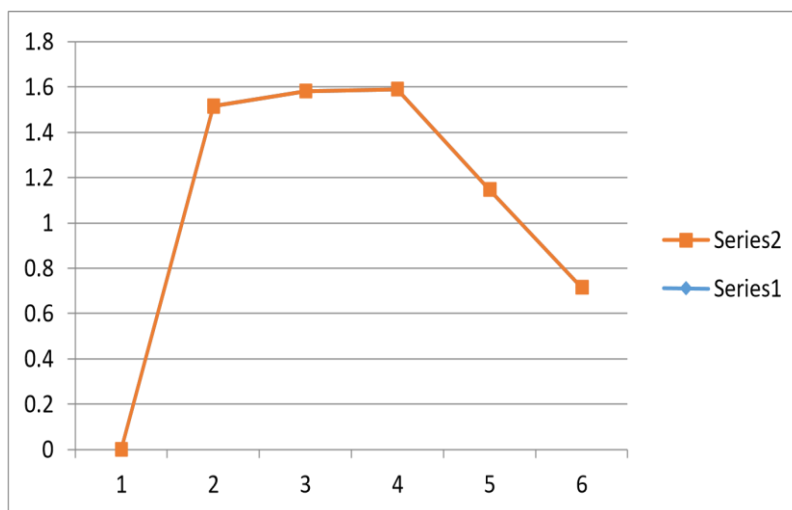
3.1 RATIO ANALYSIS

3.1.1 Debt – Equity Ratio

Particulars	Formula		
	Long term debts		
1 Debt - Equity Ratio	Shareholders fund		
<u>Ratio</u>			
<i>31-Dec-2020</i>	$\frac{543.74}{358.65}$		<i>1.52</i>
<i>31-Dec-2019</i>	$\frac{532.77}{337.13}$		<i>1.58</i>
<i>31-Dec-2018</i>	$\frac{499.68}{405.65}$		<i>1.59</i>
<i>31-Dec-2017</i>	$\frac{354.07}{401.54}$		<i>1.15</i>
<i>31-Dec-2016</i>	$\frac{209.15}{387.77}$		<i>0.71</i>
GRAPHICAL REPRESENTATION			

Interpretation:

Considering at least equal proportion of Debts and Equities as unsound financial position, Assam Company Ltd.'s solvency position is found to be not in a good position. Debt equity ratio may be raised up to 2:1 in some situation, so, there is a scope of raising more long term debt provided an opportunity of getting a higher return on Investment than the cost of capital.



3.1.2	Capital Gearing Ratio	Equity shareholder Capital + Reserves & Surplus	
		Preference shareholder capital + Long term interest bearing loan	Ratio
	31-Dec-2020	358.65	0.66
		543.74	
	31-Dec-2019	337.13	0.63
		532.77	
	31-Dec-2018	314.44	0.63
		499.68	
	31-Dec-2017	308.78	0.87
		354.07	
	31-Dec-2016	292.89	1.40
		209.15	

GRAPHICAL REPRESENTATION



Interpretation : The capital gearing ratio of the company is moderately geared in the year 2016 to 2019.

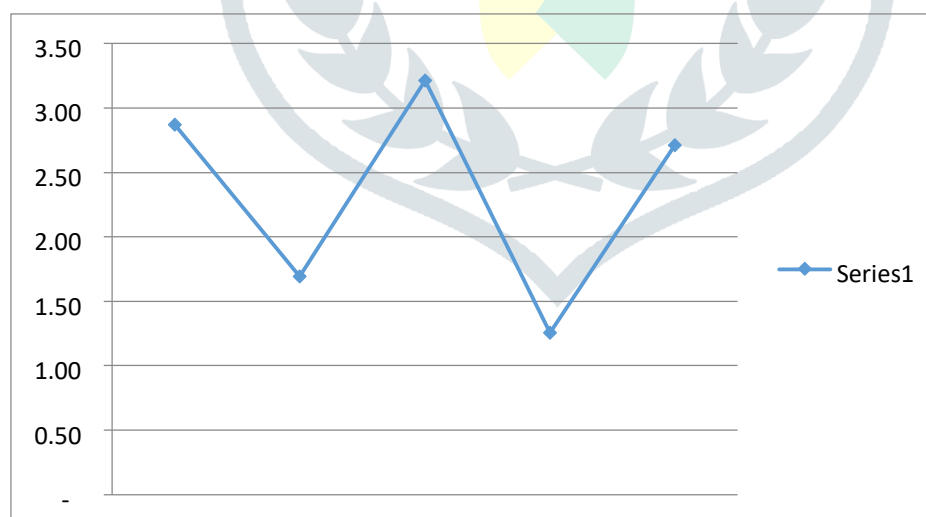
3.1.3 Financial Leverage Ratio

Earnings Before Interest and tax - (Interest

Preference dividend)

		Ratio
31-Dec-2020	$\frac{78.19}{28.83}$	2.71
31-Dec-2019	$\frac{30.91}{24.66}$	1.25
31-Dec-2018	$\frac{44.14}{13.73}$	3.21
31-Dec-2017	$\frac{68.78}{40.61}$	1.69
31-Dec-2016	$\frac{36.1}{12.58}$	2.87

GRAPHICAL REPRESENTATION



Interpretation: Financial leverage means the use of long term fixed interest bearing debt and preference share capital with equity share capital. When a firm uses larger amount of debts in relation to its capital stock, such a firm is said to be trading on its equity or else it is called trading on thick equity.

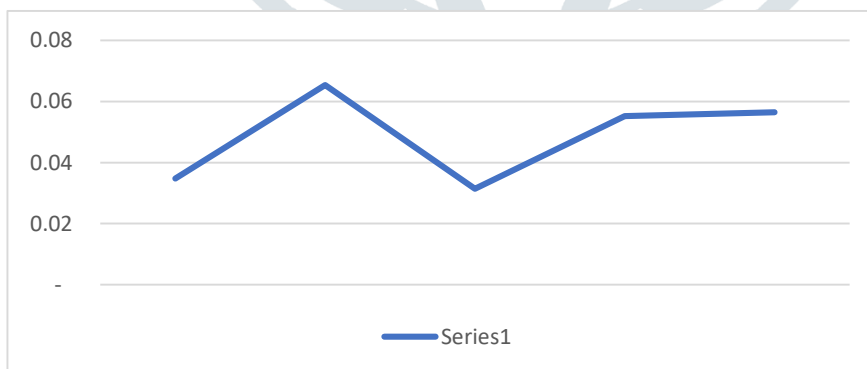
3.1.4 Return on shareholders' Investment (ROI)

Net Profit After Interest & tax

Proprietor's fund

		Ratio
31-Dec-12	20.23 358.65	0.06
31-Dec-11	18.6 337.13	0.06
31-Dec-10	9.89 314.44	0.03
31-Dec-09	20.17 308.78	0.07
31-Dec-08	10.19 292.89	0.03

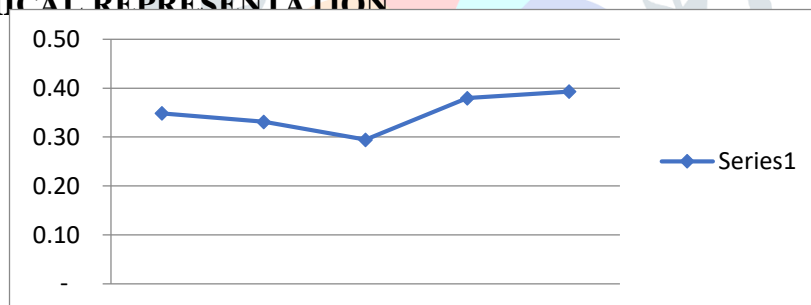
GRAPHICAL REPRESENTATION



Interpretation: The return on shareholder investment can be raised. As it is seen that the return in all the years is not adequate.

3.1.5 Equity Ratio	Shareholders fund	
		Total Assets
		Ratio
31-Dec-2020	358.65	0.39
	912.39	
31-Dec-2019	337.13	0.38
	888.2	
31-Dec-2018	314.44	0.29
	1067.82	
31-Dec-2017	308.78	0.33
	932.05	
31-Dec-2016	292.89	0.35
	840.5	

GRAPHICAL REPRESENTATION

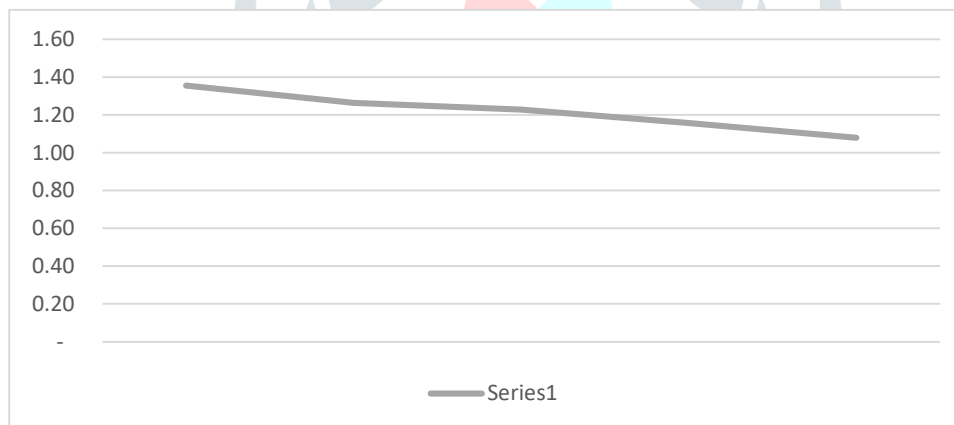


Interpretation: An Equity ratio is said to be satisfactory if the contribution by shareholders is at least 50 percent.

Hence it is advised to raise the same upto the said percentage, because it is seen in all the five years the ratio is less than 40 percent.

3.1.7

Fixed Asset to Net worth Ratio	Fixed Assets after Depreciation Shareholders fund	<u>Ratio</u>
31-Dec-2020	$\frac{387.05}{358.65}$	1.08
31-Dec2019	$\frac{390.16}{337.13}$	1.16
31-Dec2018	$\frac{386.3}{314.44}$	1.23
31-Dec-2017	$\frac{390.03}{308.78}$	1.26
31-Dec-2016	$\frac{396.67}{292.89}$	1.35

GRAPHICAL REPRESENTATION

Interpretation: This ratio indicates the application of shareholders' funds in acquiring fixed assets of the firm. Hence it is seen that the ratio is very high and satisfactory in all financial years.

3.1.8 Total Coverage Ratio	Earnings Before Interest & tax	
	Total Fixed Charges	
		<u>Ratio</u>
31-Dec2020	$\frac{78.19}{49.36}$	1.58
31-Dec2019	$\frac{30.91}{6.25}$	4.95
31-Dec2018	$\frac{44.14}{30.41}$	1.45
31-Dec2017	$\frac{68.78}{28.17}$	2.44
31-Dec2016	$\frac{36.1}{23.52}$	1.53

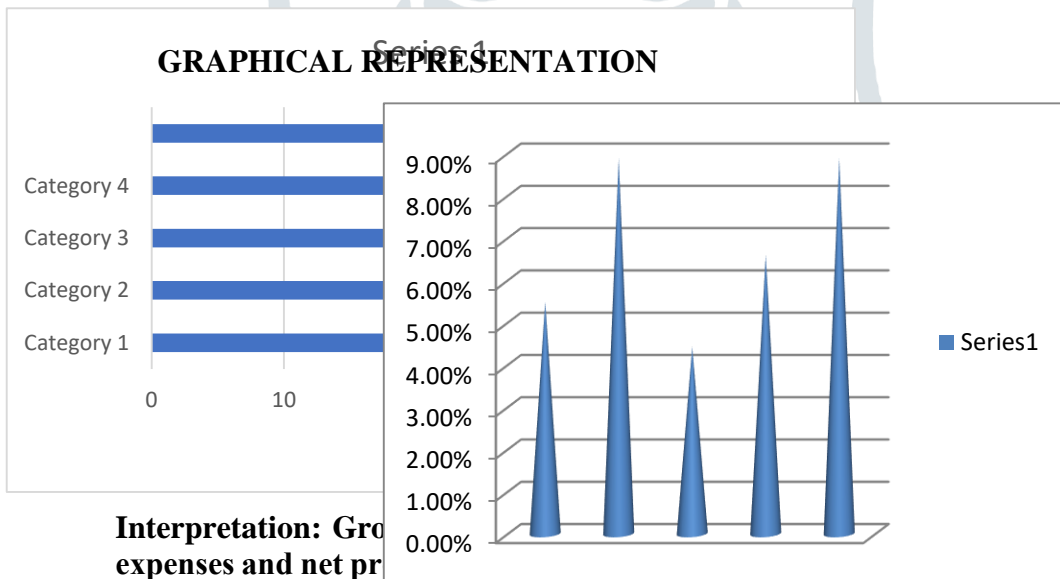
GRAPHICAL REPRESENTATION



Interpretation: Coverage ratio is an indicator for overall capacity to service outside charge including preference dividend. Thus it is ok since the amount available is more than required although steps can be taken to increase it.

3.1.9 Gross Profit Ratio		Gross Profit		X	100	Ratio
3.1.10 Net Profit Ratio		Net Profit	Sales after Tax			
31-Dec-2020		69.32	227.63	X	100	30.49% Ratio
31-Dec-2020		227.63	227.63	X	100	8.89%
31-Dec-2019		71.72	182.03	X	100	39.89%
31-Dec-2019		182.03	282.03	X	100	6.60%
31-Dec-2018		94.85	223.98	X	100	42.35%
31-Dec-2018		223.98	223.98	X	100	4.42%
31-Dec-2017		100.67	226.99	X	100	44.35%
31-Dec-2017		226.99	226.99	X	100	8.89%
31-Dec-2016		83.39	185.61	X	100	44.93%
31-Dec-2016		185.61	185.61	X	100	5.49%

GRAPHICAL REPRESENTATION



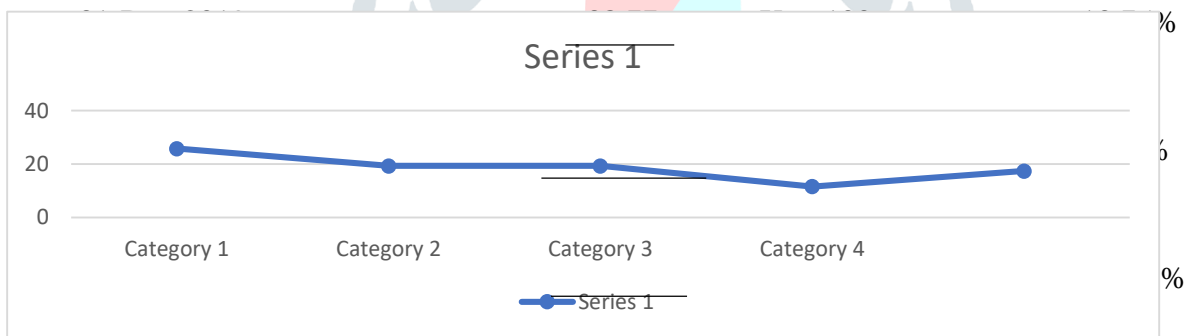
Interpretation: Gross profit ratio is not so good and satisfactory.

and selling gross profit

Interpretation: Net Profit ratio is the most significant of all revenue ratio. It is natural to prefer high ratio but is seen that the company's net profit ratio is below 10 percent hence it should be increased by controlling administrative and other expenses.

3.1.1	Administrative Expenses Ratio	Administrative expenses		X 100	
		Sales			<u>Ratio</u>
	31-Dec-2020	$\frac{58.9}{227.63}$	X	100	25.8%
	31-Dec-2019	$\frac{54.48}{282.03}$	X	100	19.3%
	31-Dec-2018	$\frac{43.44}{223.98}$	X	100	19.3%

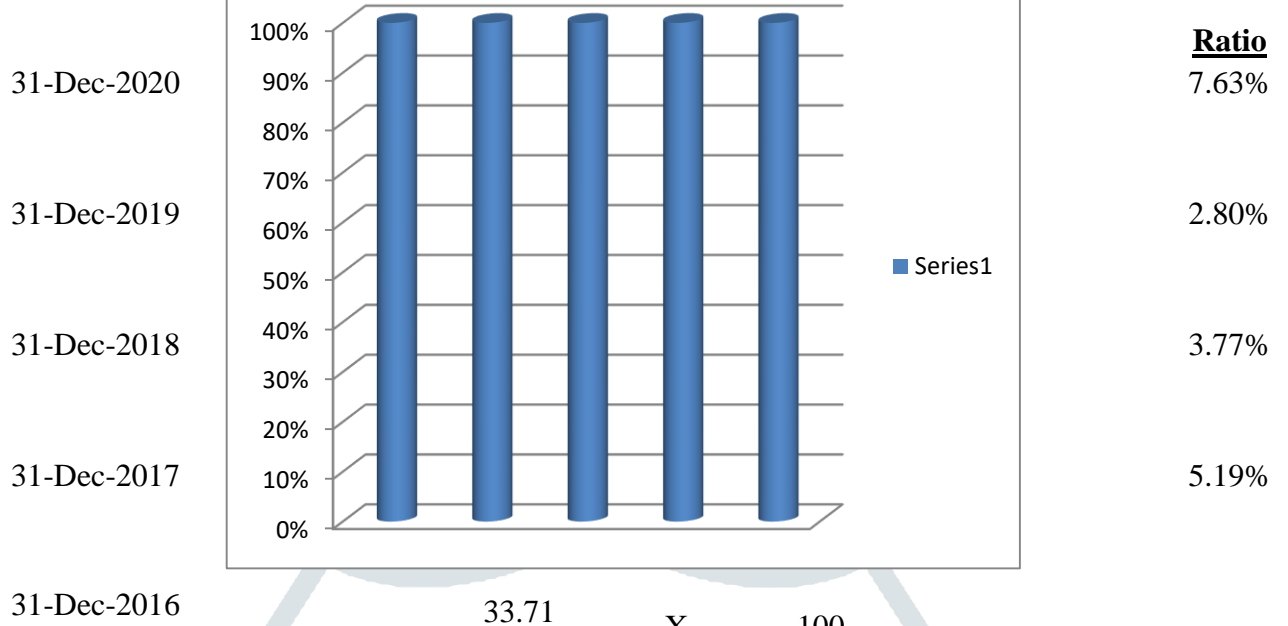
3.1.12	Cash Profit Ratio	(Net profit + Noncash Expenses - Non cash income)		X 100	
		Net Sales			<u>Ratio</u>
	31-Dec-2017	$\frac{26.47}{226.99}$	X	100	11.6%
	31-Dec-2016	$\frac{32.46}{185.6}$	X	100	17.4%
	31-Dec-2020	$\frac{24.27}{227.63}$	X	100	10.66%



Interpretation: Administrative expenses comes under operating ratio it is an indicator of total administrative expenses incurred. It is seen that the ratio is not up to the mark. It is inferred from the above table the administration expenses ratio is gradually increasing. It is bad for organization and if the company increases net sales every year they can control administrative expenses.

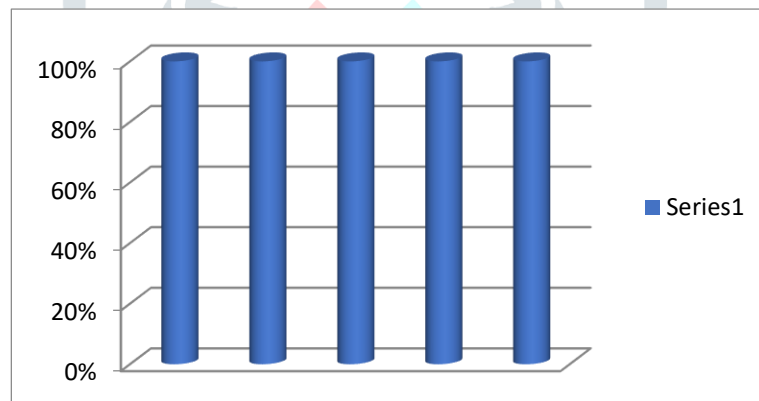
3.1.3 **GRAPHICAL REPRESENTATION**
Return on Total

(Net Profit after tax + Interest) X 100



Interpretation: Return on total asset is not satisfactory because it is very low. It is suggested to increase the same by utilization of assets efficiently. It can be raised if the managers give necessary attention towards it.

GRAPHICAL REPRESENTATION



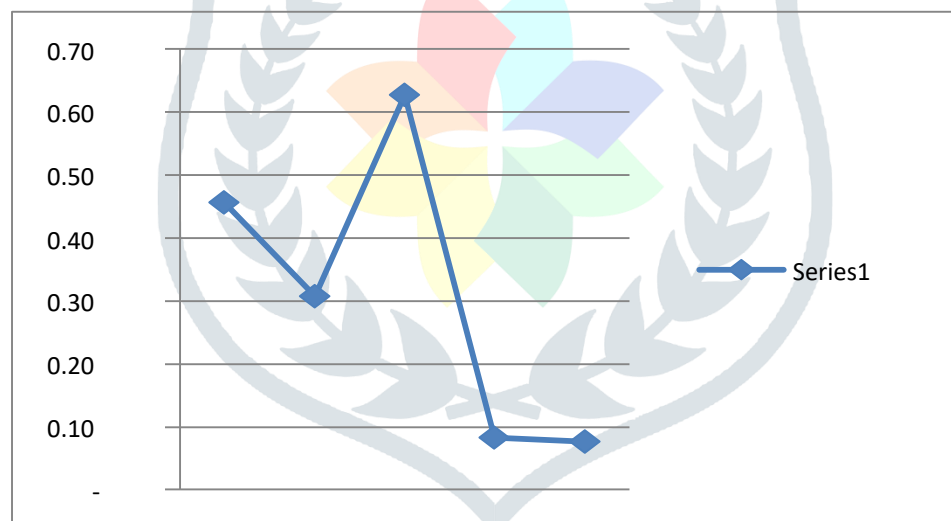
Interpretation: Return on total asset is not satisfactory because it is very low. It is suggested to increase the same by utilization of assets efficiently. It can be raised if the managers give necessary attention towards it.

Amount of Dividend to Equity

3.1.14 Dividend pay-out ratio $\frac{\text{shareholders declared}}{\text{Net profit after tax and preference}}$

		<u>Ratio</u>
31-Dec-2020	$\frac{1.55}{20.23}$	0.08
31-Dec-2019	$\frac{1.55}{18.6}$	0.08
31-Dec-2018	$\frac{6.2}{9.89}$	0.63
31-Dec-2017	$\frac{0.31}{20.17}$	6.2
31-Dec-2016	$\frac{4.65}{10.19}$	0.46

GRAPHICAL REPRESENTATION



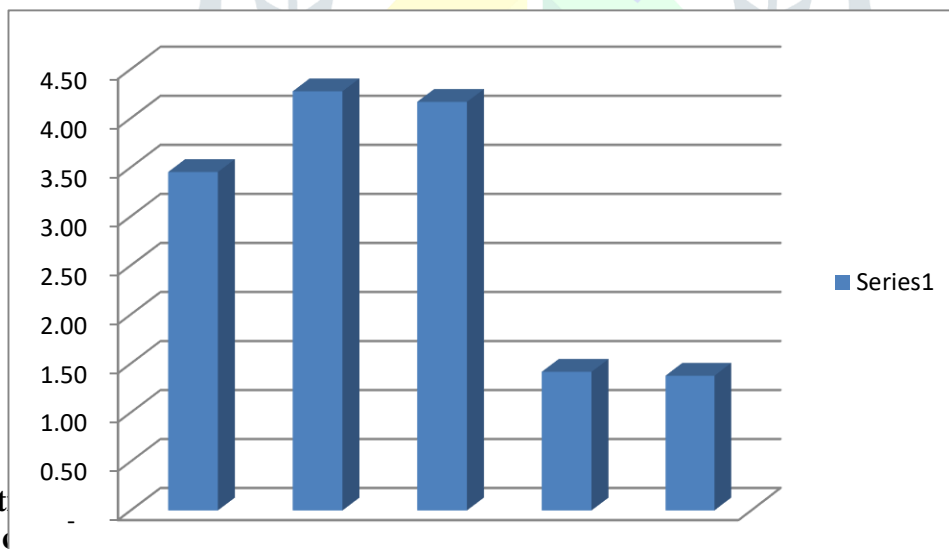
Interpretation: Dividend pay-out ratio is relationship between the earnings to equity shareholders and the dividend pay out to them. It is seen that the ratio is flexible and it is advised to keep the ratio same in all years or if increased should be in same proportion.

3.1.15 Current ratio

$$\frac{\text{Current assets}}{\text{Current liabilities}}$$

		<u>Ratio</u>
31-Dec-2020	<u>492.96</u>	1.38
31-Dec-2019	<u>499.06</u> <u>352.59</u>	1.42
31-Dec-2018	<u>523.27</u> <u>125.57</u>	4.17
31-Dec-2017	<u>402.41</u> <u>94.14</u>	4.27
31-Dec-2016	<u>339.9</u> <u>98.45</u>	3.45

Graphical Representation



Interpretat
company's c

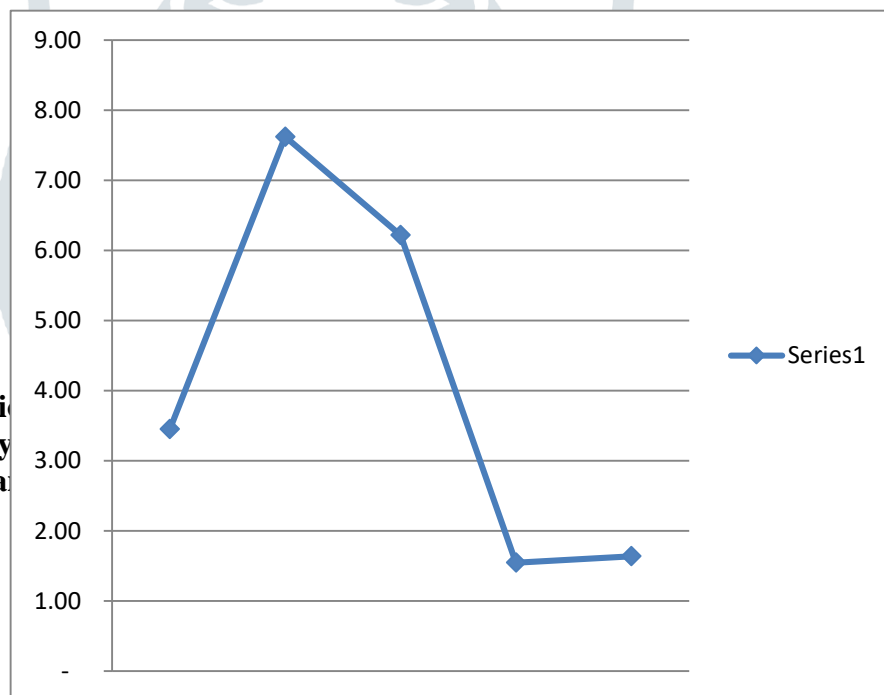
o is 2:1. The

3.1.16 Liquid Ratio

Liquid Assets
Current liabilities

		<u>Ratio</u>
31-Dec-2020	$\frac{468.4}{286.23}$	1.64
31-Dec-2019	$\frac{475.48}{307.72}$	1.55
31-Dec-2018	$\frac{487.48}{78.41}$	6.22
31-Dec-2017	$\frac{380.66}{49.94}$	7.62
31-Dec-2016	$\frac{312.32}{90.52}$	3.45

GRAPHICAL REPRESENTATION



Interpretation: Liquid ratio of the company in the year 2019 is 1.55 and 1.64 in the year 2020.

thus the ratio is 1.55

3.1.17 Current assets turnover ratio

3.1.17 Net working capital ratio

Net working capital
Assets - Fictitious asset

Sales
Current assets

3.1.18 Fixed assets turnover ratio

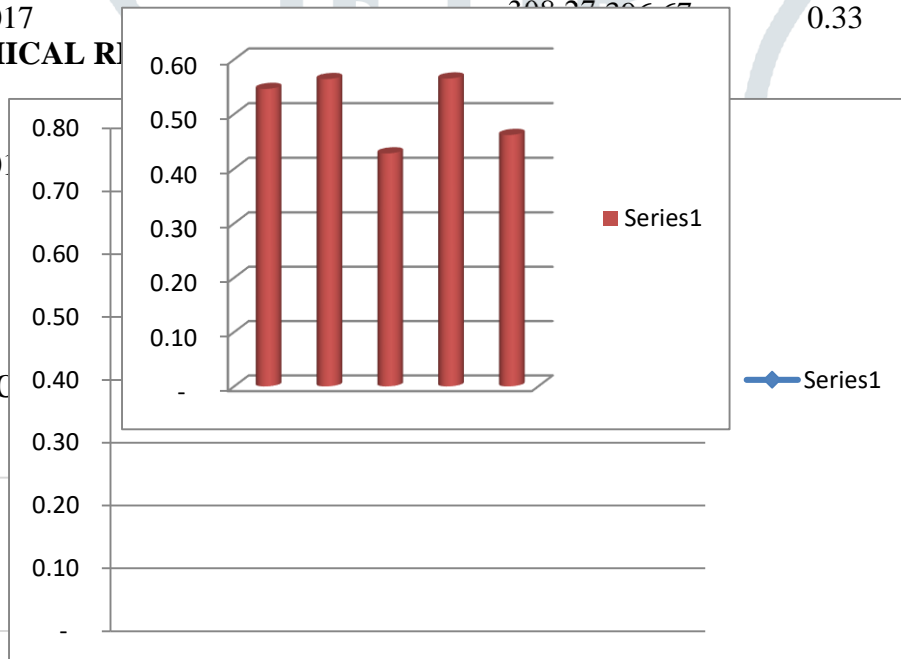
	Fixed assets	Sales	Ratio
31-Dec-2020	227.63	492.96	0.46
31-Dec-2019	282.03	499.06	0.59
31-Dec-2020	124.51	387.05	0.13
31-Dec-2019	282.03	390.16	0.72
31-Dec-2018	126.47	870.73	0.14
31-Dec-2017	223.98	386.3	0.58
31-Dec-2018	297.7	507.8	0.37
31-Dec-2017	226.99	390.03	0.58
31-Dec-2016	185.61	339.9	0.55
31-Dec-2017	185.61	339.9	0.47
31-Dec-2016	185.61	339.9	0.33

GRAPHICAL REPRESENTATION

GRAPHICAL REPRESENTATION OF FIXED ASSETS TURNOVER RATIO

GRAPHICAL REPRESENTATION OF NET WORKING CAPITAL RATIO

GRAPHICAL REPRESENTATION OF CURRENT ASSETS TURNOVER RATIO



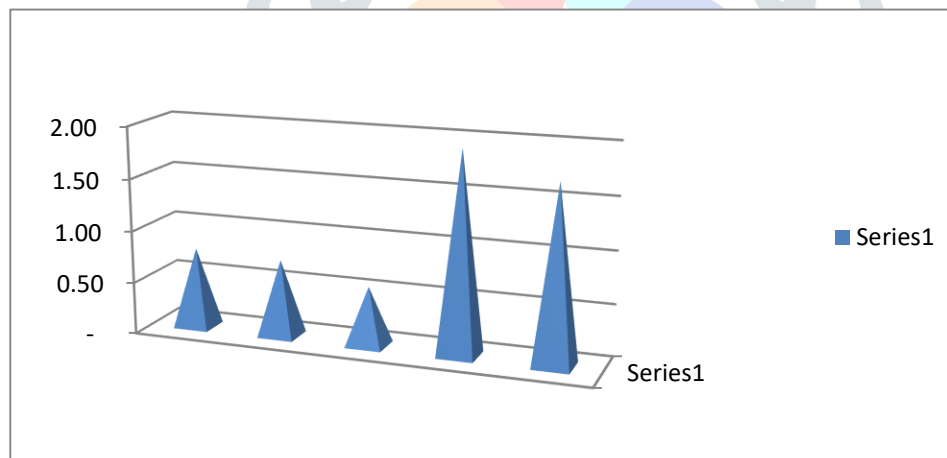
Interpretation: Fixed assets turnover ratio is not adequate since it should be at least 5. hence it is suggested to use the same up to 5times more. It is an indication that the management is not utilizing the fixed assets to its optimum.

Interpretation: Net working capital ratio is calculated to see how much working capital is blocked in assets. It is found from the above representation that the amount involved in net working capital is not too high.

3.1.20 Working capital turnover ratio

$$\frac{\text{Sales}}{\text{Working capital}}$$

		Ratio
31-Dec-2020	$\frac{227.63}{134.51}$	1.69
31-Dec-2019	$\frac{282.03}{146.47}$	1.93
31-Dec-2018	$\frac{223.98}{397.7}$	0.56
31-Dec-2017	$\frac{226.99}{308.27}$	0.74
31-Dec-2016	$\frac{185.61}{241.45}$	0.77

GRAPHICAL REPRESENTATION

Interpretation: This ratio is used to the relationship between the money used to fund operation and sales generated from these operations. The higher the ratio better it is for the company. So the company has taken steps to increase its which is seen in above table

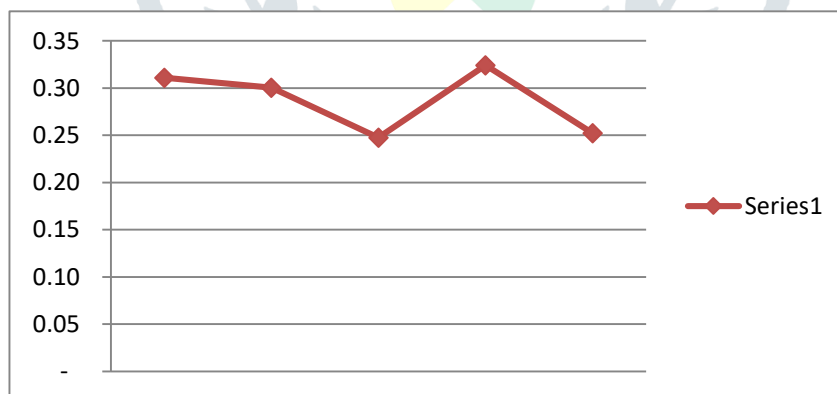
Interpretation: Current assets turnover ratio shows the relationship between sales and current assets it is seen from the above table that the ratio is stable although it can be raised.

Interpretation: This ratio is used to the relationship between the money used to fund operation and sales generated from these operations. The higher the ratio better it is for the company. So the company has taken steps to increase its which is seen in above table.

3.1.21 Capital Turnover ratio

	Sales	Capital employed	<u>Ratio</u>
31-Dec-12	227.63	902.39	0.25
31-Dec-11	282.03	869.9	0.32
31-Dec-10	223.98	905.33	0.25
31-Dec-09	226.99	755.61	0.30
31-Dec-08	185.61	596.92	0.31

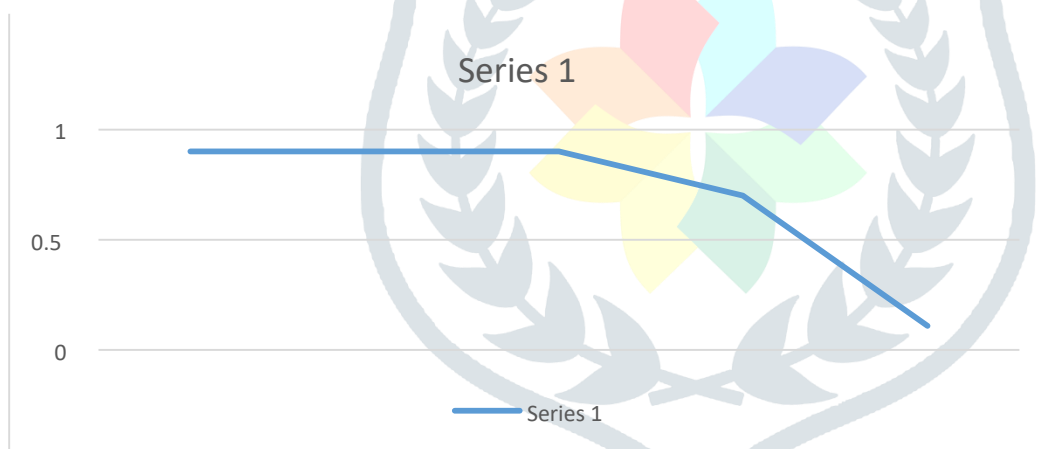
GRAPHICAL REPRESENTATION



Interpretation: Capital Turnover Ratio is a measure indicating how effectively the company is using capital to produce revenue. It is seen that the ratio of the company in all the five years is about 30% or less hence it is moderate but can be raised more.

3.1.22 Inventory to working capital ratio	Inventory	
	Working capital	
		<u>Ratio</u>
31-Dec-12	$\frac{24.56}{134.51}$	0.18
31-Dec-11	$\frac{23.58}{146.47}$	0.16
31-Dec-10	$\frac{35.79}{397.7}$	0.09
31-Dec-09	$\frac{21.75}{308.27}$	0.07
31-Dec-08	$\frac{27.58}{241.45}$	0.11

GRAPHICAL REPRESENTATION



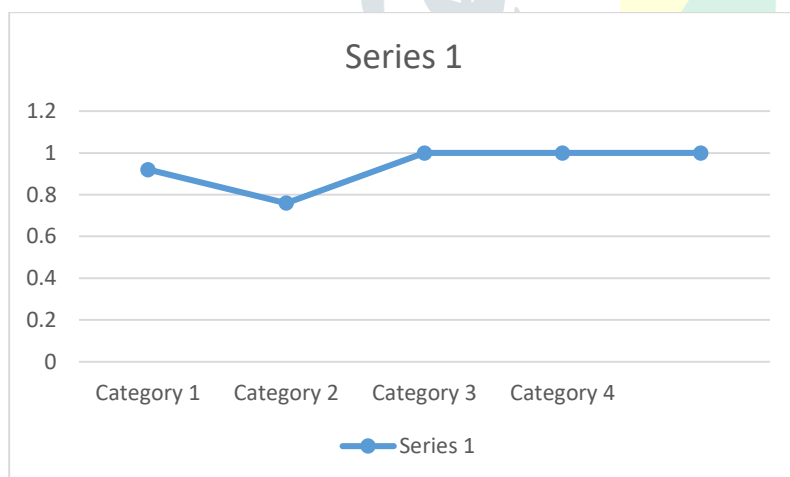
Interpretation: Inventory to working capital ratio measures the effect of company's inventory level on its ability to operate profitably. It is seen that the ratio was below 10% in the year 2016-2020

3.1.23 Solvency Ratio

Total LiabilityTotal Assets (Excluding fictitious assets)

		<u>Ratio</u>
31-Dec-2020	$\frac{989.39}{1067.39}$	0.92
31-Dec-2019	$\frac{888.2}{1168.73}$	0.76
31-Dec-2018	$\frac{1067.83}{1067.82}$	1.00
31-Dec-2017	$\frac{932.05}{932.05}$	1.00
31-Dec-2016	$\frac{840.49}{840.5}$	1.00

Graphical Representation



Interpretation: Solvency ratio is the indicator of debt paying capacity of a firm. It is seen that the company's ratio is going below 1 which is not a good indicator to its creditors.

1.1 TREND ANALYSIS

Particulars	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09
Sales Trend based on previous sales	-19.29%	25.92%	-1.33%	22.29%
Raw Materials Trend based on previous sales	-1.54%	11.44%	-4.77%	-72.37%
Power & Fuel Cost Trend based on previous sales	-6.22%	15.38%	16.21%	-0.47%
Employee Cost Trend based on previous sales	11.41%	-0.14%	22.26%	5.60%
Other Manufacturing Expenses Trend based on previous sales	18.26%	-93.01%	15.49%	148.34%
Selling and Admin Expenses Trend based on previous sales	0.00%	-100.00%	64.11%	-18.45%
Miscellaneous Expenses Trend based on previous sales	-37.54%	577.87%	94.95%	-25.69%
Preoperative Exp Capitalised	0.00%	0.00%	0.00%	0.00%
Gross Profit	-26.44%	81.04%	-5.78%	20.72%
Operating Profit	20.30%	6.53%	-51.43%	73.10%
Net profit trend analysis	8.76%	88.07%	-50.97%	97.94%

1.2 COMPARATIVE BALANCE SHEET**Comparative statement of Balance Sheet
For the last five year**

Particulars	(Rs. In Crore)				
	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08
Sources Of Funds					
Total Share Capital	30.98	30.98	30.98	30.98	30.98
Equity Share Capital	30.98	30.98	30.98	30.98	30.98
Share Application Money	-	-	-	-	-
Preference Share Capital	-	-	-	-	-
Reserves	327.67	306.15	283.46	277.80	261.91
Revaluation Reserves	-	-	91.21	92.76	94.88
Networth	358.65	337.13	405.65	401.54	387.77
Secured Loans	543.74	532.77	499.68	354.07	209.15
Unsecured Loans	10.00	18.30	162.50	176.44	243.57
Total Debt	553.74	551.07	662.18	530.51	452.72
Total Liabilities	912.39	888.20	1,067.83	932.05	840.49
Application Of Funds					
Gross Block	572.95	568.95	557.49	549.43	546.71
Less: Accum. Depreciation	185.90	178.79	171.19	159.40	150.04

Net Block	387.05	390.16	386.30	390.03	396.67
Capital Work in Progress	381.65	324.89	277.48	217.61	186.37
Investments	9.18	9.21	6.34	16.14	16.01
Inventories	24.56	23.58	35.79	21.75	27.58
Sundry Debtors	87.78	98.39	83.52	80.67	57.98
Cash and Bank Balance	14.86	56.26	28.94	21.42	8.57
Total Current Assets	127.20	178.23	148.25	123.84	94.13
Loans and Advances	365.76	320.83	303.70	270.02	232.76
Fixed Deposits	-	-	71.32	8.55	13.01
Total CA, Loans & Advances	492.96	499.06	523.27	402.41	339.90
Deffered Credit	-	-	-	-	-
Current Liabilities	286.23	307.72	78.41	49.94	90.52
Provisions	72.22	44.87	47.16	44.20	7.93
Total CL & Provisions	358.45	352.59	125.57	94.14	98.45
Net Current Assets	134.51	146.47	397.70	308.27	241.45
Miscellaneous Expenses	-	17.47	-	-	-
Total Assets	912.39	888.20	1,067.82	932.05	840.50

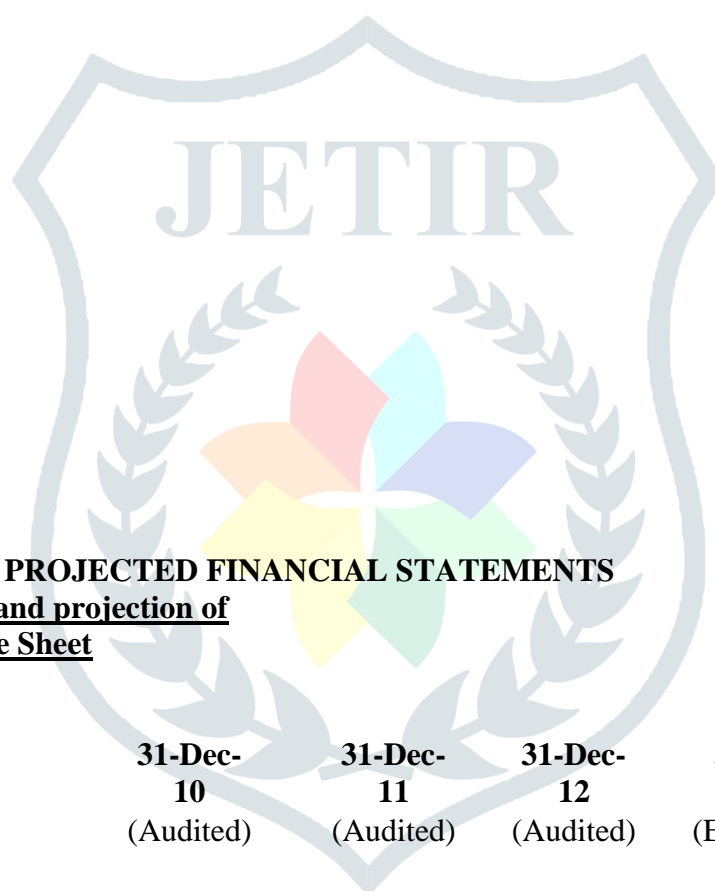
1.3 COMPARATIVE PROFIT AND LOSS ACCOUNT

Comparative statement of Profit and Loss Account

For the last five year

Particulars	(Rs. In Crore)				
	31-Dec-12	31-Dec-11	31-Dec-10	31-Dec-09	31-Dec-08
Income					
Sales Turnover	227.63	282.03	223.98	226.99	185.61

Excise Duty	-	-	-	-	-
Net Sales	227.63	282.03	223.98	226.99	185.61
Other Income	45.70	5.82	29.65	17.13	9.69
Stock Adjustments	3.12	(12.30)	12.50	(5.58)	8.72
Total Income	276.45	275.55	266.13	238.54	204.02
Expenditure					
Raw Materials	7.67	7.79	6.99	7.34	26.57
Power & Fuel Cost	21.25	22.66	19.64	16.9	16.98
Employee Cost	71.3	64	64.09	52.42	49.64
Other Manufacturing Expenses	4.21	3.56	50.91	44.08	17.75
Selling and Admin Expenses	0	0	43.44	26.47	32.46
Miscellaneous Expenses	86.67	138.76	20.47	10.5	14.13
Preoperative ExpCapitalised	0	0	0	0	0
Total Expenses	191.10	236.77	205.54	157.71	157.53
Gross Profit	126.32	171.72	94.85	100.67	83.39
Operating Profit	39.65	32.96	30.94	63.7	36.8
PBDIT	85.35	38.78	60.59	80.83	46.49
Interest	49.36	6.25	30.41	28.17	23.52
PBDT	35.99	32.53	30.18	52.66	22.97
Depreciation	7.16	7.87	16.45	12.05	10.39
Other Written Off	0	0	0	0	0
Profit Before Tax	28.83	24.66	13.73	40.61	12.58
Extra-ordinary items	0	0	0.18	0.01	4.26
PBT (Post Extra-ord Items)	28.83	24.66	13.91	40.62	16.84
Provision for Tax	8.6	6.05	3.75	4.16	6.37
Reported Net Profit	20.23	18.6	9.89	20.17	10.19
Total Value Addition	183.43	228.98	198.54	150.37	130.97
Preference Dividend	0	0	0	0	0
Equity Dividend	1.55	1.55	6.2	6.2	4.65
Corporate Dividend Tax	0.25	0.25	1.01	1.03	0.79
Per share data (annualised)					
Shares in issue (lakhs)	3097..61	3097.61	3097.61	3097.61	3097.61
Earning Per Share (Rs)	0.65	0.6	0.32	0.65	0.33
Equity Dividend (%)	5	5	20	20	15
Book Value (Rs)	11.58	10.88	10.15	9.97	9.46



4.5 ESTIMATED AND PROJECTED FINANCIAL STATEMENTS

4.5.1 Estimation and projection of Balance Sheet

Particulars	(Rs in Crore)				
	31-Dec- 10 (Audited)	31-Dec- 11 (Audited)	31-Dec- 12 (Audited)	31-Dec- 13 (Estimated)	31-Dec- 14 (Projected)
Sources Of Funds	-	-	-		
Total Share Capital	30.98	30.98	30.98	30.98	30.98
Equity Share Capital	30.98	30.98	30.98	30.98	30.98
Share Application Money	-	-	-		
Preference Share Capital	-	-	-		
Reserves	283.46	306.15	327.67	348.35	369.58
Revaluation Reserves	91.21	-	-		
Networth	405.65	337.13	358.65	379.33	400.56
Secured Loans	499.68	532.77	543.74	553.74	563.74
Unsecured Loans	162.50	18.30	10.00	15.00	20.00
Total Liabilities	1,067.83	888.20	912.39	948.07	984.30

Application Of Funds

Gross Block	557.49	568.95	572.95	582.95	592.95
Less: Accum.					
Depreciation	171.19	178.79	185.90	192.70	199.16
Net Block	386.30	390.16	387.05	390.25	393.79
Capital Work in Progress	277.48	324.89	381.65	401.65	411.65
Investments	6.34	9.21	9.18	11.02	13.22
Inventories	35.79	23.58	24.56	25.79	27.08
Sundry Debtors	83.52	98.39	87.78	58.93	64.83
Cash and Bank Balance	28.94	56.26	14.86	27.37	20.67
Total Current Assets	148.25	178.23	127.20	112.09	112.58
Loans and Advances	303.70	320.83	365.76	375.76	380.76
Fixed Deposits	71.32	-	-	-	-
Total CA, Loans & Advances	523.27	499.06	492.96	487.85	493.34
Deffered Credit	-	-	-	-	-
Current Liabilities	78.41	307.72	286.23	271.92	258.32
Provisions	47.16	44.87	72.22	70.78	69.36
Total CL & Provisions	125.57	352.59	358.45	342.69	327.68
Net Current Assets	397.70	146.47	134.51	145.16	165.65
Miscellaneous Expenses	-	17.47	-	-	-
Total Assets	1,067.82	888.20	912.39	948.07	984.31

4.5.2 Estimation and projection of Profit and Loss

Particulars	31-Dec-10 (Audited)	31-Dec-11 (Audited)	31-Dec-12 (Audited)	31-Dec-13 (Estimated)	31-Dec-14 (Projected)
Income					
Sales Turnover	223.98	282.03	227.63	239.01	262.91
Excise Duty	-	-	-	-	-
Net Sales	223.98	282.03	227.63	239.01	262.91
	-	-	-	-	-
Other Income	29.65	5.82	45.70	47.99	52.78
Stock Adjustments	12.50	(12.30)	3.12	3.28	3.60
Total Income	266.13	275.55	276.45	290.27	319.30
Expenditure					
Raw Materials	6.99	7.79	7.67	8.44	10.12
Power & Fuel Cost	19.64	22.66	21.25	23.38	28.05
Employee Cost	64.09	64.00	71.30	74.87	82.35
Other Manufacturing Expenses	50.91	3.56	4.21	4.42	4.86
Selling and Admin Expenses	43.44	-	-	-	-

Miscellaneous Expenses	20.47	138.76	86.67	91.00	100.10
Preoperative Exp Capitalised	-	-	-	-	-
Total Expenses	205.54	236.77	191.10	202.10	225.49
Gross Profit	94.85	171.72	126.32	128.36	134.83
Operating Profit	30.94	32.96	39.65	40.19	41.02
PBDIT	60.59	38.78	85.35	88.17	93.81
Interest	30.41	6.25	49.36	51.83	57.01
PBDT	30.18	32.53	35.99	36.34	36.80
Depreciation	16.45	7.87	7.16	6.80	6.46
Other Written Off	-	-	-	-	-
Profit Before Tax	13.73	24.66	28.83	29.54	30.33
Extra-ordinary items	0.18	-	-	-	-
PBT (Post Extra-ord Items)	13.91	24.66	28.83	29.54	30.33
Provision for Tax	3.75	6.05	8.60	8.86	9.10
Reported Net Profit	9.89	18.60	20.23	20.68	21.23

If company approaches for cash credit

	31-Dec-10	31-Dec-11	31-Dec-12	31-Dec-13	31-Dec-14
Net sales	223.98	282.03	227.63	239.01	262.91
Cash credit to be availed @20% of sales	44.80	56.41	45.53	47.80	52.58

Drawing power to covered cash credit

Sundry debtor	83.52	98.39	87.78	58.93	64.83
Inventories	35.79	23.58	24.56	25.79	27.08
Loans & advances	303.70	320.83	365.76	375.76	380.76
	423.01	442.80	478.10	460.48	472.67
Margin @ 60%	253.81	265.68	286.86	276.29	283.60
Inventory	35.79	23.58	24.56	25.79	27.08
Less : Creditor	78.41	307.72	286.23	271.92	258.32
	(42.62)	(284.14)	(261.67)	(246.13)	(231.25)
Margin @ 75%	(31.97)	(213.11)	(196.25)	(184.60)	(173.43)
Drawing power	221.84	52.57	90.61	91.69	110.17
cash credit	44.80	56.41	45.53	47.80	52.58

4.6 WORKING CAPITAL ANALYSIS

4.1 FINDINGS

The findings of study can be summarized as follows:

- ❖ The debt equity ratio of the company is found to be not in good position although there is a scope of increasing the same up to a ratio of 2:1 which is ideal.
- ❖ The solvency position of the company is found to be not good and satisfactory because it is seen that the company's ratio's going below 1 which is not good indicator to its creditors.
- ❖ The liquidity position of the company is also not up to the mark on last two financial years taken under study.
- ❖ The coverage ratio in the year 2019, 4.95 and decreased to 1.58 in the year 2020 is not a good indicator. Hence the firm is not able to generate sufficient earnings.
- ❖ The working capital turnover ratio which was below the ratio of 1 in the year 2016. 2017, 2018 respectively has increased up to 2 in the year 2019 and is above 1.6 in 2020. It is an indication that firm is efficient in management and utilization of assets
- ❖ The return on assets which was below 5% in all the years
- ❖ The dividend pay-out ratio in all the five financial year i.e. in the year 2016 – 2020 is not satisfactory.
- ❖ The current ratio indicator in all the years is not satisfactory hence all the short term creditors is not satisfied.
- ❖ Although the gross profit ratio is on the low side but the companies net profit indicator is on the lower side hence management should try to increase it by taking necessary steps.
- ❖ The company's final accounts are prepared according to the provisions of Companies Act 2013.
- ❖ The company has published all relevant information which are needed by its ultimate users.
- ❖ In the published reports the Board of Directors reports is also attached.

4.2 SUGESSTION

The company can continue to strive to reduce the operating expenses and increase the profit. Operating efficiency can be achieved using the following five ways

- Analysing current situation.

- Optimizing business processes
- Modernizing existing assets
- Expanding fast and flexibility
- Maximizing growth opportunities

The company should try to improve the profit without additional capital. And it should produce products that compete with the competitors. The common size balance sheet suggest that the shareholder's equity is better and

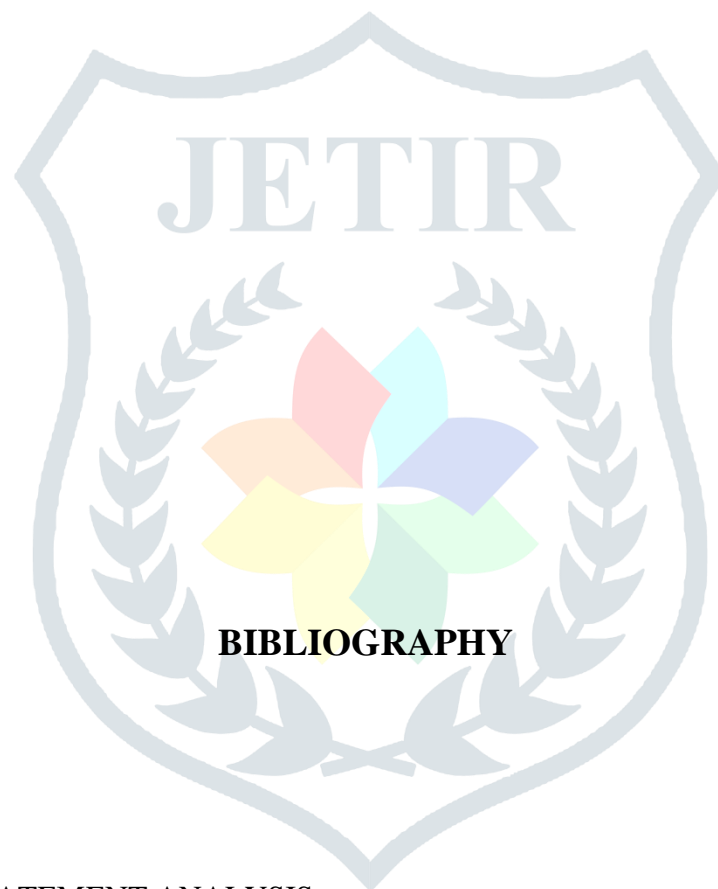
the liquidity position is also not satisfactory in the past two years but if it gains goodwill through publicity it can even do more justice for them. Even it can go for the public issue instead of holding by itself.



4.3 CONCLUSION

Financial analysis is the process of selection, relation and evaluation. The focus of financial analysis is on key figure in the financial statements and the significant relationship that exist between them. The analysis of financial statements is a process of evaluating the relationship between component part of financial statement to obtain a better understanding of the firm's position and performance. This financial analysis is done uses the tools like ratio analysis and common size balance sheet. These tools show us the company position in terms of liquidity, profitability, solvency, bankruptcy and stability. By using these tools, THE REASERCHER came to a conclusion that the firm should improve its sales by improving its marketing technique like advertisement in newspaper, television, radio etc. so that it can gain goodwill and publicity. The company should produce products that competes the competitors and make available to public at a

reasonable rate and time. Even it should use the present new technology and improve the consumption of resource efficiently. In the changing economy scenario, the financial performance has to be better. Even though the firm's profitability, liquidity and other positions are satisfactory it can even reach higher positions are satisfactory it can even reach higher position or increase its profit if the above said suggestion are considered.



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