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A STUDY ON FINANCIAL PERFORMANCE ANALYSIS IN SELVAGANAPATHI SPINNING MILL AT ERODE

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Abstract

Examining the financial performance analysis of Selvaganapathi Spinning Mill located in Erode. The research aims to comprehensively evaluate the financial health and efficiency of the spinning mill through various financial metrics and ratios. Utilizing both qualitative and quantitative methodologies, the study examines key financial statements such as income statement, balance sheet, and cash flow statement to gauge the company's profitability, liquidity, solvency, and operational efficiency. Additionally, the research investigates factors influencing financial performance, including industry trends, market dynamics, and managerial strategies. By employing statistical tools and financial ratios, the analysis provides insights into the strengths, weaknesses, opportunities, and threats faced by Selvaganapathi Spinning Mill in its operational landscape. The findings of this study are anticipated to offer valuable recommendations for enhancing the spinning mill's financial performance and sustaining its competitive advantage in the market.

Keywords: Financial Performance, Financial Analysis, Financial Position.

INTRODUCTION

Examining the financial performance analysis of Selvaganapathi Spinning Mill located in Erode. The research aims to comprehensively evaluate the financial health and efficiency of the spinning mill through various financial metrics and ratios. Utilizing both qualitative and quantitative methodologies, the study examines key financial statements such as income statement, balance sheet, and cash flow statement to gauge the company's profitability, liquidity, solvency, and operational efficiency. Additionally, the research investigates factors influencing financial performance, including industry trends, market dynamics, and managerial strategies. By employing statistical tools and financial ratios, the analysis provides insights into the strengths, weaknesses, opportunities, and threats faced by Selvaganapathi Spinning Mill in its operational landscape. The findings of this study are anticipated to offer valuable recommendations for enhancing the spinning mill's financial performance and sustaining its competitive advantage in the market.

OBJECTIVES

- To study the overall financial Performance analysis with data collection.
- To study the origin and growth of the textile Industry.
- To analyze the financial position of the company through ratio analysis.
- To study the financial position and comparative Performance of year by year.
- To study the trend level or sales to the textile Industry.
- To give suggestions for further improvement and development of the company

NEED OF THE STUDY

- Financial analysis is the starting point for making plans, before using any forecasting and planning procedure.
- The financial performance is done whether the funds of the company is utilized in an effective manner or not. So, in order to understand the financial position of sri selva ganapathy spinning mill.
- By analysis of financial performance of sri selva ganapathy spinning mill it would be able to get a fair picture of the financial positions of the company.
- By showing the financial performance to various lenders and creditors it is possible to get credit in easy terms if good financial condition is maintained in the company within assets out weighting the liabilities.
- This study suggests possible solution to overcome working capital problem.

SCOPE OF THE STUDY

- This study will help the in making some financial decision for further years
- The study tells the detailed operations related to the firms operations and its efficiency to be improved.
- Then the study clearly explains about at what areas they have to improve their performance.
- It helps in making some reference for its past performance.

LIMITATIONS OF THE STUDY

- Information show in financial Performances is not precise.
- Financial report does not always disclose the correct financial positions of textile industry.
- Balance sheet of concern is a secondary document as it discloses the financial position of a concern on a particular date.
- Information disclosed by profit and loss account may not be real profit.

REVIEW OF LITERATURE

Virambhai (2021) textile industry productivity and financial efficiency focused on industry's current position and its performance. It concluded the company/management should try to increase the production, minimize the cost and operating expenses, exercise proper control on liquidity position, reduction of power, fuel, borrowing funds, overheads, interest burden, etc.

Rakesh and Kulkarni (2022) analyzed the Gujarat textile industry working capital evaluation on selected five company for the eleven years and performed ratio analysis, descriptive statistics etc. The study concluded with all the company financial performance with sound effective as well as current and quick ratio, current asset on total asset, sales, turnover etc. are analyzed with the help of hypothesis and used ANOVA. In this research also researcher followed this attributes.

Venkataramana and Ramakrishnan (2018) measured the profitability and financial position of selected textile companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of impact of these ratios on profitability. Further financial performance was checked by regression analysis of selected textile companies.

RESEARCH METHODOLOGY**RESEARCH DESIGN**

The research design of the present study is descriptive, analytical and conclusive.

SOURCES OF DATA

Only the secondary data has been used in project study. The researcher himself being an external one and doing study as a part of curriculum has had to depend mainly upon secondary data for the different aspects.

WORK OF ANALYSIS

To arrive at research findings and the conclusion of the present study, ratio analysis, comparative balance sheet analysis and Trend analysis have been used.

TOOLS USED FOR ANALYSIS OF DATA

The following analytical tools are used;

- Ratio Analysis
- Trend Analysis
- Comparative Balance Sheet

RATION ANALYSIS

Ratio is a relationship between two figures expressed mathematically. Financial ratio provides numerical relation between two relevant financial data. Financial ratios are calculated from the Balance sheet and Profit & Loss A/c.

WORKING CAPITAL TURNOVER RATIO

Year	Sales	Networking capital	Ratio
2018-19	322.71	153.30	2.11
2019-20	272.93	161.71	1.69
2020-21	225.54	104.60	2.16
2021-22	170.24	123.06	1.38
2022-23	127.33	84.18	1.51

INTERPRETATION

From the above table shows that the working capital turnover ratio is 2.11 in 2018-19 and decreased to 1.69 in 2019-20 and then increased to 2.16 in 2020-21 then last year decreased to 1.51. This shows working capital turnover ratio is fluctuated and decrease level.

TREND ANALYSIS

Time series or trend analysis of ratios indicates the direction of change this kind of analysis is particularly applicable to the items of profits and loss account. It is advisable that trends of sales and net income may be studied in the light of two factors: the rate of fixed expansion or secular trend in the growth of the business and the general price level.

COMPARATIVE BALANCE SHEET

A comparative balance sheet usually has two columns of amounts that appear to the right of the account titles or other descriptions such as Cash and Cash Equivalents, Accounts Receivable, Account Payable, etc. The first column of amounts contains the amounts as of a recent moment or point in time. Providing the amounts from an earlier date gives the reader of the balance Sheet a point of reference something to which the recent amounts can be compared.

FINDINGS

- The working capital turnover ratio is 2.11 in 2018-19 and decreased to 1.69 in 2019-20 and then increased to 2.16 in 2020-21 then last year decreased to 1.51. This shows working capital turnover ratio is fluctuated and decrease level.
- The inventory turnover ratio from 2019-23. The ratio shows Increasing trend during the study period. The ratio shows highest as 10.08 at 2022-23 and shows lowest as 3.91 at 2019-20. The ratio indicates at the year 2021-22 the company performs better of inventory and at the year 2019-20 the company performs low level of inventory.
- The Debtors turnover ratio lays within its Higher limit. The ratio shows lowest as 5.99 at 2019-20 and shows highest as 11.30 at 2022-23 and there is no standard norm for Debtors turnover ratio. Debtor's turnover ratio is increasing trend.
- The gross profit ratio. This ratio is an indicator of the firm's ability to meet its current obligations. The lowest ratio (-6.43) was obtained during the period 2019-20 and the highest ratio (0.32) value obtained during the period 2018-2019. The gross profit ratio is Decreasing trend.

SUGGESTIONS

- The firms have low current ratio so it should increase its current ratio where it can meet its short term obligation smoothly.
- Liquidity ratio of the firm is not better liquidity position in over the 5 years. So I suggested that the firm maintain proper liquid funds like cash and bank balance.
- The firm high inventory so I suggested that the firm must reduce the stock and increase sales.
- The direct material cost of the firm is very high so it's my Suggest to the firm that to decrease the direct material cost by purchasing raw material from the other suppliers.
- The firms should have proper check on the manufacturing process of the plant.
- Each and every year's inventory level should be flexible for the stock level.

CONCLUSION

The project, "A Study on the Financial Performance of Sri Selva Ganapathy Spinning Mill,"

aimed to analyze the company's profitability. It found that despite good gross and net profit, the company incurred losses during the study period. Recommendations include improving profitability by addressing internal and external factors, optimizing asset utilization, reducing high inventory levels, and enhancing liquidity. The long-term solvency position was satisfactory, indicating overall good financial performance.

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