A STUDY ON THE ANALYSIS OF FINANCIAL PERFORMANCE WITH SPECIAL REFERENCE TO RAMCO CEMENT LTD

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ABSTRACT

Finance is the life blood and nerve centre of a business, just as circulation of blood is essential in the human body for maintaining life. Finance is very essential for smooth running of business. Right from the very beginning i. e., conceiving an idea to business, finance is needed to promote or establish the business, acquire fixed assets, make investigations such as market surveys etc., develop product, keep men and machines at work, encourage management to make progress and create values. Even an existing firm may require further finance for making improvement or expanding the business. It is very important to monitor a wide range of 'performance indicators' in your business, in order to ensure that appropriate and timely decisions and plans can be made. Given that sales, profit margins and cash flow are the lifeblood of any business, owners should place particular emphasis on receiving regular reports on these areas of the business. Knowing the financial position becomes even more important as the business grows, especially if your plan is to grow the business substantially. Lack of a precise and timely knowledge of the current financial position can lead to business failure and have other consequences for the directors/owners.

KEYWORDS: Finance, Directors/Owners & Business

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INTRODUCTION

Finance is the life blood and nerve centre of a business, just as circulation of blood is essential in the human body for maintaining life. Finance is very essential for smooth running of business. Right from the very beginning i. e., conceiving an idea to business, finance is needed to promote or establish the business, acquire fixed assets, make investigations such as market surveys etc., develop product, keep men and machines at work, encourage management to make progress and create values. Even an existing firm may require further finance for making improvement or expanding the business.

According to John N. Myer, "Financial statement analysis is largely a study of relationship among the various financial factors in a business, as disclosed by a single set of statements and study of these factors as show in a series of statements".

Financial Statement Analysis (or financial analysis) is the process of reviewing and analysing a company's financial statements in order to gauge its past, present or projected future performance to make better 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. For example, equity investors are interested in the long-term earnings power of the organization and perhaps the sustainability and growth of dividend payments. Creditors want to ensure the interest and principal is paid on the organizations' debt securities (e. g., bonds) when due.

Financial statement analysis is an analysis that highlights the important relationship in the financial statements. Financial statement analysis focuses on the evaluation of past performance of the business firm in terms of liquidity, profitability, operational efficiency and growth potentiality. Financial statements analysis includes the method use in assessing and interpreting the result of past performance and current financial position as they relate to particular factors of interest in investment decisions. Therefore financial statement analysis is an important means of assessing past performance and in forecasting and planning future performance.

OBJECTIVES OF STUDY

- To study and analyse the comparative statement of Ramco cement Ltd.

TOOLS AND TECHNIQUES

The data from the reports have been analysed by using various tools and techniques. With a view to evaluate the performance of the company.

- Comparative balance sheet statements

Comparative Balance Sheet

The comparative balance sheet analysis is the study of the trend of the same items, group of items and computed items in two or more balance sheets of the same business enterprise on different dates. The changes in periodic balance sheet items reflect the conduct of a business. The changes can be observed by comparison of the balance sheet at the beginning and at the end of a period and these changes can help in forming an opinion about the progress of an enterprise. The comparative balance sheet has two columns for the data of original balance sheets. A third column is used to show an increase in figures. The fourth column may be added for giving a percentage of increase or decrease. While interpreting comparative balance sheet the interpreter is expected to study the following aspects:

- Current financial position and liquidity position.
- Long – term financial position.
- Profitability of the concern.
- The profitability can be increased by controlling cost or increasing sales.
- The management is able to pinpoint weak spots and take corrective measures to improve more.

Table 1: Comparative Balance Sheet for the Years 2014 – 2015 (Rs. In Millions)

Particular	2014	2015	Increase/ Decrease	
			Amounts	%
Current Assets				
Inventories	491.09	594.75	103.66	21.1
Debtors	207.94	302.81	94.87	45.62
Cash and bank	47.49	53.96	6.47	13.62
Loans and advance	289.25	298.72	9.09	3.14
Other current assets	-	1.59	1.59	-
Total current assets (A)	1035.77	1251.83	215.68	20.82
Fixed Assets				
Total fixed assets	5022.47	5219.55	197.46	3.93
Total fixed assets (B)	5022.47	5219.55	197.46	3.93
Total Assets(A+B)	6058.24	6471.38	413.14	6.81
Current Liability				
Short term borrowing	613.19	588.08	-25.11	-4.09
Trade payable	93.93	143.08	49.15	52.32
Other current liabilities	671.97	734.35	62.38	9.28
Short term provisions	126.23	146.89	20.66	16.36
Total current liability (A)	1505.32	1612.4	107.08	7.11
Capital & Reserve				
Share capital	23.8	23.8	-	-
Reserve and surplus	2026.58	2346.96	320.38	15.8
Total capital & reserve (B)	2050.38	2370.76	320.38	15.8
Other Liability				
Loans and other liabilities(C)	2502.54	2488.22	-14.32	-0.57
Total Liability (A+B+C)	6058.24	6471.38	413.14	6.81

Interpretation

The comparative balance sheet of the company reveals that during 2015 there has been an increase in fixed assets of Rs. 413.14 million (6.8 per cent) while long-term liabilities has decreased by Rs. 14.32 million (0.57 per cent) and equity share capital has remained constant.

The current assets have increased by Rs. 215.68 million (20.82) per cent and cash has increased by Rs. 6.47 million (13.62 per cent). On the other hand, there has been an increase in inventories amounting to Rs. 103.66 million (21.1 per cent). The total current liabilities have increased only by Rs. 107.08 million (7.11 per cent). This further confirms that the company has raised long-term finances even for the current assets resulting into an improvement in the liquidity position of the company.

Reserves and surplus have increased from Rs. 2026.58 to Rs. 2370.76 million (915.8 per cent) which shows that the company has not utilized reserves and surplus for the payment of dividends to shareholders and the company has transferred a considerable amount of current year profit to its reserve.

It can be concluded that the overall financial position of the company is satisfactory.

Table 2: Comparative Balance Sheet for the Year 2015 – 2016 (Rs. In Millions)

Particulars	2015	2016	Increase/Decrease	
			Amount	%
Current Assets				
Inventories	491.09	594.75	103.66	21.1
Debtors	207.94	302.81	94.87	45.62
Cash and bank	47.49	53.96	6.47	13.62
Loans and advance	289.25	298.72	9.09	3.14
Other current assets	-	1.59	1.59	-
Total current assets (A)	1035.77	1251.83	215.68	20.82
Fixed Assets				
Total fixed assets	5022.47	5219.55	197.46	3.93
Total fixed assets (B)	5022.47	5219.55	197.46	3.93
Total Assets(A+B)	6058.24	6471.38	413.14	6.81
Current Liability				
Short term borrowing	613.19	588.08	-25.11	-4.09
Trade payable	93.93	143.08	49.15	52.32
Other current liabilities	671.97	734.35	62.38	9.28
Short term provisions	126.23	146.89	20.66	16.36
Total current liability (A)	1505.32	1612.4	107.08	7.11
Capital & Reserve				
Share capital	23.8	23.8	-	-
Reserve and surplus	2026.58	2346.96	320.38	15.8
Total capital & reserve (B)	2050.38	2370.76	320.38	15.8
Other Liability				
Loans and other liabilities (C)	2502.54	2488.22	-14.32	-0.57
Total Liability (A+B+C)	6058.24	6471.38	413.14	6.81

Interpretation

The comparative balance sheet of the company reveals that during 2016 there has been an increase in fixed assets of Rs. 413.14 million (6.81 per cent) while long-term liabilities has decreased by Rs. 14.32 million (0.5 per cent) and equity share capital has remained constant.

The current assets have increased by Rs. 215.68 million (20.8 per cent) and cash has increased by Rs. 6.47 million (13.6 per cent). On the other hand, there has been an increase in inventories amounting to Rs.103.66 million (21.1 per cent). The current liabilities have increased only by Rs. 107.08 million (7.11. per cent) this further confirms that the company has raised long-term finances even for the working capital resulting into an improvement in the liquidity position of the company.

Reserves and surplus have increased from Rs. 2026.58 to Rs. 2370.76 million (15.8 per cent) which shows that the company has not utilized reserves and surplus for the payment of dividends to shareholders.

It is obviously known that the overall financial position of the company is satisfactory (set aside, transferred,)

Table 3: Comparative Balance Sheet for the Year 2016 – 2017 (Rs. In Millions)

Particulars	2016	2017	Increase/Decrease	
			Amount	%
Current Assets				
Inventories	594.75	685.53	90.78	15.26
Debtors	302.81	303.96	2.53	0.83
Cash and bank	53.96	44.61	-9.35	-17.32
Loans and advance	298.72	206.59	-71.99	-24.09
Other current assets	1.59	8.85	-1.35	-84.9
Total Current Assets (A)	1251.83	1249.54	10.62	0.84
Fixed Assets				
Total Fixed Assets	5219.55	5619.02	386.56	7.4
Total Fixed Assets (B)	5219.55	5619.02	386.56	7.4
Total Assets (A+B)	6471.38	6868.56	397.18	6.13
Current Liability				
Short term borrowing	588.08	723.62	135.54	23.04
Trade payable	143.08	187.66	44.58	31.15
Other current liabilities	734.35	729.18	-5.17	-0.7
Short term provisions	146.89	64.22	-82.67	-56.28
Total Current Liability (A)	1612.4	1704.68	92.28	5.72
Capital & Reserve				
Share capital	23.8	23.8	-	-
Reserve and surplus	2346.96	2458.28	111.32	4.74
Total capital & Reserve (B)	2370.76	2482.08	111.32	4.74
Other Liability				
Loans and other liabilities (C)	2488.22	2681.8	193.58	7.77
Total Liability (A+B+C)	6471.38	6888.56	417.18	6.44

Interpretation

The comparative balance sheet of the company reveals that during 2017 there has been an increase in fixed assets of Rs. 386.56 million (7.4 per cent) while long-term liabilities has increased by Rs.193.58 million (7.77 per cent) and equity share capital has remained constant.

The current assets have increased by Rs. 10.62 million (0.84 per cent) and cash has decreased by Rs. -9.35 million (-17.32 per cent). On the other hand, there has been an increase in inventories amounting to Rs. 90.78 million (15.26 per cent). The current liabilities have increased only by Rs. 92.28 million (5.72 per cent). This further confirms that the company has raised long-term finances even for the current assets resulting in an improvement in the liquidity position of the company.

Reserves and surplus have increased from Rs. 2346.96 to Rs. 2458.28 million (4.74) which shows that the company has not utilized reserves and surplus for the payment of dividends to shareholders.

It is observed that the overall financial position of the company is satisfactory

Table 4: Comparative Balance Sheet for the Year 2017 – 2018 (Rs. In Millions)

Particulars	2017	2018	Increase/Decrease	
			Amount	%
Current Assets				
Inventories	520.58	685.53	164.95	31.68
Trade Receivables	380.22	303.96	-76.26	-20.05
Cash& Cash Equivalents	61.85	44.61	-17.24	-27.87
Short Term Loans&Advances	233.76	206.59	-27.17	-0.116
Other Current Assets	3.26	8.85	5.59	171.47
Total Current Assets A	1,199.67	1,249.54	49.87	4.15
Fixed Assets				
Total Non-Current Assets	5,870.61	5,619.02	-251.59	-4.28
Total Non-Current Assets B	5,870.61	5,619.02	-251.59	-4.28
Total assets(A+B)	6,818.69	6,868.56	49.87	0.731
Current Liability				
Short Term Borrowings	553.61	723.62	170.01	30.70
Trade Payables	219.75	187.66	-32.09	-14.60
Other Current Liabilities	547.44	729.18	181.74	33.19
Short Term Provisions	122.42	64.22	-58.2	-47.54
Total Current Liabilities(A)	1,443.22	1,704.68	261.46	18.12
Capital & Reserve				
Equity Share Capital	23.81	23.8	-0.01	0.041
Reserves and Surplus	2,621.38	2,458.28	-163.1	-6.221
Total Reserves& Surplus(B)	2,621.38	2,458.28	-163.1	-6.221
Other Liability				
Total Non-Current Liabilities(C)	2,981.87	2,681.80	-300.07	-10.06
Total liabilities(A+B+C)	7046.47	5140.08	-1906.39	-27.05

Interpretation

The comparative balance sheet of the company reveals that during 2018 there has been an increase in fixed assets of Rs.49.87 million (0.731 per cent) while long-term liabilities has decreased by Rs.-300.07 million (-10.06 per cent) and equity share capital has decreased of Rs. -0.01. The current assets have increased by Rs 49.87 (4.15 per cent) and cash has decreased by Rs.-17.24 million (-27.87 per cent). On the other hand, there has been an increase in inventories amounting to Rs.164.95 million (31.68. per cent). The current liabilities have increased only by Rs. 261.46 million (18.12 per cent). this further confirms that the company has raised long-term finances even for the current assets resulting into an improvement in the liquidity position of the company. Reserves and surplus have decreased from Rs. 2,621.38 to Rs. 2, 458.28 million (-6.221%) which shows that the company has utilized reserves and surplus for the payment of dividends to shareholders either in cash or by the issue of bonus shares.

It is clear that the overall financial position of the company is satisfactory

GENERAL FINDINGS

It has been clearly observed that, the total cement sales of Ramco cements were Rs.739 crores at the beginning of the financial year 2004-05 and it had gradually increased to Rs.3684 crores at the end of the financial year 2013-14. The total cement sales of Ramco limited was the growth rate of 18.74 per cent during the study period from 2004-05 to 2013-14

SUGGESTION

- It is suggested that the company has to increase its current assets to meet its short-term obligations.
- The company has to improve debtors' collection period, continuously so that effective receivable management will possible.
- Reserves should be utilized for the growth of the company.

CONCLUSIONS

In this study, the researcher concludes that the financial performance of the Ramco Cements Limited. Based on the study, the researcher concludes that the financial position of the company was good. The study concludes that The Ramco Cements Limited is one of the leading company provides employment opportunities in the field of cement factories, and promotes economic development.

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