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Analysis of Financial Performance stationery products Industries

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Abstract

Finance is the science of money as it is the life blood of business. Financial performance analysis acts as a communicating language of the overall financial health. It analyses the cause and effect of the profitability and liquidity of the business. Financial statements are prepared for the purpose of presenting a periodical review which has been widely used to represent the true statements of accounts. Ratio analysis is the widely used tool for financial analysis. Ratio analysis is the process of ascertaining the financial ratios that indicates the ongoing financial performance of a company. This study “Analysis Of Financial Performance Of Kokuyo Camlin Ltd., “is vital as only earning profit is not sufficient, a business should earn enough profit to fulfil its cost of capital and create various surplus to grow. This study helps to determine the liquidity and profitability of the firm. The study covers a period of five years i.e., from 2015-2016 to 2019-2020.

Keywords: Financial Performance Analysis, Profitability, Operating Ratios.

1. Introduction

Finance is rightly termed as the science of money as it is the life blood of business. Financial analysis of a company is the foundation of economic performance analysis and it shows the primary fields of our organization. Financial statements are prepared for the purpose of presenting a periodical review which has been widely used to represent the true statements of accounts. Financial analysis detects the strength and weakness of the company. It defines the relationship between the balance sheet elements and profit and loss account. It involves overall finding of the profitability and financial soundness of the business. Financial Performance Analysis is the evaluation of all finance-based transactions to estimate suitability. With the help of financial performance analysis, one can arrive at short-term and long-term liquidity, solvency and other business aspects. The main objective of financial Performance analysis in business is to develop the value of the business through proper planning and resource utilization. Financial performance analysis acts as a communicating language of the overall financial health. It analyses the cause and effect of the profitability and liquidity of the business.[1-5].

1.1 Scope of the Study

The study is extended to the analysis of financial performance of Kokuyo Camlin Ltd.,. The purpose of analyzing financial statements is to examine the past and present financial performance and forecasting plans for the future. The financial statements assist in analyzing the liquidity and profitability of Kokuyo Camlin Ltd.,. These financial statements help the management to make wise decisions. The financial statements are helpful in applying the available resources for the development of the company. [6-10].
1.2 Objective

- To measure the profitability of the company Kokuyo Camlin Ltd.,

2. Review of Literature

Review of Literature involves survey of various sources of the specified topic. It provides the base for the researches. A review of literature assists in planning the research methodology of the present study. It gives an up-to-date knowledge of the concerned topic. Roopalata.P and Dr. Sathya (2016) The Researcher conducted a case study on “A case study on financial stability of Nestle India Ltd”. The research was made by using liquidity ratios, solvency ratios, activity ratios and profitability ratios. The period of the study is for five years from 2011-2015 they have analysed that the financial position of Nestle India ltd is satisfactory but during that period it was decreasing due to external factors so they require to change some policies. Dr. Velmathi (2015) researched “A Study on Profitability Analysis of Britannia Industries Ltd”. The major part of the study focused on the profitability analysis of the selected company. The study period was five years starting from 2008-09 to 2012-13. Ratio analysis was used to identify the profitability position of the company. Correlation analysis was used to find out the relationship between profit, sales and investment. During the period of study, the company had an increasing trend in the profit. The earnings per share had a greater influence on the success of the company. The increased return on capital employed helped in high efficiency. R. Ramanan (2015) the analysis is made on “A study on financial performance of Reliance Industries Limited.” The aim of the study is to evaluate the financial position of reliance industries ltd. With the help of solvency, turnover and profitability ratios for the years from 2009-2010 to 2013-2014, the company had reached its ideal ratio in all years. The researcher has suggested to reduce its expenses to gain more profit. Use abbreviations in the title or heads unless they are unavoidable. [8-12].

3. Methodology

The research is completely based on the secondary data. The data of profit and loss account and balance sheet of Kokuyo Camlin ltd., were collected from website i.e., https://www.kokuyocamlin.com/annual-reports.

The study covers the period of five years from 2015-2016 to 2019-2020. Ratio analysis like gross profit ratio, net profit ratio, return on assets and return on equity were used in this study.

4. Ratio Analysis

Ratio analysis is the process of ascertaining the financial ratios that indicates the ongoing financial performance of a company. It shows the relationship between two items of same category. Ratio analysis emphasizes the liquidity, profitability and solvency of the firm. It evaluates the overall financial position of an organization by comparing various years. It is useful for both internal and external users of the financial information.

4.1 Gross Profit Ratio

Table 1 Gross Profit Ratio

| Financial Year | Gross Profit (Rs. in lakhs) | Gross Profit Ratio (in %) |
|----------------|-----------------------------|--------------------------|
| 2015-16        | 50,015.66                   | 77.76                    |
| 2016-17        | 52,885.82                   | 78.49                    |
| 2017-18        | 50,288.71                   | 78.76                    |
| 2018-19        | 54,695.45                   | 79.41                    |
| 2019-20        | 47,477.70                   | 74.88                    |

4.2 Net Profit Ratio

Table 2 Net Profit Ratio

| Financial Year | Net Profit (Rs. in lakhs) | Net Profit Ratio (in %) |
|----------------|---------------------------|-------------------------|
| 2015-16        | 525.90                    | 0.85                    |
| 2016-17        | 95.54                     | 0.14                    |
| 2017-18        | 982.17                    | 1.53                    |
| 2018-19        | 1,520.33                  | 2.21                    |
| 2019-20        | 435.62                    | 0.68                    |

4.3 Return on Assets Ratio

Table 3 Return on Assets Ratio

| Financial Year | Net Profit (Rs. in lakhs) | Total Assets (Rs. in lakhs) | Return on Assets Ratio (in %) |
|----------------|---------------------------|-----------------------------|-----------------------------|
| 2015-16        | 525.90                    | 44,790.16                   | 1.17                        |
| 2016-17        | 95.54                     | 47,056.09                   | 0.20                        |
| 2017-18        | 982.17                    | 48,484.90                   | 2.02                        |
| 2018-19        | 1,520.33                  | 55,471.08                   | 2.74                        |
| 2019-20        | 435.62                    | 48,119.57                   | 0.90                        |
4.4 Return on Equity Ratio

| Financial Year | Net Profit (Rs. in lakhs) | Shareholders fund (Rs. in lakhs) | Return on Equity (in %) |
|----------------|----------------------------|----------------------------------|------------------------|
| 2015-16        | 1081.30                    | 21,834.00                        | 4.95                   |
| 2016-17        | 366.63                     | 22,789.00                        | 1.61                   |
| 2017-18        | 999.07                     | 23,830.00                        | 4.19                   |
| 2018-19        | 1571.86                    | 24,888.00                        | 6.31                   |
| 2019-20        | 518.18                     | 24,920.00                        | 2.07                   |

5. Findings
The gross profit is increasing till the financial year 2018-19. There is an abrupt decrease in the gross profit during the financial year 2019-20 i.e., 74.88. It shows that the sales during 2019-20 is less. The net profit ratio was very low in the year 2016-17 i.e., 0.14. The net profit was gradually increasing but there was a sudden fall in the year 2019-20 i.e., 0.68%. The return on assets ratio was very low during the financial year 016-17 i.e., 0.20%. It gradually increased from the year 2017-18 and there was a sudden fall in the year 2019-20. It shows that the company is not efficiently generating its earnings from its economic resources. The return on equity was high during the year of 2019-20 i.e., 2.07%, there was an abrupt fall in the return on equity. From this, it is concluded that the efficiency was high in the financial year 2018-19 comparing to 2016-17.

6. Suggestions
The profit of the company during the year 2019-20 is decreasing so the company can make use of more methods of digitalized marketing and other innovative techniques to increase the profit. The company should take proper measures to ensure optimum utilisation of the available resources so as to attain better efficiency.

Conclusions
The study was made on the financial performance analysis of “KOKUYO CAMLIN LTD.”. The study reveals that the profit of the company during the study period is decreasing. Thus, the profitability position of the company, Kokuyo Camlin Ltd., has a decreasing trend. It is concluded that the financial performance of the company during the study period is satisfactory.

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