A Study On Financial Performance Of CPC Private Limited ,Coimbatore For The Period OF 2008-2012 By Using Ratio Analysis

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ABSTRACT: The study entitled the financial performance analysis an Company. The objective of this study is to compare the current financial performance with last five years and to study the existing financial position of Company. The data used in this study is secondary data through annual report. The data that used in this study, comparative balance sheet, common size balance sheet, comparative balance sheet analysis ,that the current liabilities is higher than the current asset in every year and it is to be suggest that the company can concentrate on their increasing the level of the current asset. So the company improves this financial position. The study of financial performance on The Company has revealed the great deal of their various financial aspects for five years. The comparative analysis unlocks the overall performance methodology.

Key words – Financial performance, CPC Private Limited , Ratio Analysis,

1. INTRODUCTION

This project work is intended to carry out a methodological study on Financial Performance of Ratio analysis of CPC .Private .Limited ,Coimbatore.

CPC.PVT Limited is one of the largest profit making enterprises in India in the field of contraceptives. It started its journey with a single contraceptive unit, in 1966, at Peroorkada with technical collaboration with M/s. Okamoto Industries Inc. Japan. Now it is one of the world's largest producers of contraceptive products.

Ratio analysis is the process of identifying the financial strength and weakness of the firm by properly establishing relationship the items of Balance Sheet and the Profit and Loss Account. can be ratio analysis undertaken by the management of the firm or by parties outside the firm via: Owners, Creditors, Investors and others. Investors who have invested their money in the firm's shares are most concerned about the firm's earnings.

Management of the firm would be interest in very aspect of Financial Performance of ratio analysis. It is their overall responsibility to see that the resources of the firm are used most effectively that the firm's financial condition is sound.

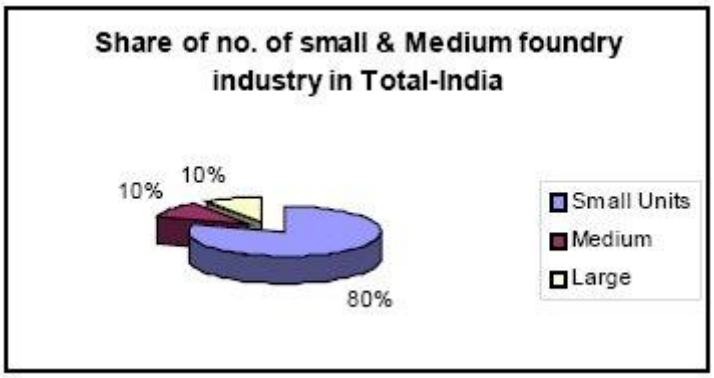
INDUSTRY PROFILE

Profile Of Indian Foundry Industry

The Indian Metal casting(Foundry Industry) is well established. According to the recent World Census of Castings by Modern Castings, USA India Ranks as 2nd largest casting producer producing estimated 7.44 Million MT of various grades of Castings as per International standards

The various types of castings which are produced are ferrous, nonferrous, Aluminium Alloy, graded cast iron, ductile iron, Steel etc for application in Automobiles, Railways, Pumps Compressors & Valves, Diesel Engines, Cement/Electrical/Textile Machinery, Aero & Sanitary pipes & Fittings etc & Castings for special applications .However ,Grey iron castings is the major share approx 70 % of total castingsproduced.

There are approx 4500 units out of which 80% can be classified as Small Scale units & 10% each as Medium & Large Scale units. Approx 500 units are having International Quality Accreditation. The large foundries are modern & globally competitive & are working at nearly full capacity. Most foundries use cupolas using LAM Coke. There is growing awareness about environment & many foundries are switching over to induction furnaces & some units in Agra are changing over to cokeless cupolas.

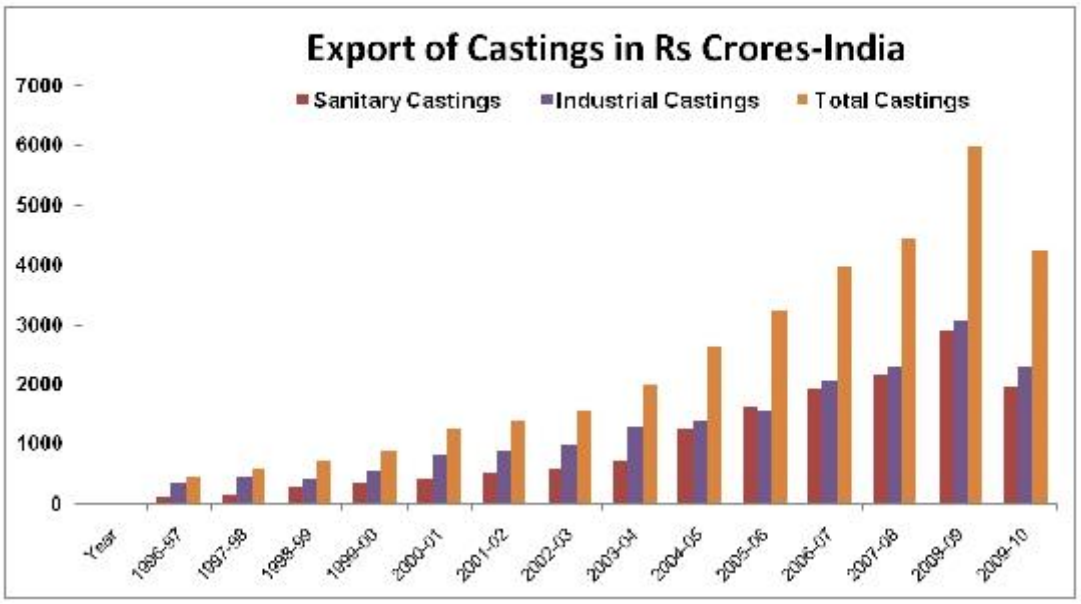


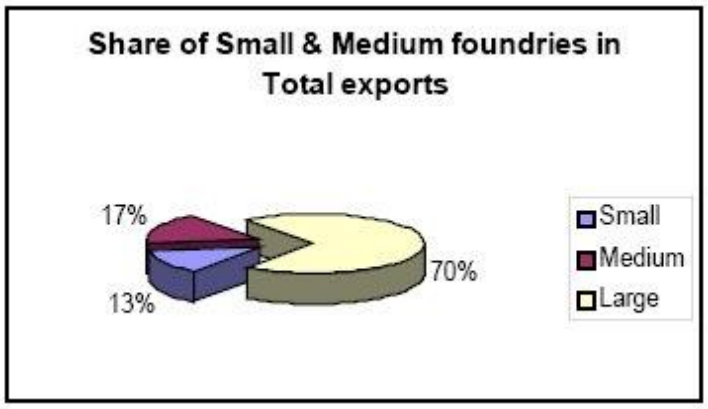
Exports

The Exports are showing Healthy trends approx 25-30% YOY as can be seen from

the charts below.The current exports for FY 2005-06 are approx USD 800 Million.

Export Trends





Employment

The industry directly employs about 5,00,000 people & indirectly about 1,50,000 people & is labour intensive.The small units are mainly dependant on manual labour However,the medium & Large units are semi/ largly mechanized & some of the large units are world class

Most foundries use cupolas using LAM Coke.There is growing awareness about environment & many foundries are switching over to induction furnaces & some units in Agra are changing over to cokeless cupolas.

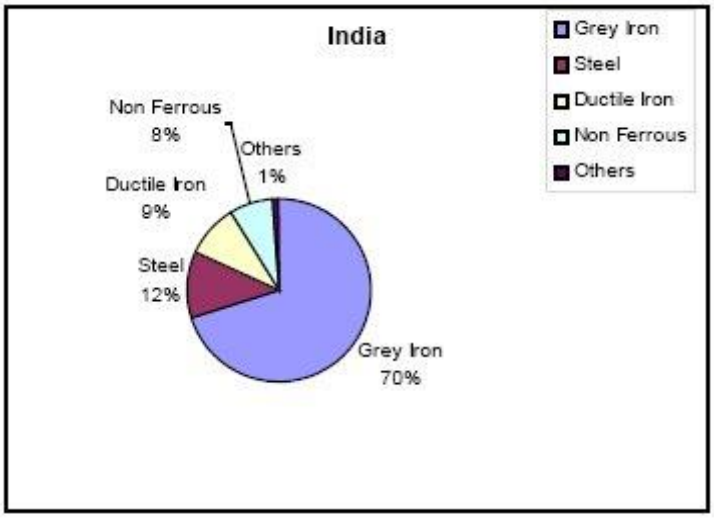
Important Clusters

There are several foundry clusters .Some of the major clusters are as below.Each cluster is known for its type of products

Batala	Jalandhar	Ludhiana
Belgaum	Chennai	Kolhapur
Rajkot	Coimbatore	Howrah
Agra	Pune	Rajkot

Product Mix

Grey iron is the major component of production followed by



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Investments

India would need approx. $ 3 Billion in investment to meet the demand of growing domestic industry and strong export drive.

Following the economic reforms the Govt. of India has reduced tariffs on imported capital goods as a result the annual average amount of FDI is reported to have increased but is still one tenth of the annual FDI in China. The reforms also encourage the privatization of industry enabling foreign companies to invest or enter into joint ventures with Indian Foundries. FDI projects are permitted an automatic approval process. Several International corporate from USA, EU and East Asian Countries have increased overseas foundry operations in India. i.e. VOLVO foundries in Chennai and Suzuki in Haryana. Sundaram Clayton has joined hands with Cummins. Hundai Motors, Delphi. Ford India, Tata-Cummins, GM and Ford have contracts of foundry products for export with a value of $ 40 Million.

Rawmaterial & Energy

Since 2003 the steep increase in cost of raw materials and energy have resulted in the closure of approx. 500 units, Overall India is exporter of Pig Iron but must import Scrap metals and Coke etc. Cost recovery for material and energy is very difficult as most contracts are long term contracts with out any clause for price adjustment. India has to import coke & scrap.Moulding sand is locally available & India has an advantage onthisaccoun .Energycost typically vary between 12-15%

Labour

India has major competitive advantage over the foundry industries in the developed countries. The total labour cost account for 12-15%

Technology

Govt. of India (GOI) has encouraged technology transfer through JV with foreign Companies and GOI has cooperated with UNIDO with many foundry clusters. Indian foundry industry has an edge over China for producing complex machined and precision castings as per international quality standards. The GOI also helps upgrade foundry clusters. The clusters in Belgaum, Coimbatore and Howrah are undergoing modernization under the industrial infrastructure upgradation scheme.More of such clusters are likely to follow

The Institute of Indian Foundrymen has plans to strengthen and develop various foundry clusters.

1.2 COMPANY PROFILE

Cpv pvt ltd (COIMBATORE PREMIER CORPORATION)

Established in 1946, CPC has expanded over the years to become the market leader in Grey Iron Castings & SG Iron Castings.

Quality Certified by **DNV of Netherlands** for **ISO 9001 : 2008**, CPC has an annual turnover of 7.35 million US dollars. Exports alone account for 3.87 million US dollars. Annually CPC produces around 9600 metric tonnes, out of which around 50% are supplied in fully machined condition.

The products that are manufactured range from 5 kgs to 100 kgs per piece. Casting metal being a process involving technical competence and comprehensive infrastructure, only a small percentage of India's annual production of 2.5 million tons of castings meet the rigorous standards of the international market.

CPC, as an established manufacturer of grey iron castings & SG iron castings, benefits from a **sound infrastructure** and advantageous location. Coimbatore, an industrial city about 800 kms south of Mumbai and about 500 kms south west of Chennai, is well known for its textile and engineering industries.

Coimbatore is well connected by Air, Rail and Road directly from all parts of the country and the nearest seaport is just 180 kms from CPC. In addition, skilled technical personnel are available in large numbers from the many technical training establishments in and around the city.

CPC is able to use their services to maximise the potential of its modern infrastructure with professional approach and dedicated team, CPC is a reliable source for **Quality Grey Iron Castings**, **S G Iron Castings** and **Machined Components**.

Our foundry

Pattern Shop

The foundry includes in itself a well-equipped pattern shop to manufacture wooden and metal patterns of any complicated shape to suit the customer's requirements. The patterns are made in **wood**, **aluminium**, **araldite**, **cast** iron and gun metal. The pattern equipments are maintained in good condition and stored in shelves with specific identification.

Moulding & Sand Plant

A most modern and well – laid out **sand plant** of 30 tonnes per hour capacity with magnetic separator; on-line aerator and sand cooling plant coupled with 2 nos each of 500 kg batch capacity **High Speed Intensive Mixer** ensures uninterrupted supply of quality sand to the moulding lines.

It is also equipped with four sets of moulding machines so that a wide range in size or weight of castings can be manufactured. Mechanical handling of the boxes, closing of the boxes with mould closing unit and pallet car track with pneumatic pushers eliminate human errors and ensure accurate and quality moulds.

Facilities

Grey Iron Grades	Moulding Box		Depth		Weight		Moulds /Hour	Pattern Type	Machine Type
	Length mm	Width mm	Cope mm	Drag mm	Min kg	Max kg			
FG 150	400	520	120	120	0.50	15.00	60	AL, CI	Arpa 300 BMD Simultaneous Jolt Squeeze 2 Pairs
FG 220	400	520	175	175	10.00	20.00	40	AL, CI	
FG 260	650	650	150	150	20.00	35.00	30	AL, CI	Arpa 450 BMD Simultaneous Jolt Squeeze 1 Pair
FG 300	650	650	275	275	35.00	100.00	15	AL, CI	
	650	650	150	300	100.00	10.00	10	AL, CI	ARPA 900

Core Shop

A well-equipped core shop produces cores in **cold box**, **oil sand**, no bake, CO2 and shell. Any intricate shaped core can be produced with maximum dimensional accuracy.

Facilities

Type of Core	Processus	Limitation de taille	Quantité
Oil Sand	Oil sand Process	1 kg – 10 kgs	4 Electric Ovens
CO2	CO2 Process	10 kgs & above	-
Shell Core	Core Shooter	1 kg – 2 kgs	2 Nos
Cold Box	Cold Box Core Shooter	10 kgs – 15 kgs	2 Nos

Melting

The available melting units are: →Two **ASEA Brown Boweri** 563 KVA Main frequency induction furnaces of 2 tonnes capacity, with a melting rate of 500 Kgs / Hr. →One 1.5 Mega Watts 2 ton dual track medium frequency induction furnace →Three Divided Blast Cupolas of 2 tonnes per hour capacity

Facilities

Type of Unit	Melt / Day	Metal Type	Grade	Quantity
Induction	20 Tons / Day	Grey Cast Iron	FG 220, FG 260, FG 300	3 Nos
Divided Blast Cupola	20 Tons / Day	Grey Cast Iron	FG 150,FG 220	3 Nos

Fettling

The fettling department is fully equipped with shot blasting facilities and all necessary auxiliaries. The facility consists of one 72" dia Twin Table, one 96" dia Twin Table, **Shot Blasting Machines**, **electrical and pneumatic equipments.**

Our machine shop

Equipped with a wide range of machines, the machine shop can undertake proof machining or full machining of the castings to the specified dimensional tolerances. The machine shop is equipped with **Hydro-Testing facility** and also excellent facilities for **sub-assembly operations** to cater to the demands of buyers.

Facilities

Machine Shop – Unit I

Type	Make	Quantity
CNC Horizontal Machining Center	Mazak	1 No
CNC Drill & Tap Center	Leadwell	1 Nos
CNC Horizontal Turning Center	Femco, Hwacheon	5 Nos
CNC Vertical Turning Center	Hwacheon, Daewoo	4 Nos
Centre Lathes	HMT, MKL, TOS	17 Nos
Milling Machines	4 Vertical + 2 Horizontal	6 Nos
Drilling Machines	12 Radial + 9 Pedestal + 3 Bench	24 Nos
Drilling Machine	3 Spindle Gang type	1 No
Balancing Machine	ABRO dynamic vertical balancing M/C	3 Nos
Cylindrical Grinding Machine	HMT	1 No
Tapping Machine	DESAI	1 Nos

Machine Shop – Unit II

An exclusive machine shop, **CPC (P) Ltd Unit II** has been commissioned in 2004 with most sophisticated latest machineries to meet growing international demands for fully machined components as well as sub-assembly requirements.

Facilities include:

Type	Make
Horizontal Machining Center	Moriseiki NH 4000 DCG
Vertical Machining Center vJunior	vJUNIOC, Moriseiki NV 5000 A/40
Drill Tap Center	Brother TC S2A
Drilling Machine	Batliboi (Radial)

Our products

Femco

Mazak

Moriseiki NH 4000 DCG

Moriseiki NV 5000 A/40

Our clients

CPC's experience is simply unmatched, and the processes are time tested and proven for many satisfied clients. Listed are a few clients from the list of ever-growing satisfied clients.

Client	In Collaboration With
Maruti Udyog Ltd.,	Suzuki Motors, Japan
Ashok Leyland Ltd., Hosur	Iveco, Italy
Ashok Leyland Ltd., Chennai	British Leyland, UK
Mahindra & Mahindra Ltd., (Tractor Division)	Austrian Vehicle Ltd., Austria
Mahindra & Mahindra Ltd., (Auto Division)	Peugeot, France
Amalgamation Group	Massey Ferguson, USA
Ingersoll Rand (India) Ltd.,	Ingersoll Rand, USA
Audco India Ltd.,	Flowserve, USA
Iljin Automotive (P) Ltd.,	Hyundai Motors, Korea
New Holland Tractors (India) Ltd.,	New Holland Tractors, Italy
Delco Remy Electricals India Ltd.,	Delco Remy International, USA
Same Deutz-Fahr (India) P Ltd.,	Same Deutz-Fahr, Italy
Hindustan Powerplus Ltd.,	Caterpillar, USA
Bonfiglioli Transmissions (P) Ltd.,	Bonfiglioli Transmissions, Italy
VST Tillers & Tractors Ltd.	Mitsubishi Corporation, Japan

Our quality

Quality Assurance System >> Bruker quatran Q6 - Columbus Germany

The entire quality assurance system is based on **ISO 9001 : 2000** standards.

There is a fully equipped laboratory with spectrometer (supplied by **Bruker Quatran Q6 - Columbus Germany**) to analyse the chemical composition of the material. Besides, there is a wet analysis laboratory to conduct conventional testing.

The foundry has a 40 tonnes capacity UTM to conduct the tensile, yield and elongation tests as well as bend test.

In the machine shop, a standards room is available to calibrate all the gauges and instruments used in the operations. The standards room is equipped with Autonomous working height measuring instrument (**Trimos**) for verifying all the gauges for their tolerances and Digital type comparator (**Sylvac**) for checking the dial gauges and verniers.

Apart from this, carbide slip gauge to international traceability is used for calibration. A profile projector and several work instruments are also available. The image analyser is used to accurately assess the micro structural constituents and also the graphite structure.

DEA-MISTRAL Slant-bed Co-ordinate Measuring Machine is used to accurately measure the co-ordinates of the job and other geometric parameters.

Strict inspection procedures are implemented in every stage of production in maintaining properties of sand in each batch, ensuring pattern equipments for accuracy and through check for quality of castings before despatch.

Customer Feedback is the yardstick for constant upgradation of our manufacturing process. It also helps us to insist upon the highest quality of raw materials from our suppliers.

Equipment available for Quality Control

- Bruker 19 Elements Spectral Analyzer
- 40 Ton UTM
- BHN tester
- Wet Analysis Lab
- Sand Lab

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- TRIMOS
- Profile Projector

- Carbide Slip Gauges
- Rockwell Hardness Tester
- Co-ordinate Measuring Machine
- Image Analyser

Recognition

In this day of fierce competition, recognitions and appreciations are the testimonials to the hard work and commitment of a company.

CPC has received various prestigious awards, which include:

- 1989 -Best Exporter Awards for highest growth in Exports from **Engineering Export Promotion Council**, **Southern Region, Chennai**
- 2000 -Best Iron Castings Exporter Award and Best Productivity in Foundry Award from the **Institute of Indian Foundry men**

Today there is an urgent need for harmony between technology and the environment. When pursuing functionality and efficiency, the environment must be taken into consideration. The Company has implemented pollution control measures to deal with the non-hazardous particles that are emitted by the foundry.

VISION

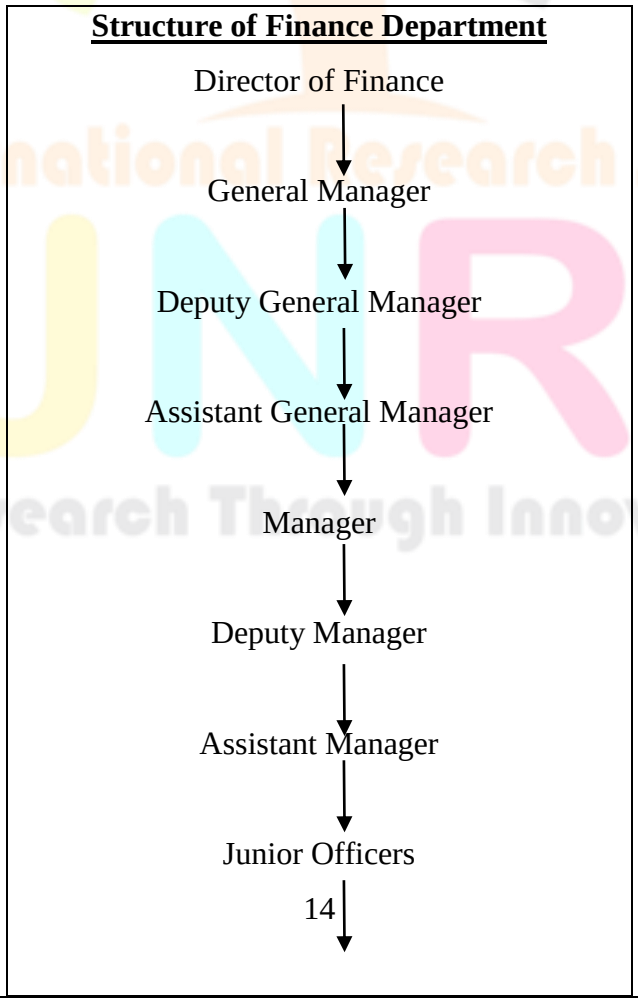
- **To become reliable, competitive and responsive supplier of iron casting and components**

COMPANY OBJECTIVES

- To maximize the capacity utilization of the existing plants
- To increase the profitability of the company and maximize the generation of surplus to enable CPC to finance its diversification projects.
- To make continuous effort for the up gradation of technology and quality to be internationally competitive.
- To improve sustainable direct marketing for all products
- To take up social marketing projects.
- Be a customer oriented organization which operates at least two countries outside India.

FINANCIAL DEPARTMENT OF CPC

At CPC, senior officers of the Finance Department (at Head Office) are responsible for taking major decisions on raising and allocating financial resources, framing policies regarding the management of working capital, etc. The finance Department is headed by the Director of finance.



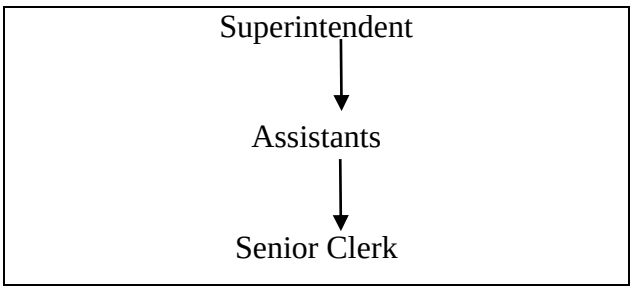


Chart No.1

1.4 FUNCTIONAL DEPARTMENTS IN CPCPVT LTD

Following are the departments at the Peroorkada Factory, Thiruvananthapuram**:**

1. Production Planning & Control Department
2. Material Planning & Control Department
3. Primary Production Department
4. Quality Assurance Department
5. Electronic Testing Department
6. Sales Department
7. Purchase Department
8. Stores Department
9. Engineering Department
10. IT Department
11. Safety and Environment
12. Marketing Management
13. Human Resource Management
14. Finance and Accounts Department
15. Projects Department

1.5 FINANCE AND ACCOUNTS DEPARTMENT IN CPC. PVT. LIMITED

The finance department deals with receipts and payments of cash carrying out the smooth functioning of the company's business activities. Financial management is that managerial activity which is concerned with the planning and controlling of the firm's financial resources. Thus we can say that finance is the 'life blood of business. CPC Limited has given prior importance to the Finance and Accounts Department. It has different sections. They are;

- **Ledger section**
- **Party bills section**
- **payroll section**
- **cash and computer section**
- **internal audit section**
- **costing and finalization of accounts**

The accounts section has 6 sub divisions:

1. Ledger section

Ledger section deals with functions such as:

- Passing and settlement all miscellaneous advances.
- Passing and settlement of freight advances.
- Passing and settlement of local purchases.
- Passing and settlement of personal accident claims of all employees.
- All works connected with insurance coverage of fixed assets.
- Passing of bills related to telephone, electricity, water charge etc.
- Attending sales tax assessment of the unit with the sales tax office.
- Excise duty statement preparation.
- Scrutinizing of all journal vouchers connected with ledger, party bills, payroll, costing section.
- All works connected with sales.

2. Party Bill Section

This section deals with service bills for rendering services such as telephone, typewriter, computer, etc. Service bills are usually of a contract nature with respect to wok order supplied. The accounts department certifies the bills and prepares cash/cheque payment accordingly. This department prepares the vouchers for the above and these vouchers are sent to cash department for drawing cash.

A separate file is maintained for every supplier. In case of an extra item supplied by the supplier, purchase department sends an amendment order to finance department on bills are prepared accordingly and a copy will be sent to store section.

If the supply is less than the order placed no payment is made unless and until full quantity of material supplied. The types of payment made to suppliers are:

i. Advance Payment
ii. Payment against credit
iii. Payment through bank

3. Payroll cash and computer

This section deals with salary computation with respect to attendance, overtime work, leave and recoveries in accordance with time office and personal department. Vouchers have been sanctioned and cash/cheque issued from the cash section. Salary details are obtained from computer with gross and net amounts, salary account is prepared monthly. Advance amount is given to employees are recovered from next month's salary. Allowance like festival allowance, house rent allowance, medical allowance, and dearness allowances etc. are given to employees.

4. Internal Audit Section:

Functions:

- Securitizing of all personal files of all employees of the unit relating to annul increment, promotion, transfer etc.
- Scrutinizing all purchase proposals, comparative statements connected with supply order and purchases.
- Scrutinizing pay fixation statements, arrears pertaining to pay provision and other connected work of all employees.
- Scrutinizing of several specific cases apart from the above work as directed by top authority.

5. Costing Section

Costing section deals with the preparation of Quarterly Financial reports, monthly profitability reports, Budget, Bank statements etc. Profitability trend & Wage analysis is done on the basis of Monthly reports.

6. Finalization of Accounts

This section deals with the preparation, Co-ordination & assists in the preparation of Final accounts of the Company. It also assists the statutory auditors of the company.

7. Working capital

Hindustan Latex kept ten core rupees as working capital. This amount is kept in State Bank of India. The amount will issue based on Inventory, credit ratio etc

FINANCIAL ANALYSIS
A THEORITICAL FRAME WORK

INTRODUCTION

Financial statement provides rich information about the operational results of a business unit. And much can be learnt from the careful examination of these statements. Financial analysis is the process of determining the significant operating and financial characteristic of a firm from accounting data. The profit and loss account and balance sheet are indicators of two significant factors - Profitability and financial soundness. Analysis of financial statement means such a treatment of information contained in the two statement, so as to drive a full diagnosis of the profitability of the firm concerned.

Financial statement analysis is largely a study of the relationship among the various financial factors in a business as disclosed by a single set of statement and a study of the trend of these sectors as shown in a series of statements. The main function of financial statement analysis is the pin pointing the strength and weakness of a business undertaking by re-grouping and analyzing of figures contained in the financial statement by making comparison of the various components and examining their content. The Financial statement are the best media of documenting the results of managerial efforts to the owners of the business, its employees, customers and public at large and thus became excellent tool of public relation.

3.0.2 Objectives of Financial Analysis

- To serve the users as main source of information and earning power of the business.
- To provide useful information for predicting, comparing and evaluating potential cash flows of the business.
- To provide information to enable to judge management's ability to utilize resource effectively.

- To provide a statement of financial activities useful for assessing cash inflows and outflows.
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- To provide information useful for predicting financial forecasts.

Limitations of Financial Analysis

- It is the study of interim reports.
- Financial Analysis is based upon only monetary information and non-monetary factors are ignored.
- It does not consider change price levels.
- Financial statements are prepared on the basis of going concern. Hence it doesn't give exact financial position. Thus, accounting concept and conventions cause a serious limitation to financial analysis misleading.
- Analysis is only means and not an end its-self. The analysis has to make interpretation and drawn their own conclusion. Different people may interpret the same analysis in different ways.

PROBLEM OF THE STUDY

- CPC was started in 1946 and it was growing in the incremental trend,but During 2008,it earning reduced and it earning negative profit.
- So the company wants to identify the reason for the loss.

OBJECTIVES OF THE STUDY

- To know the level of financial performance of CPC Pvt Ltd in the Competitive market.
- To study and understand the liquidity position,solvency position of CPC Based on the ratios.
- To spell out in detail suitablesuggestion to improve the Financial Performance of CPC Pvt.Ltd.

SCOPE OF THE STUDY

The Study concentrate financial performance evaluation of CPC PVLTD during 2008-2012.It includes performance with all these ratios such as profitability ratio,Turn Over Ratio,Current ratio,Liquidity ratio to identify the financial performance.

RESEARCH METHODOLOGY

MEANING OF RESEARCH

Research in common parlance refers to a search for knowledge.Once can also define research**.**As a scientific and systematic search for pertinent information on a spcefictopic.Research is an art of scientific investigation.It is to systematically solve the research problem i.e.how research isdone scientifically.

DEFINITION

The Advanced Learner's Dictionary Of Current English lays down the meaning of research As "a careful investigation or inquiry especially through search for new facts in any branch of Knowledge."Redman and Mory define research as a "systematized effort to gain newknowledge".

RESEARCH METHODOLOGY

Research Methodology is a scientific and systematic way to solve research problems.Researcher has to design his methodology.Research methodology deals with the research Methods and takes into consideration the logic behind the methods.It also deals with the objective of the research study,method of defining the problem type of data collected,methodused for analyzing and interpretation.

METHODS OF DATA COLLECTION

The methodology used in the data collection involves the collection of primary data .As well as secondary data. Majority of the data was collected with help of the annual reports Provided by the company.

SOURCES OF DATA

Both primary and secondary data has been used for the study.

- **PRIMARY DATA**

Primary data has been collected through detailed interviews with the concerned managers and other personnel

- **SECONDARY DATA**

Secondary data was collected from company brochures, internal reports, annual reports, magazines and its official web site. Besides, information has also been collected from various books connected with the subject and various other websites have also been gone through.

RATIO ANALYSIS

A ratio is a simple arithmetic expression of the relationship of one number to another. Ratio is an expression of the quantitative relations between two numbers.

Ratio analysis is a technique of analysis and interpretation of financial statement. It is the process of establishing and interpreting various ratios which help in making certain decisions.

Four steps involved in ratio analysis are:

- Selection of relevant data from the financial statement depending upon the objective of analysis.
- Calculation of appropriate ratios from the above data.
- Comparison of the calculated ratios with the ratios of the same firm or the ratios of some other firm or the comparison with the ratios of the industry to which this firm belongs.
- Interpretation of ratio.

ADVANTAGES OF RATIO ANALYSIS

- Helpful in forecasting

The ratios can be used by financial managers for future financial planning. Ratios calculated for a number of years work as guide for the future.

- Useful in co-ordination

Ratios are useful in co-ordinating which is very much needed in business. The efficiency and weakness of an enterprise if communicated properly, will establish a better co-ordination among areas of appreciation and control.

- Helpful in control

The most important aspect of ratio analysis is that it is very useful in controlling the areas of inefficiencies or weakness. It can be used by the management as a technique of correction.

- Helpful in communication

Ratios are used for communication of weak and good points of the firm to the concerned parties.

- Helpful in efficiency appraisal

Ratios are the scale of comparison. Here the variations in financial statements, if they need appreciation are brought to limelight. For example, better solvency ratio speaks about good financial position.

- Helpful in evaluation of financial position

The ratio analysis is useful for financial diagnosis of an enterprise.

- Helpful to investors, financial institution and employees

The ratios are economic barometer useful to all mentioned above as they can know good and bad position of a company by making a comparative study of financial statement.

LIMITTIONS OF RATIO ANALYSIS

- Rations can sometimes be misleading as an analyst does not know the reliability and soundness of the figures from which they are computed and the financial position of the business of other times of the year.
- The mechanics of ratio construction are not as important as the proper interpretation of the ratios. As a matter of fact, ratios are only a preliminary step in interpretation.
- Ratios can never be the substitute of raw figures. At the time of interpretation, therefore, raw figures should also be referred to.
- Inter firm comparison on the basis of ratio analysis is distorted because of the different practices followed by different firms.
- Price level changes make ratio analysis difficult.

TOOLS OF ANALYSIS

TYPES OF RATIOS

Ratios as tool of measuring liquidity, profitability, efficiency and financial position of a firm can be classified into four basic types.

- Liquidity Ratios
  a. Activity Ratios
  b. Leverage Ratios
  c. Profitability Ratios

The technique of analysis and interpretation of financial statements. Is the process of establishing and interpreting various ratios for helping in making certain decision. It is only a means of better understanding financial strength and weakness of a firm. ratio should not be calculated between the two un related figures, sales and discount on issue of shares, operating cost and equity capital etc. As it will net serve operating cost and equity capital etc., as it will serve any useful purpose.

Liquidity ratios measure a firm's ability to meet its current obligations.

- Profitability ratio measure management's ability to control expenses and to earn a return on the resources committed to the business.
- Leverage ratios measure the degree of protection of suppliers of long-term funds and can also aid in judging a firm's ability to raise additional debt and its capacity to pay its liabilities on time.
- efficiency, activity or turnover ratios provide information about management's ability to control expenses and to earn a return on the resources committed to the business.

LIQUID RATIOS

Liquidity ratio refers to the ability of a meet its current obligation as and when this became due. This ratio provides the unit to meet its short term obligations and reveals short term financial strength or weakness. The failure of accompany to meet its obligations due to lack of sufficient liquidity, will result in a poor creditworthiness, loss of creditors confidence can even result in the closure of the company. A very high dignity is also bad : ideal asset earn nothing. The firms fund will unnecessarily be tied up in the current asset. Thus a proper balance between high liquidity and lack of liquidity.

CURRENT RATIO

It represents the ratio of current asset to current liability. The current ratio of a firm measures its short term solvency, i.e. its ability to meet short term obligations. A high ratio indicates sound solvency position and a low ratio indicates inadequate working capital. The current 2:1 is considered satisfactory in a business concern.

$$\textbf{Current Ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

QUICK RATIO

This ratio is also known as assertor's ratio. This ratio establishes a relationship between quick or liquid assets and current liabilities. The quick ratio of 1:1 is considered to represent a satisfactory current financial condition. The primary difference between the current ratio and the quick ratio is the quick ratio does not include inventory and prepaid expanses in the calculation.

$$\textbf{Quick Ratio} = \frac{\textbf{Quick asset}}{\textbf{Current Liabilities}}$$

PROFITABILITY RATIOS

Profit earning is considered essential for the survival of the business. A business enterprise can discharge its delegation to the various segments of the societies only through the earning of the profit. Profits are thus a useful measure of overall efficiency of a business. Profitability Ratios are calculated either in relation to sales or relation to investment.

GROSS PROFIT RATIO

It is the ratio of gross profit to net sales. The ratio reflects the margin of profit that a concern is able to earn on its trading and manufacturing activity. This ratio reflects the efficiency within which management produces each unit of product. Higher the ratio means the firm is able to product at relatively lower cost, it's a sign of good management. Lower ratio reflect higher cost of goods sold.

$$\textbf{Gross profit ratio} = \frac{\textbf{Gross profit}}{\textbf{Net sales}} \times 100$$

NET PROFIT RATIO

This ratio establish a relationship between net profit and sales and indicates management efficiency in manufacturing, administering and selling the products this ratio is the overall measure of the firms ability to turn each rupee sales into net profit if the margin is inadequate the firm will fail to achieve satisfactory return on shareholders fund. This also indicates firm's capacity to withstand adverse economic conditions. A firm with high net profit can make better use of the favourable condition such as rise in selling prices, falling cost of production or increasing demand for the product. Such a firm will be accelerating its profit at a faster rate than a firm with lower net profit ratio.

$$\textbf{Net profit ratio} = \frac{\textbf{Net profit After tax}}{\textbf{Net sales}} \times 100$$

Earning per share (EPS)

Earning per share simply shows the profitability of a firm on per share basis Earning Per Share helps in determining the market price of the share of the company. Higher earning per share suggests the possibility of more cash dividends or rise in market price of the share.

$$\textbf{Earning per share} = \frac{\textbf{Net profit}}{\textbf{No of equity share}}$$

Return on invesments (ROI)

Income is earned by using the assets of a business productively.The more efficient the production the more profitable the business.The rate of return on total asset indicates the degree of effiency with which management has used the assets of the enterprises during an accounting period.

ACITIVITY RATIOS

This ratio is also efficiency or turn over ratio, which are concerned with measuring the efficiency in asset management by relating the same to sales cost of goods sold.

Fixed asset turnover ratio

Measures the capacity utilization and the quality of fixed asses. This ratio express no of time fixed assets are being turned over. This ratio shows relation between sales and fixed asset. This ratio shows how well the fixed asset are being used in the business. higher the ratio, better the performance.

$$\textbf{Fixed asset turn over ratio} = \frac{\textbf{Net sales}}{\textbf{Sales asset}}$$

Working capital turn over ratio

This ratio provides information about how efficiently the working capital is rotated in the business within a period of one year. The higher the ratio the greater would be the operational efficiency of the business in utilizing the short term funds.

$$\textbf{Working Capital Turnover} = \frac{\textbf{Net sales}}{\textbf{Working capital}}$$

STOCKTURN OVER RATIO

This ratio measures the stock in relation to turnover in order to determine how often the stock turns over on the business.It indicates the effiency if the firm in selling its product.It is calculated by dividing the costof goods sold by the average inventory.

Stock TurnOver Ratio=Cost Of Goods Sold/The Average Inventory.

LEVERGE RATIO

This ratios measure the owned contribution to the business in relation with outsiders contribution.It measured with the helping the following ratios :

Debt Equity Ratio

This ratio indicates the extent to which debt is covered by shareholders fund.It reflects the relative position of the equity holders and the lenders and indicates the company policy on the mix of capital funds.The debt to equity ratiois calculated as follows :

Debt Equity Ratio = Long Term Debt /Share Holder Fund

Solvency Ratio

It is one of the many ratios used to measure a company ‘s ability to meet long term obiligations.The solvency ratio measures the size of a company after tax income excluding non cash depreciation expenses,as compared to the firm’s total debt obligations.it provides a measurement of how effective a company will be to continue meeting its debt obligations.

Solvency Ratio = Total Liability To Outsiders / Total Assets.

CONCLUSION

Ratio analysis is a powerful tool of financial analysis .It is used as a device to analyse and interpret the financial health of the firm.Analysis af financial statement with the aid of ratios helps to management in decision making and control.Ratio analysis is used by creditors,banks,financial institution,investors and share holder.Thus ratio analysis is of immune use and has wide application.

ANALYSIS AND INTERPRETATION

Profitability Ratio

GROSS PROFIT RATIO

$$\textit{Gross profit ratio} = \frac{\textit{Gross profit}}{\textit{Net sales}} * 100$$

Table No: 4.1

Gross profit ratio during 2008-09 to 2011-12

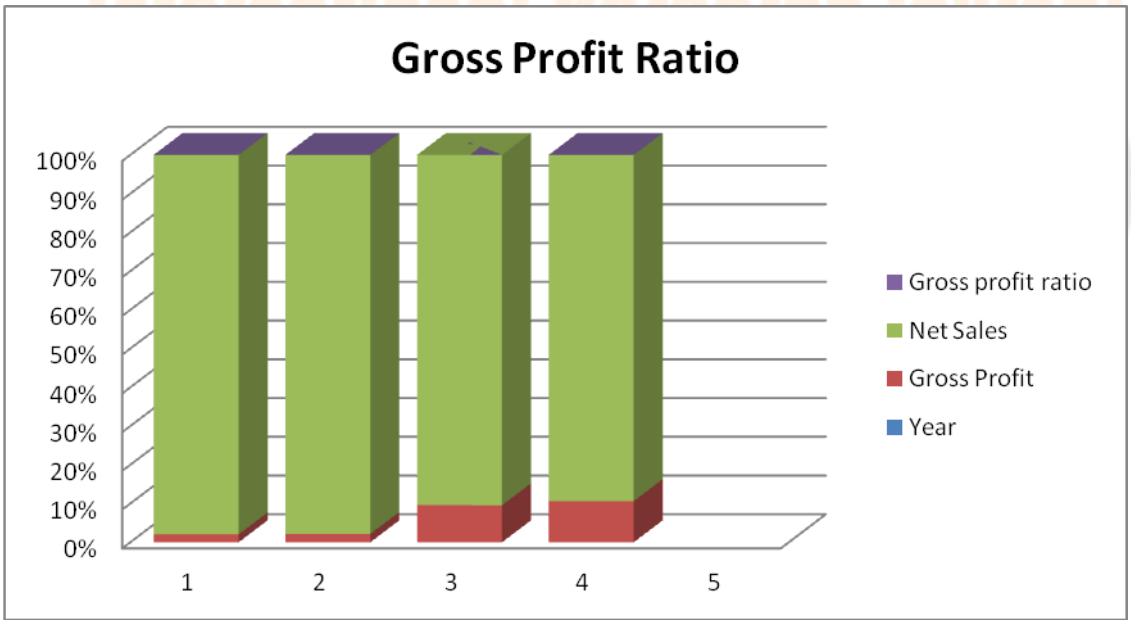
Year	Gross Profit	Net Sales	Gross profit ratio
2008-2009	1766488	85148406	2.07
2009-2010	1894584	86005320	2.20
2010-2011	8337222	78806698	1.06
2011-2012	14891234	125395574	1.88

Inference :

The above analysis table shows the gross profit ration was high in 2009-2010.It shows the high profitability in 2009-2010.It was declined in the following years.The company should take action to decrease the expenses and to increase the Net Sales.

Chart No. 1

GROSS PROFIT RATIO



INTERPRETATION

The above analysis graph clearly presents the position of the Gross profit Ratio during this period.

NET PROFIT RATIO

$$\textit{Net Profit Ratio} = \frac{\textit{Net profit after tax}}{\textit{Net sales}} \textit{ X 100}$$

Table No: 4.2

Net profit Ratio during 2008-09 to 2011-12

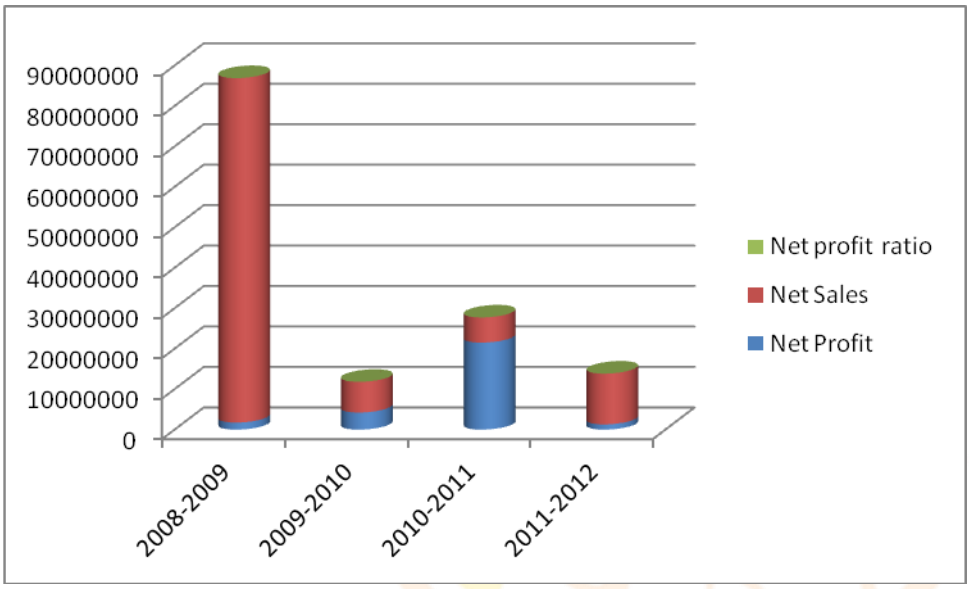
Year	Net Profit	Net Sales	Net profit ratio
2008-2009	1746838	85148406	2.05
2009-2010	4226952	7580698	1.22
2010-2011	21517692	6205320	2.00
2011-2012	1297870	12539574	2.50

INFERENCE

The above analysis taken shows the net profit ratio was very low in 2009-2010.Then it increase to following years and then it reaches the high ration in 2011-2012.It clearly shows the Net Profit Ratio is in gradual growth position.The company should keep up the standards.

Chart No.2

NET PROFIT RATIO



INTERPRETATION

The above analysis graph clearly presents the position of the Net Profit Ratio during period.

OPERATING PROFIT RATIO

Table No: 4.3

Operating Profit Ratio during 2008-09 to 2011-12

Year	Operating profit	Net Sales	Operating profit ratio
2008-2009	4673645	85148406	2.49
2009-2010	2714559	86005320	2.16
2010-2011	1221543	125395514	0.97
2011-2012	4344290	78806698	1.51

INFERENCE

The above analysis table shows the operating profit ratio was high in2008-2009.Then it decreases the following years and then it increases in 2011-2012.It clearly shows the operating profit ratio is in fluctuating level.The company should take action to reduce the operating expenses and keep up the standards in Net Sales.

Chart No. 3

Operating Profit Ratio during 2008-09 to 2011-12

_ The above analysis graph clearly presents the position of the Operating Profit Ratio during this period.

OPERATING RATIO

Table No :4.4

Operating Ratio during 2008-09 to 2011-12

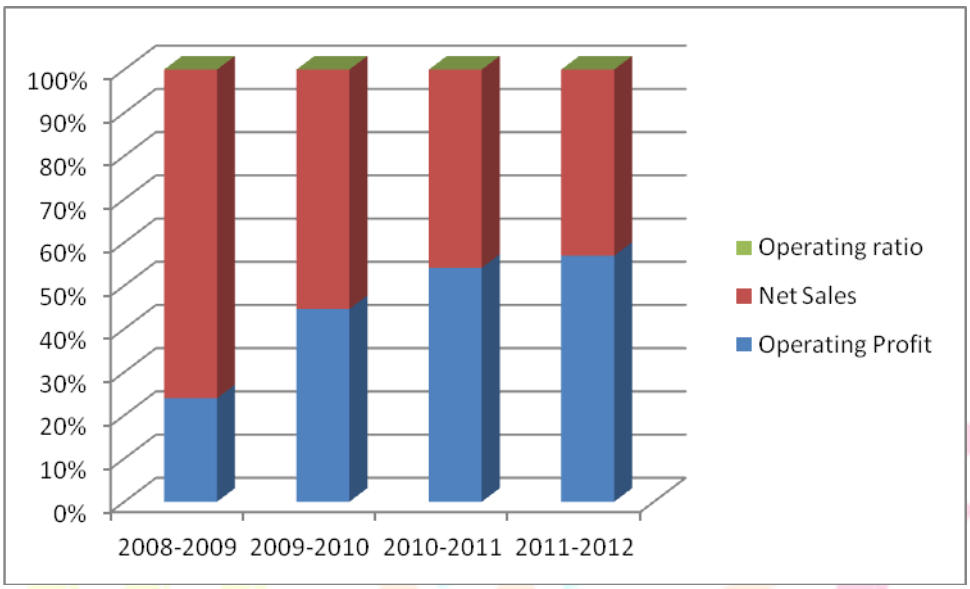
Year	Operating Profit	Net Sales	Operating ratio
2008-2009	2680589	8514806	3.14
2009-2010	6282927	7806698	4.48
2010-2011	10152013	8605320	1.17
2011-2012	16570442	12539574	3.24

INFERENCE

The above analysis table shows the operating ratio is high in 2009-2010.Then it decreasing in the next year 2010-2011.Then it increase in the next year It clearly shows the operating ratio is the fluctuating level.

Chart -4

Operating ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the operating profit during this period..

CURRENT RATIO

$$\textit{Current Ratio} = \frac{\textit{Current asset}}{\textit{Current Liability}}$$

Table No : 4.5

Current Ratio during 2008-09 to 2011-12

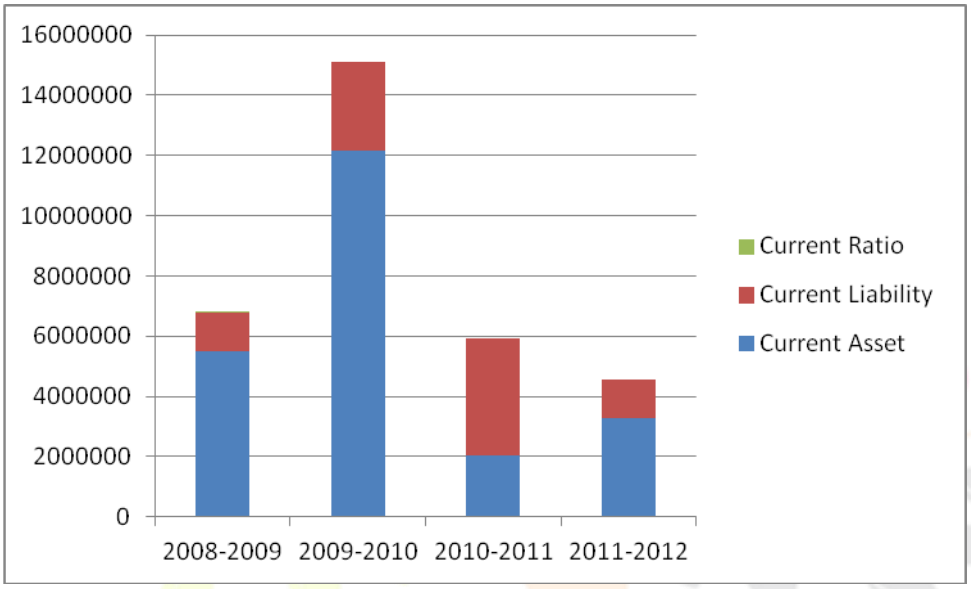
Year	Current Asset	Current Liability	Current Ratio
2008-2009	5508257	1257989	2.38
2009-2010	12163639	2962353	2.10
2010-2011	2030869	3913805	0.52
2011-2012	3286869	1274403	2.58

INFERENCE

The above analysis table shows the high current ratio in 2011-2012.the stamdard norm for current ratio is 2:1.The company met the standard norm 2008-2009 and 2011-2012.It indicates the company keep uo the satandard position in curreny asset and current liability.

Chart No. 5

Current ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the Current Ratio during period.

LIQUIDITY RATIO

Table No : 4.6

Liquidity Ratio during 2008-09 to 2011-12

Year	Liquidity Asset	Liquidity Liability	liquidity ratio
2008-2009	1140720	1374629	0.82
2009-2010	8933454	10985871	0.81
2010-2011	3207386	6748736	0.47
2011-2012	8421605	14152558	0.59

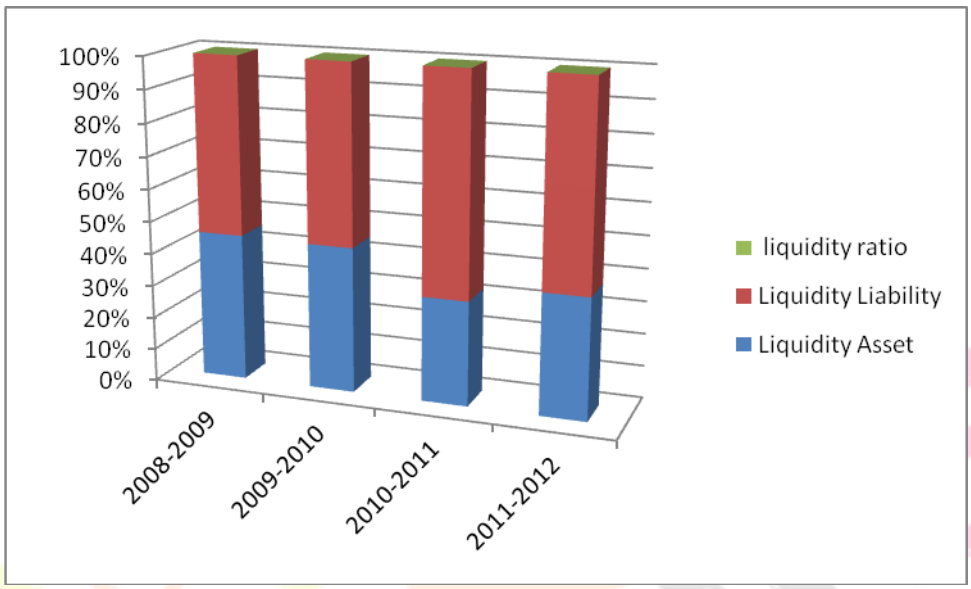
INFERENCE

The above analysis table show the liquidituy ratio was high in 2008-2009.Then it started decreasing.The standard norm of liquidity ratio is 1:1.the liquidity ratio of this company didn't meet the

standard norm during this period.So it is inferred that the performance of liquidity ratio is need to be improved up to the standard level.

Chart No. 6

Liquidity Ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the liquidity ratio during period.

CAPITAL TURNOVER RATIO

Table No : 4.7

Capital Turnover ratio During 2008-09 to 2011-12

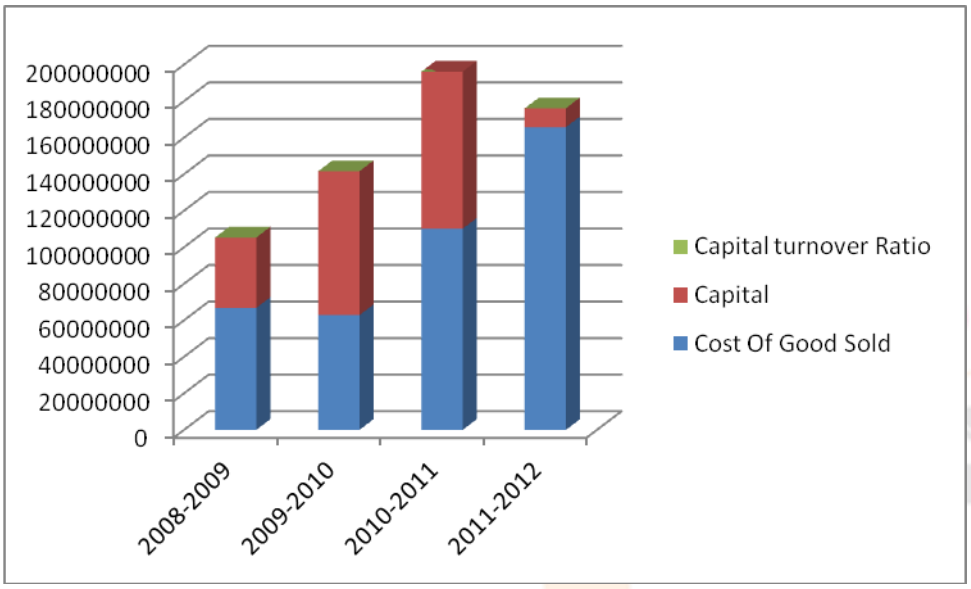
Year	Cost Of Good Sold	Capital	Capital turnover Ratio
2008-2009	66805899	38514806	1.73
2009-2010	62829277	78806698	0.80
2010-2011	110152013	86005320	1.28
2011-2012	165770442	10255008	1.32

INFERENCE

The above analysis table shows the capital turnover ratio was high in (1.73) unto 2008-2009.Then it decreasing the next year and then it increase up to 1.32 %.The companies capital turnover is in fluctuating level.

Chart No. 7

Capital Turnover ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the capital turn over ration during this period.

FIXED ASSETS TURNOVER RATIO

$$\textit{Fixed asset turnover ratio} = \frac{\textit{Net sales}}{\textit{Fixed asset}}$$

Table No: 4.8

Fixed asset turn over ratio during 2008-09 to 2011-12

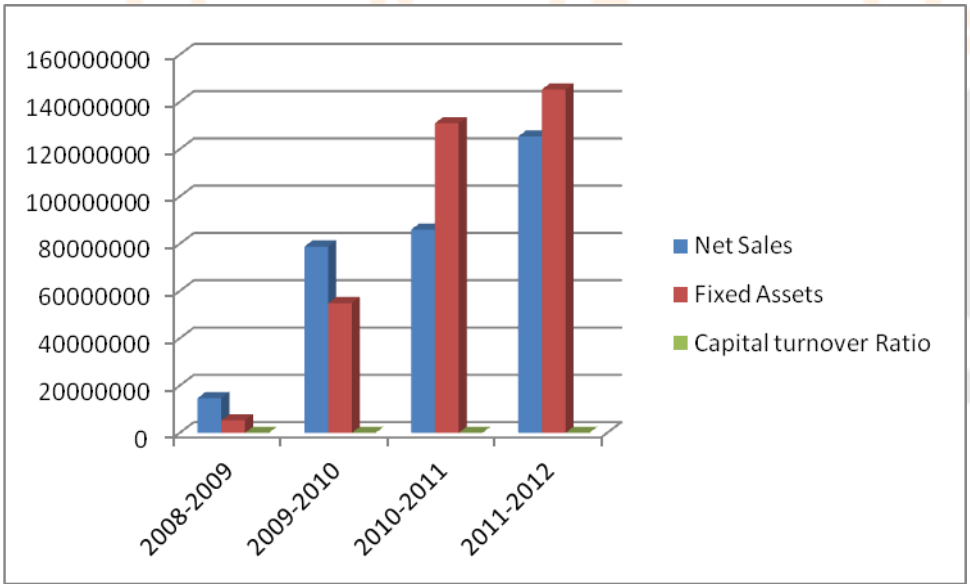
Year	Net Sales	Fixed Assets	Capital turnover Ratio
2008-2009	14680099	5268863	2.78
2009-2010	78806698	54877544	1.44
2010-2011	86005320	131009957	0.65
2011-2012	125345574	145291051	0.86

INFERENCE

The above analysis table shows fixed asset turnover ratio was very high in the year of 2008-2009.Then the ratio was decreases in the following years, because the company buy machinery in 2009-2010 and following year .So the company take action to utilize the new machinery in the standard way.

Chart No. 8

Fixed Asset Turnover Ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the fixed asset turnover ratio

WORKING CAPITAL TURNOVER RATIO

$$\textit{Working Capital Turnover} = \frac{\textit{Net sales}}{\textit{Working Capital}}$$

Table No: 4.9

Working Capital Turnover Ratio during 2008-09 to 2011-12

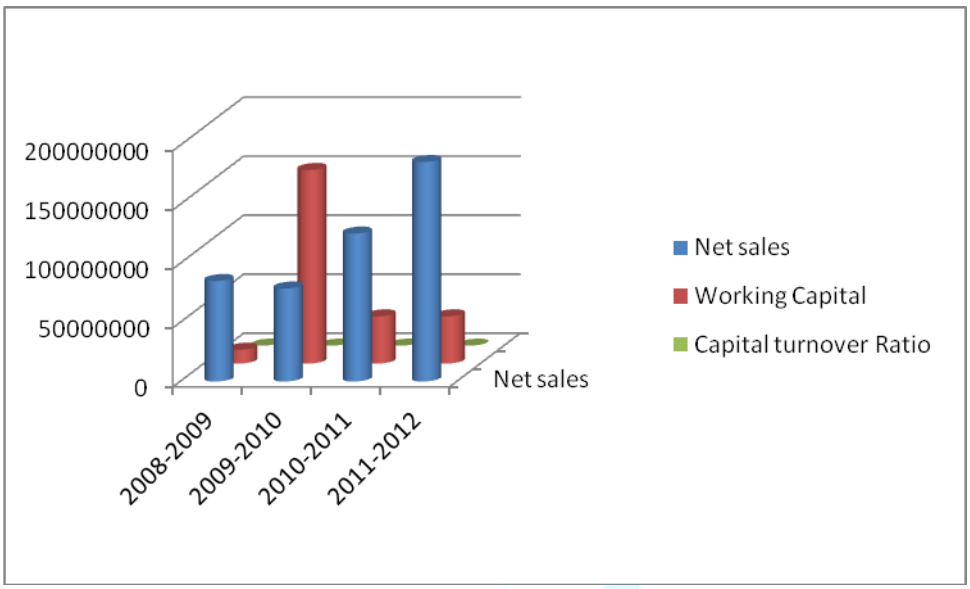
Year	Net sales	Working Capital	Capital turnover Ratio
2008-2009	85148406	11712600	2.26
2009-2010	78806698	164080000	2.80
2010-2011	125395574	40000000	3.13
2011-2012	186005320	40000000	4.65

INFERENCE

The above analysis table shows the working capital turn over ratio is high in 2011-2012 from 2008-2009,to 2009-2010,the working capital turn over ratio is in gradual growth position.It is inferred that the working capitalnisnin balancedposition during this period.

Chart – 9

Working Capital turnover ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the Working Capital turnover ratio

TOTAL ASSET TURNOVER RATIO

$$\textit{Total Asset Turnover} = \frac{\textit{Net sales}}{\textit{Total asset}}$$

Table No: 4.10

Total Asset Turnover Ratio during 2008-09 to 2011-12

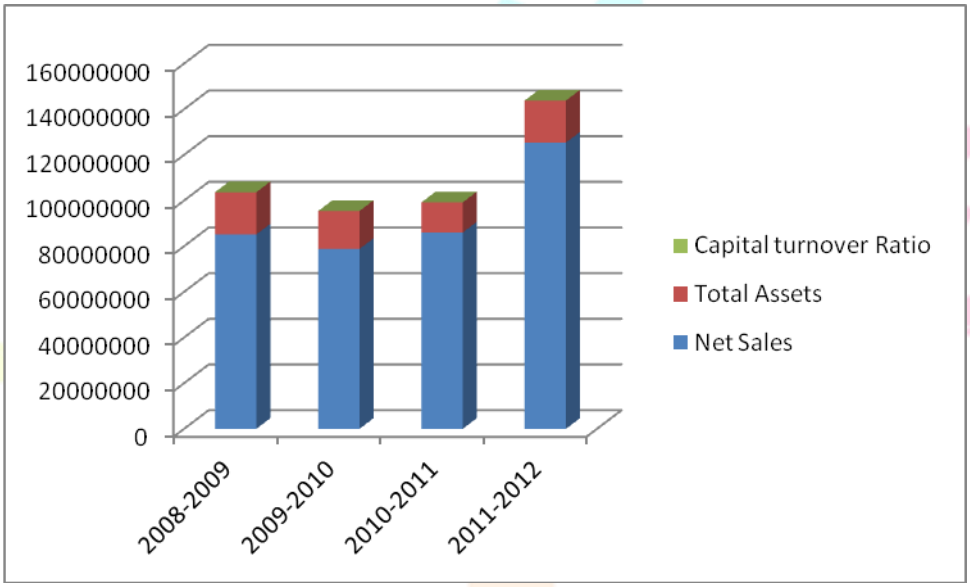
Year	Net Sales	Total Assets	Capital turnover Ratio
2008-2009	85148406	18508257	2.60
2009-2010	78806698	16633639	2.74
2010-2011	86005320	13207386	4.51
2011-2012	125395574	18421605	4.81

INFERENCE

The above analysis table shows the total asset turn over ratio was high in the year of 2011-2012.According to the standard norm fixed asset turn over ratio was high.It is inferred that the performance of the company in total asset turn over ratio is good because it is in uo surge level.

Chart No. 10

Total Asset turn over ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the Total Asset turnover ratio

DEBTORS TURNOVER RATIO

$$\textit{Debtors turnover ratio} = \frac{\textit{Net sales}}{\textit{Sundry debtors}}$$

Table No : 4.11

Debtors Turnover Ratio during 2008-09 to 2011-12

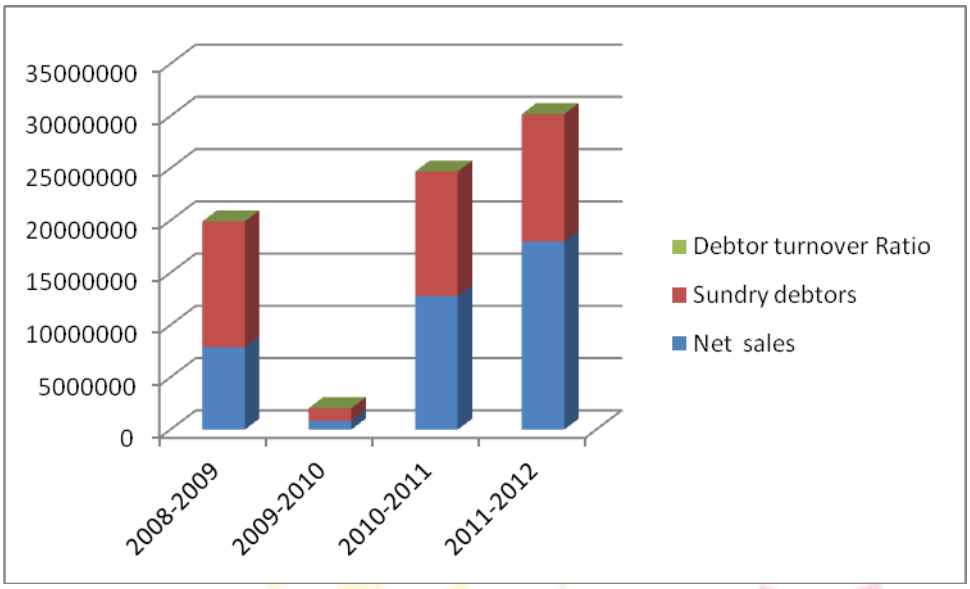
Year	Net sales	Sundry debtors	Debtor turnover Ratio
2008-2009	7880698	12040219	0.65
2009-2010	872768	1181091	0.74
2010-2011	12794719	11898697	1.08
2011-2012	17993643	12184861	1.48

INFERENCE

The above analysis table shows the debtors turnover ratio was high in the year 2011-2012.According to the standard norms,the very high ratio converyed quick payments.So it is inferred that the performance of the factory in debtor's side is good.

Chart No. 11

Debtors Turnover Ratio during 2008-09 to 2011-12



The above analysis graph clearly presents the position of the Debtor Turnover ratio

CHAPTER – V

FINDINGS, SUGGESTION
&
CONCLUSION

5.1 FINDINGS

i) Gross Profit Ratio is in Fluctuating level.

ii) Net Profit Ratio is in increasing level.

iii) Operating Profit Ratio is in fluctuating level.

iv) Operating ratio is in fluctuating level

v) Current Ratio is in Fluctuating level.

vi) Liquidity Ratio is in fluctuating level.

vii) Capital TurnOver Ratio is in fluctuating level.

viii) Fixed Asset TurnOver Ratio is in decreasing level.

ix) Working Capital TurnOver Ratio is in increasing level.

x) Total Asset TurnOver Ratio is in increasing level.

xi) Debtors TurnOver Ratio is in increasing level.

5.2 SUGGESTIONS

Over all financial Performance Of the CPC Pvt.Ltd is Exceed Year 2008-2009.The Company Should concentrate more on Fixed Asset Turn Over Ratio ..

5.3 CONCLUSION

The Present Study is an attempt to evaluate the financial performance of the CPC PVT LTD. This Provides large employement opportunities to the rural people as well as uplifting the standard of living of the rural economically backward.

The Financial Statement published and unpublished records of the CPC PRIVATE LIMITED provided sufficient information. The study reveals that the financial performance of CPC (IRON CASTING) is very good to the get of knowledge of study. They are requested to develop their industry by increasing facts of production such as land ,capital and organiser.

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