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Research Article

A STUDY ON FINANCIAL PERFORMANCE OF SHESHAYEE PAPERS AND BOARD LTD., PALLIPALAYAM,

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Abstract

Finance is a life blood of any business. Financial analysis plays a vital role in any organization.Finance is the one of the basic foundation of all kinds of economic activities. It is the master key which provides access to all the sources for being employed in manufacturing and merchanding activities. However it is also true that money begets more money, only when it is properly managed. Hence efficient management of every business enterprise is closely linked with efficient management of its finance. Profit is the dominant goal in any business and profit making needs to be the main objective in the term of which the general effectiveness of the organization is measured. This study tries to understand the financial position of the company. For this various technique used and able to identify the financial strength and weakness of the firm.

Keywords: Finance, profit, ratio analysis

Introduction

In our present day economy finance is defined as the provision of money at the time when required. Every enterprise whether big, medium or small needs finance to carry on its rightly said that its operations and to achieve its target. In fact finance is so indispensable today, that its rightly said that it is the lifeblood of an enterprise. Without adequate finance no enterprise can possibly accomplish its objectives. Profit is the dominant goal in any business and profit making needs to be the main objective in the term of which the general effectiveness of the organization is measured. At the same time one cannot deny the social responsibilities of industry to provide employment and satisfy the consumer needs with due regard to employee interests, community welfare and other social values.But the monetary consequences are still the paramount consideration in business affairs . managers must make money if a concern is to stay in business and the broad objectives of a business is ordinarily expressed in term of profit for the year based on a certain volume of sales at an estimated cost and selling price.

Profit is reward for a successful business venture. These earnings are the funds from which dividends are paid to yield a suitable cash flow return on the risk money provided by investors Profit, earnings and growth are unobtainable without appropriate finance.

Finance:

Finance is regarded as the life blood of a business enterprise. This is because in the modern money oriented economy, Finance is the one of the basic foundation of all kinds of economic activities. It is the master key which provides access to all the sources for being employed in manufacturing and merchanding activities. However it is also true that money begets more money, only when it is properly managed. Hence efficient management of every business enterprise is closely linked with efficient management of its finance.[1]

Importance of the study

The subject matter of financial management is of immense interest both to academicians and practical manager. It needs special attention because of the complexities involved in managing cash in the present day industrial setup. The important aspect is the estimation of much of finance business organization requires and for what purpose. The most important area of financial management is the analysis the financial performance. The business firm requires sufficient cash to meet its day to day expenditure on wages, salaries, rent, advertisement etc.,

A paper industry occupies pivotal position in the economy. The management of working capital assures more significance due to the changes in structure and position of paper industry. The paper industry of the company is located in pallipalayam in erode district.

Objectives of the study

The goal of working capital management is to maintain a satisfactory level of working capital by effectively managing the current asset and current liabilities of a concern.

The objectives for which the study has been undertaken are:

- To estimate working capital management of Seshayee paper and board over working capital management.

- To study the financial performance of Seshayee paper and board Ltd.,
- To estimate the liquidity and long term solvency position of Seshayee paper and board Ltd.,
- To judge the profitability and turn over situation of the Seshayee paper and board Ltd.,

Research methodology

Research could be understood as an organized activity with specific focus objective on a problem or issue supported by compilation of related data and facts, involving application of relevant tools of analysis and deriving logically sound inferences based on originality[2].

Area of study

The study was done in finance department of Seshayee paper and board Ltd., In the topic of "A study on financial performance of company".[2]

Sources and collection data

The study is fully based on secondary data. The data consists of audited annual reports and official records of the study units[7]. Further details are collected from books. Financial tools viz. Ratio analysis was used to analyze the working capital, data were tabulated and edited to draw inference.

LiquidityRatio

These ratios are also termed as "working capital" or short term solvency ratios. Liquidity ratios measure the firm's ability to pay its obligations as and when they become due. They show whether the firm can pay its short term obligation out of short term resources are not . Liquidity ratios establish relationship between cash and other current asset to current obligations. The data for these ratios is available from balance sheet. Hence, liquidity ratios can be called as balance sheet ratios[3]

It is the ratio of current asset and current liabilities. As the ratio is connected with the working capital it is also called working capital. It includes the following:

a) Current ratio
b) Quick ratio

A) Current Ratio:

It is a quantitative relationship between currents asset and current liabilities and indicates an enterprise ability to meet the current obligations as expressed in terms of current liabilities. Current asset refer to liquid resources and must be sufficient enough to pay current liabilities. This ratio is calculated as

Current ratio = Current asset / Current liabilities

The term current asset refers to assets which the normal course of business get converted in to cash over short period. Usually not exceeding one year. Current asset include inventory, sundry debtors, cash and bank balances, bills receivables, prepaid expenses and others.

The term current liabilities are those which are required to be paid in a short period normally a per year. current liabilities includes sundry creditors , bills payable, bank overdraft, outstanding expenses and interest due or payable [3,4]

TABLE 4.1
CURRENT RATIO

(Amount in lakhs)

Years	Current Assets	Current Liabilities	Current Ratio
2011-2012	32,341.28	30,820.52	1.05
2012-2013	35,668.13	45,297.92	0.79
2013-2014	36,275.71	39,454.46	0.92
2014-2015	38,374.68	42,395.98	0.91
2015-2016	37,374.57	39,353.26	0.95

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation

The above table reveals, the Current Ratio of the Company observed during the study period. In the year 2011-2012 the Current Ratio is maximum by 1.05 and minimum by 0.79 in the year 2012-2013. The ideal ratio of the current ratio is 2:1 but the above table shows that for all the years the current ratio is lesser than the ideal proposition.

B) **QUICK RATIO**

The ratio is also termed as Acid Test Ratio or Quick Ratio. The ratio is ascertained by comparing the liquid assets i.e., current assets (excluding stock and prepaid expenses) to current liabilities. It is expressed as follows:

Liquidity Ratio = Liquid Assets / Current Liabilities

This ratio is an indicator of the liquid position of an enterprise. Generally, a liquid ratio of 1:1 is considered as ideal as the firm can easily meet all current liabilities.[3]

TABLE 4.2
LIQUIDITY RATIO

(Amount in □ lakhs)

Years	Liquidity Assets	Current Liabilities	Liquidity Ratio
2011-2012	□ 23,596.72	□ 30,820.52	0.77
2012-2013	□ 26,803.87	□ 45,297.92	0.59
2013-2014	□ 24,899.99	□ 39,454.46	0.63
2014-2015	□ 24,753.41	□ 42,395.98	0.58
2015-2016	□ 25,808.88	□ 39,353.26	0.66

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals, the Liquidity Ratio of the Company observed during the study period. In the year 2011-2012 the Liquidity Ratio is maximum by 0.77 and minimum by 0.58 in the year 2014-2015. The ideal liquidity ratio is 1:1 but all the years the liquidity ratio is lesser than the ideal proposition.

C) **ABSOLUTE LIQUID RATIO**

The ratio is also termed as Absolute Liquid Ratio or Cash Position Ratio. The ratio is ascertained by comparing the Absolute liquid assets i.e., Cash in hand, Cash at Bank, Market Securities to current liabilities. This ratio is an indicator of the Cash position of an enterprise[4]

It is expressed as follows:

Absolute Liquid Ratio = Absolute Liquid Assets / Current Liabilities

TABLE 4.3
ABSOLUTE LIQUID RATIO

(Amount in □ lakhs)

Years	Absolute Liquid Assets	Current Liabilities	Absolute Liquid Ratio
2011-2012	□ 648.96	□ 30,820.52	0.02
2012-2013	□ 7,397.82	□ 45,297.92	0.16
2013-2014	□ 2,958.73	□ 39,454.46	0.07
2014-2015	□ 1,031.26	□ 42,395.98	0.02
2015-2016	□ 1,038.90	□ 39,353.26	0.03

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals, the Absolute Liquid Ratio of the Company observed during the study period. In the year 2012-2013 the Absolute Liquid Ratio is maximum by 0.16 and minimum by 0.02 in the year 2011-2012. The ideal liquidity ratio is 0.75:1 but all the years the absolute liquidity ratio is lesser than the ideal proposition.

DEBT-EQUITY RATIO

Debt-equity ratio is the relation between borrowed funds and owners' capital in a firm, it is also known as external-internal equity ratio. The debt-equity ratio is used to ascertain the soundness of long-term financial policies of the business.[3,4] It is expressed as follows:

Debt - Equity Ratio = Total Long - term Debt / Shareholder's Funds

TABLE 4.4

DEBT-EQUITY RATIO

(Amount in □ lakhs)

Years	Total Long Term Debt	Shareholder Fund	Debt Equity Ratios
2011-2012	□ 8,905.64	□ 31,061.07	0.29
2012-2013	□ 19,408.32	□ 36,324.16	0.53
2013-2014	□ 19,310.62	□ 38,412.89	0.50
2014-2015	□ 15,757.48	□ 39,299.28	0.40
2015-2016	□ 15,744.08	□ 42,097.76	0.37

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals, the Debt Equity Ratio of the Company observed during the study period. In the year 2012-2013 the Debt Equity Ratio is maximum by 0.53 and minimum by 0.29 in the year 2011-2012.The ideal debt equity ratio is 1 i.e. the external equity is equal to its internal equity. The company did not reach the exact debt equity position.

PROPRIETARY RATIO: This ratio is a variant of debt-equity ratio which establishes the relationship between shareholders' funds and total assets.[3] It is expressed as follows:

Proprietary Ratio = Shareholder's Funds / Total Assets

TABLE 4.5
PROPRIETARY RATIO

(Amount in □ lakhs)

Years	Shareholder Fund	Total Tangible Assets	Proprietary Ratios
2011-2012	□ 31,061.07	□ 44,838.92	0.69
2012-2013	□ 36,324.16	□ 71,059.12	0.51
2013-2014	□ 38,412.89	□ 66,462.40	0.58
2014-2015	□ 39,299.28	□ 64,711.57	0.61
2015-2016	□ 42,097.76	□ 62,401.05	0.67

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals, the Proprietary Ratio of the Company during the study period. It expresses the relationship between the proprietor's funds and the total tangible assets. A high proprietary ratio indicates safety to the creditors and a low ratio shows greater risk to the creditors. A ratio below 0.50 is alarming for the creditors. In the year 2011-2012 the Proprietary Ratio is maximum by 0.69 and minimum by 0.51 in the year 2012-2013. It Shows that all the years the ratio is higher than 0.50 and company is in safe positions.

GROSS PROFIT RATIO (GPR)

Gross profit ratio expresses the relationship of gross profit to net sales or turnover. Gross profit is the excess of the proceeds of goods sold and services rendered during a period over their cost, before taking into account administration, selling and distribution and financing charges.[5] It is expressed as follows:

Gross Profit Ratio= Gross Profit / Net Sales x 100

TABLE 4.6
GROSS PROFIT RATIO (GPR)

Years	Gross Profit	Net Sales	Gross Profit Ratio
2011-2012	□ 7,922.00	□ 61,141.78	12.96
2012-2013	□ 6,561.00	□ 83,355.13	7.87
2013-2014	□ 9,021.00	□ 1,01,337.69	8.90
2014-2015	□ 5,470.00	□ 1,01,411.90	5.39
2015-2016	□ 7,903.00	□ 1,03,149.95	7.66

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation: The above table reveals, the Gross Profit Ratio observed during the study period. The results reveals that there fluctuation in the study period, This shows the fluctuation in the gross profit ratio is the result of a change made either in 'sales' or the 'cost of goods sold' or in both.

NET PROFIT RATIO (NPR)

It indicates the net margin earned in a sale of 100. Net profit is arrived at from gross profit after deducting administration, selling and distribution expenses; non-operating incomes, such as dividends received and non-operating expenses are ignored, since they do not affect efficiency of operations. [5] It is expressed as follows:

Net Profit Ratio = Net Profit / Net Sales x 100

TABLE 4.7
NET PROFIT RATIO (NPR)

(Amount in □ lakhs)

Years	Net Profit	Net Sales	Net Profit Ratios
2011-2012	□ 3,409.54	□ 61,141.78	5.58
2012-2013	□ 2,051.37	□ 83,355.13	2.46
2013-2014	□ 2,679.03	□ 1,01,337.69	2.64
2014-2015	□ 1,734.64	□ 1,01,411.90	1.71
2015-2016	□ 3,557.55	□ 1,03,149.95	3.45

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals, the Net Profit Ratio of the Company observed during the study period. In the year 2011-2012 the Net Profit Ratio is maximum by 5.58% and minimum by 1.71% in the year 2014-2015.This show the company's net profit is somewhat satisfactory.

RETURN ON INVESTMENT

This ratio is also known as overall profitability ratio or return on capital employed. Operating profit means profit before interest and tax. Capital employed comprises share capital and reserves and surplus, long-term loans minus non-operation assets and fictitious assets. It can also be represented as net fixed assets plus working capital (i.e. current assets minus current liabilities).It shows how much the company is earning on its investment.[5] It is expressed as follows:

Return on Investment = Net Operating Profit / Capital Employed x 100

TABLE 4.8

RETURN ON INVESTMENT

(Amount in lakhs)

Years	Net Operating Profit	Capital Employed	Return on Investment
2011-2012	4,495.54	47,095.04	9.55
2012-2013	1,647.00	61,853.07	2.66
2013-2014	4,123.92	64,345.13	6.41
2014-2015	2,541.18	62,157.27	4.09
2015-2016	5,027.99	65,567.93	7.67

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals, the Return on investment of the Company observed during the study period. In the year 2011-2012 the Return on investment is maximum by 9.55% and minimum by 2.66% in the year 2012-2013. This shows the success of the business from the shareholder's point of view.

CAPITAL TURNOVER RATIO

This ratio shows the efficiency of capital employed in the business.[5] It is expressed as follows:

Capital Turnover Ratio = Net Sales / Capital Employed

TABLE 4.9

CAPITAL TURNOVER RATIO

(Amount in lakhs)

Years	Net Sales	Capital Employed	Capital Turnover Ratio
2011-2012	61,141.78	47,095.04	1.30
2012-2013	83,355.13	61,853.07	1.35
2013-2014	1,01,337.69	64,345.13	1.57
2014-2015	1,01,411.90	62,157.27	1.63
2015-2016	1,03,149.95	65,567.93	1.57

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

From the above table reveals, the Capital turnover Ratio of the Company and that are observed during the study period. Higher ratio indicates higher efficiency and lower ratio indicates ineffective usage of capital. In the year 2014-2015 the Capital turnover Ratio is maximum by 1.63 times and minimum by 1.30 times in the year 2011-2012. There is no vase different in the study period as the efficiency of capital is used.

FIXED ASSETS TURNOVER RATIO

This ratio indicates the number of times fixed assets are being turned over in a stated period. It is expressed as follows:

Fixed Assets Turnover Ratio = Net Sales / Net fixed Assets

This ratio is an indicator of the extent to which investment in fixed assets contributes to generate sales. The fixed assets are to be taken net of depreciation. The higher is the ratio the better is the performance.[4]

TABLE 4.10
FIXED ASSETS TURNOVER RATIO

(Amount in lakhs)

Years	Net Sales	Fixed Assets	Fixed Asset Turnover Ratio
2011-2012	61,141.78	45,574.28	1.34
2012-2013	83,355.13	71,482.86	1.17
2013-2014	1,01,337.69	67,523.58	1.50
2014-2015	1,01,411.90	66,178.57	1.53
2015-2016	1,03,149.95	67,546.56	1.53

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals the fixed assets turnover Ratio of the Company observed during the study period. Higher the ratio more is the efficiency in utilization of fixed assets and lower ratio is the indication of underutilization of fixed assets. In the year 2015-2016 the fixed assets turnover Ratio is maximum by 1.53 times and minimum by 1.17 times in the year 2012-2013.

WORKING CAPITAL TURNOVER RATIO

This ratio shows the number of times working capital is turned-over in a stated period. It indicates to what extent the working capital funds have been employed in the business towards sales.[6] It is expressed as follows:

Working Capital Turnover Ratio = Net Sales / Working Capital

TABLE 4.11
WORKING CAPITAL TURNOVER RATIO

(Amount in ₹ lakhs)

Years	Net Sales	Working Capital	Working Capital Turnover Ratio
2011-2012	₹ 61,141.78	₹ 1,520.76	40.20
2012-2013	₹ 83,355.13	-₹ 9,629.79	-8.66
2013-2014	₹ 1,01,337.69	-₹ 3,178.45	-31.88
2014-2015	₹ 1,01,411.90	-₹ 4,021.30	-25.22
2015-2016	₹ 1,03,149.95	-₹ 1,978.69	-52.13

Source: Secondary Data (Annual report 2011-2012 to 2015-2016)

Interpretation:

The above table reveals, the Working Capital turnover Ratio of the Company is a drastically decreased result due to the higher investment of working capital and lesser profit during the study period it indicates to what extend working capital funds have been employed in business. This show the ratios are in negative trends.

Findings

1. The Seshasayee Paper & Boards limited has a good organization structure.
2. Overall Liquidity position of Seshasayee Paper & Boards limited as per liquidity ratios are quite satisfactory.
3. The ideal current ratio is 2:1 but the company's current ratio for all the year is lesser than ideal proposition. This shows that the company is not enjoying credit worthiness.
4. Absolute liquid ratio is lesser than the ideal proposition in all the year.
5. Proprietary ratio of the company during the study period is greater than 0.5 and company is in safe position because higher ratio indicates safety to the creditors.

6. The net profit of the company during the study periods are somewhat consider to satisfactory level.

7. Dividend yield Ratio reveals that the company's decision of investors who are more concerned about returns on their investment rather than its capital appreciation.

8. The company efficiently utilizing its inventory because there is no poor sales or excess inventory.

9. The expenses during the study period increasing consistently. The ratios are in increasing trends. The Shareholders of the company are earning good profits

10. The working capital turnover ratio of the company is drastically decreased result due to higher investment of working capital and lesser profit during the study period. It indicate to what extend working capital funds have been employed in business this show negative trends.

Suggestions

The Net profit of the company is satisfactory level but the company has to take some action as the company should revise the price of the product to attain more profits.

1. Current Status of Seshasayee Paper & Boards limited Paper quality is good in the market but there is much opportunity to improve brand & Product range in market because there is a demand for the paper in Indian Market, Especially for South Indian Paper based industry this will guide them to enhance their sales volume.

2. Necessary Care Should be taken to increase the liquidity position of the company.

3. The Company should reduce the money blocked in Sundry debtors.

4. The Company Should take steps to increase its equity level which are comparatively low than borrowings.

5. The Company should improve the working capital position as of its been in negative trend during the study.

6. The Company should now give more important to exports because it provides good sales realization but also on export benefits to the nations.

7. Paper is truly recyclable and bio-degradable; therefore, the Company should be dependent on agro-forestry. Under agro-forestry the pulp wood trees are harvested after 5 years whereas as the number of trees planted are more than those harvested.

Conclusion

With the help of above analysis and interpretations came to the conclusion that Seshasayee Paper & Boards limited is a moderate organization. The study reveals that the financial performance is quite satisfactory. The financial analysis shows that company has good market reputations and at the same time it is contributing to the wealth of society. The Company has an excellent product range and the best quality to offer the customers. By virtue of the Company's diverse product range, it services institutional and retail segments. Despite price drops in various products, the company has been able to maintain and grow its market share to make strong margins in market, contributing to the strong financial position of the company. Assuming the economic conditions remain favourable, the Company and its team have a strong outlook to the future and further success of the Seshasayee Paper & Boards limited.

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