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A Study on Financial Performance of Reydel Automotive India Pvt Ltd, Chennai

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Abstract : The study aim is to analysis the capital structure, long term financial, profitability, liquidity and asset management position of the company using the financial ratio, comparative balance sheet, and trend analysis. The study has given the following important findings such as the company faces loss in the year 2011-2012 and in the year 2012-2013 the net profit was 9.41 so it shows there is as lightly fluctuation in the return on shareholder's fund, in the return on equity capital in the year2011 it shows (18.62) and in theyear2012 it shows 44.89. So here is important in maintain the equity capital, the sundry debtors is higher which is known to be more efficient to the management of the credit and it shows the decrease in year to year which means not utilizing the company debtor's efficiency. The study also that there is a good fluctuation in the liquid ratio from the year 2011-2014but in the year 2011-2012 the ratio shows 3.39 which is more than ideal ratio(2.0)and which is bad fluctuation for the company. It also shows that the company maintain good debtor's turnover ratio. The proprietors fund in the all year the contribution to the total assets was appropriate and it shows a firm is maintaining the better utilization of own funds. During all the study period year the relationship between sales to total asset is high and there is continuous fluctuation in the reverse to equity capital. The study not only throws on the financial position of a firm but also serves as a stepping stone to remedial measures for Reydel Automotive India Pvt Ltd.
Key Words : Financial, profitability, liquidity, asset management position, debtor's efficiency

I. INTRODUCTION

Finance is the life-blood of business. It is rightly termed as the science of money. Finance is very essential for the smooth running of the business .Finance controls the policies, activities and decision of every business."Finance is that business activity which is concerned with the organization and conversation of capital funds in meeting financial needs and overall objectives of a business enterprise". Financial management is that managerial activity which is concerned with the planning and controlling of a firm financial reserve. Financial management as an academic discipline has undergone fundamental changes as regards its scope and coverage. In the early years of its evaluation it was treated synonymously with the rising of funds. In the current literature pertaining to this growing academic discipline, a broader scopes as to include in addition to procurement of funds, efficient use of resources is universally recognized. Financial analysis can be defined as a study of relationship between many factors as disclosed by the statement and the study of the trend of these factors. The objectives of financial analysis is the pinpoint of strength and weakness of thebusinessundertakenbyregroupingandanalyzingoffiguresobtainedfromfinancial statement and balance sheet by the tools and technique of management accounting. Financial analysis is as the final step of accounting that result in the presentation of final and the exact data that helps the business manager creditors and investors. Financial performance means firms overall financial health over a given period of time.

Performance analysis is the process of determining the operating and financial characteristic of a firm from accounting and financial statement. The goal of such analysis is to determine the efficiency and performance of firm's management, as reflected in the final record and report. The analyst attempts to measure the firm's liquidity, profitability and other indicators that the business is conducted ina rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. India pharmaceutical industry has played akeyrolein promoting and sustaining development in the vital field of medicines. It boasts of quality producers and many units have been approved by regulatory authorities in USA and U.K. International companies associated with this sector have stimulated, assisted and spearheaded this dynamic development in the past58yearsand helped to put India on the pharmaceutical map of the world. The public sector has-been the back bone of the Indian economy, as it has acted as a strategic partner in the nation's economic growth and development. Public sector enterprises process strong prospects for growth because they harness new business opportunities, and at the same time expanding the scope of their current business. The ability of an organization to analyze its financial position is essential for improving its competitive position in the market place. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organization level. In its context researcher as under taken an analysis of financial performance of pharmaceutical companies to understand how management of finance plays a crucial role in the growth.

Financial analyst scan also use percentage analysis which involves reducing a series of figures as a percentage of some base amounts. For eg, a group of items can be expressed as a percentage of net n come. When proportionate changes in the same figure over a given time period expressed as a percentage is known as horizontal analysis. Vertical or common-size analysis reduces all items on a statement to a “common size”as a percentage of some base value which assists in comparability with other companies of different size. As a result, all income statement items are divided by sales, and all balance sheet items are divided by total assets. Another method is comparative analysis. This provides a better way to determine trades. Comparative analysis presents the same information for two or more time periods and is presented side-by-side to allow for easy analysis. In our present day economics, finance is defined as the provision of money at the time when it is required. Every enterprise whether big medium or small needs finance to carry on its operations and to achieve its target. In fact finance is so indispensable today that it is rightly said that it is the life blood of industry without adequate finance no enterprise can possible accomplish it objectives finance is therefore view as the most important area in every enterprise.

Therefore the management requires giving special attention on this. The conventional approach to finance function in business highlight the procurement of funds on the mot economic and favorable terms to concern. But it ignores the efficiency and prepares of the same for the successful running of the enterprise. In every organization funds or needed for various ventures and projects. The basis for financial planning and analysis is financial information, financial need to predict compare and evaluate the forms earning ability. It is also required to aid in economic decision making, investment and financial statement or accounting reports. It contains summarized information of the firm’s financial affairs they are the means to present the firm’s situation to owners, creditors and general public, preparation of the statement is the responsibility of top management. They should be prepared very carefully and contain as much information as possible because they are very useful to judge the finance efficiency of the company. Financial performance is an important aspect which influences the long term stability, profitability and liquidity of an organization.

The evaluation of financial performance using comparative balance sheet analysis, common size balance sheet analysis, trade analysis and ratio analysis had been taken up for the study with “Reydel Automotive Indian pvt ltd” as the project. Analysis of financial performance is of greater assistance in locating the weak spots at the Reydel Automotive Indian Pvt ltd even though the overall performance maybe satisfactory. The study is made to evaluate the financial position, the operation results as well as financial program has a business concern. It explains the ways in which ratio analysis can be of assistances in long-range planning, budgeting and asset management to strengthen financial performance and help avoid financial difficulties. Financial management is applicable to every type of organization, irrespective of its size kind of nature. It is as useful to a small concern as to a big unit. A trading concern gets the same utility from its application as a manufacturing unit may expect.

This subject is important and useful for all types of ownership organizations. Where there is a use of finance. Financial management is helpful. Every management aims to utilize its funds in a best possible and profitable way. So this subject is acquiring universal applicability. It is in dispensable in any organization as helps in: financial planning and successful promotion of an enterprise. Acquisition of funds as and when required at the minimum possible proper use and al location of funds; taking sound financial decisions; improving the profit ability through financial controls; increasing the wealth of the investors and the nation; promoting and mobilizing individual and corporate saving cost so financial performance in every company is very important and we can get more knowledge about company reputation whether company is suffering profit or loss.

II. OBJECTIVES

A. To analyze the solvency position of the company.
B. To examine the profit ability position of the company.
C. To know the efficiency of the company.
D. To evaluate the financial growth of the company using trend analysis.

III. REVIEW OFLITERATURE

Gary W.selnow(2003) examined various approaches to promote retirement investment .His study found that automatic enrolment has a good chance of overcoming the natural impediments to wise decisions about retirement investments. Douglas A.Hersahey and

Hendrik p. Van Dalen(2006)in the study explored the Psychological mechanisms that underlie the retirement planning and saving tendencies of Dutch and American Workers the research suggests that policy analysts should take into account both individual and cultural differences in the psychological predispositions of workers when considering Pension reforms that stress individual responsibility for planning and saving.

M.Kabir Hassan and Dr.Shari Lawrance (2007) conducted a survey on “An Analysis of Financial preparation for Retirement ". In this study, the researcher analyzes the financial preparation for retirement. Regarding retirement plan contributions, the findings indicate significant positive effects regarding income and womanhood .Education is significant and positive as a predictor for the decision to contribute to a pension plan for women in their their thirties, Thus supporting the hypothesis of a significant positive relationship between education and pension plan Contributions.

IV. RESEARCHMETHODOLOGY

Research methodology is away to systematically solve the research problem. It is the science of studying how a research is done. The researcher has explained the methods and steps adopted for achieving the purpose of the study and to arrive at a meaningful conclusion. The present study adopts an analytical and descriptive research design. This study is undertaken with secondary data. Since the past and existing facts are used to analytical in nature, the researcher uses facts or information already available to analyses and evaluates the materials. The data collection used for the study is secondary data. The study i s based on secondary data. The researcher collected the secondary data from books, journals, websites etc. The data relating to the company is collected from the personal manual, records and the websites of the company. Statistical tools used for analysis are Ratio Analysis, Trend Analysis, Comparative Balance sheet.

V. DATAANALYSIS AND INTERPRETATION

Table 1: Current Ratio (In Lakhs)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Current assets	2,939.84	2,115.38	2,022.07	1,970.60	1,764.55
Current liabilities	3,117.94	3,074.31	3,098.91	3,382.51	3,603.09
Current ratio	0.94	0.69	0.65	0.58	0.49

Source: Annual Report

Conventionally, a current ratio of 2:1 is considered as an ideal one. During the study period the company has maintained an average of 0.67. Since, the average of current ratio is less than the thumb rule, the company needs to take effective measures in maintain its current assets and meting out its current liabilities regularly. Thus, the short term solvency position of the company has to be improved by properly measuring not only the quantity of current assets but also the quality of current assets.

Table 2 :Liquid Ratio (In Lakhs)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Liquidassets	1,840.30	981.83	900.6	715.01	575.95
Currentliabilities	3,117.94	3,074.31	3,098.91	3,382.51	3,603.09
Liquidratio	0.59	0.32	0.29	0.21	0.16

Source: Annual Report

The thumb rule of liquid ratio is 1:1, which is considered as an ideal one. During the study period the average liquid ratio is 0.31. Though the liquid ratio is less than the thumb rule the liquidity position of the company is quite good because of its fast moving inventories.

TABLE 3. Absolute liquid ratio(In lakhs)

Particulars	2011-12	2012-13	2013-14	2014-15	2015-16
Absolute assets	1,652.56	678.38	503.38	304.3	91.6
Currentliabilities	3,117.94	3,074.31	3,098.91	3,382.51	3,603.09
Absoluteliquidityratio	0.53	0.22	0.16	0.09	0.03

Source : Annual Report

The thumb rule of absolute liquid ratio is 0.5:1, which is considered as an ideal one. During the study period the absolute liquid ratio maintained at an average of 0.21, which is quite less than ideal ratio. So the company has to take effective measures in paying off its current liabilities. Also efficient utilization of absolute liquid assets like cash, bank, marketable securities and other temporary investments is required to improve the liquidity position of the company.

Table 4. Current assets to proprietary fund ratio (in lakhs)

Particulars	Current assets	Shareholders fund	Current asset to proprietors fund ratio
2011-12	-499.7	187.95	-2.66
2012-13	-1,260.8	187.95	-6.71
2013-14	-692.7	187.95	-3.69
2014-15	-850.3	187.95	-4.52
2015-16	-653	187.95	-3.47

Source: Annual Report

This ratio indicates the extent to which proprietors funds are invested in current assets. There is no thumb rule for this ratio. During the study period, it showed an decreasing trend from 2012–2016 from-2.66to-3.47. Hence the long–term solvency position of the company is not good with the company and the company has to look after the proficiency in future period of time.

VI. FINDINGS

The current ratio was high in the year 2011-12 at 0.94 and was low in the year 2014-15 at 0.58. The liquid ratio was high in the year 2011-12 at 0.59 and was low in the year 2015-16 at 0.16. the company. The absolute ratio was high in the year 2011-12 at 0.53 and was low in the year 2015-16 at 0.03.The debt equity ratio was high in the year 2011-12 at 0.89 and was low in the year 2014- 15 at 0.01. The current assets to proprietary fund ratio was high in the year 2011-12 at -2,66 and was low in the year 2012-13 at -6.71.The fixed assets ratio was high in the year 2012-13 at 0.35 and was low in the year 2015- 16 at 0.18.The proprietary ratio was high in the year 2012-13 at 0.03 and was low in the year 2015- 16 at 0.02.Return on shareholder's investment was high in the year 2016 at 18.46 and was low in the year 2015-16 at 7.02.The inventory turnover ratio was high in the year 2012-13 at 10.02 and was low in the year 2011-12 at 8.79. The debtor ratio was decreasing and also an average of 35.92 debtors‟ .The net profit ratio showed a gradual decrease due to adverse economic conditions, such as, price increase, competition and low demand and also inventory. Operating ratio is favorable to the company, as it would have a large margin of operating ratio to cover the interest, income tax, dividends and reserves. Thecompany's operating profit ratio is not considered to be at a satisfactory level and remedy measures has to be taken in future period of time.

VII. SUGGESTIONS

The company has to take necessary measures to stabilize in the value of sundry debtors. The company's current asset is at a fluctuating trend which leads to an adverse effect without proper utilization, so the company must manage the current assets efficiently for its development. The company has to take effective measures to decrease trend of current liabilities, showing a favorable sign to the company. With the increased sales value of the company the revenue of the concern also increases. As the companies proprietors funds was stable every year, it should properly maintained and efficiently used for the development of the concern. The company has to take effective measures in paying off its current liabilities regularly.

VIII. CONCLUSION

Finance is the life blood of any business. It is important to manage the finance of the company properly. Finance is very important for the long and continued survival of the company. Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. Thus, analyzing the financial performance of Reydel automotive India Pvt Ltd helps to ascertain the strengths and weakness of the concern.

The analysis presents the true and fair details relating to the overall profitability position of the company and it also presents the details relating to the short term and long term solvency position of the company.

Thus, effective measures have been taken for the further improvement and development of the concern.

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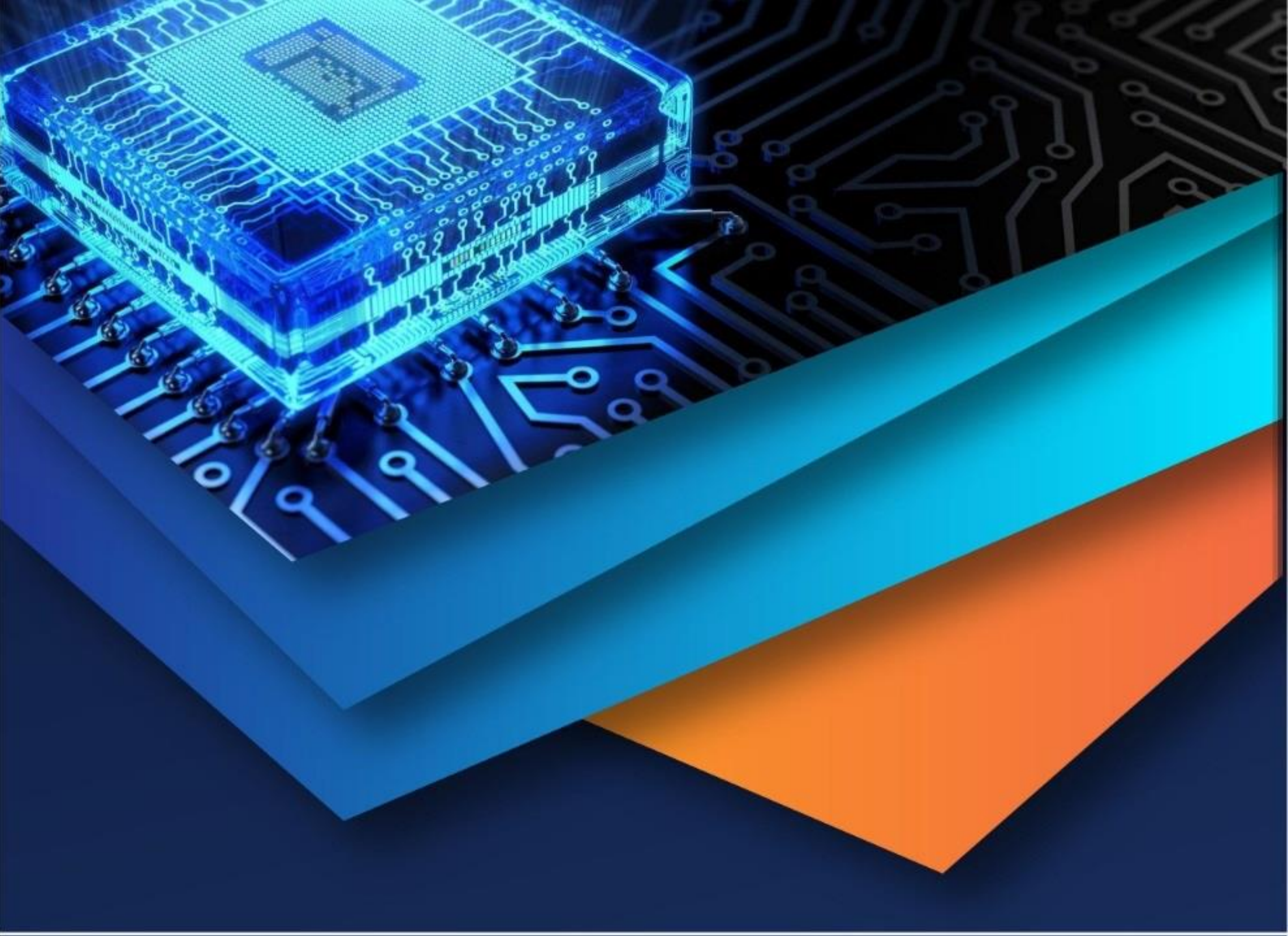

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