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A study on financial performance of texmo industries private limited, Coimbatore

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Abstract

India has a strong pump manufacturing base with both Indian and International players involved in the market. Coimbatore houses the largest number of pump manufacturers. Coimbatore exports pumps to United Arab Emirates, Europe, Egypt, USA, Italy, Greece and southern parts of African countries. By keeping this in mind, the researcher framed the objective to identify the global marketing strategies adopted by the Coimbatore Pump Industry. For this study, a systematic research methodology has been adopted and the required data has been collected from various available sources. This study reveals that the pump manufacturing units of the city has adopted a systematic global marketing strategy and follows uninterrupted logistic and supply chain system. This study lso highlights certain marketing issues which are related to pump manufacturing units.

Keywords: Manufacturing; strategy; pumps; marketing; logistics.

Introduction
Finance
The study of finance can also take many forms, depending on the field or area of finance which one wishes to study. For instance, economics is considered as a pillar of financial science, both micro and macro factors affect virtually levels of financial decisions and outcomes at all levels. The study of behavioural finance aims to study the more human side of a science considered by most to be highly mathematical. The study of finance can at time be more art than science.

Financial Performance
A subjective measure of how will a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm 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. Financial performance are prepared primarily for decision making. The statements are not in them but they are useful in decision making. The balance sheet may be described as financial cross section taken at certain intervals and the coming statements as a concerned history of the growth and delay between cross section. Financial statements are very helpful in giving various indicators with the help of techniques popularly known as ratio analysis is restored the techniques is called as analysis and interpretation of financial statements. The utility of such statements is that forecast may be made of the prospectus of future earning ability to pay interest and debt maturities (both long term and current) and profitability of sound dividend policy.

Scope of the Study
The study concentrates on the activity of group of companies diversified into various categories. The scope pertains to financial performance by making a special reference to Texmo industries group. The study is made by making a comparision of five years of its operation. The study aims at appraising the financial capabilities of the group to meet its pattern of diversification both in the past as well as in the future. The study provides suggestions for improving the financial efficiency of the company.

Statement of the Problem
Finance is the backbone for economic development of our country. Finance is providing money at the time when it is required.

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The balance sheet show how working capital was raised and used during the year. The serious problem is that the changes in working capital are important to assess the financial health of the company. Financial statement compares two statements namely balance sheet and profit & loss account. The basic problem faced by the financial manager of an industry is to tradeoff between the conflicting but equally important goals of liquidity and profitability. So the main aim of the study is to analyze the financial position of the industry over a period of time.

Objectives of the Study
➢ To study the financial position of the company in terms of its liquidity and solvency.
➢ To examine the utilization of the assets of the company.
➢ To ascertain the profitability of the company.
➢ To evaluate the overall performance of the company
➢ To reveal the statement of changes in working capital.

Research Methodology
Research methodology is a process in which the researcher wishes to find out the end result for a given problem and the solution helps in future course of action. The study is based on analytical method. The secondary data is used for analytical study.

Data Collection
The data which was collected for this project was secondary in nature. The secondary data was collected from balance sheet, profit & loss account and annual report of the industry.

Tools Used For Study
There are many tools are used for data analysis and interpretation. Some of them are
❖ ratio analysis
❖ schedule of changes in working capital

Limitations of the Study
❖ As the study is only for one particular company's inter firm comparision.
❖ The data are secondary in nature and it reflect in the analysis and interpretation of ratios.
❖ Ratio analysis suffers from various drawbacks and the standard norms for ratios also vary from industry to industry and interpretation could not be set with high degree of accuracy.
❖ The period of study is only for five years.

Review of Literature
Sergey Berzin's "waste water pumping 2005"
From the above article he had concluded that the report on pumps meet of today's requirement for waste water pumping operation. Highlight their advantage and he said the solution to maximize cost - effectiveness and performance in pumping station.

Bulletin "propeller pumps 2003"
From this article he had discussed that the performance of high specific speed pumps at low flow rates. The development of the new type propeller pumps which have a part of narrow passage in front of the impeller blades. The improvement of the impeller blades helpful to increase the discharge values of motor and pumps to reduce the power consumption.

Q. Kou, S.A. Klein and W.A. Beekman "solar energy 2001"
From the article 'solar energy' he had concluded that the method of estimating the long term performance of direct coupled PV pumping system the author has analyzed the direct coupled pumps and direct single is to provide a reasonable estimation of pumped water.

Bryan "ore hard world pumps 1999"
From the above article the author had concluded that the progressing cavity pumps have a strong representation in a wide range of industries, he also discusses the influencing performance and recent developments in motors and pumps.

Lan de Villiers "photo voltaic 1976"
From the article 'photo voltaic' the author says that the solar pumping system is fairly easy because all water pumps have a powered set of commercially available photo voltaic pane's they have small number of competitors in the market

T. Cannan "international trade 2007"
From this article the author had concluded that the inter related areas are not suitable for international trade and the exporters being differentials from the international market in foreign in many circumstances the international markets to eliminate the products high standard companies only to export his product to other countries its not suitable for smaller firms.

Analysis and Interpretation
Stock Turnover Ratio
The stock turnover ratio is an efficiency ratio that how stock is compared with cost of goods sold with average stock for a period. It is measured in times. It measures how many times a company sold its total average stock amount during the year.

$$\text{Stock turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average stock}}$$

Table 1: Showing Stock Turnover Ratio

(rs in lakhs)

Year	Cost Of Sales	Average Stock	Ratio
2009-2010	161.64	60.91	2.653751437
2010-2011	139.55	46.98	2.970412942
2011-2012	136.36	38.52	3.539979232
2012-2013	107.04	22.84	4.686514886
2013-2014	66.15	26.03	2.541298502

Interpretation
The stock turnover ratio of texmo industries was increased during the year 2009-2010 to 2013-2014 up to 4.68 times. Then this ratio as decreased to 2.54 times when compared to previous years.
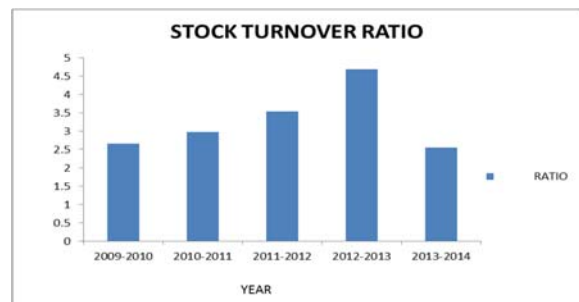

Chart 1: Showing Stock Turnover Ratio

Fixed Assets Turnover Ratio

Fixed assets turnover ratio is an activity ratio that measures how successfully a company is utilizing its fixed assets in generating revenue. It calculates the revenue earned per investment in fixed assets.

$$\text{Fixed assets turnover ratio} = \frac{\text{Net revenue}}{\text{Average fixed assets}}$$

Table 2: Showing Fixed Assets Turnover Ratio (rs in lakhs)

Year	Net Sales	Fixed Assets	Ratio
2009-2010	178.54	85.98	2.076529425
2010-2011	154.59	90.35	1.711012728
2011-2012	155.64	91.09	1.708639807
2012-2013	122.81	72.65	1.690433586
2013-2014	76.2	60.06	1.268731269

Interpretation

The fixed assets turnover ratio was declined in the year 2013-2014 up to 1.26 times when compared to previous years from 2009-2010 to 2013-2014, it was 2.07 to 1.69 times. so it is dissatisfied.
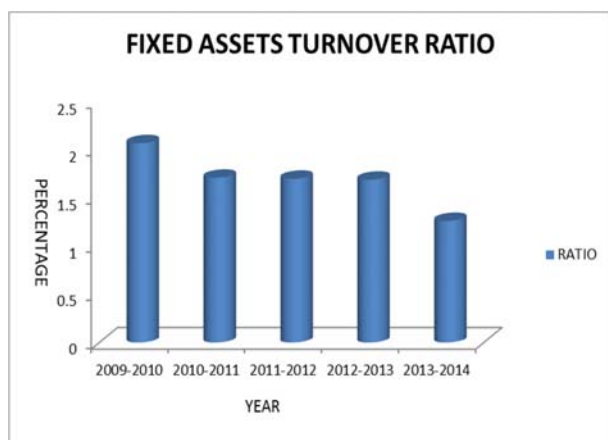

Chart 2: Showing Fixed Assets Turnover Ratio

Working Capital Turnover Ratio

Net working capital is equal to current assets minus current liabilities. It is computed by dividing the cost of goods sold by net working capital. It represents how many times the working capital has been turned over during the period.

$$\text{Working capital turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Net working capital}}$$

Table 3: Showing Working Capital Turnover Ratio (rs in lakhs)

Year	Net Sales	Net Working Capital	Ratio
2009-2010	178.54	50.1	3.563672655
2010-2011	154.59	44.04	3.510217984
2011-2012	155.64	47.09	3.305160331
2012-2013	122.81	34.51	3.558678644
2013-2014	76.2	30.7	2.482084691

Interpretation

The working capital turnover ratio of texmo industries was declined to 3.30 times in the year 2011-2012 and it is increased to 3.55 in 2012-2013. Finally the ratio was decreased to 2.48 times in the year 2013-2014.
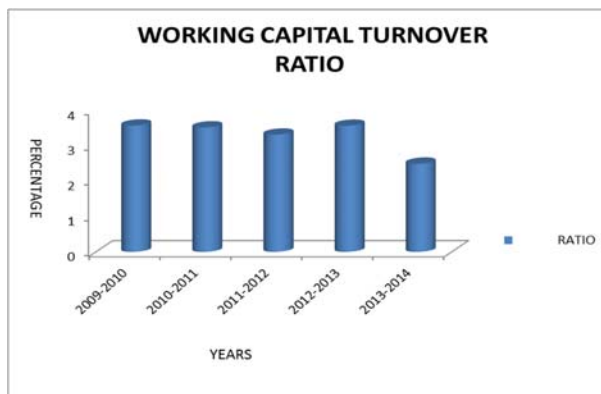

Chart 3: Showing Working Capital Turnover Ratio

Proprietory Ratio

The proprietory ratio is also known as net worth ratio is used to evaluate the soundness of the capital structure of a company. It is computed by dividing the stock holder's equity by total assets.

$$\text{Proprietory ratio} = \frac{\text{Shareholder's equity}}{\text{Total assets}} \times 100$$

Table 4: Showing Proprietory Ratio (rs in lakhs)

Year	Proprietory Fund	Total assets	Ratio
2009-2010	117.54	174.09	0.675168017
2010-2011	115.72	161.94	0.714585649
2011-2012	113.75	176.26	0.645353455
2012-2013	62.38	122.1	0.510892711
2013-2014	55.59	99.5	0.558693467

Interpretation

The proprietory ratio was increased to 0.74 percent in the year 2010-2011 then it was declining for next 2 years 2011-2012 to 2012-2013. Finally the ratio was increased to 0.55 in the year 2013-2014.
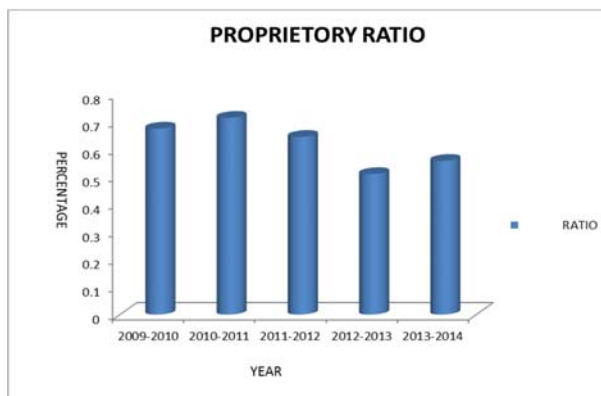

Chart 4: Showing Proprietory Ratio

Schedule of Changes in Working Capital

Table 5: Showing Schedule of Changes in Working Capital (2009 - 2010) (rs in lakhs)

Effect of changes in working Capital				
Particulars	2009	2010	Increase	Decrease
Current assets:				
Stock	12.62	26.03	13.42	
sundry debtors	10.72	13.1	2.48	
cash and bank balance	0.76	0.31		0.45
Total current assets	24.1	39.44		
Less: current liabilities	3.25	8.74		5.49
Provision	1.47	1.68		0.21
Total current liabilities	4.72	10.42		
Working capital	19.3	29.02		
				9.64
Increase in working capital	9.64			
		29.02	15.9	15.9

Interpretation
From the above table the current assets was increased to 39.44 when compared to previous year. The current liabilities also increased in the year 2010 to 10.42 from 4.72. working capital was increased from 19.30 to 29.02. so it results in increasing in working capital. The company has invested additional money into working capital.

Findings
The standard norm for current ratio is 2:1. The current ratio for the year 2013-2014 increases to 4.51 when compared to previous years so that it indicates the liquidity position is satisfied.
The standard norm for liquid ratio is 1:1. The liquid ratio for the year 2013-2014 decreases to 1.53 when compared to previous year so the liquidity position was less satisfactory.
The standard norm for absolute liquid ratio is 0.5:1. The absolute liquid ratio for the year 2013-2014 decreases to 0.035, so the liquidity position was less satisfied when compared to previous year.
The gross profit ratio was decreases by 9.624 to 9.107 from the year 2012-2013 to 2013-2014 which indicates that the gross profit was less satisfied.
The net profit ratio was decreased to 5.249 in the year 2013-2014 so the net profit was less satisfied when compared to previous year.
The operating profit ratio was increased to 13.202 from 12.840 in the year to 2013-2014 from so the operating profit was highly satisfied when compared to previous year.
The expenses ratio was increased to 94.711 from 89.837 in the year to 2013-2014 from so the expenses ratio was highly satisfied when compared to previous year.
The debt equity ratio was decreased from 0.957 to 0.789 in the year from 2012-2013 to 2013-2014 so that debt equity ratio was not highly satisfied The proprietory ratio ranges from 0.510 to 0.558 in the year 2013-2014 so that proprietory ratio was highly satisfied when compared to previous year.
The fixed assets networth ratio decreases in the year 2013-2014 from 1.080 so that fixed assets networth ratio was less satisfied when compared to previous year.
The current assets to fixed assets ratio was decreased in the year 2013-2014 from 0.656 so that fixed assets when compared to previous year so it is less satisfied.

The current assets to proprietory fund ratio ranges from 0.792 to 0.709 in the year 2013-2014 so that current assets to proprietory ratio was not highly satisfied when compared to previous year.
The stock turnover ratio was decreases to 2.541 in the year 2013-2014 when compared to previous year so it is less satisfied.
The debtor turnover ratio ranges from 4.941 to 5.816 in the year from 2012-2013 to 2013-2014 so the debtors turnover ratio was highly satisfied.
The fixed assets turnover ratio was decreases from 1.690 to 1.268 in the year from 2012-2013 to 2013-2014 when compared to previous year so it is less satisfied.
The working capital turnover ratio decreases from 3.558 to 2.482 in the year 2012-2013 to 2013-2014 when compared to previous year so it is less satisfied.
The current assets turnover ratio was decreased in the year 2013-2014 1.932 so it is less satisfied when compared previous years
The schedule of changes in working capital decreases in the year 2012-2013 and then it increases in the year 2013-2014.

Suggestions
The firm has to concentrate in earning gross profit and net profit to increase the profitability of the firm.
The firm has to concentrate in stock turnover ratio and keep the average stock in better position to increases the production.
The fixed assets turnover of the company is declined so the firm has to concentrate in maximizing the fixed assets so as to increase the wealth of the firm.
The firm has to concentrate in current assets turnover ratio because the current assets can be easily converted into cash whenever required.
The working capital turnover ratio has decreased, so the firm has to concentrate in increasing both the current assets and liabilities.
The fixed assets networth ratio is declining in the previous year, so the firm has to increase the fixed assets above the equity.
The current assets to fixed assets ratio is declining in the previous year, the firm has to concentrate in both current assets as well as fixed assets.
The ratio of current assets to proprietory fund is decreased, so the firm has to concentrate in improving both current assets and proprietory fund. The firm should earn profit as well as loss.
The schedule of changes in working capital has declined in the year 2012-2013, so the firm has concentrate in investing some more current assets.

Conclusion
The nation's development can be achieved with the help of improvement of industries. It is also important developing nation in both agricultural sector as well as industrial sectors can contribute towards the achievement of economic development. The industry which has been taken for study can contribute for major economic development. Since the industry was operating on the agriculture and also textile. These type of industry provides more employment opportunity to people for developing the nation. The policy of government on these type of industries has been properly framed before it was implemented and careful steps has to be taken for these type of industries.

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