A STUDY ON FINANCIAL STATEMENT ANALYSIS OF TAMILNADU NEWSPRINT AND PAPER LIMITED (TNPL) KARUR DISTRICT.

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ABSTRACT

A financial statement analysis that distinguishes leverage that arises in financing activities from leverage that arises in operations. The analysis yields two leveraging equations, one for borrowing to finance operations and one for borrowing in the course of operations. These leveraging equations describe how the two types of leverage affect book rates of return on equity. An empirical analysis shows that the financial statement analysis explains cross-sectional differences in current and future rates of return as well as price-to-book ratios, which are based on expected rates of return on equity. The paper therefore concludes that balance sheet line items for operating liabilities are priced differently than those dealing with financing liabilities. Accordingly, financial statement analysis that distinguishes the two types of liabilities informs on future profitability and aids in the evaluation of appropriate price-to-book ratios.

Ratio analysis is a commonly used analytical tool for verifying the performance of a firm. While ratios are easy to compute, which in part explains their wide appeal, their interpretation is problematic when two or more ratios provide conflicting signals. Indeed, ratio analysis is often criticized on the grounds of subjectivity that is the analysts must pick and choose ratios in order to assess the overall performance of a firm.

Keywords: Financial Statement Analysis, RatioAnalysis, Fundamental Analysis, etc..

1. INTRODUCTION:

The national project database features several different kinds of project reports. For multi-year grants, one or more annual reports are submitted, followed by a final report. One-year projects and farmer/rancher projects have only a final report.

Prior to 2001, annual and final reports were condensed by the regional communications specialist and added to the project database. Beginning in 2001, the SARE program implemented an online reporting system. Now grant recipients enter their full project reports directly into the web database

2. STATEMENT OF THE PROBLEM:

A **problem statement** is a concise description of an issue to be addressed or a condition to be improved upon. It identifies the gap between the current (problem) state and desired (goal) state of a process or product. Focusing on the facts, the problem statement should be designed to address the 5 W's – who, what, where, when, and why. The first condition of solving a problem is understanding the problem, which can be done by way of a problem statement.

Problem statements are widely used by businesses and organizations to execute process improvement projects. A simple and well-defined problem statement will be used by the project team to understand the problem and work toward developing a solution. It will also provide management with specific insights into the problem so that they can make appropriate project-approving decisions. As such, it is crucial for the problem statement to be clear and unambiguous.

3. OBJECTIVES OF THE STUDY:

- To analyze the finance performance of the TNPL company.
- To indentify the profitability of the business.
- To study on the short term and long term financial position of the firm.
- To make recommendation based on the analysis of financial statement.

4. SCOPE OF THE STUDY:

- Financial statement analysis (or financia l analysis) is the process of reviewing and analyzing a company's financial statements to make better economic decisions.
- These statements include the income statement, balance sheet, statement of cash flows, and a statement of retained earnings.

5. METHODOLOGY OF THE STUDY:

- RESEARCH DESIGN:

  The research design use in the study is analytical research has to analysis the balance sheet which is historical data derive conclusion form it.

- NATURE OF DATA:

  The number of data used for the study in secondary data is collected from the five years balance sheet for their analysis part.

- DATA COLLECTION:

  The data necked for the study in being collected from the annual of report of the company and which is secondary data.

- AREA OF STUDY: The study from TNPL.
- DATA USED:

  The research relied entirely on secondary data for analysis was collected directly from TNPL.

6. STATISTICAL TOOLS:

- RATIO ANALYSIS:
  - Profitability ratio.
  - Turnover ratio.
  - Solvency ratio.
  - Current ratio.

***7.* GROSS PROFIT RATIO**

Gross profit ratio is the ratio of gross profit to net sales i.e. sales less sales returns. The ratio thus reflects the margin of profit that a concern is able to earn on its trading and manufacturing activity. It is the most commonly calculated ratio. It is employed for inter-firm and inter-firm comparison of trading results.

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

TABLE NO: 1

YEAR	GROSS PROFIT (RS IN CR)	NET SALES (RS IN CR)	RATIO (%)
2012	125.11	1522.92	8.22
2013	126.11	1861.26	6.78
2014	202.68	2285.22	8.87
2015	230.13	2135.73	10.78
2016	317.23	2417.54	13.12
2017	513.89	3801.36	13.52

8. NET PROFIT RATIO:

$$\text{Net profit ratio} = \frac{\text{Net profit after tax}}{\text{Net sales}} \times 100$$

TABLE NO: 2

YEAR	NET PROFIT AFTER TAX	NET SALES	RATIO (%)
2012	109	1522.92	7.16
2013	91	1861.26	4.89
2014	161	2285.22	7.05
2015	167	2135.73	7.82
2016	260	2417.54	10.75
2017	265	3801.36	15.02

9. OPERATING PROFIT RATIO:

$$\text{Operating profit ratio} = \frac{\text{Operating Profit}}{\text{Net sales}} \times 100$$

TABLE NO: 3

YEAR	OPERATING PROFIT	NET SALES	RATIO (%)
2012	335.55	1522.92	22.033
2013	422.06	1861.26	22.68
2014	523.2	2285.22	22.89
2015	522.36	2135.73	24.46
2016	596.07	2417.54	24.65
2017	1017.93	3801.36	26.78

10. EXPENCES RATIO:

$$\text{Expenses ratio} = \frac{\text{Specific expenses}}{\text{Net sales}} \times 100$$

Specific expenses:

$$\text{Administrative expenses ratio} = \frac{\text{administrative expenses}}{\text{Net sales}} \times 100$$

TABLE NO: 4

YEAR	ADMINISTRATIVE EXPENSES	NT SALES	RATIO (%)
2012	58.41	1522.92	3.83
2013	56.32	1861.26	3.03
2014	56.2	2285.22	2.46
2015	79.78	2135.73	3.74
2016	78.71	2417.54	3.26
2017	78.80	3801.36	2.06

TURN OVER RATIO:

11. STOCK TURN OVER RATIO:

$$\text{Stock turnover ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$$

$$\text{Average stock} = \frac{\text{Opening stock} + \text{Closing stock}}{2}$$

TABLE NO: 5

YEAR	COST OF GOODS SOLFD (RS IN CR)	AVERAGKE STOCK (RS IN CR)	RATIO TIMES
2012	1543.21	327.67	4.70
2013	198.82	264.42	7.5
2014	2343.59	285.36	8.21
2015	2188.31	433.37	5.04
2016	2501.54	387.43	6.45
2017	2557.11	485.15	5.3

12.* WORKING CAPITAL TURN OVER RATIO*:

$$\text{Working capital turnover ratio} = \frac{\text{cost of sale}}{\text{Net working capital}} \times 100$$

TABLE NO: 6

YEAR	COST S SALES (RS IN CR)	NET WORKING CAPITRAL) (R IN CR)	RATIO
2012	1543.21	-491.57	--3.14
2013	1984.82	--431.43	--4.6
2014	2343.59	--607.51	--3.86
2015	2188.31	--586.42	--3.73
2016	2501.54	--459.55	--0.55
2017	2943.15	-519.69	--5.7

SOLVENCY RATIO:

13. CURRENT RATIO:

The current ratio is a liquidity ratio that measures whether or not a firm has enough resources to meet its short-term obligations. It compares a firm's current assets to its current liabilities, and is expressed as follows

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current liabilities}} \times 100$$

TABLE NO: 7

YEAR	CURRENT ASSEST (RS IN CR)	CURRENT LIABILITES (RS IN CR)	RATIO
2012	929.73	1889.28	0.67
2013	827.41	1413.83	0.59
2014	914	1521.51	0.6
2015	123.33	1665.76	0.74
2016	1136.98	1628.38	0.7
2017	1239.3	1653.13	0.75

14. LIQUID RATIO:

$$\text{Liquid ratio} = \frac{\text{Liquid assets}}{\text{Current liabilities}} \times 100$$

TABLE NO: 8

YEAR	LIQUID ASSEST	CURRENT LIAIBILITES	RATIO
2012	542.8	1389.28	0.4
2013	394.04	1413.82	0.3
2014	628.64	1521.51	0.4
2015	969.91	1665.76	0.6
2016	809.31	168.26	0.5
2017	957.57	1653.13	0.57

15.* FIXED ASEST RATIO*:

The fixed asset turnover ratio is an efficiency ratio that measures a companies return on their investment in property, plant, and equipment by comparing net sales with fixed assets. In other words, it calculates how efficiently a company is a producing sales with its machines and equipment.

$$\text{Fixed assets ratio} = \frac{\text{Fixed Asset}}{\text{Long term fund}} \times 100$$

TABLE NO: 9

YEAR	FIXED ASSEST	LONG TURN FUNDS (RS IN CR)	RATIO
2912	4222.1	2409.0R	1.75
2013	3040.83	2188.94	1.39
2014	2528.19	2233.5	1.13
205	2541.01	3046.09	0.83
2016	2495.93	3904.67	0.64
2017	2508.73	4120.99	0.60

16. DEBT EQUITY RATIO:

$$\text{Debt equity ratio} = \frac{\text{long term dept}}{\text{Share holders fund}} \times 100$$

TABLE NO: 10

YEAR	EXTERNAL EQUITY (RS IN CR)	INTEREQUITY (RS IN CR)	RATIO
2012	11434.25	970.69	1.48
2013	1153.14	1035.48	1.11
2014	10087.39	1145.98	0.95
2015	1844.45	1201.64	1.53
2016	2459.12	1445.34	1.7
2017	3073.85	1689.46	1.8

17. PROPRIETARY RATIO:

$$\text{Proprietary ratio} = \frac{\text{share holders funds}}{\text{Total tangible assets}} \times 100$$

TABLE NO: 11

YEAR	SHAREHOLDERS FUNDS (RS IN CR)	TOTAL TANGIBLE ASSES(RS IN CR)	RATIO
2012	970.69	3554.9	0.27
2013	1035.48	3481.02	0.29
2014	1145.95	3712.65	0.31
2015	1201.64	4697.5	0.26
2016	1445.55	5488.18	0.26
2017	1510.34	5562.06	0.27

FINDINGS:

Gross profit and net profits are decreased during the period of study, which indicates that firms in efficient management in manufacturing and trading operations.

- ✓ The study of comparative, trend and common-size analysis is also very good and profitability position in the paper mill. At during the year of 2012 to 2017.
- ✓ The value of current ratio of paper mill is irregular Year after year and the r atio is more than the ideal value for the five years i.e., the value greater than 2.
- ✓ The liquidity position of paper mill is satisfactory.
- ✓ The net profit ratio shows that paper mill is in a favorable position.
- ✓ The fixed asset to net worth ratio shows that the owner's funds are more than the total fixed assets.
- ✓ Gross profit and net profits are decreased during the period of study, which indicates that firm's inefficient management in manufacturing and trading operations.
- ✓ Gross profit and net profits are increased during the period of 2014-15 which indicates that firm's efficient management in manufacturing and trading operations.
- ✓ Liquidity ratio of the firm is not better liquidity position in over the five years. It shows that the firm had not sufficient liquid assets.
- ✓ The inventory of the firm in the first year has been sold very slow. And there is an increase in the movement of the inventories but it slightly decreased in the last year. This may be a sign not good to the firm.
- ✓ The fixed assets turnover ratio of the firm has in 2014-15 the ratio is 0.85 and it increase in the next 3years continuously and it again decrease in 2016-17.
- ✓ The current assets turnover ratio is increasing during the period of 2014-16 and again it decrease in the period of 2016-17. And again increase in next two year slithightlliy.
- ✓ Direct Material cost ratio of the firm is has less material cost during the period of 2014-15 &2017-18 and it raised in the year of 2015-16 and 2016-17.
- ✓ The cost of direct labour of the firm in the year of 2014-15 is 4.94%and it increasing slithightlliy up to 2016-17 and it decrease in the next year.
- ✓ The cost of manufacturing overhead of the firm in the year of 2014-15 is 5.22% where it compare to the next 3year it increase rapidly.

SUGGESTIONS:

The profit Of the Company Is not in a good Position For That company has to Take Alternative Actions such As

- Increasing in Procurement in paper wood.
- Production, and Control in Expenses Like, Administrative, selling Etc.
- The firms have low current ratio so it should increase its current ratio where it can meet its short term obligation smoothly.
- Liquidity ratio of the firm is not better liquidity position in over the five years. So I suggested that the firm maintain proper liquid funds like cash and bank balance.

CONCLUSION:

- ❖ This Project has been very useful to me because I learned how to prepare cash flow statements and ratio analysis. This has improved my knowledge on financial statements which is very useful in business and commerce ever day. The work I did in this project has helped me to understand the techniques, applications and usefulness of financial statements to understand the performance of a particular company or enterprise without much difficulty and also understand how to prepare them in future.

- This project of Ratio analysis in the production concern is not merely a work of the project. But a brief knowledge and experience of that how to analyze the financial performance of the firm. The study undertaken has brought in to the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that TNPL Ltd. Have been incurring loss during the period of study. So the firm should focus on getting of profits in the coming years by taking care internal as well as external factors. And with regard to resources, the firm is take utilization of the assets properly. And also the firm has a maintained low inventory.

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