



Evaluation of Financial Trend Analysis in Manufacturing Private Company

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ABSTRACT

Financial trend analysis plays a decisive role in accelerating the rate of economic growth. The importance of commercial industries in the process of economic development has been stressed from time to time by the economic thinkers and progressive sector in the country. The Paper industry plays a positive role in the economic development of a nation as depositories of community's savings and as purveyors of credit. Paper industry has aided the economic development during the past years in an effective way. The Paper industry has shown remarkable responsiveness to the needs of planned economy. The purpose of the study is to understand trend analysis and financial performance of selected Paper industry in India. The period of study would be ten years during 2018-19 to 2022-23.

Keywords:

Paper industry, financial Trend, Financial Position, financial performance

I. INTRODUCTION:

Trend analysis is a technique that uses financial statements to recognize patterns within the market and forecast future performance. It involves collecting information from records and plotting the data on a graph to identify economic patterns. Financial professionals identify trend lines, which are lines connecting data points that allow analysts to identify upward and downward patterns in the market.

Trend lines enable financial professionals to analyse past data and make predictions about the future of the market within a specific industry. The goal of this technique is to assess the change within a market from one period to another. This might help investors make smart business decisions. Techniques like monthly trend analysis can provide information about a short-term period, while alternative strategies like year-over-year trend analysis can help financial analysts review long-term data.

USES OF FINANCIAL ANALYSIS

The two main sources of data for financial analysis are a company's balance sheet and income Performance the balance sheet outlines the financial and physical resources that a company for available for business activities in the future.

- It is importance to note, however, than the balance sheet only lists these resources and makes no judgments about how well management.
- In contract to the balance sheet, the income Performance provides information about a company's performance of over certain paid of line. Although it does not reveals much about the company current financial conditions, if does provides indicators of future viability.
- The main elements of the income Performance are revenue earned expenses incurred, and net profits or loss. Revenues consist mainly of sale, though financial analysis may also more the inclusion of royalties interest and extra ordinary items.
- Likewise, operating expenses usually consists primarily of the cost of goods sold, but can also include some usual items. Net income is the "bottom line" of the income Performance. This figure is the main indicator of a company's accomplishments over the Performance period.

OBJECTIVES OF THE STUDY

Primary Objectives:

Evaluation of Financial Trend Analysis in Subam Paper Mills Ltd at Tirunelveli

Secondary Objectives:

- To Study the Financial Stability of the Company.
- To analysis the evaluation of trend position of the company financial conditions.
- To find out the profitability and solvency position.
- To find out the liquidity position of the concern.



- To ascertain the overall financial position of the company.

SCOPE OF THE STUDY

The study covers the financial trend analysis of the Subam papers pvt ltd at Tirunelveli. The study is made by making comparison of five year of its operations form 2018-2023. The study covered aims to reveal where the stands in respect to liquidity and an effective use of asset. The study has research for future aspects how the paper industries improving their performance positive or not.

LIMITATION OF THE STUDY

- The study done using ratios may not provide an accurate values and financial position of the company. Approximate values are taken in the study.
- As the financial trend analysis are preparing on-going concern basis, it does not give exact position.
- The study covers only limited during that is five years only from 2018 to 2023 due to the limited time available for researcher.
- The conclusion should be not accuracy one because the research has variation for each and every year.

II. REVIEW OF LITERATURE

Rajgopal (2017) the difficulty for process industries to implement the lean concept is the characteristics and nature of process industries, with inflexible machines, long setup times and the difficulty in manufacturing small batches. Therefore, some of the lean tools and techniques are difficult to use in the process industries.

Sahari, Tinggi and Kadri (2019) empirically analysed the relationship between inventory management and firm performance along with capital intensity. For the purpose they took a sample of 82 Paper Industry in Malaysia for the period 2006–2010. Using the regression and correlation analysis methods, they deduced that inventory management is positively correlated with

IV. DATA ANALYSIS AND INTERPRETATION

1. RATIO ANALYSIS:

Ratio is a relationship between two figures expressed mathematically. Financial ratio provides numerical relation between two relevant financial data. Financial ratios are calculated from the

firm performance. In addition, the results indicate that there is a positive link between inventory management and capital intensity.

Plinere, D. & Borisov, A. (2021) concluded that, inventory management is necessary to every company, having inventories. Companies have stock, but so much as to keep away from overstock and out-of-stock situations. Inventory management can better company's inventory control existing condition and reduce costs of the company.

Suhaimi, R. D. S. R. (2023) concluded that efficiency of inventory management is a major concern area of paper business. Suggestions are given to improve the performance of inventory management, demand forecasting, scattered inventory & cycle counting.

III. RESEARCH METHODOLOGY

a. Study Area

The study area in Tirunelveli

b. Research Design

The research design of the present study is descriptive research.

c. Source of Data

The purpose of data collection is to obtain information to keep on record, to make decisions about important issues to pass information on to others. Primarily, data are collected to provide information regarding a specific topic. The required data for the study are basically secondary in nature and the data are collected from the audited reports of the company.

d. Work of Analysis

During the course of research for the researcher for analysis and interpretation of data is given below has applied various tools.

- Ratio analysis
- Trend analysis
- Comparative balance sheet

Balance sheet and Profit & Loss A/c. The relationship can be either expressed as a Ratio on as a quotient. Ratios summarize the data for easy understanding, comparison and interpretation. The Ratio Analysis is the financial statement. It provides a yardstick to measure the relationships between the variable of figures. In work the Financial Analysis is necessary to know different angles.



LIQUIDITY RATIO

The term liquidity refers to the ability of a firm to pay its short-term obligation and when they become due. The term quick assets or liquid assets

refers current assets which can be converted into cash immediately and it comprises all current assets except stock and prepaid expenses it is determined by dividing quick assets by quick liabilities.

Liquidity ratio

ABSOLUTE LIQUIDITY RATIO

Year	Liquid assets	Current Liabilities	Ratio
2018-19	943.33	1962.64	0.48
2019-20	759.52	2349.68	0.32
2020-21	926.66	2084.85	0.44
2021-22	843.13	2103.16	0.40
2022-23	670.42	1962.54	0.34

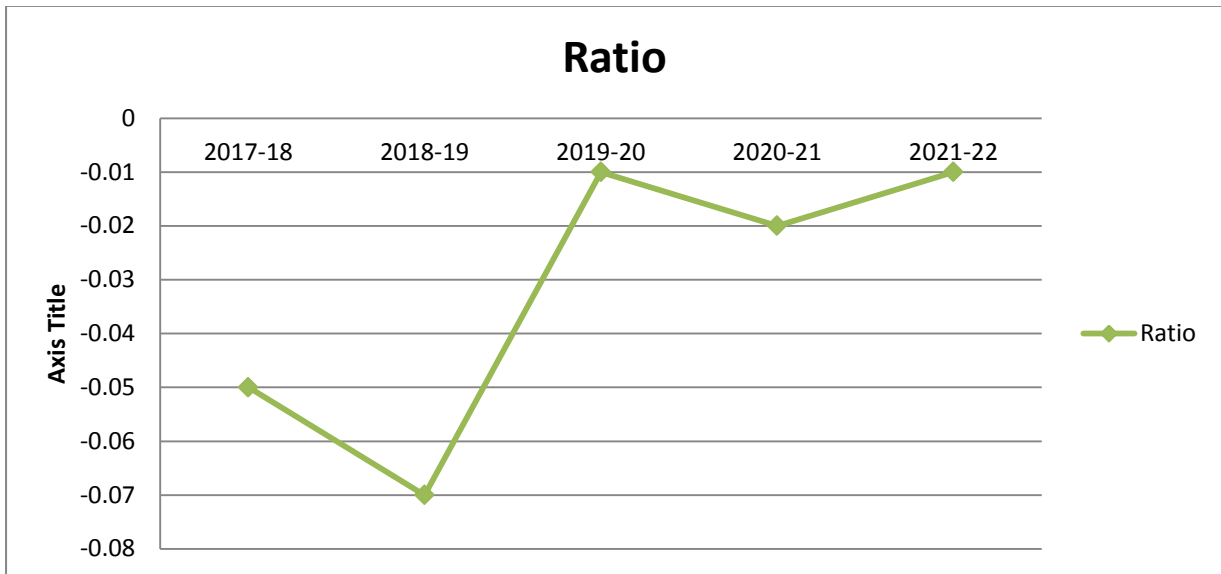
Absolute liquidity ratio includes cash, bank, and marketable securities. This ratio obtained by dividing cash, bank and marketable securities by current liabilities.

Absolute liquidity ratio

Year	Cash & bank Balance	Current Liabilities	Ratio
2018-19	27.20	1962.64	0.014
2019-20	51.44	2349.68	0.022
2020-21	5.61	2084.85	0.002
2021-22	12.22	2103.16	0.006
2022-23	13.50	1962.54	0.007

CASH TO WORKING CAPITAL RATIO

The cash to working capital ratio measure how well a company can meet its short-term liabilities using its liquid assets such as cash and cash equivalents and marketable securities. The ratio will also help uncover situations where the company may be too heavily spending its cash on inventory that is not being turned into sales as rapidly as it should be.



RETURNS ON ASSETS RATIO (ROA):

Measures the overall effectiveness of management in generating profits with its available assets. A company is efficient if it can generate an adequate return while using the minimum amount of assets. Efficiently working company does not require too much cash for everyday operations and can shift its excesses to investments in new spheres. Consequently, the ROA is considered a critical ratio for determining a company's overall level of operating efficiency and it shows how much profit was earned on the total capital used to make that profit. Here, the profitability ratio is measured in terms of the relationship between net profits and assets. The ROA may also be called profit-to-asset ratio.

Year	Net Profit	Total Asset	Ratio
2018-19	-42.15	3562.00	-0.01
2019-20	94.39	3181.81	0.02
2020-21	130.03	3491.79	0.03
2021-22	-65.11	3880.17	-0.01
2022-23	14.33	3811.75	0.00

END ANALYSIS

Time series or trend analysis of ratios indicates the direction of change this kind of analysis is particularly applicable to the items of profits and loss account. It is advisable that trends of sales and net income may be studied in the light of two factors: the rate of fixed expansion or secular trend in the growth of the business and the general price level.

TECHNICAL ANALYSIS

The 'trend' signifies a tendency and as such the review and appraisal of tendency in accounting variables are nothing but the trend analysis. Trend analysis is carried out by calculating trend ratio. Trend analysis is significant for forecasting and budgeting. Trend analysis discloses the change in financial and the operating data between specific periods.



TABLE SHOWING TREND ANALYSIS

CURRENT ASSET			CURRENT LIABILITY		WORKING CAPITAL	
YEAR	AMOUNT	TREND %	AMOUNT	TREND %	AMOUNT	TREND %
2018-19	1427.50	100	1962.64	100	-535.14	100
2019-20	1620.31	113.51	2349.68	119.72	-729.37	136.29
2020-21	1772.70	124.18	2084.85	106.23	-312.15	58.33
2021-22	1521.01	106.55	2103.16	107.16	-582.15	108.78
2022-23	1113.31	78.00	1962.54	99.99	-849.23	158.69

3. COMPARATIVE BALANCE SHEET

A comparative balance sheet usually has two columns of amounts that appear to the right of the account titles or other descriptions such as Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, etc. The first column of amounts contains the amounts as of a recent moment or point in time. Providing the amounts from an earlier date gives the reader of the balance sheet a point of reference—something to which the recent amounts can be compared.

Comparative balance sheet for the year of 2021-2022

LIABILITIES	2022	2023	Increase / Decrease	Percentage
ASSETS				
Current assets:				
Inventories	677.88	442.71	-235.17	-34.7
Sundry Debtors	377.47	257.56	-119.91	-31.8
Cash and bank balance	12.22	13.5	1.28	10.5
Loans and advances	453.44	399.54	-53.9	-11.9
Fixed deposit	0	0	0	0.0
Total (a)	1521.01	1113.31	-407.7	-26.8
Fixed assets:				
Net block	3522.53	3297.65	-224.88	-6.4
Capital work in progress	937.24	1362.72	425.48	45.4
Total (b)	4459.77	4660.37	200.6	4.5
Investment	0.55	0.61	0.06	10.9
Miscellaneous expense	398.59	462.55	63.96	16.0
Total (c)	399.14	463.16	64.02	16.0
TOTAL ASSETS (A+B+C)	6379.92	6236.84	-143.08	-2.2
LIABILITIES				
Current liabilities:				
Current liability & provision	2103.16	1962.54	-140.62	-6.7
Total (a)	2103.16	1962.54	-140.62	-6.7
Share capital				
Net worth	1596.77	1589.14	-7.63	-0.5
Total (b)	1596.77	1589.14	-7.63	-0.5
Total debt (c)	2283.40	2222.63	-60.77	-2.7



TOTAL LIABILITIES (A+B+C)	5983.33	5774.31	-209.02	-3.5
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V. FINDINGS

- The final year of 2021-22 has again decreased to 2.07. So the fixed asset ratio is decreasing level.
- There is a fluctuating in the absolute liquidity ratio. It was 0.014 in the year 2017-18. Next it move increased to 0.022 in the year 2018-19 and then it was decreased to final year of 2021-22 ratio was 0.007.
- Decreasing cash to working capital ratio can indicate the company can't be better cash reserves, and can't able to meet its financial obligations.
- It was again decreased from the year 2021-22 is 0.00. So the Return on Assets ratio was decreasing in year by year.

TREND ANALYSIS

- The Current asset percentage was fluctuate for year by year. The Current liability percentage was decreased year by year. It was bad performance by the company. The Working capital percentage was fluctuate to year by year.

VI. SUGGESTION

- It has been found that percentage of debt in capital structure is not very high indicating low burden of interest which makes the firms within industry less risky.
- Total debt to net fixed asset and total debt to capital employed are very low over the entire study period which indicates that majority of assets are financed through equity rather than debt.
- Regarding appropriation of profit, it has been observed that although dividend rate is moderately high, dividend payment is proportionately low signifying that management perhaps sets an enormous portion of profit aside for future growth or investment.
- The study suggests that management of the industry has been able to achieve operational efficiency with minimization of waste and maximization of resource capabilities because three indicators of judging operational efficiency namely, capital employed turnover, net fixed asset turnover and total asset turnover are moderately high and showing gradual upward trend over the years.
- The study reveals that high and gradually increasing current asset turnover has been a contributing factor responsible for ensuring current

asset efficiency which means that resources like current assets of the firms of the industry are getting utilized more efficiently.

VII. CONCLUSION

In this paper, it have analyzed the financial performance of Subam paper pvt ltd. The study suggests that liquidity position of the industry as a whole is sound and strong ensuring good liquidity management. But, dividend payment being lower, the companies need to improve the quantum of dividend payment in order to satisfy the investors without affecting the future expansion and modernization programmes of the sector.

Moreover, companies should make a concerted effort in maximizing assets and minimizing liabilities so that overall financial position could be improved. To improve financial position and stability of the industry, equity oriented dependability has to be curtailed and proper mixture of stake between owners and outsiders has to be made so that significant pressure on future cash flow can be avoided. In conclusion, this is an exploratory study that provides interesting insight into the various facets of financial performance of paper and paper product companies in India which would add to the growing body of knowledge on industry's performance.

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