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A Study of Financial Performance Analysis with Reference to Neptune Automation and Solution, Erode

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ABSTRACT: This project report entitled to “A study on financial performance of NEPTUNE AUTOMATION ERODE, The main objective of the study is to analyse the financial position of the company. It the process of identifying the financial strength and weakness of the firm properly establishing relationship between the item of balance sheet and profit and loss account. The details regarding the history and finance details of the company were collected through discussion with the company officers. Secondary data are based on the annual reports of 2017-2021.

The various tools used for the study are ratio analysis. Charts and table are used for better understanding. Through ratio analysis the company could understand the Profitability, Liquidity, Leverage, Turnover positions of the company. The company is following high debt equity and also the company followed the credit enjoyed from its supplier has also nearly one year period of time. On the other hand cash turnover also not sufficient to healthy the business. The study recommends to reducing the dept capital and providing security to creditors and to increase the sales to reduce the loss of the company.

I. INTRODUCTION

Financial analysis is the process of identifying the financial strengths and weaknesses of the firm and establishing relationship between the items of the balance sheet and profit & loss account. Financial ratio analysis is the calculation and comparison of ratios, which are derived from the information in a company's financial statements.

The information in the statements is used by-

Trade creditors, to identify the firm's ability to meet their claims i.e. liquidity position of the company. Investors, to know about the present and future profitability of the company and its financial structure. Management, in every aspect of the financial analysis. It is the responsibility of the management to maintain sound financial condition in the company.

II. STATEMENT OF THE PROBLEM:

Financial performance Analysis is very much needed for findings out the efficiency of rising and utilization of funds in the organization by establishing strategic relationship between the components of balance sheet and profit & loss a/c statement and other operation data for better decision making and to maximize the profitability of the organization

OBJECTIVES:

- The main objective of present work is to make a study on the financial performance of organization.
- To assess the short term and long term solvency.
- To assess the liquidity and profitability position and trends.



III. SCOPE OF THE STUDY

- The study report being made here brings out the financial structure and the position of the NEPTUNE AUTOMATION during the different years.
- The financial study helps us to analysis the financial background and the utilization of the income earned.

LIMITATIONS OF THE STUDY:

- Due to constraints of time and resources, the study is likely to suffer from following limitations. Some of these are mentioned here under so that findings of study may be understood in a proper perspective.
- The study is based on secondary data and limitations of using the secondary data may affect the result.
- The secondary data was taken from annual report of Neptune Automation. It may be possible that the data shown in annual report may be window dressed which may not present the actual position of company.
- This study need to be interpreted carefully. They can provide clues to the company's performance or financial situation. But on their own, they cannot show whether performance is good or bad. It require some quantitative information for an informed analysis to be made.

IV. LITERATURE REVIEW

Rao (1993) discussed in his research about 'Financial appraisal of Indian Automotive Corporate Industry'. Main objective of study was intended to probe into the financial condition-financial strength and weakness-of the Indian Corporate industry. He has been measured and evaluates the financial performance through inter-company and inter-sector analysis for the period of 1981-1988. He has found that the fixed assets utilization in many of the Corporate undertakings was not as productive as expected and inventory was managed fairly well. He has considered that the Corporate industry's overall profit performance was subjected to inconsistency and ineffective. He has suggested some recommendations to improve financial performance.

V. RESEACH METHODOLOGY

Methodology is a plan of action for a research project and explains in detail how data to be collected analysed and presented so that they will provide meaningful information. This section is to give enough background on the technical aspects of the study to allow the reader to appraise the quality of the information obtained.

DATA SOURCES:

The study is based on secondary data. However the primary data is also collected to fill the gap in the information.

Primary data will be through regular interaction with the officials of Neptune Automation and Solution.

Secondary data collected from annual reports and also existing manuals and like company records balance sheet and necessary records.

ANALYSIS AND INTERPRETATION

CLASSIFICATIONS OF RATIOS:

Several ratios, calculated from the accounting data can be grouped into various classes according to financial activity or function to be evaluated. Management is interested in evaluating every aspect of the firm's performance. They have to protect the interests of all parties and see that the firm grows profitably .In view of the requirement of the various users of ratios; ratios are classified into following four important categories

LIQUIDITYRATIO:

- Current Ratio
- Quick Ratio or Acid Test Ratio

LEVERAGE OR CAPITAL STRUCTURE RATIO:

- Debt Equity Ratio
- Proprietary Ratio
- Capital Gearing Ratio

ACTIVITY RATIO OR TURNOVER RATIO:

- Working Capital Turnover Ratio
- Current Assets Turnover Ratio
- Total Assets Turnover Ratio
- Capital Turnover Ratio
- Fixed Assets Turnover Ratio

PROFITABILITY RATIO OR INCOME RATIO:

Profitability Ratio based on Sales :

- Gross Profit Ratio
- Net Profit Ratio
- Operating Ratio
- Expenses Ratio

Profitability Ratio Based on Investment:

- Return on Capital Employed
- Earnings Per Share
- Dividend Per Share

CURRENT RATIO

Current ratio may be defined as the relationship between current assets and current liabilities. This ratio also known as Working capital ratio is a measure of general liquidity and is most widely used to make the analysis of a short-term financial position (or) liquidity of a firm.

Components of current ratio

CURRENT ASSETS	CURRENT LIABILITIES
Cash in hand	Outstanding or accrued expenses
Cash at bank	Bank overdraft
Bills receivable	Bills payable
Inventories	Short-term advances
Work-in-progress	Sundry creditors

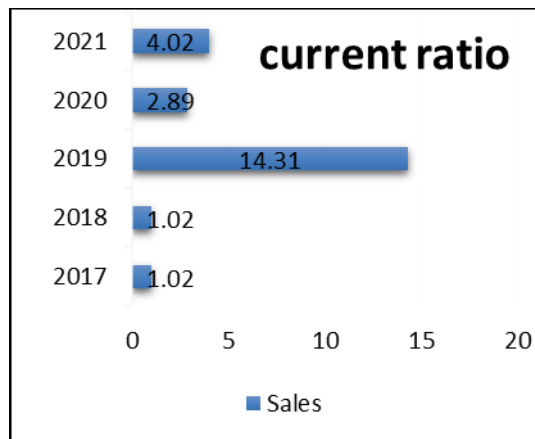
Marketable securities	Dividend payable
Short-term investments	Income-tax payable
Sundry debtors	
Prepaid expenses	

Current ratio is calculated by dividing current assets by current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Asset}}{\text{Current Liability}}$$

Current Ratio			
Year	Current Assets	Current Liability	Current Ratio
2017	524482068	513786193	1.02
2018	756609010	74337434	1.02
2019	478,357,785.00	33,420,740.00	14.31
2020	599,917,087.00	207,405,279	2.89

(Source: Annual Reports)



INTERPRETION

The above table and diagram showed the current ratio of five years (2017-21). The Current Ratio of Siesta Logistics Corporation Limited varied from 1.02 to 4.02 with an average of the solvency position of Neptune Automation. In terms of current ratio was above the standard norm volume of 2:1 for the entire period. The Current ratio in the year 2019 is 14.31 which came down to 2.89 in the year 2020. This shows utilization of funds in the company.

FINDINGS

- Liquidity refers to the ability of the concern to meet its current obligations as and when these become due. The company should improve its liquidity position.
- The company should make the balance between liquidity and solvency position of the company.
- The profit ratio is decreased in current year so the company should pay attention to this because profit making is the prime objective of every business.
- The cost of goods sold is high in every year so the company should do efforts to control it.
- The long term financial position of the company is very good but it should pay a little attention to short term solvency of the company
- The current ratio is fluctuating every year that is 2.4, 5.22, 14.31, 2.88 and 3.02 during 2011 which indicates a continuous increase in both current assets and current liabilities.
- The quick ratio is also fluctuating throughout the period 2017 – 2020 resulting as 2.33, 4.27, 13.17, 2.3 and 2.4. It confirms that the liquidity position of Siesta Logistics Corporation Limited. In terms of quick ratio were more than the above standards.
- The capital turnover ratio is indicating that the company is striving to make a profit and sales out of the capital which it is employing

Suggestions:

Neptune Automation is enjoying liberal

credit facilities from its suppliers. It should continue to take advantage of high creditor's payment.

The ERP system already established in the division should be strictly monitored. One committee is required to be setup with the representative of all departments and the committee should review the function of the system regularly.

The company should make an effort to increase their turn on investment.

The overall performance of the organization is on an average and quite satisfactory.



It is recommended that the company should aim at achieving higher returns on investment, by better utilization and allocation of funds employed in the business which in return helps the company to meet its long term objectives. The operating income and expenses are fluctuating every year. Efficient monitoring has to be done so that income and expenses standards can be maintained

VI. CONCLUSION

The project of Ratio analysis in the service industry is not merely a work of the project. But a brief knowledge and experience that how to analyse 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 Neptune Automation the company have been incurring profit during the period of study. So the firm should focus on getting of huge profits in the coming year by taking care internal as well as external factors. Gross profit and net profit of the Neptune Automation is fluctuating over the past five years. On an average the Neptune Automation over all performance is quite satisfactory.

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