A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF SELECTED PAPER MILLS IN COIMBATORE CITY

Dr. K. SURESH BABU
Head of the Department commerce,
Sankara College of Science and Commerce,
Coimbatore, Tamilnadu.

H.PUNITHAVATHY
Ph.D Research Scholar,
Sankara College of Science and Commerce.
Coimbatore, Tamilnadu.

ABSTRACT

Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the Balance Sheet and the Profit and Loss Account. The project work is an outcome of “A study on financial performance analysis of paper mills of Coimbatore city”. The study was carried out for the period of five years (2012-17) to analyze the financial performance of the company and the 5 companies are Sripathi Paper and Boards, Shri Vishnu Paper Mill, Senthil Paper and boards, Aadithiya Aswin Paper Mill, Amravati S V Paper Mill are taken for study. The research design of the study is descriptive research design and secondary data was collected from the published websites of organization for the research. The tools used for analysis is comparative ratio analysis of the balance sheet. Suitable ratios were framed and calculated to know the financial performance of the company. The findings from the analysis were discussed in detail and suggestions for corrective actions like maintain good solvency in order to meet short term and long term obligations were given wherever applicable.

Keywords: Financial Performance, Ratio Analysis, Paper Mills.

I. INTRODUCTION

India holds 15th rank among paper producing countries in the world. The total installed capacity is approximately 12.7 million tonnes. The per capita consumption of paper is around 11 kgs against the global average of 56 kgs and the Asian average of 40 kgs. India’s share in world paper production is about 2.6%. The industry is fragmented with over 750 paper mills, of which only 50 mills have a capacity of 50,000 TPA or more. About 70% of the total installed capacity of paper production in In India, Gujarat, West Bengal, Orissa, Andhra Pradesh, Karnataka and Maharashtra. Uttar Pradesh, Tamil Nadu, Haryana, Kerala, Bihar and Assam together produces quantity of paper about 25% of the total paper production in India. The industry is working at 89 per cent capacity utilization. The current demand is estimated at 13.1 million tonne with domestic production of 11.4 million tonne, export of 0.5 million tonne and import of 2.2 million tonne. The demand is projected to increase to 23.5 million tonne by 2024-25. India is the fastest growing market for paper in the world with a growth rate of about 6 per cent annually. Increase of per capita paper consumption by one kg will increase the demand by about 1.25 million tonne per annum. Broadly the industry is classified into two main segments- Paper and Paperboard (comprises of writing, printing, packaging, specialty and tissue paper) and Newsprints (comprises of newspapers, flyers and other printed material intended for mass distribution). Due to demand of paper in india, Indian paper industry market (13.1 million tonne) consisting of printing & writing paper (4.8 million tonnes), news print (2.5 million tonne), industrial paper (5.1 million tonne) and specialty paper (0.6 million tonne). The packaging board market size is estimated at 2.4 million tonne, growing 11.6% (vs. 6% growth in printing & writing paper demand).
II. REVIEW OF LITERATURE

Chirayil (2009), in his paper “Economic reform and Productivity Growth in Indian Paper and Paper Products Industry: A Nonparametric Analysis” had estimate total factor productivity growth and its components (efficiency change and technological progress) in Indian paper and paper products industry during pre and post reform period with the help of the Malmquist Productivity Index. He concluded that the negative TFP change was decreased (from -8.6 per cent to -5.2 per cent) during the period at the aggregate level. It was found in the study that the technical efficiency change and the technical change was the deteriorating factor for productivity change in Indian paper and paper products industry. It was suggested that specific policies should be implemented in order to improve efficiency as well as technical progress, thus ultimately facilitating long-run productivity growth.

Ray (2011) in his paper “Financial Performance of Paper and Paper Product Companies in India in Post Liberalization Period: An Exploratory Study” studied the financial performance of Indian paper and paper product companies using data from CMIE over the period, 2000-01 to 2008-09. He has analyzed from seven key financial dimensions, namely, financial profitability, capital structure, operational efficiency, fixed asset age, current asset efficiency and liquidity position. The study suggested that liquidity position and profitability of the industry as a whole were sound and strong ensuring good liquidity management and better profitability to both investors as well as entrepreneurs. The study revealed 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 were getting utilized more efficiently. 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 programmers of the sector.

Fatima, Nadeem (2013) in their thesis entitled “Performance Appraisal of Paper Industry in India- A Case Study of Some Selected Paper Mills” had been undertaken with the object of analyzing and evaluating the financial performance of the paper industry in India. The study obtains an insight into the financial position of the four companies of paper industry, namely, Ballarpur Industries Limited, Tamil Nadu Newsprint and Papers Limited, Andhra Pradesh Paper Mills Limited, and West Coast Paper Mills Limited. The financial performance of these companies during the years from 2000-2001 to 2009-2010 has been thoroughly examined. They found that there is no high deviation in the operating profit ratio of paper mills under study, net profit differs significantly, there were no similarities in return on net worth ratio, and current ratio differs significantly.

III. OBJECTIVES OF THE STUDY

- To analyze the overall financial performance of five selected companies of paper mills in Coimbatore city.
- To study the liquidity, Leverage, profitability and turnover ratios position of five selected companies of paper mills.
- To compare last five years different ratio with each company.
- To provide useful suggestions to improve the financial performance of the companies selected for the study.

IV. SCOPE OF THE STUDY

This study “Financial Performance Analysis of paper mills of Coimbatore city” is vital because just earning profits not enough, a business should earn sufficient profit to cover its cost of capital and create surplus to grow. So finding the surplus profit is made essential. Study aim to analyze the liquidity, profitability, solvency position of the firm and efficiency which it converts its resources into service. The study aims to find out the correlation between the services and net profit of the firm. Liquidity ratios like current Ratio, Quick Ratio etc are prepared to analyze the financial position of the firm. Profitability of the firm is found out using ratios like Gross profit ratio, Net profit ratio etc. Activity ratios for example Inventory Turnover Ratio, Debtors Turnover Ratio are used to find out the efficiency of the firm. The analysis of financial statements helped to judge the financial strength of the firm. This study further gives valuable suggestion to the union to increase its performance by making a comparison with a firm in the same industry. The study will help the union to learn whether the performance creates value to its investors there by looking for the opportunities to increase the investment.

V. RESEARCH METHODOLOGY:

Research

According to Clifford Woody research comprises defining and redefining problems, formulation hypothesis or suggested solutions; collecting, organizing and evaluating data; making deductions and reaching conclusions; and at last carefully testing the conclusions to determine whether they fit the formulating hypothesis.

Research Design

A research design is the arrangement of condition for collection and analysis of data in a means that aims relevance to the research purpose with economy in procedure. In this study the descriptive research is followed.
Source of Data Collection

Secondary Data

The secondary data are those which have already been collected by someone else and which have already been passed through the statistical process. Thus the data was collected from company document reports and books. The data were collected from secondary the major source of secondary data were

1) Journal
2) Balance sheet

Period of Study

The period of study consist of three months from January to March 2018. This study is based on the Five years Annual report of the Sripathi Paper and Boards, Shri Vishnu Paper Mill, Senthil Paper and boards, Aaditiya Aswin Paper Mill, Amravati S V Paper Mill.

Tools Used for Data Analysis

- Comparative ratio analysis

Abbreviation:

- SPB - Sripathi Paper and Boards.
- SVPM - Shri Vishnu Paper Mill.
- SPBM - Senthil Paper and boards.
- AAPM - Aaditiya Aswin Paper Mill.
- ASVP - Amravati S V Paper Mill.

VI. COMPARATIVE RATIO ANALYSIS:

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SPB</th>
<th>SVPM</th>
<th>SPBM</th>
<th>AAPM</th>
<th>ASVP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 – 2013</td>
<td>5.08</td>
<td>1.43</td>
<td>0.84</td>
<td>1.64</td>
<td>0.95</td>
</tr>
<tr>
<td>2013 – 2014</td>
<td>4.55</td>
<td>2.05</td>
<td>1.45</td>
<td>1.71</td>
<td>1.20</td>
</tr>
<tr>
<td>2014 – 2015</td>
<td>3.97</td>
<td>0.98</td>
<td>1.36</td>
<td>1.09</td>
<td>1.09</td>
</tr>
<tr>
<td>2015 – 2016</td>
<td>3.45</td>
<td>0.99</td>
<td>1.24</td>
<td>1.04</td>
<td>1.32</td>
</tr>
<tr>
<td>2016 – 2017</td>
<td>3.56</td>
<td>1.50</td>
<td>0.78</td>
<td>1.53</td>
<td>1.55</td>
</tr>
</tbody>
</table>

Interpretation: From the above table it is clear that current ratio of Sripathi Paper and Boards is high and all other companies current ratio is too low then the standard norms 2:1.

2. COMPARATIVE QUICKRATIO OF 5 COMPANIES

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SPB</th>
<th>SVPM</th>
<th>SPBM</th>
<th>AAPM</th>
<th>ASVP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 – 2013</td>
<td>0.48</td>
<td>0.44</td>
<td>0.47</td>
<td>0.82</td>
<td>0.27</td>
</tr>
<tr>
<td>2013 – 2014</td>
<td>0.46</td>
<td>0.34</td>
<td>0.55</td>
<td>0.61</td>
<td>0.19</td>
</tr>
<tr>
<td>2014 – 2015</td>
<td>0.61</td>
<td>0.31</td>
<td>0.38</td>
<td>0.56</td>
<td>0.55</td>
</tr>
<tr>
<td>2015 – 2016</td>
<td>0.56</td>
<td>0.42</td>
<td>0.38</td>
<td>0.41</td>
<td>0.61</td>
</tr>
<tr>
<td>2016 – 2017</td>
<td>0.61</td>
<td>0.49</td>
<td>0.11</td>
<td>0.70</td>
<td>0.66</td>
</tr>
</tbody>
</table>
Interpretation: The standard norms for quick ratio are 1:1 where the quick ratios of all companies are below the standard norms. All companies show fluctuating trend during the period 2012-13 to 2016-17.

### COMPARATIVE INTEREST COVERAGE RATIO OF 5 COMPANIES

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SPB</th>
<th>SVPM</th>
<th>SPBM</th>
<th>AAPM</th>
<th>ASVP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 – 2013</td>
<td>0.92</td>
<td>2.10</td>
<td>3.09</td>
<td>3.54</td>
<td>0.93</td>
</tr>
<tr>
<td>2013 – 2014</td>
<td>1.32</td>
<td>4.24</td>
<td>1.50</td>
<td>3.95</td>
<td>1.63</td>
</tr>
<tr>
<td>2014 – 2015</td>
<td>-0.39</td>
<td>-0.04</td>
<td>0.00</td>
<td>1.70</td>
<td>-1.05</td>
</tr>
<tr>
<td>2015 – 2016</td>
<td>0.79</td>
<td>2.07</td>
<td>0.30</td>
<td>2.76</td>
<td>1.36</td>
</tr>
<tr>
<td>2016 – 2017</td>
<td>1.93</td>
<td>2.22</td>
<td>-0.08</td>
<td>3.48</td>
<td>1.20</td>
</tr>
</tbody>
</table>

Interpretation:
Interest coverage ratio of Sripathi Paper and Boards, shows fluctuating trend ranging from 0.92 to 1.93, Shri Vishnu Paper Mill shows fluctuating trend ranging from 2.10 to 2.22, Senthil Paper and boards shows decreasing trend ranging from 3.09 to -0.08, Aaditiya Aswin Paper Mill shows fluctuating trend ranging from 3.54 to 3.48 and Amravati S V Paper Mill shows fluctuating trend ranging from 0.93 to 1.20.

### COMPARATIVE NET PROFIT RATIO OF 5 COMPANIES

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SPB</th>
<th>SVPM</th>
<th>SPBM</th>
<th>AAPM</th>
<th>ASVP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 – 2013</td>
<td>1.05</td>
<td>4.24</td>
<td>13.64</td>
<td>6.10</td>
<td>0.08</td>
</tr>
<tr>
<td>2013 – 2014</td>
<td>3.04</td>
<td>7.06</td>
<td>2.33</td>
<td>6.90</td>
<td>2.92</td>
</tr>
<tr>
<td>2015 – 2016</td>
<td>6.74</td>
<td>4.88</td>
<td>-7.14</td>
<td>6.75</td>
<td>1.72</td>
</tr>
<tr>
<td>2016 – 2017</td>
<td>4.31</td>
<td>4.51</td>
<td>-20.22</td>
<td>6.66</td>
<td>0.64</td>
</tr>
</tbody>
</table>

Interpretation: Net Profit Ratio of Sripathi Paper and Boards shows fluctuating trend ranging from 1.05 to 4.31, Shri Vishnu Paper Mill shows fluctuating trend ranging from 4.24 to 4.51, Senthil Paper and boards shows decreasing trend ranging from 13.64 to -20.22, Aaditiya Aswin Paper Mill shows fluctuating trend ranging from 6.10 to 6.66 and Amravati S V Paper Mill shows fluctuating trend ranging from 0.08 to 0.64.

### COMPARATIVE OPERATING PROFIT RATIO OF 5 COMPANIES

<table>
<thead>
<tr>
<th>YEAR</th>
<th>SPB</th>
<th>SVPM</th>
<th>SPBM</th>
<th>AAPM</th>
<th>ASVP</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012 – 2013</td>
<td>8.15</td>
<td>19.86</td>
<td>5.82</td>
<td>19.05</td>
<td>11.24</td>
</tr>
<tr>
<td>2015 – 2016</td>
<td>4.67</td>
<td>20.27</td>
<td>-1.48</td>
<td>23.90</td>
<td>9.59</td>
</tr>
<tr>
<td>2016 – 2017</td>
<td>6.51</td>
<td>16.84</td>
<td>-10.80</td>
<td>17.97</td>
<td>7.42</td>
</tr>
</tbody>
</table>

Interpretation: Operating Profit Ratio of Sripathi Paper and Boards shows fluctuating trend ranging from 8.15 to 6.51, Shri Vishnu Paper Mill shows fluctuating trend ranging from 19.86 to 16.84, Senthil Paper and boards shows negative trend ranging from 5.82 to -1.48, Aaditiya Aswin Paper Mill shows fluctuating trend ranging from 19.05 to 17.97 and Amravati S V Paper Mill shows fluctuating trend ranging from 11.24 to 7.42.
VII. FINDINGS:

- Current ratio of Sripathi Paper and Boards is high and all other companies current ratio is too low.
- Quick ratios of all companies are below the standard norms. All companies shows fluctuating trend during the period 2012-13 to 2016-17.
- Interest coverage ratio of all the companies shows fluctuating trend during the period 2012-13 to 2016-17 and highest Interest coverage ratio is in Aaditiya Aswin Paper Mill.
- The overall gross profits of the companies are not satisfactory and highest profit on an average of 24.10
- Aaditiya Aswin Paper Mill has earned high profit compared to other companies in the industry.
- The net profit of the companies has declined due to low sales and highest profit was earned by Aaditiya Aswin Paper Mill compared to other companies in the industry.
- The operating profit of the study shows a positive and negative sign during the period 2012-13 to 2016-17.

VIII. SUGGESTIONS:

- The paper mills can follow a fixed policy for debtors.
- The firm should maintain the share capital to pay dividend to the share holders.
- It’s better to take proper measure to maintain the earnings of the concern.
- The firm can try to improve their profitability through debt–equity financing.
- It’s better for the companies to frame some important factors to be considered before adopting their investment and financing decision.
- Liquidity position should be revised by the companies to meet its financial requirements.
- Companies should develop a system that reduce operating cost and increase the production units.

IX. CONCLUSION:

Paper constitutes the single largest industry in India. The Technology Up gradation Fund Scheme has made drastic changes for companies to import high capacity machines to increase production. The Indian paper industry has a significant presence in the economy as well as in the international. Government is providing many subsidies to raise the textile industry

Its contribution to the Indian economy is manifested in terms of its contribution to the industrial production, employment generation and foreign exchange earnings since if the companies maintain a well planned financial policy it can be main income generating industry.

X. BIBLIOGRAPHY:

Books:

3. Dr. Periasamy P, “Management Accounting”,
Reference:


 Websites:

1. www.csimarket.com
2. www.spinningindustry.com
3. www.financialdictionary.com
4. www.indiainfoline.com
5. www.investmentguruindia.com
6. www.moneycontrol.com
7. www.onlinelibrarywiley.com