International journal Of Business Management
ISSN NO. 2349-3402
Available at www.ijbm.co.in
VOL. 3 Issue 1, 2017

A Study of Financial Analysis of Sutlej Textile & industries Ltd.

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Introduction

Financial analysis is an aspect of the overall business finance function that involves examining historical data to gain information about the present and future financial position of any organisation. To knows about the short term and long term solvency of any organization we can use financial information. Finance is the prime language of business world. Business goals and objectives are set in financial terms and their outcomes are calculated in financial terms. Among the skills required to understand and manage a business is fluency in the language of finance—the ability to read and understand financial data as well as current information in the form of financial reports. Financial analysis can be done through by financial statements, such as income statements, balance sheets, and cash flow statements. For the present study comparative financial statements and ratio analysis has been used.

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Review of literature

Srinivasa Rao and Indrasena Reddy (1995) in their study entitled "Financial Performance in Paper Industry- A Case Study" stated that the financial position of the company had been improving from year to year. The company's performance in relation to generating internal funds in the form of reserves and surplus was excellent and also was doing well in mobilizing outside funds. The short term liquidity position of the company was sound as it was revealed by current and quick ratios which were above the standard. The solvency ratios showed that the company had been following the policy of low capital gearing from 1990-91 as these ratios had been decreasing from this year.

Gangadhar (1998) concluded in his study "Financial Analysis of Companies in Criteria: A Profitability and efficiency focus" that the liquidity position was quite alarming since they faced chronic liquidity problems. Their proportion current assets in relation to the current liabilities were very low. It was suggested that, it may be improved by reducing excessive burden of current liabilities or increasing the level of current assets depending upon the requirements.

Anshan Lakshmi (2003) conducted "A Study of the Financial Performance with Reference to Steel Industries Kerala Ltd". This study was covered from 1977-1998 to 2001-2002. The objectives of the study was to analyze and evaluate the working capital management, to analyze the liquidity position of the company, to evaluate the receivables, payables and cash management and to suggest ways and means to improve the present date of working capital. The major tools used for the analysis said that the working capital management suggested that the inventory management have to be corrected.

Prasanta Paul (2011) found that five listed NBFC's have been considered for analyzing comparative financial performance in his study on "Financial Performance Evaluation - A Comparative Study of Some Selected Non Banking Financial Company (NBFCs)". Different statistical tools like, Arithmetic mean, Standard Deviation, Coefficient of Variance, Correlation and Analysis of Variance have been used extensively. It concluded that the selected companies differ significantly in terms of their financial performance indicators from one to another, may be for the different services they provide.

Vivek Kumar and Major Singh (2013) conducted a study on "Profitability of Indian Banks – A Comparative Study of SBI and HDFC". The study revealed that the various profitability ratios of two banks as the measure of profitability. The common denominator used for developing the various profitability ratios is business volume (deposits plus advances). The study analyses the published five-year data from 2007-08 onwards for the two largest banks, i.e., State Bank of India- the largest public sector bank and "The Housing Development Finance Corporation (HDFC) Bank "- the largest private sector bank. The comparative analysis of the profitability of the two banks revealed that there is a large difference between the profitability of the two banks. HDFC"s profitability is more than that of SBI.

Moses Joshuva Daniel (2013) in his study "A Study on Financial Status of TATA Motors Ltd" stated the main objectives to analyzing the overall financial position of the TATA Motors Ltd by using different financial tools. In order to analyze financial condition in terms of Profitability, Solvency, Activity and Financial stability various accounting ratios have been used. It is cleared from the study that 37 the company's financial performance is satisfactory.

Objectives of the study

Based on the review of literature and need of the study, the followings objectives of the study are designed;

- To determine the financial position of the Sutlej Textile & industries Ltd.
- To find out the long-term solvency and liquidity position of company.
- To offer suggestion based on the above study.

Research Methodology

The present analysis has been designed to study '***Financial Analysis of Sutlej Textile & industries Ltd***'. For the present study descriptive method is used. All employees of Sutlej Textile & industries Ltd. constituted the population of the study for the present investigation.

The data has been collected in two ways i.e. primary data and secondary data. Primary data is collected through personnel interview from the various peoples who work in the accounts department. Secondary data is collected from the web site of the company, various research journals, and articles and with the help of internet. The sampling unit of the study included the Balance Sheet, Profit & Loss Account, and Quarterly Results for the financial year 2011 to 2015.

Results and Interpretations

COMPARATATIVE STATEMENTS of PROFIT & LOSS

	TREND PERCENTAGE				
	Mar '11	Mar '12	Mar '13	Mar '14	Mar '15
Sales Turnover	100	96.94	105.98	118.82	118.49
Excise Duty	100	0.00	0.00	86.09	9.71
Net Sales	100	97.18	106.23	118.90	118.75
Other Income	100	91.67	91.99	111.50	113.24
Stock Adjustments	100	125.15	-24.02	60.71	-9.54
Total Income	100	97.47	104.04	117.90	116.76
Expenditure					

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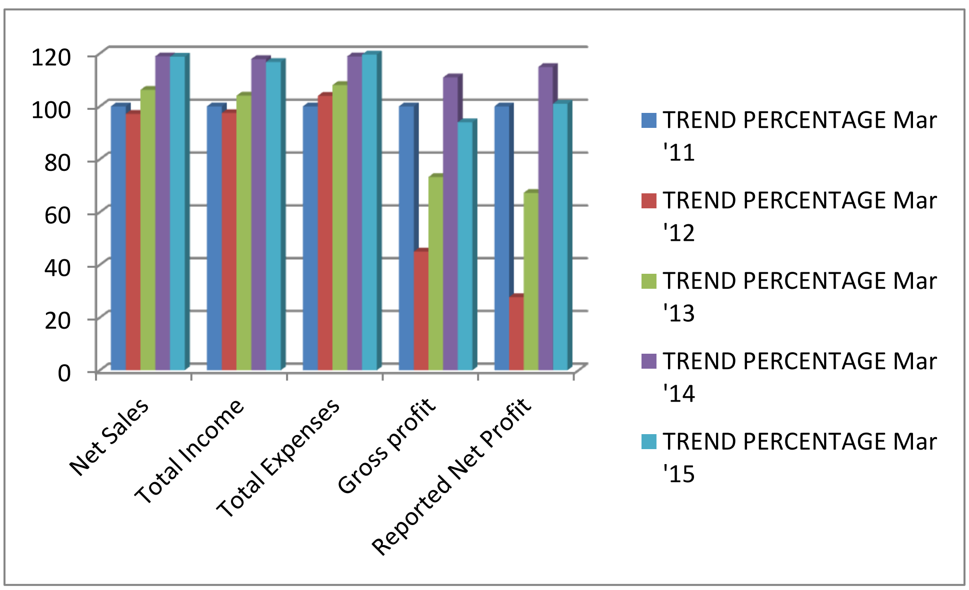
Raw Materials	100	102.71	105.46	115.74	113.84
Power & Fuel Cost	100	108.74	123.13	127.64	136.62
Employee Cost	100	106.50	125.29	146.97	162.79
Miscellaneous Expenses	100	110.37	103.70	118.09	126.79
Depreciation	100	101.68	103.37	110.80	103.02
Total Expenses	100	103.92	108.03	118.89	119.59
Gross profit	100	45.03	73.27	110.92	94.01
PBIT	100	52.79	76.39	111.02	97.21
Interest	100	117.61	110.28	98.04	89.46
PBT	100	26.81	62.80	116.22	100.32
Tax	100	23.56	47.37	120.81	98.08
Reported Net Profit	100	27.75	67.31	114.87	100.97

Note: 2011 is considered as base year.

TREND ANALYSIS OVERVEIW OF PROFIT AND LOSS



Interpretation

In the year 2011 the net sales of the company was 1585.46 crore and increased to 1878.21 crore in year2015 which means the sales of the company is increasing

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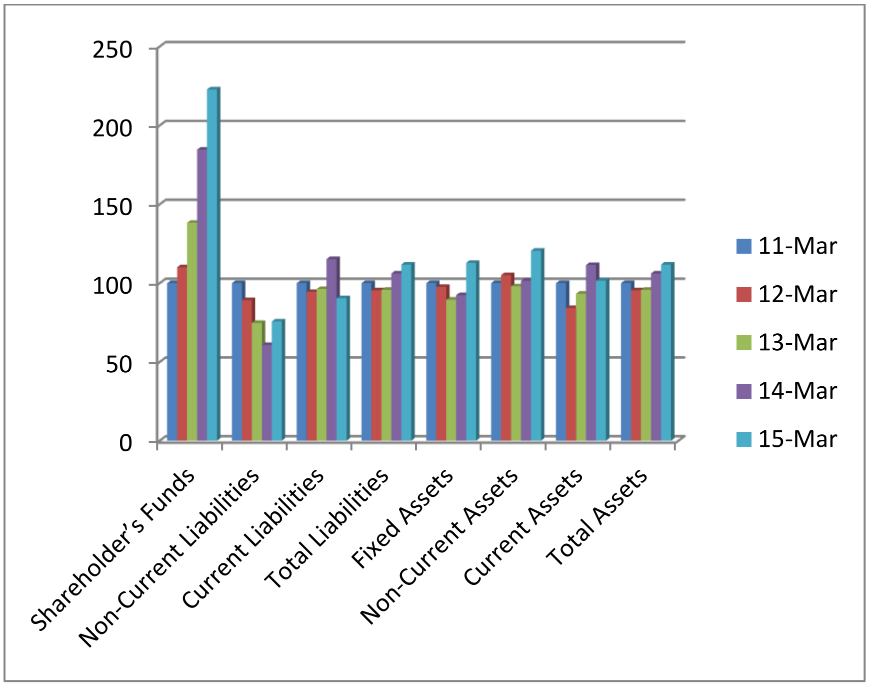
The purchase of raw material is also increased in proportion to sales. The expenses are on the peak on the basis of apportionment to sales (i.e. 96.89) in the year 2011-12 as compared to other years. Due to some expansion projects the profit & loss A/C shows low profit as compared to other year. The company earns highest profit in the year 2014-15 (115.47 crore).On the basis of net profit ratios the ratio of net profit is showing a decline due to regular payment of interest and dividend to shareholder's and debenture holder respectively. The company is showing constant increasing profit since 2013.All the payments of liabilities are timely paid.

COMPARTATIVE BALANCE SHEET

	TREND ANALYSIS				
	11-Mar	12-Mar	13-Mar	14-Mar	15-Mar
Shareholder's Funds	100	110.14	138.31	184.64	222.86
Non-Current Liabilities	100	89.27	74.82	60.81	75.79
Current Liabilities	100	94.49	96.33	115.30	90.52
Total Liabilities	100	95.47	95.84	106.16	111.82
Fixed Assets	100	97.67	89.53	92.48	112.85
Non-Current Assets	100	105.10	97.99	101.53	120.64
Current Assets	100	84.26	93.33	111.55	101.55
Total Assets	100	95.47	95.84	106.16	111.82



Note: 2011 is considered as base year.

Interpretation

The working capital position of company is improved since 2013.The working capital position of company is low in the year 2012 due to payment of liabilities and some expansion projects. In the year 2011 the working capital of the company was 126.89 crore and increased to 175.97 crore in year2015 which means the liquidity position of the company is improved. The liquidity ratios are increasing year by year. The fixed assets of company is increased to .28 crore in 2015 as compared to 654.99 Crore in 2014 long term fund also increased from 316.35 in 2014 to394.26 in 2015.Share capital of the company is issued in the year 2013-14 by 50%.and therefore fixed assets are purchased in next two year. The reserve & surplus account is showing the constant increase. At last the company has good financial position and it needs raising funds from share & debenture. The company has shown overall improvement in last 5 years. The company in future should raise more funds by the way of debenture and shares

Liquidity or Short term Solvency Ratio

Current Ratio

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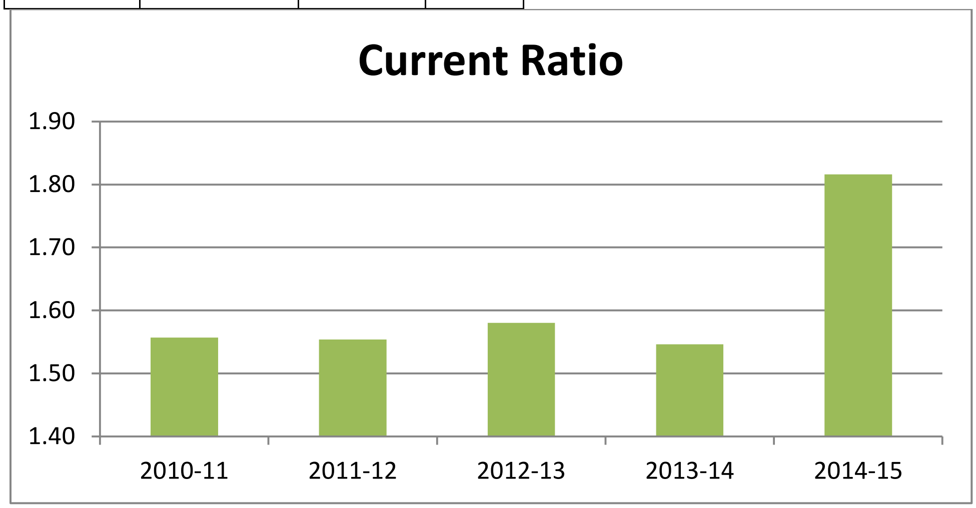
Year	Current Liabilities	Current Assets	Ratio
2010-11	355.83	553.95	1.56
2011-12	300.38	466.75	1.55
2012-13	327.12	517	1.58
2013-14	399.66	617.95	1.55
2014-15	309.79	562.54	1.82



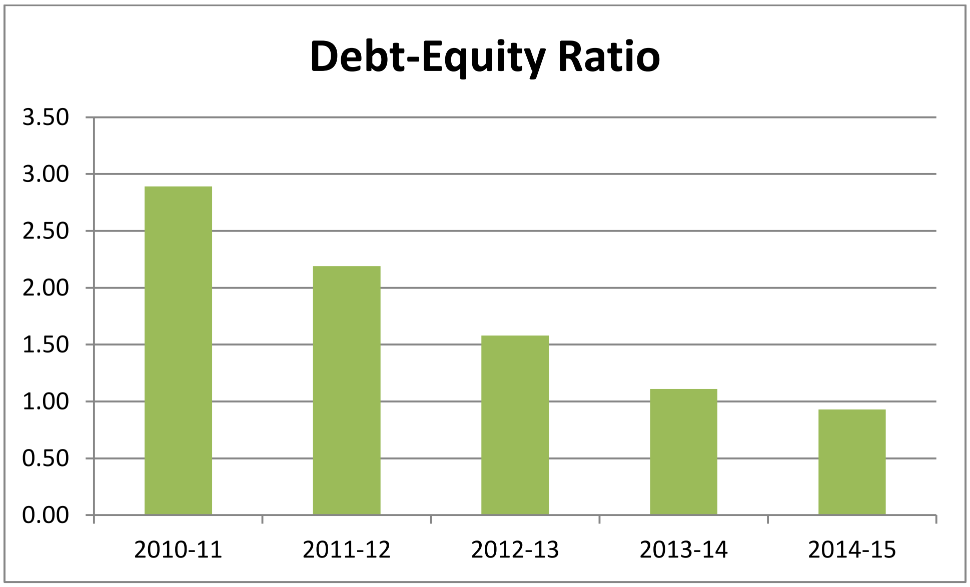
Interpretation

We interpret that in year 2015 is the current ratio of the company is at great position it show that in last year the company uses their current assets in a great manner compared other years. The current ratio of last five year is increasing of Sutlej textile mills. The current ratio of the company in last year at a satisfactory company to other years. The company has enough liquid assets to meet day to day operating activities. It is not 2:1 which is consider as satisfactory but is increasing year by year.

Debt-Equity Ratio:-

Year	debts	Shareholder's Funds	Ratio
2010-11	724.3	250.48	2.89

2011-12	604.25	275.87	2.19
2012-13	546.43	346.44	1.58
2013-14	512.01	462.49	1.11
2014-15	520.87	558.23	0.93



Interpretation

The graph shows the perfect improvement in the debt equity ratio every year. In 2010 to 2015 debt equity ratio of the company was low it shows that in these years the company pay its debt on time and in proper manner. In 2011 company show high debt equity ratio means in these years company didn't able to pay its debt effectively.

Conclusion

The study revealed that the Sutlej textile mills have an ideal financial position. There was an increasing trend in the financial position of the company. It was also concluded that the short term liquidity and long term solvency of the company was good.

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