

Financial Performance Analysis of Bannari Amman Spinning Mills in Coimbatore District

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ABSTRACT

Financial performance refers to the degree to which financial objectives being or has been accomplished. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

In this accounting is analyzed and interpreted for effective analysis and decision-making. Ratio analysis, Trend analysis is the technique and methodology used to analysis an interpretation of financial statements Generally, Liquidity, profitability and turnover are used together. In this paper, we tried to evaluate the Financial Performance Analysis of Bannari Amman spinning mills in Coimbatore district.

1. Introduction

The word 'Performance' is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers the act of performing; execution, accomplishment, fulfillment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished.

In the words of Frich Kohlar "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate firm's success, conditions, and compliance. Financial performance refers to the act of performing financial activity.

2. Objectives of study

1. To know the liquidity position of the company.
2. To analysis the profitability of the company.
3. To understand the trend of working capital.
4. To give some concrete suggestions for improvement of the concern after analyzing the financial statement.

The study suggests the best means of raising funds and deals with how it will affect the performance of the company

3. Methodology

Sources of data

The main sources are annual reports of the company from 2012-2013 to 2016-2017. The sources data include the

balance sheet and profit and loss a/c and various schedules and ledgers provided by the company financial department.

Data collection method

The study is conducted using secondary data. Secondary data are collection from published annual reports and balance sheet. Various records other unpublished books and document and from the website of Bannari Amman Mills.1. **Company records** 2. **Annual records**

Tools of study

1. **Ratio analysis**
2. **TREND ANALYSIS**

4. Reviews

Kakani, Saha & Reddy (2003) have studied about an empirical validation of the widely held existing theories on the determinants of firm performance in the Indian context. In their study they have used financial statements and capital market data of 566 large Indian firms over a time frame of eight years divided into two sub-periods (1992-96 and 1996-2000) and to analyse Indian firm's financial performance across various dimensions viz., shareholder value, accounting profitability and its components, growth and risk of the sample firms. They have found that size, marketing expenditure and international diversification had a positive relation with a firm's market evaluation. They have also concluded that a firm's ownership compositions, particularly the level of equity ownership by domestic financial institution and dispersed public shareholders, and the leverage of the firm were important factors affecting its financial performance.

Petia (2004) discussed in his study about performance of India's non-financial corporate sector since 1989, by using firm level data and evaluated its financial vulnerabilities. He has found that promising trends in liquidity, profitability and leverage of the sector emerged in the early 1990s; he has

experienced a reversal after 1996. Nevertheless, most indicators were still at comfortable levels, and there was evidence of improvement in 2002. The study also revealed that a number of firms still face problems servicing their debt obligations, posing a risk to lenders. He has concluded that aggregate interest coverage of the corporate sector indicated that potential non-performing loans of the corporate sector remain high and this underscores the need of the corporate sector remain high. He suggested this underscores the need for close monitoring of the corporate sector in the future.

5. Bannari Amman Spinning Mills

History

Bannari Amman Spinning mills was incorporated as Shiva Textiles (CBT) Limited on July 10, 1989 under the companies Act, 1956 and changed name to Bannari Amman Spinning mills Ltd. On October 11, 1991 and commenced its commercial operations in the year 1995. Since inception the company has evolved to be a leader in cotton yarn spinning in South India, commanding a premium in the market for its products. As on March 31, 2007 it has two factories for yarn spinning housed in around 7.85 lacs square feet in Tamil Nadu with an installed capacity of more than 1,35,000 spindles. The spinning division is in Dindigul, Tamil Nadu. The weaving division located in Coimbatore, Tamil Nadu, has an installation of 135 Sulzer projectile wider width looms, in a working space of 2.2 lakh sq feet. The company now also has technical textile division comprising of coating, flocking and lamination units.

Number of Divisions

1. Spinning Division
2. Weaving Division
3. Knitting Division
4. Processing Division
5. Technical Textiles Division
6. Garments Division
7. Wind mill Division

Audit Committee

The company Audit Committee comprises of

8. Sri C S K Prabhu-Chairman(Non- Executive Independent Director)
9. Sri K N V Ramani-Member (Non- Executive Independent Director)
10. Sri S Palaniswamy-Member(Non- Executive Independent Director)

The Board has implemented the suggestions made by the Audit Committee from time to time.

NAME	DESIGNATION
S V Arumugam	Chairman
C S K Prabhu	Director
S Palaniswamy	Director
S Sihamani	Director
K N V Ramani	Director
K R Thillainathan	Director
K Sadhasivam	Director

Facilities Overview

- Spinning mills producing 60 tons of yarn per year.

- Weaving Wider & Narrow width looms producing 7.5lakh mtrs per month.
- Knitting machines producing 20 tons of grey knitted fabric daily.
- Processing unit producing 12 tons of dyed fabric daily.
- Manufacturing knitted garments, with capacity to produce 6 million pieces per year.
- Windmills generating 30 MW of green energy per year.

6. Analysis & Interpretation

Liquidity Ratios

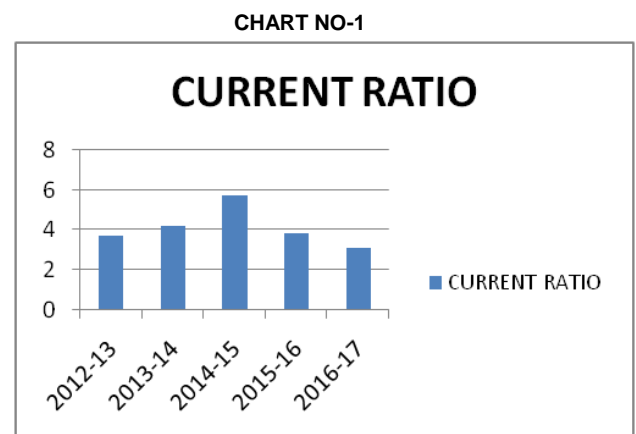
Current Ratio

Current assets include cash, stock, debtors, bill of exchange and investments which are held by the business for immediate conversion into cash.

YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2012-13	166.39	44.81	3.71
2013-14	180.70	42.96	4.20
2014-15	296.73	51.53	5.75
2015-16	269.58	70.29	3.83
2016-17	317.80	100.99	3.14

Interpretation

The table and figure indicates that there is increase and decrease in current ratio. Current ratio in 2016-17 is low comparing to other years. Current ratio increase rapidly in 2014-15 up to 5.75



Quick Ratio

The liquid liabilities include all current liabilities except bank overdraft and cash credit since they are not required to be paid off immediately.

Quick assets=current Assets-Stock-Outstanding Income

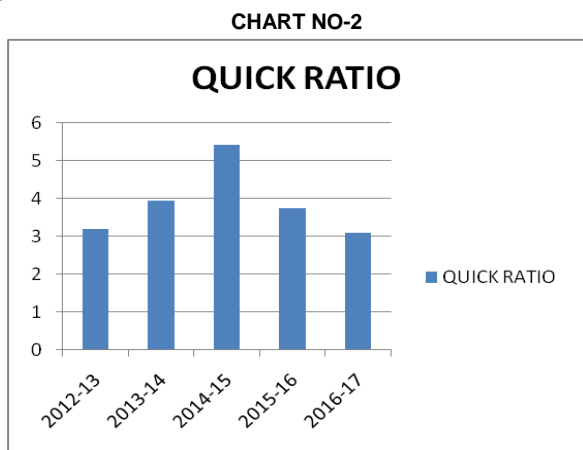
TABLE NO-2

YEAR	QUICK ASSETS	CURRENT LIABILITIES	QUICK RATIO
2012-13	143.27	44.81	3.19
2013-14	170.27	42.96	3.96

2014-15	279.83	51.53	5.43
2015-16	264.6	70.29	3.76
2016-17	313.14	100.99	3.10

Interpretation

The table and figure indicates that there is increase and decrease in quick ratio. Quick ratio in 2016-17 is low comparing to other years. Current ratio increase rapidly in 2014-15 up to 5.43



Absoulte Ratio

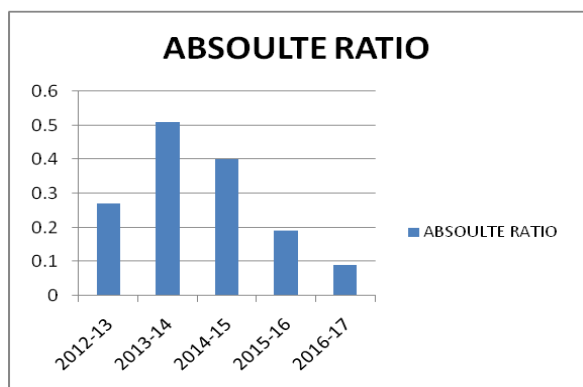
Absolute liquid ratio extends the logic further and eliminates accounts receivable (sundry debtors and bills receivables) also. Though receivables are more liquid as comparable to inventory but still there may be doubts considering their time and amount of realization.

TABLE NO-3

YEAR	CASH	CURRENT LIABILITIES	ABSOLUTE RATIO
2012-13	12.47	44.81	0.27
2013-14	21.90	42.96	0.51
2014-15	20.81	51.53	0.40
2015-16	13.58	70.29	0.19
2016-17	9.91	100.99	0.09

Interpretation

From the above analysis of cash ratio it is clear is showing a fluctuating trend throughout the analysis period. The table and figure indicates that there is increase and decrease in absolute ratio. Absolute ratio in 2016-17 is low comparing to other years. absolute ratio increase rapidly in 2013-14 up to 0.51.



Profitability Ratio

Gross Profit Ratio

The gross profit margin ratio tells us the profit a business makes on its cost of sales. It is a very simple idea and it tells us how much gross profit our business is earning.

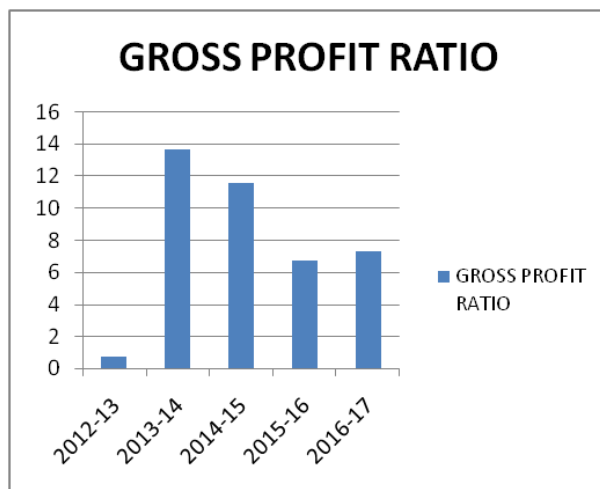
TABLE NO-4

YEAR	GROSS PROFIT	SALES	GROSS PROFIT RATIO
2012-13	3.27	459.73	0.71
2013-14	76.48	559.72	13.66
2014-15	81.05	699.65	11.58
2015-16	45.81	680.42	6.73
2016-17	56.54	771.00	7.33

Interpretation

The table and figure indicates that there is increase and decrease in gross profit over the years. Gross profit in 2012-13 is low comparing to other years. Gross profit ratio increase rapidly in 2013-14 up to 13.66 this higher ratio indicates the efficiency and profitability of the organization.

CHART NO-4



Net Profit Ratio

This ratio shows the portion of sales available to owners after all expenses. A high profit ratio is higher profitability of the firm. This ratio shows the earning left for shareholder as percentage of Net sales.

TABLE NO-5

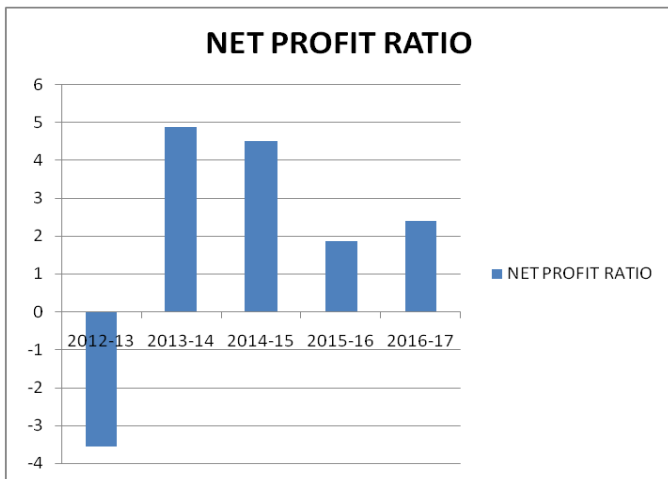
YEAR	NET PROFIT	NET SALES	NET PROFIT RATIO
2012-13	-16.37	459.73	-3.56
2013-14	27.32	559.72	4.88
2014-15	31.57	699.65	4.51
2015-16	12.83	680.42	1.88
2016-17	18.55	771.00	2.40

Interpretation

The table and figure indicates that there is increase and decrease in net profit over the years. Net profit in 2012-13 is low comparing to other years. Net profit ratio increase rapidly in

2013-14 up to 4.88 this higher ratio indicates the efficiency and profitability of the organization.

CHART NO-5



Turnover Ratio

Current Assets To Total Assets Ratio

It should be worthwhile to observe that how much of that portion of total assets is occupied by the current assets, as current assets are essentially involved in forming working capital and also take an active part in increasing liquidity

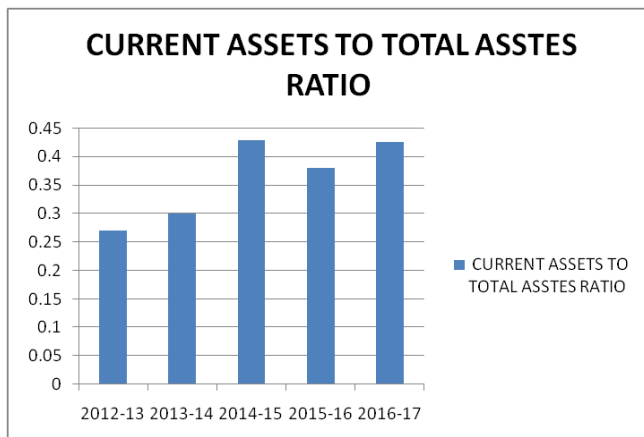
TABLE NO-6

YEAR	CURRENT ASSETS	TOTAL ASSETS	RATIO
2012-13	166.39	609.62	0.27
2013-14	180.70	598.57	0.30
2014-15	296.73	691.83	0.428
2015-16	269.58	698.71	0.38
2016-17	317.80	747.40	0.425

Interpretation

This is the which shows the relationship between the current assets to the total assets. This ratio is different from industry. But, here from the analysis it is clear that in a manufacturing firm like Bannari Amman Spinning LTD, the ratio is in and around the half mark in comparison with total assets. In other words, the ratio is showing in around of 50% out of its total assets. The highest ratio which is recorded in the financial year 2014-15.

CHART NO-6



Stock Turnover Ratio

This ratio measures the stock in relation to turnover in order to determine how often the stock turns over in the business. It indicates the efficiency of the firm in selling its product. It is calculated by dividing the cost of goods sold by the average inventory.

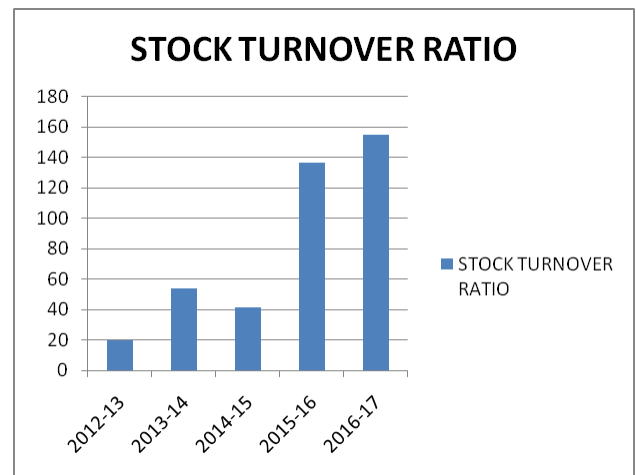
TABLE NO-7

YEAR	SALES	AVERAGE STOCK	RATIO
2012-13	459.73	23.12	19.88
2013-14	559.72	10.43	53.66
2014-15	699.65	16.90	41.39
2015-16	680.42	4.98	136.63
2016-17	771.00	4.68	154.81

Interpretation

The table shows the stock turnover ratio of the Bannari Amman Spinning Mills Ltd showing an upward trend from the financial year 2015-16 to 2016-17. But thereafter. It showed a declining trend in the financial year 2013-14. The recorded in the financial year 2016-17 and lowest ratio in the year 2012-13. An increasing trend of stock turnover is an upward trend it is good for the firm.

CHART NO-4.7



Stock Conversion Period

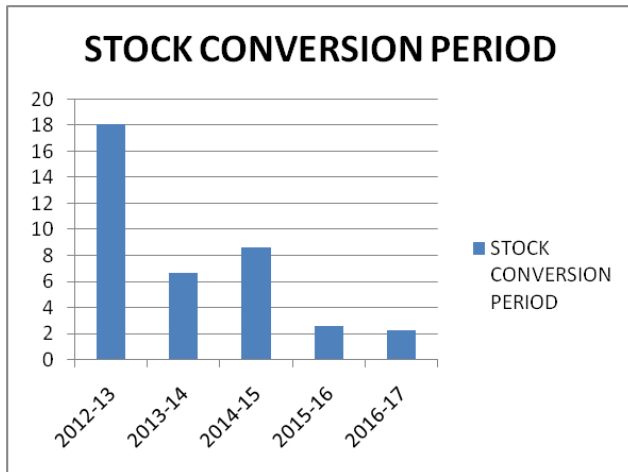
The inventory turnover ratio measures the efficiency of the business in managing and selling its inventory. This gauges the liquidity of the firm's inventory.

YEAR	NO .OF DAYS	STOCK TURNOVER RATIO	STOCK CONVERSION PERIOD
2012-13	365	19.58	18.10
2013-14	365	53.66	6.70
2014-15	365	41.39	8.69
2015-16	365	136.63	2.63
2016-17	365	154.81	2.32

Interpretation

The table and figure shows the stock conversion period. It show a decreasing trend in the analysis period except in the financial year 2012-13. the lowest stock conversion period was showed in the financial year 2016-17.

CHART NO-8



Current Assets Turnover Ratio

It is almost like the fixed asset turnover ratio, it calculates the capability of organization to earn sales with usage of current assets. So it indicates with what ratio current assets are turned over in the form of sales.

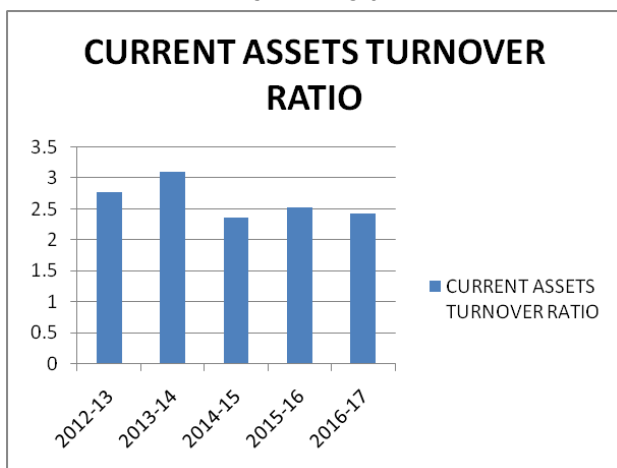
TABLE NO-9

YEAR	NET SALES	CURRENT ASSETS	RATIO
2012-13	459.73	166.39	2.76
2013-14	559.72	180.70	3.09
2014-15	699.65	296.73	2.35
2015-16	680.42	269.58	2.52
2016-17	771.00	317.80	2.42

Interpretation

The table and figure indicates that there is increase and decrease in current assets turnover ratio. Current assets turnover ratio in 2014-15 is low comparing to other years. Current assets ratio increase rapidly in 2013-14 up to 3.09.

CHART NO-9



Working Capital Turnover Ratio:

It is a measurement comparing the depletion of working capital to the generation of sales over a given period.

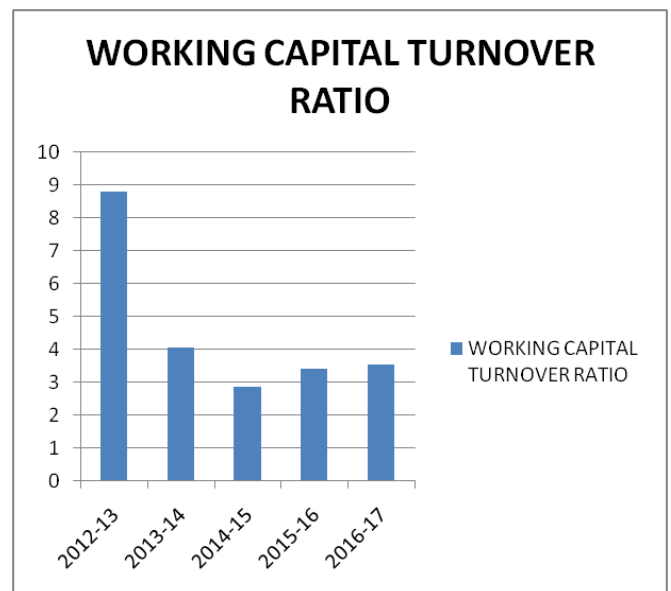
TABLE NO-10

YEAR	NET SALES	WORKING CAPITAL	RATIO
2012-13	459.73	122.07	8.766
2013-14	559.72	137.74	4.06
2014-15	699.65	245.2	2.85
2015-16	680.42	199.29	3.41
2016-17	771.00	216.81	3.55

Interpretation

The table and figure indicates that there is increase and decrease in working capital turnover ratio. Working capital turnover ratio in 2014-15 is low comparing to other years. Current assets ratio increase rapidly in 2013-14 up to 4.06

CHART NO-10



Total Asset Turnover Ratio

The total asset turnover ratio measures the ability of a company to use its assets to generate sales.

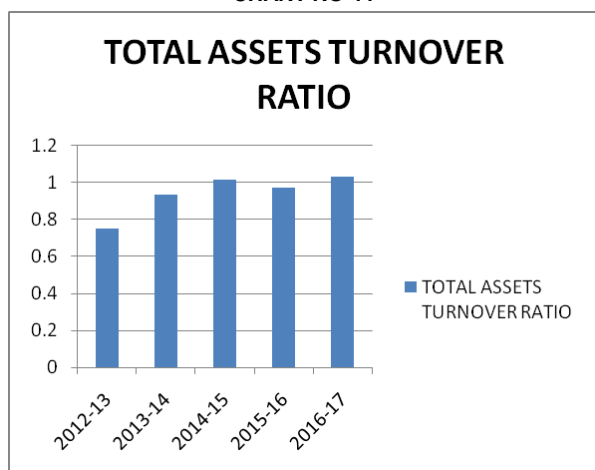
TABLE NO-11

YEAR	NET SALES	TOTAL ASSETS	RATIO
2012-13	459.73	609.62	0.75
2013-14	559.72	598.57	0.93
2014-15	699.65	691.83	1.01
2015-16	680.42	698.71	0.97
2016-17	771.00	747.40	1.03

Interpretation

The efficiency of the firm can be with the help of the total assets turnover ratio. The rule is that higher the ratio better it is. Because a high indicates that the total turnover ratio is circulating very smoothly into the organization. Initially there showed a slow growth in the ratio up to the financial year 2016-17.

CHART NO-11



information over time to a base year or period. You can calculate trend percentages by.

TREND PERCENTAGE ANALYSIS OF SALES

YEAR	SALES	TREND PERCENTAGE OF SALES
2012-13	459.73	100
2013-14	559.72	121.74
2014-15	699.65	152.18
2015-16	680.42	148.00
2016-17	771.00	167.70

The table and chart indicates the trend percentage of sales. It shows that is an increasing trend in sales. Also it shows an average growth in sales.

Cash Turnover Ratio

The Cash Turnover Ratio measures the ability of a company to turn its cash into sales revenue.

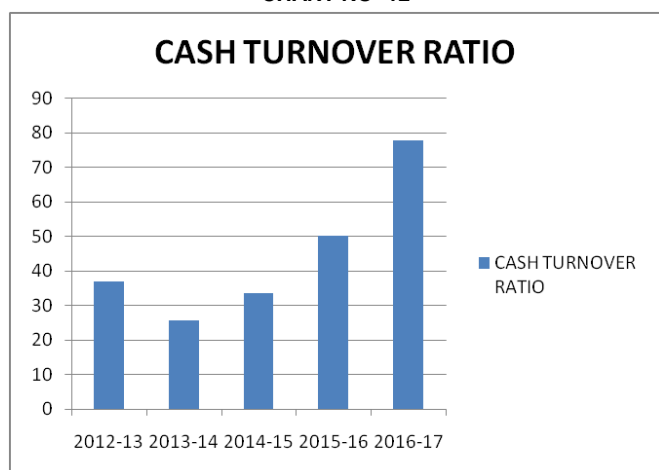
TABLE NO-12

YEAR	NET SALES	CASH	RATIO
2012-13	459.73	12.47	36.86
2013-14	559.72	21.90	25.55
2014-15	699.65	20.81	33.62
2015-16	680.42	13.58	50.10
2016-17	771.00	9.91	77.80

Interpretation

The table and figure indicates that there is increase and decrease in cash turnover ratio. Cash turnover ratio in 2013-14 is low comparing to other years. Cash turnover ratio increase rapidly in 2016-17 up to 77.80.

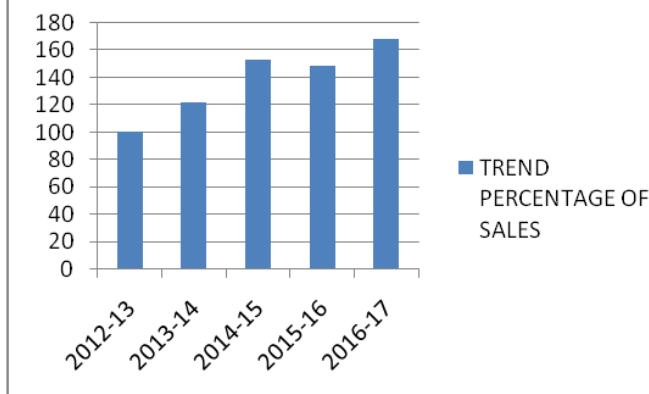
CHART NO- 12



Trend Percentage Analysis

Trend percentages are similar to horizontal analysis except that comparisons are made to a selected base year or period. Trend percentages are useful for comparing financial statements over several years because they disclose changes and trends occurring through time. Trend percentages, also referred to as index numbers, help you to compare financial

TREND PERCENTAGE OF SALES



TREND PERCENTAGE ANALYSIS OF CURRENT ASSTES

YEAR	CURRENT ASSETS	TREND PERCENTAGE OF CURRENT ASSETS
2012-13	166.39	100
2013-14	180.70	108.60
2014-15	296.73	178.33
2015-16	269.58	162.01
2016-17	317.80	190.99

Interpretation

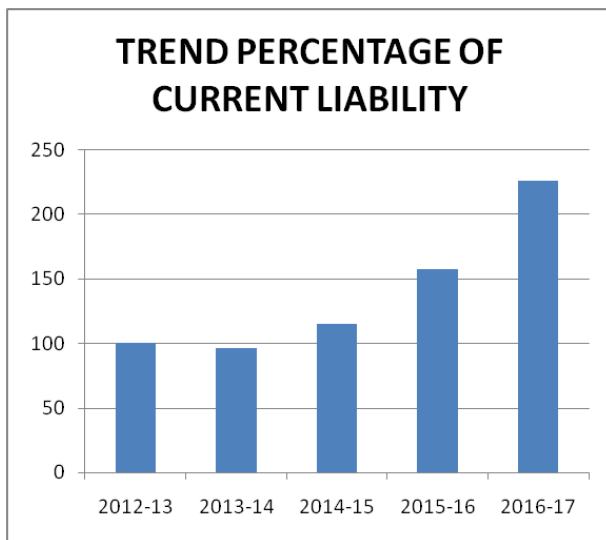
The table and chart gives the trend percentage of current assets. It shows the there is an increasing trend in current asset

TREND PERCENTAGE ANALYSIS OF CURRENT LIABILITY

YEAR	CURRENT LIABILITY	TREND PERCENTAGE OF CURRENT LIABILITY
2012-13	44.81	100
2013-14	42.96	95.87
2014-15	51.53	114.99
2015-16	70.29	156.86
2016-17	100.99	225.37

Interpretation

The table and chart shows bring lights to the trend percentage of current liability. The increasing trend in current liability is faster than current assets.



TREND PERCENTAGE ANALYSIS OF WORKING CAPITAL

YEAR	WORKING CAPITAL	TREND PERCENTAGE OF WORKING CAPITAL
2012-13	122.07	100
2013-14	137.74	112.83
2014-15	245.2	200.86
2015-16	199.29	163.25
2016-17	216.81	177.61

Interpretation

The table and chart shows the trend percentage of working capital. From the chart we can see that there is a fluctuation in the ration. Initially it increases up to 2014-15 than decreases. After that the working capital decreases.

7. Findings

Ratio Analysis:

- Gross profit in 2012-13 is low comparing to other years. Gross profit ratio increase rapidly in 2013-14 up to 13.66 this higher ratio indicates the efficiency and profitability of the organization.
- Net profit in 2012-13 is low comparing to other years. Net profit ratio increase rapidly in 2013-14 up to 4.88 this higher ratio indicates the efficiency and profitability of the organization.
- This ratio is different from industry. But, here from the analysis it is clear that in a manufacturing firm like Bannari Amman Spinning LTD, the ratio is in and around the half mark in comparison with total assets. In other words, the ratio is showing in around of 50% out of its total assets. The highest ratio which is recorded in the financial year 2014-15.
- The stock turnover ratio of the Bannari Amman Spinning Mills Ltd showing an upward trend from the financial year 2015-16 to 2016-17. But thereafter. It showed a declining trend in the financial year 2013-14. The recorded in the financial year 2016-17 and lowest ratio in the year 2012-13. An increasing trend of stock turnover is an upward trend it is good for the firm.

- It show a decreasing trend in the analysis period except in the financial year 2012-13. the lowest stock conversion period was showed in the financial year 2016-17.
- Current assets turnover ratio in 2014-15 is low comparing to other years. Current assets ratio increase rapidly in 2013-14 up to 3.09.
- Working capital turnover ratio in 2014-15 is low comparing to other years. Current assets ratio increase rapidly in 2013-14 up to 4.06.
- The efficiency of the firm can be with the help of the total assets turnover ratio. The rule is that higher the ratio better it is. Because a high indicates that the total turnover ratio is circulating very smoothly into the organization. Initially there showed a slow growth in the ratio up to the financial year 2016-17.
- Cash turnover ratio in 2013-14 is low comparing to other years. Cash turnover ratio increase rapidly in 2016-17 up to 77.80.
- Current ratio in 2016-17 is low comparing to other years. Current ratio increase rapidly in 2014-15 up to 5.75.
- Quick ratio in 2016-17 is low comparing to other years. Current ratio increase rapidly in 2014-15 up to 5.43.
- There is increase and decrease in absolute ratio. Absolute ratio in 2016-17 is low comparing to other years. absolute ratio increase rapidly in 2013-14 up to 0.51.
- From the above table its clear that the solvency ratio of the Bannari Amman Spinning Mills limited is high in the financial year 2013-14 and in the year 2014-15. The lowest ratio is recorded in the financial year 2012-13, 2014-15 and 2016-17 thereafter it showed an increasing trend. This means the company financial position is much stronger in recent years.

Trend Analysis:

- It shows that is an increasing trend in sales. Also it shows an average growth in sales.
- It shows the there is an increasing trend in current assets.
- The increasing trend in current liability is faster than current assets.
- Initially it increases up to 2014-15 than decreases. After that the working capital decreases.

8. Suggestions

While at the time of research work it is found by that the major part of the company current ratio assets is contribution as inventory. So it is suggested that the company should place timely order for cloths materials and ensure its availability on the time.

The company is achieving as good rate of growth in each year. So it is suggested that the management should try to invest in marketable securities in order to derive further profit and there by the expansion of business.

It is suggested that the management should pay attention towards increasing working capital turnover by minimizing the investment in inventories. The current ratio of the company for last two financial years showing below the standard norms. This means that the current liability for the last two years showing an increasing trend. The company should take over about this.

The research study reveals that the company mainly depends on cash sales, but it is advisable that in order to increasing the sales revenue the sales a certain percentage of credit sales also to be allowed.

9. Conclusion

From the studies it is concluded that BANNARI AMMAN SPINNING LTD has good working capital management. However it is also revealed that current ratio is least minimum and quick ratio is not up to peak, even though the company is maintaining a good track record. It means that efficient utilization of financial performance especially in the areas of inventory and cash management. Profitability is the key to success in business customer centric thinking is extremely essential for survival today's competition market.

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