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Management

FINANCIAL PERFORMANCE ANALYSIS WITH REFERENCE TO SHIPPING SECTORS

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ABSTRACT Financial performance analysis of the firm will provide an assessment and analysis of the profitability, liquidity, performance and financial position of the organization. The ratios were able to provide a clear view of the overall performance of the company. Gross Profit margin is very good which implies that direct costs are properly monitored. The company has a healthy liquidity position which means that it can rely on its current assets to finance the current liabilities and does not have to commit to long term debts. It has been recommended that the company should look into ways of improving sales in period of low demand to improve profitability and also increase financing to expand and grow the business. The sample of fifty companies selected from various areas of Chennai city. The data collection instrument used for the study was balance sheet .the paper concludes with a positive response of financial performance in shipping sectors.

KEYWORDS : shipping sectors,finance, liquidity, profirability,turnover,balance sheet.

Introduction

Financial statements are prepared and presented for the external users of accounting information. As these statements are used by investors and financial analysts to examine the firm s performance in order to make investment decisions, they should be prepared very carefully and contain as much investment decisions, they should be prepared very carefully and contain as much information as possible. Preparation of the financial statement is the responsibility of top management. The financial statements are generally prepared from the accounting records maintained by the firm.Financial performance is an important aspect which influences the long term stability, profitability and liquidity of an organization. Usually, financial ratios are said to be the parameters of the financial performance.

Research Objectives

- To analyze the financial position of Shipping sectors
- To study the liquidity solvency position of the firm
- To understand the overall financial position of shipping sectors.

Review of literature

Rajeswari (2014)[1], studied about the Liquidity Management of Tamil Nadu Cement Corporation Ltd. the liquidity position of TANCEM was not stable. After the comparative analysis regarding liquidity ratios, she has found there was too much of liquidity in the first two years of the study period and also a very high degree of liquidity was also bad as idle assets earn nothing and affects profitability. In short, she concluded that the liquidity management of TANCEM is poor and is not satisfactory

Aggarwal & Singla(2012)[2], have studied about developed a single index of financial performance through the technique of Multiple Discriminate Analysis (MDA), by selecting 11 ratios and selected ratios used as inputs. They concluded that, the model has correctly classified 82.14 percent of units selected as profit making and loss marking.

Sur, Biswas & Ganguly(2010)[3], studied about the Liquidity Management in Indian Private Sector Enterprises.they had summarized that the overall performance regarding liquidity management at INDAL was better in terms of efficient utilization of short term funds, whereas HINDALCO was unable to do so. They found that a very high degree of positive correlation between liquidity and profitability in case of both the companies was a notable feature, reflecting the favourable effect of liquidity on profitability.

Loundes (2009)[4], analyzed "The Financial performance of Australian Government Trading Enterprises Pre &Post Reform revealed that the financial performance of government trading enterprises operating in electricity, gas, water, railways and ports industries as a result of these changes. He had concluded that that it did not appear to have been a noticeable enhancement in the financial performance of most of this business.

Data analysis and interpretation

Financial Performance Evaluation Using Ratio Analysis

Current Ratio

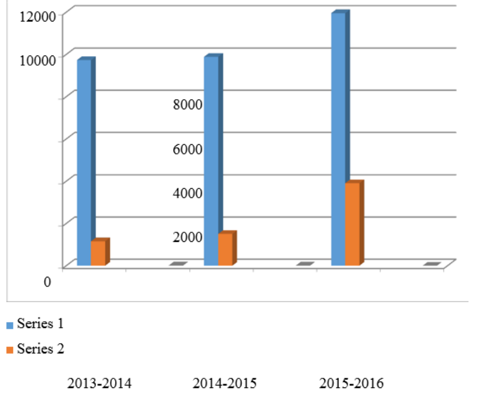
Table:1 Current ratio

Year	Current Ratio Rs. in lakhs	Current Liabilities Rs. in lakhs	Ratio
2013 – 2014	9726.73	1154.12	8.43
2014 – 2015	9884.64	1501.76	6.56
2015 – 2016	11949.47	3905.45	3.06

Interpretation:

As a conventional rule, a current ratio of 2:1 is considered satisfactory. This rule is base on the logic that in a worse situation even if the value of current assets becomes half, the firm will be able to meet its obligation. The current ratio represents the margin of safety for creditors. The current ratio has been decreasing year after year which shows decreasing working capital.

Chart no:1 Current ratio



Quick Ratio

Table:2Quick ratio

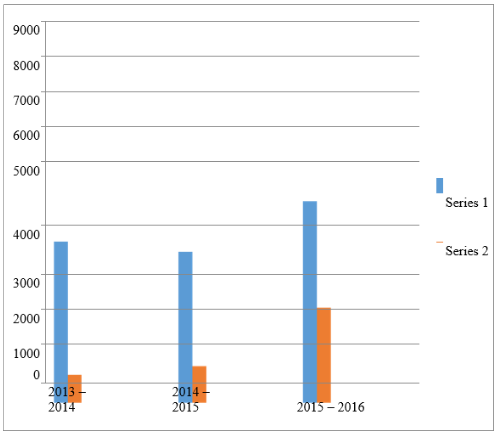
Year	Quick Assets Rs. in lakhs	Current Liabilities Rs. in lakhs	Ratio
2013 – 2014	6629.47	1154.12	5.74
2014 – 2015	6210.06	1501.76	4.13
2015 – 2016	8287.01	3905.45	2.12

Interpretation:

As a quick ratio of 1:1 is considered satisfactory as a firm can easily meet all current claims. It is a more rigorous and penetrating test of the liquidity position of a firm. But the liquid ratio has been decreasing year after year which indicates a high operation of the business.

From the above statement, it is clear that the liquidity position of the Apt international limited is satisfactory. Because the entire three years liquid ratio is not below the standard ratio of 1:1.

Chart no.: 2 Quick ratio



Cash ratio:

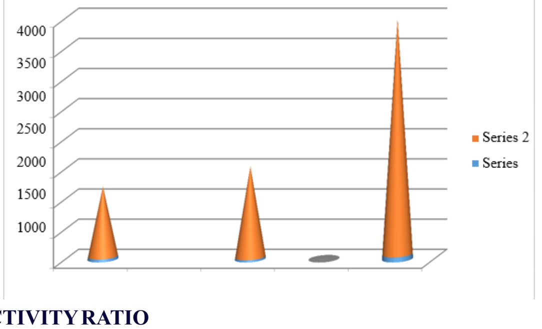
Table:-3Cash ratio

Year	Cash in Hand & at Bank Rs. in lakhs	Current Liabilities Rs. in lakhs	Ratio
2013 – 2014	46.11	1154.12	0.04
2014 – 2015	34.43	1501.76	0.02
2015 – 2016	82.12	3905.45	0.02

Interpretation:

The acceptable norm for this ratio is 50% or 1:2. But the cash ratio is below the accepted norm. So the cash position is not utilized effectively and efficiently.

Chart no.: 3 Cash ratio



ACTIVITY RATIO

Average Collection Period:

Table: 4 Average collection period

Year	Days	Ratio Rs in Lakh	Days
2013 – 2014	360	4405.70	0.08
2014 – 2015	360	3524.79	0.10
2015 – 2016	360	3667.52	0.10

Interpretation:

The shorter the collection period, the better the quality of debtors. Since a short collection period implies the prompt payment by debtors. Here, collection period decrease from 2013-2014 and increased slightly in the year 2015-2016.Therefore the average collection period of Apt international ltd for the three years are satisfactory.

Chart no:4 Average collection period

Inventory Turnover Ratio:

Table: 5Inventory turnover ratio

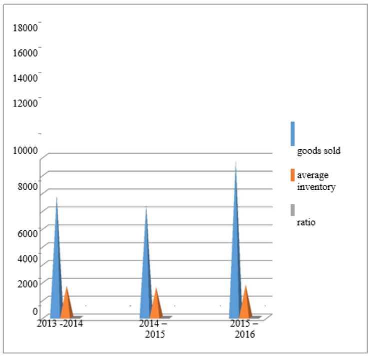
Year	Cost of goods sold Rs. in lakhs	Average Inventory Rs. in lakhs	Ratio
2013 – 2014	13708.36	3537.44	3.88
2014 – 2015	12609.33	3385.92	3.72
2015 – 2016	17543.71	3668.52	4.78

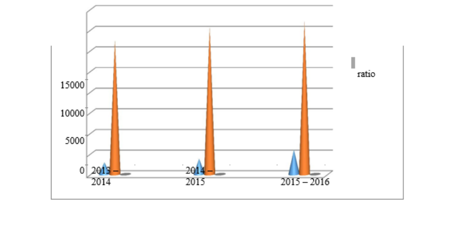
Interpretation:

A higher turnover ratio is always beneficial to the concern. In this the number of times the inventory is turned over has been increasing from one year to another year. This increasing turnover indicates immediate sales. And in turn activates production process and is responsible for further development in the business. This indicates a good inventory policy of the company.

Thus the stock turnover ratios of Apt international Limited, for the three years are satisfactory.

Chart no:5 Inventory turnover ratio





Findings

- The current ratio is above 2 in all the three years. The same level of current assets and current liabilities may be maintained since the current assets are less profitable, when compared to fixed assets.
- The liquid ratio is decreasing year after year. Though the ratio is above 1 in all the three years, it is preferable to improve upon the situation. This may be due to the fact that the stock is major composition of current assets, which excludes liquid assets. The firm should try to clear the stocks.
- The cash ratio is decreasing year after year. So it shows that the cash position is not utilized effectively and efficiently.
- The average collection period is decreasing year after year so it shows the better is the quality of debtors as a short collection period and implies quick payment by debtors.
- The inventory turnover ratio for the three years indicated a good inventory policy and efficiency of business operations of the company.

Suggestion

- The liquidity position of the company can be utilized in a better or

other effective purpose.
- The company can be use the credit facilities provided by the creditors.
- The debt capital is not utilized effectively and efficiently. So the company can extend its debt capital.
- Efforts should be taken to increase the overall efficiency in return out of capital employed by making used of the available resource effectively.
- The company can increase its sources of funds to make effective research and development system for more profits in the years to come.

Conclusion

The current and liquid ratio indicates the short term financial position of Apt international Ltd. whereas debt equity and proprietary ratios shows the long term financial position. Similarly, activity ratios and profitability ratios are helpful in evaluating the efficiency of performance in various shipping sectors.The financial performance of the company for the five years is analyzed and it is proved that the company is financially sound.

The comparative balance sheet of the company reveals during 2005, that there has been a decrease in the fixed assets of Rs.(1429.34) lakhs, which indicates sale of fixed assets and an inflow of cash. This cash is utilized in meeting out long term liabilities as such the loan amount has reduced by Rs.(747.45) lakhs. Current assets have been increased by Rs.157.91 lakhs, which indicates that its working capital position is good, but the debtors have decreased, by Rs.(880.91) lakhs which indicates by Rs.347.64 lakhs, which indicates that the liabilities have not paid within the stipulated period. The investment has increased by Rs.4700.27 lakhs, which indicates an outflow of fund and a timely investment by the company.

The overall financial position of the company for the year (2014-2015) is satisfactory.

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