ORIGINAL RESEARCH PAPER

Commerce

PREPARATION & ANALYSIS OF FINANCIAL STATEMENT: A STUDY ATMAYUR UNIQUOTERS LIMITED

KEY WORDS: Financial Statement, Ration Analysis, Horizontal Analysis

Sachin Kumar Sharma MBA Student Geetanjali Institute of Technical Studies, Udaipur

Dr. Dharmesh Motwani* Associate Professor Geetanjali Institute of Technical Studies,Udaipur *Corresponding Author

ABSTRACT

Preparation of Financial Statements is the process used by the business organizations for recording the financial and non-financial transactions which that occurs on daily basis. These transactions impact the organizations performance and these statements reveals the performance of the organization within the specified period of time known as Financial Year. This study is undertaken at MayurUniquoters Limited, Jaipur. The analysis of financial statements of year 2016-17 to 2018-19 has been done by using horizontal analysis, ratio analysis. It was observed that in past three years' company is earning good revenue andliabilities are decreasing year after another.

INTRODUCTION

The Project is undertaken at MAYUR UNIQUOTERS LIMITED. It is Established in 1992, MUL today is India's leading international manufacturing company MUL is the largest manufacturers of the Synthetic Leather (Artificial Leather)/PVC Vinyl Fabric, using the "Releasing Paper Transfer Coating Technology" in India. Company has come a long way in past 2 decades from a meager production of 0.25 million linear meters per month production of leather to an astonishing 3.05 million linear meters per month, through their Six State of the Art Italian Coating Lines.

Company made their way into the "Forbes Top 200 Under $1Bn Enterprises" in year 2012 with their dedication and hard work by focusing on their products and quality.

MUL is covered under Textile Industry and Government to promote the Textile Industries allows interest subsidy paid on the Bank Term Loan which is taken by the Company for purpose of Business Expansion under TUFs (Technology Upgradation Fund Scheme) by Central Government and also State Government for the promotion of Textile Industries, provides subsidy of interest and Electricity Duty.

MUL is public company limited by shares. Company's shares are presently listed with Bombay Stock Exchange Ltd (BSE) and National Stock Exchange of India Ltd (NSE). Company is primarily engaged in manufacturing business of Coated Textile Fabric which is widely used in different applications.

MUL has been certified with ISO 9001:2008 (Quality Management System) which demonstrate commitment towards designing and manufacturing of artificial leather through effective implementation of systems and continual improvement in their overall processes.

MUL provides their products to their customers for 4 major applications:

- AUTOMOTIVE
- FOOTWEAR
- FURNITURISHING
- LEATHER GOODS & GARMENTS

OBJECTIVES

The objectives of the research are:

- To get knowledge about accounting process of Company
- To get knowledge about preparation of Financial Statements
- To analyze the Financial Statements of MUL.

DATA COLLECTION

For the purpose of preparation of the report, data has been collected from following sources:

PRIMARY SOURCES: For the knowledge about process for Preparation of Financial Statements of MUL, I have collected data via observation that I did during the training period.

During training, I learned about accounting process and how accounting is done and books of accounts are prepared using which further Financial Statements are prepared.

During training, I also understood about the products in detail and how those products are manufactured and also took overview of the infrastructure of both the plants of the company.

SECONDARY SOURCES: For the purpose of Analysis of Financial Statements, data was collected from the past records and official website of the company.

Financial Statements of the company were available to me both in hard copy from Finance Department and soft copy from the official site of the company.

ANALYTICAL TOOLS

1. ANALYSIS OF INCOME STATEMENT
2. RATIO ANALYSIS

LIQUIDITY RATIO:

Current Ratio
Quick Ratio
Absolute Quick Ratio

LEVERAGE RATIO

Debt-Equity Ratio
Debt Ratio
Proprietary Ratio
Capital Gearing Ratio

PROFITABILITY RATIO

Gross Profit Ratio
Net Profit Ratio
ROE (Return on Equity) Ratio
Earning per share (EPS) Ratio

INTERPRETATION

INCOME STATEMENT INTERPRETATION

- **SALES:** MUL sales is having a positive increasing trend in past 3 year and is continuously increasing every year. Sales increased by Rs. 4019.45 lakhs in 2017-18 and Rs. 975.70 lakhs in year 2018-19.

There is total increase of Rs. 4995.15 lakhs sales in year 2018-19 from year 2016-17.

- **OTHER REVENUE:** other revenue of MUL is also increasing. In past 3 years other revenue increased by Rs. 176.20 lakhs in year 2017-18 and Rs. 827.23 lakhs in year 2018-19.

Total increase In other revenue is Rs. 1003.43 lakhs in 2018-19 from 2016-17.

- **COGS:** COGS of MUL has also increased in past 3 years with increase in sales. There is increase of Rs. 2398.82 lakhs in 2017-18, whereas in year 2018-19 by Rs. 2519.07 lakhs.

- **GROSS PROFIT:** GP of the company has increased in year 2017-18 by Rs. 1796.83 lakhs but in year 2018-19 there is reduction in GP by Rs. 716.14 lakhs in comparison to 2017-18. This is because in 2018-19, COGS has increased in more proportion than increase in sales.

- **FINANCE EXPENSES:** Finance Exp. has been reduced by the company in past years. Company receives benefit of interest subsidy under TUF Scheme from both Central and State Government on Term Loan taken from Bank for the purpose of business expansion. Also other finance cost such as interest on late payment of Government dues and shortfall of Advanced Income Tax, is materially controlled by the company as there is reduction of total Rs. 60.31 lakhs.

- **ADMINISTRATIVE EXPENSES:** Admin. Exp. increased in year 2017-18 by Rs. 73.94 lakhs but is controlled in year 2018-19 and is reduced by Rs. 205.80 in comparison to 2017-18.

- **SELLING EXPENSES:** SE was controlled by the company in year 2017-18 effectively and there was cut down of Rs. 175.80 lakhs but in 2018-19, SE increased by Rs. 508.06 lakhs. In SE, there was major increase in Freight & Cartage Outward Expenses in year 2018-19 of Rs. 607.71 lakhs along with reduction in Comission on Sales of Rs. 106.78 lakhs.

- **PROFTI BEFORE TAX (PBT):** PBT of the company increased in year 2017-18 by Rs. 1201.51 lakhs but in year 2018-19 reduced by Rs. 693.06 lakhs in comparison to 2017-18 due to major increase in COGS (Manufacturing Expenses) and Selling Expenses.

- **PROFIT AFTER TAX (PAT):** PAT also changed in the same manner as PBT.

- **EPS:** EPS of the company increased in year 2017-18 by Rs. 2.76 per share but reduced by Rs. 1.34 in 2018-19 in comparison to 2017-18 due to decrease in PAT in year 2018-19.

RATIO ANALYSIS INTERPRETATION

CURRENT RATIO: The current ratio for MUL in year 2018-19 is 5.24, which compared to the baseline of 4.50 in year 2016-17, indicates that the Company's ability to service short-term obligations is satisfactory and the Company is in good position to easily payoff its current liabilities.

QUICK RATIO: The quick ratio for MUL is 4.07 in 2018-19 and 4.54 in 2017-18, which compared to the baseline of 3.73 in year 2016-17 indicates that the company's ability to service short-term obligations is favorable as the company has high liquidity in quick assets which can be converted in cash easily to meet its current liabilities obligations.

ABSOLUTE RATIO: The Absolute quick ratio of MUL is 2.25 in 2018-19 and 2.45 in 2017-18, which in comparison to baseline of 1.80 in 2016-17 is increased, which indicates that company has adequate liquidity in terms of cash & cash equivalents and marketable securities to easily payoff current liabilities obligation.

DEBT-EQUITY: MUL is having Debt-Equity ratio of 0.025 in 2018-19 as compared to 0.010 in 2016-17 and 0.004 in 2017-18 because of increase in term loan amount from ICICI Bank in September 2019 of amount Rs. 1372 lakhs which is raised for setup of new PU Plant in Gwalior and expansion of new coating line in Dhodsar Plant to increase production capacity of Plant.

MUL is having Debt ratio of 0.15 in 2017-18 which in comparison to 0.18 in 2016-17 has decreased due to repayment of the liabilities but has increased in 2018-19 to 0.16 in comparison with 0.15 in 2017-18 due to major increase in long term liabilities i.e., increase in term loan from ICICI Bank for purpose of business expansion.

PROPERITARY RATIO: MUL is having good proprietary ratio which indicates that the company is having owner's own funds invested for the funding of the business functions and company is not in requirement of high debt funding for the business functions.

Company is having 87% proprietary ratio in 2017-18 in comparison to 83% in 2016-17 which increased due to repayment of outside liabilities but decreased in to 84% in 2018-19 in comparison to 2017-18 due to increase in outside liabilities of which one of major increase is in borrowings from ICICI bank for business expansion.

CAPITAL GEARING RATIO: MUL is having very low CG ratio because of use of very less amount of fix interest bearing funds for business functions. Company is majorly funded by the shareholders and company is having amount in form of term loan only raised from ICICI Bank which bears fix interest cost.

CG ratio of the company has decreased to .004 in 2017-18 in comparison to .010 in 2016-17 due to repayment of term loan from ICICI Bank but CG Ratio increased in 2018-19 to .025 in comparison to 2017-18 & 2016-17 because the company has further raised amount from ICICI Bank in form of term loan for business expansion.

GROSS PROFIT RATIO: MUL has GP ratio of 27.7% in 2016-17 which increased to 29% in 2017-18. Company is having good GP ratio and has managed its COGS in 2017-18 in comparison to 2016-17. In year 2018-19, GP ratio is 27.2% which is declined in comparison to 2016-17 &2017-18 due to increase in COGS. COGS had increased due to increase in cost of material consumed, changes in inventory of FG and WIP and manufacturing cost and depreciation. This indicates that the manufacturing efficiency in 2018-19 has decreased.

NET PROFIT RATIO: MUL has NP ratio of 15.68% in 2016-17 which increased to 16.69% in year 2017-18 because of better control and reduction in administration, selling and finance expenses. In year 2018-19 NP ratio reduced to 15.20% in comparison to 2017-18 because of major increase in selling expenses. Selling Expenses increased due to major increase in freight & carriage outwards expenses along with increase in sales promotion expenses. However, company controlled finance expenses and saved interest expenses on late payment of Government Due and Advance Income Tax.

RETURN ON EQUITY: MUL has ROE of 20.65% in year 2016-17 which was reduced to 20.25% in year 2017-18. ROE reduced to 16.69% in year 2018-19 because of increase in shareholders' funds. MUL shareholder's funds increased even after buy back of 450,000 equity shares because of increase in retained earnings of the company to Rs. 46902.31 lakhs from Rs. 39969.58 lakhs. The company is retaining their profits for further investment in short term investments i.e., mutual funds and using debt funds for business expansion because of availability of interest subsidy on bank loans to the company under TUF Scheme for Business Expansion.

EARNING PER SHARE: MUL has EPS of 17.82 in year 2016-17, which increased to 20.58 in year 2017-18 due to increase in Net Profit After Tax and reduction in No. of Equity shares due to buy back. In year 2018-19 EPS reduced to 19.23 in comparison to 2017-18 in spite of buy back of equity shares, because of reduction in Net Profit After tax due to increased expenses of the company i.e., administration expenses, selling expenses, finance expenses and cost of goods sold.

CONCLUSIONS

- Overall on basis of analysis of Income Statement, in year 2017-18, MUL has performed very well and there was good increase in revenue both from operations and other revenue along with good control over COGS, Administrative cost, Selling Cost, Finance Cost, which resulted in increase in Gross Profit and PBT which ultimately increased EPS for the year by Rs. 2.76. Whereas, in year 2018-19 sales increased in good proportion but COGS and other expenses were not controlled in better manner which led to reduction in Gross Profit and ultimately reduction in EPS by Rs. 1.34.

- **On analysis of Financial Statements:**
- **Liquidity Analysis**: MUL has invested good amount of surplus funds in Equity and Debt Schemes of Mutual Funds to earn good return. This helps the company to maintain adequate liquidity and company also keeps sufficient amount of cash and bank balances to meet their working capital requirements. Also advanced payments to the suppliers, prepaid expenses, balances with government authorities and government grants receivables also enhances the liquidity of the company.
- **Leverage Analysis**: Overall Leverage analysis of MUL states that, there is no outside liabilities on the company as the business is funded sufficiently by the owners i.e., equity shareholders through equity capital only. There is no requirement for the company to raise debt liability. However, MUL has raised term loan of Rs. 1372 lakhs from ICICI for business expansion and interest subsidy is allowed by Central and State Government for promotion of textile industry under TUF Scheme which makes the loan interest free for the company and the retained earnings are utilized for investment in Liquid Scheme of Mutual Funds to earn better returns.
- **Profitability Analysis**: Profitability of MUL is good and is in increasing trend. In year 2017-18, Gross Profit, Net Profit, PAT and EPS increased in good proportion but in year 2018-19 reduced in comparison to 2017-18 due to increase in COGS, Selling Cost, Administrative Cost in more proportion than sales.

REFERENCES

1. http://www.mayuruniquoters.com
2. http://www.mayuruniquoters.com/vision-values.php
3. http://www.mayuruniquoters.com/awards-achievements.php
4. http://www.mayuruniquoters.com/products.php
5. http://www.mayuruniquoters.com/our-plant.php
6. http://www.mayuruniquoters.com/power-backup.php
7. http://www.mayuruniquoters.com/natural-conservation.php