
**A STUDY ON FINANCIAL PERFORMANCE ANALYSIS TOWARDS CARBORUNDAM UNIVERSAL LTD,
HOSUR.**

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ABSTRACT:

This finance project report on ratio analysis assesses the financial strengths and weakness of carborundum universal. Ltd, Hosur, through **FINANCIAL RATIO ANALYSIS**. To evaluate the performance of the company by using ratios as a yardstick to measure the efficiency of the company. To understand the liquidity, profitability and efficiency positions of the company during the study period. To evaluate and analyze various facts of the financial performance of the company. This study has made an attempt to make comparisons between the ratios during different periods.

Key words: Financial Ratios, Current Assets, Current Liability, Financial Performance, Financial Analysis.

INTRODUCTION:

During the early stages of automobile industry development, Indian automobile industry heavily depended on foreign technologies. However, over the years, the manufacturers in India have started using their own technology evolved in the native soil. The thriving market place in the country has attracted a number of automobile manufacturers including some of the reputed global leaders to set their foot in the soil looking forward to enhance their profile and prospects to new heights. Following a temporary setback on account of the global economic recession, the Indian automobile market has once again picked up a remarkable momentum witnessing a buoyant sale for the first time in its history in the month of September 2009.

The economic liberalization that dawned in India in the year 1991 has succeeded in bringing about a sustained growth in the automotive production sector triggered by enhanced competitiveness and relaxed restrictions prevailing in the Indian soil. A number of Indian automobile manufacturers including Tata Motors, Maruti Suzuki and Mahindra and Mahindra, have dramatically expanded both their domestic and international operations. The country's active economic growth has paved a solid road to the further expansion of its domestic automobile market. This segment has in fact invited a huge amount of India-specific investment by a number of multinational automobile manufacturers. As a significant milestone in its progress, the monthly sales of passenger cars in India exceeded 100,000 units in February 2009.

COMPANY PROFILE-CARBORUNDUM UNIVERSAL LIMITED:

Carborundum universal ltd is an Indian based coated and bonded abrasive Manufacturing company carborundum universal murugappa Indian ltd (CUMI) Is an important segment of the murugappa group which is one of the leading Business group offering a wide range of product mix murugappa group is one Of India's leading business. Conglomerates market leaders in diverse areas of Business including engineering. Abrasives Finance, General Insurance, cycle, sugar, From Inputs, Fertilizers, plantations, Bio- products and nutraceuticalls, its 29 Companies have manufacturing facilities spread across 13 states in India, The Organization fosters an environment of professionalism and has a work force of Over 32,000 employees.

OBJECTIVES OF THE STUDY

1. To analyze the impact on the profitability of the company.
2. To find out the operating strengths and weakness of the firm's.
3. To know the earnings capacity of the firm.

SCOPE OF THE STUDY

1. The management of the company can easily identify the existing financial problems & further identify the causes for those problems.
2. The study is based on the accounting information of the carborundum universal. Ltd, Hosur. The study covers the period of 2007-08 to 2012-13 for analyzing the financial statement such as income statements and balance sheet.
3. Considering the availability of time, information and sources of study is confined the performance of the carborundum universal Ltd, Hosur. This study aims at analyzing the overall.

RESEARCH METHODOLOGY**Research Design**

Descriptive research is used in the study because it will ensure the minimization of bias and maximization of reliability of data collected. The researcher had to use fact and information already available through financial statements of earlier years and analyze these to make critical evaluation of the available material. Hence by making the type of the research conducted to both Descriptive and analytical in nature. From the study, the types of data to be collected and the procedure to be use for this purpose were decided.

Sampling method

Convenience sampling is method under non-probability sampling selected at the convenience of the researcher who is to select a sample. This type of sampling is also called accidental sampling, as the respondents in the sample are included in it merely on account of their being available, where the survey is in progress. Convenience sampling method was adopted to select 6 years from the live time of the company since its inception.

LIMITATIONS OF STUDY

1. Figures for the analysis are taken from the annual reports.
2. Financial statements may not be realistic because they are prepared by following certain concepts & conventions.

ANALYSIS AND INTERPRETATION OF DATA

Analysis and Interpretation of data are the creative aspect of research in financial performance decision is considered as one of the important decision to be made by any firm. The contents of financial performance comprise of a mix of long term funds like equity, preference shares, debentures and bonds.

The following ratios are studied to judge the long term financial position of the firm. These ratios indicate the mix of funds provide by the owners and the lenders in financing the assets.

- Current Ratio
- Debt-Equity Ratio
- Proprietary Ratio

These ratios are studied to achieve the objective of analyzing the efficiency with which funds of the organization has been used during the period of study.

SHORT TERM SOLVANCY RATIO**Current Ratio**

The ratio of current assets to current liabilities is called "current ratio". Current ratio indicates the ability of a concern to meet its current obligations as and when they due are payment.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liability}}$$

Table No - 1**CLASSIFICATION OF CURRENT RATIO**

(Rs. In Millions)

Year	Current assets	Current liability	Ratio(%)
2007-2008	2438.14	1030.90	2.365
2008-2009	3038.32	1106.18	2.746
2009-2010	2853.08	1246.51	2.288
2010-2011	7096.06	2274.64	3.119
2011-2012	9825.68	4837.24	2.031
2012-2013	9507.5	5223.61	1.820

Source: Secondary data

The table 1 reveals that the current ratio of Carborundum universal limited. In the year 2007-2008 the current ratio is 2.365, in the year 2008-2009 the current ratio was increased is 2.746, in the year 2009-2010 the current ratio was decreased 2.288, in the year 2010-2011 the current ratio was increased is 3.119, in the year 2011-2012 the current ratio was decreased 2.031, in the year 2012-2013 the current ratio was decreased is 1.820.

It is understand that the majority (3.119) of the current assets ratio in the year 2010-2011.

LONG TERM SOLVANCY RATIO

Proprietary Ratio

Proprietary ratio is the ratio of shareholders funds to total assets. It is also called as “Net worth to total assets” ratio. It serves as a measure of long-term solvency ratio. Higher proprietary ratios indicate that sound financial positions and low proprietary ratio indicate that weak financial positions of the, cumi .

$$\text{Proprietary Ratio} = \frac{\text{Shareholders' funds}}{\text{Total Tangible Assets}}$$

Table No – 2

CLASSIFICATION OF PROPRIETARY RATIO

(Rs. In millions)

Year	Shareholder's funds	Total Tangible Assets	Ratio(%)
2007-2008	3518.75	7842.30	0.448
2008-2009	3908.56	8862.69	0.441
2009-2010	4288.64	8788.8	0.487
2010-2011	7455.41	14053.34	0.530
2011-2012	9470.21	16663.68	0.568
2012-2013	10591.52	18062.54	0.586

Source: Secondary Data

It shows that table 2 Proprietary Ratio during the year 2007-2008 is 0.448, in the year 2008-2009 proprietary ratio was decreased is 0.441, in the year 2009-2010 the proprietary ratio was increased is 0.487, in the year 2010-2011 proprietary ratio was increased is 0.530, in the year 2011-2012 proprietary ratio was increased is 0.568, in the year 2012-2013 proprietary ratio was increased is 0.586.

It is found from the study that, the majority (0.586) proprietary ratio is more in the year 2012-2013.

PROFITABILITY RATIO**Gross profit ratio**

This ratio is also called as “gross margin” or “trading margin” ratio. It indicates the difference between sales and direct cost. Gross profit ratio explains the relationship between gross profit and net sales.

$$\text{Gross profit ratio} = \frac{\text{Gross profit}}{\text{Net sales}} \times 100$$

Table No – 3**CLASSIFICATION OF GROSS PROFIT RATIO**

(Rs. In millions)

Year	Gross profit	Net sales	Ratio (%)
2007-08	1371.84	5830.10	23.53
2008-09	860.80	6519.00	13.204
2009-10	841.70	7310.10	11.514
2010-11	2580.32	15531.75	16.613
2011-12	3226.99	19949.98	16.175
2012-13	1519.35	19714.05	7.706

Source: Secondary data

It shows that table 3 Gross profit Ratio during the year 2007-2008 is 23.53, in the year 2008-2009 Gross profit ratio was decreased is 13.204, in the year 2009-2010 the Gross profit ratio was decreased is 11.514, in the year 2010-2011 Gross profit ratio was increased is 16.613, in the year 2011-2012 Gross profit ratio was decreased is 16.175, in the year 2012-2013 Gross profit ratio was decreased is 7.706.

It is found from the study that, the majority (23.53) proprietary ratio is more in the year 2007-2008.

CONCLUSION

The financial performance provides the detailed information about the firm's financial activities which reflects the liquidity, activity, profitability and efficiency of the concern in the field of finance. The study on Financial Performance was undertaken with the primary objective to assess the company's financial position, operational efficiency and the market value of the firm. In fine, financial position of Carborundam Universal Limited Hosur is in progressive satisfactory. The company has every opportunity to get its growth to a good and extent in future.

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