

Financial Analysis of Canara Traders and Printers Limited in Chennai- A Study

Prof. K. Sathya
M.Com., B.Ed., M. Phil.
Department of Commerce
Prist University (East Campus)
Thanjavur - 613 403 Tamilnadu, India.

H. Sangeetha
M.Com. ,Department of Commerce
Prist University (East Campus)
Thanjavur - 613403 Tamilnadu, India.

Dr. V. Balakrishnan
Department of Commerce T.U.K. Arts
College Karanthai, Thanjour -2,
Tamilnadu, India.
Sathyabala9626@Gmail.Com

Abstract:- Financial analysis also referred to as financial statement analysis or accounting analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. Financial analysis is done to reveal the financial position of the firm and soundness of Business. From this analysis we will find out the financial performance and this analysis from the annual report (Income statements and Balance sheets) provided by Canara Traders and Printers Limited from the year 2012 to 2017, the past five financial years, which was the main source of information. The Ratio based on the figures from the revenue statement is called revenue statement ratios. These ratios study the relationship between the profitability & the sales of the concern. It shows the relationship between profits & sales e.g. operating ratios, gross profit ratios, operating net profit ratios, expenses ratios. Business Research is an organized, database, systematic, critical, objective, scientific inquiry or investigation into a specific problem under taken, with the purpose of finding answers or solutions to it.

Keywords:- Profits & Sales E.G. Operating Ratios, Gross Profit Ratios, Operating Net Profit Ratios And Expenses Ratios.

I. INTRODUCTION

Financial analysis also referred to as financial statement analysis or accounting analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decision to Continue or discontinue its main operation or part of its business. A historical financial performance engagement is an analysis of a company's past and current financial performance and compares such performance to similar sized companies within its industry providing insight into a company's historical growth,

profitability, debt capacity and overall liquidity. All such factors can be important indicators of a company's ultimate value. We calculate financial ratios for the company, prepare common size financial statements, and analyze the information on a trended and composite basis.

The Canara Traders & Printers guides the clients through the entire process starting from the selection of paper - the most economical sizes and how to get the best performance for the price. Canara Traders & Printers believe that the most important thing for you as a customer is the "product proficiency quotient" as you are looking for maximum efficiency at an optimum price. Canara Traders & Printers are a one-stop service provider with prepress, printing and finishing/bindery under a single roof. With our 5 offset presses capable of 4 and 5 colour printing at speeds of up to 15,000 impressions per hour and sizes of up to 26" x 30", Canara Traders & Printers have the capacity to handle large jobs with the optimum turnaround time. A full-fledged digital prepress and a full-service bindery are added assets. It's not the state-of-the-art equipment that sets us apart from the rest but the team that handles the job. Canara Traders & Printers boasts of an excellent work force of highly motivated people trained in-house and adept at handling the most critical project with our state-of-the-art equipment.

A. Products/Services Offered by Canara Printers and Traders

Canara Traders & Printers provides a one-stop facility where customers can get the printing and related requirements fulfilled under one roof. Canara Traders & Printers comprehend the needs and translate them into best possible printed products that match the requirements. Canara Traders & Printers marketing and customer service executives put forward their knowledge to help clients to specify the job and get the best value. They have between them over 50 years of experience in the field of printing/advertising.

II. OBJECTIVES OF THE STUDY

A. Primary Objective

To evaluate the financial performance of Canara Traders and Printers Limited.

B. Secondary Objectives

The secondary objectives aimed for this project report is:

- To find out the financial position of Canara Traders and Printers Limited.
- To find out the degree of profitability of Canara Traders and Printers Limited.
- To find out the Canara Traders and Printers limited ability to pay its obligations in the long term.

III. LIMITATIONS OF THE STUDY

- The data provided is historical in nature. The data does not consider the inflation or the increase of the money value.
- Due to time constraint only seven year analysis was possible.
- The company's choice of accounting policy has an effect on the financial statements which has an effect on the final analysis of the statements. Changes in accounting policies or choices can yield drastically different ratio values.

IV. RESEARCH METHODOLOGY

Business Research is an organized, database, systematic, critical, objective, scientific inquiry or investigation into a specific problem under taken, with the purpose of finding answers or solutions to it. The information provided could be the result of a careful analysis of data gathered first hand or of data that are already available. Research methodology refers to more than a simple set of methods; rather it refers to the rationale and the assumptions that underlie a particular study relative to the scientific method. The purpose of research is to discover answers to questions through the application of scientific procedures. Research study plays a vital role in all kinds of business activities." Research is a systematized effort to gain new knowledge".

V. LITERATURE REVIEW

To understand the information contained in financial statements with a view to know the strength or weaknesses of the firm and to make forecast about the future prospects of the

firm and thereby enabling the financial analyst to take different decisions regarding the operations of the firm. Fundamental Analysis has a very broad scope. One aspect looks at the general (qualitative) factors of a company. The other side considers tangible and measurable factors (quantitative). This means crunching and analyzing numbers from the financial statements. If used in conjunction with other methods, quantitative analysis can produce excellent results.

A ratio is one figure express in terms of another figure. It is a mathematical yardstick that measures the relationship two figures, which are related to each other and mutually interdependent. Ratio is express by dividing one figure by the other related figure. Thus a ratio is an expression relating one number to another. It is simply the quotient of two numbers. It can be expressed as a fraction or as a decimal or as a pure ratio or in absolute figures as "so many times". As accounting ratio is an expression relating two figures or accounts or two sets of account heads or group contain in the financial statements. Ratio analysis isn't just comparing different numbers from the balance sheet, income statement, and cash flow statement. It's comparing the number against previous years, other companies, the industry, or even the economy in general.

VI. DATA ANALYSIS AND INTERPRETATION

A. Ratio Analysis

An analysis of financial statement based on ratios is known as ratio analysis. Ratio is a mathematical relationship between two or more item taken from the financial statements. Ratio analysis is a process of computing, determining and presenting the relationship of items; it also includes comparison and interpretation of ratios and using them as basis for the future projections.

Ratio analysis is helpful to management and outsiders to design the financial health of business concern. It helps in measuring the probability solvency and activity of a firm. Of the different tools for analysis of financial statements, ratio analysis as the principal tool has been selected to examine the financial performance of the company. Three types of ratios have been selected like Profitability Ratios, Turnover / Activity Ratios, solvency (long term and short term) ratios. This is categorized as follows:

a). Profitability Ratios

- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio

- *Gross Profit Ratio*

Year	2012-13 (in lacs)	2013-14 (in lacs)	2014-15 (in lacs)	2015-16 (in lacs)	2016-17 (in lacs)
Gross Profit	36488	41679	42738	42873	44563
Revenue	93853	106646	102568	120850	152292
Gross Profit ratio	39%	39%	42%	35%	29%

Table No. 1. Table Showing Gross Profit Ratio.

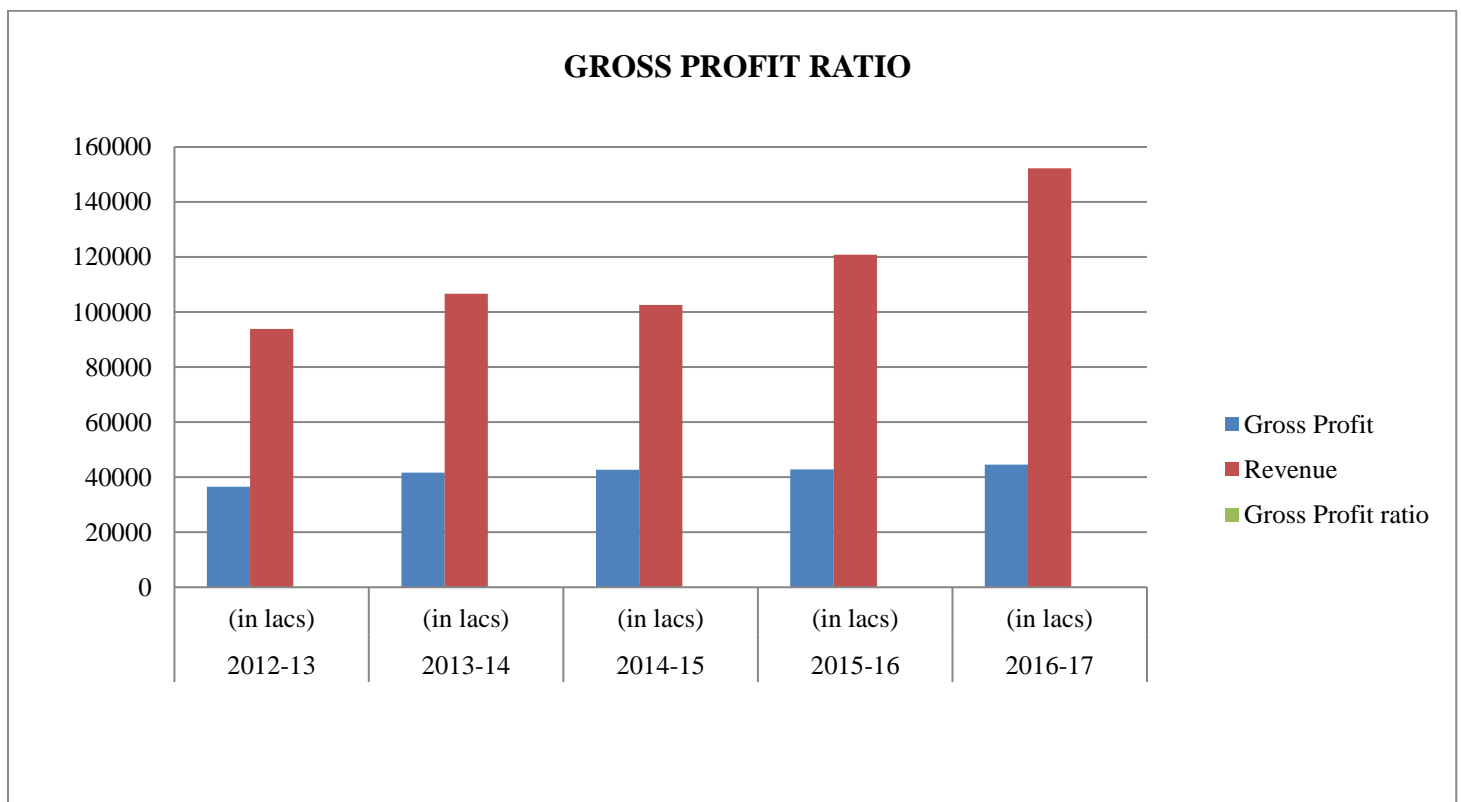


Chart No. 1. Table Showing Gross Profit Ratio.

- Interpretation*

The gross profit ratio of the company is very high compared to the industry standards, always standing above 25 %. It was as high as 42% in 2014-15 but it was 39% in 2012 and 2014, but

has fallen up to 29% in 2015-16, majorly because of rise in expenses in the last two years.

- Net Profit Ratio*

Year	2012-13 (in lacs)	2013-14 (in lacs)	2014-15 (in lacs)	2015-16 (in lacs)	2016-17 (in lacs)
Profit after tax	11283	10739	12606	14900	10894
Revenue	93853	106646	102568	120849	152292
Net Profit ratio	12%	10%	12%	12%	7%

Table No. 2. Table Showing Net Profit Ratio.

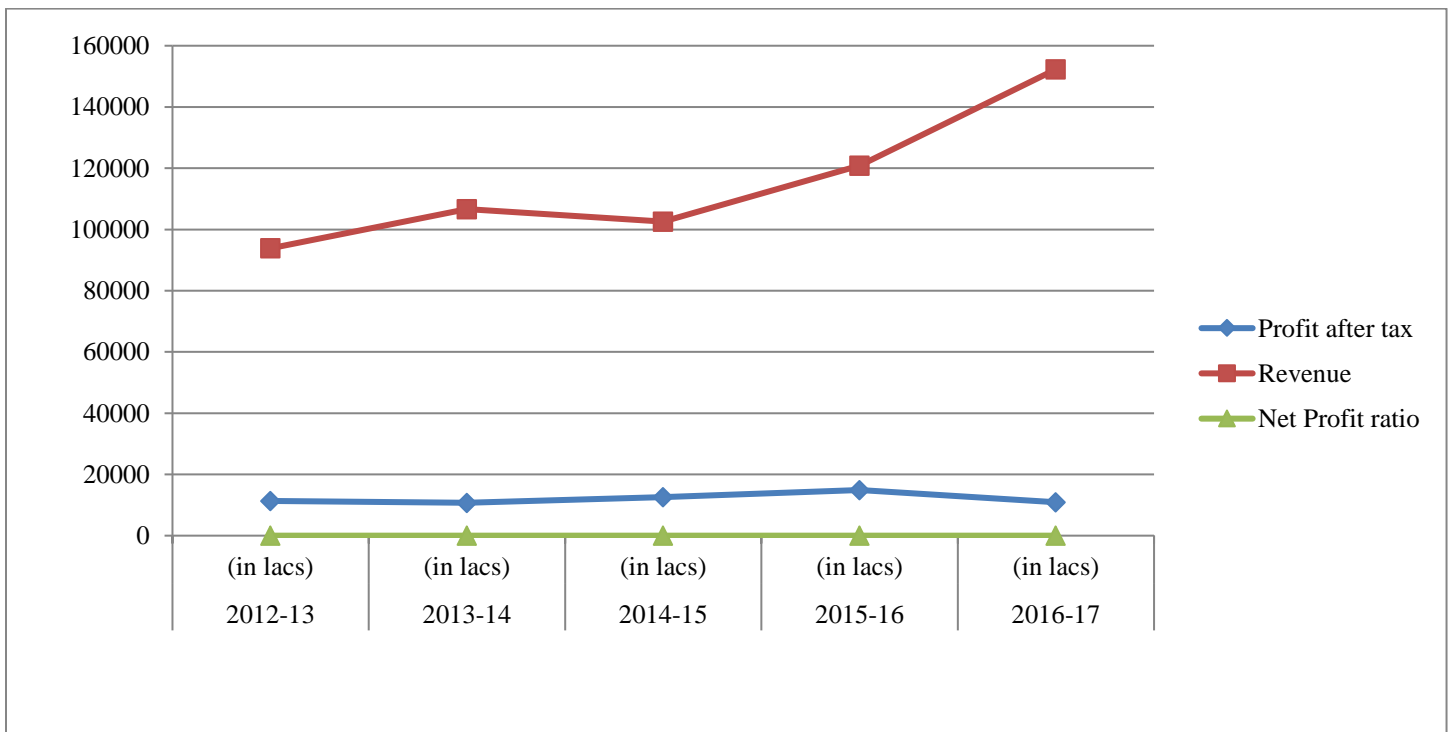


Chart No. 2. Chart Showing Net Profit Ratio.

• *Interpretation*

The net profit ratio of the company is very evenly spread throughout the financial years 2012-13 to 2015-16 standing around 12% but has come down to 7% in the last financial

year 2016-17 majorly because of increase in various overheads.

• Operating Profit Ratio

Year	2012-13 (in lacs)	2013-14 (in lacs)	2014-15 (in lacs)	2015-16 (in lacs)	2016-17 (in lacs)
Operating profit	23187	25554	26370	31542	31948
Revenue	93853	106646	102567	120850	152292
Operating Profit ratio	25%	24%	26%	26%	21%

Table No. 3. Table Showing Operating Profit Ratios.

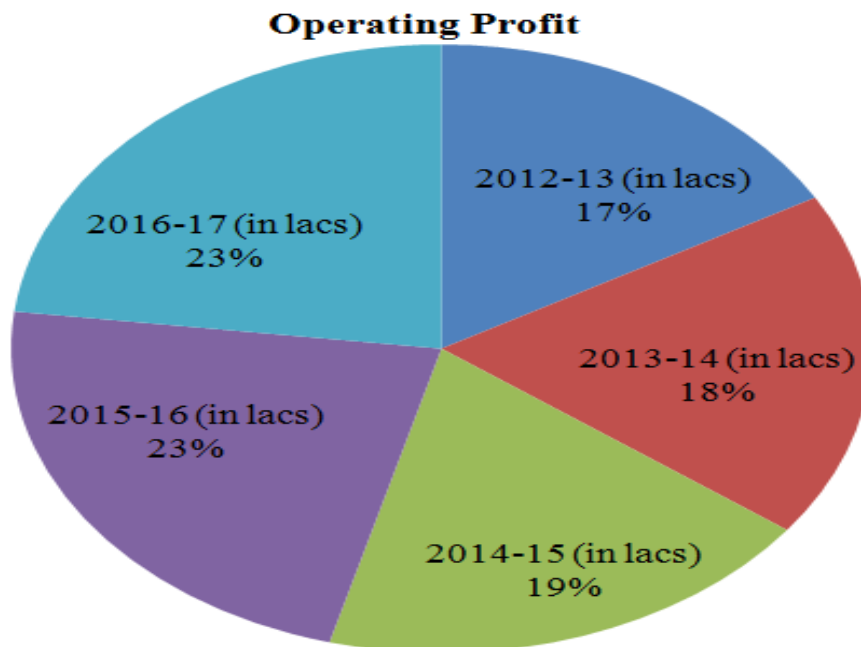


Chart No. 3. Chart Showing Operating Profit Ratios.

• *Interpretation*

The operating profit ratio which indicates the operational efficiency of the organization although started as low as 25%

in 2012-13 gradually has risen to 26% in 2014-15 and 2015-2015 but has come down to 21% in the financial year 2016-17 majorly because of the increase of administration overheads.

VII. FINDINGS OF THE STUDY

- The gross profit ratio of the company is very high compared to the industry standards, always standing above 25 %. It was as high as 42% in 2014-15 but it was 39% in 2012 and 2014, but has fallen up to 29% in 2015-16.
- The net profit ratio of the company is very evenly spread throughout the financial years 2012-13 to 2015-16 standing around 12% but has come down to 7% in the last financial year 2016-17.
- The operating profit ratio which indicates the operational efficiency of the organization although started as low as 25% in 2012-13 gradually has risen to 26% in 2014-15 and 2015-2015 but has come down to 21% in the financial year 2016-17.

VIII. SUGGESTIONS OF THE STUDY

- The decrease of Net profit to 7% in the financial year 2016-17 is majorly due to increase of various overheads especially the manufacturing overheads and thereby the management should take efforts to reduce it. The increase of administration overheads by 43% and manufacturing overheads by 31% should be controlled by the organization.
- The operating profit also has reduced to 21% in the financial year 2016-17 and this is majorly due to the rise of personnel overheads and administration overheads and the management has to take conscious efforts to reduce these overheads to have a positive impact on the returns.
- One of the major reasons for reduced returns is the decrease in the revenues; the finance department can increase the collection period by another 30 days from the current 60 days which will attract more customers and ultimately more revenues.

IX. CONCLUSIONS OF THE STUDY

Financial analysis also referred to as financial statement Analysis or accounting analysis refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. The main aim of this report is to find out the financial situation and the financial trend of Canara Traders and Printers Limited. From this analysis we will find out the financial performance and this analysis from the annual report and the financial analysis is done to reveal the financial position of the firm and soundness of Business. Measure the soundness by business by comparing its assets, liabilities and capital side by side. To form a judgment whether performance of the company at point of time is good, questionable or poor and also whether the

financial condition of the corporation is improving or deteriorating and whether the cost profitability or efficiency is showing an upward or downward trend. This study also helps to measure the operational efficiency of the working of the management and identify various deficiencies in its working and then improve upon them. One of the major objectives of the study is to extract information about the real financial position of the concern at particular, which may be useful to a wide range of users like management, investors, employees, lenders, suppliers and customers.

BIBLIOGRAPHY

BOOKS

- [1]. I M Pandey (2008), "Financial Management ", Fifth Edition, Vikas publications.
- [2]. Khan and Jain (2001), financial management, Fourth Edition, Tata McGrahill, New Delhi.
- [3]. Prasanna Chandra (2005), Financial Management Theory and practice, Fifth Edition, Prentice-Hall, New Delhi.
- [4]. Adler. M. and B. Dumas (2004): Financial Management, Tampa, Florida, US.
- [5]. Bilson, J.F.O. (2009): "Financial Performance Management" in Aliber, R.Z. (Ed.) Handbook of International Financial Management, Dow-Jones Irwin, Homewood, III, Chapter 14.
- [6]. Samuelson, Paul (2007), Foundations of Financial Performance Analysis, Harvard University Press, Cambridge, MA.

JOURNALS

- [1]. Antl, B. (Ed.) (2009) : Management of finances, Vol. I, Euromoney Publications, London, Chapters 2, 4, and 6.
- [2]. K A Froot, D S Scharfstein, and J C Stein (2003), "Finance Management: Coordinating Corporate Investment and Financing Policies", Journal of Finance.
- [3]. Los, Cornelis A (2003). Financial Management: International Studies in Fiannce, Vol.24, Taylor & Francis Books, Ltd, London UK.
- [4]. Tobin, James (2008). "Liquidity Management," Review of Finance Studies, February, 65-85.
- [5]. Fordy M B (2000), "A Comparative study on financial management", Journal of Finance.

WEBSITES

- [1]. www.canaraprinters.com