

A Study on Financial Analysis with Special Reference to Veasons Energy System Private Limited, Thuvakkudy- Trichy District

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Abstract:- Finance is often defined simply as the management of money or fund Management. Modern finance, however, is a family of business activity that includes the origination, marketing, and management of cash and money surrogates through a variety of capital accounts, instruments, and markets created for transacting and trading assets, liabilities, and risk. Finance is conceptualized; Performance measures assess the efficiency and profitability of investment, the safety of debtors' claims against assets, and the likelihood that derivate instruments will protect investors against a variety of market risks. Finance is both art and science, although these activities increasingly converge through the intense technical and institutional focus on measuring and hedging risk-return relationships that underlie shareholder value. There are various methods or techniques that are used in analyzing financial statements, such as comparative statements, schedule of changes in working capital funds analysis and rations analysis.

Keywords:- Financial analysis of Current ratio, Gross profit ratio and Net profit ratio.

I. INTRODUCTION

Finance is often defined simply as the management of money or fund Management. Modern finance, however, is a family of business activity that includes the origination, marketing, and management of cash and money surrogates through a variety of capital accounts, instruments, and markets created for transacting and trading assets, liabilities, and risk. Finance is conceptualized, structured, and regulated by a complex system of power relations within political economies across state global markets. Finance is both art and science (e.g. measurement), although these activities increasingly converge through the intense technical and institutional focus on measuring and hedging risk-return relationships that underlie shareholder value.

A. Financial analysis

- Horizontal Analysis
- Ratio Analysis

B. Horizontal Analysis

Comparison of two or more year's financial data is known as horizontal analysis, or trend analysis. Horizontal analysis is by showing changes between years in both dollar percentage forms.

C. Vertical analysis

Vertical Analysis is the procedure of preparing and presenting common size statement. A common size statement is one that shows the items appearing on it in percentage form as well as in dollar form.

D. Ratio Analysis

The Ratio Analysis is the most powerful tool of Financial Statement Analysis. Ratios simply mean one number expressed in terms of another. A ration is a statistical yardstick by means of which relationship between two or various figures can be compared or measure. Rations can be found out by dividing one number by another number.

II. THE OBJECTIVES OF THE STUDY ARE

- To analysis of profitability ratio
- To analysis of Current ratio in the company.

III. ANALYSIS OF DATA COLLECTION

The secondary data are those which have already been collected by someone else and wish have already been passed through the statistical process. Secondary data collected from the Profit and Loss Account, Balance Sheet, and other published materials.

- A. **Current Ratio:-** Current Ratio is the relationship between current assets and current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

A current ratio 2:1 is considered ideal. That is, for every one rupee of current liability there must be current assets of Rs.2. if the ratio is less than two, it may be difficult for a firm to pay current liabilities. If the ratio is more than two, it is an indicator of idle funds.

Year	Current Assets	Current liabilities	Ratio
2012-2013	13,56,51,000	4,98,07,000	2.72
2013-2014	14,15,73,600	5,55,14,100	2.55
2014-2015	33,31,10,840	15,48,43,160	2.15
2015-2016	62,58,55,570	19,37,56,620	3.23
2016-2017	95,59,90,300	18,45,90,000	5.18

Table -1 Current Ratio

Source: Secondary Data

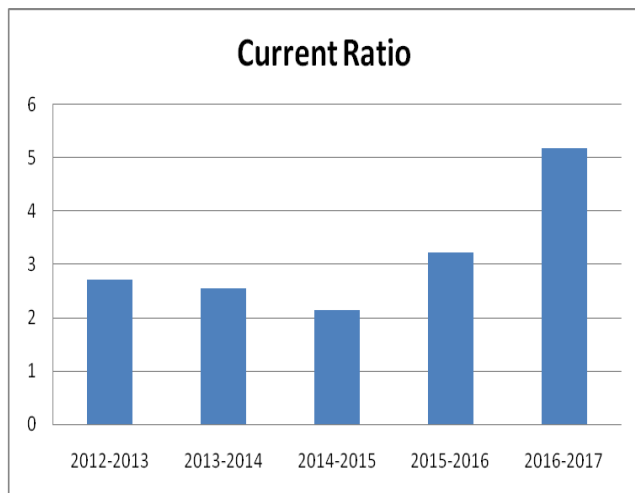


Chart-1 Current Ratio

• *Inference*

The Current Ratio is high during the year 2016-2017 because high current assets. The current ratio was low during the year 2014-2015 because of certainly increase in current liabilities. The average current ratio was 3.17 during the study period. The financial level of Current ratio is very well this Company.

B. *Gross Profit Ratio*

This ratio expresses the relationship between gross profit and net sales.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Sales}} \times 100$$

It indicates the efficiency of production or trading operations. A high gross profit ratio is a sign of good management as it implies that the cost of production is relatively low.

Year	Gross Profit	Sales	Ratio
2012-2013	5,11,10,200	79,37,49,600	6.44
2013-2014	12,47,41,800	92,09,81,200	13.54
2014-2015	12,20,10,160	1,13,83,92,790	10.72
2015-2016	20,90,80,030	1,62,73,82,650	12.85
2016-2017	25,66,71,110	2,13,51,51,630	12.00

Table-2 Gross Profit Ratio

Source: Secondary Data

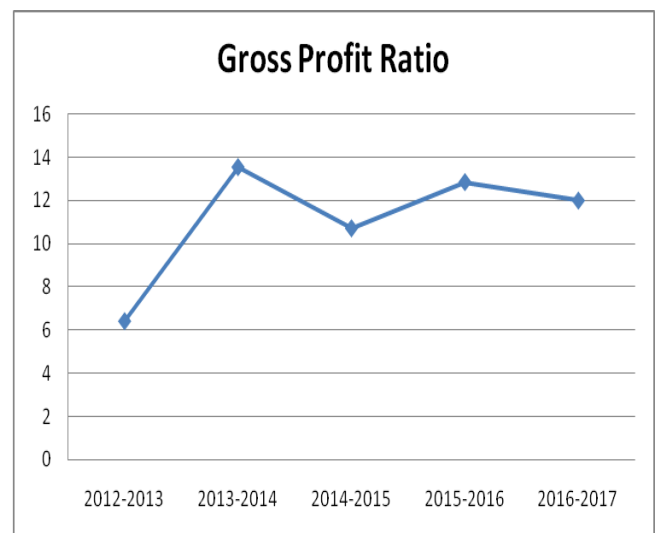


Chart-2 Gross Profit Ratio

• *Inference*

The gross profit was high during the year 2013-2014 and 2015-2016. The sales during the year 2016-2017 were high but the gross profit was low. The average ratio for five year is 11.10 during the study period. The Gross profit ratio of third year decrease level because sales is normal low better than first year than last year decrease level of ratio.

C. Net Profit Ratio

This ratio measures the relationship between net profit and net sales.

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Sales}} \times 100$$

It indicates the efficiency of the overall operation of the firm. It shows what percentage of sales is left to the owners after meeting all costs. And increase in net profit ratio year is an indication of improving working conditions and vice versa.

Year	Net Profit	Sales	Ratio
2012-2013	1,40,35,120	79,37,49,600	1.77
2013-2014	1,94,46,240	92,09,81,200	2.11
2014-2015	4,12,69,320	1,13,83,92,790	3.63
2015-2016	7,37,91,820	1,62,73,82,650	4.53
2016-2017	6,53,03,980	2,13,51,51,630	3.06

Table 3. Net Profit Ratio

Source: Secondary Data

Net Profit Ratio

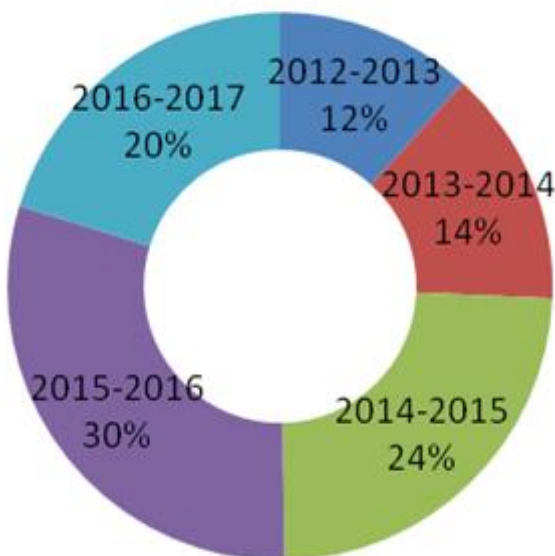


Chart 3. Net Profit Ratio

• **Inference**

The maximum Net Profit during year 2015-2016. The sales were increase in the year 2016-2017. But the Net Profit that year was decreased. The average Net Profit ratio is 3.01 during the study period. The Net Profit is 2014-2015 and 2016-2017 of same level compare for first two years.

IV. CONCLUSION

The financial position of the VEESONS Energy System Private Limited is good. The overall activities of the company shows good performance and the company also grow year by year. The current ratio and Net profit ratio year wise increase position of the company is satisfactory. The company should take proper measures to reduce the liabilities well position of the company.

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