A STUDY ON FINANCIAL PERFORMANCE OF PONNI SUGARS LIMITED, ERODE

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Abstract: *The financial analysis is the process of identifying the financial strength and weakness of the firm by establishing relationship between the items of balance sheet and the profit and loss account. The study was under taken in ponnysugersltda view to have an insight in the financial performance of the company. In the present study efforts have been taken to determine the financial conditions and performance of the company. The present study has thrown major concentration in ratio analysis, comparative balance sheet and common size balance sheet from the five years financial statement of the company.*

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FINANCIAL ANALYSIS

The term 'financial analysis', also known as analysis and interpretation of financial statement' , refers to the process of determining financial strengths and weaknesses of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data 'analyzing financial statement', according to Mat calf and Titard, 'is the process of evaluating the relationship between component parts of financial statement to obtain a better understanding of a firms position an performance'. In the words of Myers, 'financial factors in a business as disclosed by a single set of statements and a study of the trend of these factors as shown in a series of statement'.

The purpose of financial analysis is to diagnose the information contain in the financial statements so as to judge the profitability and financial soundness of the firm. Just like a doctor examine him patients by recording his body temperature, blood pressure, etc. before making this conclusion regarding the illness and before giving his treatment, a financial analyst the financial statements with various tools of analysis before commending upon the financial health or weakness of en enterprise. The analysis and interpretation of financial statements is essential to bring out the mystery behind the figures in financial statements. Financial statements analysis is an attempt determined the significance and meaning of the financial statements data so that forecast may be made of the future earnings, ability to pay interest and debt maturities (both current and long-term) and profitability of a sound dividend policy.

SCOPE OF THE STUDY

The scope the study includes the financial performance for the period of six years starting from 2002 – 2006. This study reveals the financial position of the company. This ratio analysis will help to revalue the assets. Provides data for inter firm-comparison. The study can enable to plan for its future and will act as a basis for further and will act a basis for further research work all financial performance to be made in future.

RESEARCH DESIGN

The methodology used in this study is analytical and descriptive in nature where the researcher has to use facts (or) information already available and study the characteristics of a particular group respectively and there by analyze to make a critical evaluation of the study.

SOURCES OF DATA

The research is primarily based on secondary data, with addition information gathered from the finance department. The main sources are company's five year annual reports and schedules.

DATA COLLECTION METHOD

- Annual report
- Internal report

TOOLS USED FOR ANALYSIS

In order to reach better solutions the management of working capital various techniques of financial management are employed. They are, Ratio Analysis

RATIO ANALYSIS

The ratio analysis is one of the most powerful tools of financial analysis. It is the process of establishing and interpreting various ratios. It is with the help of ratios that the financial statements can be analyses more clearly and decisions are made from such analysis.

STEPS INVOLVED IN RATIO ANALYSIS

- Selection of relevant data from the financial statements depending upon the objective of the analysis.
- Calculation of appropriate ratios from the above data.
- Interpretation of the ratios.

CURRENT RATIO

The ratio of current assets to current liabilities is called current ratio. In order to measure the short term liquidity or solvency of the concern, comparison of current assets and current liabilities is inevitable. Current ratio in the case liability of a concern to meet its current obligations as and well they are due for payment.

The current ratio is calculated by the following formula.

$$\textbf{Current ratio} = \frac{\textbf{Current Assets}}{\textbf{Current Liabilities}}$$

Table No-1

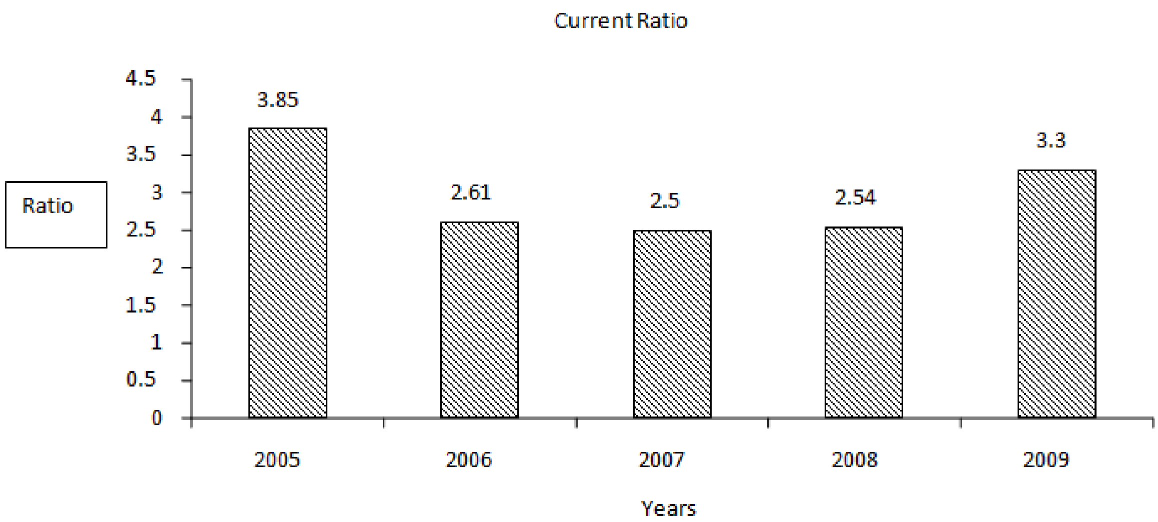
Year	Current assets	Current liabilities	Ratio %
2005	14703790	3821000	3.85
2006	16085000	6152000	2.61
2007	21404000	8553000	2.50
2008	22341910	8802000	2.54
2009	25368980	7685000	3.30

INTERPRETATION

From the above table shows that the current ratio of the company is 3:1, gradually fall in 2:1 during 2005-2007. Then a growth found in the year 2009. the current ratio ofthe company is satisfactory level.

CHART NO 3.1.1

CURRENT RATIO



CONCLUSION

The present study entitled the settlement process and financial performance of **Ponney sugers.,** was undertaken with the main objective of understanding the settlement procedure and analyzing the financial performance.

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