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A Study on Financial Performance Analysis with Reference Pupa Home Care Pvt. Ltd

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ABSTRACT

A firm's success the word 'performance is derived from the word 'parfourmen', which means 'to do', 'to carry out' or 'to render'. It refers the act of performing; execution, accomplishment, fulfilment, etc. In border sense, performance refers to the accomplishment of a given task measured against preset standards of accuracy, completeness, cost, and speed. In other words, it refers to the degree to which an achievement is being or has been accomplished. In the words of FrichKohlar "The performance is a general term applied to a part or to all the conducts of activities of an organization over a period of time often with reference to past or projected cost efficiency, management responsibility or accountability or the like. Thus, not just the presentation, but the quality of results achieved refers to the performance. Performance is used to indicate, conditions, and compliance.

Keywords ; Ratio Analysis ,Trend Analysis and Comparative Balance sheet

I. INTRODUCTION

Financial statements contain a wealth of information, which if properly read, analyzed or interpreted can provide valuable insights into a firm's performance and position. Also it is the starting point for making plan, before using any sophisticated forecasting and planning procedure. By analyzing these statements, firm can evaluate its past, present, projected performance etc. Usually management would be particularly interested in knowing the financial strength of firm to make their best use and to be able to spot out the financial weakness of the firm to take suitable corrective action. The future plan of the firm should be laid down in view of the firm's financial strength and weakness. In short, through financial analysis and interpretation it helps effectively the user for decision-making process.

II. REVIEW OF LITERATURE

Campbell (2008) constructed a multivariate prediction model that estimates the probability of bankruptcy reorganization for closely held firms. Six variables were used in developing the hypotheses and five were significant in distinguishing closely held firms that reorganize from those that liquidate. The five factors were firm size, asset profitability, the number of secured creditors, the presence of free assets, and the number of under-secured secured creditors. The prediction model correctly classified 78.5% of the sampled firms. This model is used as a decision aid when forming an expert opinion regarding a debtor's likelihood of rehabilitation. No study has incorporated the financial performance analysis of the central public sector enterprises in Indian drug & pharmaceutical Industry. Nor has any previous research examined the solvency position, liquidity position, profitability analysis, operating efficiency and the prediction of financial health and viability of public sector drug & pharmaceutical enterprises in India.

Satyanarayana Chary and Sampath Kumar (2011) discussed in their article that working capital is one of the vital decisions of financial management function. Profitability and working capital relationship is frequently emphasized for deciding on the level of investment in working capital. All manufacturing firms need to understand the association between these two variables to arrive at optimal financial decisions. Though theories exist on the topic, empirical methods are inadequately focused in arriving at conclusions. Use of statistical methods in understanding the relationship is systematic and scientific, which may provide better insight for decision making.

III. METHODOLOGY

Research design

This study is based on secondary data. Data pertaining behaviour of profitability position of the company by using the balance sheet and profit & loss account of Pupa Homecare pvt.ltd.

Nature of data

The data required for the study has been collected from secondary data from the annual report.

Tools applied

The following tools were made for the study: Trend analysis

Ratio analysis Comparative statement **Limitations of the study**

The analysis was made with the help of the secondary data collected from the annual report company.

All the limitations of ratio analysis, common-size statement, comparative statements, and trend analysis and interpret are applicable to this study. The study is only 5 years from 2014-2015 to 20018-19.

IV. DATA ANALYSIS AND INTERPRETATION

4.1 Current Ratio

Current ratio may be defined as the relationship between current assets and current liabilities it is the most common ratio for measuring liquidity. It is calculated by dividing current assets and current liabilities. Current assets are those, the amount of which can be realized with in a period of one year. Current liabilities are those amounts which are payable with in a period of one year.

Table No. 4.1 Current Ratio

Year	Current Asset	Current Liabilities	Ratio
2014-2015	3634315.50	3662645.02	0.99
2015-2016	2910844.42	4344770.10	0.66
2016-2017	8096618.55	3055104.10	2.65
2017-2018	10853034.28	5037069.34	2.15
2018-2019	8940249.18	1852936.59	4.82

Source: Secondary Data

Interpretation:

The above table shows that the current ratio in the year 2014-15 was 0.99 and then it decreased to 0.66 in the year 2015-2016, further increased to 2.65 in the year 2016-2017 and 2017-2018 it slashed down to 2.15 and finally in the year 2018-2019 it increases to 4.82. The normal current ratio is 2:1. The above table shows the last three years the current ratio is normal. This shows that the company is enjoying credit worthiness.

4.2 Quick Ratio

This ratio is also known as Quick Ratio or Acid Test Ratio. This ratio is calculated by relating liquid or quick assets to current liabilities. Liquid assets mean those assets which are immediately converted into cash without much loss. All current assets except inventories and prepaid expenses are categorized as liquid assets.

Where,

Quick Asset = (Current Asset- Stock – Prepaid Expenses)

Table No. 4.2 Quick Ratio

Year	Quick Asset	Current Liabilities	Ratio
2014-2015	3393305.5	3662645.02	0.92
2015-2016	1804032.42	4344770.10	0.41
2016-2017	2821907.55	3055104.10	0.92
2017-2018	7100883.38	5037069.34	1.40
2018-2019	5591324.59	1852936.59	3.01

Source: Secondary Data

Interpretation:

The above table shows that the current ratio in the year 2014-2015 was 0.92 and then it decreased to 0.41 in the year 2015-2016, further increased to 0.92 in the year 2016-2017 and 2017-2018 it increased to 1.40 and finally in the year 2018-2019 it increases to 3.01. The normal Quick ratio is 1:1.

The above table shows the last two years the quick ratio is normal. This shows that the company is reasonably good.

Gross Profit Ratio

Gross profit ratio expresses the relationship of gross profit to net sales or turnover. Gross profit is the excess of the proceeds of goods sold and services rendered during a period over their cost, before taking into account administration, selling and distribution and financing charges.

Table No. 4.3 Gross Profit Ratio

Year	Gross Profit	Net Sales	Ratio
2014-2015	4318748.88	8464089.6	51.02
2015-2016	5089777.05	9441608.5	53.90
2016-2017	7964501.19	12748568.6	62.47
2017-2018	6545834.87	18142652.7	36.07
2018-2019	6302965.76	15870708.6	39.71

Source: Secondary Data

Interpretation:

The above table and shows the relationship between the gross profit and net sales in percentage. During 2014-2015 the gross profit position was 51.02% and in the very next year 2015-2016 it increased to 53.90% and again in the year 2016-2017 it raised to 62.47% and since then 2017-2018 it was decreasing and reached the lowest to 36.07% in the year 2018-2019 and it was again increasing and finally reached 39.71%. However it can be noticed that the gross profit increase in the year 2016-2017 when compared to previous years.

Operating Profit Ratio

The ratio of all operating expenses (i.e., materials used, labor, factory overheads, and office and selling expenses) to sales is the operating ratio. A comparison of the operating ratio would indicate whether the cost content is high or low in the figure of sales. If the annual comparison shows that the sales have increased, the management would be naturally interested and concerned to know as to which element of the cost has gone up. It is not necessary that the management should be concerned only when the operating ratio goes up. If the operating ratio has fallen, though the unit selling price has remained the same, still the position needs analysis as it may be the sum total of efficiency in certain departments and inefficiency in others. A dynamic management should be interested in making a fuller analysis. It is, therefore, necessary to break up the operating ratio into various cost ratios. The major components of cost are: material, labor and overheads. Generally all these ratios are expressed in terms of percentage. They total up to the Operating Ratio. This, deducted from 100 will be equal to the Net Profit Ratio. If possible, the total expenditure for effecting sales should be divided into two categories, viz., fixed and variable-and then ratios should be worked out. The ratio of variable expenses to sales will be generally constant; that of fixed expenses should fall if sales increase; it will increase if sales fall.

Where,

Operating Profit = Gross Profit – Operating Expenses

Table No. 4.4 Operating Profit Ratio

Year	Operating Profit	Net Sales	Ratio
2014-2015	39015.69	8464089.6	0.46
2015-2016	164371.01	9441608.5	1.74
2016-2017	308882.80	12748568.6	2.42
2017-2018	114927.70	18142652.7	0.63
2018-2019	253165.16	15870708.60	1.59

Source: Secondary Data

Interpretation:

The above table and shows the relationship between the operating profit and net sales in percentage. During 2014-2015 the operating profit position was 0.46% and in the very next year 2015-2016 it increased to 1.74% and again in the year 2016-2017 it raised to 2.42% and since then 2017-2018 it was decreasing to 0.63% in the year 2018-2019 and it was again increasing and finally reached 1.59%.

Net Profit Ratio

One of the components of return on capital employed is the net profit ratio. It indicates the net margin earned in a sale of `100. Net profit is arrived at from gross profit after deducting administration, selling and distribution expenses; non-operating incomes, such as dividends received and non-operating expenses are ignored, since they do not affect efficiency of operations.

Table No. 4.5Net Profit Ratio

Year	Net Profit	Net Sales	Ratio
2014-2015	75607	8464089.6	0.89
2015-2016	165831..01	9441608.5	1.75
2016-2017	279629.32	12748568.6	2.19
2017-2018	310297.70	18142652.7	1.71
2018-2019	263752.36	15870708.60	1.66

Source: Secondary Data

Interpretation:

The above table and shows the relationship between the net profit and net sales in percentage. During 2014-2015 the net profit position was 0.89% and in the very next year 2015-2016 it increased to 1.75% and again in the year 2016-2017 it raised to 2.19% and since then 2017-2018 it was decreasing to 1.71% in the year 2018-2019 and it was again decreased and finally reached 1.66%.

Trend Analysis of Sales

Sales trend analysis is the review of historical revenue results to detect patterns. Sales trend analysis is a useful budgeting and financial analysis method that can indicate the onset of changes in the near-term revenue growth rates of a business.

Table No. 4.6Trend analysis of Sales

Year	Sales	Trend Value
2014-2015	9206743.60	100
2015-2016	10242150.5	11 1
2016-2017	13648568.60	148
2017-2018	19642652.70	213
2018-2019	17306953.60	187

Source: Secondary Data

Interpretation:

The above table and shows the trend analysis on sales. During 2014-2015 the value was taken as and in the very next year 2015-2016 it increased to 111 and again in the year 2016-2017 it raised to 148 and since then 2017-2018 it was increased to 213 and in the year 2018-2019 and it was decreased to 187. Based on this analysis we can conclude that 2017-2018 the company position was good by 213.

Trend Analysis of Net Profit

The general direction of change in net profit over the period of time covered by the net profit trend analysis indicates the profitability progress. An increasing trend indicates that profits are rising and operational efficiency may be improving.

Table No. 4.7 Trend analysis of Net Profit

Year	Net Profit	Trend Value
2014-2015	75607	100
2015-2016	165831.01	219.33
2016-2017	279629.32	369.84
2017-2018	310297.70	410.40
2018-2019	263752.36	348.84

Source: Secondary Data

Interpretation:

The above table and shows the trend analysis on net profit. During 2014-2015 the value was taken as 100 and in the very next year 2015-2016 it increased to 219..33 and again in the year 2016-2017 it raised to 369.84 and since then 2017-2018 it was increased to 410.40 and in the year 2018-2019 and it was decreased to 348.84.

Table No. 4.8

Comparative Balance sheet for the year of 2014-15 & 2015-2016

Particulars	2014-15 (Rs)	2015-16 (Rs)	Increase/Decrease	Percentage (%)
Paid up capital	300000.00	300000.00	0	0
Reserves & Surplus	150231.36	316062.37	165831.01	110
Total reserves & capital	450231.36	616062.37	165831.01	36.83
Current asset	3634315.50	2910844.42	-723471.08	-19.90
Fixed asset	478762.88	1733208.88	1254446	262.01
Total asset	4113078.38	4644053.3	530974.92	12.90
Total current liabilities	3662645.02	4344770.10	682125.08	18.62

Source: Secondary Data

Interpretation:

The comparative balance sheet of the year 2014-15 and 2015-16 is as follows. The paid up capital of the company has remain constant. The total reserves & surplus increased by 36.83% and it is good for the company growth. The current assets of the company has decreased by 19.90% and the fixed asset value increased by 262.01%.The liability value also increased by 18.62%. The company should concentrate on decreasing the liability value.

Table No. 4.9 Comparative Balance sheet for the year of 2015-16 & 2016-2017

Particulars	2015-16 (Rs)	2016-17 (Rs)	Increase/Decrease	Percentage (%)
Paid up capital	300000.00	300000.00	0	0
Reserves & Surplus	316062.37	595691.69	279629.32	88.47
Total reserves & capital	616062.37	895691.65	279629.28	45.38
Current asset	2910844.42	8096618.55	5185774.13	178.15
Fixed asset	1733208.88	1799147.15	65938.27	3.80
Total asset	4644053.3	9895765.7	5251712.4	113.08
Total current liabilities	4344770.10	3055104.10	-1289669	-29.68

Source: Secondary Data

Interpretation:

The comparative balance sheet of the year 2015-16 and 2016-17 is as follows. The paid up capital of the company has remain constant. The total reserves & surplus increased by 88.47% and it is good for the company growth. The total assets of the company has increased by 113.08%.The liability value decreased by 29.68%.The liability value is lower than the previous year. It shows that company is in good position.

Table No. 4.10 Comparative Balance sheet for the year of 2016-17 & 2017-2018

Particulars	2016-17 (Rs)	2017-18 (Rs)	Increase/Decrease	Percentage (%)
Paid up capital	300000.00	300000.00	0	0
Reserves & Surplus	595691.69	905989.39	310297.7	52.09
Total reserves & capital	895691.69	1205989.39	310297.7	34.64
Current asset	8096618.55	10853034.28	2756416.13	34.04
Fixed asset	1799147.15	2009123.15	209976	11.67
Total asset	9895765.7	12862157.43	2966391.73	29.97
Total current liabilities	3055104.10	5037069.34	1981965.24	64.87

Source: Secondary Data

Interpretation:

The comparative balance sheet of the year 2016-17 and 2017-18 is as follows. The paid up capital of the company has remain constant. The total reserves & surplus increased by 34.64% and it is good for the company growth. The total assets of the company has increased by 29.97%.The liability value increased by 64.87%. The company should concentrate on decreasing the liability value.

Table No. 4.11

Comparative Balance sheet for the year of 2017-18 & 2018-2019

Source: Secondary Data

Interpretation:

The comparative balance sheet of the year 2017-18 and 2018-19 is as follows. The paid up capital of the company has remain constant. The total reserves & surplus decreased by 2.33%. The total assets of the company has decreased by 16.32%. The company reserves & surplus and total asset value was not good. The liability value is lower than the previous year with 63.21% and it good for the company.

V. FINDINGS & SUGGESTION

FINDINGS

1. The normal current ratio is 2:1. The company last three year was more than 2%. This shows that company is enjoying credit worthiness.
2. The normal Quick ratio is 1:1. The company last two year quick ratio is normal. This shows that the company is reasonably good.
3. During the year 2016-17 gross profit ratio was increased to 62.47. Last two year the ratio was

decreased. The company should focus on increasing the gross profit.

4. The operating profit position of the company has higher expenses than the profit.
5. The net profit and cash ratio was good in the year 2016-2017 by 2.19% and 0.15.
6. Fixed asset turnover ratio was higher in the year 2014-15 by 17.67 and it gets decreased in the following years.
7. The Return on asset ratio shows 2018-19 was performed well with 4.17.
8. Trend analysis of sales and net profit shows that 2017-2018 company value is higher than the other four years by 213 and 410.40.
9. Balance sheet shows paid up capital remains constant with 300000.
10. Comparative balance sheet of the year 2014-15 & 2015-16 shows asset and liability position was not good and reserves & capital increased by 36.83%.
11. Comparative balance sheet of the year 2015-16 & 2016-17 shows asset and liability position was good and reserves & capital increased by 45.38% and it is good for the company.
12. Comparative balance sheet of the year 2016-17 & 2017-18 shows asset position was good and liability position was not good and reserves & capital increased by 34.64% .
13. Comparative balance sheet of the year 2017-18 & 2018-19 shows asset was not good and liability position was good because it decreased by 63.21% and reserves & capital decreased by 2.33% .

SUGGESSITION:

1. Last 3 year current ratio was more than 2:1 so the company should maintain same value.
2. The company should reduce their operating expenses such as administrative expenses, financial expenses to increase the net profit.
3. The cash ratio position of the company is not satisfactory for the last five years. It is fluctuating over the years and there is no standard ration maintained. So the management should take steps to improving the cash position of the company.
4. Sales value was good in all the year so the company can maintain the same in future years.

VI. RESULTS

The main objective of the present study is to identify the financial performance and weakness of Pupa Home Care Pvt.Ltd. The company should concentrates on its operating expenses, administrative and selling expenses for more profit. The study reveals that performance was increasing upto the year 2017-18 after it start decreasing its profit and sales. Because of this study I have learnt about practical knowledge on financial calculations such as ratio analysis, trend analysis and comparative balance sheet.

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