



A STUDY ON FINANCIAL PERFORMANCE OF KAJARIA CERAMICS LTD

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ABSTRACT

Financial performance is the process of measuring how effectively a company utilizes its assets from primary mode of business to raise incomes. The study used 5 years of KAJARIA's secondary data and main objectives is to find out the performance ratios of the bank that can be helpful in finding the growth aspects of the bank. The various tools like return on assets ratio and other performance ratios were used for the study. The suggestions reveal bank is generating sufficient income and they are making better profits but efficiency of the bank is generating profits is limited. Finally, Bank is performing well in terms of income and it's satisfactory.

KEYWORD: Performance ratios, Growth aspects, Income efficiency.

1. INTRODUCTION

Increased impetus to develop infrastructure in the country is attracting both domestic and international players. Private sector is emerging as a key player across various infrastructure segments, ranging from roads and communications to power and airports. In order to boost the construction of buildings in the country, the Government of India has decided to come up with a single window clearance facility to accord speedy approval of construction projects. Infrastructure sector is a key driver for the Indian economy. The key catalysts for rising consumption are young population, preferring modernization, rising disposable income and increasing urbanization.

2. STATEMENT OF THE PROBLEM

Ceramic industries play a significant role in the economic Development of a nation. Indian tile industry captured the attention of world, specifically in ceramic tiles. One major development in recent years has been the need for a life-cycle approach to product development – and not just within the ceramics industry.

Worldwide and across sectors, there is a palpable shift towards sustainability and heightened

awareness surrounding environmental issue. Poor profitability is another serious issue in ceramic industries. Under capacity utilization, higher costs of production, industrial disputes, and financial mismanagement are some of the reasons for poor profitability. The profitability of the ceramic companies is identified as low due to improper management of funds. This poses a severe threat on the survival of ceramic companies in India. India ranks a significant position in ceramic tile production among the top 3 list of countries in the world. The unique features like quality, attractive design, economical price initiates more exports routed to earn more foreign exchange. Therefore, a proper management of funds is needed for the growth of ceramic companies.

3. OBJECTIVE OF THE STUDY

- To find out the financial position of the ceramic companies.
- To analyze the profitability position of the ceramic companies and its rate of efficiency.
- To suggest suitable measures to improve the financial performance of ceramic companies in India.



4. RESEARCH METHODOLOGY

SOURCE OF DATA	SECONDARY DATA
PERIOD OF STUDY	2015-2016 to 2019-2020
FRAMEWORK OF ANALYSIS	FINANCIAL STATEMENTS
TOOLS AND TECHNIQUE	RATIO ANALYSIS

5. STATISTICAL TOOLS

The following statistical tools were applied to analyse the statistical data collected for calculation of financial performance of analysis:

- 1) Current Ratio(%)
- 2) Liquid Ratio(%)
- 3) Cash Position Ratio(%)
- 4) Inventory Turnover Ratio(%)
- 5) Total Assets Turnover Ratio(%)
- 6) Gross Profit Ratio(%)
- 7) Net Profit Ratio(%)

6. REVIEW OF LITERATURE

The Economic Times, (2017), stated that India's ceramic industry turnover would be double in the near future around Rs. 50,000 crore by 2020, domestic consumption and exports would increase to enhance its growth. The manufacturers were forced to compete with China in the global ceramic market, which was a lead exporter with 40 per cent market share, Gujarat- based Morbi Ceramic Cluster, a leading player, was organising the second edition of „Vibrant Ceramics“ in the industry to attract more business and global customers.

Ashok Kumar Panigrahi, (2013), made a comparative study on the liquidity position of five leading Indian ceramic manufacturing companies. In this study, the samples chosen were the top five ceramic manufacturing companies of Indian ceramic Industry. This study was based on secondary data.

The study had taken a period of 10 years from 2000-2001 to 2009- 2010. The technique of mean, standard deviation, and coefficient of variation, ratio analysis and Motaal's ultimate rank test was applied to analyse the data. It was found that the liquidity position of small companies were better in comparison with larger companies. Moreover, the growth rate of current ratio, quick ratio and working capital to current assets of all the companies were negative which indicates an unsound liquidity position.

Sathya, (2012), attempted to measure the composite profitability of a firm. The objective of this study was to study the profitability of selected Indian ceramic companies. Profitability was analyzed by the technique of ratio analysis. This study was based on the secondary data from a sample of 30 ceramic companies. The study period was taken from 1996-1997 to 2006- 2007. The ratio analysis was one of the most powerful tools of financial analysis. Multivariate analysis was a good method to measure composite 26 profitability of a firm. Out of the selected 30 companies, the highest composite index score was 1,280, secured by KAT ranking first and the lowest composite index score was 1,016 secured by AMB. The analysis of composite profitability index showed that companies KAT, PRI and AND were secured first three ranks and on the other hand AMB, KCP and GRA have secured the last three ranks.

7. TABLE

Year	Current Ratio(%)	Liquid Ratio(%)	Cash Position Ratio(%)	Invenotry Turnover Ratio(%)	Total Assets Turnover Ratio(%)	Return On Assestratio(%)	Net Profit Ratio(%)
2015-16	1.22	0.60	0.03	6.28	125.82	12.31	9.78
2016-17	1.48	0.81	0.09	6.85	124.97	12.44	9.95
2017-18	1.74	1.05	0.15	7.16	126.65	10.68	8.43
2018-19	1.99	1.30	0.43	7.28	124.56	9.64	7.73
2019-20	2.29	1.31	0.45	5.48	115.15	10.40	9.03

- The current ratio was higher during 2019-20 with the ratio of 2.30 and lower with the ratio of 1.22 during 2015-16. Current ratio of 2:1 is satisfactory and the current ratio is satisfied in recent years.
- The liquid ratio is higher during 2019-20 with the ratio of 1.306 and lower with the ratio of 0.60 during 2015-16. The liquid

ratio satisfactory level 1:1 and it is clear that liquid ratio is satisfied and increasing gradually each year.

- The cash position ratio is higher during 2019-20 with the ratio of 0.45 and lower during 2015-16 with 0.03. The satisfactory level is 0.75:1 and it is not satisfied.



- Net profit ratio is higher during 2017 with 9.95% and lower during 2019 with 7.74%. It is clear that company has not maintaining sound net profit margin as profit margin is reducing when compared to previous years.
- The return on assets ratio is higher during 2017 with the ratio of 12.44% and decreased gradually reached lower stage of 9.64% during 2019.
- The return on investment ratio was higher during 2016 with the ratio of 24.29% and lower during 2019 with the ratio of 14.52%
- The inventory turnover ratio is higher during 2019 with 728.49 and lower during the year 2020 with 547.67.
- Total asset turnover ratio is higher with the ratio of 126.65 during 2018 and gradually decreased and reached 115.14 during 2019-20. It indicates the assets have not been properly utilized to generate maximum net sales.

8. SUGGESTIONS

- As the cash position ratio is less than the ideal ratio, the company should take effective measures to create more cash reserves to pay off its debts. They should increase its short term liquidity of the company, its helps to pay off the current dues.
- The earning capacity of the company regarding the net profit is good but it is very normal due to the higher expenditures and the profitability of the company had been normally increasing the total income from year to year. So the company has to take right strategy to regain the net profit in the coming years.
- The company should probably consider the use of the fund to invest other opportunities

to get a profit rather than over investing on assets that have failed to produce revenue growth and have to utilize its existing total assets to generate net sales.

9. CONCLUSION

The analysis of the company was undertaken with the help of ratios, which are important tools of financial analysis. After the study of financial performance of KAJARIA CERAMICS Ltd from various financial aspects like profitability, liquidity and activity, it can be concluded that profitability position of the company is more or less depends upon better utilization of resources, decreased expenses etc. and it's less than satisfactory level as the ratios are decreasing every year. As in the case of liquidity ratios, cash position ratio was unable to even touch the ideal ratio, thus it have to increase short term liquidity to pay off its current dues. Finally, the study reveals there was gradual rise and fall in the growth of the company during the study period and it have to take necessary measures for a sound life of the company.

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