



# A STUDY ON FINANCIAL PERFORMANCE OF ELGI RUBBER COMPANY LIMITED

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## ABSTRACT

*Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The study used five years of Oracle financial services software limited company data and the main objective of the study is to estimate the profitability of the business concern. The tools used for the study are liquidity ratio and profitability ratio. The suggestion given is that the company's day to-day cash management need to be improved and it has to improve the efficiency at converting sales into actual profit to enjoy the best profit.*

**KEYWORDS:** Profitability ratio, operating efficiency, improve sales.

## 1. INTRODUCTION

Financial statements are prepared primarily for decision making. The statements are not end in them but are useful in decision -making context. The balance sheet may be described as financial cross section taken at certain intervals and the coming statements as a condensed history of the growth and delay between cross sections.

Financial statements are very helpful in giving various indicators with the help of techniques popularly known as ratio-analysis is restored the technique is called as analysis and relation of financial statements. The financial statement provides the information for financial analysis. The analysis of financial statement is an important aid to financial analysis. They provide information on how the firm has performed in past and what is its current financial position. The utility of such statement is that a forecast may be made of the

prospects of future earning ability to pay interest, debt and profitability of sound dividend policy.

## 2. STATEMENT OF PROBLEM

The financial statement provides the basic data for financial performance analysis. The financial statements provide a summarized view of the financial position and operations of the firm.

## 3. OBJECTIVES OF THE STUDY

- ❖ To measure the utilization of various assets during the period.
- ❖ To trace financial strength and weakness.
- ❖ To know the Profitability, Activity, Liquidity & Financial stability position of ELGI RUBBERS COMPANY LIMITED.
- ❖ To provide suggestions for improving the overall financial performance of the ELGI RUBBER COMPANY LIMITED.

## 4. RESEARCH METHODOLOGY

Source of data	Secondary data
Period of study	2015-2016 to 2019-2020
Framework of analysis	Financial statements
Tools and techniques	Ratio analysis

## 5. REVIEW OF LITERATURE

- ❖ **Dr. M.A. Dhandapani (2014).** A firm can use assets from the primary mode of business and

generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be

used to compare similar firms across the same industry or to compare industries or sectors aggregation. There are many different ways to measure financial performance, but all measures should be taken in aggregation.

- ❖ **Prof Mr.S.Sabarinathan (2012).** The validity of any research is based on the systematic method of data collection analysis. The Ratio analysis is the process of identifying the financial soundness and cost effectiveness of the firm by establishing relationship between the items of balance sheet and profit & loss a/c. The present study has thrown major concentration in ratio analysis, from the 5

years balance sheet and profit & loss a/c. An objective of the study includes the profitability, cost of goods sold and other experience.

- ❖ **Dr.V.Srividya (2014).** To understand the financial and condition of a firm, its stakeholders look at the financial statements, viz., the balance sheet, the profit and loss account. The analysis of the financial statement is a process of evaluating the relationship between component parts of financial statement top obtains a better understanding of the firms, position and performance.

**6. TABLE SHOWING FINANCIAL POSITION OF ELGI RUBBER COMPANY LIMITED**

Year	Current Ratio	Liquid Or Quick Ratio	Fixed Turnover Ratio	Absolute Liquid Ratio	Total Asset Turnover Ratio	Net Profit Ratio	Return On Asset Ratio	Current Asset Turnover Ratio
2015-2016	1.06	0.53	1.39	0.06	0.64	-3.16%	-2.05%	1.72
2016-2017	1.17	1.02	1.48	0.16	0.67	-1.07%	-0.72%	1.56
2017-2018	1.01	0.44	1.44	0.12	0.64	-1.49%	-0.95%	1.51
2018-2019	1.06	0.46	1.68	0.12	0.71	-3.93%	-2.81%	1.60
2019-2020	0.98	0.42	1.61	0.10	0.69	-4.14%	-2.89%	1.54

## 7. FINDINGS

- ❖ From the study, the following findings were made;
- ❖ From the analysis, its shows that there are fluctuations in the current assets and there is significant decline in growth during the study period.
- ❖ The quick asset ratio of the company is in decreasing position. The absolute liquid ratio of the company was increase from 0.06-0.1.10.
- ❖ The fixed asset turnover ratio of the company is in upward position, but value fixed asset is downward position.
- ❖ Study finds that, the net sale of the company is in increasing position during the study period.
- ❖ The current asset turnover ratio is but regarding to the 2018 there is decline. In 2020 Study reveal there is growth in total asset turnover ratio.
- ❖ The Current asset to fixed asset ratio downward stage during the study period.

- ❖ The Net profit ratio is upward stage during the period of 2016, 2017, 2018 and during 2019, 2020 during it is in downward stage.

## 8. SUGGESTIONS

- ❖ The company should enhance its performance to face challenges and exploiting opportunities in future.
- ❖ Net sales of the company should be increased without the addition of fixed assets.
- ❖ The negative result happened due to lack of proper control on cost of production and sudden increase in prices of raw materials.
- ❖ The firm has to control cost of production through proper inventory management system.
- ❖ The company can concentrates more on reserves for the expansion of the business in the future.
- ❖ Companies try to increase production and sales for getting maximize profit to strengthen financial position.



- ❖ The management should utilize maximum production capacity.

## 9. CONCLUSION

The study was undertaken to analyze the financial performance of an ELGI RUBBER LIMITED COMPANY, COIMBATORE selected liquidity ratio, profitability ratio and activity ratio were calculated.

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