CHAPTER – V

SUMMARY OF FINDINGS,
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INTRODUCTION

Ratio analysis is a powerful tool of financial analysis. A ratio is defined as “the indicated quotient of two mathematical expressions” and as “the relationship between two or more things”. In financial analysis, a ratio is used as an index or yardstick for evaluating the financial position and performance of a firm. The absolute accounting figures reported in the financial statement do not provide a meaningful understanding of performance and financial position of a firm.

An accounting figure conveys meaning when it is related to some other relevant information. For example, Rs.5 crore net profit may look impressive, but the firm’s performance can be said to be good or bad only when the net profit figure is related to the firm’s investment. The relationship between two accounting figures, expressed mathematically, is known as a financial ratio (or simply as a ratio). Ratios help to summarise the large quantities of financial data and to make qualitative judgement about the firm’s financial performance.
For example, consider current ratio. It is calculated by dividing current assets by current liabilities, the ratio indicates a relationship between current assets and current liabilities. This relationship is an index or yardstick, which permits a qualitative judgement to be formed about the firm's ability to meet its current obligations. It measures the firm's liquidity. The greater the ratio, the greater the firm's liquidity and vice-versa. The point to note is that a ratio indicates a quantitative relationship, which can be, in turn, used to make a qualitative judgement. Such is the nature of all financial ratios.

**FINDINGS**

- The Net Profit Ratio of Sambandam Spinning Mills Limited, is in increasing trend.

- The Net Operating Profit Ratio of Sambandam Spinning Mills Limited is in increasing trend.

- The overall profitability ratio of Sambandam Spinning Mills Limited is fluctuating over the study period.

- The Earning per share of the company is high.

- There was a marginal fluctuation of return on total assets of the company over the study period.
➢ The return on shareholders’ funds of the company has been increased.

➢ The ratio of sales to fixed assets has been decreased.

➢ The Debtors Turnover Ratio has been reduced during the study period.

➢ The Debt collection period was more during the study period.

➢ The creditors turnover ratio was highly reduced during the study period.

➢ The credit payment period was more during the study period.

➢ The working capital turnover ratio was decreased during the study period.

➢ The capital turnover ratio of the company was of decreasing trend.

➢ The current ratio is upto the standard norms.

➢ The Quick Ratio of the company was in decreasing trend.

➢ The Fixed Assets Ratio was in fluctuating nature.

➢ The Ratio of Debt to Equity was high during the study period.

➢ The Proprietary Ratio of the company has been reduced during study period.
➢ The correlation co-efficient indicates, there is significant relationship between Net Profit and Capital Employed.

➢ Regarding Net Profit and Shareholders Fund, there is no significant relationship between the variables.

➢ There is no significant relationship between Net Profit and Working Capital.

➢ Regarding Sales and net Profit, there is no significant relationship between the variables.

➢ There is significant relationship between Net Profit and Total Assets of the Company.

➢ There is no significant relationship between Market Price and Earnings per share of the company.

➢ The trend values of Net Profit, Sales, Working Capital, Market Price per share and Earnings per share of Sambandam Spinning Mills Limited, are of increasing trend but the trend values of shareholders fund of the company are of decreasing trend.
SUGGESTIONS

➢ Adopting latest techniques in production may increase the overall profitability.

➢ Debtor's turnover ratio to be enhanced by making effective collection of credit sales dues.

➢ There may be lag in payment of creditors to make use of working capital.

➢ Working Capital turnover ratio to be increased by keeping current assets in large amount.

➢ Quick ratio position may be improved by adopting suitable cash management policy.

➢ Since sales and net profit comparison shows no significant relationship, effective steps to be taken to modify the situation.

➢ The market price and earnings per share should be kept at normal position to satisfy the investors.
CONCLUSION

Based on the study made by the researcher, the performance of the SSM Ltd. is good enough in all respects. The issue management makes a successful issue of shares to the public and the shares are listed in the stock exchange. The financial statement analysis reveals that it is the starting point for making plans, before using sophisticated forecasting and planning procedures.