Chapter 1

Introduction

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Impact of Globalisation on Medium Scale Industries: A comparative study of selected units in Gujarat and Maharashtra with special reference to financial & management aspects.

After the independence of India, Jawaharlal Nehru had defined the new tryst with destiny to end "poverty, disease and ignorance and inequality of opportunity". The economic goals remain appropriate as well because only rapid, broad-based growth can produce social welfare and business prosperity. The government has introduced the five-year plan and industrial regulation to give path for industrial & infrastructure development, investment in public sector and private sectors and planned growth. This has carried out as mixed economy where the infrastructure and core sector are reserved for government sector undertaking, several industrial activities are reserved for small scale units and non core manufacturing activities were carried by private sector. Again for planned growth, the government has introduced the license, quota and permit system in late sixties. The government has reserved various items especially for small scale sector to create employment and entrepreneurism. The government had introduced the FERA & MRTP act to regulate the concentration of funds and foreign exchange transactions.

Evaluating the economic growth is top of the government agenda and must be joint priority with unity and balance growth. India is a large and complex market with 1 billion people living across an area of 3.3 million sq. km approx. It boasts a consumer market that is potentially larger than any single western country. Economy has grown in past 40 years after the independence and achieved the self-reliance to certain extent in core, infrastructure and manufacturing sector. It
has also achieved the growth in service sector such as banking, insurance, railways and transportation. In recent past, the country has made progress in software developments, programming, telecommunication and media.

However, the manufacturing sector has not achieved the required goal and contributed to GDP due to license – permit and quota system. The negative balance of payment position and budget deficit has increased. The forex reserves had reduced and effect the repayment position of country IMF loan. IMF has suggested the reform package to liberalise the economy policy. Key feature in the decade old reform programme is its almost exclusive focus on economic policy.

The economic reform took place after 1990, under the Narasimha Rao government and Manmohan Singh as finance minister. The reforms were carried out is broadly classified in to four area such as follows:

1) Economic Reform: Abolish the license, permit and quota system, disinvestment of government holding in PSU, permission of private investment in insurance, banking and infrastructure projects.

2) Foreign Exchange Reform: FDI allowed up 100% in high priority sectors & consumer industry and up 51% in all most all industries, Ruppe become fully convertible in current accounts, permission to raise funds from overseas market to Indian companies and permission to FII to make investment in security market.

3) Financial Reform: Reduce PLR, CRR & SLR in banking sector, abolish CCI and form SEBI, Free pricing in capital issues, permission for FDI in banking and insurance sectors, norms revised for merger and takeover of companies.
4) **Trade Reform**: Liberalised exim policy, removal of trade barrier and quantitative restriction on imports, rationalisation of custom duties and 100% subsidiary allowed in several industry.

After the liberalisation of Indian Economy, there is major improvement in technology developments, quality control, and distribution network and management techniques. This has put various challenges for Indian corporate for quality and cost conscious. The market has been changed from sellers to buyers and customers is king concept has been accepted by Indian companies. Globalisation and liberalisation has emerged with joint ventures, amalgamation, merger, and takeover of industrial units. This lead to concentration of assets and market share with few hands. Entry of multinational companies has increased the competition in Indian market.

Basic reason for FDI from MNC in India due to saturated market & lower % age of young age group in home country, surplus capacity and capital and geographical diversification to overcome risk in one economy. However India provides vast market for their product, as population pyramid is broader in lower age group, low penetration and economic growth is comparatively higher. MNC choose FDI as compared to export based on logical economic theories worked out by Prof. Vernon ie when marginal cost of production of export and transport cost is higher than average cost of production of the same products abroad.

After the FDI in industrial, telecommunication, infrastructure, service, consumer durable and banking sector, the following positive improvement has observed:

- Economic growth has improved – GDP in value term has increased from Rs. 2122.5 crore in 1990-91 to Rs. 10818.3 crore in 1998-99.

- Balance of Payment and forex reserves has improved. – BOP was Rs. (44.7) billion in 1990-91 has improved to Rs. 182.5 billion in 1998-99. The forex
reserves has increased from Rs. 4388 in 1991 crore to Rs. 184482 crore in 2000-01.

- FDI in high tech and infrastructure sector - FDI approved was 27.9% in energy and power sector, 18.9% in electrical equipment and 10.5% in telecommunication of total FDI during 1993 to 2000. This has improved the productivity and environment for industrial growth.

- Technology driven growth in entertainment, media, television, software, biotech and communication and service industry.

- Rapid growth in service and technology led sector has improved the contribution to GDP from 37% in 81-82 to 54.2% in 2000-01. This is structural transformation of Indian economy and rapidly increasing role of service in the overall growth.

- FDI in capital market has increased the transparency and corporate governance and is best insurance against manipulation and reduces volatility.

The government has liberalised policy to delicense television industry and given permission for FDI in television, entertainment and media industry by allowing private satellite channels and to market foreign brand of television in India. Television has come to forefront only in past 15 years and more so in past seven years. At present there are more than 100 different channels operating in India where as it was only one in 1980. This television industry has direct impact on general public and their entertainment, taste, style of living and awareness etc.

India has been estimated 52 million homes having TV sets which amount to 270 million watching in their homes. Up to 1980, there were few players in Indian television industry such as ECTV, Salora, Dynora, Crown, Bush, Murpqy and Onida etc. They were making black and white tv with hardly any functional
facility. After the permission for allowing private satellite channels, there is need for multifunctional television sets. Few Indian companies have developed the television sets with the required facility and create the competitive position by developing brand & marketing network. After the abolished the entry barriers and permission of FDI in television making industry, many MNC has entered the Indian market are Samsung, LG, Aiwa, Akai, Sony, Thomson, Sansui and Philips etc.

Indian companies, which have functioned truly on multinational strategy, developed the innovative products, brand image and marketing network has created competitive position. They have also remained in first three position in market share by volume. These companies are BPL Ltd., Videocon International Ltd., Mirc Electronics Ltd. and Kalyani Sharp Electronic Ltd. There are small size companies has closed around Delhi, Mumbai and Pune due to lack of adequate capital, no up gradation in technology, lack of foresight of management, less R & D. The demand of television sets has improved due channel explosion, finance available, low penetration, reduction of selling price and purchasing power improved.

The Government has taken following steps to encourage the television industry:

- Permission to set up private channels – permission to up link and broadcast television programme by private companies.
- Permission to multinational companies and Indian companies for making and marketing of television sets.
- Rationalisation of Excise and custom duties on picture tube and television sets.

With the entry of multinational companies, the technology improved, multifunctional sets and innovation found in television sets. The television sets are now available with features like in 14 inch to 34 inch screen, TV sets with flat
Market share of the Indian companies has reduced in last three years however the volume has increased in real terms. BPL, Videocon and Mirc has remained in top three position till Sept. 2001. Indian companies have to study own strength and weakness, competitor’s strategy, business and financial risk and consumer behavior while framing business strategy to remain in market. Indian company has to create the edge over competition in term of lower cost of products, value addition, innovation, product differentiation and speedy moves of strategy. Product innovation, supply chain management and CRM is carried out and focused to compete in television industry. However with the entry of multinational companies, there is pressure in operating profit margin and return on investment.

1.01 Concept of Financial Analysis And Profitability

The balance sheet and income statements are the traditional basic financial statements of the organisation. The financial statements – balance sheet does not provide the extremely useful information to the extent that the balance sheet mirrors the financial position on a particular date in terms of structure of assets, liabilities and owner’s equity, and so on. The profit and loss accounts show the results of operations during a certain period of time in terms of the revenues obtained and the cost incurred during the year.

While they do furnish useful data regarding its operations, a serious limitation of these statements is that they do not provide information regarding changes in the firm’s financial position during a particular period of time.
It fails to answer question such as:

- What have been the factors responsible for the difference on owners' equity, assets and liabilities of the firm at different time period?
- Have long term sources been adequate to finance fixed assets purchases and not financed from short term sources?
- Does firm possess adequate working capital and financed not from long term source?
- Why did the firm not pay dividend in spite of adequate profit?
- How much fund have been generated from the operation?
- Has the liquidity position of the firm improved?

Thus, the financial statements provide a summarised view of the financial position and operation of the firm. The analysis of the financial statement is an important aid to financial analysis. The focus of the financial analysis is to key figures in the financial statements and significant relationship that exist between them. The analysis of financial statement is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance. The first task of the financial analysis is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second step is to arrange the information in the way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial analysis is the process of selection, relation and evaluation.

The term 'Profit' can be used in two senses. As a owner-oriented concept it refers to the amount and share of notional income which paid to the owners of business, that is, those who supply equity capital. As a variant it is described as profitability. It is an operational concept and signifies economic efficiency. In other words, profitability refers to a situation where output exceeds inputs, that is, the value created by use of resources is more than total of the input resources.
Profitability maximisation, as a guide to financial decision-making. Profit is a test of economic efficiency. It provides the yardstick by which economic performance can be judged.

Profitability measures overall efficiency of the business organisation. The operating efficiency of the firm is its ability to ensure adequate return to its investors depends on the profits earned by it. "In fact profit is useful intermediate beacon towards which a firm's capital should be directed". "If enterprises fail to make profit, capital invested is eroded and if situation prolongs, the enterprise ultimately ceases to exist". Weston and Brigham mentioned while explaining the importance of profit in financial analysis that: "To the financial management, profit is test of efficiency and measure of control, to the owners a measure of worth of their investments, to creditors the margin of safety, to government a measure of taxable capacity and basis of legislative action; and the country, the profit is an index of economic progress, national income generated and rise in the standard of living". The profit is signal for the allocation of resources and yardstick for judging the managerial efficiency. It also indicates the acceptance of products and services by the public and competitive strength of the organisation. Profitability is the relationship between profit and investment made.

1.02 Techniques Of Measuring Profitability

The measurement of profitability is necessary to evaluate the earning and operational efficiency of the organisation. The following techniques may be used to measure profitability:

Ratio Analysis

Ratio analysis is a widely used tool of financial analysis. It is defined as the systematic use of ratio to interpret the financial statements so that the strengths and weakness of the firm as well as its historical performance and current
financial condition can be determined. Springfield Mass G. & C. Merrian (1975) point out that “Ratio analysis is powerful tool of financial analysis. A ratio is defined as indicated quotient of two mathematical expressions and the relationship between two or more things”. The ratio is used as an index or yardstick for evaluating the financial position. The financial statement provide the actual and absolute accounting figure which does not indicates the relative and comparative meaningful understanding of the performance of the company. Hence it is essential to calculate ratio to convey the meaning of financial analysis. This relation is an index which permits a qualitative judgement to be formed about the company’s ability to meet obligation. The ratio indicates a quantitative relationship, which can be used to make qualitative judgement. This relationship can be expressed as percentage, fraction and proportion of numbers.

The importance of ratio analysis lies in the fact that it presents facts on a comparative basis and enables the drawing of inference regarding the performance of a firm. Ratio analysis is relevant in assessing the performance of a firm in respect of following aspects: i) liquidity position, ii) long term solvency, iii) operating efficiency, iv) overall profitability, v) inter firm comparison and vi) trend analysis.

For systematic financial analysis, Ratio analysis can be classified in to four broad groups as under:

**Liquidity Ratio**

The importance of adequate liquidity is the sense of ability of the firm to meet current/short term obligation when they become due for payment can hardly be overstressed. Liquidity ratio measures the ability of the firm to meet its current obligations such as payment to suppliers, financial charges to bankers, government dues and current operational liabilities. This ratio requires to prepare the cash flow & fund flow statements and financial budget. The short term
creditors of the firm are interested in short term solvency or liquidity of the firm. A proper balance between the liquidity and profitability is required for efficient financial management. The ratio which indicates the liquidity of the firm are net working capital ratio, current ratio, quick ratio, acid test ratio and defensive - interval ratios.

**Leverage Ratio**

The long term creditors would judge the soundness of a firm on the basis of long term financial strength measured in terms of its ability to pay the interest regularly as well as repay the installment of the principal on due dates or in lump sum at the time of maturity.

The long term solvency of the firm can be examined by using leverage ratios. The leverages ratios may be defined as financial ratios which highlights the capital structuring and repayment capacity of the firm. This ratio indicates the funds provided by the owners and lenders. This ratio requires to evaluate the financial structuring and to compare the cost of capital with earning potentials. These ratios which indicates the long term solvency of the firm are debt- equity ratio, debt - assets ratio, interest coverage ratio and debt service coverage ratio (DSCR).

**Activity Ratio**

Activity ratios are concerned with measuring the efficiency in assets management, to evaluate the management decision and efficiency in utilisation of assets of the firm. The efficiency with which the assets are used would be reflected in speed and rapidity with which assets are converted in to sales. The greater the is the rate of turnover, the more efficient is utilisation, other thing being equal. This ratios are also known as turnover ratio or efficiency ratio. This ratio requires to evaluate the efficiency in utilisation of fixed assets, inventory and collection due with regards to turnover. The ratios are total assets turnover ratio, fixed assets turnover.
ratio, working capital turnover ratio, debtor turnover ratio and stock turnover ratio.

**Profitability Ratio**

Profitability is a measure of efficiency and the search for it provides an incentive to achieve efficiency. Management of the firm is eager to measure its operating efficiency. The operating efficiency of the firm and its ability to ensure adequate return to its shareholders depends ultimately on profit earned by it. Profitability is essential to ensure the adequate return to its shareholders & investors. The profitability ratios are designed to provide answers to questions such as:

1. What amount of profit earned by the company and is it adequate profit?
2. What is rate of return to equity share holders?
3. What is the earning per share?
4. What amount was paid as dividend?
5. What rate of return does it represent?
6. What is the profit earned and growth by each profit center and so on?

**Management point of view:**
Management is mainly concerned in finding out the volume if profit compared with sales and capital employed. The following ratio may be calculate the above purposes:

1. Operating ratio
2. Operating profit ratio
3. Gross profit margin ratio
4. Net profit margin ratio
5. Return on net capital employed
6. Return on gross capital employed
7. Return on shareholder’s equity
From Shareholder's point of view:

The shareholder of the company is mainly interested in profitability, earning per share and dividend. The higher the amount of earning, the higher the rate of dividend will be and chance of bonus share in future. For this purpose the following ratios are used:

1. Earning per share (EPS)
2. Dividend per share
3. Pay-out ratio
4. Price earning ratio
5. Yield ratio

From creditors point view:

Trade creditors, banker and debentures are generally interested in the profitability of the business as the earning of their investment depends on it. It is essential to analyse for liquidity and repayment position of the financial commitment. For this purpose the following ratios are used:

1. Debt service coverage ratio – (DSCR)
2. Capital gearing ratio
3. Debt equity ratio
4. Return on gross capital employed

The profitability ratios in relation to sales are:

<table>
<thead>
<tr>
<th>Ratio</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Profit margin</td>
<td>(gross and net)</td>
</tr>
<tr>
<td>Expenses ratio</td>
<td>(operating ratio)</td>
</tr>
</tbody>
</table>
This ratio in relation to investment is measured by:

- Return on assets
- Return on capital employed and
- Return on shareholder's equity

**Du Pont Chart**

The du pont chart was originally developed by E. I. du pont de Nemours & Company Wilmington, USA and was put in operational in 1921. It has a comprehensive tool to evaluate operational efficiency and profitability of the organisation. Inter industry, inter corporation and inter product etc. management can analyse the performance of the organisation.

Du pont chart showing inter relationship of factors affecting return on investment. Du pont chart is shown below.

**Trend analysis**

Trend analysis is of great significance and dynamic method in respect of profitability analysis. Trend analysis makes it simple to understand and analyse the changes in items or group of items over the period of time and to draw conclusions regarding direction of movement ie whether it is favorable or unfavorable. The ratio can be compared with the norms / standard but the trend may be upward. For the purposes of base year is chosen and amount of that item relating to base year is taken equal to 100. This method of analysis indicates the direction in which a concern is going and on this basis forecast for future can be made. (N.P. Agrawal & S.K. Mangal 1988).
Other techniques of analysis

The use of various statistical techniques is also made frequently for financial analysis. The tool generally applied are moving average, index numbers, range, standard deviation, diagrammatic and graphic, presentation are often used in financial analysis.

1.03 Comparative And Common Size Income Statement Analysis

Comparative and common size income statement analysis is significant in as much as it shows that a large particular amount of net sales figure was used in meeting cost. One of the simplest form of profitability analysis is this one. The above statement shows the amount of percentage of net sales ( i.e sales minus return ) that has been observed by each individual cost or expenses item. “ It is a technique under which the total of assets or liabilities in case of balance sheet and figure of net sales in case of profit and loss a/c are taken equal to 100, and the percentage of individual items are calculated. The technique of analysis is useful when we wish to compare one with another, for presentation of the data in percentage form, eliminates problems relating to differences in organisation size.

1.04 Objective Of Financial Analysis

The data publish in financial statement of the selected companies are not self-explanatory. It requires detail analysis and complete interpretation so as to unveil the mystery behind the figure and provide the real picture. The various test and ratios have to be calculated on financial data and properly regroup the data where ever required for graph and trend analysis.

The objective of the profitability analysis may be classified on the basis of persons interested in the analysis. The impact of ratio and depth of study are different from person to person depend on the purpose of the analysis. Depend up
on the depth and source of data the analysis can be classified as internal and external. Internal analysis has complete information and reasons for each and every figures of the financial statement. Whereas the external analysis has to rely more on publish information supplied by the organisation. The analysis of the profitability always be turned to objectives.

The financial analysis enables a firm to take the time dimension in to account. This shows the movements of the firm is favorable or unfavorable and what are the factors effecting the growth of the firm. In order to have meaningful derivations, financial analysis such as ratios as well as common size income statement should be compared both overtime and across companies within the industry.

The different parties look at the company's profitability position from their respective point of view as explained below:

**Management**: They are interested in financial analysis to analyse the efficiency in utilisation of resources, operational efficiency, growth in profit center and overall performance of the organisation. This analysis is also guiding factor for making business decision and management control on profit center. This analysis highlights the success of management policy on cost control, investment, business expansion and operation efficiency.

**Investors**: Investors are concerned with safety, liquidity and assured return on their investment made in the organisation in the form of shares, debentures and fixed deposits. Investor may analyse the financial statement for trend in sales and profit margin and earning per shares. Investor may look in to the dividend pay out ratio and business plan of the organisation.

**Banker and Fis**: Banker & Fis are concerned with liquidity, security coverage, repayment capacity and financial strength of the organisation. They analyse the
financial statement of the company before sanctioning the financial assistance and review of existing facility of the organisation.

**Government**: Government is interested in analysing the financial statement of the organisation for statistical survey, value addition, taxation and overall growth of the industry.

**Others**: The financial analysis is also useful for the economist, foreign collaborators, high networth investors, venture capital, analyst, vendors, debtors and employees etc.

### 1.05 Objective of Study

The objective of the study as follows:

1. **To make effort to analyse the profitability and financial position of the selected television making companies in India.**

2. **To study the trend of sales and profits in selected television making companies during the period 1996-97 to 2000-01.**

3. **To assess and comment the impact of liberalisation of economic policy, Industrial policy, 1991, permission of foreign direct investment and electronic policy on electronic industry - television.**

4. **To suggest the measures to improve the profitability without additional financial obligations.**

5. **To evaluate the values of the selected companies.**

6. **To analyse balance sheets and utilisation of assets.**
7. To analyse the ratios, common size financial statements and graphs.

8. To analyse the reasons responsible for low profitability and utilisation of resources.

9. To provide valuable information to prospective investors and foreign collaborators.

1.06 Scope of Study

Impact of globalisation on Indian economy can be studied by analyses of contribution in gross domestic products by agriculture, industry and service sector in value terms and its growth on yoy basis. However the entry of multinational companies and permission for foreign direct investments in India has also effected the overall economic growth. After the liberalisation of economic policy, the permission granted to multinational companies to make investment in industry, service and infrastructure sectors. Industrial Policy, 1991 had eliminated the number of industry for obtaining license to commence industrial activity and removal of quota and permit system.

However attempt have been made to analyse the economic indicators such as GDP, BOP, inflation and forex reserve at different interval particularly after 1991. The major foreign direct investment has been made in infrastructure – power & telecommunication, transport and electronic industry. The detailed analysis has been carried out in consumer electronic industry – television as it has direct and immediate impact on general public in rural and urban areas. This television industry has witnessed the growth in sales of television sets and development in technology. This has further improved due to permission for transmission of private satellite channels and permission to MNC to make television sets in India.
The study is restricted to comment on growth of television sets industry and business strategy of Indian companies and MNCs in television industry. The financial analysis of the selected Indian television making companies has been carried out for period from 1996-97 to 2000-01. The source of data is secondary and published in annual report, business journal, newspaper and internet sites.

1.07 Hypothesis

We have take following hypothesis for analysing profitability of the selected companies under study:

To develop the conceptual basis of profitability, the hypothesis is that " Profit " is only measurable variable that can be used for the analysis of profitability of the industry.

" Return of Investment" is basic measure of profitability of the firm or an industry and that assets turnover constitutes an essential part of inter related and inter dependent variables which are taken to the accounts for computing ROI. In fact the assets turnover and profit margin are the two variable of the two-tier structure of the du pont chart system used for finding ROI. An analysis of the profitability on the basis of changes in investment turnover and profit margin to evaluate the profitability of the selected companies.

Some of the television making companies in India have not achieve the expected profitability and had low return on capital employed. The low profitability of the companies due to certain reasons like under utilisation of increased capacity, heavy expenditures on marketing, high cost of goods sold, distribution and product promotion, other operational expenditures and low assets turnover ratio. The low return on capital employed due investment in fixed assets resulting in low assets turnover ratio and under utilisation of increased capacity. The profitability of the companies under study has also effected due external
factors like competition from multinational companies, government policies, duty structures and events.

Therefore it is assumed that if these factors which are obstructing the profitability and utilisation of assets of the television making companies could have managed properly, the companies would achieve better profit.

1.08 Methodology of the Study

The companies that are selected for this study as follows:

1. BPL Limited
2. Videocon international Limited
3. Mirc Electronics Limited
4. Kalyani Sharp India Limited
5. Salora International Limited

The above companies are selected on the following basis:

- The company should be promoted & managed by Indian promoters and called Indian company under the FERA act.
- The company should have major share by volume in television industry.
- The company should have diversified business activities and presence in Gujarat and Maharashtra for selling the end products.
- The company should have competitive strength and products range to match with multinational companies in television industry.

The data related to financial statements of all the five television making companies have been collected mainly from the published annual reports & accounts, CMIE company’s data series and relevant notes of the companies for the financial years from 1996-97 to 2000-01. These reports were obtained from
their offices of the respective companies and Mumbai stock exchange. Company’s financial data were also obtained from CMIE Prowose package. To supplement the data on market share in television industry, sales in volume and value, estimated demand for television sets are collected from CETMA, A & M magazine, TV Journal Guide from Delhi and journal of Industry & Trade.

Other information related to the electronic industry, penetration level, companies have been collected from Journal of Industry & Trade, Economic times, Financial express, Business India, Business Today, Dalal Street and Capital Market. Information and data relevant to Economic indicators such as GDP, Balance of Payment, Forex reserves, Balance of Trade, IIP – Index, FDI approval and implemented has been obtained from Reserve Bank of India Bulletin, Stock Exchange official directory, CMIE Monthly and annual report, Economic Survey, 2000 & 2001, Budget 2000 & 2001, Economic times, Business Today, Business India, industrial guide and other periodicals and magazine.

For analysing the profitability of Television making companies in India, the profit & loss accounts and balance sheets of companies under study have been recast and presented in condensed form. The grouping and regrouping of data has been carried out where ever it is necessary and figure rounded off up to two decimal places in crore of rupee. The different techniques have been used for analysing profitability position of the television making companies mentioned earlier.

The techniques of ratio analysis, trend analysis and common size statement analysis have been adopted for the purposes of analysing the financial statements of the television making companies in the present study. For analysing data Indexing the data have been applied at appropriate places. The graph and diagrams has also been made to analyse the data and showing trends at appropriate place.
1.09 Limitations of Study

The data presented in the study for five years related to the accounting year ending 31st March. The comparison of financial statement has its own limitation. The sales of the companies covers various products and services rendered. In case of the companies engaged in diversified business activities, sales covers the total revenues from all division and profit centers. However the company offers various schemes such as discounts, incentives and free samples to promote sales, this effect the net sales due to accounting of such expenses. As regards the cost of inputs, the inputs differ due to technology, manufacturing process, availability of raw materials and utility of final products. The grouping and regrouping of the expenses had done by the company while making the annual report. The accounting policy and procedures followed by each company for accounting and recording revenue & expense recognition may differ due to management policy and nature of industry.

Ratio analysis is widely used tool of financial analysis. It suffers from various limitations. The operational implication of this is that while using ratios, the conclusion should not be taken on their face value. Some of the limitation which characterise ratio analysis are i) difficulty in comparison due to inventory valuation, accounting procedures and accounting period followed by different firm differently, ii) impact of inflation as financial statement made on historical cost and assets purchased at different period are not provide current replacement value, and iii) conceptual diversity due to difference of opinion regarding the various concept used to compute ratios.

Book value of assets differs from the market value and life of the assets. New companies and companies which had expansion program in recent years have relatively inflated value of assets relative to older companies which have not expanded much recently.
The financial analysis of company is limited to five years (1996-97 to 2000-01) only due to non-availability of annual report of selected companies for more than five years. Further the study limited to published annual reports and financial data of the companies. Hence grouping and regrouping of figure may be slightly effect the result but not possible to get break up and individual figures from the companies offices.

The selection of the companies based upon the net worth, sales and market share in the electronic – television industry. We have selected the top five Indian companies having major market share and national presence in television industry and not considered the multinational and public sector undertaking companies in television industry.

Further the study is limited to published data related to economic growth factors, gross domestic products, balance of payments, balance of trade, industry data and foreign direct investment. The data may differ from source to source due to grouping and regrouping of item covers, period and weight of the index components. It is not possible to get break up and verification of individual figures from the government organisation and relevant authorities.

The reliability and significance attached to financial analysis will largely depend up on the quality of data on which they are based.

Reference: