



**Krishna Stone-Tech Pvt. Ltd.**  
A stone of trust...

## CERTIFICATE

This is to certify that Mr. Suraj Kumar A.M (USN 1AY16MBA80) student of "Acharya Institute of Technology" Bangalore has been assigned to "Financial Analysis" as part of the corporate exposure learning program.

He has satisfactorily carried out the project from 15.01.2018 to 24.03.2018 in the interest of the organization.

We wish all success in his future endeavor.

Date: 24.03.2018

For Krishna Stone Tech Pvt. Ltd.,

*Hemanth*

Hemanth Raju B.C.  
(Accounts Manager)



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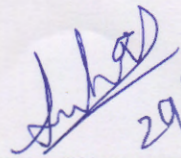
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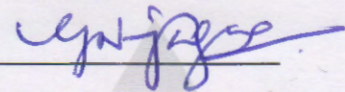
Date: 24/05/2018

## CERTIFICATE

This is to certify that **Mr. Suraj Kumar A M** bearing USN **1AY16MBA80** is a bonafide student of Master of Business Administration course of the Institute 2016-18 batch, affiliated to Visvesvaraya Technological University, Belgaum. Internship report on “**A Study on Financial Analysis at Krishna Stone-Tech Pvt. Ltd, Bellary**” is prepared by him under the guidance of **Prof. Suhas Patel**, in partial fulfillment of the requirements for the award of the degree of Master of Business Administration, Visvesvaraya Technological University, Belgaum, Karnataka.

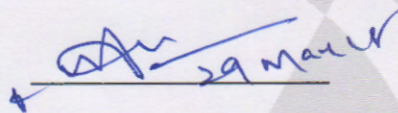
  
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Signature of Internal Guide



Signature of HOD

Head of the Department  
Department of MBA  
Acharya Institute of Technology  
Soladevanahalli, Bangalore-560 107.

  
29 March

Signature of Principal

# ACHARYA

## DECLARATION

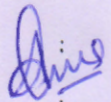
I **SURAJ KUMAR A M**, hereby declare that the internship report entitled "A Financial Analysis report of Krishna Stone Tech pvt ltd, Bellary" prepared by me under the guidance of **prof. SUHAS PATEL**. Faculty of MBA Department, Acharya institute of Technology and External guidance by **Mr. HEMANTH RAJU B C**, Accounts Manager.

I also declared that this internship work is the partial fulfilment of the university regulation for the award of degree of master of business Administration by Visvesvaraya Technological university, Belgaum.

I have undergone a summer project internship for a period of twelve weeks. I further declare that this project is based on the original study undertaken by me and has been submitted for the award of any degree Diploma from any other university/ institution.

PLACE: - BANGALORE

DATE: - 29/05/2018

  
SIGNATURE

## **ACKNOWLEDGEMENT**

I would like to take this opportunity to express my deep sense of Gratitude to Mr.Hemanth Raju B C for giving the opportunity to undertake the project work at Krishna Stone Tech pvt ltd, I am also very thankful to the employees of Krishna Stone Tech pvt ltd and Who directly or indirectly help me in successful completion of the this project report .

I would also like to sincerely thank to my guide **Prof. SUHAS PATEL.** of MBA Department for having extended co-operation and support during the course of completion of the project.

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## **EXECUTIVE SUMMARY**

This project is based on “corporate exposure and learning (CEL)”. As a part of course requirement the students of master degree in business administration course of **visvesvaraya Technology University**, to take up project for 12 weeks. The basic purpose of the project is the enable the students to be exposed to the working of an organization and managers, to relate the concepts learned by students to the working of an organization, to understand the practical aspect of working of organization.

This project is on “**Financial analysis**”. Project was carried out in **Krishna Stone Tech pvt ltd Bellary**.

This project report initiates with the brief introduction of the **Krishna Stone Tech pvt ltd**, and with respect to the others aspects, like how company functions, company profile, and functions of different departments etc.

Project consists of statement of the problem, objectives, methodology, and data analysis and interpretation, findings and suggestions. The study carried by assessing its financial statements for 7 years. It helps to find out how inventory is managed in the organization with the help of different techniques.

Ratio needs to be improved, special attention needs to be paid to bring down the level of inventories and prompt action is to be taken for the disposal of surplus and absolute items. Company is following only “order cycling system” but firm can also adopt ratio analysis which will be good for the concern. The analysis reveals that there is a need for a regular internal audit to better their financial position.

Chapter-1  
Introduction



## **1.1 Introduction to the Industry**

### **What is Granite?**

Granite is a very hard, crystalline, igneous rock primarily composed of feldspar, quartz accompanied by one or more dark minerals. It is visibly homogeneous in texture. The word "Granite" is derived from the Latin word "Granum" which means "grain" because of its granulose nature. Granite is the hardest building stone, and granite slabs and granite tiles occupy a prominent place in the dimensional stones. Due to its hardness, resistance to weathering, capability to take mirror polish, fascinating colors and textural patterns, granite slabs and granite tiles are extremely popular. The principal characteristics of granite also include high load bearing capacity, crushing strength, abrasive strength, amenability to cutting and shaping without secondary flaws, ability to yield thin and large slabs and - above all - durability. Due to the dense grain, granite is impervious to stain. Polished granite slabs and granite tiles have achieved a special status as building stones globally. Granite is also used for wall cladding, roofing, flooring, and a variety of other interior and exterior applications. India is one of the largest producers of granites blocks and processed granite slabs and granite tiles.

Marble and granite are extensively used to make a decorative table tops which adds the beauty to any home, office or a garden decor. The timeless beauty of marble and granite with their elegance and durability make them a preferred choice for making a decorative table tops. Table tops are made from slabs of marble/granite and other natural stones of desired thickness. Granite and marble table tops are created in many different shapes and sizes. Some of these are: rectangular table tops, octagonal table tops, circular table tops, oval table tops, and square table tops. Table tops have different finishes to the edges, such as beveled, bull-nosed, rounded etc. Carvings and moldings are also done on the edges of the table tops. Table tops can be assembled with a variety of bases ranging from wrought iron, wood, and stone. Table tops in varied shapes, designs and finishes add to the aesthetics of any furniture.

## **Types of Granite Finishes**

The following finishes are available as a standards from Cold Spring Granite Company. other custom finishes can be produced on a special order basis. Cold Spring Granite provides over 500 color and finish combinations for you to choose from.

### **1. Polished**

The Polished finish is a highly reflective, mirror glass finish. The full color, depth and crystal structure of the stone is visible. A polished finish seals surface pores and is therefore, nearly impervious to weather and chemical wear.

### **2. Honed**

A smooth, satin surface without reflection, the Honed finish shows the full color of the stone. It is produced on the same equipment as the polished finishes; however, the honing process ends prior to the buffing stage.

### **3. Diamond 8**

Diamond 8 is an honed finish plus an additional process that enhances the color and removes microscopic crystals that may leave a hazy appearance. Recommended on darker granite colors.

### **4. Thermal**

The Thermal finish is produced by applying a high-temperature flame to the surface of the stone. This flame fractures crystals on the face, leaving an rough-textured finish. Highly skid-resistant, this finish is an excellent choice for walking surfaces.

### **5. Diamond10**

The Diamond **10** is a thermal finish with an added water jet treatment to enhance the color and appearance of the stone. Highly recommended on darker granite colors.

## Top Granites Company InIndia:

1. Hilltop Export
2. Anand Granite Export Pvt Ltd.
3. Aruna Industries
4. Siri maharaja Granites Pvt Ltd.
5. Haveli Marble Pvt Ltd.
6. Acropolis Granites limited
7. Bharani Mao Granites
8. Ever shine granites
9. Gem Granites.

Among all the granites black galaxy is the costliest and its availability is also less and it is the main stones exported VKG purchases stones from different states of India. There is a chart below which shows the details from which places the stones are purchased and from which state they are purchased and also the colour of the stone purchased.

<b>STATE</b>	<b>PLACES</b>	<b>COLOUR OF THE STONE</b>
<b>KARNATAKA</b>	Ilkal, Hassan, Tumkur SagarHalli, Mangalore Chmrajnagar, Kukanoor	Red, White, Gray, Black
<b>ANDHRA PRADESH</b>	Kurnool, ongole, Chimmakurthy, Chilaklurpet, Shrikakulam, Kambam, Karimnagar	Black Brown Gray
<b>ORISSA</b>	Bharampur, Titlagarh	Lavender Blue
<b>TAMIL NADU</b>	Salem, Madurai, Pudukothi, Shivkasi	Silver Galaxy, Yellow, Green Galaxy
<b>KERALA</b>	Marthand	Namabbal Green

## 1.2 Introduction

**M/s. KRISHNA STONE TECH PVT. LTD.**, was started year 1988 by Dr. **D.L. RAMESH GOPAL** who is the managing director of the company, Today 18 years later it has grown into a medium industry with an investment of Rs. 6.60 crores and with manpower of 52 personnel.

They produce granite slabs, tiles, Monuments, tombstones, markers cobble and Krebs stones in 52 attractive Indian colours our quality of wide range colours has been widely appreciated.

Its services are spread across fully to Singapore, Malaysia, Hong Kong, Colombo, Kenya, Muscat, Mauritius, Dubai, Doha, Bahrain, Kuwait, Israel, Turkey, Cyprus, Greeks, Holland, Latvia, Nairobi, Abu Dhabi, New York, Li -Mussel, Tel Aviv, Istanbul, Athens, Kanlampur, Riga, European countries lagor (Nigeria), Portugal Melbourne. More than 90% of the production produced is being exported. Vijay Krishna Granites service has been widely spread across four continents and about 30 countries

Vijay Krishna Granites has grown into a large company and has become popular in overseas market as one of the most reliable Indian company for polished granite.

The plant is required with the best Indian machinery having installed capacity of 60,000sq meters per annum of granite slabs and tiles apart from monuments and artifacts.

### **Brief Introduction of Managing Director (MD):**

Dr. D.L. RAMESH GOPAL claims that his workers of Bellary are not inferior to anybody in this world. The entire workforce including managing director to an unskilled worker wear a similar uniform which is a symbol of equality and brotherhood.

The Managing director Dr. D.L. RAMESH GOPAL a M.B.B.S graduate with 20 years of medical practice has turned a tiny industry into a big medium scale of industry. He claims that his phenomenal success is 50% due to excellent marketing strategy and quality of their goods in overseas market. overseas customers prefer to buy goods from them because of the reliability, quality and in the time shipment.

Export of finished granites from India in 1994-95 was 1200 crores but, for the year 1999-2000 its hardly expected to cross Rs. 600 crores. This mainly due to lack of demand. When the entire industry is facing closure its astonishing that M/s Vijay Krishna Granite Pvt. Ltd., is growing from strength to strength a remarkable when the entire global industry is ruling under recession due to for east economy in western Europe. Apart from this some countries like Germany and Canada have imposed anti-dumping duties on finished Indian granite.

M/s Vijay Krishna group of companies which is situated in a backward district of Karnataka, being very far away from metros, faces, severe problems for these exports like very few foreign buyers visit Bellary due to extreme bad road connecting to Banaglore and Chennai, lack of foreign exchange currency in Bellary banks (except SBI). other problems include non-availability of rough granite blocks in time and a high royalty of Rs.2000 to 30,000 per ton to be paid to State Government .

### Background of the Company:

M/s. KRISHNA STONE TECH PVT. LTD., was started year 1988 by Dr. D.L. RAMESH GOPAL who is the managing director of the company since then the industry was started with a term loan of Rs. 28 lakhs from Karnataka State Financial Corporation, Bangalore promoters contribution Rs. 10 lakhs (Total Rs. 43 lakhs) and working capital of 5 lakhs from Andhra Bank, Bellary with a work force of a personnel.

The activity of the plant in 1988 was limited to polished granites slabs but today they produce granite slabs, tiles, Monuments, tombstones, markers cobble and Krebs stones in 52 attractive Indian colours our quality of wide range colours has been widely appreciated.

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## **Strategic Location :**

Bellary is one of important District of Karnataka, Bellary district makes name from its headquarters town which is the seat of district administration.

### **1.3 AREA OF OPERATION**

The Bellary district has an area of 9885 sq. km., i.e., 9, 56,220 hectares, which is the 11<sup>th</sup> largest district in the state.

The plant is strategically located at KAKARLATHOTAROAD, OPP: GUGGIRETTI, BELLARY. KARNATAKA – INDIA. It is at South of Bellary and it is 5 km away from Bellary City. This plant spreads over 3 acres of land. This key Location facilitates easy sourcing of the world's best granite from states of Karnataka, Tamilnadu, Kerala and Andhra Pradesh.

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The plant is required with the best Indian machinery having installed capacity of 60,000sq meters per annum of granite slabs and tiles apart from monuments and artifacts.

Vijay Krishna Granites service has been widely spread across four continents and about 30 countries.

### **Principles used from the Betterment:**

- Reliability
- Quick Service
- Customer Satisfaction (First preference)
- Quality Product

### **Annual Budget:**

Every year the company plans for a growth of about 25% - 40% in its production. The annual budget normally depends on the previous year progress, time limit, improved Machinery and increased productivity.

Credit policy followed 160or 180 days it depends on customer like regular party or others more over there is direct deal with customer and with dealers.

## **Human Resource Plan:**

In order to achieve its mission the company has also a separate quality inspection department where trained employees with higher available equipment's like Vernier and glossometer are used to monitor the quality.

They even supplied goods to many prestigious hotels, palaces, Villas and commodity centers around the world.

The policy of the company is to import nothing but export everything and employ only people of Bellary. The relationship between management and workers is an model for the Indian industries. The entire workforce and management work live like one family, which is the secret of their success and where they even follow the dress code with colour of Royal blue paint and sky blue shirt all the Ladies and Gents staff and even the M.D. recently the management acquired 168 houses sites for workers and their aim is to ensure every employee has modes house.

The company also provide with well-equipped hygienic Canteen. Such labours are medically insured. The company proved separate hospital facility for their well-being. They are also given a bonus.

The management, which has excellent contacts with overseas customers, fined employment in overseas for their sincere work. Till today more than 11 persons are employed in different Middle East countries and another seven are scheduled to leave for overseas appointments.

## **Competitor :**

There are no Competitor in the domestic market. It is a "ONE AND ONLY ONE" 50% - 60% of the sales is done through the company itself. There is no retail shop as such. All the products are dispatched from the company directly, containers are provided for the easy source of transport, such as from MUMBAI.



## **Milestones of the company:**

1988 : Dr. D.L. RAMESH GOPAL started the Vijaya Krishna Granites.

1993 :“CONMAT”Hubli

1994 :“JDGFT” Government of Karnataka

1994 :“BEST INDUSTRY AWARD” Government of Karnataka

1995 :“BUILDMAT” Davangere

1995 :“SIR M. VISHWESHWARAIAH”Government of Karnataka  
AWARD”

1996 :“SIR M. VISHWESHWARAIAHGovernment of Karnataka  
AWARD”.

1997 :“CAPEXIL” Certificate of Merit” Government of India.

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1999 :“CAPEXIL” Certificate of Merit” GovernmentOf India.

2003 : 2003-2004 foreign exchange are expected to touch 2.5 million U.S  
Dollars.

2016-17:“CAPEXIL” for excellence in Export” Government Of India

2004 : Gold Card Customer award under RBI Andhra Bank Bellary  
Guidelines in August 2004

## **1.4 SWOT ANALYSIS**

The strengths, weakness, Opportunities' and threats of M/S Krishna stone tech Pvt ltd are as follows:

### **STRENGTHS**

- It has acquired ISO9001:2000 quality certified
- It has a new technology and machines in testing of raw materials
- It has efficient communication network
- It has well planned layout
- It is very prompt in delivering of goods
- It has good hard working and supportive staff

### **WEAKNESS**

- The cost involved in production of the goods is high
- India is known as a low cost country and despite of good quality products its unable to achieve the equivalent prices of western countries.

### **OPPORTUNITIES**

- Computerization technique for better quality of products
- Developing local markets
- The many young and single working in IT sector getting settles desirous of purchasing homes in the metro cities

## **THREATS**

- Increased cost of raw materials
- other companies having leverage willing to sell products at cheaper rate than M/S KST PVT LTD
- Adopting automation machines may cause fear among the existing employees of the job loss which may affect morale productivity of employees.

## **1.5 FUTURE GROWTH AND PROSPECTS**

M/S KST PVT LTD was started in the year 1988 by DR DL RAMESH GOPAL who is the managing director of the company. Since than the investment at the beginning of the organization was only RS.43lakhs but Today Company achieved turnover of more than 1crore. Today 25years later it has grown into a medium scale industry with an investment of 8.92crores and with man power of 300 employees. Further the company extended its business to different cities.

## **Chapter-2**

### **Conceptual Background And Literature review**

## 2.1 CONCEPTUAL BACKGROUND

### **Introduction of financial statement:**

Meaning:

“A financial statement is a collection of data organized to logical and consistent accounting procedure”.

In the words of John Myer. “The financial statement proved a summary of the accounts of a business enterprise the balance sheet reflecting the assets, liabilities and capital as on a certain date and the Income statement showing the result of operations during a certain period”.

### **Objectives of financial statement:**

- To provide readable financial information about economic Resources and obligations of a business firm.
- To provide other needed information about changes in such economic Resources and obligations.
- To provide reliable information about changes in net Resources arising out of business activities.
- To provide financial information that assists estimating potentials of business.
- To disclose to extent possible, other information related to the financial statement that is relevant to the needs of the users of these statements.

## **Uses and importance of financial statements:**

The financial statement is mirror reflects the financial position and operating strength or weakness of the company. These statement are useful to management, investors, creditors bankers, workers, Government and public at large George o.May points the following major uses of financial statements.

1. As a report of standard ship.
2. As a basis for fiscal policy.
3. To determine the legality of dividends.
4. As a guide to advise dividends action.
5. As basis for the granting of credit.
6. As informative for prospective investors in an enterprise.
7. As a guide to the value of investment already made.
8. As an aid toGovernment supervision.
9. As a basis for prices or rate regulation.
10. As a basis for transaction.

## **Limitations of financial statements:**

1. only interim report.
2. Doesn't give exact position.
3. historical costs.
4. Impact of non-monetary factors ignored
5. No precision.

## **Introduction to financial statement analysis:**

A financial analysis plays a very important role in each and every organization. The technique of financial analysis is typically devoted and used to evaluate the past, current and projected performance of a business firm. In general business usage, “financial analysis of financial statements such as balance sheet and profit and loss account etc. The term financial analysis is applied to almost any kind of detailed inquiry into financial data.

A financial executive also has to evaluate the past performance, present financial position and liquidity situation, enquire into profitability of the firm and to plan for the future operations, for this there is a need to study the relationship among various financial variable in a business as disclosed in various financial statements.

### **Meaning:**

The term financial analysis also known as analysis and interpretation of financial statements refers to the process of determining financial strengths and weakness of the firm by establishing strategic relation between the items of the balance sheet profit and loss account and other operative data.

The purpose of financial analysis is to diagnose the information contained on functional statement so as to judge the profitability and financial soundness of the form.

### **Significance:**

The analysis of financial statements in an attempt to determine the significance and meaning of the forecast may be made of the future prospects for earnings, ability to pay interest and debt maturities (both current and long term) and profitability.

## **Objectives of financial analysis:**

The main Objectives of financial analysis is viz.,

1. To estimate the earning capacity of the firm.
2. To gauge the financial position and financial performance of the firm.
3. To determine the long-term liquidity of the funds as well as solvency.
4. To determine the debt capacity of the firm.
5. To decide about the future prospectus of the firm.

The Objectives of these statements depend to a large extent on the point of view of the analyst, the degree of interest in the company and the need for depth of enquiry and finally on the amount and quality of the data available.

The Objectives of the analysis determine the extent, depth the nature of analysis. If a through analysis is desired and the full data needed are not available or if the full data needed are not available or if the suspicion exists that the firm is trying to hide or confuse its real position, then the financial analysis helps to detect the truth.

## **Procedure of financial analysis:**

The common procedure followed by any analyst may be as follows:

1. **Deciding upon the extent of analysis:** First the depth, object and extent of analysis will be determined by the financial analyst. The determination of these basic facts determines the scope of analysis tools of analysis and the amount and quality of financial data to be required.

For ex: To measure the financial position of the firm, the balance sheet of the firm will be analyzed.

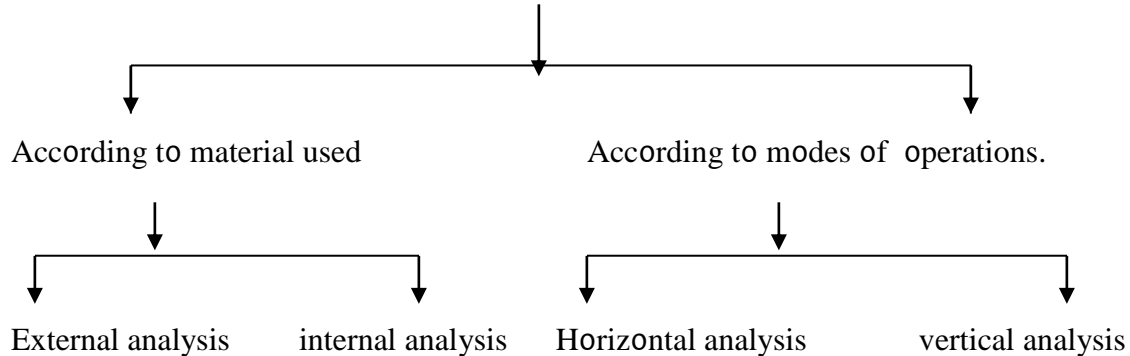


2. **Going through the financial statements**: Before analyzing and preparing any statement are composing financial ratio's it is necessary for the analyst to go through the various financial statements of the subject firm.
3. **Collection of necessary information** :The analyst should collect other useful information from the management useful for analysis but not being revealed from the published financial statements.
4. **Rearrangement of financial data**: Before making actual analysis, and interpretation the analyst must arrange the data provided by these statements in useful manner. The approximation of figures, re-classification of consolidation of items etc., is done in this step.
5. **Analysis**:The actual analysis is made after following the above steps. For the analysis the following techniques may be used.
  - a) Construction of financial ratios.
  - b) Preparation of comparative statements.
  - c) Preparation of fund flow statements.
  - d) Study of averages.
  - e) Trend study.
6. **interpretation and presentation** : After analyzing statements the interpretation is made and the inferences drawn from this analysis are presented in the shape of reports to the management.

### Users of financial analysis:

- a) Financial executives.
- b) Top management.
- c) Creditors and bankers.
- d) Investors and others.
- e) Employees of the business.
- f) Unions.
- g) Government .
- h) Consumers.
- i) General public.

### Types of financial analysis:



1) External analysis: external analysis financial statement is made by those who do not have access to the detailed accounting records of the companyie, Banks, creditors and general public. These people depend almost entirely on published financial statements. The main Objectives of such analysis varies.

2) Internal analysis: such analysis is made by the finance and accounting department to help the top management. These people have direct approach to the relevant financial records. So they can peep behind the two basic financial statements i.e., balance sheet and Income statement, and narrates the information in detail. Such analysis emphasis on the past analysis and assessing the profitability of different activities.

3) Horizontal analysis: when the financial statements for a number of years are reviewed and analyzed the analysis is called horizontal analysis.

The preparation of comparative statements are an example of horizontal analysis. As it is based on data from year to year rather than on one date or period to time as a whole, this is also known as “Dynamic analysis”.

4) Vertical analysis: It is also known as static analysis. When ratios are calculated from the balance sheet of one year, it is called vertical analysis. It is not very useful for long term planning as it does not include the trend study for future.

## **2.2 Literature review**

- ❖ Gangadhar’ (1998) 10 has made an attempt on “Financial Analysis of Companies in Criteria: A profitability and efficiency focus” one of the Objectives of the study is to analyze the liquidity position of the companies and to point out the factors responsible for such a position. It is concluded that the liquidity position was quite alarming since these are facing chronic liquidity problems. Their proportion current assets in relation to the current liabilities are very low. 23 It is suggested that, they may be improved by reducing excessive burden of current liabilities or increasing the level of current assets depending upon the requirements.
  
- ❖ Bansal and Gupta’ (1985) 2 in their study entitled, “Financial Ratio Analysis and Statistics” enlightened that the coefficient of variation in the study period had a wide gap varying between 7.1 per cent and 51.3 per cent for current ratio and ratio of fixed assets to sales. The correlation of components of short term liquidity ratio generally possesses low correlation as against long term solvency ratio components but the components of both ratios independently possess quite satisfactory correlation in cotton textile industry. The profitability ratio elements in the industry also have quite high correlation in cotton industry as compared to synthetic industry

- ❖ Feroz & et al. (2003) 16 Ratio analysis is a commonly used analytical tool for verifying the performance of a firm. While ratios are easy to compute, which in part explains their wide appeal, their interpretation is problematic, especially when two or more ratios provide conflicting signals. Indeed, ratio analysis is often criticized on the grounds of subjectivity that is the analyst must pick and choose ratios in order to assess the overall performance of a firm. In this paper they demonstrate that Data Envelopment Analysis (DEA) can augment the traditional ratio analysis. DEA can provide a consistent and reliable measure of managerial or operational efficiency of a firm. They test the null hypothesis that there is no relationship between DEA and traditional accounting ratios as measures of performance of a firm. Their results reject the null hypothesis indicating that DEA can provide information to analysts that is additional to that provided by traditional ratio analysis. They also apply DEA to the oil and gas industry to demonstrate.
  
- ❖ Krishnaveni' (2008) 24 studied the performance appraisal might be said that the adoption of liberalization measure and above suggestions would doubtlessly help the Indian chemical industry to improve their performance individually and other industry as a whole. This study also suggests that the policy of liberalization should further be strengthened. Thus, the dreams of our planners to accelerate the economic growth in the country are still possible to be translated into reality
  
- ❖ Adolphus' (2008) 25 showed that there was a statistically significant relationship between measure of liquidity and selected measures of profitability, efficiency and indebtedness in Nigerian quoted manufacturing companies . The impact of one per cent increase in average liquidity measures produces a more significant increase in average profitability (21.9 per cent), efficiency (16.1 per cent) and indebtedness (16.6 per cent).

- ❖ Protopappa' & et al. (2009)<sup>29</sup> reported that Financial flows are often frosted in a fragmented and discounted way from the physical product flow. Managers' false division from an operational point of view concerning Inventory, service level of capacity needs. The implementation of such division influences financial performance in terms of profit margin working capacity requirements and return on investment. However, the interdependency of operational and financial Objectives is rarely well understood. Such proactiveness has serious implication on the profitability of a company and its responsiveness to market needs. Therefore, companies increasingly acknowledge the importance of financial supply chain management as an effective way approved to optimize the working capital levels and to direct the cash flow efficient working capital allocation and visibility of accounts payable and receivables can achieve significant cost savings, enhance cash flow predictability and boost company performance.
- ❖ Amalendu Bhunia' (2010)<sup>33</sup> has undertaken an analysis of financial performance of pharmaceutical companies to understand how management of finance plays a crucial role in the growth. The study covers to public sector drug & pharmaceutical enterprises listed on Bombay Stock Exchange (BSE). The study has been undertaken for the period of twelve year from 1997-1998 to 2008-2009. In order to analysis financial performance in terms of liquidity, solvency, profitability and financial efficiency, various accounting ratios have been used. Statistical measures namely Linear Multiple Regression Analysis and Test of Hypothesis – t test has been used.
- ❖ Venkataramana' and Ramakrishnan (2012)<sup>44</sup> evaluate the profitability and financial position of selected cement companies in India through various financial ratio and applied correlation, mean, standard deviation and variance. The study uses liquidity and profitability ratios for assessment of impact of liquidity ratios on profitability performance of selected cement companies .
- ❖ Dharmaraj' and Kathirvel (2013)<sup>48</sup> in their study related to "Analysing the Financial Performance of Selected Indian Automobile Companies ", suggested that the financial performance of Atul Auto Ltd, Ashok Leyland, HMT Ltd, Tata Motors Ltd, and SML

ISUZU Ltd are highly improved as compared to the group average value for all ratios. In India there is a huge scope for automobile companies . They are financially strong and they are growing at the rate of 7 per cent per annum and contributing to the Indian economy reasonably. Finally, the study provides companies with understanding of the activities that would enhance their financial performances. The results of this study imply that it might be necessary for all companies to take all required decisions to enhance their financial position.

- ❖ Moses Joshuva Daniel' (2013) 49 in his study "A Study on Financial Status of TATA Motors Ltd" stated the main Objectives to analyzing the overall financial status of the TATA Motors Ltd by using various financial tools. In order to analyze financial status in terms of profitability, Solvency, Activity and Financial stability various accounting ratios have been used. It is cleared from the study that 37 the company's financial performance is satisfactory. The company has stable growth and it shows a greater status in all the areas it works. The company has been suggested to reduce the expenditure as it increases every year. Decrease in expenses will increase the profitability.
- ❖ Kavitha and Palanivelu' (2013) 50 main Objectives Of their study is know about the financial health of the steel industries and to analyze and compare the financial performances of NSE listed steel industries based on ratio analysis and „Z“Score (Altman/s model). They suggested that the companies " try to increase production and sales get maximize profit to strengthen financial position of the NSE listed companies . The management may utilize maximum production capacity and reduce interest burden increase profit. The policy of borrowed financing in selected steel group of companies under study was not proper. So the companies may use widely borrowed funds and can try to reduce the fixed charges burden gradually by decreasing borrowed funds and enhancing the owner's fund. They concluded that the companies might enlarge their equity share capital by issuing new equity shares. For regular supply of raw materials and the final product infrastructure facilities are required further improvement.

Chapter-3  
RESEARCH DESIGN

## **Introduction**

Financial analysis is the process of selection, relation and evaluation the significant operating and financial characteristics of a firm from accounting data. The profit and loss account and balance sheet are indicators of two significant factors- profitability and financial soundness. The analysis of financial statement is a process of evaluating the relationship between components. Part of financial statements to obtain a better understanding of the firm's position and performance.

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of trends of these factors as shown in a series of statements.

The main function of financial analysis is the pin pointing of the strength and weakness of a business undertaking by regrouping and analysis of figures contained in the financial statements by making comparisons of various components and examining there content. The financial statements are best media of documenting the results of managerial efforts to the owners of the business, its employees, its customers and the public at a large, and thus become excellent tool of the public relations.

Analysis only establishes a relation between various amounts mentioned in the balance sheet and profit and loss account. After making financial analysis of the financial statements the next step is to use skills for forming an opinion about the enterprise. This interpretation stage. This technique is called as “ Analysis and interpretation of financial statements”

### **3.1 Statement of the problem:-**

The financial analysis reflects how a company approaches the rights of Shareholders' . The analysis of financial statement is a process of evaluating relationship between component parts of financial statement to obtain better understanding of the terms posture and performance.



This study is aimed at analyzing the financial statements of the company, which shows how efficiently funds and Resources are used to get the maximum profit. This study also reveals the strengths and weakness of the firm.

### **The statement of the problem mainly contains :-**

- What is the financial position of the company at given point of time?
- What is the financial performance of the company at a given point of time?
- To know the Background of the company.
- To conduct SWoT analysis.
- What is the future condition of the firm?

### **3.2 Need of the study**

Necessity of the study is to understand the financial performance of Krishna stone tech pvt ltd. The study gives the idea to improve the financial performance of KST PVT LTD and also have a proper control over it.

### **3.3 Scope of the study**

- The study gives fair idea about financial performance of the company
- This study will help Krishna stone tech pvt ltd., to have proper control over the financial position of their company
- This will help the company to increase their financial standards
- This study gives fair idea about their current financial position

### **3.4 Objectives of the study**

- To understand and to manage the financial position of the company
- To study and to know financial position of the business
- To study the influence of ratio analysis
- To study the various sources of funds use for financing

### **3.5 Research Methodology of the study:-**

The value of any systematic and scientific research in its methodology giving a clear idea of the forms of the study and procedure adopted in conducting it and stating the purpose becomes essential parts of every study.

Data is collection of necessary detail to gain further information. These types of data can be classified into

1. Primary data.
2. Secondary data.

Primary data has been collected by interviewing some top officials, senior managers, clerks and other officials of the company.

Secondary data has been collected by annual reports, books and internet.

### **3.6 Limitation of the study :-**

1. The time confined for study is very limited, which does not enable to make a comprehensive study.
2. The analysis made by on the basis of information presented in company balance sheet and profit and loss account.
3. The analysis is not compared with other companies .
4. The study is restricted to particular topic, which is for performance analysis.
5. The analysis has to make interpretation and drawn own conclusion.
6. Permit the overall scrutiny of the financial position of the company.
7. The study is limited to 3 years that is term 2002-04.

**Chapter-4**  
**AnalysisAndInterpretations**

## **Meaning:**

The term financial analysis also known as analysis and interpretation of financial statements refers to the process of determining financial strengths and weakness of the firm by establishing strategic relation between the items of the balance sheet profit and loss account and other operative data.

The purpose of financial analysis is to diagnose the information contained on functional statement so as to judge the profitability and financial soundness of the form.

## **Ratio analysis:**

### **Meaning:**

A ratio is a simple arithmetical expression of the relationship of one number to another. It may be defined as the indicated quotient of two mathematical expression.

### **Nature of ratio analysis:**

The following are four steps involved in the ratio analysis,

1. Selection of relevant ratio from the financial statements depending upon the objective of the analysis.
2. Calculation of appropriate ratios from the above.
3. Comparison of the calculated ratios with the rates of the same in the past, or the ratio developed from projected financial statements or the rates of some other firms or the comparison with ratios of the industry of which the firm belongs.
4. Interpretation of the ratios.

## **Guidelines or precautions for use of ratios:**

**Following guidelines may be kept in mind while interpreting various ratios.**

1. Accounting of financial statement.
2. objective or purpose of analysis.
3. Selection of ratios.
4. Use of standards.
5. Caliber of analyst.
6. Ratio provides only a rose.

### **Uses of ratio analysis:**

- Helps in decision-making.
- Helps in communication.
- Helps in control.
- Helps in co-ordination.
- Helps in financial forecasting and planning.
- Tax audits requirements.

### **Limitations of ratio analysis:**

- Limited use of a single ratio.
- Lack of adequate standards.
- Interest Limitations of accounting.
- Charges of accounting procedures.
- Window dressing.
- Personal bias.
- Uncomparable.
- Absolute figures distortive.
- Price level changes.
- Ratio no substitutes.

## **Classification of ratios:**

### **A. Traditional classification**

1. Balance sheet ratio.
2. profit and loss account ratio.
3. Mixed ratio.

### **B. Functional classification**

1. Liquidity ratios.
2. Leverage ratios.
3. Activity ratios.
4. profitability ratios.

### **C. Significance ratios.**

1. Primary ratios.
2. Secondary ratios.

### **A. Traditional classification**

#### a) Balance sheet ratios

1. Current ratio.
2. Liquid ratio.
3. Absolute liquidity ratio.
4. Debt equity ratio.
5. Proprietary ratio employed.
6. Capital Gearing ratio.
7. Asset proprietorship ratio.
8. Capital Inventory to working capital ratio.
9. Ratio of current assets to fixed assets to fixed assets.

b) profit and loss account ratio

1. Gross profit ratio
2. operating profit ratio.
3. Net profit ratio.
4. Expense ratio
5. Interest coverage ratio.

c) Mixed ratio

- a. Debtors turnover ratio.
- b. Return on equity.
- c. Total assets turnover.
- d. Return on Shareholders' .
- e. Return on capital.

### **Comparative statement analysis:**

The comparative financial statements are statements of the financial position at the different periods of time. The elements of financial position are shown in a comparative form as to give an idea of financial position at two or more periods.

From the practical point of view generally two financial statements are prepared in comparative form for financial analysis purpose. Not only the comparison of the profit and loss account enables in-depth study of financial position and operative results. The comparative statements may show.

1. Absolute figures (amount)
2. Changes in absolute figures.
3. Absolute data in terms of percentages.
4. Increase or decrease in terms of percentage.

## **The twocomparative statements are,**

1. Balance sheet.
2. Profit and loss account statement.

## **Comparative balance sheet:**

The comparative balance sheet is the study of the trend of the same items, group of terms and computed items in two or more balance sheets of the same business enterprises on different dates. The changes can be observed by comparison of the balance sheet at the beginning and at the end of the period and those changes can help in forming an opinion about the progress of an enterprise.

## **Guidelines for interpretation of comparative balance sheet:**

1. Current financial position and liquidity position.
2. Long term financial position.
3. Profitability of the concern.

## **Comparative profit and loss account statements:**

The comparative profit and account statement give an idea of the progress of a business over a period of time. The changes in absolute data in business like comparative balance sheet Income statements also have four columns are used to show increase or decrease in absolute amount and percentages respectively.



## **Trend analysis:**

The financial statements may be analyzed by computing trend of series of information. This method determining the direction upwards of downwards and involves the computation of the percentage relationship that each statement item bears to the same item in base year. The information for a number of years. The information for number years are taken up and one year generally the first year is taken as a base year. The figures of base year are taken as 100 and trend ratios for other years are calculated on the basis of the base year. The analyst is able to see the trend of figures, whether upward or downward.

## **Procedure of calculation trends:**

1. one year is taken as a base year. Generally first or last is taken as base year.
2. The figures of base year are taken as 100.
3. Trend percentage is calculated in relation to base year. If a figure in other year is less than the figures in base year the trend percentage will be less than years figures is divided by the base years figure.

The base period should be carefully selected, the base period should be normal period. The price level changes in subsequent years may reduce the of trend ratios. If the figure of the base period is very small than the ratios calculated on this basis may not give a true idea about the financial data. The accounting procedures and conventions used for collecting about and preparation of financial statements should be similar other wise the figure will not be comparable.

## Analysis and Interpretation.

M/S VIJAY KRISHNA GRAINITE(P) LTD., BELLARY

Comparative Balance sheet for the year ending

2015-16 and 2016-17

Particulars	2015-16	2016-17	Absolute	Percentage
<b><u>I. Sources of Funds:</u></b>				
1. Share holders fund				
(a) Share Capital	2493000	2493000	-	-
(b) Reserves & Surplus	6449478	7410104	960626	0.148
	<b>8942478</b>	<b>9903104</b>	<b>960626</b>	<b>0.107</b>
2. Loan funds				
(a) Secured Loans	9226005	9575021	349016	0.037
(b) Unsecured Loans	1950020	1950000	-20	0.000
	<b>11176025</b>	<b>11525021</b>	<b>348996</b>	<b>0.031</b>
<b>TOTAL</b>	<b>20118503</b>	<b>21428125</b>	<b>1309622</b>	<b>0.065</b>

<b><u>II. Application of funds</u></b>				
(1) Fixed assets				
Gross block	9642042	11856362	2214320	0.229
Less: Deperciation	7077566	7800988	723422	0.102
<b>Total</b>	2564476	4055374	1490898	0.581
Add: Advance for Machinery	2500000	-	2500000	-1.000
<b>Net block</b>	<b>5064476</b>	<b>4055374</b>	<b>1009102</b>	<b>-0.199</b>
(2) Investments	64000	64000	-	-
(3) Current assets, loans & advances	17102738	19646664	2543926	0.148
	<b>17166738</b>	<b>19710664</b>	<b>2543926</b>	<b>0.148</b>
Less: Current Liabilities	2112711	2337913	225202	0.106
	<b>15054027</b>	<b>17372751</b>	<b>2318724</b>	<b>0.154</b>
<b>ToTAL</b>	<b>20118503</b>	<b>21428125</b>	<b>1309622</b>	<b>0.065</b>

## **Interpretation :**

**1. Sources of funds :-** The Shareholders' funds includes shareholder funds and loans funds.

- Shareholders' fund : The sources of funds includes the share capital and reserves and surplus. In which the share capital is constant and the reserves and surplus is increased to the extent of 14% for the year 2016-17.
- Loan funds : The loan funds include the secured loans and unsecured loans. The secured loans shows an increase to the extent of 4% and the unsecured loans has constantly decreased for the year 2016-17.

Therefore the total sources of funds shows an increasing trend of 6.5% for the year.

**2. Application of funds :** The application of funds includes fixed assets, investments current assets, loan and advances and the current liabilities deducted from it.

- The fixed assets is increased to the extent of 22% but after deducting the depreciation and adding the advances the negative balance.
- The investments for the current year is same to the previous year.
- The current assets, loans and advances has increased to the extent of 15%.
- The current liabilities shows and increase to the extent of 10.6.

The comparative balance sheet of M/S VIJAY KRISHNA GRAINITE(P) LTD, for the year 2015-16 and 2016-17 shows the over all application of funds is increased to the extent of 6.5%.

M/S VIJAY KRISHNA GRAINITE(P) LTD., BELLARY

Comparative profit & Loss A/c for the year ending

2015-16 and 2016-17

<b>Particulars</b>	<b>2015-16</b>	<b>2016-17</b>	<b>Absolute</b>	<b>Percentage</b>
<b><u>I. Income :</u></b>				
Sales: Export	18635041	32948738	14313697	0.768
Sales of DEPB license	710818	831422	120604	0.169
other Income	10869600	10894440	24840	0.0022
<b>Total</b>	<b>30215459</b>	<b>44674600</b>	<b>14459141</b>	<b>0.479</b>
<b><u>II. Expenditure :</u></b>				
operating & administrative exp	23098631	36240596	13141965	0.658
Selling & distribution Exp	3570620	4546857	976237	0.273
Financial exps	2159075	2192173	33098	0.015
Depreciation	464950	723422	258472	0.555
<b>Total</b>	<b>29293276</b>	<b>43703048</b>	<b>14409772</b>	<b>0.492</b>
profit before taxation	922183	971552	49369	0.054
Provision for taxation (@35%)	322764	340043	17279	0.054
profit after taxation	599419	631509	66648	0.111

## Interpretation

1. Income : the Income includes the sales: exports, sale of DEPB licence and other Income .

- Sales : export for the year shows an increasing value to the extent of 76.8.
- other Income s also shows and positive trend to the extent of 0.22% for the year.

So ,over all Income is increased to the extent of 47.8 or nearly 5% for the year which includes the sale of DEPB license which has an increased value of 16.9%.

2.Expenditure: The expenditure includes operating and administrative expenses, selling and distribution expenses, financial expenses and depreciation.

- The operating and administration expenses is increased to the extent of 56.8%.
- The selling and distribution expenses has an increased value of 27.3% and,
- The depreciation to the extent of 55.6%.

So, total expenditure has been increased to the extent of 49.1%. profit before taxation and provision for taxation is increased to the extent of 5.3%, 5.4%, and 11.1% respectively.

M/S VIJAY KRISHNA GRAINITE(P) LTD., BELLARY  
Comparative Balance sheet for the year ending  
2015-16 and 2016-17

Particulars	2015-16	2016-17	Absolute	Percentage
<b><u>I. Sources of Funds:</u></b>				
1. Share holders fund				
(a) Share Capital	2493000	2493000	-	-
(b) Reserves & Surplus	7410104	9096695	1686591	1686591
	<b>9903104</b>	<b>11589695</b>	<b>1686591</b>	<b>-9903104</b>
2. Loan funds				
(a) Secured Loans	9575021	13240003	3664982	0.382
(b) Unsecured Loans	1950000	2050687	100687	0.051
	<b>11525021</b>	<b>15290690</b>	<b>3765669</b>	<b>0.327</b>
<b>ToTAL</b>	<b>21428125</b>	<b>26880385</b>	<b>5452260</b>	<b>0.254</b>
<b><u>II. Application of funds</u></b>				
(1) Fixed assets				
Gross block	11856362	13989176	2132814	0.179
Less:Deperciation	7800988	8704013	903025	0.115
<b>Net block</b>	<b>4055374</b>	<b>5285163</b>	<b>1229789</b>	<b>0.303</b>
(2) Investments	64000	64000	-	-
(3) Current assets, loans & advances	19646664	26685265	7038601	0.358
	<b>19710664</b>	<b>26749265</b>	<b>7038601</b>	<b>0.358</b>

Less:Current Liabilities	2337913	5154043	2816130	1.204
	17372751	21595222	4222471	0.243
<b>ToTAL</b>	<b>17372751</b>	<b>21595222</b>	<b>4222471</b>	<b>0.243</b>

### Interpretation :

3. Sources of funds :- The Shareholders' funds includes shareholder funds and loans funds.

- a. Shareholders' fund : The sources of funds includes the share capital and reserves and surplus. The share capital is same compared to the previous year. The reserves and surplus has increased to the extent of 22% .
- b. Loan funds : The loan funds include the secured loans and unsecured loans. The secured loans shows an increase to the extent of 38% and the unsecured loans has increased to the extent of 5%.

Therefore the total sources of funds shows an increasing trend of 25.4% for the year.

4. Application of funds : The application of funds includes fixed assets, investments current assets, loan and advances and the current liabilities deducted from it.

- a. The fixed assets is increased to the extent of 17% but after deducting the depreciation it shows an increasing value as 30%
- b. The investments for the current year is same to the previous year.
- c. The current assets, loans and advances has increased to the extent of 35%.
- d. The current liabilities shows and increase to the extent of 100% compared to the previous year. It means the current liabilities is doubled for the current year 2016-17

The comparative balance sheet of M/S VIJAY KRISHNA GRAINITE(P) LTD, for the year 2015-16 and 2016-17 shows the over all application of funds is increased to the extent of 25.4%.



M/S VIJAY KRISHNA GRAINITE(P) LTD., BELLARY  
Comparative profit& Loss A/c for the year ending  
2015-16 and 2016-17

Particulars	2015-16	2016-17	Absolute	Percentage
<b><u>I. Income :</u></b>				
Sales: Export	32948738	51438215	18489477	0.561
Sales of DEPB licence	831422	1275725	444303	0.534
other Income	10894440	12412566	1518126	0.139
<b>Total</b>	<b>44674600</b>	<b>65126506</b>	<b>20451906</b>	<b>0.458</b>
<b><u>II. Expenditure :</u></b>				
operating& administrative exp	36240596	52593560	16352964	0.451
Selling & distrubution Exp	4546857	6434302	1887445	0.415
Financial exps	2192173	3371623	1179450	0.538
Depreciation	723422	903024	179602	0.248
<b>Total</b>	<b>43703048</b>	<b>63302509</b>	<b>19599461</b>	<b>0.448</b>
profit before taxation	971552	1823997	852445	0.877
Provision for taxation(@35%)	340043	638399	298356	0.877
profit after taxtion	631509	2462396	1150801	1.822

Interpretation :

1. Income : the Income includes the sales: exports, sale of DEPB licence and other Income .

- Sales : export for the year shows an increasing value to the extent of 56.1.
- other Income s also shows and positive trend to the extent of 104% for the year.

So ,over all Income is increased to the extent of 45.7 or nearly 5% for the year which includes the sale of DEPB license which has an increased value of 53.4%.

2.Expenditure: The expenditure includes operating and administratative expenses, selling and distribution expenses, financial expenses and depreciation.

- The operating and administration expenses is increased to the extent of 45.1%.
- The selling and distribution expenses has an increased value of 41.5% and,
- The depreciation to the extent of 24.8%.

So, total expenditure has been increased to the extent of 44.8%. profit before taxation and provision for taxation is increased to the extent of 8.7%, 8.7%, and 182.2% respectively.

M/S VIJAY KRISHNA GRAINITE(P) LTD., BELLARY

Trend analysis

**Net profit and Gross profit**

Year	Gross profit		Net profit	
	Amount	Trend in %ge	Amount	Trend in %ge
2014-2015	13110185	100	922183	100
2015-2016	13997820	107	971552	105
2016-2017	17875034	136	1823997	198

**Interpretation**

1. The Gross profit of the company shows an upward trend for the year 2016-17 indicating 36% growth compare to previous years 2014-16.
2. The Net profit of the company shows an upward trend for the year 2016-17 indicating 98% growth compare to previous years 2014-16.
3. The growth of the Gross profit and Net profit percentage is increased due to the changes made by the company with respect to increasing of sales for the current year.

## Income and Expenditure

Year	Income		Expenditure	
	Amount	Trend in %ge	Amount	Trend in %ge
2014-2015	30215459	100	922183	100
2015-2016	44674600	148	971552	149
2016-2017	65126506	215	1823997	216

Interpretation :

1. The Income of the company as per calculated above indicates an increasing trend of 115% for the current year 2016-17 compare to previous years 2014-16.
2. The expenditure of the company as per calculated above indicates an increasing trend of 116% for the current year 2016-17 compare to the previous year 2014-16. Which indicates that the expenditures that they have incurred are more, which should be reduced.
3. The percentage growth of the Income is reduced as compare to the percentage growth of the expenditure this is due to reduced in the value of dollar and increase in the rates of fuel and ect. And also there is huge competition for the products.

## Assets and liabilities

Year	Income		Expenditure	
	Amount	Trend in %ge	Amount	Trend in %ge
2014-2015	22231214	100	22231214	100
2015-2016	23766038	107	23766038	107
2016-2017	32034428	144	32034428	144

### Interpretation :

1. The assets of the company is increased for the current year to the extent of 44% compare to previous years.
2. The liabilities of the company is also increased to the extent of 44% compare to the previous years.
3. From above data it is clear that there is a unique change in the value of assets and liabilities. Which can be suggested that the liabilities should be reduced to the extent possible.

## **RATIO ANALYSIS**

### **Current ratio:**

Current ratio is calculated by dividing current asset by current liabilities. Standard ratio is 2:1 it indicates that for every one rupee of current liability the company has two rupee in the form of current assets.

Formula used to calculate current ratio is:

$$\text{Current ratio} = \text{current assets} / \text{current liabilities}$$

Current assets indicate cash and those assets, which can be converted into cash within a year, such as Marketable securities, Debtors and inventories.

Current liabilities include creditors, Bills payable, Accounts payable, accrued expenses, Short-term bank loan, Income tax liability, long-term debt maturing in the current year.

**The company's Current ratio analysis made is as follows:**

<b>Year</b>	<b>Current assets</b>	<b>Current liabilities</b>	<b>Ratio</b>
2015	17102738	4062731	4.2
2016	19646664	4287913	4.6
2017	26685265	7204730	3.7

### **Interpretation :**

The current ratio of the current year is 3.7 which is lower compared to the last 2 years. It means the current liabilities are more than the current assets, which is difficult to manage the working capital.

## **INVENTORY TURNOVERRATIO:**

This is also known as stock velocity. A firm must have reasonable stock in comparison to sales. It is ratio of cost of goods sold and average Inventory. This ratio reveals the numbers of times finished stock is turned over during a given accounting period and is also used for measuring the profitability.

### **Formula :**

Inventory TurnoverRatio = Cost of goods sold /Average Inventory Cost.

Cost of goods sold = Sales – Gross profit.

Average Inventory = (opening stock + Closing stock)/2

This ratio is also known as stock velocity. Generally the firm must have reasonable stock when compared to sales. It helps in evaluating the Inventory policy to the financial manager. It indicates the number of times the finished stock is turned over during the particular accounting period. It also helps in measuring the profitability of the firm.

### **The company's Inventory turnover ratio analysis made is as follows:**

<b>Year</b>	<b>Cost of goods sold</b>	<b>Avg Inventory</b>	<b>Ratio</b>
2015	5524856	9580000	0.576
2016	18950918	10876500	1.742
2017	33563181	11640500	2.88

### **Interpretation :**

From the analysis it is clear that the Inventory turn over ratio for the current year is 2.88 times which is more when compared to last two years. This indicates that the firm has the capacity to manage the stock ie it can maintain the reasonable stock which helps in avoiding the over stock in the godown. It is also indicates the firm is managing the Inventory policy as per framed.

## **Debt Equity Ratio:**

Debt Equity Ratio describes the lenders contribution for each rupee of the owner's contribution

Debt Equity Ration is calculated by dividing total debt by net worth.

Standard Debt Equity Ratio is 2:1 Higher Debt Capital is profitable when earnings of a company is good. Low debt capital is good when profit is low.

$$\text{Debt Equity Ratio} = \text{Total Debt/Net Worth}$$

This ratio is the relationship between the funds borrowed and the owner's capital. It helps in measuring the long-term solvency of the firm.

It is determined to ascertain the soundness of the long-term financial policy of the company.

The owner's capital is known as the internal equity and the debt is known as the external equity. So, the ratio helps in indicating the relative proportion of debts and equity. It also helps in financing the assets of the firm.

**The company's DebtEquity ratio analysis made is as follows:**

<b>Year</b>	<b>Long-term Debt</b>	<b>Shareholders' ' Equity</b>	<b>Ratio</b>
2015	9226005	8942478	1.03
2016	9575021	9903104	0.966
2017	13240003	11589695	1.14



### **Interpretation :**

From the Analysis we come to know that the Debt Equity Ratio of the firm for the current year is 1.14 when compared to last 2 years. It means the Debt Equity Ratio has been increased in current year. It means the firm has the capacity of financing the assets of the firm.

It is the firm is in a position of measuring the long-term financial solvency and can ascertain the soundness of the long-term financial policies of the company or firm.

### **operating profit Ratio:**

The operating profit ratio is an important ratio that explains the changes in the operating expenses (Viz., administration, selling and distribution and financial expenses) this ratio is computed by dividing operating profit or EBIT by sales.

The Formula used for this is as follows;

$$\text{operating profit} = \left( \frac{\text{Gross profit}}{\text{Net Sales}} \right) * 100$$

This helps in indicating the manufacturing efficiency or capacity in terms of sales. Gross profit is the difference between the Net Sales and Cost of goods sold, also as the difference between the total sales and sales returns.

It is also known as Gross margin ratio, which expresses the relationship of Gross profit to net sales.

**The companies operating Profit Ratio is as follows:**

<b>Year</b>	<b>Gross profit</b>	<b>Sales</b>	<b>Ratio</b>
2015	13110185	18635041	70.35
2016	13997820	32948738	42.00
2017	17875034	51438215	35.00

**Interpretation**

From the analysis we come to know that the Grossprofit for the current year has been constantly decreased when compared to last two years.

As the ratio helps in indicating the manufacturing in terms of sales. So from the analysis the manufacturing efficiency of the firm as constantly decreased.

## **Net profitRatio:**

Net profitRatio is obtained when operating expenses interest and taxes are subtracted or deducted from the Gross profit. The net profit margin ratio is measured by dividing profit after taxes by sales.

Net profit margin ratio establishes a relationship between net profit and sales and indicates the management efficiency in manufacturing, administrating and selling the products. This ratio is the overall measure of the firm ability to earn each rupee sales intonet profit. This ratio also indicates the firms capacity to withstand adverse economic condition. Firms which high net margin ratio would be in an advantageous position to survive in the phase of falling sales. Prices, rising cost of production as declined demand for the product.

The Formula for this is;

$$\text{Net profitRatio} = (\text{Net profit} / \text{Sales}) * 100$$

This is also known as Net profit Margin Ratio. This ratio helps in knowing the management ability tooperate the business with success. It helps in measuring the overall profitabilityof the firm which is very useful to the owner's or proprietors of the company.

The net profitratio is the index of the efficiency and profitability as the net profit is arrived only after deducting all the operating expenses from the Grossprofit.

**The company's Net profit Ratio is as follows:**

<b>Year</b>	<b>Net profit</b>	<b>Sales</b>	<b>Ratio</b>
2015	922183	18635041	4.9
2016	971552	32948738	2.9
2017	1823997	51438215	3.55

**Interpretation**

From the analysis we come to know that the current year net profit ratio is increased to the extent of 0.65% when compared to the previous year 2016 i.e., 2.9. The profit of the year 2016 is less than profit of 2015.

This is because of following reasons;

- i) The dollar rate has come down as compared to year 2015.
- ii) The fuel and other expenses are increased due to budget for the current year.

It means in the year 2016 the management ability to operate the business as constantly decreased and the capacity of operating the business by the management of the firm as constantly increased.

So it indicates that the firm is giving more concentration to control over the cost of production.

## **Return on Capital employed:**

The firm's investment may refer to total assets or net assets, the funds employed in net assets are also known as capital employed. Capital employed equal net fixed assets plus current assets minus current liabilities including bank loans. Alternatively, Capital employed is equal to net worth plus total debt.

### **Return on capital ratio = EBIT/Capital employed.**

It is used to measure the profitability of the firm which shows the management success, in using the firm's assets to generate earnings on its capital invested. It helps in measuring both the productivity as well as profitability. It shows the relationship between the net profit and the total capital employed by the firm which is most important for the ratio with respect to the profitability concerned and this ratio is important and used for the benefit of the partners of the firm.

### **The company's Return on capital employed is as follows:**

<b>Year</b>	<b>EBIT</b>	<b>Avg total capital employed.</b>	<b>Ratio</b>
2015	922183	13669025	6.74
2016	971552	14018021	6.93
2017	1823997	17783690	10.25

### **Interpretation**

As per the above analysis the ratio for the year 2015 is recorded as 6.74 and for the year 2016 as 6.93 which indicated that the valued investment leads as good impression in the minds of exiting and the prospective, trusted partners. But in the year 2017, the ratio is 10.25 as been favorable more which shows sudden increase in the profit margin and also controlled cost, which can be indicated as the firm's profitability and the productivity as been increased compared to previous years.

## **Return on equity:**

Common Shareholders' are entitled to the residual profits. Rate of common dividend is not fixed; the earnings may be distributed or retained in the business. Never the less the net profit after taxes, represent there returns. A return on Shareholders' equity is calculated to see the profitabilityof owner's investment.

The Formula is as follows:

$$\text{Return on equity} = \text{EAT/Net worth.}$$

$$\text{Net worth} = \text{share capital} + \text{reserves and surplus.}$$

It helps in knowing the amount of fund available with the Shareholders' after paying the tax. So, it shows the firm's ability of declaring the dividends. This ratio is mainly used for the benefit of the Shareholders' to known the amount of dividend they are able to get in a particular year.

**The company's Returnon Equity ratio is as follows:**

<b>Year</b>	<b>EAT</b>	<b>Net worth</b>	<b>Ratio</b>
2015	599419	8942478	6.7
2016	631509	9903104	6.3
2017	1185598	11589695	10.2

## **Interpretation**

This analysis indicates that the return equity was 6.7 in the year 2015 and for the year 2016 it constantly decreased and for the year 2017 a sudden increase as been as been fund that is 10.22 this indicates that the Shareholders' are entitled to get more of dividends in the current year 2017 when compare to2015 and 2016. and for the current year it is also fund that that the firms performance as better when compare to the previous years.

## Return on assets :

This ratio helps the financial manager in knowing his ability to use the firm's assets in order to generate the earnings on the capital invested. It helps in determining the success of business from the owner's point of view it also helps in taking the managerial decision. It also indicates that certain goals have been achieved or not and also whether the use of capital is satisfied as per needed by the firm.

The Formula to calculate return on assets is as follows:

$$\text{Return on assets} = \text{EAT} / \text{Avg total assets.}$$

The company's Return on Assets ratio is as follows:

Year	EAT	Avg total assets	Ratio
2015	599419	22167214	0.027
2016	631509	23702038	0.026
2017	1185598	31970428	0.077

### Interpretation:

From the analysis it is known that return on total assets has been suddenly increased for the third year that is 2017 compare to last two years.

This means that the firm has the required ability to use the assets of the firm and it has done so and also constantly generated the earnings on the capital invested to some extent.

It also indicates that the capital is being used sufficiently and satisfactorily and also the success of the business has been achieved accordingly but not to the fullest extent as per targeted. So, the relationship of net profit with the total assets is found to be satisfactory which reflects the firm's growth satisfactorily also as per the analysis made.

## Proprietary ratio:

This ratio is related with the Shareholders' fund to total assets used. This ratio entirely different from the debt equity ratio. The proprietary ratio helps in knowing the general strength of the firm.

This ratio is calculated by using the following Formula,

$$\text{Proprietary ratio} = (\text{Shareholders' fund} / \text{total assets}) * 100.$$

**The company's Proprietary ratios as follows:**

Year	Shareholders' fund	Total assets	Ratio
2015	8942478	22167214	0.40
2016	99031104	23702038	0.38
2017	11589695	31970428	0.36

### Interpretation:

From the analysis we come to know that in the year 2015 the ratio calculated is 0.40 and in the year 2016 and 2017 it is 0.38 and 0.36 respectively which is found to be decreased constantly.

It means that the firm is losing its capacity constantly in strengthening the firm. The current year ratio has decreased to some extent which doesn't affect major part but it affects from the point of view of companies growth. The firm should not lose its ability or strength in any case.



### **Debt to capital ratio:**

This ratio helps in knowing the relationship of total long term debt to permanent capital. It helps in measuring the long term solvency of the firm and also ascertain the soundness of the firm.

The Formula to calculate Debt to capital ratio is as follows :

**Debt to capital ratio = long term debt/ permanent capital.**

**The company's Debt to capital ratio analysis made is as follows:**

<b>Year</b>	<b>Long-term Debt</b>	<b>Permanent capital</b>	<b>Ratio</b>
2015	9226005	18168483	0.50
2016	9575021	19478125	0.49
2017	13240003	24829698	0.53

### **Interpretation**

From the analysis for the year 2015 it is 0.50 and for the year 2016 it is 0.49, which is decreased and in the year 2017 the ratio is 0.53 which is increased constantly.

It means that the long-term debt for the current year has been more used than the permanent capital. This indicates the firm soundness as an unsatisfactory level as per estimated to be.

## Debt to total Assets:

This ratio helps in measuring the relationship of total debt to total assets. It shows the firm's capacity of using the total asset to manage the business successfully.

### The Formula to calculate Debt to total assets:

$$\text{Debt to total Assets ratio} = \frac{\text{Total Debts}}{\text{Total assets}}$$

### The company's Debt to total asset ratio analysis made is as follows:

Year	Total Debts	Total assets	Ratio
2015	20444733	31970428	0.639
2016	1386294	23702038	0.584
2017	13288736	22167214	0.599

### Interpretation

From the analysis it can be known that the total debt that is utilized for the current year 2017 is less when compared to last 2 years and the total, assets used to satisfactory extent.

For the current year the debt to total assets is 0.599 which is increased constantly compared to last year's i.e., 2016.

This means that the firm is in the satisfactory level of managing the business successfully.

**Chapter-5**  
**Findings, conclusion and Suggestions**

## **5.1 Evaluation of the study:**

It is clear from the analysis that M/S VKGPL is sound, enough profitability and efficiently used the assets and capital fund ( both long term and short term).

After making the analysis we can make out the following points,

1. The firm has used the assets satisfactory, ie, efficiently to increase the sales.
2. The capital employed was satisfactory in all the years. The efficiency position of M/S VKGPL has a healthy trend in utilizing the long term as well as short term funds.

It can be advised or suggested to maintain and improve the same pace or may of growth in future also.

3. The performance of M/S VKGPL in relation with profitability concerned can be clearly understood by evaluating the related ratios.
4. Return on assets, capital employed and equity are the part of the techniques that helps in measuring the profitability of the firm. All these ratio's showed the healthy growth.

Finally, the M/S VKGPL has witnessed the sound track record in relation to the efficiency and profitability the firm is making a steady growth in relation to both the efficiency and profitability particularly in the year 2017.

## **5.2 SUGGESSTIONS**

Therefore from the evaluation of the study it may be suggested to the management to keep the positive growth in the coming years by the following same of the points mentioned below:-

- The current liabilities should be decreased to the maximum extent possible.
- The manufacturing efficiency and as well as the management ability to cooperate the business should be more concentrated by increasing the Gross profit margin and as well as the net profit margin.
- The long term debt that should be used by the firm should be in a satisfactory i.e. the long term debt should be feasible used by the firm.
- The firm should increase the strengthening capacity by giving more concentration in increasing the proprietary ratio.
- As there is decrease in current ratio this affects the working capital of the firm, which in turn affects the production capacity. So, the current assets should be increased to make the production smooth.
- For the current year there is an indication of an increase in stock of finished goods. Showing a greater pace/ way this may give further chance for the unnecessary storage and maintenance costs. So, a proper care to be taken regarding this.
- As there is a greater increase in sales, it suggested that the administrative expenses, selling and distributive expenses, financial expenses (all operating expenses) should be reduced to the maximum extent possible.

### **5.3 Conclusion :**

It is clear from the study that M/S VKGPL has proved financially soundness for the current year which is known by its smooth and systematic operations. From all the three years study it is proven that the firm has its position growth the firm is satisfactory level in achieving it position with respect to the financial achievements.

The management is wise enough and so sharp in making the immediate and corrective actions in identifying, solving and controlling the various aspects of the operations of the firm.

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- Personal interview with accountant

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## ANNEXURE

M/S VIJAY KRISHNA GRAINITE(P) LTD., BELLARY

Comparative Balance sheet for the year ending

2015-16 and 2016-17

Particulars	2015-16	2016-17	Absolute	Percentage
<b><u>I. Sources of Funds:</u></b>				
1. Share holders fund				
(a) Share Capital	2493000	2493000	-	-
(b) Reserves & Surplus	6449478	7410104	960626	0.148
	<b>8942478</b>	<b>9903104</b>	<b>960626</b>	<b>0.107</b>
2. Loan funds				
(a) Secured Loans	9226005	9575021	349016	0.037
(b) Unsecured Loans	1950020	1950000	-20	0.000
	<b>11176025</b>	<b>11525021</b>	<b>348996</b>	<b>0.031</b>
<b>ToTAL</b>	<b>20118503</b>	<b>21428125</b>	<b>1309622</b>	<b>0.065</b>

<b><u>II. Application of funds</u></b>				
(1) Fixed assets				
Gross block	9642042	11856362	2214320	0.229
Less: Deperciation	7077566	7800988	723422	0.102
<b>Total</b>	2564476	4055374	1490898	0.581
Add: Advance for Machinery	2500000	-	2500000	-1.000
<b>Net block</b>	<b>5064476</b>	<b>4055374</b>	<b>1009102</b>	<b>-0.199</b>
(2) Investments	64000	64000	-	-
(3) Current assets, loans & advances	17102738	19646664	2543926	0.148
	<b>17166738</b>	<b>19710664</b>	<b>2543926</b>	<b>0.148</b>
Less: Current Liabilities	2112711	2337913	225202	0.106
	<b>15054027</b>	<b>17372751</b>	<b>2318724</b>	<b>0.154</b>
<b>ToTAL</b>	<b>20118503</b>	<b>21428125</b>	<b>1309622</b>	<b>0.065</b>



ACHARYA INSTITUTE OF TECHNOLOGY  
DEPARTMENT OF MBA  
INTERNSHIP WEEKLY REPORT  
(16MBAPR407)

Name of the Student: Suraj kumar A M

Internal Guide: Asst Prof. Suhas Patel

USN No: 1AY16MBA80

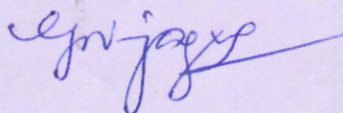
Specialization: Finance and marketing

Title of the Project: Financial Analysis

Company Name: Krishna Stone Tech ltd

Week	Work undertaken	External Guide Signature	Internal Guide Signature
15-01-18 to 20-01-18	Orientation with the company. Collection of secondary data relating to industry and organization.		1
22-01-18 to 27-01-18	Orientation with functional department of the organization and detailed study of department.		2
29-01-18 to 03-02-18	Finalization of problem area of the study and finalization of research objectives and methodology.		3
05-02-18 to 10-02-18	Finalization of data collection questionnaire instruments and formats. Etc...		4
12-02-18 to 17-02-18	Collection of primary data from the restaurants by administrating the questionnaire.		5
19-02-18 to 24-02-18	Discussion with the external guide and internal guide. Formation of hypothesis. Classification and analysis of collected data.		6
26-02-18 to 03-03-18	Compilation of research data and interpretation of data.		7

05-03-18 to 10-03-18	Data analysis and Finalization Of report.	#	8
12-03-18 to 17-03-18	Finalization of project report and approval of draft by company and college guide.	#	9
19-03-18 to 24-03-18	Report submission to the Institution.	#	10

HOD 

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