

“Study of Financial Performance of SMS Pharma LTD. Using Technique of Ratio Analysis”

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Abstract : *The Present Study of Research entitled “Study of Financial Performance of SMS Pharma LTD. Using Technique of Ratio Analysis. The study was based on secondary data from records, reports and profile of the organization. The validity of any research is based on the systematic method of data collection analysis. The ratio analysis the process of identifying financial soundness and cost effectiveness of the firm by establishing relationship between the item of balance sheet and profit and loss account. The present study has measure in ratio analysis from the five years balance sheet and profit and loss account.*

I. Introduction

An analysis of financial statements is important aid of financial analysis. The focus of financial analysis is on key figures in the financial statements and the significant relationships that exist between them. The analysis of financial statements is a process of evaluating relationships between component parts of financial statements to obtain a better understanding of the firm’s position and performance. The first task of the financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statement. The second step involved in financial analysis is to arrange the information in a 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.

However, it is to be noticed that there is a basic limitation of the traditional financial statement comprising the balance sheet and the profit and loss account i.e. they do not give all the information regarding financial operation of the firm. Accordingly ratios not only indicate the present position, they also indicate the causes leading up to the large extent. For instance accounts ratio may indicate not only the financial position and precautions but also the past policies and actions they have caused.

Objective

- To identify the financial strength and weakness of company.
- To access the performance of company on the basis of their operation facts and figures.
- To study the solvency position and ascertain whether the financial position are favorable or not.
- To identify the current position of the company.

II. Indentations And Equations

RESEARCH METHODOLOGY:

Need for the study:

The problems, which are common to most of the public sectors under taking, are materials scarcity. Capacity utilization and mainly working capital requirements and SMS Pharmaceuticals Ltd are no exception. Thus the importance of the study reveals as to how efficiently the working capital has been used so far in the organization.

Data sources:

The study is based on secondary data only. However the primary data is also collected to fill the gap in the information.

Secondary data collected from annual reports and also existing manuals and like company records balance sheet and necessary records.

3.1 DATA COLLECTION:

The methodology reveals the methods of data collection. There may be primary sources or secondary sources of data collection.

Collecting Secondary Data:

After deciding my objective I looked for collecting and studying secondary data. It included extensive study of literature available in reports of SMS Pharmaceuticals Ltd., articles, newspapers, journals, magazines, handouts, pamphlets describing the banks. Study of secondary data gave me an insight into the problem into hand. It also provides me with clues and helped in designing primary research .It provided us a more accurate picture about the functioning of various service providers in the Nagpur city. Extensive use of secondary information in the form of magazines, journals, newspaper clippings, such as Business World, Business Today, Business India, Economic Times, etc. Internet websites of SMS Pharmaceuticals Ltd.

Collecting Primary Data:

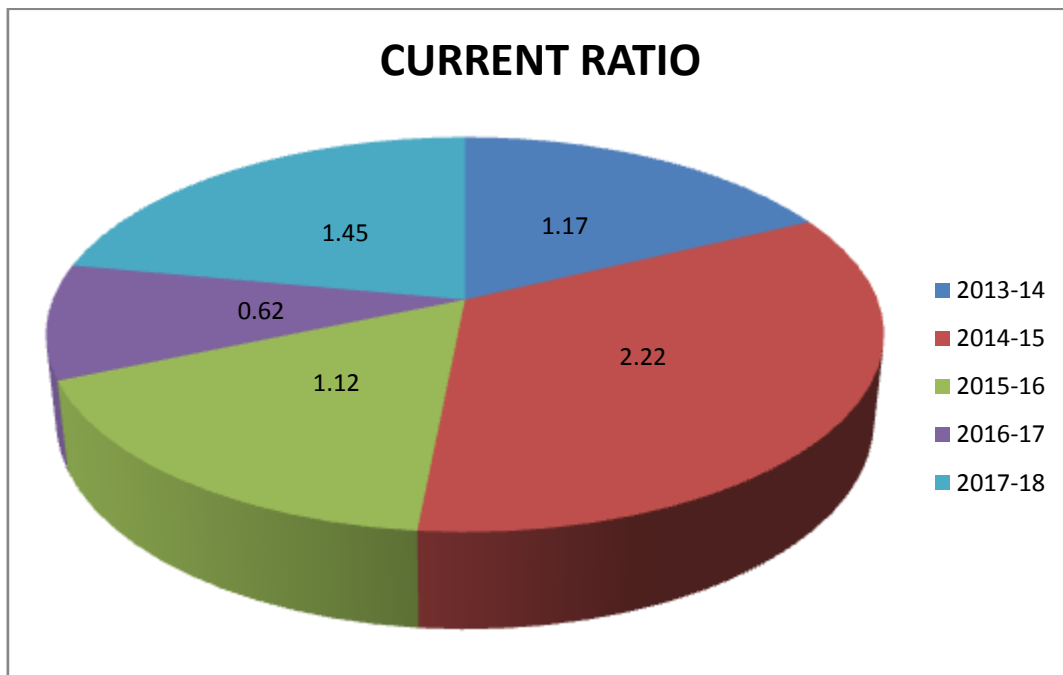
The objective of Primary data is formulated on the basis of research objectives. Objectives set the guidelines and directions of research planning .Formulating the objectives offers the best feasible means of solution. The primary data for my study was being collected by conducting survey. To analyze buying behavior and in order to gain an insight into the buyer need-satisfaction level, a questionnaire was formulated and administered among 30 people.

III. Figures And Tables

1.1. Data Analysis and Interpretation

Current Ratio =
$$\frac{\text{Current Assets}}{\text{Current Liability}}$$

Particulars	2013-14 (Rs in Lakhs)	2014-15 (Rs in Lakhs)	2015-16 (Rs in Lakhs)	2016-17 (Rs in Lakhs)	2017-18 (Rs in Lakhs)
CA&Loans and advances	5799.28	9687.39	8711.54	7605.87	8238.7
CL& provisions	4973.51	4370.12	7811.18	12255.16	5674.04
Current Ratio	1.17	2.22	1.12	0.62	1.45

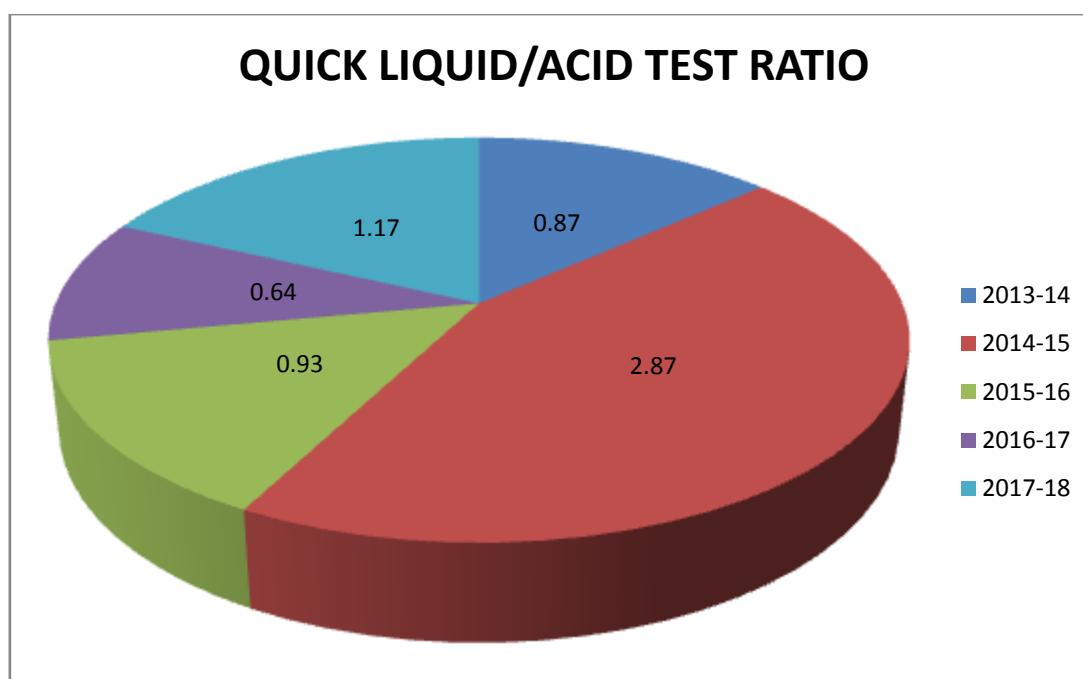


Interpretation

From above table the current ratio of a bank has a standard position only in the year of 2017 to 2018, because as per rule, the current ratio of 2.22 (or) more indicates highly solvent position of firm.

2. Quick Liquid/Acid Test Ratio

Particulars	2013-14 (Rs in Lakhs)	2014-15 (Rs in Lakhs)	2015-16 (Rs in Lakhs)	2016-17 (Rs in Lakhs)	2017-18 (Rs in Lakhs)
CA & loans and advances minus inventories	3828.56	7857.65	7200.4	5925.21	6618.12
CL & Provisions minus Company OD	4382.64	2735.56	7640.18	9214.9	5674.04
QL/ Acid Test Ratio	0.87	2.87	0.93	0.64	1.17



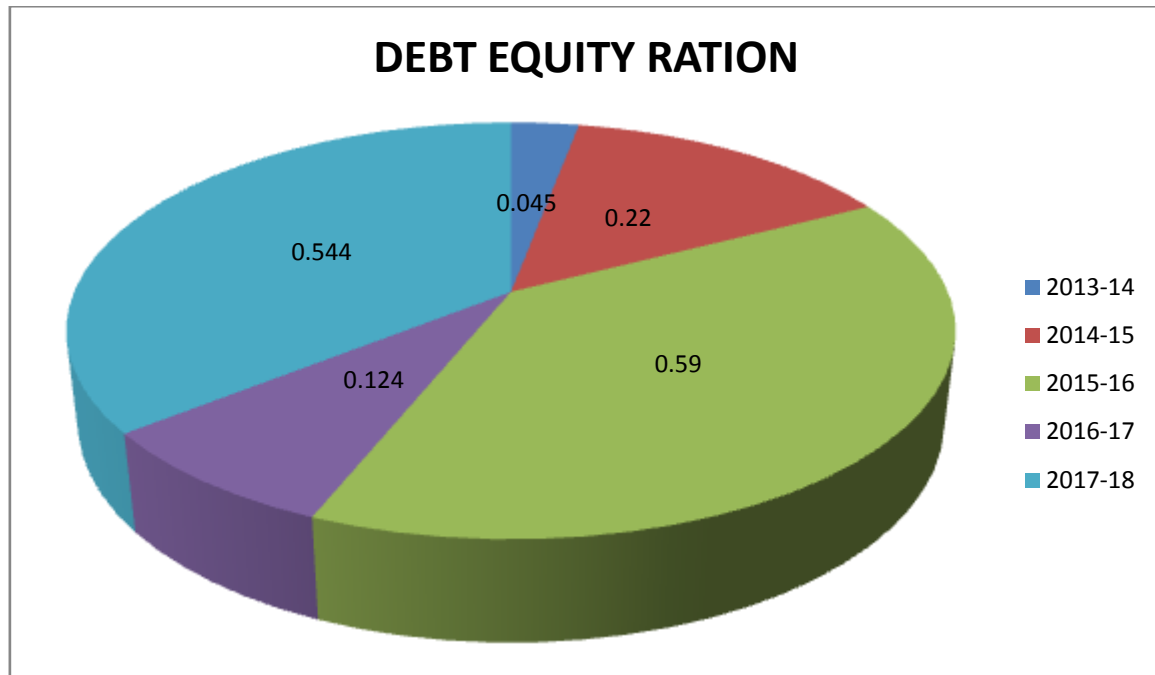
Interpretation

From the above table the Company is having good liquidity position i.e.1.17 in the year of 2017 to 2018. The quick ratio of 2.87 indicates satisfactory position of the firm.

3. Debt-Equity Ratio

$$\text{Debt to Equity} = \frac{\text{Total Liabilities}}{\text{Total Equity}}$$

Particulars	2013-14 (Rs in Lakhs)	2014-15 (Rs in Lakhs)	2015-16 (Rs in Lakhs)	2016-17 (Rs in Lakhs)	2017-18 (Rs in Lakhs)
Long time debt	168.9	600	168.9	289.83	1733.74
Share holders fund	3707.84	2832.68	2849.88	2338.69	3184.15
Debt-Equity Ratio	0.045	0.22	0.059	0.124	0.544



Interpretation

If the debt-equity ratio is greater than 1, then the Company assets are financed through debt or if the ratio is less than 1, its assets are primarily financed through equity. From the above table Company ratio is less than 1, from the year of 2013 to 2017. Hence the Company assets are financed through equity.

IV. Conclusion

The published financial statements are properly oriented towards the long-term investor, who is mainly interested in long-term earning power. Short-term creditors such as major suppliers of banks are usually more interested in the short run ability of the corporation to satisfy its obligations as they mature. Financial analysts usually use a company's annual report as the springboard for their review.

The primary use of financial statements consists of evaluating past performance and predicting future performance. Both of these uses can be facilitated by comparison. The ultimate effect of analysis of financial statement is usually to make some financial decisions. After comparing financial statements with past statements with those of similar companies or in the industry averages, the analyst will predict how the organization will fare. The analyst then will decide to buy, sell or hold the common stock.

Reference:

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