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## PROFITABILITY AND LIQUIDITY RATIOS ANALYSIS: AN EMPIRICAL STUDY OF PANYAM CEMENTS & MINERAL INDUSTRIES LTD.

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### ABSTRACT

*All organizations are performing profit orientation or not, irrespective of the level of investment and nature of business. The organizations are periodically measure their performance for knowing achievement of the profit states through financial statement. The financial statement indicates the firm operations relating to Liquidity, profitability and financial position. The effective management of liquidity and profitability operations supports to sound financial states of the firm. In this study to analyze firm financial statement, this study result will give an idea about the performance of Panyam Cements and Mineral Industries Ltd.*

### KEYWORDS

ratio analysis, liquidity, profitability, financial statement.

### COMPANY PROFILE



anyam cement and mineral industries Ltd, has been started in the year 1955 in the most backward region of rayalasila. The company fast developed into one of the largest cement manufacturing unit in south India. From the last fifty seven years, the company is providing livelihood to thousands of its dependents. The present capacity of the cement plant is 3000 Metric Tons per day.

### CONCEPT OF RATIOS

The relationship between two relevant concepts expressed in numerically is called a ratio. This Ratio analysis is technique of analysis and interpretation of financial statement; it is helpful for finance manager to taking decisions.

The current Liquidity expresses the capacity of the company to pay its short term debts from the claims, the short term cash and financial statement. Profitability is indicator of achievement of business.

Profitability ratio measures a company's performance. Profitability is simple the capacity to make a profit and a profit is what is left from income earned after you have deducted all cost and expenses relating to earning income. It is the main concern for all interested persons, creditors, investors, owners and management.

**Current Asset Ratio:** Current Ratio is one of the liquidity ratios; it is expressed as current assets and current liabilities. The current ratio ideal rule is 2:1. If the actual current ratio is less than the standard current ratio of 2:1, it indicates firm cannot enjoy the sufficient liquidity position if the firm. If the current ratio is 2:1 or more then 2:1, it indicates firm have sufficient Liquidity.

**Quick ratio:** This ratio shows the relationship between quick Assets and Current Liabilities, it is having ideal indicator that is 1:1. This standard is supporting to ability to pay of its short term liabilities without any difficulty situations of the firm. If firm have less than this indicator, firm suffering financial payments.

**Net Profit Ratio:** Net profit ratio is the one of the important ratio to measure profitability ratio. The net profit ratio measures the relationship between net profit and sales. It is more meaning full interpretation of the profitability of the firm.

**Return on Asset Ratio:** This ratio is also called profit to asset ratio; it is the relation between net profit and asset. The return on assets ratio is found by dividing the net income by total assets. The higher the ratio indicates the better the company is at using their assets to generate income.

**Return on Capital Employed Ratio (ROCE):** The purpose of this ratio is to find out whether capital employed is effectively used or not. This ratio expresses the relationship between capital and net profit of the business. The higher the ratio of ROCE, the more efficiency use of capital employed.

**Return on Equity Ratio:** This ratio also called Net worth ratio. The return on equity measures profitability related to ownership. It measures a firm's efficiency at generating profits from every unit of the shareholders equity. it is plays a vital role in the equity holders' investment decision.

### RESEARCH METHODOLOGY

In this company selected by through Random sampling, the name of company is Panyam cement and minerals Ltd. has been taken for analysis of financial statement relating to Liquidity and Profitability position. This Study is based on Secondary data, there is published by annual reports, Journals and Books. This Study has covered 5 years data's from 2010 to 14.

### OBJECTIVES OF THE STUDY

1. To analyze the liquidity position of the Firm.
2. To analyze the Profitability of the firm.
3. To analyze the working capital position of the firm.
4. To evaluate the financial position of the firm.

### LIMITATIONS OF THE STUDY

1. This study is mainly depends on the information published by the company.
2. This study conducted on limited period only.
3. This study covers only selected ratios.

**ANALYSIS**

1. Table-1: Shows the Current ratio of as a measure of liquidity position. During the period of study during it was observed that current ratio was fluctuating tendency. The highest value of current ratio 2.81 was 2009-10 and least of 0.65 in 2013-14. The current ratio indicates less than one in 2012-14, it indicate bad signal of liquidity position and reaming study period have good position.
2. Table-2: Shows the Quick ratio of as a measure of liquidity position. During the period of study during it was observed that quick ratio was fluctuating tendency. The highest value of quick ratio 2.47 was 2009-10 and least of 0.49 in 2013-14. The quick ratio indicates less than one in 2012-14, it indicate bad signal of liquidity position and reaming study period have good position.
3. Table-3 shows the Net profit Ratio of five years, this ratio had the highest value of 16.22% profit in 2012-13 and least of -8.15% Loss in 2013-14, this ratio had over fluctuations. This firm facing two years loss (2010-1 and 2013-14) out of five years.
4. Table-4 shows the return on asset ratio of study period. The ratio highest value is 0.08 in 2012-13 and least value is (-) 0.02 in 2010-11. This ratio had two years Negative values (-0.02 and -0.02) in 2014 and 2011, reaming positive values (0.08, 0.04 and 0.06) in 2013,2012 and 2010.
5. Table- 5 show return on capital Employed on study period. The highest ratio 0.18 in 2009-10 and least ratio is -0.04 in 2010-11. This ratio had two years Negative values (-0.04 and -0.03) in 2011 and 2014, reaming positive values (0.18, 0.06 and 0.12) in 2010, 2012 and 2013.
6. Table- 6 show return on shareholders' Equity Ratio on study period. The highest ratio 1.08 in 20112-13 and least ratio is -0.26 in 2013-14. This ratio had two years Negative values (-0.26 and -0.24) in 2014 and 2011, reaming positive values (1.08, 0.56 and 0.90) in 2013, 2012 and 2010.

**FINDINGS**

- In this study last three years firm managing more current Liabilities
- The firm net profit having fluctuation with positive and negative results.
- Firm capital employed ratio is not good position.

**SUGGESTIONS**

- Firm need to reduce current liability status, it is good for firm financial health.
- Firm need to improve the liquidity position of the firm.
- The firm needs to improve sales volume, it is good for firm sustaining long period. The firm sales volume affected in Net profit ratio, Return on Asset ratio, return on capital Employee ratio and return on sere holders' equity.
- The firm concentrates to reduce capital employed; it is helpful for maximum return with minimum capital.

**CONCLUSION**

From the above analysis of Panyam Cement & Minirels Industry Ltd. had unsound financial position of the firm, The net profit shows the unfavorable position of the firm. Company concentrate quality of the products and product promotional tools for increasing the sales volume, it is better to achieve positive net profit. The firm increase liquidity position for good financial health of the form.

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**ANNEXURE****TABLE 1: STATEMENT SHOWING CURRENT ASSET**

Year	Current Asset	Current Liabilities	Ratio
2013-14	712423881.88	1095856460.69	0.65
2012-13	846464545.01	1144797351.00	0.74
2011-12	1047554813.92	1092559297.38	0.96
2010-11	1463135952.83	525394736.49	2.78
2009-10	1485889225.97	529181150.85	2.81

**TABLE 2: STATEMENT SHOWING QUICK RATIO**

Year	Quick Asset	Current Liabilities	Ratio
2013-14	538153550.48	1095856460.69	0.49
2012-13	649175652.36	1144797351.00	0.57
2011-12	767369363.06	1092559297.38	0.70
2010-11	1273461553.08	525394736.49	2.42
2009-10	1305036667.26	529181150.85	2.47

**TABLE 3: STATEMENT SHOWING NET PROFIT RATIO**

Year	Sales	Net Profit	Ratio
2013-14	522261228.85	-42581139.63	-8.15
2012-13	1077915403.38	174873879.77	16.22
2011-12	1812422257.83	91328386.87	5.04
2010-11	1627978724.88	-38120449.29	-2.34
2009-10	1734816307.37	145399201.28	8.38

**TABLE 4: STATEMENT SHOWING RETURN ON ASSET RATIO**

Year	Total Asset	Net Profit After Tax	Ratio
2013-14	2128155210.26	-42581139.63	-0.02
2012-13	2308058471.23	174873879.77	0.08
2011-12	2608116726.12	91328386.87	0.04
2010-11	2528624127.46	-38120449.29	-0.02
2009-10	2287954904.34	145399201.28	0.06

**TABLE 5: STATEMENT SHOWING RETURN ON CAPITAL EMPLOYED**

Year	Net Profit	Capital Employed	Ratio
2013-14	-42581139.63	1415731328.38	-0.03
2012-13	174873879.77	1461593926.22	0.12
2011-12	91328386.87	1560561912.20	0.06
2010-11	-38120449.29	1065488174.63	-0.04
2009-10	145399201.28	802065678.37	0.18

**TABLE 6: STATEMENT SHOWING RETURN ON SHAREHOLDERS' EQUITY RATIO**

Year	Net Profit	Shareholders' Equity	Ratio
2013-14	-42581139.63	162141085.00	-0.26
2012-13	174873879.77	162141085.00	1.08
2011-12	91328386.87	162141085.00	0.56
2010-11	-38120449.29	162141085.00	-0.24
2009-10	145399201.28	162141085.00	0.90

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