INTERNATIONAL JOURNAL OF RESEARCH IN COMPUTER APPLICATION AND MANAGEMENT

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FINANCIAL STRENGTH - A STUDY OF REDINGTON INDIA LIMITED, TRICHY, TAMIL NADU

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ABSTRACT

The researcher carried out the study with the objective of finding out the financial strength of REDINGTON INDIA LIMITED for the financial year 2006-2010. The researcher is interested in finding out the major factors that determine the financial performance of the organization. The researcher carried out the study with Analytical type of research design in the study with the help of secondary data collection method. For this purpose the researcher took past 5years balance sheet into consideration. The data is checked out for the validity and reliability before conducting the study. The researcher used the following financial tool namely ratio analysis, Cash Flow Analysis and also statistical tools such as correlation. "Z" Score Model is used out to find the financial Strength of the company. The study reveals that the financial strength is satisfactory. Ratios help to summarize large quantities of financial data to make quantitative judgment about the financial performance of the firm's. Altman Z-Score analysis value is 4.96 from the year 2005-06 to 2009-10. Comparing the Altman guidelines for the healthy zone analysis the company is running in too healthy zone. It means its financial health is viable and its position of financial strength is not to fall. This paper introduced a new approach for performance evaluation – "Z" Score Model. The major contribution of this paper is the use of ratio used in financial analysis to tackle the problems of sample size and distribution uncertainty.

KEYWORDS
Financial Performance, Ratio Analysis, Cash Flow Analysis, Z-Score Model.

INTRODUCTION

The IT distribution industry in India has evolved rapidly over the past decade. It has undergone major transformation during this period in terms of the number of products, distributors and resellers, channel and vendor expectations. The IT distribution industry is witnessing growth fuelled by investment in the IT and ITES sector, increasing need for automation and information technology in all industries, increases in communication and computing infrastructure spending and increased internet usage in India.

The fast growth in IT hardware market is supplemented by adequate support system in place to sustain in the growth. As a result, the IT hardware services business is also on a growth phase. Hardware services are provided by authorized and unauthorized / third party services providers. Authorized service provider meets manufacturers' requirement like training, warranty tracking mechanism, minimum parts stock levels to meet the delivery commitment, escalation process, customer feedback, customer satisfaction etc. authorized service agent specializes on particular models where as unauthorized service

Agent attends to all models without formal training. Some of the manufactures undertake servicing of their products directly. However, since the cost involved in providing this support function is high, they are present in limited cities and authorized service providers like us to cater to the needs of the customers in all locations, including the cities where they are present.

Financial Analysis is the process of identifying the financial strengths and weaknesses of the firm, by properly establishing the relationships between the items of the profit and loss account and balance sheet. These financial statements provide valuable insights into a firm's performance. Financial analysis may be done for a variety of purposes, which may range from a simple analysis of the short –term liquidity position of the firm to comprehensive assessment of strengths and weaknesses of the firm in various areas. It is helpful in assessing corporate excellence, judging credit worthiness, forecasting bond ratings, predicting bankruptcy and assessing market risk. Financial Ratios calculated with the help of information extracted from the financial statements play an important role in analyzing the financial performance of a firm. In this study, the financial performance for the last 5 years is assessed through 'Ratio analysis' and the required data are obtained from the annual accounts of REDINGTON INDIA LIMITED TRICHY.

REVIEW OF LITERATURE

James Hutchinson (2010)[1], He realizes that about the long term debt to equity ratio of a Business. The ratio of these numbers tells a lot about the business. It is calculated by taking the debt owed by the company and divided by the owner's equity, also known as capital. The debt number may include all liabilities, or just long term debt.

Jo Nelgadde (2010)[2], in this article he briefly about the asset management ratio. It divided into different types of categories. He state that about the used to analyze accounts receivable and other working capital figures to identify significant changes in the 12 company‟s operations and financial accounts. He said that there are two categories about this ratio such as account receivable turnover and average age of account receive. He measurement the ratio as, Accounts receivable turnover = Sales / Average Accounts receivable. Average age of accounts receivable/ collection period = 365 days / Accounts receivable Turnover.

Gopinathan Thachappilly (2009)[3], he shows that the EPS is computed by dividing the company's earnings for the period by the average number of shares outstanding during the period. He discuss that Stock analysts regularly estimate future EPS for listed companies and this estimate is one major factor that determines the share's price. Price/Earnings (PE) Ratio = Stock Price per Share / Earnings per Share (EPS).Hence, many investors prefer the Price/Sales ratio because the sales value is less prone to manipulation. Price/Sales (PS) Ratio = Stock Price per Share / Net Sales per Share. The Dividend Yield, The dividend yield ratio annualizes the latest quarterly dividend declared by the company Dividend Yield = Annualized Dividend per Share / Stock Price per Share

Gopinathan Thachappilly (2009)[4], in this articles he express about Debt to Equity Ratio (Debt Capital Ratio) = Total Liabilities / Shareholders' Equity**.** Capitalization (Term Debt Ratio) = Long-term Debt / (Long-Term Debt + Shareholders' Equity)**.**Interest Coverage Ratio = Profit before Interest and Taxes (PBIT) / Interest Expense. Simultaneously, debt ratios and the related interest coverage ratio checks the soundness of a company's financing policies. One the one hand, use of debt funds can enhance returns to owners. On the other hand, high debt can mean that the company will find it difficult to raise funds during lean periods of business.

Lucia Jenkins (2009)[5], Understanding the use of various financial ratios and techniques can help in gaining a more complete picture of a company's financial outlook. He thinks the most important thing is fixed cost and variable cost. Fixed costs are those costs that are always present, regardless of how much or how little is sold. Some examples of fixed costs include rent, insurance and salaries. Variable costs are the costs that increase or decrease in ratios proportion to sales.
James Clausen (2009)[6], He denotes that about the total asset ratio. The calculation uses two factors, total revenue and average assets to determine the turnover ratio. When calculating for a particular year, the total revenue for that year is used. Instead of using the year ending asset total from the balance sheet, a more accurate picture would be to use the total average assets for the year. Once the average assets are determined for the same time period that revenue is compared, the formula for calculating the asset turnover ratio is. Total Revenue / Average Assets = Asset Turnover Ratio.
James Clausen (2009)[7], He state that the Profitability Ratio Analysis of Income Statement and Balance Sheet Ratio analysis of the income statement and balance sheet are used to measure company profit performance. He said the learn ratio analyses of the income statement and balance sheet. He defines the income statement shows the net profit of the company by subtracting expenses from gross profit (sales – cost of goods sold). Furthermore, the balance sheet lists the value of the assets, as well as liabilities. In simple terms, the main function of the balance sheet is to show the company's net worth by subtracting liabilities from assets. He said that the balance sheet does not report profits, there's an important relationship between assets and profit. The business owner normally has a lot of investment in the company's assets.
V. Denadhayalan and Mrs. R. Divya Anbarasi (2007)[8] They have suggested that the Z-score of a sample size remain below the grey area from 1997 to 2007. But in the year 2001-2002 there is in the Z-score. After 2001-02 the decreases in the score in the case that the sample unit is not financially sound and healthy. The sample unit needs to put in the efforts to increase the score. This will help the sample unit to and avoid any damage to its liquidity and solvency position thereby avoiding financial disaster and bankruptcy.
M. Kannadasan (2007)[9] an attempt has been made in the present study to have an insight into the examination of financial health of Watch Company in India. To evaluate the financial condition and performance of a company this study use Z-score model which capture the predictive viability of a company's financial health by using a combination financial ratio ultimately predict a score which can be used to determine the financial health of a company. The study concludes that the company overall financial health was good.
Jose M. Moneva. Eduardo Ortas (2010)[10] in his study 'Corporate environmental and financial performance: financial performance in order to show managers how an adequate management of environmental factors could contribute to the financial success of the firm. The results support the idea that enterprises which obtained higher rates of environments performance show better financial performance levels in the future.
John iron (2010)[11] in his study " Financial Statements why it is important for all business?" states that the purpose of financial statements is to give information regarding the financial situation, performance and changes in financial situation of a venture that is helpful to wide range of users in making financial decisions. Financial statements should be comprehensible, appropriate, reliable and comparable. Reported property, liabilities and equity are directly connected to an organization's financial performance.
Ramachandra Reddy and Yuvaraja Reddy (2007)[12] examined the financial performance of the selected cement companies in Andhra Pradesh by Market Value added approach. Objective of the study was to examine the effect of return on net worth, capital productivity, labour productivity, earnings per share, economic value added, return on sales return on total assets and cash profit on market value added.
Dr. Sangeetha Arora and Shubpreet Kaur (2006)[13] attempted an empirical study on financial performance of Indian Banking Sector in post reforms era. For the purpose of analysis banks have been categorized into private, foreign sector banks, nationalized and State Bank of India and it's associated. A comparatives analysis has been undertaken of the basis of seven key indicators namely return on assets, capital asset risk weathered ratio, non-performing assets level and off-balance sheet operations of scheduled commercial banks form the sector banks have improved considerably when compared with other sectors they are lagging in thrust areas viz, business per employee, profitability and asset quality.
Dr.T.Satyanarayana chary and Prasad.T (2006)[14] analyzed the performance of MC Semiconductor Technology Limited – a venture capital unit. They analyzed the performance for a period of 5 years from 2000 to 2004 through liquidity, leverage, activity and profitability ratios. They observed that the overall financial performance of the company is not good over the study period as it combating with the new technologies of IT industry it take 5 to 10 years to prove themselves fixed sources through working capital to be avoided, proper capital mechanism should be deviled and implemented to control the expenditure of the organization and the main objective of shareholders wealth maximization is to achieved by providing at least the minimum rate of return.
S. K. Bagchi (2004)[15] analyzed the "Accounting ratios for risk evaluating". He stated that the commercial banks may lay high stress on some ratios like current ratio, acid test for working capital finance, financial institutions may consider the other ratio more relevant like debt service coverage ratio, cash flow ratio, etc. an investor may give equally importance for both ratios. He stated standard level for various ratios and advised if any company ratio not adequate around the standard show it has high risk.
Reserve Bank of India (2003)[16] analyzed the performance of 920 non-government financial and investment companies other than banking insurance and chit fund companies during the year 2001-02. The companies were classified the into six major groups according to their activity viz., share trading and investment holding, loan finance, hire purchase finance, leasing diversified and miscellaneous. It was profits despite a marginal decline in their main income. Growth in profit was due low depreciation provision and other operating expenses compared to the previous year. The profit margin and the return on shareholder funds were higher in 2001-02 than the year 2001-02. The dividend rate was fractionally higher during the period. Profit margin was highest in case of diversified companies followed by share trading and investment holding. External sources like debenture issue, bank borrowings and public deposits were continued to be the major sources of finance. Investment in securities of their Indian companies and mutual funds, loans and advances against hire purchases and other revisable were the important uses of funds during the year.
Navdeep Aggarwal and Singla.S.K. S. K (2001)[17] developed a single index model for analyzing the financial performance by using Multi- Discriminate analysis (MDA). The MDA analysis brings the light of most important indicators of financial performance namely inventory turnover ratio, interest coverage ratio, net profit to total assets and earnings per share, these factors were inter-related with inventory turnover, interest coverage, net profit and earnings per share, the discriminate score of net profit to total assets, interest coverage ratio, earnings per share and inventory turnover ratios were 13.1146, 0.2323, 0.0156 and 0.2183 respectively.
Shergill, G. S., et al. (2000)[18] examined the market structure and financial controls. They found that there was a negative relationship exists between concentrations to profitability to capital intensity due to ideal capacity and a positive relationship observed between risks and profitability due to efficient management. An ideal manager seeks to achieve high profitability with how variation of earnings.

PROBLEM DEFINITION

Financial performance analysis is the process of determining the operating and financial characteristics of a firm from accounting and financial statements. The ability of an organization
to analyze its financial position is essential for improving its competitive position in the marketplace. Through a careful analysis of its financial performance, the organization can identify opportunities to improve performance of the department, unit or organizational level. In this context an attempt has been made an analysis of financial performance of IT Company to understand how management of finance plays a crucial role in the growth.

RESEARCH GOALS

The goal of financial performance analysis is to determine the efficiency and performance of firm's management, as reflected in the financial records and reports. The analyst attempts to measure the firm's liquidity, profitability, and other indicators that the business is conducted in a rational and normal way; ensuring enough returns to the shareholders to maintain at least its market value. In this context an attempt has been made an analysis of financial performance of REDINGTON INDIA LIMITED, TRICHY Company to understand how management of finance plays a crucial role in the growth.

OBJECTIVES OF THE STUDY

- To find the financial performance of Redington India limited for the past five years.
- To study the financial soundness in terms of liquidity, Solvency and Profitability.
- To know the efficiency of payables management in the organization.
- To analysis the financial strength of the company.

RESEARCH DESIGN

Research design constitutes the blue print for collection, measurement and analysis of data. The type of research used here is analytical and descriptive. The required data was collected from secondary data like the annual reports of the organization of previous 5 years. The tools used are Ratio Analysis, Cash flow analysis, correlation and Altman Z – Score Model for analyzing financial strength of the company.

DATA ANALYSIS

RATIO ANALYSIS

TABLE NO: 1 (Rs. In lakhs)

Year	Current Ratio	Liquid ratio	Absolute Ratio	Debt Equity Ratio	Proprietor Ratio	GPR	NPR	OR	STR	DTR	DCP	CTR
2005-2006	2.34	1.43	0.54	0.54	0.54	1.29	0.83	101.48	26.92 times	10.18 times	34 days	27.54 times
2006-2007	2.40	1.49	0.42	0.59	0.42	1.39	0.90	95.74	21.99 times	8.90 times	41 days	17.43 times
2007-2008	2.06	1.19	0.46	0.44	0.46	1.79	1.16	95.11	18.42 times	13.50 times	27 days	14.19 times
2008-2009	1.97	1.31	0.43	0.47	0.43	1.92	1.25	88.70	16.40 times	9.90 times	37 days	11.54 times
2009-2010	1.77	1.03	0.39	0.56	0.39	2.52	1.64	100.31	21.16 times	8.94 times	41 days	9.97 times

INFERENCE

The current ratio is increased from 2.34 in 2006 to 2.40 in 2007. The liquid ratio of the company for the past five years is in fluctuating trend (1.43 - 1.03). Though it satisfies the ideal norm 1:1 of liquid ratio it is not satisfactory for the company to have decreasing trend. Absolute ratio indicates does not satisfy the standard ratio of 0.75:1. So the company should improve its cash positions. Debt-equity ratio has increased during the study period it indicates the desirable. Proprietary ratio of the company has decreasing trend. It indicates does not satisfy position. Gross profit ratio has increased during the study period. As the ratio is higher it shows a good management. Net profit ratio has increased in last five years. It indicates the efficiency of the business. The operating profit ratio has decreased in the earlier and increased later during the year study period 2009-2010. The stock turnover ratio has decreased in the earlier and increased later during the year 2009-2010. Thus the stock movement has improved. Debtor's turnover ratio shows fluctuation. It indicates the debts were collected promptly as the ratio is higher. Creditor's turnover ratio has decreased during the study period 2006-2010. It indicates the liberal credit terms given by suppliers. Fixed assets turnover ratio has decreased during the study period. It indicates the utilization of fixed assets has decreased.

CASHFLOW STATEMENT DURING 2005-06 TO 2009-10
OVERALL CHANGES IN CASH FLOW STATEMENT DURING 2005-06 2009-10

TABLE NO: 2 (Rs. In Lakhs)

PARTICULARS	2005-2006	2006-2007	2007-2008	2008-2009	2009-2010
Cash flow from operating activities	-2453.22	-12378.9	21353.62	2685.83	8905.75
Cash flow from investing activities	-3904.05	-5534.14	-10226.4	-1294.96	-14821.3
Cash flow from financial activities	8772.07	23987.81	-12749.9	-3554.38	2316.15
Net increase in cash and cash equivalents	2414.80	6074.76	-1622.63	-2163.51	-3599.35
Cash and cash equivalents at the end of the year	3307.10	9381.86	7759.23	5595.72	1996.37

INFERENCE

The table shows cash flow analysis, the cash from operations for the years 2006 and 2010. This indicates company has spent more on inventories and there is increased receivable, implying that the major portion of cash is locked in the form of inventories and receivables, which in turn will affect the working capital of the firm.

CORRELATION ANALYSIS

TABLE NO: 3: CORRELATION ANALYSIS DURUNG 2005-06 TO 2009-10

		Reserve & suplus	Secured	Unsecured	Current liabilities	Sales	Current assets
Reserves& surplus	Pearson Correlation	1	.807	-.340	.956*	.955*	.947*
	Sig. (2-tailed)		.099	.576	.011	.011	.015
	N	5	5	5	5	5	5
Secured	Pearson Correlation	.807	1	-.691	.922*	.839	.831
	Sig. (2-tailed)	.099		.196	.026	.076	.081
	N	5	5	5	5	5	5
Unsecured	Pearson Correlation	-.340	-.691	1	-.569	-.250	-.229
	Sig. (2-tailed)	.576	.196		.317	.686	.711
	N	5	5	5	5	5	5
Current liabilities	Pearson Correlation	.956*	.922*	-.569	1	.928*	.918*
	Sig. (2-tailed)	.011	.026	.317		.023	.028
	N	5	5	5	5	5	5
Sales	Pearson Correlation	.955*	.839	-.250	.928*	1	1.000**
	Sig. (2-tailed)	.011	.076	.686	.023		.000
	N	5	5	5	5	5	5
Current assets	Pearson Correlation	.947*	.831	-.229	.918*	1.000**	1
	Sig. (2-tailed)	.015	.081	.711	.028	.000	
	N	5	5	5	5	5	5

* Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

INFERENCE

The above table shows the correlations between six variables. Reserves and surplus is found to be correlated with secured loans. Reserve and surplus had not correlated with unsecured loans and it not significant. Reserve and surplus highly correlated (.956, .955, .947) with current liabilities, sales and current assets and its significant level at (0.01).

Secured loan is found to be correlated with Reserves and surplus. Secured loan had not correlated with unsecured loans. Secured loan is highly correlated (.922) with current liabilities and its significant level at (0.01). Secured loan is correlated with sales and current assets.

Unsecured loan had not correlated with reserves and surplus, secured loan, current liabilities, sales and current assets.

Current liabilities are highly correlated (.956, .922) with reserve and surplus and secured loan and its significant level at (0.01). Current liabilities had not correlated with unsecured loans. Current liabilities are highly correlated with (.928, .918) with sales and current assets and its significant level at (0.01).

Sales are highly correlated (.955) with reserves and surplus and its significant level at (0.01). Sales are correlated with secured loan. Sales are had not correlated with unsecured loan. Sales are highly correlated with current liabilities. Sales are highly correlated (1.00) with current assets and significant level at (0.05).

Current assets are highly correlated with reserves and surplus. Current assets are correlated with secured loan. Current assets are had not correlated with unsecured loan. Current assets are highly correlated (.918, 1.00) with current liabilities and sales and its significant level at (0.01, 0.05).

Z-SCORE MODEL

a) RATIO OF WORKING CAPITAL TO TOTAL ASSETS (X_1) = X_1 = Working capital / Total assets

TABLE NO : 4 a (Rs. in lakhs)

Year	Working capital	Total assets	Ratio
2005-2006	29078.98	83305.48	0.35
2006-2007	49990.24	127014.09	0.47
2007-2008	38397.35	124626.34	0.37
2008-2009	43945.37	143939.74	0.31
2009-2010	44454.52	172538.79	0.26
Average			**0.35**

INFERENCE

From the above table shows the ratio of working capital to total assets for the year 2005-2006 to 2009-2010. It is a fluctuating trend. The average ratio is 0.35.

b) RATIO OF RESERVES & SURPLUS TO TOTAL SALES (X_2) = X_2 = Reserves & surplus / Total sales

TABLE NO: 4 b (Rs. in lakhs)

Year	Reserves	Sales	Ratio
2005-2006	30454.61	350595.89	0.09
2006-2007	45715.67	471256.41	0.09
2007-2008	49168.29	577100.71	0.08
2008-2009	53652.13	644961.42	0.09
2009-2010	59734.15	606615.65	0.10
Average			**0.09**

INFERENCE

From the above table shows the ratio of reserves & surplus and total sales for the 2005-2006 to 2009-2010. It shows the desirable of following year. The average ratio is 0.09.

c) RATIO OF EBIT TO TOTAL ASSETS (X_3) X_3 = EBIT / Total assets

TABLE NO: 4 c (Rs. in lakhs)

Year	Working capital	Total assets	Ratio
2005-2006	4333.15	83305.48	0.05
2006-2007	6562.93	127014.09	0.05
2007-2008	10357.09	124626.34	0.08
2008-2009	12425.11	143939.74	0.09
2009-2010	15315.78	172538.79	0.09
Average			**0.07**

INFERENCE

From the above table shows the ratio of EBIT to total assets for the year 2005-2006 to 2009-2010. It is a fluctuating trend. The average ratio is 0.07.

d) RATIO OF EQUITY CAPITAL TO BOOK VALUE OF LIABILITIES (X_4) = X_4 = Equity Capital / Book value of Liabilities

TABLE NO: 4 d (Rs. in lakhs)

Year	Equity Capital	Book value of Liabilities	Ratio
2005-2006	6308.22	42033.42	0.15
2006-2007	7786.57	65895.29	0.12
2007-2008	7786.57	63948.13	0.12
2008-2009	7786.57	78316.56	0.10
2009-2010	7863.6	100093.2	0.08
Average			**0.11**

INFERENCE

From the above table shows the ratio of Equity capital to book value of liabilities for the year 2005-2006 to 2009-2010. It is a fluctuating trend. The average ratio is 0.11.

e) RATIO OF EQUITY CAPITAL TO BOOK VALUE OF LIABILITIES (X_5) = X_5 = Sales / Total Assets

TABLE NO: 4 e (Rs. in lakhs)

Year	Sales	Total assets	Ratio
2005-2006	350595.89	83305.48	4.21
2006-2007	471256.41	127014.09	3.71
2007-2008	577100.71	124626.34	4.63
2008-2009	644961.42	143939.74	4.48
2009-2010	606615.65	172538.79	3.52
Average			**4.11**

INFERENCE

From the above table shows the ratio of Sales to Total Assets for the year 2005-2006 to 2009-2010. It is a fluctuating trend. The average ratio is 4.11.

ALTMAN Z-SCORE MODEL

$$Z= 1.2 X_1 + 1.4 X_2 + 3.3 X_3 + 0.6 X_4 + 1.0 X_5$$

Where,

Z = Discriminate function score of a firm.

X_1= Working capital / Total assets

X_2= Reserves &surplus / Total sales

X_3= EBIT / Total assets

X_4= Equity capital / Book value of total liabilities.

X_5= Sales / Total assets.

Z = 1.2 (average value of X_1) + 1.4 (average value of X_2) + 3.3 (average value of X_3)+ 0.6 (average value X_4) + 1.1 (average value X_5)

Z = 1.2 (0.35) + 1.4 (0.09) + 3.3 (0.07) + 0.6 (0.11) + 1.0 (4.11)

= 4.96

ALTMAN GUIDELINES FOR FINANCIAL HEALTHY ZONE

Situation	Z-Score	Zone	Remarks
I	Below 1.8	Not healthy	If failure is certain and extremely likely and would occur properly with in a period of 2 years
II	Between 1.8 and 2.99	Healthy	Financial viability is considered health. The failure in the situation is uncertain to predict.
III	3.0 and above	Too healthy	It financial health viable and not to fall.

INFERENCE

From the above Altman Z-Score analysis shows the financial health of the company. The Z-Score value is 4.96 from the year 2005-06 to 2009-10. Comparing the Altman guidelines for the healthy zone analysis the company is running in too healthy zone. It means its Financial health is viable and the its position of Financial strength is not to fall.

SUGGESTION

- The current ratio is showing a decreasing trend which is obviously very difficult to manage its working capital. Hence the current ratio should be increase by properly handling the current assets and current liabilities.
- Liquid assets are readily available for the company for its day to day needs. So it has an high importance to maintain the liquidity position of the company. Hence liquid assets should be properly maintained.
- The company has maintained increasing trend of the debt-equity ratio to have good solvency position
- The main objective of the company is to maximize the value of shareholders funds so the company has to concentrate with its share capital
- Proper planning is necessary to maintain profitability and liquidity position of the company.
- Higher stock turnover is evidence for the good maintenance of stock into sales which directly increase the net profit of the company.
- The company should reduce giving more credit to its debtors to maintain its working capital.
- The collection period is high hence the current assets are blocked which affect the working capital position of the company and its liquidity position. It should be avoided.
- The company maintained good credit turnover ratio which enhances the credit worthiness.
- The company mainly depends on current assets and not a fixed asset. The company can do better by improving its fixed assets comparing to sales.
- Cash should be maintained properly reducing credit limits to the debtors and increasing credit limits to the creditors.
- Comparing the Altman guidelines for the healthy zone analysis the company is running in too healthy zone. It means its Financial health is viable and the its position of Financial strength is not to fall.

LIMITATIONS OF THE STUDY

- The study is only for a period of 5 years from 2005-06 to 2009-10.
- Study exclusively depends on the published financial data, so it is subject to all limitations that are inherent in the condensed published financial statements.
- Financial analysis is based on the statement of the company which suffers from their inherent limitations. Only audited records are considered for analysis.
- The data collected is only one company and this might not be true representation of the population. This is a major limitation of the research.

CONCLUSION

On studying the financial Performance of REDINGTON INDIA LIMITED for a study period of five years 2005-2006 to 2009-2010, the study reveals that the financial strength and performance satisfactory. Ratios help to summarize large quantities of financial data to make quantitative judgment about the financial strength of the firm's. Thus the company is having constant profit which is the sign of it a good financial strength of the company. Still it can be concentrating more on inventory, debtors, and creditors to enable itself in completing the forthcoming business dynamics.

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