

A STUDY ON BASIC METHODS OF FINANCIAL PERFORMANCE PRACTICES ON RAVALI SPINNERS PRIVATE LIMITED, TANUKU

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ABSTRACT

A financial Performance is a strategy communicated in quantitative term. The spending plan gives a measuring stick from which the presentation can be assessed. It is smarter to contrast the genuine outcomes and the spending plan as opposed to the past since the previous outcomes may not be responsible for current and anticipated conditions. It bargains in earthenware tails to supply the over all in the Andhra Pradesh. The significance of the investigation is Financial Performance helps uncertainty making measure in making trail esteem. Financial Performance is the drawn-out monetary arranging measure for taking long haul speculations. The assessment of strategies of Financial Performance is utilized for breaking down the venture in Raveli spinners private Tanuku. Finance function has become so important that it has given birth to financial management as a separate subject. So, this subject Finance in the modern business world is regarded as life and blood of a business is acquiring a universal applicability. Financial management is that managerial activity which is concerned with the planning and controlling of the firms' resources.

Keywords: finance, performance, Organization, Effectiveness.

1. INTRODUCTON

Finance is regarded as "THE LIFE BLOOD OF BUSINESS ENTERPRISE". Business concern needs finance to meet their requirements in the economic world. Any kind of business activity depends on the finance. Whether the business concern is big or small, they need finance to fulfill their business activities.

The subject of financial management is of immense interest to both academicians and participating managers. It is of great interest to academicians because the subject is still developing, and there are still certain areas where controversies exist for which no unanimous solutions have been reached as yet. Practicing managers are interested in this subject because among the most crucial decisions of the firm which relate to finance, and an understanding of the theory of financial management provides them with conceptual and analytical insights to make those decisions skillfully.

Financial performance:

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm's overall financial health over a given period. Analysts and investors use financial performance to compare similar firms across the same industry or to compare industries or sectors in aggregate. Financial performance is a complete evaluation of a company's overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability. It is measured through various business-related formulas that allow users to calculate exact details regarding a company's potential effectiveness.

Indian Textile Industry:

India's textiles sector is one of the oldest industries in the Indian economy, dating back to several centuries. The industry is extremely varied, with hand-spun and hand-woven textiles sectors at one end of the spectrum, with the capital-intensive sophisticated mills sector at the other end. The fundamental strength of the textile industry in India is its strong production base of a wide range of fibre/yarns from natural fibers like cotton, jute, silk, and wool, to synthetic/man-made fibers like polyester, viscose, nylon and acrylic. The decentralized power looms/ hosiery and knitting sector form the largest component of the textiles sector. The close linkage of textiles industry to agriculture (for raw materials such as cotton) and the ancient culture and traditions of the country in terms of textiles makes it unique in comparison to other industries in the country. India's textiles industry has a capacity to produce a wide variety of products suitable for different market segments, both within India and across the world. In order to attract private equity and employee more people, the government introduced various schemes such as the Scheme for Integrated Textile Parks (SITP), Technology Upgradation Fund Scheme (TUFS) and Mega Integrated Textile Region and Apparel (MITRA) Park scheme.

RAVALI SPINNERS PRIVATE LIMITED:

Ravali Spinners Pvt Ltd. was established in the year 2005 by Mr. Vanka Ravindranath, an eminent exporter in India. We commenced with a small start and now have grown into a full-fledged organization manufacturing high quality cotton yarn for our esteemed clients worldwide. We are a client centric organization and we always endeavour to fulfil their expectation with satisfying results. At present we are having spindle capacity of 101,520 a sign of growth and development. The turnover of our company is 450 crore per annum. Ravali Spinners Pvt.Ltd., is a well reputed name among the leading Compact (Com4) Cotton Yarns manufacturers and suppliers. We manufacture and supply premium quality Yarns that are made from best quality materials using advanced technology. We have been leading new and revolutionary change in the textiles industry, by offering world class yarns at competitive prices. The large international clientele, we cater to testifies the exceptional quality of our cotton yarns. The Ring Spun & Compact Yarns offered by us are considered the best available in the market due to the the stringent quality check norms followed by us. Each and every vial of yarn being delivered by us, is personally checked for quality, weave and such other features. The constant zeal to achieve excellence and leadership among the spun yarn manufacturers and suppliers, keeps us motivated to deliver quality products at competitive prices.

2. LITERATURE REVIEW :

Financial ratios are the most commonly used method for evaluating a company's financial health. They offer insights into a firm's profitability, efficiency, liquidity, and solvency. The DuPont analysis breaks down Return on Equity (ROE) into three key components: profit margin, asset turnover, and financial leverage. This method provides a more detailed understanding of the drivers behind a firm's profitability and financial performance, allowing analysts to identify whether a company's profitability is driven by operational efficiency, asset use, or financial leverage. EVA is a performance metric that calculates the true economic profit of a company. It is based on the concept that value is only created when a company earns a return greater than its cost of capital. Cash flow analysis is crucial for understanding the liquidity and long-term viability of a business. Cash flow-based measures, such as **Free Cash Flow (FCF)**, help assess how much cash a company has left over after capital expenditures to fund operations, growth, and debt repayments. This method is useful for evaluating companies that might not be profitable in the short term but still generate strong cash flows. The Z-score is a statistical tool developed by Edward Altman that combines several financial ratios to predict the likelihood of a company going bankrupt. It is particularly useful for assessing the financial health of distressed companies and identifying potential risks of insolvency.

NEED FOR THE STUDY: Appropriate financial analysis is the key for the success of business organizations without which we cannot anticipate a proper direction for the business. The present study financial analysis of Ravali Spinners Private Limited (RSPL) helps me towards a real-life scenario of financial management so that can have a particular knowledge of ratio analysis comparative statements, common size statement and trend analysis. This certainly does through light on financial performance and it have evaluated the company. So that I can come out with application of theoretical knowledge and thereby have practical insight into the financial management and thereby I come out with meaningful finding and suggestion.

OBJECTIVES OF THE STUDY

- To find out the financial analysis of the company RSPL.
- To find out the financial & economic resources of the company
- To measure the future earning capacity and profit if the company
- To measure the long-term liquidity & funds of the company.

3. METHODOLOGY

Methodology is a systematic procedure of collecting information in order to analyses and verify a phenomenon. The data can be collected through principal sources.

The Project done through only based on Secondary Data

They are as follows: -

- Primary Sources
- Secondary Sources

Primary sources: A primary source provides direct or first-hand evidence about an event, object, person, or work of art. Primary sources include historical and legal documents, eyewitness accounts, and results of experiments, statistical data, pieces of creative writing, audio and video recordings, speeches, and art objects.

Secondary sources: This data is from the number of books and records of the company, the annual reports published by the company and other magazines. The secondary data is obtained from the following.

4. RESULT DISCUSSIONS

The results of the study are discussed in the following tables:

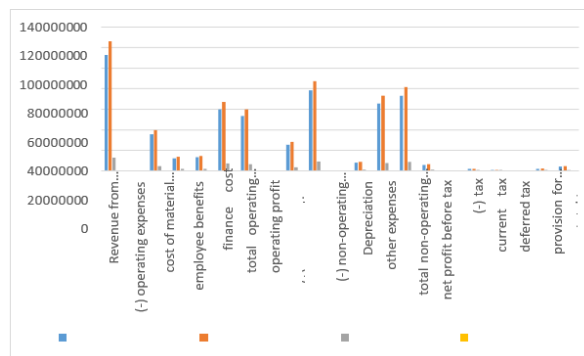
TABLE –1

Comparative Income Statement of Ravali Spinners Private Limited (RSPL) for The Year Ended 2019-2020

PARTICULARS	31ST MARCH 2019	31ST MARCH 2020	CHANGE IN RS.	CHANGE IN %
Revenue from operations	112952298.6	125502554	12550255	11.11
(-) operating expenses				
cost of material consumed	35153498.7	39059443	3905944.3	11.11
employee benefits	11856178.8	13173532	1317353.2	11.11
finance cost	12664614.6	14071794	1407179.4	11.11
total operating expenses	59674292.1	66304769	6630476.9	11.11
operating profit	53278006.5	59197785	5919778.5	11.11
(+) non-operating income				
other income	24849729	27610810	2761081	11.11
	78127735.5	86808595	8680859.5	11.11
(-)non-operating expenses				
Depreciation	7550432.1	8389369	838936.9	11.11
other expenses	65322009.9	72580011	7258001.1	11.11
Total non-operating expenses	72872442	80969380	8096938	11.11
net profit before tax	5255293.5	5839215	583921.5	11.11
(-) tax				
current tax	1444994.1	1605549	160554.9	11.11
deferred tax	106525.8	118362	11836.2	11.11
Provision for previous year tax	0	0	0	0
total tax	1551519.9	1723911	172391.1	11.11
profit after tax	3703773.6	4115304	411530.4	11.11

Source: Secondary Data

Graphical Representation of Comparative Income Statement for The Year Ended 2019-2020



GRAPH -1

Source: Primary Data

Table 1 explains that the above statement, we observe that the comparison of the income statements for the year ended 2019 and 2020, in this it is observed that revenue from operations is increased by 11.11%, operating expenses also increased by 11.11%. Hence total profit is increased by 11.11%, therefore profits are satisfactory.

TABLE-2

**Comparative Income Statement of Ravali Spinners Private Limited (RSPL)
for The Year Ended 2020-2021**

PARTICULARS	31ST MARCH 2020	31ST MARCH 2021	CHANG E IN RS.	CHANG E IN %
Revenue from operations	125502554	137512429	12009875	9.569
(-) operating expenses				
Cost of material consumed	39059443	44837767	5778324	14.79
employee benefits	13173532	16991781	3818249	28.98
finance cost	14071794	18309965	4238171	30.12
total operating expenses	66304769	80139513	13834744	20.87
operating profit	59197785	57372916	-1824869	-3.08
(+) non-operating income				
other income	27610810	30862984	3252174	11.78
	86808595	88235900	1427305	1.644
(-) non-operating expenses				
depreciation	8389369	9634987	1245618	14.85
other expenses	72580011	71595057	-984954	-1.36
total non-operating expenses	80969380	81230044	260664	0.322
net profit before tax	5839215	7005856	1166641	19.98
(-) tax				
current tax	1605549	2372427	766878	47.76
deferred tax	118362	-204349	-322711	-273
Provision for previous year tax	0	0	0	0
total tax	1723911	2168078	444167	25.77
profit after tax	4115304	4837778	722474	17.56

GRAPH -2

Graphical Representation of Comparative Income Statement for The Year Ended 2020-2021

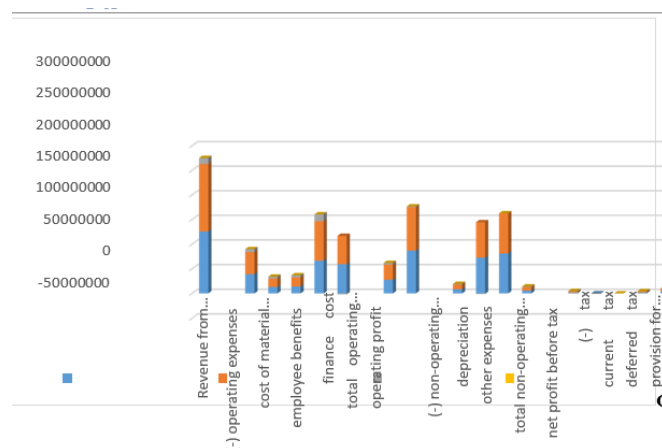


Table 5.2 explains that the above information it is observed that revenue from operations has been increased by 9.56% in 2020, operating expenses increased by 20.87%, but the operating profit decreased by 3.08%, net profit before tax and after-tax increases as 19.98% and 17.56%. Hence the firm has gained more profits.

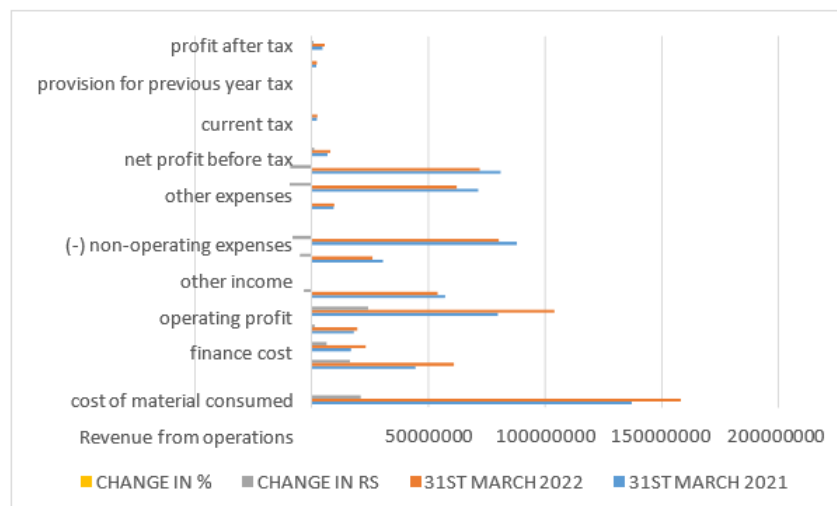
TABLE – 3

Comparative Income Statement of Ravali Spinners Private Limited (RSPL) for The Year Ended 2021-2022

PARTICULARS	31ST MARCH 2021	31ST MARCH 2022	CHANGE IN RS	CHANGE IN %
Revenue from operations	137512429	158388334	20875905	15.2
(-) operating expenses				
Cost of material consumed	44837767	61158544	16320777	36.4
employee benefits	16991781	23382336	6390555	37.6
finance cost	18309965	19621071	1311106	7.16
Total operating expenses	80139513	104161951	24022438	30
operating profit	57372916	54226383	-3146533	-5.5
(+) non-operating income				
other income	30862984	26130824	-4732160	-15
	88235900	80357207	-7878693	-8.9
(-) non-operating expenses				
depreciation	9634987	9898351	263364	2.73
other expenses	71595057	62325223	-9269834	-13
Total non-operating expenses	81230044	72223574	-9006470	-11
net profit before tax	7005856	8133633	1127777	16.1
(-) tax				
current tax	2372427	2563736	191309	8.06
deferred tax	-204349	-256264	-51915	25.4
provision for previous year tax	0	0	0	0
total tax	2168078	2307472	139394	6.43
profit after tax	4837778	5826161	988383	20.4

Source : Secondary data

Graphical Representation of Comparative Income Statement for The Year Ended 2021 And 2022



GRAPH -3

Table 5.3 explains the above information revenue from operations has been increased by 15.18%, whereas as operating profit is decreased by 5.48%, net profit before and after-tax increases.

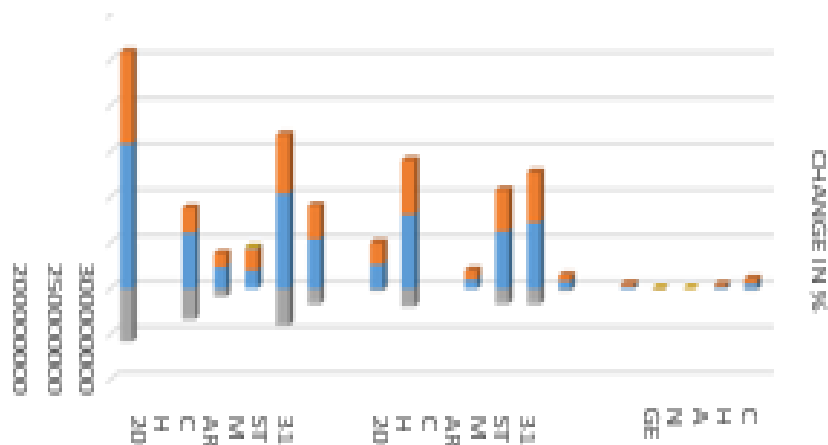
TABLE – 4

Comparative Income Statement of Ravali Spinners Private Limited (RSPL) for The Year Ended 2022 And 202

PARTICULARS	31ST MARCH 2022	31ST MARCH 2023	CHANGE IN RS	CHANGE IN %
Revenue from operations	158388334	99874606	-58513728	-36.94
(-) operating expenses				
cost of material consumed	61158544	26885034	-34273510	-56.04
employee benefits	23382336	14268136	-9114200	-38.98
finance cost	19621071	22400935	2779864	14.17
total operating expenses	104161951	63554105	-40607846	-38.99
operating profit	54226383	36320501	-17905882	-33.02
(+) non-operating income				
other income	26130824	23747195	-2383629	-9.122
	80357207	60067696	-20289511	-25.25
(-) non-operating expenses				
depreciation	9898351	9456438	-441913	-4.465
other expenses	62325223	44864757	-17460466	-28.02
total non-operating expenses	72223574	54321195	-17902379	-24.79
net profit before tax	8133633	5746501	-2387132	-29.35
(-) tax				
current tax	2563736	2002727	-561009	-21.88
deferred tax	-256264	-384361	-128097	49.99
provision for previous year tax	0	0	0	0
total tax	2307472	1618366	-689106	-29.86
profit after tax	5826161	4128135	-1698026	-29.14

Source: Secondary data

Comparative Income Statement Graph of Ravali Spinners Private Limited (RSPL) for The Year Ended 2022 And 2023



GRAPH -4

Here revenue operations decreased by 36.94% decreased

5. FINDINGS

- ❖ It is found that the financial position as expressed by the comparisons is fine in many aspects.
- ❖ The Liabilities of the firm are increased year by year.
- ❖ It is observed that the Profits of the firm are good because it is increasing year by year.
- ❖ The Current financial position is good, but it will not be sufficient for further survival.
- ❖ The Reserves and surplus maintenance are increased, which is beneficial for the firm.
- ❖ The Current ratios are mostly in ideal form.
- ❖ The firm has less earnings in 2020, because of impact of covid-19.
- ❖ The Investments are very low of the firm.
- ❖ The Taxes are paid in uniform rate only.
- ❖ The Expenses and incomes of the firm have almost equal to each other, that's why firm has less profits (small profits).

6. SUGGESTIONS

- It is suggested to improve the long-term stability, the rate of growth rate and profitability, it is necessary to induce cost reduction techniques.
- If the liability payment is made with more high speed that will lead to fast improvement in financial position of the firm.
- It is suggested to concentrate on loans and advances because it will impact the payment position of the firm.
- To provide discounts to customers without decreasing in prices, it may lead to generate the more profits of the firm.
- Equipment's of the company are reduced, please make more equipment for kids, and also for others.
- While making investments only in fixed assets overall financial performance is not improved. So, investments must also be made in other assets that help in improving the performance.

7. CONCLUSION

The Ravali Spinners Private Limited (RSPL) has been founded in 1984 and it is one of the major Gas and Oil Company in the Asia and having much more capital investment. We know that the Ravali Spinners Private Limited (RSPL) as a large organization might have long gestation period. But the top management of Respondents so many training and development programs to improve their performance, not only this but also frequent technological changes due to the above factors in the initial stage. This study concentrated on the financial state of affairs of the company Ravali Spinners Private Limited (RSPL). It involved study of cash flow statements, Balance sheets, Profit & Loss accounts and their comparison over the last five years in the industry. It has presented a broader picture of the financial position of the company. The study analyzed the company's success in being able to effectively manage its day-to-day requirements pertaining to cash flow and effectively channelizing the short term and long-term funds of the company to meet the requirements. Their main aim is to create and strengthening indicant global presence to pursue strategic, attractive opportunities that leverage Ravali Spinners Private Limited (RSPL) capabilities while effectively managing risks.

8. REFERENCES

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