



**A STUDY ON FINANCIAL PERFORMANCE WITH  
REFERENCE TO THE BOMBAY BURMAH TRADING  
CORPORATION LIMITED, MUMBAI**

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**Abstract:**

The purpose of the financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. The purpose of the report is to provide stakeholders with accurate and reliable financial statements that provide an overview of the company's financial performance. In addition, these statements are audited and signed by the leadership of the company along with a number of other disclosure documents. In this way, the form represents the most comprehensive source of information on financial performance made available for investors on an annual basis. Included within the form are two financial statements, the balance sheet, and the income statement. The main objective of the study is that to analyze the financial performance of the company and to assess individual financial segments and put forth the strength and weakness of the financial elements of balance sheet through trend analysis. For this purpose a sample of one company with 10 years balance sheet was used with ratio analysis, trend analysis and comparative balance sheet as tools to analyse the data and the conclusion is that the company has to look after working capital of the firm so that there will be a sufficient fund for operating cost of the firm in future period of time.

**Key Words:** Financial Performance, Balance Sheet & Working Capital

**Introduction of the Study:**

The purpose of financial analysis is to diagnose the information contained in financial statements so as to judge the profitability and financial soundness of the firm. Just like a doctor examines the patient by recording their body temperature, blood pressure etc. before making the conclusion regarding the illness and before giving their treatment. A financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health or weaknesses of an enterprise. The analysis and interpretation of financial statements is essential to bring out the mystery behind the figures in financial statements. Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound dividend policy. Thus, the term 'financial statements' generally refers to two basic statements: balance sheet and the income statement. The balance sheet shows the financial position (condition) of the firm at a given point of time. It provides a snapshot and may be regarded as a static picture. "Balance sheet is a summary of a firm's financial position on a given date that shows total assets = total liabilities + owner's equity. The income statement (referred to in India as the profit and loss statement) reflects the performance of the firm over a period of time. "Income statement is a summary of a firm's revenues and expenses over a specified period, ending with net income or loss for the period." However, financial statements do not reveal all the information related to the financial operations of a firm, but they furnish some extremely useful information, which highlights two important factors profitability and financial soundness. Thus analysis of financial statements is an important aid to financial performance analysis.

**Statement of the Problem:**

A Financial analyst analyses the financial statements with various tools of analysis before commenting upon the financial health of the firm. It is essential to bring out the history, significance and meaning of the financial statements. The problem is that the company may not be aware of their financial position based on analysis of various tools used for analyzing the financial statements.

**Objectives of the Study:**

- ✓ To understand the financial statements.
- ✓ To study the change in assets and liabilities of the company and to know about the liquidity position of the firm.
- ✓ To study the financial health and profitability of the company using ratio analysis.
- ✓ To analyse the future performance of the company based on trend analysis.
- ✓ To offer suitable suggestions and conclusion.

**Period of the Study:** The study is to analyse the financial position of the company and the period of the study is the last ten years from 2007-08 to 2015-16.

**Scope of the Study:** The interests of various related groups are affected by the financial performance of the firm. Therefore, these groups analyze the financial performance of the firm. The type of analysis varies according to the specific interest of the party involved.

**Need of the Study:** Need of financial management study to diagnose the information contain in financial statement so as to judge the profitability and financial position of the firm.

**Research Methodology & Research Design:** This is a systematic way to solve the research problem and it is an important component for the study without which researchers may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manner that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

**Sources of Data:** Data collected were based on two sources.

- ✓ Primary data
- ✓ Secondary data

**Primary Data:** The primary data is the information, which is collected for the first time, and thus happens to be original in character.

**Secondary Data:** The sources of secondary data are annual reports, the internet, magazines.

- ✓ It includes data gathered from the annual reports of BBTCL
- ✓ Data collected from the official website of BBTCL

**Methodology Used:** Types of financial statements adopted: Following two types of financial statements are commonly used in analyzing the firm's financial position

- ✓ Balance Sheet.
- ✓ Income Statements.

**Tools and Techniques:** Ratio analysis

**Limitations of the Study:** The study is confined in its scope by the following limitations

- ✓ The study is confined to the financial performance of BBTCL.
- ✓ The reliability and correctness of the study depends upon the information published in the annual reports supplied by BBTCL.
- ✓ The tools used to analyse the secondary data are subject to their own assumptions and choice.

**Review of Literature:**

M. Sharafali (1984), examines the financial health of co-operative sugar mills in the state of Tamil Nadu. Two firms have been selected for the study. While the financial condition of both the firms is below par, relatively speaking, one firm has better financials than the other one.

Lee E. Richmond et al (1988) conducted a study on the Effects on comprehension – Income characteristics on Non-professional investors Judgement. The study examines whether and how alternative presentation formats affect non professional investors' processing of comprehensive-income information. The results show that non professional investors' are judgments of corporate.

**Analysis and Interpretation:**

**Current Ratio (Rs in Lakhs)**

Years	Liquid Assets	Liquid Liabilities	Current Ratio
2006-07	109.54	42.46	2.58
2007-08	132.21	44.89	2.95
2008-09	133.59	45.04	2.97
2009-10	152.6	59.53	2.56
2010-11	162.93	141.53	1.15
2011-12	171.86	47.15	3.64
2012-13	190.8	73.75	2.59
2013-14	133.3	46.54	2.86
2014-15	202.31	109	1.86
2015-16	141.92	68.33	2.08

The ratio was high at 3.64 in the year 2011-12 and it was low in the financial year 2010-11 at 1.15. The company has to look on the current assets to make the ratio at 2:1. The ratio shows that the financial stability of the company has been more volatile in the recent years.

**Working Capital Turnover Ratio:** The working capital decreased from 14.90 to 3.39 from 2011 to 2016 which shows that the capital on operating income and expenses of the company decreased in the last five years which affects the operations of the company.

**Inventory Turnover Ratio:** The average inventory was taken based on the previous years inventory. The inventory reduced from 4.69 to 2.70 for the last ten years where it's good for the company to reduce the inventory cost and it leads to increase in net profit of the company.

**Debtors Turnover Ratio:** The ratio was high at 18.84 in 2011-12 and was low in the year 2007-08 at 4.37. The debtors increased in the last financial year. The company's debtors were reduced when compared to 2012 to

2014 and if the company follows the same in future period of time then the working capital can be increased further.

**Debt-Equity Ratio:** The ratio was low at 0.33 in the financial year 2012-13 and was high in the year 2008-09 at 0.89. As per the norms the company has to reduce the debt equity ratio but the ratio has been increasing in the last three years and was more volatile in last ten years. This shows that there is a financial instability with increase in equity of the company and the company has to decrease it in future period of time.

**Interest Coverage Ratio:** The debt interest was continuously decreasing in the last three to four years from 3.17 to 0.24. So there was an impact in the interest ratio of the company from 2.70 to 0.24. So the company has to look over the interest ratio to decrease the interest which will have a good impact in the net profit of the company in future period. The company was in a loss during the last financial year.

**Operating Margin Ratio:** The ratio sustained between -0.07 to 0.13 which is not good for the company and the company has to increase the operating income to increase the working capital which leads to a good impact with the current ratio of the firm.

**Gross Profit Ratio:** The ratio it was high in the year 2011-12 at 0.79 and was low in the last year 2015-16 at 0.03. So the company has to look on income and expenses of the company to increase the gross profit of the company.

**Net Profit Margin:** The net profit was high in the year 2011-12 at 0.52 and it reduced to -0.13 in the year 2015-16. To increase the margin of the company has to increase net profit of the company by reducing the interest paid to banks and debtors.

**Earnings per Share:** The EPS was high at 97.81 in 2011-12 and was low at -9.94 in the financial year 2008-09. The company has to increase the net profit of the company to increase the EPS of the company which leads to increase in share value of the firm.

**Profit Equity Ratio:** The ratio was high at 435.24 in the financial year 2014-15 and was low at -77.22 in the year 2015-16. It shows that there was a sudden drop in the performance of the company. To increase the PE ratio the net profit should be high. If the net profit increases then it will impact in EPS of the company. If EPS increases the market price of a share automatically increases then the PE ratio will increase. In our study though the EPS was low the share price of the company was going high and it shows that the companies has a good will towards its future projects and if the EPS is high in near future then there is a chance of good hike in PE ratio in future period of time.

#### **Findings and Suggestions:**

- ✓ The company has to look on the current assets to make the ratio 2:1. The ratio shows that the financial stability of the company is not stable as the ratio has been more volatile in the recent years.
- ✓ The company has to increase the working capital of the firm in the future period to increase the financial stability of the firm.
- ✓ The company has to reduce the inventory cost which will lead to increase in net profit of the company.
- ✓ The company can put efforts to increase the working capital of the firm in the future.
- ✓ The company can put efforts to stabilize the liquidity by increasing the working capital of the firm based on the demand for money.
- ✓ The company has to look over the interest ratio to decrease the interest which will have an good impact on the net profit of the company in future period of time.
- ✓ The company has to increase the operating income to increase the working capital which will lead to a good impact with the current ratio of the firm.
- ✓ The company has to increase the net profit of the company to increase the EPS of the company which leads to increase in share value of the firm.

#### **Conclusion:**

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. This term is also used as a general measure of a firm's overall financial health over a given period of time, and can be used to compare similar firms across the same industry or to compare industries or sectors in aggregation. There are many different stakeholders in a company, including trade creditors, bond holders, investors, employees and management. Each group has its own interest in tracking the financial performance of a company. The purpose of the report is to provide stakeholders with accurate and reliable financial statements that provide an overview of the company's financial performance. In addition, these statements are audited and signed by the leadership of the company along with a number of other disclosure documents. In this way, the 10 years represents the most comprehensive source of information on financial performance made available for investors on an annual basis. Included within the 10 years are two financial statements, the balance sheet and the income statement. The main objective of the study is that to analyze the financial performance of the company and to assess individual financial segments and put forth the strength and weakness of the financial elements of the balance sheet through trend analysis. For this purpose a sample of one company with 10 years balance sheet was used with ratio analysis, trend analysis and comparative balance sheet

as tools to analyse the data and the conclusion is that the company has to look after the working capital of the firm so that there will be a sufficient fund for the operating cost of the firm in the future period of time.

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