



## **A study on financial performance of Rajapalayam mills limited, Rajapalayam**

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### **Abstract**

Rajapalayam Mills Limited established in 1938, with 6800 Spindles imported from England. Rajapalayam Mills today produces 11 million kgs of yarn per year, employs more than 1000 workers and has a turnover of over Rs.1818 million. Acknowledged as the most efficient spinning mills in the industry. Rajapalayam Mills has set the industry standard for quality and price in cotton yarn manufactured with a production increase of about 40% purely through modernization. Present capacity 1,21,856 Spindles including 56,080 compact spinning spindles, 11568 Eli-Twist spindles and 2400 Slub Yarn Spindles The Mills has many ambitious plans in the unevil to increase its production thereby, providing employment opportunities to many more families. In the present study, the researcher has analyzed the financial performance of the Rajapalayam Mills Limited with the help of the information collected from the annual report of the company.

**Keywords:** financial, production, yarn, employment opportunities, spinning mills

### **1. Introduction**

The Mill has had stable harmonious industrial relations for over 40 years. The management has evolved a number of welfare schemes to motivate its workforce and meet the various needs of them such as cheap credit, housing loans, interest-free marriage loans, educational subsidies medical aid to the public at reduced rate. It also runs many Educational Institutions to impart quality education at affordable rate to the students in and around Rajapalayam. An educational trust has been established in the name of the founder Shri P.A.C. Ramasamy Raja, which offers many social services to up life the living standards of people in Rajapalayam.

### **2. Review of literature**

Rajeswary (1990) in her study entitled "Financial Performance of Precot Mills Limited" has concluded that the financial position and operating efficiency of the company was satisfactory where as the margin or safely was not stable solvency position was not satisfactory and the earning capacity was minimum.

Gnanavelu. N (1996) in his study entitled "Case Study of Financial Performance of Sakthi Sugars Limited" has proved the financial performance of the company passion is good. The borrowing by the company was kept at the minimum level its profitability was expected to increase further. Being the row material in seasonal the fluctuation in working capital cannot be avoided.

Anil Kumar (2000) in his study on "Financial Performance of Hindustan Motors Limited, Cochin", in his study found that the sales of the company were showing an upward trend which reflected a growth in its profit. The tools use by him were ratio analysis, the company's financial position is favorable

Paneerselvam (2005) made a study on financial performance in Bharat Heavy Electricals Limited. The purpose of study

was to analyze whether the firm control. The study concluded that the firm is managing their controllable at the same time some slow progressing collection of load.

Ramachandra Reddy (2007) in his research work Financial Performance through Market Value added (MAV) approach. The study has been made to examine the effect of selected variables as MAV, for the purpose of analysis, 10 cement companies were selected in Andhra Pradesh.

### **3. Objectives**

- To evaluate the profile of the Rajapalayam mills limited
- To trace the growth and development of the Rajapalayam mills limited
- To make an analysis of the liquidity position of the company
- To analysis the overall profitability of the Rajapalayam mills limited
- To arrive conclusion on the basis of finding and suggestions in the study

### **4. Importance of the study**

The present study is carried out in order to make an attempt to analyze the financial performance of Rajapalayam Mills Limited. This study has been undertaken to know about the financial strength and weakness of the company and to make a qualitative data decision about the firm's financial performance.

### **5. Statement of the problem**

There are many reasons for sickness of textile industry; one of the reasons is improper management of working capital. As there is no readymade solutions for management of working capital in a firm, the responsibility of fund management has drawn greater attention for the smooth functioning of an enterprise. Hence, an attempt has been made to estimate

different indices for the performance of working capital, to study the impact of working capital ratios on profitability, to know the growth trend, financial structure and financial health of the Rajapalayam mills limited.

## 6. Methodology

In this study, the secondary data has been provided wherever required the secondary data collected from various sources like books, Journals, newspapers, Abstract company report and internet. The following are the sources of information and methodology used in this study.

1. Acquiring material from the reports made available by the company specifically related to the Rajapalayam mills Limited.
2. Acquiring material from the internet.

The study has been undertaken for the period of seven years from 2008-2009 to

2014-2015. In order to analyze financial performance in terms ratio analysis classification of liquidity, solvency, profitability and financial efficiency, various accounting ratios have been used. In this context an attempt has been made an analysis of financial performance of companies to understand how management of finance plays a crucial role in the growth.

## 7. Research methodology

Financial performance of Rajapalayam mills Limited, Rajapalayam has been analyzed with the of ratio analysis. The calculated ratios are presented in the form of tables.

## 8. Summary of finding

1. The above results of the current ratios are near the standard norms of 2:1 the financial year 2008-2009 and 2012-2013. So the company meets all current liabilities easily. The lowest current ratio was registered in the remaining years because in this period.
2. The quick ratios of 2008-2009 are near the standard norms 1:1. Show the Rajapalayam mills Limited meet its all quick liabilities with any difficulty.
3. The debt equity ratio of the firm is above the ideal time of 1:1 except in the year 2012-2013 to 2014-2015. So 2008-2009 to 2011-2012 the firm meet long term solvency problem.
4. The debt assets ratios are near the standard norms of 0.67:1 except in the year 2008 -2009 to 2010-2011. The remaining years the company all total debt easily.
5. In general the proprietary ratio of the firm is below the standard norms of 0.5:1 except the year 2012-2013 and 2014-2015. The remaining year the firm meet proprietary ratio is low of greater risk of the shareholder
6. The debt to capital employed ratio Rajapalayam mills Limited firm is above the ideal ratio 1:1 except in the year 2008-2009 and 2010-2011 to 2014-2015 the firm meet debt to capital employed problem.
7. The net profit margin ratio is increase in the year of 2010-2011. The profit after tax indicates the efficiency of production or trading operations. A high net profit margin ratio a good management as it implies that the cost of production is relatively low.
8. The comparison of return on investment with that of

industry and with past ratio will be creditor will be helpful in determining how efficiently the long term funds of owner and creditors being put into use. Higher the ratio, the more efficient is the use of the capital employee.

9. The return on total asset ratio indicates the common rule is that the higher return on assets is, the better, because the company is earning more money on its assets. A low return on assets compared with the industry average indicates inefficient use of company's assets.
10. The return on capital employed ratio is high the better usage of capital employed. The ratio has been low the inefficient usage of capital employed. The company high ratio is 2010-2011. the low ratio is 2011-2012.

## 9. Suggestions

- The company's operational performance position is good. It should maintain its performance of the future of the year.
- It is the long term investment is a income earned is long term position for better than to the company.
- The company's short term solvency position is satisfactory. It should maintain its liquidity position in future years.
- The company may concentrate to increase current assets to meet the obligations (liabilities).
- The company should concerted increase the sales volume by way of using the sales promotions tools.
- The major portion of the sources of the company consists of outsider's fund. Shareholders fund is increasing trend. But the company may issue shares to procure more funds through shares and debentures.
- The operating profit ratio should be low enough to provide fair return to the shareholder and other investors improve the future year.
- Debtors collection is high 2011-2012 and should be improved the collection in future.

## 10. Conclusion

The study was undertaken to analysis the financial performance of the Rajapalayam mills limited. Based on this analysis proper conclusion has been given, regarding the financial position of the companies. It can be concluding that overall financial performance efficiency is satisfactory. The researcher has found that the companies suffers from certain weakness and has given some suggestions to overcome it. If the suggestions are implemented, the companies can increase it financial performance and overall performance at the right time. Finally "The poor performance doesn't get more rewards than the good performance". From the above statements the companies should identify the possible ways to control and increase overall financial performance efficiency checks at different level which will contribute to the overall growth of the companies.

## 11. Limitation of the study

This study is undertaken with the following limitations.

- Analysis is made purely the financial point of view.
- The sources of data for the secondary data
- The period of study ranges only for seven years from 2008-2009 to 2014-2015.

- The information given from the Rajapalayam mills limited was limited data.
- In this study, only selected ratios are used.

## **12. References**

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