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A STUDY ON FINANCIAL PERFORMANCE USING RATIO ANALYSIS OF VISA STEEL LIMITED

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ABSTRACT

This paper is regarding analysis of financial performance of Visa Steel Limited. Accounting ratios supportive to analyze the financial locus of a company. Financial analysis aids to evaluate the financial health of a firm. Accounting ratios are intended for a number of years which demonstrates the changes. Ratios are useful tool for various stakeholders like management, financiers, shareholders and creditors etc. In order to analyze the financial performance of Visa Steel Limited, the accounting ratios are used. Secondary data is used from the Published Annual Reports of the company for time period 2012-13 to 2016-17. The final result of the paper in accordance to the financial performance of Visa Steel Limited shows that the financial performance of the company is poor after 2015-16 and directors should pay more attention to revive the company.

Keywords—Accounting Ratios, Annual Reports, Visa Steel Limited, Financial Performance, Steel Industry

INTRODUCTION

Now a days financial decisions are one of the crucial decisions for managers. Right from the inception of the company, manger has to take decisions which

balances the goals of wealth maximization along with profit maximization. Accounting ratios are one of the important tool for financial analysis and decision making. It expresses relationship between two variables. It helps to assess the financial health, operational proficiency of managers and earning capacity of the firm by using financial statement analysis. It is useful for inter firm, intra firm and industry comparison over a period of time.

Profile of Visa Steel Limited:

Visa Steel Limited was incorporated on September 10, 1996 as "Visa Industries Limited". Company's name was changed from "Visa Industries Limited" to "Visa Steel Limited", in May 2005. Visa Steel has created facilities for production of Special Steel, Ferro Chrome and Coke at Kalinganagar Industrial Complex, in the mineral rich State of Odisha based on Memorandum of Understanding signed with the State Government. The Company is having its Registered Office in Bhubaneswar; Corporate office in Kolkata and Branch Offices across India. The Company is having a reputed Board of Directors, experienced and professional Promoters and Management Team, who have a strong track record in business and industry. VISA Steel's shares are traded on the Bombay Stock Exchange and National Stock Exchange. The Company

is operating an integrated 0.5 million Tons Per Annum Special Steel Plant at Kalinganagar Industrial Complex in Odisha. The Special Steel Long Product Plant facilities include a 225,000 Tons Per Annum Blast Furnace, 300,000 Tons Per Annum Sponge Iron Plant, 500,000 Tons Per Annum Steel Melt Shop & 500,000 Tons Per Annum Rolling Mill (Bar & Wire Rod Mill). The Company is also operating 150,000 Tons Per Annum Ferro Chrome Plant and the facilities are adding value to the locally available Chrome Ore & Chrome Concentrates into Ferro Chrome. (<http://www.visasteel.com>, 2018)

REVIEW OF LITERATURE

According to Dr. M. Ravichandran (Dr. M. Ravichandran, 2016) the financial performance can be measured by using various financial tools such as profitability ratio, solvency ratio, comparative statement, etc. Based on the analysis, findings have been arrived that the company has got enough funds to meet its debts & liabilities, the income statement of the company shows sales of the company increased every year at good rate and profit also increased every year.

A study has been undertaken by Ms. M. Ganga (Ms.M.Ganga, 2015) on the evaluation of financial performance of Equitas Micro Finance Private Limited in Chennai. According to them Financial analysis is important to plan and control the firm's financial resources. They adopted various research techniques to find the evaluation of financial performance of the organization. They found that the managers must concentrate on gray area which would be useful for future growth of the company.

In her book titled, Introduction to Management Accounting, Rachchh Minaxi, (Minaxi, 2011) mentioned that the financial statement analysis involves

analyses of financial statements to dig out information which is useful to take decisions. It is the process of appraise the relationship between different variables of the financial statements to get healthier understanding of firm's performance.

RESEARCH METHODOLOGY

In this present study, an attempt has been made to evaluate the financial performance of Visa steel Limited. The study is based on secondary data. Details are collected from websites, magazines and journals. The time period of study is Five years from 2012-13 to 2016-17. Accounting tool of Ratio analysis is used to analyze the company.

Following Ratios are used for this Study.

1. Current Ratio
2. Quick Ratio
3. Proprietary Ratio
4. Debtors' Turnover Ratio
5. Current Liabilities to Net worth Ratio
6. Net Profit Ratio

Objectives of the Study:

- To identify the variability in profitability, liquidity, Solvency position in the Visa Steel Limited.
- To examine the operational competence of Visa Steel Limited.
- To offer suggestions based on findings of the study.

Limitations of the Study:

- Due to the difference in accounting period, evaluation of the company may not give accurate image.
- The approach may differ on calculation of certain items and analysis and interpretation of the ratios.
- Time period of study is 5years only
- The ratio analysis deals with quantitative aspect. It totally overlooks the qualitative aspect.

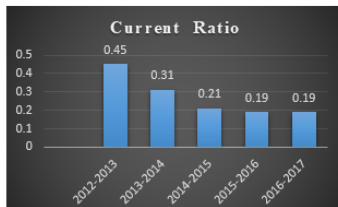
Data Analysis

1. Current Ratio $\frac{\text{Current Assets (including Loans and Advances)}}{\text{Current Liabilities (including Provisions)}}$

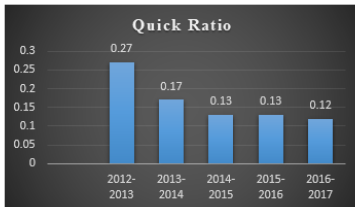
Current Liabilities (including Provisions)

Financial year	Total Current Assets (in crore)	Total Current Liabilities (in crore)	Current Ratio
2012-2013	359.94	807.91	0.45
2013-2014	344.95	1,110.68	0.31
2014-2015	284.04	1,336.19	0.21
2015-2016	362.70	1,947.02	0.19
2016-2017	480.15	2,534.79	0.19

Source: Audited Annual Report



Source: Audited Annual Report



3. Proprietary Ratio

$$\text{Proprietary Ratio} = \frac{\text{Net Worth}}{\text{Total Assets}} \times 100$$

Financial Year	Net Worth	Total Assets	Proprietary Ratio
2012-2013	519.51	3,517.10	14.77
2013-2014	367.01	3,741.88	9.81
2014-2015	122.43	3,864.26	3.17
2015-2016	-461.12	3,790.39	-12.17
2016-2017	-647.93	3,885.20	-16.68

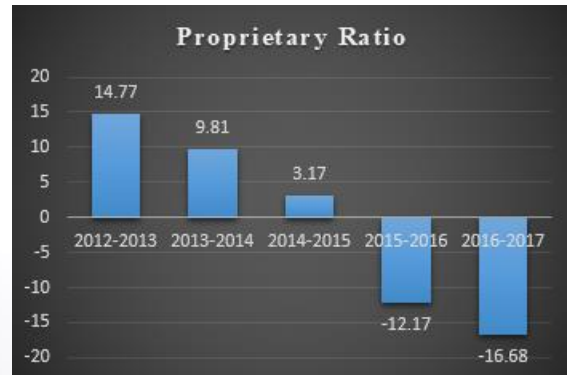
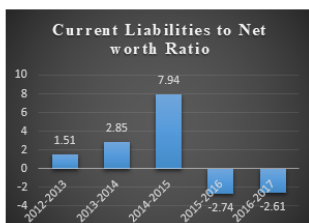
Source: Audited Annual Report

5. Current Liabilities to Net worth Ratio

$$\text{Current Liabilities to Net worth Ratio} = \frac{\text{Current Liabilities}}{\text{Net worth}}$$

Financial year	Current Liabilities	Net Worth	Current Liabilities to Net worth Ratio
2012-2013	784.03	519.51	1.51
2013-2014	1,047.09	367.01	2.85
2014-2015	971.61	122.43	7.94
2015-2016	1,261.56	-461.12	-2.74
2016-2017	1,689.38	-647.93	-2.61

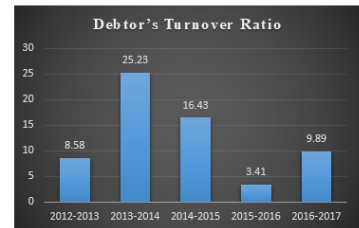
Source: Audited Annual Report



4. Debtor's Turnover Ratio = Total Sales

Financial Year	Total Sales	Debtors	Debtor's Turnover Ratio
2012-2013	515.75	60.12	8.58
2013-2014	1,029.96	40.83	25.23
2014-2015	922.16	56.12	16.43
2015-2016	505.25	148.34	3.41
2016-2017	1,397.18	141.30	9.89

Source: Audited Annual Report



2. Quick Ratio = $\frac{\text{Current Assets} - \text{Inventories}}{\text{Current Liabilities}}$

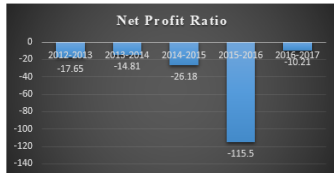
Financial Year	Total Current Assets (in crore)	Inventories	Total Current Liabilities (in crore)	Quick Ratio
2012-2013	359.94	142.53	807.91	0.27
2013-2014	344.95	151.94	1,110.68	0.17
2014-2015	284.04	112.49	1,336.19	0.13
2015-2016	362.70	118.42	1,947.02	0.13
2016-2017	480.15	185.99	2,534.79	0.12

6. Net Profit Ratio

$$\text{Net Profit Ratio} = \frac{\text{Net Profit After Tax}}{\text{Net Sales}} \times 100$$

Financial year	Net Profit After Tax	Net Sales	Net Profit Ratio
2012-2013	-91.04	515.75	-17.65
2013-2014	-152.50	1,029.96	-14.81
2014-2015	-241.44	922.16	-26.18
2015-2016	-583.55	505.25	-115.50
2016-2017	-142.66	1,397.18	-10.21

Source: Audited Annual Report



INTERPRETATION

1. The current ratio for five years of Visa Steel Limited is decreasing in the range of 0.19 to 0.45. This indicates the short-term liquidity of the company is poor because the current ratio is in decreasing trend.

2. The Quick Ratio for five years of Visa Steel Limited is decreasing in the range of 0.12 to 0.27. This indicates the short-term liquidity of the company is poor because the Quick ratio is in decreasing trend.

3. Proprietary Ratio of Visa Steel Limited from 2012-13 to 2016-17. It is relationship between Net Worth and Total Assets. Higher proprietary ratio, means strong financial position of the company and better security for creditors. Lower ratio indicates more amount of borrowed funds. Here the Proprietary Ratio ranges from 3.17 to -16.68. This shows that Net Worth of the company decreasing day by day.

4. Debtors Turnover Ratio of Visa Steel Limited for the five years is inconsistent which implies that recovery of debtors is also changing. It was between 3.41 to 25.23.

5. Current Liabilities to Net worth Ratio shows comparative fund invested by short term creditors and owners of the

firm. Ideal ratio is 1/3 i.e. 0.33 times. Higher the ratio, difficult for the firm to collect borrowed funds. Here the Current Liabilities to Net worth Ratio ranges from -2.74 to 1.51.

6. Net Profit Ratio of Visa Steel Limited for the past five years shows that was -10.21 to -115.50 from 2012-13 to 2016-17. It shows the fluctuation in sales and decreasing Net Profit.

Suggestion:

The directors of the company should pay more attention because ratios under study are decline from 2015-16.

CONCLUSION

After Analysis and interpretation of Financial Performance of Visa Steel Limited, we can give conclusion that overall financial performance of the company is declining. Hence the Directors of the company should pay more attention to recover the financial position of the company.

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