



A FUNDAMENTAL ANALYSIS OF SELECTED TILES MANUFACTURERS OF INDIA

Mr. Barot Himatkumar V.
Research Scholar (Ph.D.)
Hemchandracharya North Gujarat University, Patan.
Opp. Civil Hospital, B/h. S.B.I. Bank of India, Bhatvas,
Himatnagar.



ABSTRACT:

It was the human being who discovered some man-made ceramics around twenty four thousands before centuries. Such ceramics were in some human and non human materials and balls. It was fired required temperature in specific ceramic shaped. Some pottery vessels were found to be used in nine thousands before centuries. These were usable to maintain and stock some groceries and other related products. The ceramic companies of India has been taken as samples to show the financial relationship with respect to some important variables viz. sales/turnover, excise duty, raw material consumption, operating profit and net profit etc.

KEYWORDS: *Selected Tiles Manufacturers, Common Size Profit and Loss Statement, Fundamental Analysis*

IMPORTANCE OF CERAMICS

The most luxury vessels were made of precious stones and utensils. Ceramics also used for utilitarian purposes such as for storage, transportation and foods etc. Some basic life needed things also contain things and products made from utensils like kitchen ware, sanitary ware, floor space, electricity, computer industry etc. This sector has widened its area globally covering many African, Asian and North Eastern Parts where such products were invented and found capturing substantial things of life. Even China, U.A.E., Africa and India have enlarged the use of ceramics in normal course of life.

OBJECTIVE OF STUDY

To carry out a fundamental analysis of common size statements of selected tiles manufactures of India.

RESEARCH METHODOLOGY

To make an in-depth analysis the researcher has collected secondary data from the annual reports of five years i.e. 2014-15 and 2018-19 of selected tiles manufactures of India. Besides other required information were collected through reference like Financial Literature, articles, websites, magazines and journals.

In this study, the following tiles manufacturers have been selected for carrying out fundamental analysis based on common size profit and loss statements.

1. **Orient Bell Limited**
2. **Pokarna Limited**

LITERATURE REVIEW

Review of literature can be just simple summary of the sources, but it usually has an organizational pattern and combines both summary and synthesis. The review of literature plays a vital role to undertake the study on financial performance analysis of selected tiles manufactures. The following reviews are made by author from financial analysis perspective for the concerned subject.

- 1) **Kung H. Chen and Thomas A. Shimerda (1981)** both have studied ratios that a financial ratio or an accounting ratio is a relative magnitude of two selected numerical values taken from an enterprise's financial statements. There are some standard ratios used to indicate the overall profitable picture of the firm. There are some ratios used by the managerial personnel subject to showing its effect on current share holders and creditors. Some experts also use ratios to indicate and measure the financial position of the firm.
- 2) **Gangadhar (1998)** has made an attempt on "Financial Analysis of Companies in Criteria: A Profitability and efficiency focus" one of the objectives of the study is to analyze the liquidity position of the companies and to point out the factors responsible for such a position. It is concluded that the liquidity position was quite alarming since these are facing chronic liquidity problems. Their proportion current assets in relation to the current liabilities are very low. It is suggested that, they may be improved by reducing excessive burden of current liabilities or increasing the level of current assets depending upon the requirements.
- 3) **Bao Cheng He, Hong Tao Jiang (2012)** have given a review in their research paper titled as "*The Comprehensive Evaluation on Financial Performance of the Ceramic Company Based on Principal Component Analysis*" that The ceramic company financial performance indicator has multilayer, many dimensions and intersect characters, and the comprehensive evaluation on it is a big challenge. Firstly, this paper introduces principal component analysis theory and tool. Secondly, it constructs the four-dimensional evaluating indicator system based on "debt-paying ability, operation capability, profitability, and development capability". In the end, based on the financial report data, this paper conducts an empirical principal component analysis on 20 typical ceramic enterprises' financial performance. The conclusion is that the ceramic business finance performance is mainly decided by four greatest factors including "debt-paying ability, profitability, efficiency, development" and the impact of the four greatest factors upon the finance performance degree is different. This research's innovation lies in using the principal components method to give the weight to the evaluating indicators objectively, providing not only the new tool for the ceramic enterprise financial performance assessment method's evolution, but also the new mentality for the ceramic enterprise financial performance's improvement.
- 4) **S. Saigeetha & Dr. S.T. Surulivel (2017)** have given a research paper on "A study on financial performance using ratio analysis of BHEL (Trichy)". This paper is to enlighten the financial performance of the public sector undertaking that is, BHEL (Bharat Heavy Electricals Limited). Accounting ratios helpful in a great manner to analyze the financial position of a company. Financial analysis helps to assess the profitability and financial position of a concern. This analysis can be done by comparing the ratios for the same over a period of years, or for one concern against the industry as a whole, or for the concern against the predetermined standards, or for just one department of the concern against the other departments of the same concern. Accounting ratios are calculated for a number of years which shows the trend for the change of position. To take certain important decisions for their business various users like managements of the companies, bankers, investors and creditors etc uses the accounting ratios for analyzing the financial position. In order to analyze the financial performance of BHEL also the accounting ratios are used. The secondary data is used for the entire study. The financial information of BHEL has been collected from the annual reports of the company which is printed. The final result of the paper in accordance to the financial performance of BHEL is not similar during the period of the study. In the present globalized era, the manufacturing of power plant equipment is an important commodity. The financial soundness of the company will automatically affected by the increasing capacity of

production. In a business for each and every activity finance is the base. So, finally he has suggested that to analyze the financial position of the company it is very essential.

WHAT IS FUNDAMENTAL ANALYSIS?

The fundamental analysis includes various analyses like ratio analysis, fund flow statement analysis, cash flow statement analysis, liquidity analysis, trend analysis etc. The researcher has considered trend analysis for research purpose. Hence, he has presented five years common size profit and loss statement analysis as follows:

Orient Bell Limited Five Years Common Size Profit and Loss Statement

(Rs. In Crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue From Operations	619.34	633.47	686.74	658.58	569.45
Less: Excise Duty/Other Levies	46.79	49.75	50.20	11.55	0.00
Net Revenue from Operations	572.55	583.72	636.53	647.03	569.45
Add: Other Operating Revenues	1.15	0.95	0.90	0.78	1.69
Total Operating Revenues	573.70	584.67	637.43	647.81	571.14
Add: Other Incomes	3.11	1.46	2.95	2.38	1.94
Total Revenues (A)	576.81	586.13	640.39	650.19	573.07
Less : Expenditures					
Increase/Decrease in Stock	-28.50	7.27	13.15	-6.06	-5.92
Raw Material Consumed	262.55	238.68	289.42	293.78	262.64
Other Expenditures	281.88	291.94	280.52	313.11	277.42
Total Expenditures	515.93	537.89	583.09	600.83	534.14
PBDIT (A) - (B)	60.88	48.24	57.30	49.36	38.93
Less: Finance Costs	24.88	24.23	13.35	7.28	8.71
Less: Depreciation & Amort.	18.56	19.41	19.13	15.02	16.52
Profit Before Tax	17.44	4.60	24.82	27.06	13.7
Less: Total Tax Expenses	7.60	2.56	11.23	7.29	4.82
P.A.T. (Profit After Tax)	9.84	2.04	13.59	19.77	8.88

(Source: Published Annual Reports of Companies)

Pokarna Limited Five Years Common Size Profit and Loss Statement

(Rs. In Crore)

Particulars	2014-15	2015-16	2016-17	2017-18	2018-19
Revenue From Operations	333.06	398.56	369.90	329.00	462.22
Less: Excise Duty/Other Levies	7.34	4.67	2.55	0.84	0.00
Net Revenue from Operations	325.72	393.89	367.35	328.16	462.22
Add: Other Operating Revenues	0.64	0.43	0.00	0.00	0.00
Total Operating Revenues	326.36	394.32	367.35	328.16	462.22
Add: Other Incomes	7.15	5.38	10.01	5.73	9.08
Total Revenues (A)	333.51	399.70	377.36	333.89	471.30
Less : Expenditures					
Increase/Decrease in Stock	6.29	-2.04	-12.69	-7.20	14.72
Raw Material Consumed	84.29	93.48	88.85	83.27	130.8
Other Expenditures	152.20	169.72	154.82	154.87	173.62

Total Expenditures	242.78	261.16	230.98	230.94	319.14
PBDIT (A) - (B)	90.73	138.54	146.38	102.95	152.16
Less: Finance Costs	32.23	36.79	32.01	27.87	25.38
Less: Depreciation & Amort.	23.08	18.27	17.25	19.93	25.54
Profit Before Tax	35.42	83.48	97.12	55.15	101.24
Less: Total Tax Expenses	11.97	14.75	19.93	8.71	20.56
P.A.T. (Profit After Tax)	23.45	68.73	77.19	46.44	80.68

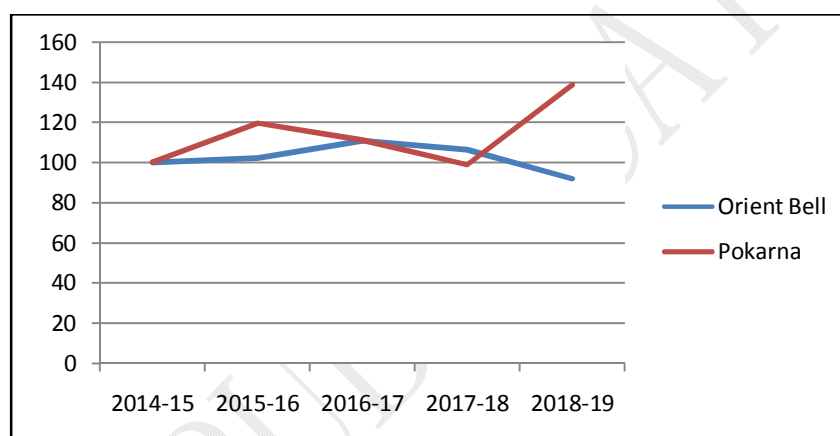
(Source: Published Annual Reports of Companies)

FUNDAMENTAL ANALYSIS

1) Net Sales/Turnover

(% Change in Every Year)

Co.	2014-15	2015-16	2016-17	2017-18	2018-19
Orient Bell	100.00	102.28	110.88	106.34	91.94
Pokarna	100.00	119.67	111.06	98.78	138.78



Interpretation: There is heavy volatility found in the turnover of both companies in these five years. However taking an average of all years, Pokarna co. has achieved better growth in turnover as compared to Orient Bell co. because average growth of Orient Bell co. was 102.288 but Pokarna co. had better average growth 113.28.

T- test:

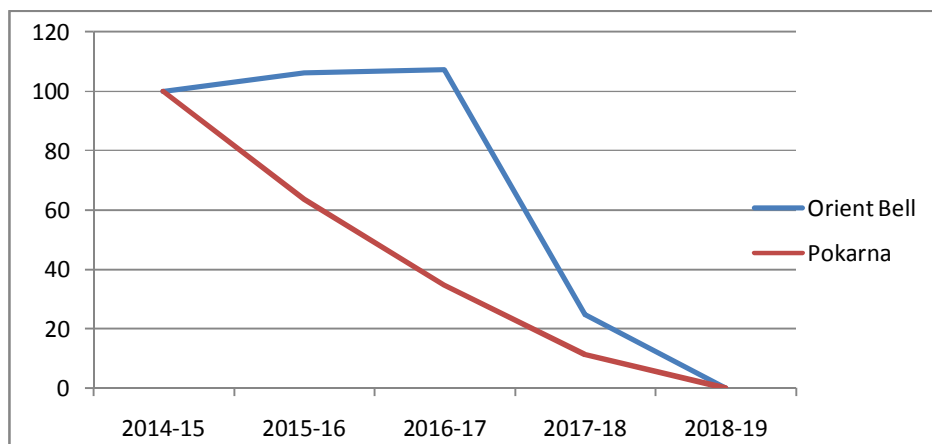
Group	Orient Bell	Pokarna
Mean	102.86	117.07
Standard Deviation	8.08	16.82
N	5	5
T- value	0.3236	

From the above T-test the calculated value is less than table value, hence there is no significance difference between the sales of Orient Bell and Pokarna Limited.

2) Excise Duty

(% Change in Every Year)

Co.	2014-15	2015-16	2016-17	2017-18	2018-19
Orient Bell	100.00	106.33	107.28	24.68	00.00
Pokarna	100.00	63.62	34.74	11.45	00.00



Interpretation: The tax liabilities of both the companies have reduced year by year. This exhibit that no much production is made in these year and companies might have taken some rebates or reliefs in excise duty or other levies. However, Pokarna Co. has reduced its excise duty payment 100% in the last year.

T- test:

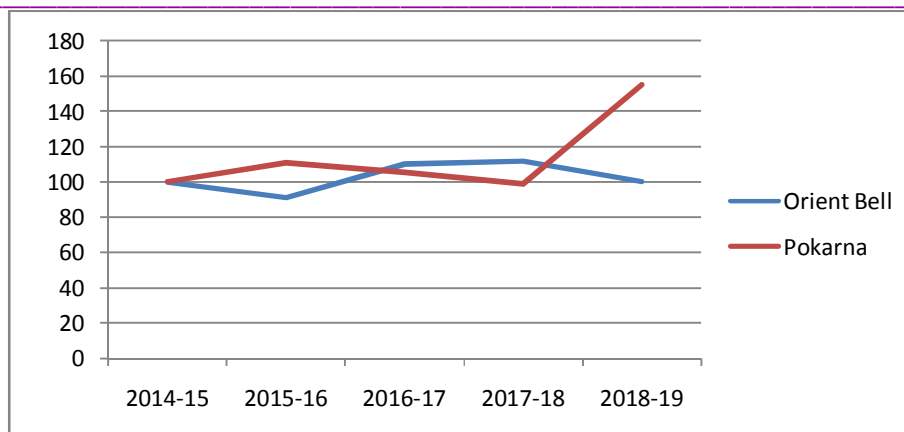
Group	Orient Bell	Pokarna
Mean	59.5725	27.4525
Standard Deviation	55.46	28.11
N	5	5
T- value	0.1410	

From the above T-test, it is found that the calculated value is less than table value This shows no significance difference between Orient Bell and Pokarna Limited i excise duty/levies liability.

3) Raw Material Consumption

(% Change in Every Year)

Company	2014-15	2015-16	2016-17	2017-18	2018-19
Orient Bell	100.00	90.91	110.23	111.89	100.03
Pokarna	100.00	110.90	105.41	98.79	155.18



Interpretation: Raw material consumption shows heavy volatility of both companies in the last five years. However taking an average of all years, Pokarna co. has achieved better growth in raw material consumption as compared to Orient Bell co. because average growth of Orient Bell co. was 102 but Pokarna co. had better average growth 114. This indicates better production and sales and ultimately leads to better profit in the firm.

T-Test:

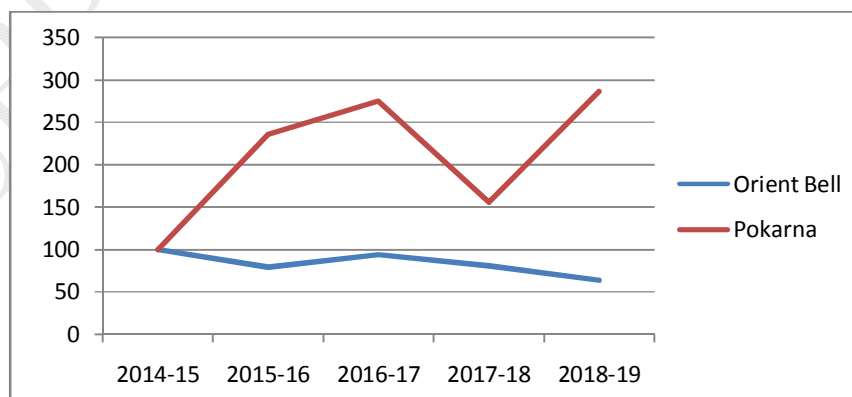
Group	Orient Bell	Pokarna
Mean	103.265	117.57
Standard Deviation	9.76	25.56
N	5	5
T- value	0.4194	

From the above T-test the calculated value is less than table value, which shows that there is no significant difference between raw material consumption.

4) Operating Profit

(% of Change in Every Year)

Company	2014-15	2015-16	2016-17	2017-18	2018-19
Orient Bell	100.00	79.24	94.12	81.08	63.95
Pokarna	100.00	235.69	274.20	155.70	285.83



Interpretation: The operating profit of Orient Bell co. showed a negative loss due to other excess expenditures. Hence, it should reduce its excess expenditures to augment its profit.

T- test:

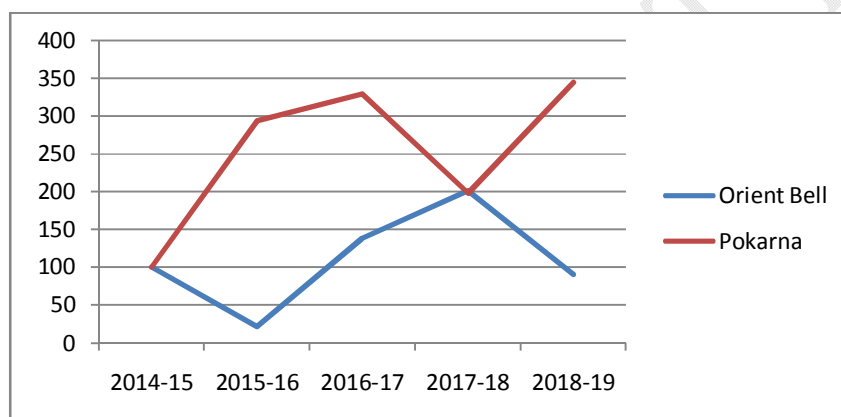
Group	Orient Bell	Pokarna
Mean	83.678	210.284
Standard Deviation	14.06	79.97
N	5	5
T- value	0.0333	

From the above T-test, it is observed that again calculated value is less than table value. Hence, there is no significant difference between operating profit.

5) Profit After Tax (P.A.T.)

(% of Change in Every Year)

Company	2014-15	2015-16	2016-17	2017-18	2018-19
Orient Bell	100.00	20.73	138.11	200.91	90.24
Pokarna	100.00	293.09	329.17	198.04	344.05



Interpretation: Since the profit after tax has continuously reduced in the first two years in case of Orient Bell co. Then a remarkable increase was found in the year 2016-17. And finally it was reduced in last year. Whereas the operating profit after tax of Pokarna was increased in the last year only. Both the companies should try to increase its profit after tax by reducing its other tax expenses.

T- test:

Group	Orient Bell	Pokarna
Mean	109.998	252.87
Standard Deviation	66.17	102.63
N	5	5
T- value	0.0773	

From the above T-test, the calculated value is less than table value. Hence, there is no significant difference between profit after tax of both the companies.

CONCLUSION

The word “*performance*” refers to presentation of a qualitative and analytical result achieved by the management of company and “*financial efficiency*” which is a measure of the firm’s ability to translate its financial resources into mission related activities. So, the financial performance analysis identifies the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the profit and loss statement. After studying and analyzing the different

components of income, finally it is concluded that both the companies do not hold better financial position in terms of profit earning capacity.

SUGGESTIONS

- 1) Orient Bell co. has to augment its sales or turnover by incurring some sales promotion expenses.
- 2) Orient Bell co. must try in maintaining proper and ideal raw material consumption ratio.
- 3) Pokarna Limited has to focus on declining its excess expenditures to augment its profit.
- 4) A tax planning has to be made in a proper direction by taking some tax advantages to lead to a significant positive change in profit after taxes of these two companies.

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