A Study on Financial Performance of Paper Industry with reference to International Paper APPM Ltd., Ballarpur Industries Ltd., Tamil Nadu News Prints Ltd., and Emami Papers Ltd.

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ABSTRACT

The core functions of financial management are a) financing / raising funds and b investing / deploying funds effectively and efficiently. Financial Management involves the proper custody and authorized utilization of the funds available with the firm and raising the funds required by a business organization. A financial analysis has been done to study financial performance paper industry in India, with select four paper manufacturing companies as sample. the study reveals that rate of Return, rate of margin and sales / capital employed performance of IPAPPML is better, TNPL performance is satisfactory, comparatively EPML and BPIL little satisfactory. Current ratios of BPIL and, IPAPPML are better comparatively with other companies in the sample. With 2.81 seems to be little high, whereas EPML 3.82 is not very desirable as it increases costs. Debt equity ratio IPAPPM and TNPL 0.56 are optimum and fixed assets / long term funds is almost ideal for all the sample companies. EPS of TNPL is highest Rs. 16.49, followed by IPAPPM Rs. 8.53, whereas BPIL has least Rs 2.33, this low when compared with highest EPS 7 times greater than BPIL, hence, BPIL should conduct proper analysis to improve the financial performance. TNPL market value of Share is high Rs. 233, followed by IPAPPML Rs. 102, whereas BPIL has least value of Rs. 50. The difference between highest and lowest is 4.5 times, the BPIL should evolve suitable measures to improve market value of it share. Assets without utilizing the same fully.

INTRODUCTION:

Financial Management involves the proper custody and authorized utilization of the funds available with the firm. Another view of financial management is that it is concerned with providing the necessary funds to enable the firm to carry on its work. This view, which may be called the procurement view, limits the financial management to tapping the various sources of finance and to utilizing the most economical source.

The proper view of financial management, which is gaining more prominence and acceptability in current days. The finance function of management is compared with blood to human body, that means what function blood does to human body, the same is being done by finance to a legal entity. Keeping optimum level and quantum of finance is as important as blood pressure to human body. Which should have ideal balance that should be neither high (heart attack) nor low (heart collapse)? Therefore finance function of management assumes greater importance in a business organization. It is well accepted that the quantity and quality of blood always affect the functioning of the human body and, therefore, it is necessary that adequate attention is to be paid at financing function and financial performance of business organization. In the same way, a firm must pay adequate attention to both the quantity and quality of finance. The modern approach views the term financial management in a broad sense and provides a conceptual and analytical framework for financial decision making. According to it, the finance function covers both acquisitions of funds as well as their allocations. Thus, apart from the issues involved in acquiring external funds, the main concern of financial management is the efficient and wise allocation of funds to various uses. The main contents of this approach are: What is the total volume of funds an enterprise should commit? What specific assets should an enterprise acquire? How should the funds required be financed?

The three questions posed above cover between them the major financial problems of a firm. In other words, financial management, according to the moderns approach, is concerned with the solutions of three major problems relating to the financial operations of a firm, corresponding to the three questions of investing, financing, and dividend decisions.

i) The investing decision, i.e., decisions to be made with regard to utilization of funds effectively and efficiently.

ii) The financing decision, i.e., the decision as to how the total funds required by the firm will be procured through issue of shares or raising of loans, ploughing back

iii) The earned profits. This includes both short-term (working capital) and long-term funds management.

iv) Profit planning / dividend decision, i.e., the decision in respect of the part of profits which will be distributed to the shareholders in the form of cash dividend and the amount which will be kept back for utilization by the firm or for ploughing back.

These three types of decisions are important from the point of view of not only the internal working of the firm, but also from the point of view which outsiders will take of the firm.

How significant finance is?

There is a classic example given by Maulana Abul Kalam Azad in his book "India Wins Freedom". When in 1946, the Muslim league agreed to enter the interim Government at the Centre, it was a condition, which it put up for joining, that an important portfolio should be given to it. The Muslim league wanted the home department, but Sardar Vallabhai Patel, who was at that time in charge of the home department, refused to part-with it. A clever person in the congress suggested that the Muslim league should be offered the finance department, in the expectation that the league would reject it. But there were clever persons in Muslim league also and the league grabbed the finance department and immediately proceeded to paralyse the Central Government since all sanctions for work or planning requiring money were to be given by the finance department. Maulana Azad opines that it was this paralysis of the Central Government which made Pt. Jawahar Lal Nehru and Sardar Patel to agree the partition of the country.

Such is the nature of the power of finance and it is only in this sense that the finance function is treated as the most important in a company. However, if the finance department goes about its work with such ideas, it is bound to do great harms; it should function in the spirit of service of the company as a whole and as far as possible of various departments so that the company achieves its objectives, never forgetting that work has to be done and done efficiently.

Finance also plays a vital role in proper motivation of people working in the undertaking. Financial arrangements and the distribution of profits will motivate the people concerned towards behaving in a certain fashion.

The implications of modern approach are:

i) A firm should always have at its disposal adequate finance so that it is not made to Forego business opportunities for want of funds and that it should not be put to Undue inconvenience for lack of finance.

ii) A firm requires funds for different periods, some for short periods and some for long periods. Therefore, the funds that are available should be such as will meet the requirements and will not put the firm to undue hardships. Having ample funds should n ever mean idleness of funds. Idle funds are as harmful as idle plant and machinery though just as there will be stand-by plant there will also be stand- by funds. In other-words, availability of funds and the utilization of funds have both to be considered simultaneously.

iii) The composition of the stream comprising various types of funds, contributed by the proprietors or raised by way of loans, should be such as will enable the firm to enjoy the best possible advantage. This composition has a vital influence on both the profits, that would be available to the proprietors, and also the view which the outside market takes of the firm.

iv) The available funds must obviously put to the best possible use, otherwise the return from them would be less than optimum or even inadequate. This affects not only the immediate availability of funds but also the will of the outsider investor either to invest additional funds in the firm or to continue to keep his/her invested funds there.

Only when these four points kept in mind, will the firm be said to follow a proper financial policy and only then can financial management be considered as efficient.

Objectives:

1. Investigate and analyze financial performance of the paper industry.
2. To study the market of share of select paper mills.
3. To examine role of financial sources and utilization of fund in the efficient valuation of MVS.
4. To evolve measures for improving the financial performance of the paper industry.

Research Methodology:

Since the study is related to performance evaluation of select companies of paper industry through ratio analysis, the main source of data is the financial statements of the companies under study. Mainly the source of data are of secondary which can be had from the financial statements published by companies, companies' websites and other websites which provide lot of information about companies. Some sort of primary data is also gathered through discussions with various officials wherever a doubt arises.

REVIEW OF LITERATURE:

It is true to say that the total amount of funds available to an undertaking should be neither too much nor too little. An important question, therefore, is the question of capitalization of the company, i.e., the determination of the amount which the company should have at its disposal - it will consist of the amount required for fixed assets and that portion of working capital which the company must find from its own sources, which will also be out of long term funds. The total amount of long-term funds available to the company, therefore, is the capitalization of the company. The amount of proper capitalization of a company should be only that as is warranted by its profits and by the normal rate of return for the industry concerned. The amount of long term funds required by a company can certainly be estimated by listing the various fixed assets that will be required and by computing the working capital needs.

Maximization of value of share - "The decision criterion of financial management of every company":

To make wise decisions a clear understanding of the objectives which are sought to be achieved is necessary. The objectives provide a framework for optimum financial decision making. In other words, they are concerned with designing a method of operating the internal investment and financing of affirm.

It would also be noted that the focus of financial management is on the value to the owners or suppliers of equity capital. The wealth of owners is reflected in the market value of shares. So, wealth maximization implies the maximization of the market price of shares. It is important to note that value maximization is simply the extension of profit maximization to a world that is uncertain and multi-period in nature.

The problem of uncertainty renders profit maximization unsuitable as an operational criterion for financial management as it considers only the size of benefits and gives no weight to the degree of uncertainty of the future benefits. This is illustrated in the following table:

Uncertainty about expected benefits

Profits (Rs. Crore)

State of economy	Alternative -'A'	Alternative - 'B'
Recession	9	0
Normal	10	10
Boom	11	20
Total:	30	30

It is clear from the above table that the total returns associated with the two alternatives are identical in a normal situation but the range of variations is very wide in case of alternative-B, while it is narrow in respect of alternative-A. To put it differently, the earnings associated with alternative-B are more uncertain (risky) as they fluctuate widely depending on the state of economy. Obviously, alternative-A is better in terms of risk and uncertainty. The profit maximization criterion fails to reveal this.

Considering the interests of the different interest groups (shareholders, management, workers, consumers, society, etc.,), it is obvious that earning of profit by a company can at best be only one of the objectives to be pursued. The quantum of profit and the period required for building up the quantum will always be subject to a compromise often accompanied by bitter mutual struggle, amongst the various parties. Profits as a means for enabling the company to grow without unduly hurting various interests will be acceptable. But profit alone as a goal may prove to be harmful to the company as a whole.

The question as to what the objective of a company is not often consciously thought out. Chiefly, the directors of the company and the management will discuss the matter in given situation keeping in view the demands on the company by various interests. It is often the view points of the chief shareholders or the chief people in the management group which give shape to the company, but since such people would be changing, the view would be changing because of pressure put on the company by Government or the workers or through the behavior of competitors. One must consider the role of profit in company in the light of the pressures that will be exerted on the company.

As regards profits also, there can be different objectives, namely, maximization of profits, maximization rate of earning and maximization of wealth or the value of shares. The three are not the same. Profit may be increased by employing more resources; this may not prove attractive if the resources used are disproportionate to the extra profit earned. Surely a higher rate of earning on funds employed will always be better than the higher amount of profit. But the rate of earning can itself be raised by manipulating the amount of capital involved. In the U.S.A., the rate of earning is usually expressed as earning per share, i.e., the amount of profit earned (after taxes and preference dividend) spread over the number of equity shares.

However, the higher rate of earning on investment may be through risky ventures or funds may be obtained by resorting to risky ways of financing. In that case, the investors will not look upon the shares of the company with favour. To that extent, the price of investment will be marked down. It is quite possible that in spite of an increase in earnings per share or the rate of earning, the value of share may come down because of policies followed by the company which investors in general do not like.

The liking of the investors is expressed in the form of capitalization rate which is the yield which normally investors want from the particular industry. For example, when investors buy Central Government securities these days they are satisfied with 5%. For Government securities this is the capitalization rate. If the investors buy equity shares of an ordinary industry, they may want an annual income of 10%. This will be the capitalization rate for that industry. If the capitalization rate increases, the value of shares will fall; in other case, it will increase.

The market value of shares, therefore, will depend on two factors, namely, the profit earned per share (EPS) and the capitalization rate (ROR):

A company, from the point of view of maximization of the value of shares, has to think of both of EPS and CR. This can be expressed by saying that the company should aim at maximization of wealth or the value of shares. In other words, it should so conduct its affairs that the amount of profit earned per share is the highest and the capitalization rate demanded by the investors from the company is as low as possible.

The value of a share is chiefly the function of two factors, namely, the profit or dividend per share expected by the investors to arise in future and the rate at which this profit or dividend is to be capitalized which, means the rate of return which will satisfy an ordinary investor. For example, if the dividend per share is expected to be Rs.8 and the market expects a return of 10%, the price of share is likely to be Rs.80, i.e.,8/10x100. It is obvious that if any of the two figures, i.e., EPS or ERR, changes, there will be an effect on the value of the shares. If the rate of return that satisfies investors becomes lower, the value of the share will rise. So also if the dividend per share is expected to be higher and vice versa. It is possible that even though the dividend per share is higher, the investor may view the company as rather risky and the value placed on shares may fall. The finance manager must, therefore, see to it that both the chief factors influencing value of shares are always kept in mind. The dividend per share is a function of the profitability of the company and the rate of return that satisfies investors which is a function of soundness of financial policy pursued. It is not for nothing, therefore, that the finance manager is deeply concerned with both the profitable use of funds as well as the best way of for raising the funds.

The effect of the increase or decrease in profit per share is obvious since any increase will lead to increase in the value of share; but if a company shows a very big and continuous increase in profits, it will be termed as a growth company. Then investors will begin to place greater emphasis on capital gains through rise in prices of share than on the immediate profit per share. They will be satisfied with much less current yield per share and that will lead to a big increase in share prices.

Points made above indicate the sphere of work for the financial manager. He must see to it that the investors do not look down upon the company's shares; on the contrary, the investors should be willing to purchase the company's shares at a yield less than the normal yield on other shares or at least equal to it. This depends on the amount of risk which is attendant on the business in general and on the company in particular. If the company has relied on borrowings to a much larger extent than the industry, in other words if the company's debt-equity ratio is much higher than that prevailing in the industry, the investors will consider the company to be rather risky and will then insist on a higher rate of return. Also, if the company does not rely on borrowings to the same extent as other companies do in the same industry, the management may be dubbed as rather one which is not dynamic and not willing to avail of the advantages which are available. In that case also the investors will not look upon the company's shares with favour. The burden of this point is that the company must have a proper mixture of debt and equity in the funds which it is using.

RESULTS AND DISCUSSIONS

Comparative Analysis of Fixed Assets, Long-term Liabilities, Debt-equity of International Paper APPM Ltd.,

(Rs.Lakhs)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fixed Assets (Tangible)	68,368.33	83,922.27	86,390.19	90,333.10	90,395.01	96,147.25	NA	94,162.11	96,026.25	92,726.19
Current Assets	15,602.95	18,165.08	22,010.34	23,901.35	24,835.41	24,009.05	NA	26,128.68	35,074.96	31,546.20
Long-term Debts	35,138.13	53,031.81	55,310.55	58,268.72	52,411.84	30,900.45	NA	44,733.43	49,743.55	33,869.33
Current Liabilities	1,115.82	5,602.12	13,344.57	15,975.02	14,188.49	31,423.12	NA	30,341.74	40,220.36	49,320.28
Capital Structure:										
Share Capital	2,381.97	2,381.97	2,573.36	2,573.36	3,275.18	3,977.00	NA	3,977.00	3,977.00	3,977.00
Reserves & Surplus	34,013.52	36,125.63	39,224.40	39,069.58	47,019.35	53,855.73	NA	41,681.28	37,543.07	37,428.08
Sales (Net)	44,459.21	48,702.68	57,888.64	62,794.85	64,907.86	76,650.46	NA	1,23,050.35	1,09,165.19	1,13,494.91
Net Profit	8,167.08	9,761.74	10,873.35	12,301.67	17,380.35	11,492.76	NA	-2,370.23	-4,161.21	24.78
EPS (Rs.)	18.94	10.13	6.44	7.37	21.03	12.82	NA	Loss	Loss	0.06

Table 2 Analysis of working of the Company:

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fixed Assets/ Long-term Funds	0.96	0.92	0.89	0.90	0.88	1.08	NA	1.04	1.05	1.23
Sales / Capital Employed	0.62	0.53	0.60	0.63	0.63	0.86	NA	1.36	1.20	1.51
Margin on Sales	18.37	20.04	18.78	19.59	26.78	15.00	NA	Loss	Loss	0.02
Rate of Return	11.42	10.66	11.20	12.31	16.92	12.95	NA	Loss	Loss	0.03
CA/CL	13.98	3.24	1.65	1.5	1.75	0.76	NA	0.86	0.87	0.64
Debt/Equity	0.49	0.58	0.57	0.58	0.51	0.35	NA	0.49	0.55	0.45
Sales/Total Assets	0.53	0.48	0.53	0.55	0.56	0.63	NA	1.02	0.83	0.91

Table 3 Comparative Analysis of Fixed Assets, Long-term Liabilities, Debt-equity of Tamil Nadu News Prints Ltd.

(Rs. Lakh)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fixed Assets (Tangible)	81,752.47	1,17,794.48	1,28,360.99	1,48,395.53	2,09,658.63	2,32,442.06	2,61,060.57	2,64,146.62	2,79,018.01	3,45,671.58
Current Assets	36,358.84	36,790.98	39,051.45	52,749.06	59,398.46	73,659.58	93,887.61	82,740.68	91,400.41	1,23,433.01
Long-term Debts	46,289.38	71,223.94	74,268.82	1,02.630.09	1,57,303.66	1,73,771.00	1,21,793.03	1,03,171.58	1,04,516.44	1,83,008.90
Current Liabilities	19,697.36	25,832.12	30,858.06	32,197.02	33,405.62	42,184.57	1,36,628.12	1,41,382.71	1,52,151.29	1,66,576.49
Capital Structure:										
Share Capital	6,937.78	6,937.78	6,937.78	6,937.78	6,937.78	6,937.78	6,937.78	6,937.78	6,937.78	6,937.78
Reserves & Surplus	45,314.03	50,712.27	57,063.20	59,493.75	73,512.43	84,641.26	90,130.85	96,609.87	1,07,659.62	1,13,226.40
Sales (Net)	77,567.10	85,483.73	93,852.71	1,06.646.31	1,02,567.74	1,18,444.52	1,52,291.83	1,86,125.75	2,28,522.41	2,13,572.80
Net Profit	10,074.72	10,610.97	13,285.87	12,980.76	14,783.41	16,983.30	10,893.84	9,148.00	16,117.76	16,672.84
EPS(Rs.)	12.39	12.76	16.32	12.84	17.03	17.17	15.17	13.22	23.29	24.09

Table 4 Analysis of working of the Company:

Fixed Assets/Long-term Funds	0.83	0.91	0.93	0.88	0.88	0.88	1.19	1.28	1.27	1.14
Sales/Capital Employed	0.79	0.66	0.68	0.63	0.43	0.45	0.70	0.90	1.04	0.70
Margin on Sales	12.99	12.41	14.16	12.17	14.41	14.34	7.15	4.91	7.05	7.81
Rate of Return	10.22	8.23	9.61	7.68	6.22	6.40	4.98	4.43	7.36	5.50
CA/CL	1.85	1.42	1.27	1.64	1.78	1.75	0.69	0.59	0.6	0.74
Debt/Equity	0.47	0.55	0.54	0.61	0.66	0.65	0.56	0.5	0.48	0.6
Sales/Total Assets	0.66	0.55	0.56	0.53	0.38	0.39	0.43	0.54	0.62	0.46

Source: compiled from annual reports of the concerned company.

Table 5 Comparative Analysis of Fixed Assets, Long-term Liabilities, Debt-equity of Ballarpur Industries Ltd.,

(Rs. Lakh)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fixed Assets (Tangible)	2,23,874	3,40,465	4,26,186	5,24,351	5,43,000	6,37,319	8,34,886	9,42,226	9,44,368	9,15,610
Current Assets	1,37,973	1,53,742	2,01,754	1,69,520	2,49,101	2,69,510	2,23,.446	2,32,595	2,79,625	2,83,522
Long-term Debts	3,28,721	4,43,596	5,23,825	6,08,963	6,43,746	7,40,868	2,70,750	3,60,520	3,83,842	3,57,456
Current Liabilities	37,366	53,882	1,07,223	90,802	1,52,512	1,70,067	3,21,966	3,92,569	4,29,685	4,20,143
Capital Structure:										
Share Capital	16,325	18,573	11,112	11,112	13,112	13,112	13,112	13,112	13,112	13,112
Reserves & Surplus	1,47,112	1,80,159	1,66,428	1,71,922	2,11,227	2,52,178	2.67,613	2,35,460	2,26,033	1,81,727
Sales (Net)	1,91,272	2,31,778	2,83,108	2,82,469	3,79,460	4,49,805	4,73,225	4,85,481	5,22,032	3,62,592
Net Profit	29,336	36,925	47,958	55,402	70,102	86,800	12,309	7,788	4,977	-2,135
EPS (Rs.)	NA	NA	78.95	43.29	42.70	37.54	84.31	92.97	95.00	Loss

Table 6 Analysis of working of the Company:

Fixed Assets / Long-term	0.45	0.53	0.61	0.66	0.63	0.63	1.51	1.55	1.52	1.66
Sales / Capital Employed	0.39	0.36	0.40	0.36	0.44	0.45	0.86	0.80	0.84	0.66
Margin on Sales	15.34	15.93	16.94	19.61	18.47	19.30	2.60	1.60	0.95	Loss
Rate of Return	5.96	5.75	6.84	7.00	8.08	8.63	2.23	1.28	0.80	Loss
CA/CL	3.69	2.85	1.88	1.87	1.63	1.58	0.69	0.59	0.65	0.67
Debt/Equity	0.67	0.69	0.75	0.77	0.74	0.74	0.49	0.59	0.62	0.65
Sales/Total Assets	0.53	0.47	0.45	0.41	0.48	0.5	0.45	0.41	0.43	0.3

Source: compiled from annual reports of the concerned company.

Table 7 Comparative Analysis of Fixed Assets, Long-term Liabilities, Debt-equity of Emami Paper Mills Ltd.

(Rs.Lakh)

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Fixed Assets (Tangible)	NA	32,002	38,430	44,761	41,117	43,200	53,905	55,488	68,313	1,11,355
Current Assets	NA	19,146	16,175	25,466	21,868	17,604	20,242	24,172	31,279	29,341
Long-term Debts	NA	34,710	37,621	49,997	45,206	24,359	32,946	30,085	41,344	70,522
Current Liabilities	NA	2,842	2,915	4,467	2,030	19,603	24,009	23,722	22,300	27,086
Capital Structure:										
Share Capital	NA	1,210	1,210	1,210	1,210	1,210	1,210	3,210	5,460	7,334
Reserves & Surplus	NA	12,448	12,921	14,615	14,840	15,738	16,090	22,759	30,603	35,854
Sales (Net)	13,568	15,871	22,193	43,497	39,789	43,218	48,969	51,002	54,657	52,102
Net Profit	6,390	3,850	2,792	2,219	1,493	1,955	831	1,155	1,861	1,217
EPS (Rs.)	NA	3.83	2.25	3.65	1.16	2.29	1.37	1.91	2.61	1.16

Table 8 Analysis of working of the Company:

Fixed Assets / Long-term Funds	NA	0.66	0.74	0.68	0.67	1.05	1.07	1.00	0.88	0.98
Sales / Capital Employed	NA	0.33	0.43	0.66	0.65	1.05	0.97	0.91	0.71	0.46
Margin on Sales	NA	24.26	12.58	5.10	3.75	4.52	1.70	2.26	3.40	2.34
Rate of Return	NA	7.95	5.39	3.37	2.44	4.73	1.65	2.06	2.40	1.07
CA/CL	NA	6.74	5.55	5.7	10.77	0.9	0.84	1.4	1.4	1.08
Debt/Equity	NA	0.72	0.73	0.76	0.74	0.59	0.66	0.54	0.53	0.62
Sales/Total Assets	NA	0.31	0.41	0.62	0.63	0.71	0.66	0.64	0.55	0.37

Source: compiled from annual reports of the concerned company.

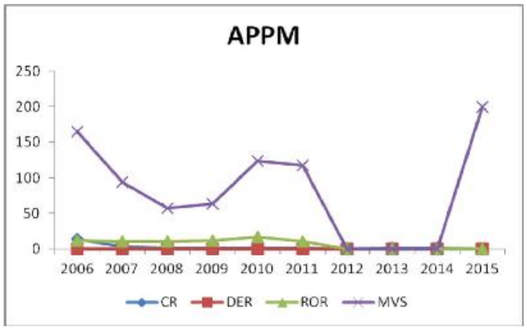
Table 9 Comparative Analysis of working of BPIL, TNPL, APPM, & EPM:

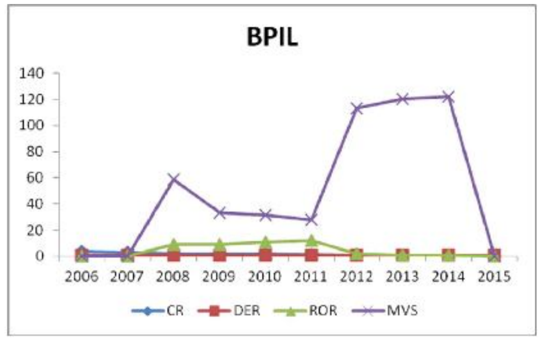
	BPIL				TNPL				IPAPPM				EPM			
Year	CR	DER	ROR	MVS	CR	DER	ROR	MVS	CR	DER	ROR	MVS	CR	DER	ROR	MVS
2006	3.69	0.67	NA	NA	1.85	0.66	10.23	121.17	13.98	0.49	11.46	165.26	NA	NA	NA	NA
2007	2.85	0.69	NA	NA	1.42	0.55	8.23	154.97	3.24	0.58	10.71	94.63	6.74	0.72	7.96	48.12
2008	1.88	0.75	9.17	58.89	1.27	0.56	9.61	169.85	1.65	0.57	11.24	57.29	5.55	0.73	5.39	41.71
2009	1.87	0.77	9.13	33.19	1.64	0.53	7.68	167.23	1.5	0.58	11.5	64.08	5.7	0.76	3.37	108.27
2010	1.63	0.74	10.89	31.67	1.78	0.38	6.22	273.88	1.75	0.51	16.92	124.28	10.77	0.74	2.44	47.59
2011	1.58	0.74	11.72	27.65	1.75	0.39	6.4	268.27	0.76	0.35	10.87	117.91	0.9	0.59	3.36	68.2
2012	0.69	0.49	1.66	112.97	0.69	0.43	4.98	316.22	NA	NA	NA	NA	0.84	0.66	1.65	82.83
2013	0.59	0.59	0.99	120.37	0.59	0.54	4.43	298.74	0.86	0.49	Loss	Loss	1.4	0.54	2.06	92.7
2014	0.65	0.62	0.62	122.19	0.6	0.62	7.36	316.62	0.87	0.55	Loss	Loss	1.4	0.53	2.4	108.56
2015	0.67	0.65	Loss	Loss	0.74	0.46	5.5	438.04	0.64	0.45	0.03	200	1.08	0.62	1.07	108.39

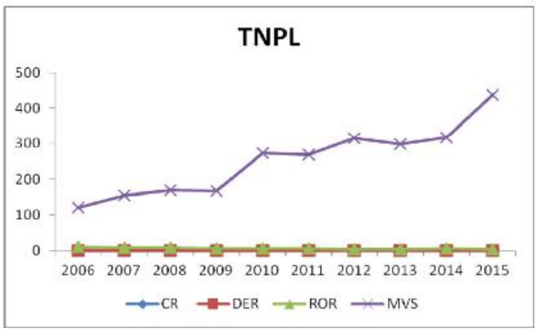
Source: field survey

CR-Current Ratio; DER-Debt-Equity Ratio; ROR-Rate of Return; MVS-Market Value of Share.

Source: Calculated from compiled annual reports of the companies.







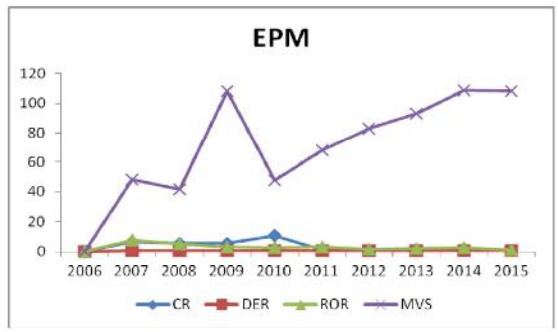


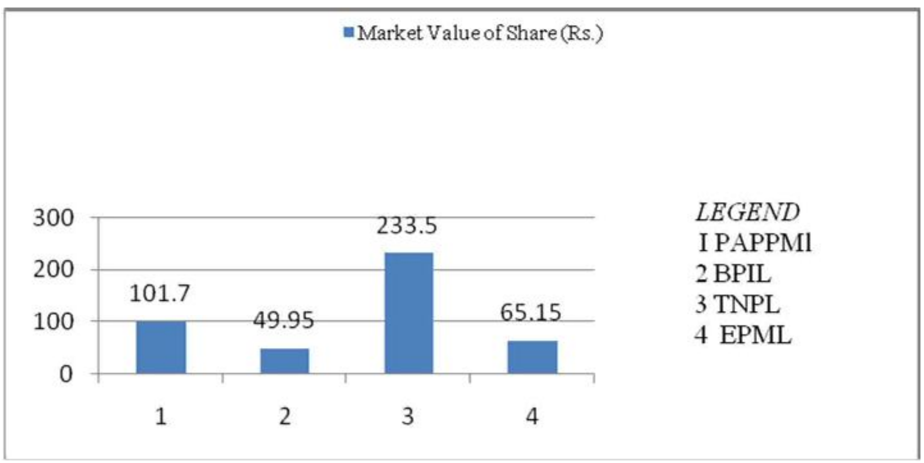
Table 10 average ratios derived from annual reports of four companies APPML, BPIL, TNPL & EPML, to state which company is both more profitable and financially stability:

SL.NO.	RATIO	(1) IPAPPML	(2) BPIL	(3) TNPL	(4) EPML
I	Rate of Return	8.39	4.66	7.06	3.45
II	Rate of Margin on Sales	13.18	11.07	10.74	10.70
III	Sales/Capital Employed	0.88	0.56	0.70	0.69
IV	Current Ratio	2.81	1.61	1.23	3.82
V	Debt-equity Ratio	0.51	0.67	0.56	0.65
VI	Fixed Assets/Long-term Funds	0.99	0.98	1.10	0.86
ANALYSIS OF MARKET VALUE OF SHARES:					
A	Earnings Per Share (Rs.)	8.53	2.33	16.49	2.25
B	Market Value of Share(Rs.)	101.70	49.95	233.50	65.15

Source: field survey

As shown in the table 10 it is inferred that Rate of Return for IPAPPML is high 8.39% followed by TNPL 7.06%, whereas EPML has least 3.45 %. Rate of margin on sales is high 13.18, IPAPPM, followed by BPIL 11.07, whereas EPML is least with 10.70. Sales / capital employed is high 0.88, followed by TNPL 0.70, whereas BPIL is least 0.56. Current ratio optimum for BPIL 1.62, IPAPPML with 2.81 seems to be little high, whereas EPML 3.82 is not very desirable as it increases costs. Debt equity ratio 0.51 IPAPPM is most ideal, followed by for TNPL 0.56. Fixed assets / long term funds is almost ideal for all the sample companies.

TNPL has highest Rs. 16.49, followed by IPAPPM Rs. 8.53, whereas BPIL has least Rs 2.33, this low when compared with highest EPS 7 times greater than BPIL, hence, BPIL should conduct proper analysis to improve the financial performance. TNPL market value of Share is high Rs. 233, followed by IPAPPML Rs. 102, whereas BPIL has least value of Rs. 50. The difference between highest and lowest is 4.5 times, the BPIL should evolve suitable measures to improve market value of it share. assets without utilizing the same fully. As regards profitability, from the data, it is evident that the recent past viz., 2013, 2014 and 2015 turned out to be worse years.



This decline in profitability is due to purely lowered margin on sales in spite of meager improvement in rotation of capital employed. This can be observed from poor turnover of total assets. This, in other terms, means that the company is not able to utilize its capital effectively or that it is over-capitalized. This is also confirmed by the poor current ratio during the period. It shows a declining trend. This needs improvement but at the same time without affecting the profitability. Therefore, the company should take steps to improve its sales and its margin by reducing its overheads so that the profitability is improved.

Judging from the overall profitability point of view, International paper APPM Ltd (IPAPPML) . is the best firm since the rate of return is the highest in this case. The margin on sales is also the highest. However, it appears that this company can do even better. The rate of turn-over is high as compared to BPIL, TNPL, and EPML. Still it is low rate of turn-over which shows that the company is doing under-trading – a fact confirmed by the high current ratio. The company seems to have a good of potential financially. It has funds lying idle in current assets and , if necessary, may be able to raise substantially more funds, because the debt-equity ratio is only 0.51. Whereas 0.67 is always acceptable. But the current position (recent past) of the company is of over-capitalization caused by idle funds. Hence, it can correct its position by either paying loans. However, more funds need to be employed fruitfully and for that better management, than at present, is required.

Emami Paper Mills Ltd., is easily the worst in respect of overall profitability since the rate of return (ROR) is barely above half of other companies. The reason is extremely low rate of turn-over coupled with lowest rate of margin on sales of all the four firms. It shows that the company is doing under-trading – a fact confirmed by the high current ratio. Hence, the company needs to use funds in a very profitable manner.

Ballarpur Industries Ltd., appears to have a reasonably good record in respect of margin on sales. The lowest rate of turn-over of all the four companies shows that the company is doing over-trading.

Tamil Nadu News Prints Ltd., appears to have a reasonably good record in respect of margin on sales, rate of turn-over and the rate of return. The company has a very low current ratio which shows that company is doing over-trading and , if necessary, may be able to raise substantially more funds because the debt-equity ratio is only 0.56. To improve the current ratio and turn-over, the company should explore and locate obsolete stocks and overdue debtors and clear them.

On the whole, Tamil Nadu News Prints Ltd., would seem to be the best firm from the point of view of its EPS and MVS since its profitability and financial position is not much lower than that of International Paper APPM Ltd.,

Wealth Maximisation and its Relevancy to Different Sectors:

It should be noted that the objective of maximisation of wealth does not apply to public sector units since there is no sale or purchase of shares of such undertakings and there is no market value of shares. Government has entirely different objectives - even the profit objective is secondary to the objective of rendering service to the society. The maintenance of the viability of the undertaking concerned will remain a valid objective and it will be the duty of financial management to keep this always in view.

Even in private sector units, survival is of the first importance. An important objective is the maintenance of independence of management - the financial situation should not be allowed to be such as will subject the management to outside interference, say, by the lenders. Another point to keep in view is flexibility - the management should be able to make such moves as it likes and should not be thwarted for want of funds. Financial management must thus necessarily keep the long view in mind, though it is always necessary to survive in present to take advantage of the future.

CONCLUSION AND SUGGESTIONS:

Rate of Return, rate of margin and sales / capital employed performance of IPAPPML is better, TNPL performance is satisfactory, comparatively EPML and BPIL little satisfactory. Current ratios of BPIL and, IPAPPML are better comparatively with other companies in the sample. With 2.81 seems to be little high, whereas EPML 3.82 is not very desirable as it increases costs. Debt equity ratio IPAPPM and TNPL 0.56 are optimum and fixed assets / long term funds are almost ideal for all the sample companies.

EPS of TNPL is highest Rs. 16.49, followed by IPAPPM Rs. 8.53, whereas BPIL has least Rs 2.33, this low when compared with highest EPS 7 times greater than BPIL, hence, BPIL should conduct proper analysis to improve the financial performance. TNPL market value of Share is high Rs. 233, followed by IPAPPML Rs. 102, whereas BPIL has least value of Rs. 50. The difference between highest and lowest is 4.5 times, the BPIL should evolve suitable measures to improve market value of it share. Assets without utilizing the same fully.

As regards profitability, from the data, it is evident that the recent past viz., 2013, 2014 and 2015 turned out to be worse years. This decline in profitability is due to purely lowered margin on sales in spite of meager improvement in rotation of capital employed. This can be observed from poor turnover of total assets. This, in other terms, means that the company is not able to utilize its capital effectively or that it is over-capitalized. This is also confirmed by the poor current ratio during the period. It shows a declining trend. This needs improvement but at the same time without affecting the profitability. Therefore, the company should take steps to improve its sales and its margin by reducing its overheads so that the profitability is improved.

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Over-trading, is an aspect of under-capitalisation and may also mean entering into too big a commitment for short-selling or buying large stocks in the hope of making a profit when prices move in the right direction. If these operations are not backed by adequate finances, there may be danger since all the resources may be wiped off by an adverse movement of prices.

Under-trading is an aspect of over-capitalisation and leads to low profits. The proper remedy is to use the funds where they can earn reasonable profit, say by starting another line of production.

Companies can strengthen their liquidity position, wherever necessary, by improving their fixed assets turnover ratio. The companies can also recover the strained cash positions by lowering the inventory and debtors levels. The companies are still required to use their resources effectively so as to generate higher sales volume. And at the same time, the companies should try to maintain good relations with their creditors, because they provide good credit facilities and duration of pay the amount due to them. Since the companies give preference to the common man's privilege, a constant measure may be adopted for better managerial performance on integrated approach.

The study, indicated above, will show the past performance and to some extent on that basis the company's future may also be gauged. But business environment is always changing and it is necessary to ascertain how the company would be operating in the future by considering the strengths and weaknesses of the companies and industry as well in generating enough cash to meet various obligations in the future. The study is always a strategic measurement with reference to the performance, growth, expansion and modernisation of business.

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