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ANALYSIS OF FINANCIAL PERFORMANCE TECUMESH PRODUCTS

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ABSTRACT

Financial performance analysis describes the method that those examining the affair of a business use to evaluate and assess its financial activity.

Financial performance refers to the overall financial health of the business. All businesses take financial assets, which comes in many forms, and use them to support business activity, which generates revenue and ultimately , profits.

In its simplest definition, financial performance can refer to the effectiveness in which the business generates profits, ut it also refers to much more. It is a reflection of all the elements that contribute to profitability, separately as line items, and holistically as a collective dynamic.

INTRODUCTION

According to the american institute of certified public accountants, "financial statements reflect a combination of recorded facts, accounting conventions, and personal judgements and the judgements and conventions applied affect them materially." This statement makes clear that the accounting information as depicted by the financial statements are influenced by three factors viz., recorded facts, accounting conventions and personal judgements.

Working capital maybe regarded as the lifeblood of a business. Its effective provisions can do much to ensure the success of a business, which its inefficient management can lead only to loss of project but also to ultimate downfall of what otherwise, might be considered as promising concern. Thus, its management is considered as one of the most important aspects of firm's financial management.

The term working capital stands for that part of the capital, which is required for the financial working of the company in a simple word; we can say that working capital i the investment needed for carrying out day-to-day operations of the business smoothly.

Investment in working capital is influenced by four key events in the production and sales cycle. These events are: purchase of raw materials, payment of their purchase, the sale of finished goods, and collection of cash for the sales made.

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Working capital cycle is alternatively known as 'operating cycle concept' of working capital. This concept is based on the continuity of flow of funds through business operations. This flow of value is caused by different operational activities during a given period of time. The operational activities of an organization may comprise of:

- Purchase of raw materials
- Conversion of raw materials into finished products
- Sale of finished goods and
- Realization of accounts receivable.
- Financial planning and succefull promotion of an enterprise
- Acquisition of funds as and when required at the minimum passible cost
- Proper use and allocation of funds
- Taking sound financial decissions
- Improving the profitability through financial controls
- Increasing the wealth of the investers and the nation
- Promoting and mobilizing individual and corporate savings.

RESEARCH METHODOLOGY

based on the objectives of the study, descriptive research has been adopted. Descriptive research is one, which is largely used to draw interferences about the possible relationships between variables. It is the simplest type of research. It is designed to gather descriptive information and provides information for formulating more sophisticated studies. It involves formulation of more specific hypothesis and testing them through statistical inference. The research is generally useful when we collect the information from the resources.

the data is collected through secondary sources and also from annual reports of the corporation and other relevant information is taken from the books.

NEED FOR STUDY

- Operating cycle shows cash coming into the business, what happens to it while the business has it and then where it goes.
- The credit extends the borrower for working capital requirement to complete their day to day operations and hence it can save the interest charged. So the efficient operating cycle managements are crucial for a firm if it wants to make profit and improve itself.
- A firm should maximize the wealth of its share holders and should earn sufficient return from its operations earning a steady amount of profit requires successful sale activities. The firm has invested enough funds in current assets for the success of sales activity. Current assets are needed because sales do not cash instantaneously. There is always and operating cycle involved in conversion of sales into cash.

LIMITATIONS OF THE STUDY

the information used is taken from historical annual reports available. The secondary data is used for calculations.

- Financial statements are prepared on the basis of certain accounting concepts and conventions.
- Any change in methods are procedure of accounting system limits the utility of financial statements.
- Ratios of the past are not true indicators of future.

REVIEW OF LITERATURE

review of literature has vital relevance with any research work due to literature review the possibility of repetition of study can be eliminated and another dimension can be selected for the study. The literature review helps researcher to remove limitations of existing work or may assist to extend prevailing study.

several research have been conducted to analyse the different aspects of performance of commercial banks in india and abroad. But there are very few research and literature available on the subject related to financial reforms and its impact on indian banks

prashanta athma (2000), in his ph d research submitted at usmania university hyderabad, "performance of public sector banks - a case study of state bank of hyderabad, made an attempt to evaluate the performance of public sector commercial banks with special emphasis on state bank of hyderabad. The period of the study for evaluation of performance is from 1980 to 1993-94, a little more than a decade. In this study, athma outlined the growth and progress of commercial banking in india and. Analyzed the trends in deposits, various components of profits of sbh, examined the trends in asset structure, evaluated the level of customer satisfaction and compared the performance of sbh with other psbs, associate banks of sbi and sbi. Statistical techniques like ratios, percentages, compound annual rate of growth and averages are computed for the purpose of meaningful comparison and analysis. The major findings of this study are that since nationalization, the progress of banking in india has been very impressive. All three types of deposits have continuously grown during the study period, though the rate of growth was highest in fixed deposits. A comparison of sbh performance in respect of resource mobilization with other banks showed that the average growth of deposits of sbh is higher than any other bank group. Profits of sbh showed an increasing trend indicating a more than proportionate increase in spread than in burden. Finally, majority of the customers have given a very

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positive opinion about the various statements relating to counter service offered by sbh.

zacharias thomas(1997)ph d thesis, 'performance effectiveness of nationalised bank- a case study of syndicate bank', submitted to kochin university (1997), thesis studied the performance effectiveness of nationalized bank by taking syndicate bank as case study in his ph.d thesis. Thomas has examined various aspects like growth and development of banking industry, achievements of syndicate bank in relation to capital adequacy, quality of assets, profitability, social banking, growth, productivity, customer service and also made a comparative analysis of 'the performance effectiveness of syndicate bank in relation to nationalized bank. A period of ten years from 1984 to 1993-94 is taken for the study. This study is undertaken to review and analyze the performance effectiveness of syndicate bank and other nationalized banks in india using an economic managerial-efficiency evaluation model (emee model) developed by researcher. Thomas in this study found that syndicate bank got 5th position in capital adequacy and quality of assets, 19th in profitability, 20th position in social banking, 8th in growth, 7th in productivity and 19th position in customer service among the nationalized banks. Further, he found that five nationalized banks showed low health performance, seven low priority performance and eleven low efficiency performance in comparison with syndicate bank.

In india, tpipl has four main competitors i.e., kirloskar, volta's, blue star and carrier air conditioners ltd. Tpipl is the market leader with overall 50% market share impressed in terms of value. In this segment of air conditioning compressor, it has still competition from kirloskar copeland. The other manufacturers i.e., carrier air conditioners ltd, volta's, blue star are manufacturing compressors mostly for their indigenous use as they are in their air conditioners markets and refrigerators market. Carrier air conditioner is looking for diversity of their compressor division as of their comeback strategy they have been on down sidelines since 1999 it has also listed its shares during their period.

tecumseh refrigerators and air conditioners products have concerns, a large chunk of the indian markets as its clients include most of the oem's. Tecumseh has a 40% of market share of the domestic and 30% of the refrigerator compressor market.

kirloskar is 51:49 joint venture between kirloskar brother and us based copeland corporation, a global competitor of tpil, usa. The joint venture company was incorporated on 20th march 1993. The joint venture company took over the compressors manufacturing and sells business of emetic compressor division at karad and atitl of kirloskar brother limited from 1st april 1993. Kirloskar brother limited stated its production of hermetic compressor way back in 1996, at kirloskar wadi. It was then with a technical collaboration with tpc usa, which had no yet entered india. Kirloskar copeland as a part of their strategy to increase their sales have started manufacturing of condensers, which are mainly used in diaries, cold storage, industrial chillers and water coolers. The estimated market size in india being rs. 28 crores.

Tecumseh usa

mr. Ray w. Herrick, a former employee of ford motors company started in 1930. In 1937, the company went public with an offering of 25000 shares. Mr. Ray w. Herrick passed away in 1973, but his vision lives through his son ken, the current chairman of the board and his grandson todd w herrick, who has been president and ceo since 1984. Tecumseh india a preferred supplier to the world of the ac & industry in india and in middle east saarc.

tecumseh products company is a us$2 billion cooling giant having a global presence and a global vision with 24 manufacturing location in 4 continents across 160 countries employing over 20,000 people. It is the world's largest independent compressor company with 16% market share of the global, 190 million units a year compressor market.

Tecumseh products company products are grouped into 3 principal industry segments

- Compressors products
- Engine and power
- Pump products

Origin:

the company was originally established and registered in 1963 under name usha refrigeration industries ltd. (uril), this unit manufacturing compressors for water coolers, air conditioners, air coolers. Lala charath ramaji who was from a renowned industrial family of dcm and coromandal group of companies stared uril in 1970. Uril was changed to shriram refrigeration ltd and the business diverted towards manufacturing of diesel engines and water coolers shriram industries played a great role in the field and captured more than 50% of the share market in india. Shriram industries was also kept in the hands of siddharth c. Shriram became the chairman cum managing director of the company. The period saw sea change in industrial policy, which resulted in a great change in the industrial sector. In the process for survival, shriram went into tech collaboration with westing house us and was named as siel compressors.

siel compressors were the first indian company to manufacture compressors. Later westing house stopped manufacturing compressors and siel went into technical collaboration with tecumseh products company usa in 1988. Tecumseh means "crouching panther" derived from the chief of the shawnee tribe (1968-2023). It started its operations to offer new state of the art aw series to the indian customer. Subsequently, tecumseh products company took over siel group in 1997 and siel group became 160% subsidiary tecumseh products company. As soon as tecumseh took over the company it stopped manufacturing the water coolers and restricted its production to cfc/ hermetically sealed compressor.

tpipl is an iso 19001 and 9001 certified american based multi-national company. Tecumseh india is a 160% subsidiary to tecumseh products company (tpc) usa, which is the only full line, independent manufacturing locations in 4 continents, across 160 countries employing over 200 dealers and more than 600 registered small scale manufacturers. Tpipl has gained core expertise in r&d aw assembly and aw machine shops such that it acquired a lion's share of the compressors market by gaining a 50% share.

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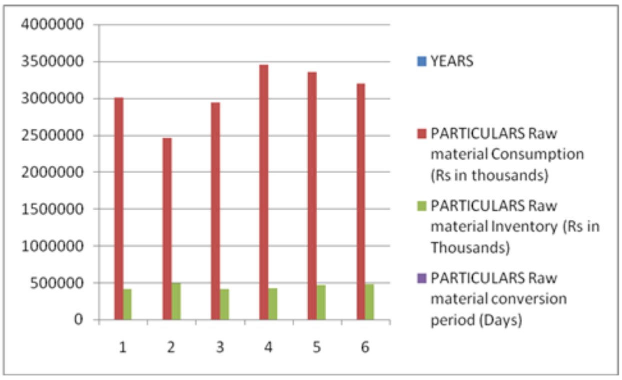
DATA ANALYSIS
&
INTERPRETATION

RAW MATERIALS CONVERSION PERIOD:

The average time taken to convert the raw material into work-in-progress.

Table: 3.2

YEARS	PARTICULARS		
	Raw material Consumption (Rs in thousands)	Raw material Inventory (Rs in Thousands)	Raw material conversion period (Days)
2019	3004972	408898	50
2020	2467520	494161	73
2021	2946484	419671	51
2022	3449924	422986	45
2023	3352441	472033	51
2024	3203403	477720	55



Graph: 3.2

Interpretation:

The above table shows raw materials conversion period during the study of period 2020-2023. It is observed that raw materials conversion period is low (51 days) in the year 2022 ad it is high (79 days) in 2023. Overall, raw materials conversion period has increased from 50 to 55 days in the study period.

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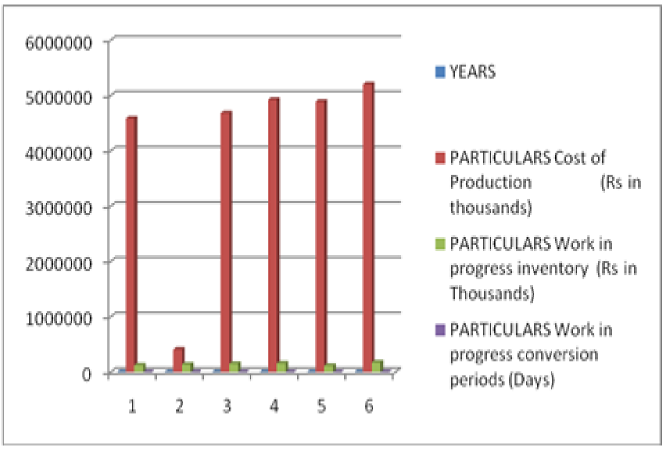
WORK-IN-PROGRESS CONVERSION PERIOD:

Work-in-process conversion period is the average time taken to complete the semi-finished or work in progress.

Table: 3.3

YEARS	PARTICULARS		
	Cost of Production (Rs in thousands)	Work _ in progress inventory (Rs in Thousands)	Work in progress conversion periods (Days)
2019	4586339	185594	16
2020	416446	200072	18
2022	4683732	192472	18
2022	4927200	198570	18
2023	4892849	186594	9
2024	5207374	205891	18

Graph: 3.3



Interpretation:

the above table shows the work in progress conversion period form 2020-2023 high is (18 days) in the year 2021, 2022, 2023 and 2024 and is low (9 days). We observed that work in progress conversion period is slightly increased from 9 to 18 days.

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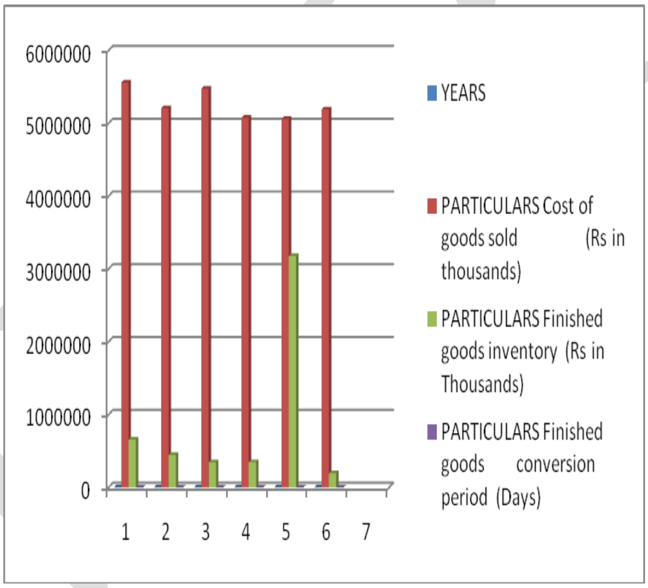
FINISHED GOODS CONVERSION PERIOD:

Finished goods conversion period is the average time taken to sell the finished goods.

Table: 3.4

YEARS	PARTICULARS		
	Cost of goods sold (Rs in thousands)	Finished goods inventory (Rs in Thousands)	Finished goods conversion period (Days)
2019	5560272	658058	43
2020	5216188	447624	32
2021	5477780	346424	23
2022	5078820	348220	25
2023	5062662	3208406	19
2024	5202479	204901	20



Interpretation:

in the above table we observed that finished goods conversion period is low in the year 2023 (19 days) and it is high in year 2019 (43 days). Overall finished goods conversion period has decreased from 43 days to 20 days in study period. So company can maintain medium level of stock of finished goods.

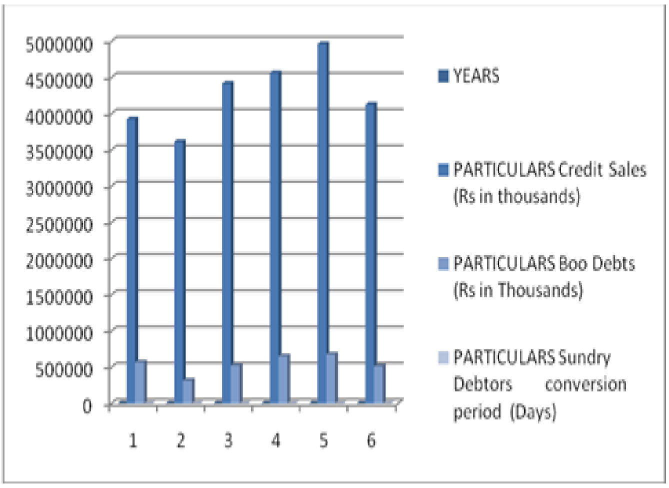
SUNDRY DEBTORS CONVERSION PERIOD:

Debtor's conversion period is the average time taken to convert debtors to cash.

Table: 3.4

YEARS	PARTICULARS		
	Credit Sales (Rs in thousands)	Boo Debts (Rs in Thousands)	Sundry Debtors conversion period (Days)
2019	3925325	568707	53
2020	3620471	320288	32
2021	4420676	523360	43
2022	4563818	653789	52
2023	4964463	679488	50
2024	4187203	519846	45

Graph: 3.5



Interpretation:

in the above table we observed that sundry debtors conversion period is low in the year 2022 (43 days) and it is high in year 2019 (53 days). Overall finished sundry debtors conversion period has decreased from 53 days to 45 days in study period. So, the company has shortly converted debtors to cash.

FINDINGS
SUGGESTIONS
CONCLUSION

FINDINGS:

- Raw materials conversion period during the study of period 2020-2023. It is observed that raw materials conversion period is low (41 days) in the year and it is high (73 days) in 2020. Overall, raw materials conversion period has increased from 50 to 55 days in the study period.
- work-in-progress conversion period form 2020-2023 high is (18 days) in the year 2020, 2023, 2022 and 2024 and is low (9 days) in 2023. We observed that work in progress conversion period is slightly increased from 9 to 18 days.
- Finished goods conversion period is low in the year 2023 (19 days) and it is high in year 2019 (43 days). Overall finished goods conversion period has decreased from 43 days to 20 days in study period. So company can maintain medium level of stock of finished goods.
- sundry debtors conversion period is low in the year 2022 (43 days) and it is high in year 2020 (53 days). Overall finished sundry debtors conversion period has decreased from 53 days to 45 days in study period. So, the company has shortly converted debtors to cash.

SUGGESTION:

- The raw material is increasing year by year which will block the cash and indirectly effect the liquidity of the firm so it is suggested to the company to follow raw material inventory control techniques such as just in time. It is better for the firm to reduce the raw material inventory.
- Finished goods inventory has been decreased every year, so it has improved the company's liquidity. So the company goes same sales and promotion to attain maximum profitability.
- The payable differed period is fluctuating during the study period. The trade credit period has been increased which is a major source of working capital. The company has to go for negotiations to increase the trade credit.

CONCLUSION:

- Creditor's payment period is changing year by year. It is low (91 days) in the year 2024 and it is high (187 days) in the year 2023. Overall the payment deferred period has increased from 92 days to 166 days in the study period. So the company can utilize the trade credit perfectly.
- The net operating cycle is fluctuating during the study period. It is reducing (2023) 64 days to 20 days in the year 2024. Overall, the operating cycle period is from 61 to20 days in study period. So, it means net operating working capital is fluctuating year by year.

- The coefficient of correlation between gross operating cycle and net operating cycle is 0.796672. Therefore, there is a positive relationship between gross operating cycle and net operating cycle.

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