A Study on the financial performance of Siesta Logistics Corporation Limited using Ratio Analysis

(A Report Submitted in partial fulfillment of the requirements for the Degree of Master of Business Administration in Pondicherry University of distance education)

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CERTIFICATE

This is to certify that this project titled **"A Study on the financial performance of Siesta Logistics Corporation Limited using Ratio Analysis"** is based on an original project study conducted by

Ms. Lidia .A

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of IV semester MBA under the guidance of Dr. Kanishka. This project work is original and not submitted earlier for the award of any degree/diploma or associateship of any other University/Institution.

Signature of the candidate Signature of the Supervisor

Signature of the coordinator

Place: Bangalore

Date:

CERTIFICATE OF THE GUIDE

This is to certify that the project work titled "**A Study on the financial performance of Siesta Logistics Corporation Limited using Ratio Analysis"** is a bonafide work of Ms. Lidia .A Enroll No: 5712370009 carried out in partial fulfillment for the award of degree of Master of Business Administration in Finance in Pondicherry University under my guidance. This project work is original and not submitted earlier for the award of any degree/diploma or associateship of any other University / Institution.

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Student's Declaration

I, Ms. Lidia .A hereby declare that the project work titled "**A Study on the financial performance of Siesta Logistics Corporation Limited using Ratio Analysis**" is the original work done by me and submitted to the Pondicherry University - St. Joseph's Evening College Twinning Programme in partial fulfillment of requirements for the award of Master of Business Administration in Finance is a record of original work done by me under the guidance of Dr. Kanishka.

Enroll No: 5712370009

Signature of the Student

ACKNOWLEDGEMENT

"It is not possible to prepare a project report without the assistance & encouragement of other people. This one is certainly no exception."

On the very outset of this report, I would like to extend my sincere & heartfelt obligation towards all the personages who have helped me in this endeavor. Without their active guidance, help, cooperation & encouragement, I would not have made headway in the project.

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At last but not least gratitude goes to all of my friends who directly or indirectly helped me to complete this project report.

Any omission in this brief acknowledgement does not mean lack of gratitude.

Lidia .A

EXECUTIVE SUMMARY

ABOUT THE SIESTA LOGISTICS CORPORATION LIMITED:-

Siesta Logistics Corporation Limited is India's only truly Integrated Logistics Service Provider. The company was promoted by Mr. Ashok Chattaraj a first generation entrepreneur and its present Chairman & Managing Director. The company was founded in 2007 and is based in Bangalore, India with an additional office in Hong Kong. Siesta Logistics Corporation Limited operates as a subsidiary of The Siesta Group of Companies.

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CHAPTER - 1

INTRODUCTION

INTRODUCTION:

FINANCIAL ANALYSIS:

Financial analysis is the process of identifying the financial strengths and weaknesses of the firm and establishing relationship between the items of the balance sheet and profit & loss account. Financial ratio analysis is the calculation and comparison of ratios, which are derived from the information in a company's financial statements. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment. The information in the statements is used by-

- Trade creditors, to identify the firm's ability to meet their claims i.e. liquidity position of the company.
- Investors, to know about the present and future profitability of the company and its financial structure.
- Management, in every aspect of the financial analysis. It is the responsibility of the management to maintain sound financial condition in the company.

RATIO ANALYSIS:

Ratio analysis is such a significant technique for financial analysis. It indicates relation of two mathematical expressions and the relationship between two or more things. Financial ratio is a ratio of selected values on an enterprise's financial statement.

There are many standard ratios used to evaluate the overall financial condition of a corporation or other organization. Financial ratios are used by managers within a firm, by current and potential stockholders of a firm, and by a firm‘s creditor.

Financial analysts use financial ratios to compare the strengths and weaknesses in various companies.

MEANING OF RATIO:

A ratio is simple arithmetical expression of the relationship of one number to another. It may be defined as the indicated quotient of two mathematical expressions.

According to Accountant's Handbook by Wixom, Kill and Bedford, "a ratio is an expression of the quantitative relationship between two numbers".

MEANING OF RATIO ANALYSIS:

Ratio analysis is a very important tool of financial analysis. It is the process of establishing the significant relationship between the items of financial statement to provide a meaningful understanding of the performance and financial position of a firm. Ratio when calculated on the basis of accounting information are called 'Accounting Ratio'.

DEFINITIONS OF RATIO ANALYSIS:

Kennedy and Mc Mulla. "The relationship of one to another, expressed in simple term of mathematical is known as ratio"

According to Accountant's Handbook by Wixom, Kell and Bedford, a ratio "is an expression of the quantitative relationship between two numbers".

NATURE OF RATIO ANALYSIS:

Ratio analysis is a technique of analysis and interpretation of financial statements. It is the process of establishing and interpreting various ratios for helping in making certain decisions. However, ratio analysis is not an end in itself. It is only a

means of better understanding of financial strengths and weakness of a firm. There are a number of ratios which can be calculated from the given information given in the financial statements, but the analyst as to select the appropriate data and calculate only a few appropriate ratios from the same keeping in mind the objectives of analysis. The following are the four steps involved in the ratio analysis:

- Selection of relevant data from the financial statements depending upon the objective of the analysis.
- Calculation of appropriate from the above data.
- Comparison of the calculated ratios with the ratios of the same firm in the past, or the ratios developed from the projected financial statements.
- Interpretation of the ratios.

GUIDELINES OR PRECAUTIONS FORRATIOANALYSIS

The calculation of ratios may not be a difficult task but their use is not easy. Following guidelines or factors may be kept in mind while interpreting various ratios are-

- Accuracy of financial statements
- Objective or purpose of analysis
- Selection of ratios
- Use of standards
- Caliber of the analysis

1. THEORETICAL BACKGROUND:

1.1 USE AND SIGNIFICANCEOFRATIOANALYSIS:

The ratio is one of the most powerful tools of financial analysis. It is used as a device to analyze and interpret the financial health of enterprise. Ratio analysis stands for the process of determining and presenting the relationship of items and groups of items in the financial statements. It is an important technique of the financial analysis. It is the way by which financial stability and health of the concern can be judged. Thus ratios have wide applications and are of immense use today. The following are the main points of importance of ratio analysis:

A. MANAGERIALUSESOFRATIOANALYSIS:

The following are the uses of ratio analysis:

1. **Helps in decision making:** Financial statements are prepared primarily for decision-making. Ratio analysis helps in making decision from the information provided in these financial Statements.
2. **Helps in financial forecasting and planning:** Ratio analysis is of much help in financial forecasting and planning. Planning is looking ahead and the ratios calculated for a number of years a work as a guide for the future. Thus, ratio analysis helps in forecasting and planning.
3. **Helps in communicating:** The financial strength and weakness of a firm are communicated in a more easy and understandable manner by the use of ratios. Thus, ratios help in communication and enhance the value of the financial statements.

4. **Helps in co-ordination:** Ratios even help in co-ordination, which is of at most importance in effective business management. Better communication of efficiency and weakness of an enterprise result in better co-ordination in the enterprise.
5. **Helps in control:** Ratio analysis even helps in making effective control of business. The weaknesses are otherwise, if any, come to the knowledge of the managerial, which helps, in effective control of the business.

B. UTILITY TO SHAREHOLDERS/INVESTORS:

An investor in the company will like to assess the financial position of the concern where he is going to invest. His first interest will be the security of his investment and then a return in form of dividend or interest. Ratio analysis will be useful to the investor in making up his mind whether present financial position of the concern warrants further investment or not.

C. UTILITY TO CREDITORS:

The creditors or suppliers extend short-term credit to the concern. They are invested to know whether financial position of the concern warrants their payments at a specified time or not.

D. UTILITY TO EMPLOYEES:

The employees are also interested in the financial position of the concern especially profitability. Their wage increases and amount of fringe benefits are related to the volume of profits earned by the concern.

E. UTILITY TO GOVERNMENT:

Government is interested to know overall strength of the industry. Various financial statement published by industrial units are used to calculate ratios for determining short term, long-term and overall financial position of the concerns.

F. TAX AUDIT REQUIREMENTS:

Sec44AB was inserted in the income tax act by financial act; 1984.Caluse 32 of the income tax act requires that the following accounting ratios should be given:

a) Gross profit/turnover.
b) Net profit/turnover.
c) Stock in trade/turnover
d) Material consumed/finished goods produced.

Further, it is advisable to compare the accounting ratios for the year under consideration with the accounting ratios for earlier two years so that the auditor can make necessary enquiries, if there is any major variation in the accounting ratios.

1.2 LIMITATIONS:

1. Lack of proper standards.
2. Comparison not possible if different firms adopt different accounting policies.
3. Ratio analysis becomes less effective due to price level changes.
4. Ratio may be misleading in the absence of absolute data.
5. Limited use of a single data.
6. False accounting data gives false ratio.
7. Ratios alone are not adequate for proper conclusions.
8. Effect of personal ability and bias of the analyst.

1.3 CLASSIFICATIONS OF RATIOS:

Several ratios, calculated from the accounting data can be grouped into various classes according to financial activity or function to be evaluated. Management is interested in evaluating every aspect of the firm's performance. They have to protect the interests of all parties and see that the firm grows profitably .In view of the requirement of the various users of ratios; ratios are classified into following four important categories:

A. LIQUIDITYRATIO:

a) Current Ratio
b) Quick Ratio or Acid Test Ratio
c) Cash ratio

B. LEVERAGE OR CAPITAL STRUCTURE RATIO:

a) Debt Equity Ratio
b) Proprietary Ratio
c) Capital Gearing Ratio
d) Interest Coverage Ratio

C. ACTIVITY RATIO OR TURNOVERRATIO:

a) Stock Turnover Ratio
b) Debtors or Receivables Turnover Ratio
c) Average Collection Period
d) Creditors or Payables Turnover Ratio
e) Average Payment Period
f) Fixed Assets Turnover Ratio
g) Working Capital Turnover Ratio

D. PROFITABILITYRATIOOR INCOME RATIO:

Profitability Ratio based on Sales :

i. Gross Profit Ratio
ii. Net Profit Ratio
iii. Operating Ratio
iv. Expenses Ratio

Profitability Ratio Based on Investment:

i. Return on Capital Employed
ii. Return on Shareholder's Funds
    a. Return on Total Shareholder's Funds
    b. Return on Equity Shareholder's Funds
iii. Earnings Per Share
iv. Dividend Per Share

A. LIQUIDITYRATIO:

It is extremely essential for a firm to be able to meet the obligations as they become due. Liquidity ratios measure the ability of the firm to meet its current obligations (liabilities). The liquidity ratios reflect the short-term financial strength and solvency of a firm. In fact, analysis of liquidity needs the preparation of cash budgets and cash and funds flow statements; but liquidity ratios, by establishing a relationship between cash and other current assets to current obligations, provide a quick measure of liquidity. A firm should ensure that it does not suffer from lack of liquidity, and also that it does not have excess liquidity. The failure of a company to meet its obligations due to lack of sufficient liquidity, will result in a

poor credit worthiness, loss of credit worthiness, loss of creditors' confidence, or even in legal tangles resulting in the closure of the company.

A very high degree of liquidity is also bad; idle assets earn nothing. The firm's funds will be unnecessarily tied up in current assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity. The most common ratios which indicate the extent of liquidity are lack of it, are:

a. Current ratio
b. Quick ratio.
c. Cash ratio and

a. Current ratio:

Current ratio is calculated by dividing current assets by current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current assets include cash and other assets that can be converted into cash within in a year, such as marketable securities, debtors and inventories. Prepaid expenses are also included in the current assets as they represent the payments that will not be made by the firm in the future.

All obligations maturing within a year are included in the current liabilities. Current liabilities include creditors, bills payable, accrued expenses, short-term bank loan, income tax, liability and long-term debt maturing in the current year.

The current ratio is a measure of firm's short-term solvency. It indicates the availability of current assets in rupees for every one rupee of current liability. A ratio of greater than one means that the firm has more current assets than current claims against them Current liabilities.

b. Quick Ratio: Quick ratio also called Acid-test ratio, establishes a relationship between quick, or liquid, assets and current liabilities. An asset is a liquid if it can be converted into cash immediately or reasonably soon without a loss of value. Cash is the most liquid asset. Other assets that are considered to be relatively liquid and included in quick assets are debtors and bills receivables and marketable securities (temporary quoted investments). Inventories are considered to be less liquid. Inventories normally require some time for realizing into cash; their value also has a tendency to fluctuate. The quick ratio is found out by dividing quick assets by current liabilities.

The Formula for calculating Quick Ratio is as follows:-

(Quick Assets=Current Assets=Inventories)

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

c. **Cash Ratio:** Since cash is the most liquid asset, it may be examined cash ratio and its equivalent to current liabilities. Trade investment or marketable securities are equivalent of cash; therefore, they may be included in the computation of cash ratio:

$$\text{Cash Ratio} = \frac{\text{Cash + Marketable Securities}}{\text{Current Liabilities}}$$

B. LEVERAGE OR CAPITAL STRUCTURE RATIO:

The short-term creditors, like bankers and suppliers of raw materials, are more concerned with the firm's current debt-paying ability. On other hand, ling-term creditors like debenture holders, financial institutions etc. are more concerned with the firm's long-term financial strength. In fact a firm should have a strong short as well as long-term financial strength. In fact a firm should have a strong short-as well as long-term financial position. To judge the long-term financial position of the firm, financial leverage, or capital structure ratios are calculated. These ratios indicate mix of funds provided by owners and lenders. As a general rule there should be an appropriate mix of debt and owners' equity in financing the firm's assets.

Leverage ratios may be calculated from the balance sheet items to determine the proportion of debt in total financing. Many variations of these ratios exist; but all these ratios indicate the same thing the extent to which the firms has relied on debt in financing assets. Leverage ratios are also computed form the profit and loss items by determining the extent to which operating profits are sufficient to cover the fixed charges.

a. Debt Equity Ratio: This ratio can be expressed in two ways:

First Approach: According to this approach, this ratio expresses the relationship between long term debts and shareholder's fund.

Formula:

$$\text{Debt Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholder's Funds or Net Worth}}$$

Long Term Loans: These refer to long term liabilities which mature after one year. These include Debentures, Mortgage Loan, Bank Loan, and Loan from Financial institutions and Public Deposits etc.

Shareholder's Funds: These include Equity Share Capital, Preference Share Capital, Share Premium, General Reserve, Capital Reserve, Other Reserve and Credit Balance of Profit & Loss Account.

Second Approach: According to this approach the ratio is calculated as follows:

Formula:

$$\text{Debt Equity Ratio} = \frac{\text{External Equities}}{\text{Internal Equities}}$$

Debt equity ratio is calculated for using second approach.

Significance: This Ratio is calculated to assess the ability of the firm to meet its long term liabilities. Generally, debt equity ratio of is considered safe.

If the debt equity ratio is more than that, it shows a rather risky financial position from the long-term point of view, as it indicates that more and more funds invested in the business are provided by long-term lenders.

The lower this ratio, the better it is for long-term lenders because they are more secure in that case. Lower than 2:1 debt equity ratio provides sufficient protection to long-term lenders

b. Proprietary Ratio: This ratio indicates the proportion of total funds provide by owners or shareholders.

Formula for the calculation of Proprietary Ratio:

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Funds}}{\text{Shareholder's funds}} + \text{Long term Loans}$$

This ratio should be 33% or more than that. In other words, the proportion of shareholders' funds to total funds should be 33% or more. If the ratio is low it indicates that long-term loans are less secured and they face the risk of losing their money.

b. **Capital Gearing Ratio:** This ratio establishes a relationship between equity capital (including all reserves and undistributed profits) and fixed cost bearing capital.

Formula:

$$\text{Capital Gearing Ratio} = \frac{\text{Equity Share Capital+ Reserves + P\&L Balance}}{\text{Fixed cost Bearing Capital}}$$

Whereas, Fixed Cost Bearing Capital = Preference Share Capital + Debentures + Long Term Loan

Significance: If the amount of fixed cost bearing capital is more than (the equity share capital including reserves an undistributed profits), it will be called high capital gearing and if it is less, it will be called low capital gearing.

The high gearing will be beneficial to equity shareholders when the rate of interest/dividend payable on fixed cost bearing capital is lower than the rate of return on investment in business.

Thus, the main objective of using fixed cost bearing capital is to maximize the profits available to equity shareholders.

d. Interest Coverage Ratio: This ratio is also termed as 'Debt Service Ratio'. This ratio is calculated as follows:

Formula:

$$\text{Interest Coverage Ratio} = \frac{\text{Net Profit before charging interest and tax}}{\text{Fixed Interest Charges}}$$

Significance: This ratio indicates how many times the interest charges are covered by the profits available to pay interest charges. This ratio measures the margin of safety for long-term lenders.

This higher the ratio, more secure the lenders is in respect of payment of interest regularly. If profit just equals interest, it is an unsafe position for the lender as well as for the company also, as nothing will be left for shareholders.

An interest coverage ratio of 6 or 7 times is considered appropriate.

ACTIVITY RATIO OR TURNOVERRATIO:

These ratios are calculated on the bases of 'cost of sales' or sales, therefore, these ratios are also called as 'Turnover Ratio'. Turnover indicates the speed or number of times the capital employed has been rotated in the process of doing business. Higher turnover ratio indicates the better use of capital or resources and in turn leads to higher profitability.

It includes the following:

a. Stock Turnover Ratio: This ratio indicates the relationship between the cost of goods during the year and average stock kept during that year. Formula:

$$\text{Stock Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Average Stock}}$$

Here, Cost of goods sold = Net Sales – Gross Profit

Average Stock = Opening Stock + Closing Stock/2

Significance: This ratio indicates whether stock has been used or not. It shows the speed with which the stock is rotated into sales or the number of times the stock is turned into sales during the year.

The higher the ratio, the better it is, since it indicates that stock is selling quickly. In a business where stock turnover ratio is high, goods can be sold at a low margin of profit and even than the profitability may be quite high.

b. Debtors Turnover Ratio: This ratio indicates the relationship between credit sales and average debtors during the year.

Formula for calculation of Debtors Turnover Ratio is:

$$\text{Debtors Turnover Ratio} = \frac{\text{Net Credit sales}}{\text{Averages Debtors + Average B/R}}$$

While calculating this ratio, provision for bad and doubtful debts is not deducted from the deducted from the debtors, so that it may not give a false impression that debtors are collected quickly.

Significance: This ratio indicates the speed with which amount is collected from debtors. The higher the ratio, the better it is, since it indicates that amount from debtors is being collected more quickly.

c. Average Collection Period: This ratio indicates the time with in which the amount is collected from debtors and bills receivables.

Formula is:

$$\text{Average Collection Period} = \frac{\text{Debtors + Bills Receivable}}{\text{Credit Sales per day}}$$

Here, Credit Sales per day= Net Credit Sales of the year/365

$$\text{Average Collection Period} = \frac{\text{Average Debtors*365}}{\text{Net Credit Sales}}$$

Significance: This ratio shows the time in which the customers are paying for credit sales. A higher debt collection period is thus, an indication of the inefficiency and negligence on the part of management. On the other hand, if there is decrease in debt collection period, it indicates prompt payment by debtors which reduces the chance of bad debts.

d. Creditors Turnover Ratio: This ratio indicates the relationship between credit purchased and average creditors during the year and the formula:

$$\text{Creditors Turnover Ratio} = \frac{\text{Net Credit Purchases}}{\text{Average Creditors +Average B/P}}$$

Significance: This ratio indicates the speed with which the amount is being paid to creditors. The higher the ratio, the better it is, since it will indicate that the creditors are being paid more quickly which increases the credit worthiness of the firm.

e. Average Payment Period: This ratio indicates the period which is normally taken by the firm to make payment to its creditors.

Formula for Average Payment Period is:

$$\text{Average Payment Period} = \frac{\text{Creditors + B/P}}{\text{Credit Purchase per day}}$$

Significance: The lower the ratio, the better it is, because a shorter payment period implies that the creditors are being paid rapidly.

f. Fixed Assets Turnover Ratio: This ratio reveals how efficiently the fixed assets are being utilized.

Formula:

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Net Fixed Assets}}$$

Here, Net Fixed Assets = Fixed Assets – Depreciation

Significance: This ratio is particular importance in manufacturing concerns where the investment in fixes asset is quite high. Compared with the previous year, if there is increase in this ratio, it will indicate that there is better utilization of fixed assets. If there is a fall in this ratio, it will show that fixed assets have not been used as efficiently as they had been used in the previous year.

g. Working Capital Turnover Ratio: This ratio reveals how efficiently working capital has been utilized in making sales.

Formula is:

$$\text{Working Capital Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Working Capital}}$$

Here, Cost of Goods Sold = Opening Stock + Purchases + Carriage + Wages + Other Direct Expenses – Closing Stock

Working Capital = Current Assets – Current Liabilities

Significance: This ratio is of Particular importance in non-manufacturing concerns where current assets play a major role in generating sales. It shows the number of times working capital has been rotated in producing sales.

A high working capital turnover shows efficient use of working capital and quick turnover of current assets like stock and debtors. A low working capital turnover ratio indicates under-utilization of working capital.

E. PROFITABILITYRATIOOR INCOME RATIO:

The main object of every business concern is to earn profits. A business must be able to earn adequate profits in relation to the risk and capital invested in it. The efficiency and the success of a business can be measured with the help of profitability ratio.

a. Profitability Ratio Based on Sales:

i. **Gross Profit Ratio:** This ratio shows the relationship between gross profit & sales. Formula:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} * 100$$

Here, Net sales = Sales – Sales Return

Significance: This ratio measures the margin of profit available on sales. The higher the gross profit ratio, the better it is. No ideal standard is fixed for this ratio, but the gross profit ratio should be adequate enough not only to cover the operating expenses but also to provide for depreciation, Interest on loans, dividends and creation of reserves.

ii. Net Profit Ratio: This ratio shows the relationship between net profit and sales.

It may be calculated by two methods.

Method -1

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net Sales}} * 100$$

Method -2

$$\text{Operating Net Profit} = \frac{\text{Operating Net Profit}}{\text{Net Sales}} * 100$$

Significance: This ratio measures the rate of net profit earned on sale. It helps in determining the overall efficiency of the business operations. An increase in the ratio over the previous year shows improvement in the overall efficiency and profitability of the business.

iii. Operating Ratio: This ratio measures the proportion of an enterprise cost of sales and operating expenses in comparison to its sales.

Formula:

$$\text{Operating Ratio} = \frac{\text{Cost of Goods Sold + Operating Expenses}}{\text{Net Sales}} * 100$$

Significance: Operating Ratio is a measurement of the efficiency and profitability of the business enterprises. The ratio indicates the extent of sales that is absorbed by the cost of goods sold and operating expenses. Lower the Operating ratio is better, because it will leave higher margin of profit on sales.

iv. Expenses Ratio: The ratio indicates the relationship between expenses and sales. Although the operating ratio reveals the ratio of total operating expenses in relation to sales but some of the expenses include in operating ratio may be increasing while some may be decreasing. Hence, specific expenses ratio are computed by dividing each type of expenses with the net sales to analyze the causes of various in each type of expenses.

Formula for the Computation of Expenses Ratio:

$$\text{Expenses Ratio} = \frac{\text{Particular Expense}}{\text{Net Sales}} * 100$$

Significance: Various expenses ratio when compared with the same ratios of the previous year give a very important indication whether these expenses in relation to sales are increasing, decreasing or remain stationary. If the expenses ratio is lower, the profitability will be greater and if the expenses ratio is higher the profitability will be lower.

b. Profitability Ratio Based on Investment:

These ratios reflect the true capacity of the resources employed in the enterprises. Sometimes the profitability ratio based on sales is high whereas profitability ratio based on investment is low. Since the capital is employed to earn profit, these are the real measures of the success of the business and managerial efficiency.

i. Return on Capital Employed: This ratio reflects the overall profitability of the business. It is calculated by comparing the profit earned and the capital employed to earn it. This ratio is usually in percentage and is also known as 'Rate of Return' or Yield on Capital'.

Formula for calculation of Return on Capital employed is:

$$\text{Return on Capital Employed} = \frac{\text{Profit Before Interest, Tax and Dividends}}{\text{Capital Employed}} * 100$$

Advantages of 'Return on Capital Employed:

- Since profit is the overall objective of a business enterprise, this ratio is a barometer of the overall performance of the enterprise. It measures how efficiently the capital employed in the business is being used.
- Even the performance of two dissimilar firms may be compared with the help of this ratio.
- The ratio can be used to judge the borrowing policy of the enterprise
- This ratio helps in affecting the necessary changes in the financial policies of the firm.
- Return on Shareholder's Fund: Return on Capital Employed shows the overall profitability of the funds supplied by long term lenders and shareholders taken together. Whereas, Return on shareholder's funds measures only the profitability of the funds invested by shareholders.

These are several measures to calculate the return on shareholder's funds:

- Return on Total Shareholder's Funds: For calculating this ratio 'Net Profit after Interest and Tax' is divided by total.

Return on Total Shareholder's Fund =	Net Profit After Interest and Tax …… Total Shareholder's Funds

Where, Total Shareholder's Funds = Equity Share Capital + Preferences Share Capital + All Reserved +P&L Account Balance – Fictitious Assets

Significance: This ratio reveals how profitably the proprietor's funds have been utilized by the firm. A comparison of this ratio with that of similar firms will throw light on the relative profitability and strength of the firm.

Return on Equity Shareholder's Funds: Equity Shareholders of a company are more interested in knowing the earning capacity of their funds in the business. As such, this ratio measures the profitability of the funds belonging to the equity shareholder's.

Formula:

Return on Equity Shareholder's Funds =	Net Profit (after interest , tax & preferences dividend) ……. Equity Shareholder's Funds	*100

Equity Shareholder's Funds = Equity Share Capital + All Reserves + P&L Account.

Significance: This ratio measures how efficiently the equity shareholder's funds are being used in the business. It is a true measure of the efficiency of the management since it shows what the earning capacity of the equity shareholders' funds. If the ratio is high, it is better, because in such a case equity shareholders may be given a higher dividend.

iii. Earnings per Share (E.P.S): This ratio measures the profit available to the equity shareholders on a per share basis. All profit left after payment of tax and preference dividends are available to equity shareholders.

Formula:

$$\text{Earnings Per Share} = \frac{\text{Net Profit – Dividend on Preference Shares}}{\text{No. of Equity Shares}}$$

Significance: This ratio helpful in the determining of the market price of the equity share of the company. The ratio is also helpful in estimating the capacity of the company to declare dividends on equity shares.

iv. Dividend per Share (D.P.S): Profits remaining after payment of tax and preference dividend are available to equity shareholders. But of these are not distributed among them as dividend. Out of these profits is retained in the business and the remaining is distributed among equity shareholders as dividend. D.P.S. is

the dividend distributed to equity shareholders dividend by the number of equity shares.

Formula:

$$D.P.S = \frac{\text{Dividend paid to Equity Shareholders}}{\text{Total Net Profit belonging to Equity Shareholders}} * 100$$

CHAPTER – 2

RESEARCH METHODOLOGY

2.1 RESEACH METHODOLOGY:

INTRODUCTION:

Financial statements have two major uses in financial analysis. First, they are used to present a historical recover of the firm's financial development. Second, they are used for a course of action for the firm.

A performance financial statement is prepared for a future period. It is the financial manager's estimate of the firm's future performance.

The operation and performance of a business depends on many individuals are collective decisions that are continually made by its management team. Every one of these decisions ultimately causes a financial impact, for better or works on the condition and the periodic results of the business. In essence, the process of managing involves a series of economic choices that activates moments of financial resources connected with the business.

Some of the decisions made by management one will be the major, such as investment in a new facility, raising large amounts of debts or adding a new line of products or services. Most other decisions are part of the day to day process in which every functional area of the business is managed. The combine of effect of all decisions can be observed periodically when the performance of the business is judged through various financial statements and special analysis.

These changes have profoundly affected all our lives and it is important for corporate managers, shareholders, tenders, customers and suppliers to investment and the performance of the corporations on which then relay. All who depend on a corporation for products, services, or a job must be med about their company's

ability to meet their demands time and in this changing world. The growth and development of the corporate enterprises is reflected in their financial statement.

2.2 NEED FOR THE STUDY:

- The study has great significance and provides benefits to various parties whom directly or indirectly interact with the company.
- It is beneficial to management of the company by providing crystal clear picture regarding important aspects like liquidity, leverage, activity and profitability.
- The study is also beneficial to employees and offers motivation by showing how actively they are contributing for company's growth.
- The investors who are interested in investing in the company's shares will also get benefited by going through the study and can easily take a decision whether to invest or not to invest in the company's shares.

2.3 LIQUIDITY AND PROFITABILITY:

Liquidity and profitability are two important demanders in determining the soundness of an enterprise.

Liquidity means ability of a firm to meet its current obligations when they become due for payment. It has two aspects – quantitative and qualitative. Qualitative aspect implies the quantum of current assets a firm possesses irrespective of making any difference b/w various types of current assets such as inventories, cash and so on. Qualitative aspect reforms the quality of current in terms of their realization in to cash considering time dimension involved in maturing different components of current assets.

Profitability is the capacity of earning profits and due most important measure of performance of affirms. It is generally assumed that there is negative relationship b/w liquidity and profitability i.e. higher liquidity results in lower profitability and vice-versa.

2.4 SCOPE OFTHE STUDY:

The scope of the study is limited to collecting financial data published in the annual reports of the company every year. The analysis is done to suggest the possible solutions. The study is carried out for 5 years (2009-13).

2.5 OBJECTIVESOFTHE STUDY:

- To examine the financial performance of the Siesta Logistics Corporation Ltd. for the period of 2010 to 2013.
- To analyses interpret and to suggest the operational efficiency of the Siesta Logistics Corporation Ltd by comparing the balance sheet& profit & loss A\c
- To critically analyses the financial performance of the Siesta Logistics Corporation Ltd. With Help of the ratios.
- To offer appropriate suggestions for the better performance of the organization.

2.6 STATEMENTOFTHE PROBLEM:

Development of industries depends on several factors such as financial personnel, technology, and quality of the product and marketing art of these. Financial aspects assume a significant role in determining the growth of industries. All of the company's operations virtually affect its need for cash. Most of these data covering operations areas are however outside the direct responsibility of the financial

executives. Values top management appreciates the value of good financial executives to know the profitability and liquidity of the concern. The firm whose present operations are inherently difficult should try to makes its financial analysis to enable its management to stay on top of its working position. In this context the researcher is interested in undertaking an analysis of the financial performance of companies to examine and to understand how management of fiancé plays a crucial role of the financial performance analysis of selected companies in India has been undertaken.

2.7 DATA SOURCES:

The study is based on secondary data. However the primary data is also collected to fill the gap in the information.

- Primary data will be through regular interaction with the officials of Siesta Logistics Corporation Ltd.
- Secondary data collected from annual reports and also existing manuals and like company records balance sheet and necessary records.

2.8 LIMITATIONS:

- The study is based on only secondary data.
- The period of study was 2010-13 financial years only.
- One of the factors of the study was lack of availability of ample information. Most of the information has been kept confidential and as such as not assed as art of policy of company.
- Time is an important limitation. The whole study was conducted in a period of 60 days, which is not sufficient to carry out proper interpretation and analysis.

CHAPTER – 3

COMPANY PROFILE

COMPANY PROFILE

SIESTA LOGISTICS CORPORATION LIMITED BANGALORE, INDIA

Siesta Logistics Corporation Limited is India's only truly Integrated Logistics Service Provider. The company was promoted by Mr. Ashok Chattaraj a first generation entrepreneur and its present Chairman & Managing Director. The company was founded in 2007 and is based in Bangalore, India with an additional office in Hong Kong. Siesta Logistics Corporation Limited operates as a subsidiary of The Siesta Group of Companies. It has the capability to serve the clients with a portfolio of customized solutions in the areas of transportation, freight forwarding, rail, port and cargo services, 3PL services, Odd Dimension Cargo and Project Cargo. Headquartered in Bangalore, the company has a vast network, covering over 15 key business centers including major cities like Delhi, Kolkata, Ghaziabad, Hyderabad, Bangalore, Chennai, Goa, Pune and Visakhapatnam among others.

SLCL helps clients redesign their supply chains, optimize their routes, negotiate better vendor terms and ensure that their raw materials reach them on time, thereby constantly delivering value to clients that comprise large multinationals and Indian corporations.

COMPANY FACTS:

Business Type	:	Service Providers
Year of Est.	:	2007
Company Turnover	:	Rs. 50 to 100 Crore Approx.
No. of Employee	:	150 to 200
Ownership	:	Corporation/Limited Liability Company
Business Markets	:	Africa, China, South Central America, CIS, Europe

VISION AND MISSION OF SLCL:

Our Vision:

To offer "Best Value for Money" solutions to our customers and stakeholders through constant product innovation, process optimization and adaptive services by being a learning organization.

Our Mission:

Offer end to end integrated solutions in India and worldwide across multiple industry verticals, reaching desired product to its destination in desired time frame with highest level of customer service at optimal cost

OURSERVICES:

1. ODC & Transportation.
2. Freight Forwarding.

3. Warehousing Management & 3PL services.
4. Customs House Agent (CHA):

ODC & Transportation: Whatever the size, we carry it. We specialize in ODC movements. The dedicated team has expertise in the following areas –

- Sourcing and Engaging Trailers.
- Handling and Lading
- Route Planning and en route Facilitation.

Primary Movement and Secondary distribution on pan India basis is looked after by a team specially assembled for their Knowledge and execution capabilities.

- Pan India Network
- Own and Leased Fleet
- Regional Presence
- Freight Buying Team to ensure Best Rates
- Intra – city Distribution

Freight Forwarding: We undertake Freight Forwarding globally. With our presence in all the airports and sea ports In India, we service imports into and exports from India. In Hong Kong, we have our own company, which caters to worldwide exports of Chinese goods manufactured in south and east china as well

as imports into Hong Kong and China. We are in the process of setting up our offices in South Africa, Europe, Singapore, Indonesia and Middle East.

We have MPO registration. ICD and CFS facilities are also available through our strategic tie ups.

Warehouse Management and 3PL Services: Bespoke warehousing solutions are designed and implemented based on the customer's specific requirements to optimize costs, ensure accurate inventory, timely movements and throughput. We have in-house software packages to control the warehouse. We also possess knowledge of several popular WMS packages, which are available if the need arises for any of our customers.

Dedicated, Multi-user as well as Multi _model warehousing is available on demand.

Customs House Agent (CHA): Our CHA Team is highly knowledge and experienced in the regulations covering all imports and exports in India. They are specialized in the process of imports in India.

We have a rule 8/9 Qualified execution team, with our own CHA License.

- Advances Licensing (EPCG, DEPB, DEEC, DFRC)
- Bonding and De- Bonding of premises and goods.
- In Bond Transportation
- Samples
- Alcoholic Beverages Imports.

MANAGEMENT TEAM OF SLCL:

- **Ashok Chattaraj**

  The founder Chairman & Managing Director of SLCL

- **R. S. Unaware**

  Director

- **Kumar. S**

  Country Head - Projects & Contract Logistics

- **Kasi R. M**

  Executive Vice President – Finance

- **Pradeep Narsaria**

  Finance Controller – Operations

- **Malik Sharif**

  SBU Head – Power Projects

OUR CLIENTS:


Coca-Cola
MAGICKWOODS
AIRBUS
ARCHIDPLY
HEALTHY BREATHING
DHL
JK Cement LTD.
LARSEN & TOUBRO
It's all about Imagineering
Schneider Electric
JPMorgan
VIDEOCON
Experience Change
Parle Agro
refreshing India
Reliance
RETAIL
AIR LIQUIDE
PHILIPS
sense and simplicity
PANALPINA
on 5 continents

CHAPTER – 4

ANALYSIS AND INTERPRETATION

LIQUIDITY RATIOS:

Current Ratio:

Current ratio is calculated by dividing current assets by current liabilities.

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

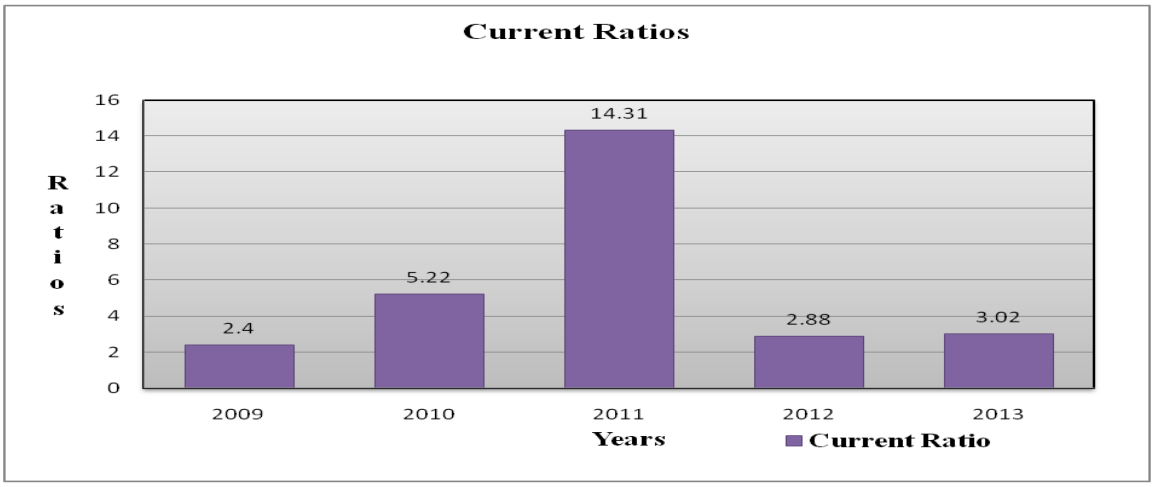
TABLE – 4.1

Current Ratio			
Year	**Current Assets**	**Current Liability**	**Current Ratio**
2009	9,611,759.00	3,999,555.00	2.4
2010	138,260,548.00	26,511,765.00	5.22
2011	478,357,785.00	33,420,740.00	14.31
2012	597,917,087.00	207,403,273.00	2.88
2013	259,513,175.00	85,966,257.00	3.02

(Source: Annual Reports)

Graphical Representation of Current Ratio

Graph No.4.1



INTERPRETATION:

The above table and diagram showed the current ratio of five years (2009-13). The Current Ratio of Siesta Logistics Corporation Limited varied from 2.4 to 3.02 with an average of 25.41 the solvency position of Siesta Logistics Corporation Limited. In terms of current ratio was above the standard norm volume of 2:1 for the entire period. The Current ratio in the year 2011 is 14.31 which came down to 2.88 in the year 2012. This shows utilization of idle funds in the company.

Quick Ratio:

The Formula for calculating Quick Ratio is as follows:

(Quick Assets=Current Assets=Inventories)

$$\text{Quick Ratio} = \frac{\text{Quick Assets}}{\text{Current Liabilities}}$$

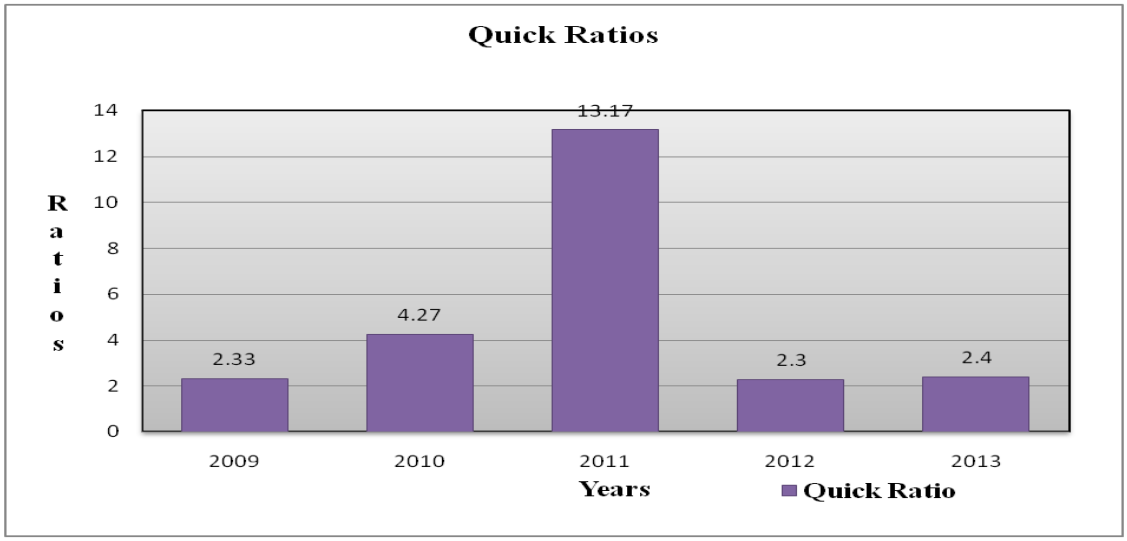
TABLE 4.2

Quick Ratio:			
Year	**Quick Assets**	**Current Liability**	**Current Ratio**
2009	9,073,408.00	3,893,759.00	2.33
2010	105,696,012.00	24,774,036.00	4.27
2011	391,035,508.00	29,684,351.00	13.17
2012	477,061,275.00	207,403,273.00	2.3
2013	206,356,413.00	85,966,257.00	2.4

(Source: Annual Reports)

Graphical Representation of Quick Ratio

Graph No.4.2



INTERPRETATION:

The above table and diagram shows the Quick Ratio of five years (2009-2013). As per the annual reports the ideal Ratio is not 1:1 in any financial year. The high Quick Ratio indicates that the firm has the ability to meet its current liabilities. It confirms that the liquidity position of Siesta Logistics Corporation Ltd. In terms of quick ratio were more than the above standards.

Cash Ratio:

The Formula for calculating Cash Ratio is as follows:

$$\text{Cash Ratio} = \frac{\text{Cash + Marketable Securities}}{\text{Current Liabilities}}$$

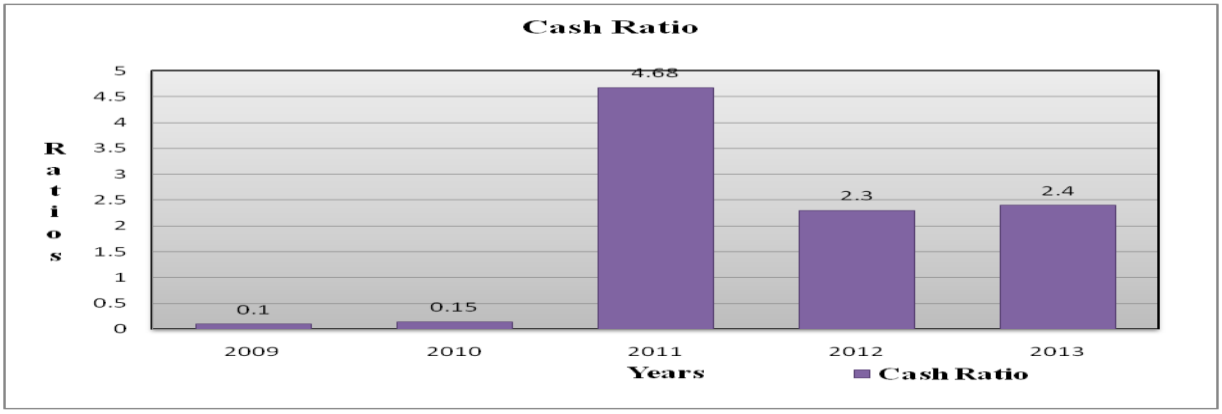
TABLE – 4.3

Cash Ratio:			
Year	**(Cash + Marketable Securities)**	**Current Liability**	**Current Ratio**
2009	407,457.00	3,893,759.00	0.1
2010	3,690,318.00	24,774,036.00	0.15
2011	138,788,265.00	29,684,351.00	4.68
2012	477,061,275.00	207,403,273.00	2.3
2013	206,356,413.00	85,966,257.00	2.4

(Source: Annual Reports)

Graphical Representation of Cash Ratio

Graph No.4.3



INTERPRETATION:

The above table and diagram shows Cash Ratio indicates that the capacity of the company to realize current liabilities with its liquidity position. In the above table the Cash Position Ratio of Five Years (2009-2013). The Cash Ratio of Siesta Logistics Corporation Ltd. has undergone many fluctuations. It started with very low ratio at first by 0.10 in the year 2009; it was highly increased to 4.68 in the year 2011 and again fallen down to 2.4 in the year 2013.

LEVERAGE OR CAPITAL STRUCTURE RATIO:

Debt Equity Ratio:

The Formula for calculating Debt Equity Ratio is as follows:

$$\text{Debt Equity Ratio} = \frac{\text{Total Liabilities}}{\text{Shareholder's Funds or Net Worth}}$$

Shareholders' Fund includes Share Capital, Reserves and P & L A/c

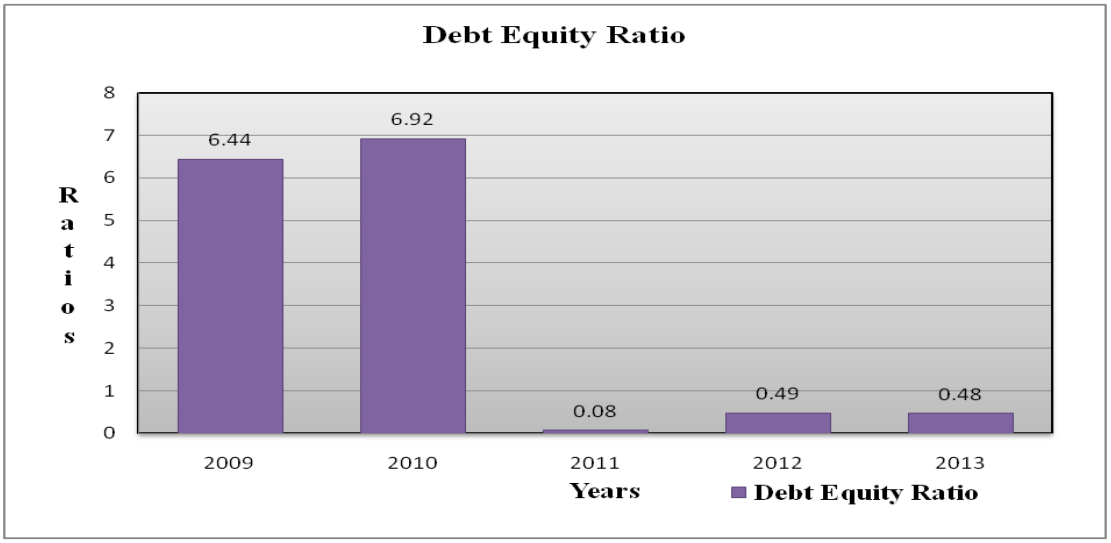
TABLE – 4.4

Debt Equity Ratio			
Year	**Total Liability**	**Shareholders' Fund**	**Debt Equity Ratio**
2009	3,999,555.00	621,067.00	6.44
2010	26,511,765.00	3,831,775.00	6.92
2011	33,420,740.00	407,431,187.00	0.08
2012	207,403,273.00	424,727,372.00	0.49
2013	85,966,257.00	179,156,303.00	0.48

(Source: Annual Reports)

Graphical Representation of Debt Equity Ratio

Graph No- 4.4



INTERPRETATION:

This Ratio is calculated to assess the ability of the firm to meet its long term liabilities. Generally, debt equity ratio of is considered safe. The standard norm for the ratio is 2:1. The actual debt-equity ratio in the above table shows, the first two years less than the standard ratio after the ratio has decreased from 6.44 in 2009 to 0.08 in 2011 and again raises to 0.49 and 0.48 in the 2012 and 2013 respectively. This indicates from the study that the firm tries to reduce the debt and reducing financial risk of the firm when both ratios of the year 2009 and 2013 are compared.

Proprietary Ratio:

The Formula for calculating Proprietary Ratio is as follows:

$$\text{Proprietary Ratio} = \frac{\text{Shareholder's Funds}}{\text{Total Assets}}$$

Shareholders' Fund = Preference Share Capital + Equity Share Capital + All Reserves and Surplus

Total Assets = Tangible Assets + Non-Tangible Assets + Current Assets (or)
All Assets including Goodwill

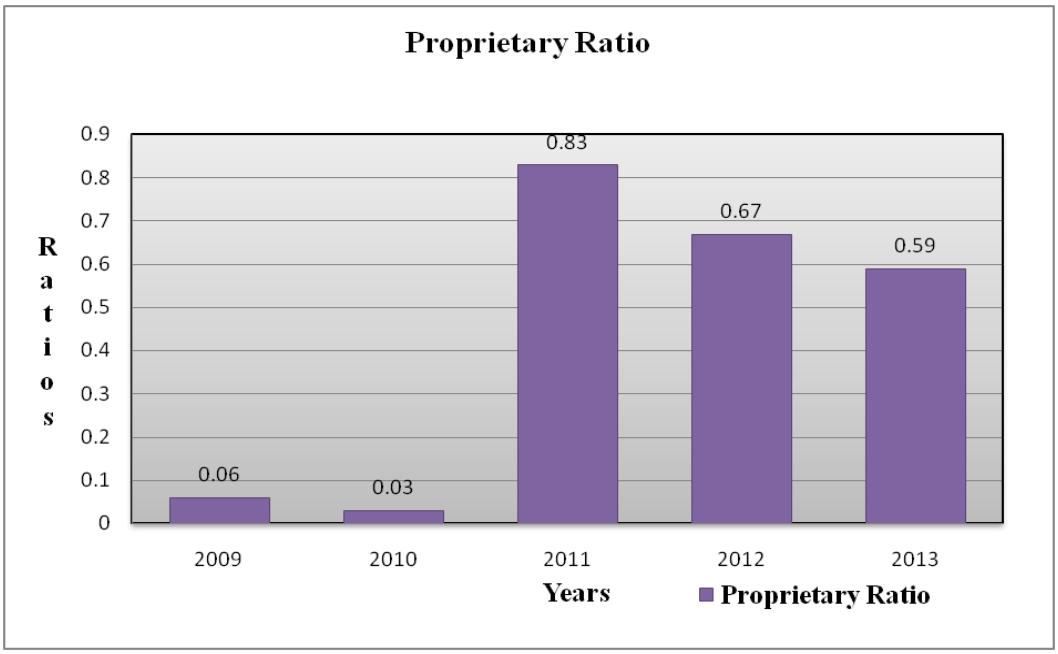
TABLE – 4.5

Proprietary Ratio			
Year	**Shareholders' Fund**	**Total Assets**	**Proprietary Ratio**
2009	621,067.00	10,556,873.00	0.06
2010	3,831,775.00	150,725,802.00	0.03
2011	407,431,187.00	492,987,127.00	0.83
2012	424,727,372.00	638,489,824.00	0.67
2013	179,156,303.00	304,920,525.00	0.59

(Source: Annual Reports)

Graphical Representation of Proprietary Ratio

Graph No- 4.5



INTERPRETATION:

The above table shows the Proprietary Ratio of five years that is from 2009-2013 of Siesta Logistics Corporation Ltd. This ratio used to determine the financial stability of the concern in general. Proprietary Ratio indicates the share of owners in the total assets of the company. In the first two years the ratio is low i.e., 0.06 and 0.03 in 2009 and 2010 respectively this indicates that long-term loans are less secured and they face the risk of losing their money. It is increased in the year 2011 that means a firm is less dependent on external sources of finance.

Capital Gearing Ratio:

The Formula for calculating Capital Gearing Ratio is as follows:

$$\text{Capital Gearing Ratio} = \frac{\text{Equity Share Capital+ Reserves + P\&L Balance}}{\text{Fixed cost Bearing Capital}}$$

Fixed Cost Bearing Capital = Preference Share Capital + Debentures + Long Term Loan

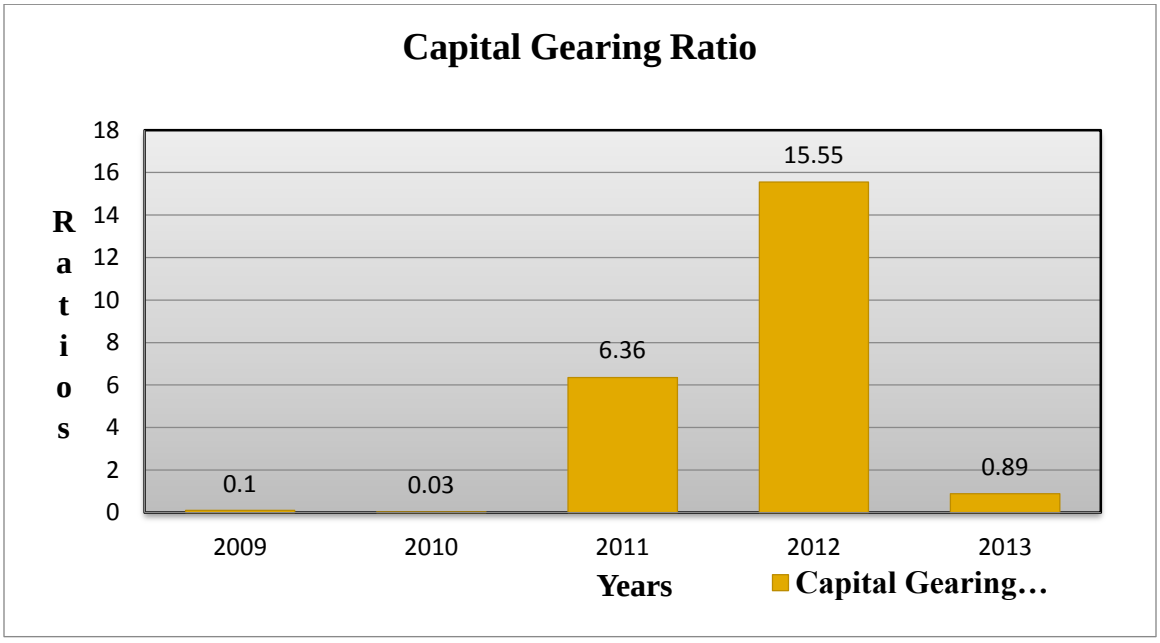
TABLE – 4.6

Capital Gearing Ratio			
Year	**Equity share capital+Reserves+P&L A/c**	**Fixed cost Bearing Capital**	**Capital Gearing Ratio**
2009	621,067.00	6,088,961.00	0.1
2010	3,831,775.00	120,006,810.00	0.03
2011	407,431,187.00	64,049,237.00	6.36
2012	424,727,372.00	27,321,811.00	15.55
2013	179,156,303.00	201,478,612.00	0.89

(Source: Annual Reports)

Graphical Representation of Capital Gearing Ratio

Graph No- 4.6



INTERPRETATION:

The above table shows the Capital Gearing Ratio of five (2009-2013).Capital Gearing Ratio of Siesta Logistics Corporation Ltd. If the amount of fixed cost bearing capital is more than (the equity share capital including reserves an undistributed profits), it will be called high capital gearing and if it is less, it will be called low capital gearing. In the year 2009, 2010 and 2013 the ratio is 0.1, 0.03 and 0.89it shows the company is facing high capital gearing. In the year 2011 and 2012 the ratio is 6.36 and 15.55 it shows the company is facing low capital gearing.

ACTIVITY RATIO OR TURNOVER RATIO

Average Collection Period:

The Formula for calculating Average Collection Period is as follows Formula is:

$$\text{Average Collection Period} = \frac{\text{Debtors + Bills Receivable}}{\text{Credit Sales per day}}$$

Here, Credit Sales per day= Net Credit Sales of the year/365

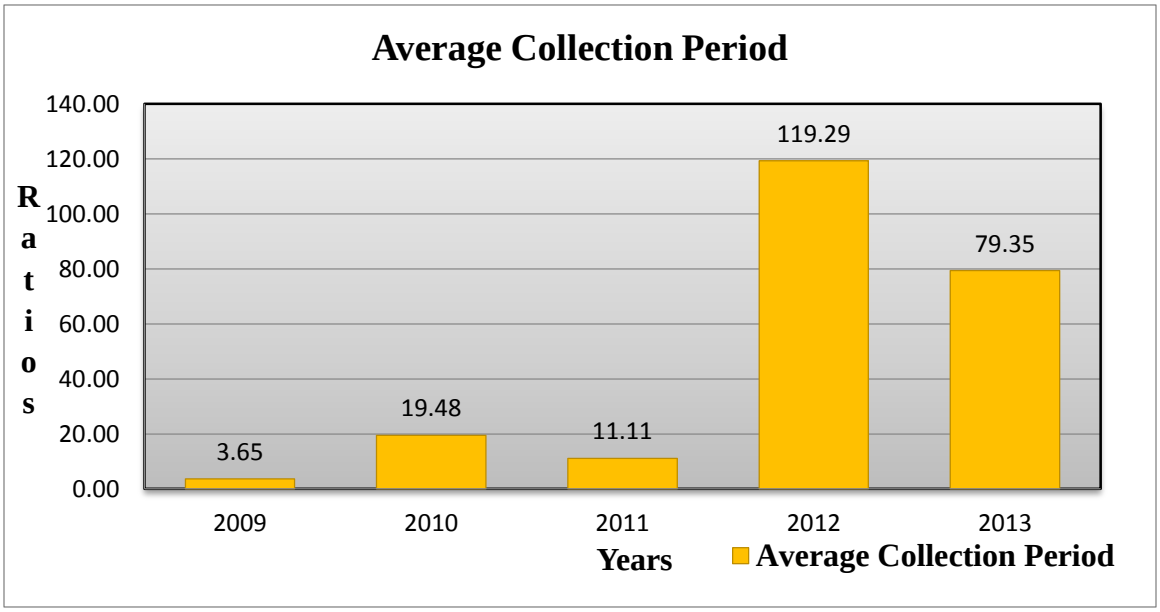
TABLE – 4.7

Average Collection Period			
Year	Debtors + Bills Receivable	Credit Sales per day	Average Collection Period
2009	86,65,951.00	23,742.33	3.65
2010	10,20,05,694.00	52,376.47	19.48
2011	25,22,47,243.00	2,26,980.12	11.11
2012	37,83,60,320.00	31,717.06	119.29
2013	19,98,98,640.00	25,190.64	79.35

(Source: Annual Reports)

Graphical Representation of Average Collection Period

Graph No- 4.7



INTERPRETATION:

The above table and diagram shows the relationship between Debtors + Bills Receivable and Credit Sales per day. In the year 2009, 2010, 2011, 2012 and 2013 the Average Collection Period of the company in the year 2009 the ratio is 3.65 and the ratios goes to 19.48 in the year 2010 the ratio decreases in 2011 to 11.11and again ratio increases to 119.29 in 2012 from 119.29 comes down to 79.35 in the year 2013.

Fixed Assets Turnover Ratio:

The Formula for calculating Fixed Assets Turnover Ratio is as follows Formula is:

$$\text{Fixed Assets Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Net Fixed Assets}}$$

Here, Net Fixed Assets = Fixed Assets – Depreciation

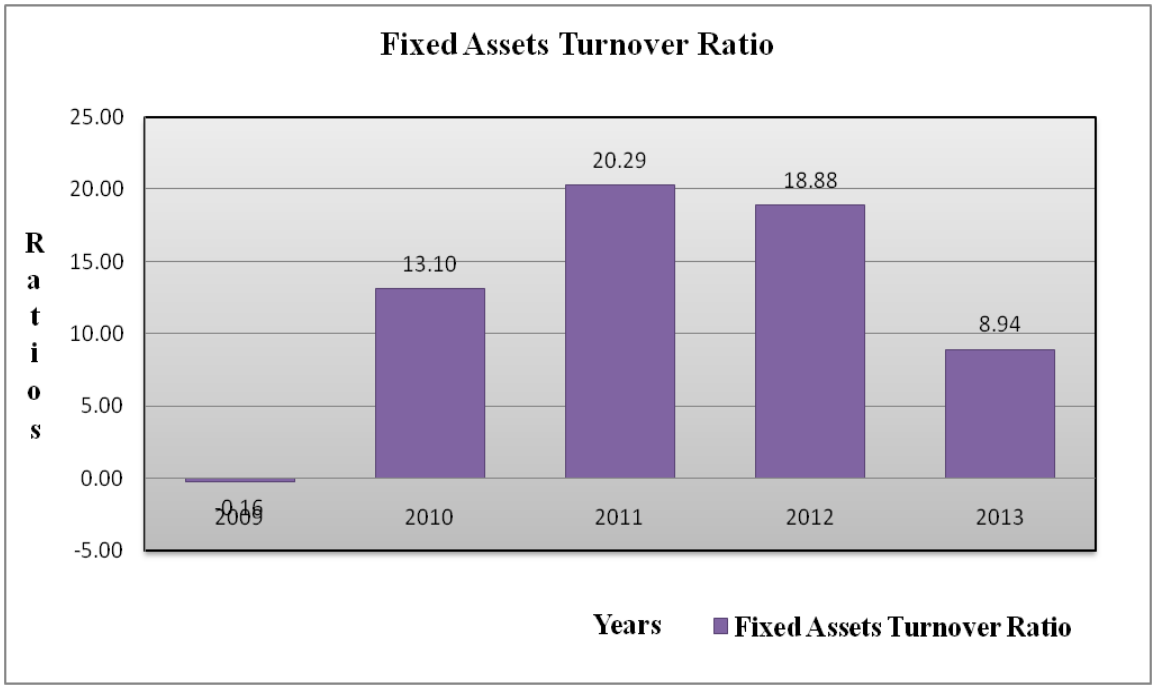
TABLE – 4.8

Fixed Assets Turnover Ratio			
Year	**Cost of Goods Sold**	**Net Fixed Assets**	**Fixed Assets Turnover Ratio**
2009	(17,635.00)	1,07,337.00	-0.16
2010	1,41,53,984.00	10,80,322.00	13.10
2011	7,19,33,592.00	35,45,677.00	20.29
2012	84,15,71,444.00	4,45,86,237.00	18.88
2013	44,17,34,481.00	4,94,20,850.00	8.94

(Source: Annual Reports)

Graphical Representation of Fixed Assets Turnover Ratio

Graph No- 4.8



INTERPRETATION:

The above table and diagram shows the relationship between costs of goods sold and Net Fixed Assets. In the year 2009 - 0.16 the company has not utilized the fixed assets. In the year 2010 the ratio has been increased to 13.10 and in the year 2011 the sales has been increased a lot. It shows that a sale is 4 times more than fixed assets. 20.29 again decrease to 18.88 and 8.94 in the year 2012 and 2013.

Working Capital Turnover Ratio:

The Formula for calculating Working Capital Turnover Ratio is as follows Formula is:

$$\text{Working Capital Turnover Ratio} = \frac{\text{Cost of Goods Sold}}{\text{Working Capital}}$$

Here, Cost of Goods Sold = Opening Stock + Purchases + Carriage + Wages + Other Direct Expenses – Closing Stock

Working Capital = Current Assets – Current Liabilities

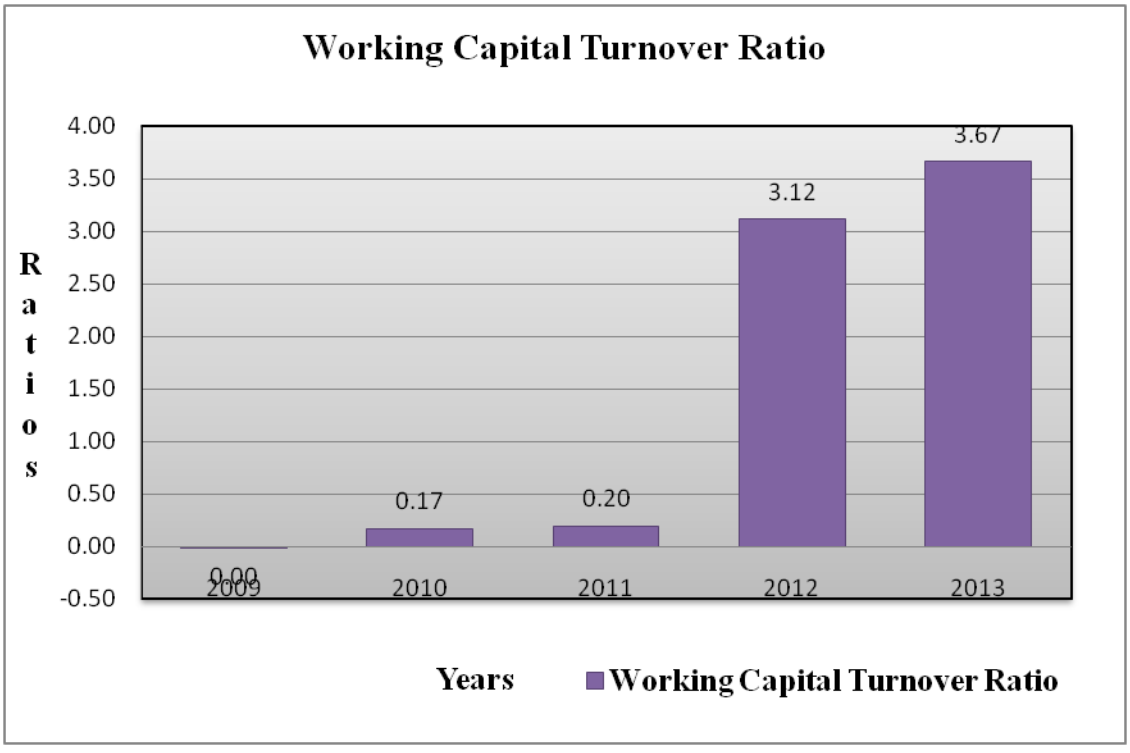
TABLE – 4.9

Working Capital Turnover Ratio			
Year	**Cost of Goods Sold**	**Working Capital**	**Working Capital Turnover Ratio**
2009	(17,635.00)	51,79,649.00	0.00
2010	1,41,53,984.00	8,09,21,976.00	0.17
2011	7,19,33,592.00	36,13,51,157.00	0.20
2012	84,15,71,444.00	26,96,58,002.00	3.12
2013	44,17,34,481.00	12,03,90,156.00	3.67

(Source: Annual Reports)

Graphical Representation of Working Capital Turnover Ratio

Graph No- 4.9



INTERPRETATION:

In the above Table and Chart the velocity of the utilization of Working Capital ratio have been observed that in the year 2009 it is showing the negative percentage that is 0.00 and from the year 2010 the ratio is been increased to 0.17, and constantly increasing until 2013 which means that the working capital turnover ratio has been used efficiently in the business.

Capital Turnover Ratio:

The Formula for calculating Capital Turnover Ratio is as follows Formula is:

$$\text{Capital Turnover Ratio} = \frac{\text{Sales}}{\text{Capital Employed}}$$

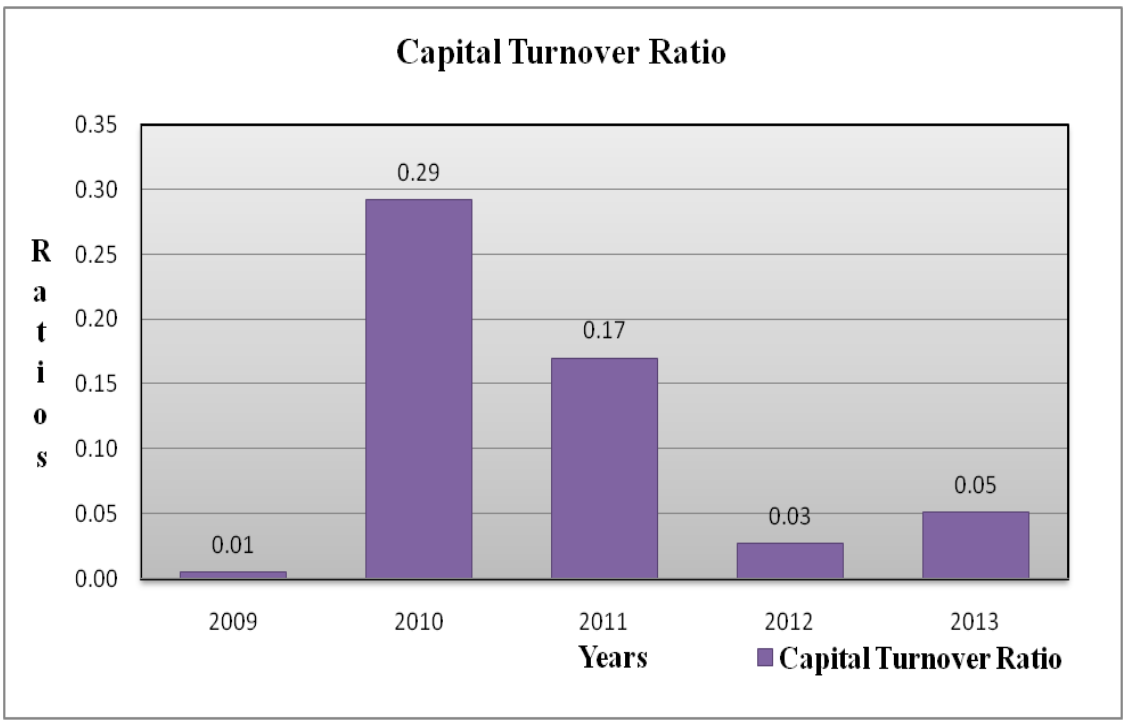
TABLE – 4.10

Capital Turnover Ratio			
Year	**Sales**	**Capital Employed**	**Capital Turnover Ratio**
2009	35,796.00	67,10,028.00	0.01
2010	1,90,20,980.00	6,52,66,174.00	0.29
2011	7,57,98,964.00	44,59,17,212.00	0.17
2012	1,15,76,726.00	42,47,27,372.00	0.03
2013	91,94,583.00	17,91,56,303.00	0.05

(Source: Annual Reports)

Graphical Representation of Capital Turnover Ratio

Graph No- 4.10



INTERPRETATION:

The above table and diagram shows the relationship between sales and capital employed. In the year 2009 it was 0.01 and it increases to 0.29 in the year 2010 then it decreases to 0.17 in the year 2011 again decreases to 0.03 in the year 2012 and the year 2013 it increases to 0.05 .It shows that picture of capital turnover ratio indicating that the company is striving to make a profit and sales out of the capital which it is employing.

Total Assets Turnover Ratio:

The Formula for calculating Total Assets Turnover Ratio is as follows Formula is:

$$\text{Total Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Total Assets}}$$

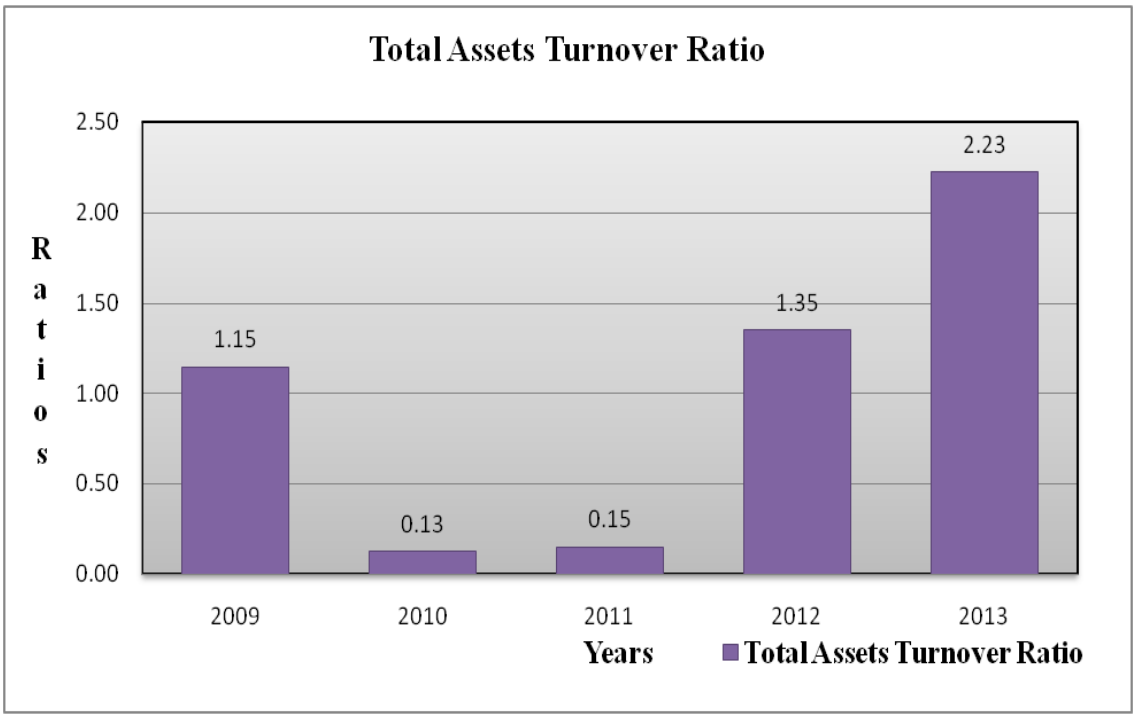
TABLE – 4.11

Total Assets Turnover Ratio			
Year	**Sales**	**Total assets**	**Net Assets Turnover Ratio**
2009	1,21,13,071.00	1,05,56,873.00	1.15
2010	1,90,20,980.00	15,07,25,802.00	0.13
2011	7,57,98,964.00	49,29,87,127.00	0.15
2012	86,75,74,447.00	64,25,03,324.00	1.35
2013	68,78,19,247.00	30,89,34,025.00	2.23

(Source: Annual Reports)

Graphical Representation of Total Assets Turnover Ratio

Graph No- 4.11



INTERPRETATION:

The above table and diagram shows the relationship between sales and total assets. Total Assets Turnover Ratio of the company is rotating their assets into business purpose. It shows that the company can rotate the total assets in the business. In the year 2009 is 1.15 and again decreases to 0.13 in the year 2010 from 2011 the relationship between sales and total assets is very high and goes in a good flow in 2013 is 2.23.

Current Assets Turnover Ratio:

The Formula for calculating Current Assets Turnover Ratio is as follows Formula is:

$$\text{Current Assets Turnover Ratio} = \frac{\text{Sales}}{\text{Current Assets}}$$

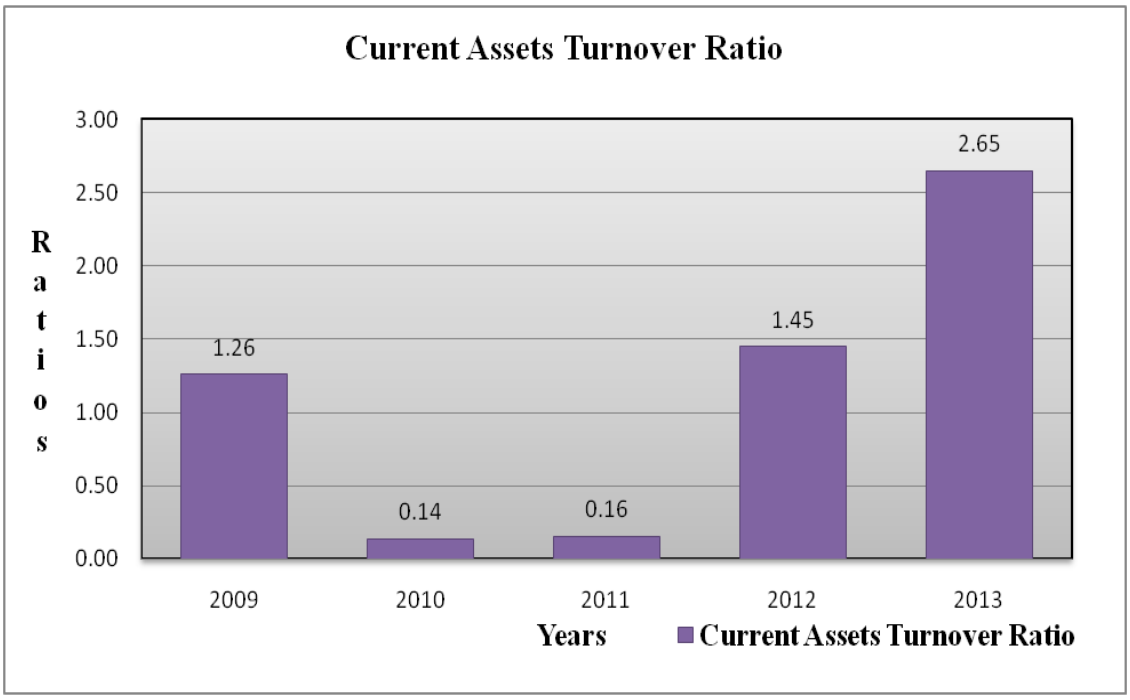
TABLE – 4.12

Current Assets Turnover Ratio			
Year	**Sales**	**Current Assets**	**Net Assets Turnover Ratio**
2009	1,21,13,071.00	96,11,759.00	1.26
2010	1,90,20,980.00	13,82,60,548.00	0.14
2011	7,57,98,964.00	47,83,57,785.00	0.16
2012	86,75,74,447.00	59,79,17,087.00	1.45
2013	68,78,19,247.00	25,95,13,175.00	2.65

(Source: Annual Reports)

Graphical Representation of Current Assets Turnover Ratio

Graph No- 4.12



INTERPRETATION:

The above table and diagram shows the relationship between sales and Current Assets. Total Assets Turnover Ratio of the company is rotating their assets into business purpose. It was highly purchased current assets by the end of the year 2009, 2012 and 2013. Current assets turnover ratio was 1.26, 0.14, 0.16, 1.45and 2.65 in respective years of 2009, 2010, 2011, 2012 and 2013 so the company achieved maximum Current assets turnover ratio in the year 2013 is 2.65.

PROFITABILITY RATIO OR INCOME RATIO

PROFITABILITY RATIO BASED ON SALES

Gross Profit Ratio:

The Formula for calculating Gross Profit Ratio is as follows Formula is:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} * 100$$

Here, Net sales = Sales – Sales Return

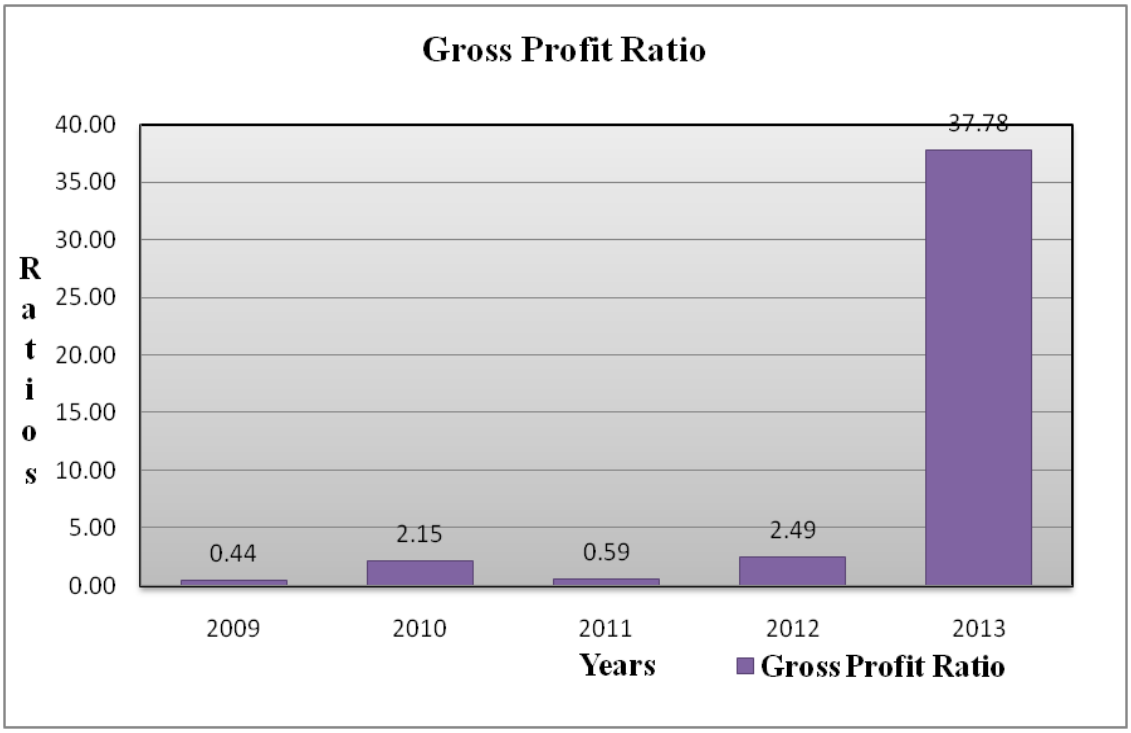
TABLE – 4.13

Gross Profit Ratio			
Year	**Gross Profit**	**Net Sales**	**Gross Profit Ratio**
2009	53,431.00	1,20,77,275.00	0.44
2010	48,66,996.00	22,66,55,598.00	2.15
2011	38,65,372.00	65,60,80,452.00	0.59
2012	2,60,03,003.00	1,04,39,71,057.00	2.49
2013	24,60,84,766.00	65,14,37,853.00	37.78

(Source: Annual Reports)

Graphical Representation of Gross Profit Ratio

Graph No- 4.13



INTERPRETATION:

The above table and diagram shows the profit earned by the company before tax and interest payable. This ratio measures the margin of profit available on sales. The higher the gross profit ratio, the better it is. In the year 2009 the profit ratio was very less 0.44 and its been increased to 2.15 in the year 2010 again decreases to 0.59 in 2011 but in the year 2013 it was highly increased to 37.78.

Net Profit Ratio:

The Formula for calculating Net Profit Ratio is as follows Formula is:

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

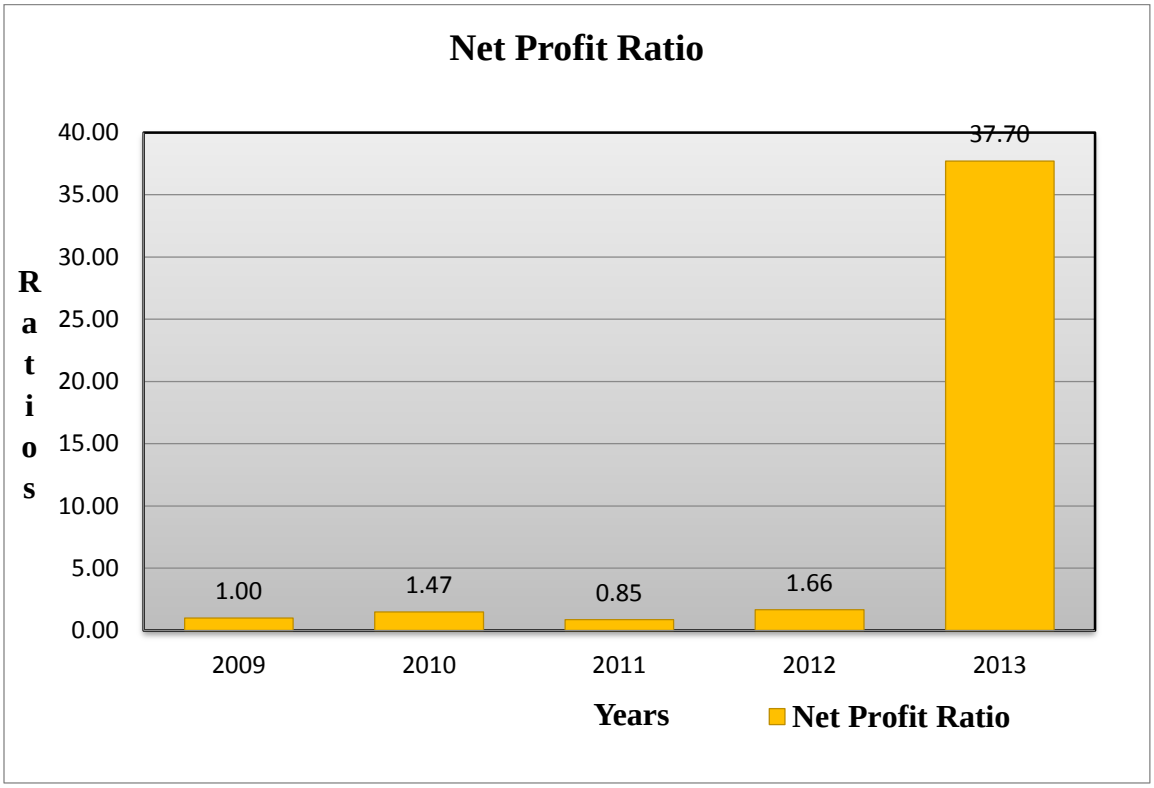
TABLE – 4.14

Net Profit Ratio			
Year	**Net Profit**	**Net Sales**	**Net Profit Ratio**
2009	1,21,067.37	1,20,77,275.00	1.00
2010	33,31,775.00	22,66,55,598.00	1.47
2011	55,98,545.00	65,60,80,452.00	0.85
2012	1,72,96,185.00	1,04,39,71,057.00	1.66
2013	24,55,71,070.00	65,14,37,853.00	37.70

(Source: Annual Reports)

Graphical Representation of Net Profit Ratio

Graph No- 4.14



INTERPRETATION:

The above table and diagram shows the relationship between net profit and sales. Net profit ratio was 1.00, 1.47, 0.85, 1.66, and 37.70 in respective year of 2009, 2010, 2011, 2012 and 2012 so the company achieved maximum Net profit ratio in the year 2013 ratio is 37.70 .

Operating Ratio:

The Formula for calculating Operating Ratio is as follows Formula is:

$$\text{Operating Ratio} = \frac{\text{Cost of Goods Sold + Operating Expenses}}{\text{Net Sales}} * 100$$

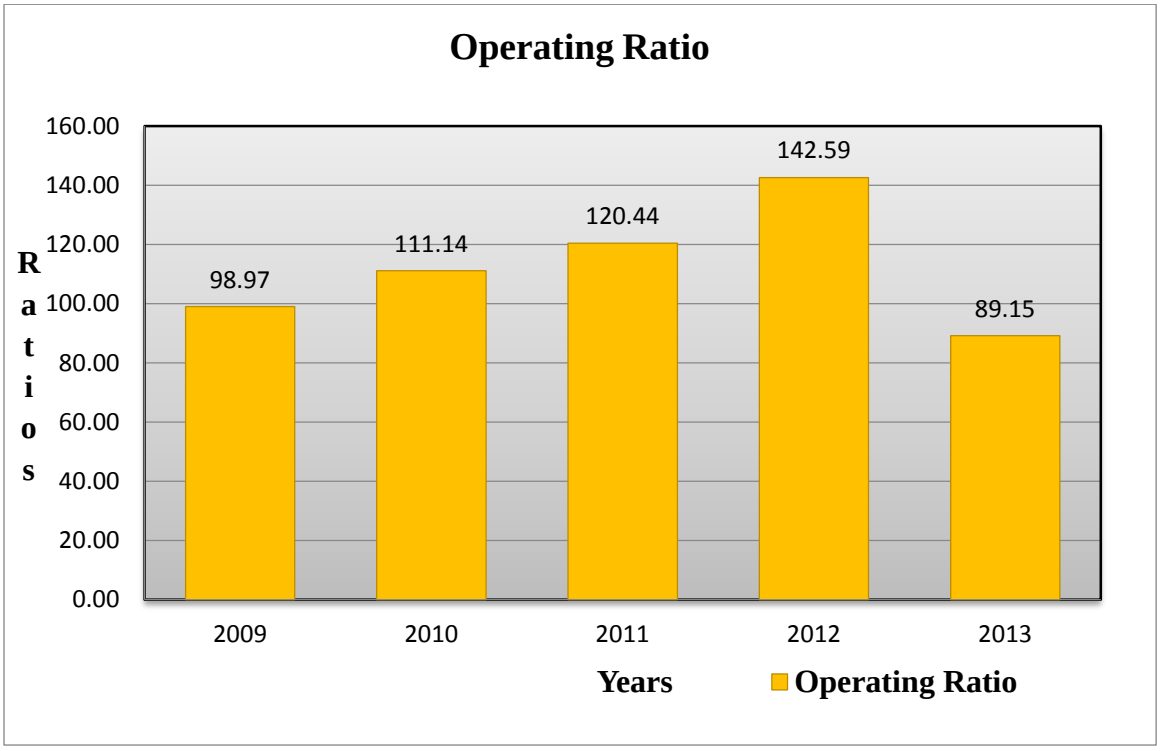
TABLE – 4.15

Operating Ratio			
Year	**Cost of Goods Sold+ Operating Expenses**	**Net Sales**	**Operating Ratio**
2009	1,19,53,384.00	1,20,77,275.00	98.97
2010	25,18,99,397.00	22,66,55,598.00	111.14
2011	79,01,99,840.00	65,60,80,452.00	120.44
2012	1,48,85,95,462.00	1,04,39,71,057.00	142.59
2013	58,07,51,452.00	65,14,37,853.00	89.15

(Source: Annual Reports)

Graphical Representation of Operating Ratio

Graph No- 4.15



INTERPRETATION:

The above table and diagram shows the higher ratio which indicates that the company is not able to maintain their operational efficiency but in the year 2013 it shows that the firm is slowly moving towards the level of operational efficiency which is a sign for the company.

Expenses Ratio:

The Formula for calculating Expenses Ratio is as follows Formula is:

$$\text{Expenses Ratio} = \frac{\text{Direct Expense}}{\text{Net Sales}} * 100$$

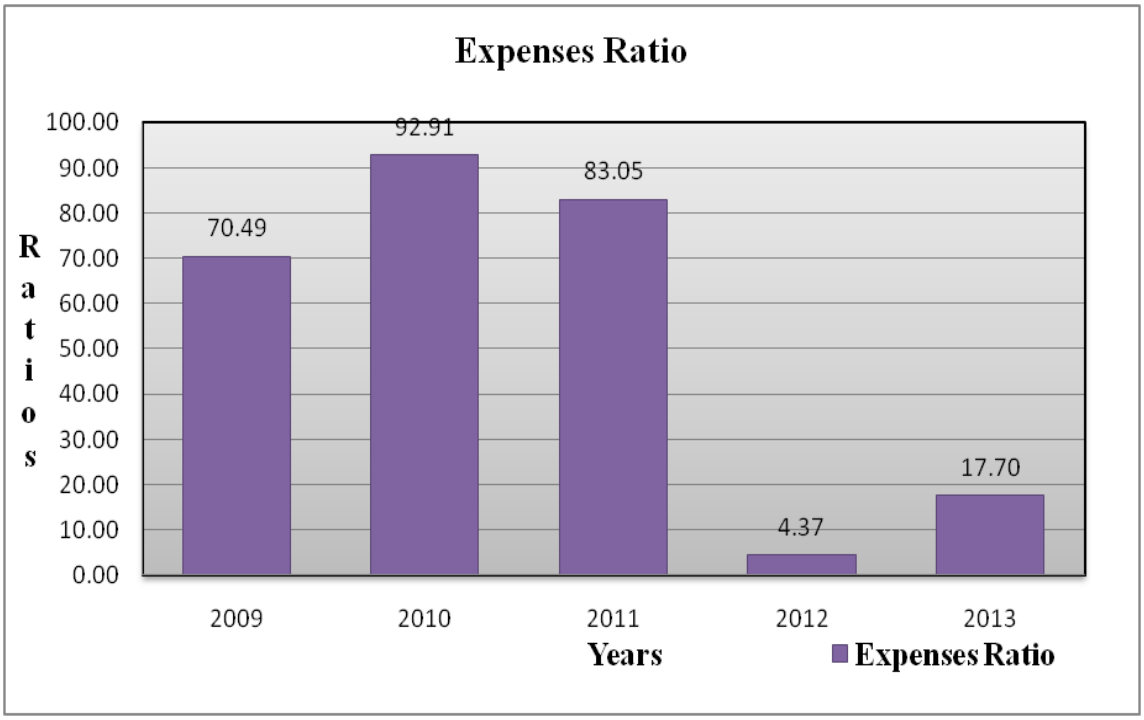
TABLE – 4.16

Expenses Ratio			
Year	**Direct Expense**	**Net Sales**	**Expenses Ratio**
2009	85,13,170.00	1,20,77,275.00	70.49
2010	21,05,77,246.00	22,66,55,598.00	92.91
2011	54,48,50,782.00	65,60,80,452.00	83.05
2012	4,56,35,947.00	1,04,39,71,057.00	4.37
2013	11,53,09,010.00	65,14,37,853.00	17.70

(Source: Annual Reports)

Graphical Representation of ExpensesRatio

Graph No- 4.16



INTERPRETATION:

The ratio indicates the relationship between expenses and sales. The expenditure of the company is increased in the year 2010 which indicates that the company expenditure was too high. In the year 2012 the expenditure was put down to 4.37 which tells us that the company is maximized its expenses.

PROFITABILITY RATIO BASED ON INVESTMENT

Return on Total Assets:

The Formula for calculating Return on Total Assets is as follows Formula is:

$$\text{Return on Total Assets} = \frac{\text{Net Profit} * 100}{\text{Total Assets}}$$

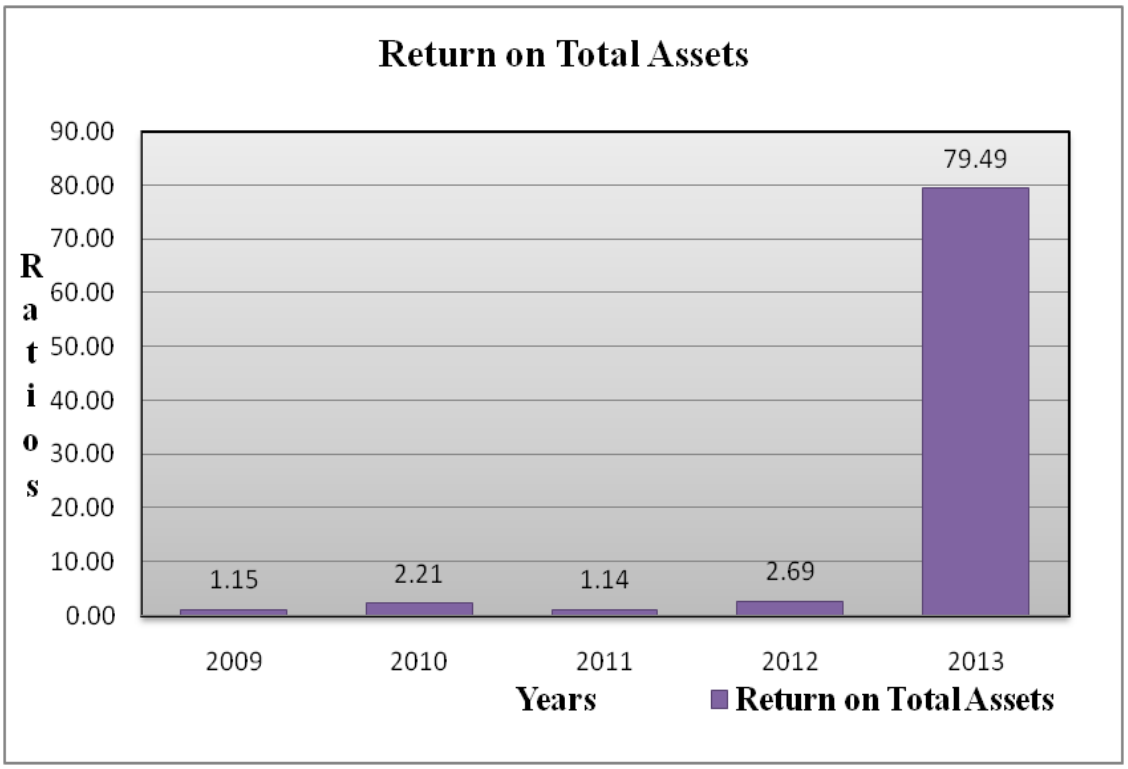
TABLE – 4.17

Return on Total Assets			
Year	**Net Profit**	**Total assets**	**Return on Total Assets**
2009	1,21,067.37	1,05,56,873.00	1.15
2010	33,31,775.00	15,07,25,802.00	2.21
2011	55,98,545.00	49,29,87,127.00	1.14
2012	1,72,96,185.00	64,25,03,324.00	2.69
2013	24,55,71,070.00	30,89,34,025.00	79.49

(Source: Annual Reports)

Graphical Representation of Return on Total Assets

Graph No- 4.17



INTERPRETATION:

The above table and diagram shows the relationship between net profit and total assets in percentage. As total assets were increasing in 2009 and 2010 the ratio is 1.15 to 2.21 again decreases from 2.21 to 1.14 in the year 2011 and from the year 2012 the ratio started increasing from 1.14 to 2.69 in 2012 and 79.49 in 2013 . The net profit in the year 2011 is very less but in the year 2013 is very high.

Return on Capital Employed:

The Formula for calculating Return on Capital Employed is as follows Formula is:

$$\text{Return on Capital Employed} = \frac{\text{Profit Before Interest, Tax and Dividends}}{\text{Capital Employed}} * 100$$

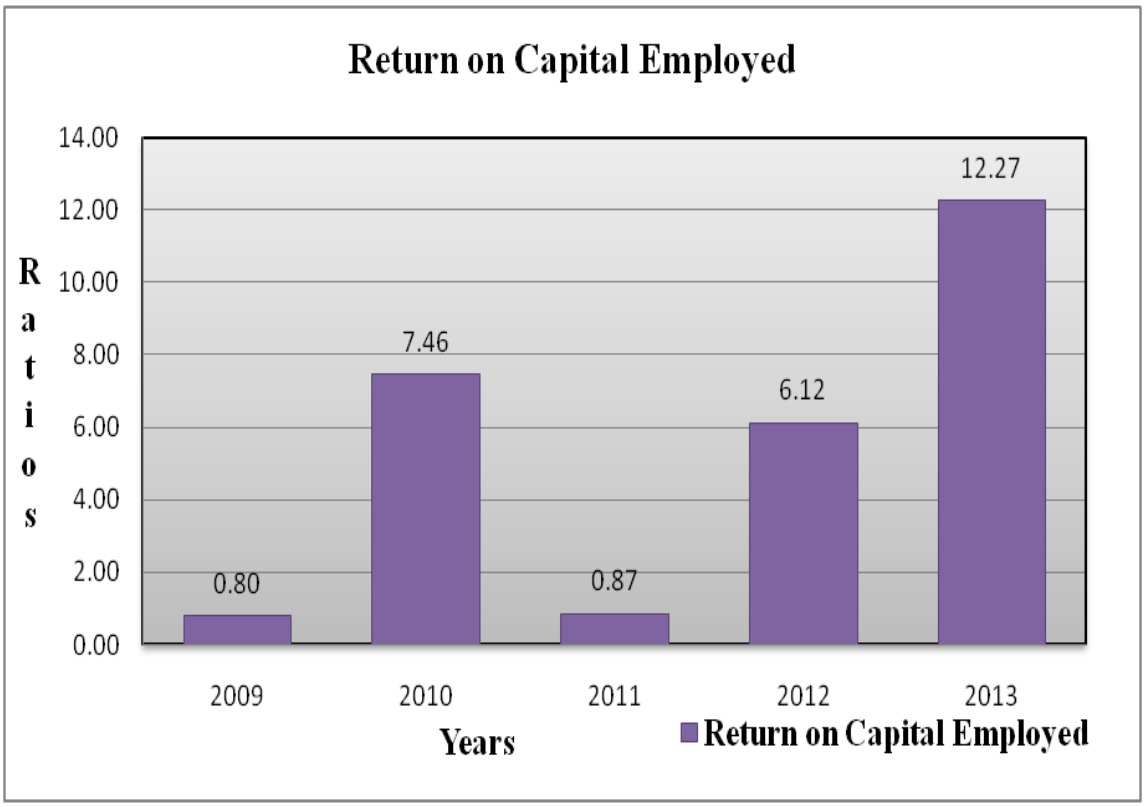
TABLE – 4.18

Return on Capital Employed			
Year	**Profit Before Interest, Tax and Dividends**	**Capital Employed**	**Return on Capital Employed**
2009	53,431.00	67,10,028.00	0.80
2010	48,66,996.00	6,52,66,174.00	7.46
2011	38,65,372.00	44,59,17,212.00	0.87
2012	2,60,03,003.00	42,47,27,372.00	6.12
2013	2,19,81,367.00	17,91,56,303.00	12.27

(Source: Annual Reports)

Graphical Representation of Return on Capital Employed

Graph No- 4.18



INTERPRETATION:

The above table and diagram shows relationship between net profit earned and capital employed. In the year 2009 is the profit is only 0.80 but in the year 2010 the profit is increased to 7.46 again the profit went down to 0.87 in the year 2011

finally in the year 2012 and 2013 the company is gaining the profit of 6.12 and 12.27 in the last two years the company is improving and achieving profit.

Return on Total Shareholder's Funds:

The Formula for calculating Return on Total Shareholder's Funds is as follows Formula is:

$$\text{Return on Total Shareholder's Fund} = \frac{\text{Net Profit After Interest and Tax}}{\text{Total Shareholder's Funds}}$$

Where, Total Shareholder's Funds = Equity Share Capital + Preferences Share Capital + All Reserved +P&L Account Balance – Fictitious Assets

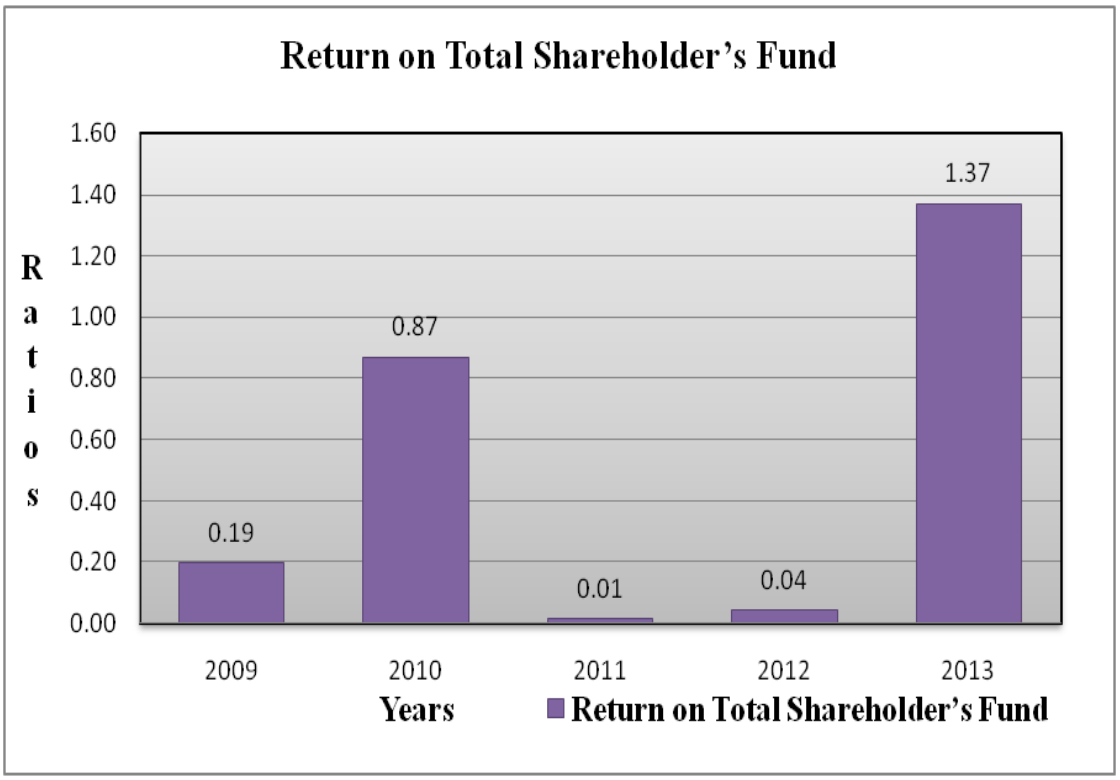
TABLE – 4.19

Return on Total Shareholder's Fund			
Year	**Net Profit After Interest and Tax**	**Total Shareholder's Funds**	**Return on Total Shareholder's Fund**
2009	1,21,067.37	6,21,067.00	0.19
2010	33,31,775.00	38,31,775.00	0.87
2011	55,98,545.00	40,74,31,187.00	0.01
2012	1,72,96,185.00	42,47,27,372.00	0.04
2013	24,55,71,070.00	17,91,56,303.00	1.37

(Source: Annual Reports)

Graphical Representation of Return on Total Shareholder's Fund

Graph No- 4.19



INTERPRETATION:

The above table and diagram shows relationship between net profits earned and Total Shareholder's Funds. This ratio reveals how profitability the proprietor's funds have been utilized by the firm. A comparison of this with that of similar firms will throw light on the relative profitability and strength of the firm. In the

year 2010 and 2013 the shareholders fund have been utilized very efficiently in the business when compared to the remaining years.

Earnings Per Share (E.P.S):

The Formula for calculating Earnings Per Share is as follows Formula is:

$$\text{Earnings Per Share} = \frac{\text{Net Profit – Dividend on Preference Shares}}{\text{No. of Equity Shares}}$$

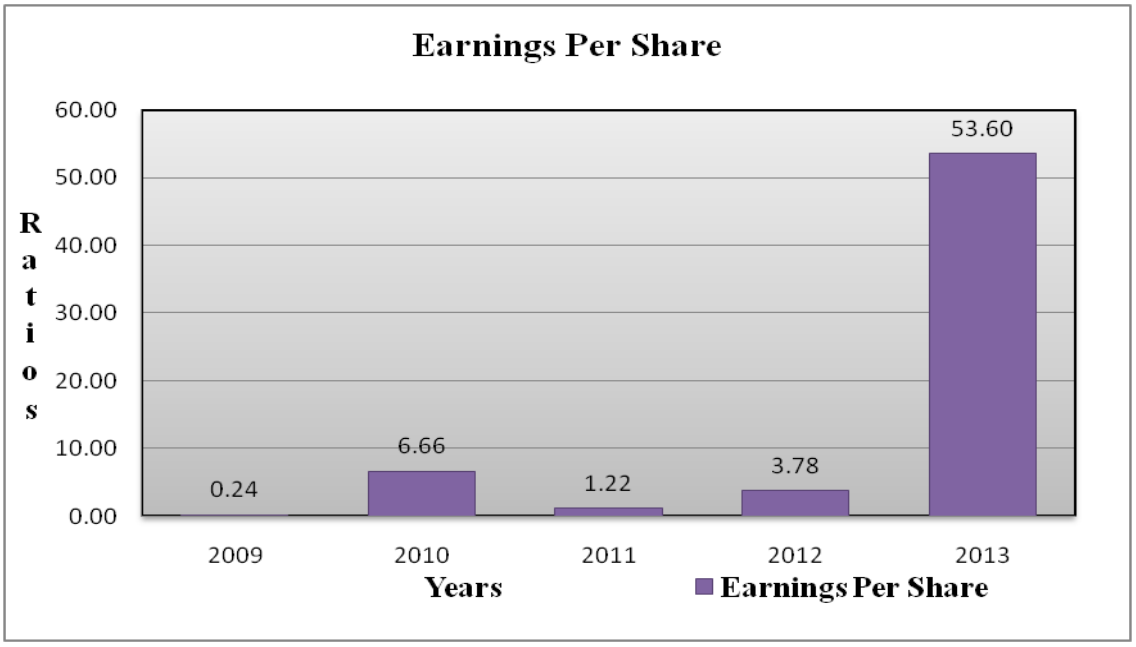
TABLE – 4.20

Earnings Per Share			
Year	**Net Profit – Dividend on Preference Shares**	**No. of Equity Shares**	**Earnings Per Share**
2009	1,21,067.37	5,00,000.00	0.24
2010	33,31,775.00	5,00,000.00	6.66
2011	55,98,545.00	45,81,710.00	1.22
2012	1,72,96,185.00	45,81,710.00	3.78
2013	24,55,71,070.00	45,81,710.00	53.60

(Source: Annual Reports)

Graphical Representation of Earnings Per Share

Graph No- 4.20



INTERPRETATION:

Earnings per share ratio was 0.24, 6.66, 1.22, 3.78 and 53.60 in respective year of 2009, 2010, 2011, 2012, and 2013 . The share capital is constant in the year 2009 and 2010 again constant from the year 2011 to 2013. In the year 2009 the net profit is less so the earnings per share are 0.24. Due to the huge increase in net profit the earnings per share is greatly increased in 2013.

CHAPTER - 5

Findings, Recommendations and Conclusion

FINDINGS

- The current ratio is fluctuating every year that is 2.4, 5.22, 14.31, 2.88 and 3.02 during 2011 which indicates a continuous increase in both current assets and current liabilities.
- The quick ratio is also fluctuating throughout the period 2009 – 2013 resulting as 2.33, 4.27, 13.17, 2.3 and 2.4. It confirms that the liquidity position of Siesta Logistics Corporation Limited. In terms of quick ratio were more than the above standards.
- The cash Ratio of Siesta Logistics Corporation Limited has undergone many fluctuations. It started with very low ratio at first by 0.10 in the year 2009 it was highly increased to 4.68 in the year 2011 and again fallen down to 2.4 in the year 2013.
- The debt- equity ratio of the first two years less than the standard ratio after the ratio has decreased from 6.44 in 2009 to 0.08 in 2011 and again raises to 0.49 and 0.48 in the year 2012 and 2013 respectively.
- Proprietary Ratio is increased in the year 2011 that means a firm is less dependent on external sources of finance.
- In the year 2009, 2010 and 2013 the ratio is 0.1, 0.03 and 0.89 it shows the company is facing high capital gearing. In the year 2011 and 2012 the ratio is 6.36 and 15.55 it shows the company is facing low capital gearing.
- In the year 2009 the stock turnover ratio shows negative balance but from the year 2010 the stock ratio is showing increasing balance still 2012 which indicate that the stock has not been used efficiently in sales and again in the year 2013.

- The Average Collection Period of the company in the year 2009 the ratio is 3.65 and the ratios goes to 19.48 in the year 2010 the ratio decreases in 2011 to 11.11 and again ratio increases to 119.29 in 2012 from 119.29 comes down to 79.35 in the year 2013.
- The fixed assets turnover ratio is increasing from the year 2010 to 2013 that is 13.10, 20.29, 18.88 and 8.94. It indicates that the company is efficiently utilizing the fixed assets.
- In the year 2009 it is showing the negative percentage that is 0.00 and from the year 2010 the ratio is been increased to 0.17, and constantly increasing until 2013 which means that the working capital turnover ratio has been used efficiently in the business.
- The capital turnover ratio is indicating that the company is striving to make a profit and sales out of the capital which it is employing.
- It shows that the company can rotate the total assets in the business. In the year 2009 is 1.15 and again decreases to 0.13 in the year 2010 from 2011 the relationship between sales and total assets is very high and goes in a good flow in 2013 is 2.23.
- Current assets turnover ratio was 1.26, 0.14, 0.16, 1.45and 2.65 in respective years of 2009, 2010, 2011, 2012 and 2013 so the company achieved maximum Current assets turnover ratio in the year 2013 is 2.65.
- Gross profit ratio is been fluctuating every year which tells us that the company's profit is not remaining constant.
- Net profit ratio was 1.00, 1.47, 0.85, 1.66, and 37.70 in respective year of 2009, 2010, 2011, 2012 and 2012 so the company achieved maximum Net profit ratio in the year 2013 ratio is 37.70 .

- The company is not able to maintain their operational efficiency but in the last year 2013 it shows that the firm is slowly moving towards the level of operational efficiency which is a sign for the company.
- The expenditure is increased in the year 2010 which indicates that the company expenditure was too high and company is maximized its expenses in the year 2012.
- Total assets were increasing in 2009 and 2010 again decreases in the year 2011 and from the year 2012 the ratio started increasing.
- Though the company is not increased its profit in the year 2009 and 2011, it is managed to make profit in rest of years which means that the company is improving and achieving its target.
- The company is utilized its shareholders fund to the maximum extent in the year 2010 and 2013.
- The share capital is constant in the year 2009 and 2010 again constant from the year 2011 to 2013. In the year 2009 the net profit is less so the earnings per share are 0.24. Due to the huge increase in net profit the earnings per share is greatly increased in 2013.

RECOMMENDATIONS

- Siesta Logistics Corporation Limited is enjoying liberal credit facilities from its suppliers. It should continue to take advantage of high creditor's payment.
- The ERP system already established in the division should be strictly monitored. One committee is required to be setup with the representative of all departments and the committee should review the function of the system regularly.

- There is a gradual increase in the value of slow moving and non-moving items. Hence efforts should be made to reduce the size of inventory by analyzing the slow &nonmoving items and disposing them periodically.
- The company should make an effort to increase the return on investment.
- The overall performance of the organization is on an average and quite satisfactory.
- Siesta Logistics Corporation Limited should focus its attention on efficient inventory management. It should evolve such a system that there is efficient and timely use of inventory.
- It is recommended that the company should aim at achieving higher returns on investment, by better utilization and allocation of funds employed in the business which in return helps the company to meet its long term objectives.
- The operating income and expenses are fluctuating every year. Efficient monitoring has to be done so that income and expenses standards can be maintained.

CONCLUSION

The project of Ratio analysis in the service industry is not merely a work of the project. But a brief knowledge and experience that how to analyze the financial performance of the firm. The study undertaken has brought in to the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that Siesta Logistics Corporation Limited the company have been incurring profit during the period of study. So the firm should focus on getting of huge profits in the coming year by taking care internal as well as external factors. Gross profit and net profit of the Siesta Logistics Corporation Limited is fluctuating over the past five years. On an average the Siesta Logistics Corporation Limited overall performance is quite satisfactory.

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- www.moneycontrol.com
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ANNEXURE

BALANCE SHEET AS AT 31ST MARCH, 2009 TO 31ST MARCH, 2011

	SCHEDULE No.	31-Mar-09 (Rs.)	31-Mar-10 (Rs.)	31-Mar-11 (Rs.)
SOURCES OF FUND				
1. Shareholders' Fund				
a. Share Capital	1	500,000.00	500,000.00	4,581,710.00
b. Reserves and Surplus	2	121,067.00	3,331,775.00	402,849,477.00
2. Loan Funds				
a. Secured Loans	3		61,434,399.00	38,486,025.00
b. Unsecured Loans	4	6,088,961.00	58,572,411.00	25,563,212.00
Deferred Tax Liability		107,930.00	549,218.00	1,282,820.00
	TOTAL	**6,817,958.00**	**124,387,803.00**	**472,763,244.00**
APPLICATION OF FUNDS				
1. Fixed Assets	5			
Gross Block		1,052,451.00	13,545,576.00	18,175,019.00
Depreciation		107,337.00	1,080,322.00	3,545,677.00
Net Block				

			945,114.00	**12,465,254.00**	**14,629,342.00**
2.	**Investments**	6	-	6	13,196,857.00
3.	**Current Assets, Loans and Advances**				
	Cash and Bank Balances	7	407,457.00	3,690,318.00	138,788,265.00
	Sundry Debtors	8	8,665,951.00	102,005,694.00	252,247,243.00
	Loan & Advances	9	538,351.00	32,564,536.00	87,322,277.00
			9,611,759.00	**138,260,548.00**	**478,357,785.00**

BALANCE SHEET AS AT 31ST MARCH, 2012 & 31ST MARCH, 2013

	NOTE No.	**31-Mar-12 (Rs.)**	**31-Mar-13 (Rs.)**
Equity And Liabilities			
1. Shareholders' Fund			
a. Share Capital	2.1	4,581,710.00	4,581,710.00
b. Reserves and Surplus	2.2	420,145,662.00	174,574,593.00
c. Money received against share warrants			
2. Non-Current Liabilities			
a. Long-term Borrowings	2.3	27,321,811.00	201,478,612.00
b. Differed Tax Liabilities (Net)	2.4	2,289,638.00	1,775,942.00
c. Other Long Term Liabilities		-	-
d. Long-term Provisions	2.5	1,203,020.00	1,238,011.00
3 Current Liabilities			
a. Short-term Borrowing	2.6	126,836,915.00	-

b. Trade Payables	2.7	58,800,887.00	67,216,976.00
c. Other Current Liabilities	2.8	13,180,037.00	2,596,000.00
d. Short-term Provisions	2.9	8,585,434.00	16,153,281.00
	TOTAL	**662,945,114.00**	**469,615,125.00**
Assets			
1. Non-Current Assets			
Fixed Assets			
Tangible Assets	2.10	40,572,737.00	45,407,350.00
Intangible Assets		-	-
Capital Work-in-progress		4,013,500.00	4,013,500.00
Non-Current Investments	2.11	13,224,971.00	13,224,971.00
Long Term Loans and Advances	2.12	7,216,819.00	147,456,129.00
2. Current Assets			
Trade Receivables	2.13	378,360,320.00	199,898,640.00
Cash and Cash Equivalents	2.14	98,700,955.00	6,457,773.00
Loans and Advances	2.15	120,855,812.00	53,156,762.00
Other Current Assets			
	TOTAL	**662,945,114.00**	**469,615,125.00**