

A STUDY ON FINANCIAL FORECASTING IN SURYAVARDA SPINNING MILLS LIMITED

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Introduction

A spinning mill took raw cotton bales and opened them and cleaned the cotton in the blowing room. The cotton staples are then carded into lap. This is straightened and drawn into roving. The roving is now spun using one of two technologies: a mule or ring frame. The yarn can be doubled and processed into thread, or prepared for weaving. Minerva Mill, Ashton-under-Lyne Was designed by P. S. Stott and equipped by John Hetherington and Son, it produced 40's twists and 65 wefts. It was typical of a mill of the 1890.

Suryavarda spinning mills Ltd is a Spinning Unit manufacturing cotton yarn of the count range between 24's and 60's. Initially started with installation of 6048 spindles in 1995. We are having 18144 spindles with combed and Auto Coned capacity producing about 200 MT per month. The company has undertaken expansion to increase the spindelage to 24,192 spindles along with compacting facility.

Financial forecasting is in the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of the balance sheet and profit and loss account. A financial forecast is normally an estimate of future financial outcomes for a company. Using historical internal accounting and sales data, in addition to external market and economic indicator, a financial forecast is an economist's best guess of what will happen to a company in financial terms over a given period which is usually one year.

Management should be particularly interested in knowing the financial forecasting of the firm to make their best use and thereby they can spot out the weakness of the firm to make corrective actions and keep things going on the right track. The future plans of the firm should be laid according to the firm. Thus financial analysis is the starting point of the planning procedure.

Statement of Problem

Analysis is made on has happened till date, hence not suitable for making judgements (historical analysis). The results of the analysis can be interpreted differently by using other techniques which can be taken as probability of a forthcoming year.

The collection of primary data is not possible in the study so availability of the data has been restricted. In markets as efficient as the financial markets, attempts to our predict the market are unlikely to be successful.

Objectives of the Study

- To identify the financial position of suryavarda spinning mills by using financial forecasting.
- To find the change in the net resources of an enterprise that result from profit.
- To study the profitability turnover position of the firm to assess the financial position of the firm.
- To analyse the financial performance so as judge the financial efficiency of suryavarda spinning mills.
- To analysis the current position of firm in terms of financial requirements with the help of forecasting.
- To suggest the optimum ability of profitability and facilitate liquidity of the suryavarda spinning mills.

Scope of the Study

- The project aims at studying the financial forecasting of suryavarda spinning mills in financial aspects.
- The data over a period of 5 years is taken for study. The inputs are taken from the audited reports of the company.
- The study clearly the overall position of the company and the where the company has to improve.
- The study will highlight the positive factors and negative factors in the analysis.

Marketing

The world cotton cultivation area and cotton production are estimated at around respectively. The biggest cultivators of cotton are America, India, China, Egypt, Pakistan, Sudan and Eastern Europe India is the third largest producers of cotton after USA and China. USA has a considerable share in world exports. India and China both fall short of their domestic requirement and are net importers. Andhra Pradesh is 3rd largest state in India which grows cotton. Among the consumers China leads the way being followed by India, Pakistan, USA and Turkey.

Indian Textile Industry contributes 4% to the GDP of the country; it contributes 14% to industrial Production, 9% of excise collections, 18% of employment sector, and has 16 % share in country's export. Textile industry provides employment to 35 million people in India.

Findings

- The study reveals that the firm's current ratio was 32.9 in the year 2007-08 which is high when compared with the ideal current current ratio of 2:1.

- The study shows that investment made in the current assets is more in the years 2007-12 and firm's liquidity position is also not much satisfactory.
- The study also reveals that the firm has maintained a better debtor's turnover ratio of 2.45 times and with a minimum collection period of 45 days in the 2012.
- The study shows that the maximum gross profit ratio was of 95.1% in the year 2012, the sales revenue has increased during the year.
- The cash position ratio is to be very low when compared to previous years, it result in low liquidity position of firm.
- The sales has increased for all the year from 2007-2012 which result in high production with respect to zero stock level position.
- The study also reveals that there was a continuous increase in the firms income from the 2007-2012.
- The expected sales for forthcoming year are to be good, which is detected in trend line regression.
- The study reveals that the total fixed asset were increased by 106.58% in the year 2012 compared to 2010.

From the analysis of the comparative balance sheet of the year 2007-2012 it is found out that current asset decreases and fixed assets are also decreases and other hand creditors shows a slight increase and capital.

Suggestions

The debtor turnover is good but by taking effective steps the collection period can reduce even to 30 days as the desired period can reduce even to 30 days desired period is from 30-45 days.

The trend line analysis show the future values which are to in average level, should change to attain more than expected.

To maintain a better liquidity position the firm can increase in its liquid assets through better cash management.

The company can maintain its net profit level which has been increased indicating a better performance by the company.

The firm has invested more in fixed assets rather they can diversify their investments which will bring more profits to the firm.

The sales show the satisfactory level which is to be maintained. the sales can be increased more if more production process increased because of zero stock level maintenance is been recorded.

The continuous increase in income level can also be increased if they concentrate more on their production that on price basis.

As a manufacturing firm it requires huge amount of working capital. Therefore suggest raising funds through public issue of shares inviting deposits from public.

Management can take necessary steps to increase current asset mainly assets.

The company can maintain enough working capital in future to meet its day to day expenses; proper step must be taken for sufficient.

Conclusion

Finance is said to be the life blood of any business concern. Financial forecasting helps an organization to know its financial strengths and weakness. Past performance is a good indicator of future performance. Investors or creditors are interested in the trend of past sales, cost of goods sold, operating expenses, net income, cash flows and return on investment. These trend offers offer a means for judging managements past performance. More often it is the forecasting process that is valuable, because it sensitizes managers to change and to the relevant factors, help them understand what is likely to occur and builds a consensus.

The study focuses on the analysis of the financial forecasting of suryavarda spinning mills limited. Every management should have an interest in knowing about their firm's financial strengths and weakness to make the best use of the funds and to take correct suitable action on the weaker areas. Suryavarda spinning mills limited maintains a zero stock level which is unique record for the company.

The future plans of the firm should be based on its financial strengths and weakness.

The management can take necessary action to reduce its expenditure and increase its income level, which can result in the level of profit. In future, suryavarda spinning mills limited are also going to operate in it sector in tamilnadu which can bring them a good image among the industry.

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