

Financial Performance of the Top Most Home Appliances Companies in India with Special Reference to Bajaj Electrical Ltd. and TTK Prestige Ltd

P.Kasthuri, C.Rajendran

Abstract: The study examined the relationship between two top most home appliances companies (Bajaj electrical Ltd. and TTK Prestige Ltd.) in India. The objective of the study is analyse liquidity, profitability and activity ratio of the selected companies. The three ratios are analysed using correlation and regression within the company and compared with other company. The data's are collected from the annual report of concern companies. Recent for selecting home appliances company is, the fast moving electronic product with the daily usage is high in the society.

Keywords: Ratio, home appliance, liquidity, profitability and activity.

I. INTRODUCTION

Home appliance industry is one of the fastest growing industries in India. Profitability ratio and liquidity ratio are the most observed in all the companies and industry to determine the financial performance of the company. Profitability ratio used to assess the company ability to generate income from revenue. Liquidity ratio indicates the ability of company pay off short term obligations. Activity ratio tells that company usually try to turn their manufacture into cash or sales as soon as possible since it will generate greater revenues. All the three ratios are important and to be considered for the company's financial performance analysis.

A. Importance of the study

Financial Performance of the company is considered as a significant one for savers, investors and economy all in all. The profit on speculation is significant for the individuals who are speculators. A decent return for their speculation is viewed as exceptionally important. A sound business would bring decent and long span returns for their venture. Additionally, a high gainfulness in a company is the indication of good pay for the representatives.

High Profitability results creation of good quality items for its clients and produce greater work openings. It is obvious from a large portion of the explores that both financial and non-budgetary issues of numerous organizations effects their monetary presentation.

In this specific situation, it is important to evaluate the chosen company financial execution utilizing file for Liquidity, Activity and Profitability.

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II. REVIEW OF LITERATURE

A.Ajanthan(2013) the study is based on Nexus between liquidity and profitability ratio of a trading company in Sri Lanka. The study is to find out the relationship between two performance measures. The data extracted from annual report and accounts of the company. The correlation and regression are engaged to examine the relationship between the variables. The findings suggest that there is a significant relationship exists between liquidity and profitability of the trading company.

Venkateswararo.P, Hema Venkata siva sree.ch(2018) a research on working capital management in Radhika vegetables oils Pvt. Ltd. The result of the study operating leverage is good for 3 three years, financial leverage is good for 8 years, combines leverage is good for 4 years.

B. Research problem

Maintaining good liquidity, profitability and activity will create good reputation in the field. How to maintain is a problem, it has to be analysed from previous year and past previous years etc. from that it can be assumed but not exact. The company's liquidity, profitability and activity should be sound's good if not it will affect the goodwill of the company. The study is analysed between two top most home appliance company in India (Bajaj electrical Ltd. and TTK prestige Ltd.) ratios taken for the study is liquidity, profitability and activity ratios.

C. Objectives of the study

To analyse the selected home appliances companies in India. Using analyse

- Trends in Liquidity, Trends in Profitability and Trends in Activity.

III. RESEARCH METHODOLOGY

A. Research design: The approach of the study is conducted with selection of sample, Period of the study and data source.

B. Selection of samples-The two top most home appliance companies are selected for the study on the basis of market capitalization Bajaj Electricals Ltd., (BEL) and TTK Prestige Ltd.

C. Period of the study- is 5 years 2014-2018 for the both the companies. Data is being used to analyse trends of liquidity, profitability and activity ratios.

D. Data source- Secondary data have taken for the study from money control.com.

IV. MODE OF ANALYSIS

In the data are analysed using Correlation and Regression in SPSS (Statistical package for Social Sciences).

Calculation of Profitability, Liquidity and Activity Ratios.

Profitability Ratios	GPR = GP/Net sales*100
	NPR= NP/Net sales*100
Liquidity Ratios	CR= Current assets / Current liabilities
	QR= Quick assets/Current liabilities
Activity Ratios	DTR=Net credit sales/Average debtors
	FATR=Sales/Net Fixed assets.

All the 6 ratio are compared using correlation model in two companies BEL AND TTK prestige

NPR-Net profit Ratio GPR- Gross profit Ratio
 CR-Current Ratio DTR- Debtors turnover Ratio
 QR-Quick Ratio FATR- Fixed Asset turnover Ratio

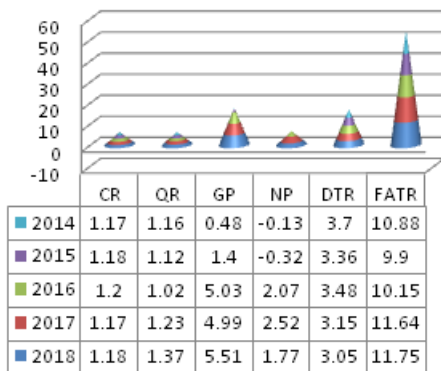


Fig: 1 TTK prestige

Fig:1 Shows the 6 ratios of TTK prestige, in CR there is an increase from 2015-16, in 2017-18 decreased, QR increase in 2015-15, decrease in 2016-17 again increased in 2018, GP and NP up and down are there finally increased huge in 2018, DTR up and down are there finally decreased in 2018and FATR remain standard increased in 2018.

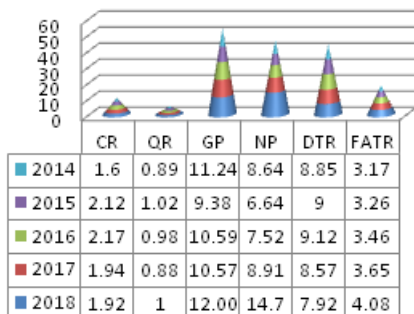


Fig: 2 BEL

Fig:2 Shows the 6 ratios of BEL, in CR is standard in all the years, QR is decreased in 2016 then gradual increase, GP is increased rapidly in all years, NP increased in 2016-17 decreased in 2018, DTR is standard and FATR decrease in 2015 and increased in other 3 years.

The Below table I & II shows the correlations between two companies they are BEL and TTK prestige using Liquidity ratio, Profitability ratio and Activity ratio.

A. Correlation Analysis

The **Pearson's r value** is close to 1 show the strong relationships between two variables and close to 0 show that there was strongly not correlated between two variables.

1. *. Correlation is significant at the 0.05 level (2-tailed).
2. **. Correlation is significant at the 0.01 level (2-tailed).
3. Positive (+) value indicate that, one variable is increased second variable also increase is said to be positive correlation.
4. Negative (-) value indicate that, one variable is increased and second variable is decreased is said to be negative correlation.

Hypothesis:

1. There is no significant relationship between Liquidity, Profitability and Activity ratios in TTK prestige Ltd.

		CR	QR	GP R	NPR	DTR	FAT R
CR	Pearson's r	1	.668	-.549	-.272	.270	.145
	Sig. (2-tailed)		.218	.338	.658	.661	.816
QR	Pearson's r	.668	1	-.221	.119	-.042	.212
	Sig. (2-tailed)	.218		.722	.848	.947	.732
GPR	Pearson's r	-.549	-.221	1	.853	-.734	.622
	Sig. (2-tailed)	.338	.722		.066	.158	.262
NPR	Pearson's r	-.272	.119	.853	1	-.961**	.874
	Sig. (2-tailed)	.658	.848	.066		.009	.052
DTR	Pearson's r	.270	-.042	-.734	-.961**	1	-.880*
	Sig. (2-tailed)	.661	.947	.158	.009		.049
FAT R	Pearson's r	.145	.212	.622	.874	-.880*	1
	Sig. (2-tailed)	.816	.732	.262	.052	.049	

Interpretation: The correlation between 3 ratios of 6 variables of TTK prestige. Net profit ratio and Debtors turnover ratio is highly significant i.e. strong degree of correlation among two ratios. Debtors turnover ratio and fixed asset turnover ratio is significant at 0.01 level i.e. correlated among two ratios. All others ratios are not correlated.

2. There is no significant relationship between Liquidity, Profitability and Activity ratios in BEL.

Table. II Correlations of BEL

		CR	QR	GP R	NP R	DT R	FAT R
CR	Pearson's r	1	-.547	.398	.272	.087	-.539
	Sig. (2-tailed)		.340	.507	.658	.890	.348
QR	Pearson's r	.547	1	.324	.223	-.704	.863
	Sig. (2-tailed)	.340		.595	.719	.185	.060
GPR	Pearson's r	.398	.324	1	.943*	-.729	.483
	Sig. (2-tailed)	.507	.595		.016	.162	.410
NPR	Pearson's r	.272	.223	.943*	1	-.589	.533
	Sig. (2-tailed)	.658	.719	.016		.296	.356
DTR	Pearson's r	.087	-.704	-.729	-.589	1	-.593
	Sig. (2-tailed)	.890	.185	.162	.296		.292
FAT R	Pearson's r	-.539	.863	.483	.533	-.593	1
	Sig. (2-tailed)	.348	.060	.410	.356	.292	

*. Correlation is significant at the 0.05 level (2-tailed).

Interpretation: The correlation between 3 ratios of 6 variables of BEL. Gross profit ratio and Net profit ratio is significant at 0.01 level i.e. correlated among two ratios. All others ratios are not correlated.

B. REGRESSION ANALYSIS

Regression model is used, independent variable is liquidity and profitability ratio; dependent variable is profitability and activity ratios in both the companies BEL AND TTK prestige.

Impact on current profit ratio, quick ratio, gross profit ratio and net profit ratio of TTK Prestige

H0- There is no significant relationship between Liquidity ratio and Profitability ratio.

H0- There is no significant relationship between Profitability ratio and Activity ratio.

$$Y = (\text{Gross profit ratio, Net profit ratio, Debtors turnover ratio and Fixed asset turnover ratio})$$

Table III: Regression

Independent variable	Co-efficient		R ²	F	P Value	Result
CR	(Constant)	4.373	.442	.791	.558	Rejected
	GPR	-.269				
	NPR	.051				

QR	(Constant)	1.591	.395	.654	.605	Rejected
	GPR	-.079				
	NPR	.023				
GPR	(Constant)	26.279	.541	1.178	.459	Rejected
	DTR	-1.672				
	FATR	-.282				
NPR	(Constant)	54.077	.926	12.565	0.74	Rejected
	DTR	-5.608				
	FATR	1.119				

Interpretation: The above table shows the regression, as independent variable is liquidity and profitability ratio; dependent variable is profitability and activity ratios.

R- value shows the square root of R squared and correlation between the observed and predicted values. R-Square value shows the independent variables can be predicted from the variables of dependent variables. F value shows the mean square regression. Sig. value > (0.05) can conclude that independent variables are predict the dependent variable. Sig. value < (0.05) can conclude that independent variables does not shows the significant relationship between the dependent variable.

Impact on current profit ratio, quick ratio, gross profit ratio and net profit ratio of BEL

H0- There is no significant relationship between Liquidity ratio and Profitability ratio.

H0- There is no significant relationship between Profitability ratio and Activity ratio.

$$Y = (\text{Gross profit ratio, Net profit ratio, Debtors turnover ratio and Fixed asset turnover ratio})$$

Table IV : Regression

Dependent variable	Co-efficient		R ²	F	P Value	Result
CR	(Constant)	1.167	.255	.342	.745	Rejected
	GPR	.007				
	NPR	-0.09				
QR	(Constant)	1.591	.166	.199	.834	Rejected
	GPR	-.079				
	NPR	.023				
GPR	(Constant)	21.826	.535	1.152	.465	Rejected
	DTR	-6.187				
	FATR	.218				
NPR	(Constant)	3.510	.398	.662	.602	Rejected
	DTR	-2.130				
	FATR	.442				

Interpretation: The above table shows the regression, as independent variable is liquidity and profitability ratio; dependent variable is profitability and activity ratios.

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R value shows the square root of R squared and correlation between the observed and predicted values. R-Square value shows the independent variables can be predicted from the variables of dependent variables. F value shows the mean square regression. Sig. value > (0.05) can conclude that independent variables are predict the dependent variable. Sig. value < (0.05) can conclude that independent variables does not shows the significant relationship between the dependent variable.

V. FINDINGS

A. Correlation

TTK Prestige- Net profit ratio and Debtors turnover ratio is highly significant that is strong degree of correlation among two ratios.

Debtors turnover ratio and fixed asset turnover ratio is significant at 0.01 level i.e. correlated among two ratios.

BEL- Gross profit ratio and Net profit ratio is significant at 0.01 level i.e. correlated among two ratios.

B. Regression

Table V: Result of the study

Company	Hypothesis	Result
TKK	There is no significant relationship between Liquidity ratio and Profitability ratio.	Rejected
	There is no significant relationship between Profitability ratio and Activity ratio.	Rejected
BEL	There is no significant relationship between Liquidity ratio and Profitability ratio.	Rejected
	There is no significant relationship between Profitability ratio and Activity ratio.	Rejected

VI. CONCLUSION

The present study aims to analyse the financial performance of two top most home appliance companies in India, duration taken for the period is 5 years from 2014-2018 for both the companies. The study evaluates the working capital on profitability of the companies along with that trend of liquidity and activity ratios for both the companies. Most of the ratios are not correlated with other ratios in both the companies. Only 2 ratios are correlated in TTK prestige and 1 ratio in BEL using correlation of co-efficient. Using regression model it is evaluated that there is no variables dependent on other variables in both companies.

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