

CHAPTER-1

INTRODUCTION

INTRODUCTION

FINANCIAL STATEMENT ANALYSIS

Financial statement analysis is defined as the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account. There are various methods or techniques that are used in analyzing financial statements, such as comparative statements, schedule of changes in working capital, common size percentages, funds analysis, trend analysis, and ratios analysis.

Financial statements are prepared to meet external reporting obligations and also for decision making purposes. They play a dominant role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusions can be drawn from these statements alone. However, the information provided in the financial statements is of immense use in making decisions through analysis and interpretation of financial statements.

OBJECTIVES OF FINANCIAL ANALYSIS

Financial analysis is helpful in assessing the financial position and profitability of the concern. This is done through comparison by ratios for the same concern over a period of years; or for one concern against another; or for one concern against the industry as a whole (inter-firm comparison); or for one concern against predetermined a standards; or for one department of a concern against other departments of the same concern (intra-firm comparison). Accounting ratios calculated for a number of years shows the trend of the change of position, i.e. whether the trend is upward or downward or static.

The main objectives of the analysis of financial statements are to assess:

- The present and future earning capacity or profitability of the concern,
- The operational efficiency of the concern as a whole and of its various parts or departments,
- The short term and long term solvency of the concern for the benefit of the debenture holders and trade creditors,
- The comparative study in regard to one firm with another firm or one department with another department,
- The possibility of developments in the future by making forecast and preparing budgets,
- The financial stability of a business concern,
- The real meaning and significance of the financial data, and
- The long term liquidity of its funds.

In addition to the analysis, interpretation also requires comparison to draw meaningful results. Mere examination of the various components of financial statements like current assets, current liabilities, long term liabilities, share holders' fund, working capital, gross profit, operating profit, cost of goods sold etc. will not lead to definite conclusion in regard to the financial status of a business. Comparison of related components like current assets with current liabilities, long term liabilities with shareholders fund, gross profit with sales etc. is requires draw the meaning full conclusions about the position of a company. Therefore, to interpret the position of a company, it is necessary not only to separate the totals given in its financial statements in to various components of like nature but also to make comparison of related components. In addition to this comparison of various components with that of previous year analysis should be made to know the changes that have taken place in the business over several years.

Techniques or Tools of Analysis and Interpretation

The following techniques can be used in connection with the analysis and interpretation of financial statements:

- ❖ Comparative Financial Statements
- ❖ Common Measurement Statements
- ❖ Trend Percentage Analysis.
- ❖ Net working Capital Analysis
- ❖ Ratio Analysis

Comparative Financial Statements

These statements are prepared in a way so as to provide time prospective to the consideration of various elements of financial position embodied in such statements. This is done to make the financial data more meaningful. The statement of two or more years are prepared to show absolute data of two or more years, increases or decreases in absolute data in value and in terms of percentages. Comparative statement can be prepared for income statement as well as position statement or balance sheet.

Common Measurement Statements

Common size financial statements are those in which figures reported are converted to some common base. Vertical analysis is requires for an interpretation of underlying causes of changes over a period of time. For this, items in the financial statements are presented as percentages or ratios to total of the items and a common base for comparison is provided. Hence vertical analysis becomes possible. Each percentage shows the relation of the individual item to its respective total. Common size statements may be used for Balance sheet as well as income statement.

Trend Percentage Analysis

This analysis is an important tool of horizontal financial analysis. This analysis enables to know the changes in the financial function and operating efficiency between the time period chosen. By studying the trend of each item, one can know the direction of changes and based upon the direction of changes, the opinions can be formed. This method is immensely helpful in making a comparative study of financial statements of several years.

Net working Capital Analysis

This statement is prepared to know the net changes in working capital of the business between two specified dates. It is prepared from current assets and current liabilities of the said dates to show the net increase or decrease in working capital.

Ratio Analysis

It is done to develop meaningful relationship between individual items or group of items usually shown in the periodical financial statements published by the concern. An accounting ratio is the relationship between two inter-related accounting figures as gross profit to sales, current assets to current liabilities etc.

Profitability Ratios

Profitability ratios measure the results of business operations or overall performance and effectiveness of the firm. Some of the most popular profitability ratios are as under:

- Gross profit ratio
- Net profit ratio
- Operating ratio
- Expense ratio
- Return on shareholders investment or net worth
- Return on equity capital
- Return on capital employed (ROCE) Ratio
- Dividend yield ratio
- Dividend payout ratio
- Earnings Per Share Ratio
- Price earning ratio

Liquidity Ratios

Liquidity ratios measure the short term solvency of financial position of a firm. These ratios are calculated to comment upon the short term paying capacity of a concern or the firm's ability to meet its current obligations. Following are the most important liquidity ratios.

- Current ratio
- Liquid / Acid test / Quick ratio

Activity Ratios

Activity ratios are calculated to measure the efficiency with which the resources of a firm have been employed. These ratios are also called turnover ratios because they indicate the speed with which assets are being turned over into sales. Following are the most important activity ratios:

- Inventory / Stock turnover ratio
- Debtors / Receivables turnover ratio
- Average collection period
- Creditors / Payable turnover ratio
- Working capital turnover ratio
- Fixed assets turnover ratio
- Over and under trading

Long Term Solvency or Leverage Ratios

Long term solvency or leverage ratios convey a firm's ability to meet the interest costs and payment schedules of its long term obligations. Following are some of the most important long term solvency or leverage ratios.

- Debt-to-equity ratio
- Proprietary or Equity ratio

- Ratio of fixed assets to shareholders funds
- Ratio of current assets to shareholders funds
- Interest coverage ratio

SCOPE OF STUDY

The study intends to measure the over all performance especially financial performance of Andaman Timber Industries. The study was conducted by using the primary and secondary data of the company.

PERIOD OF THE STUDY

The analysis is made on the basis of secondary data furnished by 'Andaman Timber Industries', for the period of five year from 2004-2009.

OBJECTIVE OF THE STUDY

The main objective of the study was to judge the financial position of the enterprise through analysis of financial Statement.

Secondary objectives

- **To study the liquidity position of the organization**
- **To study about the long term solvency of the firm.**
- **To study the profitability of the concern**
- **To study the earning capacity of the firm**
- **To have an idea about the overall financial performance of the firm.**

LIMITATION OF THE STUDY

- The tool for the study that is ratio analysis, trend analysis has its own limitations which in turns effect the accurate evaluation of financial performance of the firm.
- The analysis was made on the basis of data derived from the secondary sources and hence the suggestions derived may not be 100 percent reliable.
- The period of study was very limited.
- This study mainly covers the financial aspects and hence the factors which are non-financial and important for working of the company were not taken into accounts.

CHAPTER 2
INDUSTRY AND COMPANY
PROFILE

INDUSTRY PROFILE

Rubber plantations have existed for hundreds of years in tropical countries. These plantations have been used mainly for the production of latex. Before that rubber wood was only used as firewood or packing boxes. Discovery of chemical treatment of rubber wood prevents spoiling has urged this industry to establish. Rubber plantations, with an average economic life of 30 years for a rubber tree, are renewable and sustainable source of the timber-rubber wood. Therefore, being a plantation timber, rubber wood is internationally regarded as an eco-friendly timber. This eco-friendly Rubber wood (*Hevea brasiliensis*) is an excellent timber to use and its various attributes are:

Colour : Pale cream to yellowish brown. Oxidative discolouration can be limited by rapid production sequence and vacuum drying.

Grain Pattern : Mostly straight. A cross section of rubber wood shows few concentric markings reminiscent of growth rings. These markings combined with the large vessels in structure give an attractive appearance with clear patterns on the longitudinal surface. Many characteristics of rubber wood are similar to Ramin wood.

Structure : Uniform in structure with an excellent 'Timber' feel.

Now taking Kerala as the industry area, the rubber wood firms are in many places in Kerala like Kollam, Thrissur, Calicut, Trivandrum etc. The demand for rubber wood is on increases as it has almost all the qualities of their quality woods like teak, oak, rosewood etc. Modern companies providing quality rubber wood products at reasonable prices have given a new life to this industry as the people are aware of the quality of these things.

AN OVERVIEW TO THE COMPANY

NAME OF UNIT	ATI LTD AGRO WOOD DIVISION
LOCATION OF UNIT	CHONADOM, THALASSERY, KANNUR, KERELA.
NAME OF PRODUCT	FURNITURE
MAIN RAWMATERIAL	RUBBER WOOD
TOTAL LAND AREA	571.75
COMMENCED BUSINESS ON	Dec-96
BANKERS	SBI
	CATHOLIC SYRIAN BANK
	BANK OF BARODA
	HDFC
DEPARTMENTS	PRODUCTION
	FINANCE
	SALES
	MARKETING
	MAINTANCE
	PACKING
BOARD OF DIRECTORS	HARISH KHAITHAN (CHAIRMAN & MD)
	VINOD KUMAR ARATHI (DIRECTIOR)
	SUNIL PAREKH(DIRECTIOR)
	PAWN KUMAR LOHIA (DIRECTIOR)

COMPANY PROFILE

ANDAMANS TIMBER INDUSTRIES LTD is a company registered under the Companies Act with Registered Office at 8, Acharya Jagdish Chandra Bose Road, 7th Floor; Kolkata-700017.

Board of Directors of the company consists of the following persons.

- (1) Mr. Harish Khaitan, Chairman & Managing Director
- (2) Mr.V.K.Rathi, Whole-time Director
- (3) Mr. Sunil Parekh
- (4) Mr.Pawan Kumar Lohia

Head Office of the company is functioning at its Registered Office at Kolkatta. The company had a large scale industry engaged in the manufacture of Plywood at Bamboo Flat. Port Blair. Andamans, Hence the company was named as Andaman Timber industries. The above factory is defunct now consequent on a verdict of the Honorable Supreme Court of India banning Timber extraction in the islands on ecological grounds.

No story of the Andamans can ever be complete without mention of wood products from Andamans Timber Industries (ATI), manufactured on the picturesque islands in the Bay of Bengal. Made from carefully selected timber from sustainable managed forests, wood products from ATI, incidentally the islands' largest private sector operation and biggest private sector employer, are put through stringent quality checks to achieve high standards. Products like FJL boards, parquet (flooring), and other furniture components made from Rubber wood—the eco-friendly plantation timber, are some of the high-quality products from Andamans Timber Industries — the pride of the islands.

Andamans Timber Industries Ltd. has been traditionally known as a leading quality producer of plywood under the brand name ATI Homeply.

The company started a medium scale industry in the name and styles of Andamans Timber Industries Ltd, Agro wood division, as a diversification of activities at Eranhoiy, Thalassery Taluk, Kannur District an industrially backward area. The company is

engaged in the manufacturing process of chemically treatment of rubber wood and in the production of various items out of chemically treated rubber wood such as Furniture, Edge Glued Panels, Parquet Flooring, Doors etc. Only rubber wood is used for manufacturing. It started commercial production in December 1996. It is a 12 crore project. The factory is situated in a 5.75 acre plot in Kadirur village of Thalassery Taluk on the banks of Eranholy River. The factory buildings occupy more than 136 people directly employed by the company now. The main beneficiaries of the factory are the unemployed youths of the locality. This industry in the under developed area of the district has become a boon to the local people.

The basic raw material used for production is rubber wood. Chemicals, Paints, Lacquers, Glue, Hardware Items etc are also used in manufacture. Rubber wood being highly susceptible to pest and fungal attack was normally used only for very few end purpose such as firewood, packing cases etc. However, with proper chemical treatment and seasoning, these problems are fully solved and the rubber wood so processed can be utilized like any other kind of timber. The rubber wood processing industry converts the perishable rubber wood into durable and value added products. It provides a lot of advantages to our society like;

- 1) Reduction of pressure on rain forests for timber source;
- 2) Ecological protection by preserving the forest;
- 3) Add revenue to the state government by way of sales tax on the value added finished products;
- 4) Employment opportunity to public as the industry is labour intensive.

Over the past five years, the company providing solutions for the requirements of kitchens and furniture for residences in our country. ATI is the company that encompasses the entire value chain from purchase of rubber wood logs, processing the same in its plant at Thalassery ,Kerala, manufacturing eco-friendly modular kitchens and uniquely designed, space saving, innovative and attractive furniture with a variety of finishes right through to installation of the same at the residences of our valued customers.

Company's endeavor has been to bring quality Kitchens and Furniture to every home at an affordable price. The highlights of some exclusiveness are:

- ❖ Complete in house control on production i.e.; from standing trees in plantation to end product.
- ❖ First company to introduce the Eco friendly Solid Wood Panels through finger jointing technology in India.
- ❖ Latest seasoning technology through vacuum drying, which not only seasons the timber in 150% lesser time as compared to conventional Kiln seasoning but also maintains the natural colour of rubber wood(whitish yellow) giving excellent timber feel and elegance of White Cedar or Ramin.
- ❖ Latest technology and machinery helps in producing precised and quality products. 95% of the machines are imported.(Excluding the primary machines at Saw milling)
- ❖ In house Research and Development facility for stringent quality control. The products upto FJEGP (Finger Jointed Edge Glued Panel) are produced as per JAS(Japan Agricultural Standard).
- ❖ Latest UV lacquering technology which helps in faster production, uniform finish, tough surface finish, equivalent to the finishes applied to medium traffic solid wood flooring, providing resistance to water and stains. Over and above this process in total environment friendly as compared to spray lacquering.
- ❖ The total land area of factory is 23146sq.meter out of which only 7147sq.methere are built up area leaving vacant area of 15999 sq.meters. Therefore sufficient vacant land is available for further expansion if necessary. The building has been built with high grade of material and therefore the economic life of the same is estimated to be above average.

VISION

Offering consistently quality value for–money furniture and to the best of its kind over period of time

MISSION

Andaman's Timber Industry's mission is to provide innovative, high quality products and services in the most efficient management meets our customers needs.

OBJECTIVE

1. Reduction on pressure on rain forest on timber source, ecological protection by preserving the forest.
2. Revenue to state government by way of sale tax on value added finished product
3. Employment opportunities to public.

PLANT LOCATION AND LAY OUT

Plant location may be undertaken as the function of determining where the plant should be located for maximum operating economy and effectiveness

ATL Agro wood is located in Eranholly Thalassery ,Taulk , Kannur Dist Kerala state .The plant is well blessed with all the essential requirements and is located in a place where the raw material ie .The rubber wood is available plenty .and it is also well connected with rail and roads which the transportation of raw material from the place of procurement to factory more economically. Thalassery has a railway station in Manalore –Calicut lane .the plant is well connected to the NH-17 along the Thalassery Bangalore road Other important elements required for the functioning of the company are electricity and water which are also abundant in the location .The plant is located in the area where encourage schemes by the government of Kerala set up industries .Al together we can say that the industry is located in an industrially development area where together industries are coming up.

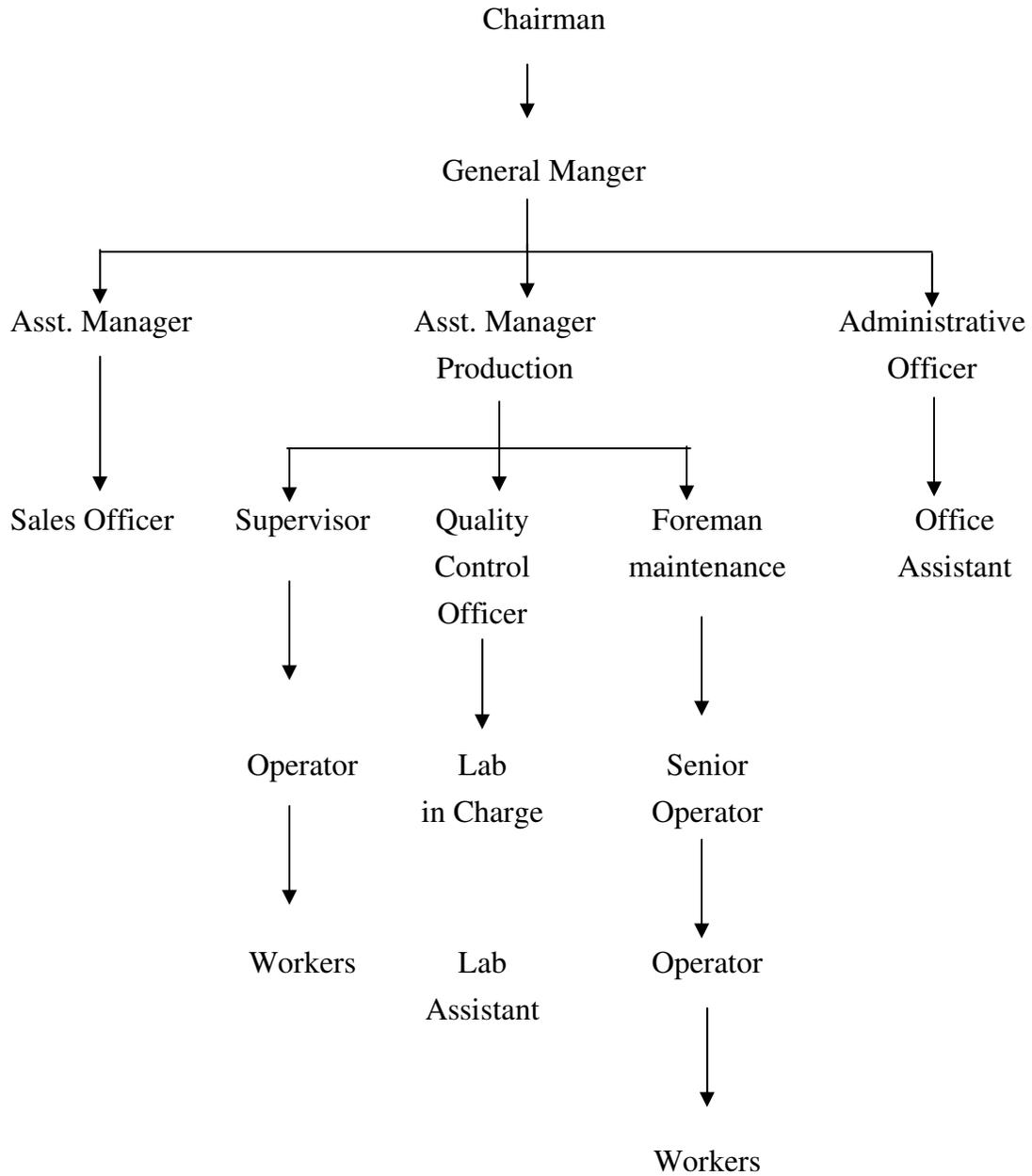
PRODUCT PROFILE

Kitchen workers are the main products from Andaman's timber Industry besides the kitchen wames, furniture items are also produced using chemically processed rubber wood.

The furniture in dudes

1. Deterrent types of chain
2. Dining Table
3. Pressing Table
4. Computer Table
5. Sofa
6. Shoe rach
7. Stool
8. Bed
9. T.V Trolley
10. Wall unit

ORGANISATION STRUCTURE

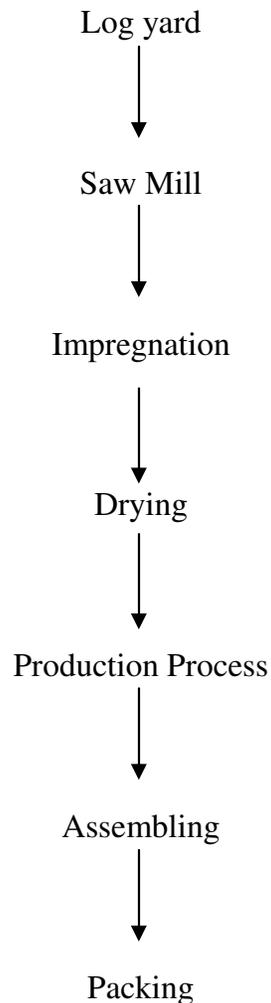


DEPARTMENTS

PRODUCTION DEPARTMENT

Production is the process by which, raw materials and other inputs are converted into finished products. Production function is the basic function of an industrial enterprise around which all other activities of the organization such as purchasing, financing marketing etc. are coordinated.

PROCESS FLOW CHART



■ LOG YARD

Commonly rubber wood log is used in the industry because of low cost, high availability and small piths. The transportation of rubber wood log is mainly by road way. The log is mainly coming from nilambur. Fresh cut rubber wood log which are end coated with chemicals could be stored in the saw mill yard for about three days with out any appreciable reduction in quality. Hower, the ideal storage condition is leys inner side water on a small pond, as logs they are completely sub merged, they will remain free from insects attack and fungal decay. The logs are transferred into yard by crane.

■ SAW MILL

In saw mill, round logs are converted into pieces. Here sawing of rubber wood is done using band saw, re-saw, circular saw etc.

a) Band saw

It is the sawing machine used for cutting the log into required thickness. All consist of two band saws. It used to convert the log into thinner plains.

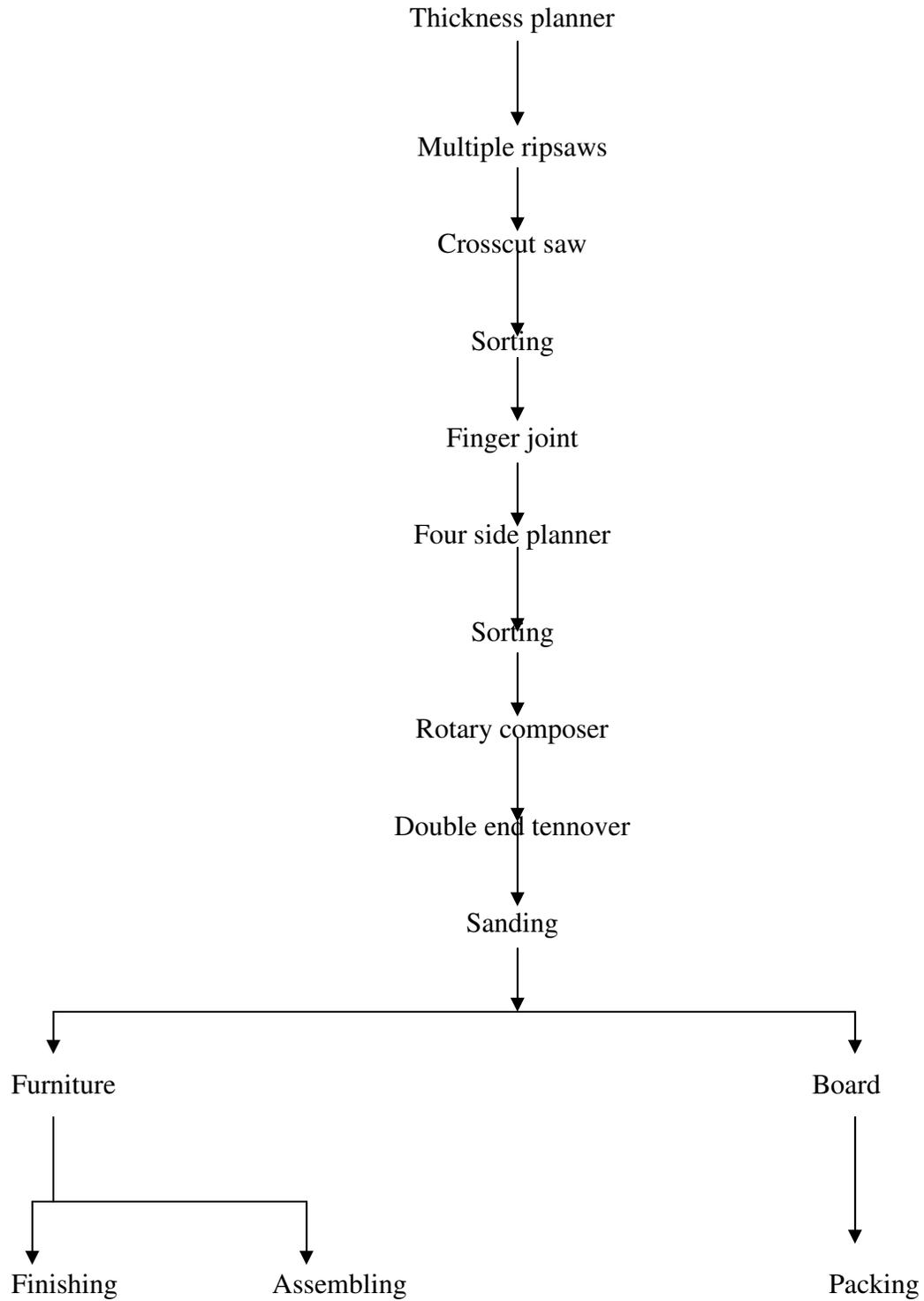
b) Re Saw

The wood pieces from band saw are re sized in required width and thickness. In re-saw, tapping mark knot crack and other defects are removed. The removed pieces kept aside which used for fire wood.

c) Cross cut saw

It is used to cut the re-sawing pieces into desired length. There are three circular used in the saw mill.

PRODUCTION FLOW CHART



Production section

Production section helps to smoothen the small rub wood pieces. These woods are matched according to their colour and also it will help to increase the length of rubber wood by joining the small pieces together. There are several processes in this section.

Thickness planner

It is used to plan the top and bottom side of the piece. It is also known as side planners because of the two sides of the wood piece are planned at a time. It consists of feeding bed for feeding the piece and conveyed through the blades by using grip conveyors. There are the blades by using grip conveyors. There are two cutter blocks, one is the top and other is in the bottom. Each cutter block consists of four blades. The maximum thickness used in pieces is 200mm. but the normal usage is 100-175mm. The maximum thickness to be planned is 10mm.

Multiple rip-saws

After the thickness planner section the timber pieces are automatically gone to the rip-saw section by a roller section. Multiple rip-saws are used for width ripping. In this machine circular saw is used for cutting the piece. Ripping is the operation of cutting width that can be adjusted by adjusting the distance between the two saws using spacer. Maximum cutting width is 300mm and the minimum cutting width is 5mm.

Cutter section

Cutter section is used for cutting the waste parts of the timber pieces. After multiple rip-saws the raw material has some waste parts like shaded parts and broken parts and broken parts and all those parts are cut down in this section.

Sorting

Sorting is the process of separating the wood pieces according to their colour and grade before it goes to composing. This sorting is done for good appearance of finished materials.

Rotary composer

Composer is a machine used for joining the lumber to boards by pressing. Hydraulic pressure is used for pressing. It is applied on the top and side pressure is applied to the board. The pressing time of the board is 35 to 40 minutes. Maximum pressure is to be applied is 200kg/cm² and minimum pressure is 10kg/cm².

Double end turnover

Double end turnover is the machine used to cut the edge of different types of molding. Maximum cutting length in this machine is 10 feet and the minimum cutting length is 200mm.

Filling

After the composing the small gap is filled with putty. It is the mixture of glue, chalk powder, stiner etc.

Sanding machine

Sanding machine is used for getting smooth surface. Three abrasive belts are used in this machine. First belt is for rough sand and has 80 grits. Second is slightly smooth and have 120\150 grits and thurd one fine and having 270\320 grits.

Furniture section

After the sanding process has been completed the woods are moved to furniture section. In this section sand materials are converted into various furniture like chair, table, door, kitchen, panel etc. here sophisticated technology is used for this conversion process which is made on the basis of consumer demand.

Lacquering section

Finishing

Finishing means that the process of coating and polishing. The furnishing mainly prevents from external weather and extends durability and gives aesthetic look. There are many wood finishing materials. In the finishing process the surface must smooth and

clean and moisture content should be reduced to be below 15%. First process is done by filling cracks and pores in the wooden piece with the help of putty. Abrasive papers are used for finishing purpose. The sand paper gives smoothness to the surface of wood and also removes the tool marks. Finished boards are then labeled and these finished boards are covered by using polythene cover, air, bubble sheet and hard board then scaled with size, date, grade and number. Following methods are used to finish the wood surface.

1. Spray booth

In ATI there are five spray booth sections. The grooved pieces are base coated from spray booth. Spraying on the surface of the wooden furniture is done by using spray gum. Uniform spreading of spray in the gum is an important factor; otherwise coating will not have good appearance. Base coating and top coating is given to the surface on wood pieces.

2. UV machine

Before lacquering, the wooden piece is first sanded for applying base coat using UV machine. The coating is done by using rollers and drying is done by ultraviolet rays. This machine consists of two rollers named application roller and doctor roller. Application roller is used for spreading the coating material. Doctor roller is used to guide and control the application roller. The thickness of coating is adjusted by changing the distance between the two rollers. When applying base coat, the doctor roller should turn anti clock wise. The higher speed, the less lacquer is applied.

Packing section

Finished products are packed in packing section. Knock down furniture are the main product in ATI. The furniture can easily packed, transported and delivered with out damage knock down fitting mainly to table piece, table base platter, corner joint fasteners and many type of frame construction. In the packing section the furniture parts are first covered by bubble paper, then form sheet, hard board and polythene covers. Packing is also done with the help of packing machine. This machine consists of a

conveyor and heat circulating chamber. This chamber is provided with a fan to circulating the heat.

First the furniture parts are fed through the conveyor then to chamber section. In the chamber section the sheet will be heated and it is converted into the furniture parts without any gap. At the end packing seal is done.

Material handling

Equipments and man who facilitate the movement of materials are what we called the material handling equipments. In ATI the materials are handled mainly with the following equipments.

1. Fork lifts
2. Moistures
3. Trucks
4. Hand driven trolleys
5. conveyor belts

As the raw materials and the work in progress material are bulk and heavy manual handling is not easy and advisable. The layout provides for easy traveling and transportation between departments.

Pollution control

ATI believes in its responsibility towards nature. All processes are designed in such a way that it will affect nature. The solid waste (wooden pieces) is used in boiler. It does not produce liquid waste. The chemicals applied are treated with appropriate systems to avoid hazard to nature.

FINANCIAL DEPARTMENT

Its head office and the accounting department jointly perform the financial function of ATI. Important documents are kept in head office and the routine accounting functions are performed by company's accounting department. Head office deals with the functions of procurement and investment of funds for the entire ATI.

Accounts Department

Functions of accounting department include preparing, checking and accounting the following vouchers and bills.

- Cash receipt and cash payment.
- Bank receipt and bank payment.
- Purchase journal. Journal voucher.
- Preparing debt/credit notes.
- Updating vouchers in computer system.
- Preparation of reconciliation statement such as bank, party accounts etc.
- Maintaining proper records of fund register for various loans availing from Banks and various financial institutions.
- Ensure expiry dates of bank guarantees and proper accounting of income on deposits.
- Ensure proper collection of tax deducted at sources and prompt remittance of the same to the government accounts.
- Maintain and safe custody of vouchers, records, ledgers and registers.
- Review of the general ledger and sub ledger and reconciliation.
- Ensure safety custody of cash and unused cheques.

- Maintain the fixed asset register and ensure proper filling of the bills of purchase, installation certificate etc. for the tax purpose.
- Ensure compliance of the various commitments for the borrowings and adherence of the schedule for the repayment of the interest and the principal.
- Maintain registers for th-2 bank guarantee issued by the company.

The company started business in Kerala having branches in five metropolitan cities and Hyderabad. The company has a capital of 10 crore invested in various types of assets.

The major income is from the sale of finished products like the Kitchen modules, furniture items like table, panel, sofa set, dining table and chair etc. The sale of the product can be classified into two types, local sales and stock transfer. Here local sale means sale of goods in the local market and stock transfer means sale of finished products to other parts of the world.

Books Kept

Purchase book, Journal, Cash ledger, Bank book etc.

Computerized accounting is done here.

Financial Policies

1. All the purchases are usually made on cash basis, but credit facility is provided by the regular dealers for one month.
2. Depreciation on fixed asset is calculated and provided on diminishing balance method @ of 10%.
3. **Banks**

The bankers through which transactions made are HDFC, SBI and Bank of Baroda.

MARKETING DEPARTMENT

The term marketing means social and managerial process by which individual and group obtain what they need and want through creating and exchanging product and value with others. In the words of Philip Kotler “marketing is a societal of process by which individuals and group obtain what they need and want through creating, offering and freely exchanging product and services of value with each other”.

In Thalassery ATI is the only production unit apart from the branches. The actual marketing activity takes place in these branches all over India. In this company, only local sales take place. Goods are produced according to the orders issued by the brandies and these local markets. 10% of the sales are only by the company and the rest 90% is done by the branches. Kitchen wares are the main product sold by the company. The funds for these sales are held back by the company. Direct marketing i:- the main intermediaries used by this Firm. Specific standard units are also produced in this firm. Monthly meetings are held in their own branches and yearly meetings are held in any of their branches.

SALES ASPECTS

Andamans Timber Industries Ltd. Thalassery is the only production unit. The main selling outlets of the industry are in Culcutta, New Delhi, Chennai, Mumbai and Bangalore. The market for Rubwood product of ATI is divided into the following areas

1) Local market:

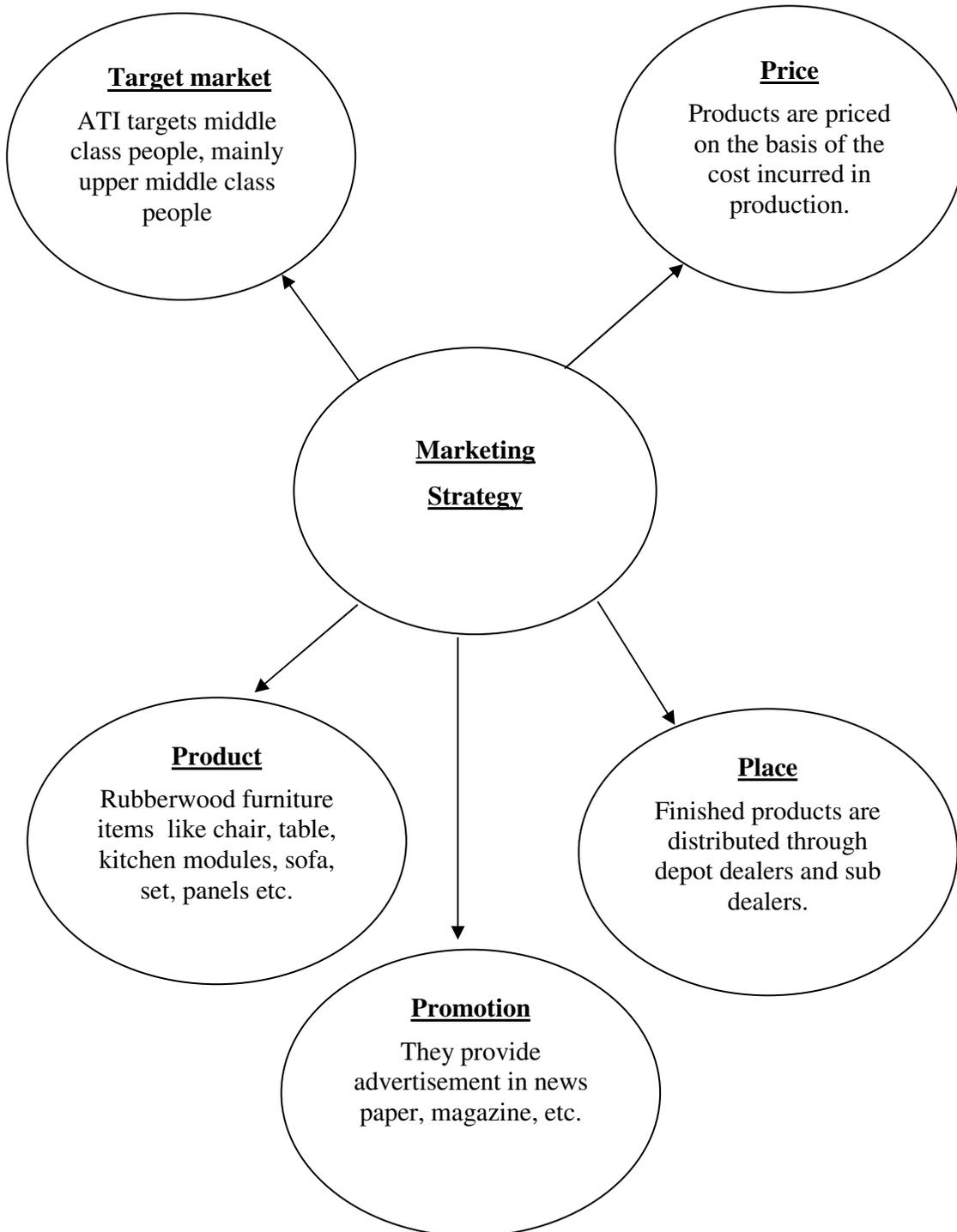
Furniture items are sold in the local market near the production unit. For this ATI is opened a showroom in Chonadam, ATI is not a relevant advisor in the local market. It draws customers through long years of reputation. They also sell finished product in the factory on the basis of orders given by the customers.

2) National market:

The company has a well set national market with around six depots in India which act as the on the spot selling unit outlet for the company. The company is also an active participant in national and state level exhibition. The company also

has its promotion on regional channels, magazines and newspapers in order to exploit the newly generated market for world class kitchen modules.

Target market



Competitors in Rub wood industry

Andamans Timber Industries is facing competition from Malaysian furniture experts and very small unit in India. It also has to compete with medium scale industries like RUBCO, INDIA WOOD KOTTAYAM, FEROK PLY, HIGH RANGE WOOD etc.

Apart from our manufacturing activities, ATI now have a Trading Division to take advantage of the growing consumerism in India, the gradual growth of the Indian economy and their own strengths of large infrastructure and a country wide distribution network etc.

PURCHASE DEPARTMENT

The department which is under the control of purchase officer who works with close association with the store department, accounts department and stock level.

Purchase department is concerned with inviting quotations, resource planning, purchase of materials, monitoring and ensuring quality of purchases etc. The functions are :

Resource Planning

- To check and confirm the material and consumables requirement given by the production department.
- To check the purchase orders pending receipt of materials.
- To prepare a purchase request for the materials and consumables required.

Purchase Procedure

The main raw material of ATI is rubber wood. Chemicals, paints, lacquers, glue, hardware items etc. are also used in manufacturing.

Based on the annual production plan, the raw materials are stored. The main raw material rubber wood is purchased on the basis of JIT. Other items like glue chemicals are stored periodically. The purchase mainly three types. Domestic, national and international. Glue is purchased either nationally or international. It is purchased mainly three times during the year. Hardware items and other daily usage materials are purchased from local market.

Purchase department records all accounts related to purchase, stock ledger, stock ledger for fast moving and stock ledger hardware. Here Bin Card system is not following.

Steps for Purchase Order

1. Purchase department will raise sufficient quantity required, by analyzing present stock and requirements for monthly production.
2. For major items, purchase department has go for quotation. Mainly they send e-mail to various companies which producing that material.
3. After getting the quotation, the purchase is fixed on the basis of price, quality and standard which suggested by the quality department.

The local purchase provides thirty days credit and some of them ask for Post Dated Cheque (PDC).

Monitoring and ensuring quality of Purchase

- To follow up the stores department on the receipt of materials,
- To follow up with the user department on the quality of material supplied under the specification.
- To follow up with the suppliers on any wrong supply, delay etc.
- To ensure that the suppliers adheres to the delivery schedule/quality norms.

HUMAN RESOURCE DEPARTMENT

Human resource management relatively a new term emerged during 1970s many people continued to use, traditional titles like personal management to this new discipline. At present the term is used in this industry including circle as HRM.

A well managed human resource is working under Andaman timber industries. Here the human resource department known in the name of administration department. Which is under the control of administrating manager or administrating officer. This department look after the welfare of human resource in ATI Labour are the only living factors of

production process. They are pillars of organization the quality of production, the earning and good will of the company depends upon human resource in the organization. The company treats the labours fairly and considerably and given fare wages. Personal department under takes, recruitment, selection, training etc. there is also a public relation officer in the factory. He look after the general welfare of workers in the factory.

Employees stricture

Office and administration

Staff	30
Highly skilled	32
Skilled	14
Unskilled	nil

Total there are 166 people works the factory

Time office

There is a time office work in the factory. It is maintained in the factory gate. The time officer and two securities are work in these department. The major function of these department is maintain and regulate the attendance of workers visitors and vehicle movements in the factory. The time of entry and exit properly enter in the register. The time office or time keeper will coming with attendance register for verification. 25th of every month. It is verified by the administrative officer.

Working time

There are two shifts presently in the factory. The working time shifting

1st shift - 8.00 am to 4.30pm

2nd shift - 4.30 pm to 1.00pm

Function of Human Resource Department

1. Recruitment

Recruitment means generating a pool of qualified employees for job. Announcing job opportunities to public in such a way that number of suitable people will apply for them.

In ATI Ltd the Recruitment process done only at the initial stage. At that time they recruit people from outside by informing them through means. Mainly local people are selected for work. After that there is no more recruitment process. Now they recruit he necessary employees on daily wages on temporary basis from the local area near to company.

2. Selection

Selection means choosing right profile from that number, those applicant whom are most likely to succeed in the job. After getting the list of candidates, an interview conducted at the unit level. Final selection is made after test their skill and technical ability by putting them on the job.

3. Training and development

Training and development also done in the AT 1 Ltd. After recruitment and selection the new hands are given on the job. Training at the unit level. All workers are kept as trainers for 6 months to one year. Later the absorbed as permanent workers considering their performance

4. Promotion

Promotion is the transfer of an employee to new position which comments high pay. Privilege status both at work and in the community out side more pay and fringe benefits perhaps the grater. Jobs security and more senior position from which a person render better service to his company. His duties, responsibilities status and pay also increased. Company given keen attention with regard to promotion. In AT1 seniority based and merit based promotion are there.

5.Wage structure.

There is no time scale of pay. The management pays minimum wages as prescribed by government. The minimum wage is that wage which in any event must be paid irrespective of profit. The financial condition or the availability of workers on lower wage. It is obligatory. For the management to pay atleast minimum wage irrespective of it paying capacity. Being paid at a rate above the minimum prescribed by government variable. Dearness allowance is allowed in every month basing on consumer price index

furnished by the department of economics and statistics of government of Kerala. Increase in pay is allowed occasionally as per agreement. Reached by the management and workers union.

6. Allowances

Second important component of wage package is dearness allowance. This is paid to offset the rise in prices. Allowances like conveyance, house rent chemical sawmill shift etc are also allowed in deserving cases.

7. Employees provident fund

Company follows contributory provident fund. The workers contribute 72% of their wage (basic pay + DA) and the management contribute at an equal rate. It has to be remit by 15th of every succeeding month. In this a portion at 8.33 % goes towards pension scheme.

8. Employees state insurance (ESI)

Every employee has to contribute 1.75% of his monthly emoluments (gross) The employers contribute to this fund is at 4.75% of total emoluments (growth)The employers contribution to this fund is at 4.75 % of total employments (growth)

9. Labour welfare fund

There is a labour welfare fund .In which the employee contribute at Rs 4 per head and the employer contribute at double to the same .The fund enables the subscribe to get children .treatment of self and dependents etc. Thus all employees are covered social security schemes of government .enabling education of children of workers etc.

10. Gratuity

Employees are eligible for gratuity based on the payment of Gratuity Act,1972

11. Over time

If the supervision thinks the order cant be meet in time workers more than usual hours and are paid double the wage

12. Bonus

The payment of Bonus Act ,1960 is applicable to every establishment in which were than 20 or more persons are employed in any day during accounting year provided has worked for - not less than 30 day in that year. ATI also follow this rule .Mgt gives bonus to workers at for consultation with trade union allowed by government prescription.

13. Pension

The workers who have been working in the factory for more than 10 years an eligible for pension .Pf department is authorized for all pension schemes

WELFARE TO WORKERS

1. First Aid Appliances

Under the factory Act ,It is strictly instructed that a manufacturing concern should keep necessary first aid faculties .this is done in case of when the workers are Injured during the worth .If the injury or accident more serious employee can sent to near ESI center for further treatment

2. Canteen

A good canteen is available rate to all employees in this canteen provide tea in the right time at two shift to employees to at free cost

3. Rest room

A rest mean is provided to employees to relax at the concerned time

4. Facilities for Relaxing

The company also provides sitting facility for the workers when they are getting interval or lunch breach

5. Trade union

A recognized trade union is function in this company .the parel of management and trade union take decision regarding to employees They workers for welfare for employees

6. Leave and Holidays

The leave allowed to workers is of three types

a) Privilege leave

All permanent employees are allowed privilege leave at the rate of day for every twenty day of worth in a year .This leave provides only the workers who worth minimum 240 day in a year .They can avail of leave in five times in a year subject to certain restriction to account the production prospects the factory

b) Causal leave

The allowed to a meet the casual needs. There are 12 casual leaves in a year

c) ESI Leave

As recommended by the ESI authority this leave is admissible with out pay by the management

Holidays

Total 13 days are allowed for the employees including 4 national holidays belongs any trade union decide about the holidays

Health

One of the important things is that the employees' general health, both physical and mental should be cared. The factors, which influence the general health of the worker, can be divided into two broad groups.

- 1) Those which are associated with his working environment.
- 2) Those which he shares with the rest of the community.

Cleanliness

The factory is kept clean and free from effluvia. Accumulation of dust removed by proper drainage facility made in the chemical treatment. Walls, doors and windows shall be repainted or revarnished at least once in five years.

Disposal of waste and effluents

Effective arrangements shall be made for the disposal of waste and for making them innocuous. It does not harm any local people in any way.

Ventilation and Temperature

Effective arrangements shall be made for ventilation and temperature so as to provide comfort to the workers and prevent injury to their health there is adequate ventilation is for fresh air. Natural ventilation is common in the factory.

Dust and fires

Effective management shall be taken pre view the inhalation and accumulation of dust and fires or other impurities in parities at work place

Lighting

The state government may prescribe standards of are proper artificial nature lighting facilities are included

Drinking Water

There shall be effective arrangements for whole some drinking water for workers for worker at convenient points

Laundries and urinals

There shall be sufficient number of laundries and a urinals clean well ventilated situated and built according to prescribed standard separately for male and female and workers

CHAPTER-3

RESEARCH METHODOLOGY

METHODOLOGY

Research Methodology is the systematic way of solving the research problem. It may be understood as a science of studying how research is done scientifically. So while we discussing about the research methodology we discuss not only the research methods but also we consider the logic behind the method that we used in the context of our research study and explanation why we are not using other so that research results are being capable of evaluating the researcher himself or by others.

Source of data

The data for the present study mainly classified in to two, Primary and secondary data.

Primary Data

The information relating to the companies functions, its operations etc are collected by direct observation and by interviewing concerned personnel.

Secondary Data

The data related to the financial statements are the essential elements of this study. These financial data are collected from the financial records of the firm like Profit and Loss account and Balance sheet.

Tools used for the study

Data analysis tools

➤ Ratio Analysis

Current ratio or working capital ratio

It is the ratio of the current assets to current liabilities. It shows a firms' ability to cover its current liabilities with its current assets. Generally 2:1 is considered ideal for a concern.

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

Liquid or Quick ratio

This is the ratio of the liquid assets to current (liquid) liabilities. It shows a firm's ability to meet current liabilities with its most liquid (quick) assets. 1:1 ratio is considered ideal ratio for a concern. Liquid assets include cash balances, bill receivable, sundry debtors and short term investment. Liquid liabilities include all items of current liabilities except bank overdraft. It is calculated as under:

$$\text{Liquid ratio} = \frac{\text{Liquid Assets}}{\text{Current liabilities}}$$

Absolute Liquidity ratio

Though receivables are generally more liquid than inventories, there may be debts having doubt regarding their real stability in time. So to get idea about the absolute liquidity of a concern, both receivables and inventories are excluded from current assets and only absolute liquid assets, such as cash in hand, cash at bank and readily realizable securities are taken into consideration. The desirable norm for this ratio is 1:2. It is calculated as follows:

$$\text{Absolute Liquidity ratio} = \frac{\text{Cash in hand and at bank + short term marketable securities}}{\text{Current Liabilities}}$$

Ratio to Inventory to Working capital

In order to ascertain that there is no over stocking, the ratio of inventory to working capital should be calculated. Working capital is the excess of current assets over current liabilities. Increase in volume of sales requires increase in size of inventory, but from a sound financial point of view, inventory should not exceed amount of working capital. The desirable ratio is 1:1. It is worked out as follows:

$$\text{Ratio to Inventory to Working capital} = \frac{\text{Inventory}}{\text{Working capital}}$$

Fixed Assets ratio

This ratio explains whether the firm has raised adequate long term funds to meet its fixed assets requirements. This ratio gives an idea as to what part of the capital employed has been used in purchasing the fixed assets for the concern. If the ratio is less than one it is good for the concern. The ideal ratio is .67. It is calculated as under:

$$\text{Fixed Assets ratio} = \frac{\text{Fixed Assets}}{\text{Capital employed}}$$

. Ratio of Current Assets to Fixed Assets:

This is the ratio of the Current Assets to Fixed Assets. This ratio is worked out as:

$$\text{Ratio of Current Assets to Fixed Assets} = \frac{\text{Current Assets}}{\text{Fixed Assets}}$$

Debt Equity ratio

It measures the extent of the equity covering the debt. This ratio is calculated to measure the relative proportions of outsiders' funds and shareholders' funds invested in the company. This ratio is determined to ascertain the soundness of the long term financial policies of the company and is also known as external- internal equity ratio. It is calculated as follows:

$$\text{Debt Equity ratio} = \frac{\text{Long Term Debts}}{\text{Shareholders' Funds}}$$

Proprietary ratio

A variant of debt to equity ratio is the proprietary ratio which shows the relationship between shareholders' fund and total tangible assets. This ratio should be 1:3. it is worked out as follows:

$$\text{Proprietary ratio} = \frac{\text{Shareholders' Funds}}{\text{Total Tangible Assets}}$$

Net Profit ratio

This ratio explains per rupee profit generating capacity of sales. If the cost of sales is lower, then the net profit will be higher and then divide it with the net sales, the result is sales efficiency. If lower is the net profit per rupee of sales, lower will be sales efficiency. This is very useful to the proprietors and prospective investors because it reveals the over all profitability of the concern. It is calculated as follows:

$$\text{Net Profit ratio} = \frac{\text{Net Profit after Tax}}{\text{Net sales}}$$

Return on Shareholders Funds

The ratio of net profit to shareholder fund shows the extent to which profitability objective is being achieved. .When this desired to work out the profitability of the company from the shareholders point of view, then this ratio is calculated by the following formula:

$$\text{Return on Shareholders Funds} = \frac{\text{Net Profit after Interest and Taxes}}{\text{Shareholders' Fund}}$$

Capital Turnover ratio

This ratio shows the efficiency of the of capital employed in the business by computing how many times capital employed is turned-over in a stated period. The higher the ratio, the greater are the profit. A low capital turnover ratio should be taken to mean that sufficient sales are not being made and profits are lower.

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

Fixed Assets Turnover ratio

This ratio measures the efficiency of the assets use. The efficient use of assets will generate greater sales per rupee invested in all the assets of a concern. The inefficient use of the asset will result in low sales volume coupled with higher overhead charges and under utilization of the available capacity. Hence the management must strive for using total resources at optimum level, to achieve higher ROI. It is calculated as under:

$$\text{Fixed Assets Turnover ratio} = \frac{\text{Sales}}{\text{Net Fixed Assets}}$$

Working Capital Turnover ratio

This ratio shows the number of times working capital is turned over in a stated period. The higher is the ratio, the lower is the investment in working capital and greater are the profits. It is calculated as follows:

$$\text{Working Capital Turnover ratio} = \frac{\text{Sales}}{\text{Net Working Capital}}$$

Total Assets Turnover ratio

This ratio is calculated by dividing the net sales by the value of total assets. An higher ratio is an indicator of over trading of total assets while a low ratio reveals idle capacity

$$\text{Total Assets Turnover ratio} = \frac{\text{Net Sales}}{\text{Total Assets}}$$

Inventory turnover ratio

This ratio measures the number of times, on average; the inventory is sold during the period. Its purpose is to measure the liquidity of the inventory. This ratio is calculated as follows:

$$\text{Inventory turnover ratio} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

Receivable Turnover ratio

This ratio measures the number of times, on average; receivables are collected during the period. The higher the value of ratio, the more is the efficient management of debtors. It is calculated as follows:

$$\text{Receivable Turnover ratio} = \frac{\text{Net Credit Sales}}{\text{Average Receivables}}$$

Creditors Turnover ratio

A short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. Accounts payable turnover ratio is calculated by taking the total purchases made from suppliers and dividing it by the average accounts payable amount during the same period.

$$\text{Accounts Payable Turnover} = \frac{\text{Total Supplier Purchases}}{\text{Average Accounts Payable}}$$

Solvency ratio

This ratio expresses the relationship between total assets and total liabilities of a business. It measures the solvency of the business. It is calculated as follows:

$$\text{Solvency ratio} = \frac{\text{Total Assets}}{\text{Total Debts}}$$

Cash ratio

This is the ratio of a company's total cash and cash equivalents to its current liabilities. The cash ratio is most commonly used as a measure of company liquidity. It

can therefore determine if, and how quickly, the company can repay its short-term debt. A strong cash ratio is useful to creditors when deciding how much debt, if any, they would be willing to extend to the asking party.

$$\text{Cash ratio} = \frac{\text{Cash and cash equivalents}}{\text{current liabilities}}$$

Cash Turnover ratio

This ratio indicates a firm's efficiency in its use of cash for generation of sales revenue. It is the inverse of cash-to-sales ratio.

$$\text{Cash Turnover ratio} = \frac{\text{Sales}}{\text{Average Cash Balances}}$$

Cash to Working Capital Ratio

Cash to Working Capital Ratio is useful for determining the proportion of working capital that is made up of cash or investments that can be readily converted into cash. If the ratio is low, it may be an indication that a company will have trouble meeting its short-term commitments because of a lack of cash. If this were the case, the next formula to calculate would be the number of expense coverage days to determine exactly how many days of operations can be covered by existing cash levels.

$$\text{Cash to Working capital ratio} = \frac{\text{Cash + short term marketable securities}}{\text{Net Working Capital}}$$

Average Collection Period

It indicates on an average for how many days sales are pending uncollected by the concern. This also reflects the credit policy and terms of the concern.

$$\text{Average Collection Period} = \frac{\text{Days in a year}}{\text{Debtor Turnover ratio}}$$

Average payment period

The average payment period (APP) is defined as the number of days a company takes to pay off credit purchases. It is calculated as accounts payable / (total annual purchases / 360). As the average payment period increases, cash should increase as well, but working capital remains the same. Most companies try to decrease the average payment period to keep their larger suppliers happy and possibly take advantage of trade discounts.

$$\text{Average payment period} = \frac{\text{Days in a year}}{\text{Creditors Turnover ratio}}$$

- Comparative Statement
- Common Size statement
- Schedule of changes in Working Capital

Data Processing Tools

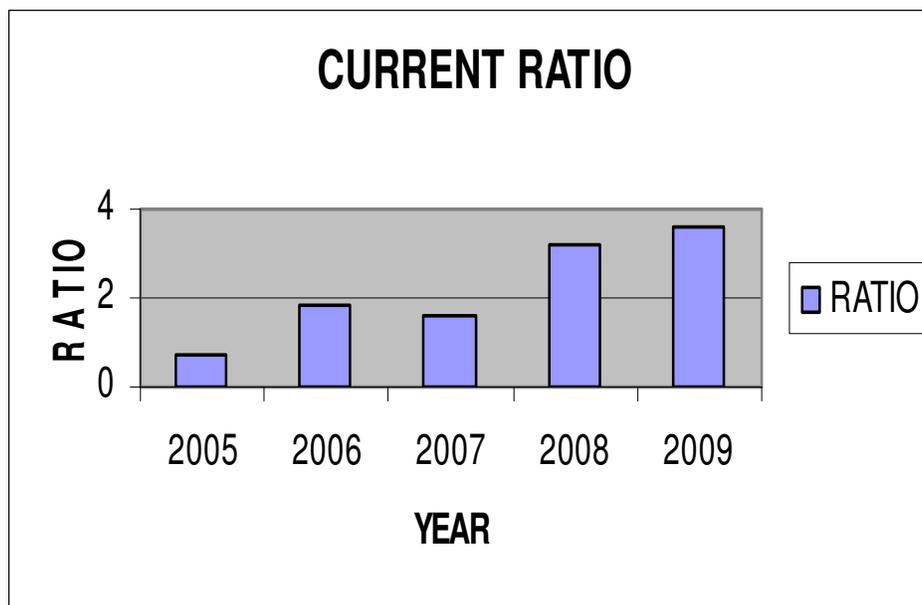
- Tables
- Bar charts

CHAPTER-4

**ANALYSIS AND
INTREPRETATION**

CURRENT RATIO

CURRENT RATIO			
YEAR	CURRENT ASSETS	CURRENT LIABILITIES	RATIO
2005	69026595	101403333	0.680713276
2006	117236101	64551783	1.816155891
2007	59899542	37930714	1.579183086
2008	79125603	24564706	3.221109302
2009	114456822	31491550	3.63452488



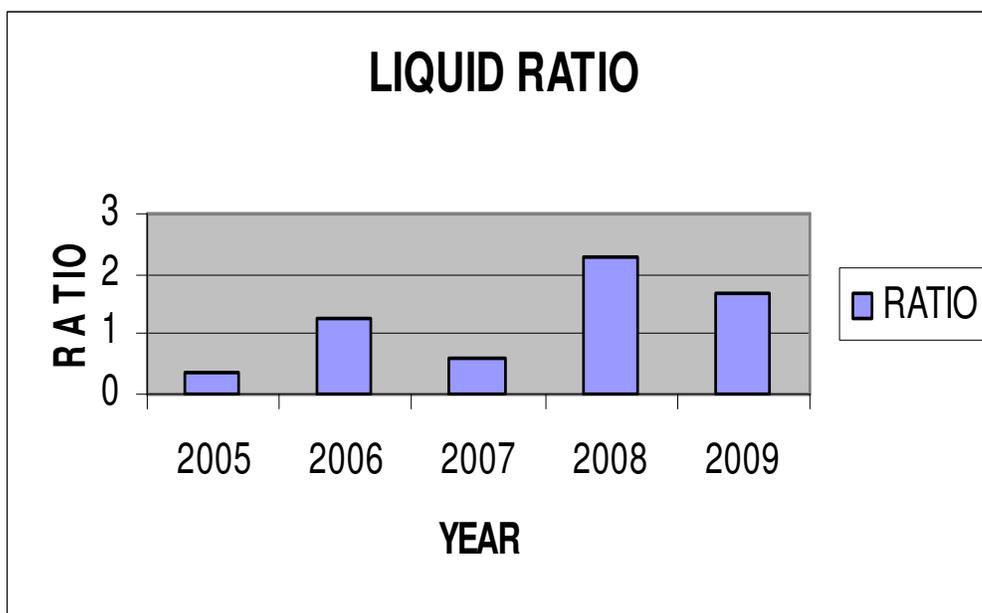
INTERPRETATION

The above table shows the current ratio of the firm during the period (2005-2009) of the study has been increasing. In the year 2005 the ratio was 0.68 and increasing at the rate 3.63 in the year 2009. It shows the rate in the year 2009 above the

standard norm 2:1. Therefore the current ratio of the firm indicates ability to meet its short term debts.

LIQUID RATIO

LIQUID RATIO			
YEAR	LIQUID ASSETS	CURRENT LIABILITIES	RATIO
2005	33616679	101403333	0.331514537
2006	81449037	64551783	1.261762777
2007	23223753	37930714	0.612267752
2008	56451839	24564706	2.298087305
2009	53258929	31491550	1.691213325

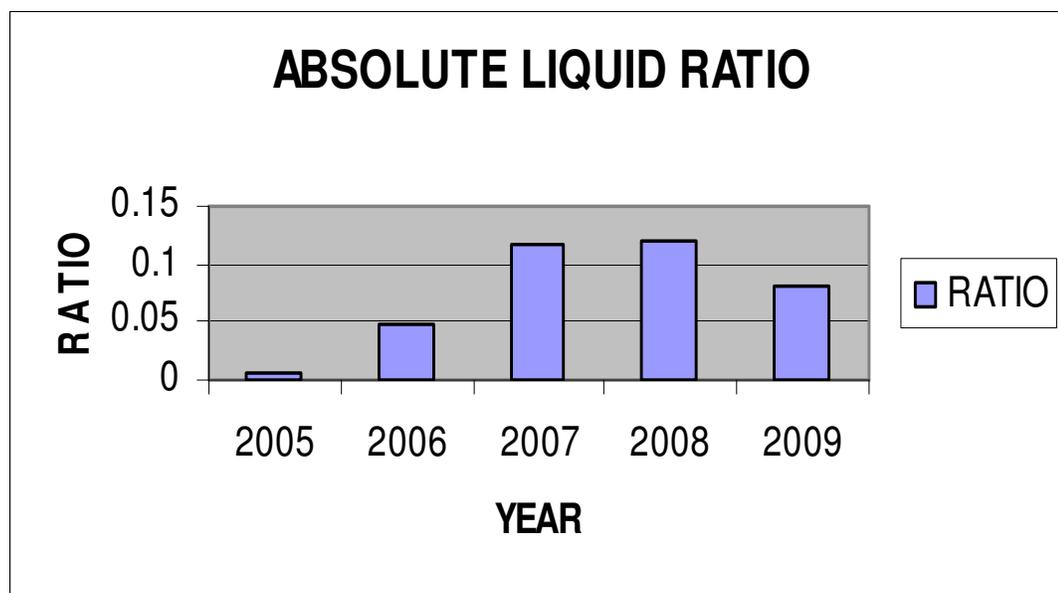


INTERPREATION

Liquid ratio of the firm during the period (2005-2009) shows a fluctuating trend. During the period 2005 to 2007 it was below the standard norm 1:1. But in the year 2006 to 2009 shows an increasing trend. It shows that the firm's ability to meet its short term obligation out of its liquid assets.

ABSOLUTE LIQUID RATIO

ABSOLUTE LIQUID RATIO			
YEAR	ABSOLUTE LIQUIDE ASSETS	CURRENT LIABILITIES	RATIO
2005	635306	101403333	0.006265139
2006	3049565	64551783	0.04724215
2007	4447114	37930714	0.117243087
2008	2940850	24564706	0.11971851
2009	2590796	31491550	0.082269561

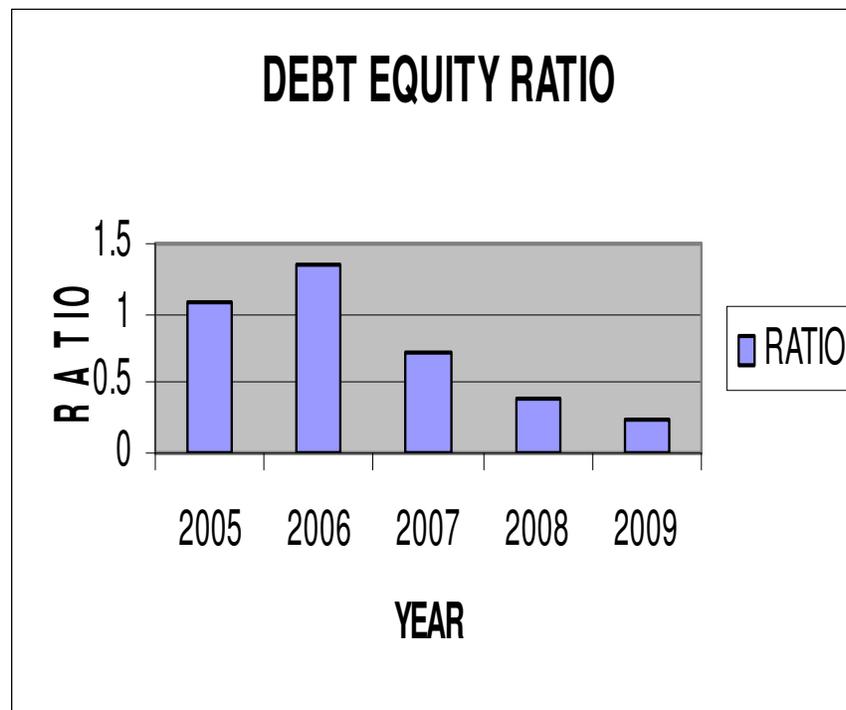


INTERPREATION

The absolute liquid ratio of the firm during the period (2005-2009) are below the standard norm 1:2 .This ratios show that the absolute liquid assets of the firm is very less. The firm may not have enough cash/bank balance or marketable securities.

DEBT EQUITY RATIO

DEBT EQUITY RATIO			
YEAR	DEBT	EQUITY	RATIO
2005	151509115	138590134	1.093217177
2006	188039901	138428539	1.358389696
2007	101603980	138266944	0.734839269
2008	53387310	138105348	0.386569461
2009	67936375	289978115	0.234281042

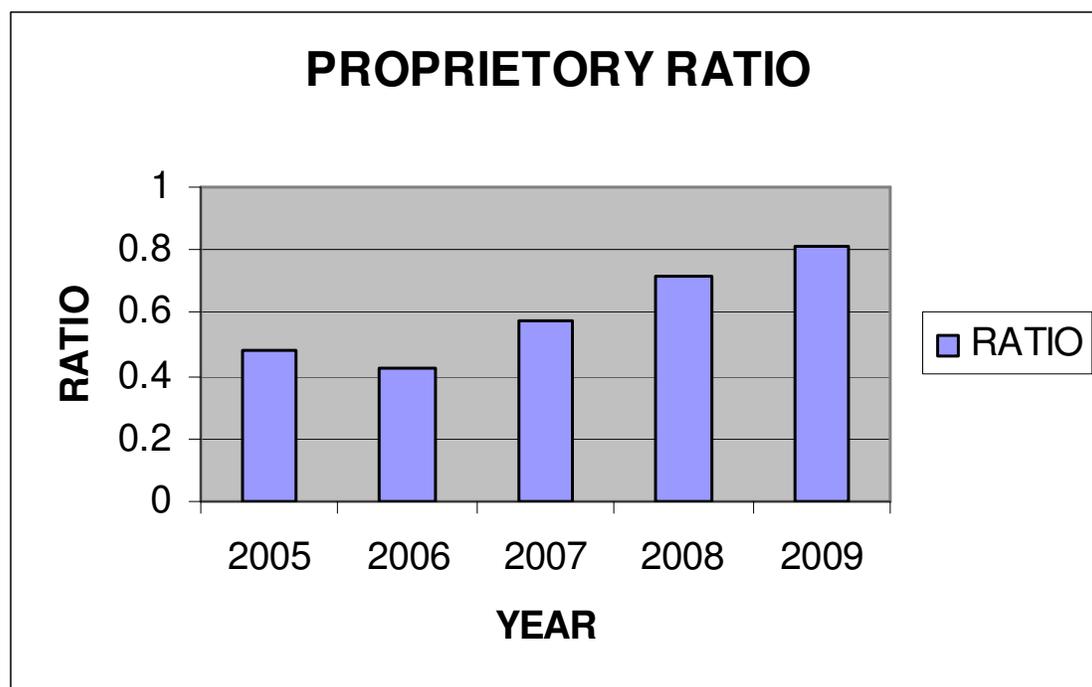


INTERPREATION

Debt equity ratio shows a decreasing trend during the period (2005-2009).The year 2005&2006 shows almost satisfactory ratio that is near to standard ratio.Normaly the standard ratio is taken to be 2:1 in private sector. The company debt equity ratio during the period of study is below standard. Hence the company is not financially sound during these periods. And this firm is not use more debt fund in these years.

PROPRIETARY RATIO

PROPRIETY RATIO			
YEAR	SHAREHOLDERS FUND	TOTAL ASSETS	RATIO
2005	138590134	290099249	0.477733515
2006	138428539	326468440	0.424018135
2007	138266944	239870924	0.576422276
2008	138105348	191492658	0.721204403
2009	289978115	357914490	0.810188252

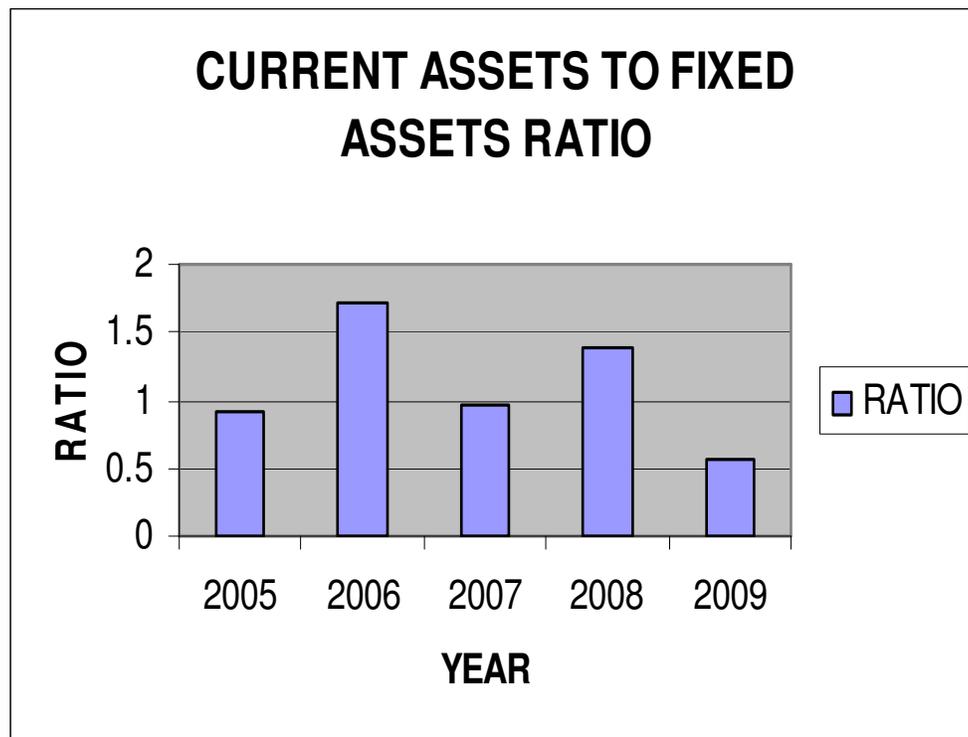


INTERPRETATION

The above table show that proprietary ratio of the firm during the year 2005 to 2009 are not a satisfactory level. In during these years proprietary ratio is below 2. So the long term solvency position of the firm is not satisfactory in these periods.

CURRENT ASSETS TO FIXED ASSETS RATIO

CURRENT ASSETS TO FIXED ASSET RATIO			
YEAR	CURRENT ASSETS	FIXED ASSETS	RATIO
2005	69026595	74335238	0.928585108
2006	117236101	68293559	1.716649457
2007	59899542	61352099	0.976324249
2008	79125603	57177529	1.383858386
2009	114456822	202301852	0.565772487

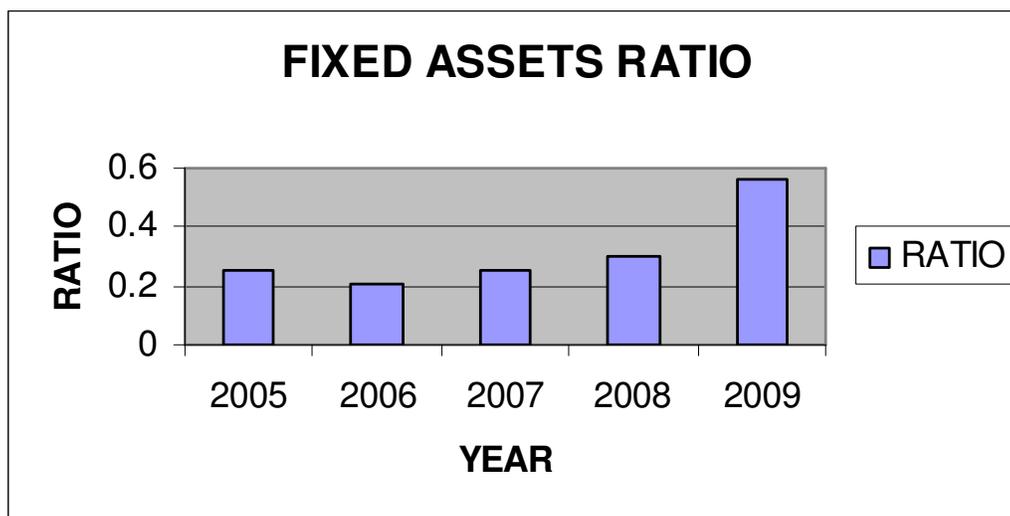


INTERPREATION

Current assets to fixed assets ratio of the firm during the period of study are fluctuating. In 2006 and 2008 there is an increase in current assets over fixed assets, so the current asset is idle in these years.

FIXED ASSETS RATIO

FIXED ASSETS RATIO			
YEAR	FIXED ASSETS	CAPITAL EMPLOYED	RATIO
2005	74335238	290099249	0.256240712
2006	68293559	326468440	0.209188855
2007	61352099	239870924	0.255771304
2008	57177529	191492658	0.298588623
2009	202301852	357914490	0.565223978

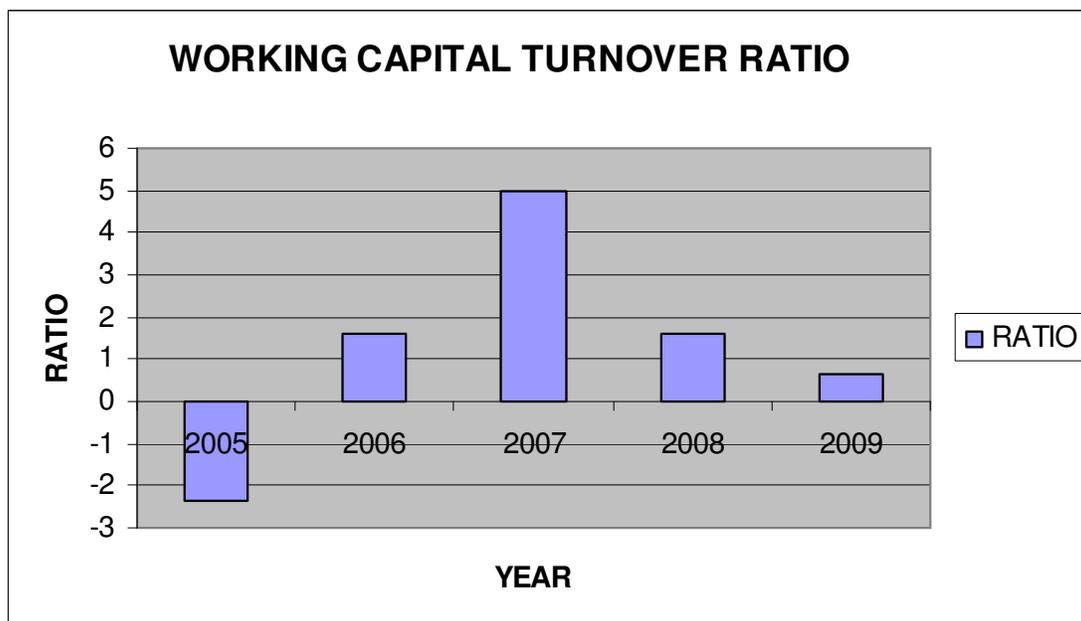


INTERPREATION

The above table shows that the ratio of the firm is below normal ratio 1:1. The fixed assets used in firm are not in a good position. But it shows an increasing trend. In 2005 it is 0.25 but in 2009 it increased to 0.56. This trend is a positive trend for company.

WORKING CAPITAL TURNOVER RATIO

WORKING CAPITAL TURNOVER RATIO			
YEAR	SALES	WORKING CAPITAL	RATIO
2005	83832454	-35265750	-2.377163509
2006	78338724	48828660	1.604359489
2007	88097435	17728784	4.969175269
2008	79673180	49727596	1.602192473
2009	48335290	77476360	0.623871462

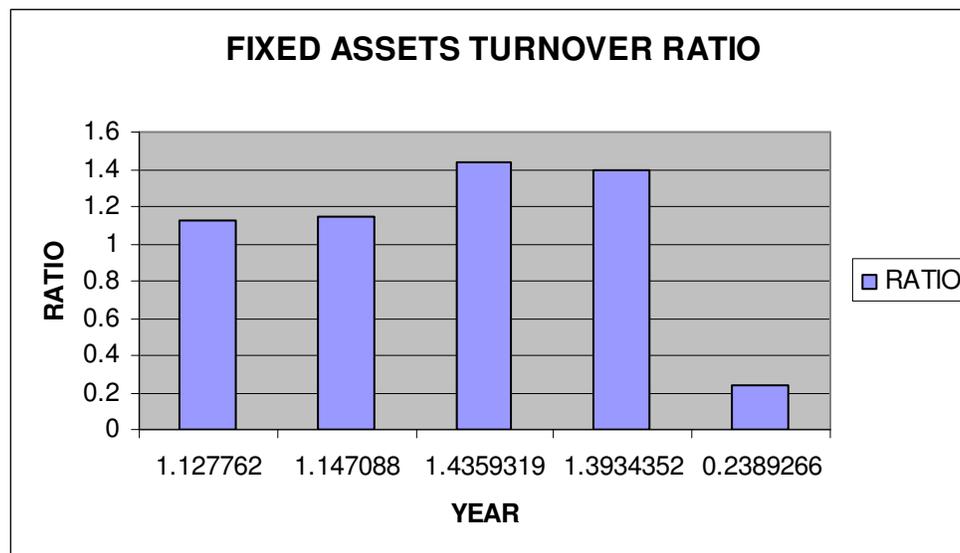


INTERPREATION

The working capital turn over ratio of the firm during the period of study is low. In 2007 it is 4.96 times but in the year 2006, 2008, and 2009 is not satisfactory level. In the year 2005 there is a negative working capital. It discloses inefficient utilization of capital resources.

FIXED ASSETS TURNOVER RATIO

FIXED ASSETS TURNOVER RATIO			
YEAR	SALES	FIXED ASSETS	RATIO
2005	83832454	74335238	1.127761964
2006	78338724	68293559	1.147088029
2007	88097435	61352099	1.435931882
2008	79673180	57177529	1.393435173
2009	48335290	202301852	0.238926582

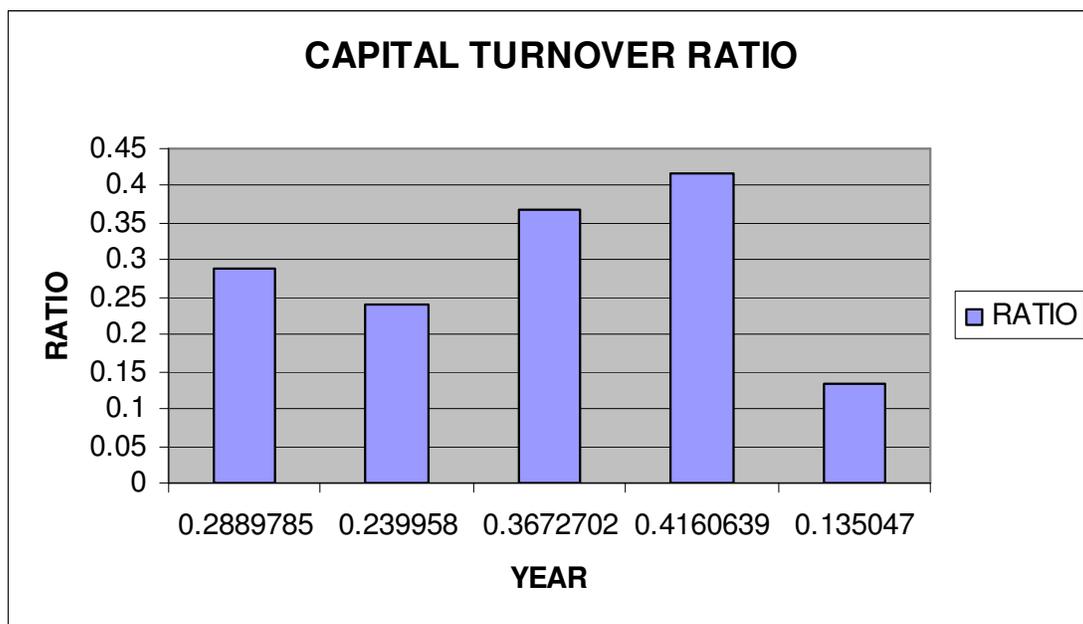


INTERPREATION

The firm fixed assets turnover ratio during the period of study is below standard norms. So it indicates that the company has not much efficiency in utilizing its fixed assets in placing sales.

CAPITAL TURNOVER RATIO

CAPITAL TURNOVER RATIO			
YEAR	SALES	CAPITAL EMPLOTED	RATIO
2005	83832454	290099249	0.288978528
2006	78338724	326468440	0.239958031
2007	88097435	239870924	0.36727017
2008	79673180	191492658	0.416063889
2009	48335290	357914490	0.135047033

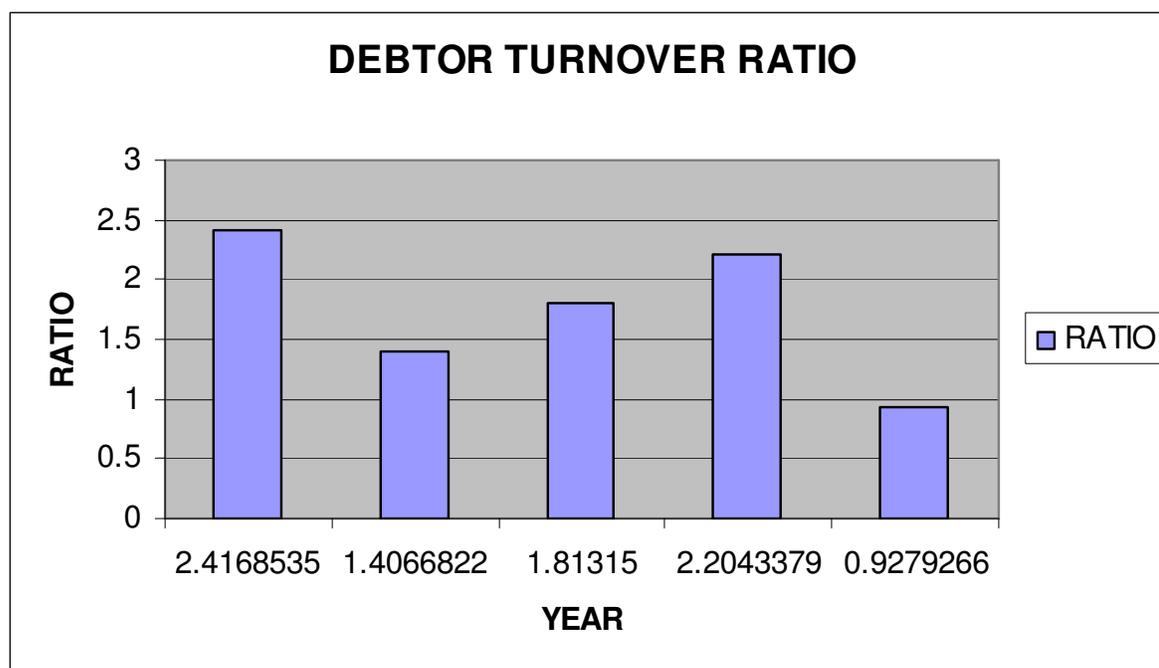


INTERPREATION

The capital turn over ratio was less than one in during the period of study. This ratio indicates the effectiveness with which the firm utilized its resources or capital employed. Hence the capital employed was not fully utilized by the firms for earning revenue for these periods.

DEBTOR TURNOVER RATIO

DEBTOR TURNOVER RATIO			
YEAR	SALES	AVERAGE DEBTORS	RATIO
2005	83832454	34686610	2.416853477
2006	78338724	55690423	1.406682151
2007	88097435	48588056	1.813150026
2008	79673180	36143814	2.204337926
2009	48335290	52089561	0.927926615

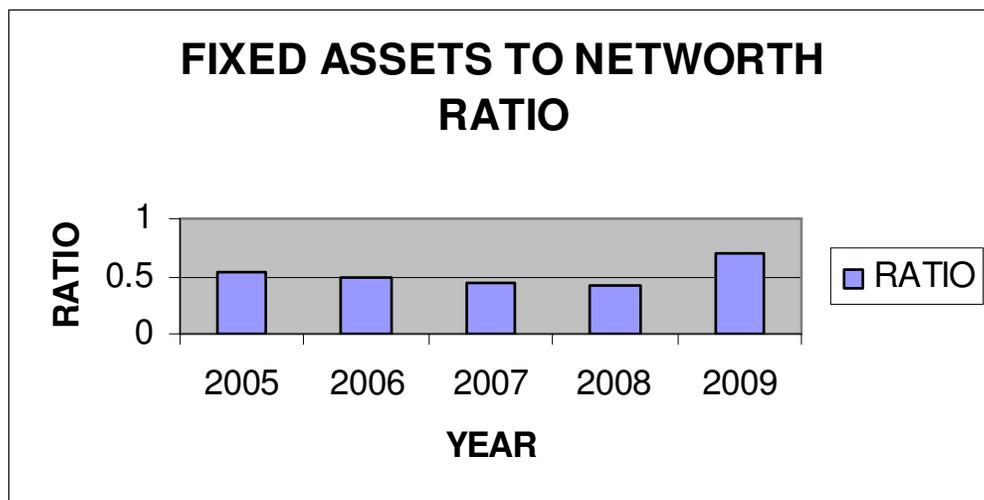


INTERPREATION

The above table shows that the firms debt collection period during the year 2005 and 2008 are satisfactory level. But in the year 2005, 2006, 2007 and 2009 are below 2 times. so it indicates inefficient debt collection policy.

FIXED ASSETS TO NETWORTH RATIO

FIXED ASSETS TO NETWORTH RATIO			
YEAR	FIXED ASSETS	NETWORTH	RATIO
2005	74335238	138590134	0.536367459
2006	68293559	138428539	0.493348839
2007	61352099	138266944	0.443722102
2008	57177529	138105348	0.414013866
2009	202301852	289978115	0.697645241

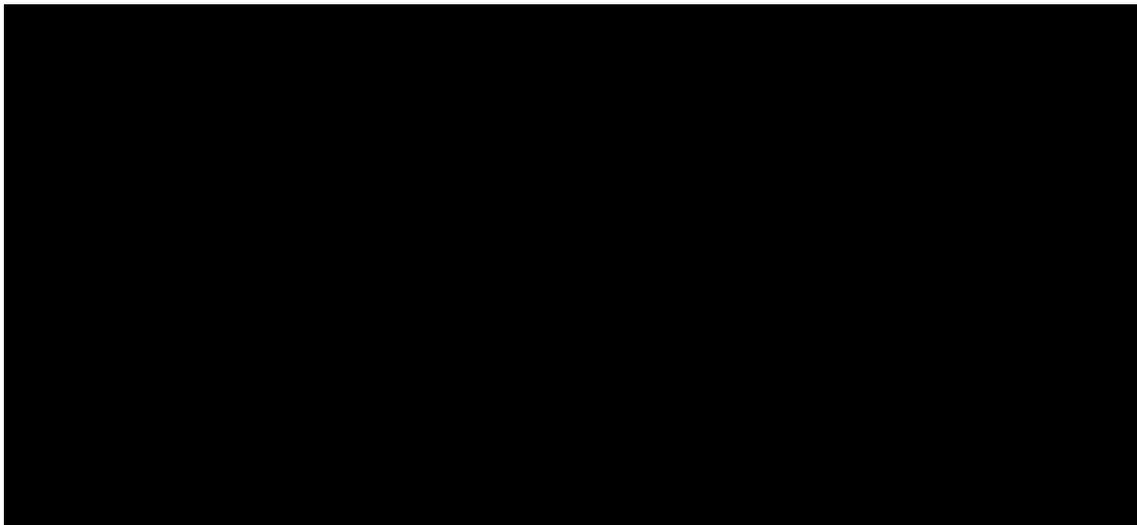


INTERPREATION

The ratio of fixed assets to net worth showing a continuous decrease of the firm except 2009. In 2005 it is 0.53 then 2006 it is 0.49, then 2007 0.44 and 2008 0.41. It shows that the shareholders fund was not fully sunk in to the fixed assets. The equity may be utilized for some other purpose also.

NETPROFIT RATIO

NET PROFIT RATIO			
YEAR	NET PROFIT	SALES	RATIO
2005	-2526216	83832454	-3.013410534
2006	-2175540	78338724	-2.777093995
2007	-3161180	88097435	-3.588277003
2008	-3409742	79673180	-4.279660985
2009	-2128443	48335290	-4.403496907



INTERPREATION

From the above table it can see that net profit ratio of the firm for all the year is satisfactory. It indicates management efficiency in manufacturing, administrating and selling the product.

Comparative Balance Sheet of ATI, as on 31st March 2005 and 2006

Particulars	2005	2006	Amount increase or decrease	% of increase or decrease
Fixed Assets	74335238	68293559	-6041679	-8.127611
investment	161790068	128006068	-33784000	-20.881381
Current Assets	74750595	117236101	42485506	56.8363449
Less-Current Liabilities	104292345	68407441	-35884904	-34.407994
Working Capital	-29541750	48828660	78370410	-265.28696
CAPITAL EMPLOYED	206583556	245128287	38544731	18.6581796
less-Long Term Loans	151509115	188039901	36530786	24.1112794
Add- Debit balance of P/L account	83515693	81340153	-2175540	-2.6049476
SHAREHOLDERS FUND	138590134	138428539	-161595	-0.1165992
<i>Represented by:</i>				
Share capital	74089114	74089114	0	0
Reserve	64501020	64339425	-161595	-0.2505309
TOTAL	138590134	138428539	-161595	-0.1165992

Comparative Balance Sheet of ATI, as on 31st March 2006 and 2007

Particulars	2006	2007	Amount increase or decrease	% of increase or decrease
Fixed Assets	68293559	61352099	-6941460	-10.16415
investment	128006068	82611068	-45395000	-35.463163
Current Assets	117236101	59899542	-57336559	-48.906914
Less-Current Liabilities	68407441	42170758	-26236683	-38.353551
Working Capital	48828660	17728784	-31099876	-63.691848
CAPITAL EMPLOYED	245128287	161691951	-83436336	-34.037824
less-Long Term Loans	188039901	101603980	-86435921	-45.966798
Add- Debit balance of P/L account	81340153	78178973	-3161180	-3.8863709
SHAREHOLDERS FUND	138428539	138266944	-161595	-0.1167353
<i>Represented by:</i>				
Share capital	74089114	74089114	0	0
Reserve	64339425	64177830	-161595	-0.2511602
TOTAL	138428539	138266944	-161595	-0.1167353

Comparative Balance Sheet of ATI, as on 31st March 2007 and 2008

Particulars	2007	2008	Amount increase or decrease	% of increase or decrease
Fixed Assets	61352099	57177529	-4174570	-6.8042823
investment	82611068	9818302	-72792766	-88.115028
Current Assets	59899542	79125603	19226061	32.0971753
Less-Current Liabilities	42170758	29398007	-12772751	-30.28817
Working Capital	17728784	49727596	31998812	180.490732
CAPITAL EMPLOYED	161691951	116723427	-44968524	-27.811232
less-Long Term Loans	101603980	53387310	-48216670	-47.455493
Add- Debit balance of P/L account	78178973	74769231	-3409742	-4.3614566
SHAREHOLDERS FUND	138266944	138105348	-161596	-0.1168725
<i>Represented by:</i>				
Share capital	74089114	74089114	0	0
Reserve	64177830	64016234	-161596	-0.2517941
TOTAL	138266944	138105348	-161596	-0.1168725

Comparative Balance Sheet of ATI, as on 31st March 2008 and 2009

Particulars	2008	2009	Amount increase or decrease	% of increase or decrease
Fixed Assets	57177529	202301852	145124323	253.813562
investment	9818302	5495490	-4322812	-44.028102
Current Assets	79125603	114456822	35331219	44.6520692
Less-Current Liabilities	29398007	36980462	7582455	25.7924117
Working Capital	49727596	77476360	27748764	55.8015392
CAPITAL EMPLOYED	116723427	285273702	168550275	144.401411
less-Long Term Loans	53387310	67936375	14549065	27.2519162
Add- Debit balance of P/L account	74769231	72640788	-2128443	-2.846683
SHAREHOLDERS FUND	138105348	289978115	151872767	109.96878
<i>Represented by:</i>				
Share capital	74089114	74089114	0	0
Reserve	64016234	215889001	151872767	237.241021
TOTAL	138105348	289978115	151872767	109.96878

COMMONSIZE BALANCE SHEET OF ATI ON 2005 AND 2006				
ASSETS	2005		2006	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
1.Fixed Assets				
a)Gross Block	151646735	151646735	152073915	53.91895053
b)Less: Depreciation	83353176	83353176	90721816	32.16610231
c)Net Block	68293559	68293559	61352099	21.75284822
2.Investments	128006068	128006068	82611068	29.2903756
3.Current Assets, Loans & Advances				
a)Inventories	23185525	23185525	23803478	8.439702186
b)Sundry Debtors	78399472	78399472	18776639	6.657398604
c)Cash & Bank Balances	3049565	3049565	4447114	1.576757722
d)Other Current assets	213531	213531	229617	0.081412435
e)Loans & Advances	12388008	12388008	12642694	4.482562262
TOTAL CURRENT ASSETS	117236101	117236101	59899542	21.23783321
Debit balance of profit & Loss Account	81340153	81340153	78178973	27.71894298
TOTAL ASSETS	394875881	394875881	282041682	100
LIABILITIES				
1.Shareholders Funds				
a)share capital	74089114	74089114	74089114	26.2688527
b)Reserves & Surplus	64339425	64339425	64177830	22.7547324
TOTAL SHAREHOLDERS FUND	138428539	138428539	138266944	49.0235851
2.Loan Funds				
a)Secured Loans	40867042	40867042	43654888	15.47816893
b)Unsecured Loans	147172859	147172859	57949092	20.54628649
TOTAL LOAN FUND	188039901	188039901	101603980	36.02445542
Current Liabilities & Provisions				
a)liabilities	64551783	64551783	37930714	13.44861998
b)Provisions	3855658	3855658	4240044	1.503339496
TOTAL CURRENT LIABILITIES	68407441	68407441	42170758	14.95195948
TOTAL LIABILITIES	394875881	394875881	282041682	100

COMMONSIZE BALANCE SHEET OF ATI ON 2006 AND 2007

ASSETS	2006		2007	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
1.Fixed Assets				
a)Gross Block	150368480	38.126695	38.126695	38.12669496
b)Less:Depreciation	76033242	19.2786163	19.2786163	19.27861627
c)Net Block	74335238	18.8480787	18.8480787	18.84807869
2.Investments	161790068	41.0226968	41.0226968	41.02269685
3.Current Assets,Loans & Advances				
a)Inventories	21733287	5.51058576	5.51058576	5.510585756
b)Sundry Debtors	32981373	8.36259532	8.36259532	8.362595324
c)Cash & Bank Balances	6359306	1.61243447	1.61243447	1.612434468
d)Other Current assets	277537	0.07037092	0.07037092	0.070370922
e)Loans & Advances	13399092	3.39740811	3.39740811	3.39740811
TOTAL CURRENT ASSETS	74750595	18.9533946	18.9533946	18.95339458
Debit balance of profit & Loss Account	83515693	21.1758299	21.1758299	21.17582988
TOTAL ASSETS	394391594	100	100	100
LIABILITIES				
1.Shareholders Funds				
a)share capital	74089114	18.7856727	18.7856727	18.7856727
b)Reserves &Surplus	64501020	16.3545626	16.3545626	16.35456257
TOTAL SHAREHOLDERS FUND	138590134	35.1402353	35.1402353	35.14023527
2.Loan Funds				
a)Secured Loans	66381438	16.8313521	16.8313521	16.83135214
b)Unsecured Loans	85127677	21.5845566	21.5845566	21.58455664
TOTAL LOAN FUND	151509115	38.4159088	38.4159088	38.41590878
Current Liabilities & Provisions				
a)liabilities	101403333	25.7113322	25.7113322	25.71133222
b)Provisions	2889012	0.73252373	0.73252373	0.732523726
TOTAL CURRENT LIABILITIES	104292345	26.443856	26.443856	26.44385595
TOTAL LIABILITIES	394391594	100	100	100

COMMONSIZE BALANCE SHEET OF ATI ON 2007 AND 2008				
ASSETS	2007		2008	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
1.Fixed Assets				
a)Gross Block	152073915	53.9189505	154390555	69.89455847
b)Less:Depreciation	90721816	32.1661023	97213026	44.00956736
c)Net Block	61352099	21.7528482	57177529	25.88499111
2.Investments	82611068	29.2903756	9818302	4.444869592
3.Current Assets,Loans & Advances				
a)Inventories	23803478	8.43970219	14293056	6.470647368
b)Sundry Debtors	18776639	6.6573986	53510989	24.22510204
c)Cash & Bank Balances	4447114	1.57675772	2940850	1.331360019
d)Other Current assets	229617	0.08141243	187762	0.085002234
e)Loans & Advances	12642694	4.48256226	8192946	3.709050358
TOTAL CURRENT ASSETS	59899542	21.2378332	79125603	35.82116202
Debit balance of profit & Loss Account	78178973	27.718943	74769231	33.84897728
TOTAL ASSETS	282041682	100	220890665	100
LIABILITIES				
1.Shareholders Funds				
a)share capital	74089114	26.2688527	74089114	33.5410797
b)Reserves &Surplus	64177830	22.7547324	64016234	28.98095943
TOTAL SHAREHOLDERS FUND	138266944	49.0235851	138105348	62.52203913
2.Loan Funds				
a)Secured Loans	43654888	15.4781689	16451955	7.448008271
b)Unsecured Loans	57949092	20.5462865	36935355	16.72110272
TOTAL LOAN FUND	101603980	36.0244554	53387310	24.16911099
Current Liabilities & Provisions				
a)liabilities	37930714	13.44862	24564706	11.12075334
b)Provisions	4240044	1.5033395	4833301	2.188096541
TOTAL CURRENT LIABILITIES	42170758	14.9519595	29398007	13.30884988
TOTAL LIABILITIES	282041682	100	220890665	100

COMMONSIZE BALANCE SHEET OF ATI ON 2008 AND 2009

ASSETS	2008		2009	
	AMOUNT	% OF TOTAL	AMOUNT	% OF TOTAL
1.Fixed Assets				
a)Gross Block	154390555	69.8945585	304822639	77.19081681
b)Less:Depreciation	97213026	44.0095674	102520787	25.96153394
c)Net Block	57177529	25.8849911	202301852	51.22928287
2.Investments	9818302	4.44486959	5495490	1.391633388
3.Current Assets,Loans & Advances				
a)Inventories	14293056	6.47064737	15061953	3.814167014
b)Sundry Debtors	53510989	24.225102	50668133	12.83078772
c)Cash & Bank Balances	2940850	1.33136002	2590796	0.6560722
d)Other Current assets	187762	0.08500223		0
e)Loans & Advances	8192946	3.70905036	46135940	11.68309186
TOTAL CURRENT ASSETS	79125603	35.821162	114456822	28.98411879
Debit balance of profit & Loss Account	74769231	33.8489773	72640788	18.39496495
TOTAL ASSETS	220890665	100	394894952	100
LIABILITIES				
1.Shareholders Funds				
a)share capital	74089114	33.5410797	74089114	18.7617273
b)Reserves &Surplus	64016234	28.9809594	215889001	54.66998246
TOTAL SHAREHOLDERS FUND	138105348	62.5220391	289978115	73.43170976
2.Loan Funds				
a)Secured Loans	16451955	7.44800827	22918024	5.80357482
b)Unsecured Loans	36935355	16.7211027	45018351	11.40008267
TOTAL LOAN FUND	53387310	24.169111	67936375	17.20365749
Current Liabilities & Provisions				
a)liabilities	24564706	11.1207533	31491550	7.974665121
b)Provisions	4833301	2.18809654	5488912	1.389967629
TOTAL CURRENT LIABILITIES	29398007	13.3088499	36980462	9.364632749
TOTAL LIABILITIES	220890665	100	394894952	100

TREND ANALYSIS						
YEA R	CURRENT ASSETS		CURRENT LIABILITIES		WORKING CAPITAL	
	AMOUNT	% OF TREND	AMOUNT	% OF TREND	AMOUNT	% OF TREND
2005	69026595	100	10140333 3	100	- 35265750	100
2006	11723610 1	169.8419298	64551783	63.65844306	48828660	-138.459157
2007	59899542	51.09308608	37930714	58.76013371	17728784	36.30815181
2008	79125603	132.0971753	24564706	64.76204482	49727596	280.4907319
2009	11445682 2	144.6520692	31491550	128.1983591	77476360	155.8015392

TREND ANALYSIS						
YEAR	SALES		PURCHASE		NET PROFIT	
	AMOUNT	% OF TREND	AMOUNT	% OF TREND	AMOUNT	% OF TREND
2005	7977110	100	13935157	100	2526216	100
2006	78338724	982.0439232	9631757	69.11839601	2175540	86.11852668
2007	88097435	112.4570717	10110775	104.973319	3161180	145.3055333
2008	79673180	90.43757063	13649616	135.0006899	3409742	107.8629499
2009	48335290	60.66695217	10917053	79.98066026	2128443	62.42240615

CHAPTER 5
FINDINGS, SUGGESTIONS AND
CONCLUSION

FINDINGS

1. The current ratio of the company revealed that the ratios are below the accepted norms. It indicates that the working capital of the company is inadequate.
2. The quick ratio of the company now declined. It shows that liquidity position of the company is inadequate.
3. Profit of the firm is very less with respect to sales and profit margin is also low.
4. The firms marketing efforts are less and this effects the sales and profit.
5. The firm follows conservative approach in financing asset.
6. Good management of inventories in there in the firm and it helps in reducing the stock out.
7. Shareholders' funds and return are less with respect to outsiders' fund.
8. Most of the people are not aware of agro wood product.
9. The price of the agro wood is reasonable at this price better quality would is available.
10. ATI have been given less importance to advertisement.
11. Industrial relations with union are fairly good and there is a good relation between management and employees.
12. Workers health and safety are given prime importance.
13. A good co ordination exists between different departments.
14. The products are high quality and are become popular in market.
15. Marketing activities are not that much level important.
16. The working conditions provided to employees are excellent.
17. Use of new technologies help production process carried out smoothly and products have good quality.
18. Theme is low chance of strike in the company as there is only one recognized union.
19. Works paid on time rate system and extra allowance also provided to them.

20. Companies' major financial activities are carried out by the head office.

SUGGESTIONS

1. To amplify current ratio of the company should take step to pay its current liability.
2. Quick ratio of the company was fluctuating. To reduce such a fluctuating corrective measures should be taken.
3. To improve working capital management.
4. To improve managerial efficiency.
5. To revise the company policy.
6. The company should take necessary steps to increase proprietary ratio.
7. To create awareness of the product, advertisement must given in medias
8. Give additional significance to after sale service
9. Management should take necessary step to achieve full capacity of production
10. Infrastructure should be developed to enhance the volume of product.

CONCLUSION

Operating leverage of the company is not satisfactory. The capital structure ratio position is good because the debt is seen to be decreasing. It is hoped that the co might well look in to problems to take necessary steps.

ATI has been a revolution in the furniture market for a decade inside and outside the state and has drawn a niche in the foreign market. The company has achieved its break within a couple of years and profit graphs are on a rise. The company has structure quality checks in order to catch to the needs of the modern day business. The company has a long way to go.

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