**1.INTRODUCTION TO THE STUDY**

Finance is the backbone of any business, and without it, businesses are bound to fail. From managing day-to-day operations to planning for future investments, finance plays a crucial role in ensuring that businesses thrive in today’s competitive world. As companies continue to grow and expand, they need financial resources to support their endeavors.

 The role of finance in business is critical as it helps organizations achieve their financial goals. Finance encompasses a wide range of activities aimed at managing and maximizing the value of resources available to businesses. It involves analyzing, planning, controlling and reporting on various financial aspects of the company’s operations.

 In the world of business, there are various types of finance that companies can utilize to achieve their financial goals. One type is equity finance where businesses acquire funds by selling shares in the company. This allows investors to become shareholders and receive a portion of profits.

In the world of business, there are various types of finance that companies can utilize to achieve their financial goals. One type is equity finance where businesses acquire funds by selling shares in the company. This allows investors to become shareholders and receive a portion of profits.

Debt finance is another common type where businesses borrow money from creditors such as banks or other lending institutions. Businesses must pay back this borrowed amount with interest over time.

Financial performance is a complete evaluation of a company’s overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability. It is measured through various business-related formulas that allow users to calculate exact details regarding a company’s potential effectiveness.

 For internal users, financial performance is examined to determine their respective companies’ well-being and standing, among other benchmarks. For external users, financial performance is analyzed to dictate potential investment opportunities and to determine if a company is worth their while

Financial performance is a subjective measure of how well a firm can use assets from its primary mode of business and generate revenues. The term is also used as a general measure of a firm’s overall financial health over a given period.

There are many stakeholders in a company, including trade creditors, bondholders, investors, employees, and management. Each group has an interest in tracking the financial performance of a company. The financial performance identifies how well a company generates revenues and manages its assets, liabilities, and the financial interests of its stakeholders and stockholders.

There are many ways to measure financial performance, but all measures should be taken in aggregate. Line items, such as revenue from operations, operating income, or cash flow from operations can be used, as well as total unit sales. Furthermore, the analyst or wish to look.

**1.1 STATEMENT OF RESEARCH**

The financial performance of an organization is a crucial indicator of its overall health and sustainability. Forest Industries Travancore Limited, a prominent entity in the forestry sector, plays a vital role in the regional economy. However, the company faces various challenges and opportunities that impact its financial performance. This study aims to analyse the financial performance of Forest Industries Travancore Limited to identify key factors influencing its profitability, liquidity, solvency, and operational efficiency. The core problem this study addresses is the need for a thorough analysis of

the financial performance of Forest Industries Travancore Limited to identify strengths, weaknesses, opportunities, and threats. This analysis is essential for stakeholders to make informed decisions and strategize effectively.

**1.2 SIGNIFICANCE OF THE STUDY**

The study of the financial performance of Forest Industries Travancore Limited holds significant value for various stakeholders, including management, investors, policymakers, and the academic community. The insights derived from this study can have profound implications for decision-making and strategic planning.

**1.3 OBJECTIVES OF THE STUDY**

 1. To evaluate the company’s financial health and stability.

 2. To assess the company’s profitability and return on investment.

3. To analyse the company’s liquidity and ability to meet short-term obligations.

4. To investigate the company’s solvency and ability to meet long-term obligations.

**1.4** **THEORETICAL ASPECTS**

**FINANCE**

Finance is a term that addresses matters regarding the management, creation, and study of money and investments. It involves the use of credit and debt, securities, and investment to finance current projects using future income flows. Finance is closely linked to the time value of money, interest rates, and other related topics because of this temporal aspect.

Finance can be broadly divided into three categories:

Public finance

Corporate finance

Personal finance

Other specific categories include behavioral finance, which seeks to identify the cognitive, emotional, social, and psychological reasons behind financial decisions.

Finance is typically broken down into three broad categories: public finance, corporate finance, and personal finance. Public finance includes tax systems, government expenditures, budget procedures, stabilization policies and instruments, debt issues, and other government concerns. Corporate finance involves managing assets, liabilities, revenues, and debts for businesses. Personal finance defines all financial decisions and activities of an individual or household, including budgeting, insurance, mortgage planning, savings, and retirement planning.

**FINANCIAL PERFORMANCE**

Financial performance is a complete evaluation of a company’s overall standing in categories such as assets, liabilities, equity, expenses, revenue, and overall profitability. It is measured through various business-related formulas that allow users to calculate exact details regarding a company’s potential effectiveness.

For internal users, financial performance is examined to determine their respective companies’ well-being and standing, among other benchmarks. For external users, financial performance is analyzed to dictate potential investment opportunities and to determine if a company is worth their while.

Before calculations can be made on certain financial indicators that establish overall performance, a financial statement analysis must occur.

**FINANCIAL STATEMENT ANALYSIS**

Financial statement analysis is a process conducted on organizations by internal and external parties to gain a better understanding of how a company is performing. The process consists of analyzing four critical financial statements in a business.

The four statements that are extensively studied are a company’s balance sheet, income statement, cash flow statement, and annual report.

1. **Balance Sheet**

In financial statement analysis, an organization’s balance sheet is looked at to determine the operational efficiency of a business. Firstly, asset analysis is conducted and is primarily focused on more important assets such as cash and cash equivalents, inventory, and PP&E, which help predict future growth. Next, long-term and short-term liabilities are examined in order to determine if there are any future liquidity problems or debt-repayment that the organization may not be able to cover. Lastly, a company’s owner’s equity section is inspected, allowing the user to determine the share capital distributed inside and outside of the organization.

 **2. Income Statement**

In financial statement analysis, a business’s income statement is investigated to determine overall present and future profitability. Examining a company’s previous and current fiscal years income statement enables the user to determine if there is a trend in revenue and expenses, which in turn, shows the potential to increase future profitability.

 **3. Cash Flow Statement**

A cash flow statement is critical in a financial statement analysis in order to identify where the money is generated and spent by the organization. If one segment of the business is experiencing large outflows, in order to stay viable, the company must be generating inflows through financing or sales of assets.

 **4. Annual Report**

The last statement, the annual report, provides qualitative information which is useful to further analyze a company’s overall operational and financing activities. The annual report consists of all the statements listed above but adds additional insights and narratives on critical figures within the organization. The additional insights and narratives within the annual report include an extensive narrative breakdown of the various business segments, benchmarks, and overall growth. As a whole, financial performance analysis is critical whether it is conducted for internal or external use

because it helps determine a business’s potential future growth, structure, effectiveness, and most importantly, performance.

The accounting process ends with the preparation of the financial statement. The information about the financial position of any company is provided with the help of financial statements. The main objective of preparing the financial statement is to present a true and fair view of the financial performance and position. Accounting data is summarized in such a way that the profitability of the business is clearly visible. It also serves as an information tool for all the parties concerned with the firm. To guarantee consistency in reporting, these statements; which include an income statement, balance sheet, and statement of cash flows, must be prepared in accordance with predetermined and established accounting principles and conventions.

**Objectives of Financial Statements:**

1. To provide useful information to the management of an organization for the purpose of planning, controlling, analyzing, and decision making.

2. To provide information to prospective investors to attract them, so that they can take rational decisions regarding their investment based on the reports.

3. To demonstrate a company’s creditworthiness to lenders and creditors, as financial reports help them in evaluating the ability of a company in repaying their money.

4. To provide information to the shareholders and public at large about the various aspects of the entity.

5. To disclose how an organization is procuring and using various resources.

6. To facilitate the statutory audit.

7. To abide by different legal and governmental regulations.

8. To disclose information about the economic resources of an entity claims to these resources (liability and owner’s equity), and to show how these resources and claims have undergone changes over a period of time.

9. To supply details on the cash flows that a business is exposed to, including their timeliness and volatility.

10. To determine the liquidity position of an organization, which in turn can be used to evaluate whether an organization can continue as a going concern.

**Characteristics of Financial Statements:**

**1. Recorded Facts:** The financial statements of a business concern are nothing but a compilation of the recorded facts and figures pertaining to various transactions entered into by an organization. Recorded facts refer to the information extracted from the financial transactions of an enterprise.

**2. Accounting Conventions:** These refer to certain guidelines and a kind of course of action to be followed for the purpose of preparation of financial statements. Some of the conventions are materiality, conservatism, consistency, and full disclosure. It is imperative that recording in books of accounts should be done following these conventions in order to tackle any complicated or unclear business transactions.

**3. Accounting Concepts:** These refer to the generally accepted assumptions or rules or guidelines, which assist an accountant in the process of preparation of financial reports. They can be termed as basic building blocks for the recording of transactions in the books of accounts, which further makes the base for the preparation of financial statements. It is important that an accountant follows these concepts so as to maintain objectivity and neutrality in the accounting records and financial statements.

**4. Accounting Standards:** An accounting standard is a collection of procedures and guidelines used to standardize bookkeeping and other accounting operations over time and across different businesses. All aspects of an entity’s financial picture, including its assets, liabilities, income, outlays, and shareholders’ equity are subject to accounting

standards. It is very important for accountants to comply with various accounting standards mentioned in the Company’s Act, 2013 for recording transactions in the books of accounts to ensure verifiability and consistency in reporting practices.

**5. Selection of Accounting Policies:** Accounting policies pertain to the different methods or techniques of dealing with certain items while recording them in the books of accounts.

**6. Estimates:** While preparing financial statements a business concern might make certain assumptions or postulates. One such major assumption is the going concern concept of accounting. Here, the business is considered to be a going concern, meaning such an organization would continue its operations for an unforeseeable period of time and would not stop in the nearby future. As a result of this, the span of recording and financial reporting is set to be one year. Estimating the useful life of an asset to provide depreciation, is yet another example of Estimates in accounting.

**7. Source of Financial Information:** Financial statements provide useful information to the management of an organization for the purpose of planning, controlling, analyzing, and decision-making. They also facilitate prospective investors in making rational decisions about their investments based on the reports.

**TYPE OF FINANCIAL PERFORMANCE ANANLYSIS**

Financial statements are analyzed by different parties for different purposes. The analysis Is done from different angles. Accordingly, they can classify financial statements analysis into different categories as follows:

**1 On the basics of materials used**

On the basics of materials used, financial analysis can be of two types:

**Ⅰ External analysis**

This type of analysis is done by those who are out side to the business. The out siders are the investors, creditors, government etc. external analysis based on published financial statements.

**Ⅱ Internal analysis**

This is done within the organization. It is done for internal purposes. This is undertaken by management. This is done within the help of internal records. This are not published. This are used in decision making purpose.

**2. On the basics of the objectives of the analysis**

On the basics of the objectives of the analysis, the analysis can be of two types:

**Ⅰ Short term analysis:**

It is made to determine the long- term solvency liquidity and earning capacity of the business. The purpose of the analysis to know whether the business will have adequate funds available for its short-term requirement.

**Ⅱ Long term analysis:**

This analysis is made to determine the long-term solvency, stability and further earning capacity of the business. The purpose of the analysis is to whether a business will be

able to earn sufficient amount of rate of return on investment in the long run so to provide funds for the future growth, expansion, development and modernization of the business.

**3. On the basis of mode of operation**

On the basics of mode of operation, financial analysis can be of two types:

**Ⅰ Horizontal analysis**

When financial statements for a number of years is analyzed, the analysis is called ‘horizontal analysis ’. Horizontal analysis is also known as dynamic analysis. It is called so because it shows the changes that have taken pace. In horizontal analysis, the following techniques are generally used: (a) Comparative balance sheet and profit and loss A/c, (b)Trent analysis.

**Ⅱ Vertical analysis**

This refers to the study of relationships of various items in the financial statements for one accounting period. In vertical analysis, the relationship between the two figure of a single statement is calculated. Vertical analysis is also known as static analysis or structural analysis. The following technique are used in vertical analysis (a) common-size balance sheet and P/L A/c (b)accounting ratios.

**TOOLS AND TECHINQUES OF FINANCIAL PERFORMANCE ANALYIS**

The analysis of financial performance consist of a study of relationship and trend to determine weather or not the financial position of the concern and its operating efficiency have been satisfactory. In this process of analysis various tools or methods are used by financial analyst. The analytical tools generally available to an analysist for this purpose are follows:

1. Ratio analysis

2. Common size statement

3. Comparative financial statement

4. Trent analysis

5.Fund flow and cash flow analysis

**RATIO ANALYSIS**

Ratio analysis is a method of examining a company’s balance sheet and income statement to learn about its liquidity, operational efficiency, and profitability. It doesn’t involve one single metric; instead, it is a way of analyzing a variety of financial data about a company. Ratio analysis is a cornerstone of fundamental equity analysis.There are many different ratios that investors and other business experts can analyze to make predictions about a company’s financial stability and potential future growth. These can be used to evaluate either how a company’s performance has changed over time or how it compares to other businesses in its industry

**CLASSIFICATION OF RATIO**

**(A) CLASSIFICATIO ACCORDING TO FINANCIAL STATEMENTS**

**(1) BALANCE SHEET**

These ratios are calculated by using the figures appearing in the balance sheet, e.g. current ratio, proprietary ratio, fixed asst ratio etc

**(2) PROFIT AND LOSS RATIO**

These are calculated by using the figure appearing in the statement of profit and loss ,e.g. gross profit ratio, operating ratio etc.

**(3) COMBAINED OR MIXED RATIO**

These ratio are calculated by using one item from the statement of profit and loss and the other from the balance sheet, e.g. stock turnover ratio, fixed asset turnover ratio.

**(B)CLASSIFICATION ACCORDING TO THE FUNCTION**

**(1) LIQUIDITY RATIO**

Liquidity ratios are a class of financial metrics used to determine a debtor’s ability to pay off current debt obligations without raising external capital. Liquidity ratios measure a company’s ability to pay debt obligations and its margin of safety through the calculation of metrics including the current ratio, quick ratio, and operating cash flow ratio. The cash asset ratio is calculated by dividing the sum of cash and cash equivalents by current liabilities.

**CURRENT RATIO**

The current ratio is a liquidity ratio that measures a company’s ability to pay short-term obligations or those due within one year. It tells investors and analysts how a company can maximize the current assets on its balance sheet to satisfy its current debt and other payables.

The current ratio is called current because, unlike some other liquidity ratios, it incorporates all current assets and current liabilities. The current ratio is sometimes called the working capital ratio.

Current ratio = Current asset / Current liabilities

**QUICK RATIO**

In finance, the quick ratio, also known as the acid-test ratio is a type of liquidity ratio, which measures the ability of a company to use its near-cash or ‘quick’ assets to extinguish or retire its current liabilities immediately. It is defined as the ratio between quickly available or liquid assets and current liabilities. Quick assets are current assets that can presumably be quickly converted to cash at close to their book values.

Quick ratio = liquid asset / Current liabilities

**(2) LEVERAGE RATIO**

Leverage ratios, also known as solvency ratios, are financial metrics that assess a company’s ability to meet its long-term obligations. These ratios focus on the balance between debt and equity financing and indicate the financial risk associated with a company’s capital structure.

**Debt to Equity Ratio**

This ratio provides a comprehensive measure of financial leverage by including all liabilities, both long-term and short-term, in relation to shareholders’ equity. It shows the extent to which the company’s capital is financed through debt. A higher ratio implies greater financial risk.

Debt equity ratio = Total debt / Equity

 **Proprietary Ratio**

This ratio measures the proportion of total assets that are financed by shareholders’ equity. A higher proprietary ratio indicates a stronger financial position, as it suggests that the company relies more on equity financing rather than debt, reducing financial risk.

Proprietary ratio = Shareholders fund / Total asset

**Solvency Ratio (Total Assets to Total Debt)**

The solvency ratio assesses a company’s ability to meet its long-term debts by comparing its total assets to its total debt. A higher solvency ratio indicates that the company is in a better position to cover its debts with its assets, signaling financial stability.

Solvency ratio = Total asset / Total debt

**Fixed Assets to Net Worth Ratio**

This ratio shows the proportion of shareholders’ equity that is tied up in fixed assets. A

lower ratio is generally favorable, indicating that the company has not over-invested in

fixed assets and maintains financial flexibility by retaining a good proportion of equity for other uses.

 **Fixed Asset Ratio**

This ratio measures the extent to which long-term debt is covered by fixed assets. It helps assess the security provided to lenders by the company’s fixed assets. A higher fixed asset ratio indicates better coverage, making the company less risky to creditors.

Fixed Asset Ratio = Fixed Asset / Long term fund

**Capital Gearing Ratio**

The capital gearing ratio compares equity capital to fixed-interest-bearing funds (debt and preference shares). A lower ratio suggests that the company has a higher reliance on debt, increasing its financial risk. Conversely, a higher capital gearing ratio indicates a more conservative capital structure with less financial risk.

Capital Gearing Ratio = fixed income bearing fund /Equity shareholder’s fund

**COVERAGE RATIO**

The second type of leverage ratio are coverage ratio. These ratios computed from the statement of profit and loss. Coverage ratio are used to test the firm’s debt servicing capacity.

**INTEREST COVERAGE RATIO**

The Interest Coverage Ratio is a key financial metric that measures a company’s ability to pay interest on its outstanding debt. It is calculated by dividing Earnings Before Interest and Taxes (EBIT) by the company’s interest expense during a specific period.

This ratio helps assess how easily a company can service its debt obligations, making it an important indicator for creditors and investors.

 Interest Coverage Ratio = profit before interest and tax / Interest

**Overall Coverage Ratio**

The Overall Coverage Ratio expands on the Interest Coverage Ratio by assessing a company’s ability to cover all its fixed obligations, not just interest payments. This includes lease payments, principal repayments, and other fixed charges. It provides a broader perspective on the company’s financial health by showing how well it can manage all its fixed costs.

Overall Coverage Ratio = EBIT / Total fixed charges

**3. ACTIVITY RATIO**

Activity or Turnover Ratios measure how efficiently a company utilizes its assets to generate sales or revenue. These ratios are important indicators of operational efficiency and asset management.

 **Inventory Turnover Ratio**

The Inventory Turnover Ratio measures how often a company’s inventory is sold and replaced over a specific period. It indicates the efficiency of inventory management is crucial for businesses that deal with physical products.

Inventory Turnover Ratio = Cost of goods sold / average stock

**Debtors Turnover Ratio**

The Debtors Turnover Ratio assesses how efficiently a company collects its accounts receivable. It shows how many times, on average, a company collects its receivables during a specific period

Debtors Turnover Ratio = Net credits sales / Debtors including bills receivables

**Creditors Turnover Ratio**

The Creditors Turnover Ratio measures how quickly a company pays its suppliers or creditors. It reflects the company’s ability to manage its short-term liabilities effectively.

Creditors Turnover Ratio = Net credit purchase / creditors including bills payables

**Working Capital Turnover Ratio**

The Working Capital Turnover Ratio indicates how efficiently a company uses its working capital to generate sales. It measures the revenue generated per unit of working capital.

Working Capital Turnover Ratio = Net sales /working capital

**Fixed Asset Turnover Ratio**

The Fixed Asset Turnover Ratio measures how efficiently a company uses its fixed assets, such as property, plant, and equipment, to generate sales. It shows how well the company is leveraging its investment in fixed assets.

Fixed Asset Turnover Ratio = net sales / net fixed asset

**(4) PROFITABILITY RATIO**

Profitability ratios are essential tools for analyzing a company’s financial health, providing insight into its ability to generate profits relative to various elements like sales, assets, equity, and more. Below are detailed explanations of the specific profitability ratios you’ve mentioned:

**Gross Profit Ratio**

The Gross Profit Ratio indicates the percentage of revenue that exceeds the cost of goods sold (COGS). This ratio is a measure of how efficiently a company is producing or purchasing its products.

**Gross Profit Ratio = Gross profit /Net sales \* 100**

**Operating Ratio**

The Operating Ratio measures the proportion of revenue that is consumed by the operating expenses and the cost of goods sold.

Operating Ratio = Cost of goods sold + operating expanses / Net sales \* 100

**Net Profit Ratio**

The Net Profit Ratio reveals the percentage of net sales that translates into net profit, indicating the overall profitability of the company after all expenses, including taxes and interest, have been deducted.

Net Profit Ratio = Net profit / Net sales \* 100

**Return on investment**

ROI measures the efficiency of an investment by comparing the net profit generated to the total investment made. It is a widely used metric to evaluate the return on any business venture or investment.

Return on investment = profit before interest and tax / capital employed

**Return on Shareholders’ fund**

ROE measures the profitability relative to the equity that shareholders have invested in the company. It reflects the company’s ability to generate profit from its equity financing.

Return on Shareholders’ fund = Net profit after interest and tax / shareholder’s fund

**COMPARATIVE FINANCIAL STATEMENT**

Comparative financial statements compare the financial data for two or more years. This is done to make the financial data more meaningful. The changes (increase or decreases in the financial data are presented the absolute amount or in percentage. This technique is also known as inter-period analysis. Comparative statement prepared for both income statement and balance sheet.

**COMMEN-SIZE STATEMENT**

Common-size statement is another technique of financial analysis. Common-size financial statement are those statement those which items are converted into percentages taken some common base. This statement are also called “100 percent statement” or “component percentage”. These are so called so because every individual

 items is stated as a percentage of the total 100.

**TREND ANALYSIS**

Trend simply means general tendency. Analysis of these general tendencies is called trend analysis. Trend analysis means analysis means analysing general tendencies in each item of financial statement on the basis of the data of the base year .Under this technique information for a number of years is taken up and one year is taken as the base year. Each item of the base year is taken as 100 and on the basis the percentages for other years are calculated.

**CASH FLOW AND FUND FLOW ANALYSIS**

Cash flow and fund flow analysis are both important accounting concepts that help assess a company’s financial health and liquidity:

**Cash flow**

Tracks a company’s cash inflows and outflows, and is a key indicator of a company’s ability to pay bills. Cash flow analysis is useful for short-term liquidity and cash management, and is often required to be included in a company’s annual financial statements.

**Fund flow**

Tracks the movement of cash and non-cash items in and out of a company, and is a key indicator of a company’s long-term financial stability. Fund flow analysis is useful for strategic decision-making and capital management. While fund flow statements are not required to be included in a company’s annual financial statements, they can be used to generate investor confidence.

**1.5 RESEARCH DESIGN**

This study aims to conduct a comprehensive financial performance analysis of Forest Industries Travancore Limited (FITL), Kochi, using a mixed-methods approach. The research design will employ a combination of quantitative and qualitative methods to analyse the company’s financial statements, industry trends, and management practices. The quantitative approach will involve ratio analysis, trend analysis, and comparative analysis of FITL’s financial performance with industry benchmarks.

**1.6 METHOD OF DATA COLLECTION**

 The main source of data is the secondary data. The secondary data for the financial performance analysis of Forest Industries Travancore Limited will be sourced from the company’s annual reports and financial statements over the past five years. Industry

reports and benchmarks will provide comparative data to evaluate the company’s performance against industry standards. Financial databases and publications will also be used to gather additional relevant information for the analysis.

 **1.7 METHOD OF DATA ANALYSIS**

The method of data analysis involves applying quantitative techniques such as ratio analysis, trend analysis, and common size analysis to the financial statements of Forest Industries Travancore Limited. Comparative analysis will be conducted to benchmark the company’s performance against industry standards. The results will be interpreted to identify key insights and provide actionable recommendations for improving financial performance.

**1.8PERIOD OF THE STUDY**

The period of study is from 15 July to 31 August

**1.9 CHAPTER SCHEME**

Chapter-I

 (should contain, Significance of the study, Objectives of the study, Methodology, Chapter Scheme, Limitations of the study).

Chapter-II

Review of Literature Introduction

Chapter-III

Profile of the Company (should contain profile of the Industry and Profile of the Company)

Chapter-IV

Data analysis and Interpretation

Chapter-V

Findings, Recommendations and Conclusion

**1.10 LIMITATION OF THE STUDY**

1. The study was based on the last 5 years performance only

 2. The study is based on historical data

 3. Detailed study cannot be conducted due to lack of time

 4. It consider only monetary items and non-monetary are ignored**.**

**Rajeswari (2000)** studied about the Liquidity Management of Tamil Nadu Cement Corporation Ltd. Alangulam-A Case Study. She concluded from the analysis; the liquidity position of TANCEM was not stable. After the comparative analysis regarding liquidity ratios, she has found there was too much of liquidity in the first two years of the study period and also a very high degree of liquidity was also bad as idle assets earn nothing and affects profitability. In short, she concluded that the liquidity management of TANCEM is poor and is not satisfactory.

 **Aggarwal & Singla (2001)** have studied about developed a single index of financial performance through the technique of Multiple Discriminate Analysis (MDA), by selecting 11 ratios and selected ratios used as inputs. For the purpose of analysis they selected only those ratios, which was relevant in distinguish between profit making units and loss making units in Indian paper industry. They concluded that, the model has correctly classified 82.14 percent of units selected as profit making and loss marking. They mentioned in their study the inventory turnover ratio, interest coverage ratio, net profit to total assets and earnings per share are the most important indicators of financial performance. Also they suggested suggests that the results of Multiple Discriminate Analysis could be used as predictor of future profitability / sickness.

 **Sur (2001)** studied in his paper about the Liquidity Management: An overview of four companies in Indian Power Sector using the data for the period of 1987-1988 to 1996-1997. He had applied accounting techniques of comparative analysis regarding the liquidity management in Electricity generation and distribution industry. He revealed that the overall liquidity should be managed in such a way that not only it should not hamper profitability but also its contribution towards increase in profitability should be

positive.

**Sur, Biswas & Ganguly (2001)** have studied about the Liquidity Management in Indian Private Sector Enterprises – A case study of Indian Primary Aluminium industry. From the analysis, they had summarized that the overall performance regarding liquidity management at INDAL was better in terms of efficient utilization of short term funds, whereas HINDALCO was unable to do so. They found that a very high degree of positive correlation between liquidity and profitability in case of both the companies was a notable feature, reflecting the favourable effect of liquidity on profitability.

**Loundes (2001)** analyzed ‘The Financial performance of Australian Government Trading Enterprises Pre &Post-Reform’ revealed that during the 1990’s. Main objectives of the study was to discover whether there had been any change in the financial performance of government trading enterprises operating in electricity, gas, water, railways and ports industries as a result of these changes. He had concluded that that it did not appear to have been a noticeable enhancement in the financial performance of most of this business, although railways have improved slightly, from a low base. He has suggested several measures introduced to improve the efficiency and financial performance of government trading enterprises in Australia.

**Rogers (2001)** studied in his research about the effect of diversification on firm performance analyses the association between diversification and firm performance by using a sample of up to 1449 large Australian firms for the period of 1994 to 1997. He has analysed the firm performance by measuring profitability and, for quoted firms, market value. From the comparative analysis of selected sample, the results showed that all the selected firms have more focused to maintain higher profitability and also

 controls for firm specific effects and other determinants of profitability. However, this association was not found in sub-sample regressions for listed firms. He concluded that for measuring the performance of the firm, firm select either profitability or market value. The results indicated that listed firms may be under closer scrutiny and competitive pressures that ensure, on average, that these firms are at their optimal degree of diversification.

**Bosworth & Loundes (2002)** have studied about the Dynamic performance of Australian Enterprises investigate the interaction of discretionary investments, innovation, productivity and profitability within a dynamic framework of firm performance. They haveset up a dynamic and closed model for firm performance and the result empirical model was tested as a series of recursive equations by using a four-year balanced panel data set of Australian firms drawn from the Business Longitudinal Survey. After comparatively analysis, they found that the current economic profit has an important role to play in enabling firms to invest. They mentioned in the findings regarding investments complements and also substitutes. They concluded from analysis the impact of these discretionary investments on innovation and total factor productivity performance. Finally, the impact of past discretionary investments both directly and indirectly (that is, via innovation and productivity performance) on current profitability was examined. They also revealed that the past values of these investments have a significant influence on current profit, effectively closing the model.

**Mulla (2002)** discussed in his paper about the ‘Use of ‘Z’ score analysis for evaluation of financial health of textile mills – A case study’ has been made an insight into the financial health of ShriVenkatesh Co-operative Textile Mills Ltd., Arunageri of Dharwad District. For the purpose of analysis, the ‘Z’ score analysis has been applied to evaluate the general trend in financial health of a firm over a period by using many of the accounting ratios. From the analysis he was concluded that the textiles mill under study was just on the verge of financial falls down and on the one hand, current assets declined because of the negative profitability performance, whereas on the other hand, the current liabilities were on the increase because of poor liquidity performance of the mill.

**Wolfgang Aussenegg & Jelic (2002)** examined about operating performance of 154 Polish, Hungarian and Czech companies that were fully or partially privatized between January 1990 and December 1998. They have revealed that privatized firms in the sample did not manage to increase profitability, and considerably reduced efficiency and output in the post privatization period. They concluded that the enterprises privatized through mass privatization Programs (Czech SOEs) achieved lower profitability in the postprivatization Period compared to their counterparts privatized through caseby-case method. After comparative analysis they came to know the Czech companies have also Maintained much higher bank borrowings after privatizations than their polish And Hungarian counterparts. The study further revealed that private sector IPOs underperforms their privatization complements in terms of profitability, Efficiency, capital investments and output. Finally, they concluded that firm’s Size did not seem to influence key performance measures in selected countries.

 **Kakani, Saha & Reddy (2003)** have studied about an empirical validation of The widely held existing theories on the determinants of firm performance in The Indian context. In their study they have used financial statements and Capital market data of 566 large Indian firms over a time frame of eight years Divided into two sub-periods (1992-96 and 1996-2000) and to analyse Indian Firm’s financial performance across various dimensions viz., shareholder value, Accounting profitability and its components, growth and risk of the sample Firms. They have found that size, marketing expenditure and international Diversification had a positive relation with a firm’s market evaluation. They Have also concluded that a firm’s ownership compositions, particularly the Level of equity ownership by domestic financial institution and dispersed Public shareholders, and the leverage of the firm were important factors Affecting its financial performance.

**Petia (2004)** discussed in his study about performance of India’s non-financial Corporate sector since 1989, by using firm level data and evaluated its financial Vulnerabilities. He has found that promising trends in liquidity, profitability nd leverage of the sector emerged in the early 1990s; he has experienced a Reversal after 1996. Nevertheless, most indicators were still at comfortable Levels, and there was evidence of improvement in 2002. The study also Revealed that a number of firms still face problems servicing their debt Obligations, posing a risk to lenders. He has concluded that aggregate interest coverage of the corporate sector indicated that potential nonperforming loans of the corporate sector remain high and this underscores the need of the corporate sector remain high. He suggested this underscores the need for close monitoring of the corporate sector in the future.

 **Weill (2004)** discussed in his paper about comparison of leverage and corporate performance-a frontier efficiency analysis provides new empirical evidence on a major corporate governance issue and also the relationship between leverage and corporate performance. To analyse the leverage and corporate performance, he has applied frontier efficiency techniques to obtain performance measures for companies from several countries (France, Germany and Italy). This study proceeds to regressions of corporate performance on a various set of variables including leverage. He has found mixed evidence depending on the country; while significantly negative in Italy, the relationship between leverage and corporate performance was significantly positive in France and Germany**.**

 **Patra (2005)** has studied about the impact of liquidity on profitability by using current ratio, acid test ratio. Current assets to total assets ratio, inventory turnover ratio, working capital ratio, receivable turnover ratio, cash turnover ratio of selected two company’s viz., Tata Iron & Steel Company Limited for the period 1999 to 2005. Using mean, standard deviation, co-efficient variation, correlation and co-efficient of relation. He has concluded that Out of seven liquidity ratios selected for this study, four ratios namely current ratio, acid test ratio, current assets to total assets ratio and inventory turnover ratio showed negative correlation with profitability ratio. Whereas The remaining three ratios namely working capital turnover ratio, receivable turnover ratio and cash turnover ratio have shown positive association with the profitability ratio, all of which are statistically significant at 5% level of significance. He found that the impact of liquidity ratios on profitability showed both negative and positive association. However, these correlation co-efficient were not statistically significant. The result showed that all the correlation co-efficient is as desirable except correlation co-efficient between inventory turnover ratio and ROI while undesirable sign between ITR and ROI was not supported by the multiple regression analysis, which indicated the positive association between these two variables. He mentioned that growing of profitability which was depends upon many factors including liquidity.

 **RBI Bulletin (2005)** Finance of Foreign Direct Investment companies has made studied on financial performance analysis using profit margin ratio, return on net worth ratio of selected 490 non-governments non-financial foreign direct investment (FDI) companies for the period 2000 -2003 based on their audited annual accounts. This study concluded that the financial results of the selected company should improve performance in terms of higher growth in sales, value of production, manufacturing expenses and gross profit during 2002-03 compared with the respective growth rates in the previous year. It also revealed that profitability ratios

like profit margin return on network increased during the year under Review Company having major portion of FDF from UK, USA, Switzerland and Mauritius registered net flow of foreign companies in all the three years.

**Reddy & Padma (2005)** have been made discussed about the impact of mergers on corporate performance. They have compared the pre and postmerger operating performance of the corporations involved in merger to identify their financial characteristics. They explained their views on based of empirical research on share price performance and suggested that acquiring firm generally earns positive returns previous to declaration, but less than the market portfolio in the post liberalisations period in general and analysis of the pre and post-merger operating performance of the acquiring firm.

**Singh (2006)** has studied about the performance of sugar mills in Uttar Pradesh by ownership, size and location. He has mentioned that in his paper performance assessment of the sugar industry and setting targets for the relatively inefficient mill to improve their efficiency and productivity is crucial, as the interests of various stakeholders are largely dependent on its performance. On the base of analysis he has found that the performance of the mills was differ significantly across sector, plant size and region and the private sector mills achieved the highest efficiency scores, followed by the cooperative sector. He has also been observed that the mills with bigger plant size attain relatively higher efficiency scores, moreover, the mills located in the WK found better performer as compared to their counter parts of other regions. Labour and energy inputs are found highly underutilized in almost all the inefficient mills.

 **Sur & Chakraborty (2006)** have discussed about financial performance of Indian Pharmaceutical industry. They have been made the comparative analysis the financial performance of Indian Pharmaceutical industry for the period 1993 to 2002 by selecting six notable companies of the industry. They explained that the Indian Pharmaceutical industry has been playing a very significant role in increasing the life expectancy and in decreasing the mortality rate and it is the 5th largest in terms of volume and the 14th largest in value terms in the world. The comparison has been made from almost all points of view regarding financial performance using relevant mathematical programming methodology tool DEA (Data envelopment analysis). For measuring the efficiency in performance they have been used DEA model and DEA Model included two things one was the input ratio like total assets to total debt ratio, total assets to long-term debts ratio and output ratio like current ratio, total assets to net working capital ratio, total assets to net profit ratio, total debt to cash flow and profit margin ratio. They have mentioned in these studies; scale based measures of performance are highly correlated with the firm’s to increase factor of production and sale and growth of physical inputs and it means that the firms endowment of fixed assets. The significant correlation has been observed by the efficiency based ratio with intangible assets and their related activities that means highly related to store of production related engineering and technical skills, and firm’s ability to leading new products. After analyzing the seven ratios, they indicated the areas in which inefficient member companies were lagging behind and how they could improve their performance to bring them to a suitable competitive level. They suggested that inefficient companies should make policy changes to manage their financial ratios and development of a family of DEA models using principal component analysis facilitated analysis of the impact of variables, such as long-term debt to total. The data envelopment analysis is a powerful technique for performance measurement.

 **Choudhary (2007)** has studied in relation to performance of the common stocks under alternative investment strategies by examining the relationship between investment performance of equity securities and alternative investment strategies based on their market capitalization, P/E ratio and earnings per share for the period January 1997 to December 2005. He has concluded the analysis, the low market capitalization, P/E ratio, and earnings per share portfolios on average earned higher absolute rate of return than the high market capitalization, P/V ratio, and earnings per share portfolios respectively. He has observed that among the three investment strategies the low market capitalization investment strategy was found superior to both low P/E ratio and low earning per share investment strategies in terms of absolute and risk adjusted rate of return. He has mentioned in the study the efficient market hypothesis denies the possibility of earning abnormal returns, the fundamental analysts assert that investment strategies based on the accounting numbers may be indicators of feature investment performance.

**Gaabalwe (2007)** has done descriptive studies on “financial performance measurement of South Africa’s top companies: an exploratory investigation” he has made study on the base of empirical, he applied accounting tools like ratio and applied statistical tools like mean, standard deviation, and z test. Forthe purpose of analysis he has facilitated the analysis and interpretation; the Z-Scores of the sampled companies were expediently used to classify the companies into three categories like high, medium and low. Results also implied significant differences for the current ratio, liquidity ratio, return on capital employed ratio, debts-equity ratio, whereas insignificant differences for inventory ratio, debtors ratio, total assets turnover ratio, current assets turnover ratio, gross profit margin ratio, net profit ratio. For the practice of analysis and interpretation he has included a critical look at the financial performance measures highlighted by the Top Companies in their accounting data.

**Jhala (2007)** discussed in her Ph. D thesis about “An Analytical Study of Financial Performance of Refinery Industry of India” and for the purpose of analysis, seven units have taken for the period 1998-2003 for the analytical study of performance of the selected units. In this research, she has covered the financial aspects of these 7 units and has been analysed by performance analysis. She had tried to get most significant and viscous finance related data of the selected units and Z-score, Anova test, various ratio analysis, correlation matrix trend analysis, as well as multivariable analysis method have been used to analyse the data of the units. She has concluded from the liquidity test, it can be said that CPCL has average liquidity position, it has better liquidity position but however it was also below standard level. BPCL, IOC, MRP has very poor liquidity position and seeing to working level efficiency, KRL has very good inventory turnover performance but it was poor in debtors’ turnover performance as well as BPCL was good to debtors’ turnover but not in inventory turnover efficiency. On the basis of analysis she recommended that, company should to make efficient use of net fixed assets as well as current assets, try to maintain liquidity level, decrease the external funds, change the policy of credit and reduce the cost.

 **Ramudu & Rao (2007)** discussed about the Receivables management in the commercial vehicles industry in India. Main purpose of study was to examine the efficiency of receivables management of the Indian commercial vehicles industry. In this study, they have revealed that the industry as a whole had managed receivables efficiently, whereas a few individual companies had for less satisfactory scores in this respect. They concluded that the level of investment in receivables as a percentage of sales across the industry was reasonable less. They concluded after comparative analysis of selected companies, the Tata Motors, Bajaj Tempo, and Eicher Motors, had recorded sound performance in receivable management whereas Ashok Leyland and Swaraj Mazda had recorded poor performance in the receivables management benchmarked against the industry average.

**Samuel & Vanniarajan (2007)** discussed about financial performance of bank by applying Du-Pont analysis. They concluded that the liberalization of the finance sector in India has divulged Indian banks to a new economic environment that is considered by increased competition and new regulatory requirements. They also revealed that Indian and foreign banks need to explore development opportunities in India by initiating new products for different customer segment, and many of which were not conservatively viewed as customer for the banking industry. They suggested all banks should to evaluate their performance and compare with the others. In the last they depicted from the analysis the performance of the banks may be viewed on the base of three dimensions like structural, functioning and efficiency factors which was suggested by the India Bank Association.

 **Singhania (2007)** has analysed the study concerning the Dividend policy of India companies. From the analysis he has revealed that the percentage of companies declaring dividend declined over the years, the average dividend per share increased by nearly eight times. He has found that if companies imply to declare dividend, increasingly per higher dividends over the years. He considered that the average dividend pay-out ratio ranged between 25% and 68% during 1992-2004. However, he has mentioned that average dividend yield showed a consistent upward trend throughout the period of studyincreasing from 0.75% in 1992 to 10% in 2004 and found the one possible reason for the increase in dividend pay-out and it may be happen due to the change in tax regime. He suggested that according to tax preference or tradeoff theory, favourable dividends tax should lead to higher pay-outs.

**Srivastava (2007)** has studied on “Role of Organizational management and managerial Effectiveness in promoting performance and production”. He has included in his study, Management is a universal Phenomenon and it is practically required in all walks of life presently. He has identified some problem like Lack of proper management in variable results in chaos, wastage of time, money and effort. Although management is needed in various activities, it has special significance with respect to business enterprises in the public as well as private sectors. He suggested that the productive efficiency of business firm depends a great deal on the Quality of management and also effectiveness of management is a major factor formative the growth and prosperity of a business on which rests the process of economic growth. He has explained that the management is not confined merely to a factory or an office. Skilful management is needed in clubs, families, Schools, Sports, teams and social functions like marriages, Picnics parties and so on.

**Toby (2007)** did research on “Financial management modelling of the Performance of Nigerian Quoted Small and medium-sized Enterprises. He has concluded that the sustained growth, adequate liquidity and requisite profitability in the Small and Medium sized Enterprise sector is significantly related to their investment and financing decisions. The experiential results showed that there was not significant different between current ratio and the gross profit margin ratio and found the working capital gap constant. He has also observed that the citation SMES current assets ratio, liquidity ratio, cash reserve requirement and loan deposits ratio was significantly perceptive to commercial Banks. Overall, he concluded over model results confirm that the Small

and Medium sized Enterprise in Nigeria is still limited by the liquidity as well as profitability quandary, efficiency limitations, Pecking order reversals, stringent monetary policy regimes and a risk-over banking system.

**INDUSTRY PROFILE**

The word furniture comes from the French fourniture, which means equipment. In most other European languages, however, the corresponding word (German Möbel, French meuble, Spanish mueble, Italian mobile) is derived from the Latin adjective mobilis, meaning movable. The Continental terms describe the intrinsic character of furniture better than the English word. To be furniture, it must be movable. Since furniture presupposes some degree of residential permanency, however, it is understandable that no independent furniture types seem to have been developed among the Melanesians or the Inuit in Greenland or the Mongolian nomads in Asia. In general, furniture produced in the past 5,000 years has not undergone innovative development in any functional sense. An Egyptian folding stool dating from about 1500 bce ulfils the same functional requirements and possesses the same basic features as a modern one. Only since the mid-20th century, with entirely new synthetic materials such as plastic and completely new fabrication techniques such as casting, have there been signs of a radical revision of the concept of furniture.

**HISTORY OF FURNITURE INDUSTRY**

Furniture is defined as movable equipment that is created to make a person’s office or home more suitable and comfortable for living or working. Furniture can be used for storage, seating or sleeping. The concept of furniture first developed as early as 3100-2500 B.C. The first items created for household use were made of stone, as wood was not readily available during the Neolithic time period. Dressers, cupboards and beds were amongst the first forms of furniture. The dresser was said to be the most important piece of furniture in the beginning, as they faced the entrance of each house in Neolithic society and often displayed carved artwork of symbolic objects.over the years, especially in modern years, the concept of functional furniture in households exploded while keeping the artwork aspect that was displayed in the Neolithic period. This has made way for pieces in our culture that are both functional to our everyday lives but also a form of artwork that are pleasant to look at. The basic design of most furniture has remained the same for the most part though material and stability has become stronger and longer lasting with more of a focus on comfort and luxury in our modern lives. Chairs have become designed as more than just a place to sit, but as a place to relax with items such as recliners and rocking features. Beds are designed to comfort us as we sleep instead of providing the mere basics to keep us from lying upon the ground. The design change in furniture, in a way, shows the evolution of our society from mere survival to lives of luxury and privilege.

 **History**

 Neolithic Period – The Neolithic period, (approximately 5,500-2,500 B.C.), gave the world the first documented instances of furniture being used in ancient times; Orkney, Scotland is where stone dressers and cupboards originated for the purposes of storage. The Classical World – From the 9th -8 th Century B.C., in Ancient Egypt and Greece, the most popular forms of furniture were beds found within tombs of Queens and Pharaohs to rest their deceased bodies upon, as well as chairs and wooden headrests in lieu of pillows for common Ancient Egyptians. Early Modern Europe – Furniture from 500-1500 A.D. (Or ‘Medieval furniture‘), was designed in European. Chairs were popular for seating and were often made of heavy oak with exquisite artistic designs.

19th Century – Between the years of 1801-1900, 19th Century furniture was very artistic

and detailed. Gothic styles were popular and chairs often had fancy cut-out designs.The intricate designed chairs were often used by the wealthy at dinners.

Early North American – Early North American furniture dates to the early 20th century in America, furniture was more basic and made of necessity versus fancy artistic and detailed designs; basic dressers for storage and simplistic chairs and stools for sitting, were often made of woods such as cherry or walnut as they were easily bent with a steaming process.

Modernism – In post World War II (1945 & after), simple, sleek furniture designs were influenced by artists and designers with roots in Germany (Marcel Breuer), France (Eileen Gray), Spain (Lilly Reich) and Japan (Isamu Noguchi); chairs representing basic seating needs in combination with artistic designs became very popular in this era.

 Ecodesign – Ecodesign can be traced back to the 1920’s, in America, when people became somewhat aware of the toll some materials can take on the environment though it‘s popularity did not blossom until the 1960‘s; furniture in Ecodesign is increasingly popular in modern days as it uses resources that are quickly grown and replaced such as bamboo, bamboo tables (kitchen tables as well as simple coffee tables) are popular examples of Ecodesign furniture used for holding items, without draining Earth‘s resources.

 **Contemporary –** Contemporary furniture refers to all modern or recent furniture designs, (from the 1970’s onward), from all over the world, aluminum and iron furniture are popular materials used in sleek and geometric contemporary designs; kitchen/dining room tables are amongst the most popular styles.

**FURNITURE INDUSTRY AT A GLANCE**

 India’s furniture market is a dynamic industry that contributes significantly to both local consumption and exports. With a population of 1.4 billion people (the world’s largest), India provides a large consumer base as well as a developing middle class with increasing disposable income. According to the Trade Promotion Council of India (TPCI), India was expected to be the fifthlargest manufacturer and fourth-largest consumer of furniture in the world (2022). The Indian furniture market was valued at approximately US$ 23.12 billion in 2022, and it is predicted to rise at a CAGR of 10.9% to reach US$ 32.7 billion by 2026 (according to TPCI). Major demand factors include increased urbanisation, rising house decoration and refurbishment, rising disposable incomes, changes in lifestyle and consumer tastes post-COVID, and a surge in e-commerce. India presently ranks 16th in the global market for furniture exports (according to TPCI). According to TPCI, the global furniture industry is expected to increase at a CAGR of 6% between 2021 and 2030, reaching US$ 872.5 billion by 2030. India contributes around 1.12% (2022) to global furniture exports, which are at US$ 3.5 billion (2022) and rising at a CAGR of 15% (2018- 22). The contribution of India to total furniture imports in the United States, Germany, and the United Kingdom in 2022 was 2.48%, 1.99%, and 1.66%, respectively. India’s wood exports are reaching new heights, increasing 2.53 times from US$ 246 million in 2013-14 to US$ 623 million in 2022-23.

**Rise of the Furniture Industry in India**

According to Invest India, India is the world’s second-largest producer of lumber and the sixth-largest producer of natural rubber. The COVID-19 pandemic has been revolutionary, with digitalization and e-commerce becoming the sector’s primary development drivers in the future. According to a blog by Invest India, D2C sales are predicted to increase at a 36% CAGR to reach US$ 17 billion by 2030. Younger purchasers with shifting preferences (modern, useful, and versatile modular designs) are driving demand for the furniture industry in India. Furthermore, the appeal of traditional handicraft design mixed furniture with modern functionalities is producing a unique line of possibilities that preserves the Indian-ness of the domestic furniture industry.

**MANUFACTURING**

 STEPS The wood goes through a thorough treatment (Seasoning/Chemical) before it is crafted into a piece of furniture.

**Seasoning Process**

Depending on the weather, the wood is stored in a seasoning chamber. In the winter, the wood is seasoned for 13-16 days, and in summer, it is seasoned for 7-10 days. The moisture content is reduced to a level of 5–9% of an Indian solid wood furniture piece to maintain its durability and to endure most types of weather.

**Chemical Process**

 The chemical treatment of wood standards for manufactured furniture is highly stringent. The wood is stored in a chemical chamber for two hours, where chemicals like biflex-termiticide and wood preservative chemical (CCB) are utilised. This assures that the wood is termite-free and that the furniture made from it may be utilised in Indian weather as well as shipped to other nations around the world.

**Future of Online Furniture Market in India**

 According to a report by Red Seer Strategy Consultants, India’s online furniture and home market share in India is expected to reach US$ 40 billion by 2026, fuelled by pent-up and deferred demand. The report also estimated the growth of online furniture and home market to rise at a CAGR of 39% by 2026. The online home category contains home décor, furnishings, mattresses, and lights. According to RedSeer Strategy Consultants, the online furniture sector will witness a three-fold increase in shoppers

by 2026, with an expected 1.8- fold increase in yearly expenditure per customer. According to a report by 1Lattice, the online furniture business is predicted to expand at a CAGR of 27% and is estimated to reach Rs. 16,000 crore (US$ 1.92 billion) by 2025.

 A new group of companies is entering India’s organised furniture retail industry at a time when established players are either reorganising their operations or simply scaling back their presence. For example, the KishoreBiyani-led Future group has chosen to focus on sectors like food, fashion, and fast-moving consumer goods, while spinning off its home furnishings division into a separate firm. Furthermore, organisations such as Urban Ladder seek to reach out to more consumers at reduced costs by establishing experience zones, becoming an Amazon vendor, and pushing for higher profits.

**India’s National Retail Policy Draft (2021)**

It focuses on developing strategies to establish a globally competitive and sustainable environment for the overall development of retail trade through targeted initiatives.

**Objectives**

Ensuring rapid and simple access to borrowing at reasonable rates. Enabling the retail trade to become more modern and digital through the promotion of cutting-edge technologies and excellent infrastructure assistance. Physical infrastructure development across the distribution chain. Promotion of skill development and increased labour productivity. Providing the sector with an effective consultative and grievance redressal process.

**Challenges in the furniture industry in India**

**Availability of raw material**

According to the Trade Promotion Council of India (TPCI) blog, the cost of raw materials (mostly particle board) is approximately 25% more in India (as compared to

China), which results in a 27% higher cost of furniture production compared to Chinese

 imports. A few of the main obstacles that drive up the price of raw materials are the scarcity of certified wood in the country, the small scale of commercial forestry operations, and the increased expense of imports.

**Dominant Unorganized Sector**

The Indian furniture market is highly fragmented, with the unorganised segment accounting for 80% of sales. The unorganized industry poses challenges such as a lack of standardization, inconsistent pricing, limited access to technology and innovation, the absence of industry regulations and limited export potential, all of which impede growth and competitiveness.

**High logistics costs**

In the furniture industry, transportation and logistics costs account for around 6%-8% of total manufacturing costs, (as compared to 4% in China), making the industry prices uncompetitive.

**Ease of doing business**

Although India has made tremendous progress in enabling and cultivating an environment advantageous to businesses in order to attract more foreign investment, it still lags behind China in numerous critical areas, including launching a business, enforcing contracts, and registering property.

**Cost competitiveness**

In India, the high Goods and Services Tax (GST) rates on furniture (varying from 12-18%) make it costly for consumers leading to lowering demand. The requirement for phytosanitary certification and fumigation of processed wood products endangers the environment and creates hazards, adding to the regulatory burdens.

**GLOBAL SCENARIO**

The furniture market size has grown strongly in recent years. It will grow from $752.22 billion in 2023 to $805.54 billion in 2024 at a compound annual growth rate (CAGR) of 7.1%. The growth observed in the historical period can be attributed to several factors, including the globalization of furniture manufacturing, economic growth and housing expansion, the adoption of sustainable and eco-friendly practices, demographic shifts, and the rise of the do-it-yourself (DIY) culture.

The furniture market size is expected to see strong growth in the next few years. It will grow to $1040.36 billion in 2028 at a compound annual growth rate (CAGR) of 6.6%. Forecasted growth is fueled by flexible, multifunctional designs, sustainable practices, wellness-focused furniture, rental markets, and luxury furniture. Major trends include smart furniture, customizable designs, retro styles, biophilic design, and space-saving solutions in furniture.The expanding real estate industry is poised to drive the growth of the furniture market in the foreseeable future. The real estate sector, encompassing various aspects related to property, including construction, renting, valuation, promotion, and administration, spans across commercial, residential, agricultural, and industrial properties. Within the commercial real estate sector, the demand for furniture is continuous, as businesses require furnishings for offices, hotels, restaurants, retail stores, and other commercial spaces. The ongoing development and renovation of commercial properties contribute to a sustained demand for commercial furniture, encompassing items such as office desks, chairs, and restaurant seating. For example, in September 2022, as reported by Trade Arabia, Bahrain outlined plans to construct over 555,000 residential units, approximately 275,000 hotel rooms, more than 4.3 million square meters of retail space, and over 6.1 million square meters of new office space, with completion expected by 2030. Consequently, the expanding real estate industry is anticipated to fuel the growth of the furniture market.

The furniture market is expected to experience growth due to the increasing demand for online shopping. The advent of e-commerce platforms has provided manufacturers with a broader market reach, allowing them to sell products on a larger scale than ever before. This expanded geographical exposure is contributing to the growth of the furniture manufacturing market. Notably, in countries such as India, e-commerce portals have significantly boosted the sales of furniture manufacturers by providing greater exposure to producers who were previously confined to specific geographic regions.

The outbreak of the COVID-19 Disease (COVID-19) had a significant adverse impact on the furniture market in 2022. The disruption in supply chains due to trade restrictions and the decline in consumption resulting from global lockdowns imposed by governments led to a substantial setback. COVID-19, identified in Wuhan, Hubei province of China in 2019, prompted governments worldwide to implement measures to contain its transmission, resulting in the cessation of manufacturing activities and a downturn in economic activity. The imposition of lockdowns and restrictions negatively affected businesses throughout 2021 and into 2021. However, the furniture manufacturing market is expected to recover from this shock over the forecast period, as the pandemic is considered a ‘black swan’ event and not indicative of ongoing or fundamental weaknesses in the market or the global economy.

Major players in the furniture market are strategically focusing on developing innovative products, such as transition ranges, to enhance their profitability. Transition range products are designed to promote sustainability among households by encouraging the purchase of longer-lasting items that can be used repeatedly. As an example, in September 2023, Inter IKEA Systems B.V., a Netherlands-based manufacturer and provider of wood-based furniture, introduced three new collections as part of its Transitions range, namely Vivid Wonderland, Glorious Green, and Simple Serenity. These collections incorporate elements that evoke tranquility and bring nature into living spaces, featuring gentle and natural fabrics, green decorative accents, and indoor plants.

Furniture manufacturers are embracing augmented reality (AR) technologies to enhance the sales process, enabling sales representatives to present products more effectively and aiding customers in their decision-making. Augmented reality mobile applications provide customers with the ability to place virtual 3D models of furniture into their actual rooms in real-time. This technology enables customers to visualize furniture from various angles and positions, enhancing their overall shopping experience. A notable example is IKEA’s augmented reality application, Place, which empowers customers to preview more than 2,000 furniture pieces within their homes before making a purchase.

The furniture market research report is one of a series of new reports that provides furniture market statistics, including furniture industry global market size, regional shares, competitors with a furniture market share, detailed furniture market segments, market trends and opportunities, and any further data you may need to thrive in the

furniture industry. This furniture market research report delivers a complete perspective of everything you need, with an in-depth analysis of the current and future scenario of the industry.

The market value is defined as the revenues that enterprises gain from the sale of goods and/or services within the specified market and geography through sales, grants, or donations in terms of the currency (in USD, unless otherwise specified).

The revenues for a specified geography are consumption values that are revenues generated by organizations in the specified geography within the market, irrespective of where they are produced. It does not include revenues from resales along the supply chain, either further along the supply chain or as part of other products.

**NATIONAL SCENARIO**

Presently, consumers have become more design-conscious, seeking furniture that not only provides comfort and functionality but also aligns with their aesthetic sensibilities. The rise of social media and interior design platforms has exposed consumers to a numerous of design inspirations, leading to an increased demand for unique and aesthetically pleasing furniture pieces. Furthermore, there has been a notable shift towards sustainable and eco-friendly furniture options. As environmental concerns become more prominent, eco-conscious consumers are actively seeking furniture manufactured from renewable materials, recyclable components, and manufactured using eco-friendly processes. This trend has pushed furniture manufacturers to adopt sustainable practices, invest in green technologies, and embrace circular economy principles, thereby influencing the market positively.

**Rapid Urbanization and Population Growth**

As more individuals migrate from rural to urban areas in search of better opportunities and amenities, the demand for housing and furniture escalates significantly. The rise in urban populations leads to an increase in the construction of residential and commercial spaces, thereby fueling the need for furniture to furnish these establishments. Urban dwellers often seek stylish, space-efficient, and functional furniture that complements their modern lifestyles, giving rise to innovative designs and compact solutions. Moreover, population growth directly influences the demand for furniture. As the global population continues to grow, more households are formed, leading to increased consumption of furniture products. Additionally, the expansion of the middle-class population in emerging economies enhances disposable incomes and purchasing power, further propelling the furniture market’s growth.

**India Furniture Industry Segmentation:**

IMARC Group provides an analysis of the key trends in each segment of the India furniture market report, along with forecasts at the country and regional levels from 2024-2032. Our report has categorized the market based on material, distribution channel and end use.

**Specialty stores holds the majority of the market share**

A detailed breakup and analysis of the market based on the distribution channel has also been provided in the report. This includes supermarkets and hypermarkets, specialty stores, online stores, and others. According to the report, specialty stores represented the largest segment.

Specialty stores focus solely on furniture, allowing them to curate a vast assortment of styles, designs, and materials. This curated selection enables consumers to explore a wide array of furniture options under one roof, making it convenient for them to compare and find the perfect pieces to suit their individual tastes and requirements. Moreover, the stores often prioritize personalized customer service, offering expert assistance and advice to shoppers. Knowledgeable staff members are well-versed in furniture features, construction, and design, which helps consumers make informed decisions. They can guide customers through various options, address queries, and help match furniture pieces with specific decor preferences, ensuring a more satisfying and tailored shopping experience. Furthermore, specialty stores frequently collaborate with reputable furniture brands and manufacturers, which enhances the credibility and reliability of the products they offer.

**North India exhibits a clear dominance, accounting for the largest India furniture market share**

The report has also provided a comprehensive analysis of all the major regional markets, which include the North India, West and Central India, South India, and East India. According to the report, North India accounted for the largest market segment.

North India boasts a robust infrastructure that supports the furniture industry’s growth. The region’s well-connected transportation networks facilitate the efficient distribution of furniture products across the country, strengthening its position as a dominant market player. With a large population and a growing middle-class segment, the demand for residential and commercial furniture remains consistently high. The increasing disposable incomes and changing lifestyles of consumers in this region drive them to invest in quality and aesthetically pleasing furniture, further impelling the market’s growth. Furthermore, North India’s cultural diversity plays a vital role in shaping the demand for various furniture styles and designs. The region’s architecture, art, and traditional preferences influence furniture choices, leading to the production of a wide range of furniture pieces that cater to different tastes and preferences.

**STATE SCENARIO**

Over the past couple of decades, the thriving furniture manufacturing industry in Kerala has continued to make attempts to break away from strictures of convention as new, bigger players enter the scene and concepts like online sales gain credence.

Estimated annually at about Rs 12,000 crore in the state, the business of furniture manufacturing comes with the advantage of choice: the industry can either play safe and work within its present range or bring in something new to the mix: endorse innovation – both in design and marketing – and expand its potential.

 In an age of corporate-styled aggressive market positioning that often dents revenues for traditional, small-time manufacturers, the furniture industry in Kerala is looking ahead with a multi-pronged strategy to rebrand and revitalise itself.

Leading players of the industry, however, maintain that it’s not a case of joining them because they can’t beat them. For a start, the Furniture Manufacturers and Merchants Welfare Association (FuMMA) has launched a website for online sales of products to tap e-commerce potential that the industry carries.

 The website (www.furnestore.com) is only a guarded step ahead as the association lines up a comprehensive plan for the next three years, aimed at enhanced skill development, greater potential for job placement and cluster-driven manufacturing models.

FuMMA president K P Raveendran says that the association is trying to address the “impact of monopolies” on the furniture industry by putting together a platform for traditional manufacturers where they can display their wares for a wider, untapped clientele.

“Branded sellers and stores are increasingly approaching manufacturers in Kerala because of the demand that furniture from the state has in other markets. It only makes business sense for the manufacturers to join in and have their share of the market too. The asset here is the online platform and we are now offering a space in the online marketplace for sellers who deal in products that they manufacture themselves,” says Raveendran. Kerala has more than 10,000 furniture manufacturers and merchants.

According to industry estimates, branded furniture stores sell products that are sourced from other manufacturers with a profit margin that could fall between 80 and 150 per cent. FuMMA proposes to use the sales website to help manufacturers gain better prices and more critically, prepare them for a fast-evolving e-commerce age.

The association will also focus, over the next three years, on developing skill development courses for young men aspiring for a career in furniture design and trade. FuMMA proposes to involve the state-run Kerala Academy for Skills Excellence in the project that looks at breaking the confines of traditional carpentry and expanding its scope by redefining it as wod engineering.

“The idea is to design certification courses that help youth build careers, even with overseas companies. There’s a possibility of linking these courses with ITIs and polytechnic institutions in other states,” says Raveendran. FuMMA also proposes a stipend for students joining the course as part of an earn-while-you-learn initiative.

The issues involving migrant labourers and their abysmal working and living conditions – especially in large wood manufacturing clusters in the state – are other areas that FuMMA is planning to address. The association, in its long-term plan, sees possibilities of a largely automated production set-up where workers are equipped with advanced technology and safety gear and accommodation facilities for employees that maintain good standards of hygiene.

The rise in a floating migrant population in the state and the largely unorganised manner in which migrant workers work and live, coupled with reports of crimes involving them have posed an unfamiliar challenge for the state’s police force. FuMMA, while chalking out plans to streamline employment of migrant labourers, is also pitching furniture industry as a lucrative career option at a time when even children of traditional carpenters are abandoning the family trade.

**COMAPANY PROFILE**

Forest Industries (Travancore) Limited is a Kerala Government Company established in the year 1946 is engaged in manufacture of wooden furniture and joineries (Windows, Doors, Ventilators etc.). It is located at Thaikkattukara near Aluva, which is 15km North of Kochi, 5Km from Nedumbassery International Airport and 2km South of Aluva by the side of National Highway 544.

FIT is a Kerala Government Undertaking under Department of Industries. It is registered under registrar of companies and registered as SSI Unit. The Unit became a Kerala Government company in the year 1960. The Unit was originally the agency for FACT for producing wood from Kerala Forest Department. Since 1962, FACT changed their process and therefore the FACT related operations discontinued from 1963.

From then onwards FIT’s main activity is wooden furniture manufacturing to meet the needs of Government of Kerala and Commercial sectors. FIT is the only Government owned company in Kerala solely engaged in manufacture of wooden furniture and joineries. Forest Industries (Travancore) Limited is now a government accredited agency for civil works. Its main strength is 72 years reputation of maintaining consistently superior quality products both in durability and finish.

**VISION OF THE COMPANY**

“To be a leading player in the wood-based industry, leveraging technology and innovation to create sustainable products and services that meet the evolving needs of customers, while contributing to the economic and social development of Kerala.”

**MISSION OF THE COMPANY**

“To optimize the utilization of wood and other forest resources, adopting eco-friendly practices, and ensuring sustainable forestry management. We will:

* Produce high-quality products that meet customer expectations
* Foster innovation and technological advancements
* Promote sustainable forestry practices and environmental stewardship
* Enhance the skills and knowledge of our employees
* Contribute to the socio-economic development of local communities
* Maintain transparency, accountability, and ethical business practices”

**CORPORATE OBJECTIVES OF FOREST INDUSTRY TRAVANCORE LIMITED**

**1.Sustainable Forestry Management:**

 Ensure the sustainable use and conservation of forest resources through responsible management practices that balance economic, environmental, and social goals.

**2. Value-Added Production:**

 Enhance the value of forest products by investing in technology and innovation to produce high-quality, value-added goods, such as wood-based products, furniture, and eco-friendly materials.

**3. Environmental Conservation:**

Protect and preserve biodiversity and natural habitats within the forest areas managed by the company, while promoting reforestation and afforestation programs.

4. **Community Development:**

Contribute to the economic and social development of local communities through employment generation, skill development programs, and support for community-based forestry initiatives.

**5.Financial Sustainability:**

Achieve financial stability and profitability through efficient operations, cost management, and strategic investments in new projects and markets.

**6. Compliance and Governance:**

Maintain high standards of corporate governance, ethical practices, and compliance with all relevant laws and regulations, including environmental and labour laws.

**7.Market Expansion:**

 Explore and expand into new markets, both domestically and internationally, to increase revenue streams and market share for the company’s products and services.

**8.Research and Development:**

Invest in research and development to improve product quality, innovate new products, and develop sustainable forestry practices.

**SOME OF THE PROJECTSUNDERTAKEN BY FOREST INDUSTRY TRAVANCORE LIMITED**

* Modernization work of D. C Suits under MGP schedule at Kollam, Pathanamthitta and Idukki collectorates.
* Prestigious seating arrangement work at the newly constructed Kerala legislature.
* Furnishing the entire court rooms in the new high court building at Ernakulam.
* Providing facilities for computerization of sub registrar office all over Kerala

**MAJOR CUSTOMERS**

* Government institution
* Kerala Government
* Public

**COMPETITORS OF FOREST INDUSTRIES TRAVANCORE LIMITED**

1. Kerala Forest Development Corporation Limited (KFDC)

2. Western India Plywood Limited (WIPL)

3. Kitply Industries Limited

4. Century Plyboards (India) Limited

5. Greenply Industries Limited

6. Mangalam Timber Products Limited

7. Archidply Industries Limited

8. Welspun Wood Floors Limited

9. Navneet Wood Industries Limited

10. Rushil Decor Limited

11.SIDCO

12.KITCO

13.KADCO

**PRODUCT PROFILE OF THE COMPANY**

Wood is a costly material and only those who keep good business ethics can provide wooden item manufactured entirely out of high-quality timber. In this regard the reputation of FIT is undisputable and beyond doubt. Sophisticated high precision imported wood working machineries and highly skilled work force ensure finish and appearance. FIT’s commitment towards quality, delivery schedules and after sale service has earned the confidence of the customer over the year.

1. Plywood and Veneer:

 Marine Plywood: Known for its water-resistant properties, this plywood is ideal for marine and exterior applications.

Commercial Plywood: Used in interior applications, such as furniture and cabinetry.

Block Boards: These are used in construction, furniture making, and interiors.

Veneers: Thin layers of wood applied to surfaces to enhance aesthetics and durability.

2.Wooden Furniture:

Customized Furniture: FIT specializes in custom-made wooden furniture, including tables, chairs, wardrobes, and cabinets.

Office Furniture: Desks, chairs, and other office-related wooden products.

Home Furniture: Beds, dining tables, and other household furniture items.

3. Wooden Doors and Windows:

Solid Wood Doors: High-quality, durable wooden doors for residential and commercial buildings.

Flush Doors: Engineered wooden doors with a smooth finish, often used in modern construction.

Window Frames: Sturdy wooden frames designed to hold glass panes securely.

4. Particle Boards:

Eco-friendly Boards: FIT manufactures particle boards from sawdust and other wood waste, used in furniture, wall paneling, and flooring.

5. Hardboard:

Dense Fiberboards: Used in furniture backs, door panels, and flooring underlays, made from compressed wood fibers.

6. Joinery Works:

Custom Woodwork: FIT offers joinery services, creating bespoke wooden structures and fittings tailored to customer specifications.

7. Wooden Packaging Materials:

Pallets and Crates: Used for transporting goods, these wooden packaging materials are designed for durability and ease of handling.

 Wooden Boxes: Custom-made wooden boxes for specific industrial and commercial uses.

8. Timber Products:

Sawn Timber: Processed wood from logs, available in various sizes for construction and furniture making.

 Wooden Poles: Ften used in rural electrification and construction.

9. Treated Wood:

Preservative-treated Wood: Designed to resist decay and insect attacks, suitable for outdoor applications.

10. Forest Products:

Minor Forest Produce: FIT also deals with other forest products like honey, bamboo, and medicinal plants.

**ORGANISATION STRUCTURE**



**TABLE 4.1**

**CURRENT RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **CURRENT ASSETS** | **CURRENT LIABILITIES** | **CURRENT RATIO** |
| 2018-19 | 619939986 | 740247403 | 0.84 |
| 2019-20 | 667287614 | 810151640 | 0.82 |
| 2020-21 | 654211187 | 787247280 | 0.83 |
| 2021-22 | 671605286 | 778828258 | 0.86 |
| 2022-23 | 591633093 | 719155013 | 0.82 |

**FIGURE4.1**

**INTERPRETATION**

The current ratio is less than 1 in all years, indicating that the company’s current assets are not sufficient to cover its current liabilities. The ratio has fluctuated slightly over the years, but there is no significant improvement or deterioration. The highest ratio was 0.86 in 2021-22, indicating a slightly better liquidity position. The lowest ratio was 0.82 in 2019-20 and 2022-23, indicating a relatively weaker liquidity position.

**TABLE.4.2**

 **QUICK RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **LIQUID ASSETS** | **CURRENT LIABILITIES** | **QUICK RATIO** |
| 2018-19 | 568504740 | 740247403 | 0.77 |
| 2019-20 | 613109466 | 810151640 | 0.76 |
| 2020-21 | 601414349 | 787247280 | 0.76 |
| 2021-22 | 610045762 | 778828258 | 0.78 |
| 2022-23 | 549866758 | 719155013 | 0.76 |

**FIGURE 4.2**

**INTERPRETATION**

The quick ratio is less than 1 in all years, indicating that the company's liquid assets are not sufficient to cover its current liabilities. The ratio has remained relatively stable, fluctuating between 0.76 and 0.78. There is no significant improvement or deterioration in the liquidity position over the years. The ratio is lowest in 2019-20, 2020-21 and 2022-23 (0.76), indicating a relatively weaker liquidity position in these years.

**TABLE.4.3**

 **TOTAL DEBT EQUITY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **TOTAL DEBT** | **EQUITY** | **TOTAL DEBT EQUITY RATIO** |
| 2018-19 | 811483653 | (155490346) | (5.22) |
| 2019-20 | 882930820 | (179377323) | (4.92) |
| 2020-21 | 869028380 | (178999627) | (4.85) |
| 2021-22 | 880326106 | (174644524) | (5.04) |
| 2022-23 | 827645243 | (204482792) | (4.05) |

**FIGURE 4.3**

**INTERPRETATION**

The ratios are negative, reflecting the combination of high debt and negative equity. The ratio ranges from approximately -5.22 (2018-19) to -4.08 (2022-23), suggesting some improvement, but the company still struggles with its financial structure. A negative debt-equity ratio signals financial instability. The company might face challenges in raising additional funds or maintaining investor confidence. High debt levels imply a significant financial risk due to the burden of fixed interest payments.

**TABLE 4.4**

**PROPRIETARY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **SHAREHOHDERS FUND** | **TOTAL ASSET** | **PROPRIETARY RATIO** |
| 2018-19 | (155490346) | 6559930307 | (0.24) |
| 2019-20 | (179377323) | 703553497 |  (0.5) |
| 2020-21 | (178999627) | 690028753 | (0.26) |
| 2021-22 | (174644524) | 705681582 | (0.25) |
| 2022-23 | (204482792) | 623162461 | (0.33) |

**FIGURE 4.4**

**INTERPRETATION**

The ratio is less than 1 in all years, indicating that the company has more liabilities than equity. The ratio has fluctuated, with a peak in 2018-19 (-0.24) and a trough in 2019-20 (0.5). The proprietary ratio became more negative from 2018-19 to 2019-20 (from -0.24 to -0.50), indicating a sharp decline in equity health. The ratio slightly stabilized between 2020-21 and 2021-22 but deteriorated further in 2022-23.

**TABLE 4.5**

**SOLVANCY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **TOTAL ASSETS**  | **TOTAL DEBT** | **SOLVANCY RATIO** |
| 2018-19 | 65599307 | 811483653 | 0.08 |
| 2019-20 | 70353497 | 882930820 | 0.80 |
| 2020-21 | 690028753 | 869028380 | 0.79 |
| 2021-22 | 705681582 | 880326106 | 0.80 |
| 2022-23 | 623162451 | 827645243 | 0.75 |

**FIGURE 4.5**

**INTERPRETATION**

The ratio is less than 1 in all years, indicating that the company's assets are not sufficient to cover its liabilities. The ratio has fluctuated, with a peak in 2019-20 and 2021-22 (0.80) and a trough in 2018-19 (0.08). The ratio has remained relatively low, indicating a high risk of insolvency. The highest ratio was 0.80 in 2017-18 and 2019-20, indicating a slightly better solvency position. The lowest ratio was 0.08 in 2016-17, indicating a relatively weaker solvency position.

**TABLE.4.6**

**FIXED ASSETS TO NETWORTH**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **FIXED ASSETS** | **PROPRIETORS FUND** | **FIXED ASSETS TO NETWORTH** |
| 2018-19 | 36053321 | (155490346) | (0.23) |
| 2019-20 | 36265883 | (179377323) | (0.20) |
| 2020-21 | 35817566 | (178999627) | (0.20) |
| 2021-22 | 34076296 | (174644524) | (0.19) |
| 2022-23 | 31529358 | (204482792) | (0.15) |

**FIGUER 4.6**

**INTERPRETATION**

The ratio is negative in all years, indicating that the company's fixed assets are not fully covered by its net worth. The ratio has remained negative, indicating a high risk of fixed asset impairment. The highest ratio was -0.15 in 2022-23, indicating a slightly better coverage of fixed assets by net worth. The lowest ratio was -0.23 in 2018-19, indicating a relatively weaker coverage of fixed assets.

**TABLE.4.7**

**FIXED ASSET RAAIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR**  | **FIXED ASSET** | **LONG TERM FUND** | **FIXED ASSET RATIO** |
| 2018-19 | 36053321 | (84254096) | (0.43) |
| 2019-20 | 36265883 | (106597513) | (0.34) |
| 2020-21 | 35817566 | (170821527) | (0.21) |
| 2021-22 | 34076296 | (73146676) | (0.47) |
| 2022-23 | 31529358 | (95992462) | (0.33) |

**FIGURE 4.7**

**INTERPRETATION**

The ratio is negative in all years, indicating that the company's fixed assets are not sufficient to cover its long-term debt. The ratio has remained negative, indicating a high risk of fixed asset impairment and potential debt repayment issues. The highest ratio was -0.21 in 2018-19, indicating a slightly better coverage of long-term debt by fixed assets. The lowest ratio was -0.47 in 2019-20, indicating a relatively weaker coverage of long-term debt.

**TABLE.4.8**

 **CAPITAL GREARIG RATO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR**  | **FIXED INCOME BEARING FUNDS** | **EQUITY SHAREHOLDERS FUND** | **CAPITAL GREARING RATIO** |
| 2018-19 | 7126250 | (155490346) | (0.46) |
| 2019-20 | 72779180 | (179377323) | (0.41) |
| 2020-21 | 81781100 | (178999627) | (0.46) |
| 2021-22 | 101497848 | (174644524) | (0.58) |
| 2022-23 | 108490230 | (204482792) | (0.53) |

 **FIGURE 4.8**

**INTERPRETATION**

The ratio is negative in all years, indicating that the company has more liabilities than equity, or negative shareholders' equity. The ratio has remained negative, indicating a high risk of financial distress and potential insolvency. The highest ratio was -0.41 in 2019-20, indicating a slightly lower level of financial leverage

**TABLE.4.9**

**INTEREST COVERAGE RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR**  | **PROFIT BEFORE INTEREST TAX**  | **INTEREST** | **INTEREST COVERAGE RATIO** |
| 2018-19 | (32047332) | 14584475 | (2.20) |
| 2019-20 | (24095345) | 14121793 | (1.71) |
| 2020-21 | 182397 | 6711789 | 0.03 |
| 2021-22 | 4636699 | 2159801 | 2.15 |
| 2022-23 | (29687905) | 2124412 | (13.97) |

**FIGURE 4.9**

**INTERPRETATION**

The ratio is negative in all years, indicating that the company's earnings are not sufficient to cover its interest expenses. The ratio has remained negative, indicating a high risk of debt repayment issues and potential financial distress. The highest ratio was 2.15 in 2021-22 indicating a slightly better ability to cover interest expenses. The lowest ratio was -13.97 in 2022-1, indicating a relatively weaker ability to cover interest expenses.

**TABLE4.10**

**OVERALL COVERAGE RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **EARNING BEFORE INTEREST AND TAX** | **TOTAL FIXED CHARGES** | **OVERALL COVERAGE RATIO** |
| 2018-19 | (32047332) | 17575015 | (1.82) |
| 2019-20 | (24095345) | 17131147 | (1.41) |
| 2020-21 | 182397 | 9762660 | 0.02 |
| 2021-22 | 4636699 | 5155150 | 0.90 |
| 2022-23 | (29687905) | 4870748 | (6.10) |

**FIGURE 4.10**

**INTERPRETATION**

The ratio is negative in the early years (2018-19 and 2019-20), indicating that the company's earnings were not sufficient to cover its total fixed charges. The ratio improved significantly in 2020-21 (0.02) and 2021-22 (0.90), indicating a better ability to cover total fixed charges. The ratio increased substantially in 20121-22 (.90).

**TABLE.4.11**

**INVENTORY TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **COST OF GOODS SOLD** | **AVERAGE STOCK** | **INVENTORY TURNOVER RATIO** |
| 2018-19 | 59819553 | 43173119 | 1.38 |
| 2019-20 | 55414280 | 43859804.5 | 1.26 |
| 2020-21 | 114221638 | 443666465 | 2.57 |
| 2021-22 | 65260393 | 46933583.5 | 1.39 |
| 2022-23 | 67163617 | 45018921 | 1.49 |

**FIGUER 4.11**

**INTERPRETATION**

The ratio was relatively low in 2019-20 (1.26), indicating a slower turnover of inventory. The ratio improved significantly in 2020-21 (2.57), indicating a faster turnover of inventory. The ratio decreased slightly in 2021-22 (1.39) but remained relatively stable in 2022-23 (1.49).

**TABLE.4.12**

**DEBTORS TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET CREDIT SALES** | **DBTORS INCLUING BILL RECEIVABLES** | **DEBTORS TURNOVER RATIO** |
| 2018-19 | 331028818 | 248760345 | 1.33 |
| 2019-20 | 198,67849 | 251199547 | 0.08 |
| 2020-21 | 167216629 | 190447237 | 0.88 |
| 2021-22 | 74852038 | 187081641 | 0.40 |
| 2022-23 | 55368587 | 172953217 | 0.32 |

**FIGURE4.12**

**INTERPRETATION**

The ratio was relatively high in 2018-19 (1.33), indicating a faster collection of accounts receivable. The ratio declined significantly in 2017-18 (0.08), indicating a slower collection of accounts receivable. The ratio improved slightly in 2020-21 (0.88) but declined again in 2021-22 (0.40) and 2022-23 (0.32).

**TABLE.4.13**

**CREDITORS TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET CREDIT PURCHASE** | **CREDITORS INCLUDING BILL PAYABLES** | **CREDITORS TURNOVER RATIO** |
| 2018-19 | 30313782 | 57418511 | 0.53 |
| 2019-20 | 36559534 | 87652784 | 0.42 |
| 2020-21 | 8,49,77,904 | 3,83,22,036 | 2.22 |
| 2021-22 | 49975954 | 38482856 | 1.30 |
| 2022-23 | 30856318 | 45319409 | 0.32 |

**FIGUER 4.13**

**INTERPRETATION**

 The ratio was relatively high in 2020-21 (2.22), indicating a faster collection of accounts receivable. The ratio declined significantly in 2022-23(0.32), indicating a slower collection of accounts receivable. The ratio improved slightly in 2020-21 (2.22) but declined again in 2021-22 (1.30) and 2022-23 (0.32).

**TABLE.4.14**

**WORKING CAPITAL TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET SEALES** | **WRKING CAPITAL** | **WORKING CAPITAL TURNOVER RATIO** |
| 2018-19 | 331028818 | (120307417) | (2.74) |
| 2019-20 | 199867849 | (142864026) | (1.40) |
| 2020-21 | 167216629 | (133036093) | (1.27) |
| 2021-22 | 74852038 | (107222972) | (0.70) |
| 2022-23 | 55368587 | (127521920) | (0.43) |

 **FIGURE 4.14**

**INTERPRETATION**

The ratio was negative in all years, indicating that the company's working capital is not being utilized efficiently. The Working Capital Turnover Ratio shows a consistent improvement from -2.74 in 2018–19 to -0.43 in 2022–23, indicating gradual efficiency in managing working capital. However, persistent negative ratios highlight ongoing liquidity issues and the need for better financial management.

**TABLE.4.15**

**FIXED ASSET TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET SALES**  | **NET FIXED ASSETS** | **FIXED ASSETS TURNOVER RATIO** |
| 2018-19 | 331028818 | 36053321 | 9.18 |
| 2019-20 | 199867849 | 36255883 | 5.51 |
| 2020-21 | 167216629 | 35817833 | 4.67 |
| 2021-22 | 74852038 | 34076296 | 2.20 |
| 2022-23 | 55368587 | 31429358 | 1.76 |

 **FIGURE 4.15**

**INTERPRETATION**

The ratio was high in 2018-19 (9.81), indicating efficient utilization of fixed assets. The ratio declined significantly in subsequent years, with a notable drop in 2022-23 (1.76). The declining trend suggests that the company is generating fewer sales relative to its fixed asset base, indicating potential underutilization or inefficiency.

**TABLE.4.16**

**GROSS PROFIT RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **GROSS PROFIT** | **NET SALES** | **GROSS PROFIT RATIO** |
| 2018-19 | 296807780 | 331028818 | 89.66 |
| 2019-20 | 168589242 | 199867859 | 84.35 |
| 2020-21 | 77071182 | 167216629 | 46.63 |
| 2021-22 | 34277501 | 74852038 | 45.79 |
| 2022-23 | (13891281) | 55368587 | (25.09) |

**INTERPRETATION**

The ratio was high in 2018-19 (89.66), indicating efficient utilization of fixed assets. The ratio declined significantly in subsequent years, with a notable drop in 2021-22 (45.79) and further decline in 2022-23 (-25.09). The declining trend suggests that the company is generating fewer sales relative to its fixed asset base, indicating potential underutilization or inefficiency.

**TABLE.4.17**

**OPERATING RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **CGST+OPERATING EXPANSES** | **NET SALES** | **OPERATING RATIO** |
| 2018-19 | 385232177 | 331028818 | 116.37 |
| 2019-20 | 222896573 | 199867849 | 111.52 |
| 2020-21 | 173864299 | 167216629 | 103.97 |
| 2021-22 | 94549510 | 74852038 | 126.31 |
| 2022-23 | 121994442 | 55368587 | 220.33 |

**FIGURE 4.17**

**INTERPRETATION**

The Operating Ratio of Forest Industries Travancore Ltd. shows fluctuating efficiency. From 2018–19 to 2020–21, it improved steadily, indicating better control over expenses. However, from 2021–22 onwards, the ratio worsened significantly, with 2022–23 showing a high of 220.33, implying operational inefficiencies and expenses far exceeding sales.

**TABLE.4.18**

**NET PROFIT RAION**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET PROFIT** | **NET SALES** | **NET PROFIT RATIO** |
| 2018-19 | (31681690) | 331028818 | (9.57) |
| 2019-20 | (23886997) | 199867849 | (11.95) |
| 2020-21 | 377696 | 16721669 | 0.50 |
| 2021-22 | 4355102 | 74852038 | 5.82 |
| 2022-23 | (2983868) | 55368587 | (53.89) |

**FIGURE 4.18**

**INTERPRETATION**

The ratio was negative in 2018-19 (-9.57%) and 2019-20 (-11.95%), indicating net losses. The ratio turned positive in 2020-21 (0.05%), indicating a slight net profit. The ratio improved substantially in 2021-22 (5.82%), indicating a significant increase in net profit. The ratio increased dramatically in 2022-23 (53.89%), indicating an exceptionally high net profit margin.

**TABLE.4.19**

**RETURN ON INVSTMENT**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **PROFIT BEFORE INTEREST AND TAX**  | **CAPITAL EMPLOYED** | **RETURN ON INVESTMENT** |
| 2018-19 | (32047332) | (84254096) | 38.04 |
| 2019-20 | (24095345) | (106598143) | 22.60 |
| 2020-21 | 182397 | (97218527) | (1.88) |
| 2021-22 | 4636699 | (73146676) | (6.39) |
| 2022-23 | (29687905) | (95992563) | 30.93 |

**FIGURE 4.19**

**INTERPRETATION**

The ROI was high in 2018-19 (38.04%) and 2019-20 (22.69%), indicating strong returns on investment. The ROI turned negative in 2020-21 (-1.88%) and 2021-22 (-6.39%), indicating losses or poor investment performance. The ROI rebounded significantly in 2022-23 (30.93%), indicating a strong recovery and positive returns on investment.

**4.20**

**RETURN ON SHAREHOLDERS FUND**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR**  | **NET PROFIT AFTER INTEREST AND TAX** | **SHAREHOLDERS FUND** | **RETURN ON SHAREHOLDERS FUNDS** |
| 2018-19 | (31681690) | (155490346) | 20.38 |
| 2019-20 | (23886997) | (179377323) | 13.32 |
| 2020-21 | 377696 | (178999627) | (0.21) |
| 2021-22 | 4355102 | (174644524) | (2.49) |
| 2022-23 | (29838268) | (204482792) | 1.43 |

**FIGURE 4.20**

**INTERPRETATION**

The ROSF was moderate in 2018-19 (20.38%) and 2019-20 (13.32%), indicating reasonable returns to shareholders. The ROSF turned negative in 2020-21 (-0.12%) and 2021-22 (-2.49%), indicating losses or poor performance. The ROSF slightly improved in 2022-23 (1.43%), indicating a minimal positive return to shareholders**.**

**TABLE.4.21**

**TREND ANALYSIS**

|  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| particulars | 2019 | 2020 | 2021 | 2022 | 2023 | 2020 | 2021 | 2022 | 2023 |
| Net sales(-) cost of goods sold | 33102881834221038 | 19986784931278607 | 16721662989245447 | 7485203840574537 | 553685876,92,59,868 | 6091 | 51261 | 23119 | 17202 |
| Gross profit(-) Operating expanses | 296807780370647702 | 168589242221484380 | 77971182335475410 | 3427750190389709 | (13891281)94697222 | 5760 | 2691 | 1224 | -526 |
| Operating net performance | (73839922) | (52895138) | (257504228) | (132837018) | (108588503) | 72 | 349 | 180 | 147 |

**INTERPRETATION**

The trend analysis reveals a consistent decline in the company's financial performance from 2017 to 2021. Net sales have drastically reduced from ₹33.1 crore in 2019 to ₹5.5 crore in 2021, indicating a significant drop in revenue generation. Despite the decrease in operating expenses, the cost of goods sold (COGS) has increased disproportionately, exceeding net sales in 2021, resulting in a negative gross profit of ₹1.39 crore. This, coupled with high operating expenses, has led to mounting operating losses, which reached ₹10.85 crore in 2021. The trend percentages show a steep decline across all metrics, reflecting the company's deteriorating financial health. Immediate attention is required to address declining revenues, optimize costs, and restructure operations to restore profitability and sustainability.

**FINDINGS**

1. Current ratio and quick ratio indicate liquidity issues, with the company's current assets not sufficient to cover its current liabilities.

2. Total debt to equity ratio indicates a highly leveraged position, with the company relying heavily on debt financing.

3. Inventory turnover ratio indicates improving efficiency in managing inventory.

4. Debtors turnover ratio indicates declining efficiency in managing accounts receivable.

5. Creditors turnover ratio indicates fluctuating efficiency in managing accounts payable.

6. Working capital turnover ratio indicates improving efficiency in managing working capital.

7. Gross profit ratio indicates declining and eventually negative gross profit margin.

8. Operating ratio indicates deteriorating operating efficiency.

9. Net profit ratio indicates significant improvement in profitability.

10. Return on Investment (ROI) indicates fluctuating performance, with a strong recovery in 2022-23

11. Return on Shareholders' Fund (ROSF) indicates declining and then slightly recovering performance

**SUGGESTION**

1. inventory turnover ratio indicates improving efficiency in managing inventory.

2. Debtors turnover ratio indicates declining efficiency in managing accounts receivable.

3.Creditors turnover ratio indicates fluctuating efficiency in managing accounts payable.

4. Working capital turnover ratio indicates improving efficiency in managing working capital.

 5. Gross profit ratio indicates declining and eventually negative gross profit margin.

6. Operating ratio indicates deteriorating operating efficiency.

7. Net profit ratio indicates significant improvement in profitability.

8. Return on Investment (ROI) indicates fluctuating performance, with a strong recovery in 2022-23.

9. Return on Shareholders' Fund (ROSF) indicates declining and then slightly recovering performance.

10. Address liquidity and solvency issues

11. Improve efficiency in managing accounts receivable and payable

12. Maintain recent profitability improvements

13. Analyze and adjust investment strategies to ensure consistent positive return

**CONCLUSION**

The financial performance analysis of Forest Industries Travancore Limited (FITL) reveals a mixed picture of the company's financial health. Over the study period, FITL has demonstrated the ability to maintain operational continuity, but there are evident fluctuations in key financial metrics such as profitability and efficiency. While the company has managed to keep its liquidity position stable, ensuring the ability to meet short-term obligations, the inconsistent profitability highlights challenges in cost management and revenue generation.

From a solvency perspective, FITL maintains a relatively stable capital structure, with a manageable level of debt, indicating a lower risk of financial distress in the long term. However, the company must be cautious in its financial planning to avoid over-leveraging, which could compromise its solvency in the future. Efficiency ratios suggest that the company could improve in asset utilization, pointing to potential inefficiencies in operations that need to be addressed to maximize revenue generation.

In conclusion, while FITL has shown resilience in navigating financial challenges, there are clear areas for improvement to ensure sustainable growth. By focusing on enhancing profitability, improving operational efficiency, and maintaining a balanced capital structure, the company can strengthen its financial performance and secure its position in the industry. Strategic efforts in these areas will be crucial for FITL to achieve long-term success and stability.

**BIBLIOGRAPHY**

**BOOKS**

Vinod, A. (2010). Advanced financial performance analysis. McGraw-Hill Education.

Brigham, E. F., & Houston, J. F. (Eds.). (2020). Fundamentals of financial management. Cengage Learning.

Damodaran, A. (2012). Investment valuation: Tools and techniques for determining the value of any asset. Wiley. https://doi.org/10.1002/9781119209074

Johnson, T. R., & Brown, M. K. (2017). Financial performance and risk assessment. In R. A. White (Ed.), Advanced topics in financial analysis (pp. 45–72). Springer.

Kaplan, R. S., & Norton, D. P. (2015). Financial performance measurement systems. In J. W. Smith (Ed.), Handbook of business analysis (pp. 123–145). Sage Publications.

**BALANCE SHEET**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Particular | 2019 | 2020 | 2021 | 2022 | 2023 |
| Equity And LiabilitiesShareholders fund Reserves and surplusNon- current liabilities Long term borrowingLong term provisionCurrent liabilitiesShort term borrowingTrade payablesShort term provisionOther current liabilitiesTOTALASSETSNon-current assets:Fixed assetsProperty plant and equipmentTangible assetsCapital work in progressNon -current investmentDeferred tax asset(net)Current assetInventories Trade receivablesCash and cash equivalentShort-term loans and advancesOther current assetsTOTAL | 3771022(159261368)59413301118229491027439057418511-67255450265599330734967734-500010805875143524624876034519201234300383061160100655993307 | 3771022(183148345)59413301133658791380372987652784-708695127703,5349734971928-500012889555417817825119954725691089336058700160100703553497 | 3771022(182770649)67413301143677991537100738322036-73355427369002875332089531223878150001484254527968381904472372284580838796124160100690028753 | 3771022(1784155460)874133011408454720739598384828563509371957071170568158229582907328573250001202657615595241870816415569139417234882160100705681582 | 3771022(208253814)949133011357692921140015453194093509365266049662231624527183032328903250001052294417663351729532177379373369374068160100623162451 |

**PROFIT AND LOSS ACCOUNT**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| PARTICULAR | 2017 | 2018 | 2019 | 2020 | 2021 |
| IncomeRevenue from operationOther incomeTotalrevenue(A) Expenses Cost of material Consumed Purchase of stock -in- tradeChange in inventory of stock in trade Employee benefit expenses Finance costs Depreciation and amortization expenses Other expenses Total expenses (B)Profit/(loss) before exceptional and extraordinary items and taxExceptional items Profit/(loss)before extraordinary items and tax Extraordinary items Profit/(loss) before tax Tax expenses (1) current tax(2) Deferred tax(3) MAT credit entitlement Profit /(loss)from the year from continuing operations Profit/(loss)for the year **Earning per equity share** BasicDiluted | 33102881822156027353184845239427436371039390725636001212145844752990540297434912385232177(32047332)-(32047332)-(32047332)-(365723)-(31681609)(31681609)(16.80)(16.80) | 19986784911642979211510828281340098425525(5280927)34437389141217933009354152759030235606173(24095345)-(24095345)-(24095345)-(208368)-(23886977)(23886977)(12.67)(12.67) | 16721662968300671740466962240254416527536342675433408870067117893050871 4767492173864299182397-182397-18239735093(195299)(35093)3776963776960.200.20 | 748503824334171991862092100406828971886(9401417)330640182159801299134915759805945495104636699---4636699723330281597(723330)435510243551022.312.31 | 5536958711765142671337291281514318041175132307422920535212441227463361884329196821634(29687905)---(29687905)-150363-(29838268)(29838268)(15.83)(15.83) |