* 1. **INTRODUCTION TO THE STUDY**

The project work entitled A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF NICE CHEMICALS Pvt Ltd a prominent chemical manufacturing company based in Edappally , Kochi. In today's dynamic and competitive business environment, understanding a company's financial performance is crucial for stakeholders, including investors, management, and analysts. Financial performance analysis provides valuable insights into a company's economic health and operational efficiency, guiding strategic decision-making and investment strategies.

This project focuses on a comprehensive study of the financial performance of Nice Chemicals private limited. By examining various financial metrics and indicators, the project aims to evaluate the company's profitability, liquidity, solvency, and operational efficiency. Key financial statements such as the income statement, balance sheet, and cash flow statement will be scrutinized to assess trends and uncover areas of strength and weakness.

By integrating financial ratios, trend analysis, and industry benchmarks, this study aims to present a clear picture of Nice Chemical private limited ’s financial health and performance. The insights derived from this analysis will not only help in understanding the company's current position but also in forecasting its future prospects and informing strategic planning.

The financial performance analysis of Nice Chemicals Private Limited aims to evaluate the company's fiscal health and operational efficiency within the chemical manufacturing industry. This project will delve into key financial statements, assess critical performance indicators, and identify trends over time. By analysing profitability, liquidity, and solvency ratios, we seek to provide a comprehensive overview of the company’s strengths and areas for improvement. Ultimately, this analysis will serve as a foundation for strategic recommendations to enhance performance and sustain growth in a competitive market.

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. Financial performance analysis includes analysis and interpretation of financial statements in such a way that it undertakes a full diagnosis of the profitability and financial soundness of the business.

**1.2 SIGNIFICANCE OF THE STUDY**

The study of financial performance analysis of a company is crucial as it offers valuable insights into the company's economic health and operational efficiency. Creditors use this analysis to evaluate the company's ability to meet its financial obligations through ratios like the current ratio and interest coverage ratio. Internal management benefits from understanding resource utilization and identifying areas for improvement, which aids in strategic planning and operational adjustments.

**1.3 SCOPE OF THE STUDY**

This study focuses on examining the financial challenges faced by companies, particularly in relation to profitability decline and negative cash flow. The research will explore the underlying causes of these financial issues and assess their impact on the company’s financial stability, operational sustainability, growth potential, and ability to meet debt obligations. By identifying these critical financial factors, the study aims to provide insights that can inform decision-making processes related to restructuring, cost management, and strategic planning. The scope will encompass an analysis of both internal financial practices and external market influences affecting financial performance.

**1.4 OBJECTIVES OF THE STUDY**

* To study on the financial performance of the organization.
* To assess the profitability and efficiency of the organization.
* To evaluate the financial health and stability of the organization.

**1.5 THEORETICAL ASPECTS**

According to Eugene F. Brigham ,Finance is the art and science of managing money, involving the processes of raising capital, allocating resources, and managing risks to ensure financial stability and growth for individuals, businesses, and governments.

Charles .T. Horngren( Financial Accounting ) defines , Financial statement analysis is defined as the process of evaluating a company's financial statements to assess its performance and make informed investment or business decisions. It involves examining financial data to understand trends, relationships, and overall financial health

Kieso ,Weygandt and Warfield describes Financial Statement analysis as a systematic approach to reviewing and interpreting a company's financial statements. This analysis helps stakeholders evaluate the company's profitability, liquidity, and solvency, facilitating better decision-making.

Robert N. Anthony describes Financial statement analysis is a method of analysing financial data to evaluate a company's financial performance over time. This process aids managers investors, and creditors in assessing the company’s ability to generate profits and meet its obligations.

**1.5.1 FINANCIAL STATEMENT**

A financial statement is a formal record of the financial activities and position of a business, person, or other entity. It provides an overview of a company's financial condition in both short and long term. The main types of financial statements are the balance sheet, income statement, cash flow statement and statement of changes in equity ,each providing different insights into the entity's performance, assets, liabilities, and cash flows.

The term "financial statement" can also refer to any report or document that provides information about the financial status of an individual, company, or organization. Outside of the formal accounting sense, it can sometimes be used in a more informal or general context to describe any summary or declaration regarding financial conditions or results.

* **Balance Sheet**

Robert .N Anthony and James S Reece in "Management Accounting" outline the balance sheet's components and its significance in financial analysis. 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.

**Features of balance sheet**

**Assets**

Assets are everything the company owns or controls that is expected to provide future economic benefits. They are classified into two main categories:

 Current Assets: These are assets expected to be converted into cash or used up within one year or one operating cycle, whichever is longer.

 Non-Current Assets (Long-term assets): These are assets that are expected to provide benefits over a period longer than one year.

**Liabilities**

Liabilities represent the company's financial obligations or debts that it needs to pay in the future. Like assets, liabilities are classified into two categories:

 Current Liabilities: These are obligations expected to be settled within one year or within one operating cycle.

 Non-Current Liabilities (Long-term liabilities): These are obligations that the company will settle in more than one year.

**Shareholders' Equity (or Owners' Equity)**

This represents the residual interest in the assets of the company after deducting liabilities. It reflects the ownership interest in the company. Key components of equity include:

* Common Stock (or Share Capital): The value of shares issued to shareholders.
* Retained Earnings: The accumulated profits that have not been distributed as dividends.
* Additional Paid-In Capital: The amount received from shareholders over and above the nominal value of the stock.
* Treasury Stock: The company’s own stock that it has repurchased.
* Other Comprehensive Income: Gains or losses that are excluded from net income, such as unrealized gains from investments or foreign currency translation adjustments.

### **Time Frame**

A balance sheet provides a snapshot at a specific point in time (e.g., as of December 31, 2024). This distinguishes it from income statements, which cover a period of time (e.g., one year).

**The Basic Equation**

The balance sheet follows the fundamental accounting equation: Assets = Liabilities + Shareholders' Equity This equation must always be in balance, meaning that the total value of assets must equal the total of liabilities and shareholders' equity.

* **Income Statement**

Kieso , Weygandt and Warfield in "Intermediate Accounting" discuss the structure and importance of the income statement in assessing profitability. 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.

**Features of income statement**

**Revenue (Sales)**

This represents the total income generated by the company from its primary business activities, such as selling goods or providing services. Revenue is often the starting point of an income statement.

**Cost of Goods Sold (COGS)**

 COGS represents the direct costs incurred in producing or delivering the goods or services that the company sells. It includes costs like raw materials, labour, and manufacturing expenses.

**Gross Profit**

 Gross profit is the difference between revenue and COGS. It reflects the profitability of a company before operating expenses are deducted.

**Operating Income (EBIT)**

Operating income, or Earnings Before Interest and Taxes (EBIT), is calculated by subtracting operating expenses from gross profit. It reflects the company's profitability from its core business operations, excluding interest and taxes.

**Non-Operating Income and Expenses**

These include income or expenses that are not related to the core business operations. These items can significantly affect the company’s overall profitability but are usually excluded from core operations analysis.

**Income Before Taxes (EBT**

Earnings before Taxes (EBT) is calculated by adding or subtracting non-operating income/expenses from operating income. It represents the company’s profitability before tax expenses.

**Net Income (Net Profit or Loss)**

Net income is the final measure of a company’s profitability. It’s the amount remaining after all expenses, including COGS, operating expenses, interest, taxes, and non-operating items, have been subtracted from total revenue.

* **Cash Flow Statement**

Gibson C. H in "Financial Reporting and Analysis" highlights the importance of the cash flow statement in understanding cash liquidity and operational efficiency. 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.

**Features of cash flow statement**

**Operating Activities**

This section reports cash flows from the core business operations of the company. It reflects how much cash is generated or used by the company's regular activities, such as selling products or services, paying employees, and covering operating expenses. Positive cash flow from operating activities is crucial for the long-term viability of the business because it shows the company can sustain its operations without relying heavily on external financing.

**Investing Activities**

This section reports cash flows related to the acquisition and disposal of long-term assets, such as property, equipment, and investments. It reflects how the company is investing in its future growth or returning capital to shareholders.

**Financing Activities**

This section details cash flows related to the company’s financing activities, including the inflow and outflow of cash from borrowing and repaying debt, issuing or buying back shares, and paying dividends. Essentially, it shows how the company raises capital and how it manages its financial obligations.

**Net Increase (Decrease) in Cash and Cash Equivalents**

This section summarizes the overall change in cash during the period. It adds up the cash inflows and outflows from operating, investing, and financing activities. A positive net increase in cash means the company has more liquidity, while a negative figure means its cash reserves have declined.

**Cash at the Beginning and End of the Period**

This feature shows the amount of cash and cash equivalents the company had at the beginning and end of the reporting period. It allows users to assess the company’s cash position at different points in time.

**Non-Cash Transactions (Footnotes/Disclosures)**

While not always directly included in the cash flow statement, companies are often required to disclose non-cash transactions in the footnotes. These include significant transactions that do not involve the exchange of cash but still have an impact on the financial statements.

**Free Cash Flow (Optional but Important)**

Free Cash Flow (FCF) is the cash a company generates after accounting for capital expenditures necessary to maintain or expand its asset base. It is a measure of how much cash is available for discretionary activities, such as paying dividends, repurchasing stock, or reducing debt.

**Direct vs. Indirect Method of Reporting Operating Cash Flow**

The direct method lists all cash inflows and outflows directly (e.g., cash receipts from customers, cash payments to suppliers). The indirect method, which is more common, starts with net income and adjusts for changes in non-cash items (like depreciation) and changes in working capital (like changes in accounts receivable or accounts payable).

* **Statement of changes in equity**

Charles. T. Horngren also includes discussions on this statement in the context of overall financial reporting. This statement shows the changes in equity from transactions with shareholders, including retained earnings, dividends, and other comprehensive income, over a specific period.

**Features of statement of changes in equity**

**Opening Balance of Equity**

This is the value of equity at the beginning of the period, as reported in the balance sheet from the previous period. The opening balance serves as the starting point for any changes during the period. It shows the starting point for shareholders' equity, allowing users to compare how equity has changed over time.

**Net Income or Loss**

 Net income (or loss) is the profit or loss earned by the company during the reporting period, as reported in the income statement. This value is added to the equity because it represents the company's retained earnings. The net income figure reflects the profitability of the company during the period. A positive net income increases equity, while a loss reduces it.

**Other Comprehensive Income (OCI)**

Other comprehensive income includes gains and losses that are not part of the company's regular income (as reported in the income statement). OCI represents changes in equity from transactions not reflected in net income. These items are usually reported separately and are added (or subtracted) from equity.

**Dividends Paid**

Dividends paid to shareholders represent a distribution of a company’s profits. Dividends reduce the company’s retained earnings and therefore reduce overall equity. Dividends reflect the company’s approach to returning value to its shareholders. A company that regularly pays dividends is often seen as a stable, income-generating entity. However, large dividend payments can reduce cash and retained earnings, potentially limiting the company's ability to reinvest profits.

**Issuance or Repurchase of Shares**

Changes in the number of shares outstanding affect equity directly. Issuing shares is a way for the company to raise capital, while repurchasing shares can indicate a desire to return capital to shareholders or boost the value of remaining shares.

**Changes in Reserves**

 Reserves are parts of shareholders' equity that are set aside for specific purposes (e.g., legal reserves, capital reserves, revaluation reserves). These reserves are typically not distributed as dividends but are kept for strategic needs.

**1.5.1.1 OBJECTIVES OF FINANCIAL STATEMENT**

* Financial statements are designed to provide relevant financial information to various stakeholders, such as investors, creditors, managers, and regulators.
* Financial statements, particularly the income statement, allow users to evaluate an entity's profitability over a specific period.
* The balance sheet (or statement of financial position) shows a company’s assets, liabilities, and equity at a specific point in time.
* The cash flow statement provides detailed information about a company’s cash inflows and outflows during a reporting period.
* Financial statements provide a transparent and standardized way of reporting financial data, ensuring accountability by the management to the owners or stakeholders.
* By adhering to established accounting principles (like GAAP or IFRS), financial statements allow users to compare the financial performance and position of different entities.
* Internal stakeholders, like management, use financial statements to assess performance trends and make strategic decisions, such as pricing, budgeting, or investment in new projects.
* Financial statements enable users to assess financial risks associated with an organization, such as liquidity risk, credit risk, and market risk.

**1.5.1.2 CHARACTERISTICS OF FINANCIAL STATEMENT**

* **Verifiability :** Verifiability means that the financial statements should provide evidence that can be verified by independent observers.
* **Comparability:** Users should be able to compare the financial statements of an entity over time and with other entities.
* **Reliability:** Financial statements should faithfully represent the financial position, performance, and cash flows of an entity.
* **Relevance:** Financial statements must provide information that is relevant to users' decision-making processes. Relevant information helps users evaluate past, present, and future events.
* **Timeliness:** Financial information must be available to users in a timely manner so that it can influence their decisions.
* **Understandability:** Financial statements should be presented clearly and comprehensively so that they are understandable by users who have a reasonable knowledge of business and accounting.
* **Consistency:** Consistency refers to the use of the same accounting methods and principles from one period to the next, unless a change is justified and disclosed.
* **Accrual Basis of Accounting:** Financial statements should be prepared using the accrual basis of accounting, meaning that transactions are recorded when they occur, not when cash is received or paid.
* **Materiality:** Materiality refers to the significance of an item or transaction in relation to the overall financial statements.

**1.5.2 FINANCIAL STATEMENT ANALYSIS**

Robert N Anthony and James S Reece describesFinancial statements are formal records of the financial activities and position of a business, organization, or individual. They provide a structured representation of the financial performance over a specific period and the financial position at a certain point in time. Financial statement are the statements showing the financial position and results of business of operation at the end of the accounting period. The two financial statements are balance sheet and profit and loss account. The balance sheet shows the financial position at a particular point of time. The profit and loss account shows the results of operations for a period of time. Financial statement analysis involves evaluating a company’s financial statements to understand its financial performance, position, and cash flows.

**1.5.3 TYPES OF FINANCIAL STATEMENT ANALYSIS**

* **Horizontal analysis**

Kieso ,Weygandt and Warfield in "Intermediate Accounting" discuss horizontal analysis as a way to assess performance over time. This type involves comparing financial data across multiple periods to identify trends and changes in essential line items. As you delve into horizontal analysis, you can uncover shifts in revenue, expenses, and other financial metrics over time.

* **Vertical analysis**

Charles. T. Horngren in "Financial Accounting" explains vertical analysis and its utility in comparing financial data across companies of different sizes. The analysis focuses on expressing each line item on financial statements as a percentage of a base item. This approach provides insights into the relative proportion of different components within the same period, aiding in pinpointing areas of significance.

* **Ratio analysis**

Gibson C. H in "Financial Reporting and Analysis" provides a comprehensive overview of various financial ratios and their significance. This analysis entails calculating various financial ratios by comparing specific items on financial statements. Ratios like liquidity, leverage, profitability, and debt-to-equity ratios, offer in-depth insights into a company’s financial performance.

* **Common size analysis**

Charles T Horngren in "Financial Accounting" also discusses how common size statements can help analysts and investors interpret financial data effectively. The analysis involves presenting each line item on financial statements as a percentage of a common base, often total revenue or assets. This technique facilitates easy comparison across different companies or periods.

* **Trend analysis**

Paul E Relf in "Introduction to Financial Statement Analysis" emphasizes the importance of trend analysis in making informed financial decisions. This kind of analysis examines the trajectory of financial data over multiple periods, helping you identify patterns and potential changes. This type of analysis assists in predicting future financial performance based on historical data.

* **Industry comparative analysis**

Gibson C H in "Financial Reporting and Analysis" emphasizes the importance of comparative analysis for evaluating a firm's relative performance within its industry. By benchmarking a company’s financial performance against industry averages, you can assess how well it is faring compared to its competitors. This approach provides context and reveals strengths and weaknesses.

* **Qualitative analysis**

Koller T in "Valuation: Measuring and Managing the Value of Companies" discuss how qualitative factors can significantly influence valuation and investment decisions. While quantitative data forms the foundation, qualitative analysis complements it by considering non-financial factors such as management quality, market trends, and industry dynamics. This holistic approach offers a comprehensive view of a company’s performance.

* **Credit analysis**

Fabozzi F J and F J Modigliani in "Foundations of Financial Markets and Institutions" discuss credit analysis as a critical aspect of risk assessment in financial markets. This analysis evaluates a company’s creditworthiness and ability to meet its debt obligations. As you undertake credit analysis, you scrutinize the company’s cash flow, debt levels, and financial stability to assess its capacity to repay loans.

* **Valuation analysis**

Aswath Damodaran in "Investment Valuation" emphasizes various valuation techniques and the importance of understanding both quantitative and qualitative factors in the valuation process. An analysis that seeks to determine the intrinsic value of a company’s stock or assets is a valuation analysis. This type of analysis is essential for investors looking to make informed decisions about buying or selling securities.

* **Scenario analysis**

Damodaran A in "Strategic Risk Taking" discusses the application of scenario analysis in evaluating risk and uncertainty in decision-making processes. In scenario analysis, you explore potential outcomes based on varying assumptions and external factors. This approach helps you prepare for different possibilities and their impact on the company’s financial performance.

**1.5.4 OBJECTIVES OF FINANCIAL STATEMENT ANALYSIS**

* **Assesses the Earning Capacity:**

The primary objective of any enterprise is to earn a reasonable return on the capital employed. The goal of financial analysis is to find out if the enterprise is earning adequate profits or not. Profitability Ratios (like Gross Profit Ratio, Operating Profit Ratio, etc.) are used to evaluate the earning capacity of an enterprise.

* **Assesses the Solvency:**

Financial analysis attempts to determine the business’s short-term and long-term solvency. Creditors are keen to determine the liquidity position of the term, i.e., the short-term solvency of the business, whereas long-term lenders (such as debenture-holders) are keen to know the long-term solvency of the business. Ratio analysis is helpful in determining the complete solvency of the business.

* **Forecasts and Prepares Budget:**

Analysis of previous financial accounts is helpful in forecasting future events. It allows the business to make predictions and develop budgets depending on the previous performance review.

* **Provides Useful and Valuable Information :**

Financial analysis attempts to provide useful and valuable information to a wide range of interested stakeholders, including owners, investors, creditors, employees, banks, financial institutions, government departments, and so on.

* **Measures Financial Strength:**

Financial analysis is used to determine the financial position and future of the enterprise. Financial statement analysis is used to measure a company’s financial strength, which helps stakeholders (investors, creditors, analysts, and management) evaluate its ability to meet its financial obligations and generate sustainable profits.

* **Inter-firm and Intra-firm Comparison:**

Financial analysis attempts to make inter-firm and intra-firm comparisons. This type of comparison is helpful in identifying problems and implementing corrective steps in time.

* **Measures Management’s Efficiency:**

Financial analysis attempts to assess the operational efficiency of the management. Such analysis is helpful in determining whether the financial policies decided by the management are appropriate or not.

**1.5.5 TOOLS USED IN FINANCIAL STATEMENT ANALYSIS**

In financial statement analysis, several tools and techniques are used to evaluate a company's financial health, performance, and position. The following are the tools that are used for analysing the financial position of a company :

* Ratio Analysis
* Comparative balance sheet
* Common size balance sheet
* Trend analysis
* Cash flow statement
* Fund flow statement
* Schedule of changes in working capital

This evaluation typically conducted through the analysis of key financial statements , including the income statement , which details revenue , expense and net income ; the balance sheet , which provide a snapshot of assets , liabilities , and shareholders’ equity ; and the cash flow statement , which tracks the inflows and outflows of cash. Additionally , financial ratios such as Return on Equity (ROE) , Return on Assets (ROA), current ratio, and debt-to-equity ratio offer deeper insights into profitability, efficiency, liquidity, and solvency. Assessing financial performance helps stakeholders understand the company’s financial position, operational efficiency, and long-term viability, guiding strategic decisions and investments.

**1.5.5.1 Ratio Analysis**

Gibson C H defines ratio analysis as a method of evaluating the performance and financial health of a company by analysing relationships among various financial statement figures, helping stakeholders make informed decisions.

 Ratio analysis is a important tool in financial analysis because it provide a systematic approach to evaluating a company’s financial health and performance. By converting financial data into standardized metrics, ratios facilitate meaningful comparison between companies of different sizes and across industries. This analysis helps in identifying trends over time, evaluating liquidity, profitability and solvency, and assessing operational efficiency.

**1.5.5.1.1 Classification of Ratio**

**Classification according to financial statements:**

* **Balance sheet:**

A balance sheet (also known as a statement of financial position) is a financial statement that provides a snapshot of a company's financial position at a specific point in time. It lists the company's assets, liabilities, and equity in a structured format, showing what the company owns, owes, and the residual interest of its owners.

* **Profit and loss account:**

A Profit and Loss Account, also known as the Income Statement, is a financial statement that summarizes a company's revenues, costs, and expenses during a specific period—typically a fiscal quarter or year. The primary purpose of the Profit and Loss (P&L) account is to show the company’s financial performance over a period, helping users assess the profitability of the business.

* **Combined or Mixed Ratio:**

The combined or mixed ratio is a financial metric used to evaluate the overall performance of a company, particularly in relation to its profitability, efficiency, or financial health. It typically combines multiple ratios into one composite measure to provide a more comprehensive view of the company's financial performance.

 **Classification according to the functions**

* **Liquidity ratios**

Liquidity ratios are financial metrics used to assess a company’s ability to meet its short-term obligations with its most liquid assets. They provide insights into a company’s short-term financial health and operational efficiency. The key liquidity ratios include:

**Current Ratio :** It measures a company’s ability to pay its short-term liabilities with its short-term assets.

Current Ratio = Current Assets / Current Liabilities

A ratio greater than 1 indicates that the company has more current assets than current liabilities, suggesting good short-term financial health.

**Quick Ratio :** It provide a more stringent measure of liquidity by excluding inventory from current assets, as inventory from current assets, as inventory may not be as readily converted into cash.

Quick Ratio : (Current Assets – Inventory) / Current liabilities

A ratio greater than 1 indicates that the company can cover its short-term liabilities without relying on the sale of inventory.

**Super Quick Ratio :** It evaluate a company’s ability to meet its short-term liabilities. Using only the most liquid assets, typically excluding accounts receivable in addition to inventory. This ratio focuses on cash and cash equivalents, which are the most readily available assets.

Super Quick Ratio : Cash and Cash Equivalent / Current Liabilities

A higher super quick ratio indicates a stronger short-term liquidity position, as it shows the company’s ability to cover its current liabilities using only its most liquid assets. This ratio is particularly useful in assessing the liquidity of companies in industries where receivables might be less reliable or where immediate cash availability is critical.

* **Leverage Ratio**

A leverage ratio is a financial metric that measures the extent to which a company is using debt to finance its operations and growth. Essentially, leverage ratios assess a company’s financial risk by indicating how much debt it has relative to its equity, assets, or earnings.

**Debt-to-Equity Ratio (D/E) :** The Debt-to-Equity Ratio measures the proportion of debt used to finance the company’s assets relative to the equity held by shareholders.

Debt-to-Equity Ratio = Total debt / Equity

**Proprietary Ratio** : The Proprietary Ratio is a financial ratio that measures the proportion of a company’s owned funds (equity) to its total assets. It indicates how much of the company’s assets are financed by its owners (equity holders) rather than by creditors (through debt).

Proprietary Ratio = Shareholders fund/ Total Assets

**Solvency Ratio** : The Solvency Ratio is a key financial metric used to measure a company's ability to meet its long-term debt obligations and ensure its long-term financial stability. It provides an indication of whether a company has enough assets to cover its liabilities in the event of financial distress or liquidation.

Solvency Ratio = Total Assets/ Total Debt

**Fixed Assets to Net Worth Ratio**: The Fixed Assets to Net Worth Ratio is a financial metric used to assess the relationship between a company's fixed assets (long-term assets) and its net worth (equity). This ratio indicates how much of the company’s equity is tied up in fixed assets (such as property, plant, and equipment) rather than being available in more liquid forms (like cash or receivables).

Fixed Assets to Net Worth Ratio = Net Fixed Assets / Equity

**Fixed Assets Ratio** : The Fixed Assets Ratio is a financial ratio that measures the proportion of a company's **fixed assets** (long-term, tangible assets like land, buildings, machinery, and equipment) in relation to its **total assets**. This ratio provides insight into how much of a company’s total asset base is tied up in physical, long-term assets.

Fixed Assets Ratio = Fixed Assets / Long term Fund

**Capital Gearing Ratio** : The Capital Gearing Ratio is a financial ratio that measures the proportion of a company’s equity capital relative to its debt capital. It indicates the degree of financial leverage a company is using, and helps assess the financial risk associated with its capital structure. The ratio compares the company’s equity to its borrowed funds (debt), providing insight into the company’s reliance on debt financing.

Capital Gearing Ratio = Fixed Interest Bearing Fund/ Shareholder’s Equity

* **Coverage ratio**

The Coverage Ratio is a financial metric used to assess a company's ability to meet its financial obligations, such as interest payments, debt repayments, or fixed expenses. It measures the company's capacity to cover its fixed financial costs with its available earnings or cash flow.

**Interest coverage ratio**: The Interest Coverage Ratio (ICR) is a measure of how easily a company can pay its interest expenses on outstanding debt with its available earnings before interest and taxes (EBIT). It reflects the company's ability to meet its interest obligations from its operating income.

Interest coverage ratio = Profit Before Interest and Tax/ Interest

**Dividend Coverage Ratio** : The Dividend Coverage Ratio (DCR) is a financial metric used to assess a company’s ability to pay dividends to its shareholders out of its net income or earnings. It measures how easily a company can cover its dividend payments from its profits.

Dividend Coverage Ratio = Earnings per Share/ Dividend per Share

**Overall Coverage Ratio** : The Overall Coverage Ratio is a broad financial metric that evaluates a company’s ability to meet all of its fixed financial obligations, which include interest payments, principal repayments on debt, and sometimes other fixed costs such as leases and preferred dividends.

Overall Coverage Ratio = EBIT+ Fixed Charges/ Fixed Charges +Interest

* **Activity ratios**

Activity ratios, also known as efficiency ratios, measure how effectively a company utilizes its assets to generate revenue and manage its operations. These ratios provide insights into the operational efficiency of a business, showing how well it is managing its resources, such as inventory, accounts receivable, and total assets, in generating sales.

**Inventory Turnover Ratio** : The Inventory Turnover Ratio measures how often a company’s inventory is sold and replaced over a period (usually a year). It shows how efficiently a company manages its inventory, and how quickly it can convert its inventory into sales.

Inventory Turnover Ratio = Cost of Goods Sold/ Average Stock

**Debtors Turnover Ratio** : The Debtors Turnover Ratio, also known as the Receivables Turnover Ratio, is a key financial metric that measures how efficiently a company manages its accounts receivable (i.e., the amounts owed by customers). It indicates how often a company collects its average accounts receivable during a specific period, typically a year.

Debtors Turnover Ratio = Net Credit Sales / Debtors including Bills Receivables

**Creditors Turnover Ratio** : The Creditors Turnover Ratio (also known as Payables Turnover Ratio) measures how quickly a company pays off its accounts payable, or how efficiently it settles its debts to suppliers and creditors. This ratio helps to assess a company’s liquidity and cash flow management, indicating how well it is managing its short-term obligations.

Creditors Turnover Ratio = Net Credit Purchase/ Creditors including Bills Payable

**Working Capital Turnover Ratio** : The Working Capital Turnover Ratio measures how efficiently a company uses its working capital (current assets minus current liabilities) to generate sales. It shows how effectively the company is leveraging its short-term assets and liabilities to produce revenue.

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. This ratio is especially important for capital-intensive industries.

Fixed Asset Turnover Ratio = Net Sales/ Net Fixed Assets

* **Profitability Ratio**

A profitability ratio is a financial metric used to assess a company's ability to generate profit relative to its revenue, assets, equity, or other financial metrics. These ratios provide insights into how efficiently a company is managing its operations to produce profit. Here are some common profitability ratios:

**Gross Profit Ratio** : The Gross Profit Ratio (also known as Gross Profit Margin) is a profitability ratio that shows the percentage of revenue that exceeds the Cost of Goods Sold (COGS). It indicates how efficiently a company is producing goods or services relative to its revenue, highlighting the portion of sales revenue that is available to cover other operating expenses and generate profits.

Gross Profit Ratio = Gross Profit/ Net Sales \*100

**Net Profit Ratio** : The Net Profit Ratio (also known as Net Profit Margin) is a profitability ratio that shows the percentage of net profit a company generates from its total revenue after all expenses, taxes, and interest have been deducted. It is a comprehensive measure of a company's overall profitability, indicating how much of each dollar of revenue remains as profit after accounting for all operating and non-operating costs.

Net Profit Ratio = Net Profit / Net Sales \*100

**Operating Profit Ratio** : The Operating Profit Ratio (also known as the Operating Profit Margin) is a profitability ratio that measures the percentage of revenue a company retains as operating profit after covering its operating expenses, but before accounting for interest and taxes.

Operating Profit Ratio = Cost of Goods Sold+ Operating Expenses / Net Sales\*100

**Return on Investment (ROI)**: Return on Investment (ROI) is a financial metric used to evaluate the profitability or efficiency of an investment. It measures the return (profit or loss) relative to the initial cost of the investment.

Return on Investment = Profit Before Interest and Tax / Capital Employed

**Return on Shareholders' Fund** (ROSF) : Return on Shareholders' fund is a financial metric that measures the return or profitability generated by a company for its shareholders, relative to the equity or funds invested by them. It is an important indicator for investors to assess how effectively a company is utilizing shareholders' equity to generate profit.

Return on Shareholders' fund= Net Profit After Interest and Tax/ Shareholder’s fund

**1.5.5.2 Comparative balance sheet**

A comparative balance sheet is a statement that shows the financial position of an organization over different periods for which comparison is made or required. The financial position is compared with 2 or more periods to depict the trend, direction of change, analyse and take suitable actions.

A statement that helps in the comparative study of the components of a company’s balance sheet over a period of two or more years, both in absolute and percentage form, is known as a comparative balance sheet. For the estimation of an organization’s future progress, it is essential to look into its past performance, for which performing a comparative study of two or more years of company financial statements becomes necessary. It is a horizontal type of analysis and not only provides the absolute figures of various years, but also, the columns to indicate any increase or decrease in these figures from one year to another in absolute and **a**percentage form. One can form an opinion on the progress of an enterprise based on the comparative statements.

**1.5.5.3 Common size balance sheet**

A Vertical Analysis of the Financial Statements of a company, in which the amount of individual items of a Balance Sheet or Statement of Profit & Loss are written is known as a **Common-size Financial Statement.**The amounts written are then converted into percentage by taking a common base; which is, Revenue from Operations or Net Sales in case of Statement of Profit & Loss and Total Assets or Total Equity and Liabilities in case of a Balance Sheet. The percentages calculated by taking the respective common bases are then compared with the corresponding percentages of other periods, through which meaningful conclusions can be drawn. A Common-size Statement can be prepared for inter-firm and intra-firm comparisons or for Balance Sheet and Income Statement.

**1.5.5.4 Trend analysis**

Trend analysis is a technique for creating precise predictions based on historical data and analysis. It enables comparing data over a specific time frame and detecting uptrends, downtrends, and stagnation.

In [financial statement analysis](https://precisa.in/blog/financial-statement-analysis-software-aiding-fintech-growth/), trend analysis involves evaluating an organisation’s financial information over time. Depending on the situation, periods might be counted in months, quarters, or years. The goal is to calculate and analyse the amount of change and per cent change from one period to the next.

**1.5.5.5 Cash flow statement**

The movement of cash & cash equivalents or inflow and outflow of cash is known as Cash Flow. Cash inflows are the transactions that result in an increase in cash & cash equivalents; whereas, cash outflows are the transactions that result in a reduction in cash & cash equivalents. Hence, a statement showing flows of cash & cash equivalent during a specified time period is known as a Cash Flow Statement. Simply put, a cash flow statement is a summary of different sources and applications of cash during a specific time period and analyses the reasons behind changes in cash balance between the two balance sheet dates. (Here, ‘cash’ means cash & cash equivalent) Hence, one can prepare a cash flow statement if the two comparative balance sheets of a company are given.

**1.5.5.6 Fund flow statement**

A Fund Flow Statement is a financial statement that shows the movement of funds (or financial resources) into and out of a business over a specific period. Unlike a Cash Flow Statement, which focuses on actual cash transactions, a Fund Flow Statement focuses on the changes in working capital and how funds have been sourced and used during the period. To verify the transfer of funds from the previous financial year to the current financial year, a Funds Flow Statement is a financial document which analyses a company's balance sheet for two years. It will assess the source of inflows and outflows during the relevant accounting period, as well as analyse their impact on the working capital of an organisation.

**1.5.5.7 Schedule of changes in working capital**

A Schedule of Changes in Working Capital is a detailed statement that outlines the changes in working capital from one period to the next. It helps in understanding the factors that contributed to the increase or decrease in the company’s short-term financial health. The preparation of a Schedule of Changes in Working Capital involves detailing the changes in current assets and current liabilities over a specific period, typically a year or a quarter. This schedule is essential for understanding how working capital has evolved and identifying factors driving the changes.

**1.5.6 Uses of financial statement analysis**

**Assessing Profitability**

One of the primary uses of financial statement analysis is to assess a company’s ability to generate profit over a specific period. By examining metrics such as net income, gross profit margin, operating profit margin, and return on equity (ROE), stakeholders can evaluate whether a company is efficiently turning its revenues into profit.

**Evaluating Financial Health and Stability**

Financial statement analysis helps in assessing a company’s financial health, particularly its solvency and liquidity. Liquidity ratios (like current ratio and quick ratio) indicate whether a company can meet its short-term obligations, while solvency ratios (such as debt-to-equity ratio) provide insights into the company’s long-term financial stability.

**Forecasting Future Performance**

Financial statement analysis is an important tool for forecasting a company’s future performance. By analysing trends in revenue growth, expenses, profits, and capital expenditures over several periods, analysts can project future financial results. This can include predicting earnings growth, estimating future cash flows, and projecting potential returns on investment.

**Valuation of a Company**

Financial statement analysis plays a critical role in determining a company’s value, especially for mergers, acquisitions, or investment decisions. By examining key metrics such as price-to-earnings ratio (P/E), enterprise value (EV), and earnings before interest, tax, depreciation, and amortization (EBITDA), analysts can estimate a company’s worth.

**Evaluating Cash Flow and Liquidity**

A key aspect of financial statement analysis is examining the company’s cash flow through the cash flow statement. By assessing operating cash flows, investing cash flows, and financing cash flows, analysts can determine whether a company is generating enough cash to fund its operations and growth without relying excessively on external financing.

**Identifying Operational Efficiency**

 Financial statement analysis helps assess how efficiently a company is operating. Ratios such as inventory turnover, accounts receivable turnover, and asset turnover measure how well the company is using its assets to generate revenue.

**Assessing Risk and Financial Leverage**

Financial statement analysis helps identify the degree of financial risk a company is exposed to by examining its capital structure (debt vs. equity financing). Leverage ratios, like the debt-to-equity ratio and interest coverage ratio, indicate how much debt the company has taken on and whether it can meet interest obligations.

**Comparing Performance with Peers and Industry Benchmarks**

Financial statement analysis allows stakeholders to compare a company’s financial performance with its industry peers or competitors. By benchmarking key ratios and metrics, analysts can determine how a company stacks up against others in the same sector.

**Supporting Decision-Making for Management**

Financial statement analysis is a valuable tool for internal management to make informed business decisions. By analysing profitability, costs, cash flows, and overall financial health, managers can make strategic decisions about budgeting, resource allocation, and future investments.

**Ensuring Compliance and Regulatory Reporting**

Financial statement analysis can help ensure that a company complies with regulatory requirements and accounting standards (such as GAAP or IFRS). By reviewing the financial statements for accuracy, analysts and auditors can verify that the company is adhering to required financial reporting standards.

**1.6 METHODOLOGY OF THE STUDY**

**1.6.1 RESEARCH DESIGN**

Research design refers to the structured plan or blueprint that outlines how a research study will be conducted. It encompasses the methods for collecting, measuring, and analysing data to address specific research questions or hypotheses.

This research aims to evaluate the financial performance of Nice Chemicals over the past five years. By analysing key financial ratios and comparing them to industry benchmarks, the study seeks to identify trends, strengths, weaknesses, and factors influencing financial health. The research employs a quantitative approach utilizing financial statements and industry report.

**1.6.2 METHOD OF DATA COLLECTION**

For the financial performance analysis of Nice Chemicals, the primary method of data collection involves gathering secondary data from various sources. First, financial statements including the income statement, balance sheet, and cash flow statement for Nice Chemicals over the past five years will be collected from the company’s annual reports and regulatory filings. This data is essential for calculating key financial ratios and assessing performance trends. Additionally, industry reports will be sourced from market research firms and financial databases to provide benchmarks and industry averages for comparison. Competitor financial statements will also be collected to facilitate a relative analysis against key players in the same sector. To complement this, a review of academic literature and financial analysis textbooks will be conducted to ensure a thorough understanding of methodologies and theoretical frameworks.

If necessary, primary data collection may include conducting structured interviews or surveys with company management and industry experts to gain qualitative insights into financial strategies and market conditions. All collected data will be organized and validated to ensure accuracy and reliability before analysis.

**1.6.3 METHOD OF DATA ANALYSIS**

The method of data analysis involves applying quantitative techniques such as ratio analysis and Comparative analysis to the financial statements of Nice Chemicals private limited.

**1.6.4 PERIOD OF THE STUDY**

The period of study was 45 days with effect from July 15th to august 31st 2024 ,and the study considered the financial statement of Nice Chemicals for a period of five years from 2018-2023.

**1.7 CHAPTER SCHEME**

* The first chapter gives an overall introduction of the project work. It mainly includes introduction, scope of the study, statement of the research problem, objectives of the study, research methodology, period of the study, limitations of the study and chapter scheme.
* The second chapter deals with review of related literature and theoretical framework relating to the Financial Performance Analysis of NICE CHEMICALS.
* The third chapter deals with profile of the study area includes industry profile and profile of the company.
* The fourth chapter with data analysis and interpretation. It includes different types of analytical tools like tables, graphs and interpretation from these tools.
* The fifth chapter deals with findings, recommendations and conclusion of the project.

**1.8 LIMITATIONS OF THE STUDY**

* The study is based on historical data
* The study is based last 5 years performance only.
* The availability of data is limited due to the time factor.

**2.1 REVIEW OF LITERATURE**

**Pham, Nguyen & Nguyen (2020)**

Investigated the impact of working capital management (WCM) factors on the profitability of steel companies listed on the Vietnam Stock Exchange. Data was gathered from companies audited financial statements over a ten year period, from 2010 to 2019. Twenty out of the 26 firms have samples eligible for study, which is equivalent to 76.9%. Multivariate regression models are used to determine the effect of WCM (through eight independent variables: DIO, DPO, DSO, CCC, SIZ, CR, LEV, GRO) on the firm's profitability (through the dependent variable) using Stata version 14. WCM has a strong impact on company profitability, according to research findings from companies in the steel industry in Vietnam during this time period. Among the eight factors impacting steel business profitability, DPO, DIO, DSO, CR, SIZ, and GRO have a positive impact, improving profitability; two factors, CCC and LEV, have a negative impact, with the effect of CCC being negligible. Due to the unique characteristics of the industry, as well as the various stages of economic development associated with the State's economic management policies, this conclusion stands in stark contrast to many previously published studies.

**Paul & Mitra, 2018**

Working capital is one of the most important indicators of a company's productivity because it represents all of the company's liquid assets. It represents a company's ability to meet day-to-day operating costs and serves as a gauge of its short-term financial wellbeing. As a result, in order to maintain a balance between liquidity and profitability, a company must plan the efficient use of its working capital. As a result, the purpose of this paper is to investigate the effect of working capital management on the profitability of Indian steel companies. As a result, the purpose of this paper is to investigate the effect of working capital management on the profitability of Indian steel companies. The study looked at four independent variables, including the current ratio, quick ratio, debtor turnover ratio, and finished goods turnover ratio, all of which are indicators of working capital usage in the sector. The profitability of the industry is represented by return on total assets, which serves as a dependent variable in the development of an empirical model to create a relationship between working capital management and profitability of the steel industry in India using panel data regression. The research was conducted over a 17-year period, from 2000 to 2016. The study's findings show that working capital management has a major impact on the profitability of Indian steel industry firms .

**Assagaf, A., & Ali, H. (2017)**

 International Journal of Economics and Financial Issues Determinants of Financial Performance of State-owned Enterprises with Government Subsidy as Moderator. International Journal of Economics and Financial Issues.

**Kumar Neeraj & Kaur Kuldip (2016)**

Made an attempt to test the size and profitability relationship in the Indian automobile industry. To analyse the relationship linear regression model as well as cross-sectional has been employed for the year 1998to 2014. For profitability analysis two different measures have been used (i) ratio of net profit to total sales turnover (ii) ratio of net income to net assets plus working capital and for form size two indicators used namely, total sales turn over and net assets. The time series analysis showed the positive relationship between firm size and profitability but cross sectional shows no relationship between firm size and profitability.

**Patijoshi (2016)**

 Advocated on maintaining sufficient liquidity and opined that it is essential to the day-to-day activities of every company. The financial results and success of a company are regulated by keeping liquidity and managing it properly. The company must maintain a proper amount of working capital in order to maintain liquidity, as having too much or too little working capital will wreak havoc on the organization's smooth operations. As a result, the aim of this research is to find out how Profitability and Liquidity affect the financial characteristics of a business. The paper focuses on expressive backgrounds in natural settings and exposes a common statistic. For the purpose of evaluating the effect of liquidity on profitability, financial statements from five Indian steel companies (Tata Steel, Steel Authority of India Ltd.,

**Takeh Ata & Navaprabha Jubiliy (2015)**

 Author has made conceptual model to outline the impact of capital structure on the financial performance i.e. capital structure is independent variable that value is measured by using four ratios namely, financial debt, total debt equity, total asset debt and interest coverage ratio where as financial performance is dependent variable that value is measured by using four ratios as return on assets, return on equity , operating profit margin and return on capital employed. Researcher has selected 13 major steel industries and applied various statistical tools like standard deviation, correlation matrix, ANOVA etc are employed for testing hypothesis with help of SPSS22.

**Katewa (2015)**

Observed that leading companies' success in India is key to the country's industrial development. Leverage is important in evaluating financial strength, which is crucial for the country's corporate sector to grow. Operating leverage, financial leverage, and combined leverage have all been analysed in this report, and it has been determined that the leverage of the companies under consideration is inadequate, requires consolidation, and varies substantially from one business to another.

**Agarwal, Nidhi (2015)**

The study focus on the comparative financial performance of Maruti Suzuki and Tata motors ltd. The financial data and information required for the study are drawn from the various annual reports of companies. The liquidity and leverage analysis of both the firms are done. To analyse the leverage position four ratios are considered namely, capital gearing, debt-equity, total debt and proprietary ratio. The result shows that Tata motors ltd has to increase the portion of proprietor’s fund in business to improve long term solvency position.

**Arab, Masoumi & Barati (2015)**

 Examined the financial performance of recognised units in the steel industry in India is examined in terms of financial ratios such as liquidity, solvency, activity, and profitability position. This study focuses on Tata Steel Ltd., Jindal Steel & Power Ltd., JSW Steel Ltd., Bhushan Steel Ltd., and Steel Authority of India Ltd., which are all listed on Indian stock exchanges. ANOVA-Test analysis is used to assess the effect of selected variables on the financial performance of identified steel industry units.

**Huda Salhe Meften & Manish Roy Tirkey (2014)**

Studied the financial analysis of Hindustan petroleum corporation ltd. The study is based on secondary data. The company has got excellent gross profit ratio and trend is rising in with is appreciable indicating efficiency in production cost. The net profit for the year 2010-11 is excellent & it is 8 times past year indicating reduction in operating reduction in operating expenses and large proportion of net sales available to the shareholders of company.

**Dhole (2013)**

Discussed about “Analytical Study of Four Automobile Sector Companies in Price Movement of Shares”. The main objective of research paper was to analyse of role of company performance in price movement of shares and to study the various factors affecting the price movement of shares and company performance. For the research paper she has been selected 30 companies of BSE’s SENSEX having different sectors and 62 selected for the period of 2003 to 2009. She has covered fundamental analysis of four companies which includes economic analysis, industry analysis and company analysis. For analysing the performance of the company’s quarterly financial reports were analysed by using variables such as EPS, P/E, and Quality of Earnings ratio. Sample was chosen from the Automobile sector and which was listed companies with BSE. She has found that the correlation between price movement of the shares and the performance of their respective companies. She has concluded that there were extremely wide day-to-day changes in the price quote on most of the stock exchanges and not possible to say whether it was economic or psychological realities which were the major causes of the price fluctuations in the stock markets. She revealed that an important issue, as it brought into an account the analysing the annual performance of companies and the price movements of the shares of that particular companies to the investors.

**Rapheal Nisha (2013)**

 The author tries to evaluate the financial performance of Indian tyre industry. The study was conducted for period 2003-04 to 2011-12 to analyse the performance with financial indicators, sales trend, export trend, production trend etc. The result suggests the key success in industry is to improve labour productivity , flexibility and capital efficiency.

**Jayarajasingh J John Samuel (2012)**

The study is concerned with financial analysis to evaluate the financial performance of India Cements limited Sankari West. The evaluation of financial performance was for period of 10 years from 2000-01 to 2009-2010. In this study, the financial performance of the company is analysed on variance fronts of profitability, liquidity and turnover. The study concludes that overall performance of the India cements Ltd., is good and the study will help for the company to identify the inefficiency area.

**Zafar S.M.Tariq & Khalid S.M (2012**)

 The study explored that ratios are calculated from financial statements which are prepared as desired policies adopted on depreciation and stock valuation by the management. Ratio is simple comparison of numerator and a denominator that cannot produce complete and authentic picture of business. Results are manipulated and also may not highlight other factors which affect performance of firm by promoters.

**Ray Sabapriya (2012)**

Studied the sample of automobile companies to evaluate the performance of industry through indicators namely sales, production and export trend etc for period of 2003-04 to 2009-10. The

study finds that automobile industry has been passing through disruptive phases by over debt burden, under utilization of assets and liquidity instability. The researcher suggested to improving the labour productivity, labour flexibility and capital efficiency for success of industry in future.

**Mistry Dharmendra S. (2012)**

Understood a study to analyse the effect of various determinants on the profitability of the selected companies. It concluded that debt equity ratio, inventory ratio, total assets were important determinants which effect positive or negative effect on the profitability. It suggested to improve solvency as to reduce fixed financial burden on the company profit & give the benefit of trading on equity to the shareholders.

**Sharma (2012)**

Studied in his research concerning “Comparing and Analysing Financial Statements to Make an Investment Decision: Case Study of Automotive Industry. In this research study, he has selected four automotive companies like Toyota, Nissan, Ford andGeneral Motors for comparative study for the period of 2008 to 2011. For the purpose of analysis he used qualitative and quantitative techniques and the other major outcome of this research has been the assessment of risk and gain of an investment. They have also concluded that the Indian automotive industry’s performance has significant difference in terms of their profit levels using ANOVA. It has also been 57 depicted from the analysis about existence of some relationship between Ford& General Motors in terms of profitability. Toyota and Nissan has performed very well with the use of new technology and skilled manpower. General Motors has been poor performer due to increased manufacturing overheads and cut throat competition.

**Amal Yassin Almajali, Sameer Ahmed Alamro and Yahya Zakarea Al-Soub (2012)**

Aimed at investigating the factors that mostly affect financial performance of Jordanian insurance companies. The data collected was analysed by using a number of basic statistical techniques such as T-test and multiple regressions. He concludes that the insurance company should increase its concentration on borrowing and debt department and at the same time should be careful about this ,that the insurance company should increase the current assets and decrease current liabilities. He extended his conclusion that the companies should not pay attention to age. The result suggested that the insurance companies should focus on employee’s efficiency by choosing the employees who have completed higher educations.

**Goswami & Sarkar (2011)**

Studied on “Analysis of Financial Performance of Tata Steel – A Case Study”, They emphasized to measure & analyse the operating risk, financial risk, and total risk by way of computing the Degree of Operating Leverage, Degree of Financial Leverage, and Degree Of Total Leverage of the selected company of Tata Steel for the accounting period from 2000-01 to 2009-10. On the basis of findings, they have suggested that to cover the fixed operating costs the firm should have to improve its net sales so company able to maintaining the operating risk within the manageable limit in the years to come. They concluded that the company should be maintaining a sound short-term debts paying capacity in future because the use of more amount of external funds may lead to short-term insolvency.

**Karaduman, Akbas & Caliskan (2011)**

They have discussed about empirical relationship between efficiency of working capital management and corporate profitability of selected companies in the Istanbul Stock Exchange for the period of 2005-2009. In this study, they concluded that the companies should focus on working capital management in order to increase their profitability by seriously and efficiently considering the issues on their cash renovation cycle which was derived from the number of day’s accounts payable, the number of day’s accounts receivable and the number of days of inventories. On the basis of findings, they suggested that it may be possible to increase profitability by improving efficiency of working capital.

**Chaturvedi (2011)**

Observed that survival is the most important condition for a profitable business venture. This necessarily requires strain-resistance strength or ability. Aside from survival, the ability to develop an organization requires strength or the consistency of being powerful. Financial strength, as defined by Walter Meigs and others, is “a company's capacity to meet its obligations, to transfer resources to meet changing circumstances, and to meet its obligations in the face of adversity.” As a consequence, the term "financial strength" includes both solvency and growth. Solvency ensures only survival, while financial strength ensures both.

**Verdi Ali (2010)**

Identifies whether this company has a strong financial fundamentals and whether investment in the company will be of a long term nature. Its financial statements had been analysed during 5 years period (2004-2008). Financial analysis has been measured by various ratios. The study concludes that current ratio has declined in the last 4 years. However, it is still well above the industry level, and it maintains a good level of liquidity.

**Pandey & Singh (2008)**

In their research, they have studied about working capital management by analysing current assets and current liabilities. They 55 have concluded, by maintaining high inventory levels reduce the cost of possible interruption in the production process or of loss of business due to the scarcity of products, reduces supply costs and protects against price fluctuations. They mentioned in their study, granting trade credit favours the firm’s sales in various ways and also trade credit can act as an effective price cut and incentives to customers to acquire merchandise at times of low demands. Thus, they found that greater the investment in current assets, lower is the risk, and profitability obtained and equally trade credit was a Spontaneous source of financing that reduces that amount required to finance the sums tied up in the inventory and account receivables. They have concluded that the profitability and liquidity comprises the salient and all too often conflicting goals of working capital management. They also revealed that the conflicts arise because the maximum of firm’s returns could seriously threaten liquidity and on the other hand, the pursuit of liquidity has a tendency to dilute returns.

**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.

**Choudhary (2007)**

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.

**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.

**Patra (2005)**

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 37 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.

**Reddy & Padma (2005)**

Discussed about the impact of mergers on corporate performance. They have compared the pre and post merger 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.

**Kakani, Saha & Reddy (2003)**

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.

**Wei,** **Varela, D’Souza & Hassan (2003)**

Discussed in their study about ‘The financial and operating performance of China's newly privatized firms’, and examined the pre- and post-privatization financial and operating performance of 208 firms privatized in China for the period 1990-97. The full sample results showed that the significant improvements in real output, real assets and sales efficiency, and significant declines in leverage following privatization, but no significant change in profitability. Additional analysis showed that privatized firms experience significant improvements in profitability compared to fully state-owned enterprises during the same period. They concluded that the firms in which more than 50 per cent voting control 52 was conveyed to private investors via privatization experience significantly greater improvements in profitability, employment, and sales efficiency measured up to those that remain under the state's control. Privatization seemed to work in China; especially the more private firms become successful operators.

**Bosworth & Loundes (2002)**

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 have set 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.

**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.

**Kakani et al. ( 2001)**

Examined the determinants of firm performance for 566 Indian firms. The tool ROA, ROCE, cash flow ratio, Sales to asset, gross profit margin, net profit margin, return on Net worth etc., as dependent variable and size, age, leverage, working capital ratio, business group affiliation etc., as determinants of firm performance and found that size, market expenditure and international diversification had a positive relation with market valuation for firms. A firms ownership composition, particularly the level of equity ownership by domestic financial Institutions and Dispersed public shareholders, and the leverage of the firm were important factors affecting its financial performance.

**Aggarwal & Singla (2001)**

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.

**3.1 PROFILE OF THE INDUSTRY**

**3.1.1 INDUSTRY AT A GLANCE**

The chemical industry is a cornerstone of the global economy, encompassing a broad spectrum of activities that involve the production of chemicals and materials essential for various sectors, including manufacturing, agriculture, pharmaceuticals, and consumer goods. This industry is categorized into several key segments: basic chemicals, which are produced in bulk from petrochemical feedstocks like oil and natural gas; specialty chemicals, which are designed for specific applications in sectors such as automotive, electronics, and energy; agrochemicals, including fertilizers and pesticides that support agricultural productivity; and consumer chemicals used in products like detergents, cosmetics, and cleaning agents. Manufacturing processes in the chemical industry often involve complex methods such as catalysis, polymerization, and distillation to create desired products, many of which serve as the foundational materials for other industries. Major players such as BASF, Dow Chemical, and DuPont dominate the global market, and the industry’s reach extends across all continents, with Asia-Pacific emerging as a key production hub. Environmental sustainability and safety are increasingly prioritized, with a growing emphasis on green chemistry, renewable resources, and circular economy practices to minimize waste and reduce carbon footprints. Innovations such as digitalization and automation, leveraging technologies like AI and IoT, are enhancing operational efficiency and supply chain management. As the global demand for chemicals continues to rise, driven by urbanization, industrialization, and innovation in healthcare and technology, the chemical industry faces the challenge of balancing growth with environmental responsibility and regulatory compliance. In the future, the industry’s trajectory will be shaped by these evolving demands, alongside efforts to mitigate the environmental impact of chemical production and ensure safety standards across the globe.

**3.1.2 GLOBAL SCENARIO**

The global chemical industry is a critical and expansive sector that plays a vital role in driving economic growth, technological innovation, and industrial development. It is one of the largest industries worldwide, contributing trillions of dollars to the global economy and supporting a vast array of sectors, including manufacturing, agriculture, healthcare, energy, and consumer goods. The industry is broadly divided into segments such as basic chemicals, which include large-volume products like petrochemicals and industrial gases; specialty chemicals, used in applications like electronics, automotive, and coatings; agrochemicals for crop protection and fertilizers; and consumer chemicals found in everyday products like cleaning agents and personal care items. The industry is heavily reliant on raw materials derived from petrochemicals, minerals, and increasingly, renewable resources as the focus shifts toward sustainability and green chemistry. Manufacturing processes in the chemical sector are highly sophisticated, involving techniques like catalysis, polymerization, and distillation, and are vital for producing the vast array of products used globally. Regionally, Asia-Pacific, led by China and India, dominates chemical production and consumption, driven by rapid industrialization and urbanization. Europe and North America also remain key players, with significant advancements in specialty chemicals and innovations in sustainable practices. As the demand for chemicals grows—fueled by population growth, urbanization, and emerging technologies—the industry faces numerous challenges, including regulatory pressures, environmental concerns, and the need for constant innovation. Sustainability is a critical issue, with increasing emphasis on reducing environmental impacts, such as carbon emissions and waste, and embracing circular economy principles. Advances in digital technologies, including AI and IoT, are transforming operations in the chemical industry by enhancing efficiency, optimizing supply chains, and enabling smarter decision-making. As the world shifts toward more sustainable practices and addresses global challenges like climate change and resource depletion, the chemical industry must evolve, balancing growth with responsibility. The future of the industry will be shaped by its ability to integrate sustainability, technological innovation, and regulatory compliance into its operations on a global scale.

**2.1.2. NATIONAL SCENARIO**

The chemical industry plays a vital role in the economic landscape of many nations, contributing significantly to industrial development, job creation, and the production of essential goods across a wide array of sectors. In national contexts, the chemical industry typically encompasses a diverse range of activities, from the production of basic chemicals such as petrochemicals, industrial gases, and fertilizers, to more specialized products like agrochemicals, pharmaceuticals, and consumer goods. The sector is crucial for both domestic consumption and exports, with countries like the United States, China, Germany, and India being major producers and consumers of chemicals. These industries rely heavily on raw materials derived from petrochemicals, natural gas, minerals, and increasingly, renewable resources, in response to global pressures for sustainability. Manufacturing processes in national chemical industries often include technologies like polymerization, catalysis, and distillation, all of which require significant infrastructure and capital investment. As countries focus on advancing their technological capabilities, the chemical sector frequently drives innovation, particularly in areas like pharmaceuticals, biotechnology, and materials science. However, the national chemical industry is also subject to numerous challenges, including fluctuating raw material prices, regulatory hurdles, environmental concerns, and the need for continuous modernization to meet sustainability goals. Many nations are now investing in green chemistry and circular economy practices to mitigate the sector’s environmental impact, reduce carbon footprints, and encourage recycling and reuse of materials. Additionally, there is a growing emphasis on digitalization within the industry, where technologies like artificial intelligence (AI), automation, and the Internet of Things (IoT) are being increasingly adopted to improve efficiency and streamline production processes. The national chemical industry is also influenced by global trends, such as shifts in trade policies, supply chain disruptions, and changing consumer preferences, all of which require flexibility and adaptation. As the demand for chemicals grows in various sectors like agriculture, construction, and healthcare, the national chemical industry must balance economic growth with social responsibility, ensuring safety, compliance with environmental regulations, and contributing to a sustainable future.

**2.1.3. STATE SCENARIO**

The chemical industry in India plays a pivotal role in the country’s economic growth and industrial diversification. It is one of the most significant contributors to India's industrial output, providing essential inputs to various other sectors such as agriculture, manufacturing, pharmaceuticals, textiles, and consumer goods. The industry is highly diversified, with sub-sectors including basic chemicals, petrochemicals, pharmaceuticals, agrochemicals, specialty chemicals, and fertilizers. While the national outlook of the chemical industry is positive, the industry’s dynamics can vary widely at the state level due to differences in infrastructure, government policies, resource availability, and industrialization levels. India is a federation of states, each with its unique economic characteristics, resource availability, and industrial policies. The chemical industry is no different; some states have established themselves as chemical hubs, while others are still developing their industrial ecosystems. Understanding the chemical industry at the state level is crucial for policymakers, investors, and businesses looking to capitalize on regional advantages.

The industry in India can be broken down by states based on their production of chemicals, availability of raw materials, infrastructure, and the level of investment made in the sector. Some states have become key center for chemical manufacturing due to favourable policies, skilled labour availability, and strong industrial linkages. Below is an overview of the current state-level chemical industry scenario in India. The chemical industry in India is highly dynamic and diversified, with each state playing a unique role in the country's industrial landscape. Gujarat, Maharashtra, and Tamil Nadu are the frontrunners, but states like Andhra Pradesh, Uttar Pradesh, and Karnataka are emerging as strong contenders due to their growing industrial ecosystems. To foster sustainable growth, states must address challenges related to infrastructure, environmental compliance, and raw material dependency. By focusing on innovation, infrastructure development, and green chemistry, India's states can continue to build a resilient and competitive chemical industry.

At the state level, the chemical industry plays an important role in driving regional economic growth, providing jobs, and supporting various industrial sectors such as agriculture, manufacturing, construction, and consumer products. States with robust chemical industries often see a strong economic contribution, especially in regions rich in raw materials like petrochemicals, natural gas, or minerals, which serve as key inputs for production. The industry at the state level is typically divided into segments like basic chemicals, specialty chemicals, agrochemicals, and consumer chemicals, each catering to different sectors. For example, states with significant agricultural activities might see a strong presence of agrochemical production, such as fertilizers and pesticides, which support local farming communities. Similarly, regions with a focus on manufacturing may house plants that produce industrial chemicals, plastics, and coatings for various industries. The chemical industry at the state level often requires substantial infrastructure, including refineries, chemical plants, and transportation networks for the distribution of raw materials and finished goods.

**3.2. PROFILE OF THE COMPANY**

**3.2.1. COMPANY PROFILE**

Nice chemicals private limited was established in the year 1976. The company was started mainly by technocrats who had vast experience in this line by virtue of working in multi chemical units for a long time. The head office of Nice Chemicals is situated at Manimala road Edappally, Cochin , Kerala.

At present the company manufactures around 1500 products of various ranges. Now the company has 3 manufacturing units situated at Edappally, Edayar, and at Thiruvaniyoor. In the Thiruvaniyoor unit apart from the normal activities , the Research and Development work is also being undertaken. They have effectively succeeded in creating at least half a dozen ancillary units in South India, where highly qualified technocrats undertake the production as per guideline. Up gradation of technical specification in products has been achieved, besides the purity and impurity levels that meet exacting standards. They are also constantly striving to improve our packaging so that the products reach the uses in safer condition.

The company has well equipped laboratory with well trained team of chemists. Each and every batch of the product’s quality parameters are being tested and certified with the help of sophisticated instruments like Atomic Absorption Spectrometer, Gas Liquid Chromatograph, Ultra Violet Spectro Meter, etc. all clinical Reagent are tested in their own clinical laboratory. They also undertake the chemical and pathological test for public at a very nominal fee, thus fulfilling the social objective.

The company is an ISO 9001. Quality policy of Nice Chemicals Private Limited is to give total satisfaction to the customers ensuring availability and supply of quality products supported by prompt service. The company also strives very hard to continually improve the performance to meet the challenges and to satisfy their customer requirements.

Nice Chemicals is an internationally accept brand an NSIC registered unit. The company has a highly motivated team that looks after sales and distribution. By the sustained team work, Nice Chemicals has been approved in Educational, Industrial, Service Sectors and in more than 300 Research Institutions on Rate contract all over the country. To cater to the needs of various customers, it has become necessary to provide depots and stock points to ensure prompt service. The company’s outlets are situated at Cochin, Mumbai, Ambala, Kolkata, Coimbatore, Bangalore, Hyderabad, Ghaziabad, Delhi, Cuttack and Ahmadabad giving services to more than 500 stockiest all over India.

Quality  policy of Nice chemicals private limited is to give total satisfaction to the customers by ensuring the availability and the supply of quality products supported by prompt service. The company believe that the quality with the consistency can only bring about the projection of ethical business practices. The company also strives very hard to continually improve the performance to meet the challenges and to satisfy their customer requirements. Nice chemicals is an internationally accepted brand and an NSIC registered unit. The company have a highly motivated team that looks after the sales and distribution. By the sustained team work, Nice has been approved in educational, Industrial, Service sector and in more than 300 Research Institutions on Rate contract all over the country. To cater the needs of the various customers, it has become necessary to provide, dealers and stock points to ensure prompt service.

**3.2.1.1. HISTORY OF THE COMPANY**

New India Chemical Enterprise (NICE) was started in the year 1976- the time when the waves of the industrialization had just started hitting P. Sahadeva Menon, P. Govindan Kutty , Mr. G. Gopinathan Pillai, Mr. K.M Ramakrishna Pillai and Dr. Molly Alexander as the partners. The were the technocrats who vast experience in the field by virtue of working in Multi National Chemical Unit for a long time, Later it got converted in to a private company registered under the Company Act, 1956 and since then it has been known as NICE CHEMICALS, PVT LTD. The present directors of the company are K.M Ramakrishna Pillai, Mr. G. Jayakrishnan, Mrs. Sumitha S Rajan, Mr. G Venugopal and George.

NICE is a registered unit under the NSIC and it is the first laboratory chemical manufacturing company in South India to be awarded an ISO 9001 certification which has added another feather to its crown of success.

An ISO certified company, it has to maintain certain standards and specifications, which they try to keep the best of their strength. It is an NSIC- ONICRA credit rated company. The company is committed to quality. The quality policy of NICE is to give total satisfaction to the customer by ensuring availability and supply of quality products supported by prompt service. The strength of NICE reflects in the word in the words of their quality team- “Quality with consistency can bring about the projection of our ethical business practices. We strive and believe that we are able to meet the challenges and satisfy our customers need with sincerest of our abilities”.

NICE being first laboratory manufacturing concern in South India to receive an ISO 9001 certificate it is an organization we Keralities should be proud of. As an ISO certificate company it has to maintain certain standards and specifications, which they try to keep at the best of strength of the company, is committed to quality .

 **3.2.1.2 BASIC INFORMATION**

1. Company Name : NICE CHEMICALS PVT. LTD

2. Business Type : Manufacturer

3. Product / Service : Laboratory chemicals, Clinical regents, Clinical kits, Fine chemical soil testing kits, Water testing kits, Agrochemicals and Glassware’s.

4. Address : 50/221A, Manimala Road, Edappally

5. No of Employees : 101-300 people

6. Company website : <http://www.nicechemicals.com>

**3.2.1.3. OWNERSHIP AND CAPITAL**

NICE CHEMICAL FOUNDER

 A company started mainly by technocrats who had vast experience in this line by virtue of working in Multi National Chemicals Unit for a long time. The founder are:

 M.G ALEXANDER (EX-TOMCO)

 P.S MENON (EX-GLAXO)

 G. GOPINATHAN PILLAI (EX- GLAXO)

 K.M RAMA KRISHNA PILLAI (EX-GLAXO)

 V. GOVINDAN KUTTY (EX-TOMCO)

BOARD OF DIRECTORS :

 G. Venugopal

 G. Jayakrishnan

 Sumita. J. Rajan

 M. A George

 Vasala Ramakrishnan

TOTAL SALES VOLUME : 100 – 125 CRORES

**3.2.1.4. MAJOR CUSTOMERS**

* Vikaramsarabai space centre - Trivandrum/ Thirunelveli/ Bangalore
* Sri chithira institute of medical science - Trivandrum
	+ Regional research laboratory – Trivandrum/ Jammu/ Bhubaneswar/ Jorhat
	+ Tat chemicals – Gujarat
	+ I.I.T Madras/ Kharagpur
	+ Indian rayon institute of science – Bangalore
	+ Saha institute of nuclear physics – Kolkata
	+ C.E.C.R.I – Karaikudi
	+ C.P.C.R.I – Kasargod
	+ C.F.T.R.I – Mysore
	+ C.M.C – Vellore
	+ Defence research laboratory – Mysore
	+ Spice board – Cochin
	+ Hindustan latex limited – Trivandrum/ Belgium
	+ Universities of Jammu/ Kerala/ Madras/ Cochin/ Pondicherry/ Bharathidasan/ Goa
	+ M.P.E.D.A – Cochin
	+ Rubber board – Kottayam
	+ C.T.C.R.I – Trivandrum
	+ Sikkim Manipal institute of medical science
	+ ICAR – Gamngtok
	+ OCL India Ltd. – Sundargrah/ Orissa
	+ Geological survey of India – Kolkata
	+ National institute of oceanography – Goa
	+ Nest group of companies – Kerala
	+ Terumo penpol – Trivandrum
	+ Regional medical research centre – Dibrugath/ Assam
	+ Kudermukh iron ore company – Mangalore
	+ Indian institute of horticulture research – Bangalore
	+ Agricultural universities – Dharvad/ Bangalore/ Nileshwar/ Trichur/ Trivandrum/ Hissar/ Ludhiana
	+ ONGC – Deharadum
	+ Director health service – Jammu & Kashmir
* Joint director agriculture – Jammu
* Amritha institute of medical science – Edappally
* Archaeological survey of India
* Bharat heavy electrical limited
* Bureau of Indian standards
* FCI OEN -Cochin
* Government testing labs like chemical examiner, drug testing, soil testing, pesticides, testing lab ,health lab.

**3.2.1.5 VISION AND MISSION**

**VISION**

To become the leader in field of laboratory chemicals and equipment’s. The slogan of the company is “Buy Nice and Be Nice”.

**MISSION**

Providing quality products and attempt service and ensure total customers satisfaction.

**3.2.1.6 LOGO OF NICE CHEMICALS**



 **3.2.1.7 COMPETITORS**

* LEO CHEMICALS
* ALPHA CHEMICALS
* S.P INSTRUMENTS AND CHEMICALS
* REACHEM LABORATORY CHEMICALS
* SWAP ENTERPRISE
* DEXO CHEMICALS LABORATORY
* VICTUS LABORATORIES
* VISWAAT CHEMICALS,etc.

**3.2.1.8 FUNCTIONAL HIERARCHY OF FINANCE DEPARTMENT**

Finance is the backbone of every organization. So finance manager plays an important role and at the same time he has responsibilities. The role of finance manager is to prepare the accounts and auditing of all financial and establishment matters. Finance Managers handle specific areas like budgeting and financial analysis. Senior Financial Analysts and Financial Analysts provide insights and data analysis to support decision-making. Accounting Managers oversee the accounting team, while Accountants manage daily transactions and reporting. Additionally, Treasury Managers focus on cash flow and risk management, and Payroll Managers handle employee compensation. Supporting staff assist with administrative tasks, ensuring the department runs efficiently. Each role collaborates closely, emphasizing compliance and leveraging technology to enhance performance.

**3.2.1.9 PURCHASE, PRODUCTION AND QUALITY CONTROL DEPARTMENT**

The company has 3 manufacturing units- Edappally, Edayar and Thiruvaniyoor. Purchasing is mainly taken care of by Purchase Managers, production by Production Manager and quality control lies in the hands of highly skilled and immaculate team of chemists. Being an ISO 9001 Certified Company, NICE gives tremendous impetus to quality assurance. So this is one of the most important departments which should be dealt with utmost care and efficiency. Any failure in maintaining standards of quality can cause defamation to the company, thus affecting its reputation.

**Production procedure :**

Production planning:

* Production Manager receives daily work order from Marketing Department
* The input for the plan is the requirement from the Sales Department and the stock position in the finished goods store.
* Material requirement for both manufacture and subcontracting is worked out based on production requirement, raw material stocking requirement and packaging material requirement.
* Based on the progress of the production and the receipt of new requirements the work order is updated on a daily basis.
* Production report is submitted to Director on a monthly basis.

Production:

* Materials are taken after Quality Control Department approves the material and enters in the ready to pack register.
* Production / Repacking is carried out an accordance with the relevant standards of manufacturing/ repacking method approved by Director of Production.
* Accepted Production is reported by means of the batch sheet book.
* Details are entered in the production register.
* Goods are moved to finished goods store via transfer challan.

 **Quality control process:**

Quality involves examination of a product, service or process for certain minimum levels of quality. The goal of a quality control team is to identify products or services that do not meet a companies specified standards of quality. If a problem is identified, the job of a quality control team or professional may involve stopping production temporarily. Depending on the particular service or product, as well as the type of problem identified, production or implementation may not ceases entirely. Maintain the highest standards of quality have remained the ultimate goal and passion of NICE Chemicals. As a part of their Total Quality Management Process they have employed Statistical Quality Control Methodology that has enabled them to exercise strict vigil over the quality of the products.

 **3.2.1.10 DEALERS OF THE COMPANY**

* CHEMICAL HOUSE

12- A, “Abhilash

Yamunabhai Road , Madhavanagar , Bangalore- 560011

 E-mail: chemicalhouserediffmail.com

* Ambala

 “FURGA ENTERPRISE”

 3675 ,imber market, Ambala canu-133011

 E-mail: debashishdumart@rediffmail.com

* Mumbai- liaison office

“GURUPRASAD ENTERPRISE”

A-1, kadam compound, Building no 1 subhash road, jogestmari (east ),

Mumbai-40060

 E-mail: davananfbalse@vachoo.co.in

* Delhi

“GOSWAMI CHEMICAL ZONE”

5571/22, Bastiharpool Singh, Sadar Thana Road, Delhi-641006

E-mail: nice25aoswamizrouop.com

* Coimbatore

“CHEMI CENTRE”

53-E-8, Avarampalayam road, K.R Puramganapathi post,

Coimbatore-641006

E-mail: chemicenorediffmail.com

* Kolkata

“ROSHINI CHEMICALS”

11, Chintamoni das lane, Kolkata-700009

E-mail: bhuppen@roshinichemicals.com

 **3.2.1.11 OBJECTIVES OF THE COMPANY**

* To earn profit through customer satisfaction.
* To increase distribution area.
* To promote working condition of employees thereby increasing productivity.
* To increase job satisfaction.
* To become the number one company in the field of laboratory chemicals with in the next ten years.

 **3.2.1.12 MANAGEMENT**

The top management takes the major decisions in Nice Chemicals private limited . The Management hierarchy includes the Board of Directors followed by various department heads and Sr. Managers. There are well talented professionally qualified and well trained competent employees in the firm. The management establishes reviews and updates the organisational and functional level. The executive body consists of the Board of Directors , Directors of different functional heads and the Sr. Managers who take strategic decisions for the firm.

 **3.2.1.13 MEETING OF THE COMPANY**

Meetings are conducted on a weekly basis. In the weekly meeting, the Directors and the department managers will discuss new business policies and strategies to be adopted and review the productivity of the concern over a period of time on a regular basis. The Department Directors along with the Department Managers will fix the routine activities for the upcoming week and minutes the report. Monthly meetings are also conducted to review the performance.

 **3.2.1.14 FUTURE PLANS AND PROCEDURES**

 They focus on introducing new products every year. And their future plans are:

* Commercialization of Analytical lab
* Amalgamation with the sister concern M/S Sterling Industrial Chemicals Edayar.
* Setting up of an Expert Division
* Upgrading existing clinical lab to Hi-Tech Lab

**3.2.2. PRODUCT PROFILE**

Nice chemicals at present manufacture around 1500 products. Research and development work is carried out in Thiruvaniyoor unit. This ensures new products and all the product are manufactured strictly incompliance with the quality and standard under the supervision of highly qualifies technocrats.

* **ORGANIC CHEMICALS**

Simply defined, organic chemicals contain carbon. More than 90% of all known compounds are organic, and include chemicals found in animal and plant life. Organic chemicals are mostly derived from substances such as petroleum, coal, and natural gas. Examples of organic chemicals include benzene, ethylene, formaldehyde, phthalate plasticizers, urea, vinyl acetate, and vinyl chloride. Organic chemicals are a vast category of compounds primarily composed of carbon atoms, often in conjunction with hydrogen, oxygen, nitrogen, and other elements. These substances form the backbone of life, playing critical roles in biological processes, from the structure of proteins and nucleic acids to the energy storage in carbohydrates and lipids. Organic chemicals can be classified into various groups, such as hydrocarbons, alcohols, acids, and esters, each with distinct properties and applications. They are fundamental in numerous industries, including pharmaceuticals, agriculture, and materials science, driving innovations in drug development, crop protection, and the creation of synthetic materials. Understanding organic chemistry is essential for exploring the complex interactions within biological systems and for harnessing the potential of these compounds in technology and medicine.

* **GLOBAL CHEMICAL INDUSTRY**

The global chemical industry, estimated at USS 2.4 Trillion, is one of the fastest growing sectors of the manufacturing industry. The industry growth exceeds that of the manufacturing sector, despite the challenges of escalating crude oil prices and demanding international environment protection standards which are now adopted globally. Pharmaceuticals and petrochemicals are the two biggest segments in chemical that account foe approximately 26% and 35% respectively of the overall industry size. The global chemical industry is being shaped by the following trends that are impacting business models , processes and product segments of multinational players.

**3.2.2.1 PRODUCT RANGES**

* Laboratory chemicals
* Bio chemicals
* I.P. Chemicals
* HPCL Solvents
* Indicator papers/ powders and solutions
* Volumetric solutions
* Reagents for water analysis
* Buffer powders
* Karl Fischer Reagent
* Clinical assay kits
* Soil testing kits
* Water testing kits
* Food adulteration test kits
* Milk adulteration test kits.

**3.2.2.2. MAJOR PRODUCTS**

* Isopropyl alcohol
* HPCL Solvents
* Spillage mopes
* Water
* Acetone
* Acetonitrile
* DM Water
* Peptone
* Phenol – 99.5%
* Food adulteration test kits
* Soil testing kits
* Acid fast staining kits
* Blood sugar kits
* Alizarin test kits
* Grams colour staining kits
* Material parasite staining kits
* Occult blood testing kits.

Their product portfolio includes industrial chemicals such as solvents, acids, and specialty chemicals essential for manufacturing and processing. In the pharmaceutical sector, they provide active pharmaceutical ingredients (APIs) and excipients vital for drug formulation. For laboratory needs, Nice Chemicals supplies high-quality reagents, standards, and solutions necessary for precise scientific research. Their agricultural chemical range includes fertilizers, pesticides, and herbicides designed to enhance crop growth and protection. Additionally, they offer industrial and cleaning chemicals, including heavy-duty cleaners and disinfectants for maintaining hygiene and cleanliness. In the personal care sector, Nice Chemicals provides key ingredients for cosmetics and skin care products. The company is also known for its custom synthesis services, ensuring tailored chemical solutions, along with stringent quality assurance and technical support to meet the diverse needs of its clients.

**3.2.3. ORGANIZATIONAL STRUCTURE**

Director (Finance)

Senior Manager

Manager

Senior Officer

Clerical Staff

Director (Administration)

Director (sales and marketing)

Director (purchase, production, quality)

Senior Manager

Manager

Senior officer

Clerical Staff

Top of Form

Senior Manager

Senior Manager

Bottom of Form

Manager

Manager

Senior Officer

Senior Officer

Clerical Staff

Chemists

Clerical Staff

Senior Executive

**TABLE NO 4.1**

**CURRENT RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **CURRENT ASSETS** | **CURRENT LIABILITIES** | **CURRENT****RATIO** |
| 2018-2019 | 172914794.59 | 62629588.10 | 2.76 |
| 2019-2020 | 146000328.53 | 41393118.31 | 3.55 |
| 2020-2021 | 179187780.40 | 44348436.09 | 4.04 |
| 2021-2022 | 1903083.72 | 422079.94 | 4.51 |
| 2022-2023 | 2106679.02 | 514320.37 | 4.09 |

FIGURE 4.1

**INTERPRETATION**

The current ratio are much higher than the standard ratio of 2:1. Which denotes excessive investment in current assets. The company’s current assets are sufficient to cover the current liabilities.

**TABLE NO 4.2**

**QUICK RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **QUICK ASSETS** | **CURRENT LIABILITIES** | **QUICK RATIO** |
| 2018-2019 | 112603178.5 | 626229588.10 | 1.79 |
| 2019-2020 | 85130921.5 | 41393118.31 | 2.05 |
| 2020-2021 | 122991794.4 | 44348436.09 | 2.52 |
| 2021-2022 | 1255551.16 | 4222079.94 | 2.97 |
| 2022-2023 | 1407925.05 | 514320.37 | 2.73 |

FIGURE 4.2

**INTERPRETATION**

The quick ratio are much higher than the standard ratio of 1:1. It indicates that the liquidity position of the company may be considered satisfactory. The company’s liquid assets are sufficient to cover the current liabilities. The ratio shows much improvement in every year.

**TABLE NO 4.3**

**SUPER QUICK RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **SUPER QUICK ASSETS** | **CURRENT LIABILITIES** | **SUPER QUICK RATIO** |
| 2018-2019 | 30512315.89 | 62629588.10 | 0.48 |
| 2019-2020 | 14191371.56 | 41393118.31 | 0.34 |
| 2020-2021 | 46644222.93 | 44348436.09 | 1.05 |
| 2021-2022 | 490351.31 | 422079.94 | 1.16 |
| 2022-2023 | 579773.4 | 514320.37 | 1.12 |

FIGURE 4.3

**INTERPRETATION**

The super quick ratio shows improvement in every year. The ratio is quiet satisfactory because it is much higher than the standard ratio. The Super Quick Ratio reflects fluctuations in liquidity, with a notable improvement in recent years. A ratio above 1 indicates that the company can cover its current liabilities using only its most liquid assets.

**TABLE NO 4.4**

**TOTAL DEBT EQUITY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **TOTAL DEBT** | **SHAREHOLDERS FUND** | **TOTAL DEBT EQUITY RATIO** |
| 2018-2019 | 62749820.4 | 41535000 | 1.51 |
| 2019-2020 | 41393118.31 | 41535000 | 0.09 |
| 2020-2021 | 44627672.09 | 41535000 | 0.07 |
| 2021-2022 | 422079.49 | 41535000 | 0.01 |
| 2023-2024 | 514320.37 | 41535000 | 0.01 |

FIGURE 4.4

**INTERPRETATION**

The total debt equity ratio indicates that a high D/E ratio of 1.51 in 2018-2019, indicating that the company had more debt than equity. In 2019-2020, the D/E ratio dropped dramatically to 0.09, indicating a major reduction in total debt. The D/E ratio remained low at 0.07(2020-2021), reflecting continued conservative financial management.

**TABLE NO 4.5**

**PROPRIETARY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **SHAREHOLDERS FUND** | **TOTAL ASSETS** | **PROPRITORY RATIO** |
| 2018-2019 | 152460946.50 | 215210766.90 | 0.70 |
| 2019-2020 | 163891577.37 | 205284695.68 | 0.79 |
| 2020-2021 | 174497133.46 | 179187780.40 | 0.97 |
| 2021-2022 | 1924365.99 | 2346445.93 | 0.82 |
| 2022-2023 | 2299817.89 | 2106679.02 | 1.09 |

FIGURE 4.5

**INTERPRETATION**

The ratio is less than 1 in every years except 2022-2023, indicating the company has more liabilities than equity. The higher ratio is 1.09 in 2022-2023 and the lower ratio is 0.70 in 2018-2019.It indicates a relatively higher reliance on debt.

**TABLE NO 4.6**

**SOLVENCY RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **TOTAL ASSETS** | **TOTAL DEBT** | **SOLVENCY RATIO** |
| 2018-2019 | 215210766.90 | 62749820.1 | 3.42 |
| 2019-2020 | 205284695.68 | 41393118.31 | 4.95 |
| 2020-2021 | 179187780.40 | 44627672.09 | 4.01 |
| 2021-2022 | 2346445.93 | 422079.94 | 5.55 |
| 2022-2023 | 2106679.02 | 514320.37 | 4.09 |

FIGURE 4.6

**INTERPRETATION**

The solvency ratio shows that the company is solvent. Because assets are sufficiently more than liabilities. There for, the company is financially sound. The company has experienced some decline in its solvency ratio, it remains well above a 1:1 ratio, indicating a low risk of insolvency.

**TABLE NO 4.7**

**FIXED ASSETS TO NET WORTH RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **FIXED ASSETS** | **SHAREHOLDERS FUND** | **FIXED ASSETS TO NET WORTH RATIO** |
| 2018-2019 | 16976195.66 | 152581178.8 | 0.11 |
| 2019-2020 | 16063960.50 | 163891577.37 | 0.09 |
| 2020-2021 | 13602057.50 | 174776369.4 | 0.07 |
| 2021-2022 | 140108.84 | 1924365.99 | 0.07 |
| 2022-2023 | 3814157.67 | 2299811.89 | 1.65 |

FIGURE 4.7

**INTERPRETATION**

The ratio experiences a dramatic increase to 1.65 in 2022-2023, which suggests that fixed assets surged significantly while shareholders' funds decreased. This could indicate heavy investment in fixed assets, possibly financed by debt or a drastic reduction in net worth, leading to a more leveraged position.

**TABLE NO 4.8**

**GROSS PROFIT RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **GROSS PROFIT** | **NET SALES** | **GROSS PROFIT RATIO** |
| 2018-2019 | 15592797.10 | 315967516.69 | 4.93 |
| 2019-2020 | 24407283.87 | 318378968.96 | 7.6 |
| 2020-2021 | 14625767.09 | 288751752.98 | 5.01 |
| 2021-2022 | 239488.67 | 3306084.49 | 7.2 |
| 2022-2023 | 502795.12 | 4382186.96 | 11.47 |

FIGURE 4.8

**INTERPRETATION**

The Gross Profit Ratio shows fluctuations over the years, with notable peaks and troughs. This ratio reflects how efficiently the company is producing and selling its goods, indicating profitability after accounting for the cost of goods sold. The relatively low net sales in 2021-2022 and 2022-2023, combined with increased gross profit, highlights a more efficient operation.

**TABLE NO 4.9**

**OPERATING PROFIT RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **OPERATING PROFIT** | **NET SALES** | **OPERATING PROFIT RATIO** |
| 2018-2019 | 11238219.49 | 315967516.69 | 0.03 |
| 2019-2020 | 7950061.45 | 318378968.96 | 2.49 |
| 2020-2021 | 15037176.87 | 288750752.98 | 5.20 |
| 2021-2022 | 63228.54 | 3306084.54 | 1.91 |
| 2022-2023 | 342996.81 | 4382186.96 | 7.8 |

FIGURE 4.9

**INTERPRETATION**

The ratio starts very low at 0.03 in 2018-2019, indicating that operating profit was minimal compared to net sales. The ratio rises sharply to 7.8, the highest in the dataset. This indicates a strong improvement in operational performance, likely driven by effective cost management, strategic adjustments, or recovery in sales.

**TABLE NO 4.10**

**NET PROFIT RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET PROFIT** | **NET SALES** | **NET PROFIT RATIO** |
| 2018-2019 | 11234036.10 | 315967516.69 | 0.03 |
| 2019-2020 | 17439347.87 | 318378968.96 | 5.4 |
| 2020-2021 | 10605556.09 | 288751752.98 | 3.6 |
| 2021-2022 | 179394.95 | 3306084.49 | 5.4 |
| 2022-2023 | 375451.91 | 4382186.96 | 8.5 |

FIGURE 4.10

**INTERPRETATION**

The ratio starts at 0.03 in 2018-2019 , indicating minimal net profit relative to net sales. The Net Profit Ratio analysis reveals a fluctuating performance, with a remarkable recovery in 2022-2023.

**TABLE NO 4.11**

**FIXED ASSET RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **FIXED ASSETS** | **LONG TERM FUND** | **FIXED ASSET RATIO** |
| 2018-2019 | 16976195.66 | 134409042.1 | 0.12 |
| 2019-2020 | 16063960.50 | 169902235 | 0.09 |
| 2020-2021 | 13602057.50 | 156183300.8 | 0.08 |
| 2021-2022 | 140108.84 | 1680051.31 | 0.08 |
| 2022-2023 | 4814157.67 | 6515080.7 | 0.07 |

FIGURE 4.11

**INTERPRETATION**

The Fixed Asset Ratio shows a declining trend over the years, indicating a decreasing proportion of fixed assets financed by long-term funds. In 2018-2019 it indicates a relatively higher investment in fixed assets compared to long-term financing. The ratio falls slightly to 0.07 in 2022-2023, indicating that a smaller proportion of long-term funds is allocated to fixed assets.

**TABLE NO 4.12**

**INTEREST COVERAGE RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **PROFIT BEFORE INTEREST AND TAX** | **INTEREST** | **INTEREST COVERAGE RATIO** |
| 2018-2019 | 15592797.10 | 493403 | 31.60 |
| 2019-2020 | 24407283.87 | 655613.60 | 25.5 |
| 2020-2021 | 14625767.09 | 1395 | 100 |
| 2021-2022 | 239488.67 | 0.15 | 100 |
| 2022-2023 | 502795.12 | 11.03 | 100 |

FIGURE 4.12

**INTERPRETATION**

The ICR shows a strong ability to cover interest expenses, especially in recent years, with a significant peak in 2020-2021 through 2022-2023. The ICR is 31.60 in 2018-2019, indicating that the company generates more than 31 times its interest expense in EBIT. The company indicates a very healthy coverage of interest expenses.

**TABLE NO 4.13**

**WORKING CAPITAL TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET SALES** | **WORKING CAPITAL** | **WORKING CAPITAL TURNOVER RATIO** |
| 2018-2019 | 315967516.69 | 110285206.4 | 2.86 |
| 2019-2020 | 318378968.96 | 1046072110.2 | 0.30 |
| 2020-2021 | 288751752.98 | 134839344.3 | 2.14 |
| 2021-2022 | 3306084.49 | 1486713.69 | 2.22 |
| 2022-2023 | 4382186.96 | 1621422.6 | 2.70 |

FIGURE 4.13

**INTERPRETATION**

The Working Capital Turnover Ratio shows significant fluctuations over the years, reflecting changes in the efficiency of utilizing working capital to drive sales. The ratio is at 2.86 in 2018-2019, indicating a strong utilization of working capital relative to net sales. There is a dramatic drop to 0.30 in 2019-2020.

**TABLE NO 4.14**

**RETURN ON INVESTMENT**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **PROFIT BEFORE INTEREST AND TAX** | **CAPITAL EMPLOYED** | **RETURN ON INVESTMENT** |
| 2018-2019 | 15592797.10 | 152460946.50 | 0.10 |
| 2019-2020 | 24407283.87 | 163891577.37 | 0.14 |
| 2020-2021 | 14625767.87 | 17449713.46 | 0.83 |
| 2021-2022 | 239488.67 | 1924365.99 | 0.12 |
| 2022-2023 | 502795.12 | 2299817.89 | 0.21 |

FIGURE 4.14

**INTERPRETATION**

The ROI shows considerable fluctuations over the years, reflecting changes in profitability relative to the capital employed. The ROI is at 0.10 in 2018-2019, indicating a modest return on the capital employed. The ROI increases to 0.21 in 2022-2023, indicating a recovery in profitability relative to capital employed.

**TABLE NO 4.15**

**RETURN ON SHAREHOLDERS FUND**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET PROFIT AFTER INTEREST AND TAX** | **SHAREHOLDERS FUND** | **RETURN ON SHAREHOLDERS FUND** |
| 2018-2019 | 11234036.10 | 152460946.50 | 0.07 |
| 2019-2020 | 17439347.87 | 163891577.37 | 0.10 |
| 2020-2021 | 10605556.09 | 174497133.46 | 0.06 |
| 2021-2022 | 179394.65 | 1924365.99 | 0.09 |
| 2022-2023 | 375451.91 | 2299817.89 | 0.16 |

FIGURE 4.15

**INTERPRETATION**

The ROSF shows fluctuations over the years, with notable changes in performance, particularly in 2020-2021 and 2022-2023. The ROSF is 0.07 in 2018-2019 , indicating a modest return on shareholders' equity. The ROSF slightly improves to 0.09 in 2021-2022, indicating a recovery in profitability. However, it remains below the peak achieved in 2019-2020.

**TABLE NO 4.16**

**FIXED ASSET TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET SALES** | **NET FIXED ASSETS** | **FIXED ASSET TURNOVER RATIO** |
| 2018-2019 | 315967516.69 | 16976195.66 | 18.6 |
| 2019-2020 | 318378968.96 | 16063960.50 | 19.8 |
| 2020-2021 | 288751752.98 | 13602057.50 | 21.2 |
| 2021-2022 | 3306084.49 | 1680051.31 | 19.6 |
| 2022-2023 | 4382186.96 | 6515080.7 | 16.7 |

FIGURE 4.16

**INTERPRETATION**

The Fixed Asset Turnover Ratio exhibits fluctuations over the years, indicating changes in the efficiency of fixed asset utilization in generating net sales. The Fixed Asset Turnover Ratio analysis highlights strong performance in the earlier years, particularly in 2020-2021, but reveals a concerning decline in efficiency by 2022-2023.

**TABLE NO 4.17**

**INVENTORY TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **COST OF GOODS SOLD** | **AVERAGE STOCK** | **INVENTORY TURNOVER RATIO** |
| 2018-2019 | 487293460.2 | 58798226.5 | 8.72 |
| 2019-2020 | 486794507.1 | 60590511.5 | 8.03 |
| 2020-2021 | 449909977.8 | 58532696.5 | 7.68 |
| 2021-2022 | 5036471.48 | 604746.21 | 8.32 |
| 2022-2023 | 6613064.21 | 673143.26 | 9.82 |

FIGURE 4.17

**INTERPRETATION**

The Inventory Turnover Ratio peaked in 2018-2019 at 8.72, indicating strong inventory management and sales efficiency. A decline in the ratio was observed from 2019-2021, with the lowest point in 2020-2021 at 7.68. This suggests challenges such as decreased demand or potential overstocking.

**TABLE NO 4.18**

**DEBTORS TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **Net credit sales** | **Debtors including bills receivable** | **Debtors turnover ratio** |
| 2018-2019 | 306372415.3 | 72263152.8 | 4.2 |
| 2019-2020 | 307679515.4 | 72571061.5 | 4.2 |
| 2020-2021 | 6254602.91 | 69723764.8 | 0.89 |
| 2021-2022 | 227954.98 | 718879.8 | 0.31 |
| 2022-2023 | 4261335.09 | 753041.95 | 5.6 |

FIGURE 4.18

**INTERPRETATION**

The ratio remained consistent at 4.2 for the years 2018-2019 and 2019-2020, indicating effective credit management and stable sales.. A dramatic drop in the ratio to 0.89 in 2020-2021 and further to 0.31 in 2021-2022 raises concerns. This decline suggests major challenges in collecting receivables, possibly due to economic conditions or changes in customer payment method. The ratio rebounded to 5.6 in 2022-2023, indicating a significant improvement in receivables collection.

**TABLE NO 4.19**

**CREDITORS TURNOVER RATIO**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **NET CREDIT PURCHASE** | **CREDITORS INCLUDING BILLS PAYABLE** | **CREDITORS TURNOVER RATIO** |
| 2018-2019 | 163728054.6 | 43231019.9 | 3.78 |
| 2019-2020 | 165272110 | 39901997.8 | 4.14 |
| 2020-2021 | 145567623.4 | 34438990.3 | 4.22 |
| 2021-2022 | 1788120.83 | 363558.4 | 4.91 |
| 2022-2023 | 2207877.37 | 398104.89 | 5.54 |

FIGURE 4.19

**INTERPRETATION**

The ratio increased slightly from 3.78 in 2018-2019 to 4.22 in 2020-2021. The ratio jumped notably from 4.91 in 2021-2022 to 5.54 in 2022-2023. The company can sustain its positive creditor management while ensuring financial stability and operational efficiency.

**TABLE NO 4.20**

**EARNINGS PER SHARE**

|  |  |  |  |
| --- | --- | --- | --- |
| **YEAR** | **PROFIT AFTER TAX** | **WA NUMBER OF EQUITY SHARE** | **EARNINGS PER SHARE** |
| 2018-2019 | 11234036.10 | 415350 | 27.5 |
| 2019-2020 | 17455005.87 | 415350 | 42.02 |
| 2020-2021 | 10605556.09 | 415350 | 25.53 |
| 2021-2022 | 179394.65 | 415350 | 0.43 |
| 2022-2023 | 3775451.91 | 415350 | 0.90 |

FIGURE 4.20

**INTERPRETATION**

The EPS fluctuates significantly over the years, indicating variability in profitability and possibly operational performance. There was a notable peak in EPS in the year 2019-2020, reaching 42.02, which is considerably higher than the other years. The EPS dropped dramatically in 2021-2022 to 0.43, followed by a modest recovery in 2022-2023 to 0.90.

**TABLE NO 4.21**

**COMPARATIVE BALANCE SHEET AS ON 31ST MARCH 2019-2020**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PARTICULARS** | **2019** | **2020** | **INCREASE/ DECREASE** | **PERCENTAGE OF INCREASE/ DECREASE** |
| **I EQUITY AND LIABILITIES**1 **Share holders fund**1. Share capital
2. Reserves and surplus
3. **Non current liabilities**
4. Secured loan

3.**Current liabilities and provisions** a. Trade payables b. Other current liabilities c. Short term provisions TOTAL**II ASSETS****1 Non current assets**1. Fixed Assets
2. Tangible assets
3. Intangible assets
4. Capital work-in-progress
5. Deferred Tax Assets
6. Non-current investment
7. Long term loans and advances
8. Other non-current assets
9. **Current Assets**
10. Current investments
11. Inventories
12. Trade receivables
13. Cash and cash equivalents
14. Short term loans and advances
15. Other current assets

**TOTAL** | 41535000110925946.50152460946.50120232.30120232.3046823999.7315805588.3762629588.10215210766.9014061487.502914708.16157866271476404240201.651235327342295972.31603116167712161530512315.864300970.05668276.79172914794.59**215210766.90** | 41535000122356577.37163891577.37 - -32979996.028413122.29 -41393118.31205284695.6816063960.50 -146288978379464736349.652918322256767767.156086940768020407.2514191371.562309601.97609440.75146000328.53**205284695.68** | 011430630.811430630.8120232.30120232.3013844003.717392466.0821236469.799926071.320024732914708.1611577371232064961481682994914471794.845577919101207.7516320944.31991368.0858836.0426914466**9926071.3** | -27.5227.52282833.3317.7951.1223.894.87.012.717.1411.240.534.8413.421.9139.294.71.464**23.89** |

**INTERPRETATION**

There was no change in the company's share capital over the year, suggesting that the company did not issue new shares or repurchase any during this period. The company has been able to retain profits, as seen by the growth in reserves and surplus. The decrease in current liabilities suggests improved management of short-term obligations. This balance sheet indicates a mixed financial picture: while the company has grown its reserves and cash, it has also taken on more debt and seen some shifts in its asset base.

**TABLE NO 4.22**

**COMPARATIVE BALANCE SHEET AS ON 31ST MARCH 2020-2021**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PARTICULARS** | **2020** | **2021** | **INCREASE/ DECREASE** | **PERCENTAGE OF INCREASE /DECREASE** |
| **I EQUITY AND LIABILITIES**1 **Share holders fund**1. Share capital
2. Reserves and surplus
3. **Non current liabilities**
4. Secured loan

3.**Current liabilities and provisions** a. Trade payables b.Other current liabilities c. Short term provisions**TOTAL****II ASSETS****1.Non current assets**a . Fixed Assets1. Tangible assets
2. .Intangible assets
3. Capital work-in-progress
4. Deferred Tax Assets
5. Non-current investment
6. Long term loans and advances
7. Other non-current assets
8. **Current Assets**
9. Current investments
10. Inventories
11. Trade receivables
12. Cash and cash equivalents
13. Short term loans and advances
14. Other current assets

**TOTAL** | 41535000122356577.3163891577.3--32979996.028413122.29-41393118.31**205284695.6**16063960.50--146288978379464736349.652918322256767767.156086940768020407.2514191371.562309601.97609440.75146000328.53**205284695.68** | 415350001329621.331744971.332792.362792.36358979.8565645.3018859.21443484.36**2191248.06**136020.85--146480977418.992220421.651490783839937025.1561959.86714270.22368062.813488.516785.951685961.35**2191248.06** | **-**12102695162146602792.362792.3635621016.178347476.9918859.2140949633.95**20309347.5**15927939.65--19207760527.01251592814275384168307426030747.1467306137.0313823308.752306113.46599654.814314367.2**20309347.5** | **-**29.1339.030.670.6785..7620.090.0498.59**48.89**38.34--0.4618.686.0534.3640.5214.516.233.285.551.4434.46**48.89** |

**INTERPRETATION**

The company's reserves and surplus dropped significantly, possibly due to the usage of retained earnings or financial losses. The significant reductions in both liabilities and assets indicate a major restructuring or financial strategy shift. The reduction in liabilities is a positive sign, but the decrease in assets, particularly in reserves, raises concerns about the company’s financial stability and profitability.

**TABLE NO 4.23**

**COMPARATIVE BALANCE SHEET AS ON 2021-2022**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PARTICULARS** | **2021** | **2022** | **INCREASE/ DECREASE** | **PERCENTAGE OF INCREASE/ DECREASE** |
| **I EQUITY AND LIABILITIES****1.Share holders fund** a. Share capital1. Reserves and surplus

**2.Non current liabilities**1. Secured loan

**3**.**Current liabilities and provisions** a. Trade payables b. Other current liabilities c. Short term provisions **TOTAL****II ASSETS****1.Non current assets**a . Fixed Assets1. Tangible assets
2. .Intangible assets
3. Capital work-in-progress
4. Deferred Tax Assets
5. Non-current investment
6. Long term loans and advances
7. Other non-current assets

**2.Current Assets**1. Current investments
2. Inventories
3. Trade receivables
4. Cash and cash equivalents
5. Short term loans and advances
6. Other current assets

**TOTAL** | 415350001329621.331744971.332792.362792.36358979.8565645.3018859.21443484.36**2191248.06**136020.85--146480977418.992220421.651490783839937025.15561959.86714270.22368062.813488.516785.951685961.35**2191248.06** | 415350001509015.991924365.99--368137.1448232.895709.91422079.94**2346445.93**136050.784058.06-13745.0462996.7519406.13207105.46443362.21647532.56723489.42490351.3135423.776286.661903083.72**2346445.93** | **-**179394.66 179394.662792.362792.369157.2917412.4113149.321404.42**155197.87**29.934058.06-1451063.9614422.242201015.5214700732.5439493662.985572.79219.2122288.531935.26499.29217122.37**155197.87** | **-**0.430.436.726.720.020.040.030.05**0.37**7.209.77-3.490.035.2935.3995.080.200.020.290.071.200.52**0.37** |

**INTERPRETATION**

The company's total liabilities and assets show slight declines, but the increase in reserves, cash, and investments indicates a focus on liquidity and possible debt reduction in the future. However, the sharp increase in provisions and liabilities might suggest that the company is preparing for potential future obligations or costs.

**TABLE NO 4.24**

**COMPARATIVE BALANCE SHEET AS ON 2022-2023**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **PARTICULARS** | **2022** | **2023** | **INCREASE/ DECREASE** | **PERCENTAGE OF INCREASE /DECREASE** |
| **I EQUITY AND LIABILITIES****1.Share holders fund** a. Share capital1. Reserves and surplus

**2.Non current liabilities**1. Secured loan

**3**.**Current liabilities and provisions** a. Trade payables b. Other current liabilities c. Short term provisions**TOTAL****II ASSETS****1.Non current assets**a . Fixed Assets1. Tangible assets
2. Intangible assets
3. Capital work-in-progress
4. Deferred Tax Assets
5. Non-current investment
6. Long term loans and advances
7. Other non-current assets

**2.Current Assets**1. Current investments
2. Inventories
3. Trade receivables
4. Cash and cash equivalents
5. Short term loans and advances
6. Other current assets

**TOTAL** | 415350001509015.991924365.99--368137.1448232.895709.91 422079.942346445.93136050.784058.06-13745.0462996.7519406.13207105.46443362.21-647532.56714270.22490351.3135423.776286.661903083.72**2346445.93** | 415350001884467.892299817.89--433072.6452183.7829063.94514320.262814138.26161063.674653.94-15721.21108564.3828511.05388945707459.244392.05698753.97782594.48575381.3541056.014501.162106679.02**2814138.26** | -1733565.921075451.9--64935.53950.8923354.0392240.32467692.3325012.89595.88-1976.1745567.639104.92181839.54264097.034392.0551221.4168324.2685030.045632.241785.56203595.3**467692.33** | **-**4.1750.74--0.159.510.050.221.120.061.43-4.760.100.020.430.640.010.120.160.200.014.290.49**1.12** |

**INTERPRETATION**

The company's total assets and liabilities both grew by 6.6%, reflecting an increase in borrowing and investing, signalling an expansionary phase. The rise in secured loans and current assets suggests the company is positioning itself for future business opportunities and possible growth. However, the increase in liabilities should be monitored to ensure it is sustainable in the long term.

**5.1 FINDINGS**

* The Current Ratio shows a generally healthy liquidity position over the years, consistently above 2, which is typically considered a good indicator of short-term financial stability.
* The Quick Ratio generally indicates a strong liquidity position, remaining well above 1 throughout the analysed period.
* The Super Quick Ratio data from 2018 to 2023 provides insights into the company's liquidity position, focusing on its most liquid assets—cash and cash equivalents—relative to current liabilities.
* The Proprietary Ratio data from 2018 to 2023 provides insights into the company’s financial leverage and the proportion of total assets financed by shareholders' equity.
* The company appears capable of meeting its long-term obligations with a substantial buffer of assets over liabilities.
* Investments in fixed assets can support growth, the company must carefully manage the implications of a high ratio on its financial stability.
* The Operating Profit Ratio shows significant fluctuations over the years, with a notable upward trend in the latest years.
* The Net Profit Ratio shows significant fluctuations, with notable improvements in the most recent years.
* The Fixed Asset Ratio shows a decreasing trend over the years, indicating a declining proportion of fixed assets relative to long-term funds.
* The Working Capital Turnover Ratio shows fluctuations over the years, indicating varying efficiency in utilizing working capital to drive sales.
* The Return on Investment (ROI) data from 2018 to 2023 provides insights into the company’s ability to generate returns from its capital employed.
* The Interest Coverage Ratio analysis indicates a robust ability to meet interest obligations, with exceptionally high ratios from 2020-2023.
* The Inventory Turnover Ratio measures how effectively a company manages its inventory, indicating how many times inventory is sold and replaced over a period.
* The Debtors Turnover Ratio measures how effectively a company collects on its receivables. A higher ratio indicates efficient collection practices, while a lower ratio suggests potential issues with credit policies or customer payments.
* The Creditors Turnover Ratio reflects how quickly a company pays off its suppliers. A higher ratio indicates prompt payment, which can foster better relationships with suppliers, while a lower ratio may suggest delayed payments or cash flow issues.
* The high variability in EPS suggests the company may be facing inconsistent revenue streams or fluctuating costs.

**5.2** **RECOMMENDATIONS**

* While a high current ratio indicates strong liquidity, it is essential to analyse the composition of current assets. Ensure that a significant portion of current assets is not tied up in slow-moving inventory or receivables.
* Continue optimizing cash flow management to maintain or increase quick assets.
* Continue to focus on retaining earnings and possibly issuing new equity to strengthen the equity base.
* Continuously monitor and manage the quality of total assets. Ensuring that assets are liquid and valuable can help maintain a strong solvency ratio.
* Explore strategies to increase net sales. This could involve expanding into new markets, enhancing marketing efforts, or developing new product lines.
* Implement performance metrics for fixed assets to assess their return on investment.
* Consider negotiating better payment terms with suppliers to improve working capital efficiency.
* Establish a routine for monitoring ROI and other key financial metrics. Regular assessments can help the company remain agile and make informed decisions based on performance trends.
* Regularly assess the company's capital structure to ensure that the proportion of equity is optimized.
* Develop a strategic plan that includes crisis management for potential future downturns. Focus on sustainable growth strategies.

**5.3 CONCLUSION**

The financial performance analysis of Nice Chemicals Private Limited reveals significant insights into the company's operational effectiveness and profitability over the assessed period. The examination of key financial metrics, particularly Earnings Per Share (EPS) and profit after tax, highlights both the strengths and challenges faced by the company. To enhance financial performance, it is recommended that Nice Chemicals focus on diversifying its product offerings, improving cost management, and implementing strategic planning to navigate market uncertainties. Regular monitoring of financial indicators will also be essential to quickly address any emerging challenges.

Through comprehensive financial statement analysis, we will gain valuable insights into Nice Chemicals Private Limited's financial performance, identify strengths and weaknesses, and provide a foundation for strategic recommendations aimed at enhancing financial health and operational efficiency.

In conclusion, while Nice Chemicals Private Limited has demonstrated the ability to achieve high profitability in the past, proactive measures are essential to ensure sustainable growth and performance consistency in the future. By addressing the identified challenges and leveraging opportunities, the company can enhance its financial stability and investor confidence moving forward.

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**BALANCE SHEET**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PARTICULARS** | **2019** | **2020** | **2021** | **2022** | **2023** |
| **I EQUITY AND LIABILITIES**1 **Share holders fund**1. Share capital

 b. Reserves and surplus**2 Non current liabilities**1. Secured loan

**3 Current liabilities and provisions**1. Trade payables

 b. Other current liabilities c. Short term provisions **TOTAL****II ASSETS****1 Non current assets**1. Fixed Assets
2. Tangible assets
3. Intangible assets
4. Capital work-in-progress
5. Deferred Tax Assets
6. Non-current investment
7. Long term loans and advances
8. Other non-current assets

**2 Current Assets**1. Current investments
2. Inventories
3. Trade receivables
4. Cash and cash equivalents
5. Short term loans and advances
6. Other current assets

**TOTAL** | 41535000110925946.5152460946.50120232.30120232.3046823999.7315805588.3762629588.10215210766.914061487.50-2914708.16157866271476404240201.651235327342295972.31603116167712161530512315.864300970.05668276.79172914794.59215210766.90 | 41535000122356577.37163891577.37--32979996.028413122.29-41393118.31205284695.6816063960.50--146288978379464736349.652918322256767767.156086940768020407.2514191371.562309601.97609440.75146000328.53205284695.68 | 415350001329621.331744971.332792.362792.36358979.8565645.3018859.21443484.362191248.06136020.85--146480977418.992220421.651490783839937025.15561959.86714270.22368062.813488.516785.951685961.352191248.06 | 415350001509015.991924365.99--368137.1448232.895709.91422079.942346445.93136050.784058.06-13745.0462996.7519406.13207105.46443362.21647532.56723489.42490351.3135423.776286.661903083.722346445.93 | 415350001884467.89229817.89--43307252183.7829063.94514320.372814138.26161063.674653.94-15721.21108564.3828511.05388945707459.244392.05698753.97782594.48575381.3541056.014501.162106679.022814138.26 |

**PFOFIT AND LOSS ACCOUNT**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| PARTICULARS | 2019 | 2020 | 2021 | 2022 | 2023 |
| Revenue from OperationsOther IncomeTotal revenueExpenditure Cost of Material Consumed Changes in Stock Employee Benefit Expenses Finance cost Depreciation Other ExpensesTotal ExpensesProfit Before TaxPercentage of Profit before tax Provision for Current Tax Provision for Deferred TaxProfit for the yearPercentage of profit after taxEarnings Per Share | 315967516.693314120.31319281637174352722.65104292256472785.06589370.733016929.7168214109.75303688839.9015592797.104.934681573-32281211234036.103.5627.05 | 18378968.964441235.39322820204.35168973329.20-324856857395177.171024101.412773236.0471495644.66298412920.4824407283.877.67685216311577317439347.875.4841.99 | 2887517.5329050.642916568.171564848.0425579.08604965.08239.1524619.03550060.122770310.50146257.675.0740221.31-19.20106055.563.670.26 | 3306084.4927712.823333797.311815959.69-14632.41677057.92521.7323755.69591646.013094308.64239488.677.2459190.97903.05179394.655.430.43 | 4382186.9642495.244424642.212282098.66-8021789823.82782.6131847.37825356.573921887.09502795.1211.47129319.38-1976.17375451.918.570.90 |