

## A COMPARATIVE STUDY OF FINANCIAL PERFORMANCE OF NILKAMAL AND SUPREME PLASTIC LTD.

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Prof. Mohit P. Patel\*

### ABSTRACT

*Efficient management of finance is very important for the success of an enterprise. Term financial performance is very dynamic term. The subject matter of financial performance has been changing very rapidly. In present time greater importance is given to financial performance. So, here an attempt is made by me to compare the financial performance of the selected units i.e. NILKAMAL and SUPREME PLASTIC LTD. While analyzing the financial performance of the selected units, I include the analysis of working capital and analysis of profitability.*

**KEYWORDS:** *Financial Performance, Profitability Management, Working Capital Management.*

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### Introduction

#### **Nilkamal Plastic Ltd.**

Promoted by the Parekh family, Nilkamal Plastics, incorporated in Dec.'85 as Creamer Plastic a private limited company, was converted into a public limited company in Jul.90. In Aug.'90, the name was changed to the present one. It is India's largest manufacturer of material handling plastic crates and a leader in molded furniture. It is one of the companies to benefit from molded plastic, which is fast replacing conventional materials in the manufacture of innumerable products. Today, using state-of-the-art machines and imported moulds from Europe, the company manufactures a range of products -- material handling crates, molded furniture, house ware, multi-layer packaging films and custom moldings. Nilkamal has been exporting its quality products since 1986 and has won several export awards.

The company's has achieved ISO 9000 certification resulting in a consistent quality irrespective of whichever plant the material is produced. Its units are located at Sinnar in Maharashtra, Silvassa in Gujarat, Pondicherry and Noida in Uttar Pradesh. The company is in the process of setting up two new manufacturing units at Silvassa and another in West Bengal to cater to increased demand for its products. The company has set up a subsidiary in Sri Lanka to directly cater to the export market. The company is planning to get it's Pondicherry factory ISO-14001 certified in line with the policy of the company at Environment friendly.

#### **Supreme Plastic Ltd.**

Founded in 1942, Supreme is an acknowledged leader of India's plastics industry. Handling volumes of over 3,20,000 tonnes of polymers annually effectively makes the country's largest plastics processors. Not surprisingly, we also offer the widest and most comprehensive range of plastic products in India. Our 25 advanced plants are powered by technology from world leaders, and complement our

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\* Assistant Professor, Faculty of Commerce, Sheth C. D. Barfiwala College Of Commerce, Sahyog Society, Sumul Dairy Road, Surat, Gujarat, India.

extensive facilities for R & D and new product development. In fact, Supreme is credited with pioneering several products in India. These include Cross- Laminated Films, HMHD Films, Multilayer Films, SWR Piping Systems and more.

Supreme Industries Limited is India's leading plastic processing company with seven business divisions. The company has forayed into different types of plastic processing in Injection Moulding, Rotational Moulding (ROTO), Extrusion, Compression Moulding, Blow Moulding etc. Supreme Industries limited offers wide range of plastic products with a variety of applications in Moulded Furniture, Storage & Material Handling Products, XF Films & Products, Performance Films, Industrial Moulded Products, Protective Packaging Products, Composite Plastic Products, Plastic Piping System & Petrochemicals. 2018-19 will see The Supreme Group turnover cross a projected Rs.125 billion (USD 2billion).

#### **Objectives of Study**

The present study "A comparative study of Financial Performance of NILKAMAL and SUPREME PLASTIC LTD.", has been designed to achieve the following objectives:

- To analyses and evaluate the overall working capital management in the selected units.
- To analyses and evaluate the overall profitability in the selected units.
- To analyses and evaluate the trends in financial performance of the selected units.

#### **Data Collection**

For completion of my study only secondary data has been used. The main sources are annual reports. Besides for framing conceptual framework, various books and published material in standard books and newspapers, Journals and websites has been made use of.

#### **Limitations of the Study**

To know the extent to which the study is reliable it is necessary to note the limitations under which the study has been completed. The following important limitations have been noted while conducting the present study:

- The main source of information is annual reports. They represent financial information/position on particular date. What happened between such two dates cannot easily be presumed or predicated.
- The annual reports mostly contain quantitative and financial information and as regards to qualitative aspect of financial performance, my source was limited due to far away location of head offices of the selected units.
- The financial performance covering a large period say 20 years or 30 years can give a much clear picture of management practices of financial performance. Our study covering a period of 5 years can touch only a part of the problem.

#### **Data Analysis**

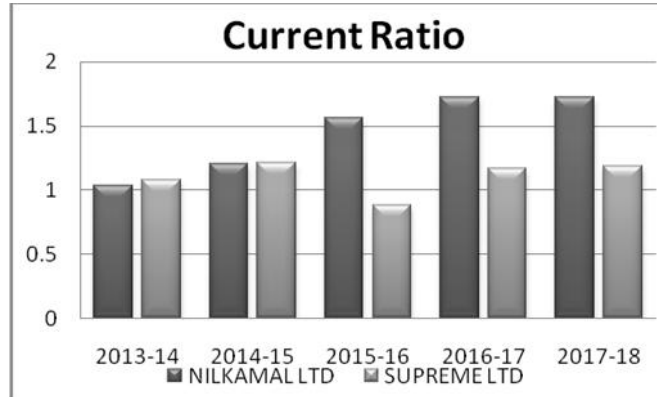
##### **Current Ratio**

One of important function of the financial manager is to maintain sufficient liquidity. Current ratio is an important criterion to test the liquidity and also the short term solvency. The ratio of 2:1 is considered as standard of current ratio.

**Table & Graph 1: Current Ratio**

(In Times)

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	1.03	1.08
2014-15	1.2	1.21
2015-16	1.56	0.88
2016-17	1.72	1.17
2017-18	1.72	1.19



(Source: Compile Personally from Annual Reports)

**Interpretation**

From the above table and graph it is clear that NILKAMAL LTD have 1.03 times current ratio in the year 2013-14. It became 1.56 times in the year 2015-16 but in the last year of the study i.e. in the 2017-18 the current ratio of NILKAMAL LTD is 1.72 times. On the other hand current ratio of SUPREME LTD. is 1.08 times in 2013-14 and 1.21 times in 2014-15. From the above it can be concluded that the financial position of NILKAMAL LTD is better than the SUPREME LTD. In terms of current ratio because SUPREME LTD. have more variations in current ratios compare to NILKAMAL LTD.

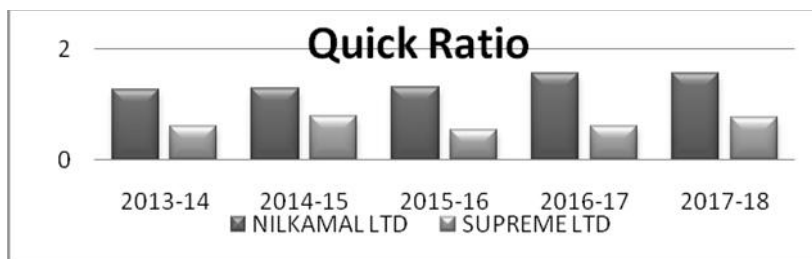
**Quick Ratio**

This ratio also tests liquidity. But it is a more refined test of liquidity and solvency. This ratio takes into consideration the liquid assets only which are directly convertible into cash. The current assets like inventories which are two steps away from the cash are excluded. The quick ratio is computed by dividing liquid assets by current liabilities. A quick ratio of 1:1 is considered adequate.

**Table & Graph 2: Quick Ratio**

(In Times)

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	1.27	0.62
2014-15	1.29	0.78
2015-16	1.31	0.55
2016-17	1.55	0.62
2017-18	1.55	0.76



(Source: Compile Personally from Annual Reports)

**Interpretation**

It is clear from the above table and graph it is clear that NILKAMAL LTD have 1.27 times quick ratio in the year 2013-14. It became 1.31 times 2015-16. But in the last year of the study i.e. in 2017-18 the quick ratio of NILKAMAL LTD is 1.55 times. This increased time during the study period. On the other hand quick ratio of SUPREME LTD. is 0.62 times in 2013-14 and 0.76 times in 2017-18. From the above it can be concluded that the financial position of NILKAMAL LTD is better than the SUPREME LTD. in terms of quick ratio. SUPREME LTD. has more variations in quick ratio as compare to NILKAMAL LTD.

**Inventory Turnover Ratio**

This ratio indicates whether stock has been efficiently used or not. A high ratio is considered better.

**Table & Graph 3: Inventory Turnover Ratio**

(In Times)

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	5.5	7.96
2014-15	6.89	10.17
2015-16	6.76	5.98
2016-17	6.42	6.44
2017-18	5.72	7.32



(Source: Compile Personally from Annual Reports)

**Interpretation**

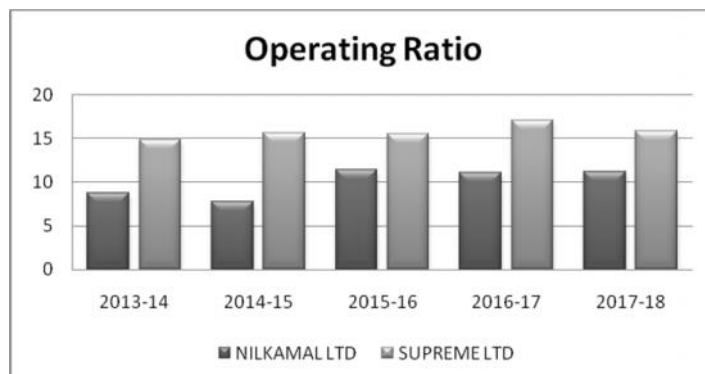
This ratio indicates whether stock has been efficiently used or not. It shows the speed with the stock is rotated into sales or the number of times the stock is turned into sales during the year. Above chart & graph shows that inventory turnover ratio of NILKAMAL LTD is 5.5 times in the year 2013-14 & 5.72 times in the year 2017-18 it is very low. On the other hand the SUPREME LTD. is 7.96 times in the year 2013-14 & the remaining year it is maximum the 6 times and the last year of the study i.e. 2017-18 this is 7.32 times. In the term of Inventory turnover ratio the SUPREME LTD.'S financial position is better than NILKAMAL LTD.

**Operating Ratio**

A low operating ratio is better because it reflects the efficiency of management the lower the ratio, higher would be the profitability.

**Table & Graph 5: Operating Ratio (%)**

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	8.75	14.85
2014-15	7.83	15.65
2015-16	11.47	15.49
2016-17	11.1	17.06
2017-18	11.2	15.83



(Source: Compile Personally from Annual Reports)

**Interpretation**

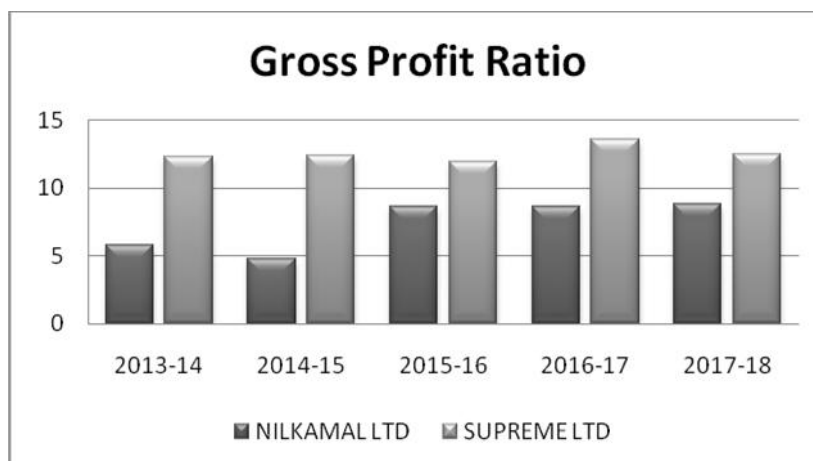
From the above table & graph it is clear that NILKAMAL LTD have 8.75% operating ratio in the year 2013-14. It became 11.47 % in the year 2015-16 but in the last year of the study i.e. in 2017-18 the operating ratio of NILKAMAL LTD is 11.2 %. On the other hand operating ratio of SUPREME LTD. is 14.85 % in 2013-14 and 15.83 % in 2017-18. From the above it can be concluded that the financial position of NILKAMAL LTD. is better than the SUPREME LTD. in the terms of operating ratio because the operating ratio of NILKAMAL LTD is low, as compare to SUPREME LTD.

**Gross Profit Ratio**

This ratio measures the gross margin of profit from sales. The higher the gross profit ratio the better it is.

**Table & Graph 6: Gross Profit Ratio (%)**

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	5.8	12.29
2014-15	4.82	12.38
2015-16	8.65	11.98
2016-17	8.61	13.61
2017-18	8.86	12.47

**Interpretation**

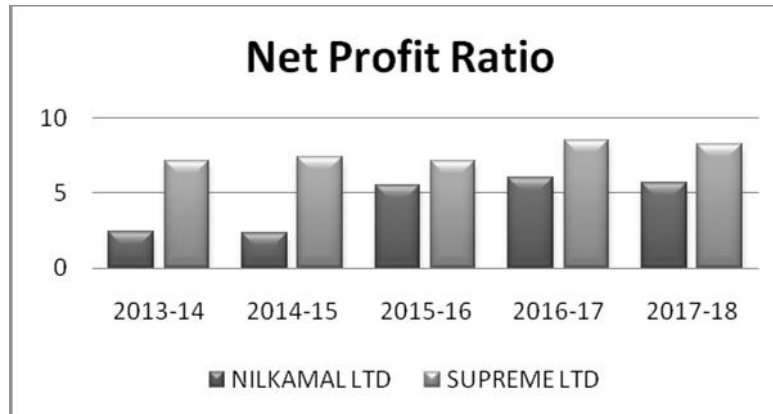
From the above table & graph it is clear that NILKAMAL LTD have 5.8% gross profit in the year 2013-14. It becomes 8.65% in the year 2015-16, but in the last year of the study i.e. in 2017-18 the gross profit of NILKAMAL LTD is 8.86%. On the other hand gross profit of SUPREME LTD. Is 12.29% in 2013-14 and 12.47% in the year 2017-18. From the above it can be calculated that the financial position of TATA STTEL is better than the NILKAMAL LTD in term of gross profit because NILKAMAL LTD has more variation in Gross Profit as compared to SUPREME LTD.

**Net Profit Ratio**

This is the ratio of net profit to sales. The greater the ratio, the more profitable the business will be.

**Table & Graph 7: Net Profit Ratio (%)**

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	2.41	7.1
2014-15	2.37	7.42
2015-16	5.55	7.16
2016-17	6.05	8.5
2017-18	5.65	8.24



#### Interpretation

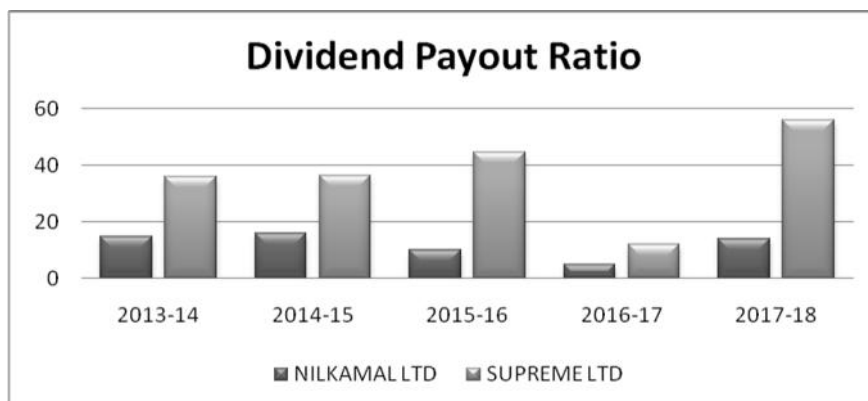
Above chart shows that net profit ratio NILKAMAL LTD is 2.41% in the year 2013-14 and 75.65% in the year 2017-18. It is very low. On the other hand the SUPREME LTD. 7.1% in the year 2013-14 it become 7.16% in the year 2015-16 but in the last year of the study i.e. in 2017-18 the net profit of SUPREME LTD. 8.24 %. The financial position of SUPREME LTD . is better than the NILKAMAL LTD in terms of net profit.

#### Dividend Payout Ratio

Dividend payout ratio shows that how much dividend the company is paying to its shareholders out of net earnings available to shareholders.

**Table & Graph 8: Dividend Payout Ratio (%)**

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	14.91	36.11
2014-15	15.81	36.21
2015-16	10.05	44.7
2016-17	5.03	12.09
2017-18	14.01	55.99



#### Interpretation

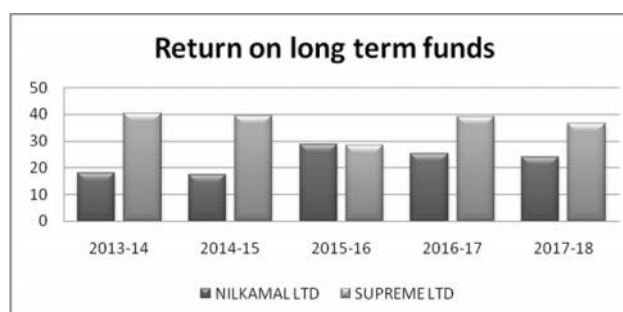
Above chart indicates that the dividend payout ratio of NILKAMAL LTD is 14.91% in the year 2013-14. In the year 2014-15 it has 15.81% & the next two years it almost decried but in the last year of the study 2017-18 the dividend payment ratio was 14.01%. On the other hand the dividend payout ratio of SUPREME LTD. was 36.11% in the year 2013-14 & in 2016-17 it was 12.09%. In the last year of the study it becomes 55.99%. From the above it can be concluded that the financial position of NILKAMAL LTD is better than the SUPREME LTD. in terms of dividend Payout Ratio.

### Return on Long Term Funds

This ratio shows that how much return is earned from long term funds. If this ratio is higher than this is consider better.

**Table & Graph 9: Return On Long Term Funds Ratio (%)**

Year/Company	Nilkamal Ltd	Supreme Ltd
2013-14	17.91	40.5
2014-15	17.24	39.34
2015-16	28.82	28.45
2016-17	25.38	39.19
2017-18	23.99	36.73



### Interpretation

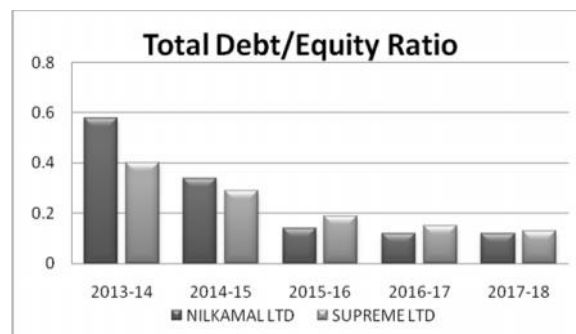
From the above table & graph it is clear that NILKAMAL LTD have 17.91% returns on their long term funds in the year 2013-14. It became 28.82% in the year 2015-16. But in the last year of the study i.e. 2017-18 the return on long term funds was 23.99%. On the other hand it is clear that SUPREME LTD. have 40.50% returns on their long term funds in the year 2013-14. It became 28.45% in the year 2015-16. But in the last year of the study i.e. 2017-18 the return on long term funds was 36.73%. During the study period the SUPREME LTD earn more return on their long term assets but in the last year this became low but the NILKAMAL LTD return have stable. From the above it can be concluded that both companies have more variations. But the last year of the study the SUPREME LTD. have better position than the SUPREME LTD.

### Total Debt/Equity Ratio

This ratio expresses the relationship between long term debts & shareholders' funds. It indicates the proportion of funds which are acquired by long term borrowings in comparison to shareholders funds.

**Table & Graph 10: Total Debt/Equity Ratio (%)**

Year/Company	Nilkamal Ltd.	Supreme Ltd.
2013-14	0.58	0.4
2014-15	0.34	0.29
2015-16	0.14	0.19
2016-17	0.12	0.15
2017-18	0.12	0.13



### Interpretation

From the above table & graph it is clear that NILKAMAL LTD have 0.58% debt equity ratio in the year 2013-14, it become 0.14% in the year 2015-16. But in the last year of the study i.e. 2017-18 the debt/equity ratio was 0.12%. On the other hand debt/equity ratio of the SUPREME LTD. is 0.4% in 2013-14 & the last year of the study i.e. 2017-18 is 0.13%.

### Conclusion

Efficient management of finance is very important for the success of an enterprise. Term financial performance is very dynamic term. The subject matter of financial performance has been changing very rapidly. In present time greater importance is given to financial performance. So, here an attempt is made by me to compare the financial performance of the selected units i.e. Steel Authority of India and Tata Steel Ltd. While analyzing the financial performance of the selected units, we include the analysis of working capital, analysis of fixed assets and analysis of profitability.

Financial performance is an important yardstick to measure a company operational and financial efficiency. This aspect must form part of the company's strategic and operational thinking. Efforts should constantly be made to improve the financial position. This will yield greater efficiencies and improve investor's satisfaction. Nilkamal Ltd. and Supreme Ltd. both the companies are major players in steel manufacturing sector in India. After making the comparative analysis of both the firms we find that performance of Supreme Ltd. is better than the Nilkamal Ltd. It is so because the Net profit of Supreme Ltd. is greater than the Nilkamal Ltd. Similarly the inventory management of the Supreme Ltd. is better than the Nilkamal Ltd.

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