

**A STUDY ON FINANCIAL PERFORMANCE AND KEY
INDICATORS OF LUCAS INDIAN SERVICE LIMITED,
CHENNAI**

R. Poornima Rani*

Abstract

Ratios make the related information comparable. A single figure by itself has no meaning, but when expressed in terms of a related figure, it yields significant interferences. Thus, ratios are relative figures reflecting the relationship between related variables. Their use as tools of financial analysis involves their comparison as single ratios, like absolute figures, are not of much use. Ratio analysis has a major significance in analyzing the financial performance of a company over a period of time. Decisions affecting product prices, per unit costs, volume or efficiency have an impact on the profit margin or turnover ratios of a company. The first task of financial analyst is to select the information relevant to the decision under consideration from the total information contained in the financial statements. The second step is to arrange the information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. In brief, financial analysis is the process of selection, relation and evaluation. Ratio analysis in view of its several limitations should be considered only as a tool for analysis rather than as an end in itself. The reliability and significance attached to ratios will largely hinge upon the quality of data on which they are based. They are as good or as bad as the data itself. Nevertheless, they are an important tool of financial analysis.

Keywords: Ratio analysis, Nevertheless and financial analysis

*** Research Scholar, Bharathidasan University, Trichy, India**

CHAPTER I - INTRODUCTION

Financial ratios are widely used for modeling purposes both by practitioners and researchers. The firm involves many interested parties, like the owners, management, personnel, customers, suppliers, competitors, regulatory agencies, and academics, each having their views in applying financial statement analysis in their evaluations. Practitioners use financial ratios, for instance, to forecast the future success of companies, while the researchers' main interest has been to develop models exploiting these ratios. Many distinct areas of research involving financial ratios can be discerned. Historically one can observe several major themes in the financial analysis literature. There is overlapping in the observable themes, and they do not necessarily coincide with what theoretically might be the best founded areas. Financial statements are those statements which provide information about profitability and financial position of a business. It includes two statements, i.e., profit & loss a/c or income statement and balance sheet or position statement. The income statement presents the summary of the income earned and the expenses incurred during a financial year. Position statement presents the financial position of the business at the end of the year. Before understanding the meaning of analysis of financial statements, it is necessary to understand the meaning of analysis' and financial statements'.

Analysis means establishing a meaningful relationship between various items of the two financial statements with each other in such a way that a conclusion is drawn. By financial statements, we mean two statements- (1) profit & loss a/c (2) balance sheet. These are prepared at the end of a given period of time. They are indicators of profitability and financial soundness of the business concern.

Thus, analysis of financial statements means establishing meaningful relationship between various items of the two financial statements, i.e., income statement and position statement

CHAPTER III - COMPANY PROFILE

LUCAS INDIAN SERVICE LIMITED, CHENNAI - An overview

Lucas Indian Service (LIS) established in 1930, is a specialist organization in sales and service of "Lucas-TVS" auto electricals and "Delphi-TVS" diesel fuel injection equipment. LIS also

manufactures automotive products like ignition coils and solenoid switches in Chennai which are marketed under the brand name "Lucas". LIS distributes "LISPART" range of auto parts and "Lucas" range of automotive batteries through tie-ups with leading manufacturers. Besides manufacturing, sales and distribution, LIS offers servicing and training in auto electrical and diesel fuel injection equipment.

The brand portfolio of LIS consists of leading product brands - "Lucas-TVS" Auto Electricals, "Delphi-TVS" Diesel Fuel Injection Equipment, "LISPART" Auto Parts, and "Lucas" Automotive batteries, Ignition Coils & 4ST Switches. LIS also promotes preventive maintenance services under the brand name

Manufacturing

For over five decades, LIS has been manufacturing ignition coils for petrol driven vehicles and enjoys a significant market share with major car manufacturers in the country. LIS has enhanced the production line by adding solenoid switches, which have been well accepted as an original fitment by leading automobile manufacturers. LIS also exports ignition coils to the Middle East, SriLanka, Turkey, Singapore and Indonesia.

LIS is also a major share holder in a joint venture company "India Nippon Electricals Limited". The company manufactures electronic ignition systems for two wheelers in collaboration with Kokusan Denki, of Hitachi Group, Japan.

Distribution

LIS extensively covers the country through its 4 regional offices located at the main metros and 20 branches equipped with warehousing facilities. The widespread distribution network of LIS reaches 650 towns and cities. LIS has established a network of over 1500 dealers. The company also maintains close bonds with a large number of institutional clients, State Transport Undertakings, Coal fields, Public Sector Undertakings and Defence Establishments.

Service

LIS has over a period of eight decades, built expertise in servicing auto electrical system and diesel fuel injection equipment. In addition to its 40 company owned workshops located at all major branches, LIS has established a dedicated network of over 500 service dealerships.

Comprehensive training provided to service dealers contributes to the success of LIS in the industry. Specialized training in fault diagnosis and repairs is provided on a continuous basis. Training is also extended to the dealers of vehicle manufacturers, state transport undertakings, fleet operators, defence personnel and other such institutional clients. LIS has developed and made available a wide range of tools and test equipment for effectively meeting the service requirements. LIS has introduced a mobile workshop facility designed to handle both auto electrical and diesel fuel injection system repairs. The mobile workshop is also equipped with training facilities.

Customer Segments

- Sale and Services Dealers
- State Transport Undertaking
- Fleet operators
- Vehicles Manufacturers
- Defense Establishments
- Public and Private Sector Industries
- Coal Fields
- Government Projects
- Exports

CHAPTER IV- ANALYSIS AND INTERPRETATION

CALCULATION OF KEY RATIO'S - LUCAS INDIAN SERVICES LIMITED

Key Ratios	31.03.10	31.03.11	31.03.12	31.03.13
Gross Profit/ Sales	9.80%	9.39%	6.57%	7.82%
Operating Profit/Sales	8.56%	8.18%	5.58%	6.70%
Interest coverage (times)	28.56	45.32	31.33	15.50
Earnings per share (Rs/share)	24.90	25.54	16.95	27.43
Cash EPS (Rs/share)	28.39	29.96	20.81	31.47
Sales per share (Rs/share)	367074	420671	454951	553591
Dividend per share (Rs/share)	10.00	10.50	6.50	9.50
Book value of share (Rs/share)	158.85	172.50	181.85	198.17
Debt equity ratio (times)	0.00	0.00	0.00	0.00
Gross Profit/ total funds employed	0.23	0.23	0.17	0.22
RONW (%)	15.67%	14.81%	9.32%	13.84%
Pay out Ratio (%)	40.16%	41.11%	38.34%	34.64%
Operating profit margin	8.56%	8.18%	5.58%	6.70%
Profit after tax / Total revenue	7.90%	7.72%	5.32%	6.40%
Employee costs / Total revenue	6.30%	6.44%	6.84%	6.65%
Tax / Profit before tax	20.38%	25.83%	33.51%	26.31%
Other Income / Total revenue	6.11%	4.06%	3.47%	3.71%
Cash profit / Total revenue	8.78%	8.71%	6.12%	7.09%
Acid test ratio	1.26	1.06	0.91	0.58
Cash & cash equivalents / Current liabilities	0.33	0.23	0.20	0.14
Current ratio	1.64	1.54	1.68	1.24
Debt - Equity ratio	-	-	-	-
Depreciation for the year / Average gross		5.88%	4.74%	4.49%

block				
Capital expenditure / Depreciation		168.88%	219.83%	330.05%
Return on equity	15.67%	14.81%	9.32%	13.84%
Return on capital employed	20.34%	20.35%	14.40%	19.88%
Cash profit / Average net worth	21.89%	22.52%	16.14%	20.82%
Growth in total revenue		12.69%	7.42%	21.38%
Growth in net profit (before taxation)		10.09%	-25.94%	45.95%
Sales / Total assets	349.47%	372.86%	391.39%	332.01%
Cash & cash equivalents / Total revenue	6.01%	4.93%	4.05%	2.96%
Cash & cash equivalents / Total assets	22.79%	19.49%	16.63%	10.29%
Cash earnings per share	28.39	29.96	20.81	31.47
Dividend per share	10.00	10.50	6.50	9.50
EPS Growth		2.57%	-33.61%	61.76%

(Source – Data Provided from Lucas Indian Services Limited)

CHAPTER V - FINDINGS AND SUGGESTIONS

Findings

- Financial ratios are essentially concerned with the identification of significant accounting data relationships, which give the decision-maker insights into the financial performance of a company.
- The analysis of financial statements is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding of the firm's position and performance.
- The Cash (Earning per Share) of Lucas Indian Services Limited is increased to 31.47% Compared to Previous year (2009-2010) which was 20.81%.
- Debt Equity Ratio is calculated to assess the ability of the firm to meet its long term liabilities. Generally, debt equity ratio of is considered safe. The Company is maintaining

Nil percentage on Debt equity ratio for the past few years which shows the company provides sufficient protection to long-term lenders.

Suggestions

The Company may try to increase its Current asset & decrease its Current liabilities, Compared to last year the Net Current asset is lower this year. The Dividend per share seems to be decreasing for the past few years which shows the dividend paid to the shareholders were diminishing over the years. To Increase the dividend the company need to increase its profit. Lucas Indian Services Limited is one of the leading manufacturing units in automobile industry and we expect this should be maintained in the future.

References

Muhammet Mercana (2003), 'The effect of scale and mode of ownership on the financial performance of the Turkish banking sector: results of a DEA-based analysis', *Socio-Economic Planning Sciences*, Vol 37, Iss 3, Pp185–202

Arnold Reismanb, (2011), 'A Comparison of Financial Performance in Investment Banking Sector in Pakistan Ali Raza', *International Journal of Business and Social Science* Vol. 2 No. 9 [Special Issue - May 2011]

Hailey College of Commerce, University of the Punjab Lahore, Pakistan E-mail: mfarhan_rana@yahoo.com Muhammad Akram (Corresponding Author) Lecturer Hailey College of Commerce, University of the Punjab Lahore, Pakistan E-mail: makram.hcc.pu.edu.pk@gmail.com

Nađa , Dreca (2012) Evaluation of Financial Performance of Banking Sector: Evidence from Bosnia and Herzegovina, Croatia, Serbia and Slovenia. In: 3rd International Symposium on Sustainable Development, May 31 - June 01 2012, Sarajevo.