"AN ANALYTICAL STUDY ON FINANCIAL PERFORMANCE OF COCHIN PORT TRUST"

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ABSTRACT

The study of financial statement is prepared for the purpose of presenting a periodical review or report by the management of and deal with the state of investment in business and result achieved during the period under revie w. They reflect the financial position and operating strengths or weaknesses of the concern by properly establishing relationship between the items of the balance sheet and remove statements. This study attempts to analyze the financial performance of Cochin Port Trust(CPT)

Keyword : *Cochin Port Trust,Finacial Analyse*s

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1. INTRODUCTION

The study of financial statement is prepared for the purpose of presenting a periodical review or report by the management of and deal with the state of investment in business and result achieved during the period under review. They reflect the financial position and operating strengths or weaknesses of the concern by properly establishing relationship between the items of the balance sheet and remove statements.

Financial statement analysis can be under taken either by the management of the firm or by the outside parties. The nature of analysis defers depending upon the purpose of the analysis. The analyst is able to say how well the firm could utilize the resource of the society in generating goods and services. Turnover ratios are the best tools in deciding these aspects.

Hence it is overall responsibility of the management to see that the resource of the firm is used most efficiently and effectively and that the firm's financial position is good. Financial statement analysis does indicate what can be expected in future from the firm.

1.1 Significance of Ratio Analysis

The significance of Ratio Analysis lies in the fact that it presents facts on a comparative basis and enables the drawing of inferences regarding the performance of a firm. The use is not confined the finance managers alone. They are different parties interested in the ratio analysis for knowing the financial position of a firm for different purpose. The suppliers of goods on credit, banks, financial institutions, investors, shareholders and the management all make use of ratio analysis as a tool of evaluating the financial position and the performance of a firm.

2. OBJECTIVES,METHODOLOGY & LIMITATIONS OF THE RESEARCH

2.1 OBJECTIVES

The present study has been undertaken with the following objectives.

1. To study the growth and development of CPT.
2. To study the trends in finance and analyze various elements in financial analysis.
3. To evaluate the financial position of CPT.

4. To calculate and estimate the important financial ratios as a part of financial analysis in CPT.
5. To offer suggestions to improve financial position of the CPT.
6. To study the financial strengths and weaknesses of the CPT.

2.2 METHODOLOGY

Information of the present study has been collected from secondary sources of data.

2.2.1 SECONDARY SOURCES

- Data was collected from documents, records and files of the Port trust.
- Data was gathered from the annual reports of Port trust.
- Data was collected from company website.

2.3 LIMITATIONS OF THE STUDY

The research work has been undertaken with almost accurate data but the following aspects can be termed as the limitations of the project work.

The limitations include

- During the period of analysis, the company's current financial information was not available.
- The study is limited to the five years review period from 2010-2016.
- CPT is a service-oriented organization. So various interpretations may not hold good.

3. PORT PROFILE

3.1 INTRODUCTION

Ports are commonly known as places of safe shelter with necessary infrastructure for the purpose of the trade. In the view there are airports and seaports. Seaports are gateways to the world. Seaport is essential link in the international maritime transport chain. Seaports play a very important role in country's growth. At present over 80% of all international trade goes by sea.

In the case of developing courtiers like ours there is imperative need for growth of foreign trade, certain important equipment has to be imported to earn foreign exchange to buy machinery and equipment.

Thus international trade is the principal generator of economic growth. Growth occurs when trade increases, while growth itself creates more trade. In this international trade, seaports a have to function efficiently with least cost to ensure the transfer of cargo between inland and maritime transport and also allow goods to flow in and out of the country as quick as possible. Thus, seaports and our ports also in the essential link in the international maritime transport chain.

Ports are meant to provide sea borne vessels, some basic services such as harbor or berth facilities for the ships and launching facilities for the passengers and cargo. Apart from this, ports provide cranes, warehouses, labor for cargo handling and transport. Thus today ports become a very complex organization.

3.2 MEANING AND DEFINITION OF PORT

Port- A transshipment point between sea and surface transport and an entry and exit for import and export trade play as unique role in the country's transport system.

3.3 CLASSIFICATION OF PORTS

Ports in India are classified into three categories.

- Major Ports
- Intermediate Ports
- Minor ports

- **Major Ports**

Technically speaking, a major port is the one which handles not less than half a millions of cargo annually and which possess labor and other facilities to receive ships of 4000 foot and more.

- **Intermediate Ports**

This type of port is the one, which handles not less than 1500 toners of cargo annually and is independent from the point of view of passengers of traffic defense and customs.

- **Minor Ports**

A minor port in the one which handles not less than 500 toners of cargo annually and which is not considered from any other point of view is termed as minor port. Major ports are governed by the Major Ports Act 1963 and the Indian Ports Act 1908. The chairman of each major port trust is appointed by the Central Government besides, Chairman, the port trust board comprises of Deputy Chairman, representatives of Customs, Railways, Defense, State Government, Ship owners, shippers etc., all members of the board other than chairman and Deputy Chairman are part time members. Our country is having a coast line of about 6000 Kms. and the major ports and the minor ports are situated along the coast line and at sea, islands. There are 12 major ports and 163 minor ports and intermediary ports.

ABOUT MAJOR PORTS IN INDIA

Major ports situated on the west coast:

S.No	Name of the Port	State	Year of establishment
1	Bombay Port Trust	Maharashtra	1875
2	Kandla Port Trust	Gujarat	1955
3	Jawaharlal Nehru Port Trust	Maharashtra	1987
4	New Mangalore Port Trust	Karnataka	1974
5	Mormu Goa Port Trust	Goa	1961
6	Cochin Port Trust	Kerala	1930

Major ports situated on the east coast:

S.No	Name of the Port	State	Year of establishment
1	Calcutta Port Trust	West Bengal	1893
2	Paradip Port Trust	Orissa	1966
3	Chennai Port Trust	Tamilnadu	1916
4	Tuticorin Port Trust	Tamilnadu	1974
5	VOC Port Trust	Andhra Pradesh	1933
6	Ennore Port Ltd	Tamilnadu	2002

Mumbai Port

This port is established in 1875 in Maharashtra state. It is a leading Indian port. It i a commercial gateway and premier port of India. Bombay Port is a Tully ink great multipurpose port capable of handling dry nulls, co-author food grains state.

Kandla Port Trust

This port is established in 1955 and geographically situated in Gujarat state. It is "Sea areas of north west India." This port has the special feature of highest productivity rates among India's ports.

Jawaharlal Nehru Port Trust

There is another port trust in New Bombay. It is an international trade partner the most modern port of India with fully automatic and computer controlled facilities for handling in-port of day bulk cargo and import and export of containers of cargo and machines.

New Mangalore Port Trust

This port is established in 1974. This is also called as the gateway of Karnataka situated on the west coast of India.

Mormugoa Port Trust

This Port is established in 1962. This is the gateway of Golden Goa. Mormu Goa Port is the local point of Goa's rich maritime transitions.

Cochin Port Trust

This port was established in 1930 at Willing Ton Island. This is leading port on the West Coast of India. The port has the following facilities i.e., berthing facilities in the placid back water throughout the year.

Calcutta Port Trust

This port is established in 1893 in West Bengal. Calcutta port was contributed to India's economic development. Traditionally Calcutta port has been a terminal port; vessels bang imports to Calcutta and after necessary repairs if any undertaken take first lead of cargo export.

Paradip Port Trust

This port is established in the year 1966 in Cuttack of Orissa State. The port has four general cargo berths. Merchandised iron ore handling plant with wagon tipplers and a cap tine berth for handling raw material for fertilizer plant located closely.

Chennai Port Trust

This port is established in 1976 in Madras at Tamil Nadu State. This is eastern gateway of India. A port with two modern floating dry docks providing under water repairs to vessels in Anchorage.

VOC Port Trust

This is established in 1976. The port has too many features i.e., the ideal position for your Extracting business needs, no congestion no ideal man or delay here because work bustle on every pier documentation producer facilities formalities smoothed and accelerated.

VIZAG Port Trust

This is a natural port. The port has the specific features of quick turn round of ships better labour productivity, coast affective cargo handling fast clearance of easiest better ideas trials relation, exemption of levy on export cargoes local point of Goa's rich maritime treaties.

Ennore Port Ltd

Newly constructed port. Main activities in the port are been privatized.

3.4 MAIN SOURCES OF REVENUE

Port mainly derives their revenue from cargo handling in their port areas, charges on the ships visiting areas and other related charges.

Main Sources of Revenue from Cargo Traffic

- Wharf age and cargo related charges
- Cranes hire charges
- Rentals from warehouse
- Demurrage charges
- Charges for providing rail and transport, for the cargo movement and providing water facilities for the visiting ship

Main Sources for Revenue from Ship Traffic

- Port dues
- Pilotige
- Berth hire
- Survey and measuring fees
- Ship repair in dock area, charges for water supply

4. RATIO ANALYSIS

4.1 INTRODUCTION

As observed a basic limitation of the traditional financial statement comprising the balance sheet and the profit and loss account is that they do not give all the information related to the financial operation of the firm. Nevertheless, they provide some extremely useful information to the extent that the balance sheet mirrors the financial position on a particular date in terms of the profit and loss account shows the results of operations during a certain period in terms of the revenues obtained and the cost incurred during the year. Therefore, much can be learnt about a firm from a careful examination of its financial statements as invaluable documents/performance analysis. Users of financial statements can get further insight about financial strengths and weakness of the firm if they properly analyze information reported in these statements. Management should be particularly interested in knowing financial weakness of the firm to take suitable corrective action. The plans of the firm should be laid down in view of the firm's financial strengths and weaknesses. Thus, financial analysis is the starting point for making plans, before using any sophisticated forecasting and planning procedures. Understanding the past is a pre-requisite for anticipating the future.

Ratio analysis is a widely –used tools of financial analysis. It is defined as the systematic use of ration to interpret the financial statements so that the strengths and weaknesses of the firm as well as its historical performance and current financial condition can be determined. Ratio analysis is a powerful tool of financial analysis. A ratio is defined as the indicated quotient of two mathematical expressions and as the relationship between two or more things.

4.2 TYPES OF RATIOS

Several ratios, calculated from the according data can be grouped into various classes according to financial activity or function to be evaluated. As stated earlier, the parties interested in financial analysis are short-term and long-term creditors, owners and management. Short-term creditor main interest is in the liquidity position or the short-term solvency of the firm. Long-term creditors on the other hand, are more interested in the long-term solvency and profitability of the firm. Similarly, owners concentrate on the firm's profitability and financial conditions. Management interested in evaluating every aspect of the firm's performance. They have to protect the interests of all parties and see that the firm grows profitable. In view of the requirements of the various users of ratios, we may classify them into the following four important categories:

- LIQUIDITY RATIOS
- LEVERAGE RATIOS
- ACTIVITY RATIOS
- PROFITABILITY RATIOS

4.2.1 LIQUIDITY RATIOS

It is extremely essential for a firm to be able to meet its obligations as they become due. Liquidity ratios measure the firm's ability to meet current obligations.

In fact, analysis of liquidity needs the preparation of cash budgets and cash and fund flow statements but liquidity ratios, by establishing a relationship between cash and other current assets to current obligation provided quick measures of liquidity. A firm should ensure that it does not suffer from lack of liquidity, will result in a poor creditworthiness, loss of creditors confidence, or even in legal tangles resulting in the closure of the company. A very high degree of liquidity is also bad idea assets earn nothing. The firm's funds will be unnecessarily tied up in current assets. Therefore, it is necessary to strike a proper balance between high liquidity and lack of liquidity. The most common ratios, which indicate the extent of liquidity or lack of its, are:

1. CURRENT RATIO
2. QUICK RATIO
3. CASH RATIO

CURRENT RATIO

The current ratio is calculated by dividing current assets by current liabilities.

$$\text{CURRENT RATIO} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

Current assets include cash and those assets, which can be converted into cash within a year, such as marketable securities, debtors and inventories. Prepaid expenses are also including in current assets as they represent the payments that will not be made by the firm in future. Current liabilities include creditors, bill payable, accrued expenses, short-term bank loan, and income tax liability and long-term debt maturing in the current year.

The current ratio is a measure of the firm's short-term solvency. The higher the current ratio, the large is the amount of rupees available per rupee of current liability, the more is the firm's ability to meet the current obligations and the greater is the safety of funds of short-term creditors.

QUICK RATIO

The quick ratio is calculated by dividing quick assets by quick liabilities.

$$\text{QUICK RATIO} = \frac{\text{Quick assets}}{\text{Quick liabilities}}$$

Quick assets or liquid assets mean those assets, which are immediately convertible into cash without much loss. All current assets expect prepaid expenses and inventories are categorized in liquid assets. Quick liabilities means those liabilities, which are payable within a short period. Normally, bank overdraft and cash credit facility, if they become permanent mode of financing are in quick liabilities.

As this ratio concentrates on cash, marketable securities and receivables in relation to current obligation, it provides a more penetrating measure of liabilities.

CASH RATIO

The cash ratio is calculated by dividing cash + marketable securities by current liabilities.

$$\text{CASH RATIO} = \frac{\text{Cash + Marketable Securities}}{\text{Current liabilities}}$$

Since each cash is liquid asset, a financial analyst may examine cash ratio and its equivalent to current liabilities. Trade investment or marketable securities are equivalent of cash therefore; they may be included in the composition of cash ratio.

4.2.2 LEVERAGE RATIOS

The short-term creditors like bankers and suppliers of raw material are more concerned with the firm's current debt-paying ability. On the other, long-term creditors like debenture holders, financial institutions etc., are more concerned with the firms long-term financial strength. In fact, a firm should have strong short-term as well as long-term financial position. To judge the long term financial position of the firm, financial leverage, or capital structure, ratios are calculated. These indicate mix of funds provided by owners and lenders, as a rule, there should be an approximate mix of debt and owner's equity in financing the firm's assets.

The manager in which assets are financed has a number of implications. First, between debt and equity, debt is more risky from the firm's point of view. The firm has a legal obligation to pay interest on debt holders, irrespective of the profits made or losses incurred by the firm. If the train firm fails to debt holders in time, they can take legal action against it to get payment and in extreme cases, can force the firm into liquidation.

Secondly, use of debt is advantageous for shareholders in two ways:

a. They can retain control of the firm with a limited stake and.
b. Their earnings will be magnified, when the earns a rat of return on the total capital employed higher than the interest rate on the borrowing funds. The process of magnifying the shareholders return with debt is called financial advantage or financial gearing or trading on equity.

Advantage ratio may be calculated from the balance sheet to determine the proportion of debt in total financing. Many variations of these ratios exist but all these ratios indicate the same thing-the thing extent to which the firm has relied on debt in financing assets. Leverage ratios are also computed from the profit and loss items by determining the extent to which operating profits are sufficient to cover the fixed charges.

DEBT-EQUITY RATIO

The relationship describing the lender contribution for each rupee of the owner's contribution is called DEBT-EQUITY RATIO.

DEBT-EQUITY RATIO is directly computed by the following formula.

$$\text{DEBT-EQUITY RATIO} = \frac{\text{DEBT}}{\text{EQUITY}}$$

PROPRIETARY RATIO

This ratio states relationship between share capital and total assets. Proprietor's equity represents equity share capital, preference share capital, reserves, and surplus. The latter ratio is also called capital employed to total assets.

$$\text{PROPRIETORY RATIO} = \frac{\text{EQUITY SHARE CAPITAL}}{\text{TOTAL TANGIBLE ASSETS}}$$

(OR)

$$\frac{\text{PROPRIETARY EQUITY}}{\text{TOTAL TANGIBLE ASSETS}}$$

INTEREST COVERAGE RATIO

This ratio indicates the extent to which earnings can decline without resultant financial hardship to the firm because of its inability to meet annual interest coast. For example, coverage of 5 times means that as fall earnings up to ($1/5^{th}$) level would be tolerable, as earnings to service interest on debt capital would be sufficiently available. This ratio measured as follows:

$$\text{INTEREST COVERAGE RATIO} = \frac{\text{EARNING BEFORE INTEREST \& TAXES (DEBIT)}}{\text{INTEREST CHARGES}}$$

FIXED ASSETS TO NET WORTH

This ratio indicates the extent to which Equity capital is invested in the net fixed assets. It is expresses as follows:

$$\text{FIXED ASSETS TO NET WORTH} = \frac{\text{FIXED ASSETS}}{\text{NET WORTH}}$$

NET WORTH is represented by Equity share capital plus reserves and surplus. If the fixed assets are more than the net worth, difficulties may arise, as the depreciation will reduce profit. This also means that creditors have contributed to fixed assets. The higher this ratio, the less will be the protection to creditors. If this ratio is too high, the firm may find it handicapped, as too much capital is tied up in fixed assets but not circulating.

4.2.3 ACTIVITY RATIOS

Funds creditors and owners are invested in various assets to generate sales and profit and profits. The better the management of asset, the large the amount of sales. Activity ratios are employed to evaluate the efficiency with which the firm managers and utilizes its assets. These ratios are also called turnover ratios because they indicate the speed with which assets are being covered or turned over into sales. Activity ratio, thus involve as relationship between sales and assets. A proper balance between sales and assets generally reflects that assets are managed well. Several activity ratios can be calculated to judge the effectiveness of assets utilization.

INVENTORY TURNOVER RATIO

Inventory turnover ratio indicates the efficiency of the firm in producing and selling its products. It is calculated by dividing cost of goods sold by the average inventory.

The average inventory is the average of opening and closing balance of inventory.

In a manufacturing, company inventory of finished goods is used to calculate inventory turnover.

$$\text{INVENTORY TURNOVER RATIO} = \frac{\text{Cost of goods sold}}{\text{Average inventory}}$$

5. STUDY OF RATIO ANALYSIS IN COCHIN PORT TRUST

5.1 CURRENT RATIO

The current ratio is calculated by dividing current assets by current liabilities, as a conventional role Current ratio of 2:1 or more is considered to be satisfactory.

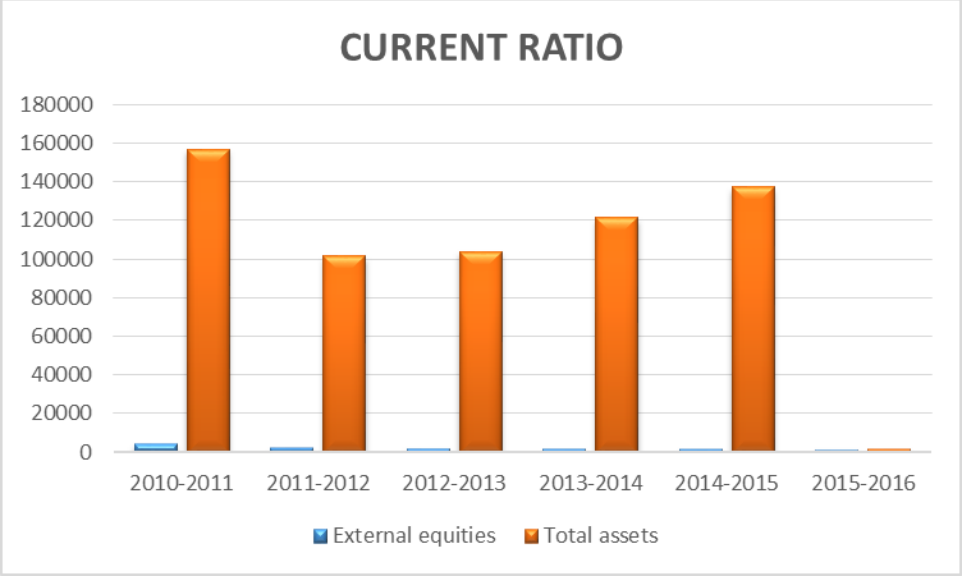
Current assets = debtors, cash, inventory, bills receivable short turn investments

Current liabilities = Short term bank loan, creditors bills, payable, provisions, bank over draft.

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

(In Crores)

Year	Current Assets	Current liabilities	Ratio
2010-2011	25283.77	16961.54	1.49:1
2011-2012	20563.57	16375.71	1.26:1
2012-2013	23174.08	15995.13	1.45:1
2013-2014	34132.38	32320.68	1.06:1
2014-2015	39866.35	35419.47	1.13:1
2015-2016	81879.46	78575.95	1.04:1



INTERPRETATION

The ideal ratio for current ratio is 2:1 as the norm in the industry. However CPT is not involved in any manufacturing activity and concerned with providing service in order to increase the imports and exports. Hence the ratio according for CPT port trust i.e. 1.419 to 1.13 is found to be satisfactory.

5.2 DEBT-EQUITY RATIO

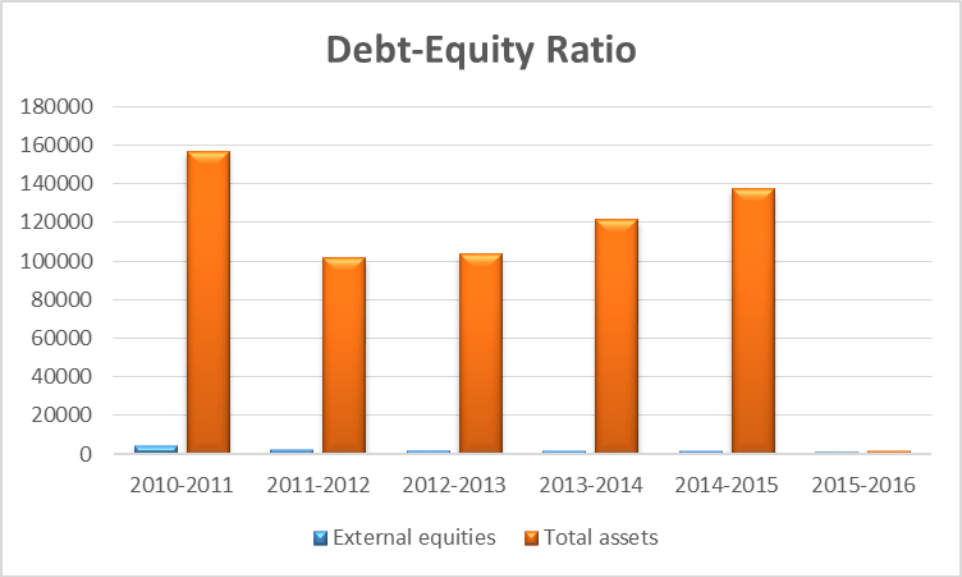
Debt- equity ratio can be computed by dividing total debt by total owner's equity.
Total debt = debentures, bank loan, current liabilities, outsiders funds

Total owners' equity = shareholders fund investment, equity share capital, preference share capital reserves & surplus

$$\text{Debt –Equity Ratio} = \frac{\text{Total debt}}{\text{Total owners' equity}}$$

(In Crores)

Year	Total debt	Owners equity	Ratio
2010-2011	4213.54	90401.62	0.05:1
2011-2012	2016.51	99607.36	0.02:1
2012-2013	1798.61	102097.29	0.02:1
2013-2014	1594.61	119817.58	0.01:1
2014-2015	1416.61	123873.44	0.01:1
2015-2016	1299.01	152099.21	0.008:1



INTERPRETATION

The ideal ratio of Debt-Equity ratio is 1:2.CPT is not having any outside debt except from Government of India. The ratio is ranging from 0.05 to 0.01 which can be said well.

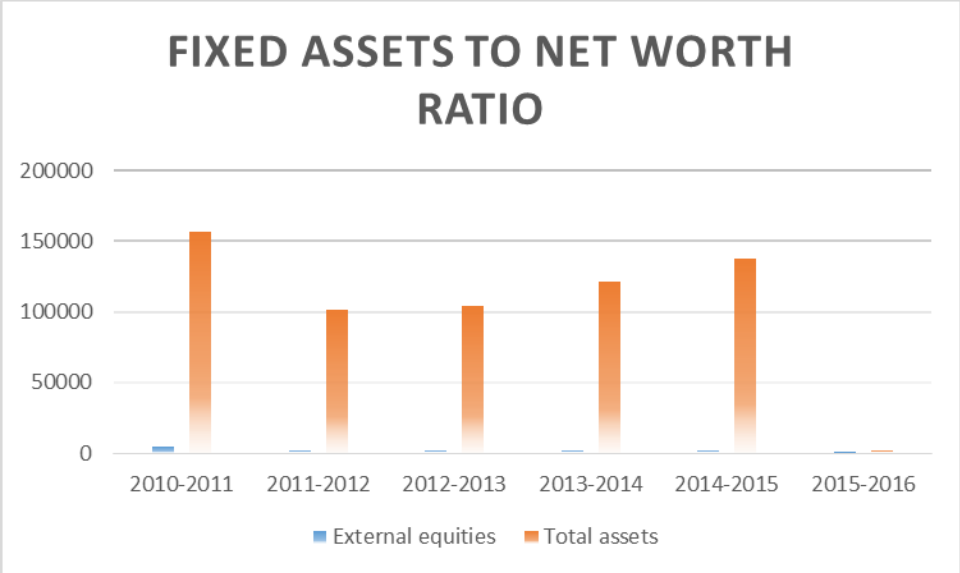
5.3 FIXED ASSETS TO NET WORTH RATIO

Fixed assets to net worth ratio can be computed by dividing fixed assets by net worth
Net worth = shareholders fund investment, equity share capital, preference share capital reserves & surplus

$$\text{Fixed assets to net worth ratio} = \frac{\text{Fixed assets}}{\text{Net worth}}$$

(In Crores)

Year	Fixed assets	Net worth	Ratio
2010-2011	64375.85	90401.62	0.71:1
2011-2012	64039.71	99607.36	0.64:1
2012-2013	68664.97	102097.29	0.67:1
2013-2014	71680.82	119817.58	0.60:1
2014-2015	69635.54	123873.44	0.56:1
2015-2016	69258.05	152099.01	0.45:1



5.4 EXTERNAL EQUITIES TO TOTAL ASSETS RATIO

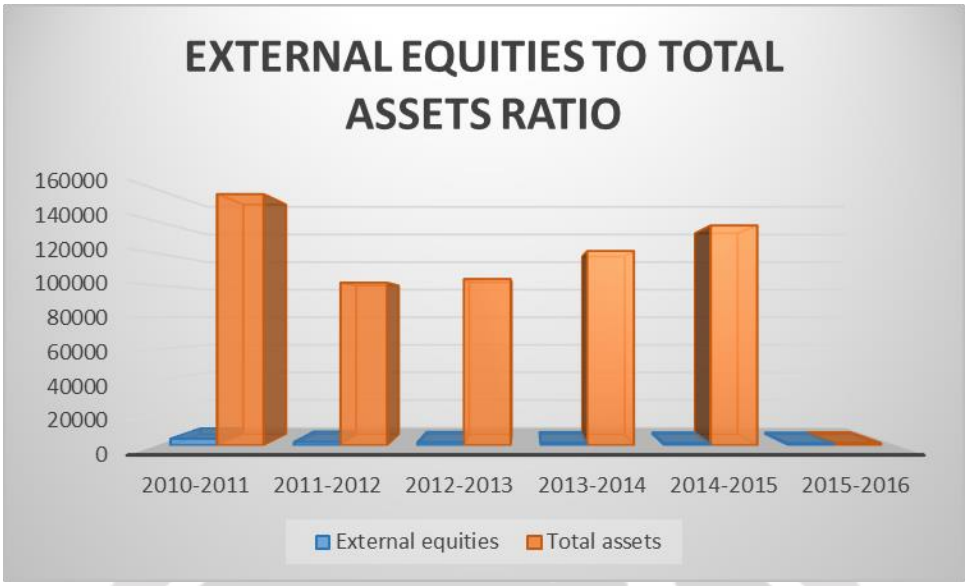
External equities to total assets ratio can be computed by dividing External equities by total assets.

$$\text{External equities to total assets} = \frac{\text{External equities}}{\text{Total assets}}$$

Long term debt obtaining from Government was taken as External equity.

(In Crores)

Year	External equities	Total assets	Ratio
2010-2011	4213.54	156887.35	0.03:1
2011-2012	2016.51	101623.87	0.02:1
2012-2013	1797.61	103894.9	0.02:1
2013-2014	1594.61	121412.2	0.01:1
2014-2015	1416.61	137269.35	0.01:1
2015-2016	1299.01	1533.22	0.008:1



INTERPRETATION

From the above graph it can be interpreted that for the past four years, the ratio indicates that the credit is used to a satisfactory level up to 2010-11 is constant. But for the years 2015-16, the investment in total assets is less than earlier.

5. FINDINGS, SUGGESTIONS & CONCULSION

5.1 FINDINGS

A ratio is a widely used tool of financial analysis. A ratio reflects the financial position of the company to the users such as management creditors and inventors. The ratios which are calculated to evaluate the financial position of CPT are broadly classified in to liquidity, leverage, and profitability and activity ratios.

1. The liquidity ratios of CPT is satisfactory at present i.e., 2015-2016 but it is above the requirements during the years 2013-2014 and 2014-2015.
2. The activity ratios had shown that the CPT is having efficient credit management system. The company is able to convert its receivables into cash.
3. The activity ratios of CPT have also shown that the collection period is satisfactory.
4. The profitability ratios had shown that the overall performance of CPT is in a satisfactory position.

5.2 SUGGESTIONS

1. The performance of CPT regarding the traffic handled, labor productivity and the performance of ships is good. However, more facilities are yet to be provided to meet the requirements of increased traffic.

2. In order to give quick delivery of unloaded ships coming into the port it has to increase the operating efficiency with high technological developments.

3. The liquidity position of CPTis satisfactory at present. It is above the requirements during the years 2013 and 2014 as depicted by the Current and Quick ratio. It is better to maintain at the present position.

5.3 CONCULSION

So arriving at a conclusion and giving suggestion regarding the performance of such an organization is very sensitive activity. The performance of CPT regarding the traffic handled, labor productivity and the performance of ships is good. However, more facilities are yet to be provided to meet the requirements of increased traffic.

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