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A study on financial performance (Selected Liquidity Ratios & Management performance ratios) of BAG Films and Media Ltd

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Abstract
Finance is the lifeblood of any business. The present study deals with the "Financial Performance Evaluation of BAG Films and Media Ltd". It is necessary to evaluate the financial performance for further improvement in their strategies. As the title indicates, this is a study of the evaluation of financial performance of selected companies. The purpose of this study is to explain the actual accounting information and make analysis through different accounting techniques. In the present study, the Researcher has discussed the selected liquidity ratios & management ratios. Every possible effort has been made to examine the financial performance of the company.

Introduction

Financial Performance in broader sense refers to the degree to which financial objectives being or has been accomplished and is an important aspect of finance risk management. It is the process of measuring the results of a firm's policies and operations in monetary terms. It is used to measure firm's overall financial health over a given period of time and can also be used to compare similar firms across the same industry or to compare industries or sectors in aggregation.

Ratio analysis is a widely used tool of financial analysis. The term ratio is refers to the relationship expressed in mathematical terms between two individual figures or group of figures connected with each other in some logical manner and are selected from financial statements of the concern. It helps to express the relationship between two accounting figures in such a way that users can draw conclusions about the performance, strengths and weakness of a firm.

Company Profile

B.A.G. Films and Media Limited is an India-based company engaged in the business of motion picture, video and television programs production activities, and leasing of production and broadcast equipment's and/are other assets. The Company's segments include Audio-Visual production, Movies, Leasing, FM Radio and Television Broadcasting. It operates News24, a national Hindi news channel through its subsidiary, News24 Broadcast India Limited. Its News 24 and E24 are available across West Asia, and the Middle East and North Africa (MENA) Region. It operates E24, a Bollywood entertainment channel, through its subsidiary, E24 Glamour Limited. In addition, it operates Darshan24, a devotional channel. The Company has approximately 10 frequency modulation (FM) radio stations, operating in the brand name Dhamaal24 through its subsidiary, Skyline Radio Network Limited, in the cities of Hissar, Karnal, Patiala, Shimla, Muzaffarpur, Ranchi, Jabalpur, Jalgaon, Dhule and Ahmednagar.

Objective of the Study

a. Primary objective

1. To analyze the financial performance of Bag Films and Media LTD

b. Secondary objective

1. To know the borrowings and liquidity position of the company
2. To know the financial strengths and weakness of the company

Period of Study

The study has been undertaken for a period of 5 years (2013 – 2017)

Source of data

All the data has been collected from the secondary source and some relevant information were taken from annual reports, journals, internet, etc.

Data Analysis and interpretation

The data is analyzed through Ratio analysis and interpreted accordingly.

Limitations of the Study

The analysis is made only with the help of secondary data collected from the web

Current Ratio

Current ratio may be as the relation between current assets and current liabilities it is the most common ratio for measuring liquidity

= Current Assets / Current Liability

Table 1.1 – Current Ratio

Year	Current Ratio
2012 - 2013	4.18
2013 -2014	2.84
2014 -2015	3.13
2015 - 2016	1.68
2016 - 2017	.85

Inference: For the year 2016 – 17, 2015 – 16 is considered acceptable and the firm is doing well. For the year 2012 – 15, the ratio is high indicating excessive current assets in the form of inventory and underemployed capital. They will not be able to pay the current liabilities and struggle to meet their obligations.

Inventory turnover ratio

Inventory turnover ratio is the rate at which inventory is 'turned' or sold by a company. It shows the company's ability to convert its inventory into cash.

= Cost of Goods Sold / Average Inventory

Table 1.2 – Inventory turnover ratio

Year	**Quick Ratio**
2012 - 2013	2.18
2013 -2014	2.14
2014 -2015	1.37
2015 - 2016	1.09
2016 - 2017	1.28

Inference: it has a decreasing trend till the year 2016 and increases in 2017. A decrease shows that excessive inventory levels than warranted by production and sales activities or a slow moving or obsolete inventory.

Quick Ratio

Quick ratio is also called acid-test ratio, establishes a relationship between quick, r liquid, assets and current liabilities. It is a measure of how well a company can meet its short-term financial liabilities.

= Current Assets – Inventory / Current Liabilities

Table 1.3 – Quick Ratio

Year	Quick Ratio
2012 - 2013	3.01
2013 -2014	1.66
2014 -2015	1.86
2015 - 2016	.89
2016 - 2017	.39

Inference: For the year 2016 -17, less than 1 indicating that the company may rely heavily on inventory or other assets to pay its short term liabilities. For the years 2013 – 15, shows there is no liquidity problem. For the year 2012 -13, the ratio is higher may suffer from a shortage of funds if it has outstanding debtors and slow paying.

Debtor's turnover ratio

Debtor's turnover ratio, also called accounts receivable turnover ratio, is a ratio that is used to gauge the number of times a business is able to convert its credit sales to cash during a financial year. Collection period is the time taken by the company to convert its credit sales to cash

= Net Credit Sales / Average Accounts Receivable

Table 1.4 - Debtors turnover ratio

Year	Debtors Turnover Ratio
2012 - 2013	2.70
2013 -2014	2.78
2014 -2015	1.56
2015 - 2016	1.40
2016 - 2017	1.76

Inference: For the year 2014 -17 it is less than 2. The years 2012 -14 represents a little higher. The higher the value of debtor's turnover, the more efficient is the management of credit.

Long Term Debt Equity Ratio

A capitalization ratio comparing long-term debt to shareholders' equity.
In risk analysis, a way to determine a company's leverage.

= Long-term debt / (Preferred stock + Common stock)

The greater a company's leverage, the higher the ratio. Generally, companies with higher ratios are thought t o be more risky because they have more liabilities and less equity.

Table 1.5 - Long Term Debt Equity Ratio

Year	Long Term Debt Equity Ratio
2012 - 2013	.24
2013 -2014	.22
2014 -2015	.21
2015 - 2016	.13
2016 - 2017	.05

Inference: Since the ratio is less, less will be leverage and are thought to be less risky.

Suggestions

Current Ratio

- A persistent follow up with the debtors can improve the collections from them
- Clear statement about the payment should be given and negotiate the credit period as low as possible.

- Sell or shift Unused fixed assets

Inventory Turnover Ratio

- Purchase behavior should be taken utmost care. This can be done using purchase software and forecast future purchases.
- Emphasize on top selling products.
- Keep in track of the products so as to avoid overselling, underselling and stock outs using inventory management software.

Quick Ratio

- Submission of invoices before date helps to receive the money before the estimated time and receive money for sales
- Aging accounts should be paid more attention to make the customers pay.
- Pay off the minor liabilities as they do not have high money values

Debtors Turnover Ratio

- Make the customers pay on time
- Track the customers who pay their bills early and give incentives
- Review on consistent basis and revise the credit terms
- Discourage late payments

Long Term Debt Equity Ratio

- Use revenue growth to pay down and eliminate debt
- At as fuel for expansion. Deduct the interest on your loans as a business expense.
- As long as the debt stays manageable, the firm keeps growing

Conclusion

Bag films must try to improve the financial performance better than the current position to keep the firm growing and have a constant follow-up with debtors and customers.