PROJECT ON SEGMENT ANALYSIS-I

1. Name of Project:

Analysis of Performance of each segment of Prakash Industries Limited with reference to

1. Revenue,
2. Profit and
3. Capital employed

2. Objectives:

- ✰ To study whether the contribution of various segments of Prakash Industries Limited with respect to (i) Revenue, and (ii) Profit, is justified ?
- ✰ To know as to which operation segment is performing best in terms of Net Profit and Return on Investment.

3. Period Under Study:

Financial Year ending 31st March, 2007

4. Tools of Analysis:

1. Common Size Statement and
2. Ratios

5. Source Material:

Newspaper cutting of Audited Financial Results of Prakash Industries Limited from the Economic Times dated 2nd August, 2007 or the Website of the company.

6. Processing of Data :

I. Common Size Statement of Segment Wise Revenue

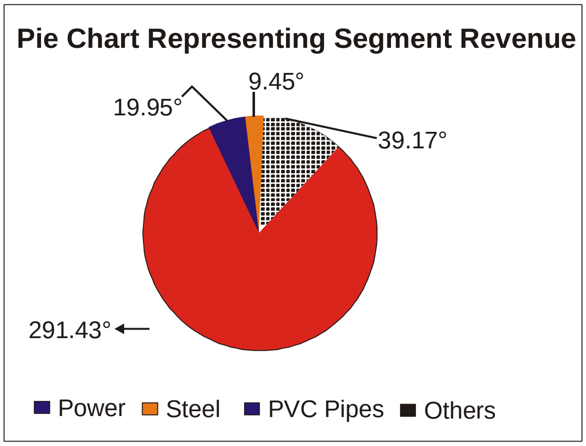
- ✰ Compare the Revenue from Operations of each segment of Prakash Industries with TOTAL REVENUE for the year ended 31 March 2007.
- ✰ Use the formula = $\frac{\text{Revenue of the segment}}{\text{Total Revenue}} \times 100$

Degree = $\frac{\text{Revenue of the segment}}{\text{Total Revenue}} \times 360$

Commonsize Statement Showing Inter-Segment Comparison of Revenue
For the year ended 31 March, 2007

Segment	Power	Steel	PVC Pipes	Others	Total
Revenue (₹)	12755	94901	6497.00	3079	117232
Percentage of Total Revenue (%)	10.88	80.95	5.54	2.63	100
Degrees for Pie Diagram	39.17°	291.43°	19.95°	9.45°	360°

Source: The Economic Times 2nd August, 2007



II. Common Size Statement of Segment Wise Profit

- ☆ Compare the PROFIT of each segment of Prakash Industries Limited with TOTAL PROFIT for the year ended 31 March, 2007.
- ☆ Use the formula to calculate percentage and degrees for making pie diagram.

$$\text{Percentage} = \frac{\text{Profit of the segment}}{\text{Total Profit}} \times 100$$

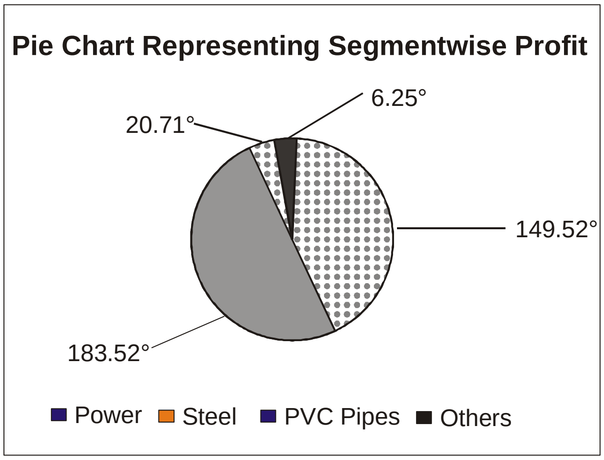
$$\text{Degrees} = \frac{\text{Profit of the segment}}{\text{Total Profit}} \times 360$$

Commonsize Statement Showing Inter Segment Comparison of Profit
For the year ended 31 March, 2007

Segment	Power	Steel	PVC Pipes	Others	Total
Profit (₹) (in lakhs)	6506	7985	901	272	15664

Percentage of Total Profit (%)	41.53	50.98	5.75	1.74	100
Degrees for Pie Diagram	149.52°	183.52°	20.71°	6.25°	360°

Source: The Economic Times 2nd August, 2007



III. Common size statement of segment wise capital employed

- Compare the CAPITAL EMPLOYED of each segment of Prakash Industries Limited with TOTAL CAPITAL EMPLOYED for the year ended 31 March, 2007.
- Use the formula to calculate percentage and degrees for making pie diagram.

$$\text{Percentage} = \frac{\text{Capital Employed of the Segment}}{\text{Total Capital Employed}} \times 100$$

$$\text{Degrees} = \frac{\text{Capital Employed of the Segment}}{\text{Total Capital Employed}} \times 360$$

Commonsize Statement Showing Inter Segment Comparison of Capital Employed
For the year ended 31 March, 2007

Segment	Power	Steel	PVC Pipes	Others	Total
Capital Employed ₹ (in lakhs)	13870	66660	1630	6921	89081
% of Total Capital Employed (%)	15.57	74.83	1.83	7.77	100
Degrees for Pie Diagram	56.05°	269.39°	6.59°	27.97°	360°

Source: The Economic Times 2nd August, 2007

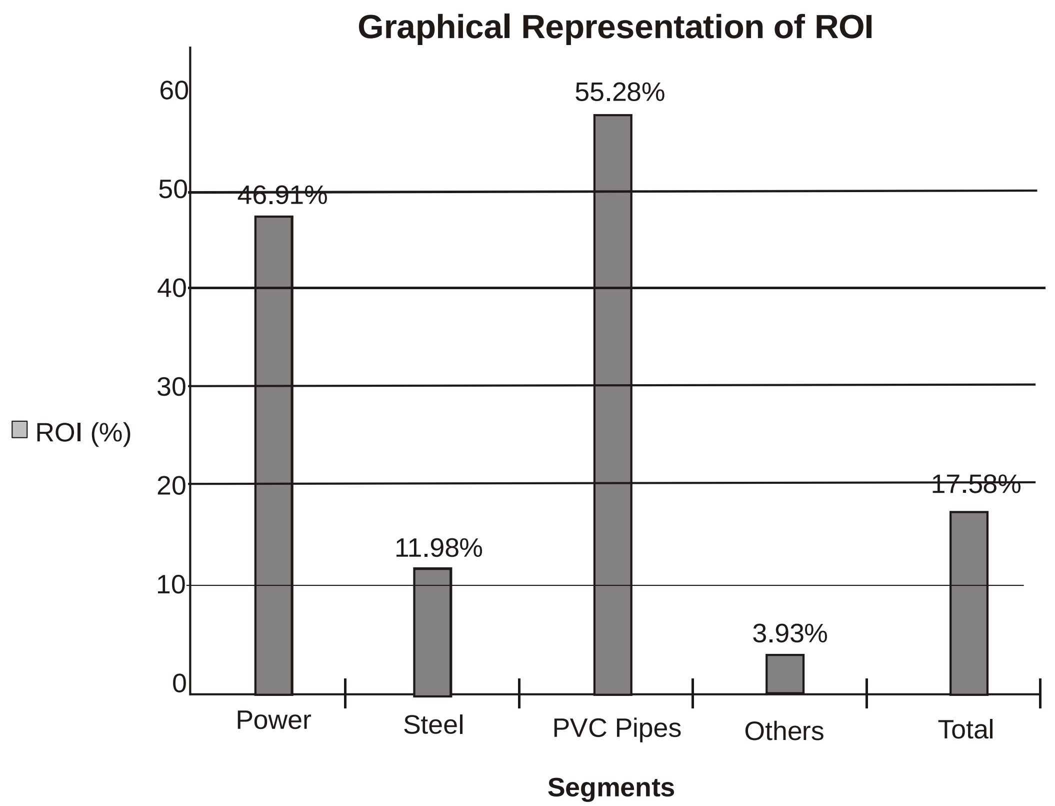
IV. Calculation of Return on Investment

- Calculate the Return on Investment of each segment of Prakash Industries Limited for the year ended 31 March, 2007
- Use the following formula to calculate Return on Investment

$$\text{Return on Investment} = \frac{\text{Profit Before Interest, Tax and Dividend}}{\text{Capital Employed}} \times 100$$

Statement Showing Inter Segment Comparison of ROI
For the year ended 31 March, 2007

Segment	Power	Steel	PVC Pipes	Others	Total
PBIT ₹ (in lakhs)	6506	7985	901	272	15664
Capital Employed (₹ in lakhs)	13870	66660	1630	6921	89081
ROI (%) $\left[\frac{\text{PBIT}}{\text{Capital Employed}} \times 100\right]$	46.91	11.98	55.28	3.93	17.58



Combined Comparative Statement

Segment	Power	Steel	PVC Pipes	Others	Total
Revenue (%) of Total	10.88	80.95	5.54	2.63	100
PBIT (%) of Total	41.53	50.98	5.75	1.74	100
Capital Employed (%) of Total	15.57	74.83	1.83	7.77	100
ROI (%) same	46.91	11.98	55.28	3.93	17.38

Conclusions:

- ✰ PVC Pipes Segment has the highest ROI 55.28% with capital share of only 1.83%.
- ✰ With the Revenue share of 10.88% of the Total Revenue, Power Segment is able to generate a PBIT of 41.53% of the Total Profit.
- ✰ Power Segment also has a good ROI of 46.91%.
- ✰ Therefore, PVC Pipes Segment and Power Segment are the best performing segments.

Future Projections:

- ✰ With 55.28% share of ROI, PVC Pipes segment seems to have a bright future. More funds should be diverted towards this segment from Steel segment which is losing its shine.
- ✰ Power also has a future growth potential because of shortage of power in the country. It will be a good idea to divert some funds towards this segment from Steel Segment.

Project on Analysis of Cash Flow Statement

Analyse of Cash Flows Statements of Appollo Private Limited

Summary of Cash Flows of Appollo Private Limited for the years 2015 and 2014 are as follows:

Particulars	2015 (₹)	2014 (₹)
Opening balance of Cash and Cash Equivalents	6,60,000	7,60,000
Cash Flow from Operating Activities	28,40,000	7,10,000
Cash Flow from Investing Activities	(13,70,000)	(23,10,000)
Cash Flow from Financing Activities	(12,00,000)	15,00,000
Closing balance of Cash and Cash Equivalents	9,30,000	6,60,000

I. Cash Flow from Operating Activities:

(a) Cash Flow from Operating Activities has a positive inflow of ₹ 28,40,000 in the year ended March 31st, 2015 and ₹ 7,10,000 in the year ended March 31st, 2014, which shows that the company has good operating activities i.e. principal revenue producing activities.

(b) Appollo Private Limited is carrying its business activities and has managed to increase its cash inflow from operating activities more than 4 times during the year by controlling on current receivables, as compared to sales raised from previous year to current year. It has generated cash flow from ₹ 7,10,000 in the year 2014 which later increased to ₹ 28,10,000 in the year 2015.

II. Cash Flow from Investing Activities:

(a) Cash flow from investing activities means that Appollo Private Limited has invested in fixed assets. Investment in terms of purchasing fixed assets and investing in non-current trade investments, which facilitated the business to earn more profit in future. It is also a healthy sign for any business.

(b) However, investment in fixed assets should not be made out of short term funds or it should be financed through long term funds, otherwise the company may face shortage of working capital.

(c) In the year 2015, Appollo Private Limited invested of ₹ 13,70,000 out of the total inflow ₹ 30,40,000 (₹ 28,40,000 from operating activities + ₹ 2,00,000 from financing activities).

The company used significantly large amount from operating activities. ₹ 2,00,000 is from short term borrowing. This should not be used in long term investments. The company has not used these funds as it has enough funds from operating activities.

(d) In the year 2014, Appollo Private Limited invested of ₹ 23,10,000 out of the total inflow ₹ 22,10,000 (₹ 7,10,000 from operating activities + ₹ 15,00,000 from financing activities), as the company used considerable amount to finance the long term investments from financing activities and less amount from operating activities, which shows the efficient cash management to some extent.

III. Cash Flow From Financing Activities:

(a) In the year 2015, Appollo Private Limited used ₹ 28,40,000 from operating activities in repaying its long term liabilities of ₹ 12,00,000 which will ultimately help the company improve its solvancy ratios particularly debt-equity, interest coverage and total assets to debts ratios.

(b) In the year 2014, Appollo Private Limited used proceeds of cash of ₹ 10,00,000 from issue of shares and ₹ 5,00,000 from borrowings to finance the long term investment of the company, which shows healthy sign of cash management.

On the basis of the above analysis, we may conclude that business of Appollo Private Limited is doing well and prospects of the company are bright. But the company is carrying unusually high cash and cash equivalents, indicating the inefficient cash management. The management must consider this situation and take decision for better cash management so that better standards are achieved.