

AN ANALYSIS FOR THE FINANCIAL PERFORMANCE

#1Mrs. D. MOUNIKA,
Assistant Professor,
Department of MBA,
J.B. INSTITUTE OF ENGINEERING & TECHNOLOGY, HYDERABAD.

#2KANAPARTHY AVANTHIKA (PG Student)
Department of MBA,(JBIET).

ABSTRACT: The paper is titled "An Analysis of a Company's Financial Performance". The goal of this research is to examine the Company's present financial situation and compare it to that of the past five years. The secondary data sources used in this inquiry were annual reports. The data used in this study included comparative balance sheets, common size balance sheets, and comparative balance sheet analyses. Annually, current liabilities exceeded current assets, indicating that the firm should prioritize increasing its current asset balance. The corporation's financial position has been strengthened. A review of The Company's financial performance over the preceding five years revealed significant insights into its many financial components. The comparative analysis reveals the methods used to measure overall performance.

1. INTRODUCTION

Finance refers to the availability of funds when they are needed. Regardless of size, every business requires financial resources to function and fulfill its goals. Finance is now seen as critical, and it is frequently referred to as an organization's "lifeblood". A corporation cannot achieve its goals without adequate cash. Finance is the administration and supervision of financial transactions inside an organization. An assessment of a company's ability to produce revenue through the efficient use of resources connected to its principal business operations. The fundamental focus of financial statement analysis is on the linkages between different financial elements inside a specific business, which are visually represented in a consolidated collection of statements. Financial statement analysis is the process of gaining a more comprehensive knowledge of a company's performance and placement by examining the many components of a financial statement. Financial statement analysis assesses financial data to estimate future debt and

interest payments as well as the profitability of a wise financial strategy.

TYPES OF FINANCIAL PERFORMANCE ANALYSIS

Financial performance is frequently used by organizations as a metric to accelerate development and growth. Financial performance analyses are a comprehensive approach to improving an organization's financial performance by examining its expenses.

Working capital analysis

The term "working capital" refers to a company's ability to use current assets to meet short-term obligations. Working capital is frequently used to measure an organization's liquidity. Working capital, also known as net working capital, influences an organization's financial stability and operational efficiency.

Conducting a working capital analysis allows executives to gain a comprehensive understanding of the company's operations and identify potential financial issues before they arise. It also gives stakeholders an overview of the organization's

financial situation during difficult times.

Financial structure analysis

A business's asset financing structure consists of debt and equity. Both private and public companies use a variety of systems to track their debt and equity transactions. Examining a company's overall financial picture can help identify the best opportunities for capital growth. It is important to remember that financial structure analysis can sometimes be used to differentiate between private and public organizations.

Activity analysis

In short, activity analysis investigates a wide range of processes, including costing, distribution, and pricing. The effectiveness and utility of a business function or activity must be evaluated methodically. Activity analysis also considers how well the activity will meet its objectives.

Probability analysis

Probability analysis aims to predict future market trends. They are excellent at predicting business losses and volatile market conditions. Organizations with limited resources can benefit from probability analysis. It can also be used to investigate previously reported losses.

2. REVIEW OF LITERATURE

Shinde Govind P. & Dubey Manisha (2011) The examination looked into the performance of significant participants in the passenger, commercial, utility, two- and three-wheeler vehicle markets. A SWOT analysis was also conducted, which revealed important drivers driving the automobile industry's growth.

Sharma Nishi (2011) The financial performance of the automobile industry's passenger and commercial vehicle segments between 2001 and 2010 was assessed using liquidity, profitability, leverage, and managerial efficiency. The investigation indicated that, despite their remarkable profitability and managerial efficacy, Mahindra & Mahindra Ltd. and Tata Motors' liquidity positions are regarded insufficient. Commercial cars have a better liquidity situation than passenger automobiles.

Singh Amarjit & Gupta Vinod (2012) Get an overview of the auto business. The automotive sector in India has grown as a key global manufacturing center as a result of various joint ventures spurred by international participation. Performing a SWOT analysis demonstrates that the automobile business faces numerous problems. Contemporary features include keyless entry, electrically operated systems for greater vehicle control, and soft-touch interiors. As the industry evolves, it is critical that durability, safety, fuel economy, and pollution reduction remain top concerns.

Zafar S.M.Tariq & Khalid S.M (2012) The study looked into how ratios are derived from financial statements utilizing management's decisions on stock value and depreciation. A ratio, which is simply a comparison of the numerator and denominator, may not provide an accurate and complete picture of a corporation. Promoters may misrepresent the findings and ignore other factors that influence a business's performance.

Ray Sabapriya (2012) An examination of many vehicle manufacturers was done to examine the industry's performance from 2003-04 to 2009-10, using measures such as export patterns, production, and sales data. According to the report, the automobile industry is currently experiencing disruptions as a result of high debt, asset underutilization, and unsteady cash flow. To ensure the industry's long-term viability, the research proposed increasing labor flexibility, capital efficiency, and worker productivity.

Dawar Varun (2012) The purpose of this study is to examine the impact of many key corporate policy variables, including debt, capital expenditures, and dividends, on Indian manufacturer stock prices. According to the study, dividends and investment policies are related to stock prices, but capital structure is not.

Mistry Dharmendra S. (2012) conducted research to determine how specific variables affect the profitability of individual companies. The inventory ratio, debt-to-equity ratio, and total assets were identified as key variables that could have a favorable or negative impact on profitability. To improve solvency, the company

should minimize its fixed financial obligations in relation to its profit and allow shareholders to trade on equity.

Rapheal Nisha (2013) The author aims to evaluate the financial viability of the Indian tyre business. The study looked at performance from 2003-04 to 2011-12, including financial indicators, sales patterns, export trends, production trends, and other important measures. Increasing worker productivity, capital efficiency, and adaptability are critical to the industry's success, as seen by the outcome.

Hotwani Rakhi (2013) The author assesses Tata Motors' growth and financial performance over the last decade using a sales and profitability study. Data are evaluated using ratios, standard deviations, and the coefficient of variance. The results show that there is a negligible association between a company's sales and profitability.

Sharma Rashmi, Pande Neeraj & Singh Avinash (2013) in order to understand how social media surveillance might help analyze customer behavior and decision-making. Maruti Suzuki India Ltd.'s social media duties include leading, following, replying, and intensifying. The researcher gathered information by visiting MSIL's official social media platforms and spoke with median managers from the social media team. Daniel A. Moses Joshunar (2013) Tata Motors Ltd.'s financial stability and susceptibilities were assessed by reviewing the previous five years' financial statements. Trend and ratio analysis are used to assess an organization's financial situation. The company's financial performance meets expectations. To improve performance, it is recommended that the business increase its borrowing levels.

Dhole Madhavi (2013) examining how price variations in a company's shares affect its performance. Before deciding on the best investment portfolio, investors need think about a variety of aspects. Long-term price movement is primarily controlled by annual performance, whereas mood determines short-term price movement.

Shende Vikram (2014) This study will help existing and new Indian firms understand the

industry's products and customer expectations. The investigation's goal is to determine the factors that influence consumer behavior in a certain automobile sector.

Azhagaiah R. & Gounasegaran (2014) The country's real GDP per capita has been cited as a key element supporting the expansion of India's automobile sector. The federal government has established a number of work groups to address issues connected to labor reform, land acquisition, taxation, and talent development in the automobile industry.

Buvaneswari .R & Kanimozhip (2014) to examine the creditworthiness of numerous Indian automakers based in Tiruchy. Edward Altman, an associate professor at New York University, developed the Z-score analytical tool with the goal of predicting company insolvency or disaster. Analyze five financial ratios to determine the overall health of a company.

3. METHODS OF FINANCIAL ANALYSIS

These are just a few of the many techniques used in financial analysis.

1. Internal Analysis:

- "Internal analysis" is the process of reviewing a company's financial records and other relevant information.
- Management takes this action to better understand the company's financial situation and overall performance.
- Because management has access to all critical company data and information, internal analysis is more reliable and informed.

2. External Analysis:

- External analysis is the examination of publicly available information, such as reports, data, and statements.
- Some employees who do not have full access to the company's records conduct external analysis.
- External analysis is typically carried out by individuals or organizations outside the company, such as creditors, banks, investors, and financial experts.

- Because there is less information available, people believe that internal analysis is more reliable than external analysis.

3. Horizontal Analysis (or Dynamic Analysis):

- A "horizontal analysis" is a prolonged examination of financial statements. For this type of analysis, a comparative financial statement is commonly used.
- To facilitate comparison, amounts spanning two or more years are grouped together in this analysis, along with their absolute and percentage changes.
- It is ideal for long-term trend planning and analysis.
- Another term for "dynamic analysis" is "horizontal analysis," which uses data from two or more years, and "dynamic analysis."
- Horizontal analysis is useful for analyzing time series.

4. Vertical Analysis (or Static Analysis):

- The examination and analysis of financial statements for a specific fiscal year is referred to as "vertical analysis". There are several methods for conducting vertical analysis.
- Vertical analysis is a useful tool for comparing the performance of different departments within a company or across multiple companies at once.
- Vertical analysis, also known as "static analysis," focuses on data from a single year.
- Vertical analysis can be useful for cross-sectional studies.

5. Intra-firm Analysis:

When financial variables from two or more accounting periods are compared within the same organization, they are considered similar. It is also known as time series or trend analysis.

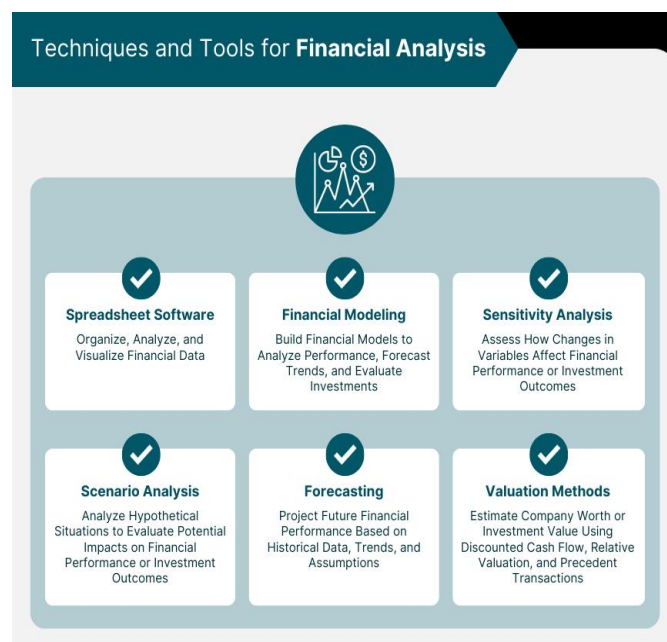
6. Inter-firm Analysis:

When you examine the records of two or more firms from the same accounting period, you are comparing financial data between them. Another name for it is cross-sectional analysis.

4. TECHNIQUES AND TOOLS FOR FINANCIAL ANALYSIS

A multitude of tools and methodologies can be employed to perform financial analysis in an

efficient manner



Spreadsheet Software

The utilization of spreadsheets for data management, analysis, and visualization is widespread. Google Sheets and Microsoft Excel are among these applications.

Financial Modeling

The process of developing financial models to assess investment opportunities, forecast market trends, and evaluate a company's performance is known as financial modeling.

Sensitivity Analysis

Sensitivity analysis investigates the correlation between alterations in particular variables and the financial performance or investment outcomes of an organization. This procedure facilitates the detection and management of potential dangers.

Scenario Analysis

The objective of situation analysis is to ascertain the potential impact of a hypothetical occurrence or assumption on the assets or finances of a business.

Forecasting

The process of forecasting the future financial performance of an organization by utilizing historical data, trends, and assumptions is referred to as financial forecasting. This facilitates the process of planning and decision-making for stakeholders.

Valuation Methods

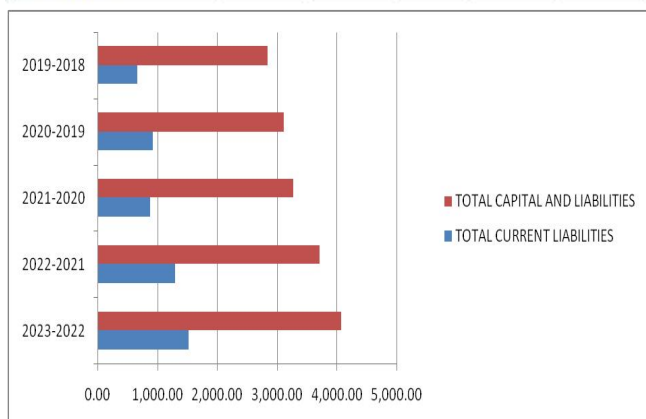
Valuation techniques comprising discounted cash flow, relative valuation, and precedent

transactions are employed to approximate the worth of an investment opportunity or a business. These facilitate the decision-making processes of investors.

5. DATA ANALYSIS

CURRENT LIABILITIES

CURRENT LIABILITIES	2023-2022	2022-2021	2021-2020	2020-2019	2019-2018
Short Term Borrowings	359.79	468.27	30	47.22	50.87
Trade Payables	744.95	516.9	583.94	580.31	395.3
Other Current Liabilities	269.74	169.24	249.85	265.99	185.07
Short Term Provisions	134.91	128.18	9.79	17.59	21.87
TOTAL CURRENT LIABILITIES	1,509.39	1,282.59	873.58	911.11	653.11
TOTAL CAPITAL AND LIABILITIES	4,068.72	3,698.01	3,258.23	3,106.54	2,835.90

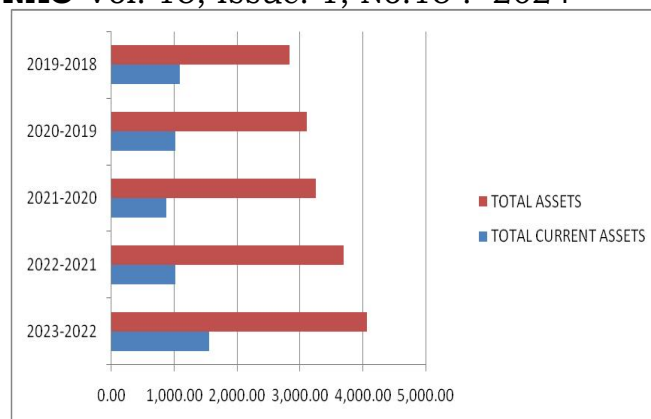


INTERPRETATION:

Comparatively, the value of all assets and liabilities combined in 2023-2022 was \$4,068.72, compared to \$2,835.90 in 2019-2018. The present range of liability values is \$653.11 to 1,509.39, and the term concludes in 2023-2022.

CURRENT ASSETS

CURRENT ASSETS	2023-2022	2022-2021	2021-2020	2020-2019	2019-2018
Current Investments	0	0	0	0	0
Inventories	826.55	637.13	557.82	551.52	503.56
Trade Receivables	196.84	189.38	125.99	168.72	166.52
Cash And Cash Equivalents	138.2	71.96	34.38	66.27	3.2
Short Term Loans And Advances	0.38	0.55	1.07	1.81	1.97
Other Current Assets	396.97	121.92	156.86	233.36	410.99
TOTAL CURRENT ASSETS	1,558.94	1,020.94	876.12	1,021.68	1,086.24
TOTAL ASSETS	4,068.72	3,698.01	3,258.23	3,106.54	2,835.90

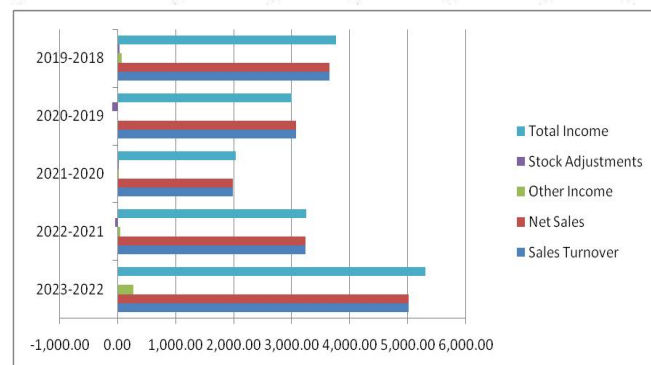


INTERPRETATION:

The graph and table presented above indicate that the TOTAL CURRENT ASSETS experience an increase from \$876.12 in 2021-2020 to 1,558.94 in 2023-2022. From a high of \$4,068.72 in 2023-2022 to a low of \$2,835.90 in 2019-2018, total assets decreased.

Income

Income	2023-2022	2022-2021	2021-2020	2020-2019	2019-2018
Sales Turnover	5,028.59	3,240.04	1,987.82	3,080.13	3,652.10
Net Sales	5,028.59	3,240.04	1,987.82	3,080.13	3,652.10
Other Income	272.48	54.98	26.66	4.72	82.35
Stock Adjustments	7.88	-37.78	26.65	-82.65	34.25
Total Income	5,308.95	3,257.24	2,041.13	3,002.20	3,768.70

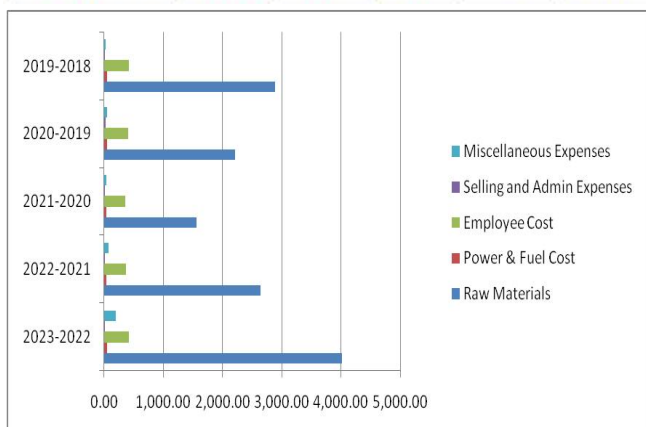


INTERPRETATION:

According to the preceding table and graph, net sales will reach an all-time high of \$5,028.59 in 2023-2022 before declining to \$1,987.82 in 2021-2020. In 2021-2022, the sales turnover rate reaches its minimum of \$5,028.59. In contrast, it decreased from a peak of 272.48 in 2023-2022 to 4.72 in 2020-2019. In 2020-2019, stock adjustments were -82.65, a decrease from their peak of 34.25 in 2019-2018.

Expenditure

Expenditure	2023-2022	2022-2021	2021-2020	2020-2019	2019-2018
Raw Materials	4,020.21	2,641.90	1,565.21	2,205.83	2,892.76
Power & Fuel Cost	53.69	42.5	35.22	47.25	48.86
Employee Cost	422.44	368.08	351.15	406.58	418.13
Selling and Admin Expenses	15.35	12.86	8.64	23.05	18.37
Miscellaneous Expenses	195.36	70.17	41.52	46.28	29.79
Total Expenses	4,707.05	3,135.51	2,001.74	2,728.99	3,407.91

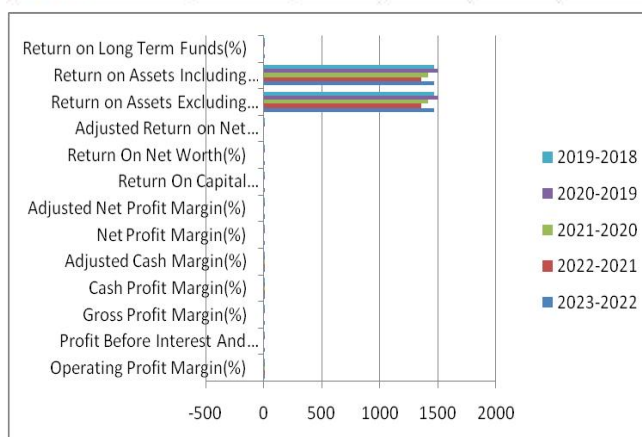


INTERPRETATION:

According to the table and graph, raw materials will cost \$4,020.21 in 2023-2022 and \$1,565.21 in 2021-2020. Gas and electricity prices peak at \$53.69 in 2023-2022 before falling to \$35.22 in 2021-2020. Minimum and maximum personnel expenditures in 2022-2021 and 2023-2022 are \$351.15 and \$422.44. Selling and administrative costs peak at \$23.50 in 2020-2019. The maximum non-essential item spending in 2023-2022 is 195.36 dollars, while the minimum is 29.79 dollars in 2019-2018. Price drops to \$8.64 from 2021 to 2020.

Profitability Ratios

Profitability Ratios	2023-2022	2022-2021	2021-2020	2020-2019	2019-2018
Operating Profit Margin(%)	6.55	2.06	0.64	8.71	7.62
Profit Before Interest And Tax Margin(%)	1.74	-3.77	-7.99	2.36	3.41
Gross Profit Margin(%)	1.76	-3.83	-8.09	2.4	3.49
Cash Profit Margin(%)	3.62	3.53	3.07	9.34	7.98
Adjusted Cash Margin(%)	3.62	3.53	3.07	9.34	7.98
Net Profit Margin(%)	3.02	-2.3	-5.62	1.88	4.03
Adjusted Net Profit Margin(%)	2.98	-2.26	-5.55	1.86	3.94
Return On Capital Employed(%)	5.21	-2.53	-5.7	5.28	9.54
Return On Net Worth(%)	7.86	-4.17	-6.01	2.94	7.6
Adjusted Return on Net Worth(%)	-2.91	-4.17	-6.01	4.92	7.6
Return on Assets Excluding Revaluations	1,466.61	1,356.18	1,411.99	1,499.45	1,468.45
Return on Assets Including Revaluations	1,466.61	1,356.18	1,411.99	1,499.45	1,468.45
Return on Long Term Funds(%)	5.96	-3.02	-5.77	5.39	9.77



INTERPRETATION:

As shown in the preceding table and graph, the Operating Profit Margin drops from 8.71 percent in 2020-2019 to 2.06 percent in 2022-2021. Profit margin (percentage) is expected to drop from 3.41 percent in 2019-2018 to -7.99 percent in 2021-2020, excluding interest and taxes. The gross profit margin is expected to range from -8.09 to -3.49 percent from 2021 to 2020. The cash profit margin peaks at 9.34 percent in 2020-2019 and drops to 3.07 percent in 2021-2020. Adjusted cash margin is 3.07% from 2021 to 2020, down to 9.34% from 2020 to 2019. The value drops from 4.03 in 2019-2018 to -5.62 in 2021-2020. The highest asset return, excluding revaluations, was \$1,499.45 in 2020-2019. The asset return, including revaluations, is 1,499.45 in 2020-2019.

(high) and 1,356.18 in 2022-2021 (low). The maximum long-term fund return in 2019-2018 is 9.77 percent, while the minimum is -5.77 percent in 2021-2020.

6.CONCLUSION

Extensive analysis of the organization's fiscal performance during the preceding five years provided important insights into a variety of financial challenges. The comparison analysis reveals the mechanism for examining the overall performance. It helps the company, its owners, and their creditor manage deviations and encourages informed decision-making. Because of this, the environment presents a plethora of chances for businesses to prosper and advance.

REFERENCES

1. P.V. Kuirkani Financial Management, Eleventh Edition, Himalaya Publication
2. Wisdom, Financial Statement Analysis, 2nd Edition, Journal of Financial Research Publication
3. I M Pandey, Financial Performance, Eighth Edition, Vikas Publication
4. Khan M Y and Jain P K, "Financial Management", Tata McGraw Hill Publications, New Delhi
5. Sharma R K and Shashi K Gupta, "Management Accounting", Kalyani Publishers, New Delhi
6. Maheshwari S.N, "Financial Management", Sultan Chand and Sons
7. Jain S.P. and Narang K.L., "Advanced Accounting", Kalyani Publishers, New Delhi,
8. Kothari C.R, "Research Methodology", Willey Eastern Ltd., New Delhi
9. Aditham Bhujanga Rao, "Research Methodology for Management and Social Sciences", Excel Books, New Delhi