

## A STUDY ON FINANCIAL PERFORMANCE ANALYSIS: METHODS AND INSIGHTS

<sup>#1</sup>P.RAMESH, *Associate Professor,*

<sup>#2</sup>R.RAM MOHAN REDDY, *Assistant Professor,*

<sup>#3</sup>SANA, *Assistant Professor,*

<sup>#4</sup>A.SRILATHA, *Assistant Professor,*

**Department of MBA,**

**TRINITY COLLEGE OF ENGINEERING AND TECHNOLOGY, PEDDAPALLI, TELANGANA.**

**ABSTRACT:** The paper's title is "An Analysis of a Company's Financial Performance." The goals of the study are to look at the organization's current financial situation and compare it to how well it did financially five years ago. As extra sources of information for the study, annual reports were also used. Based on what the comparative balance sheet, common size balance sheet, and comparative balance sheet of this study show, the group should try to grow its current assets. This is because its current assets and responsibilities are always different from each other. In turn, this makes the organization's cash situation better. Through a thorough analysis of the Company's financial achievements over the past five years, we have gained useful knowledge about its complicated financial features. The comparison analysis process shows the best way to do things in order to get the best result.

### 1. INTRODUCTION

The act of lending someone the money they need is known as finance. A company's capital is directly proportional to its capacity to stay in business and achieve its objectives. Modern companies rely on financial resources like their "lifeblood." Achieving success is next to impossible without sufficient cash. A company's financial management is the primary emphasis of financial management. A person's opinion about the profitability of a business depending on its primary operations. By examining the financial accounts of a company, one can gain insight into the interconnections among its many financial components. Breaking down a financial statement into its individual parts can provide light on the performance and health of a business. By analyzing financial statements, one can determine if a policy is viable in terms of its ability to pay interest, satisfy both short- and long-term debt commitments, and generate profits in the future.

### 2. STATEMENT OF THE PROBLEM

A financial performance study can provide a more complete picture of a company's health and success by examining the average sections of financial statements. Financial performance analysis allows lenders and buyers to assess the current and future financial well-being of a company and make well-informed predictions regarding its future success. One way to evaluate the stability and profitability of a firm is to look at its financial records.

Financial performance refers to the steps taken to choose, analyze, and make sense of financial data and other pertinent information in order to back up financial planning and investment suggestions. Possible creditors and international investors can have their creditworthiness evaluated using financial analysis. Use it internally to evaluate credit policy, operational efficacy, and staff performance. The study uses a variety of sources to gather the necessary financial data. Business records are the backbone of the information, since they are legally mandated to be part of the annual report. Every piece of necessary information is included in the annual report. These concluding remarks are part of the annual report, which also includes the income statement, balance sheet, and cash flow statement. Securities legislation mandates that certain firms provide additional analytical data.

Data that is useful for financial study is readily available, in addition to data that is required for financial statements. You can find a wealth of information about the worth of publicly traded companies' securities in the financial press and online media. The financial press has access to stock price data that sends comparable signals to different industries, sectors, and the market as a whole. Additional economic statistics that can be accessed as data include the consumer price index and the gross domestic product. In order to evaluate proactive efforts both now and in the future? Put yourself in the shoes of a retail corporation. It was Pamela Drake Peterson who prepared the financial accounts. The company's assets and performance should be documented by you. Financial data is essential, yet it is incomplete. It will also be necessary to have information on consumer pricing, completion, producer prices, and consumer spending. Both public and private websites make this economic data freely available. Financial research entails more than just poring over economic, financial statement, and market data. Also considered are occurrences that may have an impact on the future of the business or shed light on its current challenges. As an example, has the company had any significant setbacks as of late? How does the team actually go about creating new products? The financial research should include it. The sheer volume of information included in a company's financial filings is enough to put off many would-be investors. Whatever the case may be, when analyzed properly, financial records provide a wealth of useful

information. While the balance sheet provides an overview of the organization, the income statement delves more into its performance over a certain time frame. You can learn a lot about the financial well-being of a business from its financial statements. Fundamental analysts rely on financial documents as a foundation for making recommendations about companies. Income statements, cash flow statements, and balance sheets are the three most important financial documents. We will quickly review their locations and contents before going into their intricacies. Every three months, management should use financial statements to report on and evaluate the progress and operations of the company, according to the American Institute of Certified Public Accountants. Assessment of the financial management team's performance How well company investments have done within the specified time limit

A company's inner workings and profitability can be better understood through financial performance analysis, which involves evaluating the company's financial records and bookkeeping. Financial records and reports provide light on management's efficacy and performance.

The analyst evaluates the firm's liquidity, profitability, and other metrics to ensure it is being operated wisely and consistently, and that owners are receiving enough returns to maintain the company's market value high.

The primary objective of the organization is to collaborate with various parties, such as owners, managers, creditors, and tax authorities, in order to address the following critical questions: What is the company's present financial status? In what ways has the company's financial situation changed over a given time frame?

A company's financial report can have the solutions to these problems. Financial statements are utilized in the realm of financial research. To be believed, a financial statement must have reliable and consistent facts. Accurate and fair accounting methods are used to get this data. The objective is to enhance understanding of the monetary aspects of companies. Both the income statement and the balance sheet detail the financial activities that took place within specific time periods; the former also provides an overview of the overall financial condition as of a specific date. The reason why the word "financial statements" is often used to describe the income statement and the balance sheet is because of how crucial they are

### **3. OBJECTIVES OF FINANCIAL PERFORMANCE**

The study's objectives are considered in the following financial success analysis. A review of the company's financial performance as a whole is the primary objective. Determining the current financial status of the firm is the second objective. The prospective profits of this company are of interest to me. In order to assess the company's relative merits

#### **SCOPE OF THE STUDY**

Finding out how much money the selected institution has is the primary purpose of the research. The future performance of financial authorities can be better understood, allowing for easier analysis of financial accounts and more smart allocation of funds for things like business expansion and IT staff training. The primary objective of this research is to provide a methodology for analyzing trends in sales, working capital, and profit and loss statements. Future evaluations of the business may benefit from the estimations.

#### **THEOROTICAL REVIEW**

Other experts have conducted evaluations that are pertinent to this investigation. Funds are vital to the existence of any enterprise. Using a thick lubricant could aggravate a component. There are several potential causes for a company's revival. Companies with questionable morals often reorganize their holdings. Companies' financial situations can supposedly be improved through financial reform. Does that make sense? Using both local and international sources, this chapter aims to provide a comprehensive literature study on the subject.

### **4. REVIEW OF LITERATURE**

A small number of very relevant studies over the past few years are considered here because of their importance to our current inquiry. Here we are in 2011. The people being discussed are Govind P. Shinde and Menisha Dubey.

Results for utility vehicles, commercial vehicles, passenger automobiles, and two-and three-wheeled vehicles were considered in the study. We also looked at the key factors that have contributed to the expansion of the automobile sector and conducted a SWOT analysis.

In this 2011 study, Nishi Sharma analyzed the profitability of the commercial vehicle and passenger car categories in the automotive industry. In doing so, he took into account four crucial financial indicators: income, cash on hand, leverage, and managerial performance. Not only were 2001 and 2002 polled, but 2010 and 2011 as well. Despite being profitable and having competent management, the research finds that Mahindra & Mahindra Ltd. and Tata Motors are in a poor financial state. When compared to the passenger automobile industry, the commercial vehicle market is significantly more liquid.

In 2012, Amarjit Singh and Vinod Gupta reviewed the car industry's overview. Numerous international joint ventures have been established in India, a country renowned for its manufacturing prowess in the automotive industry. The results of the SWOT analysis show that the car industry has a lot of issues. Modern, state-of-the-art features that are risk-free, durable, environmentally friendly, and economical in fuel consumption will be the company's future focus. We also need to fix the problems with keyless entry, electrically powered systems, improved driving controls, and soft-

touch surfaces.

The methods for determining ratios utilizing financial records that were prepared in line with management's preferences for stock valuation and depreciation were investigated by Zafar S.M. Tariq (2012). Khalid S.M. You can't get a whole picture of a company from a ratio; it just shows you how the two figures compare. In addition to potentially omitting or altering relevant findings, promoters run the risk of ignoring other factors that impact the company's success.

In order to gauge the health of the car industry, Sabapriya (2012) analyzed sales, production, and export patterns across a sample of companies from 2003 to 2010. The study found that the car industry has a history of failure due to factors like unpredictable liquidity, poor asset utilization, and high levels of debt. Productivity, labor flexibility, and labor efficacy all need to rise, according to the study, if the industry is going to keep growing.

The impact of capital expenditures, debt, and dividends on the stock prices of Indian manufacturing firms was the subject of an investigation by researcher Dawar Varun in 2012. The findings demonstrate that investment policies and incentives have an impact on stock prices, but capital structure does not.

Mistry Dharmendra S. found... back in 2012. aimed to ascertain how various factors affected the profitability of the companies. According to the study, a company's debt-to-equity ratio, inventory ratio, and total assets can all have a beneficial or bad impact on its profitability. It was meant to increase a company's stability by cutting its fixed costs, allowing owners to trade on equity.

Nisha Raphael (2013)

The author's major purpose is to assess the Indian tire company's financial health. The results from 2003–04 to 2011–12 were evaluated, allowing for changes in production, sales, exports, and other indices. The data indicate how critical boosting worker productivity, capital efficiency, and adaptability are to a business's success.

Rakhi Hotwani in 2013: The author discusses the progress and accomplishments of Tata Motors by evaluating the company's sales and profit data for the last ten years. The coefficient of variance, ratios, and standard deviations are some methods used to examine statistics. The analysis demonstrates that the association between a company's sales and its profitability is not statistically significant.

Rahim Sharma, Avinash Singh, and Neeraj Pande Further research is required to understand the possible influence of social media surveillance on customer decisions. Social media is utilized by Maruti Suzuki India Ltd. to take the lead, reply, magnify, and monitor events. The researcher visited MSIL's public social media accounts and chatted with the social media team's middle management to acquire information.

By studying financial data from the previous five years, Moses & Daniel A. Joshunar (2013) examined the financial strengths and weaknesses of Tata Motors Ltd. People utilize trend and ratio analysis to learn about the financial health of an organization. It is recommended that the company take out a larger loan to attain even greater benefits, regardless of how well it is doing financially.

In 2013, Madhavi Dhole investigated the effect of changes in share price on the success of a company. When deciding on the best financial portfolio, investors need take many factors into account. In the near term, sentiment is the sole variable that can affect price change. Annual success is the only variable that affects price change in the long term.

Both established and up-and-coming Indian producers can benefit from the study's findings by better comprehending customer wants and needs and developing products accordingly. Vikram Shende, I am much obliged. Finding out what factors affect customers' performance in a specific car category is the main goal of the study.

One of the main reasons for the growth of India's automotive industry, according to Gounasegaran and Azhagaiah (2014), is the country's real GDP per capita. The federal government would form multiple task forces to deal with issues like taxation, labor reform, land acquisition, and talent development in the automotive industry.

The financial stability of certain Indian car manufacturers was studied by Kanimozhip and Buvanewari (2014). A professor at New York University, Edward Altman, came up with the Z score research approach to find out if a company will fail or go bankrupt. There are five financial metrics (2014) that can be used to assess a company's financial health. Everyone loves R. Good evening.

The main purpose of this study is to analyze the financial performance of Ashoka Leyland Ltd. in Chennai. The results show that the financial performance is strong and suggest cutting some costs to make it even stronger.

To determine if there was a correlation between the market index and the automobile sector index, author Anubha Srivastava performed a hierarchical data analysis, including technical, industrial, corporate, and economic factors. Investors would be interested in Mahindra & Mahindra if the company had a strong stock market position. This might lead to more progress and expansion. So, it's crucial for Maruti Suzuki and Tata Motors to keep an eye on their inventory and growth.

Krishnaveni, M., and Vidya, R. The Indian automotive industry has reportedly become a global export hub and top-tier business as a result of liberalization and globalization (2015). This article provides a category-by-category breakdown of Indian auto production, sales, and exports. One can examine a company's growth before and after deregulation. In order to promote local manufacturers, customs duties on autos and multipurpose vehicles (MUVs) should be raised by 15% as the government approves 100% FDI. A reduced import tax should also apply to some components used in

hybrid automobiles.

In her 2015 study, Walmik Kachru looked at how liberalization, government licensing, and trade rules affected the growth of the Indian car industry. The research claims that buying a four-wheeler is a good idea worldwide, not only in India.

Based on his research, report author Dieter Becker predicts how the global car industry will do in the years to come. Market share, technological compatibility, mobility culture, and business model suitability are some of the topics covered in this study's surveys of manufacturers, company executives, and consumers.

Surekha B. Rama and Krishnalah K. Rama found that the Tata Motors Corporation is very wealthy in their 2015 study. We can safely infer that the company's internal resources are very strong. Capital gearing, administrative costs, and expenditures for corporate expansion are all examples of financial expenses that can be cut to increase profits.

Shri Maheswari Vijay (2015) states that the three main measures of financial health for Hero Honda Motors Limited are its revenue position, solvency position, and liquidity position. Ratio analysis, which took place between 2002 and 2010, is the source of these numbers.

Tata Motors Ltd. and Maruti Suzuki's financial performance is examined in the report by Nidhi Agarwal (2015). Many companies' annual reports contain the necessary financial data and information for the study. We have completed the debt and liquidity analyses for both groups. There are four ratios that are used to find out how much debt a company has: capital gearing, debt-equity, private, and overall debt. If Tata Motors Ltd. wants to ensure its survival in the long run, the findings show that its owners need to put more money into the business.

M. R. include Krishnaveni. Tractors and four categories that follow standard rules in the car sector include engine parts, lighting, gearing, and accessories; all four use the standard current ratio (Vidya, 2015). The author has chosen to focus on 87 of the 242 organizations listed in the 2015 Capital Line Database, including Jubilee Navaprabha and Takeh Ata.

A conceptual model has been devised by the author to elucidate the relationship between capital structure and financial success. Return on equity, return on assets, operational profit margin, and return on capital employed are the four ratios that show how valuable the dependent variable, financial performance, is. The value of capital structure can change depending on factors such as the interest payment ratio, financial debt, total debt equity, and total asset debt. A number of statistical tools were utilized by the researcher to test a theory in SPSS22. These tools included the anova, correlation matrix, standard deviation, and others. For the study, thirteen major steel industries were chosen.

Jothi and Geethalakshmi use statistical methods including correlation, mean, standard deviation, and ratio analysis to look at the financial health and profitability of a few of Indian carmakers in their 2016 study.

Mr. K. Vasu V., Kumar Mohan M.S., and Narayana T. authored it. Numerous ratios, the mean, the standard deviation, and Altman's Z-score method were used to evaluate the group's financial effectiveness. The majority of profitability ratios are positively connected with liquidity, with the exception of return on total assets and Z score, which both show that the company is functioning extraordinarily well.

This study by Kaur Harpreet (2016) aims to examine the effects on Maruti Suzuki Co.'s standing in the Indian market of the company's quantitative performance and attributes. Scholarly journals, annual reports, and report vehicle websites provided the secondary data used in this study. The findings indicate that MSL has maintained a stranglehold on the Indian automotive market for some time.

## 5. RESEARCH METHODOLOGY

Due to its emphasis on non-financial accomplishments, the study relied heavily on secondary data. Among its many components are the income statement and the financial statement.

Based on publicly available financial information and Nature's Prime Organic PVT LTD's annual reports, this study was conducted.

### Research Design

This type of inquiry may benefit from a research strategy that places an emphasis on comprehensive analysis. A precise evaluation of the content is achieved by examining the facts and information that are readily available.

### Data collection

This investigation drew on data from a variety of sources. A third party had already gathered these details using statistical methods.

### Analytical Tool Used

- Research and analysis primarily rely on the following sources:
- A declaration that lists amounts that are equal or equivalent
- Ratio comparisons: commonly utilized balance sheet metrics
- Recognized standards are used to evaluate the measurements.

## SUGGESTIONS

- In order to improve its operations, the corporation would be wise to implement the suggestions made in the research.

- Current assets outperform working capital in terms of collecting a larger share of the company's resources. If the business can reduce its interest and other spending, it can boost its revenue.
- The business must reduce product prices while increasing its long-term assets and cash.

## **6. CONCLUSION**

From the thorough five-year financial performance report, we gleaned a wealth of information regarding the many financial aspects of the company. Finding the optimal solution is made easy by following the steps of the comparison analysis process. It authorizes the business, its owners, and its borrowers to do what they want and make major decisions. As a result, there are greater chances for success in the natural environment for businesses.

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