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## **A Study On Financial Performance Analysis With Reference To Super Auto Forge Pvt Ltd**

**Dr. R Suresh**, Associate Professor, Department of Management Studies, Sri Sai Ram Engineering College, West Tambaram, Chennai – 44,

**Sheikh Majedul Huq**, Associate Professor, Dept. of Marketing, Begum Rokeya University Rangpur, Bangladesh.

**Nandhini.S**, Final Year MBA Student, Department of Management Studies, Sri Sai Ram Engineering College, West Tambaram, Chennai – 44.

**Dr.L.Arunachalam**, Professor, Sri Sairam Engineering College, Chennai.

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**Abstract:** Finance is the life blood of any business enterprise. Every business needs finance for smooth running of the firm. The present study is an attempt to make a financial performance analysis and changes in financial position of Super Auto Forge Private Limited as financial performance influence the liquidity and profitability. Financial statements used as a management tool by company executive and investor's in assessing the overall position and also the operating results of the company. Thus, Financial Analysis aids to evaluate the financial health of a firm. The main objective of this study is that to know about the financial performance of the company by identifying the strength and weakness of the firm and the way by which theoretical accounting procedures are put into practical usage. It indicates that whether the organization is improving or worsening in past years. It aims to analyze the liquidity and also about the profitability position of the firm. The changes can be observed by the comparison of the balance sheet at the beginning and at the end of the period and these changes will help in forming an opinion about the progress of a company. Thus, the overall financial performance of the company is good. The study has been undertaken for the period of three years from 2018 to 2020. The data used in this study is secondary data though company's annual report. This project also involves in an analysis of financial statements of the company of various statements like Ratio analysis, common size statement, comparative statement and Trend analysis has been used to examine to the financial performance and also to make suggestions to improve the financial flow of the company.

**Keywords:** Liquidity, Probability, Financial Statements

### **INTRODUCTION & PROBLEM STATEMENT**

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Financial performance, which represents the task of executing the financial activity. It indicates the extent to which financial objectives or targets have been fulfilled. The term Financial Performance Analysis also stated as analysis and interpretation of financial statements. Financial Performance analysis is that the method of identifying both the financial strengths and weakness of the firm by properly establishing the relationship between the items of balance sheet and the profit and loss account. Company financial performance is measured in terms of monetary and is used for decision making purposes.

Financial performance of a firm indicates financial health of an organization for a specific period of time. It's a process of scanning the financial statements to evaluate profitability, solvency, stability, growth and prosperity of a firm. Financial performance is incredibly much important to understand the wealth and efficiency of the company. There are many stakeholders in a company, including trade creditors, bond holders, investors, employees and management. Each group has its own interest in tracking the financial performance of organization.

The study aims at pointing out the strength and weakness of the financial performance of Super Auto Forge private limited. Financial performance analysis is very much needed for finding out the efficiency and utilization of funds in this company. Thus the company may have some fluctuations in terms of financial aspects. This study is conducted to know the changes in the various items in the balance sheet and income statement and to analyze the impact on the profitability, liquidity, and the overall financial position of the company. Liquidity and profitability are two important demanders in determining the soundness of the company. However, these statements help them to uncover the problems faced by the company and identify actions to be taken to safeguard their own interest. Hence it is important to consider factors while measuring performance whether the company doing better in terms of maintaining a good balance between the goals of profitability and soundness.

### **OBJECTIVES OF THE STUDY**

- To analyze the liquidity and profitability position of the firm.
- To compare the balance sheets of different years of the company.
- To evaluate the financial growth of the company using trend analysis.
- To evaluate the financial performance using comparative statements and common size statements.

### **REVIEW OF LITERATURE**

- **Sheela christina (2017)** carried out the study on Financial performance of Wheels India Limited Chennai. The study deals with analytical type of research design with

the help of secondary data collection for this purpose the researcher took past 5 years data and also checked out the validity and reliability before conducting the study. The researcher used the following financial tool namely ratio analysis, comparative balance sheet, and DuPoint analysis and also statistical tools such as trend analysis, and correlation. Profitability ratios indicate there is a decrease in the profit level, utilization of fixed assets and working capital in the last financial year. Thus, the company can take necessary steps to improve sales and profit. Finally, reveals that the financial performance is satisfactory.

- **Kanagavalli. G& Devi R.S. (2018)** examined a study on Financial Performance of selected automobile companies. The purpose of the study is to evaluate and compare the financial performance of selected three companies to rate their financial performances for the period of 5 years from 2013-2017 by ratio analysis. The aim of the study is to analyze by comparing the risk of different companies, on their strengths and weaknesses. Ratio analysis helps to compare the financial statements of the firms and comparison of financial performance also investigated over a period of time. The study found that there is the positive strong relationship of liquidity ratio. The Profitability Ratios of Hero Motocorp is higher than other automobile companies. It shows Hero Motocorp earned high profit and it is good for the company. After analyzing all the aspects, concern with this research, we can say that Bajaj Auto and TVS Motors are satisfactory but Hero Motocorp sustains a good position in the market.
- **Muthusamy. A & Karthika. S (2019)** examined a study on financial performance of selected cement companies in India to evaluate the liquidity and profitability of two selected cement firms, their paper on convenience sampling method was treated. The study analyses the financial performance of two major Cement companies via., UltraTech Cement Limited and Shree Cement Limited. Statistical instruments such as the descriptive and correlation approach used and the five year data outcome measure suggest that the profitability position in the two companies is fulfilled, but the liquidity position in the two companies is not fulfilled.
- **Andal. V & Suganya. S & etal (2020)** carried out the study on Financial Performance Analysis of Puma, manufacturer of sports apparels and sports equipment company. The analysis done by using vertical and horizontal and also financial ratios have been prepared to know the overall performance of the company. These analysis and ratios will help the company for the future growth and to improve the market share of the company. This study finally concludes that the company is performing well, and it will continue to make profit and revenues for the next financial years. The current ratio of PUMA has only reduced and in all other contexts, The financial position of puma is satisfactory.
- **Nirmala. M & Pavithra. K (2020)** The research was conducted to investigate the determinants of the financial performance on selected cement companies in India. Infrastructure is the first key role of demand in the production of cement. For

this study, the analysis was done by ratio analysis. The data for this research used secondary data in nature and data taken from 2009-2010 to 2018-2019. This study concludes that some comparative ratios showing the negative relationship and the companies have to concentrate and improve in those particular ratios. This study helps the financial investors, cement companies to know and take decision for future process in the concern.

- **Chandrasekaran. S (2021)** Study focused on the Financial performance Analysis of XI Dynamics India Private Limited. The company is providing Housing loans and mortgage loans to affordable segments. This study is to analyze the financial position, identifying the strength and weakness of the firm and identify the difficult of the processing in mortgage. The study has been evaluated through secondary data and used various application tools to evaluate the financial performance like ratio analysis, and comparative balance sheet. And concluded that the company's financial performance is very good and also they are trying to generate more funds from other sources in order to expand the business.
- **Kishore Kumar Das & Rupsa Mahapatra (2021)** carried out the study on Financial Performance of MSME sector. MSME is an important pillar of Indian economy as this sector is continuously contributing greatly to the growth and development of Indian economy by creating around 70 million employment, manufacturing more than 6000 products, contributing more than 45% of manufacturing production and 40% from exports. This study is done to evaluate the financial performance of MSME Sector. The study is to know about the financial performance and trends, there are different statistical tools such as correlation, regression, ANOVA are being used for the analysis and interpretation. This sector is showing best results and the policies, innovative plans, are implemented in this sector. This study concluded that MSME sector is the most demandable and emerging sector which contribute the most towards national development and financial growth. And also here is a significant change in the performance of MSME sector is an incremental way which is a good sign.

## **METHODOLOGY**

Data of the company's Balance sheet and profit and loss statement of financial years 2017-2018 to 2019-2020 were used in this study.

## **PERIOD OF THE STUDY**

The study is made by making comparison of past three (2017 – 2018, 2018-2019, 2019-2020) year of financial information.

## **TOOLS APPLIED**

To have a meaningful analysis and interpretation of various data collected, the following tools were used for this study.

The financial and statistical tools used in the study include:

- Ratio Analysis
- Common size statement
- Comparative statement
- Trend Analysis

## **RESULTS AND DISCUSSIONS**

- As a conventional rule, a current ratio of 2:1 is considered satisfactory. Current ratio of super auto forge private limited company shows that they are maintaining current ratio as 2 and more standard, which indicates the ability of the firm to meet its current obligations is more. But it is more than 2:1, it may also indicate that they are not using current assets efficiently, or indicates idleness of working capital.
- Quick ratios of the company is sufficient. It indicates that the firm position in meeting its current obligation is satisfactory. It shows that the firm had sufficient liquid assets.
- Net profit ratio has increased from beginning itself. It has increased from 33.9 in 2018, which drops to 29.68 in 2019 and increased by 30.19 in 2020. This indicates that there is an improvement in the operational efficiency of the business and it leads to the increase in the profitability position of the firm.
- The gross profit in the year 2018 is 60, and in 2019 and 2020 is 61 this shows the company is maintained a good profit margin.
- Current asset turnover ratio shows a highly increase trend in the year 2018 and 2019, In 2020, there was a decrease and not utilizing the resource properly and it found to be not good.
- A low debt equity ratio tells us that the company is using more of its own assets and lesser borrowings. A lower debt equity ratio usually implies a more financially stable business.
- Fixed assets turnover ratio high in 2018-2019. But in 2019-2020 it found to be decreased so, it means that there is no better utilization of resources of fixed assets for better working of the firm. That is, the high turnover ratio tells the efficiency of the management and utilization of assets.
- Working capital turnover ratio in the year 2017-2018 shows a highly increase trend which indicator of efficient use of the company's short-term assets and liabilities to support sales. But in the year 2020 there is a drastic decrease. So, a low working

capital turnover ratio implies that the company is not generating sales sufficient enough from the working capital available.

- Comparative balance sheet proves that the financial performance for each succeeding year is very much satisfactory as compared with previous year during the period of 2018-2020.
- In common size income statement, the profit of the year is in increasing trend year by year. It is increased by 22.22% which shows the company is earning its profit yearly.
- From trend analysis, the balance sheet total shows an increasing trend year by year.
- The working capital turnover ratio can be improved by providing incentives to customers who pay on time will help in increasing the working capital.
- The gross profit can be maintained or further improved by increasing the gross profit and factors decreasing the gross profit ratio should thoroughly checked. Thus, by reducing their expenses which in turn will increase the profitability ratio.
- Fixed asset turnover ratio can be improved by focusing on increasing revenues. Thus, the company needs to increase its sales by more promotions.
- The liquidity position of the company can be utilized in a better or other effective purpose.
- The trend analysis of current assets, non-current assets, and non-current liabilities shows increasing trend. The company has to maintain it for the upcoming years.

## CONCLUSION

The study was conducted to analyze the financial performance and changes in financial position of the super Auto forge company limited. Thus, analysis and interpretation of the financial statements is an important tool is examining the company's performance. After analyzing the financial reports, it is concluded that the overall financial performance of the company is moderately good. The study reveals that liquidity and profitability position of the company is adequate. Working capital Turnover ratio are inefficient and further it can improve if the company concentrates on utilizing in working capital efficiently. The financial statement of the company was analyzed and interpreted by the help of balance sheet and profit and loss statement. So, as to identify the financial strength and weakness of the company. Thus, the result indicates that the financial performance is increasing every year, but the company has to put more efforts to make it effective.

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