A STUDY ON FINANCIAL PERFOEMANCE ANALYSIS OF THE TROPICAL AGROSYSTEM INDIA PVT. LTD.

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ABSTRACT

This study evaluates the financial performance of the company India pvt. Ltd. between 2017-2022 by analyzing financial ratios such as liquidity, solvency, profitability, and efficiency ratios. The research methodology utilized is based on a descriptive research design and a quantitative approach. The data is collected from the company's annual reports and financial statements and is analyzed using statistical tools such as Cash flow analysis, comparative balance sheet analysis and trend analysis. The study concludes that the company has maintained a stable financial position during the study period with positive trends in profitability and efficiency ratios. The company has a strong financial position and can meet its short-term and long-term obligations. The study recommends that the company should continue to focus on improving its profitability and efficiency ratios while maintaining its strong liquidity and solvency. Overall, the study suggests that the company is a financially sound company that has managed to maintain its stability and improve its financial performance over the years.

INTRODUCTION

Financial statements provide business owners with the basic tools for determining how well their operations perform at all times. Many entrepreneurs or small business owners do not realize that financial statements have a value that goes beyond their use as supporting documents to loan applications and tax returns. These statements are concise reports designed to summarize financial activities for specific periods. Owners and managers can use financial statement analysis to evaluate the past and current financial condition of their business, diagnose any existing financial problems, and forecast future trends in the firm's financial position. Evaluation pinpoints, in financial terms, where the firm has been and where it is today. Diagnosis determines the causes of the financial problems tha t statement analysis uncovers and suggests solutions for them.

REVIEW OF LITERATURE

"Impact of COVID-19 on the Financial Performance of Indian Banking Sector" by R. V. Vidya and R. Ravi Kumar (2021): This study examines the impact of the COVID-19 pandemic on the financial performance of Indian banks using financial ratios such as profitability, efficiency, liquidity, and solvency ratios. The authors find that the banks have experienced a decline in profitability and liquidity ratios due to the pandemic's economic impact, but their solvency ratios have remained strong.

"Financial Performance Analysis of Select Indian Automobile Companies" by S. Sathiyaseelan and K. Maheswaran (2020): This study analyzes the financial performance of selected Indian automobile companies using financial ratios such as profitability, efficiency, liquidity, and solvency ratios. The authors find that the companies have a stable financial position with positive trends in profitability and efficiency ratios.

"An Empirical Study of the Financial Performance of Indian Pharmaceutical Companies" by N. Nithya and M. Natarajan (2019): This study evaluates the financial performance of Indian pharmaceutical companies using financial ratios such as profitability, efficiency, liquidity, and solvency ratios. The authors find that the companies have a stable financial position with positive trends in profitability and liquidity ratios.

"Financial Performance Analysis of Selected Non-Banking Financial Companies in India" by T. S. Saravanan and S. Suresh Kumar (2018): This study analyzes the financial performance of selected non- banking financial companies (NBFCs) in India. The authors use financial ratios such as profitability, efficiency, liquidity, and solvency ratios and find that the NBFCs have a strong financial position with high profitability and efficiency ratios.

"An Empirical Study of Financial Performance of Selected Indian Public Sector Banks" by Pankaj Kumar Jain and Rajeev Kumar Jain (2017): This study examines the financial performance of Indian public sector banks using financial ratios such as profitability, efficiency, liquidity, and solvency ratios. The authors find that the banks have experienced declining profitability and liquidity ratios, but their solvency ratios have remained strong.

NEED OF THE STUDY

- Financial analysis helps in evaluating the financial performance of the company over time in comparison with its past performance.
- Financial performance analysis provides valuable information to investors, creditors, and management to make informed decisions about investing, lending, or managing the company.
- Financial analysis can detect early warning signals of potential financial problems, such as declining liquidity or solvency.

OBJECTIVE OF THE STUDY

- To evaluate the financial health of the company by scrutinizing past and current financial statements.
- To measure the operating results of the enterprises.
- To predict a company's future performance based on past performance
- To facilitate control over the operation as well as resources of the business.
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Research Methodology

- **Descriptive design:** This type of research design is used to describe the financial performance of a company. It involves summarizing and presenting the financial information in a meaningful way, such as through ratios and trends analysis.
- **Comparative design:** This research design is used to compare the financial performance of different companies or industries. It involves benchmarking a company's financial ratios and performance against those of its peers or industry standards.
- **Case study design:** This research design involves the in-depth analysis of a particular company's financial statements and performance, typically to understand the causes and implications of specific financial events or decisions.
- **Longitudinal design:** This type of research design involves the analysis of a company's financial performance over time, often to identify trends or patterns in its financial performance. It may involve the comparison of financial statements from multiple years or quarters.

Secondary data:

Secondary data refers to the data that was collected by someone other than the user. Common sources of secondary data include census, information collected by government departments, organizational records and data that was originally collected for other research purposes.
Secondary data were obtained from: -

- Balance Sheet
- Annual Report
- Company Website

The study was done based on the financial data of 5 years Balance sheet and The Annual Reports of the company (2017-2022)

TOOLS USED FOR ANALYSIS:

- Ratio analysis
- Cash flow analysis
- Comparative balance sheet

Data Analysis

Table 1 representing current ratio for the year 2018-2022

Year	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Current ratio	1.31	1.25	1.39	1.29	1.29

Interpretation

The current ratio is highest for the year 2019-2020, with a value of 1.39

Table 2 representing debt equity ratio for the year 2018-2022

YEAR	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Debt equity ratio	1.21	1.21	1.31	1.15	1.06

Interpretation

The debt-equity ratio is maximum for the year 2019-2020, with a value of 1.31

Table 3 representing net profit ratio for the year 2018-2022

YEAR	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Net Profit Ratio	1.19	6.18	3.6	2.33	3.05

Interpretation

The net profit ratio is maximum in the year 2018-2019 with a value of 6.18

Table 4 representing return on capital employed ratio for the year 2018-2022

YEAR	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
RETURN ON CAPITAL EMPLOYED	0.89	1.12	0.92	1.01	0.9

Interpretation

The return of capital employed gained maximum return in the year 2018-2019, which is 1.12

Table 5 representing fixed asset turnover ratio for the year 2018-2022

YEAR	2017-2018	2018-2019	2019-2020	2020-2021	2021-2022
Fixed assets turnover ratio	4.97	4.97	4.78	4.62	4.94

Interpretation

The fixed assets received a more or less same turnover over the past 5 years.

TABLE 6 showing cash flow analysis for the year 2018-2022

Year	2018	2019	2020	2021	2022
Cash flow	1941.91	1667.95	1783.85	899.57	2168.34

Interpretation

The cash flow was maximum at the year 2021-2022, which is a value of 2168.34

TABLE 7 showing comparative balance sheet for the year 2019-2020

	2019	2020	INCREASE/ DECREASE	PERCENTAGE
CAPITAL & LIABILITIES				
CAPITAL	148.45	148.45	0.00	0.00
Reserves & Surplus	20,946.47	25,502.29	4,555.82	0.22
Borrowing	318.79	330.61	11.82	0.04
Other liabilities and provisions	34,344.29	39,687.74	5,343.45	0.16
TOTAL	**55,758.00**	**65,669.09**	**9,911.09**	**0.18**
ASSETS				
Cash and Balances with Reserve Bank of India	1,667.37	1,782.81	115.44	0.07
inventory	12,129.30	13,352.08	1,222.78	0.10
Investments	0.00	121.16	121.16	0.00
Loans & Advances	5,074.07	4,809.36	-264.71	-0.05
Fixed Assets	9,648.45	9,648.45	0.00	0.00
Other Assets	37,149.90	26,044.14	-11,105.76	-0.30
TOTAL	**65,669.09**	**55,758.00**	**-9,911.09**	**-0.15**

Interpretation:

Total capital and liabilities have increased by 0.30% and total assets have decreased by 0.15%

TABLE 8 showing comparative balance sheet for the year 2020-2021

PARTICULARS	2020	2021	INCREASE/ DECREASE	PERCENTAGE
CAPITAL & LIABILITIES				
CAPITAL	148.45	148.45	0.00	0.00
Reserves & Surplus	25,502.29	31,116.99	5,614.70	0.22
Borrowing	330.61	3,354.17	3,023.56	9.15
Other liabilities and provisions	39,687.74	52,800.39	13,112.65	0.33
TOTAL	**65,669.09**	**87,420.00**	**21,750.91**	**0.33**
ASSETS				
Cash and Balances with Reserve Bank of India	1,782.81	899.00	-883.81	-0.50
inventory	13,352.08	27,423.26	14,071.18	1.05

Investments	0.00	97.91	97.91	0.00
Loans & Advances	4,809.36	4,858.70	49.34	0.01
Fixed Assets	9,648.45	11,279.68	1,631.23	0.17
Other Assets	26,165.30	42,862.03	16,696.73	0.64
TOTAL	**55,758.00**	**87,420.58**	**31,662.58**	**0.57**

Interpretation

Total liabilities have increased by 0.33% and total assets increased by 0.57%

TABLE 9 showing comparative balance sheet for the year 2021 and 2022

PARTICULARS	2021	2022	INCREASE/ DECREASE	PERCENTAGE
CAPITAL & LIABILITIES				
CAPITAL	148.45	148.45	0.00	0.00
Reserves & Surplus	31,116.99	37,427.24	6,310.25	0.20
Borrowing	3,354.17	266.50	-3,087.67	-0.92
Other liabilities and provisions	52,800.39	56,074.97	3,274.58	0.06
TOTAL	**87,420.00**	**93,917.16**	**6,497.16**	**-0.66**
ASSETS				
Cash and Balances with Reserve Bank of India	899.00	2,167.15	1,268.15	1.41
inventory	27,423.26	24,932.34	-2,490.92	-0.09
Investments	97.91	1,085.92	988.01	10.09
Loans & Advances	4,858.70	4,397.77	-460.93	-0.09
Fixed Assets	11,279.68	14,063.57	2,783.89	0.25
Other Assets	42,862.03	47,270.41	4,408.38	0.10
TOTAL	**87,420.58**	**93,917.16**	**6,496.58**	**11.67**

Interpretation

The total assets increased from 87,420.58 in 2021 to 93,917.16 in 2022, indicating a growth of 6,496.58 or 11.67%.

Findings

- The current ratio has fluctuated over the years but has remained close to 1.3, which indicates that the company has hadenough current assets to pay off its current liabilities.
- A debt-to-equity ratio of 1 indicates that the company has an equal amount of debt and equity financing, while a ratiogreater than 1 indicates that the company has more debt than equity.
- The trend in the Net Profit Ratio over the past five years shows that the company experienced a high in 2018-2019, butthen saw a decline in 2019-2020 and 2020-2021.
- The values of return on capital employed ratio are generally around 1, indicating that the company is generating profits from the capital it has invested.
- The company has been able to maintain a relatively stable fixed assets turnover ratio over the years, with somefluctuations.
- The entity had a positive cash flow in all five years, meaning it had more cash coming in than going out.

Suggestions

- The company should continue to monitor and manage its liquidity position carefully to ensure it has adequate resourcesto meet its short-term obligations.
- The company should continue to maintain a prudent approach to debt management and aim to keep the debt equityratio at a reasonable level.
- The company should focus on improving its ROCE by effectively utilizing its capital investments to generate higherprofits.
- The company should continue to monitor and manage its fixed assets efficiently to ensure they contribute to its overallprofitability and growth.
- The company should closely analyze the factors affecting its cash flows, such as changes in sales, costs, and working capital management, and take appropriate measures to improve its cash flow position.

Conclusion:

In conclusion, based on the financial ratios and findings, The company should focus on maintaining a healthy liquidity position, managing its debt levels, improving its return on capital employed, effectively managing its fixed assets, and optimizing its cash flow position. Regular monitoring and analysis of financial performance, along with prudent financial management strategies, can help the company achieve sustainable growth and profitability.

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