A STUDY ON FINANCIAL STATEMENT ANALYSIS ATUTTHUNGA TECHNOLOGIES PRIVATE LIMITED

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ABSTRACT

This evaluates the financial performance of Utthunga Technologies Private Limited Company over a period of three years and this is research paper ratio analysis is done liquidity ratio profitability ratio, capital equity ratio etc. The financial statements are utilized to prepare a company's final accounts, and they show the net outcomes for the year. They are essential in helping a user of a financial statement comprehend a company's results for a certain year. Let us learn more regarding the definition of a financial statement and its importance. An official record of a company, individual, or other entity's financial transactions and standing is called a financial statement. It is provided in a methodical and simple to comprehend format

The data contained in a company's financial reports serves as the starting point for fundamental financial analysis. These financial reports include the audited financial statements, any additional disclosures called for by regulatory bodies, and any supplementary (unaudited) management commentary. This reading's discussion of fundamental financial statement analysis lays the groundwork for the analyst to better comprehend data sourcesconsulted other than financial reports

INTRODUCTION:

Financial statement the method of evaluation is reading and analyzing a business's financial statements to be able to know its financial performance and condition. The principal three financial statements that are evaluated are the financials and income statement, and statement of cash flows. Financial statement analysis is based on theoretical frameworks that provide a foundation for understanding and analyzing financial data.

- Accounting rules and regulations: Accounting rules and regulations specify how financial information should be measured, documented, and reported. These The International Financial Reporting Standards (IFRS)

- Financial ratio analysis is a crucial technique for assessing a company's financial performance when analyzing financial statements. This entails contrasting several financial parameters, including liquidity, profitability, and solvency ratios, with industry standards and previous information.

- Capital market theory is a framework for comprehending how financial markets operate along with how it affects businesses. It implies that a company's worth is founded on its capacity to produce anticipated financial flows, which are impacted by variables like interest rates, inflation, and market risk.

- Valuation methods: Valuation methods offer a framework for calculating the reasonable value of a firm and assessing the worth of its assets. These methods include analyses of discounted cash flows, comparable companies, and prior deals.

- Frameworks for the interpreting of financial statements.

DuPont, common size, and trend analyses are a few of the well-liked frameworks. Overall, these theoretical frameworks offer a basis for comprehending and evaluating financial data, and they aid analysts in deducing a company's financial state and potential for the future. A company's performance is analyzed in the view of its industry and economic environment through the progress of financial evaluation to be done to decide our suggestion. Financial analysts frequently make judgements and suggestions for advice fund businesses, especially about whether to buy the firm's debt or equity securities and at what price. The capacity of the corporation to make interest payments and return the principal loan worries an investor in debt instruments.

An owner with a residual interest in the company, an investor in equity securities, is worried about the company's capacity to pay dividends and the likelihood that the stock price will rise. Overall, a key point of financial evaluation is to assess the company's capacity to successfully expand its activities, create sufficient cash flow to satisfy commitments, and earn a return on its capital that is at least equivalent to that capital's cost.

STATEMENT OF PROBLEM

No stock related activities are done so can understand portfolio management and also investment related activities are also not done because it is private organization. The main activities are doneonly on export realization and MIS where each unit's revenue is generated, and expenditure and profits are ascertained. So, this research is done only on financials which is provided by the business. Despite the accessibility of financial information, it can be difficult for investors, analysts, and stakeholders to fully evaluate a company's financial performance. The issue is the complexity and size of financial information, moreover, the demand for effective analytical techniques to draw forth useful conclusions and make wise judgements.

OBJECTIVES OF THE STUDY

To examine the Financial Performance of the company using Liquidity Ratio

To examine the Financial Performance of the company using Profitability Ratios.

To examine the Financial Performance of the company using Solvency Ratios.

To examine the Financial Performance of the company using Capital Equity

REVIEW OF LITERATURE:

Ciro Bello, Davide Migliaro, Amit Shan**. (2021)** have proposed Financing Decisions of Manufacturing SMEs: Evidence from India the financial conduct of Indian manufacturing enterprises is examined in this essay. We utilized a stratified sample technique to choose the businesses to be polled. The information in the financial statements, which covers the years 2013 to 2018, was gathered using a standardized questionnaire. We employed the Ordinary Least Squares method to reach our study objectives. Model and regression using squares (POLS). There were no collinearity issues in our data. The trade-off theory and the pecking order theory were both employed in the analysis. The findings demonstrated a favorable link between leverage and the tangible nature of assets.

Tobias Nießner (2021) have proposed Towards a taxonomy of AI-based methods in Financial Statement Analysis Artificial intelligence (AI) is gaining popularity in a wide range of financial application fields. The application of AI is anticipated to be able to replace human duties in data analysis while saving time and money. In the context of financial statements, a variety of decision issues can be supported by AI-based solutions analysis. The iterative development process for a taxonomy of AI- based financial statement analysis methodologies is described in thiswork. Artificial intelligence (AI) is gaining popularity in a wide range of financial application fields. The application of AI is anticipated to beable to replace human duties in data analysis while saving time and money. In the context of financial statements, a variety of decision issues can be supported by AI-based solutions analysis. The iterative development process for a taxonomy of AI- based financial statement analysis methodologies is described in thiswork.

Petrit Hasanaj(2019) have proposed Analysis of Financial Statements: The Importance of Financial Indicators in Enterprise The major goals of this study are to identify, predict, and assess the most favourable future business and economic situations. The financialstatement will be analysed as part of this study's secondary goal, which is to provide financial managers with data they may use to guide company choices. The financial statement uses the necessary tools, processes, and analytical approaches for company analysis. It serves as both a diagnostic tool for assessing funding, investment, and operational operations as well as a tool for management and other corporate decision-making The purpose of financial statements is to give information that may be used by a variety of users to make economic choices regarding thefinancial status, financial performance, and changes in the financial position of an institution.

Atallah Alhosban (2022) have proposed The Effect of Using Computerized Financial Statement Analysis on the Efficiency of Financial Performance: An EmpiricalCase on Industrial Factor in Project Scheduling-Jordan Financial analysis is the study and analysis of financial statements for a specific period or for periods that are related to it. Financial analysishas a number of tools, such as analysis using financial ratios, vertical analysis, horizontal analysis, break-even analysis, and cash flow analysis.

By using these tools, it is possible to arrive at reliable information when making administrative decisions and when creating planning budgets. Identifying the impact of the Corona virus on the Utilizing ratios to analyze the financial performance of industrial public shareholding companies Md. Nazmul Islam (2021) have proposed Project on financial statements analysis of pharmaceutical industry The goal of the report being written is often described by one of two sorts of objectives. Two fundamental categories of objectives are used in this study. Horizontal analysis is mostly used to examine detailed information from many accounting periods. Such an analysis can be used to compare percentages or use an outright correlation. The foundation for updating each financial statement item as a percentage of a base total is vertical analysis Primary data is collected straight with references, mainly through interviews of individual or mutually some of the information had been added with personal notes.

RESEARCH METHODOLOGY

Type of Research:

The research methodology utilized in this research is Descriptive Research. When discussing research methods in the view of analyzing balance sheet, the term "descriptive research" refers to a technique that focuses on describing and summarizing financial facts and information rather than trying to establish causal connections or make predictions. Its main purpose is to give a thorough and unbiased picture of a group of firms' financial situation, performance, and trends.

Source of Data and Variable Definition:

Since the firm provides the data, which comprises the financials. Secondary data is used. The three-year research period (from 2019 to 2023) is taken into consideration. According to ratio analysis, the variables frequently used in financial statement analysis include Liquidity ratio, Profitability Ratios, Solvency Ratios, Capital Equity Ratios. These variables might be utilized by a business to comprehend its financial position and to benchmark itself against industry norms.

Model Framework:

- $Current\ Ratio = \frac{current\ assets}{current\ liabilities} \quad \ldots (4.1)$
- $Quick\ Ratio = \frac{current\ assets - inventory}{current\ liabilities} \quad \ldots (4.2)$
- $Debt - To - Equity\ Ratio = \frac{total\ debt}{shareholder's\ equity} \quad \ldots (4.3)$
- $Gross\ Profit\ Margin = \frac{gross\ profit}{net\ sales} \times 100 \quad \ldots (4.4)$
- $Net\ Profit\ Margin = \frac{net\ income}{net\ sales} \times 100 \quad \ldots (4.5)$
- $Return\ on\ Assets\ (ROA) = \frac{net\ income}{total\ assets} \times 100 \quad \ldots (4.6)$
- $Return\ on\ Equity\ (ROE) = \frac{netincome}{shareholders\ equity} \times 100 \quad \ldots (4.7)$
- $Earnings\ Per\ Share\ (EPS) = \frac{net\ income}{number\ of\ outstanding\ shares} \quad \ldots (4.8)$
- $Price - To - Earnings\ Ratio\ (\frac{P}{E} ratio) = \frac{market\ price\ per\ share}{earning\ per\ share}. \quad \ldots (4.9)$
- $Assets\ Turnover\ Ratio = \frac{net\ sales}{average\ total\ asset} \quad \ldots (4.10)$

Limitations:

1. The MIS statement and financial statement analysis is utilized; therefore, the data is of secondary importance.
2. There is no inventory or shares related activities is done.
3. This study is done using 3 years data.
4. There is nothing related to production related activities done.

DATA ANALYSIS AND INTERPRETATION:

Particulars	2019-2020	2020-2021	2021-2022
Current ratio	3.90	2.3	1.7
Quick ratio	3.90	2.3	1.7
Debt-to- equity ratio	13.61	61.59	2.79
Gross profit margin	7.09	5.88	10.06
Net Profit Margin	4.44	3.93	6.53
Return on Assets	8.13	5.00	10.21
Return on Equity	16.00	19.36	12.03
Earnings Per Share	16.00	19.36	12.03
Price to earnings ratio	0.624	0.51	0.83
Assets turnover ratio	2.39	1.68	2.36

Interpretation 1: Current Ratio

The organization's current ratio should be greater than 2, because this shows that its current assets are greater than its current obligations. as it suggests it would meet their short-term obligations as of now, we can see at utthunga technologies the current ratio for the year 2019-20 is 3.90 where it would meet their short-term obligations. And followed by in 2020-21 it is 2.34 which is favorable to the company. In the previous year2021-2022 it is 1.73which meets the short-term obligations of the business.

Interpretation 2: Quick Ratio

A Quick Ratio also called Liquid Ratio. a Quick Ratio above 1 indicates that a business has sufficient quick assets (current assets – inventory) to cover its immediate liabilities. As per above table 5.2 from 2019-2022 to 2021-22 the quick ratio is above 1 and which would meet their immediate liabilities

Interpretation 3: Debt-Equity-Ratio

As per industry benchmark the Debt-Equity-Ratio should be below 1.2 as mentioned in the above table5.3 the Debt-Equity-Ratio has shown more fluctuations and at the first year with (2019-20) 13.61 shows high financial risk and a greater reliance on debt financing. And at the second year with dramatically Increase in debt-equity-ratio i.e., 61.59would show the higher financial risk. As per the third financial year is concerned it is 2.79,which would drastically reduce the financial risk.

Interpretation 4: Gross Profit Margin Ratio

Gross Profit Margin Ratio is used to shows the business ability to generate profit from its operations as per the industry benchmark gross profit margin ratio is 9 percent in the above table 5.3 first and second years is less and has less than average benchmark and has faced challenges in managing cost. And then in the third year the company managed effectively in maintaining costs

Interpretation 5: Net profit margin

Net profit margin utilized to indicate a measure of net profit available for the company after generating revenue from the expenses as per the company benchmark 4.5 percent is the average standard benchmarking rate for the first two years it is satisfiable and at the third-year industry average benchmarking is 6 percent and it is above the rate i.e., 6.5 percent therefore the company is generating profit over its expenditure

Interpretation 6: Return on Assets

The Return on Assets measures the company's ability todraw advantage from its resources where it uses its total assets to earn a profit. In the first yearas per company average standard the average benchmark of ROA is 7 percent as it stands highest where the assets are effectively used to generate profit. And in the second year the average benchmark is 5.5 percent where it decreased to 5%, which indicates the profit generated from the assets is weaker. And from the third year, Average benchmark Is 9% awarethe company as increased its value that is 10% which is appreciable.

Interpretation 7: Return on Equity

ROE indicates profitability generated by the companyfor its shareholders' investment. It would also say the efficiency which accompany utilizes its equity Capital to generate earnings. When compared to industry standards the average industrybenchmark is 12% in the above scenario in the first year there is 16.01% where it is above the industry benchmark which indicates profitability for its shareholders investment. And followed by the next two years it also increased therefore there is effective profitability through equity capital.

Interpretation 8: Earnings Per Share

As for the above table EPS indicates portion of companies earning Allocatedto each outstanding to common stock in the first-year Earnings per Share is 16% where the company average benchmark is 12% where profitability earn is high for each value of share and followed by next two years is also above the average benchmark where the company is earning profitability per share

Interpretation 9: Price to Earnings ratio

Price to earnings ratio refers to companies' common stock to its Earnings per Share It provides insights into the Market perceptions and to know company's future. As per the data mentioned above the three-year price to earnings ratio the three-year data is below the average benchmark of the companies. Where it is suggested that investors may have to take concern or lower expectations towards the earnings potential

Interpretation 10: Asset turnover Ratio

As per the above table Asset turnover ratio indicates the of firm to make sales over its assets. Further it explains how much efficiency is utilized to generate revenue from assets. The asset turnover ratio for the first and third year is maintained and the efficiency to generate sales using assets is at a consistent level. But in the second year there is low or decreased efficiency where it is negatively impacting the company to generate sales over its assets.

Findings

1. As for the study is concerned, at ;/ utthunga technologies the main activity in finance is done in MIS and export realization were it easy for the organization to find which subunit's project is giving them the most revenue and with limited expenditure.

2. In the study, the tool used to calculate or analyze financial statements is financial ratios where it is utilized to find the condition of the company.

3. The current ratio is above the industry benchmark, that is 2:1 and it is greater than that where current assets are favorable to meet the short-term obligations of current liabilities.

4. Quick ratio is said to be above the industry benchmark, that is 1:1 and at utthunga it is greater than that where it is sufficient.

5. In the debt equity ratio, there is high financial risk as it should be below the 1.2 ratio therefore it is reduced in the third year, which is better for the company.

6. Gross profit and net margin profit are greater than the benchmark of the so that is managing their costs and maintaining profitability which is good for the company.

7. Return on equity and assets are fluctuating but profit from the asset is better as compared to equity and the equity is profitable for the company for shareholders' investment.

8. Earnings per share are above the industry benchmark, which is profitable for the company and shareholders' investment.

9. Price to earnings ratio is below the average benchmark which it lies less market perceptions.

10. The asset to turnover ratio says for the first and third year they are above the benchmark but not in the second year.

11. Examining financial statements is essential for determining a company's performance, performance prospects, and financial health. Meaningful insights may be obtained from carefully interpreting financial accounts, assisting in decision-making and strategic planning. Analyzing various financial statistics, trend analysis, and comparison analysis are all steps in the interpretation process that together give a thorough picture of a company's financial status

Conclusion

An important technique for assessing a company's position and financial health. Important information may be gleaned from the interpretation of financial accounts, assisting in strategic planning and decision-making. This study article examined the importance and uses of balance sheets, highlighting the critical function of interpretation in converting unprocessed financial data into useful information. The outcome of this study demonstrates the significant of financial measures in determining acompany's liquidity, profitability, solvency, and effectiveness. A company's relative success and financial stability may be learned by comparing these ratios to industry benchmarks, past performance, or rivals. By enabling the recognition of trends or changes in financial performance across time, trend analysis adds extra context. Comparative analysis makes it possible to compare against competitors or industry norms, revealing how competitively- positioned a firm is.

When interpreting financial accounts, it is crucial to consider external elements including industry dynamics, the outcome of the economy, and changes in regulatory requirements. The financial outcome of a firm may be strongly impacted by several factors. Accurate interpretation also depends on understanding the limits of balance sheet, including the dependence on historical data and the possibilities of fraud or prejudice in financial reporting. In conclusion, a thorough information of the organization's status and performance may be obtained through careful interpretation of the balance sheet. This research adds knowledge by highlighting how crucial interpretation is to financial statement analysis. Researchers, financial analysts, investors, and practitioners can utilize the information in this article as a helpful resource to help them make judgements and apply financial statement analysis in theirrespective professions

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