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A Study on Investment Analysis of Aditya Birla Finance Limited

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ABSTRACT

Financial analysis can be conducted by both internal and external parties, such as management, owners, trade creditors, lenders, investors, labor unions, analysts, and others. In this particular study, 6 years of secondary data from the Aditya Birla Group was used to assess the profitability, liquidity, and overall performance of the company. To evaluate these aspects, various financial tools and ratios were employed, including the current ratio, cash position ratio, expense ratio, and other performance ratios. The objective was to gain an understanding of the company's financial health and identify areas for improvement. Based on the analysis, the suggestion put forward was to increase productivity and decrease expenses in order to enhance profitability. The study aimed to provide valuable insights into the financial soundness of the Aditya Birla Group.

KEYWORDS: Financial performance, growth rate, profitability.

INTRODUCTION

Finance is indeed a critical aspect of economic activity and is present in all spheres of economic and business life. It plays a vital role in ensuring the continuity and growth of a business. Financial analysis involves examining the financial strength and weaknesses of a firm by establishing strategic relationships between items in the profit and loss account, balance sheet, and other financial statements. These statements provide written records that convey the business activities and financial performance of a company. To ensure accuracy and for purposes such as taxation, financing, or investing, financial statements are often audited by government agencies, accountants, and firms. The main types of financial statements are the balance sheet, income statement, and cash flow statement. The balance sheet offers a snapshot of a company's assets, liabilities, and stockholders' equity at a specific point in time. This statement provides an overview of the company's financial position and helps assess its solvency and liquidity.

LITERATURE REVIEW

Dr. M. Ganesan's study on the financial performance analysis of Ultra Tech Cement Ltd aims to understand why the financial analysis of cement companies varies from unit to unit. The objective is to measure the extent of influence of various variables on the profitability of Ultra Tech Cement Ltd. The study calculates various financial ratios to examine the financial performance of selected cement companies. It concludes that with sustained growth in the housing sector, government emphasis on infrastructure, and increased domestic and global demand, the prospects for the Indian cement industry are promising.

Dr. NR. Suryanaraya's study focuses on the financial performance of the textile industry. It analyzes the profitability, liquidity position, and management efficiency of three sample companies in the textile industry. The objective is to assess their financial performance. The study concludes that the textile industry plays an important role in India and contributes to national growth.

Dr. C. Sangeetha's study examines the financial performance of Aditya Birla Stock Broking companies. Various analytical tools and techniques are applied to the financial data to analyze their performance. The study adopts an exploratory research design to interpret the available information. The conclusion highlights the rapid expansion of India's diversified financial sector, with both existing financial services firms experiencing strong growth and new entities entering the market.

These studies shed light on the financial performance of specific companies and industries, providing insights into their profitability, liquidity, and contribution to national growth.

RESEARCH METHODOLOGY

This research paper is based on Secondary Data. Data for the research is collected from various magazines, online journals and articles.

Objectives of the study

1. To examine the overall performance of the group.
2. To know the financial strengths and weakness of a company.
3. To analyze the profitability of the company.

CONCLUSION

The analysis of the Aditya Birla Group was conducted using various ratios, which are important tools in financial analysis. The data from the balance sheet and profit and loss account were validated and used in the analytical statements. It was evident that the profitability of the company depends on the efficient utilization of resources.

The study provides a comprehensive understanding of the company's financial performance over the past six years. The findings and recommendations derived from the analysis can be valuable for the company's development and improvement.

In general, it can be concluded that the company has made significant progress in recent years. The study highlights the positive growth and achievements of the Aditya Birla Group.

FINDINGS

1. Current Ratio: The current ratio was higher in 2019-2020 (33.8) and lower in 2016-2017 (0.15). A current ratio of 2:1 is considered satisfactory.
2. Liquid Ratio: The liquid ratio is higher than the standard ratio of 1:1. The highest liquid ratio was in 2019-2020 (33.8), but it declined to 0.15 in the same year.
3. Net Profit: The net profit was highest in 2017-2018 (0.44%) and lowest in 2014-2015 (-2.21%). Steps should be taken to increase profitability.
4. Cash Position Ratio: The cash position ratio was highest in 2019-2020 (91.99) and lowest in 2016-2017 (2.79).
5. Expense Ratio: The expense ratio was highest in 2014-2015 and lowest in 2019-2020 (72.29%).
6. Return on Assets: The return on assets was highest in 2016-2017 (0.44%) and lowest in 2019-2020 (-2.21%).
7. Proprietary Ratio: The proprietary ratio was higher in 2015-2016 (0.99) and lower in 2018-2019 (0.81).
8. Total Asset Turnover Ratio: The total asset turnover ratio remained the same in 2014-2015 and 2015-2016 (0.002) and slightly increased in 2018-2019 (0.19).

These observations provide insights into the firm's financial performance and can guide further analysis and decision-making.

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