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A STUDY ON FINANCIAL PERFORMANCE ANALYSIS WITH REFERENCE TO BLUE BHARATH EXIM PVT LTD

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ABSTRACT

Performance financial analysis is a multifaceted process integral to understanding a company's financial landscape comprehensively. One pivotal aspect involves the calculation and interpretation of various financial ratios, such as liquidity ratios (e.g., current ratio), profitability ratios (e.g., return on equity), and efficiency ratios (e.g., asset turnover). These ratios serve as diagnostic tools, offering insights into different facets of a company's financial performance

1.INTRODUCTION:

A fall diagnosis of the business's profitability and financial soundness is conducted through the examination and interpretation of financial statements in financial performance analysis. The financial analyst programme offers essential financial analysis methodologies.

Financial performance is a key component of finance risk management and, in a broader sense, refers to the extent to which financial objectives are being or have been fulfilled. It is the process of putting a firm's operations and policies into monetary terms. It is used to assess a company's overall financial health over a certain time period and can also be used to aggregately compare different industries or sectors or to compare similar companies within the same industry.

FEATURES OF FINANCIAL STATEMENTS

The following are the features of financial statements:
• Monetary terminology are always used to express financial statements. They disregard qualitative factors. Stated differently, non-monetary occurrences are not covered by financial statements.

Every time, financial statements are prepared for a specific time frame. Generally speaking, they span a year.

OBJECTIVES OF THE STUDY:

PRIMARY OBJECTIVES

To study the financial performance analysis of Blue Bharath exim Pvt Ltd.

SECONDARY OBJECTIVES

To analyse the profitability, liquidity and solvency position of Blue Bharath exim Pvt Ltd.
To compare and interpret financial statements of the Blue Bharath exim Pvt Ltd with comparative and common-size statement analysis.

SIGNIFICANCE OF FINANCIAL PERFORMANCE MEASUREMENT

The financial performance of a firm has an impact on the interests of several associated groups. The type of analysis differs based on the parties involved's particular interests:

Trade creditors: concerned with the company's liquidity (liquidity assessment)

Bond investors: They are interested in the company's ability to generate cash flow (capital structure assessment, key funding sources and uses, profitability over the long term, and forecasted profitability).

INVESTORS: Investors are concerned with the stability of earnings, both projected and actual (an assessment of the firm's profitability and financial situation).

INDUSTRIAL PROFILE

global trade enters a new phase and trade barriers gradually disappear, import and export commerce will become increasingly important as economies become more interdependent in many ways (Nelson, 2000; Rai, 2007). However, most developing nations approach international commerce and development aid with suspicion since they think developed nations are always motivated to further their own interests, and in such a setting, developing nations' interests may be somewhat overlooked. India must safeguard its national development interests as a developed nation, hence export-import trade strategy must be planned and carried out appropriately. The government's approach to different kinds of exports and imports is communicated in the export and import policy.

COMPANY PROFILE:

Blue Bharath Exim Pvt Ltd is one of the leading exporters and importers in Chennai recognized by Government of India as ONE STAR EXPORT HOUSE. ONE STAR EXPORT HOUSE means, the exporter of goods/ service who holds valid importer- exporter code no. (IEC) may apply to the Director General of Foreign Trade (DGFT) for the recognition as 'status-holder" viz. One Star Export House, Two Star Export House, Three Star Export House, Four Star Export House and Five Star Export House.

2.REVIEW OF LITERATURE:

- **Roozbeh Kangari (1992):** failure in the construction industry is an important research issue for forecasting the financial status of a company. The construction industry in the United States has several unique characteristics that sharply distinguish it from other sectors of the economy. These characteristics contribute in many ways to the high rate of business failure in the industry. Analysis of major financial ratios to predict performance of a company is one method of failure analysis.
- **Harris (2001):** there is a correlation between market orientation and performance. This correlation is primarily supported by the examination of subjective performance metrics. Thus, the purpose of this research is to investigate the relationships between market orientation and financial performance as judged by objective standards. The definition and elements of market orientation are briefly reviewed at the outset of the pipes.
- **Mahes Chand Garg and Chander Shekhar (2002)**: in the cement industry, the asset mix has a significantly negative relationship with both total debt equity and long-term debt equity. Total debt to equity was substantially positively correlated with asset value and business longevity. In the cement industry, the life of the 24 companies was substantially positively correlated with long-term debt equity.

3.RESEARCH METHODOLOGY

A research cannot be conducted abruptly. Research has to produce systematically an already planned direction with the help of number of steps in sequence. To make the research systematized, the researcher has to adopt certain methods. The methods adopted by the researcher for completing the project are called research methodology. Research methodology is a way to systematically solve the research problem. The research methodology in the present

study deals with research design, data collection methods, sampling methods, analysis and interpretation.

ANALYTICAL TOOLS FOR THE STUDY:

The researcher for the purpose of analysis and interpretation of the following tools have been need
- Ratio analysis
- Comparative balance sheet
- Common size
- Trend analysis

4.DATA ANALYSIS AND INTERPRETATION

1.OPERATING PROFIT RATIO:

operating profit ratio =cost of goods sold +operating

expenses/sales x 100

| year	CGS+OPERATINGEXP	net sales	gross profit ratio
2018-19	92972580	94466423	98.415%
2019-20	13618222	13249222	102.78%
2020-21	19763084	19162921	103.13%
2021-22	19225825	18442077	104.24%
2022-23	23506075	24904265	94.38%
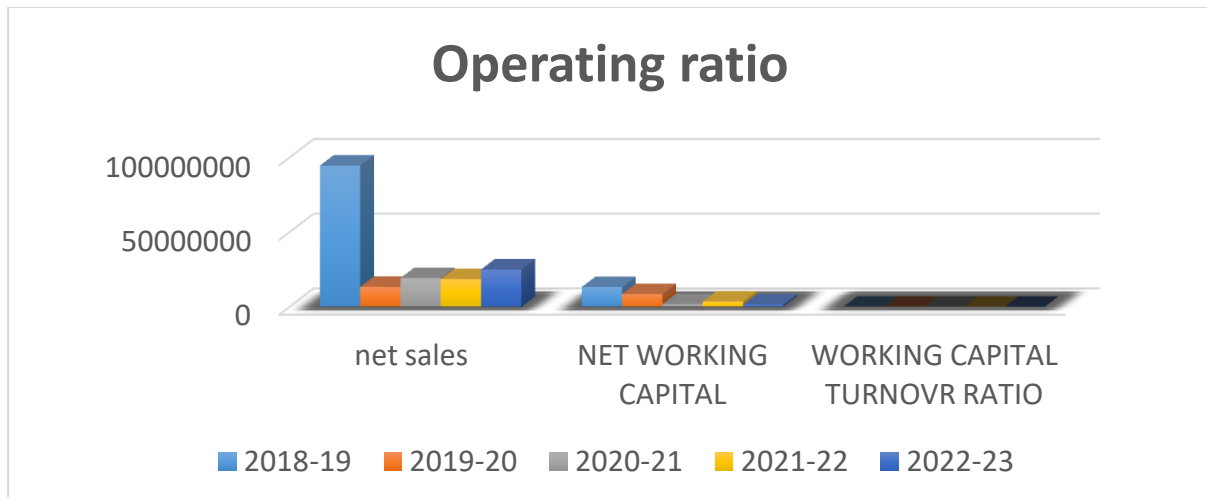
INTERPRETATION:

This table interpreted that there is increase in 2019-20 to 2021-22 due to generating revenue or sales by comparing total operating expenses. After 2021-22 there is decrease in rate due to reducing of operating expenses and net sales purchase in 2019-20. So there is decrease rate in 2019-20 compare to 2018-19.

2.WORKING CAPITAL

WORKING CAPITAL= SALES/NET WORKING CAPITAL

| year	net sales	NET WORKING CAPITAL	WORKING CAPITAL TURNOVR RATIO
2018-19	94466423	13133563	7.19%
2019-20	13249222	8411549	1.57%
2020-21	19162921	1598190	11.99%
2021-22	18442077	3374765	5.46%
2022-23	24904265	1407233	17.69%
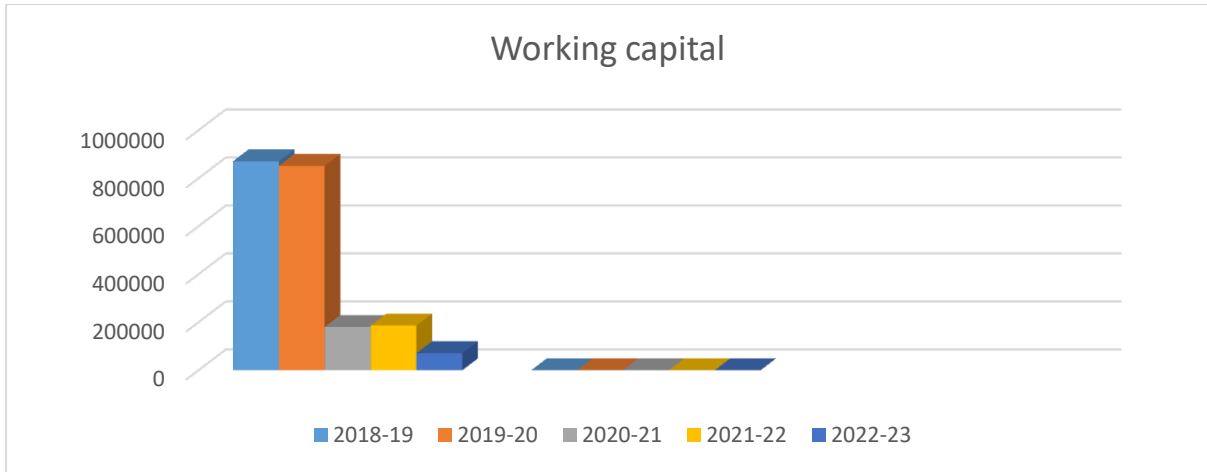
INTERPRETATION:

Working capital ratio measures the effective utilization of working capital. During the 2019-20 and 2021-22 shows the decline in the trading of the company. And 2020-21 shows the higher working capital increases indicates better trading in company so it is fluctuating

3.FIXED TURNOVER RATIO:

fixed turnover ratio=cost of sales/net fixed asset x100

year	sales	net fixed assest	fixed turnover ratio
2018-19	94466423	870789	108.48%
2019-20	13249222	851868	15.55%
2020-21	19162921	180371	106.24%
2021-22	18442077	186106	99.09%
2022-23	24904265	70956	350.98%

Fixed assets turnover ratio also known as sales to fixed assets ratio is a commonly used activity ratio that measures the efficiency with which a company uses its fixed assets to generate its sales revenue. It is computed by dividing net sales by average fixed assets.
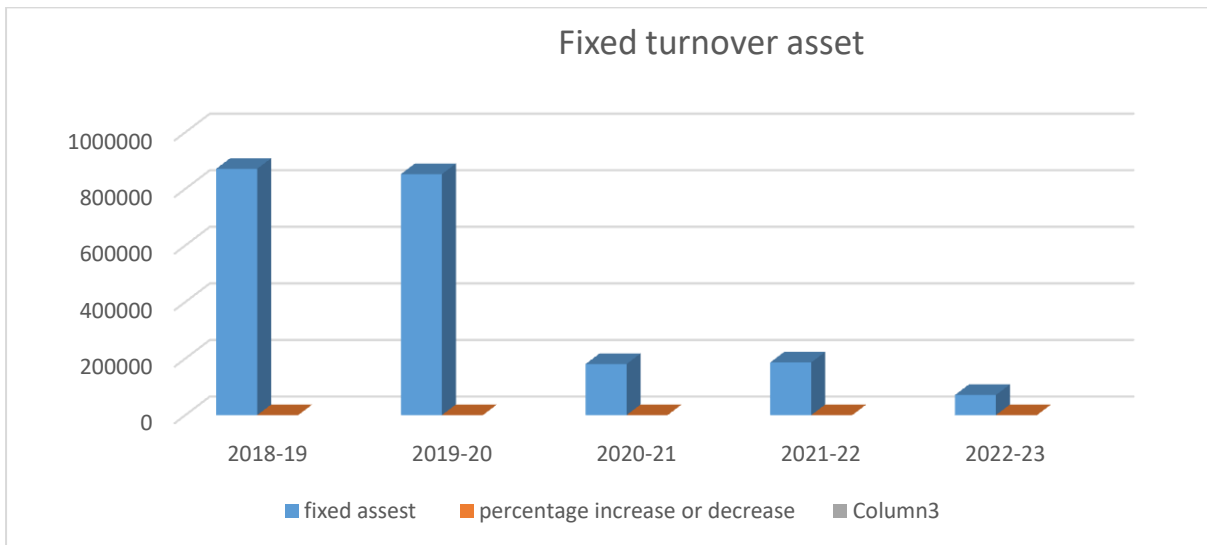
INTERPRETATION:

Fixed assets turnover shows the relation between the assets available in the company and loan raised against them. A high increase in the fixed asset turnover has been maintained and fluctuation in the year 2020-21 and 2021-22.A tremendous decrease in 2019-20 which shows the fluctuation in financial status.

5.FINDINGS AND SUGGESTIONS

FINDINGS

➢ In 2019-20 to 2021-22 increase due to generating revenue or sales by comparing total operating expenses. After 2021-22 the ratio was 104.25. The rate was decrease due to operating expenses and net sales purchase so 2022-23 the ratio was 94.38 is decrease.

➢ Working capital ratio i.e. 2019-20 and 2021-22 shows decline in trading of the capital. But in 2022-23 ratio was 17.69 there is effective trading in the company.

➢ Fixed asset turnover there is a higher increase and same range in 2020-21 and 2021- 22.but in 2019-20 there is tremendous decrease ratio was 15.55. But in 2022-23 there is increase in ratio 350.98 i.e. it means there used more fixed assets.

SUGGESTIONS

➢ Based on the information provided, it seems the current ratio increased in both 2018-19 and 2021-22, indicating a rise in current liabilities during those years. This suggests that the company may have had higher short-term obligations relative to its current assets in those periods.

➢ It seems like the company experienced a positive trend in liquidity from 2018-19, indicating a healthier cash position. However, the decrease in the ratio in 2022-23 suggests that more inventories were held within the organization, potentially tying up cash. To address this, the company could focus on inventory management strategies to optimize cash flow and improve liquidity. Consider implementing inventory turnover initiatives, negotiating better supplier terms, or reassessing inventory levels to align with demand forecasts.

➢ It sounds like you're analyzing financial data. The increase in gross profit ratio in 2022-23 suggests improved profitability, which could enhance safety for creditors compared to the previous years with fluctuations and decreases. This upward trend could indicate a more stable financial position, potentially reducing risk for creditors

6.REFERENCE AND BIBLIOGRAPHY

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ANNEXURE:

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT STATEMENT OF LAST FIVE YEARS

PARTICULARS	2018-19		2019-20		2020-21		2021-22		2022-23	
SOURCES OF FUNDS:										
SHAREHOLDER'S FUND										
SHARE CAPITAL A/C.	620,392		626,535		632,452		640,452		640,452	
RESERVES & SURPLUS	7,346,230	7,966,622	5,566,892	6,193,427	1,576,351	2,208,803	2,478,628	3,119,080	2,854,128	3,494,58
OUTSIDERS FUND										
Secured Loan										
Unsecured Loan		6,007,394		3,245,240		3,277,022		3,277,022		3,277,02
Deferred Tax Liability		3,494		3,145		2,831		2,548		2,294
		13,977,510		9,441,812		5,488,656		6,398,650		6,773,896
APPLICATION OF FUNDS:										
FIXED ASSETS										
Gross Block	1,019,656		1,028,146		345,849		331,281		186,106	
Less: Depreciation	148,867		176,278		165,478		145,175		115,150	
Net Block		870,789		851,868		180,371		186,106		70,956
INVESTMENT		148,158		178,395		3,710,095		2,837,779		5,295,707
CURRENT ASSETS, LOANS & ADVANCES										
Cash & Bank Balance	2,356,199		1,425,752		3,257,176		1,024,750		830,208	
Sundry Debotors	14,801,093		12,149,194		5,380,849		3,888,300		2,154,520	
Advance tax & TDS	389,924		585,471		249,745		284,745		459,995	
Closing Stock	633,304		475,852		238,610		125,420		324,520	
Loans, Advances & Deposite	575,675		425,425		512,450		615,750		440,750	
	18,756,195		15,061,694		9,638,830		5,938,965		4,209,993	
Less: Current Liabilities & Pro	5,797,632		6,650,145		8,040,640		2,564,200		2,802,760	
Net Current Assets										
		13,977,510		9,441,812		5,488,656		6,398,650		6,773,896