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## A STUDY ON FINANCIAL PERFORMANCE ANALYSIS IN SHRIRAM FINANCE LTD

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### ABSTRACT

The project titled A study on financial performance analysis in **SHRIRAM FINANCE Ltd** is to analyses the financial position of the Company. The objective of this project is to find out the efficiency of the Company using financial ratios like profitability ratio and liquidity ratio of the Company, to find out the liquidity position of the Company, to study the performance of Company through comparative analysis and to provide suitable suggestions improving the financial performance of the Company. The project is pertained to the Company's data available for the past five years. The conclusions are drawn from the analysis done with the ratios, comparative, common size study. The study through the analysis reveals the pros and cons of the Company's financial status.

**KEY WORDS:** Financial performance analysis

### INTRODUCTION:

Financial performance analysis describes the methods that those examining the affairs of a business use to evaluate and assess its financial activity. In its simplest definition, financial performance can refer to the effectiveness in which the business generates profits, but it also refers to much more. It is a reflection of all the elements that contribute to profitability, separately as line items, and holistically as a collective dynamic.

According to "Financial performance analysis is largely a study of relationship among the various financial factors in a business, as disclosed by a single set of statements and study of these factors as show in series of statement."- John N. Myer.

The term Financial Analysis is also known as analysis and interpretation of financial statements, refer to the process of determining financial strengths and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data.

### OBJECTIVES

- To study the financial performance of SHRIRAM FINANCE Ltd
- To know the financial position of SHRIRAM FINANCE Ltd.
- To analyze and evaluate the financial performance of SHRIRAM FINANCE Ltd.
- To bring out the results of financial strength of the entity through ratio analysis.

### SCOPE OF THE STUDY:

The scope of the study pertained to a financial performance of the SHRIRAM FINANCE Ltd. This study is mainly a comparison of Five years of its operations, and it aims to reveal the company standard in respect to profitability. It also extends to have a study on ratio, and comparative balance sheets

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## REVIEW OF LITERATURE:

**Mulla (2022)** discussed in his paper about the ‘Use of ‘Z’ score analysis for evaluation of financial health of textile mills - A case study’ has been made an insight into the financial health of ShriVenkatesh Co-operative Textile Mills Ltd., Arunageri of Dharwad District. For the purpose of analysis, the ‘Z’ score analysis has been applied to evaluate the general trend in financial health of a firm over a period by using many of the accounting ratios. From the analysis he was concluded that the textiles mill under study was just on the verge of financial falls down and on the one hand, current assets declined because of the negative profitability performance, whereas on the other hand, the current liabilities were on the increase because of poor liquidity performance of the mill.

**Rajeswari (2022)** studied about the Liquidity Management of Tamil Nadu Cement Corporation Ltd. Alangulam-A Case Study. She concluded from the analysis; the liquidity position of TANCEM was not stable. After the comparative analysis regarding liquidity ratios, she has found there was too much of liquidity in the first two years of the study period and also a very high degree of liquidity was also bad as idle assets earn nothing and affects profitability. In short, she concluded that the liquidity management of TANCEM is poor and is not satisfactory.

**Raghunathan & Das (2022)** have discussed in their paper regarding corporate performance of post-Liberalization. They analysed the performance of Indian Manufacturing sector in the last 8 years since liberalization on the parameters of profitability, liquidity, leverage and solvency. They also observed that the solvency and profitability ratios were encouraging till 1996 they have been gradually diminishing after that and this problem gets more pronounced when the EVA was calculated which showed that the Indian Manufacturing sector has destroyed wealth, while the MNCs have generated wealth for their shareholders. They have pointed out after the analysis; the poor corporate performance has led to an economic slowdown and not the other way round and corporate raised funds during the blacken days of equity markets and ended up investing these funds at below their cost of capital. In short, the outcome has been a prolonged economic slowdown

**Rouf 2021** studied the relationship between Profitability and Corporate Governances Disclosure levels of companies listed in Bangladesh. Data of 94 listed non-financial companies, was sourced from the library of Dhaka stock exchange. Multiple ordinary least squares regression was used. The study established a high positive correlation between profitability and the level of corporate governance disclosure. Major limitation is the use of exclusively non-financial companies, affecting the generalization of the results. Second, the author’s generated disclosure index which was employed in the study is sensitive and can upset the results if the items of information were not properly selected.

**Dr.IqbalThonseHawaldar, Dr.Habeeb Ur Rahiman (2019)** – Investors perception towards stock market. This study is to understand the different personal factors affecting their investment decision and the different factor influencing various categories of investment. Chisquare test was used as a tool to arrive at a decision regarding the association between two variables.

**Dr. N. Sakthivel, A. Saravanakumar (2018)**-Investors satisfaction on online share trading and technical problem faced by the investors. Investors satisfaction on online share trading based on brokerage houses were analyzed using percentage analysis. Primary data were collected from 620 respondents through questionnaire.

**Dr.P Mohanraj, P Kowsalya (2018)**- A Study on the investor perception on karvy stock brokering in Coimbatore district .This study helps to find out the service quality issues. primary data is collected from 100 respondents and it is 8 descriptive research design.Primary data is collected from convenience sampling techniques

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## RESEARCH DESIGN

In this study the researcher is going to analyse the financial performance by using relevant tools and techniques, analytical research design is used.

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## SOURCE OF THE DATA:

Secondary Data has been collected from sources like Company reports, magazine, journals, and annual reports

**TABLE NO: 4.1.1.**Current Ratio: Current Assets/Current Liabilities. (Rupees in crores)

Year	Current Assets	Current Liabilities	Ratio
2018-2019	1,04,945.52	89,150.48	1.177
2019-2020	1,13,295.75	95,791.85	1.183
2020-2021	1,28,368.73	1,07,766.67	1.191
2021-2022	1,40,440.23	1,15,874.48	1.212
2022-2023	2,03,615.69	1,66,192.78	1.225

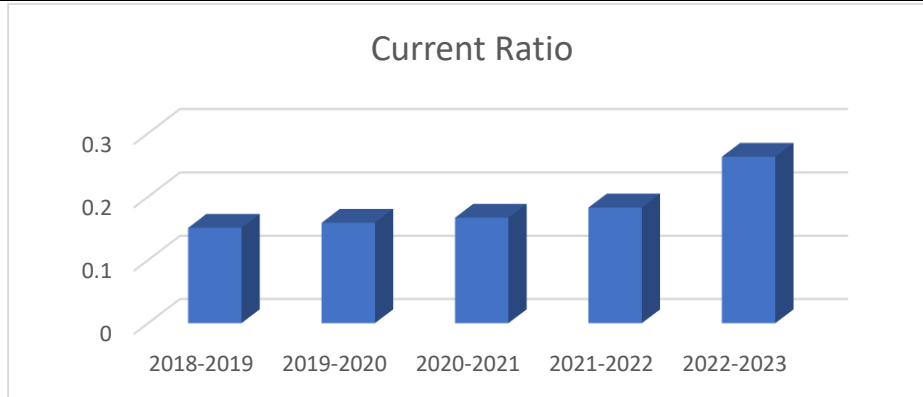


FIGURE NO : 4.1.1 CURRENT RATIO

TABLE NO:4.1.2 Cash ratio= Cash and cash equivalents/Current liabilities

Year	Cash and cash equivalent	Current Liabilities	Ratio
2018-2019	1,029.14	89150.48	0.012
2019-2020	9,088.99	95,791.85	0.095
2020-2021	11,050.93	1,07,766.67	0.103
2021-2022	10,662.44	1,15,874.48	0.092
2022-2023	15,132.84	1,45,192.78	0.104

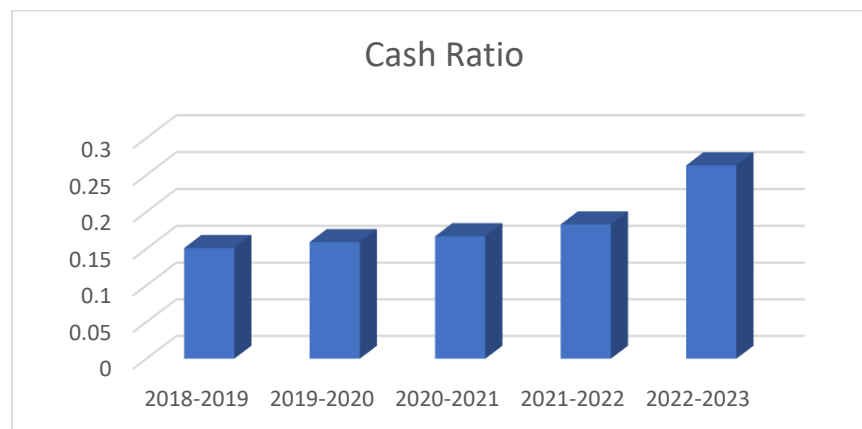


FIGURE NO : 4.1.2 CASH RATIO

TABLE NO:4.1.3 Quick ratio = Cash and cash equivalents / Current liabilities

Year	Cash and cash equivalent	Current Liabilities	Ratio
2018-2019	1,029.14	89150.48	0.012
2019-2020	9,088.99	95,791.85	0.095
2020-2021	11,050.93	1,07,766.67	0.103
2021-2022	10,662.44	1,15,874.48	0.092
2022-2023	15,132.84	1,45,192.78	0.104

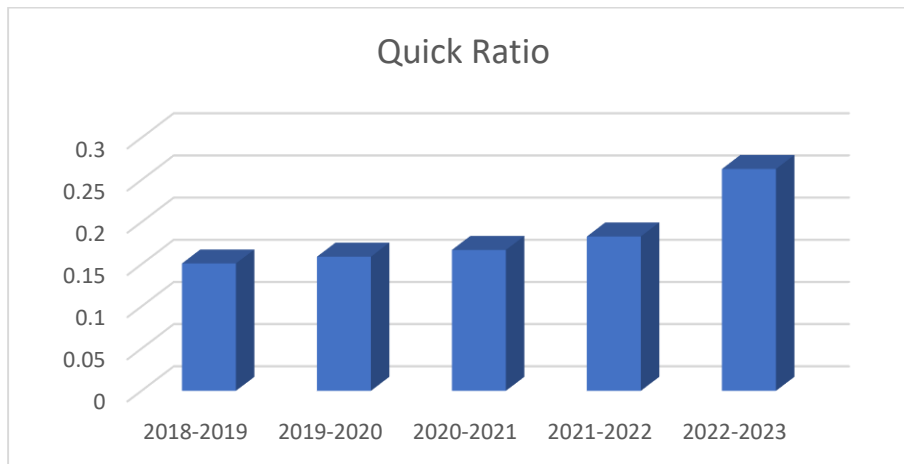


FIGURE NO : 4.1.3 QUICK RATIO

TABLE NO : 4.1.4 Return on asset ratio = EBIT / average total assets

Year	EBIT	Average total assets	Ratio
2018-2019	3,778.27	52,709.48	0.07
2019-2020	3,278.01	57,132.9	0.06
2020-2021	3,438.67	64,913.89	0.05
2021-2022	3,549.25	71,134.08	0.05
2022-2023	8,213.72	105300.07	0.08

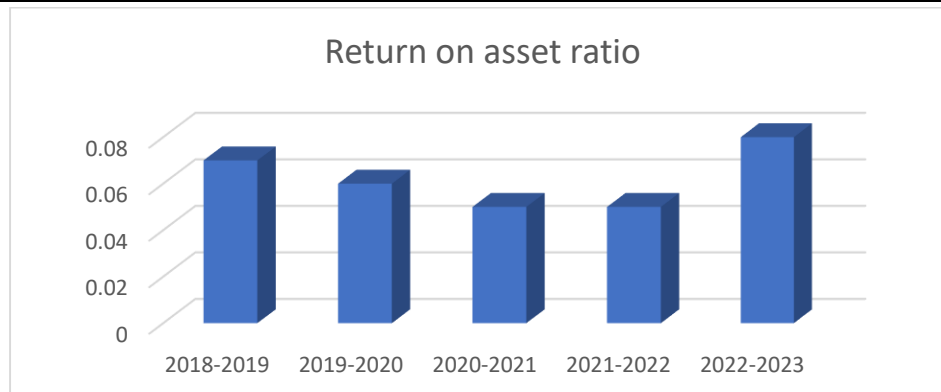


FIGURE NO : 4.1.4 RETURN ON ASSET RATIO

Table No : 4.1.5 Trend Percentage of Operating Profit (Rupees in crores)

Year	Operating profit	Trend (%)
2018-2019	6,199.93	100
2019-2020	6,374.50	103
2020-2021	9,663.33	155
2021-2022	10,547.56	170
2022-2023	12,701.83	205

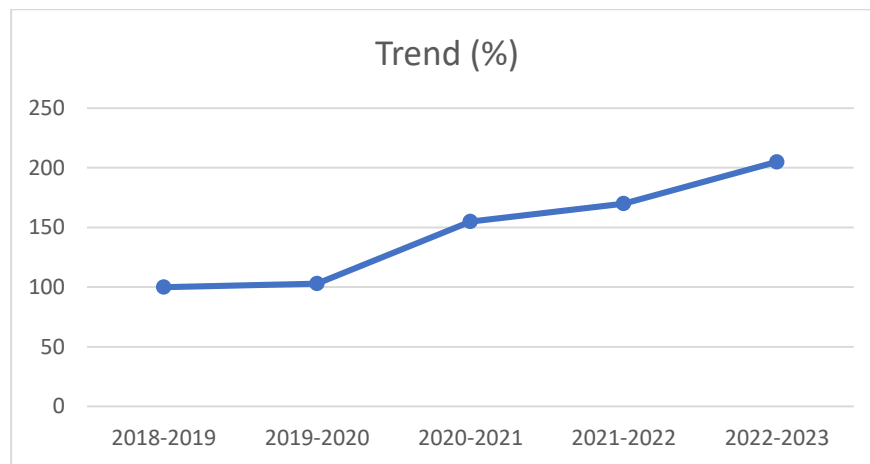


Figure No : 4.1.5 Showing Trend Percentage of Operating Profit

**INTERPREATION :**

- From the above table it is inferred that, the current ratio is gradually increasing every year. It reaches its highest point in 2022-2023 with 1.1225. It is noticed that year after year the Current ratio is increasing.
- From the above the table it is inferred that, the cash ratio began to increase from the year 2019-2020 with 0.095 whereas exceptionally low in the year of 2018-2019 with 0.012. It is noticed that year after year cash ratio is fluctuating
- From the above the table it is inferred that, the cash ratio is increased in the year from 2019-2020 with 0.095 whereas exceptionally low in the year of 2018-2019 with 0.012. It is noticed that year after year quick ratio is fluctuating
- From the above table it is inferred that, the return on asset ratio is fluctuating year by year. And it starts to raise ,it reaches its highest point in 2022-2023 with 0.08

**FINDINGS :**

- The current ratio of the company is increasing every year, it reaches its highest point in 2022-2023
- The cash ratio is fluctuating year by year, it reaches its highest point in 2022-2023
- The operating cash flow ratio. is noticed that year after year is fluctuating
- The quick ratio is fluctuating year by year, it reaches its highest point in 2022-2023
- Debt ratio of the company is decreasing every year
- Debt to equity ratio of the company is decreasing every year and reaches its lowest point in 2022-2023
- Return on asset ratio of the company is fluctuating year by year.

**SUGGESTIONS :**

- It is suggested that the company has to stick with their current plan in order to be more profitable company in the upcoming years
- As the comparative balance sheet analysis suggests that the company has improved in every aspect and the same must be executed in future period to earn more profit .

- As the trend analysis suggests that the gross , net and operating profit of the company is increasing year by year that the company has to stick their current strategy in order to earn more profits in the future
- The company has to follow the 2022-2023 year strategy to get be more profitable in upcoming years , has the (2022-2023) has gained more profit compared to any other year
- The company has to work on the ratio which are fluctuating year by year in order to maintain or improved profit earning capacity

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## CONCLUSION:

The project of Ratio analysis in the service industry is not merely a work of the project. But a brief knowledge and experience that how to analyze the financial performance of the firm .The study undertaken has brought into the light of the following conclusions. According to this project I came to know that from the analysis of financial statements it is clear that Shriram finance ltd ,the company have been incurring profit during the period of study. So, the firm should focus on getting of huge profits in the coming year by taking care internal as well as external factors

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