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An Analysis of Financial Performance with Respect to Adani Enterprises Ltd. Using Ratios

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ABSTRACT

The financial performance and profitability of Adani Enterprises Ltd., a global Indian provider of information technology services and consultancy with its headquarters located in Mumbai, are thoroughly examined in this research study. By analyzing the company's advantages, disadvantages, profitability, and liquidity position, the research seeks to offer insightful information to creditors, investors, and management. The study uses secondary data gathered from corporate financial statements covering five fiscal years, from 2019 to 2023, and employs a descriptive research design. Ratio analysis is a crucial analytical method used to evaluate several aspects of the business's financial health.

1. INTRODUCTION

The main objective of this article is to examine the bank's overall financial status using ratio analysis. It shows the company's historical performance, indicating whether it has gotten better or worse.

The study's secondary data source is Adani Enterprises Ltd.'s annual reports for the previous five years. The basis for comparisons both within and between businesses is ratio analysis. To enhance understanding, visual aids are utilized. A ratio is a useful tool for many stakeholders, such as managers, creditors, shareholders, and financiers.

This study examines a variety of ratio categories, including profitability, solvency, and liquidity ratios.In addition to helping identify issues and offering suggestions for improving performance, this report offers details on the company's financial status.

Ratio analysis is the process of identifying and evaluating the various elements of financial statements. Generally speaking, financial statements by themselves are insufficient to fully inform investors; the figures in those papers need to be contextualized to help investors understand all aspects of the company's operations.

Ratio analysis is one method that an investor might use to learn that information. Ratio analysis serves as the foundation for both fundamental business valuation and the evaluation and pricing of credit risk.Ratio analysis is helpful in evaluating the efficiency, profitability, and risk management of a business. Both big and small firms can evaluate and improve their financial situation with the help of financial ratios.

The process of determining financial performance is known as "financial performance analysis," sometimes referred to as "analysis and interpretation of financial statements."

By carefully linking the items on the balance sheet, profit and loss account, and other operational data, one may determine the company's financial strength and weakness. To gain a better understanding of a company's status and performance, financial performance analysis examines the relationships between the various elements of a financial statement.

2. REVIEW OF LITERATURE

Altman (1968), "Financial Statement Analysis and the Prediction of Financial Distress" :

1. This ground-breaking study introduced the Altman Z-score, a ratio-based methodology for forecasting business insolvency. It highlights the importance of ratio analysis in assessing a company's financial soundness.
2. "An Empirical Investigation of the Usefulness of Financial Ratio Analysis in Predicting Bankruptcy" by Beaver (1966), page This study examines the value of financial metrics in forecasting the insolvency of manufacturing firms. It emphasizes the significance of ratio analysis as a method for assessing financial hardship.

3. Ohlson's 1980 work "Financial Ratios, Discriminant Analysis, and the Prediction of Corporate Bankruptcy": This paper presents the Ohlson O-score statistical model, which uses financial metrics to predict a company's insolvency. It demonstrates the usefulness of ratio analysis in assessing a company's solvency.
4. "The Use of Financial Ratios to Predict Insolvency" by Taffler (1983): The effectiveness of financial statistics in predicting the demise of a UK company is examined in this study. It highlights the importance of ratio analysis in identifying early warning signs of financial difficulties.
5. "Financial Ratios and the Probabilistic Prediction of Bankruptcy" by Taffler and Tisshaw (1977): This study examines the predictive power of financial ratios for UK company insolvency. It emphasizes the significance of ratio analysis in assessing a company's financial stability.

STATEMENT OF THE PROBLEM

- Understanding a company's balance sheet and profit and loss account will help you understand its financial performance and business operations.
- Understanding the performance and position of the company requires analyzing the relationships between the various components of the financial statement.
- Using a variety of methodologies, this study aims to examine Adani Enterprises Limited's financial performance.

3. Research Methodology

OBJECTIVES

- To understand the importance of financial statements and the connection between them and financial indicators.
- To assess the liquidity and solvency status of the business.
- To determine the profitability of the business.
- To make recommendations for actions based on findings.

SCOPE OF THE STUDY

The study's focus is the Adani enterprises Ltd. Studying the company's financial performance makes it simpler to comprehend how members' economic involvement is implemented, the company's obligation to its members, and the operation of the company. The balance sheet, profit and loss account, and ratios from the previous years are gathered for this study.

RESEARCH METHODOLOGY

The term methodology refers to the analytical process used to determine a study's content and its outcome; these techniques are used to determine the outcomes for any given issue. However, research generally refers to the process of determining a study's content and outcome. Research methodology is chosen for determining the outcomes or results of any new project or study because it is the best approach to accomplish so. A study of a subject that has already been established but requires more information or references is referred to as research methodology. Research methodology is made up of numerous methods or procedures that aid to perform research.

Secondary data ; Secondary data refers to existing data that has been obtained by someone for a specific purpose but is reused by researchers. The above research work is based on secondary data from published financial reports of selected Indian industries and selected companies within them. The data for various financial parameters were obtained from his company annual report obtained directly from the company official website or her website on the stock exchange

LIMITATIONS

The study is related to secondary data for a period of five years only.

The study is limited only to Adani enterprises Ltd.

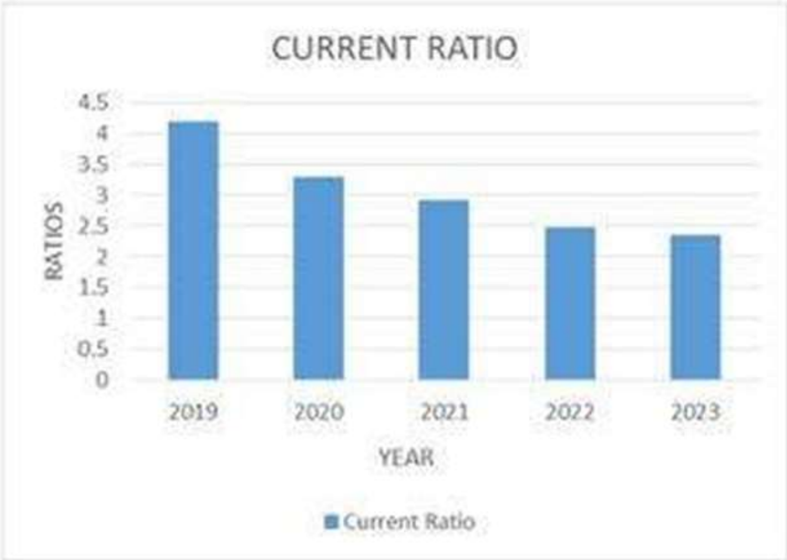
4. ANALYSIS AND INTERPRETATIONS

Table 1. **CURRENT RATIO**

Year	Current Assets	Current liabilities	Current Ratio
2019	10200.98	10192.14	1.000867335
2020	9131.34	8985.24	1.01626
2021	8049.6	7431.43	1.083183183

2022	15453.49	14172.5	1.090385606
2023	27303.72	24960.47	1.093878441

Chart 1.



INTERPRETATION

The aforementioned chart makes it abundantly evident that the company's liquidity position has been shifting as the current ratio has been declining from 1.000867335 to 1.093878441.

Table 1.2 **DEBT TO EQUITY RATIO**

Year	Total Debt	Total Shareholders	Fund debt To Equity Ratio
2019	14489.86	109.98	131.7499545
2020	13885.57	109.98	126.2554101
2021	12992.26	109.98	118.1329333
2022	21651.88	109.98	196.8710675
2023	40137.27	114	352.0813158

Chart 1.2

INTERPRETATION

The debt-to-equity ratio for five years is displayed in the above figure. It is a ratio that shows the proportion of debt to equity. The ratio is declining annually, according to the chart.

The ratios are 131.7499545, 126.2554101, 118.1329333, 196.8710675, and 352.0813158 for 2019–2023.

Table 1.3 **PROFITABILITY RATIO**

Year	Gross Profit	Sales	Profitability Ratio
2021	9 15334.62	15923.6	96.30121329
2020	16189.49	16619.02	97.41543123
2021	13339.58	1375.65	969.6928725
2022	26817.60	27327.55	98.13
2023	67309.48	68592.22	98.12990453

Chart 1.3

INTERPRETATION

The overall efficacy of any business organization is examined using the profitability ratios. Profit is a key indicator of effectiveness and is necessary for a business to survive and expand.

The profitability ratio for five years is displayed in the above table. The graph indicates that, The profitability ratio for 2021 is 969.69.

Table 1.4

Year	Cash And Equivalents	Current Liabiltes	Quick Ratio
2019	349.7	10192.14	0.034310753
2020	783.29	8985.24	0.08717519
2021	435.93	7431.43	0.058660312
2022	485.21	14172.5	0.03423602
2023	1339.86	24960.47	0.053679278

Chart 1.4

INTERPRETATION

A company's short-term liquidity is compared to its short-term commitments using the quick ratio, often known as the acid-test ratio. The graph indicates that the ratio varies annually.

In 2020, the quick ratio was 0.0871, up from 0.03431 in 2019.The ratio increases by 0.05367 in 2023**.**

5. CONCLUSION

The study at Adani Enterprises Ltd. employed ratio analysis to ascertain the financial performance of the business. A careful examination of the company's five-year financial report concludes that its overall financial performance is good. This report's use of the company's financial statements to analyze its financial performance was very beneficial. The statistics show that the company's financial performance has been inconsistent each year, thus it has to improve.

BOOKS

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WEBSITES.

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APPENDICES


Adani Enterprises Ltd.
FINANCIALS