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A Study on Financial Statement Analysis of Sri Amman Steel & Allied Industries Pvt Ltd, Trichy

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ABSTRACT

The present study aims to evaluate the financial performance of Sri Amman Steel & Allied Industries Pvt Ltd, Trichy, through various analytical tools. The analysis is based on secondary data collected from the company's annual reports for the financial years 2020 to 2024. The study employs ratio analysis, comparative financial statements, common size financial statements, and trend analysis to assess the company's financial strengths and weaknesses. The results indicate that the company has maintained a stable and satisfactory financial position over the years. However, the study suggests that the firm should take measures to control cash in hand by maintaining it at an adequate level and minimizing fluctuations. It is also recommended that the management focus on improving turnover ratios and continuously monitoring liquidity to ensure effective financial functioning and sustain long-term growth.

Keywords: Financial Statement, Financial analysis, Income statement, Cash flow.

INTRODUCTION

Finance is the foundation of every business, encompassing the planning, management, and control of financial resources to achieve organizational objectives. It plays a critical role in ensuring the operational efficiency and long-term growth of a firm. Financial performance analysis is a vital tool that helps assess a company's overall financial health by examining key indicators such as profitability, liquidity, efficiency, and solvency. It provides valuable insights into how effectively a business is utilizing its resources and achieving its financial goals. Methods such as ratio analysis, comparative financial statements, common size statements, and trend analysis are commonly used to evaluate and interpret financial data. These tools assist in identifying financial strengths and weaknesses, guiding better decision-making for management and other stakeholders. A systematic analysis of financial performance not only helps in understanding the current position of a business but also supports future planning and strategic improvements.

INDUSTRY PROFILE

The steel industry is fundamental to industrial development and is considered a key driver of economic progress. Globally, it has seen steady growth, with rising demand, technological advancements, and strategic mergers enhancing production and competitiveness. Countries like China, Japan, India, and South Korea account for over half of global output. In India, the steel sector has expanded rapidly since independence, supported by both public and private investments. Major players like SAIL and Tata Steel have led the charge, with modern plants and improved infrastructure. Despite challenges such as high setup costs and global trade barriers, strong demand from construction, infrastructure, and automotive sectors is expected to propel the industry forward. India's per capita steel consumption remains low, indicating vast potential for future growth.

COMPANY PROFILE

Amman Steel Group, established in 1978, has grown into one of South India's leading steel manufacturers, known for its quality and innovation. Headquartered in Tiruchirappalli, Tamil Nadu, the group operates two rolling mills in Tamil Nadu and an iron-making plant in Andhra Pradesh. Initially a raw material supplier, the company evolved into a major integrated steel producer, specializing in TMT, CRS, and ring steel rods ranging from 6mm to 25mm—widely used in construction. With over 300 dealers across Tamil Nadu and Puducherry, its flagship brand AMMAN-TRY has become a trusted name, backed by a strong distribution network, customer-centric approach, and consistent focus on quality.

OBJECTIVES OF THE STUDY

- The basic objective of the study is to analyses the financial statement of the company

- To study the profitability position of the company
- To analyze the ratios to find out the efficiency of the company
- To evaluate the financial situation of the company
- To suggest ways and means to improve the present condition.

REVIEW OF LITERATURE

Vashisht, Calvo-Pardo, and Olmo (2025) examined the two-way relationship between corporate environmental performance (EP) and financial performance (FP) using structural equation modeling and data from S&P 500 firms (2011–2020). The study found that FP positively influences EP only in "brown firms"—and only when environmental expenditures are made. However, the effect of EP on FP remains inconclusive, varying by model and measurement. The research highlights the moderating role of environmental spending in linking financial success to environmental improvement.

Md. Babar and Ahsan Habib (2021) explored the role of product market competition as a corporate governance tool and its impact on firm value. The study reviews empirical research across accounting, finance, and governance, focusing on areas such as financial reporting quality, analyst forecasts, asset pricing, and investment decisions. While market competition significantly influences these areas, the findings are often mixed or contradictory. The authors highlight these inconsistencies and suggest directions for future research, aiming to deepen understanding of competition's role in corporate governance globally.

Jichang Dongab and Lijun Yin (2020) examined the impact of Internet finance on commercial banks using both theoretical and empirical analysis. By constructing an Internet finance index and performance index, the study analyzed profitability, security, liquidity, and growth through panel models. The findings reveal that Internet finance positively affects profitability, security, and growth, but negatively impacts liquidity. It also enhances overall business performance. However, the impact varies across bank types—being strongest for city commercial banks and weakest for state-owned banks.

K. Keerthi and S. Eswari (2020) conducted a study to analyze the financial position of KCCB using ratio analysis based on five years of annual reports. The study focused on key financial ratios such as liquidity, profitability, and solvency to evaluate the bank's performance and trends over time. Findings revealed fluctuating cash ratios and a higher quick ratio, indicating sufficient quick assets but higher liabilities, which is a concern. The study highlights ratio analysis as a valuable tool for stakeholders and suggests improvements to enhance the bank’s financial health.

R. Ramachandran (2019) conducted a study titled “Financial Performance Evaluation of Alangulam Primary Agriculture Co-Operative Credit Society (PACCS),” focusing on analyzing its financial health over a five-year period (2014–2019). The study aimed to assess the society’s Liquidity, Profitability, Efficiency, and Leverage using various financial tools such as ratio analysis, regression analysis, and comparative and common size balance sheets. Based on secondary data from annual reports, the research highlighted the strengths and weaknesses in PACCS's financial performance, providing insights for future improvement in a competitive global market environment.

RESEARCH METHODOLOGY

The research is an attempt to study a problem or a situation at any given circumstance and identify various causes or consequence of that particular problem. It tries to solve a complex and complicated problem through use of various tools and techniques. Research Methodology is a systematic way to solve a research problem; it includes various steps that are generally adopted by a researcher in studying the problem along with the logic behind them.

SOURCE OF THE DATA

Primary Data

The primary data are those which are collected afresh and for the first time, and thus happen to be in original in character.

Secondary Data

Secondary data refers to information gathered from sources already existing. Some sources of secondary data are data available from previous research, information available from any published or unpublished sources available either within or outside the organization, library records, online data, websites and the internet. The secondary data of information of this study were obtained through web sites, books, annual report, and internet

SAMPLE SIZE

The sample size of the study is last five years during from 2019-20 to 2023-24 annual reports such as balance sheet and loss & profit statements of the company The annual reports of the company Sri Amman Steel & Allied Industries Pvt Ltd, Trichy are used in this study.

SAMPLING TECHNIQUE

Sample design involves selecting a representative subset of the larger population for detailed study and analysis. The choice of sample design is crucial to ensure that the findings from the sample can be generalized to the entire population accurately. In this study, convenience sampling is used. While not ideal for generalization, convenience sampling may be used in exploratory studies or when access to specific financial data is limited. This study is limited to use only 5 years annual reports of the company.

DATA ANALYSIS AND INTERPRETATION

1. Current Ratio

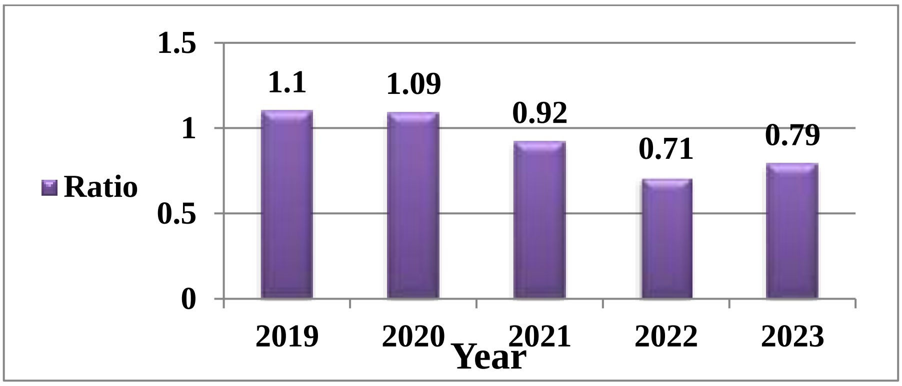
The current ratio is calculated by dividing current assets by current liability. Current ratio indicated the ability of a concern to meet its current obligations as and when they are due for payment.

$$\text{Current ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

CURRENT RATIO			
Year	**Current Assets**	**Current Liabilities**	**Ratio**
2020	627.00	567.59	1.10
2021	764.70	699.58	1.09
2022	1057.83	1149.97	0.92
2023	917.66	1292.40	0.71
2024	1162.09	1479.29	0.79

Source : Annual report

CURRENT RATIO



Interpretation

The above table depicts that the current ratio is 1.10 in the year of 2020. It has decreased to 1.09 in the year of 2021. It has decreased to 0.92 in the year of 2022. It has further decreased to 0.71 and 0.79 in the year of 2023 and 2024 respectively.

Quick Ratio:

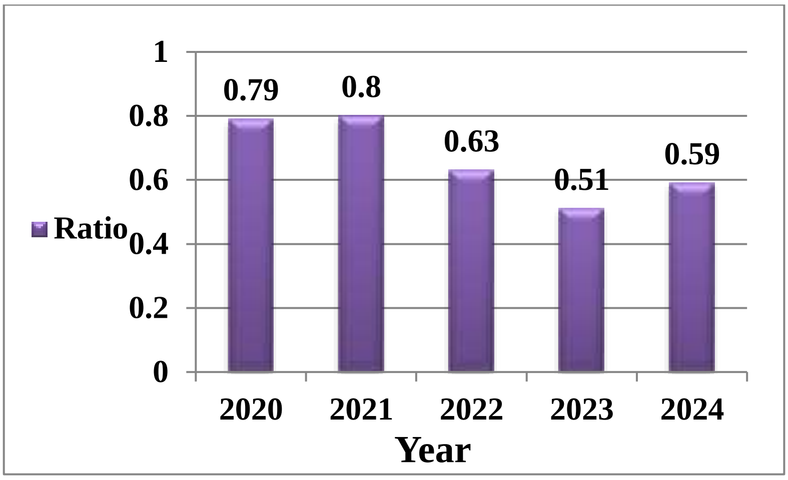
This ratio is also termed as “Acid test ratio” or liquid ratio. This ratio is ascertained by comparing the liquid assets to current liabilities. Liquid assets refer to assets which are quickly convertible into cash. Current asset other than stock and prepaid expenses are considered as quick assets.

$$\text{Liquid ratio} = \frac{\text{Liquid Assets}}{\text{Current Liabilities}}$$

QUICK RATIO			
Year	**Quick assets**	**Current Liabilities**	**Ratio**
2020	448.26	567.59	0.79
2021	559.70	699.58	0.80
2022	730.16	1149.97	0.63

2023	653.24	1292.40	0.51
2024	876.73	1479.29	0.59

Source : Annual report



Interpretation

The above table depicts that the quick ratio is 0.79 in the year of 2020. It has increased to 0.80 in the year of 2021. It has decreased to 0.63 in the year of 2022. It has further decreased to 0.51 in the year 2023. It has increased to 0.59 in the year of 2024.

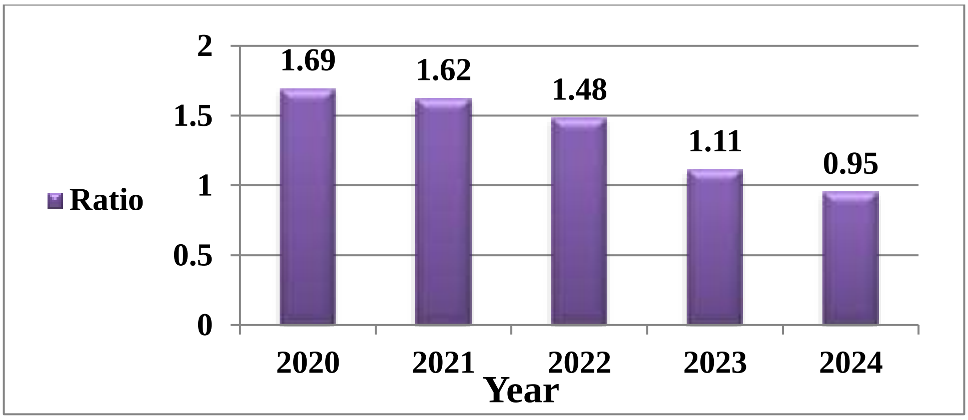
Debt-Equity ratio:

This ratio is ascertained to determine long term solvency position of a company. Debt equity ratio is also called 'External-Internal equity ratio'.

$$\text{Debt equity ratio} = \frac{\text{Outsiders fund}}{\text{Shareholders funds}}$$

DEBT EQUITY RATIO			
Year	**Total debt**	**Net worth**	**Ratio**
2020	1362.91	804.50	1.69
2021	1488.10	915.79	1.62
2022	1434.25	970.69	1.48
2023	1153.14	1035.48	1.11
2024	1087.39	1145.98	0.95

Source : Annual report



Interpretation

The above table depicts that the debt equity ratio is 1.69 in the year of 2020. It has decreased to 1.62 in the year of 2021. It has decreased to 1.48 in the year of 2022. It has further decreased to 1.11 and 0.95 in the year of 2023 and 2024 respectively.

COMMON SIZE BALANCE SHEET AS ON 31st MAR 2020 AND 2021				
	2020		**2021**	
PARTICULARS	**AMOUNT**	**PERCENTAGE**	**AMOUNT**	**PERCENTAGE**
CURRENT ASSETS				
Net current assets	59.41	2.74	65.12	2.71
Total (a)	59.41	2.74	65.12	2.71
FIXED ASSETS				
Net Block	1244.09	57.40	2193.90	91.27
Capital Work in Progress	852.50	39.33	143.71	5.98
Investments	11.40	0.53	1.14	0.05
Total (b)	2107.99	97.26	2338.75	97.29
TOTAL ASSETS (a+b)	2167.40	100.00	2403.87	100.00
LIABILITIES				
Networth	804.50	37.12	915.79	38.10
Total (a)	804.50	37.12	915.79	38.10
TOTAL DEBT				
Secured Loans	1054.90	48.67	1169.24	48.64
Unsecured Loans	308.01	14.21	318.86	13.26
Total (b)	1362.91	62.88	1488.10	61.90
TOTAL LIABILITIES (a+b)	2167.41	100.00	2403.89	100.00

Source: Annual report

Interpretation

The above depicts that the net current assets has decreased from 2.74% to 2.71% in the year of 2020 and 2021.

FINDINGS

- The current ratio is 1.10 in the year of 2020. It has decreased to 1.09 in the year of 2021.
- The current ratio is 1.10 in the year of 2020. It has decreased to 1.09 in the year of 2021.
- Debt equity ratio has decreased to 1.48 in the year of 2022. It has further decreased to 1.11 and 0.95 in the year of 2022 and 2024 respectively.

SUGGESTIONS

- Company can maintain the same level of current ratio in the fore-coming years. The gross profit of the company can be increased by reducing operating expenses.
- To improve the liquidity position, the liquid assets of the company is to be increased. The current level of debt equity ratio shall be maintained in the future.
- The company has to take proper steps for adequate investment in current assets. The company has to increase long term debt proportionate to shareholders funds. The company can increase the investment in tangible assets.

- The company has to take adequate measure to avoid over capitalization. The company can reduce the amount of reserve for taxation, depreciation etc. The company has to reducing the trading expenses to improving the gross profit in the future.

CONCLUSION

The financial analysis reveals that the company maintains a stable and healthy financial position. To sustain and enhance this performance, it is essential to manage liquidity efficiently, maintain optimal cash levels, and focus on improving turnover ratios. Continuous monitoring and strategic financial planning will support long-term growth and stability.

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