



A STUDY ON FINANCIAL STATEMENT ANALYSIS WITH SPECIAL REFERENCE TO ALF ENGINEERING PVT LTD, AT SHOOLAGIRI.

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ABSTRACT

This project presents a comprehensive financial statement analysis of a chassis manufacturing company, aiming to evaluate its financial health, operational efficiency, and overall performance over a period of 2020-2024. By examining the ALF Engineering Pvt Ltd.'s financial documents such as the income statement, balance sheet, and cash flow statement to better understand how the company is performing. The project uses methods like Ratio analysis with industry averages to evaluate the company's ability to make a profit and to make better business decisions.

Key words: ratio analysis (for liquidity, profitability, solvency, and efficiency), and overall financial performance.

INTRODUCTION

Financial statement analysis is the process of reviewing and analysing a company's financial statements to gain an understanding of company's financial health and performance. These financial statements include the balance sheet, income statement (P&L), and cash flow statement. The main aim of this financial statement analysis is to check company's profitability, liquidity, solvency, and efficiency, which are useful for making Smart business decisions.

RESEARCH BACKGROUND

A chassis manufacturing engineering company specializes in the design, development, and production of vehicle chassis, which form the backbone of various automotive, commercial, and industrial vehicles. ALF Engineering Pvt Ltd is a major manufacturer of automotive chassis and produces over 1,400 frames per day at its plants across India. The company is also the biggest local producer involved in the design and development of hydro formed parts for the automotive sector. It operates a hydroforming facility in Nasik, which includes a design center to help customers with product development. In addition, ALF makes and supplies front and rear suspension assemblies and components.

FINANCIAL STATEMENTS

Balance Sheet

The balance sheet is a financial statement that summarizes a company's assets, liabilities, and equity at a specific point in time.

Income Statement [P&L A/C]

An income statement is a financial report used by a business. It tracks the company's revenue, expenses, gains, and losses during a particular period.

Cash Flow Statement

Cash flow statement is a financial report that summarizes a company's inflow and outflow of the cash during a specific period.

IDENTIFIED PROBLEM

The problem lies in the complexity of financial data, the lack of expertise in interpreting key ratios and indicators, and the potential for misinformed decisions based on incomplete or inaccurate analyses. This project will provide a structured framework for financial statement analysis, enabling better decision-making and more effective financial management. By identifying trends, strengths, and weaknesses within the financial data, the project will offer insights into the company's profitability, liquidity, solvency, and operational efficiency.

OBJECTIVES OF THE STUDY

- To study how ALF Engineering Pvt Ltd performed financially from the years 2020 to 2024 using ratio analysis.
- To calculate and review important financial ratios such as profitability, liquidity, solvency, and efficiency.
- To get a clear picture of the overall financial condition of ALF Engineering Pvt Ltd.
- To Understand the Financial Health of the ALF Engineering Pvt Ltd.
- To Identify Financial Strengths and Weaknesses of the ALF Engineering Pvt Ltd.
- To assess how profitable the company is and how well it is performing, including its pricing strategies.

REVIEW OF LITERATURE

Susan Ward (2008), emphasis that financial analysis using ratios between key values help investors cope with the massive amount of numbers in company financial statements.

Buvaneswari .R & Kanimozhip (2019) to study the credit worthiness of selected firms in Indian car industry, Tiruchy. Professor Edward Altman of New York University developed method Z score analysis to predict the company failure or bankruptcy. To measure the fiscal fitness of a company combined a set of five financial ratios.

Mathur Shivam & Agarwal Krati (2016) Ratio are an excellent and scientific way to analyse the financial performance of any firm. The company has received many awards and achievements due to its new innovations and technological advancement. These indicators help the investors to invest the right company for expected profits. The study shows that Maruti Suzuki limited is better than Tata motors limited.

Mahdi Salehi, Mehrdad Alipour and Morteza Ramazani (2010), the objective of the article is to establish the extent to which just-in-time may effect to Iranian company's financial performance. The researcher used regression analysis as statistical tool. Eventually the researcher concludes that the application of the JIT system in Iran increases the financial and non-financial performance of the companies. Because of the weakness in performing the JIT, they cannot benefit from it.

Abhishek Sharma, Pramod Kumar, Abdul Jabbar and Mohammad Mamoon Khan (2014)[5], have designed the heavy vehicle chassis and analysed with the help of ANSYS15.0. The TATA LPS EX chassis is used in the research for the structural analysis of the heavy vehicle chassis with three different alloys subjected having the same conditions of the steel chassis.

I.M. Pandey (2010) highlighted that ratio analysis serves as a powerful tool to interpret financial statements. In the context of manufacturing firms, ratios like inventory turnover, return on assets, and operating profit margins are key indicators of operational efficiency and profitability. This is particularly relevant in chassis production, where raw materials and production costs significantly influence financial outcomes.

Gupta and Sharma (2012) explored how financial statement analysis assists management in identifying strengths and weaknesses, which helps in strategic planning and resource allocation. For a chassis manufacturing company, such insights can guide investment in automation, material sourcing, and inventory management.

Chakra borty (2004) stressed the importance of liquidity analysis in manufacturing sectors, given the high levels of working capital involved. The study noted that current and quick ratios are critical for evaluating the short-term solvency of firms engaged in heavy manufacturing.

Dr. S.P. Gupta (2015) further pointed out the limitations of relying solely on quantitative data. In industries like automotive component manufacturing, external factors such as economic cycles, raw material price fluctuations, and technological changes can significantly affect financial performance but may not be visible directly in the statements.

In a study specific to the **automotive components industry**, **Nair and Menon (2018)** analyzed financial statements of medium-sized auto parts manufacturers and found that efficient cost management and capital structuring were key to maintaining competitiveness. Their findings are applicable to chassis manufacturers, who often face similar challenges due to competition, regulatory compliance, and fluctuating demand.

Khan and Jain (2018) highlighted that financial analysis helps stakeholders understand the past performance and predict future trends. Their study emphasized that ratio analysis plays a significant role in identifying strengths and weaknesses in a company's financial structure.

Gupta and Sharma (2017) noted that consistent financial analysis can reveal patterns in revenue growth, cost control, and capital structure management. Their research showed how trend analysis over several years can help detect financial stability or instability.

Pandey (2019) underlined the importance of comparing a company's financial data with industry standards. Such benchmarking provides context and helps determine whether a business is performing above or below average within its sector.

Rao (2020) conducted a case study on financial performance in the automotive sector and found that firms with strong efficiency and solvency ratios were better equipped to face market fluctuations and economic slowdowns.

RESEARCH GAP

1. **The effect of transparent financial disclosures on investor decision-making:** While there is some research on the impact of financial statement transparency on investors' decisions, there is still much to be understood about how different levels of transparency impact investor behavior.
2. **The effectiveness of different financial statement presentation formats:** Financial statements can be presented in a variety of ways, such as tables, graphs, and charts. However, there is little research on how these different formats impact users' understanding of the information presented.
3. **The usefulness of financial statements for decision-making:** Financial statements are intended to provide information to stakeholders to make informed decisions. However, there is a need for more research to determine whether financial statements are actually useful in practice.

RESEARCH METHODOLOGY

Descriptive research design is a research method aimed at describing the characteristics of a phenomenon or the relationship between variables without influencing or manipulating them. It provides a detailed, accurate account of the subject under study, this design is commonly used for identifying patterns, trends, or behaviors in a population.

- It is particularly useful for identifying patterns, trends, and relationships, offering insights without necessarily determining cause-and-effect links.
- Descriptive research is widely used in fields like social sciences, education, marketing, and healthcare to gather preliminary data for further investigation
- To describe the financial health, performance trends, and structural patterns of a company.

LIMITATION OF THE STUDY

- Financial analysis it can be based on only monetary information and nonmonetary factors are ignored.
- Limited Access to Internal Data.
- As the financial statements are prepared on the basis of a going concern, it does not give exact position.
- Thus accounting concepts and conventions cause a serious limitation to financials analysis.
- Changes in accounting procedure by a firm may often make financial analysis misleading.
- Comparing with peers may be difficult due to differences in accounting practices, company size, or geographical markets
- Different people may interpret the same analysis in different ways.
- It is only a study of interim reports.

SECONDARY DATA:

The main source of data used for the study was secondary, the data was drawn from the annual P&L and balance sheet of the ALF Company. Figures found in annual reports of the company's some selected units. And some of the data was get by the company financial department.

- The balance sheet
- The cash flow statement
- The profit and loss account

Tools used

1. Collected data have been processed and tabulated by using MS-excel software.
2. Microsoft Word
3. Graphical Tools: Line charts (revenue vs. loss trends), bar graphs (cost component share), and pie charts (contribution of different revenue streams).
4. Ratio analysis like liquidity ratio, profitability ratio, leverage ratio and efficiency ratio, comparative statement, common-size statement are used in this study.

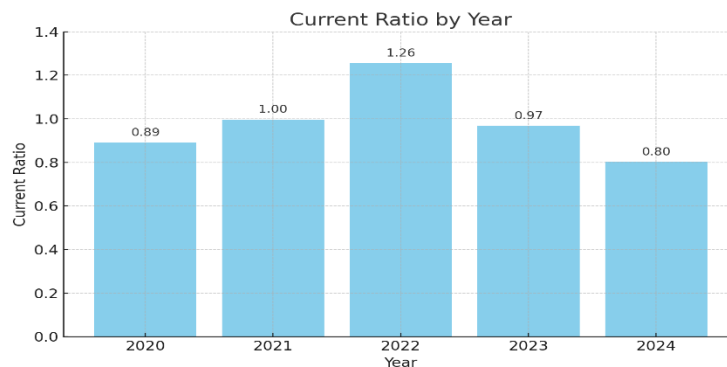
RESEARCH DESIGN

Descriptive research design is a method used to clearly explain the features of a topic or show how different factors are related, without changing anything. It gives a clear and detailed picture of what is being studied. This type of research is often used to find patterns, trends, or behaviors in a group of people.

- This type of research is helpful in spotting trends, patterns, and connections, providing useful information without trying to prove what causes them.
- It aims to explain a company's or industry's financial condition, performance over time, and financial structure by analysing financial reports.

DATA ANALYSIS AND INTERPRETATION**Table 1. CURRENT RATIO**

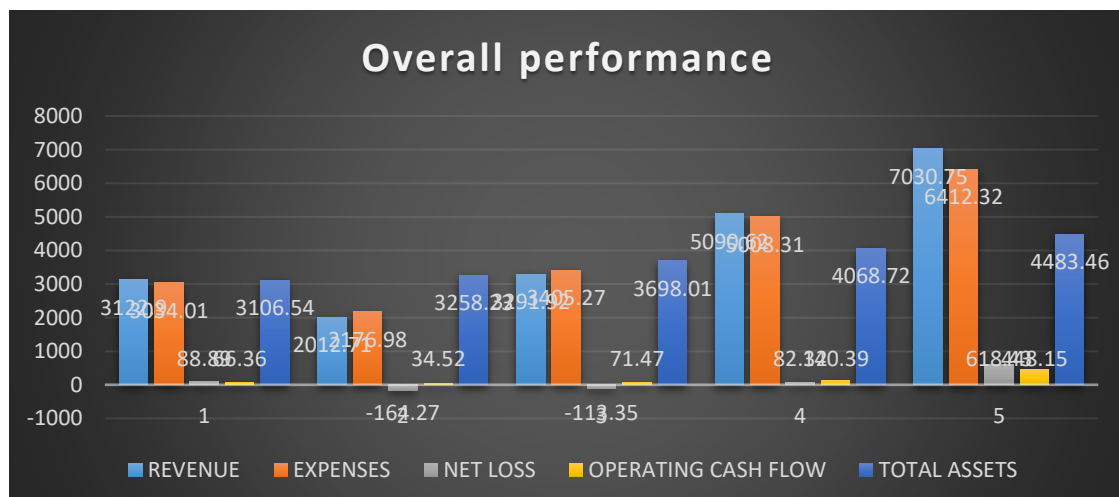
YEAR	CURRENT LIABILITIES	CURRENT ASSETS	CURRENT RATIO
2020	911.11	1021.68	0.89177629
2021	873.58	876.12	0.997100854
2022	1282.59	1020.94	1.256283425
2023	1509.39	1558.94	0.968215582
2024	1635.94	2039.39	0.802171237

**Chart 1. The chart shows that comparison of current ratio for five years****INTERPRETATION:**

The table shows that current ratio has been increased. In the year of 2022 the cash flow has been increased by the current ratio in the value of 1.256.

Table 2. OVERALL FINANCIAL PERFORMANCE:

YEAR	REVENUE	EXPENSES	NET LOSS	OPERATING CASH FLOW	TOTAL ASSETS
2020	3122.9	3034.01	88.89	66.36	3106.54
2021	2012.71	2176.98	-164.27	34.52	3258.23
2022	3291.92	3405.27	-113.35	71.47	3698.01
2023	5090.62	5008.31	82.32	140.39	4068.72
2024	7030.75	6412.32	618.43	448.15	4483.46

Chart 1. The chart shows that comparison of current ratio for five years

INTERPRETATION:

The company experienced early losses and low cash flow in 2020–2022 but has shown strong recovery and growth since 2023. By 2024, the firm is not only highly profitable but also generating strong operating cash flow, supported by a growing asset base. The trend suggests a company transitioning from a loss-making or investment-heavy phase to a mature, profit-generating stage.

SUMMARY OF FINDINGS

1. In the year of 2022 the cash flow has been increased by the net working capital to sales ratio in the value of 1.2562. The chart shows that comparison of net working capital to sales ratio for five years.
2. The company shows that current ratio has been increased. In the year of 2022 the cash flow has been increased by the current ratio in the value of 1.256.
3. The company shows that debt to assets ratio has been increased. In the year of 2023 the cash flow has been increased by the debt to assets ratio in the value of 0.5345.
4. The table shows that cash ratio has been increased. In the year of 2024 the cash flow has been increased by the cash ratio in the value of 0.2704.
5. The company experienced early losses and low cash flow in 2020–2022 but has shown strong recovery and growth since 2023. By 2024, the firm is not only highly profitable but also generating strong operating cash flow, supported by a growing asset base.

SUGGESTION

1. Regularly review and analyses final accounts to stay informed about the company's financial performance and identify areas for improvement.
2. The company needs to focus on developing their early losses and low cash flow.
3. Ensure financial statements are accurate, reliable, and comply with relevant accounting standards and regulations.
4. Seek the advice of accounting and financial professionals to help prepare and interpret financial statements.
5. The engineering company need to develop an overall growth to profit.
6. Use financial statements to monitor and control costs, improve efficiency, and increase profitability.
7. Evaluate and adjust financial strategies in response to changes in market conditions, industry trends, and other factors.

CONCLUSION

The study on financial statement analysis in ALF Engineering Pvt Ltd at Shoolagiri, provides valuable insights into the company's financial health and operational performance. By examining key financial documents such as the balance sheet, income statement, and cash flow statement, the analysis highlights important aspects like profitability, liquidity, solvency, and efficiency. The study shows that the company has been maintaining good financial position and further it can improve if the company concentrates on its Administrative and selling expenses and by reducing expenses. The company should increase sales volume as well as gross profit. Despite price drops in various products, the company has been able to maintain and grow its market share to make strong margins in market, contributing to the strong financial position of the company. The study reveals that while the company maintains a stable revenue stream. The findings help identify both strengths and areas needing improvement, which can guide future strategic and financial decisions. Overall, the analysis serves as a useful tool for management, investors, and other stakeholders to better understand the company's financial position and support informed decision-making for sustainable development.

DIRECTIONS FOR FUTURE RESEARCH

1. Interpretation and drawing if interfaces and conclusion.
2. Investigate how non-financial information can enhance traditional financial statement analysis.
3. The accounts related matters are carry on in the circle office.
4. Analyze the influence of real-time data on traditional financial ratio analysis.
5. The study helps to analyze a financial statements of a company to understand a company profitability.

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