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A Study on Financial Analysis of HMA Industries Private Limited

Haritha V[1], Shetty Deepa Thangam Geeta [2]

[1]*Student, School of Management Studies, Sathyabama institute of Science and Technology, Chennai*
[2]*Assistant Professor, School of Management Studies, Sathyabama institute of Science and Technology, Chennai*

ABSTRACT

This study examines HMA Industries Private Limited's financial performance from 2018 to 2022, utilizing a comprehensive approach. It employs ratio analysis, trend analysis, and comparative balance sheet assessment to evaluate financial health and operational efficiency. Ratio analysis covers liquidity, profitability, turnover, and solvency, providing insights into the company's stability. Trend analysis of sales, net profit, gross profit, and operating profit offers a dynamic view of operational success and profitability trends. Comparative balance sheet analysis juxtaposes financial positions over time, revealing evolution and trends in asset management, liabilities, and shareholders' equity. This multi-dimensional analysis provides a holistic understanding of HMA Industries' financial trajectory, aiding in identifying growth patterns and potential areas of concern for future performance.

Keywords: Ratio analysis, Trend analysis, Financial Performance, Comparative Balance Sheet

INTRODUCTION

Financial statement analysis stands as the cornerstone of well-informed decision-making within the realms of finance and business management. It involves a methodical examination of a company's financial documents to uncover patterns, trends, and indicators of its financial well-being and performance. By meticulously reviewing financial data like balance sheets, income statements, and cash flow statements, analysts can extract invaluable insights into various facets of a company's operations, profitability, liquidity, and financial stability.

Undoubtedly, the significance of financial statement analysis cannot be overstressed, as it furnishes stakeholders with a comprehensive grasp of a company's historical performance, present standing, and future prospects. Investors rely on this analysis to evaluate the potential return and associated risks of investing in a particular company, while creditors use it to assess the borrower's capacity to fulfill debt obligations. Similarly, company management utilizes financial statement analysis to assess operational effectiveness, pinpoint areas for enhancement, and devise strategic plans for sustainable expansion.

Essentially, financial statement analysis serves as a potent instrument for decision-makers across diverse sectors, enabling them to make well-founded judgments, mitigate risks, and seize opportunities amidst a dynamic business landscape. This introductory exploration into financial statement analysis aims to illuminate its core principles, methodologies, and practical applications, laying a robust groundwork for further investigation and implementation. Through a blend of theoretical frameworks and real-world examples, this study endeavors to empower readers with the requisite knowledge and skills to navigate the intricacies of financial analysis and leverage its insights for strategic gain.

INDUSTRY PROFILE

The automotive ancillary industry is a vital component of the automotive sector, providing a diverse range of components, parts, and systems that complement and enhance the functionality, performance, and aesthetics of vehicles. These ancillaries encompass a wide array of products, from basic mechanical parts to advanced electronic systems, catering to both original equipment manufacturers (OEMs) and aftermarket suppliers.

OBJECTIVES OF THE STUDY

- To know the profitability, liquidity, and solvency position of the company using ratio analysis
- To Compare the financial performance of the company over a period of five years to identify the trends and patterns
- To identify strength and weakness by analysing different ratios, which helps in pinpointing areas of inefficiency or excessive risk exposure

RESEARCH METHODOLOGY

- Research Methodology: This research adopts an descriptive research methodology, leveraging quantitative data previously collected by others for various purposes. To yield effective results, the study relies on secondary sources of data, primarily the annual reports of the company.
- Research Design: The intended study is descriptive in its approach. Research design plays a crucial role as it streamlines various research tasks, ensuring efficiency throughout the process.
- Source of Data: The source of information utilized in this study is secondary data, encompassing the company's balance sheets and profit and loss statements spanning a period of five years, from 2018 to 2022.
- Period of Study: The financial statements analysis of HMA Industries Pvt. Ltd. was conducted using data extracted from the company's financial reports spanning a five-year period from 2018 to 2022. The research timeframe extended from December 2023 to April 2024.
- Tools Used For the Study: Ratio analysis, Trend analysis, Comparative Balance sheet

REVIEW OF LITERATURE

Dusan Baran et al., (2016), The aim of this article is to offer fundamental insights into ex-post financial analysis and subsequently assess the progress of a business entity across areas such as liquidity, profitability, and indebtedness. It seeks to uncover the strengths and opportunities that the business can leverage, as well as identify weaknesses and threats that may pose challenges. Based on these findings, the article aims to propose measures for enhancing the business entity's financial and economic analysis system. The conclusion drawn is that, within the current highly competitive environment, financial analysis serves as a crucial aspect of monitoring business entities and provides invaluable support for decision-making among various stakeholder groups. Utilizing prediction models within financial-economic analysis enables businesses to forecast their future trajectory and anticipate potential risks, including the risk of bankruptcy.

Bhadrappa Haralayya (2022), This study focuses on assessing the impact of ratio analysis on the financial performance of Royal Enfield, employing tools such as ratio analysis and comparative statements to evaluate the company's efficiency and effectiveness. The analysis and interpretation of financial statements serve as critical tools for gauging a company's performance, highlighting its strengths and weaknesses. The research findings indicate that the overall condition of the company is outstanding, with significant profits recorded in recent years. It suggests that the working capital of the company has been effectively utilized to enhance its efficiency and operations, which are commendable. The company has maintained a high level of liquidity to ensure profitability. Additionally, the fiscal year 2019-2020 has been particularly favourable for the company.

Dr. Nabil M. Al-Nasser (2014), This study aims to highlight how financial analysis contributes to enhancing the value of a firm. The outcomes of financial analysis serve as crucial tools for both managers and external parties in making sound financial and investment decisions, ultimately maximizing the wealth and benefits for all stakeholders involved. To achieve this objective, a set of 100 questionnaires was developed and distributed manually to a selected sample of employees from various Jordanian industrial companies. The collected data were then analysed using the statistical software SSPS. The study ultimately concludes that financial analysis plays a significant and positive role in assisting managers in making effective decisions, leading to increased profitability and overall firm value.

Gowsalya R S et al., (2017), The research, titled "Analysis of Financial Performance," aims to compare the company's current financial performance against its performance over the last five years and to evaluate its current financial standing. This study relies on secondary data extracted from annual reports, employing tools like comparative and common size balance sheets, and analysis of these balance sheets. It has been observed that the company's current liabilities have exceeded its current assets each year, suggesting a need for the company to focus on increasing its current assets to improve its financial health. This analysis of the company's financial performance over five years offers deep insights into various financial dimensions, highlighting the effectiveness of comparative analysis in understanding the company's overall performance. The findings conclude that such comparative analysis is invaluable for the company, its shareholders, and creditors, assisting in making informed decisions and addressing discrepancies. Therefore, the study identifies significant opportunities and potential for companies to enhance their performance and achieve success in the marketplace.

Ms Archana kondguli (2020), The study's findings suggest that TCS enjoys a favourable financial position, being well-regarded by customers and boasting an international presence. While it generally maintains low risk, occasional challenges arise in maintaining consistent performance across all areas. Despite this, the company consistently delivers high returns due to its substantial profits. Additionally, the study includes a SWOT analysis of the company. Notably, TATA CONSULTANCY SERVICES demonstrates competence in generating profits and effectively utilizing assets to maximize profitability. The study concludes that TCS's liquidity and solvency positions are deemed satisfactory.

Gagandeep singh salooja (2021), The study conducted an analysis of the financial performance of TATA STEEL LTD. Through this analysis, it was observed that TATA Steel demonstrates commendable performance in various aspects such as quick assets, efficient inventory management, maintenance of fixed assets, gross profit, return on capital employed, and dividend payout ratio. These factors significantly influence the company's strategic and operational decisions. Continuous efforts should be directed towards enhancing the financial position to reach higher levels of performance, aiming to set benchmarks for industry standards. This pursuit of improvement is crucial for achieving greater efficiencies and enhancing investor satisfaction. Additionally, the policies initiated by the government of India, particularly the National Steel Policy (2017) and the preference for domestically manufactured iron and steel products, are anticipated to provide substantial momentum to the iron and steel sector of the country.

J Pavithra et al., (2018), The study aims to conduct a financial analysis of BSNL based on the company's published balance sheets and annual reports. It concludes that over the past four years, BSNL experienced a decrease in profits for three years and a decrease in income for two years, despite the telecom sector's emergence as one of the fastest growing sectors of the economy during the same period. Interestingly, BSNL failed to capitalize on this growth trend to boost its income. Although there is a consistent decline in income, the expenditure side shows no signs of impact, with expenses steadily increasing over the years. This continuous rise in expenditure is identified as the primary reason for the decline in profits.

Rao (1993), The author delved into the examination of the financial aspects of the Indian Automotive Tyre Industry in their research. The primary aim was to delve into the financial standing, both strengths and weaknesses, of the

Indian tyre industry. The assessment involved measuring and evaluating financial performance through inter company and inter-sector analyses spanning the years 1981 to 1988. The findings revealed that fixed asset utilization in several tyre enterprises did not meet anticipated levels of productivity, while inventory management was generally handled effectively.

DATA ANALYSIS AND INTERPRETATION

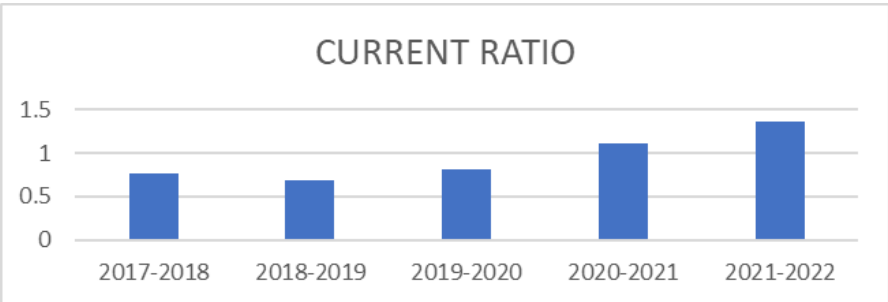
1. LIQUIDITY RATIO

1.1 CURRENT RATIO

1.1 Table Representing Current ratio

YEARS	CURRENT ASSET	CURRENT LIABLILITY	CURRENT RATIO
2017-2018	45746178	60372029	0.76
2018-2019	59461714	87384369	0.68
2019-2020	77337681	95406700	0.81
2020-2021	61773053	55533532	1.11
2021-2022	59951669	43714492	1.37

(Source: Secondary data)



1.1 Chart Representing Current ratio

INTERPRETATION

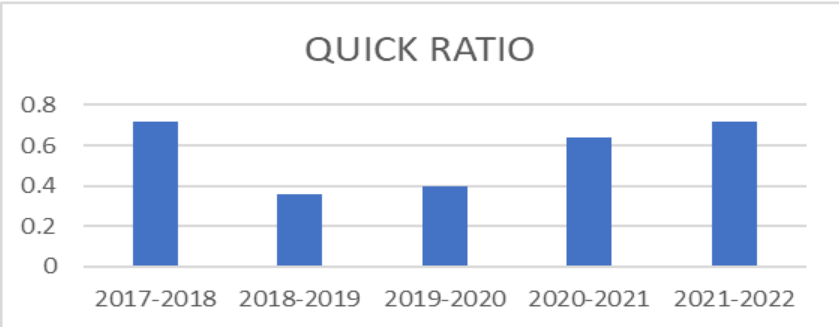
From the above table it is interpreted that the current ratio in the year 2018 is 0.76 ,2019 is 0.68, 2020 is 0.81, 2021 is 1.11, 2022 is 1.37. The current ratio is low in the year 2018,2019 and 2020 which means the company had been struggling to meet its short-term obligations. The current ratio has been increasing from 2021 due to decrease in liabilities but still the current ratios are not meeting the standard ratio which means company hasn't been able to meet its short term obligations comfortably.The ideal current ratio is 2:1. The current ratio of the HMA Industries is below than the ideal ratio. So It is clear that the company has inadequate current assets to meet its short-term obligations.

1.2 QUICK RATIO

1.2 Table Representing Quick ratio

YEARS	QUICK ASSET	CURRENT LIABLILITY	QUICK RATIO
2017-2018	43759496	60372029	0.72
2018-2019	31214812	87384369	0.36
2019-2020	37948713	95406700	0.4
2020-2021	35747770	55533532	0.64
2021-2022	31284817	43714492	0.72

(Source : Secondary Data)



1.2 Chart Representing Quick ratio

INTERPRETATION

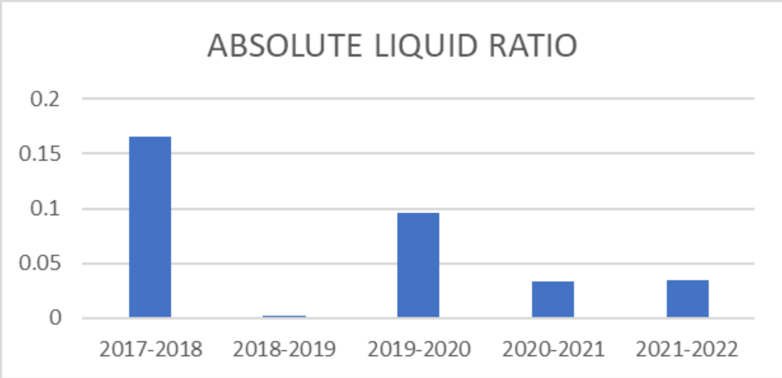
From the above table, it is interpreted that the quick ratio in 2018 is 0.72, 2019 is 0.36, 2020 is 0.4, 2021 is 0.64 ,2022 is 0.72. It clearly shows that the company has insufficient liquidity. The company has insufficient liquidity position, indicating that the company cannot meet its short-term obligations without selling inventory.

1.3 ABSOLUTE LIQUID RATIO

1.3 Table Representing Absolute Liquid Ratio

YEARS	ABSOLUTE LIQUID ASSET	CURRENT LIABLILITY	ABSOLUTE LIQUID RATIO
2017-2018	10013980	60372029	0.166
2018-2019	204226	87384369	0.002
2019-2020	9185660	95406700	0.096
2020-2021	1848537	55533532	0.033
2021-2022	1490289	43714492	0.034

(Source :Secondary data)



1.3 Chart Representing Absolute Liquid ratio

INTERPRETATION

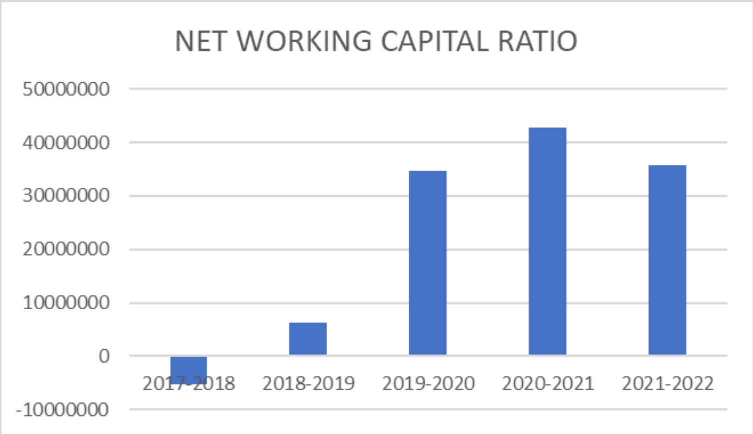
From the above table, it is interpreted that the absolute liquid ratio for the year 2018 is 0.166 ,2019 is 0.002, 2020 is 0.096 , 2021 is 0.033, 2022 is 0.034. It is clear that the company has relatively few cash, cash equivalents, and marketable securities compared to its current liabilities. This situation indicates that the company struggles to immediately meet its short-term obligations using only its most liquid assets. The company has relatively few cash, cash equivalents, and marketable securities compared to its current liabilities. So the company could not meet its short term obligations only with its most liquid asset.

1.4 NET WORKING CAPITAL RATIO

1.4 Table Representing Net Working Capital ratio

YEARS	CURRENT ASSET	CURRENT LIABLILITY	NET WORKING CAPITAL RATIO
2017-2018	45746178	60372029	-5310183
2018-2019	59461714	87384369	6197324
2019-2020	77337681	95406700	34741366
2020-2021	61773053	55533532	42860086
2021-2022	59951669	43714492	35789621

(Source :Secondary data)



1.4 Chart Representing Net Working Capital ratio

INTERPRETATION

Net working capital ratio must have a positive value. Bankers look at this ratio inorder to find the company's ability to meet financial crisis .From the above table it is interpreted that the year 2018 has negative value and other years have positive value which indicates that a company can cover its short-term obligations and invest in its operations. From 2019, the company has positive value which is a good sign that the company can cover its short term obligations and invest in its operation.

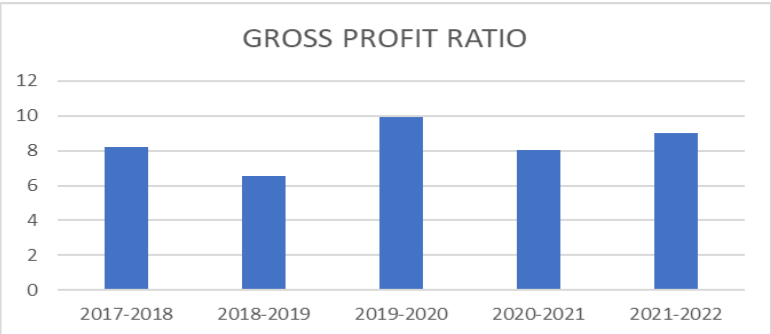
2. PROFITABILITY RATIO

2.1 GROSS PROFIT RATIO

2.1 Table Representing Gross Profit ratio

YEARS	GROSS PROFIT	SALES	GROSS PROFIT RATIO
2017-2018	18785907	228345145	8.23%
2018-2019	15040467	230234681	6.53%
2019-2020	17457388	176215315	9.91%
2020-2021	15097836	188271342	8.02%
2021-2022	21395517	236998446	9.03%

(Source :Secondary data)



2.1 Chart Representing Gross profit ratio

INTERPRETATION

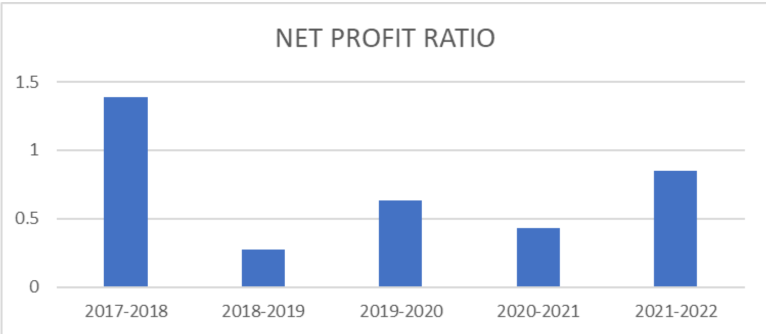
From the above table, it is interpreted that the gross profit of the company in 2018 is 8.23%,2019 is 6.53, 2020 is 9.91%, 2021 is 8.02% , 2022 is 9.03%. It is clear that the gross profit of the company from 2018-2022 is less than 10% indicating relatively low profitability from its core operations before accounting for operating expenses, interest, taxes, and other costs. Gross profit of the company from 2018-2022 is less than 10% indicating relatively low profitability from its core operations before accounting for operating expenses, interest, taxes, and other costs.

2.2 NET PROFIT RATIO

2.2 Table Representing Net Profit ratio

YEARS	NET PROFIT	SALES	NET PROFIT RATIO
2017-2018	3183870	228345145	1.39%
2018-2019	621096	230234681	0.27%
2019-2020	1118190	176215315	0.63%
2020-2021	811420	188271342	0.43%
2021-2022	2010102	236998446	0.85%

(Source: Secondary Data)



2.2 Chart Representing Net Profit ratio

INTERPRETATION

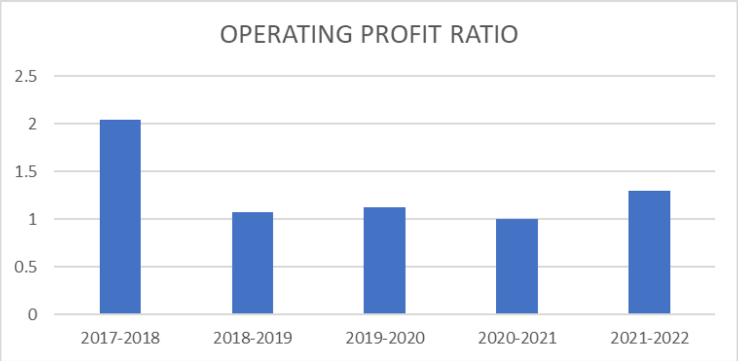
From the above table, it is interpreted that the Net profit of the company in 2018 is 1.39%,2019 is 0.27%, 2020 is 0.63%, 2021 is 0.43% ,2022 is 0.83%. It is clear that the company retains only a tiny portion of its revenue as profit after accounting for all expenses, including cost of goods sold (COGS), operating expenses, interest, taxes, and any other expenses. Net profit of the company from 2018-2022 is 1% or less than 1% which indicates that the company retains only a tiny portion of its revenue as profit after accounting for all expenses.

2.3 OPERATING PROFIT RATIO

2.3 Table Representing Operating Profit ratio

YEARS	OPERATING PROFIT	SALES	OPERATING PROFIT RATIO
2017-2018	4667255	228345145	2.04%
2018-2019	2470660	230234681	1.07%
2019-2020	1970062	176215315	1.12%
2020-2021	1884453	188271342	1%
2021-2022	3079877	236998446	1.3%

(Source: Secondary Data)



2.3 Chart Representing Operating Profit ratio

INTERPRETATION

From the above table, it is interpreted that the Operating profit ratio of the company in 2018 is 2.04%,2019 is 1.07%, 2020 is 1.12%, 2021 is 1% ,2022 is 1.3%. It indicates that the company may be facing challenges in managing its production costs and operating expenses. This could include issues such as inefficient production processes, high raw material costs, or excessive overhead expenses. Operating profit ratio of the company from 2018-2022 is less than 3% which indicates that the company has low operating profit margin and may be facing challenges in managing its production costs and operating expenses.

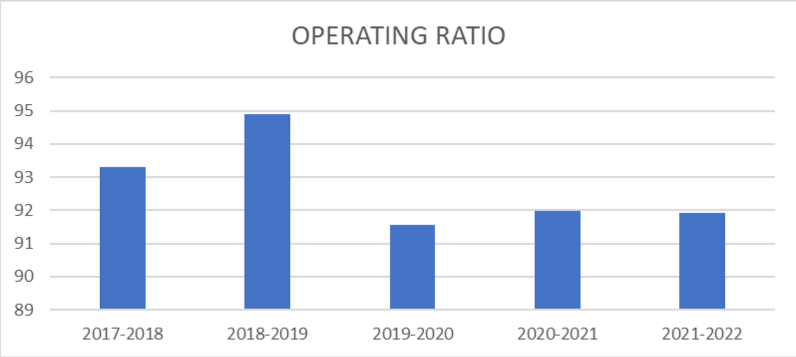
2.4 OPERATING RATIO

2.4 Table Representing Operating ratio

YEARS	COGS+OPERATING EXPENSES	SALES	OPERATING RATIO
2017-2018	213043292	228345145	93.3%
2018-2019	218525937	230234681	94.91%
2019-2020	161325493	176215315	91.55%

2020-2021	173173506	188271342	91.98%
2021-2022	217859992	236998446	91.92%

(Source : Secondary Data)



2.4 Chart Representing Operating ratio

INTERPRETATION

From the above table, it is interpreted that the Operating ratio of the company in 2018 is 93.3%,2019 is 94.91%, 2020 is 91.55%, 2021 is 91.98% ,2022 is 91.92%. It indicates that the vast majority of its revenue is being consumed by operating expenses. Operating ratio of the company from 2018-2022 is above 90% which clearly indicates that the vast majority of its revenue is being consumed by operating expenses.

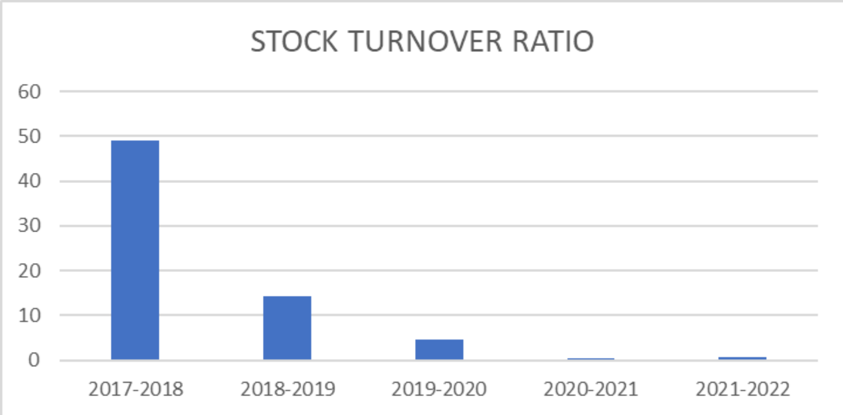
3. TURNOVER RATIO

3.1 STOCK TURNOVER RATIO

3.1 Table Representing Stock Turnover ratio

YEARS	COGS	AVERAGE INVENTORY	STOCK TURNOVER RATIO
2017-2018	209559238	4262666	49.16
2018-2019	215194214	15116792	14.24
2019-2020	158757927	33817935	4.69
2020-2021	173173506	327071255	0.53
2021-2022	215602929	273460675	0.79

(Source : Secondary Data)



3.1 Chart Representing Stock Turnover ratio

INTERPRETATION

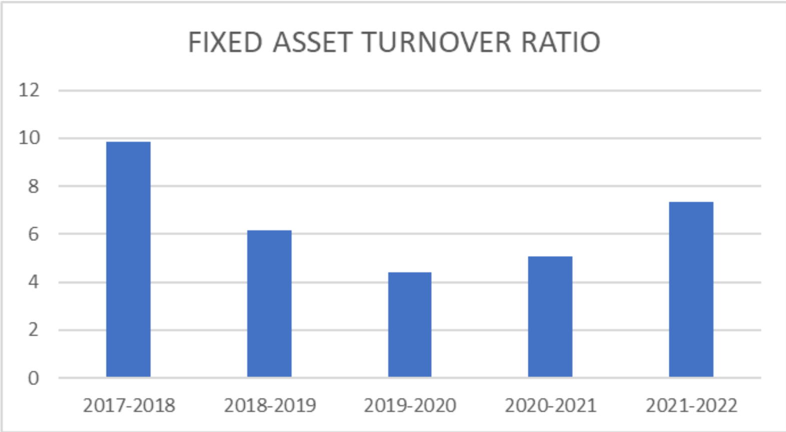
From the above table, it is interpreted that the Stock turnover ratio of the company in 2018 is 49.16 times,2019 is 14.24 times, 2020 is 4.69 times, 2021 is 0.53 times,2022 is 0.79 times. It clearly indicates that the company's inventory management has been decreasing from 2018-2022. It also has efficient inventory management in 2018,2019 and 2020. The company has a fluctuating stock turnover ratio. The company has favourable stock turnover ratio in 2018 and 2019. The company has dull stock turnover ratio in 2020,2021 and 2022.

3.2 FIXED ASSET TURNOVER RATIO

3.2 Table Representing Fixed Asset Turnover ratio

YEARS	SALES	FIXED ASSET	FIXED ASSET TURNOVER RATIO
2017-2018	228345145	23165493	9.86
2018-2019	230234681	37449572	6.15
2019-2020	176215315	40043943	4.4
2020-2021	188271342	37141490	5.07
2021-2022	236998446	32263184	7.35

(Source: Secondary Data)



3.2 Chart Representing Fixed Asset Turnover ratio

INTERPRETATION

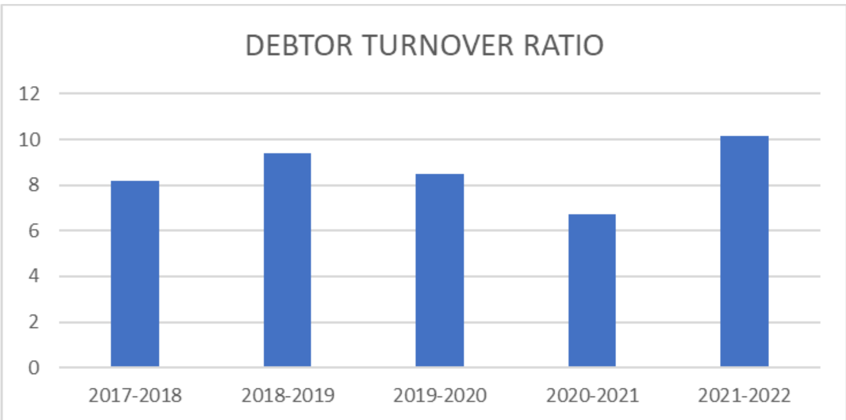
From the above table, it is interpreted that the Fixed asset turnover ratio of the company in 2018 is 9.86 ,2019 is 6.15, 2020 is 4.4, 2021 is 5.07,2022 is 7.35. It clearly shows that the company has been efficiently utilizing its fixed asset in generating revenue. The company has been utilizing its fixed assets efficiently to generate the sales revenue.

3.3 DEBTOR TURNOVER RATIO

3.3 Table Representing Debtor Turnover ratio

YEARS	CREDIT SALES	AVG ACCOUNTS RECEIVABLES	DEBTOR TURNOVER RATIO
2017-2018	228345145	27895202	8.19
2018-2019	230234681	24489728	9.4
2019-2020	176215315	20737457	8.5
2020-2021	188271342	27962026	6.73
2021-2022	236998446	23350521	10.15

(Source : Secondary Data)



3.3 Chart Representing Debtor Turnover ratio

INTERPRETATION

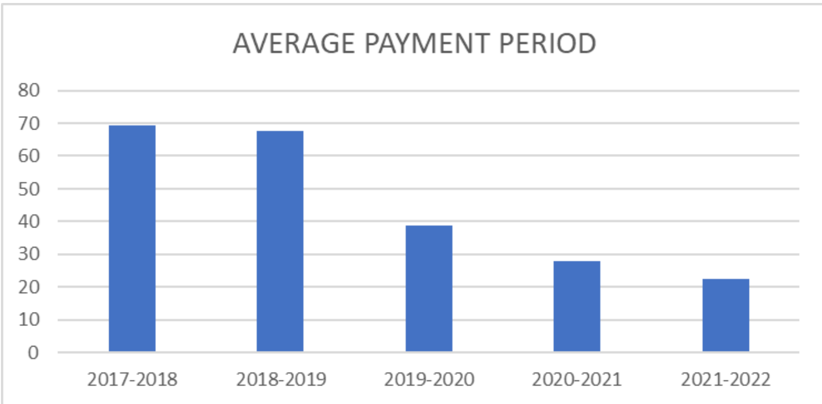
From the above table, it is interpreted that the Debtor turnover ratio of the company in 2018 is 8.19,2019 is 9.4, 2020 is 8.5, 2021 is 6.73,2022 is 10.15. The debtor turnover ratio in 2022 is in-align with the ideal ratio, i.e 10 to 12 times. Whereas the debtor turnover ratio is less than the ideal ratio in 2018, 2019, 2020. Debtor turnover ratio below the ideal level signals potential challenges in cash flow management, credit risk, and operational efficiency.In 2022, the debtor turnover ratio is in line with the ideal ratio, reflecting improved management of accounts receivable compared to previous years. The company has made significant strides in enhancing its credit management and collection processes, resulting in better cash flow management and operational efficiency by 2022.

3.4 AVERAGE PAYMENT PERIOD

3.4 Table Representing Debt Payment period

YEARS	NO OF WORKING DAYS	CREDTIOR TURNOVER RATIO	AVERAGE PAYMENT PERIOD
2017-2018	302	4.35	69.43 days
2018-2019	302	4.46	67.71 days
2019-2020	303	7.8	38.85 days
2020-2021	302	10.82	27.91 days
2021-2022	302	13.35	22.62 days

(Source : Secondary Data)



3.4 Chart Representing Debt Payment Period

INTERPRETATION

From the above table, it is interpreted that the Average payment period of the company in 2018 is 69.43 days,2019 is 67.71 days, 2020 is 38.85 days, 2021 is 27.91days ,2022 is 22.62 days. The company's average payment period is satisfactory. The company's average payment period is satisfactory.

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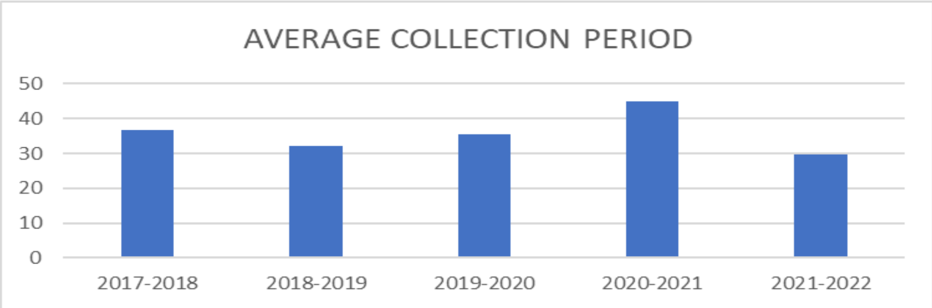
3.5 AVERAGE COLLECTION PERIOD

3.5 Table Representing Average Collection period

YEARS	NO OF WORKING DAYS	DEBTOR TURNOVER RATIO	AVERAGE COLLECTION PERIOD
2017-2018	302	8.19	36.87
2018-2019	302	9.4	32.13
2019-2020	303	8.5	35.65
2020-2021	302	6.73	44.87
2021-2022	302	10.15	29.75

(Source: Secondary Data)



3.5 Chart Representing Average Collection Period

INTERPRETATION

From the above table, it is interpreted that the Average collection period of the company in 2018 is 36.87 days,2019 is 32.13 days, 2020 is 35.65 days, 2021 is 44.87 days ,2022 is 29.75 days. The company's average collection period is satisfactory. The company's average collection period is satisfactory.

3.6 CREDITOR TURNOVER RATIO

3.6 Table Representing Creditors Turnover ratio

YEARS	NET CREDIT PURCHASE	AVG TRADE PAYABLE	CREDITOR TURNOVER RATIO
2017-2018	209559238	48201119	4.35
2018-2019	215194214	48231989	4.46
2019-2020	158757927	20356696	7.8
2020-2021	173173506	16000962	10.82
2021-2022	215602929	16147876	13.35

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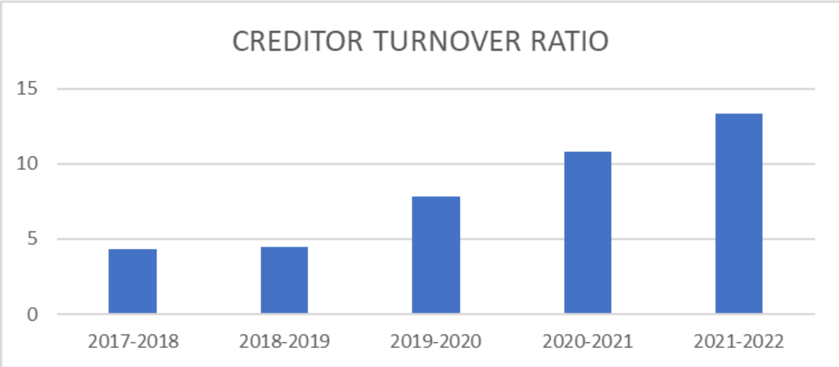
(Source : Secondary data)



3.6 Chart Representing Creditor Turnover ratio

INTERPRETATION

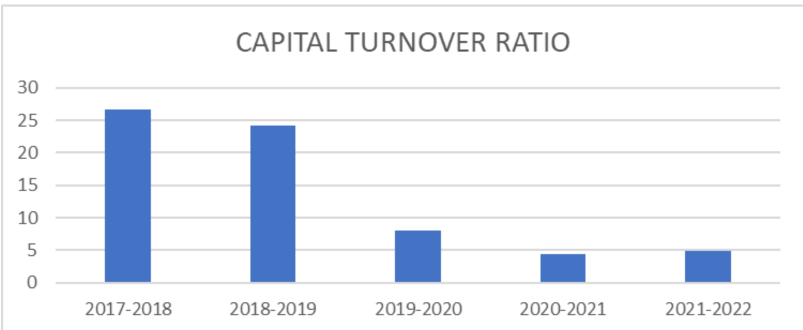
From the above table, it is interpreted that the Creditor turnover ratio of the company in 2018 is 4.35,2019 is 4.46, 2020 is 7.8, 2021 is 10.82 ,2022 is 13.35. In 2022, the creditor turnover ratio exceeds the ideal benchmark, showcasing an improvement in managing payables compared to previous years. In 2022, the creditor turnover ratio exceeds the ideal benchmark compared to previous years. The company has made significant strides in optimizing its payment processes and supplier relationships, leading to enhanced financial efficiency by 2022.

3.7 CAPITAL TURNOVER RATIO

3.7 Table Representing Capital Turnover ratio

YEARS	NET SALES	CAPITAL EMPLOYED	CAPITAL TURNOVER RATIO
2017-2018	228345145	8539642	26.74
2018-2019	230234681	9526917	24.17
2019-2020	176215315	21974924	8.02
2020-2021	188271342	43654225	4.31
2021-2022	236998446	48621167	4.87

(Source : Secondary Data)



3.7 Chart Representing Capital Turnover ratio

INTERPRETATION

From the above table, it is interpreted that the Capital turnover ratio of the company in 2018 is 26.74,2019 is 24.17, 2020 is 8.02, 2021 is 4.31,2022 is 4.87. It indicates that the company generates more sales revenue per unit of capital employed. It is clear that the company is efficiently utilizing capital and assets, which is generally favourable as it reflects strong operational performance and effective resource management. The company has higher capital turnover ratio which means that the company is efficiently utilizing its capital and assets.

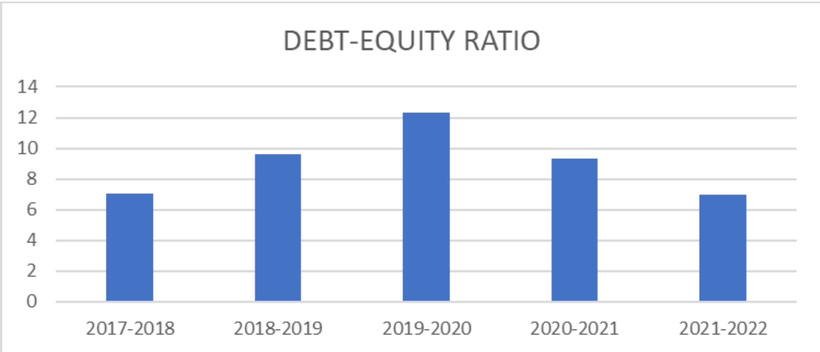
4. SOLVENCY RATIO

4.1 DEBT EQUITY RATIO

4.1 Table Representing Debt Equity ratio

YEARS	TOTAL DEBT	SHAREHOLDER'S EQUITY	DEBT-EQUITY RATIO
2017-2018	60372029	8539642	7.07
2018-2019	87769395	9141891	9.6
2019-2020	108586081	8795543	12.35
2020-2021	89580794	9606963	9.32
2021-2022	80718594	11617065	6.95

(Source : Secondary data)



4.1 Chart Representing Debt Equity ratio

INTERPRETATION

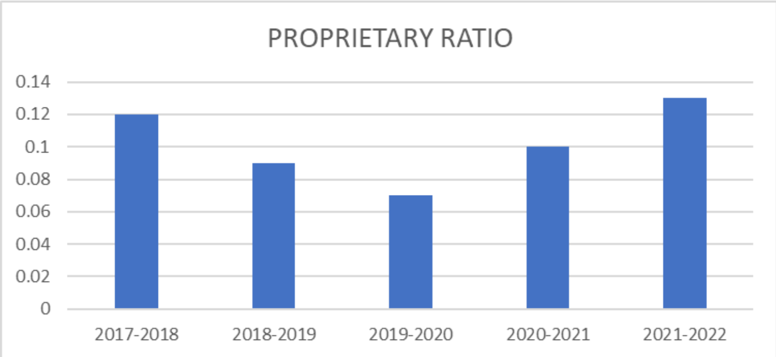
From the above table, it is interpreted that the Debt Equity ratio of the company in 2018 is 7.07,2019 is 9.6, 2020 is 12.35, 2021 is 9.32,2022 is 6.95. The ideal ratio is 1 to 1.5. The company has higher debt-Equity ratio. It indicates relatively high level of financial leverage and increased risk exposure. The company has higher debt-Equity ratio. It indicates that the company relies more heavily on debt financing relative to equity financing to fund its operations and investments

4.2 PROPRIETARY RATIO

4.2 Table Representing Proprietary ratio

YEARS	SHAREHOLDERS EQUITY	TOTAL ASSET	PROPRIETARY RATIO
2017-2018	8539642	68911671	0.12
2018-2019	9141891	96911286	0.09
2019-2020	8795543	117381624	0.07
2020-2021	9606963	99187757	0.1
2021-2022	11617065	92335659	0.13

(Source : Secondary data)



4.2 Chart Representing Proprietary ratio

INTERPRETATION

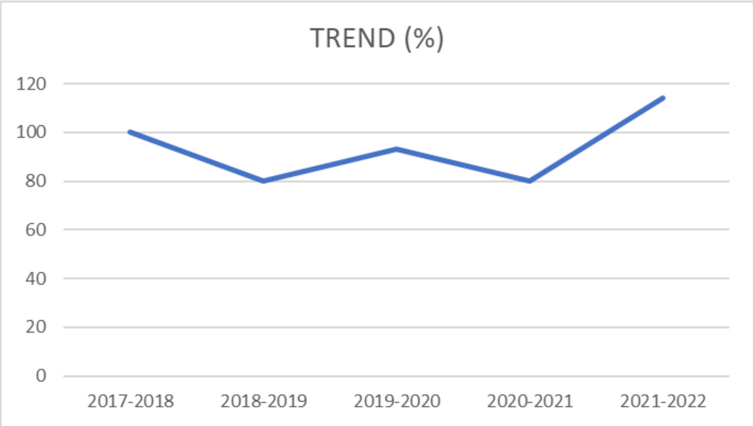
From the above table, it is interpreted that the Proprietary ratio of the company in 2018 is 0.12,2019 is 0.09, 2020 is 0.07, 2021 is 0.1,2022 is 0.13. The ideal ratio is 0.5. It clearly indicates that the company has lower proprietary ratio which means the company relies more heavily on debt financing relative to its equity financing. The company has lower proprietary ratio which means the company relies more heavily on debt financing relative to its equity financing.

5. TREND ANALYSIS

5.1 Table Representing Trend Analysis of Gross Profit

YEARS	GROSS PROFIT	TREND (%)
2017-2018	18785907	100
2018-2019	15040467	80
2019-2020	17457388	93
2020-2021	15097836	80
2021-2022	21395517	114

(Source : Secondary data)



5.1 Chart Representing Trend Analysis of Gross Profit

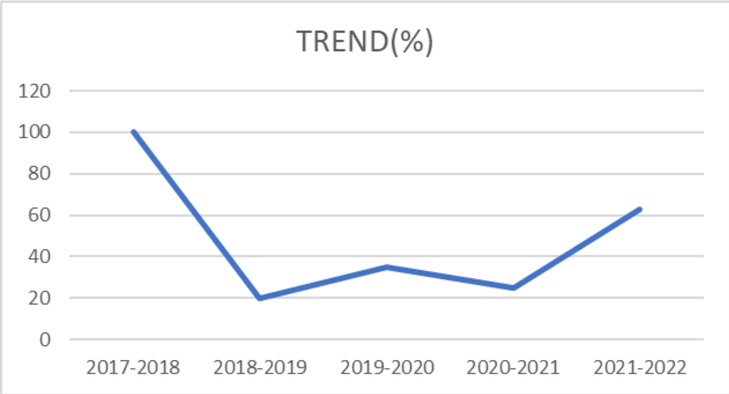
INFERENCE

From the above trend analysis, it is inferred 2018 as base year. Gross profit has been fluctuating. The gross profit has increased in the year 2022.

5.2 Table Representing Trend Analysis of Net Profit

YEARS	NET PROFIT	TREND(%)
2017-2018	3183870	100
2018-2019	621096	20
2019-2020	1118190	35
2020-2021	811420	25
2021-2022	2010102	63

(Source : Secondary data)



5.2 Chart Representing Trend Analysis of Net Profit

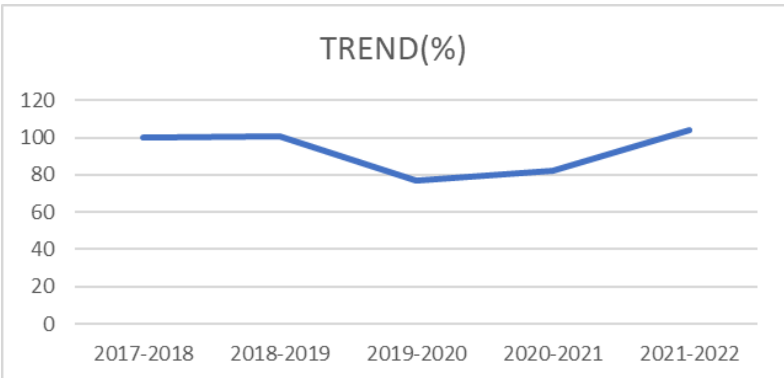
INFERENCE

From the above trend analysis, it is inferred 2018 as base year. Net profit has been fluctuating. The Net profit has increased in the year 2022. The Net profit decreased in the year 2019.

5.3 Table Representing Trend Analysis of Sales

YEARS	SALES	TREND(%)
2017-2018	228345145	100
2018-2019	230234681	101
2019-2020	176215315	77
2020-2021	188271342	82
2021-2022	236998446	104

(Source : Secondary data)



5.3 Chart Representing Trend Analysis of Sales

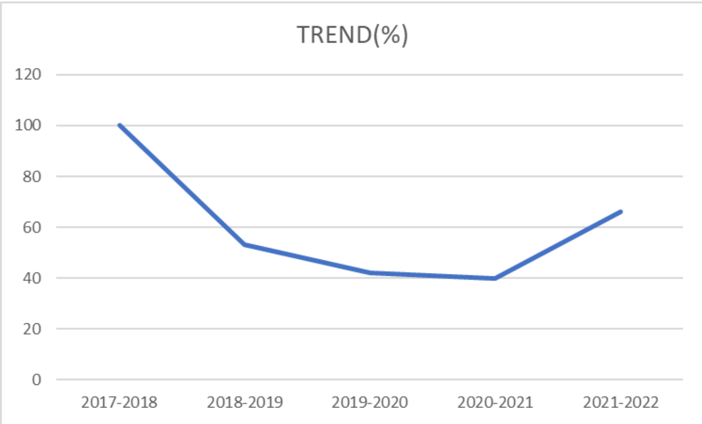
INFERENCE

From the above trend analysis, it is inferred 2018 as base year. Sales has decreased in the year 2020. Sales has increased in the year 2022.

5.4 Table Representing Trend Analysis of Operating Profit

YEARS	OPERATING RATIO	TREND(%)
2017-2018	4667255	100
2018-2019	2470660	53
2019-2020	1970062	42
2020-2021	1884453	40
2021-2022	3079877	66

(Source : Secondary data)



5.4 Chart Representing Trend Analysis of Operating Profit

INFERENCE

From the above trend analysis, it is inferred 2018 as base year. Operating profit had been decreasing from 2019-2021. Operating profit has increased in 2022.

6. COMPARATIVE BALANCE SHEET

6.1 Comparative balance sheet for the year 2018-2019

Particulars	2018-MAR	2019-MAR	COMPARISON	
	AMOUNT Rs.	AMOUNT RS	AMOUNT RS	%
I. EQUITY AND LIABILITIES				
(1) Shareholders Funds				
(a) Share Capital	200000	200000	0	0
(b) Reserves and Surplus	8339642	8941891	602249	7.2
(c) Money received against share warrants	NIL	NIL		
(2) Share application money pening allotment	NIL	NIL		
(3) Non - Current liabilities				
(a) Long term borrowings	NIL	NIL		
(b) Deferred tax liabilities (Net)	NIL	385026		
(c) Other long term liabilities	NIL	NIL		
(d) Long term provisions	NIL	NIL		
(4) Current Liabilities				
(a) Short term borrowings	9315668	34119979	24804311	266.3
(b) Trade payables	48201119	48231989	30870	0.1
(c) Other Current liabilities	2855242	5032401	2177159	76.3
(d) Short term provisions	NIL	NIL		
TOTAL	68911671	96911286	27999615	40.6
II. ASSETS				
(1) Non - Current assets				
(a) Fixed Assets				
(i) Tangible assets	23165493	37449572	14284079	61.7
(ii) Intangible Assets	NIL	NIL		
(iii) Capital work in progress	NIL	NIL		
(iv) Intangible assets under development	NIL	NIL		
(b) Non - Current investiments	NIL	NIL		
(c) Deferred tax assets (Net)	NIL	NIL		
(d) Long term loans and advances	NIL	NIL		
(e) Other non current assets	NIL	NIL		
2) Current assets				
(a) Current investments	NIL	NIL		
(b) Inventories	1986682	28246902	26260220	1321.8
© Trade receviables	27895202	24489728	-3405474	-12.2
(d) Cash and Cash eqivalents	10013980	204226.2	-9809754	-98
(e) Short term loans and advances	NIL	NIL		
(f) Other current assets	5850314	6520858	670544	11.5
TOTAL	**68911671**	96911286	27999615	40.6

4.6.2 Comparative balance sheet for the year 2019-2020

Particulars	2019-MAR	2020-MAR	COMPARISON	
	AMOUNT Rs.	AMOUNT RS	AMOUNT RS	%
I. EQUITY AND LIABILITIES				
(1) Shareholders Funds				
(a) Share Capital	200000	200000	0	0
(b) Reserves and Surplus	8941891.2	8595543	-346348.235	-4
(c) Money received against share warrants	NIL	NIL		
(2) Share application money pening allotment	NIL	NIL		
(3) Non - Current liabilities				
(a) Long term borrowings	NIL	13145005		
(b) Deferred tax liabilities (Net)	385026	34376	-350650	-91
(c) Other long term liabilities	NIL	NIL		
(d) Long term provisions	NIL	NIL		
(4) Current Liabilities				
(a) Short term borrowings	34119979	52810385	18690406	55
(b) Trade payables	48231989	20356696	-27875293	-58
(c) Other Current liabilities	5032400.6	21037099	16004698.4	318
(d) Short term provisions	NIL	1202521		
TOTAL	96911286	117381625	20470339.1	21
II. ASSETS				
(1) Non - Current assets				
(a) Fixed Assets				
(i) Tangible assets	37449572	40043943	2594371.16	7
(ii) Intangible Assets	NIL	NIL		
(iii) Capital work in progress	NIL	NIL		
(iv) Intangible assets under development	NIL	NIL		
(b) Non - Current investiments	NIL	NIL		
(c) Deferred tax assets (Net)	NIL	NIL		
(d) Long term loans and advances	NIL	NIL		
(e) Other non current assets	NIL	NIL		
2) Current assets				
(a) Current investments	NIL	NIL		
(b) Inventories	28246902	39388968	11142066	39
© Trade receivables	24489728	20737457	-3752271.39	-15
(d) Cash and Cash eqivalents	204226.15	9185660	8981433.85	4398
(e) Short term loans and advances	NIL	128972		
(f) Other current assets	6520858	7896625	1375767	21
TOTAL	96911286	117381625	20470338.6	21

6.3 Comparative balance sheet for the year 2020-2021

Particulars	2020-MAR	2021-MAR	COMPARISON	
	AMOUNT Rs.	AMOUNT RS	AMOUNT RS	%
I. EQUITY AND LIABILITIES				
(1) Shareholders Funds				
(a) Share Capital	200000	200000	0	0
(b) Reserves and Surplus	8595543	9406963	811420	9
(c) Money received against share warrants	NIL	NIL		
(2) Share application money pening allotment	NIL	NIL		
(3) Non - Current liabilities				
(a) Long term borrowings	13145005	34047262	20902257	159
(b) Deferred tax liabilities (Net)	34376	NIL		0
(c) Other long term liabilities	NIL	NIL		
(d) Long term provisions	NIL	NIL		
(4) Current Liabilities				
(a) Short term borrowings	52810385	36620565	-16189820	-31
(b) Trade payables	20356696	16000962	-4355734	-21
(c) Other Current liabilities	21037099	1531383	-19505716	-93
(d) Short term provisions	1202521	1380622	178101	15
TOTAL	117381625	99187757	-18193868	-16
II. ASSETS				
(1) Non - Current assets				
(a) Fixed Assets				
(i) Tangible assets	40043943	37141490	-2902453	-7
(ii) Intangible Assets	NIL	NIL		
(iii) Capital work in progress	NIL	NIL		
(iv) Intangible assets under development	NIL	NIL		
(b) Non - Current investiments	NIL	NIL		
(c) Deferred tax assets (Net)	NIL	273214		
(d) Long term loans and advances	NIL	NIL		
(e) Other non current assets	NIL	NIL		
2) Current assets				
(a) Current investments	NIL	NIL		
(b) Inventories	39388968	26025283	-13363685	-34
© Trade receivables	20737457	27962026	7224569	35
(d) Cash and Cash eqivalents	9185660	1848536	-7337124	-80
(e) Short term loans and advances	128972	128972	0	0
(f) Other current assets	7896625	5808236	-2088389	-26
TOTAL	117381625	99187757	-18193868	-16

6.4 Comparative balance sheet for the year 2021-2022

Particulars	2021-MAR	2022-MAR	COMPARISON	
	AMOUNT Rs.	AMOUNT RS	AMOUNT RS	%
I. EQUITY AND LIABILITIES				
(1) Shareholders Funds				
(a) Share Capital	200000	200000	0	0
(b) Reserves and Surplus	9406963	11417065	2010102	21
(c) Money received against share warrants	NIL	NIL		
(2) Share application money pening allotment	NIL	NIL		
(3) Non - Current liabilities				
(a) Long term borrowings	34047262	37004102	2956840	9
(b) Deferred tax liabilities (Net)	NIL	NIL		
(c) Other long term liabilities	NIL	NIL		
(d) Long term provisions	NIL	NIL		
(4) Current Liabilities				
(a) Short term borrowings	36620565	19552444	-17068121	-47
(b) Trade payables	16000962	16147876	146914	1
(c) Other Current liabilities	1531383	6789025	5257642	343
(d) Short term provisions	1380622	1225147	-155475	-11
TOTAL	99187757	92335659	-6852098	-7
II. ASSETS				
(1) Non - Current assets				
(a) Fixed Assets				
(i) Tangible assets	37141490	32263184	-4878306	-13
(ii) Intangible Assets	NIL	NIL		
(iii) Capital work in progress	NIL	NIL		
(iv) Intangible assets under development	NIL	NIL		
(b) Non - Current investiments	NIL	NIL		
(c) Deferred tax assets (Net)	273214	120806	-152408	-56
(d) Long term loans and advances	NIL	NIL		
(e) Other non current assets	NIL	NIL		
2) Current assets				
(a) Current investments	NIL	NIL		
(b) Inventories	26025283	28666852	2641569	10
© Trade receivables	27962026	23350521	-4611505	-16
(d) Cash and Cash eqivalents	1848536	1490289	-358247	-19
(e) Short term loans and advances	128972	128972	0	0
(f) Other current assets	5808236	6315035	506799	9
TOTAL	99187757	92335659	-6852098	-7

SUGGESTIONS

- Improving Liquidity Position: HMA Industries should focus on increasing their current assets to meet short-term obligations comfortably without relying solely on inventory sales. This could involve optimizing inventory management, improving receivables collection, or securing additional lines of credit.
- Enhancing Profitability: Despite some improvement in gross profit in 2022, the company needs to strive for consistent growth in profitability. This may involve cost-cutting measures, renegotiating supplier contracts for better terms, or exploring avenues to increase sales volume or pricing.
- Managing Operating Expenses: Given the high operating ratio and low operating profit margin, the company should closely examine its operating expenses. Cost-saving initiatives, efficiency improvements in production processes, or renegotiating contracts with suppliers could help reduce operating expenses and improve profitability.
- Optimizing Debt Management: With a high debt-equity ratio, the company should focus on a balanced approach to financing. Reducing reliance on debt financing and exploring opportunities to raise equity capital could improve financial stability and reduce financial risk.
- Strengthening Financial Management: Continuous improvement in credit management, collection processes, and payment terms with suppliers will enhance cash flow management and overall financial efficiency.

CONCLUSION

In conclusion, while HMA Industries has shown resilience and made progress in certain financial areas, there are evident areas needing attention for sustained profitability and stability. Addressing liquidity challenges, enhancing profitability through cost-cutting measures and revenue strategies, optimizing operating efficiency, and managing debt levels are critical steps. Continued focus on efficient financial management will be essential for long-term sustainability and growth. By implementing suggested strategies, HMA Industries can navigate challenges effectively and position itself for success in the competitive market landscape.

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