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A Study on Financial Performance Analysis in Research & Development Technologies Sector

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ABSTRACT

Studying financial performance gives us a clear picture of how well the organization is doing, how effectively it's managing its resources, and its ability to make money. This helps us make smart decisions for the future by showing us where we're strong, where we're weak, and where we could grow or face challenges. By keeping an eye on trends over time, we can plan ahead and find ways to get even better. When our financial performance is solid, it's not just good news for us—it also attracts investors and lenders who see the potential for growth, even though they're aware of the risks involved. Plus, it's important to stay on top of regulations and make sure everyone knows what's going on, which builds trust with stakeholders. Looking at how we're doing compared to similar organizations helps us figure out what we can do differently to stay competitive. And of course, identifying risks early on lets us take action to keep things stable and keep growing.

INTRODUCTION

Financial performance analysis is a crucial process for assessing a company's financial health and efficiency. It involves examining financial statements like the income statement, balance sheet, and cash flow statement to evaluate profitability, liquidity, solvency, and efficiency. Analysts use ratios such as return on assets, current ratio, and debt-to-equity ratio to gauge performance and trends over time. By comparing against industry benchmarks and considering qualitative factors like market conditions and management quality, analysts can identify areas for improvement and make informed forecasts. Ultimately, this analysis provides stakeholders with valuable insights to guide strategic decision-making and resource allocation.

OBJECTIVES OF THE STUDY

- A Study on Financial Performance analysis in Research & Development Technologies Sector.
- To assess significant financial ratios to gauge efficiency and stability.
- To conduct a comparative analysis of financial statements for the preceding three fiscal years (2020-2023).
- To appraise the financial performance of the Research and Development Technology division within the Sector.
- To evaluate the liquidity status of the Research & Development Technology Sector.
- To scrutinize the overall performance of the Research & Development Technology Sector regarding liquidity, efficiency, and proficiency in financial management.

RESEARCH METHODOLOGY

- Research Methodology is a structured approach to addressing a problem, encompassing the research design, sampling techniques, data collection methods, and analysis procedures.
- Research design: In this study, the researcher will analyze financial performance using appropriate tools and techniques, employing an analytical research design
- Source of the Data: Secondary Data has been collected from sources like Company reports, magazine, journals, and annual reports.
- Tools used for the study: Ratio analysis, Comparative balance sheet statements, Bar Diagram & Trend Analysis.
- Period of study: The period of the study covers 3 years from 2020-2021 to 2022-2023. The required data for the past 3 years were collected from the annual reports of the company.

REVIEW OF LITERATURE

Rajeswari (2000) 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.

Sur (2001) studied in his paper about the Liquidity Management: An overview of four companies in Indian Power Sector using the data for the period of 1987-1988 to 1996-1997. He had applied accounting techniques of comparative analysis regarding the liquidity management in Electricity generation and distribution industry. He revealed that the overall liquidity should be managed in such a way that not only it should not hamper profitability but also its contribution towards increase in profitability should be positive.

Mulla (2002) 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 Shri Venkatesh 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.

Krishna Prasad Upadhyay (2004) used different types of financial ratios to checkup the financial performance of the selected finance companies. Basically, in this study the used solvency ratio, liquidity ratio, efficiency ratio, profitability ratio and valuation ratio. Different measures like return on investment, return on equity, return on assets, earning per share, dividend per share, and asset utilization ratio are used to assess the profitability of the companies. He concluded his study stating that the solvency position of both companies is not sound and credit creation capacity is good in both the companies in aggregate.

Woo Gon Kim, Baker Ayoun (2005) the study attempts to investigate the technique applied in this industry. Hospitability related industry segments may comprise hotels, restaurants, airlines, and other amusement and recreational services. The objective of the study is to provide information toa variety of entities that might be interested in comparing major financial characteristics of companies on its different segments. The researcher used financial ratios, time series and Multivariate analysis of variances' test as statistical tools. The study concludes that increased volatility of hospitability industry due to unpredictable external environment for the past four to five years. More volatile trends are depicted for the other three segments over the time period of this study.

Jose M. Moneva, Juana M. Rivera-Lirio, (2007) Maria J. Munoz-Torres analyses the mission statements and the sustainability reports, of a sample of 52 Spanish listed firms. Some traditional financial and economic-indicators are used to analyse the company's financial performance. Results show a not very high level of the stakeholder approach in Spanish companies a high level of publication and quality of sustainability reports and, finally, a positive and not significant relationship between these variables and a positive financial performance.

Sharma Nishi (2011) Studied the financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.

Singh Amarjit & Gupta Vinod (2012) Explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration. SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

Hotwani Rakhi (2013) The author examines the profitability position and growth of company in light of sales and profitability of Tata Motors for past ten years. Data is analyzed through rations, standard deviations and coefficient of variance. The study reveals that there not exists a strong relationship between sales & profitability of company.

Srivastava Anubha (2014) Data analysis has been done using the top-down approach, i.e. Economic analysis, industry analysis, company and technical analysis to find relationship between automobile sector index with market index. Mahindra and Mahindra have a great position on the stock market and will attract investor and this could lead to expansion and growth. Thus, Tata motors and Maruti Suzuki need to take care of their stock and expansion.

Krishnaveni, M. & Vidya, R. (2015) Find that Indian automobile industry is a high-flying sector these days and emerging as an export hub in wake of liberalization and globalization. This paper revises the category wise production, sales and exports of automobile industry in India. Industry growth can be viewed in term of pre and post liberalization. As government allows 100 percent FDI, increase 15% in customs duty on cars and MUVs to encourage local manufacturer and concessional import duty on specified parts of hybrid vehicles.

Kaur Harpreet (2016) The author tries to examine the qualities & quantities performer of maruti Suzuki co. & how had both impact on its market share in India, For this study secondary data has been collected from annual reports, journals, report automobile sites. Result shows that MSL has been successfully leading automobile sector in India for last few years

SUGGESTION:

- Ensure the continuous improvement of current and quick ratios to signify enhanced short-term liquidity, while also closely monitoring absolute liquid and cash ratios for stability and improvement.
- Capitalize on the upward trend in net profit ratio observed in 2021-2022, while simultaneously addressing fluctuations in operating profit ratio through the optimization of operational efficiency.
- Develop and implement strategic initiatives to enhance debtor turnover ratio by introducing effective credit policies and streamlining collection processes.
- Prioritize the optimization of capital turnover, fixed asset turnover, and asset turnover ratios to maximize resource utilization, while proactively analysing fluctuations to take necessary corrective actions.
- Take steps to mitigate the increasing trend in debt equity ratio by exploring alternatives to debt financing or actively managing debt levels.
- Establish a robust financial monitoring framework to consistently track ratios and trends, guiding the implementation of a comprehensive financial management strategy aimed at sustaining liquidity, enhancing profitability, and optimizing asset utilization and capital structure.

CONCLUSION:

In conclusion, financial performance analysis plays a pivotal role in driving strategic decision-making, optimizing resource allocation, and managing risks within technology R&D organizations. By leveraging financial insights effectively, these organizations can enhance innovation outcomes, attract investment, and sustain competitiveness in dynamic and fast-paced technology markets.

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