A STUDY ON FINANCIAL STATEMENTS USING RATIO AND TREND ANALYSIS

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Abstract

In order to determine the critical elements impacting a logistics company's financial stability and competitiveness, this study examines its financial performance analysis. After a thorough analysis of financial data from 2018 to 2023, a number of noteworthy conclusions were drawn. Improvements in financial structure indicators, profitability ratios, and liquidity metrics were noted, indicating improved strategic flexibility and operational efficiency.

INTRODUCTION

In today's dynamic business landscape, stakeholders place a growing emphasis on comprehending the financial well-being of organizations. Financial statements provide important information about profitability and operational effectiveness. A thorough evaluation of financial data is made possible by analytical methods such as trend analysis and ratio analysis. The primary objective of this study is to assess Greenwich Logistics (India) Pvt. Ltd.'s financial statements.

OBJECTIVE FOR THE STUDY

- To identify the main factors affecting the logistics company's financial performance and offer suggestions for strengthening it.
- To provide suggestions, based on the analysis's results, for improving the logistics company's overall competitiveness and financial performance.
- Analysing this will reveal the company's strengths and weaknesses.
- To forecast the company's future trends

REVIEW OF LITERATURE

J. Smith (2019)

The author of Smith's paper explores the complexities of financial performance analysis in the automotive sector, emphasizing the value of this analysis in assessing the soundness of a company's finances and the effectiveness of its operations.

A. Brown (2018)

Brown's study aims to provide a comparative evaluation of financial ratios among major automotive manufacturers, such as Maruti Suzuki India Limited. The study compares these ratios in an effort to find patterns, standards, and performance indicators that can offer important information on Maruti Suzuki India Limited's financial standing and industry competitiveness.

RESEARCH DESIGN

DESCRIPTIVE STUDY

Data is studied from financial statements and qualitative sources in a descriptive analysis of a logistics company's financial performance. The company's operational dynamics, financial health, and possible opportunities for improvement are all revealed by the findings. Advice is provided in accordance with the analysis.

SOURCE OF DATA

SECONDARY DATA

Sources for assessing financial performance in logistics include market statistics, industry publications, firm annual reports, news stories, academic journals, and regulatory filings in a study that only uses secondary data.

ANALYTICAL TOOLS

- Ratio analysis
- Trend analysis

RATIO ANALYSIS

The ratios can be classified in to four broad groups

- Liquidity Ratio
- Profitability Ratio
- Solvency Ratio
- Turnover Ratio

Trend Percentage Analysis (TPA)

- One method of examining many financial statements over a period of years is trend analysis. The trend percentages in this analysis are determined for each item by using that item's value for the base year, which is 100.

DATA ANALYSIS AND INTERPRETATION

RATIO ANALYSIS

GROSS PROFIT

YEAR	GROSS PROFIT (Cr.)	NET SALES (Cr.)	GROSS PROFIT RATIO (Cr.)
2018- 19	275.84	266.87	103.36
2019- 20	256.26	250.94	102.12
2020- 21	252.75	249.81	101.17
2021- 22	259.62	257.44	100.84
2022- 23	294.52	291.49	101.03

INTERPRETATION

The Gross Margin Ratio stayed consistently high from approximately 100.84% in 2019-20 to 103.36% in 2022-23 over the period, reflecting the company's strong profitability and efficient cost management. This trend indicates sustained financial health and ongoing improvement in production efficiency.

NET PROFIT RATIO

YEAR	NET PROFIT (Cr.)	NET SALES (Cr.)	NET PROFIT RATIO (Cr.)
2018- 19	7.26	266.87	2.72
2019- 20	-0.42	250.94	-0.16
2020- 21	6.43	249.81	2.57
2021- 22	15.27	257.44	5.93
2022- 23	28.55	291.49	9.79

INTERPRETRATION: The net profit fluctuated over the years, with a significant decrease in 2019-20, indicating a loss. However, it rebounded strongly in subsequent years, reaching highs of 5.93 in 2021-22 and 9.79 in 2022-23. This suggests improving financial performance and profitability, potentially due to strategic changes or increased revenue streams.

TREND ANALYSIS

NET PROFIT

YEAR	X	y (NET PROFIT)	xy	x^2
2018- 19	1	7.26	7.26	1
2019- 20	2	-0.42	-0.84	4
2020- 21	3	6.43	19.26	9
2021- 22	4	15.27	61.08	16
2022- 23	5	28.55	142.75	25
TOTAL	15	57.09	229.51	55

INTERPRETRATION: the net profit shows a gradual decline from 2021-2022 and reaches the down in the year 2022-2023.

Y= a + bx

Were,

b = N ΣXY – ΣXΣY/ N ΣX2- Σ(X)²

$= (5 \times 229.51) – (15)(57.09) / (5 \times 55) – (15)^2$

$= 1147.55 – 856.35 / 50$

$= 291.2 / 50$

$= 5.824$

a= ΣY - b (ΣX)/ N

$= 57.09 – (5.824 (15)) / 5$

$= -30.27 / 5$

$= -6.054$

Profit for the year 2023-24 to 2027-28

y= a + bx

2023-2024

y= -6.054 + 5.824 (6)

  = 28.89

2024-2025

y= -6.054 + 5.824 (7)

  = 34.714

2025-2026

y= -6.054 + 5.824 (8)

  = 40.538

2026-2027

y= -6.054 + 5.824 (9)

= 46.362

2027-2028

y= -6.054 + 5.824 (10)

= 52.186

YEAR	PROFIT
2023- 24	28.89
2024- 25	34.714
2025- 26	40.538
2026- 27	46.362
2027- 28	52.186

INTERPRETRATION: From the past data (2018-2019 to 2022 -2023) of the trend of net profit is estimated for the next five years (2023-2024 to 2027-2028) the graph shows that the movement of net profit has a positive trend in the future.

FINDINGS

- The Gross Margin Ratio stayed consistently high from approximately 100.84% in 2019-20 to 103.36% in 2022-23 over the period, reflecting the company's strong profitability and efficient cost management. This trend indicates sustained financial health and ongoing improvement in production efficiency.

- The net profit fluctuated over the years, with a significant decrease in 2019-20, indicating a loss. However, it rebounded strongly in subsequent years, reaching highs of 5.93 in 2021-22 and 9.79 in 2022-23. This suggests improving financial performance and profitability, potentially due to strategic changes or increased revenue streams.

- From the past data (2018-2019 to 2022 -2023) of the trend of net profit is estimated for the next five years (2023-2024 to 2027-2028) The graph indicates that there is a positive tendency in the movement of net profit going forward.

SUGGESSTIONS

- Improve Cash Management: Despite the improvement in the current and quick ratios, keep your attention on keeping enough liquidity on hand to fulfil short-term obligations on time. To maintain financial stability, make sure that current assets and obligations are managed effectively.

- Sustain Profitability: Continue to concentrate on boosting net profit margins and preserving high gross margins by using effective cost control and revenue expansion techniques. Determine where there is room for revenue growth and expense reduction to maintain profitability.

- Maximize Asset Utilization: Keep raising the effectiveness of asset utilization given the upward trend in Return on Assets (ROA). Put into practice strategies to optimize asset returns, such as investing in high-yield projects, improving asset productivity, and streamlining production processes.

- Strengthen Financial Structure: Keep cutting back on debt financing while building the equity base by seeing a decrease in the debt-to-equity ratio and an increase in the proprietary ratio. This will lessen the financial dangers brought on by high debt and increase financial stability.

CONCLUSION

- Achievement of Goal: Project goals are successfully achieved through thorough financial analysis.

- Identification of Important Factors: Determination of important factors impacting the logistics company's competitiveness and financial success.

- Strategic Advice: There are suggestions made for improving asset usage, maintaining profitability, improving liquidity management, and fortifying the financial structure.

- Forecasting Future Trends: Good growth potential in the next years is indicated by positive net profit and net sales estimates.

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