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A STUDY ON FINANCIAL ANALYSIS OF NEW TECH CREATIONS

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ABSTRACT

This financial analysis project aims to provide a comprehensive assessment of the financial performance and position of Newtech creations. Through the utilization of various financial ratios, trend analysis, and industry benchmarks, this study offers insights into the company's profitability, liquidity and efficiency.

The analysis begins with an overview of the company's financial statements, including the income statement, balance sheet, and cash flow statement, to understand its revenue generation, resource management, and cash flow dynamics. Subsequently, key financial ratios, trend analysis are calculated and interpreted to evaluate the company's financial health. Furthermore, trend analysis is conducted to identify patterns and changes in financial performance over the past few years, allowing for a deeper understanding of the company's growth trajectory and areas of improvement.

Key words : financial performance , liquidity , efficiency

1. INTRODUCTION

RATIOS

Ratios are essential tools in financial analysis that provide insights into various aspects of a company's performance, financial health, and operational efficiency. These ratios help stakeholders assess profitability, liquidity, solvency, efficiency, and valuation, among other key metrics

TREND ANALYSIS

Trend analysis is a powerful tool in financial analysis that involves examining historical data to identify patterns, trends, and changes over time. This analysis enables stakeholders to assess the direction and magnitude of various financial metrics and make informed decisions based on historical performance

COMPARATIVE BALANCE SHEET

A comparative balance displays a company's financial position at two or more distinct points, typically from one accounting period to another. It provides a one-on-one comparison of the company's assets, liabilities, and shareholders' equity.

2. REVIEW OF LITERATURE

Vijayakumar A. (1996) has studied about 'Assessment of Corporate Liquidity - a discriminate analysis approach' in this research he has revealed that the growth rate of sales, leverage, current ratio, operating expenses to sales and vertical integration was the important variables which determine the profitability of companies in the sugar industry.

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Dhankar (1998) has studied about the criteria of performance measurement for business enterprises in India study of public sector undertakings. The author gives a new model for measuring the performance of a business enterprise in India, wherein, the basis is to compare its actual rate of return with its expected risk adjusted rate of return.

Weill (2004) discussed in his paper about comparison of leverage and corporate performance- a frontier efficiency analysis provides new empirical evidence on a major corporate governance issue and also the relationship between leverage and corporate performance He has found mixed evidence depending on the country; while significantly negative in Italy, the relationship between leverage and corporate performance was significantly positive in France and Germany.

Rogers (2001) studied in his research about the effect of diversification on firm performance analyses the association between diversification and firm performance by using a sample of up to 1449 large Australian firms for the period of 1994 to 1997. He has analysed the firm performance by measuring profitability and, for quoted firms, market value. From the comparative analysis of selected sample, the results showed that all the selected firms have more focused to maintain higher profitability and also controls for firm specific effects and other determinants of profitability.

3. OBJECTIVE OF THE STUDY :

- To study the earning capacity of the firm
- To study the progress of the firm
- To assess the efficiency of the firm.
- To determine the firms paying capacity to measure the financial performance of the firm.
- To prepare the comparative statements of the firm , by using the Financial Statements of past years

4. RESEARCH DESIGN

The proposed study is of Descriptive in Nature, the descriptive research design involves using a range of qualitative and quantitative research methods to collect data that aids in accurately describing a research problem.

5. DATA COLLECTION METHOD

Data collection is one of the most important aspects of research. The information in tough research methodology must be accurate and relevant. The data collection method is secondary data. Secondary data means data that are already available i.e., they refer to data which has already been collected and analysed by someone else. The secondary data for the study was collected from book, company websites, magazines and other sources. The Secondary data was collected from Company and Annual reports (Balance sheet,Income Statement).

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6. FRAME WORK OF ANALYSIS

The collected essential information has been measurably prepared, classified, and arranged by utilizing fitting strategies, tables, figures, and measurable comes. The apparatuses in the ponder are Ratios, Trend Analysis using Balance sheet and Income Statement and comparative balance sheet

LIMITATIONS OF THE STUDY

- The study is conducted on a general basis.
- Time Constraint
- Restrictions on Behalf of the company

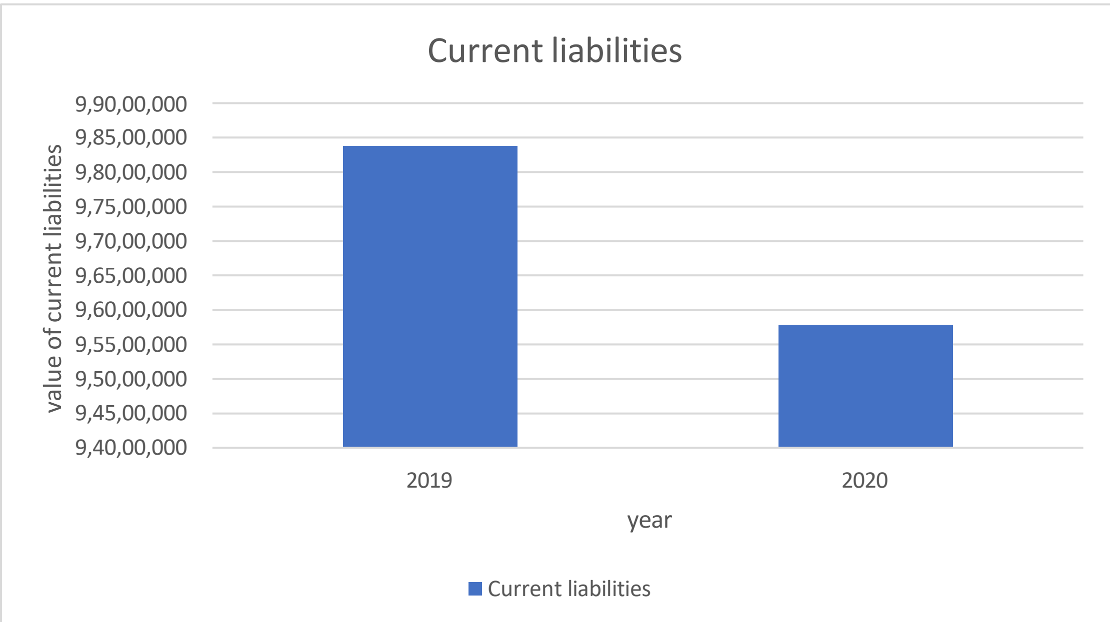
7. DATA ANALYSIS

TREND ANALYSIS OF CURRENT LIABILITIES

TABLE SHOWING TREND ANALYSIS OF CURRENT LIABILITIES

Year	Current liabilities
2019	9,83,78,993
2020	9,57,83,850

CHART SHOWING TREND ANALYSIS OF CURRENT LIABILITIES



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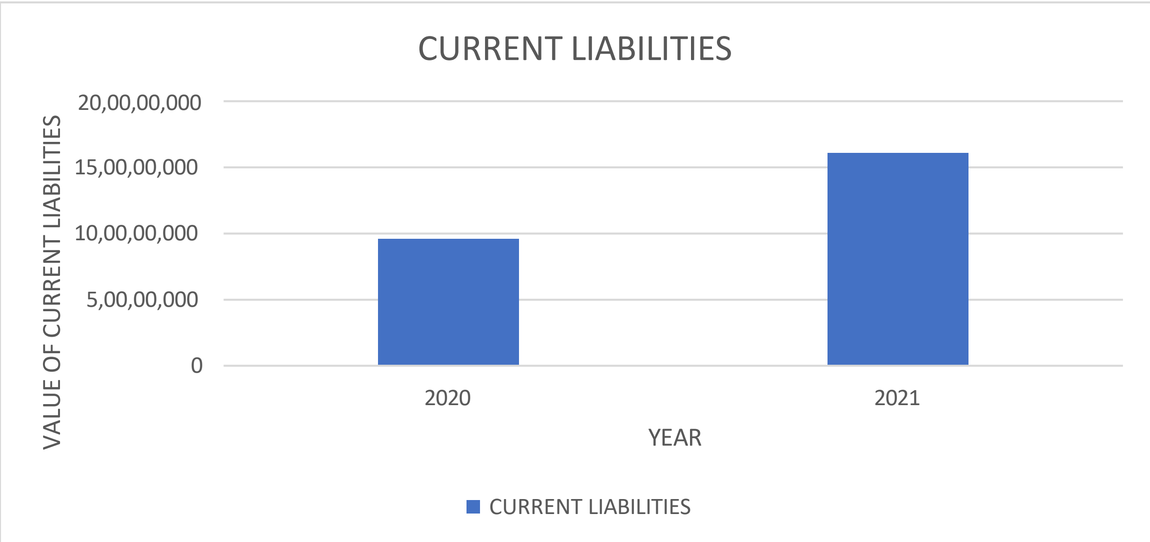
INTERPRETATION

- The non-current liabilities have decreased from Rs. 9,83,78,993 in 2019 to Rs. 9,57,83,850 in 2020 , which is a decrease of 2.63%
- The decrease in current liabilities represents a decrease in the cash flow of the organisation.

TABLE SHOWING TREND ANALYSIS OF CURRENT LIABILITIES

YEAR	CURRENT LIABILITIES
2020	9,57,83,850
2021	16,09,65,104

CHART SHOWING TREND ANALYSIS OF CURRENT LIABILITIES



INTERPRETATION

- Current liabilities have increased from Rs. 9,57,83,850 in 2020 to Rs. 16,09,65,104 to 2021 with an increase of 68%.
- This may indicate the company is using short term borrowings to finance its operations.

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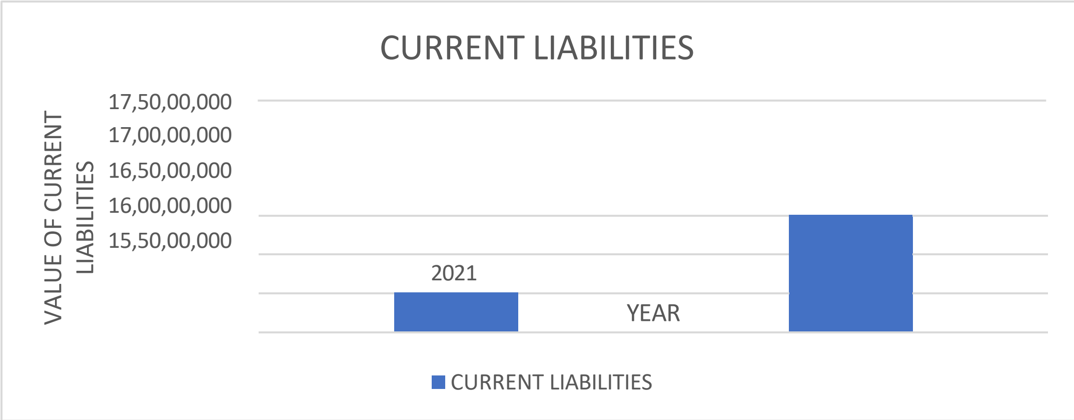
TABLE SHOWING TREND ANALYSIS OF CURRENT LIABILITIES

YEAR	CURRENT LIABILITIES
2021	16,14,99,724
2022	17,02,52,044

CHART SHOWING TREND ANALYSIS OF CURRENT LIABILITIES



INTERPRETATION

- Total current liabilities decreased from Rs. 16,14,99,724 in 2021 to Rs. 17,02,52,044 during 2022, a decrease of % 5.41.
- Decrease in current liability represents a favourable position in the firm as they have repaid their debts.

TABLE SHOWING TREND ANALYSIS OF CURRENT LIABILITIES

YEAR	CURRENT LIABILITIES
2022	17,02,52,044
2023	9,62,61,075.25

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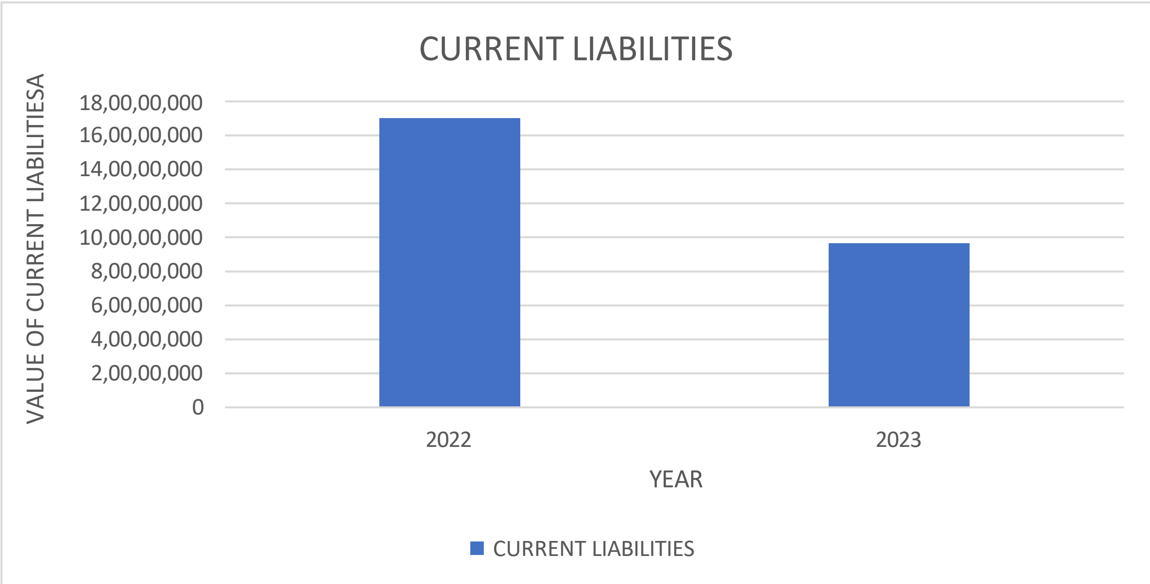

INTERPRETATION

- The total current liabilities have decreased from Rs. 17,02,52,044 in 2022 to Rs.9,62,61,075.25 in 2023 , with a decrease of 43.3%
- Decrease in current liability represents a favourable position in the firm as they have repaid their debts.

CURRENT RATIO

TABLE SHOWING THE CALCULATION OF CURRENT RATIO

YEAR	CURRENT LIABILITIES	CURRENT ASSETS	CURRENT RATIO
2018-19	9,83,78,992	9,57,63,076.25	1.25284817
2019-20	9,57,83,850.25	14,62,38,277.85	1.52675297
2020-21	16,14,99,724.06	26,31,62,176.88	1.62948995
2021-22	17,02,52,043.87	25,87,92,562.32	1.52005554

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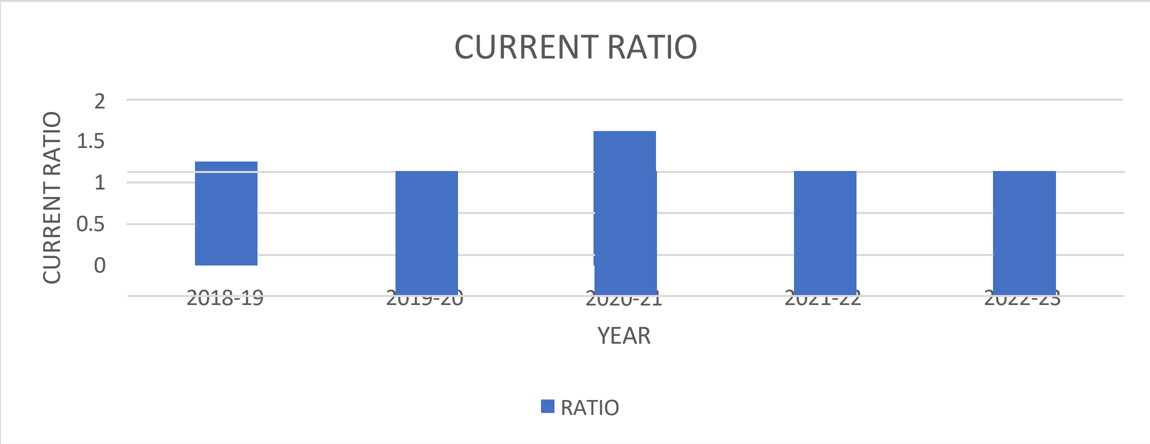
2022-2023	9,62,61,075.25	15,27,15,614.18	1.58647318

CHART SHOWING CURRENT RATIO



INTERPRETATION

- In the year 2018-19 the current ratio was 1.25:1 which was the least of all five years , this indicates that the company did not have sufficient current assets to meet out its liquidity
- The current asset ratio consistently raised from the year 2018-2020 , and in the year 2020-21 the ratio again fell to raise in the year , 2021-22

GROSS PROFIT MARGIN

TABLE SHOWING CALCULATION OF GROSS PROFIT MARGIN

YEAR	GROSS PROFIT	SALES	GROSS PROFIT RATIO
2018-19	6,35,90,746.04	471320105.1	13.49
2019-20	7,02,78,760	506660878.8	13.87
2020-21	63800795.82	551144120	11.57
2021-22	61894586	730901427.2	8.46
2022-23	62340642.54	464199138.3	13.42

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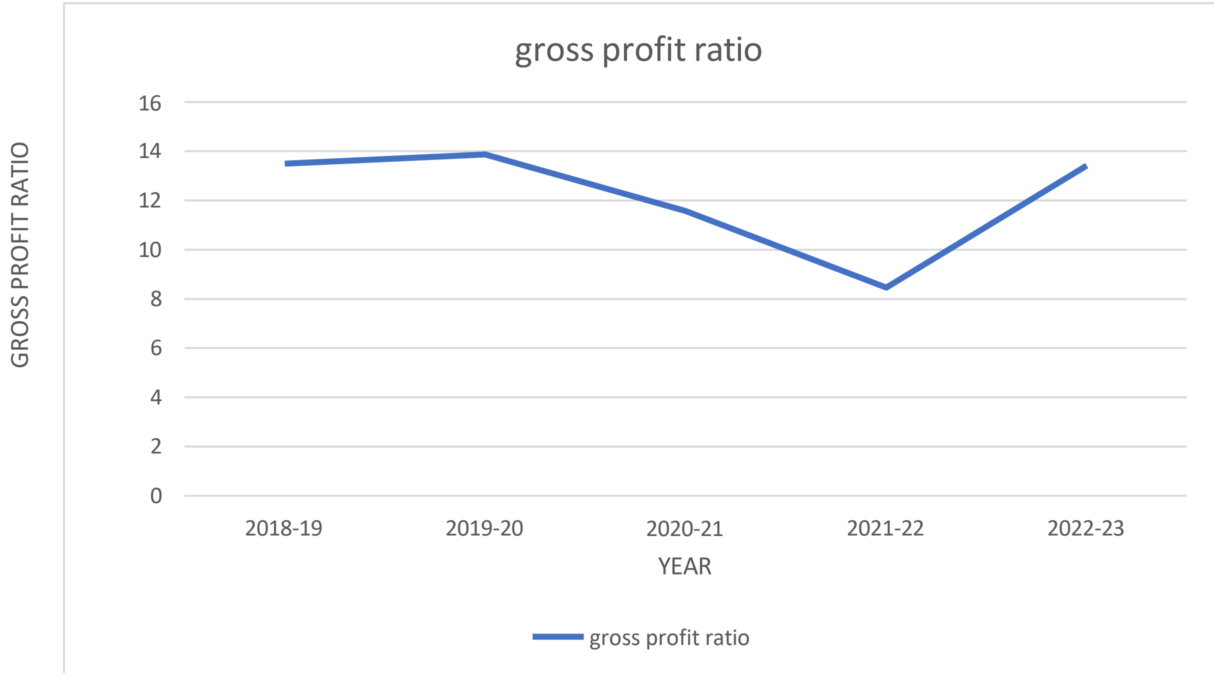
CHART SHOWING GROSS PROFIT MARGIN



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INTERPRETATION

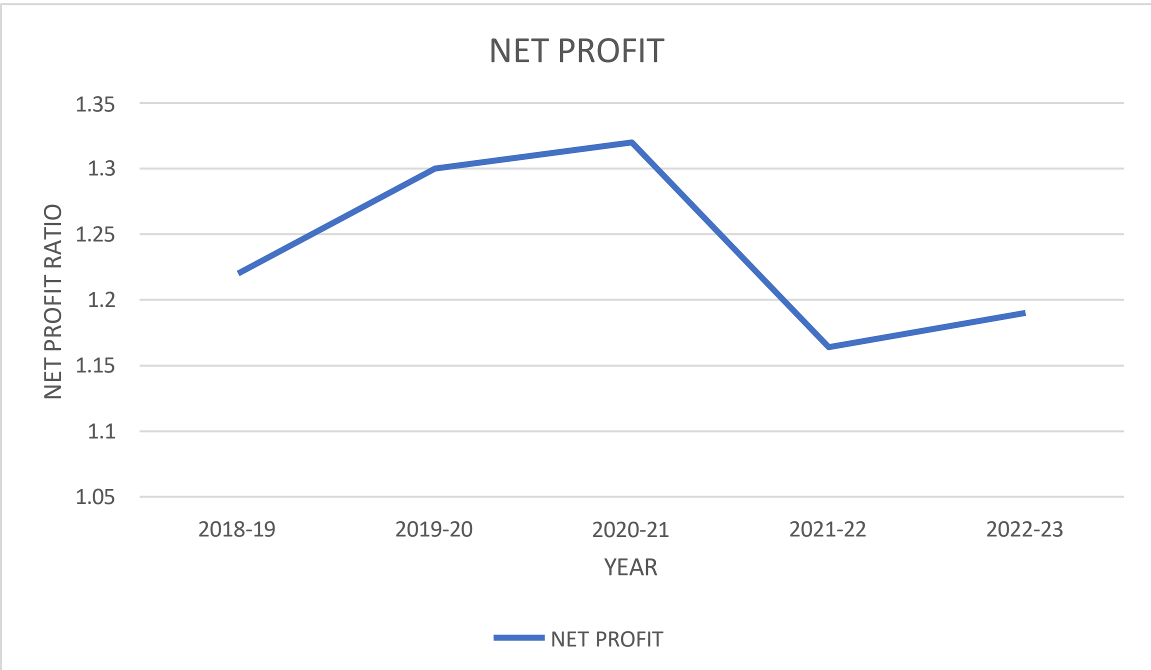
- The gross profit of the firm has seen a decline from the year 2018-19 to 2020-21 , after which the gross profit has increased .
- A declining gross profit ratio indicates that the company is experiencing challenges in maintaining profitability at the operational level.
- This decline could be attributed to various factors such as increasing production costs, pricing pressures, inventory management issues, shifts in sales mix, or inefficiencies in operation

NET PROFIT RATIO

TABLE SHOWING COMPUTATION OF NET PROFIT

YEAR	NET PROFIT	SALES	NET PROFIT RATIO
2018-19	5765393.08	471320105	1.22
2019-20	6592513.86	506660879	1.3
2020-21	7289621	551144120	1.32
2021-22	8510600.15	730901427	1.164
2022-23	5524278.49	464199138	1.19

CHART SHOWING COMPUTATION OF NET PROFIT



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INTERPRETATION

- The net profit margin initially was 1.22 in the year 2018-19 but significantly reduced to 01.19 in the year 2022-23 due to various factors such as high operating expenses, low sales prices, or inefficient cost management.

8. FINDINGS

- Current Liabilities: There's a fluctuating trend in current liabilities over the years. From 2019 to 2020, there's a slight decrease of 2.63% in current liabilities.
- However, from 2020 to 2021, there's a significant increase of 68% in current liabilities. Subsequently, from 2021 to 2022, there's a decrease of 5.41%, and from 2022 to 2023, there's a sharp decrease of 43.3% in current liabilities.These fluctuations suggest variations in the company's short-term borrowing and repayment activities.
- Current Ratio: The current ratio measures the company's ability to repay short-term liabilities.
- The current ratio fluctuates over the years, indicating changes in liquidity.
- In 2018-19, the company had the lowest current ratio of 1.25:1, indicating insufficient current assets to cover short-term obligations.The ratio generally improves over the years but experiences fluctuations.
- Gross Profit Margin: There's a decline in gross profit margin from 2018-19 to 2020-21, followed by an increase in 2021-22 and 2022-23.The decline in gross profit margin indicates challenges in maintaining profitability at the operational level, possibly due to factors such as increasing production costs or pricing pressures.The subsequent increase suggests improvements in operational efficiency or pricing strategies.
- Net Profit Ratio: The net profit ratio, or net margin, shows the relationship between net profit and sales.There's a fluctuating trend in the net profit ratio over the years.The ratio decreases from 2018-19 to 2022-23, indicating challenges in managing operating expenses or maintaining profitability relative to sales.Overall, these findings suggest the company experiences fluctuations in its financial performance, including liquidity, profitability, and efficiency, possibly influenced by various internal and external factors.

9. SUGGESTION

- Asset Management: The company should focus on improving its inventory management and accounts receivable management to prevent the significant decrease in total current assets observed in 2023. Implementing efficient inventory tracking systems and tightening credit policies for customers can help in better asset management.
- Liability Management: While long-term liabilities have increased, indicating potential expansion or investment activities, the company should carefully manage its current liabilities to avoid overreliance on short-term financing. Monitoring and optimizing cash flow to meet short-term obligations and reducing reliance on loans can help in achieving a more sustainable financial structure.
- Capital Structure: The significant increase in capital as a percentage of total liabilities indicates a positive shift towards equity financing. The company should continue to strengthen its capital base through equity injections or retained earnings, which can provide stability and flexibility in funding operations and growth initiatives.

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- Profitability Improvement: The decline in gross profit from 2018-19 to 2020-21 followed by an increase suggests fluctuations in profitability. The company should focus on cost management, pricing strategies, and revenue generation activities to enhance profitability. Additionally, analyzing the factors contributing to the decline in net profit margin and implementing measures to improve efficiency and reduce expenses can be beneficial.
- Efficiency Ratios: Monitoring efficiency ratios such as asset turnover and capital turnover is essential for assessing operational effectiveness. The company should identify factors contributing to declines in these ratios and implement measures to enhance operational efficiency, optimize resource utilization, and generate higher returns on investment.

CONCLUSION

In conclusion, the company faces various financial challenges and opportunities that require strategic planning and proactive management. The suggestions provided focus on key areas such as asset management, liability management, capital structure, profitability improvement, efficiency ratios, liquidity management, and financial planning. Efforts to improve asset management through better inventory and accounts receivable management can help prevent significant decreases in total current assets, ensuring sufficient liquidity for operations.

Meanwhile, careful management of current liabilities is essential to avoid overreliance on short-term financing, despite increases in long- term liabilities indicating potential expansion. The positive shift towards equity financing highlighted by the increase in capital as a percentage of total liabilities presents an opportunity for the company to strengthen its financial position through equity injections or retained earnings. Additionally, focusing on cost management, pricing strategies, and revenue generation activities can enhance profitability and financial stability. Finally, implementing robust financial planning and forecasting processes can help the company anticipate future financial needs, identify risks, and formulate strategies to navigate challenges effectively.

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