

Analytical study: Financial statement analysis in shriram finance limited, Chennai

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Abstract

Financial banking is the science of managing money and other assets pertaining to a specific business. We all know that banks offer basic loans, deposits and financial advice, but they also facilitate transactions on sophisticated financial instruments such as private equity, bonds and mutual funds. Most top performing candidates typically view careers in banking as the pinnacle of achievement, and sectors such as treasury, equity trading, investment banking and private banking are viewed as the most lucrative jobs for new graduates. In addition to traditional bank, other financial institutions such as credit unions, trust companies, mortgage loan companies, insurance companies, brokerage firms and asset management firms also offer a host of financial advice. Hence, when viewing the opportunities in the sector, one must also carefully consider these other specialised financial institutions.

INTRODUCTION

Shri ram city union Finance Ltd is Indians premier financial services company, specializing in retail finance. The company is a part of three decades old Chennai based Shriram Group, India's premier financial service chain. The company offers multiple loan products to small business owners and for acquiring assets such as two wheelers, commercial vehicles, passenger vehicles, loan against gold and personal loans. The company operates across India with 969 branches. The company has tie-ups with major dealers and top manufactures across the country, giving them the advantage of quick pay-offs and sanction of loans.

They focus on semi urban and rural areas with product routed through either chit fund network of Shriram Chits or non-chits fund network including dealers. Shriram City Union Finance Ltd was incorporated on March 27, 1986 as a private limited company with the name operations with truck

financing. In October 29, 1988, the company became a public limited company and the name was changed to Shriram Hire Purchase Finance Ltd. In March 1990, City Union Bank Ltd acquired shareholding to the extent of Rs.20 Lakh after obtaining the necessary approvals from the Reserve Bank of India. Consequently, the name of the company was changed to Shriram City Union Finance Ltd.

The company is registered as a deposit taking assets financing NBFC with RBI and went public in 1994. Prior to 2002, the company was exclusively engaged in transport finance with special emphasis on financing pre-owned commercial vehicles to small road transport operators. In the year 2002, the company discontinued the truck financing business as that was consolidated in its sister concern. Since then, the company product lines had expanded to include financing of consumer durables, financing through a tie-up with ICICI Bank. During the year 2004-05, the company increased the production capacity of generation of power by wind mills from 7800 kw to 12800 kw. Also, their shares were listed on the national stock exchange with effect from April 4, 2005. During the year 2005-06, the company forayed into the customer finance segment.

The company ceased financial services holding Pvt Ltd with effect from March 31, 2006. Consequent to the transfer of 1,44,21,462 equity shares aggregating 53.22% of the paid-up capital of the company to Shriram Enterprises Holding Pvt Ltd. thus, the company became the subsidiary of Shriram Enterprises Holdings Pvt Ltd. In April 24, 2007, the company promoted a subsidiary company, namely Shriram Nonconventional Energy Ltd. During the year 2007-08, they divested the shares held in Shriram Non-conventional Energy Ltd, and thus Shriram Non-conventional Energy Ltd ceased to be a subsidiary company with effect from March 20, 2008. During the year 2008-09, the company transferred the Bio mass plant to Shriram Non-conventional Energy Ltd with effect from January 10, 2009 and making Shriram Non-conventional Energy Ltd as a wholly owned subsidiary company.

FINANCIAL STATEMENT:

Financial statements contain a wealth of information, which if properly read, analyzed or interpreted can provide valuable insights into a firm's performance and position. Also it is the starting point for a long plan, before using any sophisticated forecasting and planning procedure. By analyzing these statements, a firm can evaluate its past, present, projected performance etc. Usually, management would be particularly interested in knowing the financial strength of a firm to make their best use and to be able to spot out the financial weakness of the firm to take suitable corrective action. The future plan of the firm should be laid down in view of the firm's financial strength and weakness. In short, through financial analysis and interpretation it helps effectively the user for decision-making process.

FINANCIAL STATEMENT ANALYSIS:

It is the process of identifying the financial strength and weakness of a firm from the available accounting data and financial statement. The analysis is done by properly establishing the relationship between the items of balance sheet and profit and loss account. The first task of a financial analyst is to determine the information relevant to the decision under consideration from the total information contained in the financial statement. The second step is to arrange information in a way to highlight significant relationships. The final step is interpretation and drawing of inferences and conclusions. Thus financial analysis is the process of selection, relating and evaluation of the accounting data/information. Financial statement analysis is a process conducted on organizations by internal and external parties to gain a better understanding of how a company is performing. The process consists of finalizing four

critical financial statements in a business. The four statements that are extensively studied area company's balance sheet, income statement, cash flow statement, and annual report.

OBJECTIVES OF THE STUDY:

PRIMARY OBJECTIVE:

- To identify the financial statement of Shriram finance limited.
- To measure the current financial health of the SFL.

SECONDARY OBJECTIVE:

- To study the industries about deciding on investing their funds in a apparel industries.
- To analyse the statements of the company with the help of tools like comparative balance sheet, common-size balance, ratio analysis.
- Know the current position.
- Eliminating discrepancies if any
- Future decision making.

NEED OF THE STUDY:

The most important financial statement for the majority of users is likely to be the income statement, since it reveals the ability of a business to generate a profit. Also, the information listed on the income statement is mostly in relatively current dollars, and so represents a reasonable degree of accuracy. The balance sheet is likely to be ranked third by many users, since it does not reveal the results of operations, and some of the numbers listed in it may be based on historical costs, which renders the report less informative. A possible candidate for most important financial statement is the statement of cash flows, because it focuses solely on changes in cash inflows and outflows

SCOPE OF THE STUDY:

Research is conducted only in Shriram Finance Limited at Chennai. The study is done based on the annual reports and the analysis is done only for financial years from 2019 to 2023. Research has used only profit and loss account and balance sheet for doing the analysis. Results are interpreted only on the basis of analysis.

RESEARCH PROBLEM IDENTIFICATION:

Assessing the Effectiveness of Financial Statement Analysis Techniques in Evaluating the Financial Performance and Financial Strategies of Shriram Finance

RESEARCH METHODOLOGY:

Research is a process in which the researchers wish to find out the end result for a given problems and thus the solution helps in future course of action. The research has been defined as "A careful investigation or enquiry especially through search for new facts in branch of knowledge"

METHOD OF DATA COLLECTION:

Only the secondary data has been used in project study. The research himself being an external one and doing study as a part of curriculum had to depend mainly upon secondary data for the different aspects. Hence the data required for the study where collected mostly from the annual report manuals and accounts of Shriram finance Limited, and various magazines and journals.

ANALYTICAL TOOLS OF THE STUDY:

The most commonly used financial analysis tools are:

- Ratio analysis.
- Comparative statements.

RATIO ANALYSIS:

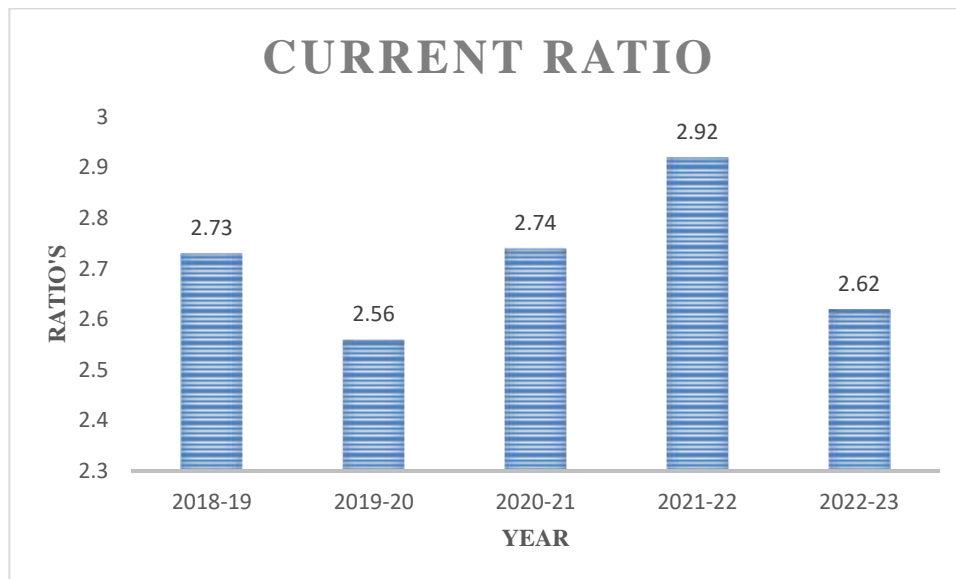
Ratio analysis is a fundamental tool used to evaluate the financial performance and health of a company by analyzing various relationships between items in its financial statements. It involves calculating and interpreting a variety of financial ratios, which are numerical indicators that provide insights into different aspects of a company's operations, profitability, liquidity, solvency, and efficiency.

COMPARATIVE STATEMENTS:

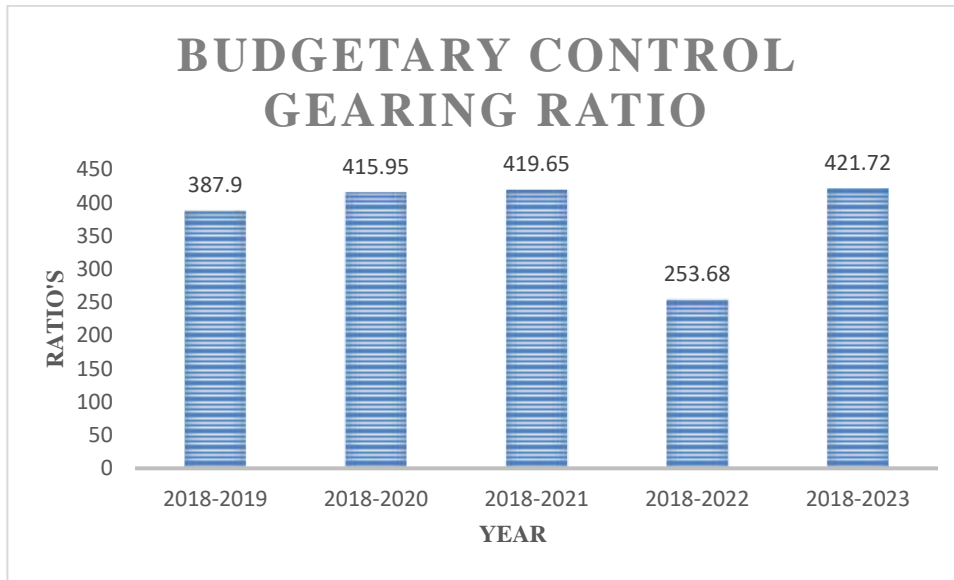
Comparative statements, also known as comparative financial statements, are financial reports that provide a side-by-side comparison of a company's financial performance and position over multiple periods. These statements typically include data from at least two consecutive accounting periods, such as two or more fiscal years or quarters. The primary purpose of comparative statements is to allow stakeholders, including investors, creditors, and management, to assess how a company's financial position and performance have changed over time.

DATA ANALYSIS AND INTERPRETATION

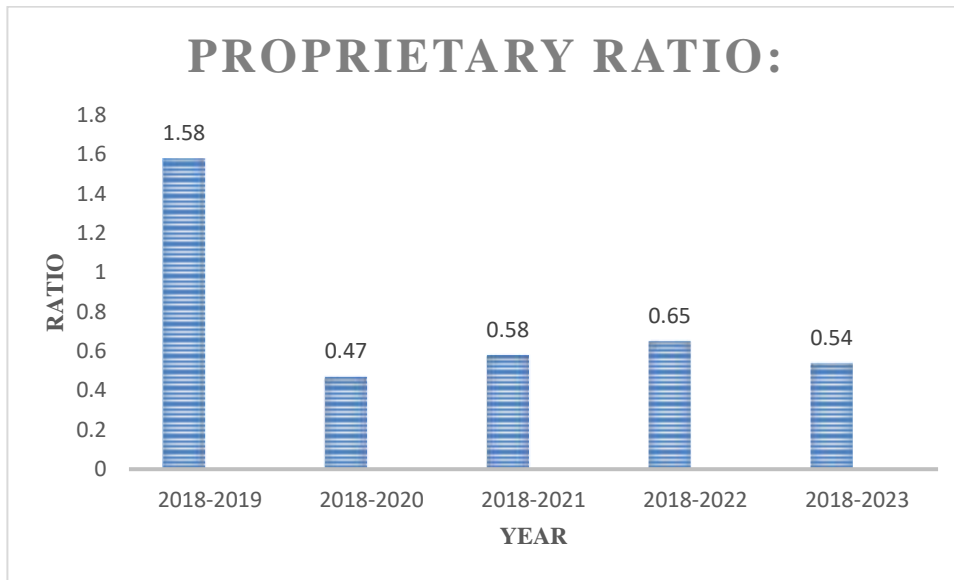
CURRENT RATIO:



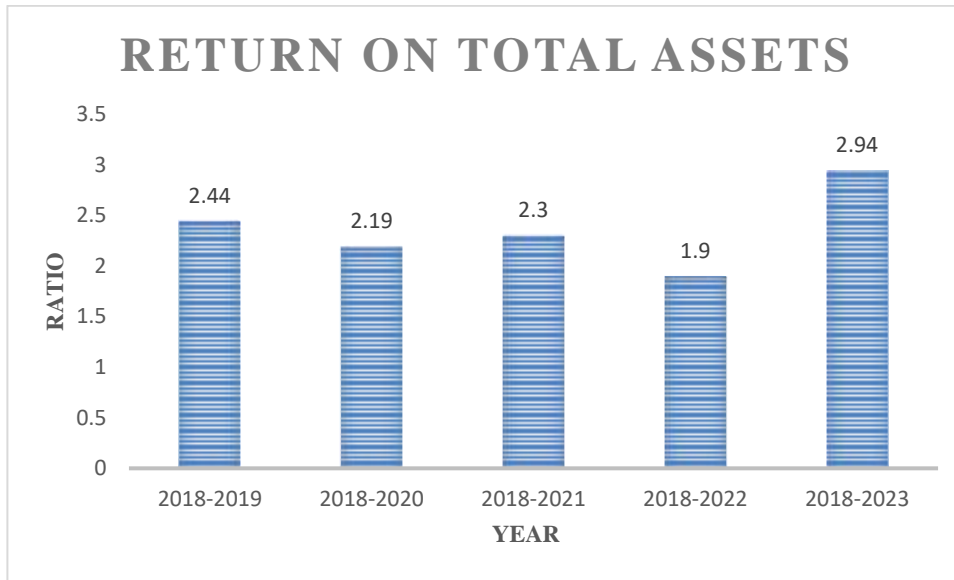
BUDGETARY CONTROL GEARING RATIO:



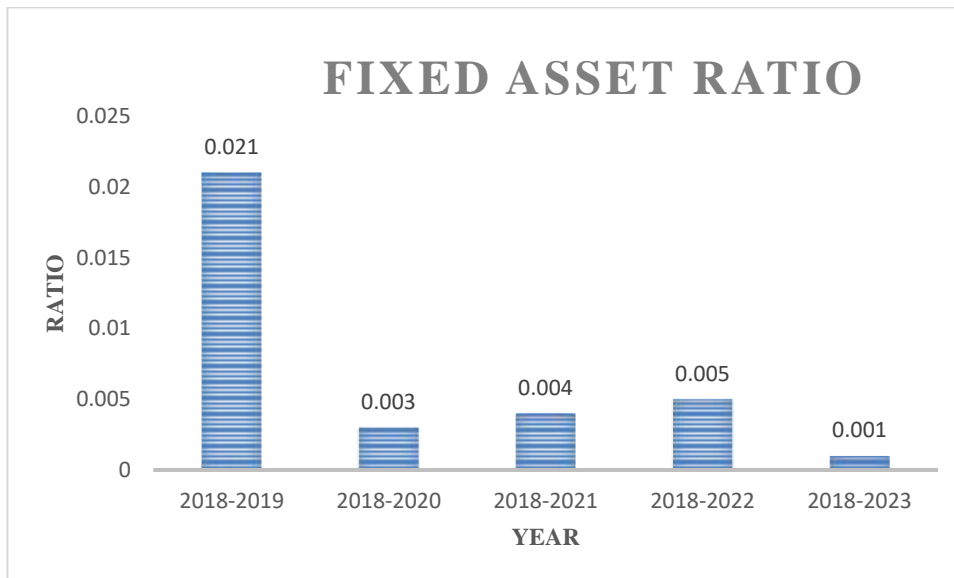
PROPRIETARY RATIO:



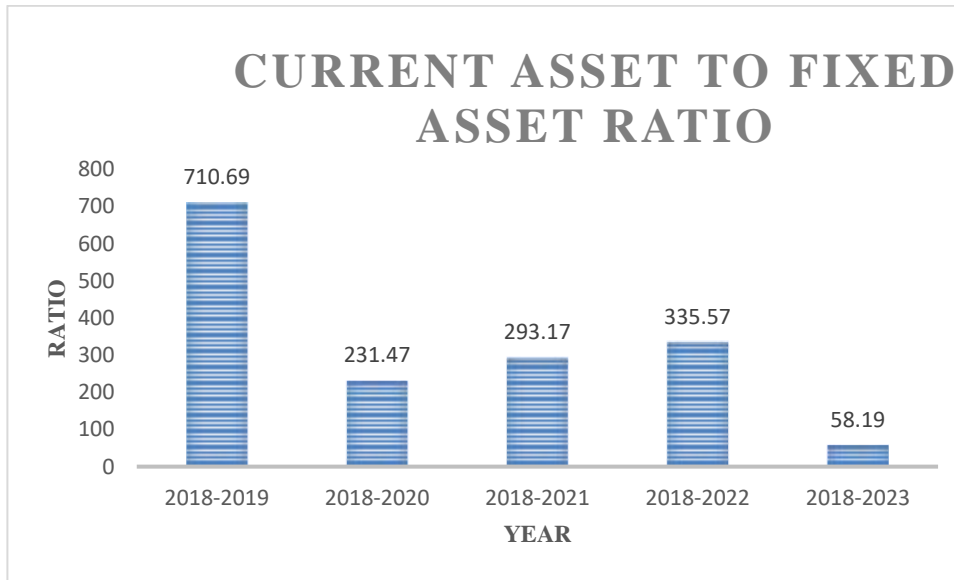
RETURN ON TOTAL ASSETS RATIO:



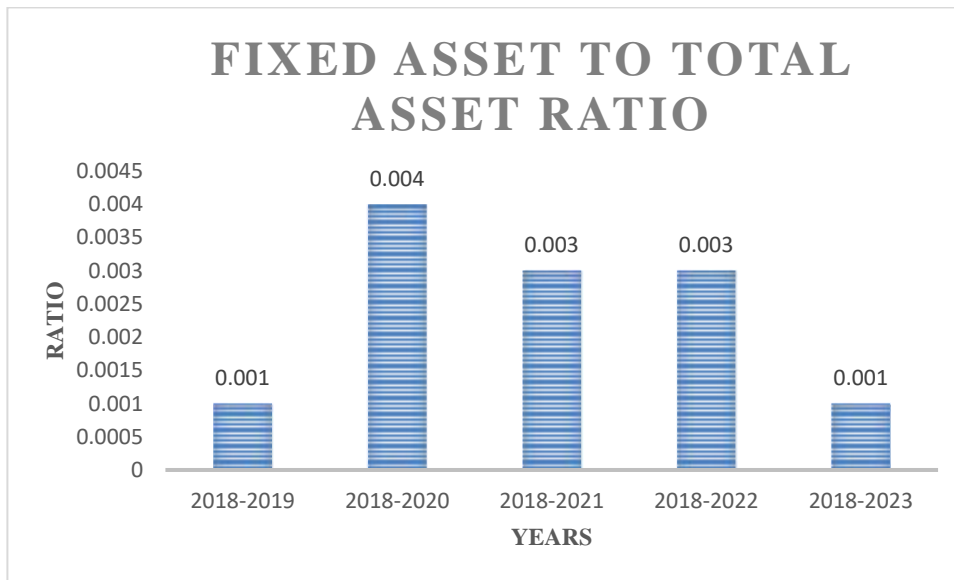
FIXED ASSET RATIO:



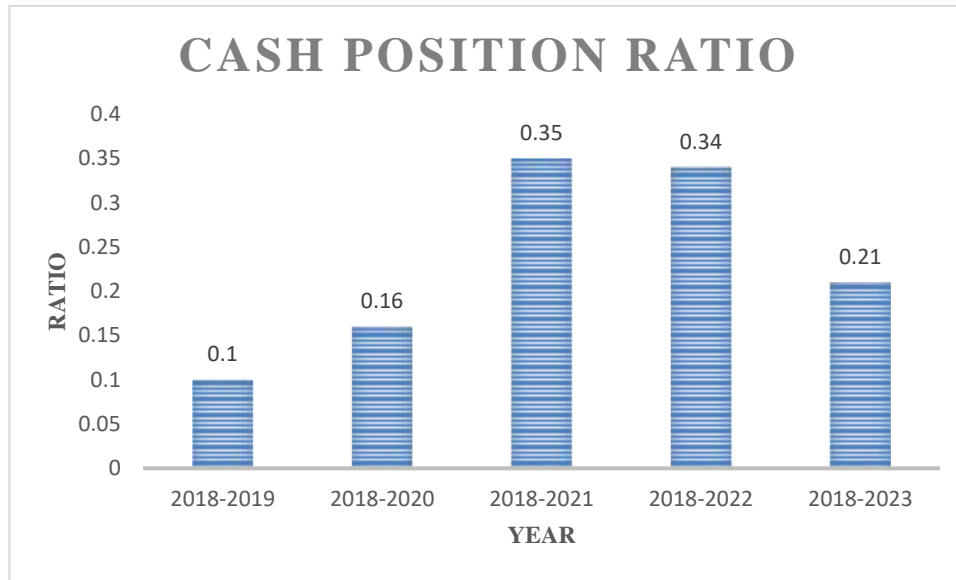
CURRENT ASSET TO FIXED ASSET RATIO



FIXED ASSET TO TOTAL ASSET RATIO:



CASH POSITION RATIO:



SUGGESTIONS:

- The Company assets in the form of loans and advances are to be verified and appropriate measures have to be taken for the collection of same time.
- Weekly meeting or conference should be conducted by the Company for discussion regarding the matters relating to the performance of the workers
- Studying financial statement analysis is a foundational endeavor crucial for anyone seeking to understand the financial health and performance of businesses.
- To effectively delve into this field, one should start by grasping the fundamentals of accounting principles and financial statements learning how balance sheets, income statements, and cash flow statements interrelate to provide a comprehensive view of a company's financial position.
- Moving beyond the basics, mastering the calculation and interpretation of key financial ratios is essential.
- Shriram Finance Limited, Chennai company has to develop real to increase its profit. The Company should utilize the available resources in proper manner.
- The overall analysis reveals that the Company performance all the year is good.

CONCLUSION:

Studying financial statement analysis is akin to unlocking the intricate language of business health and performance. Through diligent examination of balance sheets, income statements, and cash flow statements, one gains a comprehensive understanding of a company's financial standing and operational efficiency. Based on this study the major findings are that from the overall finance point of view, Shriram finance limited, Chennai is performing to a very high degree level of achievement. This study indicates that in order to improve the overall performance of Company the management must take all possible steps to review and modify various policies, cash budgets, cash repayments status by using sound information management system. This will enable the management to have a close control over the various budgetary control ratios.

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