An Evaluation of the Financial Performance Analysis at Rane Brake Lining Limited, Puducherry

Ms. Bakyalakshmi. K[1], Dr. Sinouvassane. N[2]

[1]MBA Student, [2]Professor & Head of the Department, MBA
[1,2]Rajiv Gandhi Engineering and Technology, Kirumampakkam, Puducherry

ABSTRACT
This study examines the determinants of financial statement analysis in Rane Brake Lining Limited, Puducherry. Specifically, the study investigates the financial performance of the company. For the study we have collected secondary data from last three years 2017 to 2019. The main objectives of the study to understand the company financial strength during the study period. The financial statement includes balance sheet, income statement and cash flow statement. It has evaluated using methods of horizontal analysis like comparative statement analysis. In the present study the financial performance (profitability, liquidity, solvency and activity status of the Rane Brake Lining Limited, Puducherry. The results of data analysis, liquidity and activity ratio to be found in good position. According to data analysis, recommendations have been given to ensure the company`s revenue and reduce liabilities. All the recommendation and suggestions were made according to key ratios which will directly influence company`s financial performance.

KEYWORDS: Comparative Balance Sheet, Ratio Analysis

INTRODUCTION
Financial Analysis is the process of assessing the financial position of a company. One of the primary objectives of financial analysis is to recognize changes in financial trends in the company. Profitability and financial performance could be defined as a measurement of the results of a firm's polices and operations in monetary terms of the company. In assessing the overall financial performance of a company, the income statement and the balance sheet are important reports, as the income statement captures the company's operating performance and the balance sheet shows its net worth for study period. Financial performance could be assessed the following key measures which are important to assess the current financial performance of that company. These are descriptive and analytical measures of financial position and performance, that includes current assets, current liabilities, total assets, stockholders equity, total revenues, total expenses and net income. And analytical measures of financial position and performance could include profitability measures of the company . Thus, we would like to investigate and study the financial statements of Rane Brake Lining Limited, Puducherry its profitability and performance.

Literature Review
The review of literature guides the researchers for getting better understanding of methodology used and find the limitations of various available estimation procedure. Besides this, the review of empirical studies explores the avenues for future and present research efforts related with the subject matter. Different authors have been analyse the financial performance in different perspective.

"Financial statement analysis is largely a study a relationship among the various financial factors in a balance sheet as disclosed by a single set of statements, and a study of trends these factors these as shown in a series of statement" – **John n. myer.**

"Financial statement and analysis and interpretation as a progress of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance" – **Metcalf and Tigard**

Objectives of the Study
1. To analysis the financial position of Rane Brake Lining Ltd, Puducherry
2. To appraise financial soundness of the firm.
3. To evaluate the growth profile of the company during the study period.
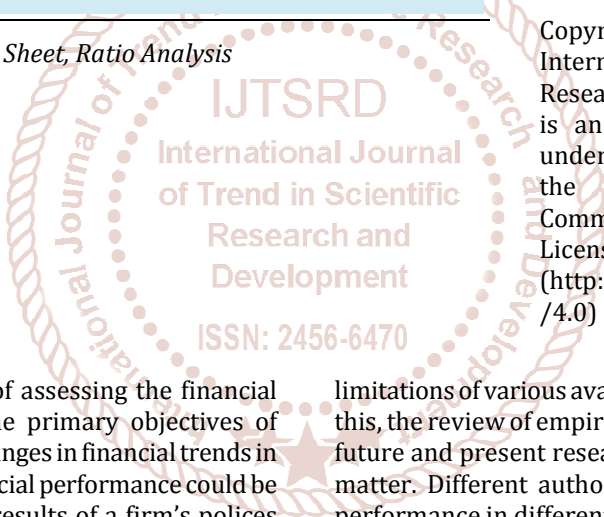
Need of the Study

1. It helps to assess the financial position of Rane Brake Lining Limited, Puducherry.
2. It provides meaningful, useful and valuable information periodically regarding financial position and financial prospects of the business concern.

Scope of the study

The study has conducted mainly to evaluate the financial strength of the Rane Brake Lining Limited, Puducherry for a period of 3 years from 2016 - 17 and 2018 – 19 as revealed from the financial data of the company annual report, manuals and accounting records.

1. It helps in the analysis of financial operation.
2. It helps in the proper allocation of funds.
3. Helps in the use and changes in working capital.
4. It helps in knowing the overall credit worthiness of the firm.
5. The company can make managerial decisions, planning and control regarding the financial management.

Research Methodology and Data Collection

The present study is designed to measure the profitability and performance of Rane Brake Lining ltd., in terms of various financial characteristics embodied in the accounting ratios. Ratios analysis is a technique widely used for evaluating the financial condition and performance of a firm. The basic component of ratio analysis is a single ratio, computed by dividing one balance sheet item by another and vice versa. The variables in this study comprise ratios based on financial statements; the ratios are computed by assuming

that the objective of a given firm is to maximize the value of the owner's investment in the firm. In the process of maximizing the wealth of owners a firm should generate revenues that exceed expenses
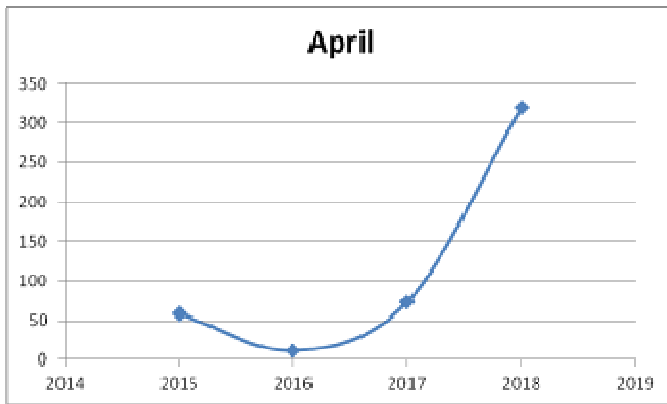
Methods of Analysis and Interpretation

The analysis and interpretation of financial statement is used to determine the financial performance and result of operation as well. The following are the tools that are used for analyzing the financial position of the company: (i) Ratio Analysis (ii) Comparative balance sheet and income statement, and trend analysis.

Ratio and Reasons for Using Them

To measure this performance of the study focused on profitability and efficiency ratios which enable evaluation of the sources and magnitude of the firm's profit. There are a number of ratios for measuring performance of firms, but the present study has zeroed in on the most popular accounting ratios used for the purpose to make the analysis more meaningful and manageable. The interpretation of data is extremely important financial tool for each of the activities performed within the organization. The managers use various different ratios to create different policies for financing external as well as focusing on solving problems and specific issues afflicting the organizational performances. Through the interpretation of the data presented in the financial statements; managers, customers, employees and suppliers of financing can account for the performance that the organization shows in the market.

Data Analysis and Interpretations

Table-1 Indicators of the Financial Ratios

Indicators	2016	2017	2018	2019
Return on investment (RI)	25.837	27.154	32.385	26.395
Return on Total asset (RTA)	10.074	12.576	11.499	10.267
Net Profit Ratio (NPR)	6.967	8.015	11.069	9.595
Return on Shareholders Fund (RSF)	0.187	0.209	0.190	0.174
Current Ratio (CR)	1.314	1.349	1.500	1.521
Liquid Ratio (LR)	1.021	1.010	1.199	1.165
Fixed asset ratio (FAR)	0.756	0.724	0.582	0.552
Fixed asset turnover ratio (FATR)	4.890	4.414	4.523	4.441
Proprietary ratio (PR)	1.323	1.382	1.717	1.813
Debt-equity Ratio (DER)	0.090	0.037	0.016	0.014
Sources: Annual Reports				

Findings

1. **Return on investment ratios** shows in the year 2018 is the highest return ratio i.e. 32% but 2016 is the lowest return ratio i.e. 25.8%.
2. **Return on total asset ratio** indicates the result in 2017 is the highest profit earned again asset i.e. 12.6% but 2016 is the lowest profit earned asset i.e. 10%.
3. **Net profit ratio** infers that 2018 is the highest net profit i.e. 11% and in the year 2016 is the lowest i.e.7%.
4. **Return on shareholder fund** in the year 2017, the shareholders fund was increased i.e. 0.209 but decreased in the year 2019 i.e. 0.174.
5. **Current Ratio** in the year 2019 provides the result about current ratio increased i.e. 1.521% but decreased in the year 2016 i.e. 1.3%.
6. **Liquid Ratio** in the year 2018 provides the result about the highest trend i.e. 1.199% as a quick ratio of 1:1 is considered satisfactory but lowest is the 1.010%.
7. **Fixed asset ratio** indicates the result about fixed asset are highest in the year 2016 i.e. 0.8% but lowest in the year 2017 i.e. 0.552%.
8. **Fixed asset turnover ratio** is infers that in the year 2016 is the efficient utilization of fixed asset i.e. 4.89% but lowest in the year 4.414%.
9. **Proprietary ratio** in the year 2019 is the highest trend i.e. 2% but 2016 is the lowest proprietary trend i.e. 1.323%
10. **Debt - equity ratio** provides the result about the external and internal equities are high in the year 2016 i.e. 0.090% but low in the year 2019 i.e. 0.014%.

Table -2 Share Price differences in the Month of April

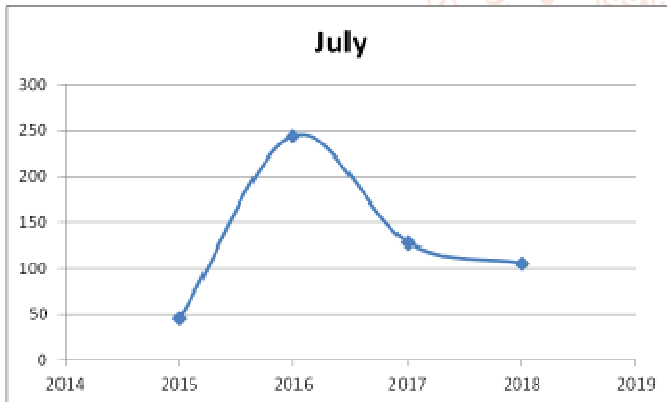| Year	High	Low	Difference
2015	351	292.2	58.8
2016	383.1	371.7	11.4
2017	1063.7	990	73.7
2018	1195	875	320

Interpretation
Table 2 provides the information about quarterly stock price difference in the month of April. In the year 2017 the shares prices shows low differences and other years infers the upward trend in the share prices.

Table – 3 Share Price differences in the Month of July

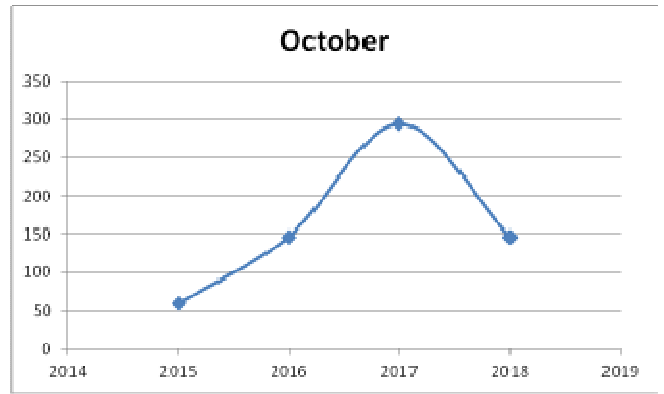| Year	High	Low	Difference
2015	346.8	302	44.8
2016	639.55	395.6	243.95
2017	1419	1291.55	127.45
2018	866	760.6	105.4

Interpretation
Table 3 provides the information about quarterly stock price difference in the month of June. In the year 2016 is the highest shares differences, other years shows moderate differences.

Table – 4 Share Price differences in the Month of October

Year	High	Low	Difference
2015	348.1	289	59.1
2016	1283.2	1136.4	146.8
2017	1340	1046	294
2018	629.75	483	146.75

Interpretation
Table 4 provides the information about quarterly stock price difference in the month of October. In the year 2017 is the highest shares price differences then other years.

Table – 5 Share Price differences in the Month of December

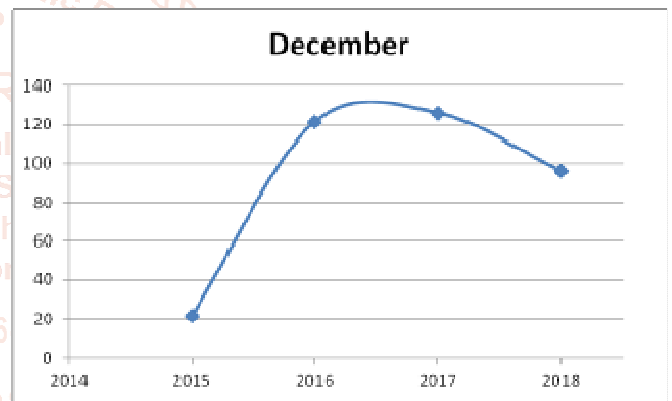| Year	High	Low	Difference
2015	347.8	326.2	21.6
2016	1022.05	900.7	121.35
2017	1273.95	1148	125.95
2018	608.25	512.1	96.15

Table 5 provides the information about quarterly stock price difference in the month of December. In the year 2016 and 2017 is the moderate shares price differences then other years.

Table – 6 Share Price differences in the Month of January

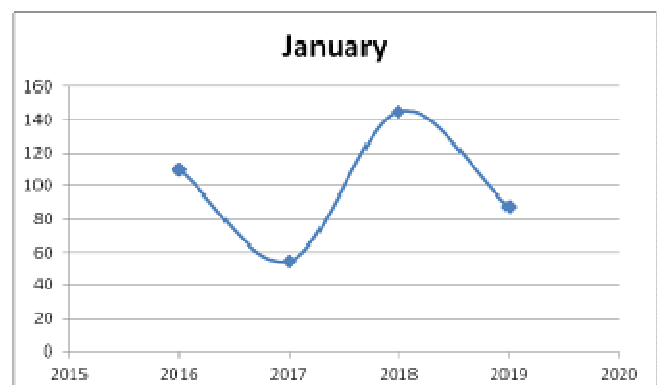| Year	High	Low	Difference
2016	397.7	288	109.7
2017	1013.7	958.9	54.8
2018	1235	1090	145
2019	597.4	509.8	87.6

Table 6 provides the information about quarterly stock price difference in the month of January. In the year 2016 and 2017 is the moderate shares price differences then other years.

Conclusion

From this study of Rane Brake Linning Limited, Puducherry entitled " Financial Performance Analysis". This is fully based on the past three year's reports. This study also provided knowledge about the comparative balance sheet, ratio analysis and share price differences(BSE), which capture the predicative variability of company financial statement.

The analysis has shown fluctuations and have both good and bad sides during three years. The performance of the company seems to be in increase every year because of the increase in sales but the efficient management of adapting to changes in needed to run towards success. The company is having good reserves ad reputations, which will lead to excellent progress in the fore coming years.

Reference

[1] Khan MY, Jain PK (2008) Financial Management.

[2] Pandey IM (2008) Financial Management. (10th edition), Vikas Publishing House Pvt. Ltd., New Delhi.

[3] Prasanna Chandra (2008) Financial Management Theory and Practice. Tata McGraw Hill Publishing Company Ltd., New Delhi.

[4] Maheswari SN (2014) Elements of Financial Management. Sultan Chand & Sons, Educational Publishers, New Delhi.