

FINANCIAL ANALYSIS

Dr. P. Lokesh Muni Kumar¹, Prashanthi B²

¹Asst Prof, Dept of MBA, Santhiram Engineering College, Nandyal, India.

²Student of MBA, Santhiram Engineering College, Nandyal, India.

ABSTRACT

Financial analysis is a critical process used to evaluate a company's financial health, performance, and stability through the interpretation of financial statements. This study aims to assess how financial analysis tools such as ratio analysis, trend analysis, and comparative financial statements contribute to informed decision-making by stakeholders, including investors, managers, and creditors. The research explores key financial metrics such as liquidity ratios, profitability ratios, solvency ratios, and efficiency ratios to provide a comprehensive view of an organization's financial standing. By applying these tools to real-world company data, the study highlights how financial analysis helps in identifying strengths, weaknesses, potential risks, and growth opportunities. The study also underscores the importance of financial transparency and the need for accurate and timely reporting in facilitating effective analysis. Findings indicate that consistent financial analysis supports better strategic planning, investment decisions, and risk management practices. Overall, this research emphasizes that financial analysis is not merely a tool for evaluating past performance but also a foundation for predicting future outcomes and guiding long-term financial planning.

Keywords: Financial Analysis, Ratio Analysis, Liquidity, Profitability, Solvency, Efficiency, Financial Statements, Trend Analysis, Investment Decision-Making, Strategic Planning.

1. INTRODUCTION

In our present day economy, finance is defined as the provision of money at the time when it is required. Every enterprise, whether big, medium or small, needs finance to carry on its operations and to achieve its targets. In fact, finance is indispensable today that is rightly said that it is the life-blood of industry. Without adequate finance, no enterprise can possibly accomplish its objectives.

Since finance is viewed as the most important factor in every enterprise, therefore, the management requires special mention and attention.

The conventional approach to finance function in business highlights the procurement of funds on most economic and favorable terms to the concern, but it ignores the efficient and proper use of the successful of the enterprise.

In very originations funds are needed for ventures and project. How much to allocate when to allocate and how to allocate the required funds to a particular project deserves special attention in very concern. The management has to look into nook and corner of each project, the amount of funds necessary for them and the source from which to attune. Financial management plays a vital role in procurement allocation control of funds.

The basis for financial planning and analysis information .Financial information is needed to predict, compare and evaluate the firm's earning ability. It is also required to aid in economic decision making investment and financing decision making. The financial information of an

enterprise is contained in the financial statement or accounting reports. It contains summary information of the firm's financial affairs, organized systematically. They are the means to present the firm's financial situation to 16 owners, creditors and general public. Preparation of these statements is the responsibility of top management.

2. RESEARCH METHODOLOGY

Research is the systematic investigation of fact that seeks to establish relationship between two types.

Primary data:

- Officers of accounts sections.
- Executives and staff of financial and accounts department.

Secondary data:

- Annual reports of LANCO INDUSTRIES LTD.
- Financial management text books.
- Printed Materials.

TYPES OF DATA COLLECTION

PRIMARY DATA

- ❖ The information which is not available in annual reports and other books of accounts has been collected consulting the accounting officers of the LANCO INDUSTRIES LTD

SECONDARY DATA

- The data are collected from the annual reports maintained by the company for the past six years viz., 2019-2024
- Data are collected from the company’s website.
- Books and journals pertaining to the topic.
- The data relating to financial statements of LANCO INDUSTRIES LTD has been collected from published Annual Reports for the years 2019-2024 which were obtained from the Administrative office of the company.

Tools of the data analysis and data interpretation

The tools that are to be used for analyzing the risk management by using the tables and the bar diagrams.

3. DATA ANALYSIS

Quick assets can also be calculated as:-

Current assets – (Inventories + prepaid expenses). Inventories here will mean all types of stocks i.e., finished, work in process and raw materials.

Table:-

Liquidity position of Lanco Industries Ltd., Sri Kalahasthi

Year	Current Assets	Current Liabilities	Quick Assets	Net Working Capital
2018-2019	7374.63	3577.03	4622.08	3797.6
2019-2020	4172.78	2895.13	2979.52	1277.65
2020-2021	11302.96	5625.29	6008.91	5677.67
2021-2022	16137.54	8676.59	9062.36	7460.95
2022-2023	26196.83	10726.93	15559.97	15470.24

Growth rate of current assets from 2016-17 to 2020-21 = 25.5%

Decline rate of current liabilities from 2016-17 to 2020-21 = 19.9%

Growth rate of Net Working Capital from 2016-17 to 2020-21 = 30.7%

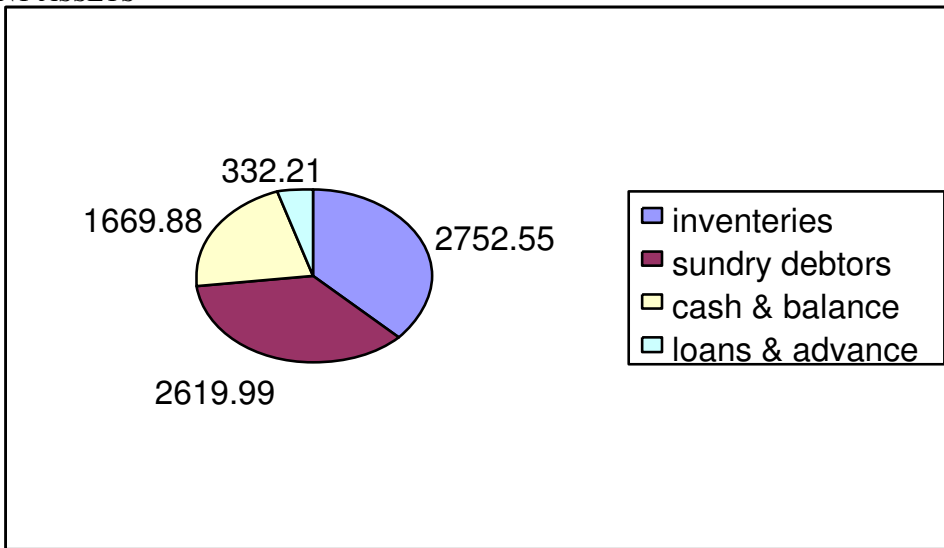
Table:-

(Rs.in lakhs)

Year	2018-19	2019-20	2020-21	2021-2022	2022-23
Current Assets					
Inventories	27,52.55	1193.26	5,294.05	7075.18	10,636.86
Sundry Debtors	26,19.99	2,011.67	4,098.66	7197.89	7667.92
Cash & bank balances	16,69.88	629.04	447.49	247.72	2650.37
Loans & Advances	3,32.21	338.81	1462.76	1616.75	5241.68
Total	7374.63	4172.78	11302.96	16137.54	26196.83
Current Liabilities					
Sundry Creditors	3,536.64	2,828.58	5052.57	8090.45	10188.34
Provisions	40.39	66.55	572.72	586.14	538.59
Total	3,577.03	2,895.13	5625.29	8676.59	10726.93

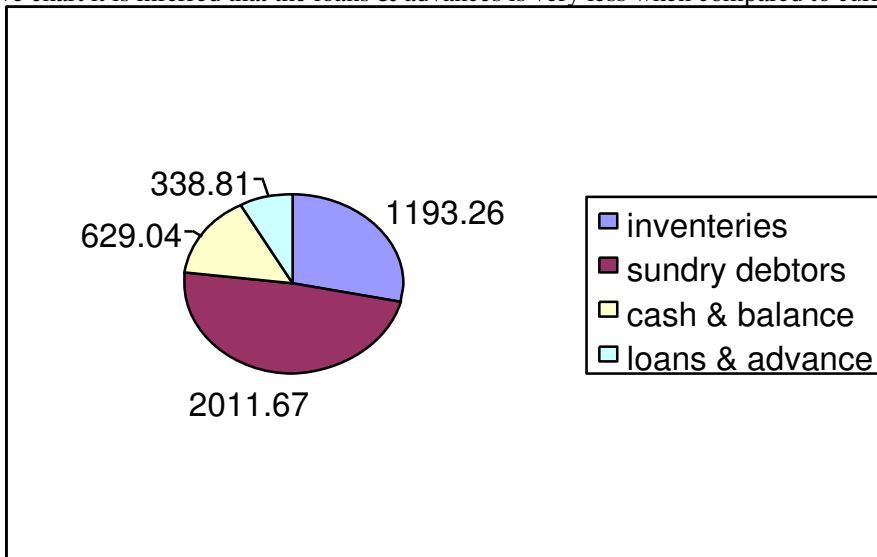
Quick Assets					
Sundry Debtors	2619.99	2011.67	4098.66	7197.89	7667.92
Cash & bank balances	1669.88	629.04	447.49	247.72	2650.37
Other current assets					
Loans & advances	332.21	338.81	1462.76	1616.75	5241.68
Total	4622.08	2979.52	6008.91	9062.36	13559.97
Absolute assets					
Cash & bank Balances	1669.88	629.04	447.49	247.72	2650.37
Total	1669.88	629.04	447.49	247.72	2650.37

CHRRRENT ASSETS



INFERENCE:

From the above chart it is inferred that the loans & advances is very less when compared to current assets



INFERENCE:

From the above chart it is inferred that the cash & bank balance and loans & advance are very less when compared to inventory

4. CONCLUSION

Financial analysis serves as an essential tool for evaluating a company's overall performance and financial health. Through techniques such as ratio analysis, trend analysis, and comparative statement review, stakeholders can gain valuable insights into a firm's liquidity, profitability, solvency, and operational efficiency. The study highlights that effective financial analysis not only aids in understanding past performance but also plays a crucial role in strategic decision-making and forecasting future outcomes. It empowers investors to make informed investment decisions, assists management in optimizing resource allocation, and supports creditors in assessing creditworthiness. Ultimately, regular and accurate financial analysis enhances transparency, reduces financial risk, and contributes to sustainable business growth. Therefore, financial analysis is not just a retrospective tool but a forward-looking instrument critical for long-term success.

5. REFERENCES

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