

A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF RANE MADRAS, CHENNAI
Submitted in partial fulfilment of the requirements for the award of degree in

MASTER OF BUSINESS ADMINISTRATION

By

THARUN R

Register No.41410328



SCHOOL OF MANAGEMENT STUDIES

SATHYABAMA

INSTITUTE OF SCIENCE AND TECHNOLOGY

(DEEMED TO BE UNIVERSITY)

Accredited with Grade "A" by NAAC | 12B Status by UGC | Approved by AICTE

JEPPIAAR NAGAR, RAJIV GANDHI SALAI, CHENNAI - 600 119

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BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of **THARUN R41410328** who carried out the project entitled "A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF RANE MADRAS, CHENNAI" under my supervision from January 2023 to March 2023.

Internal Guide

Dr. BHUVANESWARI. G.MBA.,Ph,D

Dean – School of Management Studies

External Guide

SCHOOL OF MANAGEMENT STUDIES
SATHYABAMA
INSTITUTE OF SCIENCE AND TECHNOLOGY
(Deemed to be University)
Jeppiaar Nagar, Rajiv Gandhi Sala
Chennai-600 119

Submitted for Viva voce Examination held on **06.05.2023**

Internal Examiner

P. Hameem Khan

External Examiner

DECLARATION

I **THARUN R (41410328)** hereby declare that the Project Report entitled "A STUDY ON FINANCIAL PERFORMANCE ANALYSIS OF RANE MADRAS, CHENNAI" done by me under the guidance of is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

PLACE: Chennai

Tharun
THARUN R (41410328)

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ABSTRACT

A basic limitation of the traditional financial statement comprising the balance sheet and the profit and loss account is that they do not give all the information related to the financial operations of a firm. They provide some extremely useful information to the extent that the balance sheet mirrors the financial position on a particular data in terms of the structure of assets, liabilities and owners' equity and so on and the profit and loss account shows the results of operations during a certain period of time in terms of the revenues obtained and the cost incurred during the year the financial statements provide a view of the financial position the operations of a firm. Therefore much can be learnt about a firm from a careful examination of its financial statements as invaluable performance reports. The analysis of financial statements an important aid to find the profitability position of a firm

The focus of financial position is on key figures in the financial statements and the significant relationship that exists between them the analysis of financial statements to obtain a better understanding of the firm's position and performance, financial position is the process of selection, relation and evaluation. A financial statement is a compilation of data which is logically and consistently organized according to accounting principles an understanding of some financial aspects of a business firm. It may show a position at a moment in time, as in the case of a balance sheet or may reveal a series of activities over a given period of time as in the case of an income statement. Financial statements are the major means through which firm present their financial situations to stock holders, creditors and the general public. The majority of firms include extensive financial statements in their annual reports of them.

CHAPTER 1

INTRODUCTION OF THE STUDY

1.1 INTRODUCTION

'Financial Performance Analysis' is a meaningful interpretation of 'Financial statements' for 'parties demanding financial information'. There are certain steps, which have to be taken into consideration for Financial Performance Analysis. First identification of user's purpose, second identification of data source, last selecting the techniques to be used for such analysis

In the words of John M. Myer – "Financial Performance Analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trends of these factors as shown in a series of statements". Thus, the Financial Performance Analysis refers to the classification, diagnosis and comparison of the data of financial statements so that the profitability, financial position managerial efficiency and weakness of the business may be disclosed.

Financial analysis (also referred to as **accounting analysis**) refers to an assessment of the viability, stability and profitability of a business, sub-business or project. It is performed by professionals who prepare reports using ratios that make use of information taken from financial statements and other reports. These reports are usually presented to top management as one of their bases in making business decisions. Based on these reports, management may:

- Continue or discontinue its main operation or part of its business;
- Make or purchase certain materials in the processing of its services;
- Acquire or rent/lease certain machineries and equipment in the production of its goods;
- Issue stocks or negotiate for a bank loan to increase its working capital;
- Make decisions regarding investing or lending capital;
- Other decisions that allow management to make an informed selection on various alternatives in the conduct of its business.

This study, a sincere attempt has been made to analyse the working of Rane Madras making use of different financial appraisal technique like Ratio analysis, Trend analysis, Common size balance sheet analysis etc; the period of study was 5 years i.e. 2017 to 2021. The data for the study obtained from published annual report of the company. An effort has been made to appraise the overall financial performance and efficiency of management, but the scope and depth of study remained limited due to limiting factors of time, and resources. However, it is expected that the study will provide useful information for the better and easier understanding of the financial result of the company.

1.2 PROBLEM DEFINITION

Rane Madras is a leading company which manufactures and distribute steering and suspension among its competitive companies, The company want to know its financial planning status and forecast its financial position to improve itself in the various issues regarding the Profitability strategies in increasing the Ratios of earning and in such other aspect in the future years, so as to keep itself a head of its competitor

1.3 OBJECTIVES OF THE STUDY

Primary Objectives

To evaluate the financial performance of Rane Madras in Chennai

Secondary Objectives

- To study the financial performance of the company using various ratios
- To compare the performance through comparative and common size balance sheets
- To work out strength of networking capital by drafting the schedule of changes in working capital
- To predict the future trend of selected assets and liabilities
- To find out the current status of financial position of the company

1.4 NEED FOR THE STUDY

The financial analysis involves identifying the reasons behind the results and financial position of a business firm, which can controllable and uncontrollable ones or temporary and permanent. Then the firm has to plan a corrective action against the controllable reasons while the uncontrollable factors should be taken into account

while planning the future. A financial statement is the process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance in a given industry. The nature and extent or depth of financial analysis at Rane Madras depends on the requirements of the analysis. The topic is selected to analyse changes in the financial position of the company for past five years, which have increased its capital, Operating Income and profits. The study is conducted to know the changes in the various items of balance sheet and income statement and to analyse their impact on the profitability, liquidity and the overall financial position of the company

1.5 SCOPE OF THE STUDY:

Financial analysis is a process of understanding the Profitability, strength & Weakness between various items of balance sheet and profit & loss Account. Finding profitability is therefore very important and crucial aspect of every company to undertake. The effective management of accounts is of prime importance to a logistics company. It is a start for making plans and has to be done using any sophisticated forecasting and procedures. The essence of basic research is that it addressed itself to more fundamental questions and not to the immediate commercial potential. Analysis of data will be done by interpretation in various figures and tables. The study was done on changes in the profits with the changes in cash flows, funds flows and the income statements for last five years with available financial information. The data used for the analysis is the secondary data obtained from the company directly. The interpretation stage of accounting process demands the person to possess some specialized knowledge, specialized skills, analytical abilities, reasoning etc., an accountant , who records, classifies and summarizes the transactions of financial nature will, treats the liabilities as burdens and the assets as strengths of the organization.

CHAPTER 2

REVIEW OF LITERATURE

2.1 LITERATURE REVIEW

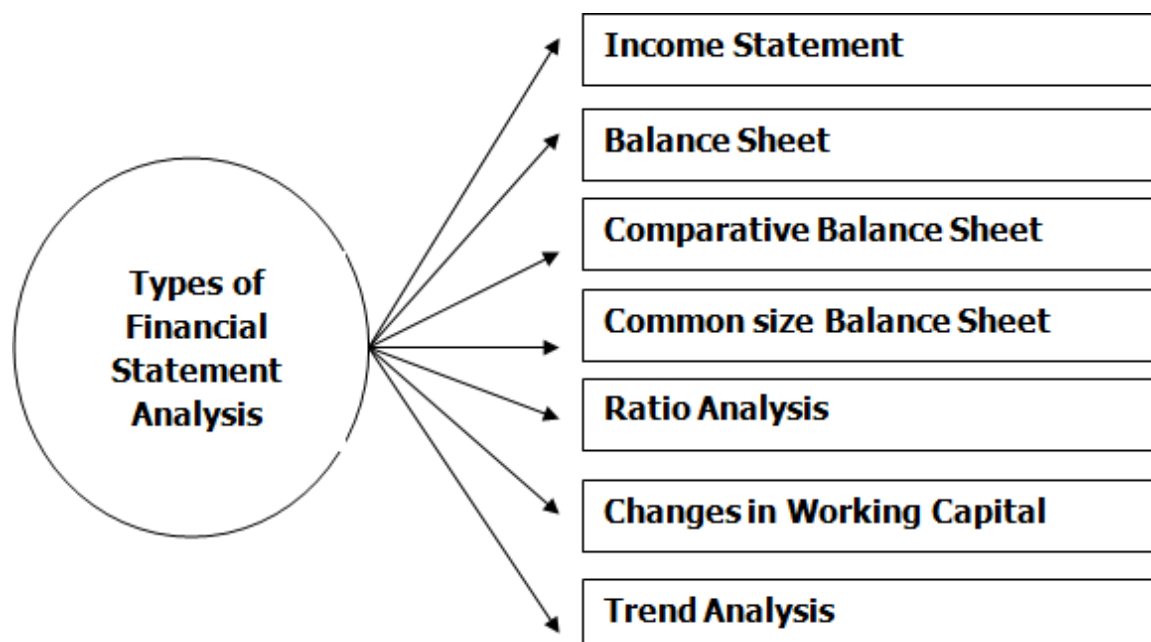
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2.2 THEORETICAL REVIEW

Analysis of the financial statements gives a detailed account of business operations and their impact on the financial health of the concern. The first step involved refers to the selection of information relevant to the purpose of evaluation from the total information contained in financial statements. The second step involved is the classification or grouping of information such a manner to focus on the significant relationship. The final step is the interpretation, which includes drawing inferences and conclusions.



There are five basic financial statements of special importance. They are:

- The Income statement (or Profit and Loss Account)

- The Position statement (or Balance sheet)
- The funds Flow Statement (or The statement of Source and Application of Funds)
- The Cash Flow statement
- The Statement of Retained Earnings

Advantages of Financial Analysis

Analysis of financial statement is carried out to measure the enterprise liquidity profitability, solvency and other indicators to assess its operating efficiency finance position and performance financial position serves the following purpose.

1. To know the operational efficiency of the business:

The financial position enables the management to find out the overall efficiency of the firm department wise efficiency can also be judged from the available data. This will enable the management to locate weak spots of the business and take necessary remedial action

2. Helpful in measuring the solvency of the firm:

The firm must know its financial soundness. It should satisfy itself that its current resources are sufficient to meet its current liabilities. This is possible through the calculations of liquid ratios. on the other hand financial long term position calculations debt equity, proprietary and fixed assets ratios, Thus, the financial position helps to decision makers in taking appropriate decisions for strengthening the short term as well as long-term solvency of the firm.

3. Comparison of past and present results:

Financial statements of the previous years can be compared and the trend regarding various expenses, purchases, sales, gross profit and net profit can be ascertained. The cost of good sold, values of assets and liabilities can be compared and the future prospects of the business can be indicated.

4. Helps in measuring the profitability:

Financial statements show the gross profit, net profit and other expenses. The relationship of these items can be establishing with sales by calculating operating ratios. This type of analysis help the mangers in taking certain decisions for improving the profitability or reducing the losses of the firm.

5. Inter – Firm Comparison:

The financial position is makes it easy to make inter-firm comparison. Various financial characteristics like profitability, liquidity, solvency of different firms can be compared. This comparison can also be made for various time periods.

6. Helps in judging the solvency of the undertaking:

Creditors are always interested in knowing the solvency it the capacity of the business to repay their loans. Through financial position it is possible to know

- ❖ Whether current asserts are sufficient to meet current liabilities
- ❖ Proportion of liquid assets to current assets.
- ❖ Future prospects of the business
- ❖ Whether debentures and other loans are secured or not
- ❖ Managerial efficiency of the company

7. Bankruptcy and failure:

Financial Performance Analysis is a significant tool in predicting the bankruptcy and failure of the business enterprise. Financial Performance Analysis accomplishes this through the evolution of solvency position.

8. Helps in Forecasting:

The financial position will helps in assessing future development by making forecasts and preparing budgets. Capital budgets are prepared after taking into account the profitability of various alternative proposals. The trend shown by financial position will pave way for the future.

Limitations of Financial Analysis

Every coin has two sides. Same is the case with analysis of financial statements. Although this analysis has much significant and usefulness yet it has certain limitations. Financial position may not provide exact answers to these questions, but it does indicate what can be expected in the future. The limitations of financial position are given below;

1. Historical Data:

Analysis of the financial statements indicates about that performance of the business in the preceding period or periods. It does not indicate the present position of the business. Financial statements are prepared on historical facts and do not throw light on the current and present position of the business.

2. Lack of Standard Terminology:

Accounting is not an exact science. It does not universally accepted terminology different meanings are given to a particular term. There are different methods of providing depreciation. Interest may be charged on different rates. In this way, there is sufficient possibility of manipulation and the financial position also proves to be defective. However, in the recent past the International Accounting Board is taking active interest and taking measures for standardizing the accounting terminology as well as bringing standards for bring uniformity in accounting system.

3. Effects of Price Level changes:

The results shown by financial statements may be misleading, if price level changes have not been accounted for. The ratio may improve with the increase in price, whereas the actual efficiency may not improve. Ratios of the two years will not be meaningful for comparison, if the prices of commodities are different. Change in price affects cost of production, sales and value of assets and as a consequence comparability of ratios also suffers.

4. Non-Consideration Qualitative Aspect:

Financial position does not measure the qualitative aspects of the business. It does not show the skill, technical knowhow and the efficiency of its employees and

managers. It is the quantitative measurement of the performance. It means that analysis of financial statements measures only one-sided performance of the business. It completely ignores human resources.

5. Misleading Result:

Results shown by financial position may be misleading in the absence of absolute data, for example, the analysis of one firm reveals that the increase in profits from Rs. 20,000 to Rs. 80,000 shows that the profit has increased by four times. In case of another firm the analysis reveals that the profit of this firm also increased from 100 crores to 400 crores, shown in four fold increase. But this analysis ignored the size of the firms. As such, the results may mislead.

Financial Statement Analysis

Financial statements are prepared primarily for decision making. The information provided in the financial statements is of immense use in making decision through analysis and interpretation of financial statements. It is "the process of identifying the financial strengths and weakness of the firm by properly establishing relationship between the items of balance sheet and profit and loss account". This process is dissection, establishing relationship and interpretation there to understand the working and financial position of a firm is called the financial analysis. Analysis of the financial statements gives a detailed account of business operations and their impact on financial health of the concern.

- ➡ The first step involved refers to the selection of information relevant to the purpose of evaluation from the total information contained in financial statements.
- ➡ The second step involved is the classification or grouping of information in such manner to focus on the significant relationship.
- ➡ The final step is the interpretation which includes drawing inference and conclusions

Financial statements analysis includes both analysis and interpretation. The term analysis is used to mean the simplification of financial data method of classification of data given in financial statements. Interpretation means, explaining the meaning and significance of the data so simplified. Thus analysis and interpretation are closely interlinked.

Definition

According to METCALE AND TITARD, "it is a process of evaluating the relationship between component parts of financial statements to obtain a better understanding to obtain a better understanding of a firm's position and performance".

In the words of MYERS, "Financial statements analysis is largely a study of relationship among the various financial factors in the business as disclosed by a single set of statements, and a study of trend of statements and a study of the factors as shown in a series of statements"

The financial statements are composed of data which are the results of combination of

- ⇒ Recorded facts concerning the business transaction.
- ⇒ Convention adopted to facilitate the accounting technique.
- ⇒ Postulates or assumptions made to.
- ⇒ Personal judgments used in the application of corrections and postulates.

Objectives

Financial statements are the sources of information on the bases of which conclusions are drawn about the profitability and financial position of a concern. They are the major means employed by firms to present their financial position of owners, creditors and general public. The primary objectives of financial statement are to assist in decision making. The accounting principles Board of America states the following objectives of financial statements.

- ⇒ To provide reliable financial information about economic resources and obligations of a business firm.
- ⇒ To provide reliable information about changes such as economic resources and obligations.
- ⇒ To provide reliable information about changes in net resources arising out of business activities.
- ⇒ To provide reliable information that assist in estimating the earning potentials of business.
- ⇒ To disclose to the extent possible, other information related to the financial statements that is relevant to the needs of the users of these statements.

CHARACTERISTICS

The financial statements are prepared with a view to depict financial position of the concern. A proper analysis and interpretation of these statements enables a person to judge the profitability of financial strength of the concern. The ideal financial statements are the following characteristics:

- EFFECTIVE PRESENTATION
- RELEVANCE
- ATTRACTIVE
- BRIEF
- COMPARABILITY
- PROMPTNESS

Effective Presentation: The financial statements should be presented in a simple way so as to make them easily understandable. A person who is not well versed with accounting terminology should also to understand the statements without much difficulty.

Relevance: Financial statements should be relevant to the objectives of the enterprise. This will be possible when the person preparing these statements is able to properly utilize the accounting information. The information which is not relevant to the statements should be avoided.

Attractive: The financial statement should be prepared. The balances of different ledger accounts should be easily taken to these statements.

Comparability: The results of financial analysis should be in a way that can be compared to the previous year statements. The statements can also be compared with the figures of other concerns of the same nature.

Brief: If possible, the financial statements should be presented in brief. The reader will be able to form an idea about the figures. On the other hand, if figures are in details then it will become difficult to judge the working of the business.

Promptness: The financial statement should be prepared and presented at the earliest possible. Immediately at the close of financial year, statement should be ready.

IMPORTANCE

The financial statements are mirrors which reflect the financial position and operating strength of the concern. These statements are useful to management, investors, creditors, bankers, workers, government and public at a large. The following are the major uses of the financial statements:

- As guide to advice dividend action.
- As informative for prospect ion investors in an enterprise.
- As a guide to the value of investment already made.
- As an aid to government supervision.
- As a basis for price or rate regulation.
- As a basis for taxation

The utility of financial statements to different parties is discussed in detail as follows:

Management: The financial statements are useful for assessing the efficiency for different cost centres. The management is able to exercise cost control through these statements. The efficient and inefficient splits are brought to the notice of the management. The management is able to decide the course of action to be adopted in future.

Creditors: The trade creditors are to be paid in a short period this liability is met out of current assets. The creditors will be interested in currents solvency of the concern. The calculation of current ratio and liquid ratio will enable the creditors to assess current financial position of the concern in relation to their debts.

Bankers: The bankers are interested to see the loan amount in secure and the customer is also able to pay the interest regularly. The banker will analyse the balance sheet to determine the financial strength of the concern and Profit and Loss account will also be studied to find out the earning position.

Government: The financial statements are used to assess taxability of business enterprise. The government studies economic situation of the country from these statements. These statements enable the government to find out whether business is following various rules and regulations or not.

LIMITATIONS

Though financial statements are relevant and useful for the concern, still they do not present a final picture of the concern. The utility of these statements is depending upon a number of factors. The financial statement suffers from the following limitations:

Only Interim Reports: These statements do not give a final picture of the concern. The data given in these statements is only approximate. The actual position can only be determined with in the business is sold or liquidated.

Do Not Give Exact Position: The financial statements are expressed in monetary values, so they appear to final and accurate position. The value of fixed assets in the balance sheet neither represents the value for which fixed assets can be sold nor the amount which will be required to place these assets.

Historical Cost: The financial statement is prepared on the basis of historical cost or original costs. The value of assets decreases with the passage of time current price changes are not taken in to account.

Impact of Non-Monetary Factors Ignored: There are certain factors which have a bearing on the financial position and operating results of the business but they do not become a part of these statements because they cannot be measure in monetary terms.

No Precision: These statements deal with matters thatcannot be precisely stated. The date is recorded by conventional procedures followed over the years various corrections, postulates, personal judgment etc., are used for developing the data.

Replacement Cost Is Not Emphasized: The finance statements show the assets as per the book value and these seldom have relevance to replacement costs. The financial statements are based on the historic cost prices but not on the current prices.

These limitations do not limit the use of financial statements. Financial statements continue to play a vital role in terms of their utility to different segments of the society. They form the primary basis for interpretation of financial statements. They provide a basic understanding of the financial position of the firm.

3.1 COMPANY PROFILE

Rane Madras is a global automobile firm **started in the year of 1929** focusing on areas of specialization which includes strengths for vision of the future and an insight into the core technical concepts in the IT and BPO industry.

Rane Madras was founded on the principles of creating leadership and excellence in the industry; with value and wealth for the stakeholders that comprise of our investor, clients and employees. This firm have extensive experience in the automobile industry and have done excellent pioneering work in the technology and successfully spearheaded different business strategies. Have participated the automobile industries growths in India in recent years, the management team brings rich domestic and international experience to the table at Rane Madras.

Ethics and fair play are the founding values of Rane Madras culture. Our corporate value system is based on the LEARN paradigm and is characterized by Leadership through empowerment, Excellence in delivery, Adaptable to client needs, Respect for client and employee and Nimbleness in responding to changing market needs.

This focus has already paid rich dividends in the last 3 years of our existence. The success and growth is underlined by negligible attrition, sustained business growth and establishment of operations in India. We have been profitable since our inception and have grown organically to **a team of over 1500 professionals**. We pride ourselves with being able to retain motivated talent pool in an industry which is known for rapid attrition.

Vision:

Rane Madras strive for excellence in everything they think, say and do. Our vision is more dreamt of than it is articulated. We exceed the expectations by rendering Human Resource solutions with the desired Quality, Values and efficient processes in order to meet both candidate's and client's requirements.

Mission

Our Mission is to give direction for growth and also intended to build a professional environment for maintenance and improvement which will deliver results to become the best concern, to provide manpower services among our competitors.

Strategies

Rane Madras long-standing commitment to high standards of corporate governance and ethical business practices is a fundamental shared value of its Board of Directors, management and employees. The Company's philosophy of corporate governance stems from its belief that timely disclosures, transparent accounting policies, and a strong and independent Board go a long way in preserving shareholders trust while maximizing long-term shareholder value. Good corporate governance flows out of the commitment of the Management and the Board of Directors. When the commitment is backed by the fundamental beliefs of maximizing value for stakeholders; transparent actions in the business; values of a corporate; and mutual trust amongst all constituents of the business, the organization transforms itself into a higher plane of leadership. The forward-looking approach of Rane Madras has always helped it, in achieving the desired results. This approach has transformed the company's culture to one that is relentlessly focused on the speedy translation of scientific discoveries into innovative products. Rane Madras commitment towards Corporate Governance started well before law mandated such practices. The company has identified and established its core purpose, mission and core values for achieving corporate excellence. Rane Madras believe in crafting an environment where the parameters of conduct and behavior of the company and its management is constantly aligned with the business environment.

The company sets records of its turnover reaching **1 billion USD during the financial year 2018-19**. The Rane Madras Methodology is a hybrid model based on the Waterfall and iterative model of development. The Rapid prototyping phase allows us to design and develop a prototype before starting any full-scale development. The concept of rapid Prototyping helps

reduce effort spillage and also allows change incorporation and management at early stages of the project.

3.2 RESEARCH DESIGN

The research is designed in such a way to concentrate mainly on data collected through secondary mode.

3.3 SOURCES & COLLECTION OF DATA:

For the purpose of this study only secondary data have been used.

Secondary data on the other hand are those that have already been collected and analysed by someone else. Secondary data are collected from published accounts and annual reports of Rane Madras. The main source of data of the study was the annual reports of Rane Madras, internet sources, books & articles

3.4 TOOLS FOR RESEARCH

- Ratio Analysis
- Common Size balance Sheet
- Comparative Balance Sheet
- Trend Analysis

3.5 LIMITATIONS OF THE STUDY

- ❖ The project period of three months is insufficient as the company's operations are numerous and complex and hence various areas could not be fully covered.
- ❖ The data will be tabulated using the last five years financial statements of the company and such data are only secondary in nature.
- ❖ Analysis of ratios can also be done with the help of alternative formulae
- ❖ The scope of study analysis is only for five years

CHAPTER 4

DATA ANALYSIS AND INTERPRETATION

4.1 SCHEDULE OF CHANGES IN WORKING CAPITAL

TABLE 1

TABLE SHOWING THE CHANGES IN WORKING CAPITAL FY 2021-2020

Particular	2021	2020	Increase	Decrease
Current Asset				
Current investments	1150451.00	1150451.00		
Inventories	53023808.92	49074975.36	3948833.56	
Trade Receivables	58212161.02	49578450.05	8,633,710.97	
Cash and cash equivalents	5038275.24	4429209.97	609,065.3	
Short Term loans & advances	19276051.18	15667143.13	3608908.05	
	136700747.36	119900229.51		
Current Liabilities				
Short Term borrowings	62158870.51	48348589.78		13810280.73
Trade Payables	24069411.22	33062187.30	8992776.08	
Other current liabilities	9706136.68	9609637.66		96,499.02
Short term provisions	2300000.00	2233000.00		67,000.00
	98,234,418.41	93,253,414.74		
Net Working Capital	38,466,328.95	26,646,814.77		
Decrease in WC		11,819,514.18		11,819,514.18
	38,466,328.95	38,466,328.95	25,793,293.93	25,793,293.93

Source: Annual Reports of Rane Madras.

Interpretation:

The above table shows the working capital statement of Rane Madras for the year 2020 and 2021. Current assets of the company show an increasing trend from the year 2020-2021. Current liabilities increased from 2020 – 2021. This results in a decrease in working capital

TABLE 2

TABLE SHOWING THE CHANGES IN WORKING CAPITAL FY 2020-2019

Particular	2020	2019	Increase	Decrease
Current Asset				
Current investments	1150451.00	21700942.21		20550491.21
Inventories	49074975.36	38544794.21	10530181.15	
Trade Receivables	49578450.05	34772344.92	14,806,105.13	
Cash and cash equivalents	4429209.97	4610039.06		180,829.09
Short Term loans & advances	15667143.13	0.00	15667143.13	
	119,900,229.51	99,628,120.40		
Current Liabilities				
Short Term borrowings	48348589.78	12207648.76		36,140,941.02
Trade Payables	33062187.30	0.00		33,062,187.30
Other current liabilities	9609637.66	0.00		9,609,637.66
Short term provisions	2233000.00	1858905.00		374,095.00
	93,253,414.74	14,066,553.76		
Net Working Capital	26,646,814.77	85,561,566.64	41,003,429.41	99,918,181.28
Decrease in WC	58,914,751.87		58,914,751.87	
	85,561,566.64	85,561,566.64	99,918,181.28	99,918,181.28

Sources: Annual Reports of Rane Madras.

Interpretation:

The above table shows the working capital statement of Rane Madras for the year 2019 and 2020. Current assets of the company show an increasing trend from the year 2019-2020. Current liabilities increased from 2019 – 2020. This results in an increase in working capital

TABLE 3**TABLE SHOWING THE CHANGES IN WORKING CAPITAL FY 2019-2018**

Particular	2019	2018	Increase	Decrease
Current Asset				
Current investments	21700942.21	4996675.83	16,704,266.38	
Inventories	38544794.21	36636738.47	1,908,055.74	
Trade Receivables	34772344.92	27532233.41	7,240,111.51	
Cash and cash equivalents	4610039.06	9821536.06		5,211,497.00
	99,628,120.40	78,987,183.77		
Current Liabilities				
Other current liabilities	12207648.76	7540005.75		4,667,643.01
Short term provisions	1858905.00	1150000.00		708,905.00
	14,066,553.76	8,690,005.75		
Net Working Capital	85,561,566.64	70,297,178.02		
		15,264,388.62		15,264,388.62
Decrease in WC	85,561,566.64	85,561,566.64	25,852,433.63	25,852,433.63

Sources: Annual Reports of Rane Madras.

Interpretation:

The above table shows the working capital statement of Rane Madras for the year 2018 and 2019. Current assets of the company show an increasing trend from the year 2018 -2019. Current liabilities increased from 2018 – 2019. This results in a decrease in working capital

TABLE 4
TABLE SHOWING THE CHANGES IN WORKING CAPITAL FY 2018-2017

Particular	2018	2017	Increase	Decrease
Current Asset				
Current investments	4996675.83	6353891.92		1357216.09
Inventories	36636738.47	29532597.90	7,104,140.57	
Trade Receivables	27532233.41	18274218.52	9,258,014.89	
Cash and cash equivalents	9821536.06	1972085.97	7,849,450.1	
	78,987,183.77	56,132,794.31		
Current Liabilities				
Other current liabilities	7540005.75	4943090.83		2,596,914.92
Short term provisions	1150000.00	2986545.00	1,836,545.00	
	8,690,005.75	7,929,635.83		
Net Working Capital	70,297,178.02	48,203,158.48		
Decrease in WC		22,094,019.54		22,094,019.54
	70,297,178.02	70,297,178.02	26,048,150.55	26,048,150.55

Sources: Annual Reports of Rane Madras.

Interpretation:

The above table shows the working capital statement of Rane Madras for the year 2017 and 2018. Current assets of the company show a decreasing trend from the year 2017 -2018. Current liabilities increased from 2017 – 2018. This results in a decrease in working capital

TABLE 5
TABLE SHOWING THE VARIOUS PROFIT & LOSS ACCOUNT
FY 2021-2017

Year-end March	Mar 17	Mar 18	Mar 19	Mar 20	Mar 21
Total revenues	110,474	133,357	147,531	169,996	192,764
<i>YoY growth (%)</i>	23.0	20.7	10.6	15.2	13.4
Operating expenses	101,169	119,295	131,265	150,548	170,278
Raw material expenses	70,265	85,174	92,170	105,529	119,376
Excise and taxes	19,384	23,807	27,009	31,187	35,372
Trading purchases	0	0	0	0	0
Salaries and wages	2,975	1,960	2,287	2,766	3,137
Manufacturing expenses	8,545	8,354	9,799	11,065	12,393
Managerial remuneration	0	0	0	0	0

Operating profit	9,305	14,062	16,266	19,448	22,486
<i>YoY growth (%)</i>	145.2	51.1	15.7	19.6	15.6
Operating margin (%)	8.4	10.5	11.0	11.4	11.7
Treasury income	3,777	3,914	4,292	4,500	4,700
EBDITA	13,081	17,976	20,558	23,948	27,186
EBDITA margin (%)	11.4	13.1	13.5	13.7	13.8
Depreciation	4,949	4,568	2,854	3,487	4,525
EBIT	8,132	13,408	17,704	20,461	22,661
EBIT margin (%)	7.1	9.8	11.7	11.7	
Interest	434	360	204	376	344
Pre-tax profit	7,698	13,047	17,500	20,387	22,617
Pre-tax margin (%)	6.7	9.5	11.5	11.7	11.5

Tax provision	2,277	4,513	5,609	6,524	7,237
Effective tax rate (%)	29.6	34.6	32.1	32.0	32.0
Adjusted net profit	5,421	8,535	11,890	13,863	15,380
<i>YoY growth (%)</i>	270.4	57.4	39.3	16.6	<i>10.9</i>
+(-) Extra-ordinary Inc/(Exp)	0	0	0	0	0
Reported net profit	5,421	8,535	11,890	13,863	15,380

4.2 RATIO ANALYSIS

- ✓ LIQUIDITY RATIO
- ✓ PROFITABILITY RATIO
- ✓ WORKING CAPITAL RATIO

LIQUIDITY RATIO

- Current Ratio
- Liquid Ratio
- Cash position Ratio

CURRENT RATIO

Formula for Current Ratio is

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

TABLE 5

TABLE SHOWING CURRENT ASSETS RATIO

Year	Current assets	Current liabilities	Current asset ratio
2017	56132794.31	7929635.83	7.08
2018	78987183.77	8690005.75	9.09
2019	99628120.4	14066553.76	7.08
2020	119900229.5	93253414.74	1.29
2021	136700747.4	98234418.41	1.39

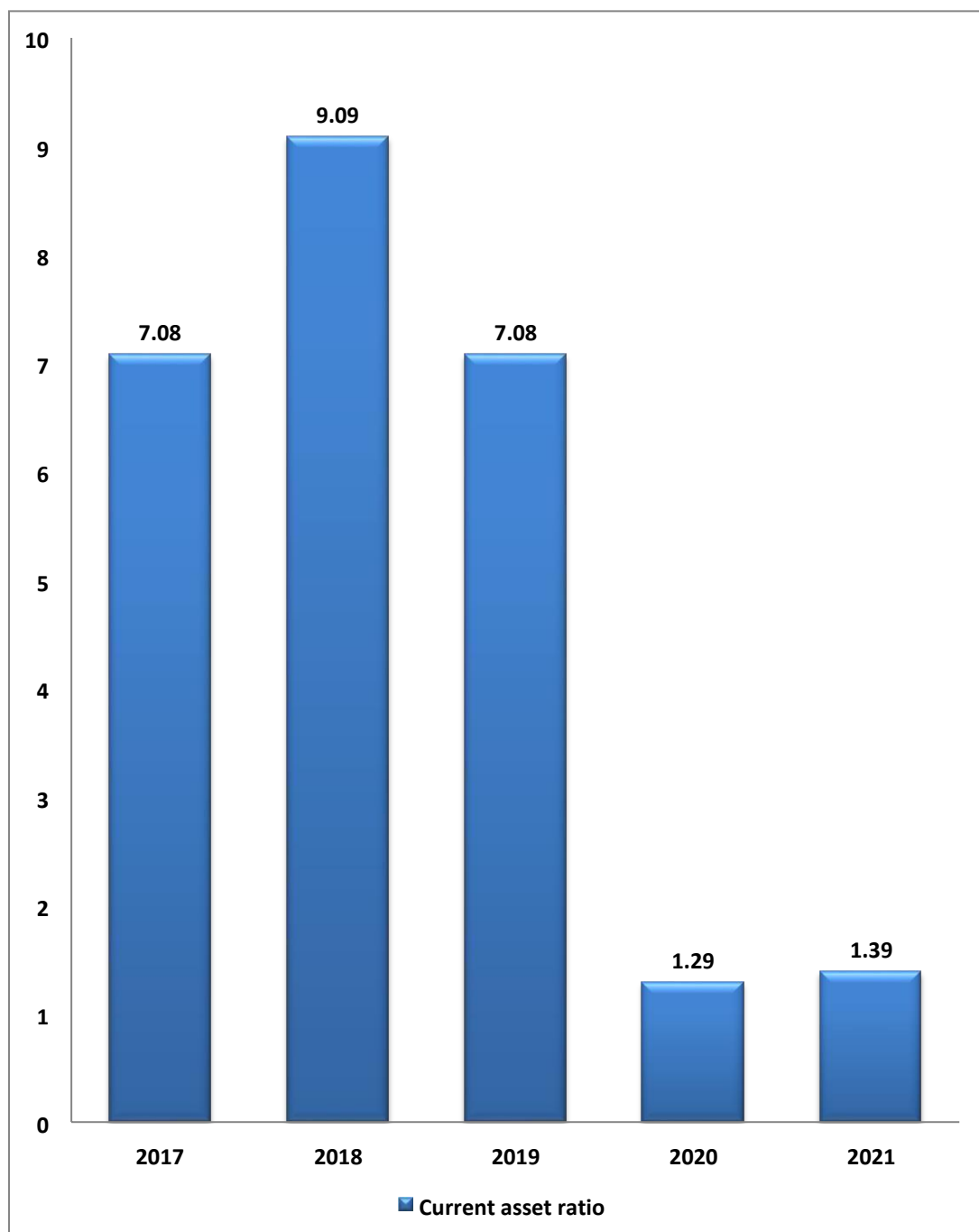
Sources: *Annual Reports of Rane Madras.*

Interpretation: As a rule, the current ratio with 2:1 (or) more is considered as satisfactory position of the firm. This ratio shows the ability of the firm and it related with Current Assets & Current Liabilities. Generally Current Ratio of 2:1 is considered ideal for a concern i.e., current asset should be twice of the current liabilities. This is the most widely used ratio. In the year 2017 and 2018, the current asset ratio was 7.08 and 9.09 respectively. But it started decreasing in the consequent years to 1.29 in 2020, 1.39 in 2021. Fluctuation in the financial statements are due to various reasons

like business boom that had happened during the initial 2 years of the study period and it got stabilized in the 3rd year and the final two years there was a steep fall in the financial position of the organization due to an internal transition among the management team of the organization.

CHART 1

CHART SHOWING CURRENT ASSETS RATIO



LIQUID/QUICK RATIO

Formula for Liquid Ratio is

Liquid Ratio = $\frac{\text{Quick Assets}}{\text{Current Liabilities}}$

Quick Assets = Current Assets – (Stock + Prepaid Expenses)

TABLE 6

TABLE SHOWING LIQUID RATIO

Year	Liquid assets	Current liabilities	Liquid ratio
2017	26600196.41	7929635.83	3.35
2018	42350445.3	8690005.75	4.87
2019	61083326.19	14066553.76	4.34
2020	70825254.15	93253414.74	0.76
2021	83676938.44	98234418.41	0.85

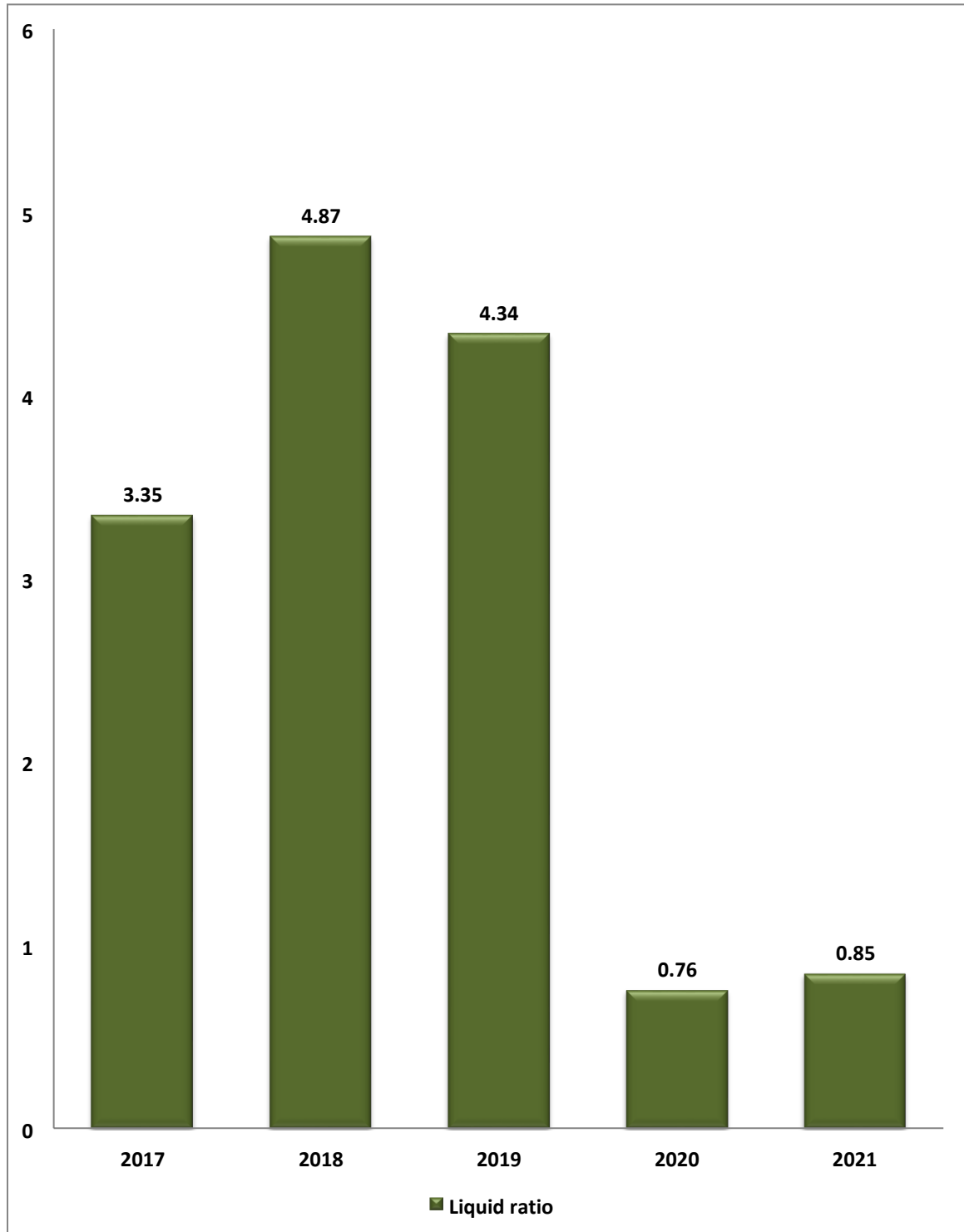
Sources: Annual Reports of Rane Madras

Interpretation:

This is the ratio of liquid assets to liquid liabilities. It shows a firm's ability to meet current liabilities with its most liquid assets. 1:1 ratio is ideal ratio for a concern i.e., Quick Assets should be equal to Current Liabilities. This is the most widely used ratio. The liquid ratio for the year 2017 was 3.35, and in 2021 it was 0.85. This sudden fall is due to the increase in current liabilities

CHART 2

CHART SHOWING LIQUID RATIO



CASH POSITION RATIO

This is the most widely used ratio

$$\text{Cash Position Ratio (CPR)} = \frac{\text{Financial Assets}}{\text{Current Liabilities}}$$

Financial Assets Cash Equivalents (Cash & Bank) + Short Term Investments

TABLE 7
TABLE SHOWING CASH POSITION RATIO

Year	Financial assets	Current liabilities	Cash Position Ratio
2017	1972085.97	7929635.83	3.35
2018	9821536.06	8690005.75	4.87
2019	4610039.06	14066553.76	4.34
2020	20096353.1	93253414.74	0.76
2021	24314326.42	98234418.41	0.85

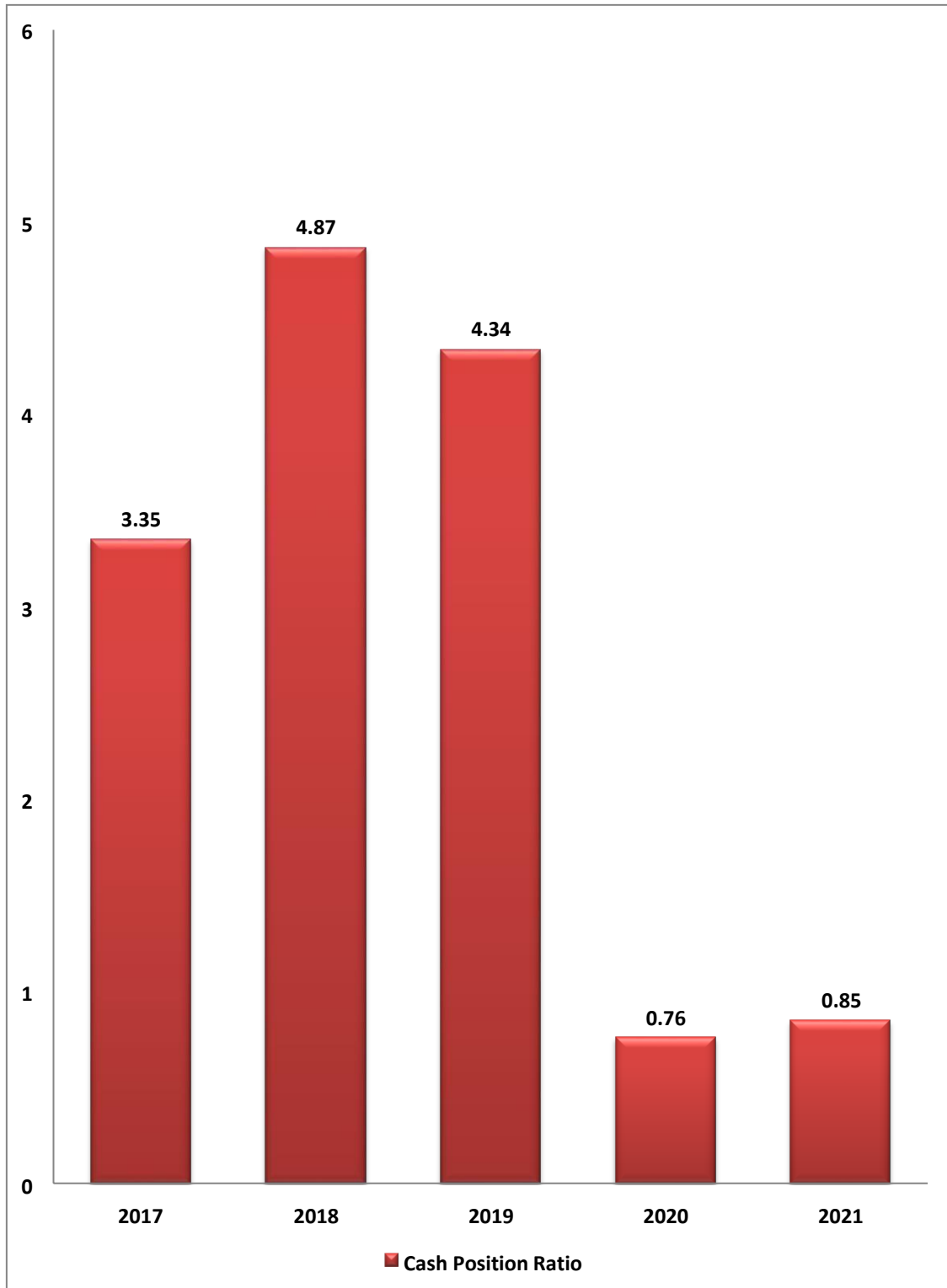
Sources: *Annual Reports of Rane Madras.*

Interpretation:

Cash Position Ratio is expressed as the ratio of financial assets and current liabilities. In the year 2017, the cash position ratio was 3.35 and it increased in 2018 and 2019 but meet a sudden fall during 2020 and 2021 as 0.76 and 0.85

CHART 3

CHART SHOWING CASH POSITION RATIO



PROFITABILITY RATIOS

- Net Profit Ratio
- Gross Profit Ratio
- Expenses Ratio
- Operating Ratio

NET PROFIT RATIO

The formula for the net profit ratio is to divide net profit by net sales, and then multiply by 100. The formula is:

$$\text{Net Profit Ratio} = \frac{\text{Net profit}}{\text{Net sales}}$$

TABLE 8
TABLE SHOWING NET PROFIT RATIO

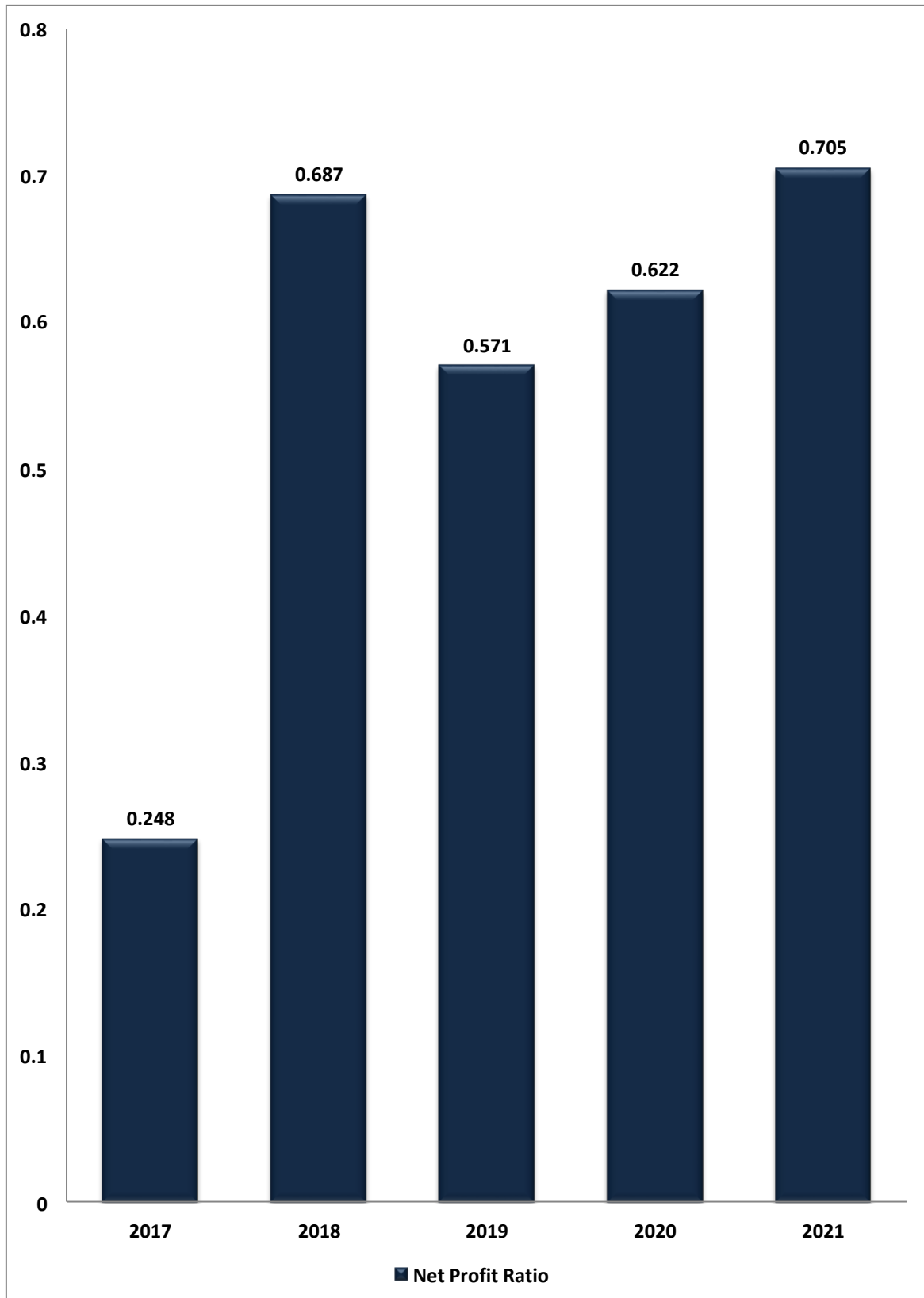
Years	Net Profit	Net Sales	Net Profit Ratio
2017	30,854,152.38	124,612,231.32	0.248
2018	102,250,057.89	148,745,150.78	0.687
2019	81,117,232.38	142,008,057.06	0.571
2020	92,429,095.13	148,703,146.00	0.622
2021	104,283,901.36	147,856,830.33	0.705

Sources: Annual Reports of Rane Madras

Interpretation:

Net Profit is one of the best measures of the overall results of a firm, especially when combined with an evaluation of how well it is using its working capital. The measure is commonly reported on a trend line, to judge performance over time. It is also used to compare the results of a business with its competitors. In the year 2017, the net profit ratio was 0.248 and it is increasing thereafter

CHART 4
CHART SHOWING NET PROFIT RATIO



GROSS PROFIT RATIO

The ratio is computed by dividing the gross profit figure by net sales.

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}}$$

Where;

Gross Profit = Operating Profit + Operating expenses

TABLE 9
TABLE SHOWING GROSS PROFIT RATIO

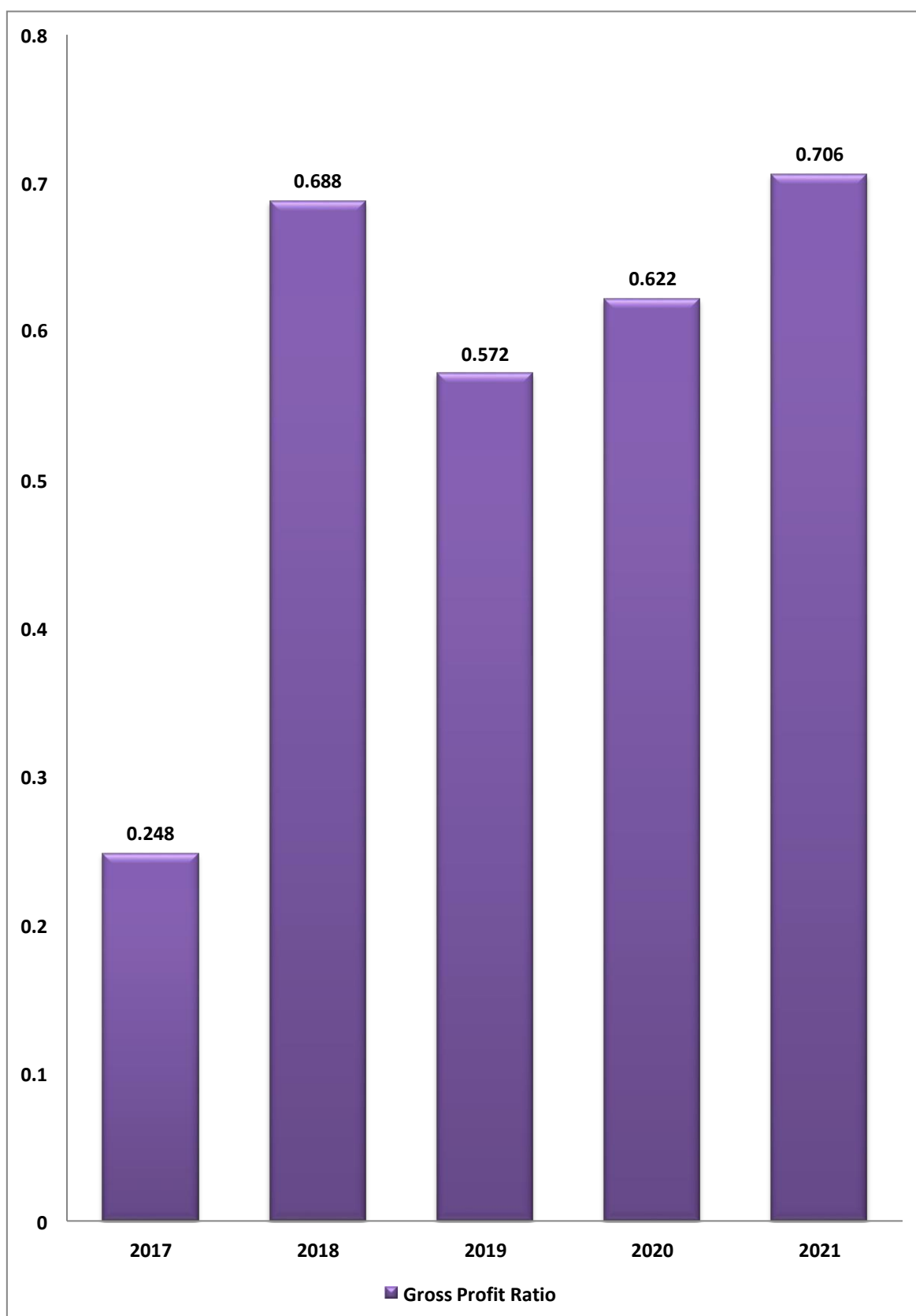
Years	Gross Profit	Net Sales	Gross Profit Ratio
2017	30,854,152.38	124,612,231.32	0.248
2018	102,250,057.89	148,745,150.78	0.688
2019	81,117,232.38	142,008,057.06	0.572
2020	92,429,095.13	148,703,146.00	0.622
2021	104,283,901.36	147,856,830.33	0.706

Sources: *Annual Reports of Rane Madras.*

Interpretation:

Gross profit ratio (GP ratio) is a profitability ratio that shows the relationship between gross profit and total net sales revenue. It is a popular tool to evaluate the operational performance of the business. This ratio measures the margin of profit available on sales. The higher the gross profit ratio, the better it is. No ideal standard is fixed for this ratio, but the gross profit ratio should be adequate enough not only to cover the operating expenses but also to provide for depreciation, interest on loans, dividends and creation of reserves. In the year 2017, the gross profit ratio was 0.248 and it is increasing thereafter

CHART 5
CHART SHOWING GROSS PROFIT RATIO



EXPENSES RATIO

Expenses ratio is calculated as:

$$\text{Expenses Ratio} = \frac{\text{Total Expenses}}{\text{Net Sales}}$$

TABLE 10

TABLE SHOWING EXPENSES RATIO

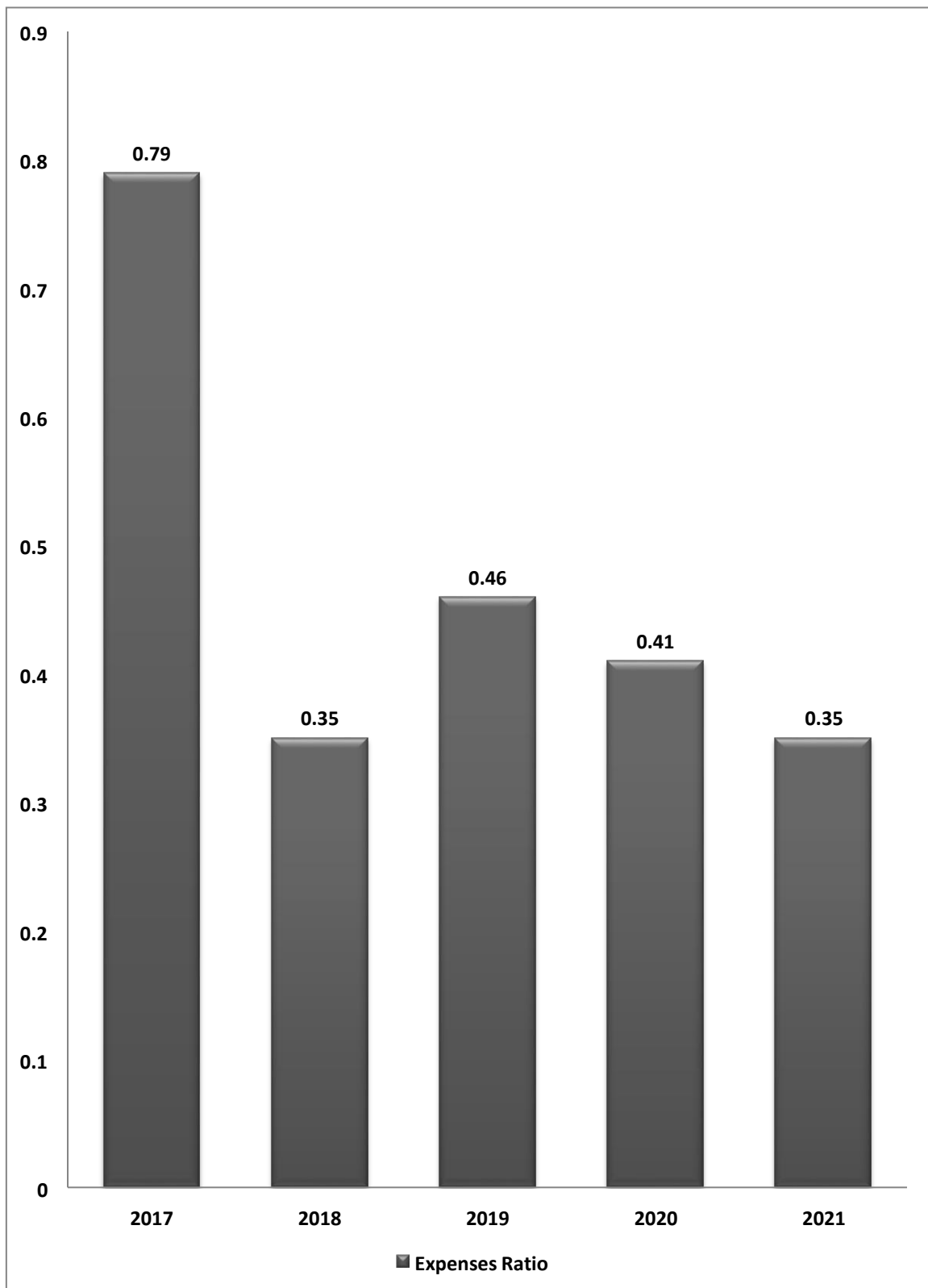
Years	Total Expenses	Net Sales	Expenses Ratio
2017	98,484,416.21	124,612,231.32	0.79
2018	51,333,109.93	148,745,150.78	0.35
2019	65,746,075.79	142,008,057.06	0.46
2020	60,930,728.84	148,703,146.00	0.41
2021	51,370,565.77	147,856,830.33	0.35

Sources: *Annual Reports of Rane Madras*

Interpretation:

Expenses ratio shows the efficiency of a company's management by comparing total expenses to net sales. The smaller the ratio, the greater the organization's ability to generate profit if revenues decrease, when using this ratio, however, investors should be aware that it doesn't take debt repayment or expansion into account. In the year 2017, the expenses ratio was 0.79 and it is decreasing year on year showing a favourable sign for the company

CHART 6
CHART SHOWING EXPENSES RATIO



OPERATING RATIO

Operating Ratio is calculated as,

$$\text{Operating Ratio} = \frac{\text{Operating Profit}}{\text{Net Sales}}$$

TABLE 11

TABLE SHOWING OPERATING RATIO

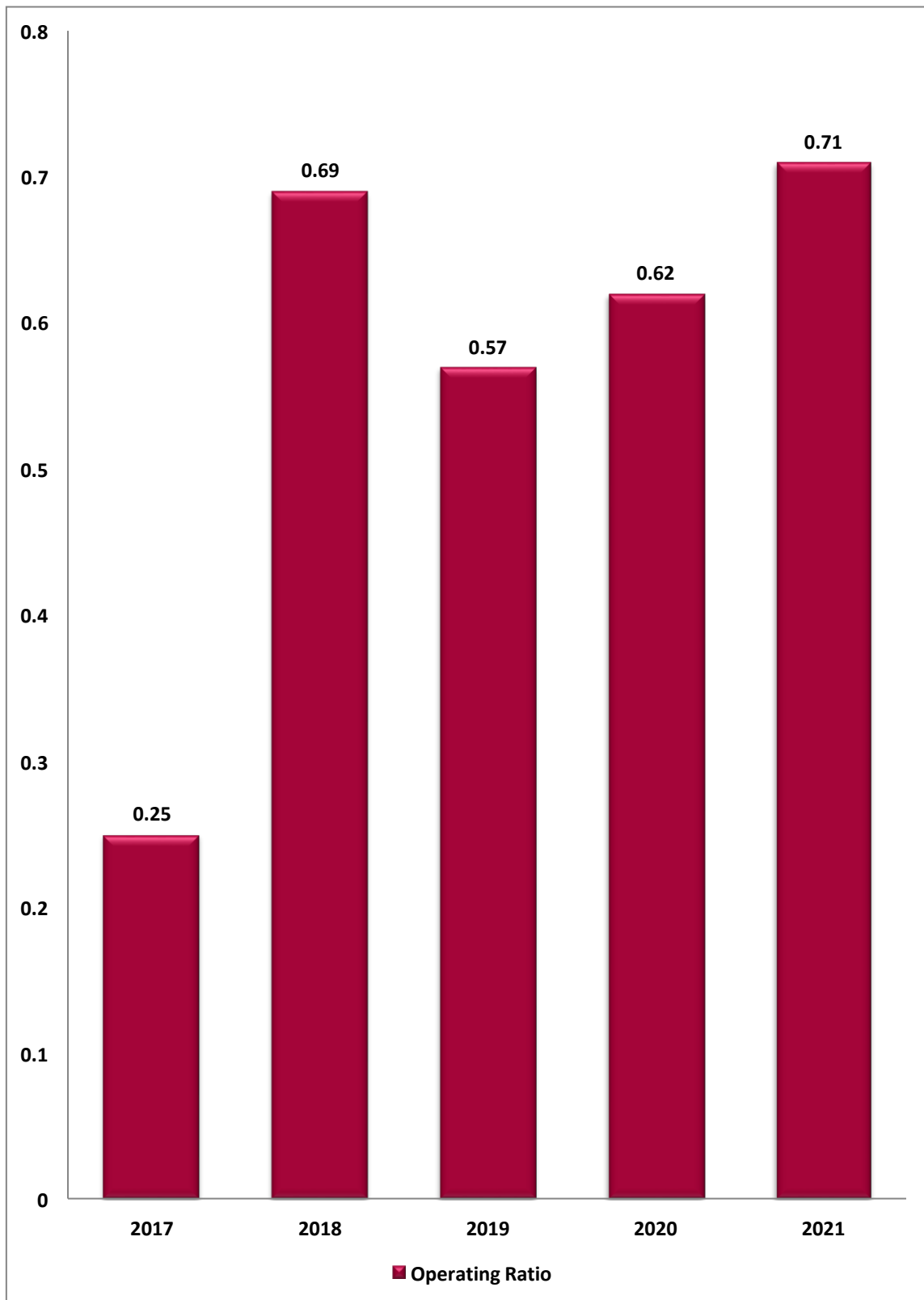
Years	Operating Profit	Net Sales	Operating Ratio
2017	30,889,047.27	124,612,231.32	0.25
2018	102,283,108.74	148,745,150.78	0.69
2019	81,153,154.99	142,008,057.06	0.57
2020	92,483,599.05	148,703,146.00	0.62
2021	104,327,300.00	147,856,830.33	0.71

Sources: *Annual Reports of Rane Madras*

Interpretation:

This ratio indicates the profitability of current operations. This ratio does not take into account the company's capital and tax structure. This ratio measures the rate of net profit earned on sales. It helps in determining the overall efficiency of the business operations. An increase in the ratio over the previous year shows improvement in the overall efficiency and profitability of the business. In the year 2017, this ratio was 0.25 and it is increasing from then every year showing a good sign for the company

CHART 7
CHART SHOWING OPERATING RATIO



WORKING CAPITAL RATIO

- Stock Turnover Ratio
- Debtor Turnover Ratio
- Creditor Turnover Ratio
- Working Capital Ratio
- Working Capital to Fixed Assets Ratio

STOCK TURNOVER RATIO

Formula for Stock / inventories turnover ratio is,

Stock Turnover Ratio = Turnover

Inventories

TABLE 12
TABLE SHOWING STOCK TURNOVER RATIO

Years	Net Sales	Inventories	Stock Turnover Ratio
2017	124,612,231.32	29532597.90	4.22
2018	148,745,150.78	36636738.47	4.06
2019	142,008,057.06	38544794.21	3.68
2020	148,703,146.00	49074975.36	3.03
2021	147,856,830.33	53023808.92	2.79

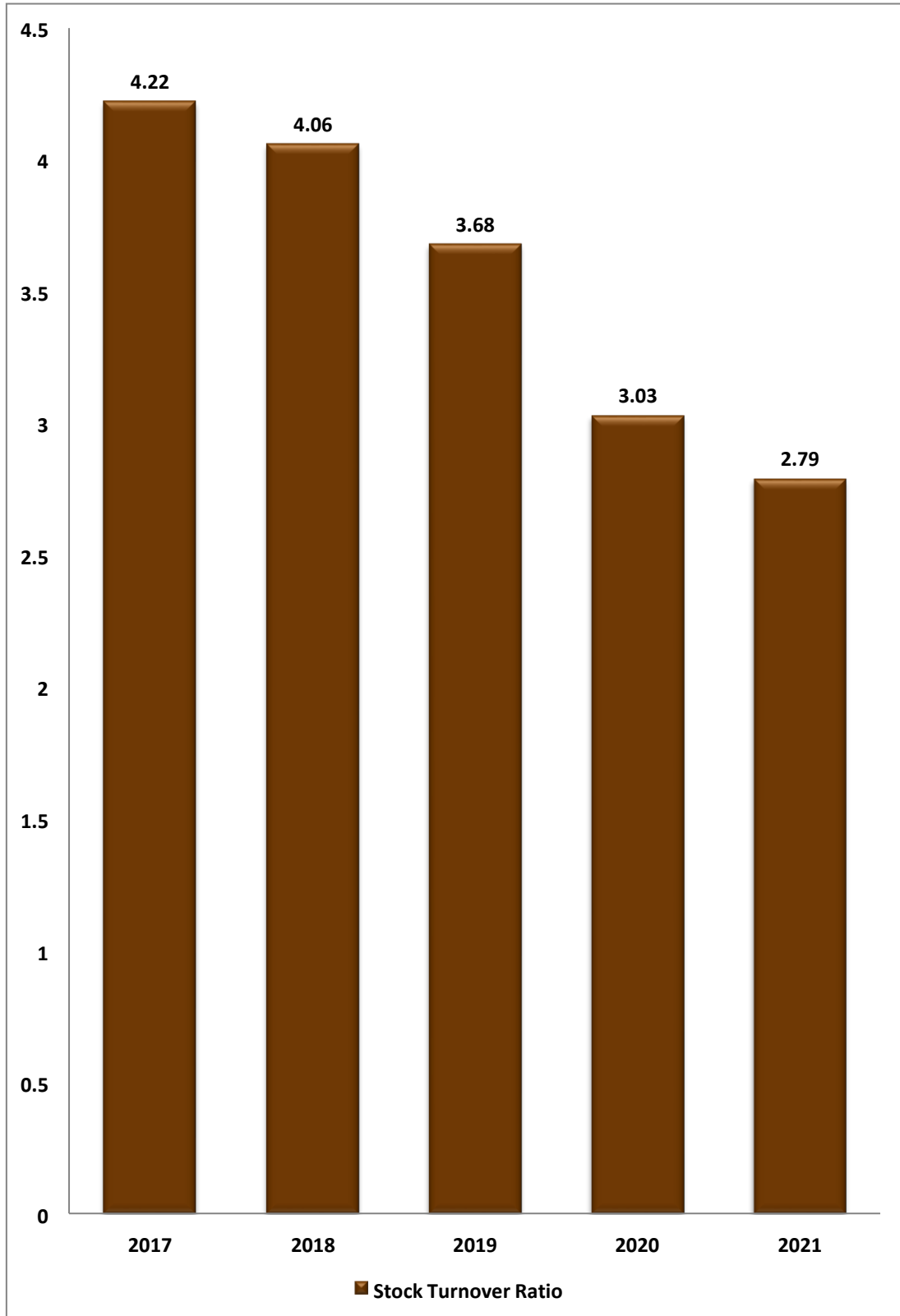
Sources: Annual Reports of Rane Madras.

Interpretation:

This ratio indicates the relationship between the cost of goods during the year and average stock kept during that year. This ratio indicates whether stock has been used or not. It shows the speed with which the stock is rotated into sales or the number of times the stock is turned into sales during the year. The higher the ratio, the better it is, since it indicates that stock is selling quickly. In a business where stock turnover ratio is high, goods can be sold at a low margin of profit and even than the profitability may be quit high. In the year 2017, this ratio was 4.22 and it is decreasing gradually from then

CHART 8

CHART SHOWING STOCK TURNOVER RATIO



DEBTOR TURNOVER RATIO

This ratio is usually expressed as followed:

$$\text{Debtors turnover ratio} = \frac{\text{Turnover}}{\text{Debtors}}$$

TABLE 13
TABLE SHOWING DEBTOR TURNOVER RATIO

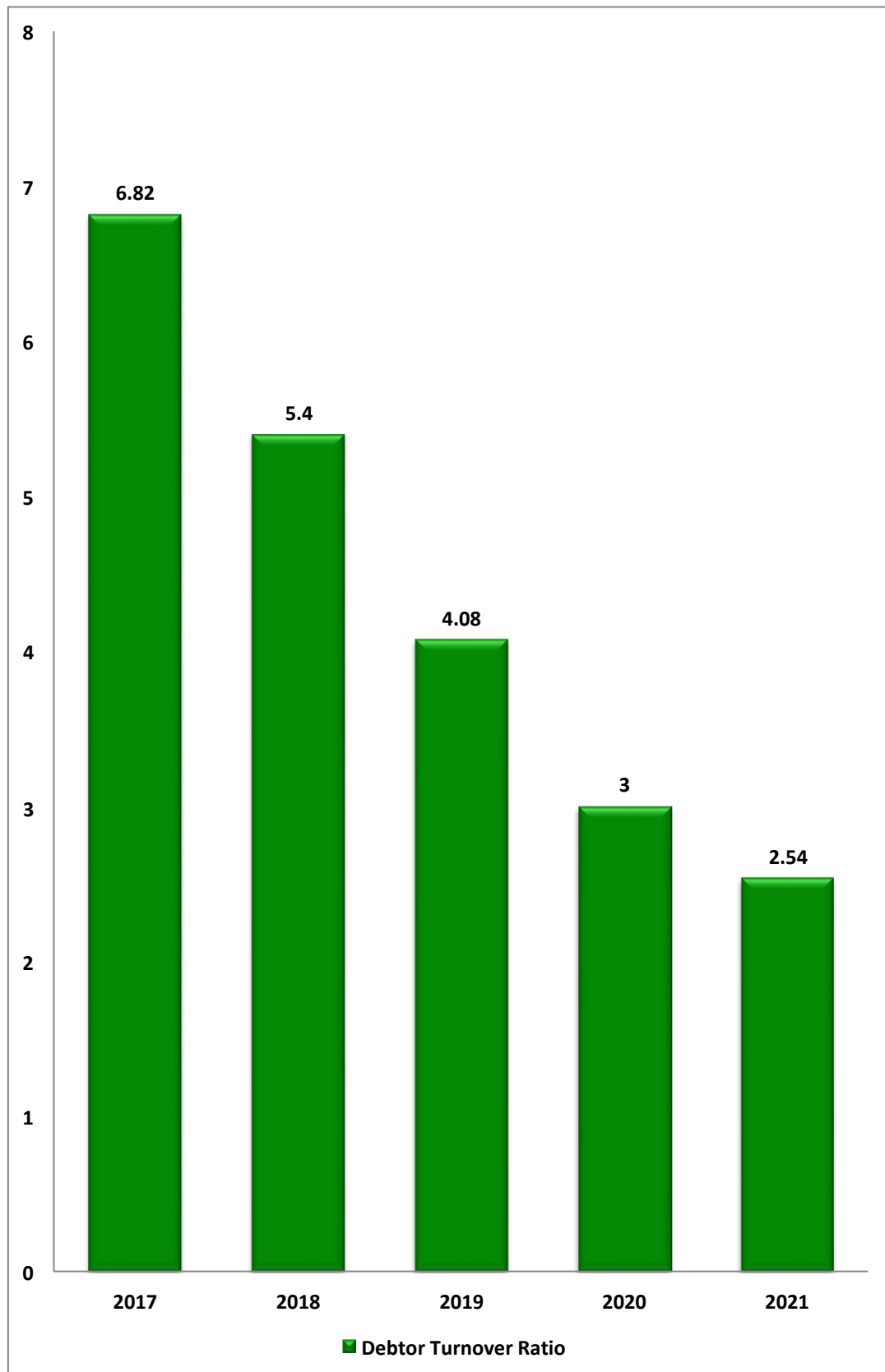
Years	Net Sales	Trade Debtor	Debtor Turnover Ratio
2017	124,612,231.32	18274218.52	6.82
2018	148,745,150.78	27532233.41	5.40
2019	142,008,057.06	34772344.92	4.08
2020	148,703,146.00	49578450.05	3.00
2021	147,856,830.33	58212161.02	2.54

Sources: Annual Reports of Rane Madras

Interpretation:

Debtor's turnover ratio is also called as receivables turnover ratio or debtors velocity. A business concern generally adopts different methods of sales. One of them is selling on credit. Debtors turnover ratio measure the number of times the receivables are rotated in a year in terms of sales. In the year 2017, this ratio was 6.82 and it is decreasing gradually from then

CHART 9
CHART SHOWING DEBTOR TURNOVER RATIO



CREDITOR TURNOVER RATIO

This ratio is usually expressed as followed:

Creditors Turnover Ratio = Turnover

Trade payables

TABLE 14

TABLE SHOWING CREDITOR TURNOVER RATIO

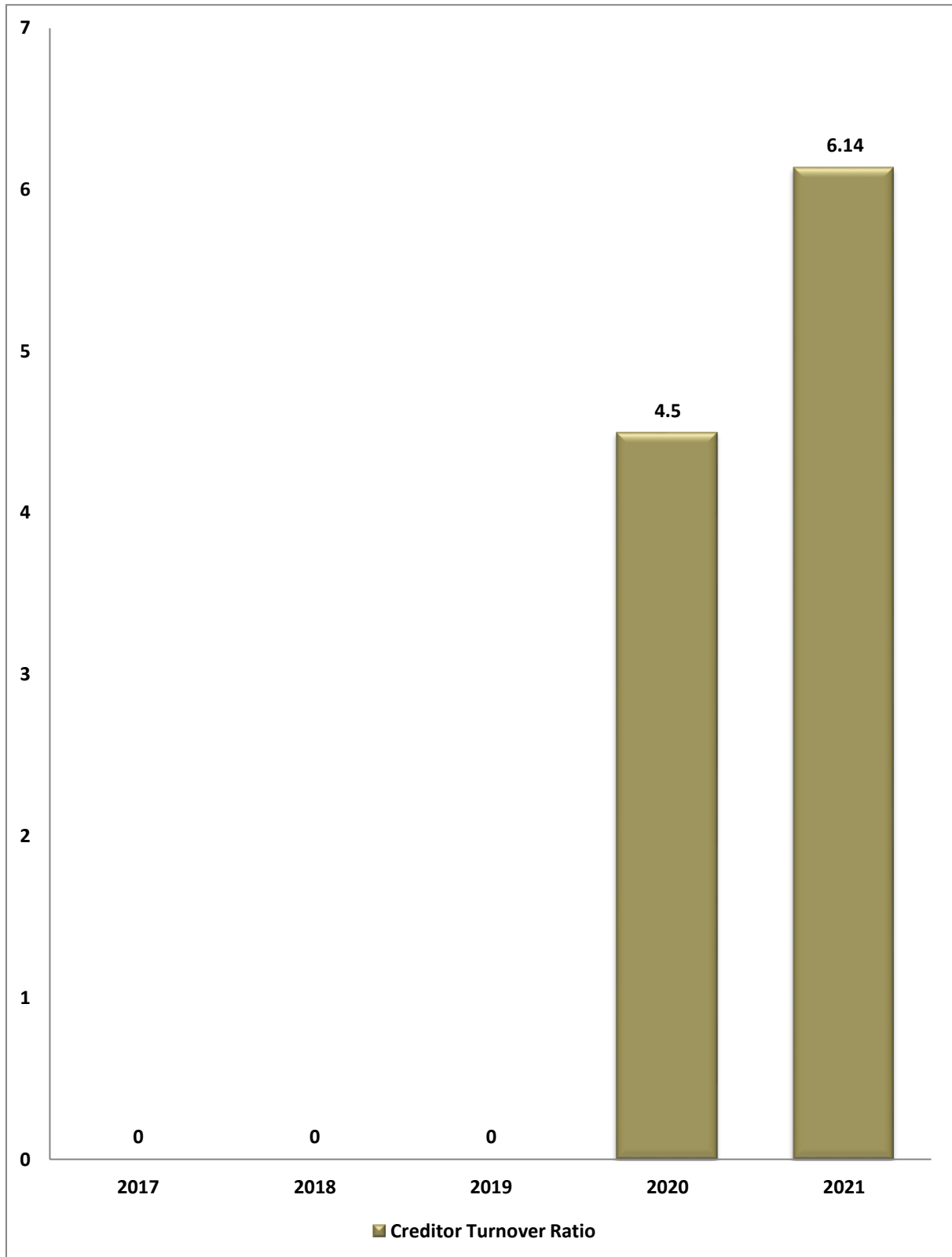
Years	Net Sales	Trade Payable	Creditor Turnover Ratio
2017	124,612,231.32	0.00	0.00
2018	148,745,150.78	0.00	0.00
2019	142,008,057.06	0.00	0.00
2020	148,703,146.00	33062187.30	4.50
2021	147,856,830.33	24069411.22	6.14

Sources: Annual Reports of Rane Madras

Interpretation:

This ratio indicates the relationship between credit purchases and average creditors during the year. This ratio indicates the speed with which the amount is being paid to creditors. The higher the ratio, the better it is, since it will indicate that the creditors are being paid more quickly which increases the credit worthiness of the firm. Turnover ratio measure the number of times the receivables are rotated in a year in terms of sales. In the year 2020, this ratio was 4.50 and in 2021 it is 6.14

CHART 10
CHART SHOWING CREDITOR TURNOVER RATIO



WORKING CAPITAL TURNOVER RATIO

The following formula is used for computation,

$$\text{Working Capital Turnover Ratio} = \frac{\text{Turnover}}{\text{Working Capital (Current Assets – Current Liabilities)}}$$

TABLE 15

TABLE SHOWING WORKING CAPITAL COMPUTATION

Years	CA	CL	Working Capital
2017	56,132,794.31	7,929,635.83	48,203,158.48
2018	78,987,183.77	8,690,005.75	70,297,178.02
2019	99,628,120.40	14,066,553.76	85,561,566.64
2020	119,900,229.51	93,253,414.74	26,646,814.77
2021	136,700,747.40	98,234,418.41	38,466,328.99

Sources: *Annual Reports of Rane Madras.*

Interpretation:

The above table shows the working capital of the company. This shows the increasing trend of working capital in 2017, 2018 and 2019 but meets a sudden fall in 2020 and 2021 due to increased current liability proportionate to current assets

CHART 11

CHART SHOWING WORKING CAPITAL TURNOVER RATIO

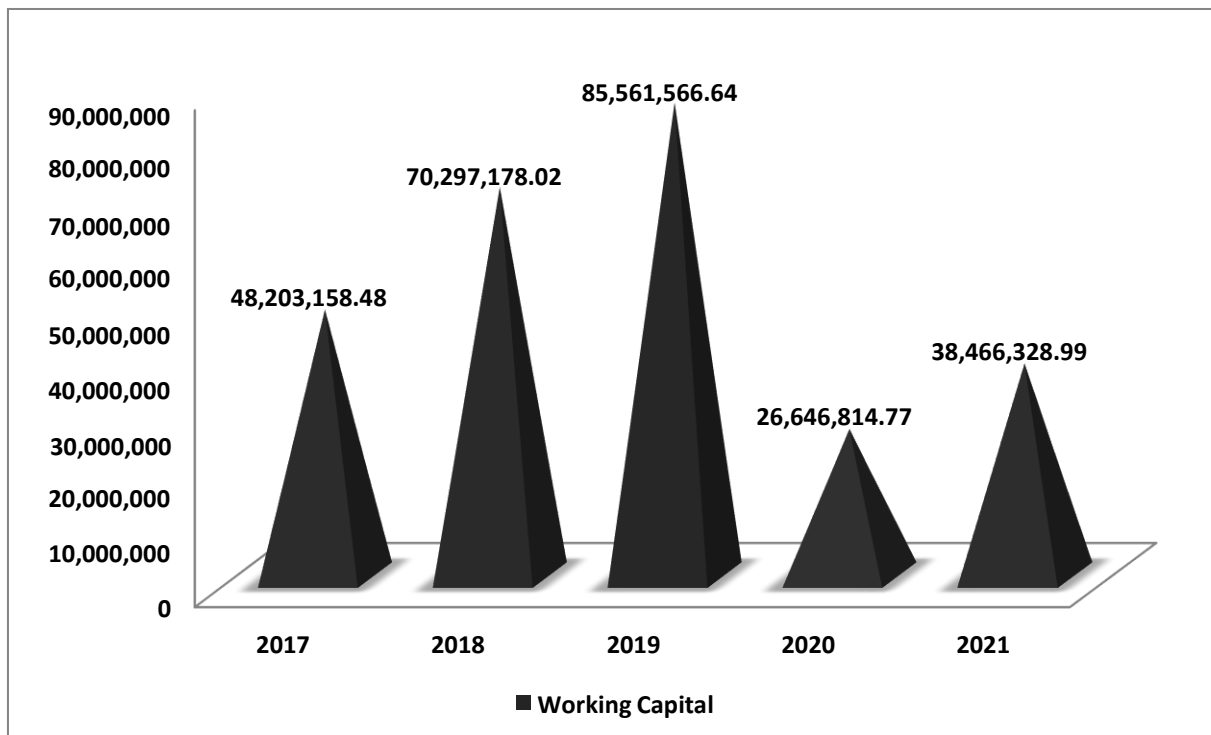


TABLE 16
TABLE SHOWING WORKING CAPITAL TURNOVER RATIO

Years	Net Sales	Working Capital	WC Turnover Ratio
2017	124,612,231.32	48,203,158.48	2.59
2018	148,745,150.78	70,297,178.02	2.12
2019	142,008,057.06	85,561,566.64	1.66
2020	148,703,146.00	26,646,814.77	5.58
2021	147,856,830.33	38,466,328.99	3.84

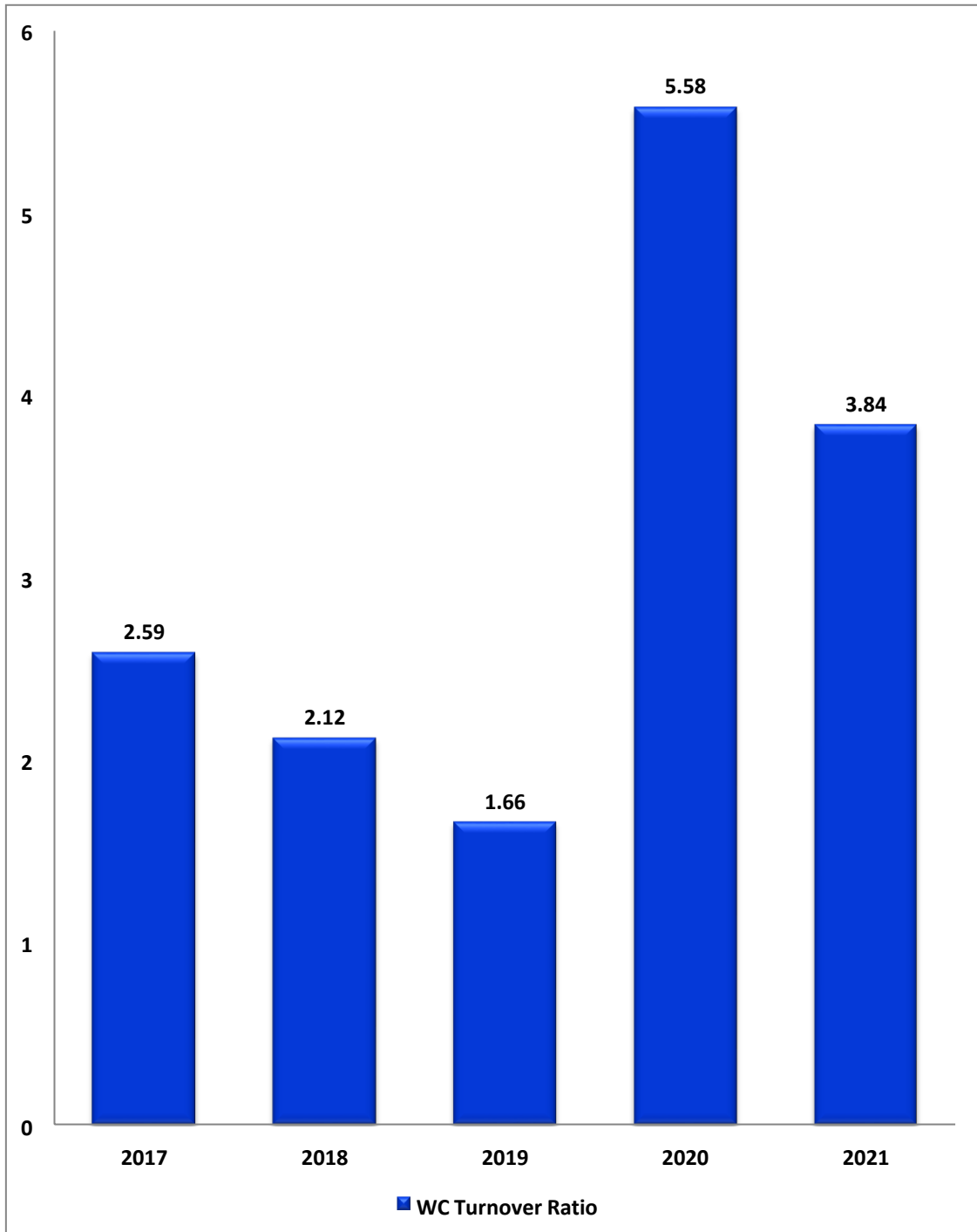
Sources: *Annual Reports of Rane Madras.*

Interpretation:

The working capital turnover ratio is also referred to as net sales to working capital. It indicates a company's effectiveness in using its working capital. The working capital turnover ratio is calculated as follows: net annual sales divided by the working capital of the same period. In the year 2017, this ratio was 2.59 and it is highly volatile

CHART 12

CHART SHOWING WORKING CAPITAL TURNOVER RATIO



WORKING CAPITAL TO FIXED ASSETS

$$\text{Working Capital To fixed assets Ratio} = \frac{\text{Working Capital}}{\text{Fixed Assets}}$$

TABLE 17

TABLE SHOWING WORKING CAPITAL TO FIXED ASSETS RATIO

Years	Working Capital	Fixed Assets	WC to fixed assets Ratio
2017	48,203,158.48	48203158.48	3.02
2018	70,297,178.02	70297178.02	4.26
2019	85,561,566.64	85561566.64	3.33
2020	26,646,814.77	26646814.77	1.11
2021	38,466,328.99	38466328.99	1.67

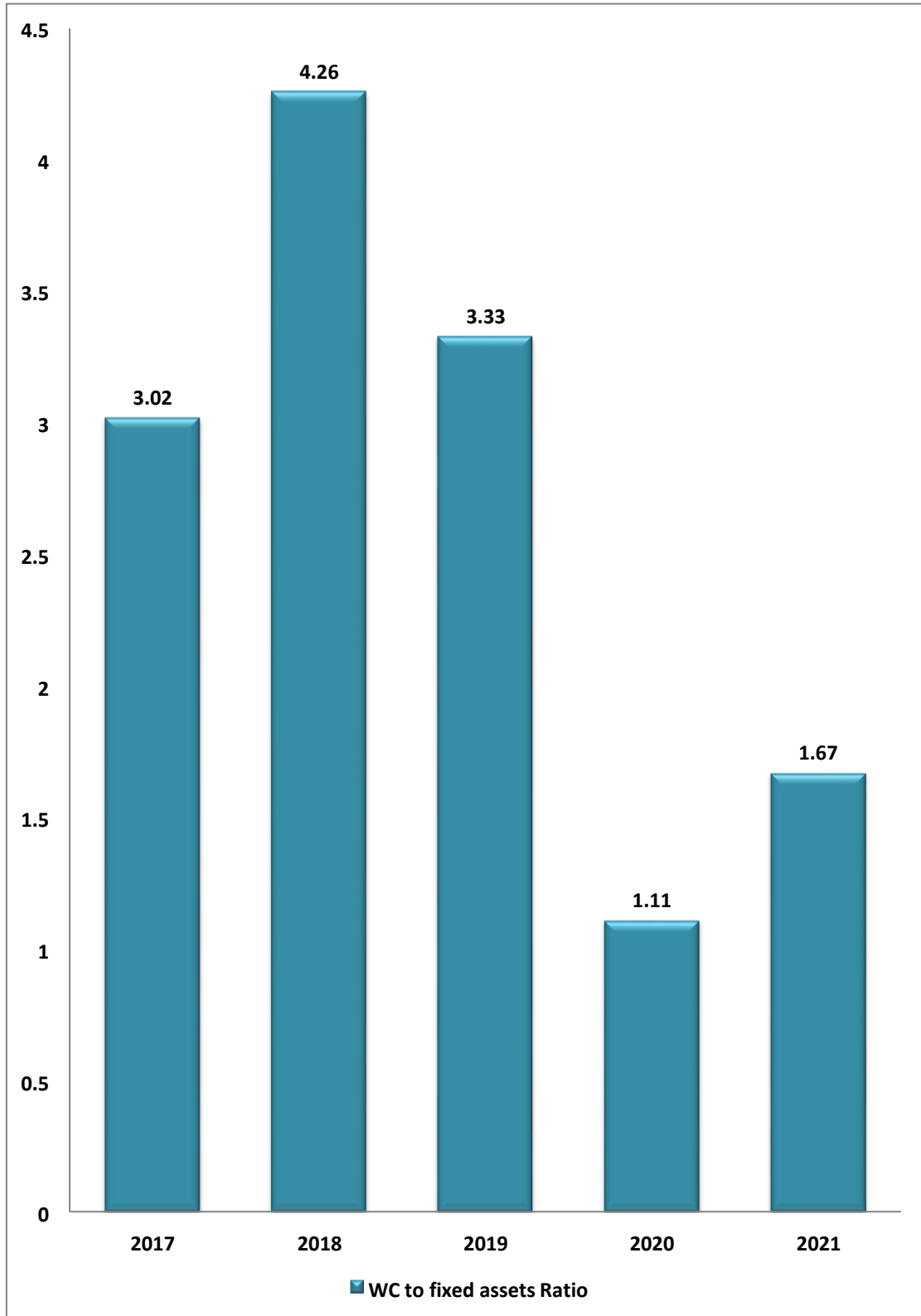
Sources: *Annual Reports of Rane Madras.*

Interpretation:

The Working Capital to fixed Assets ratio measures a company's ability to cover its short term financial obligations (Total Current Liabilities) by comparing its fixed assets. This ratio can provide some insight as to the liquidity of the company, since this ratio can uncover the working capital compared to the company's fixed Assets. In the year 2017, this ratio was 3.02 and it showed an increasing trend up to 2019 but meets a sudden fall during 2020 and 2021 reaching 1.67 in 2021

CHART 13

CHART SHOWING WORKING CAPITAL TO FIXED ASSETS RATIO



4.3 DUPONT ANALYSIS

This can be calculated as follows,

$$\text{Return on Equity (ROE)} = \frac{\text{Net Profit}}{\text{Total Investment}} * 100$$

TABLE 18
TABLE SHOWING RETURN ON EQUITY

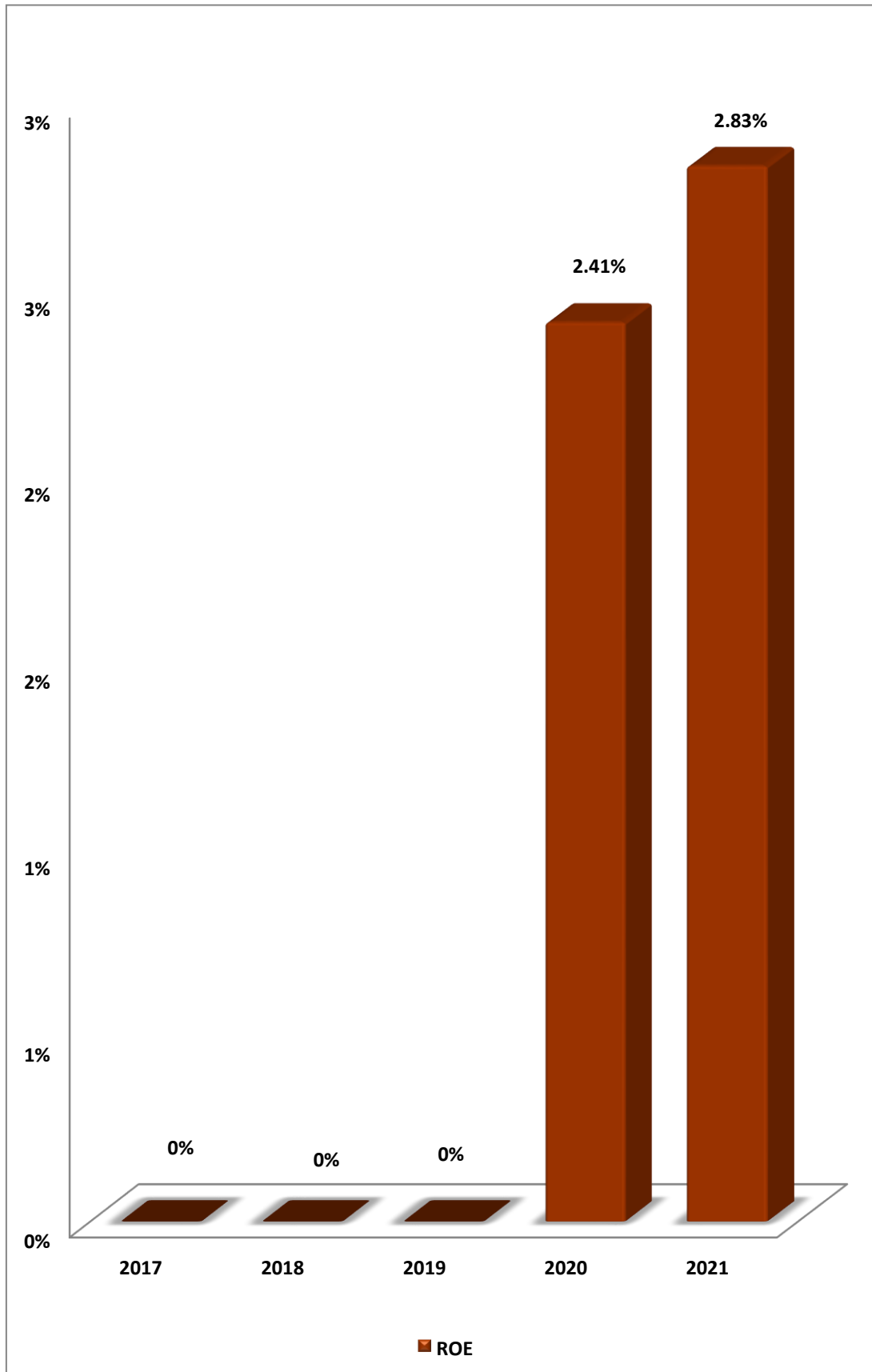
Years	Net Profit	Total Investment	ROI
2017	30,854,152.38	0	0%
2018	102,250,057.89	0	0%
2019	81,117,232.38	0	0%
2020	92,429,095.13	384051.85	2.41%
2021	104,283,901.36	368011.85	2.83%

Sources: Annual Reports of Rane Madras.

Interpretation:

Return on equity (ROE) is a performance measure, used to evaluate the efficiency of an investment or compare the efficiency of a number of different investments. ROE measures the amount of return on an investment, relative to the investment's cost. In the year 2020, the ROE percentage is 2.41 and it increased in 2021 as 2.83%. Showing a good sign of returns to the company in its equity

CHART 14
CHART SHOWING RETURN ON EQUITY



4.4 COMMON SIZE BALANCE SHEET

TABLE 19

COMMON-SIZE BALANCE SHEET OF RANE MADRAS FOR THE YEAR 2017-2018

Liabilities	2017	Percentage	2018	Percentage
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	14.56	10500000	11.00
Reserves & Surplus	4593664.53	6.37	6022355.59	6.31
Non-Current Liabilities				
Long Term Borrowings	48287606.84	66.97	69461995.2	72.76
Deferred Tax Liabilities	794209	1.10	798939	0.84
Other Long term liabilities	0	0.00	0	0.00
Current Liabilities				
Short Term borrowings	0	0.00	0	0.00
Trade Payables	0	0.00	0	0.00
Other current liabilities	4943090.83	6.86	7540005.75	7.90
Short term provisions	2986545	4.14	1150000	1.20
Total Liabilities	72,105,116.20	100.00	95,473,295.54	100.00
Assets				
Non-Current Assets				
Fixed Assets-Tangible	15972321.89	22.15	16486111.77	17.27
Long Term loans & advances	0	0.00	0	0.00
Current Assets				
Current investments	6353891.92	8.81	4996675.83	5.23
Inventories	29532597.9	40.96	36636738.47	38.37
Trade Receivables	18274218.52	25.34	27532233.41	28.84
Cash and cash equivalents	1972085.97	2.74	9821536.06	10.29
Short Term loans & advances	0	0.00	0	0.00
Total	72105116.2	100.00	95473295.54	100.00

Interpretation: The above table reveals the common-size balance sheet of Rane Madras for the year 2017 and 2018. The company's fixed assets got a sudden steep from 22.15% to 17.27% followed by 2017 and 2018. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current and current liabilities are showing adverse effects. Finally it can be concluded that the overall financial position of the company is satisfied.

TABLE 20

COMMON-SIZE BALANCE SHEET OF RANE MADRAS FOR THE YEAR 2018-2019

Liabilities	2018	Percentage	2019	Percentage
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	11.00	10500000	8.38
Reserves & Surplus	6022355.59	6.31	10039451.87	8.01
Non-Current Liabilities				
Long Term Borrowings	69461995.2	72.76	89748796.43	71.62
Deferred Tax Liabilities	798939	0.84	949181	0.76
Other Long term liabilities	0	0.00	0	0.00
Current Liabilities				
Short Term borrowings	0	0.00	0	0.00
Trade Payables	0	0.00	0	0.00
Other current liabilities	7540005.75	7.90	12207648.76	9.74
Short term provisions	1150000	1.20	1858905	1.48
Total Liabilities	95,473,295.54	100.00	125,303,983.06	100.00
Assets				
Non-Current Assets				
Fixed Assets-Tangible	16486111.77	22.86	25675862.66	20.49
Long Term loans & advances	0	0.00	0	0.00
Current Assets				
Current investments	4996675.83	6.93	21700942.21	17.32
Inventories	36636738.47	50.81	38544794.21	30.76
Trade Receivables	27532233.41	38.18	34772344.92	27.75
Cash and cash equivalents	9821536.06	13.62	4610039.06	3.68

Short Term loans & advances	0	0.00	0	0.00
Total	95473295.54	100.00	125303983.1	100.00

Interpretation: The above table reveals the common-size balance sheet of Rane Madras for the year 2018 and 2019. The company's fixed assets got a sudden steep from 22.86% to 20.49% followed by 2018 and 2019. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current and current liabilities are showing better results comparing to previous years. Finally it can be concluded that the overall financial position of the company is satisfied.

TABLE 21

**COMMON-SIZE BALANCE SHEET OF RANE MADRAS FOR THE YEAR 2019 -
2020**

Liabilities	2019	Percentage	2020	Percentage
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	8.38	10500000	7.28
Reserves & Surplus	10039451.87	8.01	14302931.38	9.91
Non-Current Liabilities				
Long Term Borrowings	89748796.43	71.62	19726750.11	13.67
Deferred Tax Liabilities	949181	0.76	879837	0.61
Other Long term liabilities	0	0.00	5603303	3.88
Current Liabilities				
Short Term borrowings	0	0.00	48348589.78	33.51
Trade Payables	0	0.00	33062187.3	22.92
Other current liabilities	12207648.76	9.74	9609637.66	6.66
Short term provisions	1858905	1.48	2233000	1.55
Total Liabilities	125,303,983.06	100.00	144,266,236.23	100.00
Assets				
Non-Current Assets				
Fixed Assets-Tangible	25675862.66	20.49	23981954.87	16.62
Long Term loans & advances	0	0.00	384051.85	0.27
Current Assets				

Current investments	21700942.21	17.32	1150451	0.80
Inventories	38544794.21	30.76	49074975.36	34.02
Trade Receivables	34772344.92	27.75	49578450.05	34.37
Cash and cash equivalents	4610039.06	3.68	4429209.97	3.07
Short Term loans & advances	0	0.00	15667143.13	10.86
Total	125303983.1	100.00	144266236.2	100.00

Interpretation: The above table reveals the common-size balance sheet of Rane Madras for the year 2019 and 2020. The company's fixed assets got a sudden steep from 20.49% to 16.62% followed by 2019 and 2020. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current is showing better results comparing to previous years but current liabilities are not performing well. Finally it can be concluded that the overall financial position of the company is satisfied.

TABLE 22
COMMON-SIZE BALANCE SHEET OF RANE MADRAS FOR THE YEAR 2020-2021

Liabilities	2020	Percentage	2021	Percentage
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	7.28	10500000	6.56
Reserves & Surplus	14302931.38	9.91	19053010.6	11.91
Non-Current Liabilities				
Long Term Borrowings	19726750.11	13.67	31429112	19.64
Deferred Tax Liabilities	879837	0.61	824247	0.52
Other Long term liabilities	5603303	3.88	0	0.00
Current Liabilities				
Short Term borrowings	48348589.78	33.51	62158870.51	38.84
Trade Payables	33062187.3	22.92	24069411.22	15.04
Other current liabilities	9609637.66	6.66	9706136.68	6.06
Short term provisions	2233000	1.55	2300000	1.44
Total Liabilities	144,266,236.23	100.00	160,040,788.01	100.00
Assets				

Non-Current Assets				
Fixed Assets-Tangible	23981954.87	16.62	22972028.8	14.35
Long Term loans & advances	384051.85	0.27	368011.85	0.23
Current Assets				
Current investments	1150451	0.80	1150451	0.72
Inventories	49074975.36	34.02	53023808.92	33.13
Trade Receivables	49578450.05	34.37	58212161.02	36.37
Cash and cash equivalents	4429209.97	3.07	5038275.24	3.15
Short Term loans & advances	15667143.13	10.86	19276051.18	12.04
Total	144266236.2	100.00	160040788	100.00

Interpretation: The above table reveals the common-size balance sheet of Rane Madras for the year 2020 and 2021. The company's fixed assets got a sudden steep from 16.62% to 14.35% followed by 2020 and 2021. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current is showing better results comparing to previous years but current liabilities are not performing well. Finally it can be concluded that the overall financial position of the company is satisfied.

4.5 COMPARATIVE BALANCE SHEET

TABLE 23

COMPARATIVE BALANCE SHEET FY 2017-2018

Liabilities	2017	2018	Increase	Decrease
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	10500000	0	
Reserves & Surplus	4593664.53	6022355.59		1428691.06
Non-Current Liabilities				
Long Term Borrowings	48287606.84	69461995.2		21174388.36
Deferred Tax Liabilities	794209	798939		4730
Other Long term liabilities	0	0	0	
Current Liabilities				
Short Term borrowings	0	0	0	

Trade Payables	0	0	0	
Other current liabilities	4943090.83	7540005.75		2596914.92
Short term provisions	2986545	1150000	1836545	
Total Liabilities	72,105,116.20	95,473,295.54		
Assets				
Non-Current Assets				
Fixed Assets-Tangible	15972321.89	16486111.77	513789.88	
Long Term loans & advances	0	0	0	
Current Assets				
Current investments	6353891.92	4996675.83		1357216.09
Inventories	29532597.9	36636738.47	7104140.57	
Trade Receivables	18274218.52	27532233.41	9258014.89	
Cash and cash equivalents	1972085.97	9821536.06	7849450.09	
Short Term loans & advances	0	0	0	
Total	72105116.2	95473295.54		

Interpretation: The above table reveals the comparative balance sheet of Rane Madras for the year 2017 and 2018. The company's current assets increased. The comparative balance sheet of the company shows that the overall financial position of the company is good

TABLE 24

COMPARATIVE BALANCE SHEET FY 2018-2019

Liabilities	2018	2019	Increase	Decrease
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	10500000	0	
Reserves & Surplus	6022355.59	10039451.87		4017096.28
Non-Current Liabilities			0	
Long Term Borrowings	69461995.2	89748796.43		20286801.23
Deferred Tax Liabilities	798939	949181		150242
Other Long term liabilities	0	0		
Current Liabilities				
Short Term borrowings	0	0	0	
Trade Payables	0	0		
Other current liabilities	7540005.75	12207648.76		4667643.01
Short term provisions	1150000	1858905		708905
Total Liabilities	95,473,295.54	125,303,983.06		
Assets				
Non-Current Assets				
Fixed Assets-Tangible	16486111.77	25675862.66	9189751	
Long Term loans & advances	0	0		
Current Assets				
Current investments	4996675.83	21700942.21	16704266	
Inventories	36636738.47	38544794.21	1908056	
Trade Receivables	27532233.41	34772344.92	7240112	
Cash and cash equivalents	9821536.06	4610039.06		5211497
Short Term loans & advances	0	0	0	
Total	95473295.54	125303983.1		

Interpretation: The above table reveals the comparative balance sheet of Rane Madras for the year 2018 and 2019. The company's current assets increased from the previous year. The comparative balance sheet of the company shows that during these years the assets value faced a sudden fall this might be due to decrease in inventories and capital work in progress

TABLE 25
COMPARATIVE BALANCE SHEET FY 2019-2020

Liabilities	2019	2020	Increase	Decrease
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	10500000	0	
Reserves & Surplus	10039451.87	14302931.38		4263479.51
Non-Current Liabilities			0	
Long Term Borrowings	89748796.43	19726750.11	70022046	
Deferred Tax Liabilities	949181	879837	69344	
Other Long term liabilities	0	5603303		5603303
Current Liabilities				
Short Term borrowings	0	48348589.78		48348589.78
Trade Payables	0	33062187.3		33062187.3
Other current liabilities	12207648.76	9609637.66	2598011	
Short term provisions	1858905	2233000		374095
Total Liabilities	125,303,983.06	144,266,236.23		
Assets				
Non-Current Assets				
Fixed Assets-Tangible	25675862.66	23981954.87		1693907.79
Long Term loans & advances	0	384051.85	384051.9	
Current Assets				
Current investments	21700942.21	1150451		20550491.21
Inventories	38544794.21	49074975.36	10530181	
Trade Receivables	34772344.92	49578450.05	14806105	
Cash and cash equivalents	4610039.06	4429209.97		180829.09
Short Term loans & advances	0	15667143.13	15667143	
Total	125303983.1	144266236.2		

Interpretation: The above table reveals the comparative balance sheet of Rane Madras for the year 2019 and 2020. The company's current assets increased. The comparative balance sheet of the company shows that during these years the assets value faced a slight fall this might be due to decrease in current investments and net fixed assets

TABLE 26
COMPARATIVE BALANCE SHEET FY 2020-2021

Liabilities	2020	2021	Increase	Decrease
Sources Of Funds				
Share Holders Fund				
Total Share Capital	10500000	10500000	0	
Reserves & Surplus	14302931.38	19053010.6		4750079.2
Non-Current Liabilities				
Long Term Borrowings	19726750.11	31429112		11702362
Deferred Tax Liabilities	879837	824247	55590	
Other Long term liabilities	5603303	0	5603303	
Current Liabilities				
Short Term borrowings	48348589.78	62158870.51		13810281
Trade Payables	33062187.3	24069411.22	8992776	
Other current liabilities	9609637.66	9706136.68		96499.02
Short term provisions	2233000	2300000		67000
Total Liabilities	144,266,236.23	160,040,788.01		
Assets				
Non-Current Assets				
Fixed Assets-Tangible	23981954.87	22972028.8		1009926.1
Long Term loans & advances	384051.85	368011.85		16040
Current Assets				
Current investments	1150451	1150451	0	
Inventories	49074975.36	53023808.92	3948834	
Trade Receivables	49578450.05	58212161.02	8633711	
Cash and cash equivalents	4429209.97	5038275.24	609065.3	
Short Term loans & advances	15667143.13	19276051.18	3608908	
Total	144266236.2	160040788		

Interpretation: The above table reveals the comparative balance sheet of Rane Madras for the year 2020 and 2021. The company's current assets increased. The comparative balance sheet of the company shows that during these years the assets value faced a sudden fall this might be due to decrease in fixed assets and long term loans

4.6 TREND ANALYSIS

TABLE 27

TABLE SHOWING TREND ANALYSIS OF CURRENT ASSETS

Years	X	Y	X ²	XY	Trend Value	Deviation
2017	-2	56132794.31	4	-112265589	-57860024.76	113992819.1
2018	-1	78987183.77	1	-78987183.8	-8725117.2	87712300.97
2019	0	99628120.40	0	0	40409790.36	59218330.04
2020	1	119900229.51	1	119900229.5	89544697.92	30355531.59
2021	2	136700747.36	4	273401494.7	138679605.5	-1978858.14
TOTAL		491349075.35	10	202148951.8		

Sources: Annual Reports of Rane Madras.

Trend Line (Y_c) = A + BX

Deviation = Y – Trend Value

Where **A = $\sum Y / N$**

$$\mathbf{B = \sum XY / \sum X^2}$$

$$\mathbf{A = \frac{202148951.8}{5} = 40409790.36}$$

$$\mathbf{B = \frac{491349075.35}{10} = 49134907.56}$$

$$\mathbf{Y_c = 40409790.36 + [49134907.56 (-2)]}$$
$$\mathbf{= -57860024.76}$$

$$\mathbf{Y_c = 40409790.36 + [49134907.56 (-1)]}$$
$$\mathbf{= -8725117.2}$$

$$\mathbf{Y_c = 40409790.36 + [49134907.56 (0)]}$$
$$\mathbf{= 40409790.36}$$

$$\mathbf{Y_c = 40409790.36 + [49134907.56 (1)]}$$
$$\mathbf{= 89544697.92}$$

$$\mathbf{Y_c = 40409790.36 + [49134907.56 (2)]}$$
$$\mathbf{= 138679605.5}$$

CHART 15

CHART SHOWING THE TREND VALUE OF CURRENT ASSETS

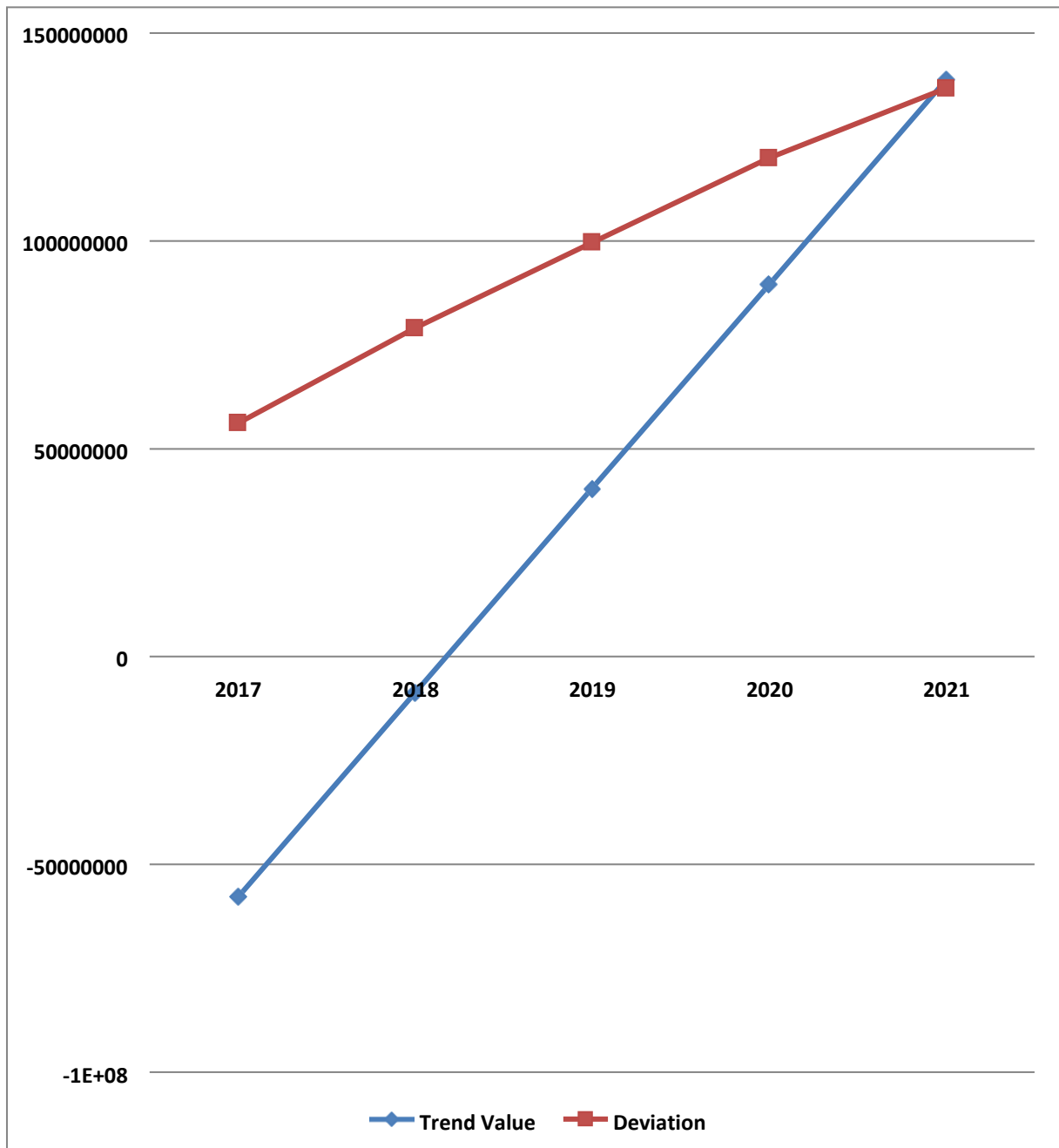


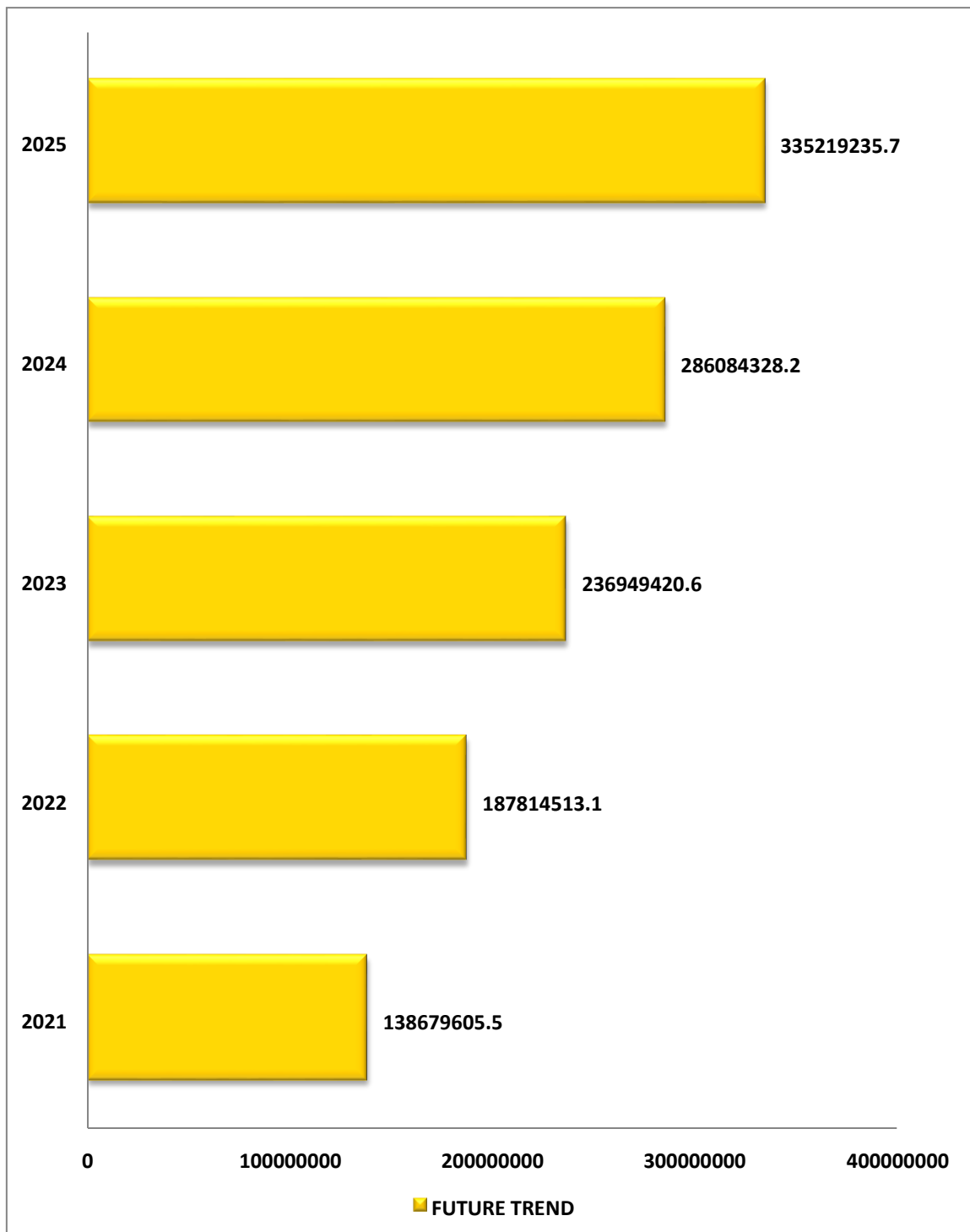
TABLE 28
PROJECTED TREND VALUE – CURRENT ASSETS
FOR THE FORTHCOMING YEARS (2021 TO 2024)

YEAR	FUTURE TREND (Trend value + B)
2021	138679605.5
2022	187814513.1
2023	236949420.6
2024	286084328.2
2025	335219235.7

Sources: *Annual Reports of Rane Madras.*

Interpretation: The trend analysis for the above years shows only a marginal increase. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current assets value. There was no phenomenal increase in growth in term of assets during 2022 and this is the one of the major reasons that the projections are also showing only a marginal increase. In reality if we assume that the same increasing in trend continues compared to 2022, the ratio for the above five years will be still higher.

CHART 16
CHART SHOWING TREND ANALYSIS OF CURRENT ASSETS



CHAPTER 5

FINDINGS AND SUGGESTIONS

5.1 FINDINGS OF THE STUDY

- ❖ The working capital statement of Rane Madras for the year 2020 and 2021 shows Current assets of the company an increasing trend from the year 2020-2021. Current liabilities increased from 2020 – 2021. This results in a decrease in working capital
- ❖ The working capital statement of Rane Madras for the year 2019 and 2020 shows Current assets of the company an increasing trend from the year 2019-2020. Current liabilities increased from 2019 – 2020. This results in an increase in working capital
- ❖ The working capital statement of Rane Madras for the year 2018 and 2019 shows Current assets of the company an increasing trend from the year 2018-2019. Current liabilities increased from 2018-2019. This results in a decrease in working capital
- ❖ The working capital statement of Rane Madras for the year 2017 and 2018 shows Current assets of the company an increasing trend from the year 2017-2018. Current liabilities increased from 2017-2018. This results in a decrease in working capital
- ❖ The current ratio in 2017 and 2018, the current asset ratio was 7.08 and 9.09 respectively. But it started decreasing in the consequent years to 1.29 in 2020, 1.39 in 2021
- ❖ The liquid ratio for the year 2017 was 3.35, and in 2021 it was 0.85. This sudden fall is due to the increase in current liabilities
- ❖ In the year 2017, the cash position ratio was 3.35 and it increased in 2018 and 2019 but meet a sudden fall during 2020 and 2021 as 0.76 and 0.85
- ❖ In the year 2017, the net profit ratio was 0.248 and it is increasing thereafter
- ❖ In the year 2017, the gross profit ratio was 0.248 and it is increasing thereafter
- ❖ In the year 2017, the expenses ratio was 0.79 and it is decreasing year on year showing a favourable sign for the company

- ❖ In the year 2017, this ratio was 0.25 and it is increasing from then every year showing a good sign for the company
- ❖ In the year 2017, the stock turnover ratio was 4.22 and is decreasing gradually from then
- ❖ In the year 2017, debtor turnover ratio was 6.82 and it is decreasing gradually from then
- ❖ In the year 2020, creditor turnover ratio was 4.50 and in 2021 it is 6.14
- ❖ The working capital of the company shows the increasing trend in 2017, 2018 and 2019 but meets a sudden fall in 2020 and 2021 due to increased current liability proportionate to current assets
- ❖ In the year 2017, the working capital turnover ratio was 2.59 and it is highly volatile
- ❖ In the year 2017, working Capital to fixed Assets ratio was 3.02 and it showed an increasing trend up to 2019 but meets a sudden fall during 2020 and 2021 reaching 1.67 in 2021
- ❖ In the year 2019, the ROE percentage is 2.41 and it increased in 2021 as 2.83%. Showing a good sign of returns to the company in its investments
- ❖ The common-size balance sheet of Rane Madras for the year 2017 and 2018 reveals the company's fixed assets got a sudden steep from 22.15% to 17.27% followed by 2017 and 2018. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current and current liabilities are showing adverse effects. Finally it can be concluded that the overall financial position of the company is satisfied.
- ❖ The common-size balance sheet of Rane Madras for the year 2018 and 2019 reveals the company's fixed assets got a sudden steep from 22.86% to 20.49% followed by 2018 and 2019. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current and current liabilities are showing better results comparing to previous years. Finally it can be concluded that the overall financial position of the company is satisfied.
- ❖ The common-size balance sheet of Rane Madras for the year 2019 and 2020 reveals the company's fixed assets got a sudden steep from 20.49% to 16.62% followed by 2019 and 2020. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current is showing better results comparing to previous years but current liabilities are not performing

well. Finally it can be concluded that the overall financial position of the company is satisfied.

- ❖ The common-size balance sheet of Rane Madras for the year 2020 and 2021 reveals the company's fixed assets got a sudden steep from 16.62% to 14.35% followed by 2020 and 2021. The company's trade receivables and cash equivalents showed a decent rise. The company's non-current is showing better results comparing to previous years but current liabilities are not performing well. Finally it can be concluded that the overall financial position of the company is satisfied
- ❖ The comparative balance sheet of Rane Madras for the year 2017 and 2018 reveals the company's current assets increased. The comparative balance sheet of the company shows that the overall financial position of the company is good
- ❖ The comparative balance sheet of Rane Madras for the year 2018 and 2019 reveals the company's current assets increased from the previous year. The comparative balance sheet of the company shows that during these years the assets value faced a sudden fall this might be due to decrease in inventories and capital work in progress
- ❖ The comparative balance sheet of Rane Madras for the year 2019 and 2020 reveals the company's current assets increased. The comparative balance sheet of the company shows that during these years the assets value faced a slight fall this might be due to decrease in current investments and net fixed assets
- ❖ The comparative balance sheet of Rane Madras for the year 2020 and 2021 reveals the company's current assets increased. The comparative balance sheet of the company shows that during these years the assets value faced a sudden fall this might be due to decrease in fixed assets and long term loans
- ❖ The trend analysis for the above years shows only a marginal increase. This is mainly due to the reason that these data's have been arrived in comparison with the last 5 years current assets value. There was no phenomenal increase in growth in term of assets during 2021 and this is the one of the major reasons that the projections are also showing only a marginal increase. In reality if we assume that the same increasing in trend continues compared to 2021, the ratio for the above five years will be still higher.

5.2 SUGGESTIONS OF THE STUDY

- After the analysis of Financial Statements, the company status is better, because the Net working capital of the company is doubled from the last year's position.
- The company profits are huge in the current year; it is better to declare the dividend to stakeholders.
- The company is utilising the fixed assets, which majorly help to the growth of the organisation. The company should maintain that perfectly.
- The company fixed deposits are raised from the inception, it gives the other income i.e., Interest on fixed deposits.
- Steps have to be taken to increase the current asset position of the firm so as to improve the liquidity position of the firm.
- Percentage of debt to equity can be reduced so as to reduce the financial risk.
- Percentage of debt in capital can be reduced so as to increase the return to stakeholders.
- Steps can be taken to reduce the current liability of the firm so as to have a stable financial position.
- Steps can be taken to increase the net profit so as to increase the overall financial performance.

5.3 CONCLUSION OF THE STUDY

The company's overall position is at a good position. Particularly the current year's position is well due to raise in the profit level from the last year position. It is better for the organization to diversify the funds to different sectors in the present market scenario. Rane Madras is showing fluctuations in its profitability position from the past 5 years, which is concluded with the financial statement analysis. The previous year assets were also increased but its working capital position was decreasing which says that the company was unable to meet its current liabilities. Preparation of financial statements enables the Government to find out whether the organization is following various rules and regulations or not. These statements provide a base for the regulation for the firm. The financial statements are useful for accessing the efficiency for different cost centres as the management is able to exercise cost control through these statements. It is not only helpful to analyse the present financial position but it will also study future prospects and expansion plans of the concern. In this study, a sincere attempt has been made to analyse the working of Rane Madras making use of different financial appraisal technique like Ratio analysis, Trend analysis, Common size balance sheet analysis etc; the period of study was 5 years i.e. 2017 to 2021. The data for the study obtained from published annual report of the company.

An effort has been made to appraise the overall financial performance and efficiency of management, but the scope and depth of study remained limited due to limiting factors of time, and resources. However, it is expected that the study will provide useful information for the better and easier understanding of the financial result of the company. The focus of financial position is on key figures in the financial statements and the significant relationship that exists between them the analysis of financial statements to obtain a better understanding of the firm's position and performance, financial position is the process of selection, relation and evaluation. A financial statement is a compilation of data which is logically and consistently organized according to accounting principles an understanding of some financial aspects of a business firm. It may show a position at a moment in time, as in the case of a balance sheet or may reveal a series of activities over a given period of time as in the case of an income statement. Financial statements are the major means through which firm

present their financial situations to stock holders, creditors and the general public. The majority of firms include extensive financial statements in their annual reports of them. This initiates a further study which could be done further using other analysis tools.

ANNEXURE - I
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ANNEXURE 1.2

BALANCE SHEET OF RANE MADRAS-MARCH 2018-2021

Equity & Liabilities	Mar '21	Mar '20	Mar '19	Mar '18	Mar '17
Share Holders Fund					
Total Share Capital	10500000.00	10500000.00	10500000.00	10500000.00	10500000.00
Reserves & Surplus	19053010.60	14302931.38	10039451.87	6022355.59	4593664.53
Non-Current Liabilities					
Long Term Borrowings	31429112.00	19726750.11	89748796.43	69461995.20	48287606.84
Deferred Tax Liabilities	824247.00	879837.00	949181.00	798939.00	794209.00
Other Long term liabilities	0.00	5603303.00	0.00	0.00	0.00
Current Liabilities					
Short Term borrowings	62158870.51	48348589.78	0.00	0.00	0.00
Trade Payables	24069411.22	33062187.30	0.00	0.00	0.00
Other current liabilities	9706136.68	9609637.66	12207648.76	7540005.75	4943090.83
Short term provisions	2300000.00	2233000.00	1858905.00	1150000.00	2986545.00
Total	160,040,788.01	144,266,236.23	125,303,983.06	95,473,295.54	72,105,116.20
Assets	Mar '21	Mar '20	Mar '19	Mar '18	Mar '17
Non-Current Assets					
Fixed Assets-Tangible	22972028.80	23981954.87	25675862.66	16486111.77	15972321.89
Long Term loans & advances	368011.85	384051.85	0.00	0.00	0.00
Current Assets					
Current investments	1150451.00	1150451.00	21700942.21	4996675.83	6353891.92
Inventories	53023808.92	49074975.36	38544794.21	36636738.47	29532597.90
Trade Receivables	58212161.02	49578450.05	34772344.92	27532233.41	18274218.52
Cash and cash equivalents	5038275.24	4429209.97	4610039.06	9821536.06	1972085.97
Short Term loans & advances	19276051.18	15667143.13	0.00	0.00	0.00
Total	160040788.01	144266236.23	125303983.06	95473295.54	72105116.20

INCOME & EXPENDITURE STATEMENT OF RANE MADRAS MARCH 2017-2021

Income	Mar '21	Mar '20	Mar '19	Mar '18	Mar '17
Income from services	147,856,830.33	148,703,146.00	142,008,057.06	148,745,150.78	124,612,231.32
Other Income	7,841,035.44	4,711,181.89	4,891,173.72	4,871,067.89	4,761,232.16
Total Income	155,697,865.77	153,414,327.89	146,899,230.78	153,616,218.67	129,373,463.48
Expenditure	Mar '21	Mar '20	Mar '19	Mar '18	Mar '17
Operational cost	31,471,667.13	41,555,524.92	45,758,453.18	31,987,559.08	78,725,813.32
Employee Cost	4,564,679.76	4,758,132.69	4,278,212.39	4,215,467.39	3,811,483.96
Selling and Admin Expenses	5,456,254.62	6,271,022.28	6,014,660.62	5,814,564.91	6,011,128.19
Depreciation	3,456,884.56	2,874,971.63	3,415,787.89	3,174,102.45	3,674,788.89
Miscellaneous Expenses	6,421,079.70	5,471,077.32	6,278,961.71	6,141,416.10	6,261,201.85
Total Expenses	51,370,565.77	60,930,728.84	65,746,075.79	51,333,109.93	98,484,416.21
Operating Profit	104,327,300.00	92,483,599.05	81,153,154.99	102,283,108.74	30,889,047.27
Preoperative Exp Capitalized	0	0	0	0	0
Operating Expenses	41,428.79	52,639.96	34,122.35	31,749.87	32,939.69
Provisions & Contingencies	1969.85	1863.96	1800.26	1300.98	1955.2
Net Expenses	51,413,964.41	60,985,232.76	65,781,998.40	51,366,160.78	98,519,311.10
Net Profit for the Year	104,283,901.36	92,429,095.13	81,117,232.38	102,250,057.89	30,854,152.38
Extraordinary Items	0	0	0	0	-8.3
Total	155,654,467.13	153,359,823.97	146,863,308.17	153,583,167.82	129,338,568.59