

A STUDY ON EFFECTIVENESS OF FINANCIAL PERFORMANCE

Submitted in partial fulfillment of the requirements for the award of

Master of Business Administration

by

Vijayaragavan sreelakshmi
Register No.39410234



SCHOOL OF BUSINESS ADMINISTRATION

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**

APRIL - 2021



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SCHOOL OF BUSINESS ADMINISTRATION

BONAFIDE CERTIFICATE

This is to certify that this Project Report is the bonafide work of Ms. Vijayaragavan sreelakshmi (39410234) who has done the Project work entitled ,"**A Study On effectiveness of financial performance**" under my supervision from December 2020 to February 2021.

DR. A. PALANI
Internal Guide

External Guide

Dr. BHUVANESWARI G.
Dean – School of Business Administration

Submitted for Viva voce Examination held on _____.

Internal Examiner

External Examiner

DECLARATION

I, **VIJAYARAGAVAN SREELAKSHMI,(39410234)** hereby declare that the Project Report entitled, **“A Study On effectiveness of financial performance”** done by me under the guidance of Dr. A.palani, MBA., M.Phil.,Ph.D is submitted in partial fulfillment of the requirements for the award of Master of Business Administration degree.

DATE:

PLACE:

VIJAYARAGAVAN SREELAKSHMI

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I wish to express my thanks to all Teaching and Non-teaching staff members of the School of Business Administration who were helpful in many ways for the completion of the project.

VIJAYARAGAVAN SREELAKSHMI

ABSTRACT

The project entitled “A STUDY ON EFFECTIVENESS OF FINANCIAL PERFORMANCE ON VIJAY RAJA CONSTRUCTIONS has attempted to analyze the need and importance of financial performance and the present state of Vijay Raja Constructions, Chennai. The study is fully based on secondary data from records, annual reports and profile of the company.

This study has been organized in to six chapters. The first chapter includes general introduction, industry profile, company profile, need and objective of the study. The second chapter is Review of literature this is based on the famous authors view about the financial performance and the journal information also included.

The third chapter is research methodology which includes research design, sources of data and tools used for analysis. The fourth chapter is Data analysis and interpretations which includes charts and tables. The fifth chapter is Findings, suggestions and conclusions.

The collected data has been analyzed using various statistical and financial tools like comparative statements, common size statements, and changes in working capital. After analyzing the data, general specific findings are sought out through interpretation. Suggestions and recommendations are formulated from the summary of findings.

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CHAPTER - 1

1.1 INTRODUCTION

The strategy of going global offers various challenges in the field of finance. The most widely emphasized goal of the firm is to maximize the value of the firm to its owners which is the driving force to make the organization successful. This is possible only when. It has sufficient financial resources to meet the long term and short term requirements. Business can be carried on successfully with proper arrangement of funds.

Funds are invariably required to carry on the various activities of business which should be pursued on fulfilling the firm's long term and short term commitments. To meet long term commitment, a firm needs permanent capital and for its short term commitment, working capital is needed.

Financial analysis is defined as the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account.

This particular study on the analysis of financial performance at VIJAYA RAJA CONSTRUCTION aims to highlight the short comings in the area of finance and to give a recommendation to increase efficiency of the company.

1.2 INDUSTRY PROFILE

Historically construction industry is one of the oldest and largest industries in an organised sector providing ample employment to the people. Before the independence, the construction activity in India was confined to building of dwellings, religious places like mosques and temples etc. at individual and community level, with the use of traditional techniques, which are still being used in developing countries like India.

1.2.1 HISTORY

The Taj Mahal and LalQuila are the legendary example of competence of Indian talent in the field of construction. However very authentic record of the construction operation of these buildings are not available today. The history of systematised or organised construction practice in India can be traced back to around 1847 AD when Lord Dal house established the Public Works Department, called PWD, today, to construct civil engineering structure which included road, small dams, canals etc.

The department worked successfully for 100 years. In 1947, the independent India decided to launch a mammoth multipurpose river valley project, called Bhakhra Nangal Project on the river Sutlej in the North West India for irrigation and power generation at a cost of Rs.7750 lakhs in 1952 which amounts today approximately more than Rs.100,000 core in first five year plan in which 50% of capital outlay was allotted to construction of civil works. The construction of Bhakhra Dam was taken by irrigation wing of PWD of Punjab with the help of technical knowhow from foreign help on cost plus basis. This can be considered as a major breakthrough in the field of construction by India as there were no big construction companies available at that time to take up such stupendous job and more over network analysis like Construction Planning Method / also known as Critical Path Method (CPM) and Programme Evaluation & Review Technique (PERT) had not taken formal shape.

- **Evolution of Indian construction industry.**

The evolution of Indian construction industry has followed the same general pattern as happened in other countries, initially founded by the government and slowly taken over by small and big enterprises. During execution of Bhakra Nangal dam Indian government realised need of professional competence in the field of construction and the first professional consultancy company National Industrial Development Corporation (N I D C) was established in the public sector in 1954 .Subsequently a number of speciality companies in design and Construction came into existence like Indian Railways Construction Limited (IRCON),National Building Construction Corporation (N B C C),Rail India Transport and Engineering Services (R I T E S),Engineers India Limited(E I L) and in private M N Dastur & Co. Hindustan Construction Company are the name worth to be mentioned. government allowed foreign collaborations in these services .The guidelines for such collaboration were prepared and issued in 1968 with binding that local consultant would be the principal contractor in such collaborations .The objective behind such binding was to develop indigenous design capabilities comparable to in flown foreign technology and skills. The outcome of this strategy was establishment of joint ventures in India.

- **Construction and National Economy:**

By just using common sense it can be inferred that economic plans of any country is prepared to improve any particular sector of economy. Improvement or emphasis on any particular sector may or may not need help of other sectors like construction. A microscopic study of economy, irrespective of its state i.e. primary, secondary or tertiary, reveals that development of most of the sectors need help of construction. In nutshell, a gap between demand and supply is necessary for the development of a particular sector.

- **Role of construction and its impact**

Thus it can be said that any attention to optimise construction activity will lead to reduction in waste of material, saving of energy and saving of time. This will certainly lead to reduction in cost over runs of other projects. Thus, construction sector is directly or indirectly influences the overall economy of the country.

- **Pattern of Indian economy of last fifty years**

The pattern of Indian economy of last fifty years shows that construction work amounts to around 40% of development investment .Approximately 16% of Indian working population depends on construction for its living .The construction industry creates immobile assets worth over Rs.20000 core by employing more than 3 core people .It enhances nation's GDP by 5% and gross capital formation of 78%.It is expected that total capital expenditure of state and centre will be approaching Rs.802087 cores during the period 2011-12. This amount indicates an enhancement of Rs.658500 core from the figure of Rs. 143587 in 1999-2000.

In the 21st century there has been an increase in the share of the construction sector in GDP and capital formation .The GDP from construction at factor cost or at current prices increased to Rs. 174571 cores (12.02 % of the total GDP)in 2004 -05 from Rs.16238 cores (10.39% of the total GDP in period 2000-01.

The increasing involvement of the private sector in infrastructure development through public private partnership and the strategy like Build Own Transfer (BOT) can be cited as the main factor for such increase in GDP.

However there is always scope for more active participation from private sector in this direction through investment. There are around 200 firms from corporate sector, working in Indian construction industry .The number of registered class a contractors is around 120000 working for local development authority, state departments and central government bodies like CPWD. The number of small contractors and petty contractors working as sub-contractors for principal contractors are enormous. So there is ample scope for expansion of construction industry at micro as well as at macro level in form of infrastructure development.

1.2.2 NATIONAL ECONOMY

- Construction industry has some peculiar characteristics like any other industry. Firstly, it is a capital-intensive industry involving current and future outlays of funds with the expectation of a stream of benefits extending far into the future.
- Secondly, construction project takes a long duration to complete e.g. the Bhakra Dam took fifteen years for its completion (1950-1965) and they also have a long gestation period.
- Thirdly, the useful life of construction project of national importance is very long usually more than 60 years for most of the major constructions.
- Fourthly, in construction project, products and services are combined together. In construction, product is fixed and machine and men move, contrary to assembly line production in which product moves.
- Fifthly, a large construction needs a large land area. Acquisition of such land leads to payment of compensation to the owners of the land, which has legal and political over tones. In some cases like construction of dam, it needs rehabilitation of nearby villages. Such problems usually do not occur with the other industries.
- Sixthly, cost benefit analysis of public infrastructure created by construction activity such as roads, bridges and dams cannot be done with traditional concept of profit maximisation alone. Special economic tools like Social Cost Benefit Analysis (SCBA) and principles of welfare economics are essential for the valuation of such assets.
- Seventhly, two construction projects are not identical in every respect. Thus, construction project can be considered as a job work of a large magnitude contrary to any other manufacturing unit producing products at mass scale by a single machine.
- Eighthly, the human resource working in construction forms a temporary organisation for the project at the site and disperses in different directions as soon as the project is over.
- Ninthly, experience of generations plays a vital role as most of the construction material directly used after quarrying are the natural material and performance or relative merit of such material takes a long time for its

pronouncement, the time may be in decades.1Tenthly, death of workers during the execution phase of project is very common, so safety and precaution are primary concerns.

Such peculiar characteristics of construction project opened the portals for the development of special managerial tools, like materials management, CPM and PERT to handle the project in a professional manner .In India, construction industry is fragmented and a sizeable construction work is performed by the unorganised sector.

Such peculiar characteristic creates favourable conditions for the establishment of a new company. If Construction Company is weighed on the basis of men; material and money following facts come up .As most of the construction is done either on site or precast members, are fabricated and assembled on the site and most of the construction equipment are available on rental basis, thus a little capital is invested in fixed assets and machinery.

Construction companies require relatively low working capital as after award of contract, company realises mobilisation advance from owner before starting the work.

In India, companies, usually employ labour contractor for the supply of labour force. So very few employees are on the permanent pay roll of the company .These factors are responsible for the birth of small to very big construction companies. This introduces competition in the market. There are pitfalls but a professionally managed construction company is able to pay rich dividend to its owners/shareholders.

1.2.3 Constructions and National Development:

For any developing country like India, development of infrastructure is the prerequisite for the economic progress of the country. To achieve this objective optimised construction is the need of the hour as capital is a scarce resource.

- **Types of Construction:**

Total construction work can be divided into two broad categories viz. public and private.

The public projects i.e. whose direct beneficiary will be the public, is usually handled by the government, of course govt. get it done by any contractor or by construction company by awarding the work through bids and tenders. It is public money or any financial aid or loan from agencies like World Bank that is spent. Dams, Bridges, Canals, Metro Rail, Power Projects, DUDA, and SUDA are typical examples of public projects.

Private projects like house of an individual or construction of a factory, a nursing home, hotel or project in which taxpayer's money is not involved can be categorised as a private project. Frankly speaking profit motive is always there in most of the private projects.

In private projects, capital outlays are less as compared to public projects.

Secondly in Indian working environment one cannot afford delay in private projects but cost over runs and delays in public projects are an everyday phenomenon in India.

1.2.4 Consumers of Construction Industry:

Following are the consumers of construction industry:

- An Individual
- Group Housing Societies
- Centre, State, Local Government and Development Authorities.
- Corporate Sector
- Other countries at International level.

Every consumer has own peculiar requirements, which are being described in following paragraphs.

Individuals:

An individual needs the services of a construction company for the construction of individual house, which is ordinarily his dream house. In such construction, company cannot ignore individual taste and preferences. Persons who are executing the project have to help and arrive at a decision in advance on the item of choice and colour e.g. colour and size of tile of bathroom, colour, size and quarry of marble stone etc. if construction has to proceed smoothly.

- **Group Housing Societies:**

The housing demand will be around 31 million by 2015(MPRA 2008)In planning and designing of an apartment or building blocks for group housing society, the requirement can be classified into two broad categories. [13]

First requirement is of an individual in his house. In a group housing most of the finishing items are left for the individual occupant so he could finish the house as per his choice, taste and preferences.

Second requirement is the preferences of a group of people as a whole or community. Requirement. To fulfil this requirement planner needs knowledge of architectural sociology, human behaviour, security aspect, and maintenance engineering practices, generosity of the people and cooperation among the people.

- **Corporate Sector:**

Corporate sector hires the services of Construction Company for commercial building, for factory or for office building etc.

In such buildings, building economics, cost optimization, requirement of future expansion and flexibility of the plan are the key issues there is sample scope for creativity and innovation in corporate sector projects.

- **Government Construction:**

Local Development Authorities, CPWD, PWD of various states etc are the department which look after the construction of government sponsored, civil engineering works. Here Construction Company is guided by strict rules and regulations of the state, for such departments, time factor is least important.

- **International Contract:**

After the Second World War under developed, oil-rich countries were busy in creating infrastructure of the country to boost economic growth. Sometimes even developed countries need huge construction for the events like Olympic and Asian games.

These projects are mostly financed by the user country or by some international financing agency like World Bank. In such cases international bids are invited. Construction companies from US, Great Britain, West Germany and France usually take the best part of these contracts.

Now competition is increasing. Companies from Japan, South Korea and India are also getting business share in these countries in construction and in setting up of power stations and infrastructure. Those companies who offer turnkey services have bright chances of success in the competition when the nature of job is purely works contract. Here sub-contractor is capable of mobilising construction equipment's and manpower and gets subcontracts from principal contractor. Joint venture is a very common phenomenon in international contracts.

Main Organs of Construction Industry:

There are three main organs of construction industry other than the consumer.

1. The Owner
2. The Consultant
3. The Contractor

- **The Owner:**

Civil Engineering Projects are usually cost intensive. Usually the investor does feasibility study in advance. Any investor or promoter is worried about two things. Firstly investor is worried about the rate of return. Secondly the patterns of cash flow. The ideal situation will be high and early return. I.e. on what date what amount is required and from where the same will be arranged. The owner or promoter may be an individual, a government authority, a government department, a corporate house etc.

- **The Consultant:**

In Civil Engineering Projects, Architect, Engineer, Project Manager and Chartered Accountant usually form the panel of consultants. These persons advise the owner on the basis of their knowledge, experience, and know how. It is generally believed that any person who has experience and knowledge can give advice on a particular problem of his field.

- **The Contractor:**

In Civil Engineering Project, contractor translates the blue print into reality with the help of work force and material. The practice of contractor ship in civil engineering is perhaps as old as civil engineering itself. A poorly written contract agreement is always a good cause of bone of contention. In contracts, one should always seek the help of a legal expert. .

- **Regulatory Bodies Related with Construction:**

Regulatory bodies related with any business can be classified into two broad categories viz. general and specific.

Income Tax, Labour Court, Labour Union, Electricity Board are the departments with which every business organization has to deal, fall in general category. So every business organization should be well versed with the rules, regulation, written and unwritten laws of these departments.

The regulatory bodies specific to construction at local level are following

- (1) Local Development Authority,
- (2) Pollution Control Board,
- (3) Water Works and Conservancy,
- (4) Local Police.

- **Local Development Authority:**

It is the first regulatory body, which is encountered in any construction. Most of the rules, regulations and byelaws of development authorities of province of Uttar Pradesh are given in the book “Regulation of Building Operation in Uttar Pradesh. This very book every construction manager should have and should always keep himself in touch with the office of the development authority for the awareness of day-to-day changes in the working and rules and regulation of the authority.

In fact, rules, regulation and bye laws are framed to provide healthy living but sometimes these laws are one sided i.e. in favor of government only. Thus, it is advisable that rules should not be violated in ordinary circumstances.

However, there is always a provision for the compounding. This is to be weighed by the owners i.e. gain or loss on an unauthorized construction.

- **Pollution Control Board (PCB):**

Now a day's regulations regarding environmental pollution have become very stringent in India to, like in advanced countries. Sometimes large projects like construction of power plant, multipurpose river valley project are stopped or even abandoned due to environmental considerations. Most common projects that have been in trouble in the recent past include Teri Dam in Uttaranchal and Narmada in Madhya Pradesh.

Clearance from PCB is also necessary for construction of a factory or fabrication of a processing plant. The days are over when effluents were directly discharged into the river. There is no harm in conforming to PCB norms but sometimes these regulations are difficult to obey and PCB acts as a hassle. Planners are advised to incorporate PCB recommendation right from site selection to project formulation.

- **Water Works and Conservancy:**

If construction is to be done in urban area then very first question comes to mind is what will be the source of water during construction. If municipal water supply is used, municipality charges additional tariff on it. So it is advisable that first and foremost job of construction manager is to get a water pump installed and inform the municipality that public water is not being used for construction.

The second thing in case of projects like hotel and apartment is the disposal of wastewater and night soil. It is obligatory upon liaison officer of the construction company or construction manager to initiate the issue for the permission of connection of sewer of the building to the municipal sewer.

- **Local Police:**

Local police plays an important role in any construction project in India because development authorities always take the help of police to meet their objectives or in case of miss happening on the site local police has to be taken into confidence. It is obligatory on the part of construction manager to maintain good relations with local police station and police officers of that area. Of course maintenance of such relations, always lead to additional expenditure on the construction company.

- **Business Opportunity in Construction Industry:**

Construction of infrastructure like road network, canals, urban development, extension and renovation of existing facility are few activities through which capital formation takes place in most of the countries of the world. So there is always ample opportunity for construction from village level to international level for the construction companies, depending upon size and ability and experience of the company.

Controlling. A good performance of construction manager is necessary for the growth, development and success of Construction Company.

Although the managers do not normally, carry out the construction work with their own hand, yet they are responsible for keeping the project on schedule within the cost limits. They should have telescopic as well as microscopic vision on each and every step of construction operation, right from preliminary estimates and various types of costs to the final inspection and payment.

In managing any construction project, personality of construction manager plays a vital role. This very trait can never be ignored. Mustapha and Noam (1998) have investigated factors, which influence effectiveness of site managers. They are of strong opinion that personal variables as a whole have an impact on effectiveness of site managers.

1.3 COMPANY PROFILE

1.3.1 COMPANY DETAILS

CIN	U45400TN2012PTC084969
Company Name	VIJAY RAJA HOMES PRIVATE LIMITED
Company Status	Active
RoC	RoC-Chennai
Registration Number	84969
Company Category	Company limited by Shares
Company Sub Category	Non-govt company
Class of Company	Private
Date of Incorporation	16 March 2012
Age of Company	8 years, 9 month, 7 days
Activity	Building completion Includes activities that contribute to the completion or finishing of a construction. Repairs of the same type are also included in the corresponding sub-classes to see other companies involved in

1.3.1 WHO WE ARE

Vijay Raja started in a small shop with 2 people in the year 1949 under the name 'Raja Stores' by Shri. M. Rajapandiyan. From a humble beginning with 2 people, the Raja Stores grown to multi location business chain across the region. In the year 1963, the Group business spread its wings in the foray of Construction.

Till today VIJAY RAJA GROUP has constructed and Sold over 8733780 SQFT to 5732+ Happy Customers. Mr. Chendilnathan took over the business as Chairman cum Managing Director in the year 1983 and established 'RAJA AGENCY', which is into Production and Supply of Medical and Industrial Gas with a focus to venture into multiple segments of businesses.

TODAY with more than 70 years of legacy, Vijay Raja Group has business interests in 3 different verticals, with 7 registered group companies. Over 500+ On-roll Staff and more than 3000+ Direct labors, the Group has established its strong footprint in Healthcare, Construction and Hospitality sector over the last few decades. Vijay Raja Group is one among the first and oldest Backward Integrated companies in South India in the construction Industry.

We champion innovation, and encourage our people to seek creative ways to engage with customers. Our internal Corporate Communications programs give every employee a sense of belonging, besides encouraging a constant exchange of organizational insight and information time to time. Vijay Raja Group is destined to create a work life balance for its employees valuing performance at its best. Today, under the Vijay Raja Group, Construction Segment contributes to 70% of the overall Group consolidated Revenue, there are also other 6 registered companies making 30% of the consolidated revenue predominantly operating in Parma, Interior Production, Hospital, Facility Management, Construction, Mines and Minerals etc.

- **Our People, Our Customer – Define Our Success**

"There's a strong belief of commitment and passion, leadership as much as there is the trust and transparency. The inbuilt quality @ Vijay Raja Group of 'treating people with respect and encouragement of innovation' defines the culture of the organization. We strongly believe that the secret of the organizational success is nurturing a win-win culture with the best of breed technology and processes to create a scalable platform for innovation and growth. The strategic growth of Vijay Raja can be described in 3 simple terms –

- 1) Choosing the right people,
- 2) Professional career growth,
- 3) Retention till retire.

The Group believes that sustainable business success rests completely on its employees and is achieved by unlocking their collective potential. This forms the core of all the Group's HR initiatives, leading to a culture marked by transparency, freedom to operate and inclusiveness."

Key Pillars

The Group's philosophy of 'Customer Satisfaction' is built on 4 Key Pillars. All these pillars are equally important and invaluable for the Group's VISION and MISSION.

EMPLOYEES

To be the most preferred employer in all the business segments.

CUSTOMERS

To be the most preferred lifestyle partner for every customer.

SHAREHOLDERS

To be one of the largest and profitable business conglomerate in the country.

VENDORS

To be the most trusted business partner for every Vendor.

1.3.2 Our Vision

To be recognized as a profit-centered yet a customer-oriented global leader in the business segments of Construction, Real Estate, Facilities Management, Healthcare and Hospitality.

1.3.3 Our Mission

To seamlessly design and deliver innovative living spaces, products and services built on the organizational principles of 'Transparency and Trust' with focus on satisfied customers and vendors. To have progress oriented and committed employees who are to provide excellent customer service with a focus on continuous improvement on everything we do. To continuously encourage 'Excellence' in everything for the key pillars of the organization - that are Employees, Customer, Shareholders & Vendors'.

1.3.4 Our Strength

- Trustworthy & honesty
- Employee growth
- Provide excellence
- Community contribution

1.3.5 Awards

- To seamlessly design and deliver innovative living space, products and services on the core organizational principles of transparency.
- Innovative Real-estate marketing campaign of the Year
March 2019
- Best Affordable Segment Project in the region
June 2018
- Best In-class Design
February 2016

DIRECTORS OF THE COMPANY

Director identification number	Name	Designation	Date of Appointment
05209487	CHENDILNATHAN RENUKA	DIRECTOR	16-MARCH-2012
07166345	CHENDILNATHAN ASHWIN	DIRECTOR	13-JUNE-2015
05209428	CHENDILNATHAN	MANAGING DIRECTOR	16-MARCH-2012

VIJAY RAJA ASSISTANCE

- Loan Assistance
- Rental Assistance
- Maintenance
- Interiors

Trending properties

Project exurb : thiruporur

Project classic : vandalur

Project sanctuary : maduranthakam

Project classic : kathakalathur

Project spruce : kelambakkam

Project individual : urapakkam

Luxury villas : kelambakkam

Vijaya raja builders : KVIC NAGAR

Vijaya raja apartments

1.3.6 NEED OF THE STUDY

The main need of the study is to study the sources and applications of funds in the company and methods to evaluate the financial performance of the company.

- The financial pattern of the firm can be known with the help of funds flow statements analysis.
- The funds flow reveals clearly the causes for the financial difficulties of the company.
- It is important to know about the need for the funds for the growth of the firm and the working capital position of the company.
- We can estimate the cash balances of the company, with the help of the funds flow statements.
- To find out the flow and inflow of the funds.

1.3.7 Scope of the study

- The study focuses on analyzing the current financial position of Vijay Raja construction.
- It also helps to compare the financial performance of the company for the past 5 years.
- It will help in finding whether the financial performance of the company is increasing or decreasing.

1.3.8 OBJECTIVE OF THE STUDY

- To study and analyses the changes those have taken place in the financial position of the company.
- To examine the working capital position of the company.
- To suggest some measures to improve the performance of the company, through comparative statement analysis of the results achieved.
- To find out the sources from which additional funds were derived and the used to which their sources were put.

1.3.9 LIMITATIONS OF THE STUDY

- The fund flow analysis of the organization fully depends upon the secondary data.
- Thus the following are the main limitations of the study:
- The figures taken from the financial statements like profit and loss accounts and balance sheets were historical in nature.
- It should remember that funds flow statements are not sustainable of an income statement or a balance sheet.
- It provides only some additional information as regards changes in working capital.
- Time value of money is not being considered.
- The study is based on past data which can't exactly predict the future performance.
- The study based on the available annual reports and internal information only.
- The time period is limited for analysis.

CHAPTER -2

REVIEW OF LITERATURE

The purpose of measuring trading performance, operational efficiency, profitability and financial position of a concern revealed by trading Profit and loss Account and balance Sheet.

These financial statements are prepared to find out the Gross profit or Gross Loss, Net profit or Net Loss and financial soundness of a firm as a whole for a particular period of time.

From the management point view, the usefulness of information's provided by these income statements functions effectively and efficiently.

In the true sense they do not disclose the nature of all transactions. Management, creditors and investors etc. Want to determine or evaluating the sources and application of funds employed by the firm for the future course of action.

Based on these backgrounds, it is essential to analyses the movement of assets, liabilities, funds from operations and capital between the components of two years financial statements. The analysis of financial statements helps to the managements by providing additional information in a meaningful manner.

Meaning of fund:

The term "Fund" refers to cash, to cash Equivalents or to working capital and all financial resources which are used in business.

In a broader meaning the word "Fund" refers to working capital.

The working capital indicates the difference between current assets and current liabilities.

The term working capital may be:

- a) Gross Working Capital and
- b) Net Working Capital "Gross Working Capital" represents total all current Assets.

"Net Working Capital" refers to excess of current Assets over Current Liabilities. In a narrow sense the word "Fund" denotes cash or to cash equivalents.

Evaluating value based financial performance measures

Title: Evaluating value based financial performance measures

Author:

Erasmus, Petrus Daniel

The primary financial objective of a firm is the maximization of its shareholders' value. A problem faced by the shareholders of a firm is that it is difficult to determine the effect of management decisions on the future share returns of the firm. Furthermore, it may be necessary to implement certain monitoring costs to ensure that management is focused on achieving this objective. A firm would, therefore, benefit from being able to identify those financial performance measures that are able to link the financial performance of the firm to its share returns.

Implementing such a financial performance measure in the valuation and reward systems of a firm should ensure that management is aligned with the objective of shareholder value maximization, and rewarded for achieving it. A large number of traditional financial performance measures have been developed. These measures are often criticized for excluding a firm's cost of capital, and are considered inappropriate to be used when evaluating value creation. Furthermore, it is argued that these measures are based on accounting information, which could be distorted by Generally Accepted Accounting Practice (GAAP). Studies investigating the relationship between these measures and share returns also provide conflicting results. As a result of the perceived limitations of traditional measures, value based financial performance measures were developed.

The major difference between the traditional and value based measures is that the value based measures include a firm's cost of capital in their calculation. They also attempt to remove some of the accounting distortions resulting from GAAP. Proponents of the value based measures present these measures as a major improvement over the traditional financial performance measures and report high levels of correlation between the measures and share returns.

A number of studies containing contradictory results have been published. On the basis of these conflicting results it is not clear whether the value based measures are able to outperform the traditional financial performance measures in explaining share returns. The primary objectives of this study are thus to: • Determine the relationship between the traditional measures earnings before extraordinary items (EBEI) and cash from operations (CFO), and shareholder value creation; • Investigate the value based measures residual income (RI), economic value added (EVA), cash value added (CVA) and cash flow return on investments (CFROI), and to determine their relationship with the creation of shareholder value; • Evaluate the incremental information content of the value based measures above the traditional measures. The information content of the traditional measures and the value based measures are evaluated by employing an approach developed by Biddle, Bowen and Wallace (1997). The first phase of

this approach entails the evaluation of the relative information content of the various measures in order to determine which measure explains the largest portion of a firm's market-adjusted share returns. The second phase consists of an evaluation of the incremental information content of the components of a measure in order to determine whether the inclusion of an additional component contributes statistically significant additional information beyond that contained in the other components. The study is conducted for South African industrial firms listed on the Johannesburg Securities Exchange for the period 1991 to 2005.

The data required to calculate the measures investigated in the study are obtained from the McGregor BFA database. This database contains annual standardized financial statements for listed and delisted South African firms. It also contains EVA, cost of capital and invested capital amounts for those firms listed at the end of the research period. Including only these listed firms in the research sample would expose the study to a survivorship bias. Hence these values are estimated for those firms that delisted during the period under review by employing a similar approach to the one used in the database.

The resulting sample consists of 364 firms providing 3181 complete observations. Since different information is required to calculate the various measures included in the study, different samples are compiled from this initial sample and included in the tests conducted to evaluate the information content of the measures. The results of this study indicate that the value based measures are not able to outperform EBEI in the majority of the relative information content tests. Furthermore, the measures EVA, CVA and CFROI are also not able to outperform the relatively simple value based measure RI. The results from the incremental information content tests indicate that although some of the components of the value based measures provide statistically significant incremental information content, the level of significance for these relatively complex adjustments is generally low. Based on these results, the claims made by the proponents of the value based measures cannot be supported. Furthermore, if a firm intends to incorporate its cost of capital in its financial performance measures, the measure RI provides most of the benefits contained in the other more complex value based measures

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22. Huang and song (2016) found that there was negative relationships between long term debt and return on assets and also between all liabilities and return on assets.
23. Nasrollah (2015) examined the effect of financial leverage variation on income and the earning of the management. Their findings shows that financial leverage has an impact on the earnings management of the company.
24. Jeliks (2014) studied the effect of financial leverage ,free cash flow and firm growth on earning management and the results shows that the company have knowledge and an experience over five year on increasing in the financial leverage

which compare to those who had performed less earnings management and high leverage degree.

25. Ujah and Brusa (2014) proposed that the financial leverage and cash flow impact the degree to which institutions control their earning. They saw that it based on economic group or Industry Company, which related to their degree of managed earning alter.

26. In 2013, Tong and Green found out that there was a negative relationship between profitability and gearing. Their result was that there is a positive relation between past dividends and current debt level. At the end according to their outcomes it showed that there is weak negative correlation between past dividends and investment.

27. One of the important studies which were on 2012 by Akhtar which check the relationship between financial leverage and financial performance evidence from fuel and energy sector of Pakistan. The outcome of the study indicate that the perception that financial performance have positive relationship among leverage and the financial performance while comparing with debt to equity ratio.

On the other side, the gearing ratio indicator negative relationship with leverage indicators.

28. Based on a study by Bancel and Mittoo (2004) and Brounen, de Jong and Koedijk (2006) using many sample sizes, different European countries and different kind of companies, used identical questionnaires to know the leverage in Europe. It is evident from the study that the timing of issuing debt or equity based on interest rates and market value is the most important to determinant level of leverage, they used different theoretical explanations for their findings.

29. Credit rationing – a situation in which lenders are unwilling to advance additional funds to borrowers at the prevailing market interest rate – is now widely recognized as a problem arising because of information and control limitations in financial markets. This article reviews various motivations behind research on

credit rationing, traces the history of theoretical efforts to explain how this phenomenon can persist in equilibrium, and reviews recent empirical research on its prevalence and effects. In the process, credit rationing is shown to be simply an extreme case of the more general problem of capital market misallocation.

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36. Chandrakumaramanglam and Govindasamy (2010) determined the leverage effect on the profitability by taking cement companies of India. The results of their study showed the association between debt to equity ratio and earning per share and the effectiveness of the company to get finance through the use of debt. These results showed that leverage had positive impact on the profitability of firm and growth and leverage are also positively related. They used financial leverage as independent variable but the profitability does not only effect by financial leverage operating and combined leverages also affect the profitability of the firm.

37. Peswani and Shilpa (2011) in their study have examined the influence of leverage on the return of the FMCG sector's two best companies i.e. Britannia Industries Ltd and Marico Industries. Her analysis showed that Marico Industries Ltd had higher amount of debt than Britannia Industries Ltd. A firm with high leverage or debt in their capital structure was good in position to provide higher ROE to its stockholders but the return of the companies was same. Return on equity is not only a predictor of profitability. Other latest techniques like Tobin's Q and EVA may also be used to determine the profitability. Present study uses three profitability indicators at one time.

38. Jagdish and Raiyani (2011) in their study on 59 Indian selected industries examined the impact of financial risk on capital structure decisions for a time period of ten years. They used standard deviation, compound growth rate, T-test, T-test mean as statistical tools. They concluded that due to change in ROE risk aroused that had significant effect in variation in the use of financing through debt. Return on equity is not only a predictor of profitability. Profitability may be measured by many other factors. The study did not provide any evidence which support to the association among leverage and Tobin's, ROA and EVA. Franklin and Muthusamy (2011) found in their study cash flow, interest, interest coverage, firm size, retained earnings before interest and tax, sales, intrinsic value of shares and structure of assets affect the financial leverage. The study did not provide any

evidence which support to the association among operating and combined leverage and tobin'q, roa and Eva.

39. Pushpa et al. (2012) analyzed in their study that in India high leverage companies and low leverage firms had no overall effect IMPACT OF LEVERAGE ON FINANCIAL PERFORMANCE(EVIDENCE FROM PAKISTAN FOOD AND FERTILIZER SECTOR) Journal of critical reviews 449 of leverage on EPS. According to their findings high and low leverage companies has no effect on price to earnings ratio.

40. Sachchidanand and Navindra (2012) pointed out that use of financial leverage is like a speculative technique. They analyzed that different special risks and cost are involved with financial leverage. In which period financial leverage will be successful cannot be assured. They studied and analyzed only the risk associated with financial leverage but the companies do not have to face only financial leverage risk, companies also have to bear operating leverage risk and the total risk which is combination of financial and operating risk.

41. Wabwile et al. (2014) found negative relation of debt and equity ratio with return on ROA and return on ROC but not significant. According to the results of the study as debt ratio raises it indicates that many of the assets of the bank are financed by long as well as short term liabilities due to which return on such assets and capital is reduced to tackle the outstanding liabilities. They also determined negative correlation between the earning per share and debt asset ratio which is also not significant. There is a negative and non-significant relation between debt ratio and PBV.

42. Tayyaba (2013) determined that ROA is positively related with DFL and negative correlation exists between ROA and DOL. The relationship between DOL and ROI was inversed. DFL and Return on investment also has inverse relationship. Degree of financial leverage and Earning per share have inverse relationship have positive relationship while Degree of operating leverage and Earning per share have negative correlation.

43. Alkhatib (2012) this study has been done on two different sectors, industrial and services sector. The results of the study revealed that in the industrial sector tangibility and liquidity relationship with leverage was significant whereas the

growth, liquidity and tangibility relationship with leverage was significant for services sector.

44. Saleem et al.() analyzed the impact of DFL, DOL and DCL on ROE, ROA and ROI for oil and gas sector of SAARC countries. They analyzed that there was significant relationship among ROI, ROE, ROA, DFL and DOL. Profitability can also be measured by other measures like Tobin's Q, EVA, ROCE which are not the part of this study.

45. Ujah and Brusa (2013) found the association among leverage, instability in cash flow and earning management during 1990 to 2009 for 559 US firms. They examined the extent to which firms managed their earnings and affected from financial leverage and cash flow management

46. Acheampong et al. (2014) determined that leverage negatively affected the return on stock of the business

47. Pandya (2015) investigated the influence of three financial leverage measures such as debt equity ratio, interest coverage ratio and debt ratio on MVA (market value added) during the period of 2010 to 2014. Least squares method, univariate and multiple linear regressions were used for analysis. The result of this study revealed that when univariate analysis was used financial leverage's measures were significantly related to MVA. On the other hand when used jointly in multiple regressions it was found that only interest cover was statistically significant.

48. Hasan and Gupta (2013) determined the association of debt ratio with EPS by taking the sample of 28 companies of Bangladesh. They found statistically significant relationship between leverage and shareholder's wealth. They did not consider the other ways to measure the shareholder's wealth like EVA.

49. Al-Shamaileh and Khanfar (2014) found the significant relationship between financial leverage measured by debt ratio and profitability of the tourism companies of Jordan listed in

50. Amman exchange. Their study did not highlight the impact of operating leverage and combined leverage on profitability. Nourish and Alfred (2014) determined the relation between MVA and leverage and MAV and EVA by employing the private banks of Sri Lanka in their study. They found that EVA had insignificant impact on MVA and leverage also had insignificant impact.

CHAPTER - 3

RESEARCH METHODOLOGY

3.1 MEANING

“Research means a search for knowledge”. Sometimes, it may refer to scientific and systematic search pertinent information on a specific topic. Intact researcher is an art of scientific investigation.

Redman and Moray define researcher as a “systematic efforts to gain new knowledge”. Some consider researcher is a movement from the known to the unknown”. It is actually a voyage of discovery. According to Clifford woody, researcher compromise,” define and redefining problem, formulating hypothesis or suggested solution: collecting, organizing and evaluating data: making deduction and reaching conclusion: and at last carefully testing the conclusion to determine whether they fit the formulating hypothesis”.

Researcher is thus an original contribution to the existing stock of knowledge making for its advancement. It is the pursuit of truth with the help of study, observation, comparison and experiment. In short, the search for knowledge through objective and systematic method consisting of enunciating the problem, formulating a hypothesis collecting the facts or data, analyzing the facts and researching certain conclusion either in the form of solution towards the concerned problem or in certain generalist for some theoretical formulation.

3.2 ANALYTICAL RESEARCH

Analytical research has been adapted to this study. Analytical research has to use facts or information already available and analyze these to make critical evaluation of the material or data's.

RESEARCH DESIGN

The research design is the conceptual structure with which research is conducted. It constitutes the blue print for the collection, measurement and analysis of data. As such the design includes an outline of what the researcher will do from writing the objective and its implication to the final analysis of data. Generally the design which minimizes bias and maximizes the reliability of the data collected and analyzed is considered a good design.

METHODOLOGY:

To accomplish the above mentioned objectives of the study, the following methodology has been adopted:

Data and sources of data

For the purpose of this study, secondary data has been used. The data for the study were collected from the company balance sheet and annual report.

Data analysis:

The collected data are classified, rearranged and regroups to suit the needs of the study. In order to analyses the profitability of the concern ratio analysis technique is used.

3.3 DATA PROCESSING:

- **Secondary Sources.**

Secondary data's are in the form of finished products as they have already been treated statistically in some form or other.

- The secondary data mainly consists of data and information collected from records, company websites and also discussion with the management of the organization. Secondary data was also collected from journals, magazines and books.

3.4 FINANCIAL AND STATISTICAL TOOLS:

The statistical tools used for analysis are

- **Working capital ratio**
- **Common size balance sheet**
- **Comparative balance sheet**

3.4.1 Working capital

In order to maintain funds from operations, every firm needs certain amount of current assets. For example, funds required either to pay for expenses or to meet obligations for service received or goods purchased etc. by a firm. These funds are known as working capital. Working capital is also known Circulating Capital, Fluctuating Capital and Revolving Capital.

Working capital is defined as the “excess of current assets over current liabilities and provisions”. According to working capital is the amount of funds necessary for the cost of operating the enterprise.

3.4.2 Common size balance sheet

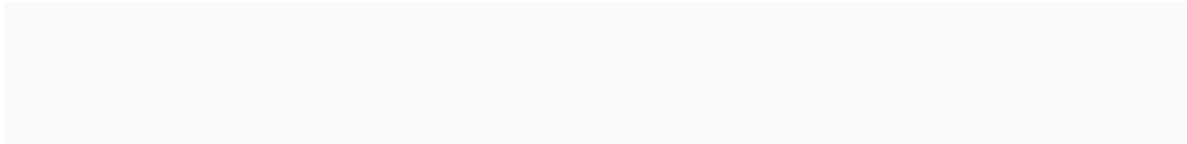
A financial statement presents absolute figures. A comparison of absolute figures could be misleading. The statement which report the figures as a percentage of some common base are called common size statements.

In the common size balance sheet, total of assets and liabilities is taken as total. Common size statements are useful to a financial analysis. They make comparison easy and meaningful.

A company balance sheet that displays all items as percentage of common base figure. This type of financial statement can be used to allow for easy analysis between companies or between time periods of a company.

3.4.3 Comparative balance sheet

Comparative balance sheet is designed to show financial differences between several accounting periods. A balance sheet is a detailed account of everything lost and gained financially during a certain time, containing both physical and abstract data. The single balance sheet shows assets and liabilities as on a particular date. The comparative balance sheet shows the value of assets and liabilities on two different dates. The main benefit of a comparative balance sheet is that profits and losses can be seen at a glance. It is also possible to see the increase or decrease of assets that the business has.



CHAPTER – 4

DATA ANALYSIS AND INTERPRETATION

4.1 WORKING CAPITAL

TABLE 4.1.1 WORKING CAPITAL 2015-2016 (Rs in crores)

Particulars	2015	2016	Increase	decrease
CURRENT ASSESTS				
Cash & bank	71,76,628	1,49,55,423	77,78,795	
Investment	NIL	NIL		
Loans and advances	77,94,987	2,66,25,917	1,88,30,930	
TOTAL CURRENT ASSETS(A)	1,49,71,615	4,15,81,304		
CURRENT LIABILITIES				
TOTAL CURRENT LIABILITIES(B)	11,65,17,642	12,62,32,788		
NET WORKING CAPITAL(A-B)	-10,15,46,027	-8,46,51,484		
INCREASING IN WC	2,66,09,725			

INTERPRETATION: During the period 2015-16, it has been found that the net working capital is increased by 2, 66, 09, 725.

TABLE 4.1.2 CHANGES IN WORKING CAPITAL 2016-2017 (Rs in crores)

Particulars	2016	2017	Increase	Decrease
CURRENT ASSESTS				
Cash & BANK	1,49,55,423	33,59,354		1,15,96,069
Investment	NIL	NIL		
Loans and advances	2,89,09,598	1,17,47,737		1,71,61,861
TOTAL CURRENT ASSETS(A)	4,38,65,021	1,51,07,091		
TOTAL CURRENT LIABILITIES(B)	12,63,26,335	12,01,24,709		
Net working capital(A-B)	-8,24,61,314	-10,50,17,618		
DECREASE IN WORKING CAPITAL	2,87,57,930			

INTERPRETATION:- During the period 2016-17, it has been found that the net working capital is decreased by 2,87,57,930 .

TABLE 4.1.3 CHANGES IN WORKING CAPITAL 2017-2018 (Rs in crores)

Particulars	2017	2018	Increase	Decrease
CURRENT ASSETS				
Cash & BANK	33,59,354	50,26,026	16,66,672	
Investment	NIL	NIL		
Loans and Advances	1,41,10,318	1,17,47,737	23,62,581	
TOTAL CURRENT ASSETS	1,74,69,672	1,67,73,763		
CURRENT LIABILITIES	12,01,24,709	8,11,94,272		
Net working capital(A-B)	-10,26,55,037	-6,44,20,509		
INCREASE IN WORKING CAPITAL	40,29,253			

INTREPRETATION:- During the period 2017-18, it has been found that the net working capital is increased by 40,29,253.

TABLE 4.1.4 CHANGES IN WORKING CAPITAL 2018-2019 (Rs in crores)

Particulars	2018	2019	Increase	Decrease
CURRENT ASSESTS				
Cash & BANK	1,78,15,844	50,26,026		1,27,89,818
Investment	NIL	NIL		
Loans and Advances	2,44,52,741	1,17,47,737		1,27,05,004
TOTAL CURRENT ASSETS	4,22,68,585	1,67,73,763		
CURRENT LIABILITIES	15,23,69,414	8,11,94,272		
Net working capital(A-B)	11,01,00,829	6,44,20,509		
DECREASE IN WORKING CAPITAL	2,54,94,822			

INTREPRETATION:- During the period 2018-19, it has been found that the net working capital is decreased by 2,54,94,822

TABLE 4.1.5 CHANGES IN WORKING CAPITAL 2019-2020 (Rs in crores)

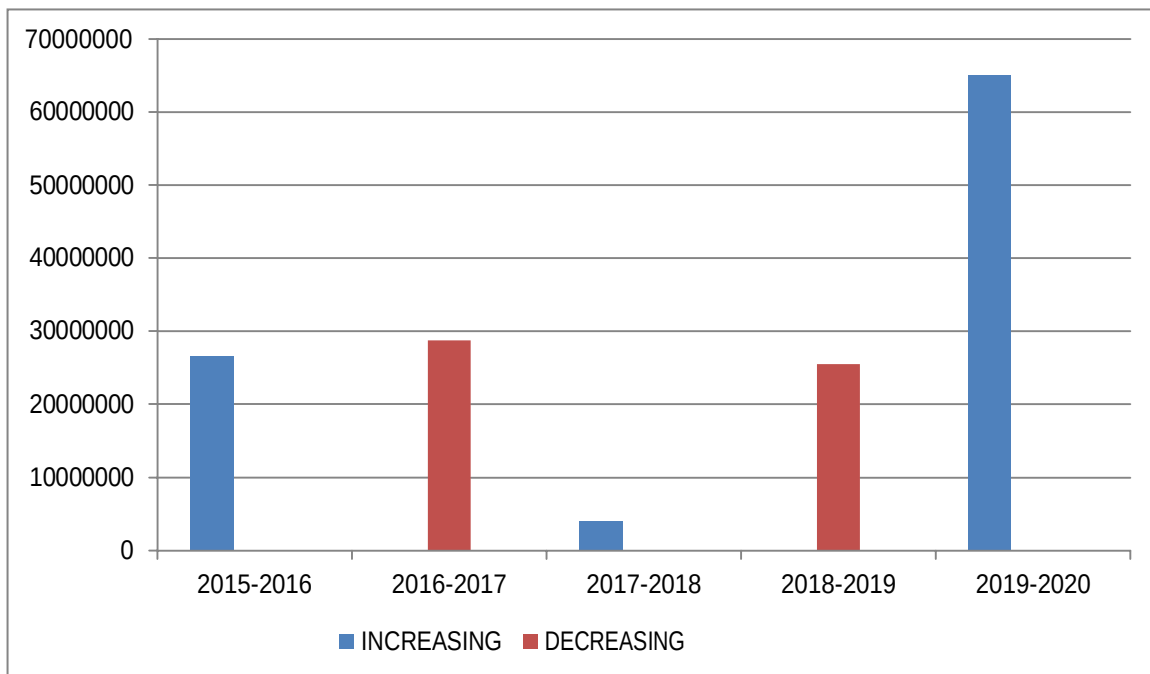
Particulars	2019	2020	Increase	Decrease
CURRENT ASSETS				
Cash & bank	50,26,026	44,75,364		5,50,662
Investment	NIL	NIL		
Loans and Advances	1,17,47,737	7,74,05,180	6,56,57,443	
TOTAL CURRENT ASSETS	1,67,73,763	8,18,80,544		
CURRENT LIABILITIES	8,11,94,272	17,15,32,482		
Net working capital(A-B)	6,44,20,509	8,96,51,938		
Increase in WORKING CAPITAL			6,51,06,781	

INTREPRETATION:- During the period 2019-2020, it has been found that the net working capital is increased by 6,51,06,781.

TABLE 4.1.6 CHANGES IN WORKING CAPITAL 2015-2020

YEAR	INCREASE	DECREASE
2015-2016	2,66,09,725	
2016-2017		2,87,57,930
2017-2018	40,29,253	
2018-2019		2,54,94,822
2019-2020	6,51,06,781	

Chart 4.1.6 : changes in working capital from 2015-2020



INTERFERENCE

From the reference of above chart it is conclude that the company do not have consistent working capital, they is a fluctuations in the working capital.

4.2 COMMON SIZE BALANCE SHEET

4.2.1 Table 4.2.1 Common size balance sheet of 2015 - 2016 (Rs in crores)

LIABILITIES	2016 AMOUNT	YEAR 2016 %	ASSETS	2016 AMOUNT	YEAR 2016 %
CURRENT LIABILITIES:			CURRENT ASSETS:		
Shareholders fund	15,00,000	0.71	Non- current assets	47,70,489	2.28
Non-current liabilities	7,42,45,474	35.52	Current assets	20,42,13,687	97.1
Current liabilities	12,62,32,788	60.40			
Total current liabilities	20,89,84,176	95%	Total current assets	20,89,84,176	98%
Total current liabilities	20,89,84,176	100	Total current assets	20,89,84,176	100

INTERPRETATION:-

The total figure of assets 20,89,84,176 is taken as 100 and all other assets are expressed as a percentage of total assets. The company is suffering from inadequacy of shareholders' funds. The percentage of current liabilities i.e. 0.71 is less than the percentage of non-current assets i.e.2.28 the company has not sufficient reserves and surplus for the payment of dividend to shareholders.

Table 4.2.2 Common size balance sheet 2016- 2017

(Rs in crores)

LIABILITIES	2017 AMOUNT	YEAR 2017 %	ASSETS	2017 AMOUNT	YEAR 2017 %
CURRENT LIABILITIES:			CURRENT ASSETS:		
Shareholders' funds	1,12,58,016	4.5	Non – current assets	2,14,54,346	8.75
Non- current liabilities	11,36,66,053	46.2	Current assets	22,35,94,432	91.2
Current liabilities	12,01,24,709	43.0			
Total current liabilities	24,50,48,778	99%	Total current assets	24,50,48,778	99%
Total current liabilities	24,50,48,778	100	Total current assets	24,50,48,778	100

INTERPRETATION:-

The total figure of assets 24, 50, 48,778 is taken as 100 and all other assets are expressed as a percentage of total assets. The company is equal to current liabilities and the current assets and the shareholders' funds.

Table 4.2.3 Common size balance sheet 2017- 2018

(Rs in crores)

LIABILITIES	2018 AMOUNT	YEAR 2018 %	ASSETS	2018 AMOUNT	YEAR 2018 %
CURRENT LIABILITIES:			CURRENT ASSETS:		
Shareholders capital	1,46,35,622	5.9	Non-current assets	3,76,43,660	84.6
Non- current liabilities	15,00,48,806	61.0	Current assets	20,82,35,040	15.03
Current liabilities	8,11,94,272	33.0			
Total current liabilities	24,58,78,700	100	Total current assets	24,58,78,700	100
Total current liabilities	24,58,78,700	100	Total current assets	24,58,78,700	100

INTERPRETATION:-

The total figure of assets 24, 58, 78,700 is taken as 100 and all other assets are expressed as a percentage of total assets. The company is suffering from inadequacy of shareholders' funds. The percentage of current liabilities i.e. 5.9 is less than the percentage of non-current assets i.e.84.6 the company has not sufficient reserves and surplus for the payment of dividend to shareholders.

Table 4.2.4 Common size balance sheet 2018-2019

(Rs in crores)

LIABILITIES	2019 AMOUNT	YEAR 2019 %	ASSETS	2019 AMOUNT	YEAR 2019 %
CURRENT LIABILITIES:			CURRENT ASSETS:		
Shareholders capital	1,58,34,176	5	Non-current assets	4,69,64,832	84.0
Non- current liabilities	13,99,64,108	60.2	Current assets	26,12,02,869	2.3
Current liabilities	15,28,69,417	10.3			
Total current liabilities	30,81,67,701	75%	Total current assets	30,81,67,701	87%
Total current liabilities	30,81,67,701	100	Total current assets	30,81,67,701	100

INTERPRETATION:-

The total figure of assets 30, 81, 67,701 is taken as 100 and all other assets are expressed as a percentage of total assets. The company is suffering from inadequacy of shareholders' funds. The percentage of current liabilities i.e. 5 is less than the percentage of non-current assets i.e.84.0 the company has not sufficient reserves and surplus for the payment of dividend to shareholders.

Table 4.2.5 Common size balance sheet 2019-2020

(Rs in crores)

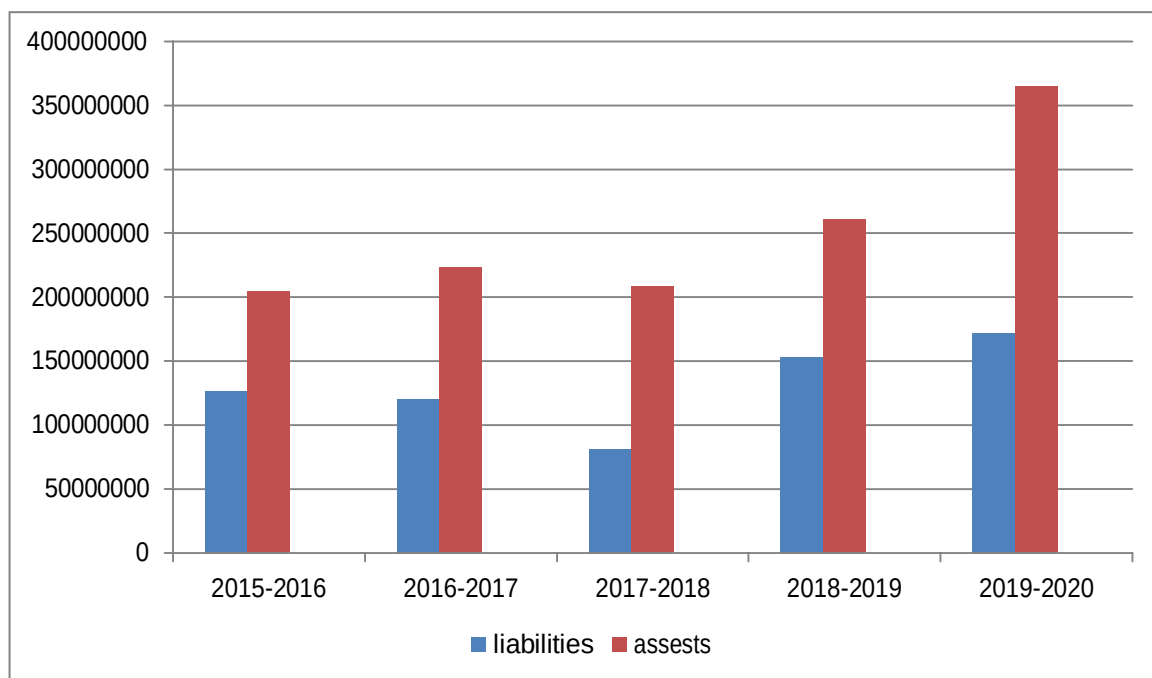
LIABILITIES	2020 AMOUNT	YEAR 2020 %	ASSETS	2020 AMOUNT	YEAR 2020 %
CURRENT LIABILITIES:			CURRENT ASSETS:		
Shareholders capital	3,22,50,011	7.41	Non-current assets	7,02,91,735	16.16
Non- current liabilities	23,09,54,943	53.12	Current assets	36,44,45,701	83.3
Current liabilities	17,15,32,482	39.45			
Total current liabilities	43,47,37,436	100	Total current assets	43,47,37,436	99
Total current liabilities	43,47,37,436	100	Total current assets	43,47,37,436	100

INTERPRETATION:-

The total figure of assets 43,47,37,436 is taken as 100 and all other assets are expressed as a percentage of total assets. The company is suffering from inadequacy of shareholders' funds. The percentage of current liabilities i.e. 7.41 is less than the percentage of non-current assets i.e. 16.6 the company has not sufficient reserves and surplus for the payment of dividend to shareholders.

TABLE 4.2.7 COMMON BALANCE SHEET OF 2015-2020

YEAR	liabilities	assets
2015-2016	12,62,32,788	20,42,13,687
2016-2017	12,01,24,709	22,35,94,432
2017-2018	8,11,94,272	20,82,35,040
2018-2019	15,28,69,417	26,12,02,869
2019-2020	17,15,32,482	36,44,45,701

Chart 4.2.7: COMMON BALANCE SHEET 2015-2020**INTERFERENCE**

From the reference of above chart it is conclude that the company assets & liabilities is increasing year to year.

4.3. COMPARATIVE BALANCE SHEET

Table 4.3.1 COMPARATIVE BALANCE SHEET FOR THE YEAR 2015-2016

(Rs in crores)

Liabilities	2015	2016	Inc/dec	%	Assets	2015	2016	Inc/dec	%
Trade payables	3,88,20,358	12,23,451	- 3,75,96,907	96.84					
Other current liabilities	7,76,97,284	12,45,08,357	4,68,11,073	60.24	Inventories	10,84,21,161	16,26,32,347	5,42,11,186	50
Short term Provisions	-	5,00,980	5,00,980	100	Cash and bank balances	71,76,628	1,49,55,423	77,78,795	108.4
					Short term loans and advances	77,94,987	2,66,25,917	1,88,30,930	242
Total current liabilities	11,65,17,642	12,62,32,788	97,15,146	8.33	Total current assets	12,33,92,776	20,42,13,687	8,08,20,911	65.5
Share Capital	10,00,000	15,00,000	5,00,000	50	Fixed assets	9,86,441	46,11,196	36,24,755	367.45
Reserves & surplus	42,35,713	70,05,914	27,70,201	65.4	Deferred tax assets	91,168	1,59,293	68,125	75
Long term Borrowings	27,17,030	7,42,45,474	7,15,28,444	2632.6					
Total long term liabilities	79,52,743	8,27,51,388	7,47,98,645	940.53	Total fixed assets	10,77,609	47,70,489	36,92,880	342.7

INTERPRETATION:

Total reserves and surplus have increased in 2016 when compared to 2015 by 65.4%. Loan and advances have increased in 2016 when compared to 2015 by 2632.6. Fixed assets have increased in 2016 when compared to 2015 by 367.45. when compared to 2015. Current asset has been increased by 65.5% in 2016.

Table 4.3.2 COMPARATIVE BALANCE SHEET FOR THE YEAR 2016-2017

(Rs in crores)

Liabilities	2016	2017	Inc/dec	%	Assets	2016	2017	Inc/dec	%
Trade payables	12,23,451	85,41,971	73,18,520	598.1	Inventories	16,26,32,347	20,84,87,341	4,58,54,994	28.20
Other current liabilities	12,45,08,357	11,08,65,100	-1,37,36,804	-11.02	Cash and bank balances	1,49,55,423	33,59,354	-1,15,96,069	-77.54
Short term Provisions	5,00,980	7,17,638	2,16,658	43.25	Short term loans and advances	2,66,25,917	1,17,47,737	-1,71,61,861	-59.36
Total current liabilities	12,62,32,788	12,01,24,709	-62,01,626	-4.91	Total current assets	20,42,13,687	22,35,94,452	1,70,97,064	8.28
Share Capital	15,00,000	15,00,000	-	-	Tangible assets	46,11,196	2,08,83,202	1,62,72,006	352.88
Reserves & surplus	70,05,914	97,58,016	27,52,10	39.2	Intangible assets	NIL	4,42,638	4,42,638	100
Long term Borrowings	7,64,35,608	11,36,66,053	2 3,72,30,445	8 48.71	Deferred tax assets	1,59,293	1,28,506	-30,787	-19.33
Total long term liabilities	8,49,41,522	12,49,24,069	3,99,82,547	47.07	Total fixed assets	47,70,489	2,14,54,346	1,66,83,857	349.73

INTERPRETATION:

Total reserves and surplus have increased in 2017 when compared to 2016 by 39.28 %. Loan and advances have increased in 2017 when compared to 2016 deferred tax have decreased in 2017 when compared to 2016 by 19.33%. when compared to 2016. Current asset has been increased by 8.28% in 2017 when compared to 2016

Table 4.3.3 COMPARATIVE BALANCE SHEET FOR THE YEAR 2017-2018

(Rs in crores)

Liabilities	2017	2018	Inc/dec	%	Assets	2017	2018	Inc/dec	%
Trade payables	85,41,971	1,15,65,568	30,23,897	35.4	Inventories	20,84,87,341	15,90,98,696	-1,93,88,645	-9.30
Other current liabilities	11,08,65,100	6,96,25,404	-4,12,36,396	-37.2	Cash and bank balances	33,59,354	50,26,026		49.61
Short term Provisions	7,17,638	NIL	-7,17,638	-160	Short term loans and advances	1,17,47,737	1,41,10,318	16,66,672	20.11
								23,62,551	
Total current liabilities	12,01,24,709	8,11,94,272	-3,89,30,437	-32.41	Total current assets	22,35,94,452	20,82,35,040	-1,53,59,392	-6.87
Share Capital	15,00,000	15,00,000	-	-	Tangible assets	2,08,83,202	2,55,40,734	46,57,532	22.30
Reserves & surplus	97,58,016	1,13,35,622	33,77,606	34.6	Intangible assets	4,42,638	4,78,548	35,910	8.11
Long term Borrowings	11,36,66,053	15,00,48,506	3,63,82,753	32	Deferred tax assets	1,28,506	1,21,378	4128	3.21
					Long term loans and advances	-	1,15,00,000	1,15,00,000	100
Total long term liabilities	12,49,24,069	16,46,84,428	3,47,60,359	31.83	Total fixed assets	2,14,54,346	3,76,43,660	1,61,89,314	75

INTERPRETATION:

Total reserves and surplus have increased in 2018 when compared to 2017 by 34.61 %. Trade payables have increased in 2018 when compared to 2017 by 35.4% 2 deferred tax have decreased in 2017 when compared to 2018 by 3.21%. Current asset has been decreased by 6.87% in 2018 when compared to 2017.

Table 4.3.4 COMPARATIVE BALANCE SHEET FOR THE YEAR 2018-2019

(Rs in crores)

Liabilities	2018	2019	Inc/Dec	%	Assets	2018	2019	Inc/Dec	%
Short term borrowings	0	0	0	0	Current Investments	0	0	0	0
Trade payables	11565868	30222461	18656593	161.31	Inventories	189098696	218934284	29835588	15.78
Other current liabilities	69628404	122146956	52518552	75.43	Trade receivables	0	0	0	0
short term provisions	0	0	0	0	Cash and bank balances	5026026	17815844	12789818	254.47
					Short term loans and advances	14110318	24452741	10342423	73.3
					Other current assets	0	0	0	0
Total current liabilities	81194272	152369417	71175145	87.66	Total current assets	208235040	261202869	52967829	25.44
Share capital	1500000	1500000	0	0	Property, Plant& Equipment	25540734	32293126	6752392	26.44
Reserves& Surplus	13135622	14334176	1198554	9.12	Intangible assets	478548	1523493	1044945	218.36
Long term liabilities	150048806	139964108	10084698	-6.72	Capital work in progress	0	0	0	0
Defferred tax liabilities(net)	0	0	0	0	Intangible assets under development	0	0	0	0
Other long term liabilities	0	0	0	0	Non-current investments	0	0	0	0
Long term provisions	0	0	0	0	Deferred tax assets(Net0	124378	148213	23835	19.16
					Long term loans and advances	11500000	13000000	1500000	13.04
					Other non-current assets	0	0	0	0
Total long term liabilities	164684428	155798284	-8886144	-5.4	Total fixed assets	37643660	46964832	9321172	24.76

INTERPRETATION:

Total reserves and surplus have increased in 2019 when compared to 2018 by 9.12% Current liabilities have increased in 2019 when compared to 2018 by 75.43% deferred tax have increased in 2019 by 19.16%. When compared to 2018. Short term loans and advances is increased in 2019 when compared to 2018 by 73.30%.

Table 4.3.5 COMPARATIVE BALANCE SHEET FOR THE YEAR 2019-2020

(Rs in crores)

Liabilities	2019	2020	Inc/Dec	%	Assets	2019	2020	Inc/Dec	%
Short term borrowings	0	0	0	0	Current Investments	0	0	0	0
Trade payables	30222461	40777127	10554666	34.92	Inventories	218934284	247264653	28330369	12.94
Other current liabilities	122146956	130682078	8535122	6.99	Trade receivables	0	35300504	35300504	100
short term provisions	0	73277	73277	100	Cash and bank balances	17815844	4475364	13340480	-74.88
					Short term loans and advances	24452741	77405180	52952439	216.55
					Other current assets	0	0	0	0
Total current liabilities	152369417	171532482	19163065	12.58	Total current assets	261202869	364445701	103242832	39.53
Share capital	1500000	15000000	13500000	900	Property, Plant& Equipment	32293126	53827679	21534553	66.68
Reserves& Surplus	14334176	17250011	2915835	20.34	Intangible assets	1523493	2988650	1465157	96.17
Long term liabilities	139964108	230954943	90990835	65.01	Capital work in progress	0	0	0	0
Defferred tax liabilities(net)	0	0	0	0	Intangible assets under development	0	0	0	0
Other long term liabilities	0	0	0	0	Non-current investments	0	0	0	0
Long term provisions	0	0	0	0	Deferred tax assets(Net0	148213	475406	327193	220.76
					Long term loans and advances	13000000	13000000	0	0
					Other non-current assets	0	0	0	0
Total long term liabilities	155798284	263204954	107406670	68.94	Total fixed assets	46964832	70291735	23326903	49.67

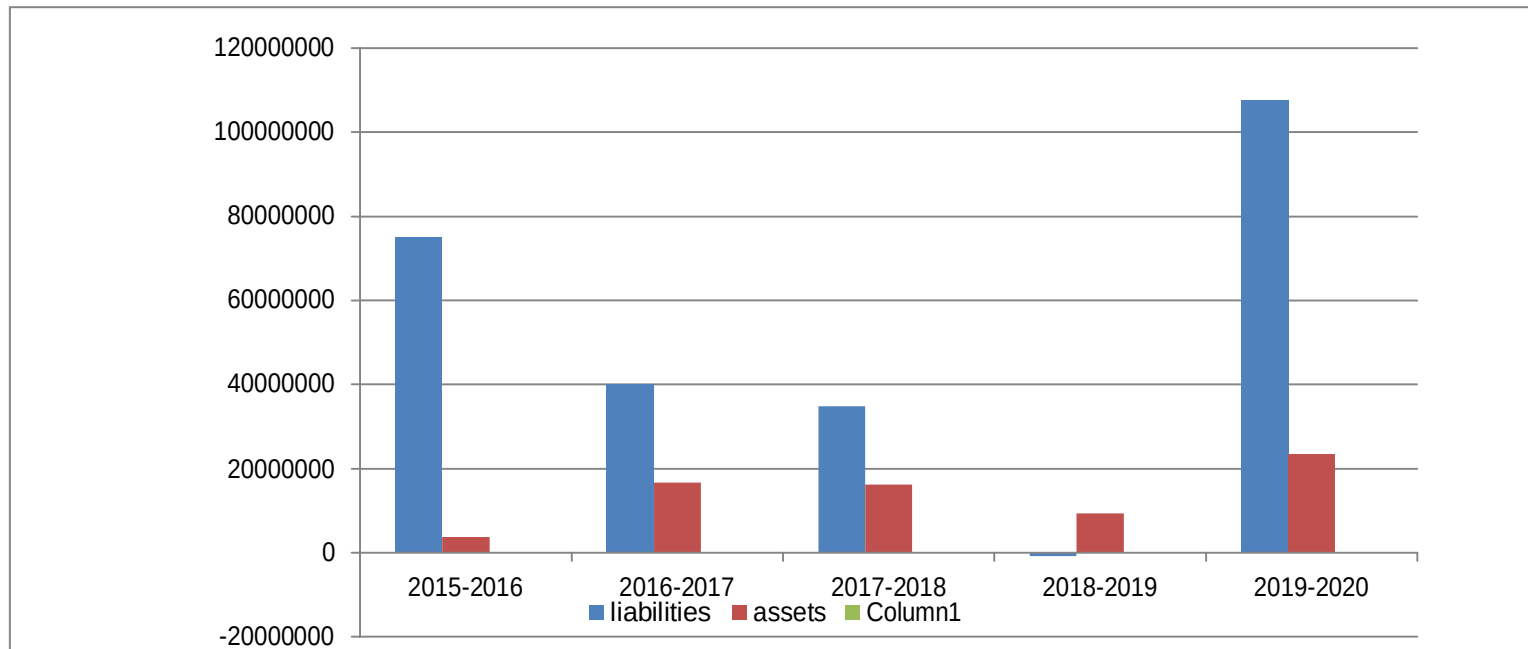
INTERPRETATION:

Total reserves and surplus have increased in 2019 when compared to 2020 by 20.34% Current liabilities have increased in 2020 when compared to 2019 by 6.99% deferred tax have increased in 2020 by 220.76%. When compared to 2019 .intangible assets is increased in 2020 when compared to 2019 by 96.17%.

TABLE 4.3.6 COMPRACTIVE BALANCE SHEET OF 2015-2020

YEAR	liabilities	assets
2015-2016	7,47,98,645	36,92,880
2016-2017	3,99,82,547	1,66,83,857
2017-2018	3,47,60,359	1,61,89,314
2018-2019	-88,61,44	9321172
2019-2020	10,74,06,670	2,33,26,903

Chart 4.3.6 : COMPRACTIVE BALANCE SHEET 2015-2020



INTERFERENCE

From the reference of above chart it is conclude that the company comparative statement assets are less than the liabilities is increasing year to year. 2018-2019 negative value in the liabilities.

Chapter – 5

5.1 Findings

- The working capital of the Vijay Raja homes in the financial year of 2015-2016 has increased by 2,66,09,725 Rs .
- The working capital of the Vijay Raja homes in the financial year of 2016-2017 has decreased by 2,87,57,930 Rs.
- The working capital of the Vijay Raja homes in the financial year of 2017-2018 has increased by 40,29,253 Rs.
- The working capital of the Vijay Raja homes in the financial year of 2018-2019 has decreased by 2,54,94,822 Rs
- The working capital of the Vijay Raja homes in the financial year of 2019-2020 has been increased by 6,51,06,781 Rs
- In year 2016 the cash at bank has increased at the rate 77,78,795
- In year 2016 the loans and advances have increased by the rate of 1,88,30,930
- In year 2017 cash at bank has decreased by 1,15,96,069.
- In year 2017 loans and advances has decreased by 1,71,61,861 Rs
- The amount in cash at bank has increased at the rate of 16,66,672 in the year 2018
- The amount in loans and advances has increased at the rate of 23,62,581 in the year 2018
- In year 2019 cash at bank has decreased at the rate 1,27,89,818
- The amount in loans and advances has decreased by 1,27,05,04 in the year 2019 1,27,05,004
- In year 2020 cash at bank has decreased at the rate of 5,50,662
- The amount in loans and advances has increased by 6,56,57,443 in the year 2020.
- Comparative balance sheet for the year 2015-2016 it is stated that current liabilities have increased by 4,68,11,073
- Comparative Balance Sheet For The Year 2015-2016 it is stated that short term provision increased by 5,00,980
- Comparative Balance Sheet for the year 2016-2017 it is stated that Reserve and surplus 27,52,102 rs

- Comparative Balance Sheet for the year 2016-2017 it is stated that the cash in bank has decreased by -1,15,96,069
- From the Comparative balance for 2017-2018 Current liability has decreased by 3,89,30,437Rs (32.41%) and current assets has decreased by 1,53,59,392Rs (6.87%)
- The comparative balance of 2018-2019 states that there is increase in the current liability by 5,25,18,552Rs(75.43) and short term loan has increased by 1,03,42,423rs (73.30%)
- The comparative balance sheet of 2019-2020 states that there is increases in liability by 85,35,122 (6.99%) and decreased by 1,33,40,480 (74.88%)

5.2 SUGGESTION

- The major applications of funds are using to increasing the working capital only first year and remaining years working capital is decrease
- Cash balances were fluctuating during the study period. Cash and deposits balance decrease in study year.
- It is found that there is except first year working capital remaining all years decrease
- During the study period the sources of funds are sale of fixed asset and funds from operations
- The funds are not utilizing the purchased of the fixed assets.
- It is found that the financial services limited is holding sufficient share capital
- Effective inventory management is needed in the company.
- The company should increase investment in current assets to create sufficient securities for the current liabilities.
- Company need to maintain more cash balances for its working capital needs.
- It may be suggested that the financial services limited should utilize limited funds for the purchase of fixed assets it affects the growth of the company.
- It is suggested to reduce the current liabilities.
- It is suggested to raise the funds by issuing more shares.
- The company should concentrate more on the current assets.
- The company is maintaining more reserves, so it is suggested to utilize optimum reserves

5.3 CONCLUSION

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and statements. It is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance

Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound policy

This project entitled financial performance analysis helped in knowing the firm's financial strengths and weakness which helps the company to make better utilization of its resources.

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ANNEXURE-I

BALANCE SHEET AS ON 2015-2016

assets	amount	liabilities	amount
Non- current assets	46,11,196	Share capital	88,05,914
Deferred tax	1,59,293	Non- current liabilities	7,42,45,474
Current assets	20,42,13,687	Current liabilities	12,62,32,788
total	20,89,84,176	total	20,89,84,176

BALANCE SHEET AS ON 2016-2017

ASSETS	amount	LIABILITIES	amount
non- current assets	21325840	Shareholders' funds	1,12,58,016
deferred tax	1,28,506	non- current liabilities	11,36,66,053
current assets	22,35,94,432	current liabilities	12,01,24,709
Total	24,50,48,778	total	24,50,48,778

BALANCE SHEET AS ON 2017-2018

assets	amount	liabilities	amount
Non- current assets	3,76,43,660	Share capital	1,46,35,622
Deferred tax	-	Non- current liabilities	15,00,48,806
Current assets	20,82,35,040	Current liabilities	8,11,94,272
total	24,58,78,700	total	24,58,78,700

BALANCE SHEET AS ON 2018 - 2019

assets	amount	liabilities	amount
Non- current assets	4,68,16,619	Share capital	1,58,34,176
Deferred tax	1,48,213	Non- current liabilities	13,99,64,108
Current assets	26,12,02,869	Current liabilities	15,23,69,417
total	30,81,67,701	total	30,81,67,701

BALANCE SHEET AS ON 2019 - 2020

assets	amount	liabilities	amount
Non- current assets	6,98,16,329	Share capital	3,22,50,011
Deferred tax	1,30,00,000	Non- current liabilities	23,09,54,943
Current assets	36,44,45,701	Current liabilities	17,15,32,482
total		total	43,47,37,436

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A STUDY ON EFFECTIVENESS OF FINANCIAL PERFORMANCE ON VIJAYA RAJA CONSTRUCTIONS

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ABSTRACT

This study has been organized into six chapters. The first chapter includes general introduction, industry profile, company profile, need and objective of the study. The second chapter is Review of literature this is based on the famous authors' view about the financial performance and the journal information also included.

The collected data has been analyzed using various statistical and financial tools like comparative statements, common size statements, and working capital analysis. After analyzing the data, general specific findings are sought out through interpretation. Suggestions and recommendations are formulated from the summary of findings.

KEYWORDS: working capital, comparative statement, common size, balance sheet, financial analysis for 5 years.

I. INTRODUCTION

1.1

The strategy of going global offers various challenges in the field of finance. The most widely emphasized goal of the firm is to maximize the value of the firm to its owners which is the driving force to make the organization successful. This is possible only when it has sufficient financial resources to meet the long term and short term requirements. Business can be carried on successfully with proper arrangement of funds.

Funds are invariably required to carry on the various activities of business which should be pursued on fulfilling the firm's long term and short term commitments. To meet long term commitment, a firm needs permanent capital and for its short term commitment, working capital is needed.

1.2 working capital

Working capital is defined as the “excess of current assets over current liabilities and provisions”. According to working capital is the amount of funds necessary for the cost of operating the enterprise.

1.3 comparative balance sheet

Comparative balance sheet is designed to show financial differences between several accounting periods.

1.4 common size balance sheet

In the common size balance sheet, total of assets and liabilities is taken as total. Common size statements are useful to a financial analysis. They make comparison easy and meaningful.

II.ABBREVIATIONS

Changes in working capital 2015-2020

Comparative balance sheet 2015-2020

Common size balance sheet 2015-2020

III. REVIEW OF LITERATURE .

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IV. RESEARCH METHODOLOGY

4.1 ANALYTICAL RESEARCH

Analytical research has been adapted to this study. Analytical research has to use facts or information already available and analyze these to make critical evaluation of the material or data's..

4.2 Data and sources of data

For the purpose of this study, secondary data has been used. The data for the study were collected from the company balance sheet and annual report.

4.3 secondary data

• Secondary Sources.

Secondary data's are in the form of finished products as they have already been treated statistically in some form or other.

• The secondary data mainly consists of data and information collected from records, company websites and also discussion with the management of the organization. Secondary data was also collected from journals, magazines and books.

4.4 financial and statistical tools

The statistical tools used for analysis are

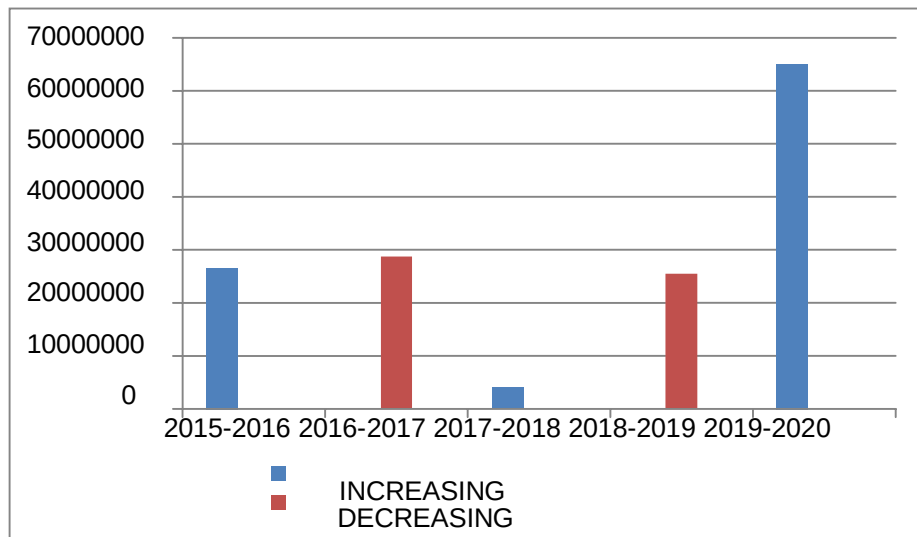
- Working capital ratio
- Common size balance sheet
- Comparative balance sheet

V. RESULTS

5.1 changes in working capital

CHANGES IN WORKING CAPITAL 2015-2020

YEAR	INCREASE	DECREASE
2015-2016	2,66,09,725	
2016-2017		2,87,57,930
2017-2018	40,29,253	
2018-2019		2,54,94,822
2019-2020	6,51,06,781	



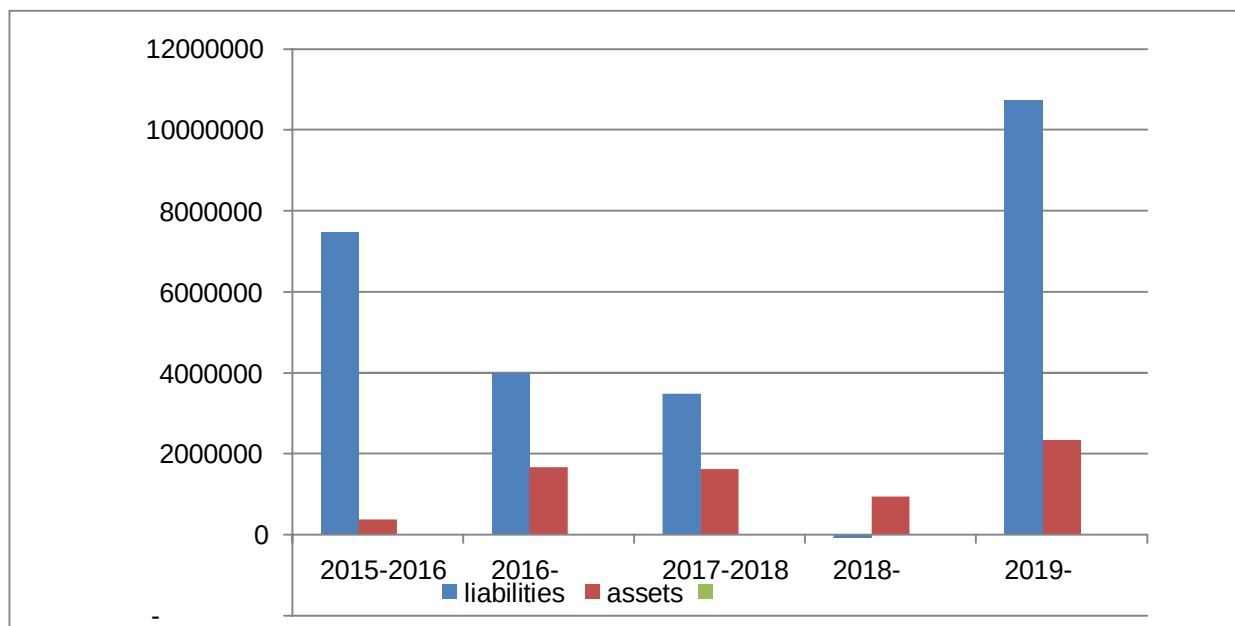
INTERFERENCE

From the reference of above chart it is conclude that the company do not have consistent working capital, they is a fluctuations in the working capital.

5.2 comparative balance sheet

COMPRACTIVE BALANCE SHEET OF 2015-2020

YEAR	liabilities	assets
2015-2016	7,47,98,645	36,92,880
2016-2017	3,99,82,547	1,66,83,857
2017-2018	3,47,60,359	1,61,89,314
2018-2019	-88,61,44	9321172
2019-2020	10,74,06,670	2,33,26,903

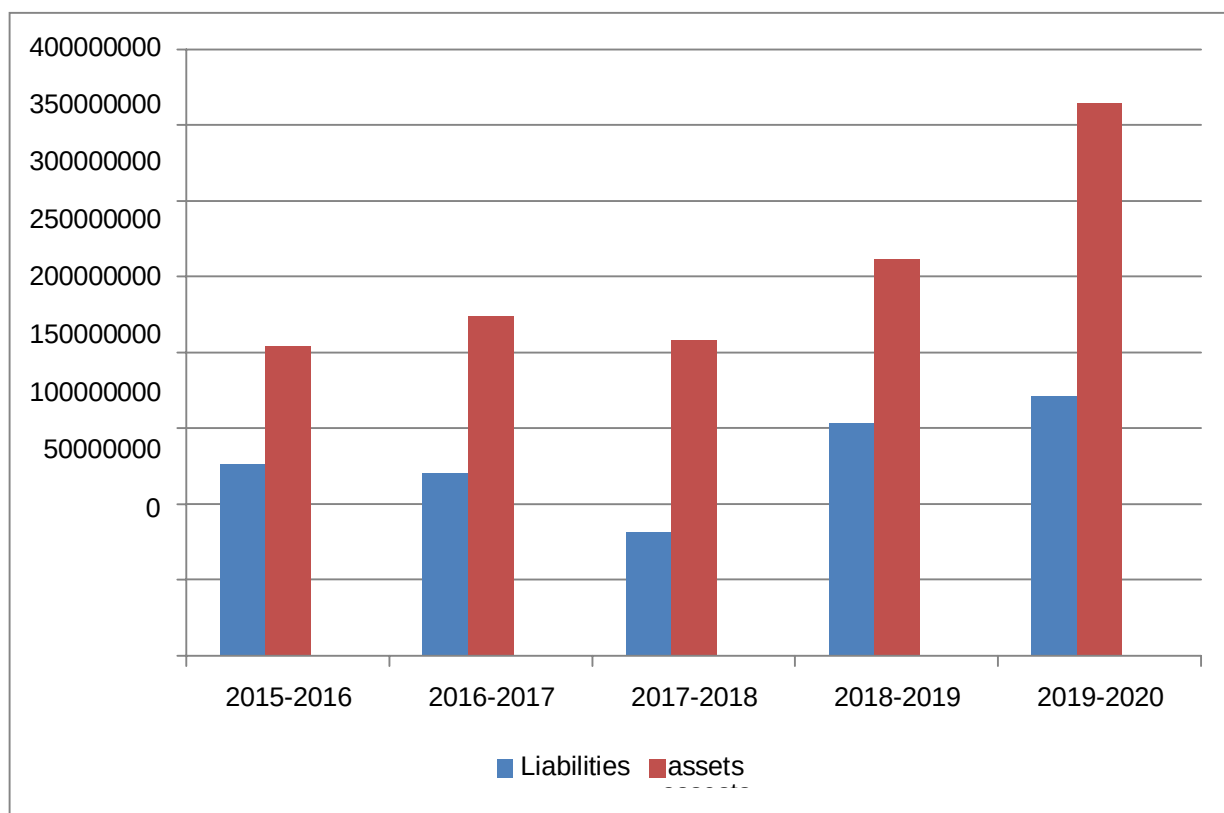


INTERFERENCE

From the reference of above chart it is conclude that the company comparative statement assets are less than the liabilities is increasing year to year. 2018-2019 negative value in the liabilities.

5.3. common size balance sheet

YEAR	liabilities	assets
2015-2016	12,62,32,788	20,42,13,687
2016-2017	12,01,24,709	22,35,94,432
2017-2018	8,11,94,272	20,82,35,040
2018-2019	15,28,69,417	26,12,02,869
2019-2020	17,15,32,482	36,44,45,701



INTERFERENCE

From the reference of above chart it is conclude that the company assets & liabilities is increasing year to year.

5.4 conclusion

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and statements. It is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance

Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings, ability to pay interest and debt maturities (both current and long term) and profitability of a sound policy

This project entitled financial performance analysis helped in knowing the firm's financial strengths and weakness which helps the company to make better utilization of its resources.

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