A Study on Financial Performance of Alloysys Extrusion Pvt Ltd

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Abstract: The purpose of the project "A study on financial performance" at Alloysys Extrusion Pvt Ltd is to examine the company's financial status. The goal of this project is to determine the efficiency of the company by using financial ratios such as profitability ratios, turnover ratios, and solvency ratios, to determine the company's liquidity position, to study the performance of the company through comparative analysis, and to provide suitable suggestions for improving the company's financial performance.

Keywords: profitability ratios, turnover ratios, solvency ratios

1. Meaning of Financial Statement Analysis Definition

Financial analysis is the process of discovering a company's financial strengths and weaknesses by appropriately creating relationships between balance sheet and profit and loss account components. The goal of financial analysis is to diagnose the information contained in financial statements in order to determine the firm's profitability and financial health. A financial analyst examines the financial statements using various tools of analysis before reporting on the enterprise's financial status.

2. Objectives of the Study

Primary Objectives:
The main aim of the study is to ascertain financial performance of Alloysys Extrusion Pvt Ltd for the past five years.

Secondary Objectives:
• To find out the efficiency of using financial ratios like profitability ratios, turnover ratio & solvency ratio.
• To find out the liquidity position.
• To study the performance of through comparative analysis.
• To provide suitable suggest to improve the financial performance

3. Need for the Study

Financial analysis is a powerful method for determining an enterprise's operational and financial strengths and weaknesses. Before applying sophisticated forecasting and planning techniques, financial analysis is the beginning point for formulating plans. This research aids in understanding the company's financial status. This research provides a possible solution to the working capital problem. The financial statements of a corporation must assess its profitability, liquidity, and solvency. Trend analysis, commonize statements, and ratio analysis are the most commonly utilized approaches for financial statement analysis. Calculations and comparisons of the results to past company data, competitors, or industry averages are among the approaches used to establish the relative strength and performance of the company under consideration.

4. Scope of the Study

The project is based on the company's data over the previous five years. The conclusions are taken from the ratios, comparative, and common size investigation. The report explains the company's financial status during the last five years. It assists the company in differentiating itself from other competitors. The study uncovers the benefits and drawbacks of the company's financial situation through analysis. It helps the reader grasp the numerous financial aspects of a company through straightforward interpretation and results for research purposes.

5. Review of Literature

The study of (Shin & Soenen, 1998) is congruent with a later study on the same topic done by (Deloof, 2003) utilizing a sample of 1009 big Belgian non-financial enterprises from 1992 to 1996. However, (Deloof, 2003) employed trade credit policy and inventory policy as a comprehensive measure of working capital management, which are measured by the number of days accounts receivable, accounts payable, and inventories, as well as the cash conversion cycle. He discovered a large inverse relationship between gross operating income and the amount of days accounts receivable, inventories, and accounts payable are outstanding. As a result, he believes that managers might create value for their shareholders by keeping accounts receivable and inventories at an acceptable level. He also proposes that less lucrative businesses pay their payments later.
In another study, (Lyroudi & Lazaridis, 2007) explore the cash conversion cycle () as a liquidity indicator of enterprises and seeks to evaluate its link with the current and quick ratios, with its component variables, and investigates the implications of profitability, indebtedness, and firm size. According to the findings of their analysis, there is a considerable positive association between the cash conversion cycle and standard liquidity indicators such as current and quick ratios. The cash conversion cycle was also related to the return on assets and the net profit margin, but not to the leverage ratios. The current and quick ratios, on the other hand, have a negative association with the debt-to-equity ratio and a positive link with the times interest earned ratio. Finally, there is no distinction between large and small enterprises' liquidity ratios.

Working capital policy relates to a company's policies on 1) goal levels for each category of current operational assets and liabilities, and 2) how current assets will be financed. A good working capital policy (i.e., under conditions of certainty) is one that minimizes holdings of cash, securities, inventories, fixed assets, and accounts payables. The amount of accounts receivable should be used to stimulate sales and other income. Previous research on working capital management has discovered a negative relationship between working capital level and operating success as evaluated by operating returns and operating margins (Peterson and Rajan, 1997). Firms have little motivation to keep more working capital than a minimum level under conditions of certainty (i.e., sales, expenses, lead times, payment periods, and so on). Larger quantities would increase the level of operational assets, which would increase the requirement for external funding, resulting in a poorer return on assets and a worse return on equity, with no rise in profit.

However, when uncertainty (i.e., uncertain growth) is introduced, the picture alters (Brigham and Houston, 2007). To support growing sales, more cash, securities, accounts receivable, marketable securities, inventory, and fixed assets will be required. The required amounts will be determined by predicted sales levels and order lead times. Additional holdings may be required to allow the company to deal with deviations from expected values. Firms will also want to boost their accounts payable balances in order to finance higher levels of current operating assets. Firms in the early stages of growth will have the difficulty of retaining the necessary amount of operating assets to support future growth while also seeking to maintain adequate performance indicators.

This research looks into how IPO businesses manage their working capital and other balance-sheet elements to enable future growth. This study adds to the current literature on working capital by investigating a sample of organizations (i.e., recent IPO firms) that have a broader range of growth levels than non-IPO firms. Our research looks at how working capital management affects the operating success and growth of new public companies. The study additionally investigates these links under three growth categories (i.e., negative growth, moderate growth, and high growth). Other firm factors examined in light of working capital management include firm operating and financial risk, debt amount, firm size, and industry.

An underlying theme of this study is that high growth certainly does not ensure high operating performance. Consistent with prior research (Peterson and Rajan, 1997) this study provides further evidence that good working capital management is positively associated with better operating performance. Higher levels of accounts receivable are associated with higher operating performance, in all three of the growth rate categories. The study also finds that maintaining control over levels of cash, securities, inventory, fixed assets, and accounts payables is associated with higher operating performance. We find that firms which are experiencing very high growth will hold higher levels of cash, securities, inventory, fixed assets, and accounts payable to support the high growth. According to the study, these companies are sacrificing operating performance (accepting lower operating returns) to support their rapid development. This, in turn, raises financial and operational risk for these businesses. Perhaps IPO firms should focus more on operational performance while retaining more moderate growth rates.

6. Statement of the Problem

The corporate companies are not able to sustain due to the poor management of capital resources and human resources. Thus, the study of financial statement required to understand the deployment of capital in a right way and the statement of analysis help them understand the present financial position of the company. This helps them increase the financial ratio to improve the performance of the company.

7. Research Gap

The limitations of the study are as follows. The study is covered only to the past financial performance of Alloysys Extrusion Pvt Ltd. Some of the data has not given by the company due to maintenance of financial secrecy. The period of the study is restricted to 5 years. So the study cannot be covered to all the areas. The financial data cannot be estimated accurately for the future period due to the financial crisis.

8. Research Methodology

A research technique is a method for solving a research problem in a methodical manner. It can be thought of as a science that studies how scientific research is conducted. The numerous steps that are commonly taken by the researcher in examining his research problem, as well as the logic behind them, are examined in this paper. The proposed research is descriptive in nature. Research design is required because it allows the numerous research processes to run smoothly, making research as efficient as feasible. The following aspects are typically considered in a study design for a specific problem.
### Table 1: Proprietary Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Shareholder fund</th>
<th>Total Asset</th>
<th>Ratio (Times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>49032.66</td>
<td>721526.32</td>
<td>0.067957</td>
</tr>
<tr>
<td>2018</td>
<td>57947.70</td>
<td>964432.08</td>
<td>0.060085</td>
</tr>
<tr>
<td>2019</td>
<td>65949.20</td>
<td>1053413.74</td>
<td>0.062605</td>
</tr>
<tr>
<td>2020</td>
<td>64986.04</td>
<td>1223736.20</td>
<td>0.053105</td>
</tr>
<tr>
<td>2021</td>
<td>83951.20</td>
<td>1335519.24</td>
<td>0.062860</td>
</tr>
</tbody>
</table>

Source: Primary data

### Table 2: Current Ratio

<table>
<thead>
<tr>
<th>Year</th>
<th>Current Asset</th>
<th>Current Liability</th>
<th>Current Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>484234.54</td>
<td>83362.30</td>
<td>5.81</td>
</tr>
<tr>
<td>2018</td>
<td>646907.00</td>
<td>110697.57</td>
<td>5.84</td>
</tr>
<tr>
<td>2019</td>
<td>728098.00</td>
<td>80336.70</td>
<td>9.06</td>
</tr>
<tr>
<td>2020</td>
<td>879593.60</td>
<td>105248.39</td>
<td>8.36</td>
</tr>
<tr>
<td>2021</td>
<td>964742.06</td>
<td>80915.09</td>
<td>11.92</td>
</tr>
</tbody>
</table>

9. Discussion of Results

- It shows that current ratio was high in the year 2021 with 11.92 and low in the year 2017 with 5.81. The current year (2021) current ratio is found to be the highest (11.92) due to the decrease in the liabilities.
- From the above table and chart the current ratio of the company is fluctuating in manner. Although the company has an increasing current asset the current liabilities is also fluctuating.
- Proper steps should be taken as such the ratio is less than 2 the company may get difficult in paying the creditors.

10. Conclusion

The efficient and smooth functioning of all the activities of the company depends upon the financial performance of the company. The financial performance analysis thus is a forward- looking exercise as it is helpful in future financial planning decision making. It determines to analysis forecasting future financial position. Through financial statement analysis, the present position and operating efficiency of the firm as a whole and its different departments can be identified. Further, the reasons for change in the profitability financial position of the firm can be found and necessary measures can be taken.

Financial performance can improve the financial strength of Company. The company’s liquidity position has to increase, and it will solve future problem. The company is maintaining the reserves and surplus better so it can face financial stress in the future. To proper maintain of financial performance to achieve the company goal.

By analyzing the financial performance of the company of the company it is inferred that the company’s financial position is found to be good. The ratios of the company are satisfactory. The profitability of the company is satisfactory but does not show a higher change in the profit when compared with the previous years. The company has increasing liabilities over years. The company has also raised its investments and reserves for future purpose. This clearly shows that the company is in the developing nature and their position in the society is satisfactory.

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