International Journal of Humanities Social Science and Management (IJHSSM)
Volume 4, Issue 2, Mar.-Apr., 2024, pp: 1598-1603 www.ijhssm.org

A Study on Financial Statement Analysis Capricorn Food Products India Limited, Chittoor.

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Date of Submission: 11-04-2024 Date of Acceptance: 25-04-2024

ABSTRACT
The financial statements can find out how the financial performance of the company. Financial ratio analysis and common size analysis can produce useful conclusions. This study aims to determine the financial performance, which refers to the balance sheet and income statement for 2018-2023 using financial ratios and the common size method. The research method applied in this research is using descriptive research with a quantitative approach. The results of the research conducted showed that the performance of the study covering its current liabilities with current assets can still be said to be quite good. From the liquidity iratio Margin ratios experienced. Shows that it allocates more of its funds to fixed assets. In using its capital uses its equity more than liabilities. which explains that the company is getting better in terms of solvency.

I. INTRODUCTION

Financial analysis is the process of examining a company's performance in the context of its industry and economic environment in order to arrive at a decision or recommendation. Often, the decisions and recommendations addressed by financial analysts pertain to providing capital to companies-specifically, whether to invest in the company's debt or equity securities and at what price. An investor in debt securities is concerned about the company's ability to pay interest and to repay the principal lent. An investor in equity securities is an owner with a residual interest in the company and is concerned about the company's ability to pay dividends and the likelihood that its share price will increase.

Overall, a central focus of financial analysis is evaluating the company's ability to earn a return on its capital that is at least equal to the cost of that capital, to profitably grow its operations, and to generate enough cash to meet obligations and pursue opportunities.

II. REVIEW OF LITERATURE

Dr. Siva Prakash J.S(2023) Financial Statement Analysis: The process of examining a company'sfinancial statements to gain insight into its financial health, profitability, and overallperformance is known as financial statement analysis. Companies prepare financial statements on a regular basis, which include the balance sheet, income statement, and cash flow statement.

P. Rajendran and Dr. B. Sudha, (2019) examined the financial performance of HDFC Bank. Researcher's objectives were to evaluate the financial performance, liquidity ansolvency position of HDFC Bank. Their study was based on secondary data which had been taken from bank's website and annual reports. The financial statements for the period 2014 – 15 to 2018 – 19 had been evaluated. The data were analyzed by the ratio analysis. Current ratio, cash position ratio, fixed assets ratio, debt equity ratio and proprietary ratiowere analyzed. They found that HDFC's liquidity position was good and creditors were safe during the study period. They finally concluded that the financial performance of HDFC bank was strong during the study period.

NEED FOR THE STUDY

To study common-size statements to determine the relative strength and performance of the company being analyzed from the period of 2018-2023.

Financial statement analysis is to diagnose the information contained financial statements so as to judge profitability and financial soundness of the firm, analyst analysis before commenting up on the financial health or weakness of an enterprise.

SCOPE OF THE STUDY

- The scope of the study is evaluating the financial statement analysis is limited to Capricorn food products India limited during the year from 2018 to 2023. This financial statement analysis may help the company to take appropriate financial decision of the firm.

OBJECTIVES OF STUDY

- To understand and analyze methods of improving profitability management.
- To examine the financial performance of the company for the period of 2018 to 2023.
- to analyse the company's Revenue and Expenses from 2018 to 2023.
- To analyses the profitability and absolute measuring the earning capacity of the company.
- To maintain a proper balance between liquidity & profitability.

III. RESEARCH METHODOLOGY

- research design :- The research design refers to preplanning what a researcher refers to the analytical research. Since the data collected from the financial statements of the company is analyzed under various financial tools.
- **Data collection**
- The study is based on the primary and secondary data obtained from the Capricorn Food Products India Ltd.
- Sources of data:
- **Primary data:**Primary data is obtained through the discussion with officials of Capricorn Food Products India Ltd.
- **Secondary data:**

In this study the data is collected from the secondary source. Most of the calculations are made on the financial statement of the company and the company provided financial statements for 5 years.

- The secondary data is collected from ;
- Annual financial reports of the company.
- Company websites.
- Brochures and books.

Tools used :-

- Common – size statement
- Ratio analysis

DATA ANALYSIS TOOL'S:

the following data analysis tools used in the study are

- **common size statements**
- **ratio analysis**

i. Current ratio.
ii. Leverage ratio.
iii. Profitability ratio.

DATA ANALYSIS AND INTERPRETATION:
COMMON SIZE BALANCE SHEET FOR 2021-2022 (Amount in crores)

	2021		2022			2021		2022	
Liabilities	**Amt**	**%**	**Amt**	**%**	**Assets**	**%**	**Amt**	**%**	
Share capital:					**Cash&Bank Balance:**				
From government	262.70	30.41	262.70	23.60	**Cash in hand**	0.17	0.04	0.37	0.06
From members	8.29	0.96	8.30	0.74	**Bank balances**	13.84	3.32	9.56	1.64
From institutions	0.10	0.01	0.10	9.02	**Postage on hand**	0.00	0.00	0.00	0.00
Deposits& borrowings:	189.10	21.89	156.30	14.09	**Adhesive stamps**	0.00	0.00	0.00	0.00
Cashcredit pledge(sugar)	137.60	15.92	249.90	22.54	**Stock**	0.00	0.00	0.00	0.00
Payables	124.14	14.37	273.04	24.62	**Share investment**	0.04	0.01	0.04	6.89
Sundry creditors	9.66	1.17	25.30	2.28	**investment**	3.05	0.73	2.07	0.35
Reserves:					**Receivables**	26.69	6.39	26.10	4.49
Depreciation reserve	111.74	12.93	112.20	10.12	**Loans & advances**	75.69	18.13	70.50	12.10
Gratuity reserve	0.00	0.00	0.00	0.00	**Fixed assets:**				

Investment allowance	0.00	0.00	0.00	0.00	land	0.30	0.07	0.35	0.06
Molasses storage fund	0.00	0.00	0.00	0.00	roads and fencing	2.99	0.72	2.90	0.49
Reserve for ba d debts	0.00	0.00	0.00	0.00	factory building	5.40	1.29	5.40	0.93
Reserve for objected items	18.50	2.14	18.50	1.66	non-factory building	3.09	0.74	3.09	0.53
Reserve for overdue interest					plant & machinery	93.66	22.44	93.60	16.13
Reserve for cane development	0.47	0.05	0.47	0.04	miscellaneous assets	6.43	1.54	6.40	1.10
General reserve	0.00	0.00	0.00	0.00	Furniture	0.64	0.15	0.64	0.11
Central subsidy	0.00	0.00	0.00	0.00	Other assets	0.62	0.63	2.60	0.44
	1.50	0.17	1.50	0.13	Stores stock	21.57	5.17	19.30	3.32
					Closing stock:				
					Levy sugar	131.11	31.41	28.50	4.91
					Free sugar	1.53	0.36	292.40	50.30
					Sugar in process	16.30	3.91	0.10	0.01
					molasses	0.36	0.09	16.00	2.75
					work in progress	0.00	0.00	0.30	0.00
					prepaid expenses				
Totals	**863.80**	**100.00**	**1108.60**	**100.00**		**417.45**	**100.00**	**580.22**	**100.00**

INTERPRETATIONS

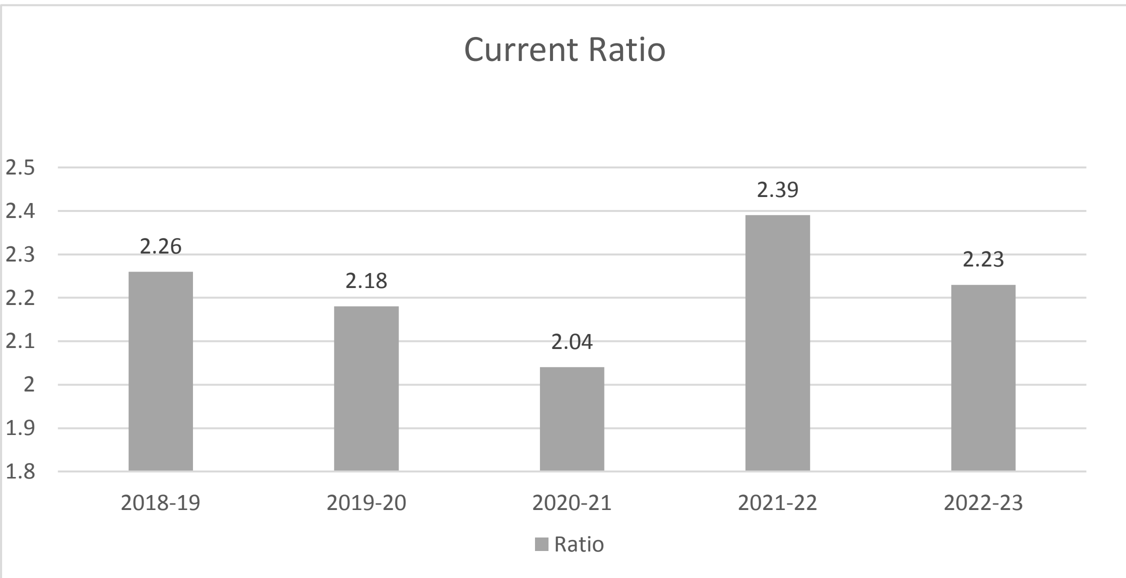
1. Out of the total liabilities the share capital from government composes 30.41% for 2022 and 23.60% during 2023.
2. Deposits and borrowings form 21.89% of total liabilities during 2022 and the composition has decreased to 14.00% during 2023.
3. Cash credit proportion to total liabilities 15.92% during 2022 and it increased to 22.54% during 2023.
4. Payables are14.37% of the total liabilities for the year 2022 & 24.62% for the year 2023.
5. Depreciation reserve was 12.93% of the total liabilities for the year 2022 and

Ratio analysis:

CURRENT RATIO: -

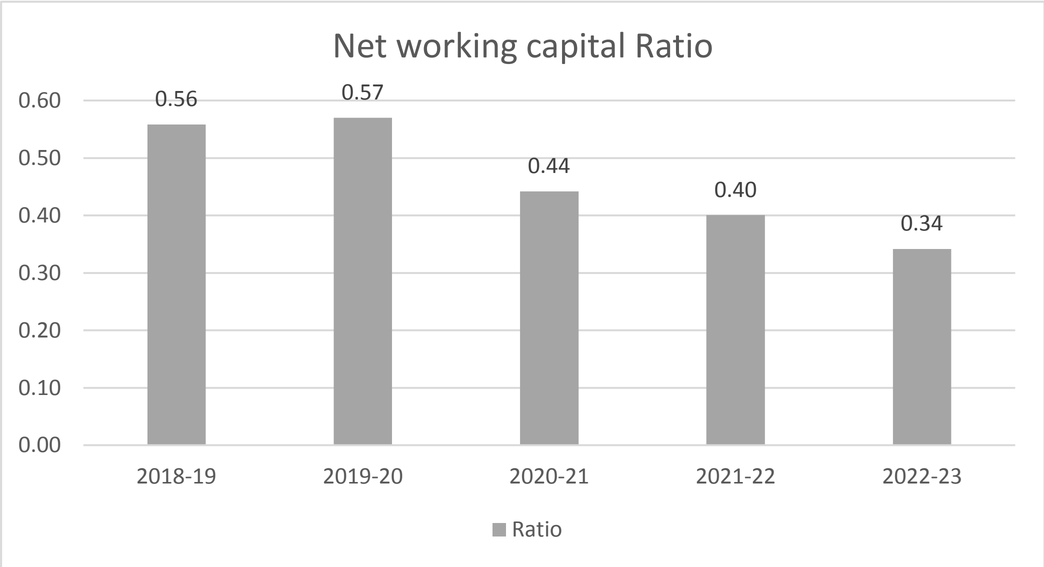
1. Current Ratio:- A liquidity ratio that measures a company's ability to pay short-term obligations (or) those due within one year.

Current Ratio = Current Assets/ Current Liabilities



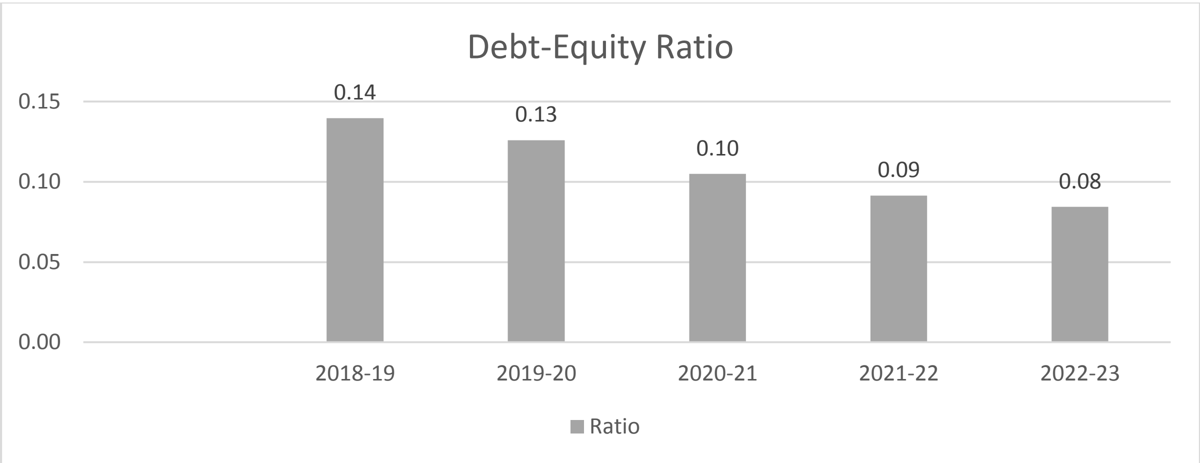
INTERPRETATION: The current ratios were 2.26, 2.18, 2.04, 2.39, and 2.23 for the simultaneous years 2018 to 2023. The standard ratio of current ratio is 2:1. So, the organization properly utilised their assets.

2. Net Working Capital Ratio:-
Net Working Capital Ratio = Net Working Capital / Net Assets



INTERPRETATION: The net working capital ratios are 0.56, 0.57, 0.44, 0.40, and 0.34 respectively in the year of 2018 to 2023. The organization properly maintaing the net working capital the year of 2018-19 & 2019-20 i.e., 0.56 & 0.57. 2020 to 2023 the organisation not maintained net working capital properly. The net working capital fall down the ratio of 0.44, 0.40 & 0.34.

LEVERAGE RATIOS
Debt-Equity Ratio:-
Debt Equity Ratio = Total Debts / Equity (Shareholders' Funds)

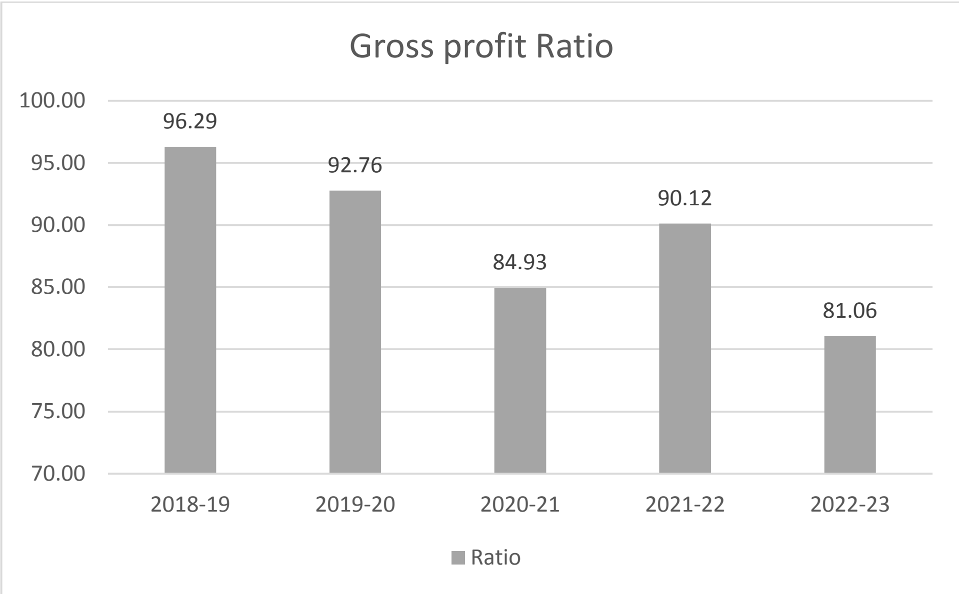


INTERPRETATION: The debt equity ratio ideal ratio is 0.5:1/1:1 here the organization highly depended debts of the organizations. So, in the year of 2018 to 23 the ratio is 0.14, 0.13, 0.10, 0.09 and 0.08 respectly. So, the organization lack in utilization of equity.

PROFITABILITY RATIOS:

1. Gross profit Ratio:

$$\text{Gross Profit Ratio} = \frac{\text{Gross Profit}}{\text{Net Sales}} \times 100$$

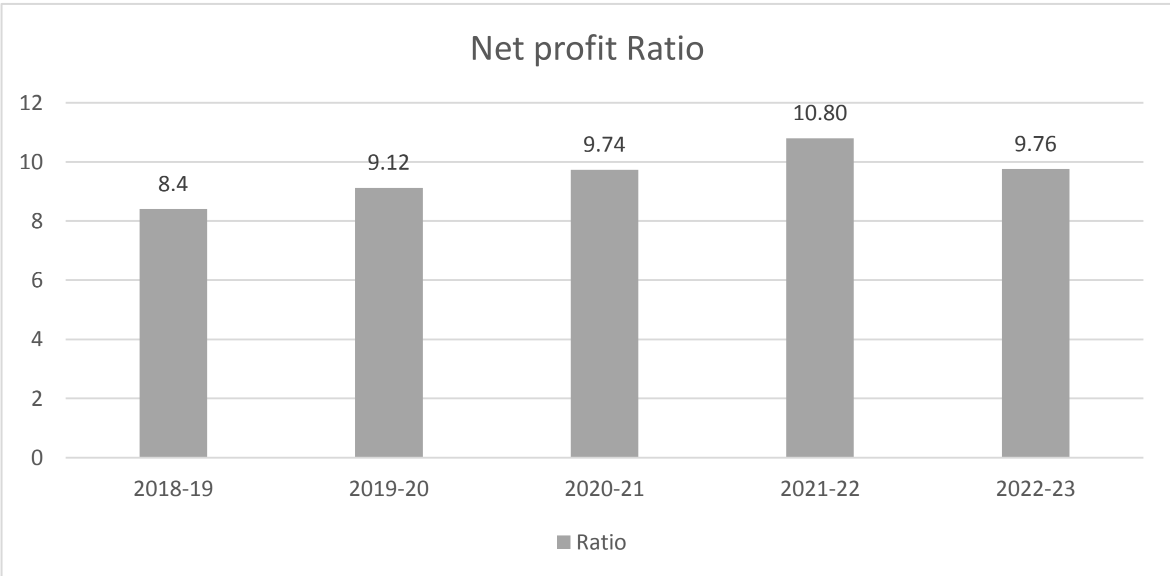


INTERPRETATION:

The gross profit margin for the year 2018 - 2019 was highly maintaining that is 96.29 and has decreased in the year of 2019-20,2020-21 i.e., 92.76,84.93 and again it will be increased in the year of 2021 – 22 i.e., 90.12 and last year 2022-23 is declained 81.06.

2. Net profit Ratio

$$\text{Net Profit Ratio} = \frac{\text{Net Profit}}{\text{Net sales}} \times 100$$



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INTERPRETATION:
The net profit ratio for the year 2018-2019 is 8.40 again it will be increase in the year of 2019-20 to 2021-22 i.e., 9.12, 9.47 & 10.80 and last year 2022-23 is declained 9.76.

IV. FINDINGS

- Net working capital is decreased in the year 2022-23 ratio is 0.34, when compared to remaining four years.
- Debt ratio of the company was in the year 2018-23 the ratios were low it does not meet debt standard ratio.
- The debt equity ratio was decreased continously from 2018-23. The organization highly depended on debts of the organization.
- The operating ratio of the company was decreased in the year 2022-23 that is 1.16 was very low when compares to remaining years.
- The gross profit margin for the year 2018 - 2019 was highly maintaining that is 96.29 and has decreased in the year of 2022-23 81.06.
- The net profit ratio for the year 2021-2022 is increase 10.80 and decreased to 9.76 in the year of 2022-23.

V. SUGGESTIONS

- The company maximum utilizing of current assets and reduce the current liabilities.
- The organization effectively utilizing the assets in a proper manner and reduce to utilizing the debt.
- Debt equity ratio they properly utilizing the equity and less depending on debt.
- It is suggested to the management try to decrease the costs i.e., operating & production that with increases the profitability
- The organization has to increase its gross profits and net profits it helps for the diversification of the company.

VI. CONCLUSION:

The profitability is decreasing from year to year. The company should take steps to increase sales and resultantly the profit . **Capricorn Food Products India Ltd.,** Palagunta profitability position was deteriorated year by year, liquidity position also moderate long term solvency of the firm is also moderate due to high debts the firm's efficiency in utilizing assets is also very low.

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