

A Project Report On Financial Statement Analysis Of Gloabal Aluminium Pvt Ltd

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I. INTRODUCTION

INTRODUCTION TO FINANCIAL STATEMENT ANALYSIS:

The basis for financial analysis of any firm is financial information. A business firm prepares its financial statements as they provide useful financial information and are helpful for the purpose of decision-making. Financial information is needed to predict, compare and evaluate the firm's earning ability. The profit or loss statement shows the operating profit of the concern and the balance sheet depicts the balance value of acquired assets and liabilities at a particular point of time. For the purpose of obtaining the material and relevant information necessary for ascertaining the financial strengths and weakness of an enterprise, it is necessary to analyze the data depicted in the financial statement. The analysis is done by properly establishing the relationship between the items of balance sheet and profit / loss account.

NEED FOR THE STUDY:

To understand the existing position of the company relating to its financial position and to know what are the factors that result an organization yield Profit /Loss

SCOPE:

The scope of study is limited to collecting financial data published in annual reports of the company with reference to the objectives stated above and an analysis of data with a view to understand the solutions by applying various ratios relating to balance sheets.

OBJECTIVES:

The main aim of the study is to analyze the financial performance of

1. GLOBAL ALUMINIUM PVT LTD.
2. To review growth and working of GLOBAL ALUMINIUM PVT LTD during 3 years.
3. To evaluate the financial analysis of its business operations.
4. To conduct trend analysis from 2010 to 2018.
5. Management approach towards GLOBAL ALUMINIUM PVT LTD.

METHODOLOGY:

The study is based on the primary as well as secondary data.

The primary data was gathered through personal interaction with various Functional heads and technical personal.

The secondary data was collected from company's annual reports from 2016-18 various books, newspapers and Internet.

LIMITATIONS:

As adequate data was not able to pool because of the secrecy maintained by the firm, Proper justification for the project was not done.

The study is limited to the financial analysis of GLOBAL ALUMINIUM PVT LTD.

The study is confined to the figures available on paper and files and no physical verification has been done.

METHODS OF FINANCIAL STATEMENT ANALYSIS:

The following methods of analysis are generally used:

COMPARATIVE STATEMENTS.

COMMONSIZE STATEMENTS.

TREND ANALYSIS.**II. DATA ANALYSIS & INTERPRETATION****COMPARATIVE BALANCE SHEET OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2016 & 2017**

PARTICULARS	31-03-2016	31-03-2017	ABSOLUTE CHANGE	PERCENTAGE OF CHANGE
SOURCES OF FUNDS				
Share capital	23431000	23431000	0	0
Reserve&surplus	51326667.89	72621203.04	21294335.15	41.49
Secured loans	36201347.38	54353221.01	18152773.63	50.15
Unsecured loans	13830206	17810745	3980539	28.78
Sales tax deferred liability	26473735.4	26579192	105456.6	0.4
Provision for deferred tax Liability	2783243	2694458.9	-88784.1	-3.19
TOTAL	154045499.67	197489819.95	43444320.28	28.20
APPLICATION OF FUNDS				
Fixed assets	43734109	47415935	3681826	8.42
Investments	27000	27000	0	0
Deposits	4247949	4740902	492953	11.6
Current assets, loans & Advances	106036441.67	145305982.95	39269541.28	37.03
Preliminary & pre-operative Expenses	0	0	0	0
TOTAL	154045499.67	197489819.95	43444320.28	28.20

INTERPRETATION:

1. The comparative balance sheet of the company reveals that, there were increase of current assets, loans & advances of Rs.39269541.28 i.e., 37.03%. Which depicts that the company's liquidity position is satisfactory.
2. There is a sound increase in secured loans value of 18152773.63 i.e., 50.15%. and also increase in unsecured loan of Rs.3980539 i.e., 28.78%.
3. There is an increase in fixed asset value of Rs.3681826 i.e., 8.42%. This fact depicts that the company is diverting its loan to purchase fixed asset.
4. There is increase in increasing rate of reserves & surplus of Rs.21294335.15 i.e., 41.49%. Which depicts the good profitability of the company.
5. On the whole, overall financial position of the company satisfactory.

COMPARATIVE BALANCE SHEET OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2017 & 2018

PARTICULARS	31-03-2017	31-03-2018	ABSOLUTE CHANGE	PERCENTAGE OF CHANGE
SOURCES OF FUNDS				
Share capital	23431000	23431000	0	0
Reserve&surplus	72621203.04	82985086.60	10363883.56	14.27
Secured loans	54353221.01	46893584.12	-7459636.89	-13.72
Unsecured loans	17810745	25692270.90	7881525.9	44.25
Sales tax deferred liability	26579192	26579192	0	0
Provision for deferred tax Liability	2694458.90	3809447	1114988.1	41.38
TOTAL	197489819.95	209390580.62	11900760.67	6.026
APPLICATION OF FUNDS				
Fixed assets	47415935	76281546.5	28865611.5	60.88
Investments	27000	27000	0	0
Deposits	4740902	6277902	1537000	32.42
Current assets, loans & Advances	145305982.95	126804132.12	-18501850.83	-12.73
TOTAL	197489819.95	209390580.62	11900760.67	60.26

INTERPRETATION:

1. The comparative balance sheet of the company reveals that, there is decrease in current assets, loans & advances of Rs. -18501850.83 i.e., -12.73% . This fact depicts that the company is losing its liquidity.
2. There is increase in the unsecured loan value of Rs.7881525.9 i.e., 44.25% and we can see the decrease in secured loan of Rs.-7459636.89 i.e., -13.72%.
3. There is a sound increase in the company's fixed asset value of Rs.28865611.5 i.e., 60.88% and also increase in deposits of the company of Rs.1537000 i.e., 32.42%.
4. The above fact depicts that the company is diverting its loan amount to purchase fixed assets.
5. There is a decrease in increasing rate of reserves & surplus of 14.27%. which amounted 10363883.56
6. On the which, overall financial position of the company satisfactory.

COMMON SIZE BALANCE SHEET OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2017 & 2017

PARTICULARS	31-03-2016	PERCENTAGE OF CHANGE	31-03-2017	PERCENTAGE OF CHANGE
SOURCES OF FUNDS				
Share capital	23431000	15.21	23431000	11.86
Reserve& surplus	51326867.89	33.32	72621203.04	36.77
Secured loans	36201347.38	23.5	54353221.01	27.52
Unsecured loans	13830206	8.98	17810745	9.02
Sales tax deferred Liability	26473735.4	17.19	26579192	13.46
Provision for deferred tax liability	2783243	1.8	2694458.90	1.37
TOTAL	134045499.67	100	197489819.95	100
APPLICATION OF FUNDS				
Fixed assets	43724109	28.39	47415935	24.01
Investments	27000	0.02	27000	0.01
Deposits	4247949	2.76	4740902	2.4
Current assets, loans& Advances	106036441.67	68.83	145305982.95	73.58
TOTAL	134045499.67	100	197489819.95	100

INTERPRETATION:

1. The analysis of current assets, loans & advances of both the years shows that the percentage of current assets, loans & advances to that of total assets is 68.83% in 2016 and increased to 73.58% in 2017 and in the both the years the company is having adequate working capital.
2. The analysis of fixed assets of both the years shows that the percentage of fixed assets to that of total assets is 28.39% in 2016 and it decreased to 24.01% in the year 2017.
3. Company's reserve capacity is very good. Because percentage of reserves & surplus to that of total liabilities is 33.32% in 2016 and increased to 36.77% in 2017.

COMMON SIZE BALANCE SHEET OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2017 & 2018.

PARTICULARS	31-03-2017	PERCENTAGE OF CHANGE	31-03-2018	PERCENTAGE OF CHANGE
SOURCES OF FUNDS				
Share capital	23431000	11.86	23431000	11.19
Reserve& surplus	72621203.04	36.77	82985086.6	39.63
Secured loans	54353221.01	27.52	46892584.12	22.39
Unsecured loans	17810745	9.02	25692270.90	12.27
Sales tax deferred Liability	26579192	13.46	26579192	12.69
Provision for deferred tax liability	2694458.90	1.37	3809447	1.83
TOTAL	197489819.95	100	209390580.62	100
APPLICATION OF FUNDS				
Fixed assets	47415935	24.01	76281546.5	36.43
Investments	27000	0.01	27000	0.01
Deposits	4740902	2.4	6277902	2.99
Current assets, loans& Advances	145305982.95	73.58	126804122.12	60.57
TOTAL	197489819.95	100	209390580.62	100

INTERPRETATION:

The analysis of current assets, loans & advances of both the years shows that the percentage of current assets, loans & advances to that of total assets is 73.58% and it reduced to 60.57% in the year 2018. But in the both the years the company is having adequate working capital.

The analysis of fixed assets of both the years shows that the percentage of fixed assets to that of total assets is 24.01% in 2017 and it increased to 36.43% in the year 2018.

Company's reserves capacity is very good. Because percentage of reserves & surplus to that of total liabilities is 36.77% in 2017 and increased to 39.63% in the year 2018.

COMPARATIVE INCOME STATEMENT OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2016 & 2017

PARTICULARS	31-03-2016	31-03-2017	ABSOLUTE CHANGE	PERCENTAGE OF CHANGE
INCOME				
Sales	507228040.60	526034638	218806597.4	71.22
Other receipts	8867291.63	8418411.56	-5448880.07	-61.45
Increase/ decrease in finished stock	1135483	4281631	3146168	277.08
TOTAL(A)	517230815.23	533734700.56	216303885.33	68.25
EXPENDITURE				
Consumption of raw material & stores	238204911.77	429689292.09	191484380.32	80.39
Manufacturing expenses	59648256.10	55302431	15654174.90	39.48
Taxes & duties	2106623	4091580	1984957	94.22
Administrative expenses	10964028.87	12940671.82	1976642.95	18.03
Interest & finance charges	4281164.47	7453592	3172427.53	74.10
Depreciation	2857930.01	2946126	88196	3.09
Misc expenses	4090	0.00	-4090	-100
TOTAL(B)	298067004.22	512423692.91	214356688.7	71.92
Profit before tax for the year(A-B)	19163811.01	21311007.65	2147196.63	11.2
(-)Provision for deferred tax liability	104912	-88784.10	-193696.1	-184.63
	19058899.01	21399791.75	2340892.73	12.28
(-)Provision for sales tax liability	0.00	105456.60	10556.60	100
(-) Provision for taxation	6246540	0.00	-6246540	-100
Profit after taxation (PAT)	12812359.01	21294335.15	8481976.13	66.20
Add: B/f previous year	38514508.88	51326867.90	12812359.02	33.27
Balance profit/loss carried to reserve & surplus	51326867.89	72621203.05	21294335.15	41.49

INTERPRETATION:

1. The comparative income statement of the company reveals that during the year sales of the company increased by 218806597.4 i.e., 71.22%. And also other receipts are decreased by -61.45%.
2. During the year taxes & duties and interest & financial charges are increased by 94.22% and 74.10% respectively.
3. There is increase in profit before taxes of the company by 2147196.63 i.e., 11.2%.
4. On the whole, overall profitability of the company satisfactory.

COMPARATIVE INCOME STATEMENT OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2017 & 2018

PARTICULARS	31-03-2017	31-03-2018	ABSOLUTE CHANGE	PERCENTAGE OF CHANGE
INCOME				
Sales	526034638	600575514	74540876	14.17
Other receipts	8418411.56	5100343.92	1681932.36	49.20
Increase/ decrease in finished stock	4281651	8602635	1321004	30.85
TOTAL(A)	533734700.56	611278512.92	77543812.36	14.53
EXPENDITURE				
Consumption of raw material & stores	429689292.09	490782880.36	61093588.27	14.22
Manufacturing expenses	55302431	65129369.08	9826938.08	17.77
Taxes & duties	4091580	7592753.11	3501173.11	85.59
Administrative expenses	12940671.82	17116744.07	4176072.25	32.27
Interest & finance charges	7453592	9774017.63	2320425.63	31.13
Depreciation	2946126	3942364	996238	33.82
TOTAL(B)	512423692.91	594339128.27	81915435.36	15.99
Profit before tax for the year(A-B)	21311007.65	16939384.65	-4371623	-20.51
(-)Provision for deferred tax liability	-88784.10	1114988.10	1203772.2	-1355.84
	21399791.75	15824396.55	-5573395.2	26.05
(-)Provision for sales tax liability	105456.60	0.00	-105456.60	-100
(-) Provision for taxation	0.00	5460513	5460513	100
Profit after taxation (PAT)	21294335.15	10363883.55	-10930451.60	51.33
Add: B/f previous year	51326867.90	72621203.05	21294335.15	41.49
Balance profit/loss carried to reserve & surplus	72621203.05	82985086.60	10363883.55	14.27

INTERPRETATION:

1. The comparative income statement of the company reveals that, during the year sales are increased by 74540876 i.e., 14.17% and other receipts also increased by 1681932.36 i.e., 49.2%.
2. While there is increase in sales by 14.17%, the consumption of raw material also increased by 14.22%.
3. Taxes & duties are increased by 85.59%
4. There is a negative results in profit before tax (PBT) of the company i.e., -20.51%.
5. On the whole, overall profitability of the company is not satisfactory.

COMMON SIZE INCOME STATEMENT OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2016 TO 2017

PARTICULARS	31-03-2016	PERCENTAGE OF CHANGE	31-03-2017	PERCENTAGE OF CHANGE
INCOME				
Sales	507228040.60	100	526034638	100
Other receipts	5867291.63	2.88	5418411.56	0.65
Increase/ decrease in finished stock	1133483	0.37	4281651	0.81
TOTAL(A)	517230815.23	103.26	533734700.56	101.46
EXPENDITURE				
Consumption of raw material & stores	238204911.77	77.53	429689292.09	81.68
Manufacturing expenses	59648256.10	12.91	53302431	10.51
Taxes & duties	2106623	0.49	4091580	0.78
Administrative expenses	10964028.87	3.37	12940671.82	2.46
Interest & finance charges	4281164.47	1.39	7453592	1.42
Depreciation	2857930.01	0.93	2946126	0.56
Misc expenses	4090	0.001	0.00	0.00
TOTAL(B)	298067004.22	97.02	512423692.91	97.41
Profit before tax for the year(A-B)	19163811.01	6.24	21311007.65	4.05
(-)Provision for deferred tax liability	104912	0.03	-88784.10	-0.02
	19058899.01	3.2	21399791.75	4.07
(-)Provision for sale tax deferment	0.00	0.00	105456.60	0.02
(-) Provision for taxation	6246340	2.03	0.00	0.00
Profit after taxation (PAT)	12812359.01	4.17	21294335.15	4.05
Add: B/f previous year	58514508.88	12.54	51326867.90	9.76
Balance profit/loss carried to reserve & surplus	61326867.89	16.71	72621203.05	13.81

INTERPRETATION:

- The common size income statement of the company reveals that, there is increase in consumption of raw material & stores from 77.53% to 81.68% on sales. As results in increase of sales volume.
- Profit before tax (PBT) of the company decreased from 6.24% to 4.05% on sales during the year.
- Provision for taxation in 2010 is 2.03% on sales but it was nil in 2017.
- Balance profit carried to balance sheet is decreased from 16.71% to 13.81% during the year.
- On the whole, overall profitability of the company satisfactory.

COMMON SIZE INCOME STATEMENT OF GLOBAL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2017 TO 2018

PARTICULARS	31-03-2017	PERCENTAGE OF CHANGE	31-03-2018	PERCENTAGE OF CHANGE
INCOME				
Sales	526034638	100	600575314	100
Other receipts	5418411.56	0.65	5100343.92	0.85
Increase/ decrease in finished stock	4281651	0.81	5602655	0.93
TOTAL(A)	533734700.56	101.46	611278312.92	101.78
EXPENDITURE				
Consumption of raw material & stores	429689292.09	81.68	490782880.36	81.718
Manufacturing expenses	53302431	10.51	65129369.08	10.84
Taxes & duties	4091580	0.78	7593733.11	1.26
Administrative expenses	12940671.82	2.46	17116744.07	2.83
Interest & finance charges	7453592	1.42	9774017.63	1.63
Depreciation	2946126	0.56	3942364	0.66
Misc expenses	0.00	0.00	0.00	0.00
TOTAL(B)	512423692.91	97.41	594339128.27	98.96
Profit before tax for the year(A-B)	21311007.65	4.05	16939384.65	2.82
(-)Provision for deferred tax liability	-88784.10	-0.02	1114988.10	0.19
	21399791.75	4.07	15824396.55	2.63
(-)Provision for sale tax deferment	105456.60	0.02	0.00	0.00
(-) Provision for taxation	0.00	0.00	5460513	0.91
Profit after taxation (PAT)	21294335.15	4.05	10363883.55	1.73
Add: B/f previous year	51326867.90	9.76	72621203.05	12.09
Balance profit/loss carried to reserve & surplus	72621203.05	13.81	82985086.60	13.82

INTERPRETATION:

- The common size income statement of the company reveals that, there is a no change of percentage in consumption of raw materials & stores during the year.
- Profit before tax (PBT) of the company decreased from 4.05% to 2.82% on sales during the year.
- Profit after tax (PAT) also decreased from 4.05% to 1.73% on sales during the year.
- Balance profit carried to balance sheet is remains unchanged i.e., 13.8% on sales during the year.
- On the whole, overall profitability of the company satisfactory.

BALANCE SHEET SHOWING TRENDS IN PERCENTAGE OF GLOBL ALUMINIUM PVT LTD FOR THE YEAR ENDING 31ST MARCH 2010 TO 2018

PARTICULARS	31-03-2010	31-03-2013	31-03-2014	31-03-2015	31-03-2016	31-03-2017	31-03-2018
SOURCES OF FUNDS							
Share capital	100	100	100	100	100	100	100
Reserve & Surplus	100	352.69	704.37	855.19	1137.02	1608.74	1838.33
Secured loans	100	195.47	219.17	646.81	871.5	1308.52	1128.93
Unsecured loans	0	0	0	0	0	0	0
Sale tax deferred Liability	100	117.98	133.75	134.20	134.15	134.69	134.69
Provision for deferred tax Liability	0	0	0	0	0	0	0
TOTAL	100	138.79	188.51	246.89	297.19	381.01	403.97
APPLICATION OF FUNDS							
Fixed assets	100	92.61	125.51	136.13	131.25	142.30	228.93
Investments	100	50.45	50.45	50.45	50.45	50.45	50.45
Deposits	100	102.12	301.26	236.05	279.12	311.30	412.497
Current assets, loans & Advances	100	233.39	303.02	465.03	626.67	838.76	749.41
Preliminary and pre-operative Expenses	100	75	50	25	0	0	0
TOTAL	100	138.79	188.51	246.89	297.19	381.01	403.97

Note: Assuming the values of base year i.e., 2010 as 100%

III. FINDINGS

RESERVES & SURPLUS: As per the above table of trend percentages of balance sheet of GLOBAL ALUMINIUM PVT LTD, the position of reserves & surplus is improved year after year. During the year 2013 reserves & surplus were at 352.69%, it gradually increased and in the year 2018 it is 1838.33%. This increasing trend depicts the profitability of the company.

FIXED ASSETS: As per the above table of trend percentages of balance sheet of GLOBAL ALUMINIUM PVT LTD, there is a continuous increase in the value of fixed assets. During the year 2018 it is at 228.93%, which is a positive sign.

DEPOSITS: As per the above table of trend percentages of balance sheet of GLOBAL ALUMINIUM PVT LTD, there is a continuous increase in the value of deposits. During the year 2013, deposits were at 102.12%, it is in the year 2018 increased at 412.49%

CURRENT ASSETS, LOANS & ADVANCES: As per the above table of trend percentages of balance sheet of GLOBAL ALUMINIUM PVT LTD, the current assets, loans & advances position is improves year after year. During the year 2013, current assets, loans & advances were at 233.39%. It gradually increased and in the year 2018, it is at 749.41%. This depicts the company's liquidity position of the company.

CONCLUSION: Thus the overall position of the company indicates that the firm is in a good condition.

SUGGESTIONS:

On the basis of the analysis and interpretation of various financial statements, the following suggestions are made.

1. Though the financial position is considered to be strong. The company is advised to maintain consistency in improving its reserve capacity.
2. It is advised that the idle funds and investments be effectively utilized to have a good profitable position.
3. The company should reduce cost of production and spend more on marketing the products to maximize their sales in indigenous market.
4. The sales of the company are not improved with the increase of consumption of raw material in the year 2014-2015. So the company utilizes its raw material at maximum level to achieve maximum sales.
5. The company Investments are very less so it is suggested to increase its investments
6. It is suggested to improve the operating income such that they can maintain high gross profit margin.
7. It is suggested to reduce the operating expenses in order to increase the net profit margin.

IV. CONCLUSION

On the basis of the analysis and interpretation of various financial statements, the following conclusions are made.

The profitability position of the company is good and it can be improved by looking into the factors contributing to the company's profits.

The sales of the company is not improved with the increase of consumption of raw material in the year 2014-2015.

The net profit has been increasing continuously from 2016 to 2018. The overall profits are distributed to reserves and surplus.

The current assets & loans and advances have been continuously increasing from 2015 to 2018. The total asset of the company has been increasing continuously. The reserves & surplus of the company increasing continuously.

On the whole, the performance of GLOBAL ALUMINIUM PVT LTD is good, but a lot of improvement is required especially in utilizing funds, investments, amendments in credit management policies, etc. the company has to achieve its set targets by striving for its fulfillment.