An Analysis of Financial Statement with Reference to Tafe Private Limited

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Abstract- *This paper presents a detailed financial analysis of Tractors and Farm Equipment Limited (TAFE) over a five-year period from 2020 to 2024. It employs key financial ratios including liquidity, solvency, profitability, and efficiency metrics to evaluate the company's financial performance. The findings reveal a conservative financial strategy with consistent profitability and strong liquidity, although opportunities exist for optimized capital structure and asset utilization. This study provides insights for stakeholders and financial analysts in understanding the financial health and strategic positioning of TAFE Pvt. Ltd.*

I. INTRODUCTION

Financial statement analysis is the process of identifying financial strengths and weaknesses of the firm by properly establishing relationship between the balance sheet and the profit and loss account.Financial statements are prepared to meet external reporting obligations and also for decision making purposes. They play a dominant role in setting the framework of managerial decisions

According to **John.N Myers** The financial statements provide a summary of the accounts of a business enterprise, the balance sheet reflecting the asses, liabilities and capital as on a certain data and the income statement showing the results of operations during a certain period

COMPANYPROFILE:

TAFE – Tractors and Farm Equipment Limited, is an Indian tractor major incorporated in 1960 at Chennai, with an annual turnover of INR 93 billion (2017- 18). The third-largest tractor manufacturer in the world and the second largest in India by volumes, TAFE wields about 25% market share of the Indian tractor industry with a sale of over 150,000 tractors (domestic and international) annually.

TAFE's partnership with AGCO Corporation and the Massey Ferguson brand for over 58 years is a stellar example of its commitment to building long-term relationships with its stakeholders, through fair and ethical business practices. TAFE is also a significant shareholder in AGCO Corporation, USA – a US $9.4 billion tractor and agricultural equipment manufacturer.

TAFE has earned the trust of customers through its range of products that are widely acclaimed for quality and low cost of operation. A strong distribution network of over 1000 dealers effectively backs TAFE's four iconic tractor brands – Massey Ferguson, TAFE, Eicher and the recently acquired Serbian tractor and agricultural equipment brand IMT – Industrija Mašina i Traktora. TAFE exports tractors, both in partnership with AGCO and independently, powering farms in over 100 countries which include developed countries in Europe and the Americas.

NEED OF THE STUDY:

An organization's financial success will impact other performance factors, and if finances areproductive, people and materials will also be productive.

In addition, there is the examination of non-economic and qualitative performance, which examines non-economic elements like citizen and customer satisfaction, among others.

OBJECTIVES OF THE STUDY:

- To determine the organization's financial strengths and weaknesses..
- To Know the Profitability of Business and Solvency of the Business
- To analyse various ratios for the consolidated statement
- To recommend strategies to improve the productivity and sales of the organization

SCOPE OF THE STUDY:

The scope of financial statement analysis refers to the breadth and depth of evaluating a company's financial statements to assess its financial health, performance, and future prospects.

It involves examining financial reports, interpreting data, and making informed decisions based on the findings

LIMITATION OF THE STUDY:

- Basically, the study is mainly carried out based on the secondary data provided in the financial statements.
- There may be a some of fractional differences in the calculated ratios.
- The Japanese yen in million converted into the INR in million for my reference.

II. LITERATURE REVIEW

Dangwaland kapok (2022) ,Also undertook the study on financial performance of nationalized banks in India and assessed the growth index value of various parameters through overall profitability indices. They found that out of 19 banks, four banks had excellent performance; five banks had good performance and six bank shad poor performance. Thus the performance of nationalized banks differs widely.

DR.S. Gurusamy (2021), One of the key elements of importance for shaping the financial system of a country is the pension fund. The fund contributes to the development of social security systems of a country is the pension fund. The fund contributes to the development of social security system of a country. A fund is established by private employers, governments, or unions for the payment of retirement benefits. Pension funds are designed to provide for poverty relief, consumption smoothing etc. Pension funds not only provide compensation for the loyal service rendered in the past, but in a broader significance.

C. Sharma (2021) , Banking has entered the electronic era. This has been due to reforms introduced under the WTO compliances. Private sector banks have been permitted to open their shops in the country. These banks are either foreign or domestic banks with foreign partnerships. Some of them have been set up by Development Financial Institutions in order to embrace concept of universal banking, as practiced in advanced countries. The private sector on the other hand have began their high tech operations from the initial stage and made the late of the country to taste the best banking practices that happens in the western countries. They have foreseen the digital world and have seen the emerging electronic market, which has encouraged them to have a better customer service strategy that would be able to deliver the things as per customer’s requirement

I.M. Pander (2019), An efficient allocation of capital is the most important financial function in modern times. It involves decision to commit the firm's funds to the long term assets. The firm’s value will increase if investments are profitable and add to the shareholders wealth. Financial decisions are important to influence the firm’s growth and to involve commitment of large amount of funds. The types of investment decisions are expansion of existing business, expansion of new business sand Replacement and modernization. The capital budgeting decisions of a firm has to decide the way in which the capital project will be financed. The financing capital structure decision. The assets of a company can be financed either by increasing the owners claims on the creditors’ claims. The various means of financing represent the financial structure of an enterprise.

Maria Zain (2018), in this article he discusses about the return on assets is an important percentage that shows the company’s ability to use its assets to generate income. He said that a high percentage indicates that company’s is doing a good utilizing the company’s asset to generate income. He notices that the following formula is one method of calculating the return on assets percentage. Return on Assets = Net Profit/Total Assets. The net profit figure that should be used is the amount of income after all expenses, including taxes.

James Clausen (2017), in this article expresses about the liquidity ratio. He Pronounce that it is analysis of the financial statements is used to measure company performance. It also analyses of the income statement and balance sheet. Investors and lending institutions will often use ratio analyses of the financial statements to determine a company’s profitability and liquidity. If the ratios indicate poor performance, investors may be reluctant to invest. Therefore, the current ratio or working capital ratio, measures current assets against current liabilities

Gopinathan Thachappilly (2017), in his studies, states that the Liquidity Ratios help Good Financial. He knows that a business has high profitability, it can face short-term financial problems and its funds are locked up in inventories and receivables not realizable for months. Any failure to meet these can image its reputation and creditworthiness and in extreme cases even lead to bankruptcy .

III. RESEARCH METHODOLOGY

Research methodology provides a structured approach to addressing research problems effectively. It emphasizes the importance of a methodical approach to achieving clearly defined objectives, as without proper data collection and analysis, targets cannot be met. Hence, gathering the necessary data is crucial in any study, particularly in the realm of social science research. Research

involves meticulous, patient, and systematic inquiry or examination within a specific field of knowledge to establish principles or factors. It is a controlled, methodical, and critical investigation into hypothetical propositions concerning the relationships among natural phenomena. Social research specifically delves into the underlying processes in people's lives within various associations. The primary aim of applied research is to discover, interpret, and develop methods and systems to advance human knowledge on a global scale.
In the project titled "An analysis on financial Statement " an analytical research design will be implemented to systematically evaluate financial data with the aim of understanding the order of cash performance current ratio,quick ratio,Debt -to-equity,Return on assets, Return on equity of the Tafe pvt Ltd This will involve setting clear objectives, collecting relevant financial information, identifying key variables, formulating hypotheses, selecting appropriate analytical methods, analyzing the data,interpreting the findings, and providing actionable recommendations based on the results. By employing this structured approach, the analysis will yield valuable insights that can inform decision-making by stakeholders such as management, investors, and creditors

RESEARCH METHODOLOGY TYPE:

Quantitative Research Methodology The present study adopts a quantitative research methodology to analyze and evaluate the efficiency of accounts receivables management. This method involves the collection and interpretation of numerical data to identify patterns, trends, and financial outcomes. The study relies primarily on secondary data obtained from company financial statements, sales records, and collection reports for a defined period.Additionally, data visualization tools such as MS Excel are utilized to present findings in the form of charts and graphs for better interpretation. This quantitative approach ensures objective analysis, enabling precise evaluation of the organization's credit management practices and cash flow performance.

DATA COLLECTION:

SECONDARY DATA

Secondary data refers to information that has been previously collected and published by other researchers, organizations, or institutions. “AN ANALYSIS ON FINANCIAL STATEMENT ", secondary data is an essential resource that provides valuable insights to analyse trends, identify patterns, and compare financial performance. This data helps enhance your research by offering reliable and comprehensive information.

The secondary data are collected from information which is used by other. It is not direct information. This information already collected and analysis by other and that information used by others.

This secondary data is collected from following.

1. Companies’ financial reports in company website
2. Other Internet websites

For study Analytical technique are used such as Microsoft excel, financial ratios, depreciation methods, trends analysis methods, tables, graphs, charts, diagrams and Data Visualization Tools are used in the study.

RATIO ANALYSIS:

Ratio analysis is a powerful financial tool that helps assess a company's performance by examining key financial data. In the context of your project titled "An analysis on Financial statement", ratio analysis plays a significant role in evaluating the efficiency of the profitability and solvency of the business

Types of ratios

Current ratio
Quick ratio
Debt-to-Equity ratio
Return on Assets
Return on Equity

CURRENT RATIO

Current ratio is the ratio of current assets to current liabilities. Current assets are the assets that are expected to be realized in cash or sold or consumed during the normal operating cycle of the business or with in one year, which ever is longer, they include cash in hand and bank, bills receivable, net sundry debtors, stock of raw materials, finished goods and short term or temporary investments

CURRENT RATIO=CURRENT ASSETS/ CURRENTLIABILITIES

QUICK RATIO

Quick Ratio is used as a measure of the company's ability to meet its current obligations since bank overdraft is secured by the inventories, the other current assets must be sufficient to meet other current liabilities. It indicates whether the firm is in a position to pay its current liabilities within a month or immediately Liquid Assets includes: (a) Cash in hand (b) Cash at Bank (c) Short-term investments.

QUICK RATIO = QUICK ASSETS /CURRENT LIABILITY

Debt-to-Equity ratio

Debt-to-equity (D/E) ratio is used to evaluate a company's financial leverage and is calculated by dividing a company's total liabilities by its shareholder equity. D/E ratio is an important metric in corporate finance. It is a measure of the degree to which a company is financing its operations with debt rather than its own resources. Debt to equity ratio is a particular type of gearing ratio.

DEBT TO EQUITY RATIO = TOTAL LIABILITY/TOTAL EQUITY

Return on Assets

Return on assets is a profitability ratio that provides how much profit a Company can generate from its assets. In other words, return on assets (ROA) measures how efficient a company's management is in earning profit from their economic resources or assets on their balance sheet. ROA is shown as percentage, and the higher the number, the more efficient a company's management is at managing its balance sheet to generate profits.

RETURN ON ASSET= NET INCOME/TOTAL ASSET

Return on Equity

The Return on Equity ratio essentially measures the rate of return that the owner common stock of a company receive on their shareholdings. Return on equity signifies how good the company is in generating returns on the investment it received from its shareholders.

RETURN ON EQUITY = NET INCOME/TOTAL EQUITY

DATAANALYSISANDINTERPRETATIONOFTHESTUDY:

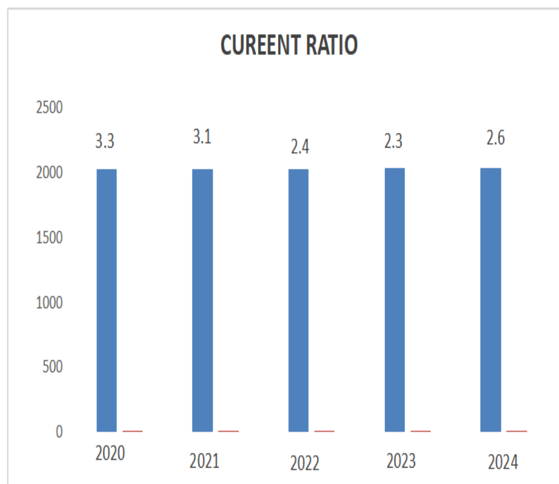
2.1 CURRENT RATIO

THE TABLE SHOWING GROWTH RATE OF CURRENT RATIO OF TAFE PRIVATE LIMITED FOR THE FINANCIALYEAR 2020-2024

2.1 (a) CHART SHOWING CURRENT RATIO OF THE TAFE PRIVATE LTD

CURRENT RATIO=CURRENT ASSETS/ CURRENT LIABILITIES

YEARS	RATIOS
2020	3.3
2021	3.1
2022	2.4
2023	2.3
2024	2.6



INTERPRETATION:

The ratios steadily declined from 2020 (3.3) to 2023 (2.3), indicating a consistent downward trend over four years. This suggests a possible decrease in efficiency, profitability, or another key financial metric depending on what the ratio measures. In 2024, there was a slight recovery to 2.6, signaling potential improvement or stabilization. The overall five-year trend remains negative despite the recent uptick. Stakeholders should investigate the causes of both the decline and the modest rebound. Future monitoring is essential to determine if 2024 marks a true reversal or just a temporary fluctuation.

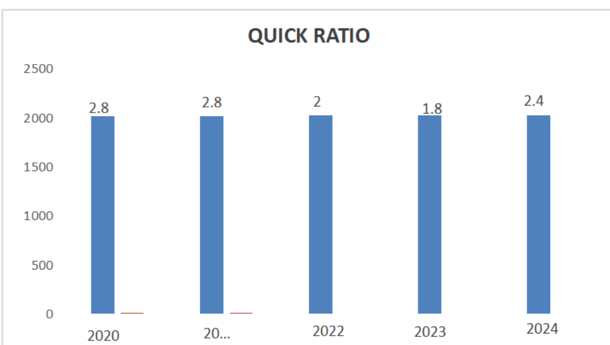
2.2 QUICK RATIO

THE TABLE SHOWING QUICK RATIO FOR THE TAFE PRIVATE LIMITED THEFINANCIALYEAR 2020 to 2024

QUICK RATIO = QUICK ASSETS /CURRENT LIABILITY

YEARS	RATIOS
2020	2.8
2021	2.8
2022	2
2023	1.8
2024	2.4

2.2 (a) CHART SHOWING QUICK RATIO OF THE TAFE PRIVATE LTD



INTERPRETATION:

The ratios were stable at 2.8 in 2020 and 2021, showing consistency. In 2022 and 2023, the ratios declined to 2.0 and 1.8 respectively, indicating a weakening performance. However, in 2024, the ratio improved to 2.4, suggesting a partial recovery. Overall, the trend shows an initial stability, followed by a dip, and then a rebound. The 2024 increase may reflect corrective actions or improved conditions. Continued improvement would be necessary to return to earlier performance levels

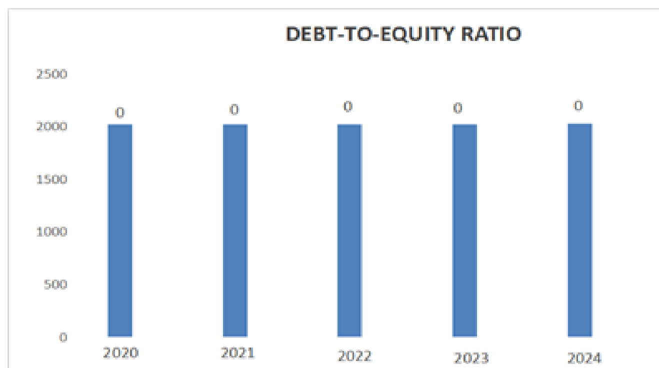
2.3 DEBT -TO- EQUITY RATIO

THE TABLE SHOWING DEBT -TO- EQUITY RATIO FOR THE TAFE PRIVATE LIMITED THE FINANCIALYEAR 2020 to 2024

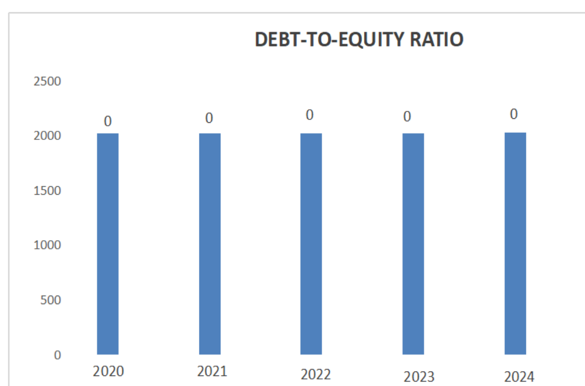
2.3 (a) CHART SHOWING DEBT -TO-

DEBT TO EQUITY RATIO = TOTAL LIABILITY/TOTAL EQUITY

YEARS	RATIOS
2020	0.0
2021	0.0
2022	0.0
2023	0.0
2024	0.0



2.3 (a) CHART SHOWING DEBT -TO- EQUITY RATIO OF THE TAFE PRIVATE LTD



INTERPRETATION:

The ratios remained at 0.0 for all five years, indicating no measurable activity or performance in the area assessed. This could suggest inactivity, lack of profitability, or complete absence of the metric being tracked. Consistently zero ratios may point to operational issues, project delays, or data recording problems. It raises concerns about the viability or effectiveness of the related activities. Stakeholders should urgently investigate the reasons behind this prolonged stagnation. Corrective measures are necessary to initiate growth or performance improvements.

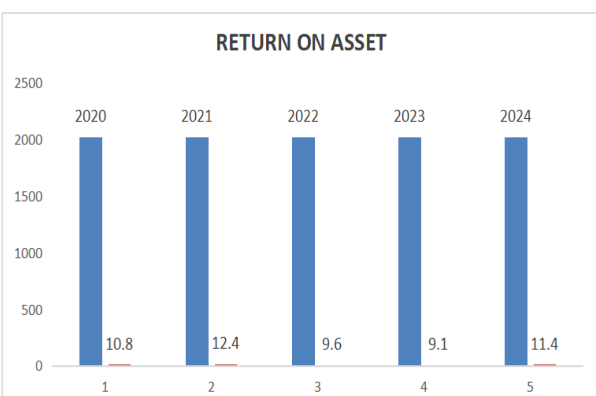
2.4 RETURN ON ASSET

THE TABLE SHOWING RETURN ON ASSET RATIO FOR THE TAFE PRIVATE LIMITED THE FINANCIALYEAR 2020 to 2024

RETURN ON ASSET= NET INCOME/TOTAL ASSET

YEARS	RATIOS
2020	10.8
2021	12.4
2022	9.6
2023	9.1
2024	11.4

2.4 (a) CHART SHOWINGRETURNON ASSET RATIO OF THE TAFE PRIVATE LTD



INTERPRETATION:

The company has consistently maintained a healthy ROA, mostly above the common benchmark of 5–10%, which reflects strong profitability and efficient asset use. The slight dip in 2022 and 2023 may point to operational or market challenges, but the recovery in 2024 is a positive sign of regained efficiency. It's also worth noting that this strong ROA was achieved without using debt, which is especially impressive.

2.5 Return on Equity

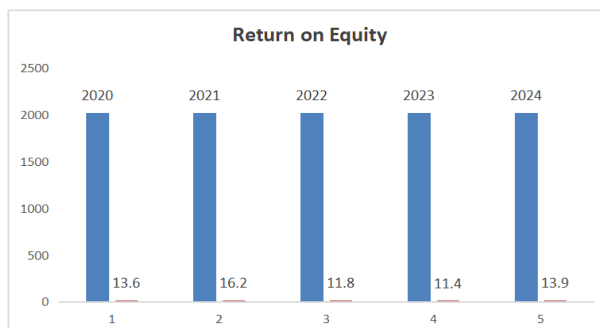
THE TABLE SHOWING Return on Equity RATIO FOR THE TAFE PRIVATE LIMITED THE FINANCIALYEAR 2020 to 2024

RETURN ON EQUITY = NET INCOME/TOTAL EQUITY

Return on Equity

YEARS	RATIOS
2020	13.6
2021	16.2
2022	11.8
2023	11.4
2024	13.9

2.5 (a) CHART SHOWINGRETURN ONEquity RATIO OF THE TAFE PRIVATE LTD



INTERPRETATION:

The company's ROE has remained consistently strong, generally above the benchmark of 10%, indicating efficient management and solid returns for investor. The peak in 2021 reflects particularly strong performance, while the dip in 2022 and 2023 suggests temporary challenges. The rebound in 2024 is encouraging and suggests management has addressed those issues effectively

IV. FINDINGS

TAFE maintained strong liquidity but may have excess idle assets.

- Absence of debt reduces risk but also growth potential; strategic borrowing could optimize capital structure.
- Profitability remains strong with scope for consistent enhancement through operational efficiency.

V. SUGGESTIONS

- It show the movement of each ratio from 2020 to 2024. This enhances readability and helps identify patterns at a glance.
- It Compare each ratio to industry averages to provide context on whether the company is outperforming or lagging behind peers.
- Introduce a section highlighting potential risks and opportunities
- It exploring low-risk debt options, optimizing working capital, or reinvesting excess liquidity.
- It Emphasize not just the performance dips but also the company's ability to recover .this shows resilience and adaptability.

VI. CONCULSION

TAFE Pvt. Ltd. exhibits prudent financial management, with strong liquidity, zero leverage, andconsistent returns. While this conservative approach reduces financial risk, selective leveraging and optimized asset utilization could unlock additional growth potential. The firm is well-positioned for sustainable long-term performance.

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