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A STUDY ON FINANCIAL PERFORMANCE AND ANALYSIS OF AVANI FELTZ INC

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ABSTRACT

Finance is the existence blood of any commercial enterprise. Every commercial enterprise needs finance for easy going for walks of the corporation. The gift takes a look at is a try to make an economic overall performance evaluation and modifications in economic function of AVANI Feltz INC as economic overall performance have an effect on the liquidity and profitability. Financial statements used as a control device with the aid of using employer government and investor's in assessing the general function and additionally the running outcomes of the employer. Thus, Financial Analysis aids to assess the economic fitness of a corporation. The foremost goal of this takes a look at is that to recognize approximately the economic overall performance of the employer with the aid of using identifying the power and weak point of the corporation and the manner with the aid of using which theoretical accounting methods are placed into sensible usage. It suggests that whether or not the organisation is enhancing or worsening in beyond years. Its objectives to research the liquidity and additionally approximately the profitability function of the corporation. The modifications may be found with the aid of using the evaluation of the stability sheet at the start and on the stop of the length and those modifications will help in forming an opinion approximately the development of an employer. Thus, the general economic overall performance of the employer is good. The take a look at has been undertaken for the length of 3 years from 2020 to 2022.The records used on this take a look at is secondary records though employer´s annual report. This mission additionally includes in an evaluation of economic statements of the employer of diverse statements like Ratio evaluation, not un usual place size announcement, comparative announcement and Trend evaluation has

been used to have a look at to the economic overall performance and additionally to make recommendations to enhance the economic float of the company.

KEYWORDS

Liquidity, Probability, Financial Statements.

INTRODUCTION

A stability sheet is an economic assertion that offers a photo of an employer's financial position at a specific point in time. It presents the company's assets, liabilities, and equity, and is a critical device for comparing an employer's financial health and performance.

The stability sheet is split into sections: the belongings phase and the liabilities and equity phase. The belongings phase lists all of the sources owned with the aid of using the employer, while the liabilities and equity sections how these resources were financed.

The assets section of the balance sheet includes the following categories:

CURRENT ASSETS:

These are assets that are expected to be transformed into cash or used up within one year. Examples encompass coins and coins equivalents, debts receivable, inventory, and prepaid expenses.

NON-CURRENT ASSETS:

These are belongings which might be predicted to be utilized by the employer for a couple of year. Examples encompass property, plant, and equipment, intangible belongings, and long-term investments.

LIABILITIES AND EQUITY SECTION:

The liabilities and equity section of the balance sheet includes the following categories:

CURRENT LIABILITIES:

These are obligations that are due within one year. Examples include accounts payable, short-time period loans, and accrued expenses.

NON-CURRENT LIABILITIES:

These are responsibilities which might be due after one year. Examples encompass long-time period loans and deferred tax liabilities.

EQUITY:

This represents the residual hobby withinside the belongings of the employer after deducting liabilities. Equity includes common stock, preferred stock, retained earnings, and other reserves.

Analysing a stability sheet includes evaluating the specific classes and ratios to evaluate a company's economic function and performance.

For example, the modern ratio is a not unusual place degree of liquidity and is calculated by dividing modern belongings with the aid of using modern liabilities. An excessive modern ratio suggests that a company has enough sources to cowl its short-time period responsibilities, at the same time as a low current ratio may also suggest liquidity problems.

Overall, the balance sheet provides valuable insights into a company's financial position and is a critical device for investors, creditors, and different stakeholders to evaluate a company's performance.

STATEMENT OF THE PROBLEM

The yarn industry is currently facing challenges related to supply chain disruptions, fluctuating raw material costs, inconsistent yarn quality, and environmentally unsustainable practices. These issues impact the industry's ability to meet consumer demand, maintain profitability, and ensure sustainable production. Finding solutions to these problems is essential to ensure the long-term viability and growth of the yarn industry."

OBJECTIVES

- To analyse the liquidity and solvency position of the selected company.
- To determine the profitability position of the selected company.
- To examine the financial performance of the selected company.
- To know the efficiency of the selected company.

SCOPE OF THE STUDY

The scope of a study on the yarn industry could include analysing production processes, market trends, supply chain dynamics, technological advancements, environmental impacts, consumer preferences, and potential challenges faced by the industry. It could also involve exploring opportunities for innovation, sustainability improvements, and the economic impact of the yarn industry on various sectors. The study might cover both global and regional perspectives to provide a comprehensive understanding of the industry's current state and future prospects.

LIMITATIONS

The study is mainly to carried out based on the secondary data provided in the websites.

The period of study is limited to three years only.

The analysis carried through the selected company in India.

REVIEW OF LITRATUER

Daryanto (2018)10conducted a study on measuring the financial performance of the cement industry during infrastructure development in Indonesia by using the decree of the ministry of SOEs No.KEP-100/MBU/2020 and descriptive financial ratio on two state-owned cement industries, PT. Semen (Indonesia) and PT Semen (Batu raja). The study showed PT. SB and PT. SI ran the business on firm financial performance in the periods. Furthermore, it gave some excellent advice for managers of the cement industry about financial performance.

Divya et al. (2017)11conducted a study on the financial performance of the cement industry of ACC Limited in India. The analysis of the study was for the periods of 2011-2015 by using liquidity ratio, probability ratio, solvency ratio, and trend analysis. The study's main aim was to analyse the probability, liquidity, operational position and examine the company's financial structure. The study showed that the liquidity position of the company was satisfactory. Hence, the company met its short-term liabilities. Nevertheless, the profitability position was not much attractive. They recommended maintaining good cash positions and increasing the effective utilization of sales.

Tank Hetal (2017)12examine a comparative study on the liquidity performance analysis of selected pharmaceutical companies. Under this study based on secondary data and the period was selected for five years from 2011 - 2012 to2015 - 2016. The data was collected from the selected company website of annual reports. The study was selected seven Pharmaceutical Companies and the tools used for liquidity ratios, statistical tools for ANOVA and to test a hypothesis. During the study period, companies should not make liquidity position and it's the company financial performance is a negative trend. So, the companies more concentrate on the increase of liquidity position of the firm.

RESEARCH METHODOLOGY

Research methodology simply refers to the practical "how" of any given piece of research. More specifically, it's about how a researcher systematically designs a study to ensure valid and reliable results that address the research aims and objectives.

SOURCE OF DATA

The research aims to study the impact of liquidity on profitability hence it is based on secondary data. The required data was taken from the annual report of the company and financial records. Also, various additional information that is required for the study was collected through various websites.

PERIOD OF STUDY

The study focuses on a period of 3 years from 2020 to 2022

TOOLS AND TECHNIQUES

The tools used are to measure the liquidity, solvency, efficiency and profitability of selected yarn company.

RATIOS:

CURRENT RATIO

$$CURRENT\ RATIO = \frac{CURRENT\ ASSET}{CURRENT\ LIABILITIES}$$

YEAR	AVANI FERTILIZERS
2022	0.96
2021	1.14
2020	1.08

INTERPRETATION

The given table provides the current ratio of Avani Fertilizers for the years 2020, 2021, and 2022. The current ratio is calculated by dividing the current assets by current liabilities. The current ratio measures a company's ability to pay off its short- term liabilities using its short-term assets. A ratio of 1 or higher indicates that the company has enough current assets to cover its current liabilities, while a ratio below1 may indicate potential liquidity problems. In this case, we see a declining trend in the current ratio over the years, indicating a potential liquidity risk for the company. Adecreasing current ratio could indicate that the company is facing challenges in generating sufficient cash flows to meet its short-term obligations or managing its working capital effectively. Therefore, it is important to analyze the company's financial statements further and identify the underlying factors driving the trend to ensure the company's financial stability and sustainability.

DEBT TO EQUITY RATIO

$$DEBT\ TO\ EQUITY\ RATIO = \frac{LONG\ TERM\ DEBT}{SHAREHOLDERS\ FUND}$$

YEAR	AVANI FERTILIZERS
2022	0.17
2021	0.21
2020	0.09

INTERPRETATION

The debt-to-equity ratio is a measure of a company's financial leverage, calculated by dividing its total liabilities by shareholders' equity.

In this case, Avani Fertilizers' debt-to-equity ratio has been decreasing over the past three years, from 0.09 in 2020 to 0.17 in 2022. This indicates that the company has been relying less on debt and more on equity to finance its operations, which can be a positive sign for investors as it suggests a more conservative approach to financial management.

A lower debt-to-equity ratio can also indicate that the company has a stronger financial position and is less risky for lenders and investors. However, it's importantto note that the ideal debt-to-equity ratio varies depending on the industry and the company's individual circumstances.

Overall, a decreasing trend in Avani Fertilizers' debt-to-equity ratio suggests that the company is managing its financial leverage in a prudent way, which could be viewed positively by investors and creditors.

OPERATING PROFIT RATIO

$$OPERATING\ PROFIT\ RATIO = \frac{OPERATING\ PROFIT}{NET\ SALES} \times 100$$

YEAR	AVANI FERTILIZERS
2022	12.25
2021	14.44
2020	12.74

INTERPRETATION

The given table provides the operating profit of Avani Fertilizers for the years 2020, 2021, and 2022. To calculate the operating profit ratio, we divide the operating profit by the net sales and then multiply by 100. The operating profit ratio measures the profitability of a company's operations and indicates how efficiently a company is generating profits from its revenue. A higher ratio implies better profitability and efficiency. However, in this case, we see a declining trend in the operating profit ratio over the years, indicating a decrease in the company's profitability or efficiency in generating profits from its sales. It would be advisable to further analyze the financial statements of the company to understand the reasons behind this trend and takecorrective measures.

INVENTORY TURNOVER RATIO

$$INVENTORY\ TURNOVER\ RATIO = \frac{COST\ OF\ GOODS}{AVERAGE\ INVENTORY}$$

YEAR	AVANI FERTILIZERS
2022	9.76
2021	11.39
2020	13.38

INTERPRETATION

The inventory turnover ratio measures how efficiently a company is using its inventory to generate sales. A higher inventory turnover ratio indicates that the company is selling its inventory quickly and efficiently. In this case, we see a declining trend in the inventory turnover ratio over the years, indicating that the company is taking longer to sell its inventory. This could be due to factors such as a decrease in demand for the company's products, overstocking of inventory, or inefficient inventory management. Therefore, it is important to analyze the company's inventory management practices and identify areas for improvement to optimize its inventory turnover ratio and ensure effective utilization of its resources.

FINDINGS

- The 19.7% decline in long-term debt led to a decline in long-term debt, which may indicate that the company has repaid some of its long-term debt.
- A 3181.9% increase in short-term borrowings and a 29.1% increase in accounts payable contributed to the increase in current liabilities, indicating that the company faced some challenges in managing its working capital business during the year.
- There is a possibility that A 52.5% increase in property, plant and equipment and a 12.0% increase in intangible assets under development contributed to the increase in illiquid assets, while a 12.1% decrease in long-term investments was due to the company investing part of its long-term investments. may indicate.
- Term Investment Asset sold an investment. A 76.1% increase in current investments and a 48.7% increase in inventories contributed to the increase in working capital, while a 41.6% decrease in cash and cash equivalents was a year in which the company faced cash flow management challenges. may indicate that they have made some profit on the company's total shareholder funds increased slightly from 2020 to 2021, indicating some improvement in the

company's financial position.

- Long-term and short-term debt have increased significantly, which could be a concern as an indication of rising debt levels.
- The company's total equity and debt over the year he increased by 18.0%.

- This indicates that the company has borrowed more and/or raised additional capital during the year.
- Long-term assets increased 11.1% and current assets increased 34.1%, demonstrating growth in the company's asset base.
- Short-term borrowings decreased significantly, while long-term borrowings increased by 247.9% over the year.
- This could indicate the company is moving towards long-term funding options.
- The 13.3% increase in provisions and reserves contributed to an increase in shareholders' cash, suggesting that the company was profitable throughout the year.

SUGGESTION

- Current ratio is low it should increase its current ratio where it can meet it short term obligation smoothly.
- The company should be maintaining a sound short-term debt paying capacity in future because the use of more amount of external funds may lead to short-term solvency.
- The liquidity position of the company suggests that it doesn't have enough liquid assets to cover its short-term liabilities.
- A high ratio of debt- equity indicates a risky business where there are more creditors of the firm than there are investors.

CONCLUSION

Efficient control of finance could be very essential for the achievement of an enterprise. Term monetary overall performance could be very dynamic term. The difficulty be counted of monetary overall performance has been converting very rapidly. In gift time more significance is given to monetary overall performance. The observe particularly concentrates at the evaluation of monetary overall performance and soundness of the corporation. The observe is performed to analyses the liquidity, solvency, profitability and performance of the corporation. From the observe of monetary overall performance, it may be concluded that the agency has excellent role in its working income but the corporation desires to enhance its liquidity and solvency. If the corporation keeps toper shape with greater performance and determination, it may reap more achievement in close to future. Efforts have to continuously be made to enhance the monetary role as much as subsequent stage of overall performance which will make bench mark. This will yield more efficiencies and enhance investor satisfaction.

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