A STUDY ON FINANCIAL RATIO ANALYSIS AT RELIANCE FRESH

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I. ABSTRACT

Financial ratios are an important technique of the financial analysis of a business organization. Effective financial management is the key to running a financially successful business. Ratio analysis is critical for helping you understand financial statements, for identifying trends over time, and for measuring the overall financial health of your business. Lenders and potential investors often rely on ratio analysis for making lending and investing decisions. This book aims to not only develop an understanding of the concepts of financial ratios but also to provide the students a practical insight into the application of financial ratios for decision making and control.

II. STATEMENT OF THE PROBLEM

Financial statements are released periodically and, therefore, there are time differences between each release. If inflation has occurred in between periods, then real prices are not reflected in the financial statements. Thus, the numbers across different periods are not comparable until they are adjusted for inflation.

Information used in the analysis is based on real past results that are released by the company. Therefore, ratio analysis metrics do not necessarily represent future company performance.

III. INTRODUCTION

Financial statement analysis can be referred as a process of understanding the risk and profitability of a company by analyzing reported financial info, especially annual and quarterly reports. Putting another way, financial statement analysis is a study about accounting ratios among various items included in the balance sheet. These ratios include asset utilization ratios, profitability ratios, leverage ratios, liquidity ratios, and valuation ratios. Moreover, financial statement analysis is a quantifying method for determining the past, current, and prospective performance of a company.

ADVANTAGES OF FINANCIAL STATEMENT ANALYSIS

The different advantages of financial statement analysis are listed below:

- The most important benefit if financial statement analysis is that it provides an idea to the investors about deciding on investing their funds in a particular company.
- Another advantage of financial statement analysis is that regulatory authorities like IASB can ensure the company following the required accounting standards.
- Financial statement analysis is helpful to the government agencies in analyzing the taxation owed to the firm.
- Above all, the company is able to analyze its own performance over a specific time period.

Financial statements are prepared primarily for decision making. They play a dominant role in setting the framework of managerial decisions. But the information provided in the financial statements is not an end in itself as no meaningful conclusions can be drawn from these statements alone. However, the information provided in the financial statements is of immense use in making decisions through analysis and interpretation of financial statements.

Financial analysis 'the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationship between the items of the balance sheet and the profit and loss account'. There are various methods or techniques used in analyzing financial statements financial are an important source of information for evaluating the performance and prospects of firm, if properly analyzed and interpreted these statements can provide valuable insights into firm's performance. Analysis of financial statements is if interest to lenders, investors, security analyst, manager and others.

IV. NEED OF THE STUDY:

- Need of financial statement analysis study to diagnose the information contain in financial statement. So as to judge the profitability and financial position of **RELIANCE FRESH.**
- Financial analyst analyses the financial statements with various tools of analysis before commanding upon the financial health of the firm.
- Essential to bring out the history of **RELIANCE FRESH.**..

We know that the analysis of financial statement helps the analyst to know the financial information from the financial data contained in the financial statements and to assess the financial health (i.e., strength or weakness) of an enterprise. It also helps to make a forecast for the future which helps us to prepare budgets and estimates. In short, analysis of financial statements helps us to take various decisions at various places of a firm.

V. OBJECTIVE OF THE STUDY:

- To determine the financial statements and weakness of the firm.
- To determine the short term solving of the firm
- To diagnose the information contained to financial statements so as to judge the profitability and fondness of the firm.
- To establish relationship between various figures or the income statement and balance sheet.
- To analyze the capital structure of the company with help of leverage ratio
- To offer appropriate suggestions for the better performance of organization

VI. SCOPE OF THE STUDY:

Analysis of financial statement can be undertaken by different persons and for different purposes, therefore, the scope of the AFS may be varying from one situation to another.

However, the following are some the techniques of the AFS: a)

Comparative financial statements.

b) Common-size financial statements.

c) Trend percentage analysis.

d) Statement of changes in financial position.

e) Cost-volume-profit relations, and

f) Ratio analysis and others.

VII. RESEARCH METHODOLOGY:

RESEARCH DESIGN

This is a systematic way to solve the research problem and it is important component for the study without which researches may not be able to obtain the format. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

MEANING OF RESEARCH DESIGN

The formidable problem that follows the task of defining the research problem is the preparation of design of the research project, popularly known as the research design, decision regarding what, where, when, how much, by what means concerning an inquiry of a research study constitute a research design. A research design is the arrangement of conditions for collection and analysis of data in a manager that aims to combine for collection and analysis of data relevance to the research purpose with economy in procedure.

SOURCES OF DATA

Data we collected based on two sources.

- Primary data.
- Secondary data. **Primary data**

The Primary data are those information's, which are collected a fresh and for the first time, and thus happen to be original in character.

Secondary Data:

The Secondary data are those which have already been collected by some other agency and which have already been processed. The sources of Secondary data are Annual Reports, browsing Internet, through magazines.

- It includes data gathered from the annual reports of RELIANCE FRESH
    - Articles are collected from official website of RELIANCE FRESH

VIII. LIMITATIONS OF THE STUDY:

- It is only a study of interim reports.
- Different people may interpret the same analysis in different ways.
- It does not consider the changes in prices level.
- Changes in accounting procedure by firm may often make financial analysis misleading.

- Current changes in the prices in the economy are not taken into consideration in the financial statement analysis.
- Since the analysis is done by humans, it is prone to personal bias, and may lead to conflicts between the interpretation of the data by various experts.
- Financial analysis is quantitative in nature and can only analyze those aspects that are related to money and fails to analyze the non-monetary aspects.
- Different firms may use different accounting policies, and it may not be possible to compare the two businesses in terms of financial analysis.

IX. REVIEW OF LITERATURE

ARTICLE-1

TOPIC: State of the art in financial statement fraud detection: A systematic review

AUTHOR: links open overlay panelT. Shahana a, Vilvanathan Lavanya a, Aamir Rashid Bhat bJuly 2023,

ABSTRACT

Over the past few decades, fraud has been increasingly prevalent, with large businesses like Satyam, Enron, and WorldCom making headlines for their deceptive financial reporting practices. In this research, we conducted a systematic review and bibliometric analysis of the literature concerning fraud detection in financial statements. Following a bibliometric analysis, we identified the leading researchers, publications, sources, countries, and collaboration patterns in financial statement fraud detection. Our systematic review covered the following topics: the data analytics tools used, databases used to identify fraudulent firms, the design of control group samples (non-fraudulent firms), the critical dimension reduction tools used, techniques adopted to address data rarity (imbalanced data), explanatory variables used in the model, theoretical framework supporting the fraud indicators, optimization techniques used, the use of evaluation metrics, and significant findings.

ARTICLE-2

TOPIC: Financial statement analysis: a review and current issues

AUTHOR: Andrew B. Jackson 1 February 2022

ABSTRACT

Purpose

The literature on financial statement analysis attempts to improve fundamental analysis and to identify market inefficiencies with respect to financial statement information.

Design/methodology/approach

In this paper, the author reviews the extant research on financial statement analysis.

Findings

The author then provides some preliminary evidence using Chinese data and offer suggestions for future research, with a focus on utilizing unique features of the Chinese business environment as motivation.

Originality/value

The author notes that there has been no work that the author could locate specifically on Chinese FSA research. The unique business environment in China, relative to the US where the vast majority of this work has been conducted, should motivate any studies, especially given the author documents the robust finding in terms of the mean reversion in profitability.

ARTICLE-3

TOPIC: Data Mining-based Financial Statement Fraud Detection: Systematic Literature Review and Meta-analysis to Estimate Data Sample Mapping of Fraudulent Companies Against Non-Fraudulent Companies

AUTHOR : Sonika Gupta and Sushil Kumar Mehta January 19, 2021

ABSTRACT

In this article, a systematic literature review (SLR) of studies from the area of financial statement fraud detection has been conducted. The review has considered research articles published between 1995 and 2020. Further, a meta-analysis has been performed to establish the effect of data sample mapping of fraudulent companies against non-fraudulent companies on the classification methods through comparing the overall classification accuracy reported in the literature. The retrieved literature indicates that a fraudulent sample can either be equally paired with non-fraudulent sample (1:1 data mapping) or be unequally mapped using 1:many ratio to increase the sample size proportionally. Based on the meta-analysis of the research articles, it can be concluded that machine learning approaches, in comparison to statistical approaches, can achieve better classification accuracy, particularly when the availability of sample data is low. High classification accuracy can be obtained with even a 1:1 mapping data set using machine learning classification approaches.

ARTICLE-4

TOPIC : Public sector consolidated financial statements: a structured literature review

AUTHOR : Serena Santis, Giuseppe Grossi, Marco Bisogno 4 June 2018

ABSTRACT Purpose

The purpose of this paper is to review and analyze the literature on consolidated financial statements (CFS) in the public sector published from 1980 to 2015 in public sector accounting and management journals and propose a future research agenda.

Design/methodology/approach

Adopting a structured literature review methodology, the authors investigate how the CFS literature is developing and what its focus is.

Findings

The authors identify five major topics: the definition of the consolidation area; the identification of the reporting entity; the private vs public sector accounting standard dichotomy; the relationship with the statistical rules; and the usefulness of CFS.

Originality/value

The authors analyze these topics, highlighting the growing implementation of CFS in different contexts (mainly focusing on governments outside the USA) and provide suggestions for future research.

ARTICLE-5

TOPIC: Analysis of the impact of first-time mandatory IFRS adoption on financial statements: The case study of the listed hotels in Turkey

AUTHOR: İlhan Dalcı, Hasan Özyapıcı 2017

ABSTRACT

This study aims to explore the impact of first-time IFRS adoption on the selected financial ratios of the hotels listed in ISE in Turkey. The selected liquidity, solvency, and profitability ratios were used. Both non-parametric Wilcoxon signed-rank test and paired-samples t-test have been applied to test the impact of IFRS adoption. The results show that the transition to IFRS does not influence the financial ratios of listed hotels in Turkey. Accordingly, it sheds light into whether or not transition to IFRS influences the financial performance of the hotel industry in an emerging country. In addition, this study provides better understanding of financial reporting theory and IFRS practices in hospitality sector. This study also provides useful information to the decision-makers such as hotel managers, accountants, investors from other emerging economies, and practitioners who are currently evaluating the merits of applying IFRS. To the best of our knowledge, there is no study investigating the quantitative impact IFRS transition in the hospitality industry in general and hotels in particular.

X. DATA ANALYSIS AND INTERPRETATION Data Analysis TABLE – 4.1 Liquid Ratio (in crores)

Year	Liquid Assets	Liquid liabilities	Liquid Ratio
2017-2018	19427	8446	2.30
2018-2019	12587	19321	0.65
2019-2020	21921	16420	1.34
2020-2021	27648	20821	1.33
2021-2022	36823	28333	1.30

Source: Secondary Data Interpretation

Liquid ratio during the year 2017-2018, it attains the maximum value of 2.30. In the above year i.e., 2018 – 19 it was highly decreased to 0.65. In the next year, 2019-20 it was increased to 1.34 and later it was almost constant in the further years.

During the period of study, the value of liquid ratio is higher than the ideal value which indicates the efficiency of the company to meet is immediate requirements. The overall trend of liquid ratio shows up and downward trend. *****

TABLE – 4.2 STOCK TURNOVER RATIO (in crores)

Year	Cost of goods sold	Average Stock	Stock Turnover Ratio
2017-2018	8673	2920	2.97
2018-2019	20902	3653	5.72
2019-2020	16960	4971	3.41
2020-2021	18936	7187	2.63
2021-2022	23173	9350	2.48

Source: Secondary Data Interpretation

From the graph, it is found that the stock Turnover ratio has been fluctuating during the study period. In the year 2017-18 it was 2.97, It increases during the year 2018-19, was sharply to 5.72. from the next year it has started decreasing i.e., 3.41, 2.63 & 2.48 in the following year 2019-20, 2020-21 and 2021-2022 respectively. As the stock turnover ratio is decreasing continuously it’s a negative sign, it leads to increase of warehousing and company is in a risk of obsolescence.

4.3 Fixed asset Turnover ratio

(in crores)

Year	**Sales**	**Fixed asset**	**Fixed asset Turnover**
2017-2018	19336	2040	9.48
2018-2019	16525	2067	7.99
2019-2020	20739	1291	16.06
2020-2021	21601	1839	11.75
2021-2022	28033	2627	10.67

Source : Secondary Data Interpretation

The fixed asset turnover ratio during the year 2017-18 was 9.48. It is found that the fixed asset turnover ratio has been fluctuating during the study period. In the next year 201819 it is slightly decreased to 7.99. In the year 2019-20 it was sharply increased 16.06. In the year 2020-21 it is decreased to 11.75, then in the last year 2021-2022 it is decreased to 10.67. As the company Fixed Asset Turnover ratio is increased that means company has invested excess amount on fixed assets.

TABLE – 4.4 Capital Turnover Ratio (in crores)

Year	Net worth (or) Proprietor's fund	Sales	Capital Turnover ratio
2017-2018	6027	19336	3.21
2018-2019	7302	16525	2.26
2019-2020	8789	20739	2.36
2020-2021	19775	21601	1.09
2021-2022	12939	28033	2.17

Sources: Secondary Data Interpretation

It is inferred from the above table the capital turnover ratio is fluctuating, for the year 2017 – 18 it was 3.21 in the year 2018 -19 it has decreased to 2.26. In the year 2019-20 it was increased to 2.36 and in the following year 2020-21 it has sharply decreased to 1.09 and in the last year it has increased to 2.17. Lower the capital turnover ratio leads to high number of bad debts and obsolete inventory. **TABLE – 4.5 Return on Total assets**

	Net Profit	Total asset	Return on Total assets
2017-2018	1782	16482	10.81
2018-2019	2564	19497	13.15
2019-2020	3736	22354	16.71
2020-2021	4430	29344	15.10
2021-2022	4849	39528	12.27

Source: Secondary Data CHART NO.4.5 Interpretation

From, the above table, it was found that the return on total asset has been increasing trend from 10.81 – 16.71 from the year 2017-18 up to the year 2019-20 respectively, from the year 2019 – 20 till 2021 -22 it has started decreasing 16.71 to 12.27. Decreasing Return on Total asset leads to over investment in assets that have failed to produce revenue growth.

XI. FINDINGS

- Liquid ratio during the year 2017-2018, it attains the maximum value of 2.30. In the above year i.e., 2018 – 19 it was highly decreased to 0.65. In the next year, 2019-20 it was increased to 1.34 and later it was almost constant in the further years.
- During the period of study, the value of liquid ratio is higher than the ideal value which indicates the efficiency of the company to meet is immediate requirements. The overall trend of liquid ratio shows up and downward trend.
- From the graph, it is found that the stock Turnover ratio has been fluctuating during the study period. In the year 2017-18 it was 2.97, It increases during the year 2018-19, was sharply to 5.72. from the next year it has started decreasing i.e., 3.41, 2.63 & 2.48 in the following year 2019-20, 2020-21 and 2021-2022 respectively.
- The fixed asset turnover ratio during the year 2017-18 was 9.48. It is found that the fixed asset turnover ratio has been fluctuating during the study period. In the next year 2018-19 it is slightly decreased to 7.99. In the year 2019-20 it was sharply increased 16.06. In the year 2020-21 it is decreased to 11.75, then in the last year 2021-2022 it is decreased to 10.67.

XII. SUGGESTIONS

- As the Stock Turnover Ratio is decreasing continuously it's a negative sign, It is suggested to the organization that they should look into it or else it leads to increase of warehousing and company is in a risk of obsolescence.

- As the company Fixed Asset Turnover ratio is excessed that means company has invested huge amount on fixed assets. If the company invest maximum capital for Fixed assets that will affects on production and sales as there wont be adequate capital available.
- Lower the capital turnover ratio leads to high number of bad debts and obsolete inventory. It is suggested to the organization that they should maintain adequate capital turnover ratio.
- Organization has to concentrate on Decreasing Return on Total Asset which leads to over investment in assets that have failed to produce revenue growth.
- While in the comparative study, organization has to concentrate in the year 2017-18 to 2018-19 it has observed that current liabilities are excessive in number, Company may look into increasing various forms of currents assets and decreasing current liabilities to effective manage working capital requirement.
- To attract to the new customers the company has to adapt new procedures and upgrade its technology.

XII. CONCLUSION

Even though company is utilizing its own funds there is very need that company should improve its liquidity position, debtors collection period. Utilization of proper management of its current assets and current liabilities.

The year was 425.67 Crs this indicates there is possible growth of the company in the market. During 2018-2022 RELIANCE FRESH LIMITED has under taken research program, modernization and technology up gradation, for the above said expansion programs it has made use of surplus funds only and did not go for outsider's debts, which is one of the good long-term financial policy of RELIANCE FRESH LIMITED.

- It is concluded from the above store analysis that before choosing a location for a store aresearch on the consumer base, visibility, nearness to competitors, accessibility to store forthe consumers should be taken into account.
- Reliance Fresh can attract more customers by different variety and assortments ● Working environment is good and also the various facilities is provided.

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