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## A Study on Financial Statement Analysis with Special Reference to Sahyadri Starch & Industries Pvt. Ltd. (MIDC, Miraj)

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### **Abstract:**

*This study is about the four aspects of financial management of a firm. The case study is related to Financial Statement Analysis with special reference to Sahyadri Starch & Industries Pvt. Ltd. (MIDC, Miraj). Even though a number of conventions and assumptions have been propounded in accountancy, their use is affected by the personal judgment of accounts. The financial statements are affected by the personal judgment of accountants and such as they are subjective documents. With the assistance of a Financial Statement, the researcher has studied the financial health of the company. Hence this paper is to know the financial position of Sahayadri Starch & Industries Pvt. Ltd.*

**Keywords:** Financial Management, Accountancy, Sahayadri Starch & Industries.

### **Introduction:**

The manufacturing industry as the name suggests deals with the manufacturing of finished new products from raw materials or essential parts. This process of remodelling unfinished goods into finished products can involve physical, chemical, or mechanical transformations.

The present and future economy of the country rely on two pillars: one is the agricultural

industry and also other is the manufacturing industry. Both are addicted to one another to some extent and once they together run smoothly they will develop the country as a full. Many companies can fail thanks to the incorrect management of finance. Thus, each and each company has to do Financial Statement Analysis. Financial analysis is the process of examining a company's performance. For this purpose, financial reports are one of the foremost important sources of data available to an analyst. A financial analyst must have a robust understanding of the data provided in a very company's financial reports, notes, and supplementary information. It is a study of the link among various financial facts and figures as given during a set of monetary statements. It identifies the financial strengths and weaknesses of the firm. To understand financial analysis, we first have to understand the difference between the roles of monetary or financial reporting and a financial statement or budget analysis. The role of financial reporting is to supply information on a few companies' performances, financial position (balance sheet), and changes in a very financial position.

The financial statements mentioned below are covered in exceeding detail. Financial statements analysis evaluates a company's performance and value through the company's balance sheet or record. Financial statements describe the financial health of the corporate. It helps in the evaluation of a company's prospects and risks to form business decisions. Financial statements analysis helps to assess the present profitability and operational efficiency of the firm. The analysis also provides many government actions relating to licensing, fixing of costs, tax, subsidies, etc. The capital structure of the corporate represents the mix of liabilities and equity want to finance its assets. Both financial position and capital structure are useful in credit analysis.

#### **Statement of Research Problem:**

A study of financial statement analysis with special reference to Sahyadri Starch & Industries Pvt. Ltd.

#### **Objective of the study:**

##### **Primary Objective:**

To study the financial health and performance of Sahyadri Starch & Industries Pvt. Ltd. with the help of financial statement analysis.

##### **Secondary Objective:**

To know the financial growth of the company for the last four financial years.

To know about the liquidity and profitability position of the company.

To suggest measures to boost the performance of the company.

#### **Hypothesis:**

##### **Null Hypothesis (Ho)**

There is no impact of financial statement analysis on the performance of the company.

### **Alternative Hypothesis (H1)**

There is an impact of financial statement analysis on the performance of the company.

### **Importance of the study:**

We all know that the analysis of financial performance helps the analyst to grasp the financial information from the financial data contained within the financial statement and to assess the financial health (i.e., strengths and weaknesses) of the company. It also helps to form a forecast for the future which helps to arrange budgets and estimates. In short, analysis of financial performance helps us to require various decisions at various places in the firm.

It helps to investigate the performance of their firm and is helpful to the stakeholders, and other researchers. It gives clear information to boost the next year's performance.

- A. It helps us know the explanations for relative changes in profitability or the financial position as a whole.
- B. It helps us know the reasons for relative changes in profitability or the financial position as a whole.
- C. It also helps to know the short-term liquidity position as well as working capital position; as also the long-term liquidity and solvency position of a firm.
- D. It also highlights the operating efficiency and the present profit-earning capacity of the firm as a whole.
- E. Financial Performance Analysis shows the relation between profit growth from business activities.
- F. Various financial journals, newspapers, etc. also require financial statements for analysing and scrutinizing the financial position of a firm the readers.

### **Scope of the study:**

This study is related to Sahyadri Starch & Industries Pvt. Ltd. only. The research scope is limited to the calculation of various methods of financial statement analysis and for this, the comparative analysis is done based on balance sheets, Profit and loss statements.

### **Geographical Scope:**

The geographical scope of the study is limited to Sahyadri Starch & Industries Pvt. Ltd.

### **Conceptual Scope:**

It helps to assess profitability, liquidity, financial position, solvency, etc

### **Analytical Scope:**

It includes tables, charts, graphs, etc. it helps to analyze the financial situation.

### **Research Methodology:**

### **Data Collection Methods:**

Research methodology pertains to how the data required for the study is collected, i.e., either from primary sources or secondary sources. It explains the methods utilized and the instruments used in data collection.

### **Sources of data**

#### **Secondary data**

Secondary data is information, which is collected by other; it can be collected by the way of office records files, organizations, annual reports, etc.

To study the financial performance analysis of the company, the information is collected through secondary data sources.

1. Balance sheets for the last Four years.
2. Profit and loss account for the last Four years.
3. Reference books.
4. Research articles on the topic of financial performance analysis.

#### **Limitations of the study:**

1. The study was limited to 50 days hence it was difficult to collect all the data within a short period.
2. As certain documents were very confidential, it was not possible to collect all the information necessary for the deep study.
3. Accuracy of historical data cannot be assured.

### **REVIEW OF LITERATURE:**

**Introduction:** A literature review could be a survey of articles, books, and others relevant to a specific issue, area of research, or theory and by so doing provides a descriptive, summary, and significant evaluation of current work or study carried out by the researcher. A review of literature is meant to provide an overview or summary of sources. It helps to find what is already known about the research problem and what more need to be done.

#### **2.2 Review:**

(Anthony, 2015) Accounting means collecting, summarizing, analysing, and reporting in monetary terms, information about the business. This straightforward definition highlights the importance of accounting and financial information in the business enterprise. There is a relation to the subsequent accounting principles and therefore scope of the sphere of accounting and finance. The principles are Objectivity, going concerned, Realisation, Matching, constant rupee measurement, Consistency, Verifiability, Conservatism, and Disclosure.

(Myer, 2016) A renowned authority on Financial Statements Analysis has referred that within

the initial years of the 20th century, bankers and securities exchange authorities were extensively counting on the financial statements of businesses for analysis, monitoring, and control of the activities and performance of businesses.

(Gangadhar, 2016) In "Financial Analysis of Companies in Criteria: A profitability and efficiency focus" one of the study's objectives is to investigate the liquidity position of the businesses and to means out the factors to blame for such an edge.

(Muller, 2017) "The analysis and interpretation of financial statements are an effort to work out the importance and meaning of financial statements data so that the forecast is all product of prospects for future earnings, ability to pay interest, and debt matures (both current and long term) and profitability and sound dividend policy."

(Ward, 2017) emphasizes that financial analysis using ratios between key values helps investors address a large number of company financial statements. As an example, they can compute the percentage of net profit a company is generating on the funds it has deployed. All other things remain identical, a company that earns a higher percentage of profit compared to other companies could be a better investment option.

(Amitava, 2017) Their study concluded that the measurement of financial performance used in the analysis was returned on equity, return on assets, and assets turnover ratio of Indian Banks.

(Paul, 2018) In his study "Financial Performance Evaluation - Different kinds of statistical tools" stated that tools like variance, mean, correlation, etc. are used extensively.

(Monahan, 2018) Discuss research on financial statement analysis and earning forecasting. The research used analytical and empirical evidence that shows earnings, and investor forecasts for estimated values.

(Georgiadis, 2018) Financial Statement analysis through financial ratio and demand uncertainty through scenario analysis. It could be used as an effective and convenient strategic decision.

(Jain, 2019) Financial statements provide a summarized view of the financial position and operations of a firm. Therefore, much is learned from a few firms from a careful examination of their financial statements as invaluable documents/performance reports. The analysis of financial statements is, thus, a very important aid financial analysis.

#### **DATA ANALYSIS & INTERPRETATION:**

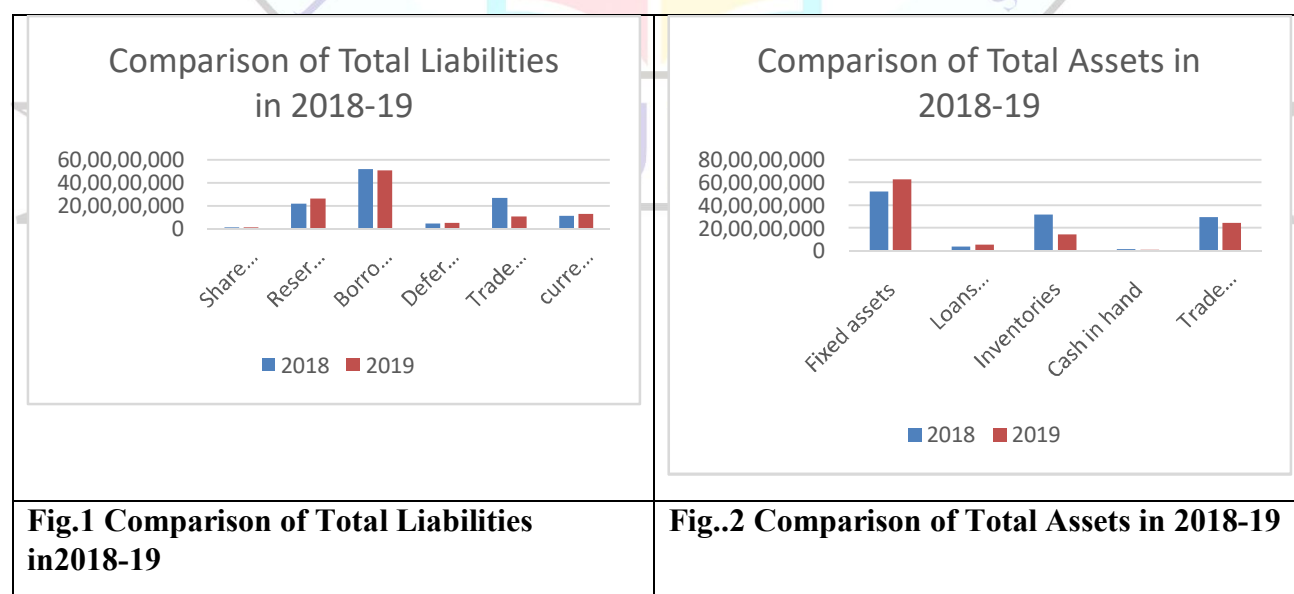
**Introduction:** Data analysis is defined as a process of cleaning, transforming, and modelling data to discover useful information for business decision-making. The purpose of Data Analysis is to extract useful information from data and taking a decision based on the data analysis. The Data Analysis Process is nothing but gathering information by using a proper application or tool which

allows you to explore the data and find a pattern in it. Based on that information and data, you can make decisions, or you can get ultimate conclusions. A comparative study of the following financial statements of Sahyadri Starch & Industries Pvt. Ltd. has been made.

1. Balance Sheet Statement.
2. Profit & Loss Statement.
3. Ratios.

**1. Table 1 Statement showing the balance sheet for the year 2018-19.**

PARTICULARS	31.03.2018	31.03.2019	Difference (In Rs)	Change in Percentage
<b>LIABILITIES</b>				
Share capital	1,78,75,000	1,78,75,000	0	0
Reserve and surplus	22,12,37,062	26,66,28,819	4,53,91,757	20.51
Borrowings (short-term & long-term)	52,10,12,753	51,16,01,700	(94,11,053)	(1.80)
Deferred tax liability	5,08,85,700	5,39,24,087	30,38,387	5.97
Trade Payable	27,42,71,783	10,90,46,411	(16,52,25,372)	(60.24)
Other current liabilities	11,49,69,534	13,50,32,070	2,00,62,536	17.45
<b>Total Liabilities</b>	<b>120,02,51,832</b>	<b>109,41,08,087</b>	<b>(10,61,43,745)</b>	<b>(8.84)</b>
<b>ASSETS</b>				
Fixed Assets	52,65,02,280	63,18,13,398	10,53,11,118	20.00
Loans & Advances (short-term & long-term)	4,05,60,797	5,55,51,602	1,49,90,805	36.95
Inventories	31,91,49,746	14,78,30,225	(17,13,19,521)	(53.67)
Cash in Hand	1,55,96,076	97,92,516	(58,03,560)	(37.21)
Trade Receivables	29,84,42,933	24,91,20,346	(4,93,22,587)	(16.53)
<b>Total</b>	<b>120,02,51,832</b>	<b>109,41,08,087</b>	<b>(10,61,43,745)</b>	<b>(8.84)</b>

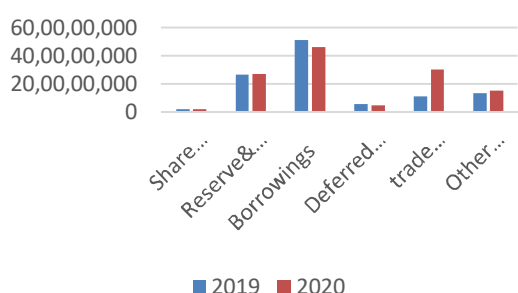


The reserve and surplus is lightly increase in 2019. The borrowings are more in both years. Trade payables is very much high in 2018 as compare to 2019. Current liabilities are slightly increase in years 2019. The fixed assets are more in 2019 as compare in 2018. The level of inventories is high in 2018 and very less in 2019 so, there is stock in hand. Large amount of trade receivable is up to 30,00,000.

**2: Table 2 Statement showing the balance sheet for the year 2019-20.**

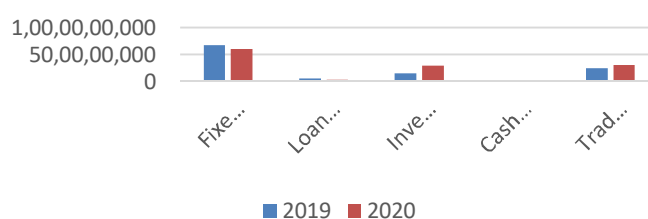
PARTICULARS	31.03.2019	31.03.2020	Difference (In Rs)	Change in Percentage
<b>LIABILITIES</b>				
Share capital	1,78,75,000	1,78,75,000	0	0
Reserve and surplus	26,66,28,819	27,04,35,220	38,06,401	1.43
Borrowings (short-term & long-term)	51,16,01,700	46,32,10,915	(4,83,90,785)	(9.46)
Deferred tax liability	5,39,24,087	4,56,78,300	(82,45,787)	(15.29)
Trade Payable	10,90,46,411	30,13,84,217	19,23,37,806	176.38
Other current liabilities	13,50,32,070	15,04,22,426	1,53,90,356	11.40
<b>Total Liabilities</b>	<b>109,41,08,087</b>	<b>124,90,06,079</b>	<b>15,48,97,992</b>	<b>14.16</b>
<b>ASSETS</b>				
Fixed Assets	63,18,13,398	60,74,69,975	(2,43,43,423)	(3.85)
Loans and Advances (short-term and long-term)	5,55,51,602	3,57,51,327	(1,98,00,275)	(35.64)
Inventories	14,78,30,225	29,09,96,329	14,31,66,104	96.84
Cash in Hand	97,92,516	1,02,83,918	4,91,402	5.02
Trade Receivables	24,91,20,346	30,45,04,530	5,53,84,184	22.23
<b>Total</b>	<b>109,41,08,087</b>	<b>124,90,06,079</b>	<b>15,48,97,992</b>	<b>14.16</b>

**Comparison of Total Liabilities in 2019 & 2020**



**Fig. 3 Comparison of Total Liabilities in 2019 & 2020**

**Comparison of Total Assets in 2019 & 2020**



**Fig. 4 Comparison of Total Assets in 2019 & 2020**

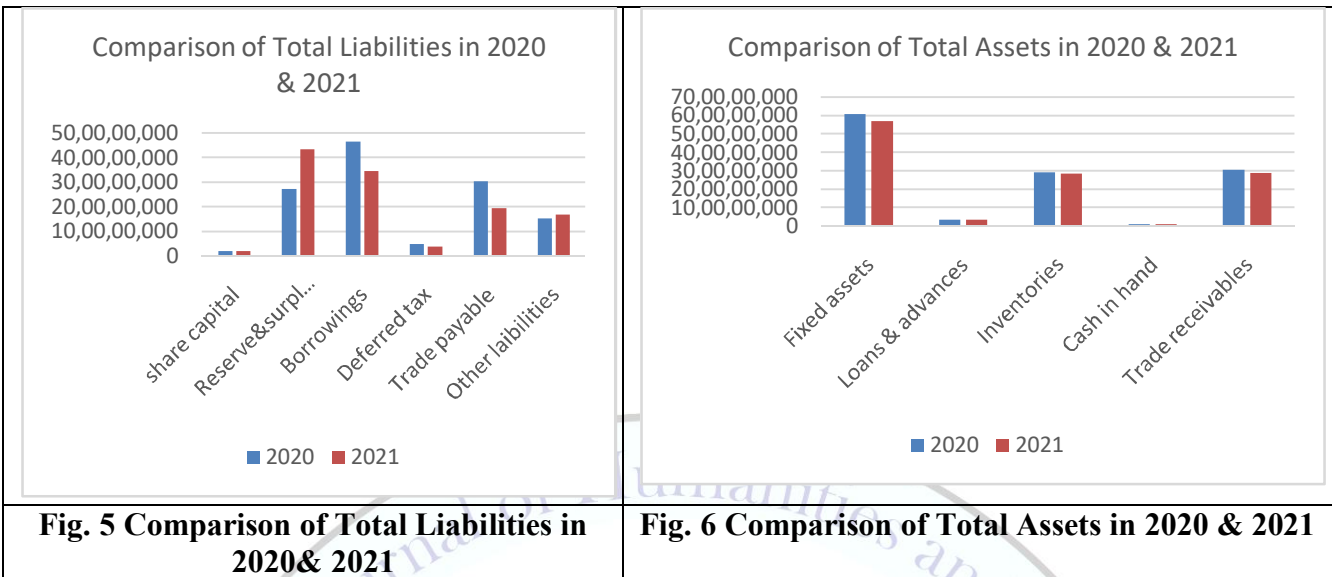
The Reserve & surplus of the company increased by 38,06,401 in 2019-20. There are slight changes in borrowings, that is decreased by 4,83,90,785. There is a change in deferred tax by 15.29 %, a difference of Rs.82,45,787. There is a high increase in Trade payables by 176.38% and in Rs. 19,23,37,806. The other current liabilities also increased by 37.56%. The other liabilities go 13,50,32,070 to 15,04,22,426 there is light gap.

Fixed assets decreased by 2,43,43,423 and in percentage is 3.85. Loans and advances also decreased from 5,55,51,602 to 3,57,51,327. It is good for the company that loans are decreased. Inventories are increasing by double as compared to last year. Inventories are increased by 14,31,66,104 in Rs. And 96.84 in percentage. The cash in hand is 5.02 % only. The trade receivables are 24,91,20,346 in 2020 and 30,45,04,530 in 2019.

**3: Table 5.2.3 Statement showing the balance sheet for the ars 2020-21.**

PARTICULARS	31.03.2020	31.03.2021	Difference (In Rs.)	Change in Percentage
<b>LIABILITIES</b>				
Share capital	1,78,75,000	1,78,75,000	0	0
Reserve and surplus	27,04,35,220	43,10,89,768	16,06,54,548	59.41
Borrowings (short-term & long- term)	46,32,10,915	34,39,22,842	(11,92,88,073)	(25.75)
Deferred tax liability	4,56,78,300	3,52,86,815	(1,0391,485)	(22.75)
Trade Payable	30,13,84,217	19,39,51,708	(10,74,32,509)	(35.65)
Other current liabilities	15,04,22,426	16,62,24,278	1,58,01,852	10.50
<b>Total Liabilities</b>	<b>124,90,06,079</b>	<b>118,83,50,411</b>	<b>(6,06,55,668)</b>	<b>(4.86)</b>
<b>ASSETS</b>				
Fixed Assets	60,74,69,975	56,82,89,938	(3,91,80,037)	(6.45)
Loans and Advances (short-term and long-term)	3,57,51,327	3,58,78,596	1,27,269	0.36
Inventories	29,09,96,329	28,45,94,908	(64,01,421)	(2.20)
Cash in Hand	1,02,83,918	1,14,89,613	12,05,695	11.72
Trade Receivables	30,45,04,530	28,80,97,356	(1,64,07,174)	(5.39)
<b>Total</b>	<b>124,90,06,079</b>	<b>118,83,50,411</b>	<b>(6,06,55,668)</b>	<b>(4.86)</b>





Reserve and surplus increased by 59.41 in percentage and 16,06,54,548 in Rs. It helps in future uncertainty. Borrowing decreased by 11,92,88,073. Deferred tax goes from 4,56,78,300 to 3,52,86,815. The trade payables also go down that is by 10,74,32,509. The company pays all payments on time. And the other current liabilities increased by 1,58,01,852. The fixed assets decreased by 3,91,80,037 as compared to last year. Loans and advances slightly increased. Inventories are decreased by 64,01,621. There is a slight increase in the amount of cash in hand which is 12,05,695.

**Ratio Analysis:**

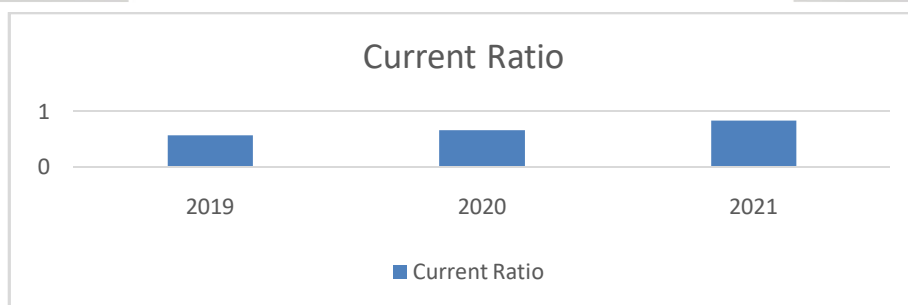
**1. Current Ratio**

$$\text{Current Ratio} = \frac{\text{Current Assets}}{\text{Current Liabilities}}$$

**Table No. 4 current ratio**

Year	Current Asset	Current Liabilities	Current Ratio
2019	46,22,94,687	80,96,04,268	0.571013157
2020	64,15,36,104	96,06,95,858	0.667782731
2021	62,00,60,473	73,93,85,643	0.838615787

(Source: Secondary Data)



**Fig 7 Current Ratio**

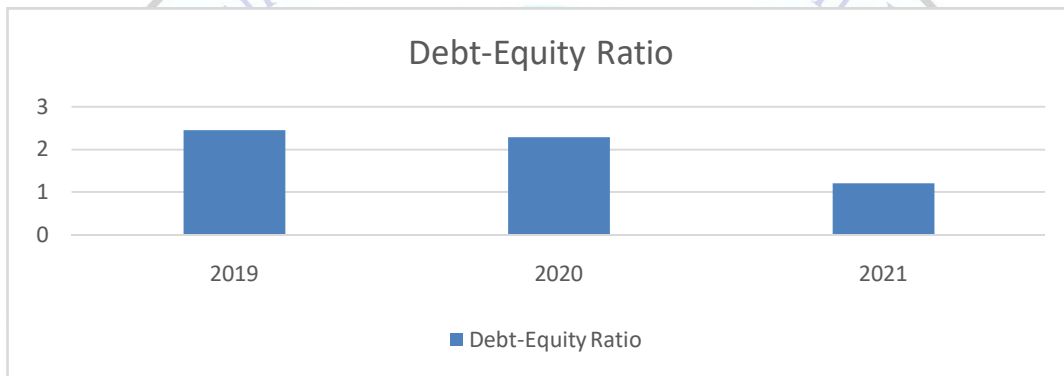
Initially, in the financial year 2018-19, the current ratio was 0.57:1, in 2019-20 the current ratio is ratio 0.67:1, and in 2020-21, the current ratio is 0.84:1.

**2. Debt-Equity Ratio:** 
$$= \frac{\text{TotalDebt}}{\text{TotalEquity}}$$

**Table No. 5**

Years	Total Debt	Total Equity	Debt-Equity Ratio
2019	70,05,57,857	28,45,03,819	2.46
2020	65,93,11,641	28,83,10,220	2.29
2021	54,54,33,935	44,89,64,768	1.21

(Source: Secondary Data)



**Fig 8 Debt-equity Ratio**

Debt to equity ideal ratio is 2:1. The ratio reflects the relative contribution of creditors and owners of business in its financing. From the above table, it is clear that the equity is more than that of external debts representing the long-term financial position of the company is sound.

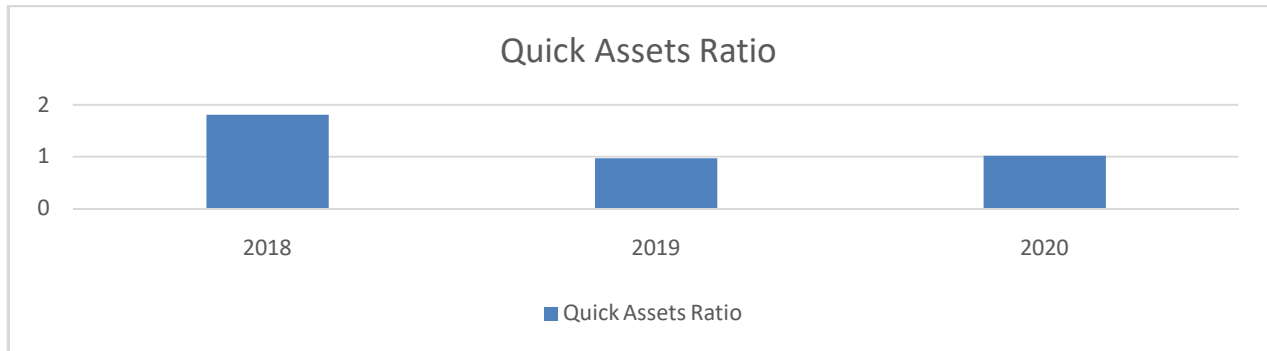
**3. Quick Ratio:**

**Quick Ratio =** 
$$\frac{\text{Quick Asset}}{\text{Quick Liabilities}}$$

**Table No. 6**

Years	Current Asset	Current Liabilities	Quick Asset Ratio
2018	28352499.64	15584146.94	1.81
2019	35116315.33	36188383.41	0.97
2020	38371996.22	37052902.33	1.03

**Table No. 6 Quick Ratio**



**Fig 9 Quick Assets Ratio**

The ideal quick asset ratio is 1:1, which means the company cannot meet its immediate current liabilities, which may lead to technical solvency. The above table shows that the company's quick asset ratio in 2018 is 1.81, in 2019 is 0.97, and in 2020 is 1.03.

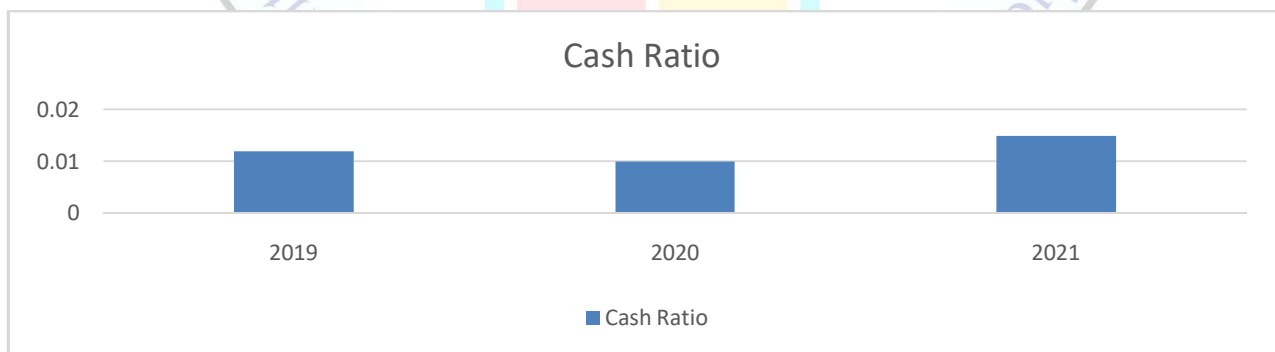
**5. Cash Ratio:**

$$\text{Cash ratio} = \frac{\text{Cash \& Cash Equivalent}}{\text{Current Liabilities}}$$

**Table No.7**

Year	Cash & Cash Equivalent	Current Liabilities	Current Ratio
2019	97,92,516	80,96,04,268	0.012
2020	1,02,83,918	96,06,95,858	0.010
2021	1,14,89,613	73,93,85,643	0.015

**Table No. 7 Cash Ratio**



**Fig 10 Cash Ratio**

There are more current liabilities than cash and cash equivalents. In 2019 the ratio 0.012, in 2020 the ratio is 0.010 and in 2021 the ratio is 0.015.

**Findings:**

After analyzing the data in excel and SPSS, interpreting the data, and mentioning the

findings, we get solutions to our research problem. We give suggestions to the organization to point out where is a need for improvement, as well as it should help to achieve the organizational objective, satisfy the customer's needs and demands, and assist in designing the products per the customer's requirements. It helps to formulate a marketing strategy to get maximum customers.

### **Findings:**

1. In 2018-19 the borrowings are more than reserve and surplus.
2. In 2018 trade payable is more than 2019.
3. Current liabilities are stable in 2018-19 it is good for the company.
4. The inventories are more it shows a good sign of the company.
5. In 2019-20 the reserve and surplus is equal; no any amount can reserve in 2019-20.
6. The trade payable is increase in positive trend in 2020.
7. The level of fixed assets is average in all years.
8. The reserves are more in 2021 as compare to 2020.
9. Borrowings also increases in 2020.
10. The level of trade receivables is also high so it seems a company sale is in credit basis.

### **Suggestions:**

1. The company can decrease the selling on a credit basis it increases the trade receivables.
2. The company should focus on operating expenses.
3. The company should focus on increasing share capital.
4. The company should focus to do transaction with using a bank account rather than cash in hand, it helps to keep all records of transactions. It helps to analysis flow of cash.
5. The company can do some market survey for expanding their business.
6. The company have more liabilities rather than assets.
7. Firm can increase sales by adopting New Technology and Digital Transformation.
8. They can increase sales by doing digital marketing.

### **Conclusion:**

The income statement, balance sheet, and cash flow statement are all parts of the financial statements. Each statement stands alone and offers an insight into the business's financial state. Together, the financial records show the organization's ability to manage its own incoming and exiting cash, an estimation of their value, as well as the costs and sales revenue that the company has incurred.

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