



A Study on Financial Analysis - A Case Approach

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Abstract

Analyzing Business operations have been the priority for Organisations. The analysis may happen for every function of the Organisation. One such analysis is Financial Analysis. The term ‘financial analysis also known as analysis and interpretation of financial statements’, refers to the process of determining financial strength and weakness of the firm by establishing strategic relationship between the items of the balance sheet, profit and loss account and other operative data. The focus of financial analysis is on key figures in the financial statements and the significant relationship that exists between them. Investors and customers are keen on reviewing a company’s financial statement to gauge its financial strength. Hence it is imperative that every Organisation must ensure that their Financial Analysis happens on required intervals.

This paper attempts to reflect the learning on Financial analysis with help of the Case study of R R Kabel Limited. The Researcher aims to understand the significance of Financial Analysis for Organisations while highlighting various tools for Financial Analysis. The Researcher further aims to demonstrate the Financial Analysis as a Case study on R R Kabel Limited. The study encompasses the understanding around Financial Analysis tools and its significance. The Inferences are limited to the case of R R Kabel limited. Financial Analysis has a strong impact on the growth monitoring of the Organisation. Better the Financial Analysis, better will be the scope of success for Organisation.

Keywords: Financial Analysis, Ratio Analysis, Comparative Statement Analysis.

1. Introduction

Financial Analysis or Financial Statement Analysis as the name suggest that it is a method of reviewing and analyzing a company's accounting reports (financial statements) in order to measure its past, present or projected future performance. This process of reviewing the financial statements allows company's to take effective economic decision. Generally, publicly listed global companies are required by law to file their financial statements with the relevant authorities. For example, publicly listed firms in India are required to submit their financial statements to the Stock Exchanges under the prescribed timelines as laid down in SEBI (Securities Exchange Board of India). Firms are also obligated to provide their financial statements in the annual report that they share with their stakeholders.

Financial Statement analysis determines a company's health and stability. The data gives a intuitive understanding of how the company conducts business. Stockholders can find out how management employs resources and whether they use them properly. Governments and regulatory authorities use financial statements to determine the legality of a company's fiscal decisions and whether the firm is following correct accocunting procedures or not.

Therefore, the main purpose of financial statement analysis is to utilize information about the past performance of the company in order to predict how it will perform in the near future. Another important purpose of the financial analysis is to identify potential problem areas and rectify those problems with suitable decision.

2. Literature Review

The literature reveiw contains the review of eight research papers and three books. Following below is the literature review classified under research paper reviews and book reviews.

2.1. “Financial Analysis of Hiton Holdings”

The study states that financial health is one of the best indicators for the company to analyze the growth of a company. Therefore, the first step towards enhancing the literacy of financial management in the company is to analyze the financial system of the company. Financial analysis is used to analyze the financial position of the company with the help of financial data presented in the annual reports of the company. (Mouza Alameri, 2021)

2.2. “Financial Analysis”

The study states that a well-organized accounting provides a systematic and chronological record of business transactions and other events, but also a complete picture of the effects of business transactions and other events. By analyzing the financial statements, we get a picture of the creditworthiness of the company. The analysis of the company's business observes: the funds engaged, the business result and the basic functions of the reproduction process. Financial analysis deals with the analysis of the financial condition of the company and the possibilities for directing changes in the desired direction. (Mouza Alameri, 2021)

2.3. “Ratio Analysis of Apple”

The paper states that after conducting numerous financial ratios, it is evident that the company has achieved its success by efficiently utilizing its assets and equity. Through ratio analysis, investors can decide whether to add company's stocks in their portfolio or sell their shares at a specific point. In general, after conducting various ratio analysis the company is looking healthy and uses its resources efficiently. The company also generates significant income for the investors. (Rashed Al Mheiri, 2021)

2.4. “Financial Ratios Analysis of Nestle”

The study states that financial ratios gives a true representation of a company’s financial health and soundness. As per the ratio analysis during past four years of data interpretation despite fluctuation in its financial statement and the economy in general. The company has achieved efficiency in all its operations. Ratio analysis gives the assessment of financial performance and soundness is critical to any company. This gives the general direction of a firm in assessing its strength and weakness in comparison to other peers in the industry. (Lara Fadel Alkadmani, 2020)

2.5. “An Empirical Study of Ratio Analysis”

The paper states that ratio analysis is one of the techniques of financial analysis where ratios are used as a yardstick for evaluating the financial condition & performance of a firm. Analysis and interpretation of various accounting ratio gives a skilled and experienced analyst a better understanding of the financial condition and performance of a company. Ratio analysis is a technic of presenting internal and external events affecting the business transactions lasting to its operations. In ratio analysis, a definite conclusion is drawn by establishing quantitative relationship between two or items of financial statements. (Valand, 2012)

2.6. “Ratio Analysis: A Study on Financial Performance of Eicher Motors”

The study states that ratio analysis helps in revealing that the performance of the company is well almost on all parameters as per the company standards. Financial ratios helps in showing that the company has managed to earn higher returns for its stakeholders and market seems to be favouring the company. The study also shows that financial ratios provide a better way to analyze and predict the future of the company. These ratios are often used to check the financial position of an enterprise in the global arena. Therefore, it is mandatory to compare obtained

results with past records so as to have a better idea of the financial performance of the company with the help of financial ratios. (Bhupender Kumar Som, 2019)

2.7. “A Study On Comparative Financial Statement Analysis With Reference To Das Limited”

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The study states that comparative statement analysis is helpful in showing the financial position of the company which is good in terms of profitability and stability. Similarly, comparative statements are very helpful in evaluating efficiency of performance of the company's overall position is at a good position. Comparative study of financial statements is the comparison of the financial statements of the business with the previous year's financial statements and with the performance of other competitive enterprises, so that weakness may be identified and remedial measures applied for the improvements in performance. Comparative analysis shows the trend of the same items and computed items into one or more financial statements of the same business enterprise on different dates. (Poongavanam, 2017)

2.8. “A Study on Comparative Statement of Balance Sheet of Laxmi Vilas Bank at Trichy”

The study is undertaken with the objective to analyze and interpret the banks financial position. The analysis of the bank was undertaken with the help of comparative statement only which acts as an important tool for knowing a financial position of a company. In general, the bank has achieved progress over the years after conducting an efficient comparative statement analysis. The comparative statement is a document that compares a particular financial statement with prior period statement or with the same financial report generated by another company. Analysts and business manager use the income statement, balance sheet and cash flow statement for comparative purpose. (B. MEENA, 2019)

2.9. “A Study on Comparative Financial Statement of Hatsun Agro Product Ltd”

The research study states that financial performs a firm is a fundamental role on investment decisions making and organization performances, which has been shown to be major force in investment decision making. This is achieved by implementing the best fundamental concepts of financial statement analysis and the concepts of comparative statements of a firm. The objective of the study is to discuss the financial measurement and analyze the balance sheet and income statement performance of the firm and to study the financial health of the company by using various financial ratios and comparative statement analysis. The financial statement analysis helps to see the current performance condition of a firm compare to past performance. Financial analysis is important to plan to control the firm's financial resources as well. (BSR Murthy, 2018)

2.10. “A Study on Comparative Balance Sheet With Special Reference to Indian Bank at Kumbakonam”

The study is conducted to analyze the comparative balance sheet of a bank. In the comparative statement the various aspects of the balance sheet to effect changes had shown in this study. Through comparative statement analysis researcher finds that the bank's liquidity position is very high but borrowing and out flow of cash is very high so the bank in future to maintain the good financial performance. The objective of the study is to study comparative statement of balance sheet and to analyze the financial position of the bank. Generally, a comparative balance sheet usually has two columns of amounts that appear to the right of the account titles or other descriptions such as Cash and Cash Equivalents, Accounts Receivable, Accounts Payable, etc. (R. PRIYADHARSHINI, 2019)

2.11. “Introduction To Financial Analysis”

The book states that all Financial Statements, including the Balance Sheet, will be provided to lenders who will examine the statements prior to making any lending determinations. “Public Companies,” i.e., corporates whose stock is “traded” (bought and sold) on a public stock exchange where stock is bought and sold, are required to release their statements to anyone who requests them. The Finance begins where Certified Public Accountant’s job ends. The accountant’s job is to carefully examine the company’s financial records (“it’s books”) in order first to determine their accuracy and veracity. The accountant will then simplify the data and summarize them into three Financial Statements: The Balance Sheet, The Income Statement, and the Cash Flow Statement. (Bigel, 2022)

2.12. “Principles of Finance”

The book states that Finance is the study of the management, movement, and raising of money. The word *finance* can be used as a verb, such as when the First National Bank agrees to finance your home mortgage loan. It can also be used as a noun referring to an entire industry. At its essence, the study of finance is about understanding the uses and sources of cash, as well as the concept of risk-reward trade-off. Finance is also a tool that can help us be better decision makers. Business Finance looks at how managers can apply financial principles to maximize the value of a firm in a risky environment. Businesses have many stakeholders. In the case of corporations, the stakeholders own the company, and they hire managers to run the company with the intent to maximize shareholder wealth. (Julie Dahlquist, 2022)

2.13. “Financial Management: Theory and Practice”

The book states that there are various reports that corporations issue to their stakeholders, but the annual report is probably the most important. These are two types of information provided.

First, there is a verbal section, often presented as a letter from the chairman. Second, the annual reports presented four basic financial statements. The Balance Sheet, the statement of Retained Earnings and the statement of Cash Flow. The quantitative and verbal materials are equally important. The financial statements report says what has actually happened to assets, earnings, and dividends over the past few years, whereas the verbal statements attempts to explain why things turned out the way they did. However, through financial analysis the real value of financial statements can be predicted in fact financial analysis can be apply to help future earnings, dividends, and cash flow. (Ehrhardt, 2012)

3. Objectives of the Study

The Researcher has considered the following objectives for the study:

1. To understand the significance of Financial Analysis for Organisations while highlighting various tools for Financial Analysis.
2. To demonstrate the Financial Analysis as a Case study on R R Kabel Limited.

3.1. Research Methodology

The case on *A Study on Financial Analysis* is a Analytical case attempted by collecting data through Secondary sources which primarily includes Financial Statements of 3 Years i.e. 2018-19, 2019-20, 2020-21. The author through the case aims to understand the significance of Financial Analysis for Organisations while highlighting various tools for Financial Analysis. The case further aims to demonstrate the Financial Analysis as a Case study on R R Kabel Limited. The case has the scope of analyzing financial statements with analytical tools like: Ratio Analysis and Comparative Statement Analysis. The Author has considered the Financial Statements of 3 Years for the study with an aim to analyse the overall financial position in terms of Profitability, Liquidity, Solvency and Revenue Generation and also the Author has

understood the importance of Financial Analysis in terms of growth and sustainability of a particular organisation (Listed or Unlisted) at Macro level.

4. Financial Analysis: Significance

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1. **Assessing the Financial Performance and Position:** Financial data does not make any meaningful contribution unless and until it is analysed. Financial performance over the years can be analysed with the help of comparative statements of profit and loss, wherein the revenues and expenses of the current year and previous year are recorded side-by-side to calculate the percentage shift between the two statements. Similarly, the financial position is analysed using comparative balance sheets.
2. **Operational Efficiency:** Financial analysis consists of ratio analysis and other techniques used to study the financial statements of a business and to draw a specific conclusions thereafter. Ratio analysis, especially the activity ratios help to determine the operational efficiency of the business. Operational efficiency can be judged with the help of inventory turnover ratio, working capital turnover ratio, operating ratio, operating profit ratio, etc.
3. **Indicating Growth Trends:** Comparative statements of profit and loss and balance sheets are used to reflect the percentage changes in the facts and figures recorded in those statements. This helps the users of financial statements to judge how the organisation has grown or faced losses over the years of their operation. Moreover, ratio analysis such as net profit ratio, return on investment, etc., also facilitates disclosing the growth pattern over the years.
4. **Trend Forecasting:** The method examines patterns in the operating efficiency and financial stability and standing of the company over a long period of time. In this study, a single year is used as the base year, with the remaining years results are given as a percentage of the base year. Along with determining the firm's operational effectiveness and financial status, it focuses on problem identification and inefficiency detection.
5. **Facilitates Comparison:** Another important advantage of financial analysis is that it facilitates comparison of both inter and intra-firm. Inter-firm comparison means comparing two or more business units that are similar in nature in order to derive a

competitive position to facilitate improvement in performance and productivity, ultimately improving profitability. Intra-firm comparison means comparison among different units or products of the same business with the purpose of competitive and meaningful analysis to improve the efficiency of all departments in the business.

5. Financial Analysis Tools

Financial analysis tools are different ways to evaluate and interpret a company's financial statements for various purposes like planning, investment, and performance. Some of the important financial tools are mentioned below.

5.1. Main financial analysis tools are as follows:

1. Common Size Statements:

A common-size statement play an essential role in the tools and techniques of financial statement analysis. Its direct impact on the company's financial statements displays all items as a percentage of a common base figure. It is known as the Common-Size Statements. It facilitates comparative analysis between two or more companies or between two or more periods of a company.

2. Comparative Statements:

An organization's financial statements for different periods are called Comparative Financial Statements. And, to know about the comparative statements users need to use the tools or techniques of financial statement analysis. Various items of financial statements are presented in a comparative form which may be a table. It enables one to have a comparative view of multiple parameters for two or more periods at a glance. Comparative statement is important in the sense of financial tools and techniques.

3. Ratio Analysis:

Ratio analysis is a quantitative analysis technique that establishes the relationship between two or a combination of more than two items of financial statements. Both are Balance Sheet, Income Statement, and Cash Flow Statement. It is usually used to evaluate various aspects of a company's operating and financial performance. That financial performance, like its efficiency, liquidity, profitability, and solvency, is helpful for the management in making certain decisions.

4. Funds Flow Analysis:

If we have no funds flow statements, we cannot use the tools and techniques of financial statement analysis. It is a statement that depicts the sources. Applications of funds for a specific

period. Through the fund flow statement, research concerning the changes in the financial position of an organization from the beginning of a period to its end is undertaken.

5. Trend Analysis:

Trend analysis is also an important part of the tools and techniques of financial statement analysis. It is based on the underlying premise that what has happened in the past indicates what will happen in the future. It may be defined as a mathematical technique that uses historical data to forecast future outcomes. Trend Analysis may be undertaken in respect of two organizations for the same period or an organization for a different period.

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6. Cash Flow Analysis:

A cash flow statement is a financial statement, which shows how Cash and Cash Equivalent, which shows how Cash and Cash Equivalents in a business are affected by changes. And, it also describes how-to guides in various components of Balance Sheet and Profit and Loss Accounts. It summarizes the reasons behind the changes in the cash position of a business entity between the dates of the two balance sheets.

6. Case Study: R R Kabel Limited

- Company Name: RR KABEL LIMITED.
- Headquarters, Date of Incorporation: Mumbai, Maharashtra. 6th February, 1995.
- Company Status: Wire and Cable Manufacturing.
- Company Category: Company Limited by Shares.
- Company Sub Category: Non-Government Company.
- Email: rrkabel@rrglobal.com
- Website: www.rrglobal.in
- Area of the Silvassa Factory: 1,76,400 Sq. Feet
- Area of Waghodia Factory: 3,63,590 Sq. Feet

RR Kabel is part of RR Global, a USD 1.25 billion conglomerate in the electrical sector with a presence in over 90+ countries globally. Spread across multiple business verticals including Wires & Cables, we continue to endeavour to create the best quality products using the latest

advances in wire design and engineering. We offer the widest range of premium wires and cables for various residential, commercial, industrial, and infrastructure purposes.

RR Kabel is ISO 9001, ISO14001, and ISO 45001 certified company. We are available globally with our products being certified to BASEC (UK), UL (USA), CSA (Canada), VDE (Germany), TUV Rheinland (Germany), and others.

➤ Performing the Ratio Analysis

1) Liquidity Ratios

a. Current Ratio

The Current Ratio measures a company's ability pay off its current liabilities (payable within one year) with its total current assets such as cash, accounts receivable and inventories. The higher the ratio, better is the company's liquidity position.

Current Ratio = Current Assets / Current Liabilities

Table.1. Current Ratio (in lacs)

| Year | Current Asset (in Rs) | Current Liabilities (in Rs) | Current Ratio |
|---------|--------------------------|-----------------------------------|------------------|
| 2018-19 | 1,05,392.63 | 60,340.19 | 1.7:1 |
| 2019-20 | 1,09,251.47 | 55,425.48 | 2.0:1 |
| 2020-21 | 1,24,667.58 | 57,798.89 | 2.2:1 |

Source: Interpreted from Annual Report

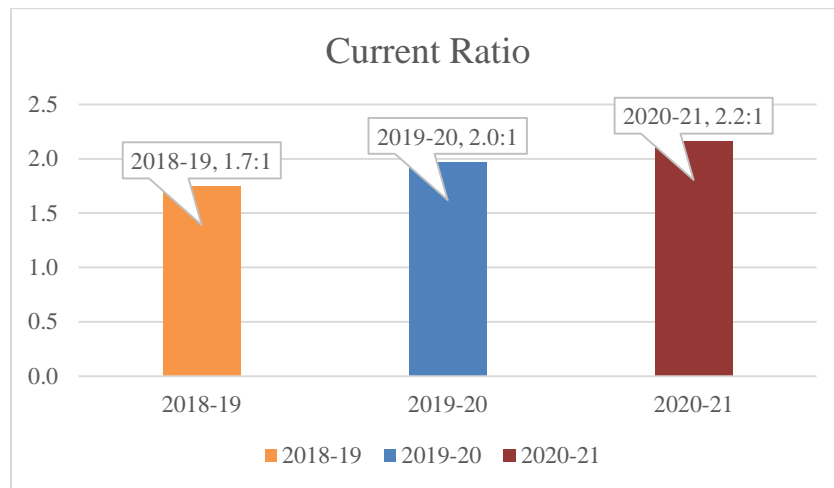


Figure.1. Current Ratio

Source: Secondary Data

➤ Interpretation:

Ideal Current Ratio is 2:1 and Company's current ratio is on favourable liquidity position in three consecutive years i.e, 2018-2019, 2019-2020 & 2020-2021. So company's investment in current asset is more than current liabilities which increases year by year.

2) Profitability Ratios

a. Gross Profit Ratio

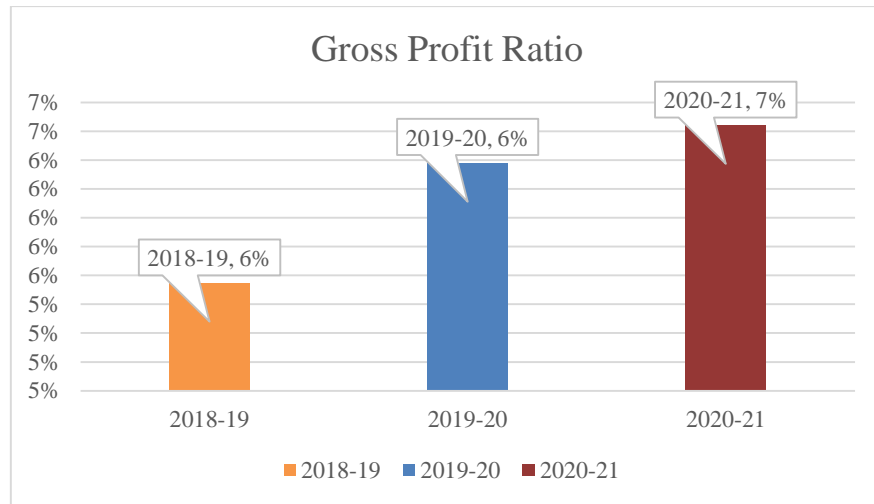
Gross Profit Ratio (GP Ratio) is a financial ratio that measures the performance and efficiency of a business by dividing its gross profit figure by the total sales. The gross profit ratio can be expressed in percentage form, multiplying the result by 100.

$$\text{Gross Profit} = \text{Gross Profit} / \text{Net Sales} * 100$$

Table 2: Gross Profit Ratio (in lacs)

| Year | Gross Profit (in Rs) | Net Sales (in Rs) | GP Ratio (in %) |
|---------|-------------------------|----------------------|--------------------|
| 2018-19 | 13,241.57 | 2,38,806.58 | 6% |
| 2019-20 | 15,775.31 | 2,47,243.07 | 6% |
| 2020-21 | 18,033.39 | 2,71,594.22 | 7% |

Source: Interpreted from Annual Report

**Figure.2.** Gross Profit Ratio

Source: Secondary Data

➤ Interpretation:

In 2018-2019 Gross Profit Ratio was at 6% and next two years it shows a increasing trend from constant 6% in 2019-2020 to 7% in 2020-2021. So it shows that there is an increase in profit with the increase in sales but the ratio is not good for the company.

b. Net Profit Ratio

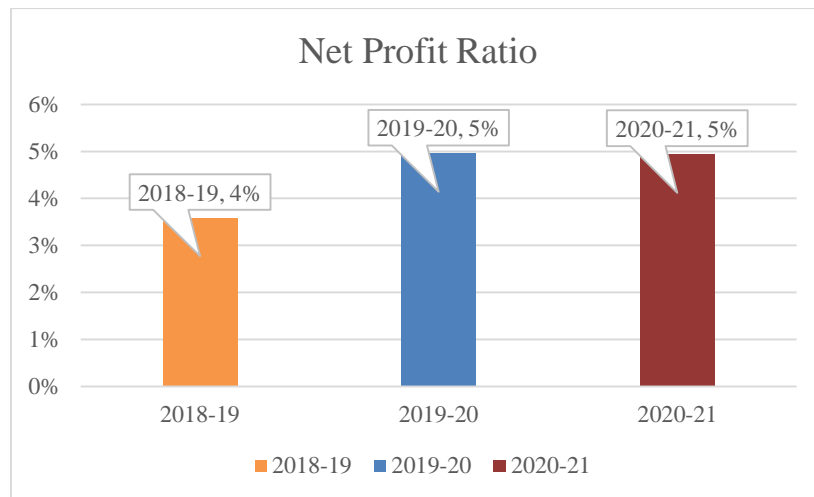
The Net Profit percentage is the ratio of after-tax profits to Net Sales. It reveals the remaining profit after all the costs of production, administration, and financing have been deducted from sales, and income taxes recognised.

Net Profit Ratio = Net Profit / Net Sales* 100

Table.3. Net Profit Ratio (in lacs)

| Year | Net Profit (in Rs) | Net Sales (in Rs) | NP Ratio (in %) |
|---------|-----------------------|----------------------|--------------------|
| 2018-19 | 8,564.76 | 2,38,806.58 | 4% |
| 2019-20 | 12,247.64 | 2,47,243.07 | 5% |
| 2020-21 | 13,429.80 | 2,71,594.22 | 5% |

Source: Interpreted from Annual Report

**Figure.3.** Net Profit Ratio

Source: Secondary Data

➤ Interpretation:

In 2018-2019 Net Profit Ratio was 4% and stable at 5% in 2019-2020 and 2020-2021. So there is an increase in trend for two years in Net Profit Ratio i.e, 2019-2020 and 2020-2021. So it shows that there is an increase in profit with the increase in sales but the ratio is not favorable for the company.

3) Solvency Ratios

a. Debt to Equity Ratio

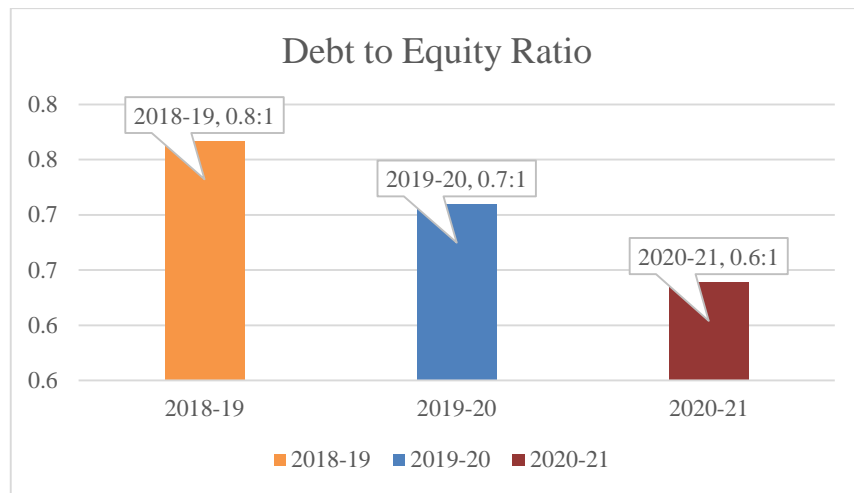
This ratio is used to evaluate a company's financial leverage and is calculated by dividing company's long-term liabilities by its Shareholder's equity. It is a measure of the degree to which a company is financing its operations through debt versus wholly funds.

Debt to Equity Ratio = Total Debt / Total Equity

Table.4. Debt to Equity Ratio (in lacs)

| Year | Total Debt (in Rs) | Total Equity (in Rs) | D/E Ratio |
|---------|-----------------------|-------------------------|-----------|
| 2018-19 | 63,765.79 | 83,152.68 | 0.8:1 |
| 2019-20 | 64,131.34 | 90,390.12 | 0.7:1 |
| 2020-21 | 66,848.35 | 1,04,585.77 | 0.6:1 |

Source: Interpreted from Annual Report

**Figure.4.** Debt to Equity Ratio

Source: Secondary Data

➤ Interpretation:

In 2018-2019 the Debt-Equity ratio was at 0.8 and it shows a decrease in trend of 0.7 in 2019-2020 and 0.6 in 2020-2021. This shows that debts are less than equity, so the company is raising funds from the market more than the debt sources.

4) Activity Turnover Ratios

a. Inventory Turnover Ratio

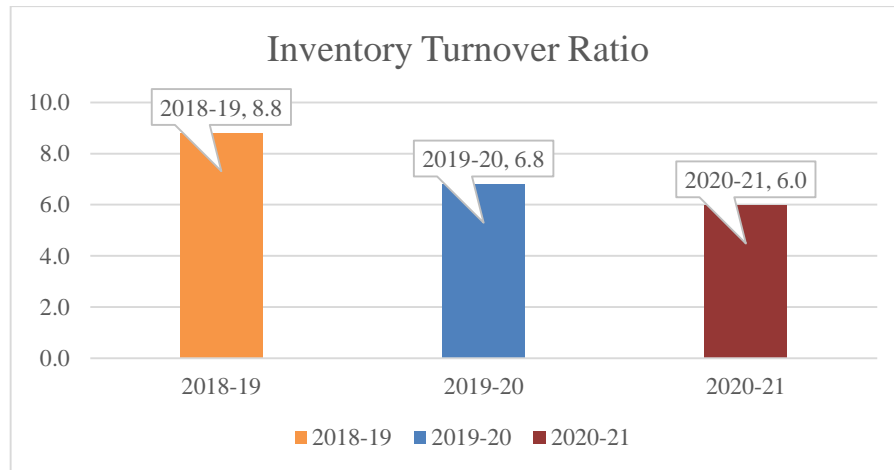
It is a financial ratio showing how many times a company has sold and replaced inventory during a given period. A company can then divide the days in the period by the inventory turnover formula to calculate the days it takes to sell the inventory on hand.

Inventory Turnover Ratio = Net Sales / Average Inventory

Table.5. Inventory Turnover Ratio (in lacs)

| Year | Net Sales (in Rs) | Avg Inventory (in Rs) | Inventory Turnover Ratio (in times) |
|---------|----------------------|--------------------------|---|
| 2018-19 | 2,38,806.58 | 27108.63 | 8.8 |
| 2019-20 | 2,47,243.07 | 36395.91 | 6.8 |
| 2020-21 | 2,71,594.22 | 45463.21 | 6.0 |

Source: Interpreted from Annual Report

**Figure.5.** Inventory Turnover Ratio

Source: Secondary Data

➤ Interpretation:

In 2018-2019 the Inventory Turnover Ratio was at 8.8 times and in 2019-2020 the ratio was at 6.8 times and further in 2020-2021 the ratio got reduced to 6.0 times. So the ratio is decreasing and the company have to take care of their inventory management in future.

➤ Performing the Comparative Statement Analysis

Table.6. Profit & Loss Statement 2019-20 (in lacs)

| Comparative Profit and Loss Account for RR KABEL Ltd, 2019 to 2020 | | | | |
|---|-------------|-------------|---------------------------|------------------------------|
| Particulars | 2020 | 2019 | Absolute Change Cy- Py | Relative Change Ac/Py*100 |
| INCOME | | | | |
| Revenue From Operations | | | | |
| Sale of Products | 2,43,045.33 | 2,35,288.30 | 7,757.03 | 3.3% |
| Other Operating Revenues | 4,197.74 | 3,518.28 | 679.46 | 19.3% |
| Other Income | 2,701.81 | 2,468.03 | 233.78 | 9.5% |
| Total Revenue | 2,49,944.88 | 2,41,274.61 | 8,670.27 | 3.6% |
| EXPENSES | | | | |
| Cost of Material Consumed | 1,82,395.11 | 1,90,896.65 | -8,501.54 | -4.5% |
| Purchase of traded goods | 11,127.50 | 9,147.67 | 1,979.83 | 21.6% |
| Changes in inventories of finished goods, Stock-in-Trade and Work-in-Progress | -1,309.42 | -11,793.20 | 10,483.78 | -88.9% |
| Employee benefits expense | 13,576.56 | 10,715.48 | 2,861.08 | 26.7% |
| Finance costs | 3,524.64 | 3,831.38 | -306.74 | -8.0% |
| Depreciation & amortization expense | 3,880.38 | 3,057.60 | 822.78 | 26.9% |
| Other expenses | 20,974.80 | 22,177.46 | -1,202.66 | -5.4% |
| Total Expenses | 2,34,169.57 | 2,28,033.04 | 6,136.53 | 2.7% |

| | | | | |
|--|-----------|-----------|-----------|----------|
| Profit before tax | 15,775.31 | 13,241.57 | 2,533.74 | 19.1% |
| Tax expense: | | | 0.00 | |
| Current tax | 3,275.34 | 4,652.66 | -1,377.32 | -29.6% |
| Excess tax provision of earlier years | 103.82 | -5.10 | 108.92 | -2135.7% |
| Deferred tax charge | 148.51 | 29.25 | 119.26 | 407.7% |
| | 3,527.67 | 4,676.81 | -1,149.14 | -24.6% |
| Profit for the period | 12,247.64 | 8,564.76 | 3,682.88 | 43.0% |
| Other Comprehensive Income/(loss) | | | | |
| A) Items that will not be reclassified to Profit and Loss | | | | |
| a) (i) Re-measurement of post employment benefits obligation | -117.67 | -22.68 | -94.99 | 418.8% |
| (ii) Income tax relating to items that will not be reclassified to Profit and Loss | 28.47 | 7.93 | 20.54 | 259.0% |
| b) (i) Fair value gain/(loss) on investment in equity instrument through OCI | -640.44 | -531.41 | -1502.35 | 282.7% |
| (ii) Income tax relating to items that will not be reclassified to Profit and Loss | -33.74 | -16.49 | -17.25 | 104.6% |
| Total Comprehensive Income for the year | 11484.26 | 7680.66 | 3803.60 | 49.5% |
| Earnings per Equity Share (nominal value of Rs 10/- each): | | | | |
| Basic | 44.11 | 32.60 | 11.51 | 35.3% |
| Diluted | 44.11 | 32.60 | 11.51 | 35.3% |

Source: Interpreted from Annual Report

➤ Interpretations:

1. It is inferred from the above table the comparative income statement for year 2019-2020 the revenue has increased (3.6%) in the year 2020.
2. Expenses has increased (2.7%) in the year 2020.
3. Profit before tax has increased (19.1%) in the year 2020.
4. Profit for the period amount has increased (43%) in the year 2020.

Table.7. Balance Sheet 2019-20 (in lacs)

| Comparative Analysis of RR Kabel Ltd for the Year ended 2019 & 2020 | | | | | |
|---|-----------------------------|-----------|-----------|-----------------|-----------------|
| Sr No | PARTICULARS | Mar-20 | Mar-19 | Absolute Change | Relative Change |
| | | | | Cy - Py | Ac/Py*100 |
| 1 | ASSETS | | | | |
| | Non-current assets | | | | |
| | Property, Plant & Equipment | 37,927.23 | 29,931.62 | 7995.61 | 26.7% |
| | Capital work-in-progress | 1,537.21 | 4,261.98 | -2724.77 | -63.9% |
| | Other intangible assets | 708.37 | 225.35 | 483.02 | 214.3% |
| | Right of use assets | 417.04 | - | | |
| | Financial assets: | | | | |
| | Investments | 3,177.66 | 3,818.10 | -640.44 | -16.8% |

| | | | | | |
|---|---|-------------|-------------|----------|--------|
| | Loans | 157.42 | 148.03 | 9.39 | 6.3% |
| | Other financial assets | 7.01 | 15.21 | -8.20 | -53.9% |
| | Income tax assets (net) | 176.18 | 1,183.51 | -1007.33 | -85.1% |
| | Other non-current assets | 1,161.87 | 1,942.04 | -780.17 | -40.2% |
| | | 45,269.99 | 41,525.84 | 3744.15 | 9.0% |
| | Current assets | | | | |
| | Inventories | 37,520.95 | 35,270.88 | 2250.07 | 6.4% |
| | Financial assets: | | | | |
| | Investments | 18,881.87 | 15,523.34 | 3358.53 | 21.6% |
| | Trade receivables | 41,895.88 | 44,650.72 | -2754.84 | -6.2% |
| | Cash and bank balances | 1,127.78 | 584.22 | 543.56 | 93.0% |
| | Loans | 140.39 | 181.38 | -40.99 | -22.6% |
| | Other financial assets | 4,417.91 | 3,315.03 | 1102.88 | 33.3% |
| | Income tax assets (net) | 974.43 | - | | |
| | Other current assets | 4,292.26 | 5,867.06 | -1574.80 | -26.8% |
| | | 1,09,251.47 | 1,05,392.63 | 3858.84 | 3.7% |
| | Total Assets | 1,54,521.46 | 1,46,918.47 | 7602.99 | 5.2% |
| 2 | EQUITY AND LIABILITIES | | | | |
| | Equity | | | | |
| | Equity Share Capital | 2,339.53 | 2,339.53 | 0.00 | 0.0% |
| | Instrument entirely equity in nature | 40,000.00 | 40,000.00 | 0.00 | 0.0% |
| | Other equity | 48,050.59 | 40,813.15 | 7237.44 | 17.7% |
| | | 90,390.12 | 83,152.68 | 7237.44 | 8.7% |
| | Liabilities | | | | |
| | Non-current liabilities | | | | |
| | Financial liabilities: | | | | |
| | Borrowings | 6,828.15 | 2,252.50 | 4575.65 | 203.1% |
| | Lease liabilities | 177.12 | - | | |
| | Provisions | 781.35 | 407.19 | 374.16 | 91.9% |
| | Deferred tax liabilities (net) | 917.48 | 763.71 | 153.77 | 20.1% |
| | Other non-current liabilities | 1.76 | 2.2 | -0.44 | -20.0% |
| | | 8,705.86 | 3,425.60 | 5280.26 | 154.1% |
| | Current liabilities | | | | |
| | Financial liabilities | | | | |
| | Borrowings | 30,911.83 | 35,984.41 | -5072.58 | -14.1% |
| | Trade payables: | | | | |
| | total outstanding dues of micro & small enterprises | 884.19 | 1,314.17 | -429.98 | -32.7% |
| | total outstanding dues of creditors other than micro & small enterprise | 17,202.01 | 17,723.02 | -521.01 | -2.9% |
| | Lease liabilities | 252.69 | - | | |
| | Other liabilities | 4,425.75 | 3,738.48 | 687.27 | 18.4% |
| | Provisions | 128.87 | 89.04 | 39.83 | 44.7% |
| | Other current liabilities | 1,620.14 | 1,491.07 | 129.07 | 8.7% |
| | | 55,425.48 | 60,340.19 | -4914.71 | -8.1% |
| | Total Equity and Liabilities | 1,54,521.46 | 1,46,918.47 | 7602.99 | 5.2% |

Source: Interpreted from Annual Report

➤ Interpretations:

1. It is inferred from the above table that the comparative balance sheet for the year 2019-2020 the non-current assets has increased (9.02%) in the year 2020.
2. Current assets has increased (3.66%) in the year 2020.
3. Total assets has increased (5.17%) in the year 2020.
4. Equity has increased (8.70%) in the year 2020.
5. Non-current liabilities has increased (154.14%) in the year 2020.
6. Current liabilities has decreased (-8.15%) in the year 2020.
7. Total equity and liabilities has increased (5.17%) in the year 2020.

Table.8. Profit & Loss Statement 2020-21(in lacs)

| Comparative Profit and Loss Account for RR KABEL Ltd, 2020 to 2021 | | | | |
|---|-------------|-------------|-----------------|-----------------|
| Particulars | 2021 | 2020 | Absolute Change | Relative Change |
| INCOME | | | Cy- Py | Ac/Py*100 |
| Revenue From Operations | | | | |
| Sale of Products | 2,66,533.22 | 2,43,045.33 | 23,487.89 | 9.7% |
| Other Operating Revenues | 5,061.00 | 4,197.74 | 863.26 | 20.6% |
| Other Income | 2,199.51 | 2,701.81 | -502.30 | -18.6% |
| Total Revenue | 2,73,793.73 | 2,49,944.88 | 23,848.85 | 9.5% |
| EXPENSES | | | | |
| Cost of Material Consumed | 2,17,319.92 | 1,82,395.11 | 34,924.81 | 19.1% |
| Purchase of traded goods | 12,806.38 | 11,127.50 | 1,678.88 | 15.1% |
| Changes in inventories of finished goods, Stock-in-Trade and Work-in-Progress | -15,384.42 | -1,309.42 | -14,075.00 | 1074.9% |
| Employee benefits expense | 14,834.47 | 13,576.56 | 1,257.91 | 9.3% |
| Finance costs | 2,705.63 | 3,524.64 | -819.01 | -23.2% |
| Depreciation & amortization expense | 4,475.09 | 3,880.38 | 594.71 | 15.3% |
| Other expenses | 19,003.27 | 20,974.80 | -1,971.53 | -9.4% |
| Total Expenses | 2,55,760.34 | 2,34,169.57 | 21,590.77 | 9.2% |
| Profit before tax | 18,033.39 | 15,775.31 | 2,258.08 | 14.3% |
| Tax expense: | | | | |
| Current tax | 4,891.18 | 3,275.34 | 1,615.84 | 49.3% |
| Excess tax provision of earlier years | -78.89 | 103.82 | -182.71 | -176.0% |
| Deferred tax charge | -208.70 | 148.51 | -357.21 | -240.5% |
| | 4,603.59 | 3,527.67 | 1,075.92 | 30.5% |
| Profit for the period | 13,429.80 | 12,247.64 | 1,182.16 | 9.7% |
| Other Comprehensive Income/(loss) | | | | |
| A) Items that will not be reclassified to Profit and Loss | | | | |

| | | | | |
|--|-----------|-----------|----------|---------|
| a) (i) Re-measurement of post employment benefits obligation | 40.39 | -117.67 | -77.28 | 65.7% |
| (ii) Income tax relating to items that will not be reclassified to Profit and Loss | -10.16 | 28.47 | -38.63 | -135.7% |
| b) (i) Fair value gain/(loss) on investment in equity instrument through OCI | 805.49 | -640.44 | 1445.93 | -225.8% |
| (ii) Income tax relating to items that will not be reclassified to Profit and Loss | -69.86 | -33.74 | -36.12 | 107.1% |
| Total Comprehensive Income for the year | 14,195.66 | 11,484.26 | 2,711.40 | 23.6% |
| Earnings per Equity Share (nominal value of Rs 10/- each): | | | | |
| Basic | 48.37 | 44.11 | 4.26 | 9.7% |
| Diluted | 48.37 | 44.11 | 4.26 | 9.7% |

Source: Interpreted from Annual Report

➤ Interpretations:

1. It is inferred from the above table the comparative income statement for year 2020-2021 the revenue has increased (9.5%) in the year 2021.
2. Expenses has increased (9.2%) in the year 2021.
3. Profit before tax has increased (14.3%) in the year 2021.
4. Profit for the period amount has increased (9.7%) in the year 2021.

Table.9. Blance Sheet 2020-21(in lacs)

| Comparative Analysis of RR Kabel Ltd for the Year ended 2020 & 2021 | | | | | |
|---|-------------------------------------|-----------|-----------|-----------------|-----------------|
| Sr No | PARTICULARS | Mar-21 | Mar-20 | Absolute Change | Relative Change |
| | | | | Cy - Py | Ac/Py*100 |
| 1 | ASSETS | | | | |
| | Non-current assets | | | | |
| | Property, Plant & Equipment | 38,598.78 | 37,927.23 | 671.55 | 1.77% |
| | Capital work-in-progress | 668.18 | 1,537.21 | -869.03 | -56.53% |
| | Intangible assets under development | 48.50 | - | | |
| | Other intangible assets | 527.54 | 708.37 | -180.83 | -25.53% |
| | Right of use assets | 814.81 | 417.04 | 397.77 | 95.38% |
| | Financial assets: | | | | |
| | Investments | 3,983.16 | 3,177.66 | 805.50 | 25.35% |
| | Loans | 160.61 | 157.42 | 3.19 | 2.03% |
| | Other financial assets | 8.01 | 7.01 | 1.00 | 14.27% |
| | Income tax assets (net) | 523.53 | 176.18 | 347.35 | 197.16% |
| | Other non-current assets | 1,433.42 | 1,161.87 | 271.55 | 23.37% |
| | | 46,766.54 | 45,269.99 | 1496.55 | 3.31% |
| | Current assets | | | | |
| | Inventories | 53,405.48 | 37,520.95 | 15884.53 | 42.34% |

| | | | | | |
|---|---|-------------|-------------|----------|---------|
| | Financial assets: | | | | |
| | Invenstments | 19,602.01 | 18,881.87 | 720.14 | 3.81% |
| | Trade receivables | 42,036.23 | 41,895.88 | 140.35 | 0.33% |
| | Cash and bank balances | 846.56 | 1,127.78 | -281.22 | -24.94% |
| | Loans | 164.18 | 140.39 | 23.79 | 16.95% |
| | Other financial assets | 248.07 | 4,417.91 | -4169.84 | -94.38% |
| | Income tax assets (net) | - | 974.43 | | |
| | Other current assets | 8,365.05 | 4,292.26 | 4072.79 | 94.89% |
| | | 1,24,667.58 | 1,09,251.47 | 15416.11 | 14.11% |
| | Total Assets | 1,71,434.12 | 1,54,521.46 | 16912.66 | 10.95% |
| 2 | EQUITY AND LIABILITIES | | | | |
| | Equity | | | | |
| | Equity Share Capital | 2,392.41 | 2,339.53 | 52.88 | 2.26% |
| | Instrument entirely equity in nature | 41,518.59 | 40,000.00 | 1518.59 | 3.80% |
| | Other equity | 60,674.77 | 48,050.59 | 12624.18 | 26.27% |
| | | 1,04,585.77 | 90,390.12 | 14195.65 | 15.70% |
| | Liabilities | | | | |
| | Non-current liabilities | | | | |
| | Financial liabilities: | | | | |
| | Borrowings | 7,128.14 | 6,828.15 | 299.99 | 4.39% |
| | Lease liabilities | 526.36 | 177.12 | 349.24 | 197.18% |
| | Provisions | 604.39 | 781.35 | -176.96 | -22.65% |
| | Deferred tax liabilities (net) | 788.81 | 917.48 | -128.67 | -14.02% |
| | Other non-current liabilities | 1.76 | 1.76 | 0.00 | 0.00% |
| | | 9,049.46 | 8,705.86 | 343.60 | 3.95% |
| | Current liabilities | | | | |
| | Financial liabilities | | | | |
| | Borrowings | 39,498.49 | 30,911.83 | 8586.66 | 27.78% |
| | Trade payables: | | | | |
| | total outstanding dues of micro & small enterprises | 932.2 | 884.19 | 48.01 | 5.43% |
| | total outstanding dues of creditors other than micro & small enterprise | 10,418.09 | 17,202.01 | -6783.92 | -39.44% |
| | Lease liabilities | 306.64 | 252.69 | 53.95 | 21.35% |
| | Other liabilities | 4,892.77 | 4,425.75 | 467.02 | 10.55% |
| | Provisions | 546.46 | 128.87 | 417.59 | 324.04% |
| | Other current liabilities | 1,204.24 | 1,620.14 | -415.90 | -25.67% |
| | | 57,798.89 | 55,425.48 | 2373.41 | 4.28% |
| | Total Equity and Liabilites | 1,71,434.12 | 1,54,521.46 | 16912.66 | 10.95% |

Source: Interpreted from Annual Report

➤ Interpretations:

1. It is inferred from the above table that the comparative balance sheet for the year 2020-2021 the non-current assets has increased (3.31%) in the year 2021.
2. Current assets has increased (14.11%) in the year 2021.
3. Total assets has increased (10.95%) in the year 2021.
4. Equity has increased (15.70%) in the year 2021.

5. Non-current liabilities has increased (3.95%) in the year 2021.
6. Current liabilities has increased (4.28%) in the year 2021.
7. Total equity and liabilities has increased (10.95%) in the year 2021.

7. Findings from the Case

7.1. Findings for Ratios

- The Current Ratio of RR Kabel shows an increase in trend that is on year 2018-19 the current ratio was 1.7:1, in 2019-20 the current ratio was 2.0:1 and in 2020-21 the current ratio is 2.2:1 which shows that RR Kabel is having good Current Ratio as current asset is more than current liabilities which means RR Kabel is capable to meet its short liabilities with its assets. (Table No-1)
- The Gross Profit Ratio of RR Kabel shows a gradual increase in trend that is on year 2018-19 the gross profit ratio was 6%, in 2019-20 the gross profit ratio was also at 6% and in year 2020-21 the gross profit ratio increased to 7% which shows that RR Kabel is not managing its profits perfectly which is not a good sign for RR Kabel for long run perspective. (Table No-2)
- The Net Profit Ratio of RR Kabel shows a gradual increase in trend that is on year 2018-19 the net profit ratio was 4%, in 2019-20 the net profit ratio was at 5% and in year 2020-21 the net profit ratio remained constant to 5% which shows that RR Kabel is not managing its business efficiently as the company is generating 5% profit for every rupee it collects. (Table No-3)
- The Debt to Equity Ratio of RR Kabel shows a decrease in trend that is on year 2018-19 the debt to equity ratio was at 0.8:1, in 2019-20 the debt to equity ratio decreased to 0.7:1 and in year 2020-21 the debt to equity ratio again decreased to 0.6:1 which means RR Kabel is noticing a change in its capital structure that is RR Kabel is having less percentage of debt in its capital structure which is good for investors as the company will become less risky for the investors to invest. (Table No-4)
- The Inventory Turnover Ratio of RR Kabel shows a decrease in trend that is on year 2018-19 the inventory turnover ratio was at 8.8 times, in 2019-20 the inventory turnover ratio

decreased to 6.8 times and in 2020-21 the inventory turnover ratio again decreased to 6.0 times which means RR Kabel is less effective in using its inventory as their inventory ratio is reducing year on year. So RR Kabel have to be cautious about their inventory turnover ratio. (Table No-5)

7.2. Findings for Comparative Statements

- The Comparative Profit and Loss of RR Kabel for the year 2019-20 shows that the total revenue has increased by (3.6%) in the year 2020. Expenses have increased (2.7%) in the year 2020. Profit before tax has increased (19.1%) in the year 2020. Profit after tax amount increased (43.0%) in the year 2020. (Table No-6)
- The Comparative Balance Sheet of RR Kabel for the year 2019-20 shows that the non-current assets has increased (9.02%) in the year 2020. Current assets have increased (3.66%) in the year 2020. The total assets has increased (5.17%) in the year 2020. Equity of the company has increased (8.70%) in the year 2020. Non-current liabilities has increased (154.14%) in the year 2020. Current liabilities has decreased (-8.15%) in the year 2020. The total equity and liabilities has increased (5.17%) in the year 2020. (Table No-7)
- The Comparative Profit and Loss of RR Kabel for the year 2020-21 shows that the total revenue has increased by (9.5%) in the year 2021. Expenses have increased (9.2%) in the year 2021. Profit before tax has increased (14.3%) in the year 2021. Profit after tax amount increased (9.7%) in the year 2021. (Table No-8)
- The Comparative Balance Sheet of RR Kabel for the year 2020-21 shows that the non-current assets has increased (3.31%) in the year 2021. Current assets have increased (14.11%) in the year 2021. The total assets has increased (10.95%) in the year 2021. Equity of the company has increased (15.70%) in the year 2021. Non-current liabilities has increased (3.95%) in the year 2021. Current liabilities has increased (4.28%) in the year 2021. The total equity and liabilities has increased (10.95%) in the year 2021. (Table No-9)

8. Conclusion

The Researcher understands and concludes that Financial Analysis is a very important process, which provides a proper and useful information to the organisation regarding Profitability,

Liquidity, Solvency and Revenue Generation. Financial Analysis reports are also used to give information to shareholders on how reasonable are investments made in an organisation because they are interested in making profit from investments that shareholders had made.

The paper demonstrated through a case on “A Study on Financial Analysis with respect to R R Kabel Ltd”, has been conducted with an aim to study and understand the significance of Financial Analysis for Organisations while highlighting various tools for Financial Analysis and to demonstrate Financial Analysis as a Case Study on R R Kabel Limited by using financial analysis tools like: Ratio Analysis and Comparative Statement Analysis with the help of analysing the financials through the Balance Sheet and Profit & Loss Statement for the past consecutive FY 2018-19, 2019-20 and 2020-21.

The Researcher concludes through the case that Current Ratio of R R Kabel is in a good state where Current Asset is more than Current Liabilities. Profitability Ratios like: Gross Profit and Net Profit Ratios of R R Kabel is somewhat an area of concern to the management because the Profitability of R R Kabel is not good and the profitability is also increased but not in a justifiable manner. Debt to Equity Ratio of R R Kabel is in good state and Inventory Ratio of R R Kabel is also not in a good state and management have to take care of their inventory management for future.

Moreover, the Researcher concludes through the case that in Financial Year 2020-21 the Profit and Loss Statement of R R Kabel shows that Revenue, Total Expense, Profit Before Tax, Profit After Tax and Total Comprehensive Income for the year is increased. The Balance Sheet of Financial Year 2020-21 of R R Kabel shows that Total Assets and Total Equity and Liabilities is increased. R R Kabel Management have to be cautious regarding their Non-Current Liabilities and their Expenses front.

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