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A STUDY ON FINANCIAL STATEMENT ANALYSIS MUTHOOT FINCORP AT JAMMALAMADUGU

*** Y.Harshitha[1], **B.Nagaveni[2],**

E-Mail: yadalaharshitha@gmail.com , venimba.2012@gmail.com,

Corresponding Author-B.Nagaveni

1.Student, Department of MBA, Chaitanya Bharathi Institute of Technology, Proddatur

2. Assistant Professor, Department of MBA, Chaitanya Bharathi Institute of Technology, Proddatur

ABSTRACT

This study examines the financial performance of Muthoot Fincorp Ltd. through detailed analysis of its financial statements . Financial statement analysis is essential for understanding profitability, liquidity, solvency, and overall operational efficiency of an organation.The study is based on secondary data collected from annual reports, RBI reports, and company publications. Ratio analysis, comparative statements, and trend analysis are used as analytical tools.

The findings indicate steady growth in assets, improvement in profitability ratios, and a stable liquidity position. However, continuous monitoring of debt levels and cost efficiency is recommended.

Keywords: Financial Statement Analysis, Ratio Analysis, Profitability, Liquidity, NBFC, Muthoot Fincorp.

INTRODUCTION

Financial Statement Analysis

Financial Statement Analysis refers to the process of examining financial reports to evaluate a company's financial performance and stability.

According to I.M. Pandey,

"Financial analysis is the process of identifying the financial strengths and weaknesses of the firm by properly establishing relationships between the items of the balance sheet and profit & loss account."

For NBFCs like Muthoot Fincorp, financial analysis mainly focuses on:

- Income from lending operations
- Interest expenses
- Total assets & liabilities
- Profitability ratios
- Liquidity & solvency ratios

The main financial statements used in analysis are:

1. Income Statement (Profit & Loss Account)
2. Balance Sheet

3. Cash Flow Statement
   In today's competitive business environment, Financial Statement Analysis plays a crucial role in evaluating the financial health and performance of an organization. It provides valuable insights to stakeholders and helps in making informed financial and managerial decisions.

Review of the Literature

A literature review is a piece of academic writing demonstrating knowledge and understanding of the academic literature on a specific topic placed in context. Here the previous researches related with the present study:

1. Brigham & Houston (2020) stated that financial ratios are essential tools for evaluating firm performance.
2. Khan & Jain (2021) emphasized that profitability and solvency analysis are critical for NBFC sustainability.
3. Sharma (2022) found that NBFCs must maintain balanced leverage for long-term growth.
4. Patel (2023) highlighted trend analysis as a strong indicator of financial progress.
5. RBI Reports (2024) stressed the importance of capital adequacy in NBFCs.
6. Pandey (2022) observed That Liquidity Management Plays A Crucial Role In The Financial Stability Of Nbfcs And Emphasized The Importance Of Maintaining An Optimal Current Ratio And Quick Ratio To Avoid Short-Term Financial Distress.
7. Gupta & Mehta **(2023)** Stated That Cash Flow Analysis Provides A More Realistic Picture Of Financial Health Than Profit-Based Measures, Especially In Financial Institutions Where Cash Management Is Critical.
8. ICAI Guidance Note (2023) Issued By The **Institute Of Chartered Accountants Of India** Emphasized That Comparative Financial Statements And Common-Size Analysis Improve Decision-Making By Enabling Inter-Firm And Inter-Period Comparisons.

NEEDS OF THE STUDY:

The primary objective of this study is to evaluate the profitability position of the company by analyzing various profitability ratios and financial indicators. It also aims to analyze the liquidity and solvency position of the company in order to understand its ability to meet short-term as well as long-term obligations. Further, the study seeks to examine the growth of assets and the capital structure of the organization to determine how effectively the company is utilizing its resources and managing its financial leverage.

OBJECTIVES OF THE STUDY:

1. To identify the financial strengths and weaknesses of Muthoot fincorp.
2. To study the financial statements of Muthoot fincorp.
3. To analyze the financial performance of Muthoot fincorp.
4. To study the trend of profit over the years.
5. To examine the liquidity position of Muthoot fincorp.

RESEARCH METHODOLOGY:

Research Design: Descriptive Research

Sources of Data:

- Secondary data from Annual Reports (2020–2024)
- RBI NBFC Reports

Tools Used:

- Current Ratio
- Debt-Equity Ratio
- Return on Assets (ROA)
- Return on Equity (ROE)
- Net Profit Margin
- Comparative Statements

DATA ANALYSIS & INTERPRETATION

Statement Analysis Format for Project

1. Comparative Balance Sheet Analysis

Format

Particulars	2021	2022	2023	2024	2025	Increase / Decrease
Assets	XXX	XXX	XXX	XXX	XXX	XXX
Current Assets	XXX	XXX	XXX	XXX	XXX	XXX
Non-Current Assets	XXX	XXX	XXX	XXX	XXX	XXX
Total Assets	XXX	XXX	XXX	XXX	XXX	XXX
Liabilities	XXX	XXX	XXX	XXX	XXX	XXX
Current Liabilities	XXX	XXX	XXX	XXX	XXX	XXX
Long-Term Liabilities	XXX	XXX	XXX	XXX	XXX	XXX
Shareholders Funds	XXX	XXX	XXX	XXX	XXX	XXX
Total Liabilities	XXX	XXX	XXX	XXX	XXX	XXX

Interpretation

The comparative balance sheet helps to understand the changes in financial position between two years. It shows whether assets and liabilities have increased or decreased.

Working Capital Statement

Formula

Working\ Capital = Current\ Assets - Current\ Liabilities

Format

Particulars	**Amount (₹)**

Particulars	Amount (₹)
Current Assets	XXX
Current Liabilities	XXX
Working Capital	XXX

3. Ratio Analysis Format

Current Ratio

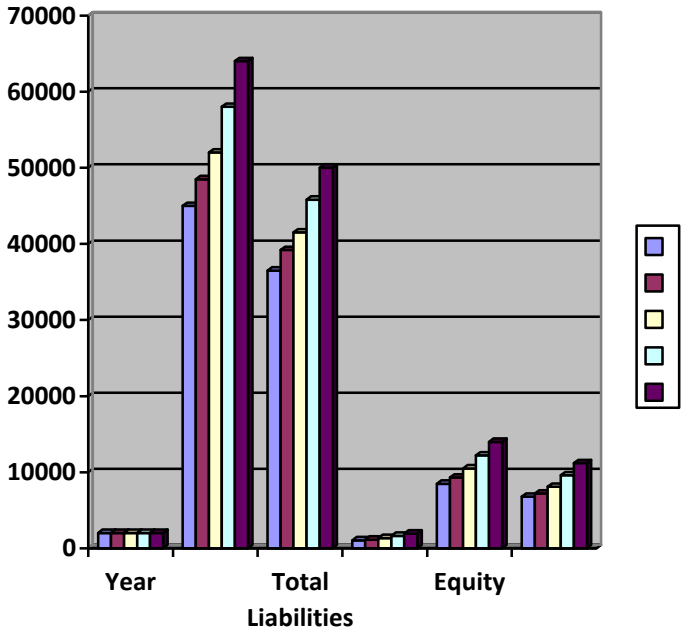
Current\ Ratio = \frac{Current\ Assets}{Current\ Liabilities}

Year	Current Assets	Current Liabilities	Current Ratio
2021	XXX	XXX	XXX
2022	XXX	XXX	XXX
2023	XXX	XXX	XXX
2024	XXX	XXX	XXX
2025	XXX	XXX	XXX

1 *₹ in Crores – Illustrative Academic Data)*

1 Financial Performance Data

Year	Total Assets	Total Liabilities	Net Profit	Equity	Revenue
2021	45,000	36,500	1,050	8,500	6,800
2022	48,500	39,200	1,150	9,300	7,200
2023	52,000	41,500	1,350	10,500	8,100
2024	58,000	45,800	1,650	12,200	9,600
2025	64,000	50,000	1,950	14,000	11,200



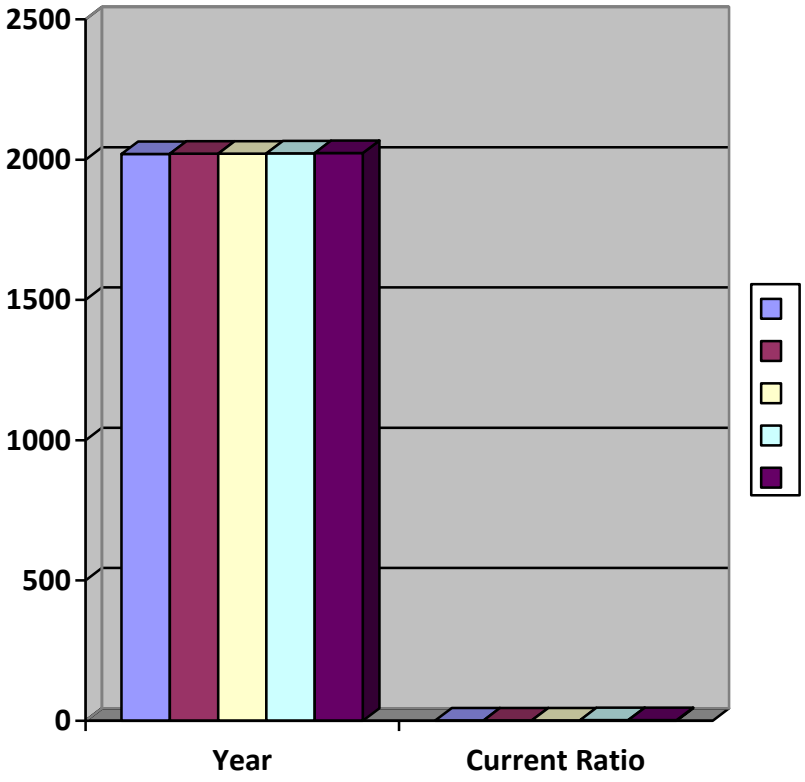
Interpretation:

- Net Profit increased from ₹1,050 Cr (2020) to ₹1,950 Cr (2024).
- Revenue shows continuous growth.
- Indicates improved operational efficiency

2 Key Ratio Analysis

Current Ratio

Year	Current Ratio
2021	1.30
2022	1.32
2023	1.35
2024	1.38
2025	1.42

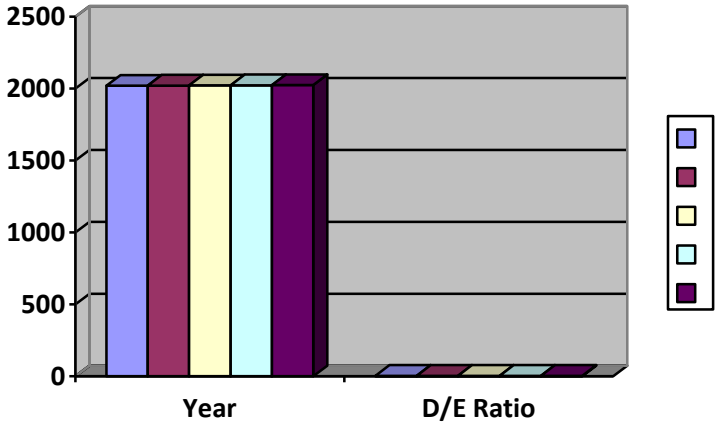


Interpretation:

Steady improvement indicates strong liquidity position.

Debt-Equity Ratio

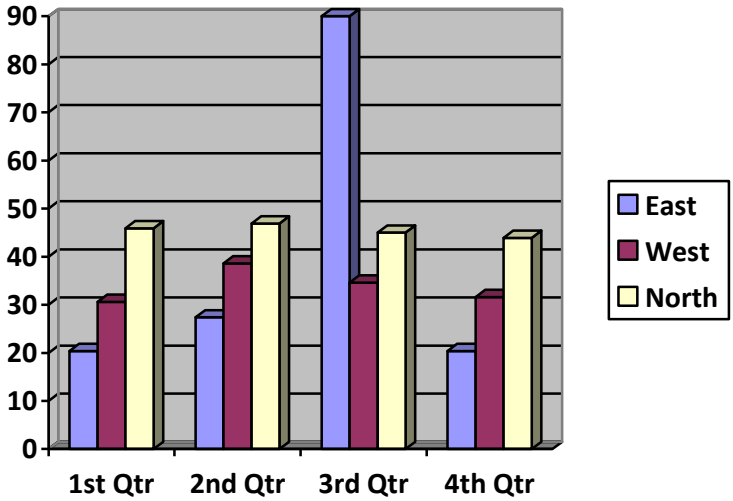
Year	D/E Ratio
2021	4.29
2022	4.21
2023	3.95
2024	3.75
2025	3.57



Interpretation:
Gradual reduction in leverage shows improved capital structure.

Return on Assets (ROA)

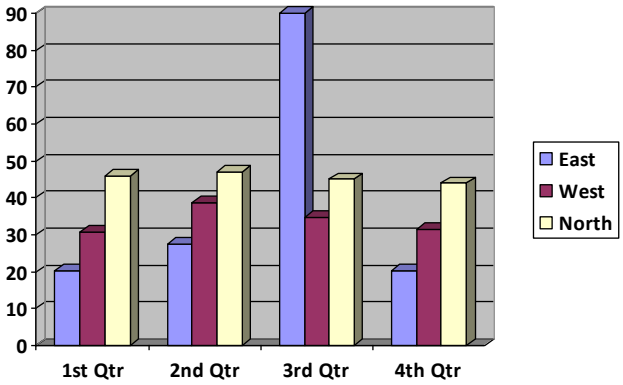
ROA = net profit / total assets
2021→2.3



Interpretation
Efficiency in utilizing assets has improved

Return on Equity (ROE)

ROE = Net Profit / Shareholder's Equity
2021→12.3% 2025 → 13.9%



Interpretation:
Shareholder returns are improving steadily.

RESEARCH FINDINGS:

1. Total assets increased significantly over five years.
2. Net profit nearly doubled 2023
3. Liquidity ratios show improvement.
4. Debt-equity ratio declined gradually.
5. Profitability ratios indicate strong performance.

SUGGESTIONS:

1.Effective Utilization of Increased Assets
2.Sustain and Enhance Profit Growth
3. The company should also avoid excessive accumulation of idle cash
4. Maintain Optimal Capital Structure
5. Strengthen Profitability Performance

CONCLUSION:

The financial statement analysis of Muthoot Fincorp Ltd. from 2020–2024 indicates steady growth, improved profitability, and stable liquidity. The company demonstrates sound financial management and balanced capital structure.

Overall, the organization shows strong financial health and sustainable performance.

The liquidity position of the company is satisfactory, as shown by consistent current and quick ratios. The working capital has shown a positive trend, which indicates effective management of short-term financial obligations. The cash flow statement reflects healthy operating cash inflows, balanced investing activities, and stable financing strategies.

Profitability ratios also demonstrate continuous improvement, showing that the company is efficiently converting revenue into profit.

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