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A Study on Financial Performance Analysis in CY Myutec Anand Private Limited

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I. INTRODUCTION

Financial analysis is the process of evaluating businesses, projects, budgets and other finance-related entities to determine their performance and suitability. Typically, financial analysis is used to analyze whether an entity is stable, solvent, liquid or profitable enoughto warrant a monetary investment. When looking at a specific company, a financial analyst conducts analysis by focusing on the income statement, balance sheet and cash flow statement. Financial analysis is used to evaluate economic trends, set financial policy, build long-term plans for business activity, and identify projects or companies for investment. This is done through the synthesis of financial numbers and data.
Formerly known as Chang Yun India Private Limited, Anand CY Myutec Automotive Private Limited is a joint venture between CY Myutec, Korea and Anand, India. Specializing in the manufacture of single-cone and multi-cone synchronizer rings for passenger car applications, the company has established itself as a leading supplier to Maruti-Suzuki and Hyundai Motor India. Located in Gurgaon, Haryana, the company's manufacturing facility is equipped with state-of-the-art technology., ACMAPL is committed to delivering high-quality products to its clients, which include Ford India Limited, Powertrain India Limited, Mahindra & Mahindra, Getrag China, and Tata Motors.

One of the most common ways to analyze financial data is to calculate ratios from the datato compare against those of other companies or against the company's own historical performance. For example, return on assets (ROA) is a common ratio used to determinehow efficient a company is at using its assets and as a measure of profitability. This ratio could be calculated for several similar companies and compared as part of a larger analysis.

Financial analysis can be conducted in both corporate finance and investment finance settings. In corporate finance, the analysis is conducted internally, using such ratios as net present value (NPV) and internal rate of return (IRR) to find projects worth executing.

The company is Doing Business As (DBA) Cy Myutec Anand Pvt.Ltd. It is operating in the Consumer Discretionary industry. As for the Business Description, CY Myutec ANAND Pvt. Ltd. is engaged in manufacturing and supply of automotive components and systems.

The synchronizer ring manufacturing industry is a critical component of the automotive sector, responsible for producing key components that facilitate smooth gear shifting in manual transmissions. Synchronizer rings, also known as synchro rings or blocker rings, play a crucial role in synchronizing the rotational speeds of gears during gear changes, thereby reducing friction and wear on transmission components.

A key area of corporate financial analysis involves extrapolating a company's past performance, such as gross revenue or profit margin, into an estimate of the company's future performance. This allows the business to forecast budgets and make decisions based on past trends, such as inventory levels.

In investment finance, an outside financial analyst conducts financial analysis for investment purposes. Analysts can either conduct a top-down or bottom-up investment approach. A top-down approach first looks for macroeconomic opportunities, such as high- performing sectors, and then drills down to find the best companies within that sector.

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A bottom-up approach, on the other hand, looks at a specific company and conducts similar ratio analysis to corporate financial analysis, looking at past performance and expected future performance as investment indicators.

II. NEED OF THE STUDY

- A study on optimizing financial performance in CY Anand private limited company isdriven by the necessity to enhance the financial efficiency of Myutec Anand Pvt Ltd.
- To financial performance to identify key factors in influencing of financial performanceto a sustainable growth and success in the industry
- It allows for the evaluation of a company's performance over time, comparing financial metrics against industry benchmarks and competitors.
- Helps in determining the value of a business, which is crucial for mergers, acquisitions.

III. OBJECTIVES OF THE STUDY

Primary Objective:
To evaluate the company's performance using financial statement analysis with referenceto CY Myutec Anand private limited.
Secondary Objective:
- To know the financial performance in CY MYUTEC Anand Private Limited.
- To study the short-term and long-term solvency in CY MYUTEC Anand Private Limited.
- To find out the various financial ratios related on CY MYUTE Anand Private Limited.

SCOPE OF THE STUDY
- The scope of the study is geared towards identifying important areas of control and to establish model for better control of the various components of working capital.
- The study would also attempt to identify the various source available for financing of working capital.
- The study gives a fair idea of improvement in efficiency of working capital management and also to have proper control over the components of working capital and managing of efficiency.

LIMITATIONS OF THE STUDY
- The study is confined to three years of balance sheet.
- The study is only related to CY Myutec Anand private limited.
- This analysis is based on the information given by the company.

IV. REVIEW OF LITERATURE

Piotrowski, J.D. (2000),"Value Investing: The Use of Historical Financial Statement Information to Separate Winners from Loser. The study investigates how historical financial ratios can identify value stocks that outperform the market. A combination of financial ratios can successfully identify undervalued stocks with high future returns.

I.M. Pandey (2004), "Financial Management" The book discusses various financial ratios and their application in assessing the financial performance of firms. Financial ratios are critical for evaluating company performance, profitability, and liquidity. Continuous monitoring and comparison with industry standards are essential for effective financial management.

Kumar, V., & Sharma, R. (2011), "Capital Structure and Firm Performance: A Meta Analysis" conducts a meta-analysis of existing studies on the impact of capital structure on firm performance. There is a significant relationship between capital structure and firm performance, with an optimal mix of debt and equity being crucial. Firms should carefully consider their capital structure to enhance financial performance.

Brigham, E.F., & Houston, J.F. (2012), "Fundamentals of Financial Management" This textbook offers a

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comprehensive overview of financial ratios and their use in analyzing firm performance. Ratios provide valuable insights into various aspects of financial health, including efficiency, leverage, and profitability. Firms should use a combination of ratiosto get a holistic view of their financial performance.

Allen, F., & Carletti, E. (2014), "Financial Crises and Firm Performance" Studies the impact of financial crises on the performance of firms. Financial crises have a profound negative impact on firm performance, especially in terms of profitability and stock returns. Firms should develop crisis management strategies to protect their financial performance during economic downturns.

Gupta, R. (2015), "Macroeconomic Factors and Their Influence on Financial Performance": Analyses how macroeconomic variables affect corporate financial performance. Inflation, interest rates, and GDP growth are significant determinants of financial performance. Companies should consider macroeconomic conditions in their strategic planning to mitigate risks.

Brown, L., & Davis, M. (2016), "The Role of Financial Innovations in Improving Financial Performance" Examines the impact of financial innovations on the financial performance of firms. Financial innovations, like new financial instruments and technologies, significantly enhance financial performance. Firms should invest in financial innovations to stay competitive and improve performance.

Richard A. Johnson, Ph.D., & Sunil W. Mithais, Ph.D. (2022), "Financial Performance and Firm Value: A Study of U.S. Corporations" This paper investigates the relationship between financial performance metrics and firm value among U.S. corporations. The authors use a robust dataset covering a wide range of industries. The study finds a significant positive correlation between financial performance indicators such as return on assets (ROA) and firm value. The authors suggest that firms should focus on improving their core financial performance metrics to enhance their market value and advise investors to consider these metrics when evaluating potential investments.

V. RESEARCH DESIGN

A research design is appropriate for this study, as it allow the research to analyzing the secondary data and make statistical inference. This research is based on descriptive research design which identify the effect of cash management on working capital that leads to financial sustainability of the firm in competitive environment

DATA COLLECTION:
Secondary Data has been collected from sources like financial statement, Website, magazines, journals, Books and annual reports.

STATISTICAL TOOLS FOR ANALYSIS:
Ratio analysis.

Current Ratio:
The ratio that is used to derive a relation between the current assets and current liabilities of a firm is called a Current Ratio. It is used to determine whether the current assets of a firm would be sufficient to pay off its current obligations or not. In other words, it is usedto depict the magnitude of current assets against current liabilities of a concern. It is also known as Working Capital Ratio.

Current Ratio= Current Assets / Current Liabilities

Debit-Equity Ratio:
The debt-to-equity ratio (D/E ratio) depicts how much debt a company has compared to its assets. It is calculated by dividing a company's total debt by total shareholder equity. Notea higher debt-to-equity ratio states the company may have a more difficult time coveringits liabilities.

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Debt to Equity Ratio = Total Debt / Shareholders' Equity

Inventory Turnover Ratio:

Inventory turnover is the rate that inventory stock is sold, or used, and replaced. The inventory turnover ratio is calculated by dividing the cost of goods by average inventory for the same period. A higher ratio tends to point to strong sales and a lower one to weaksales.

Inventory Turnover Ratio = Cost of Goods Sold / Total or Average Inventory

Trade Receivables Turnover Ratio:

Trade Receivables Turnover Ratio, also known as the accounts receivable turnover ratio or debtor's turnover ratio, is an important ratio in accounting. It is used to determine theefficiency by which the business is managing the credit that is being extended to its customers and evaluate how long does it take for the business to collect the outstandingdebt in the accounting period.

Trade Receivables Turnover Ratio = Net Credit Sales / Average Accounts Receivable

Trade Payables Turnover Ratio:

The accounts payable turnover ratio is a short-term liquidity measure used to quantify the rate at which a company pays off its suppliers. Accounts payable turnover shows how many times a company pays off its accounts payable during a period. Accounts payable is short-term debt that a company owes to its suppliers and creditors. The accounts payable turnover ratio shows how efficient a company is at paying its suppliers and short-termdebts.

Trade Payable Turnover Ratio = Net Credit Purchases / Average Accounts Payable

Net Capital Turnover Ratio:

The calculation of the capital turnover ratio is a three-step process: Determine Net Sales in Specified Period. Calculate Average Shareholders' Equity. It is computed by dividing net sales by the average working capital. A higher turnover ratio suggests greater efficiency in using working capital to facilitate sales.

Net Capital Turnover Ratio = Net Sales / Average Shareholders' Equity

Net Profit Ratio:

Net profit ratio, also known as net profit margin, measures a company's financial performance or profitability after taxes. It helps measure the company's profit to the total amount of money invested in the business. The net profit ratio reveals the remaining profit after deducting production costs, financing and administration from sales and income taxes.

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Net Profit Ratio = Net Profit Ú Net Revenue

Return on Capital Employed:
Return on capital employed (ROCE) is a good baseline measure of a company's performance. ROCE is a financial ratio that shows if a company is doing a good job of generating profits from its capital. Companies have various financial resources they use to build and grow their businesses. Return on Capital Employed a profitability ratio, measures how efficiently a company is using its capital to generate profits

Return on Capital Employed = Earnings before Interest and Taxes / Capital Employed

VI. WORKING CAPITAL

PARTICULAR	2023	2022	CHANGE IN WORKING CAPITAL	
			INCREASE	DECREASE
CURRENT ASSESTS:				
Inventories	2,976	2,641	335	
Trade receivable	134,961	158,935		23,974
Cash and cash equivalent	30,377	24,891	5,486	
Bank balance other than those mentioned in cash and cash equivalent	6,754	7,163		409
Other financial assets	7,932	4,944	2,988	
Other current assets	147,479	134,496	12,983	
TOTAL ASSETS	**330,479**	**333,070**		
CURRENT LIABILITIES:				
Borrowing	17,320	45,277		27,957
Lease payable				
Trade Payable	165,775	162,693	3,082	
Other financial liabilities	8,111	7,226	885	
Other current liabilities	38,850	37,396	1,454	
Provision	4,865	4,457	408	

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current tax liabilities	1,596	1,437	159	
TOTAL LIABILITIES	**236,517**	**258,486**		
WORKING CAPITAL	93,962	74,584		
increase in working capital	**24,560**		24,560	
	93,962	**93,962**	**52,340**	**52,340**

INTERPRETATION: This in dictates an increase of RS 24560 in the working capital

VII. SUMMARY OF FINDINGS

- The company's current ratio has decreased over the past three years, indicating a decline in liquidity and ability to pay short-term debts. This decline may be due to increased accounts receivable, reduced cash flow, or increased inventory levels.
- The company's debt-to-equity ratio has been increasing significantly over the past 3 years, from 0.22 in 2021 to 0.50 in 2023.
- The company's profitability has declined slightly over the past 3 years, with net profit after taxes decreasing from 10,082 to 8,922 and shareholders' equity also decreasing slightly.
- The company's inventory management improved from 2021 to 2022 as shown by a higher inventory turnover ratio, but dipped slightly in 2023.
- The company's trade receivable turnover ratio has improved significantly over the past three years, indicating faster collection of accounts receivable and improved cash flow.

VIII. SUGGESTIONS

- It is recommended to implement a cash flow management plan, monitor and manage inventory levels, improve accounts receivable management, monitor and adjust accounts payable, and consider short-term financing options to improve liquidity and reduce the risk of financial distress.
- It is suggested that the company may be taking on too much debt and should consider steps to reduce debt levels or improve cash flow.
- It is recommended that the company should monitor the reasons behind the decline in profitability and take steps to improve its financial performance.
- It is recommended that the company should monitor inventory management practices to identify areas for maintaining efficiency achieved in 2022.
- It is suggested that the company should continue to monitor and refine its accounts receivable management practices to maintain this efficiency.
- It is recommended that the company should maintain these practices to benefit from the positive trend in liquidity and cash flow.
- It is suggested that the company should continue to analyze and refine its operational strategies to maintain this positive trend in financial performance.
- It is recommended that the company should investigate the reasons behind the stagnant profitability and implement strategies to improve its NPR.
- It is recommend focusing on maintaining operational efficiency and reducing costs to sustain the company's high ROCE.

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IX. CONCLUSION

The project of Ratio analysis in the service industry is not merely a work of the project.But a brief knowledge and experience that how to analyze the financial performance of the firm. The study undertaken has brought into the light of the following conclusions. According to this project I came to know that from the analysis of financial statements CY MYUTEC ANAND private limited have been incurring profit during the period of study.So, the firm should focus on making huge profits in the coming year by taking care of internal as well as external fact.

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