

## RESEARCH ARTICLE

# AN ANALYTICAL STUDY: FINANCIAL PERFORMANCE ANALYSIS IN ABT PRIVATE LIMITED COIMBATORE

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**Abstract:** In this project we are looking at the Financial Performance Analysis in a core sector industry. Balance sheet review of the last five years along with the changes in the component wise analysis of Current Asset and Current Liabilities to identify the causes of changes, with trend analysis and comparative Balance sheet for a term of five years covering a case study of a company to establish "The story of revival of a sick company". In the words of Myers, "Financial Performance Analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and a study of the trends of these factors as shown in a series of statements." The purpose of financial analysis is to diagnose the information content in financial statements so as to judge the profitability and financial soundness of the firm. In this project we will perform the financial analysis of ABT Limited we will go through the financial statements of the company to diagnose financial soundness.

**Keywords:** Profitability, Efficiency, Leverage, Liberalization, Privatization and Globalization.

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## INTERODUCTION

Financial analysis reveals the strength and weaknesses of the company by properly establishing the relationship between the items of the balance sheet and the profit and loss account. The efficient performance of the firm depends on the sound planning of the capital structure, investment, and distribution. Only firms that apply sound cost control principles and adopt the scientific tool of investment and distribution in managing funds will last in the long run (Maheshwari, 2005). Since finance is an enterprise's lifeline and essential driving force, the importance of timely appraisal of the firm's performance cannot be ignored. This study is conducted to evaluate the financial performance of ABT Limited and to know the company's position and performance (Pandey, 1978).

### Objectives of the Study

#### Primary Objective

- To study the overall financial performance analysis of the Company.

#### Secondary Objective

- To study on existing financial position of Company.
- To study the liquidity position of the company.
- To estimate the earning capacity of the business concern
- To identify the strength and weakness of Company.

Financial statement analysis is used to identify the trends and relationships between financial statement items. Both internal management and external users (such as analysts, creditors, and investors) of the financial statements need to evaluate a company's profitability, liquidity, and solvency. The most common methods used for financial statement analysis are trend analysis, common-size statements, and ratio analysis. These methods include calculations and comparisons of the results to historical

company data, competitors, or industry averages to determine the relative strength and performance of the company being analyzed (Chandra, 2014).

### Scope of the Study

The study mainly attempts to analyse the financial performance of the company selected for the study. The financial authorities can use this for evaluating their performance in future, which will help to analyse financial statements and help to apply the resources of the company properly for the development of the company and IT employees to bring overall growth (Jain and Narang, 2005).

### Analytical Tools for Financial Performance Analysis

The most commonly used financial analysis tools are:

- Trend analysis
- Ratio analysis

#### Trend Analysis

Trend analysis is the process of comparing business data over time to identify any consistent results or trends. You can then develop a strategy to respond to these trends in line with your business goals (Khan and Jain, 2021).

#### Ratio Analysis

Ratio analysis is a form of financial statement analysis that is used to obtain a quick indication of a firm's financial performance in several key areas. The ratios are categorized as short-term solvency Ratios, debt management ratios, asset management ratios, profitability ratios, and market value ratios (Uyaiabasi Unyimechrist Frank and Eno Gregory Ukpong, 2024).

Ratio analysis is a quantitative method of gaining insight into a company's liquidity, operational efficiency, and profitability by studying its financial statements such as the balance sheet and income statement. Ratio analysis is a cornerstone of fundamental equity analysis (Kothari, 2013)

## LITERATURE REVIEW

Some important research works undertaken in recent years which are very closely connected with the present study are reviewed:

Sharma and Gupta, (1992): The study has been conducted considering the segments such as passenger vehicle, commercial vehicle, and utility vehicle, two and three wheeler vehicle of key player's performance and also analyse SWOT analysis and key factors influencing growth of automobile industry.

Kothari (2013): The financial performance of passenger and commercial vehicle segment of the automobile industry in the terms of four financial parameters namely liquidity, profitability, leverage and managerial efficiency analysis for the period of decade from 2001-02 to 2010-11. The study concludes that profitability and managerial efficiency of Tata motors as well as Mahindra & Mahindra Ltd are satisfactory but their liquidity position is not satisfactory. The liquidity position of commercial vehicle is much better than passenger vehicle segment.

Chandra (2014): Explored an overview of automobile industry. Indian automobile industry itself as a manufacturing hub and many joint ventures have been setup in India with foreign collaboration, SWOT analysis done there are some challenges by the virtue of which automobile industry faces lot of problems and some innovative key features are keyless entry, electrically controlled mechanisms enhanced driving control, soft feel interiors and also need to focus in future on like fuel efficiency, emission reduction safety and durability.

### ABT Parcel Service Private Limited

The Annamalai Bus Transport Limited, a passenger transport company was founded on 28 August 1931 in Tamil Nadu by P Nachimuthu Gounder. ABT Parcel service was established in October 1964. After the nationalization of buses in 1972. ABT started to focus on Logistics. It has a fleet size of 600 trucks which carry more than 2.5 Lac tonnes worth Rs.4000 crores every year. Later, in 2006 Nov it reentered into passenger transport business by ABT x Travels and now it has fleet size of 50 buses operating in 108 sectors.

From a small seed, mighty trunk may grow- The Logistics behemoth ABT, a mighty trunk rooted from the thought seeds of our great Visionary, our Founder Late. P. Nachimuthu Gounder, who started business in 1921 by

hiring Bullock carts at Pollachi, a bantam town far from Coimbatore city, Tamilnadu. Later in 1931 as perennials grow, our business enlarged with 21 buses leaped into a well-known passenger transport company The Anamallais Bus Transport that owned 150 buses in 110 routes operating in and around Coimbatore region that equalates the service of public transporters.

### DATA ANALYSIS AND INTERPRETATION

#### Ratio Analysis

Financial ratio analysis is the calculation and comparison of ratios, which are derived from

the information in a company's financial statements. The level and historical trends of these ratios can be used to make inferences about a company's financial condition, its operations and attractiveness as an investment. In this Study the following ratios have been used (Kuo-Wei Tsai *et. al.*, 2020)

- Receivables Turnover Ratio
- Average Collection Period
- Gross Profit Ratio
- Net Profit Ratio
- Operating Profit Ratio
- Return on Asset Ratio

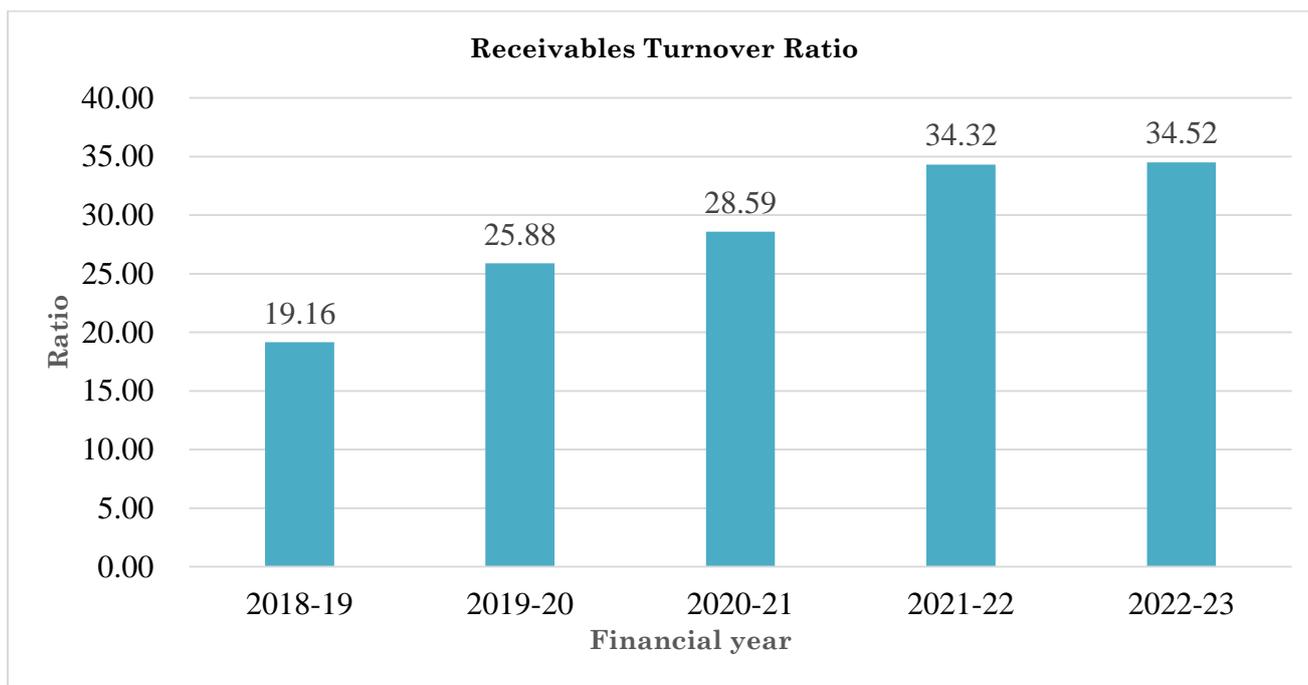


Figure 1: Receivable turnover ratio of ABT parcel service for the period 2018-19 to 2022-23

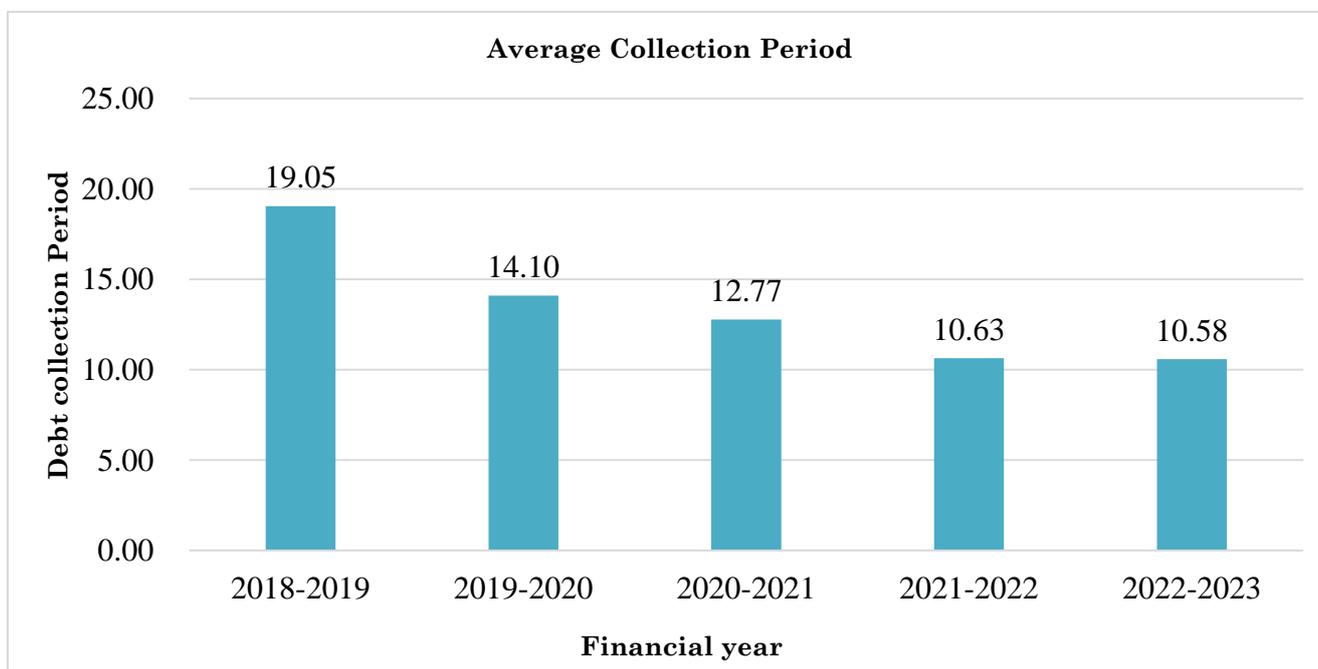


Figure 2: Average collection period

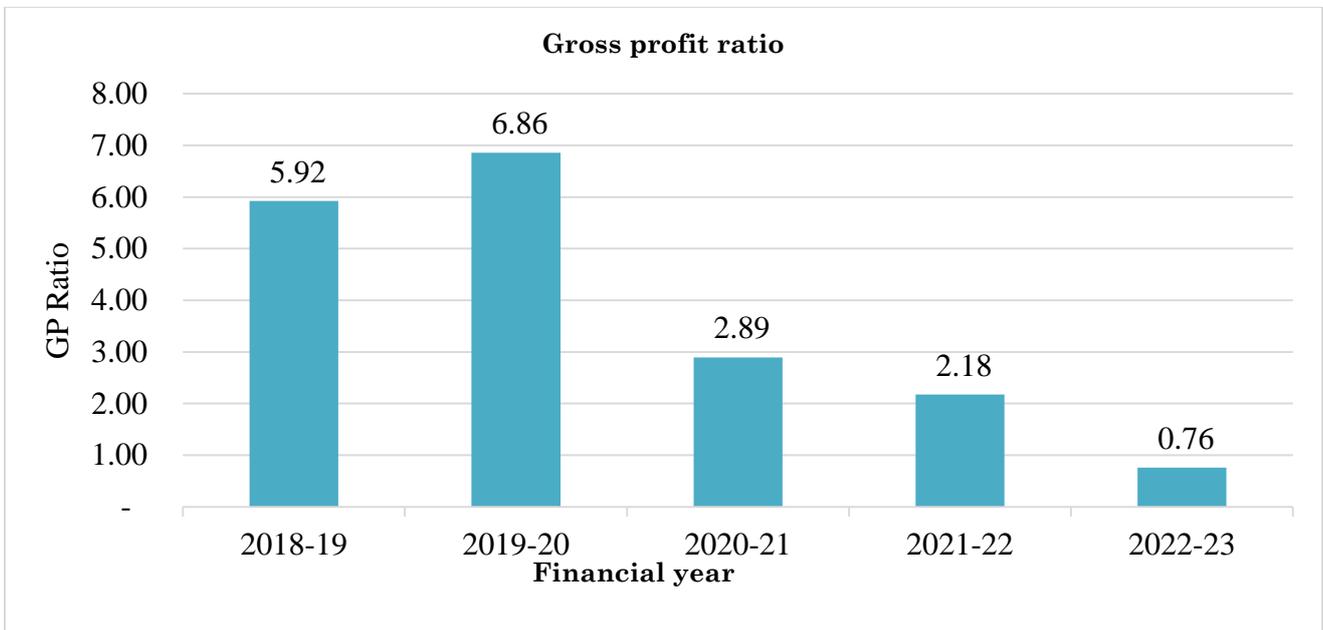


Figure 3: Gross profit ratio

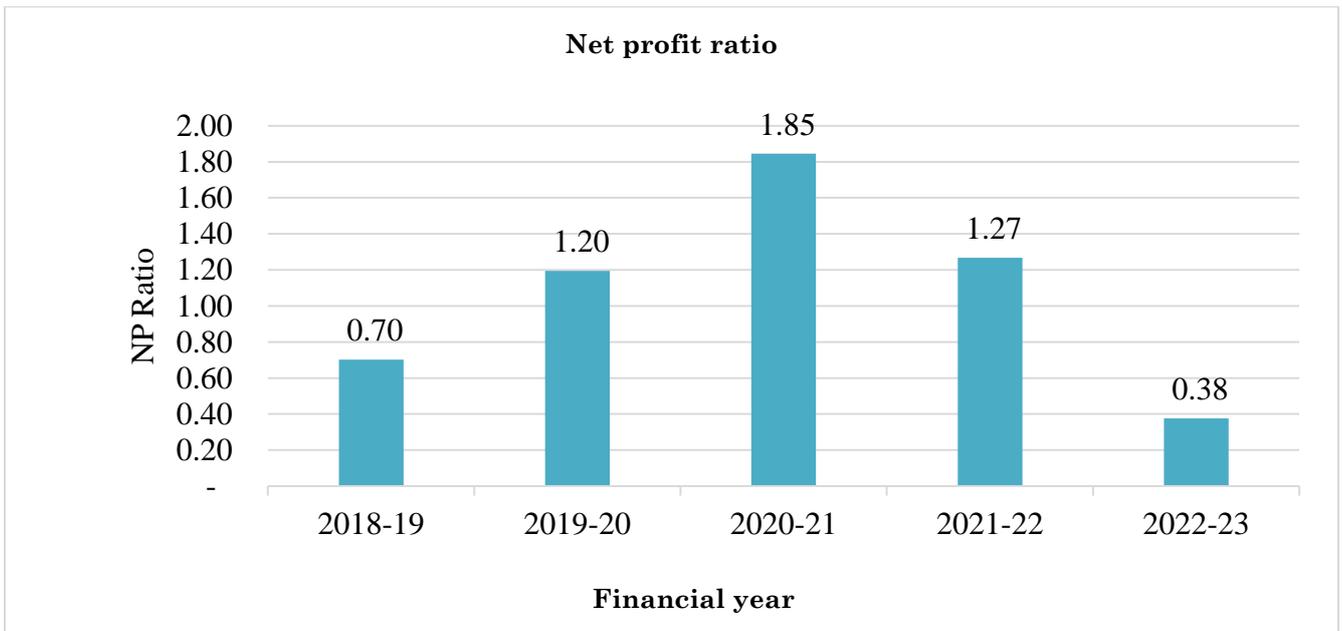


Figure 4: NET Profit ratio

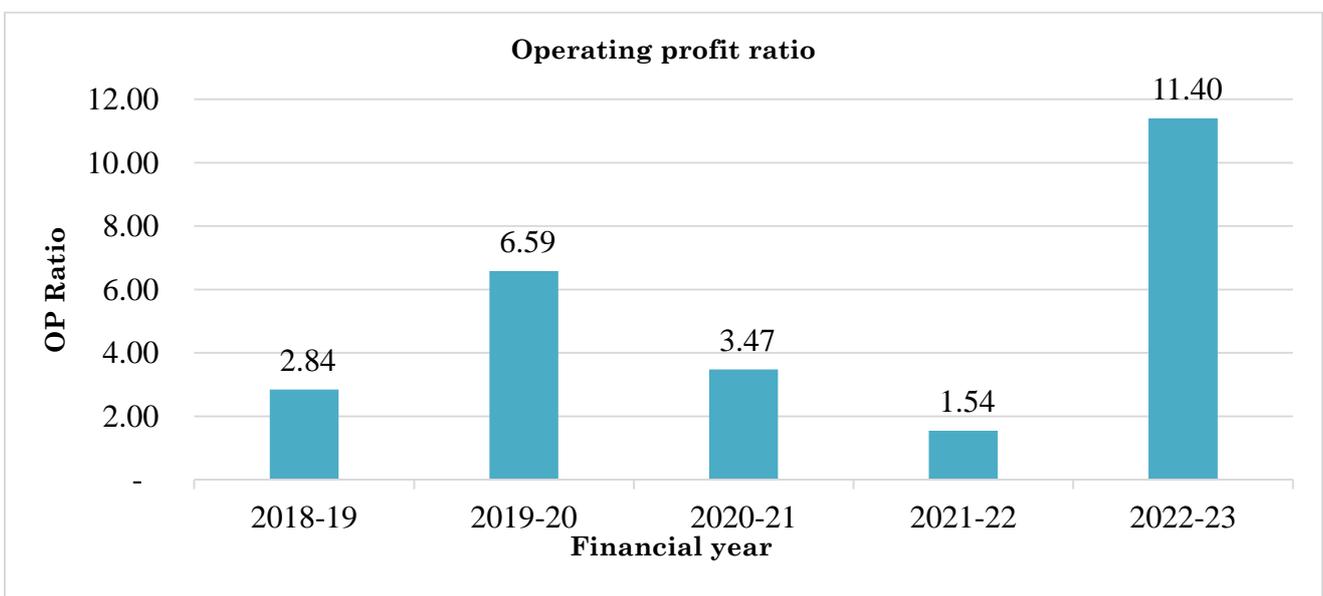


Figure 5: Operating profit ratio

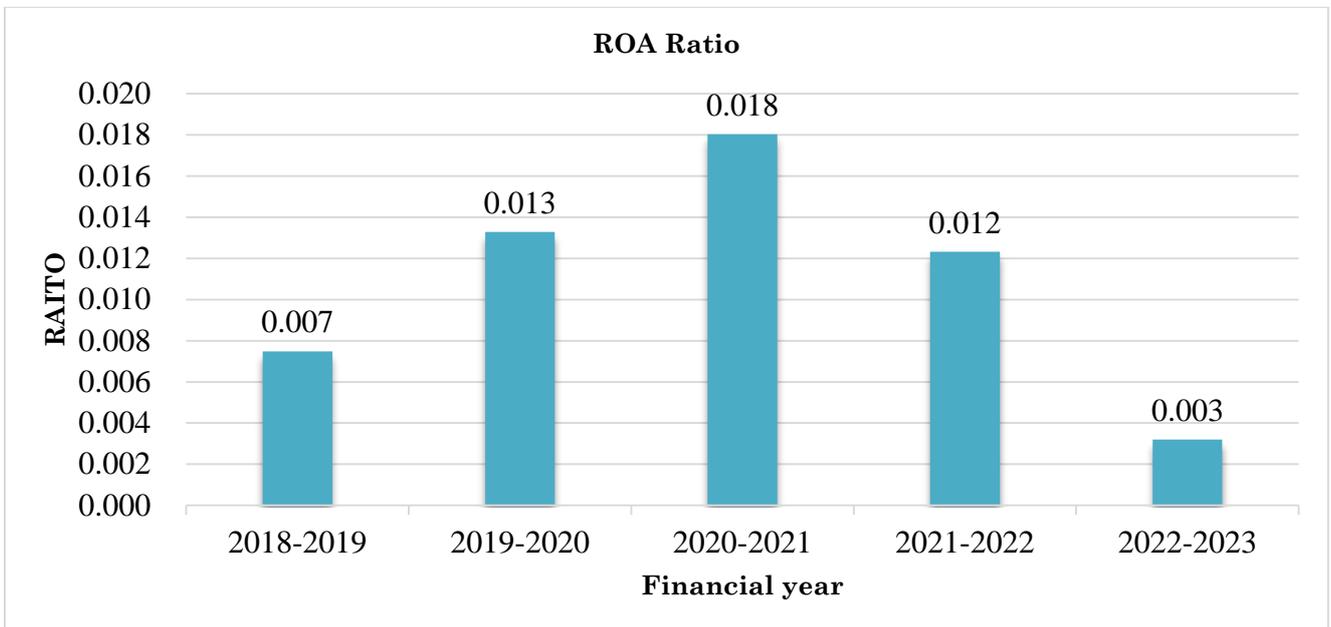


Figure 6: Return on asset ratio

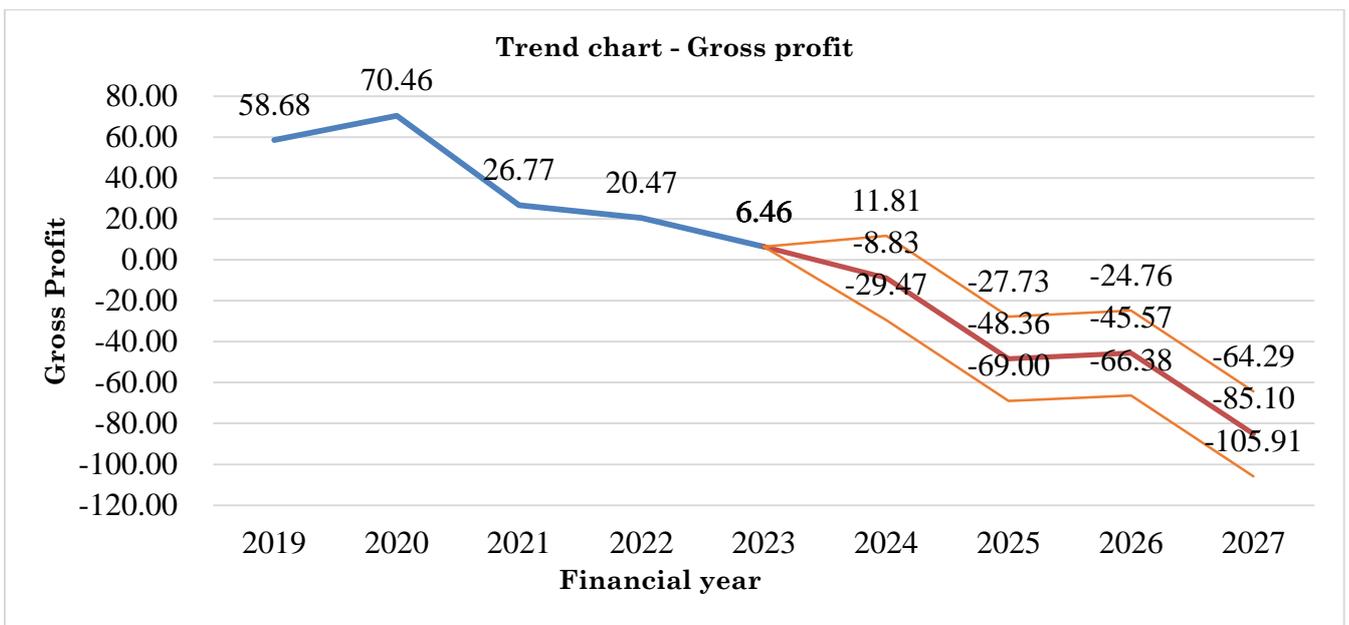


Figure 7: Gross profit trend analysis

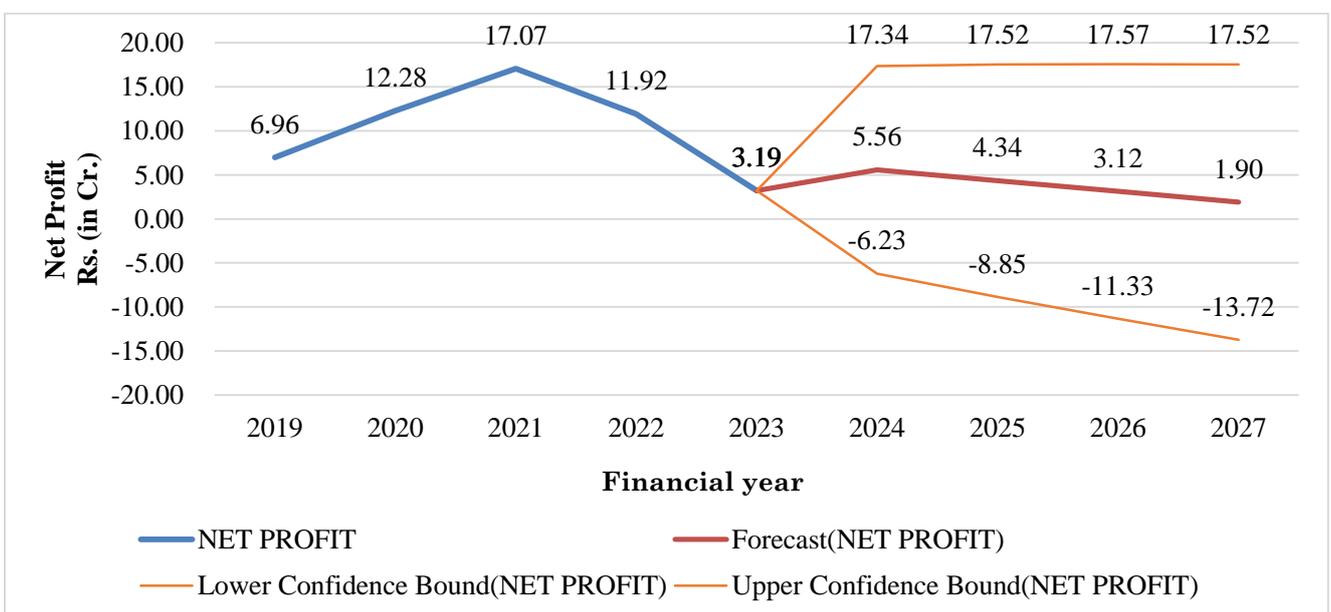
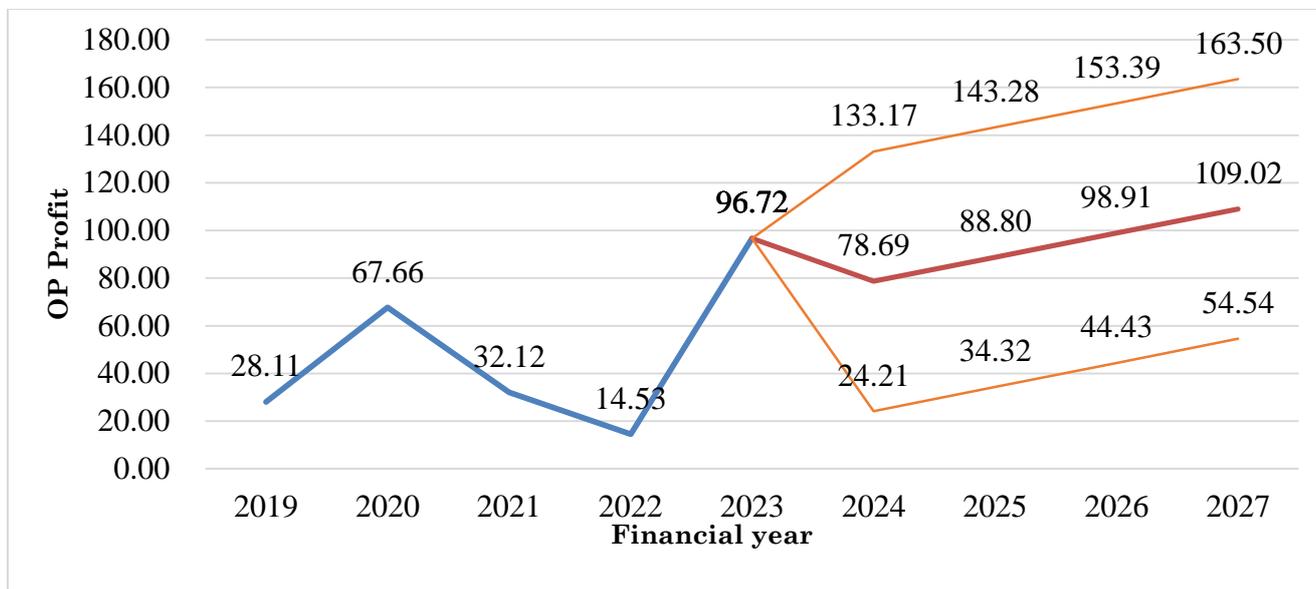


Figure 8: NET profit trend analysis



**Figure 9: Operating profit trend analysis**

## SUGGESTIONS

- The management has to take initiative to collect the funds from the debtors within the time period.
- The company has to analyze the credit worthiness of its customers and agencies before giving credit facilities this would avoid the late payments. After providing the credit facilities to its customers, the company has to take corrective measures in realizing its debt, so the company's profitability can be better improved.
- The company can offer discounts, levy penalties, report payment history to debtors and more to encourage on-time payment from agencies.

## CONCLUSION

Analysis of ABT Parcel Service's receivables management provides a comprehensive understanding of the company's financial health and operational efficiency. The examination of activity and profitability ratios reveals crucial insights into the company's ability to collect payments, manage debts and generate profits over the years.

While improvements in receivables turnover ratios indicate enhanced collection processes, challenges related to debt collection periods highlight areas where the company can optimize its credit policies and collection efforts. Furthermore, fluctuations in profitability ratios underscore the need for strategic interventions to address underlying

issues impacting the company's financial performance.

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