INTRODUTION

Financial statement analysis is largely a study of relationship among the various financial factors in a business as disclosed by a single set of statements and statements. It is a process of evaluating the relationship between component parts of a financial statement to obtain a better understanding of a firm's position and performance.

Financial statements analysis is an attempt to determine the significance and meaning of the financial statement data so that forecast may be made of the future earnings,ability to pay interest and debt maturities a(both current and long term) and profitability of a sound policy.

A number of methods or devices are used for the analysis the balance sheet and income statements of the mtab engineering private ltd for a period of 4 years (2004-2007). The analysis was done by using various financial tools, statistical tools. The graphs were used accordingly to support the analysis.

NEED OF THE STUDY

The financial statements are mirror which reflects the financial position and strengths or weakness of the concern. The analysis of financial statements are useful to

- Management
- Investors
- Creditors
- Bankers
- Financial institution etc..

SCOPE OF THE STUDY

The study is based on the accounting information of the MTAB ENGINEERING PVT. LTD. The study covers the period of 2004-2007 for analyzing the financial statement such as income statements and balance sheet.

Considering the availability of time , information and sources of study is confined the performance of the MTAB ENGINEERING PVT. LTD. This study aims at analyzing the overall financial performance of the company by using various financial tools.

OBJECTIVES

- To analyze the financial statements to find out the firm's financial position
- To study the overall financial performance of the firm
- To find out the operating strengths and weakness os the firm's
- To know the earnings capacity of the firm

RESEARCH METHODOLOGY

As the nature of the study relates to finance performance the main part used was secondary data. It includes profit and loss account, balance sheet etc.

Thus the study is based on the published accounts and annual reports of mtab engineering pvt. Ltd. The period cover from 2004-2007.

Types of research design:

- Exploratory research
- Descriptive research
- Explanatory research

Exploratory

The research that travels through an unfamiliar area to learn more, inquire in to or discuss in detail about it. A new option or possibility to evaluate , examine by this is known as exploratory research.

Descriptive

The research that serves seek to describe, otherwise called for describing or classifying without es pressing the judgments. This is known as descriptive research.

Explanatory

The research that serves to explain something from the information gathered form the study or the casual relationship between variables. This is known as explanatory research.

RESEARCH DESIGN

Research design stands for the framework of research. The research design utilized in this study is descriptive.

The following are major tools used in analysis and interpretation.

- Comparative finance statement.
- Ratio analysis
- Cash flow statements as per as iii
- Trend analysis

DATA COLLECTION METHOD

Data refers to information or facts. It is not only refers numerical figures but also includes descriptive facts. While deciding about the method of data collection to be used for the study , the researcher should keep in mind about two types of data, such as primary data and secondary data.

PRIMARY DATA COLLECTION METHOD

Primary data is the data that is used for the first time by the researcher. The primary data are collected with specific set of objectives to assess the current status of any variable studied. Primary data is useful only for the particular period.

The following are the data collection methods

- Questionnaire
- Schedule
- Interview
- Observation

SECONDARY DATA COLLECTION METHODS

Secondary data means data that are already available in the organization. The researcher has to look into sources for the dat from where he can obtain data. The secondary data may either be published or unpublished.

Published data will be available in

- Magazines
- Journals,books
- Reports by management,scholars,economist etc...
- Public records, surveys,etc...

As this study involves use of secondary data, the balance sheet and income statements are the data for the study. The study is analytical nature study.

LIMITATIONS OF THE STUDY

- No primary data is used for the study.
- Figures for the analysis are taken from the annual reports.
- The major part of the work is concerned with financial data, adequate

  Data was not able to pool because of the secrecy maintained by the company.

- The study covers the period of 4 years 2004-2007.

CHAPTERISATION

Chapter 1:

It is arranged starting from the introduction of the study, and then need and importance of the study, then about the scope of the study, then objective of the study, research methodology, then about the limitations of the study and chapterisation.

Chapter 2:

This chapter consists of review of literature, industry profile, and product profile of the company.

Chapter 3:

It consists financial tools such as comparative financial statements, ratio analysis, cash flow statements(as per accounting standard iii),trend percentage analysis were used.

Chapter 4:

It consists of the finding of the study, suggestions and recommendation and conclusion are adopted.

FINANCIAL STATEMENTS

COMPARATIVE FINANCIAL STATEMENT

Comparative financial statements are those statements, which have been designed in a \way so as to provide time perspective to their consideration of various elements of financial position embodied in such statements. In these statements figures for two or more period are place side by side of facilities comparison. Both the income statement and balance sheet can be prepared in the form of comparative financial statements.

COMPARATIVE BALANCE SHEET

Comparative balance sheet as on two or more different dates can be used for comparing assets and liabilities and findings out any increase or decrease in the items. Thus while in single balance sheet the emphasis is on present position, it is on change in the comparative balance sheet.

RATIO ANALYSIS

A ratio is a mathematical relationship between two items expressed in a quantitative form. Ratio can be defined as “Relationship expressed kin quantitative terms between figures which have cause and effect relationship which are connected with each other in some manner or the other. Ratio analysis involves the process of computing determining and presenting the relationship of items or groups of items of financial statements.

CURRENT RATIO

The ratio of current assets to current liabilities is called current ratio. In order to measure the short-term liquidity or solvency of a concern, comparison of current assets and current liabilities is inevitable. Current ratio indicates the ability of a concern to meet its current obligations as and when they are due for payment.

$$\text{Current ratio} = \frac{\text{Current assets}}{\text{Current liabilities}}$$

QUICK ASSETS RATIO

A measure of company's liquidity and ability to meet its obligations. Quick ratio, often referred to as acid-test ratio, is obtained by subtracting inventories from current assets and then dividing by current liabilities. Quick ratio is viewed as a sign of company's financial strength or weakness (higher number means stronger, lower number means weaker).

$$\frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITIES}}$$

WORKING CAPITAL TURNOVER RATIO

A measure comparing the depletion of working capital to the generation of sales over a given period. This provides some useful information as to how effectively a company is using its working capital to generate sales.

$$\frac{\text{SALES}}{\text{NET WORKING CAPITAL}}$$

STOCK TURNOVER RATIO

This ratio measures the stock in relation to turnover in order to determine how often the stock turns over ion the business. It indicates the efficiency of the firm in selling its product. It is calculated by dividing the cost of goods sold by the average inventory.

$$\frac{\text{COST OF GOODS SOLD}}{\text{AVERAGE INVENTORY}}$$

GROSS PROFIT RATIO

This ratio is also known as gross margin or trading margin ratio. Gross profit ratio includes the difference between sales and direct costs. Gross profit ratio explains the relationship between gross profit and net sales.

$$\frac{\text{GROSS PROFIT X100}}{\text{SALES}}$$

NET PROFIT RATIO

This ratio is also called net profit to sales ratio. It is a measure of management efficiency in 0perating the business successfully from the owner's point of view. It indicates the return on shareholder's investment. Higher the ratio better is the operational efficiency of business concern.

$$\frac{\text{NET PROFIT AFTER TAX}}{\text{SALES}} \quad X \quad 100$$

DEBT EQUITY RATIO

This ratio indicates the extent to which debt is covered by shareholders' funds. It reflects the relative position of the equity holders and the leaders and indicates the company's policy on the mix of capital funds. The debt to equity ratio is called as follows:

$$\frac{\text{LONG TERM DEBT}}{\text{SHARE HOLDERS FUND}}$$

SOLVENCY RATIO

One of many ratios used to measure a company's ability to0 meet long-term obligations. The solvency ratio measures the size of a company's after –tax income, excluding non-cash depreciation expenses, as compared to the firm's total dent obligations. It provides a measurement of how likely a company will be to continue meeting its debt obligations.

$$\frac{\text{TOTAL LIABILITY TO OUTSIDERS}}{\text{TOTAL ASSETS}}$$

FIXED TURNOVER RATIO

The ratio establishes the relationship between fixed assets and long-term funds. The objective of calculating this ration is to ascertain the proportion of long-term funds invested in fixed assets. The ratio is calculated as given below:

$$\frac{\text{NET FIXED ASSETS}}{\text{TOTAL LONG TERM FUNDS}}$$

EARNINGS PER SHARE (EPS)

Whatever income remains in the business after all prior claims, other than owners claims (i.e. ordinary dividends) have been paid, will belong to the ordinar76 shareholders who can then make a decision as to how much of this income they wish to remove from the noisiness on the form of a dividend, and how much they wish to retain in the business. The shareholders are particularly interested in knowing how much has been earned during the financial year on each of the shares held buy them. For this reason, an earning per share figure much be calculated. Clearly then, the earning per share calculation will be:

$$\frac{\text{NET PROFIT AFTER TAX PREF. DIVIDEND (NPATPD)}}{\text{NUMBER OF EQUITY SHARES}}$$

RETURN ON INVESTMENTS (ROI)

Income is earned by using the assets of a business productively. The more efficient the production, the more profitable the business. The rate of return on total assets indicates the degree of efficiency with which management has used the assets of the enterprises during an accounting period. This is an important ratio for all readers of financial statements.

$$\frac{\text{NET PROFIT X 100}}{\text{SHAREHOLDERS FUND}}$$

WORKING CAPITAL TURNOVER RATIO

A measurement comparing the depletion of working capital to the generation

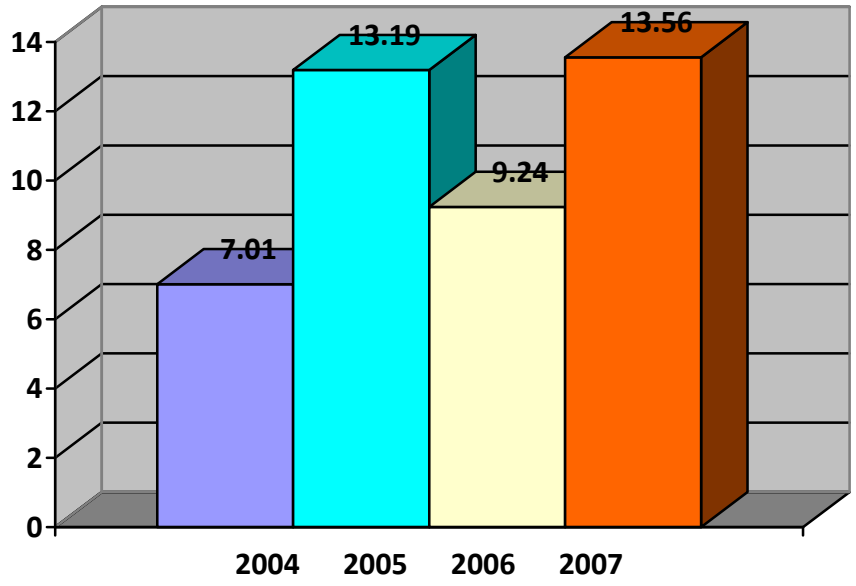
Of sales over a given period.

$$\frac{\text{SALES}}{\text{NET WORKING CAPITAL}}$$

NET WORKING CAPITAL

YEAR	SALES(1)	NET W/C(2)	RATIO(1/2)
2004	52056835.19	7419479.83	7.01
2005	82316361.29	6237669.99	13.19
2006	94560962.40	10233596.97	9.24
2007	109757250.25	8088905.14	13.56

WORKING CAPITAL TURNOVER POSITION CHART



Inference

The company's working capital position for 2004-2006 the percentage lies in between 7.01 to 9.24 and it increased 2007 at 13.56 percentages.

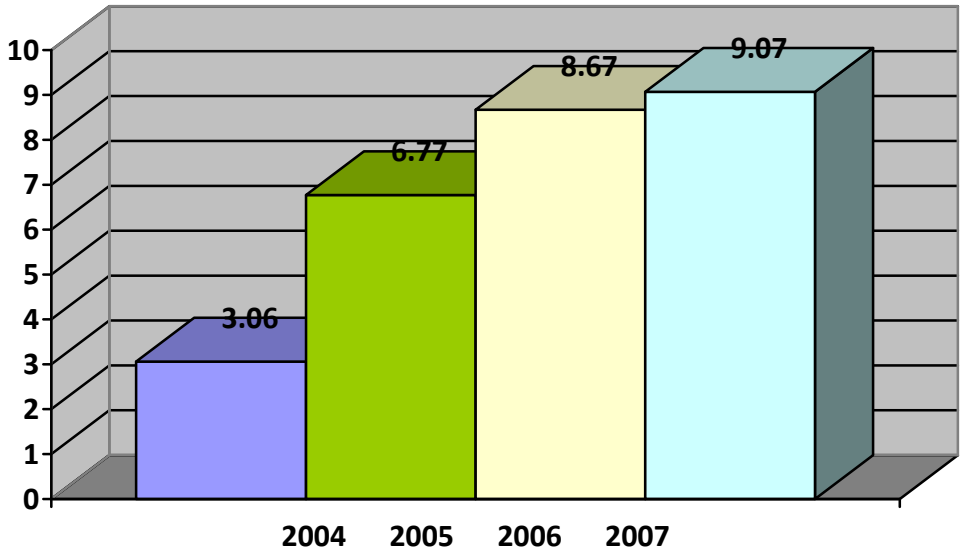
STOCK TURNOVER RATIO

It measures the velocity of conversion of stock into sales.

$$\frac{\text{COST OF GOODS SOLD}}{\text{AVERAGE INVENTORY}}$$

YEAR	COST OF GOODS SOLD(1)	AVERAGE INVENTORY(2)	RATIO 1/2
2004	24870217.27	8121713.10	3.06
2005	51456506.2	7589848.97	6.77
2006	61911775.43	7134654.00	8.67
2007	70563418.86	7776133.00	9.07

STOCK TURNOVER POSITION CHART



Inference

In the year of 2004 the ratio was 3.06 and 2005-2006 increased by 6.77 to 8.67 & 2007 it increased to 9.07

FIXED ASSETS RATIO

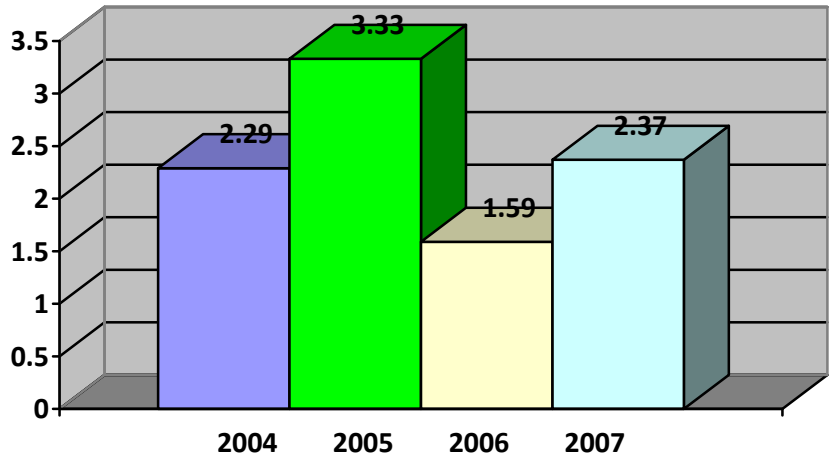
This ratio indicates the extent to which the totals of fixed assets are financed

by long term funds of firm.generally1:1is better satisfactory level.

$$\frac{\text{NET FIXED ASSETS}}{\text{TOTAL LONG TERM FUNDS}}$$

YEAR	NET FIXED ASSETS(1)	LONG TERM FUNDS(2)	RATIO (1/2)
2004	11040486.18	4806528.55	2.29
2005	9760039.24	2928986.55	3.33
2006	13690015.64	8601240.55	1.59
2007	12958457.48	5454934.55	2.37

FIXED ASSETS POSITION CHART



Inference

In the year of 2004 – 2005 the company's fixed assets has 2.29 and 3.33 and 2007 the fixed assets position has been decreased 2.37.

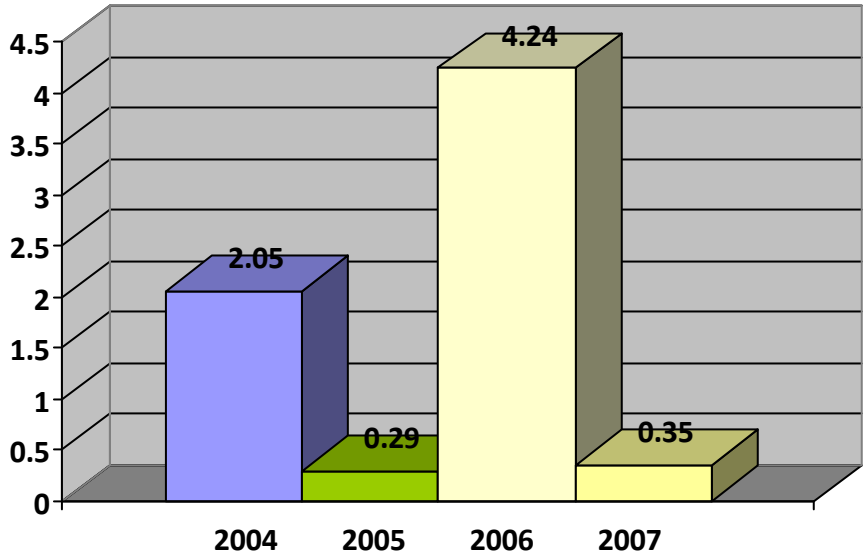
SOLVANCY RATIO

The ratio used to measure a company's ability to meet long-term obligations

$$\frac{\text{TOTAL LIABILITY TO OUTSIDERS}}{\text{TOTAL ASSETS}}$$

YEAR	TOTAL LIABILITY TO OUTSIDERS(1)	TOTAL ASSETS	RATIO
2004	4806528.55	2344351.29	2.05
2005	2928986.55	9828883.8	0.29
2006	8601240.55	2024003.32	4.24
2007	5454934.55	15383776.45	0.35

SOLVANCY POSITION CHART



Inference

The company maintained its solvency position at more or less and 2004 – 2005 to 2.05 to 4.24 and 2007 has decreased by 0.35.

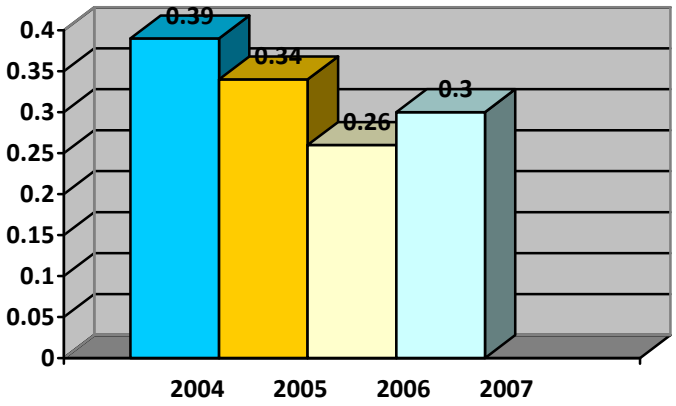
RETURN ON INVESTMENT(ROI)

This ratio is of great importance to the present & prospective shareholders and management of the company.

$$\frac{\text{NET PROFIT X 100}}{\text{SHAREHOLDERS FUND}}$$

YEAR	NET PROFIT(1)	SHARE HOLDERS FUND(2)	RATIO (1/2)
2004	5335779.32	13653437.46	0.39
2005	4507579.22	13068722.68	0.34
2006	4111778.38	15322372.06	0.26
2007	4718543.01	15592428.07	0.30

RETURN ON INVESTMENT POSITION CHART



Inference

In 2004 the company's ROI 0.39 but from 2005 – 2006 the ROI tends to decreased 0.34 , 0.26 respectively. From 2007 it decreased by 0.30.

EARNINGS PER SHARE (EPS)

The EPS is a good measure of profitability of the company.

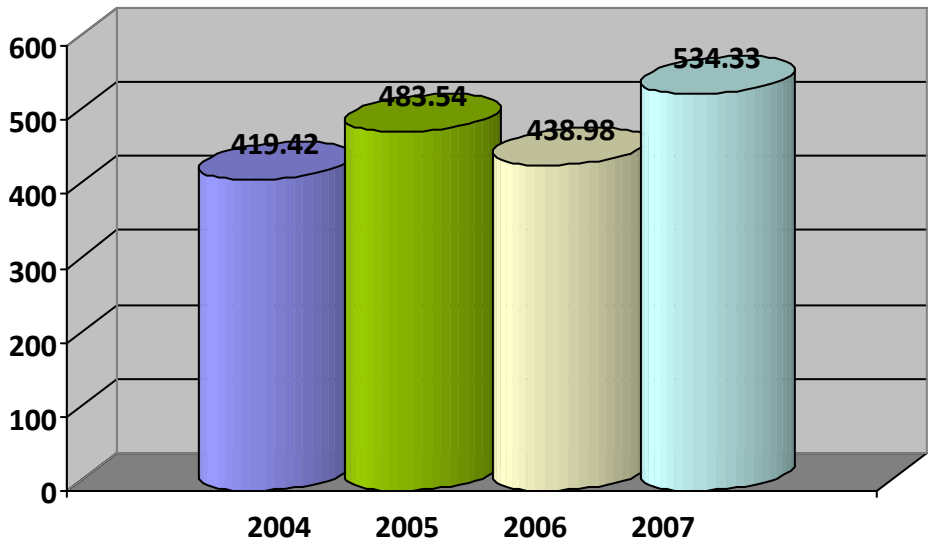
NET PROFIT AFTER TAX PREF. DIVIDEND (NPATPD)

NUMBER OF EQUITY SHARES

YEAR	NPATPD (1)	NO.OF EQUITY SHARES(2)	RATIO 1/2
2004	12582794.46	30000	419.42
2005	14506266.68	30000	483.54
2006	13169501.06	30000	438.98
2007	16029915.07	30000	534.33

EARNINGS PER SHARE POSITION CHART

EARNINGS PER SHARE POSITION CHART



Inference

In the year of 2004 the Fps 419.42 and from 2005 – 2006 the company's FPS increased 483.54 and 2006 decreased by 438.98. From 2007 it has been increased 534.33 respectively.

GROSS PROFIT RATIO

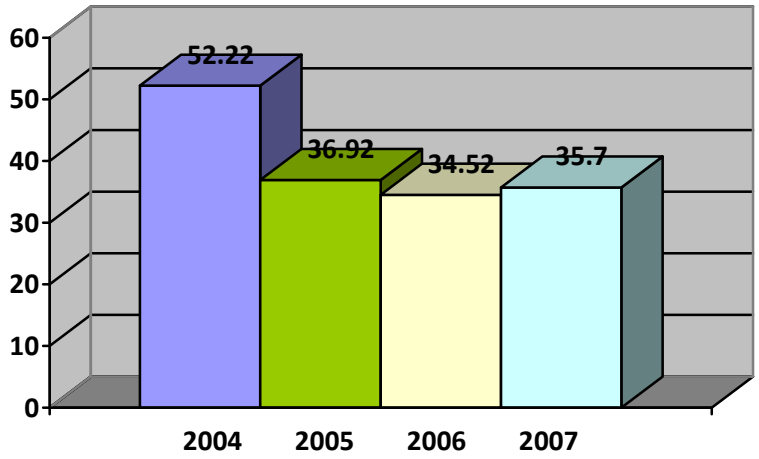
It reflect the efficiency with which a firm produces its products.

It explains the relationship between gross profit and net sales.

$$\frac{\text{GROSS PROFIT X100}}{\text{SALES}}$$

YEAR	GROSS PROFIT(1)	SALES(2)	RATIO 1/2
2004	27186617.92	52056835.19	52.22
2005	30122875.35	81579381.55	36.92
2006	32649186.97	94560962.40	34.52
2007	39193831.34	109757250.25	35.70

GROSS PROFIT POSITION CHART



Inference

In the year of 2004 the company got high gross profit 52.22% and from 2005 – 2006 the GP ratio tends to decrease ie 36.92 to 34.52 and 2007 the company attained the GP ratio at 35.70.

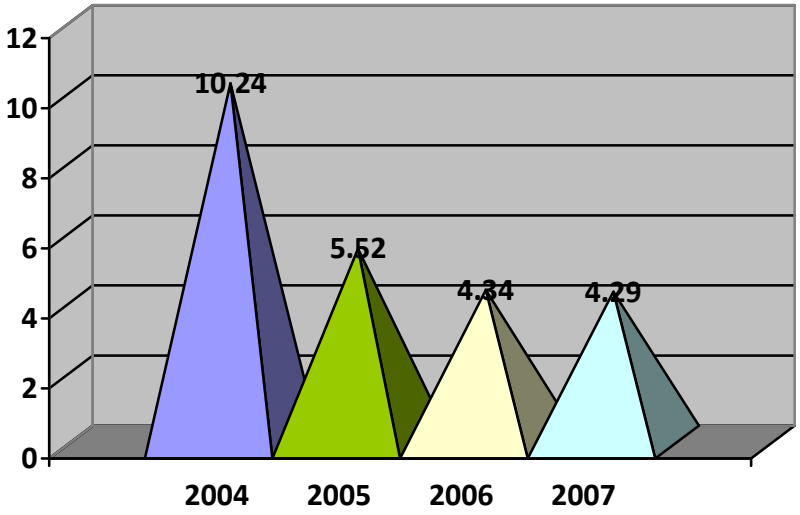
NET PROFIT RATIO

It indicates the efficiency of the management in manufacturing, selling administrating and other activities.

$$\frac{\text{NET PROFIT AFTER TAX}}{\text{SALES}} \times 100$$

YEAR	NET PROFIT(1)	SALES(2)	RATIO 1/2
2004	5335779.32	52056835.19	10.24
2005	4507579.22	81579381.5	5.52
2006	4111778.38	94560962.40	4.34
2007	4718543.01	109757250.25	4.29

NET PROFIT POSITION CHART



Inference

In the year of 2004 the company's net profit 10.24 but from 2005 to 2006 company's net profit ratio tends to downward ie 5.52 to 4.32. In 2007 company net profit decreased 4.29.

DEPT EQUITY RATIO

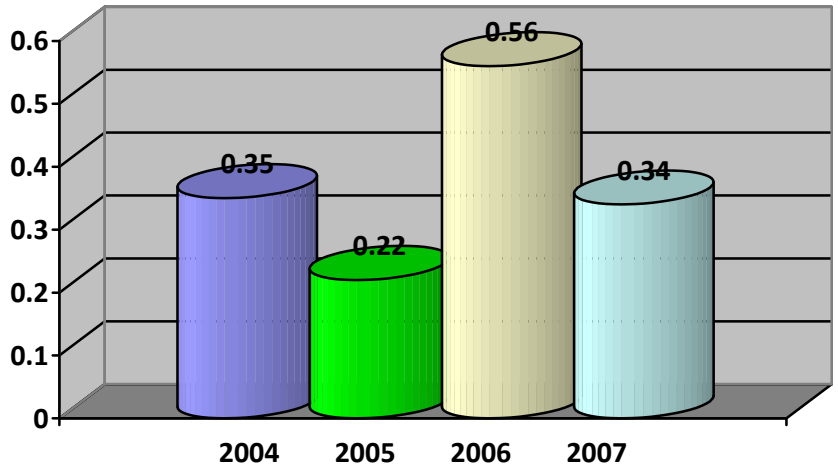
This ratio indicates the proportionate claims of owners & the outsiders

Against the firm assets. Generally the satisfactory level is 1:1

$$\frac{\text{LONG TERM DEBT}}{\text{SHARE HOLDERS FUND}}$$

YEAR	LONG TERM DEPT(1)	SHARE HOLDER FUND(2)	RATIO 1/2
2004	4806528.55	13653437.46	0.35
2005	2928986.55	13068722.68	0.22
2006	8601240.55	15322372.06	0.56
2007	5454934.55	15592428.07	0.34

DEPT EQUITY POSITION CHART



Inference

From the year of 2004 – 2006 the debt equity ratio is lies in between 0.35, 0.22, 0.56 and 2007 the company attained the debt equity position decreased 0.34.

CURRENT RATIO

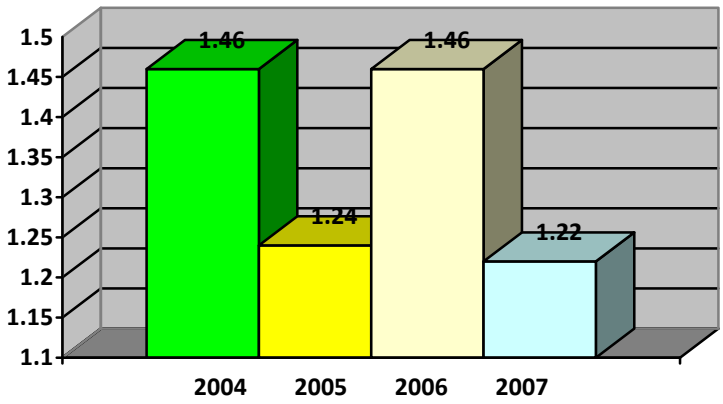
It indicates that the firm's liquidity & ability to pay its current obligation.

The general satisfactory level is consider as 2:1

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}}$$

YEAR	CURRENT ASSETS 1	CURRENT LIABILITIES 2	RATIO ½
2004	23535094.55	16115614.72	1.46
2005	32064263.02	25826593.03	1.24
2006	32133206.26	21899609.29	1.46
2007	44520044.21	36431139.07	1.22

CURRENT ASSETS POSITION CHART



Inference

The company's current assets position from 2004-2007 the percentage in between 1.46 to 1.47 and in the year of 2007 the current position has decreased to 1.22%.

QUIK ASSETS RATIO

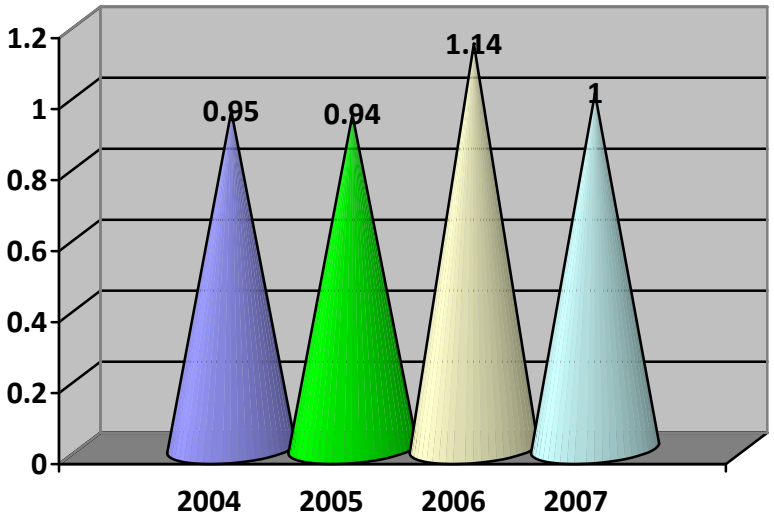
A measure of a company's liquidity and ability to meet its obligations. The

Satisfactory level is consider as 1:1

$$\frac{\text{QUICK ASSETS}}{\text{CURRENT LIABILITIES}}$$

YEAR	QUICK ASSET(1)	CURRENT LIABILITIES(2)	RATIO ½
2004	15413381.45	16115614.72	0.95
2005	24474414.05	25826593.03	0.94
2006	24998552.26	21899609.29	1.14
2007	36743911.21	36431139.07	1.00

QUICK ASSETS POSITION CHART



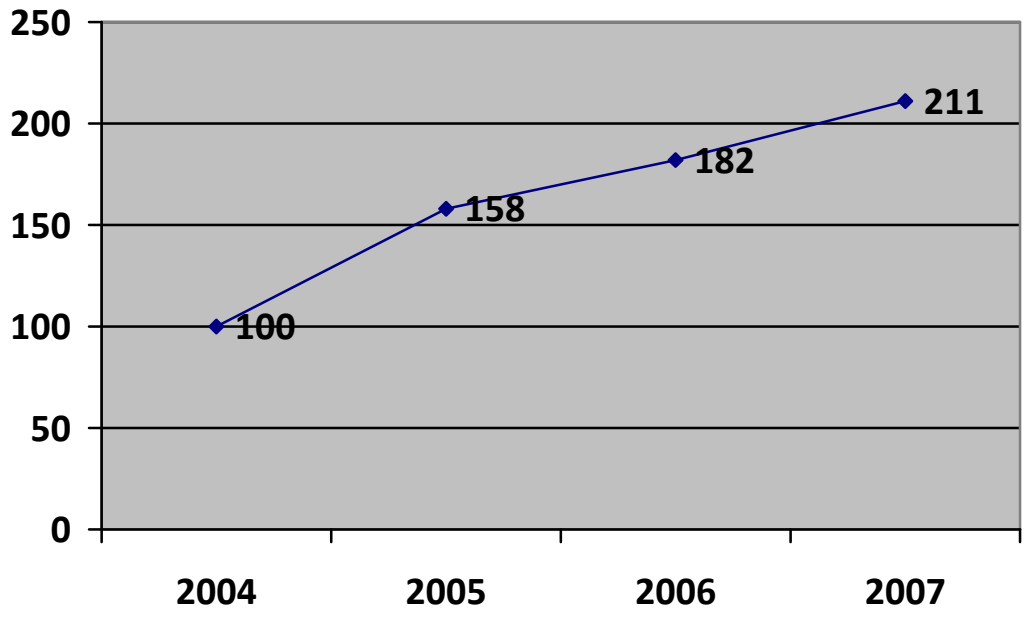
Inference

The company's quick assets position for 2004-2006 the percentage lies in between 0.95 to 1.14 and it decreased in 2007 at 1.00 percentage.

SALES TREND

YEAR	2004	2005	2006	2007
SALES	52056835.19	82316361.29	94560962.40	109757250.25
TREND	100	158	182	211

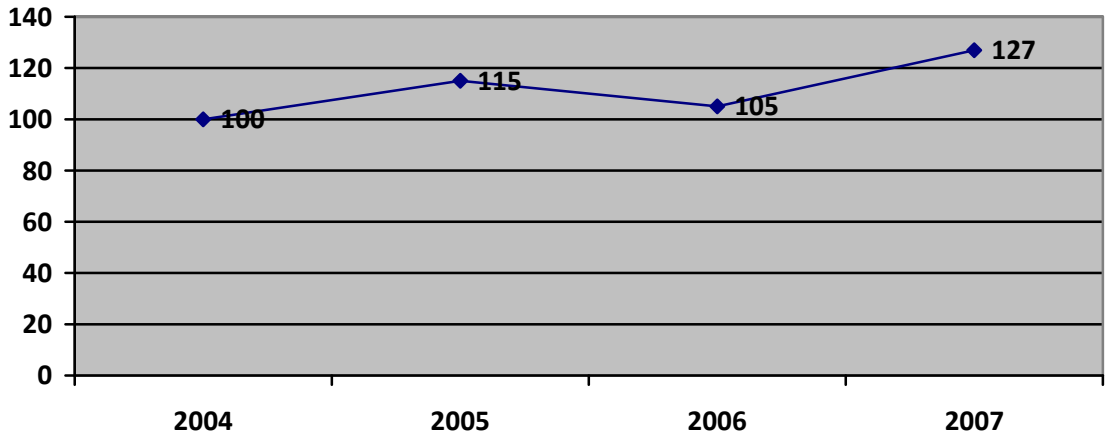
SALES TREND



PROFIT TREND

YEAR	2004	2005	2006	2007
PROFIT	12582794.46	14506206.68	13169501.06	16029915.07
TREND	100	115	105	127

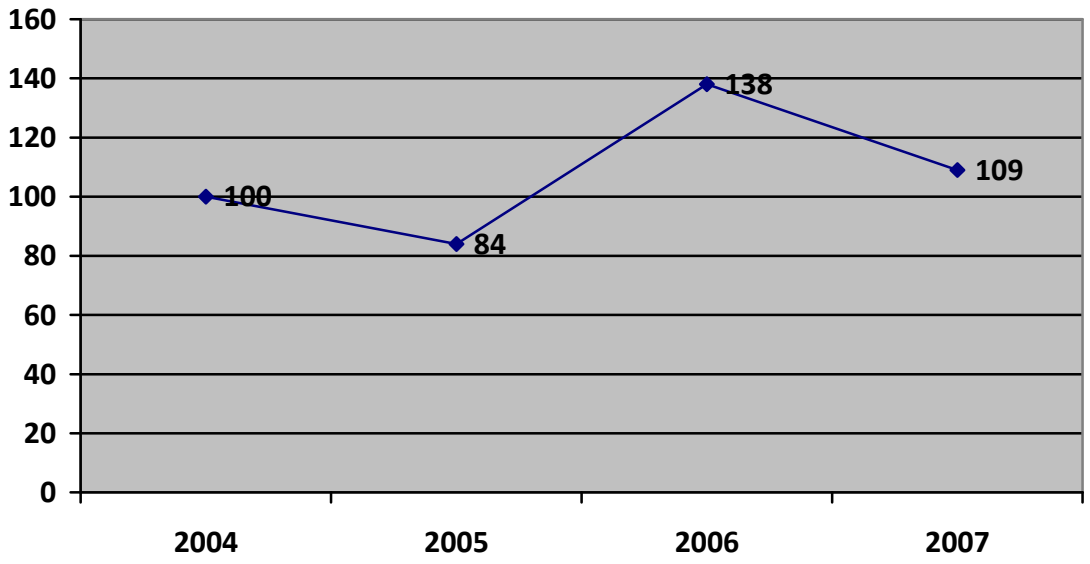
PROFIT TREND



WORKING CAPITAL TREND

YEAR	2004	2005	2006	2007
WORKING CAPITAL	7419479.83	6237699.99	10233596.97	8088905.14
TREND	100	84	138	109

WORKING CAPITAL TREND



SALERY TREND ANALYSIS

YEAR	2005	2006	2007
SALARY	8541278.10	11244840.90	13279351.70
TREND	100	131	155

SALERY TREND ANALYSIS