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A Study on Financial Risk Analysis with Reference on Fiem Industry Limited at Hosur

*** N. Priya, Chandrika.N**

Adhiyamaan College of Engineering (Autonomous), Hosur, Tamil Nadu, India.

*Corresponding author Email: npriya0566@gmail.com

Abstract: *This study examines the financial risk profile of FIEM Industries Limited, focusing on identifying and evaluating key risks such as credit risk, market risk, liquidity risk, and operational risk. Through detailed analysis of the company's financial statements, ratio analysis, and industry comparisons over the past five years, the research highlights significant market risk due to economic fluctuations and technological changes in the automotive sector. Liquidity analysis reveals the need for better cash flow management, while credit risk assessment suggests stability but emphasizes the importance of client diversification. Operational risks related to supply chain disruptions and production inefficiencies are also noted. The study concludes with recommendations for enhancing FIEM's risk management strategies to ensure sustainable growth and financial stability.*

Keywords*: Ratio analysis, Comparative balance-sheet analysis.*

1. INTRODUCTION

Risk analysis is the process of identifying and analyzing potential future events that may adversely impact a company. A company performs risk analysis to better understand what may occur, the financial implications of that event occurring, and what steps it can take to mitigate or eliminate that risk. The research adopted in this study is analytical research, secondary data are based on five-year annual reports from 2018 to 2022. The ratio used is (the current ratio, proprietor ratio, debt-equity ratio, and proprietor turnover ratio). Statistical tools like trend analysis are used to know the future trend values of (loan funds, interest on loans, financial expenses, administration overhead, and establishment expenses). The findings of the finance industry are based on a survey, conducted among professionals, observers, investors, and regulators of the industry, on the risks affecting the growth and feasibility of microfinance institutions. And it imitates their progress toward financial sustainability, and greater stretch and conjoining.

2. OBJECTIVE OF STUDY

To identify, and analyze the financial risk indicators with special reference to Firm Industries Private Limited.
To review the corporate balance sheets and statements of financial positions
To evaluate financial performance over the previous to the current year.
To identify and formulate potential risk mitigation processes for stakeholders.

3. SCOPE OF STUDY

To understand and observe the real-world financial performance of a corporate industry.
To provide meaningful insights into potential risks faced in operations

Define long-term risk management plans for foreseeable risk and sustainability.
Provide a predictive risk and outcome of the assessment to the stakeholders and support them in making appropriate decisions.

4. REVIEW OF LITERATURE

Mikanatha et al. (2016) The authors discuss the importance of risk analysis in public health. The paper presents a framework for risk analysis in public health, focusing on the identification and assessment of public health-related risks and uncertainties. In summary, risk analysis plays a crucial role in various fieldsand industries, helping decision-makers to identify and manage potential risks and uncertainties.

Tang and Musa (2017) The authors discuss the application of risk analysis in supply chain management. The paper presents a framework for risk analysis in supply chain management, focusing on the identification and assessment of supply chain-related risks and uncertainties.

Foiza (2018) The development of electronic commerce is growing at a fast pace because of advancing global infrastructure. To meet these demands businesses, need innovative ways to create value such as different IT infrastructures, different enterprise architectures, and different ways of thinking about doing business. Internet banking provides benefits such as cost savings in reaching new segments of the population, efficiency, enhancement of the banks' reputation, and better customer service.

Alpesh Gajera (2019) In his research article, a financial performance evaluation of private and public-sector banks found that there is a significant difference in the financial performance of these banks and private-sector banks performed better than public-sector banks in respect of capital adequacy ratio and financial performance.

Nutan Troke and P K Pachorkar (2020) The study related that the private sector bank percentage of other income in the total income is higher than public sector banks. Public sector bank depends on intent income for their efficiency and performance. The operational efficiency of private sector banks is better than public sector banks. Private sector bank uses the quality of their asset better than public sector banks.

RamchandanAzhagasahi and SandanvnGejalakshmi (2021) In their study found the impact of assets management operational efficiency and bank size on the financial performance of the public sector and private sector bank. The research revealed that bank with higher total capital deposits and total assets do not always mean that they have better financial performance. The overall banking sector is strongly influenced by assets utilization, Operational efficiency and interest income

Dangwal and kapoor (2020) The study on the financial performance of nationalized banks in India and assessed the growth index value of various parameters through overall profitability indices. They found that out of 19 banks, four banks had excellent performance, five banks had a good performance and six banks had poor performance. Thus, the performance of nationalized banks differs widely

Prasanna Chandra's (2021) Fundamentals of Financial Management cover all the aspects of the subject from the basics overview of the financial environment to the financial analysis and financial planning. The basic consists of forms of business organization that give detailed information about the financial management of the organization.

Nutan Troke and P K Pachorkar (2019) The study related that in the private sector bank, the percentage of other income in the total income is higher than in public sector banks. Public sector bank depends on intent income for their efficiency and performance. The operational efficiency of private sector banks is better than public sector banks. Private sector bank uses the quality of their assets better than public sector banks.

Dr. Dhanabhakyam & M. Kavitha (2019): In their research used some important ratios to analyze the financial performance of selected public- sector banks such as the ratio of advances to assets, ratio of capital to deposit, the ratio of capital to working fund, ratio of demand deposit to total deposit, credit deposit ratio, return on average net worth ratio, the ratio of liquid assets to the working fund, etc. The ratio of advances to assets shows an increasing trend for most of the public- sector banks. It shows the aggressiveness of bank in lending which ultimately result in high profitability. It shows the profitability of the banks in government. The return on average net worth also showed an increasing trend.

RamchandanAzhagasahi and SandanvnGejalakshmi (2020): In their study found the impact of assets management operational efficiency and bank size on the financial performance of the public sector and private sector banks. The research revealed that banks with higher total capital deposits and total assets do not always mean that they have better financial performance. The overall banking sector is strongly influenced by asset utilization, Operational efficiency, and interest income.

Dr. S. Gurusamy (2019): One of the key elements of importance for shaping the financial system of a country is the pension fund. The fund that contributes to the development of the social security systems of a country is the pension fund. The fund contributes to the development of the social security system of a country. Pension funds not only provide compensation for the loyal service rendered in the past but in a broader significance. Works as a measure of socio-economic justice. The pension system refers to the framework of arrangement under which individuals gain specified entitlements to a regular income in retirement called a pension.

Broder and Tucker (2017): The authors discuss the importance of risk analysis in security surveys. The paper presents a methodology for risk analysis in security surveys and describes how it can be applied to identify security risks and vulnerabilities

Nutan Troke and P K Pachorkar (2020): The study related that the private sector bank percentage of other income in the total income is higher than public sector banks. Public sector bank depends on intent income for their efficiency and performance. The operational efficiency of private sector banks is better than public sector banks. Private sector bank uses the quality of their asset better than public sector banks.

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Ravinder Kaur (May 2016): A comparative study of SBI and ICICI Bank, the author has written an International Multidisciplinary Research Journal. Due to globalization, the banking sector has developed a lot. The banking sector in India has a very large network. One of the popular banks is the State Bank of India. The SBI has over 16,000 branches over a wide range of banking. The main objective of the study is to examine the financial performance of SBI and ICICI Bank. SBI is a public-sector bank and ICICI Bank is a private-sector bank. Ratio analysis was applied to analyze and compare the trends in the banking business and financial performance.

5. RESEARCH METHODOLOGY

“A comprehensive investigation or exploration; especially through the search for new facts in any branch of knowledge is called as research. It is a systemized effort to gain more knowledge.” For every comprehensive research a proper research methodology is indispensable it has to be properly conceived. The methodology is followed. The research design refers to the pre- planning of what a researcher does in his study. The design adopted in the study comes under exploratory and evaluator research since the data collected from the financial statement of the company is analyzed under various financial and tactical tools.

6. DATA ANALYSIS

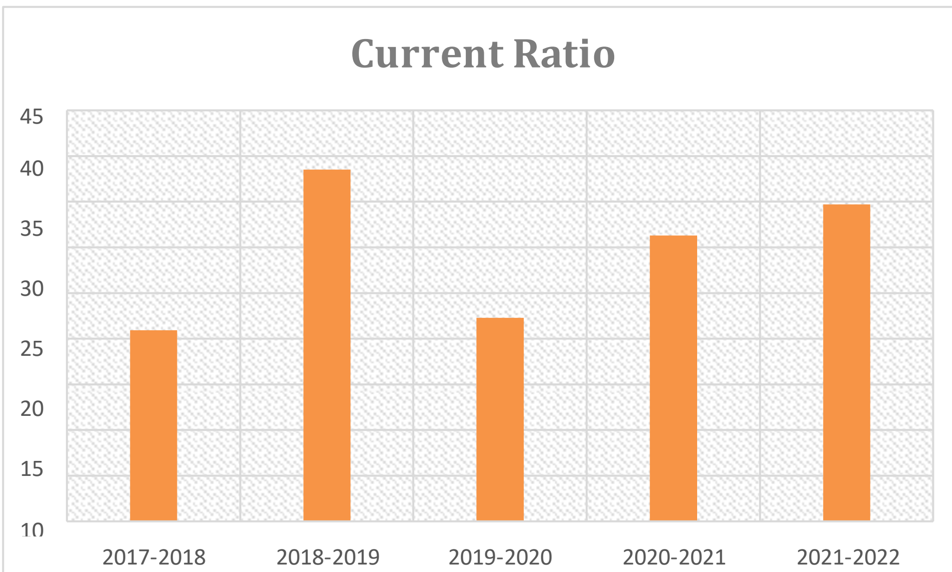
CURRENT RATIO

One of the liquidity ratios is the current ratio. This ratio assesses the firm’s ability to meet its current liabilities. This

ratio explains the relationship between a firm's current assets and current liabilities.
Current ratio = Current Asset / Current liabilitie

Table showing the Current Ratio

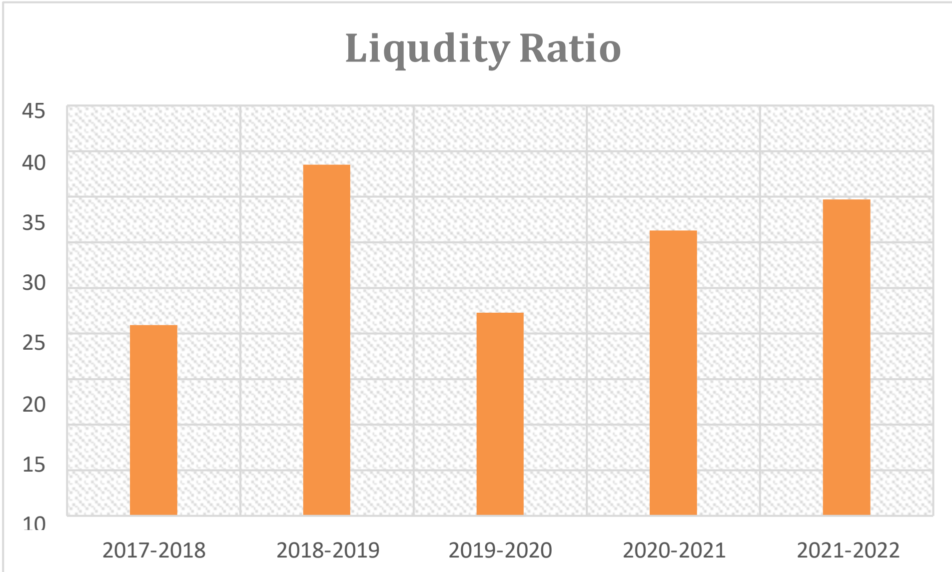
Financial year	Current assets (Rs in lakhs)	Current liabilities (Rs inlakhs)	Current ratio
2017-2018	18955	9489	2.0
2018-2019	28897	12077	2.4
2019-2020	29619	11614	2.6
2020-2021	32730	15960	2.1
2021-2022	33610	16960	2.0



INTERPRETATION: The above table shows that the liquid ratio was 2.0 during 2018-2019. During 2019- 2020 it was increased from 2.0 to 2.4, and again it was increased from 2.4 to 2.6 in 2020- 2019. During the year of 2021-2022 again it decreased from 2.6 to 2.1. Subsequently, it was decreased from 2.1 to 2.0 in the year of 2022 -2023.

LIQUIDITY RATIO

Financial year	Liquid assets (Rs in lakhs)	Current Liabilities (Rs in lakhs)	liquid ratio
2017-2018	15891	9978	1.59
2018-2019	12500	10582	1.18
2019-2020	19250	11827	1.63
2020-2021	20508	15002	1.37
2021-2022	19650	17520	1.12

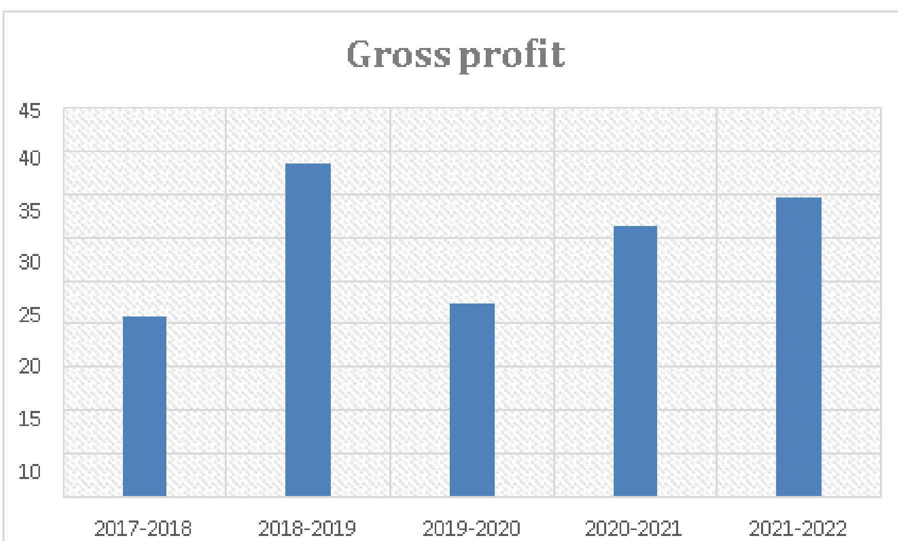


INTERPRETATION: The above table shows that the liquid ratio wad decreased from 1.59 to 1.18 during 2018-2019. Again it was increased from 1.18 to 1.63 in 2019-2020. During the year 2020-2021 against was decreased to 1.37. There was a slight deviation compared in the year 2018-2021. However, further deviation noted at in 2021-2022 at 1.12 ratio.

GROSS PROFIT RATIO

The ratio indicates the efficiency of trading activities. The relationship of gross profit ratio to sales is known as gross profit ratio. Gross profit is taken from the trading account of a business concern. Gross profit can be calculated by deducting cost of goods sold from sales. Sales means net sales.

Gross Profit Ratio= Gross Profit/Sales



Financial year	Gross profit (Rs in lakhs)	Sales (Rs inlakhs)	Gross profitRatio	%
2017-2018	1645	7859	0.209	20.9
2018-2019	5890	1529	0.385	38.5
2019-2020	3254	1458	0.223	22.3
2020-2021	7859	2508	0.313	31.3
2021-2022	9562	2759	0.347	34.7

INTERPRETATION: The above table represents that the gross profit ratio it was 0.20 during the year 2018. During the year 2018-2019, it was increased from 0.20 to 0.385, and from 2019 to 2020, it was decreased from 0.385 to 0.233. Again, it faced a steady increase from 2020 to 2021 from 0.223 to 0.313 at a 31.3% growth rate. Further, a substantial increase was observed in the fiscal quarter of 2021-2022 from 0.313 to 0.347 at 34.7% growth. Thus, the gross profit ratio it was peak high during the period 2022.

7. FINDINGS

1. The analysis reveals that the current ratio of the company was high position during 2018 2022.
2. From the given analysis the financial risk ratio of the company has been evaluated compared to the previous fiscal year's performance.
3. The debt-equity ratio of the company it shows that it was a decreased level during the period of 2020 and 2021 due to covid pandemic. However, there is a significant improvement in the debt-equity during 2021 and 2022.
4. The proprietary ratio showed a good improvement with the rise in total assets and shareholders' funds over the past five years.
5. The gross profit ratio of the firm was seen a low during 2019-2022 due to the pandemic and post-pandemic the firm growth has been seen improved and the net profit margin scaled up in 2022.

8. SUGGESTION

The assets of the company need to be increased for the financial year. The investment measures of the company have been increased year by year. So, the company needs to maintain the same position in the future. Profit should be the main focus of the company, so they need to aim to achieve their target to earn profit. The to maintain the firm in a good position. The company can speed up the collection period, through this company can get the debtor's balance immediately and it will improve the financial position.

9. CONCLUSION

Financial performance of the company it deals with financial outcome of the performance year by year. It predicts the production and productivity of the firm's. The performance of the company it include the overall operation of the firm that is the income and expenditure that have been incurred the study is to measure the fiem industries limited. The study has been undergone for the period of 5 years from 2018 to 2022 it shows that liabilities position of the firm has been balanced equal to the asset of the balance sheet they need to speed up the collection because to guess the debtor balance immediately and to improve the financial position.

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